

Weekly Natural Rubber Price Outlook and Strategy

Decision enabling market analysis & price outlook



Report for week beginning 21 Aug 2017

GLOBAL MARKETS

Global Natural Rubber Price Outlook Summary

	STR 20 Bangkok USc/Kg	RSS3 FOB Bangkok THB/Kg	SIR 20 Indonesia USc/Kg	SMR 20 Malaysia USc/Kg	RSS3 TOCOM Jan'18 JPY/Kg	RSS3 SHFE Sep'17 CNY/MT
18 Aug 2017						
Closing Prices	163	184	161	154	217	13250
Change from 4 Aug 2017	1	0	-2	-3	2.9	60

Fundamental Summary

Critical Price drivers	Price Direction
Rising supplies in the market	Downward
Positive demand outlook from China	Upward
Thailand government measures and fresh speculations about export curbs	Upward
Higher SHFE NR inventories	Downward

Price Outlook Summary

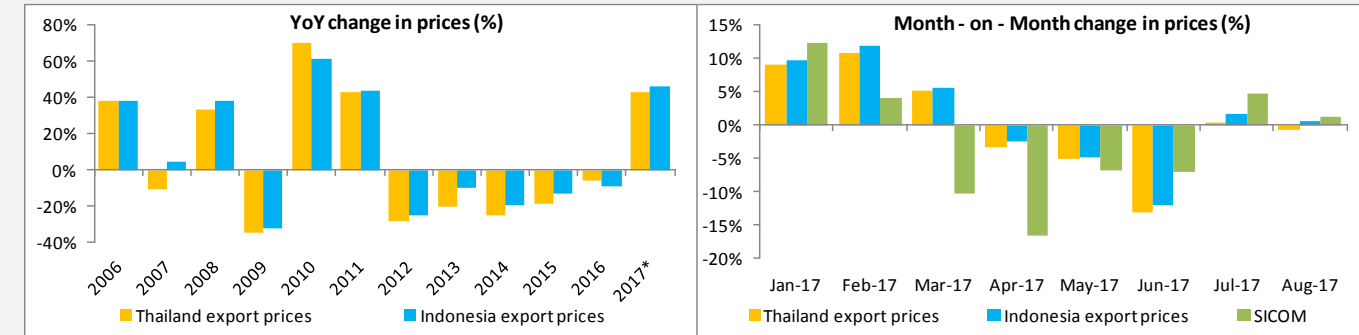
STR 20 Bangkok		RSS3 FOB Bangkok	
Prices are likely to consolidate in the zone of USc 145 to USc 170.		Prices are likely to find support at THB 55 and trade higher towards THB 70.	
0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months

Direction: 145-160 (STR 20 Bangkok), 145-170 (RSS3 FOB Bangkok), 55-65, 55-70

Price Range: Mixed, Mixed, Mixed, Mixed

Fundamental Analysis: Global Markets

❖ Global NR prices traded on a mixed note during the last week amid mixed trend in futures prices and lack of fresh cues in spot markets. Overall, concerns regarding the supply surplus building due to higher production in Thailand and Indonesia continued to suppress prices while positive demand expectations remained supportive for prices keeping price trade in a limited range.



Currency impact on local NR prices:

❖ NR prices have been quite volatile since last December to June, rising sharply to multi year lows and falling rapidly till the end of June amid floods situation in Thailand and recovery in supplies.

❖ Further, in terms of local currency realization for the Thailand and Indonesia rubber producers during the few months of downward trend in the prices, due to the depreciation in Indonesian Ringgit against Dollar, price decline has been slower compared to future market prices keeping rubber growers somewhat insulated from the rapid descent.

