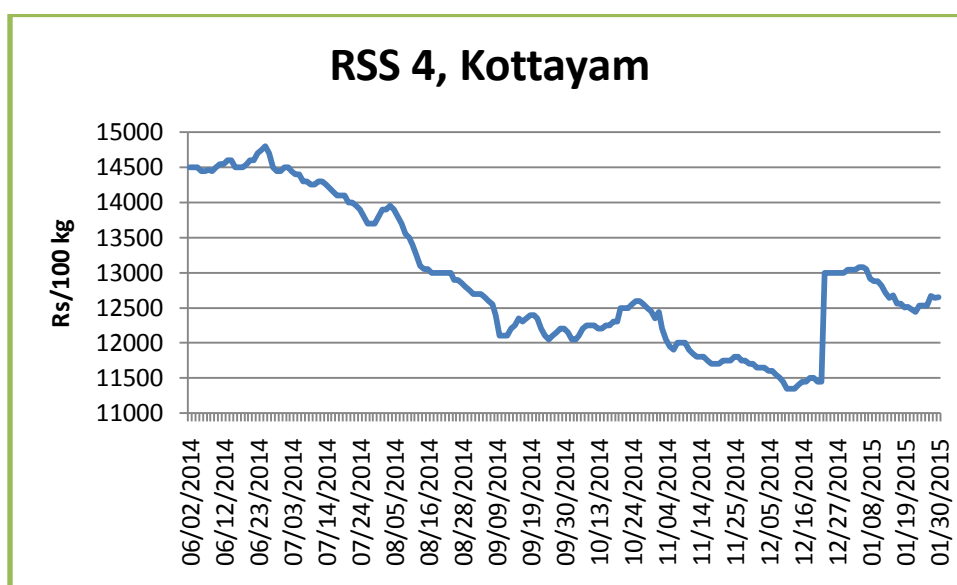


Domestic and Export Trade:

Domestic Rubber Prices

| Centers | Category | Price (Rs/100 Kg) | | Chg |
|----------|-----------------|-------------------|-----------|------|
| | | 30.1.2015 | 23.1.2015 | |
| Kottayam | RSS-4 | 12655 | 12535 | 120 |
| | RSS-5 | 11000 | 11100 | -100 |
| | ISNR-20 | 10500 | 10500 | Unch |
| | Latex (60% drc) | 7925 | 7820 | 105 |
| Cochin | RSS-4 | 12655 | 12535 | 120 |
| | RSS-5 | 11000 | 11100 | -100 |



Mixed trend featured in the domestic natural rubber (NR) in recent weeks. However, the rubber prices witnessed moderate gains which were limited by the bearish global factors, during week under review.

The domestic rubber prices are reeling under pressure and they are at multi-year lower (near 5 year low).

Sharp fall in crude in the international market, increased NR imports of above 25% in recent months, and overall rise in rubber output of 5% during the current fiscal contributed to the bears in the NR.

India's natural rubber imports in December increased 8% from a year earlier to 29,728 tonnes as a drop in production pushed the tyre manufactures to increase imports, stated the Rubber Board of India.

India's production in December month fell 36% on year to 63,000 tonnes, while consumption rose 1.4% to 83,500 tonnes.

Coming to synthetic rubber (SR), India's production increased by 39.7% to 76,932 tonnes during the second half of 2014-15 and the consumption went up during the period by 9.9% to 265,320 tonnes, again signaling bears to the rubber prices. Further, weakness in crude oil which is now above US \$ 50/barrel – WTI NYMEX, means lower input cost for SR.

Besides, NMCE Rubber March contract is trading down on selling pressure by the participants. The rubber in the derivative is likely to trade down during the week on selling pressure.

The futures prices are currently ruling at Rs. 11841 per quintal, the prices tested around Rs. 12989 per quintal during the first week of January, since then the prices continued to fall at the NMCE March contract.

Currently, the international NR prices are ruling lower than the domestic prices. Our calculation below reveals that there is parity in imports.

Lower prices of the for the domestic NR has made the growers worried of which some are looking for alternative options, like bee-keeping, coffee, cocoa and nutmeg.

Sharp fall in crude oil prices continued to contribute negative impact on the industry. Lower crude oil prices translate to cheap availability in synthetic rubber which may hurt the NR demand to some extent.

Concern over Chinese economy, volatile global stock market, weakness in benchmark Tokyo rubber futures and sharp fall in crude oil prices will continue to weight on the NR prices in medium-term.