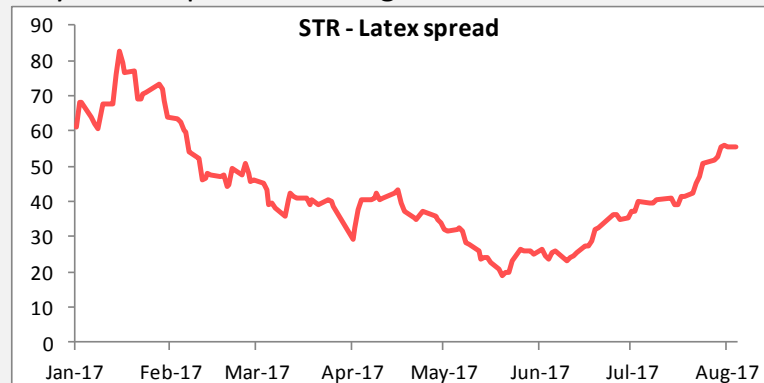
Month	USD-THB	USD-IDR	China average import prices (USD/Kg)	SICOM TSR 20 (USD/Kg)
Jan-17	35.44	13362	179	211
Feb-17	35	13335	201	220
Mar-17	34.85	13341	212	197
Apr-17	34.44	13299	208	164
May-17	34.44	13320	197	153
Jun-17	33.98	13305	174	142
Jul-17	33.71	13345	176	149
Aug-17	33.25	13340	177	151

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- ❖ On the other hand, with Thai baht being relative steady during the same period, realization of NR prices in terms of local currency for the rubber producers has been more in line with the speculations in the market.
- ❖ In the historical perspective, sustained weakness in NR prices since 2012 affecting producer realizations more in Thailand than in Indonesia.
- ❖ Overall, stable trend in Thai Baht has impacted the profitability of the rubber growers more resulting in protests in the nation and demands for more government intervention. Due to the less political pressure, Indonesia is seen disinterested towards the proposed export curb measures which have been initiated by the Thailand.
- ❖ Additionally, Lack of co-operation during earlier export curbs measures to boost prices and higher supplies at the Indonesian front due to increase in production during H1 2017 is expected to be the reason Indonesia to backtrack from the deal.
- ❖ Earlier in 2016, three IRCo nations along with Vietnam had decided to cut exports during 2016 by 615,000 tons but failure of compliance with export reduction targets by Thailand and Vietnam had failed to support prices during the last year.
- ❖ However, Thailand failed to comply with the export cuts as the total export volumes increased to 3.88 million tons in 2016 from 3.75 million tons during 2015 while Indonesia cut its exports during Mar to Aug period resulting total exports during 2016 declining to 3.11 million tons compared to 3.15 million tons in 2015.
- ❖ Seasonality of spread between Thailand standard rubber and Latex prices is seen to bottom out during July and starts to expand in the coming months. Seasonally, Latex prices move on a more firm note during first half of the year compared to TSR grade rubber due to the low yields in the dry wintering season.
- ❖ While the TSR grade prices gradually move lower seasonally after May, this year due to the high volatility they have sunk more than the seasonal trend and are seen stabilizing due to overall stock depletion.
- ❖ Going ahead, with spread expected



to expand further following the seasonal pattern, relative strength in TSR grade prices is likely to be more in comparison with Latex prices.