International Development and Impact:

International Rubber Prices

| Centers | Category | Price (Rs/100 Kg) | | Chg |
|--------------|-----------------|-------------------|-----------|------|
| | | 30.1.2015 | 23.1.2015 | |
| Bangkok | RSS-1 | 10764 | 10665 | 99 |
| | RSS-2 | 10651 | 10552 | 99 |
| | RSS-3 | 10547 | 10447 | 100 |
| | RSS-4 | 10491 | 10391 | 100 |
| | RSS-5 | 10406 | 10305 | 101 |
| | SMR-20 | - | - | - |
| | Latex (60% drc) | - | - | - |
| Kuala Lumpur | RSS-1 | - | - | - |
| | SMR-20 | 8515 | 8674 | -159 |
| | Latex (60% drc) | 6199 | 6466 | -267 |

The International prices inched-up once again on multiple factors during the week in review. This is for the second time which boosted after second half of December'14 followed by rain and flood concern in peninsular Malaysia and Southern part of Thailand.

The gains are supported by the spurt in NR prices at benchmark TOCOM which have rebound from 2-week low with the reports in Japan's rubber inventories.

In the major events, the crude rubber inventories at Japanese ports is reported at 12,976 tonnes as of Jan. 20 which is down 0.5% from 10 days earlier, figures released by the Rubber Trade Association of Japan.

Spurt in crude oil this week supported the gains.

Besides, concerns on supply tightness in key rubber producing countries, which were heading into the dry wintering season in the coming months remained a bullish factor.

However, the global NR prices are still low there is a steep fall in the prices during the year 2014. Benchmark TOCOM rubber futures has already marked a seven year low followed by weaker-than-expected macroeconomic data from China.

The rubber prices are competitive at the international market as compared to the Indian.

The major producers Thailand, Malaysia and Indonesia are meeting over low rubber price.

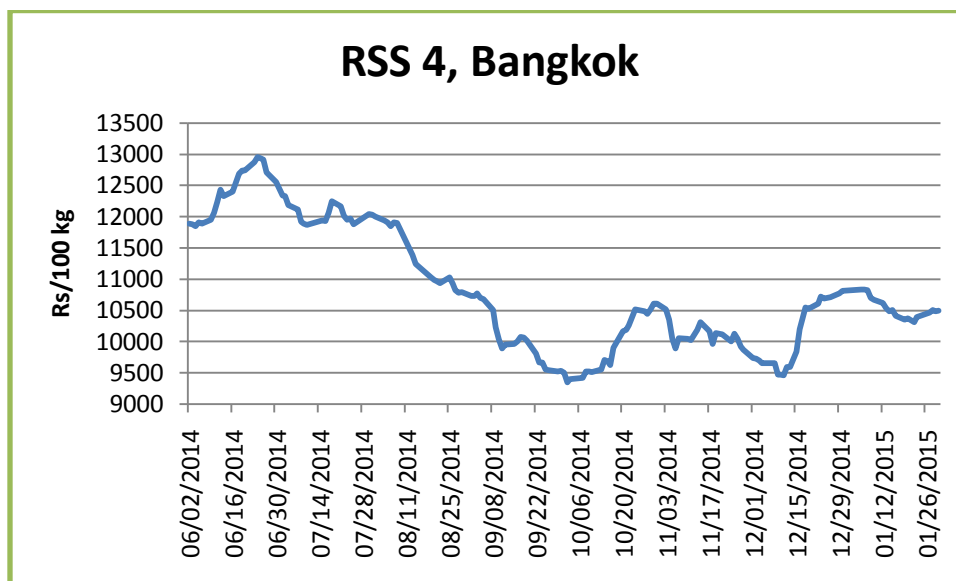
The Malaysian Rubber Board is positive and foresees brighter prospects in NR expecting fresh Chinese demand for the commodity in 2015.

The board has also forecast that demand in NR is expected to exceed the world's supply helped in part by measures being taken by the International Tripartite Rubber Council consisting of Malaysia, Thailand and Indonesia to curb the fall in the commodities prices.

Continued fall in crude oil prices, stronger yen against the dollar, volatile global stock markets will be the key factors which will influence the global rubber market in atleast in short-term.

The global rubber markets will be mostly range-bound contributed by tight rubber supply resulted from the recent heavy floods in southern Thailand and northern Malaysia.