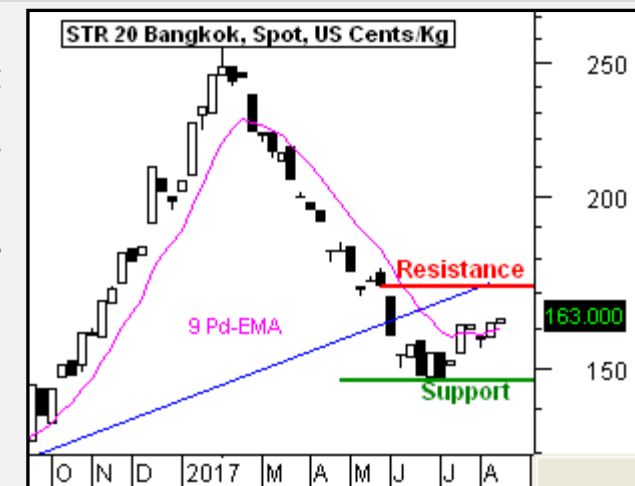
Procurement Strategy: STR 20 Bangkok

STR 20 Bangkok Spot Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Strategy Review	1 Aug 2017	31 Aug 2017	159.40	Yet to be Priced	
	cover 75% at current levels				
Closed Positions Audit	Jul'17 buying requirement was covered at an average price of 154.75				
	Market	Period	Procurement savings % (Bettering the market average)		
	Bangkok TSR 20 Spot USc/Kg	2009 to Till Date	2.41%		
		May 2017	-5.75%		

* Please contact Engagement manager for forward / long term buying strategies

Technical Outlook: STR 20 Bangkok USc/Kg

- ❖ Global Natural Rubber (STR20) prices are seen consolidating around short term moving average keeping the sideways bias intact.
- ❖ Prices have corrected 76.4% of the 2016-17 bull market and consolidating above the same.
- ❖ At momentum front oscillators like RSI (14) is turning positive from the oversold region supporting the corrective bias.



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- ❖ Going ahead prices are likely to test resistance at USc 165-170 and consolidate.
- Concisely, STR 20 Bangkok prices are likely to consolidate in the zone of USc 155 to USc 170 in the coming weeks.**

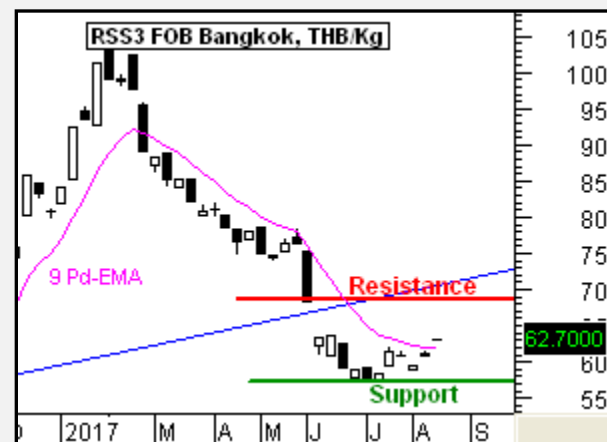
Procurement Strategy: RSS 3 Bangkok

RSS3 Bangkok Spot Procurement Strategy for spot month*					
	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Open Position	1 Aug 2017	31 Aug 2017	60.60	Yet to be Priced	
	cover 75% at current levels				
Strategy Review	July'17 buying requirement was covered at 59.40				
	Market	Period	Procurement savings % (Bettering the market average)		
Closed Positions Audit	Bangkok RSS 3 Spot THB/Kg	2009 to Till Date May 2017	3.33% -4.35%		

* Please contact Engagement manager for forward / long term buying strategies

Technical Outlook: RSS3 Bangkok THB/Kg

- ❖ RSS3 Bangkok prices are seen consolidating after finding the support at THB 57.
- ❖ The steep fall from THB 104 has corrected 76.4% of the prior bull trend.
- ❖ Momentum oscillator like RSI (14) and stochastic (14/3/3) oscillating in deep oversold region suggesting price recovery.



- ❖ Going ahead prices are likely to hold above support at THB 55 and witness corrective gains.
- ❖ While prices breaching below THB 55 would open the chances of testing THB 45.

Concisely, RSS3 Bangkok prices are likely to find support at THB 55 and trade higher towards THB 70 in the coming weeks.

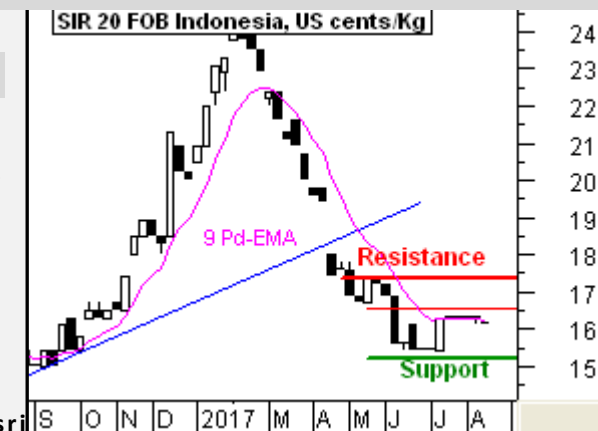
Procurement Strategy: SIR 20 Indonesia

SIR 20 Indonesia Spot Procurement Strategy for spot month*					
	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Open Position	1 Aug 2017	31 Aug 2017	162.30	Yet to be Priced	
	cover 75% at current levels				
Strategy Review	July'17 buying requirement was covered at 158.50.				
	Market	Period	Procurement savings % (Bettering the market average)		
Closed Positions Audit	Indonesia SIR 20 Spot USc/Kg	2009 to Till Date May 2017	-0.39% 1.20%		

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Technical Outlook: SIR 20 Indonesia USc/Kg

Prices are likely to consolidate in the zone of USc 155 to 175 in the coming weeks.



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Procurement Strategy: SMR 20 Malaysia

SMR 20 Malaysia Spot Procurement Strategy for spot month*

	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Open Position	1 Aug 2017	31 Aug 2017	151.30	Yet to be Priced	
	cover 75% at current levels				
Strategy Review	July'17 buying requirement was covered at 152.50.				
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		
	Malaysia SMR 20 Spot USc/Kg	2009 to Till Date May 2017	3.19% -3.99%		

* Please contact Engagement manager for forward / long term buying strategies

Procurement Strategy: Latex Bangkok

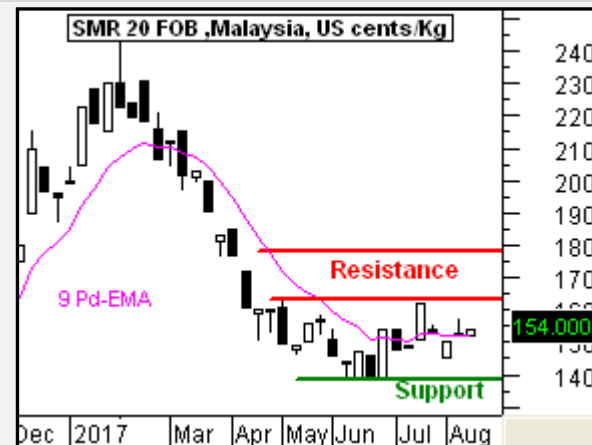
Latex Bangkok Spot Procurement Strategy for spot month*

	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
Open Position	1 Aug 2017	31 Aug 2017	39.89	Yet to be Priced	
	cover 75% at current levels				
Strategy Review					
Closed Positions Audit	Market	Period	Procurement savings % (Bettering the market average)		

* Please contact Engagement manager for forward / long term buying strategies

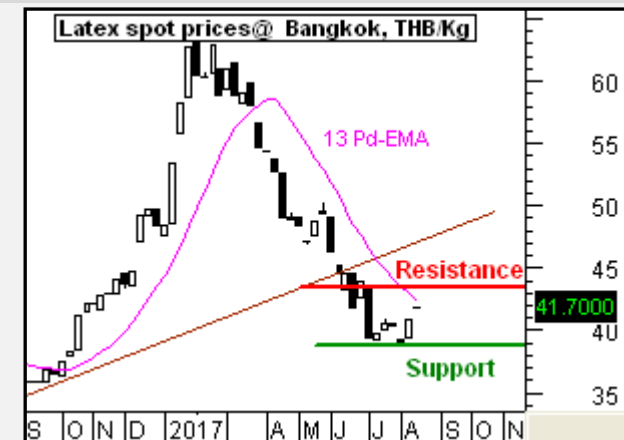
Technical Outlook: SMR 20 Malaysia USc/Kg

Prices are likely to consolidate in the zone of USc 140 to 165 in the coming weeks.