The rubber prices expected to remain range-bound in the coming week as traders and investors are awaiting a clearer direction of the global economy for current fiscal.



Outlook and Recommendation:

Spot: The domestic prices are likely to feature range bound tracking international market where traders are waiting for the clear direction of the global economy for current fiscal. Sharp fall in crude oil prices and bearish underlying factors will continue to limit the gains. Higher imports by India and steady demand will limit the gains. However, reduction in production by the tripartite council and signs of recovery in crude may support the upward movement in the prices in coming weeks.

Import Parity/Disparity in Rubber:

| Bhat into INR | Bangkok (FOB Price-Baht/kg) into INR | Insurance Rs/kg | Frieght in INR/kg (@USD55/tonne) | Import Duty RS/kg | Landed Cost/Kg |
|---------------|--------------------------------------|-----------------|----------------------------------|-------------------------------|----------------|
| 1.89 | 105.2 | 0.53 | 3.40 | 21.0357 | 130.14 |
| | | | | RSS 4 Price in India | 205 |
| | | | | Parity/Disparity Rs/kg | -74.77 |

FOB Bangkok (Price in Bhat/kg)

| Comparative Period | Ribbed Smoked Sheet | | | | | Standard Thai Rubber | | | | Latex |
|--------------------|-----------------------------|-------|-------|-------|-------|----------------------|-------|--------|--------|-------|
| | RSS 1 | RSS 2 | RSS 3 | RSS 4 | RSS 5 | STR 5L | STR 5 | STR 10 | STR 20 | Latex |
| | Bangkok (FOB Price-Baht/Kg) | | | | | | | | | |
| 30/1/2015 | 57.1 | 56.5 | 55.95 | 55.65 | 55.2 | 51.5 | 49.6 | 48.9 | 48.5 | 34.55 |
| 23/1/2015 | 56.35 | 55.75 | 55.2 | 54.9 | 54.45 | 51.5 | 49.6 | 48.9 | 48.5 | 34.6 |
| 30/1/2014 | 72.65 | 72.05 | 71.5 | 71.2 | 70.75 | 68.75 | 66.85 | 66.15 | 65.75 | 46.40 |

Currency

| Currency | 30/1/2015 | 23/1/2015 |
|----------------|-----------|-----------|
| USD | 61.75 | 61.49 |
| Euro | 70.02 | 69.61 |
| Yen | 52.40 | 51.95 |
| Pound Sterling | 93.13 | 92.16 |
| Baht | 1.89 | 1.88 |

Tug of War

| Bulls | Bears |
|---|---|
| Flooding in key producing provinces in Thailand has hit the tapping and the rubber plantation. | Declining trend in crude oil prices. |
| Rubber production in February-April period will usually decline may lead to tighter supplies in the short term. | Demand concern due to disappointing set of manufacturing and economy figures from China – slowing growth. |
| Delay in the planned sales tax hike in Japan, besides ringgit strengthening against the US dollar lent support the International rubber prices. | Benchmark TOCOM rubber futures marked a seven year low amid weaker-than-expected macroeconomic data from China. |
| Rubber prices from Tokyo to Thailand and Singapore have rebounded after touching their lowest levels in more than five years in October as producer groups pledged to refrain from selling below \$1.50 a kilogram. | Stronger Yen against the dollar. |
| Concerns on supply tightness in key rubber producing countries, which were heading into the dry wintering season. | Volatile global market. |
| The rubber council (International Tripartite Rubber Council) had to cut the annual rubber output of each member state by 300,000 tons, to keep the prices stable. | |

RUBBER – Technical Outlook
NMCE-Futures
Technical Commentary:

- Candlestick chart pattern reveals continued selling pressure.
- In the weekly chart, prices closed below 9-day and 18-day EMA, indicating weak tone in near-term.
- MACD is easing in negative territory.
- RSI and stochastic are falling in neutral zone, indicating further fall.

The rubber prices are likely to ease during the week.


Strategy: Sell on rise.

| Intraday Supports & Resistances | | | S1 | S2 | PCP | R1 | R2 |
|---------------------------------|------|-----|-------------|-------------|-------|-------|-------|
| Rubber | NMCE | Mar | 11580 | 11000 | 11910 | 12260 | 12560 |
| Intraday Trade Call | | | Call | Entry | T1 | T2 | SL |
| Rubber | NMCE | Mar | SELL | Below 11900 | 11700 | 11600 | 12020 |

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