Technical Outlook: Latex Bangkok THB/Kg

Prices are likely to consolidate in the zone of THB 42 to 36 in the coming weeks.



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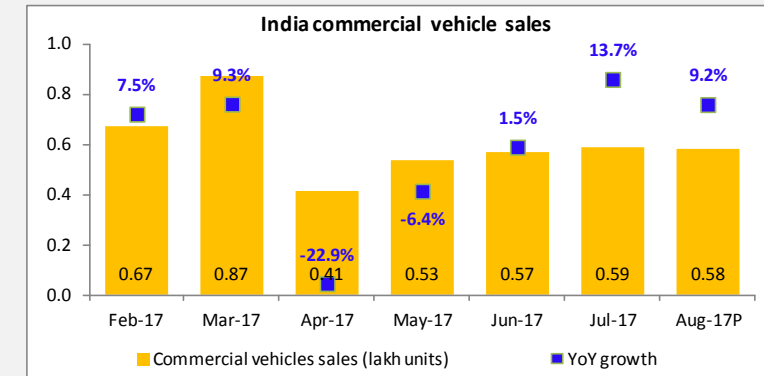
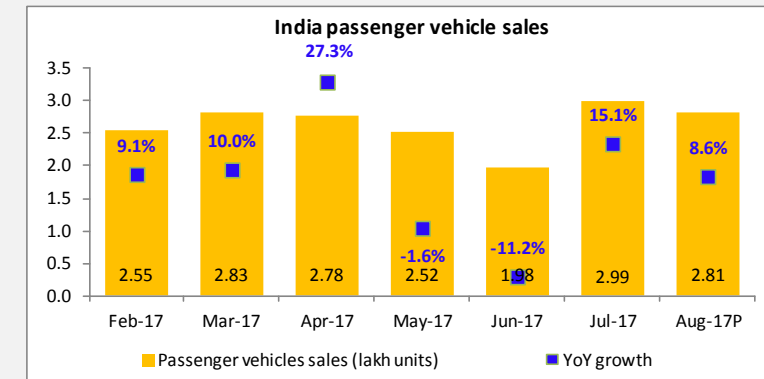
INDIAN MARKETS

Indian Natural Rubber Price Outlook Summary

16 Aug 2017	NMCE RSS4 Sep'17	RSS4 Kottayam	ISNR 20 Kottayam	Latex 60% DRC Kottayam	TSR 20 Bangkok	RSS3 FOB Bangkok
Closing Prices	INR/Kg	INR/Kg	INR/Kg	INR/Qtl	USc/Kg	THB/Kg
	12990	12900	11300	8030	163	184
Change from 04 Aug 2017	101	-200	-200	-210	1	0
Fundamental Summary	Critical Price drivers			Price Direction		
	Lower rainfall in Kerala easing conditions for higher tapping			Downward		
	Narrowing import price parity			Downward		
	Strong domestic demand aided by auto sector growth			Upward		
Recovery in international NR spot prices			Upward			
Price Outlook Summary	RSS4 Kottayam		NMCE RSS4 1M futures			
	Prices are likely to hold below INR 14000 and trade lower 12500 in the coming weeks.		Prices are likely to hold below INR 14500 and trade lower 12500 in the coming weeks.			
Timeframe	0 to 1 Month	0 to 2 Months	0 to 1 Months	0 to 2 Months		
Direction	13500-12500	13500-12000	13500-12500	13500-12000		
Price Range	Mixed	Downward	Mixed	Downward		

Fundamental Analysis: Indian Markets

- ❖ Indian NR spot prices traded in a mixed trend in the past week amid stable buying activity and improving availability in the market as the conditions have eased for tapping in the past few weeks.
- ❖ India's automobile sales witnessed sharp rebound in July after the slowdown in June as the uncertainty over the GST impact cleared resulting in manufacturers shipping more vehicles to dealers. Passenger vehicle sales have increased by 15.1% YoY to 299 thousand units, record high level sales. Also, two wheeler sales continued the strong growth trend with a growth to the tune of 13.7% YoY in July.
- ❖ Further, commercial vehicles also registered double digit growth rate as the production of BS IV norm vehicles is being ramped up. Commercial vehicle sales increased by 13.7% YoY in July compared to 51.8 thousand units sales during same month last year. Total commercial vehicle sales during Jan-July period of 2017 have increased by marginal 0.8% 426 thousand units compared 423 thousand units due to lower sales since the regulations of BS IV norms have come in to place.
- ❖ Meanwhile, commercial vehicle production during Apr – Jul period is seen to have declined by 8.6% to 455 thousand units compared to 497 thousand units produced during same months last year amid producers still struggling to catch up with BS IV norm complying vehicle production. Going ahead, gradual



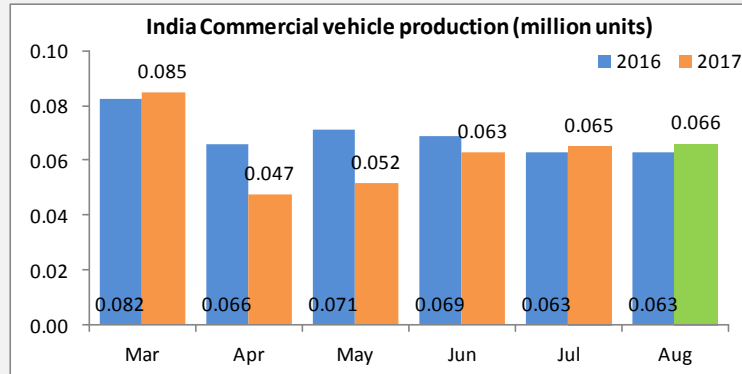
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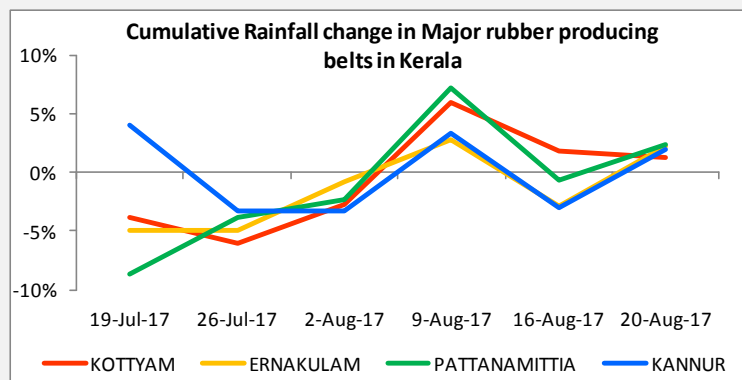
rise in commercial vehicles in order to catch up with market demand is also anticipated to boost demand in the medium term.

- ❖ Moving forward, with automobile production expected to remain higher with the manufacturers gearing up to festive season sales amid decline in vehicle prices after GST, demand from auto sector for NR is expected to remain strong, supporting the price sentiments in the medium term.
- ❖ Import parity for both sheets as well as block rubber has narrowed sharply in the past two months amid sharp decline in the international prices.



However, recent decline in domestic prices has led to import parity widening over the past two weeks

- ❖ ISNR grade rubber has widened to INR 15 per Kg from near zero parity levels with domestic prices, which considering the tightness in domestic block availability is expected to give rise to higher imports in coming weeks. Further, sheet rubber import parity also has remained stable near to near INR 14 per Kg parity levels.
- ❖ At the weather front, rainfall activity in the major rubber regions of Kerala in the 10 days has been mixed with top rubber plantations concentration region Kottayam receiving 30% more than normal rainfall, while the second largest region Ernakulam recording lower than normal rainfall. Overall, monsoon showers across the regions have improved over the past two weeks.



India's NR production in July'17 is estimated to have stood at 48 thousand tons, lower by 7.7% YoY compared to 52 thousand

tons during same month last year. However, production in July has been seen improving by 14.3% compared to 42 thousand tons in June 2017 amid lower rainfall during July giving way to increase the tapping activity.

- ❖ Going ahead, lower rainfall in the region during the peak monsoon season and expectations of gradual rainfall decline starting from September and peak production period starting from October is expected to keep the supplies higher in the medium term and keep prices under pressure in the medium term.

Procurement Strategy: RSS4 Kottayam Spot

Kottayam RSS4 Spot Procurement Strategy for spot month*					
Open Position	Pricing Window			Already Priced	
	Start	End	Avg Till Date	Weighted Average Price	Quantity
	1 Aug 2017	31 Aug 2017	13135	Yet to be Priced	
Strategy Review	Jul'17 buying requirement was covered at INR 12725.				
	Market	Period	Procurement savings % (Bettering the market average)		
	Kottayam RSS4 Spot INR/Kg	2009 to Till Date	1.46%		
Closed Positions Audit	Kottayam RSS4 Spot INR/Kg		May 2017	0.86%	
	* Please contact Engagement manager for forward / long term buying strategies				

Technical Outlook: RSS4 Kottayam Spot INR/Qtl

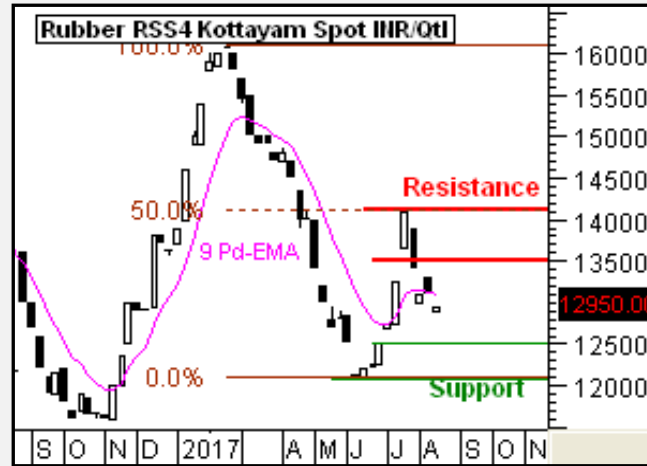
- ❖ RSS4 Kottayam, prices have turned lower after testing resistance at 14000 and closed at INR 13600 in the last week.

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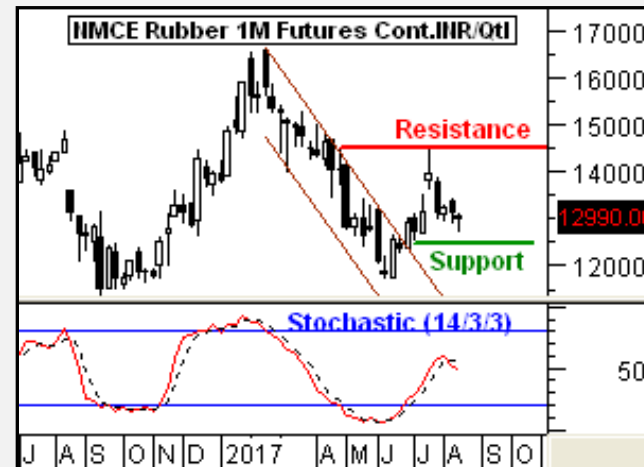
- ❖ Prices have recovered sharply from INR 12100 and seen holding above short term moving averages suggesting that momentum has turned positive.
- ❖ On the weekly technical setup, Stochastic (14/3/3) and RSI (14Pd) are seen approaching overbought region supporting corrective bias.
- ❖ On the higher side INR 14000 acts as an immediate resistance followed INR 15000.
- ❖ On the lower side support is placed at INR 13100 acts as an immediate support followed by INR 12000.



Indian RSS4 prices are likely to hold below INR 14000 and trade lower 12500 in the coming weeks.

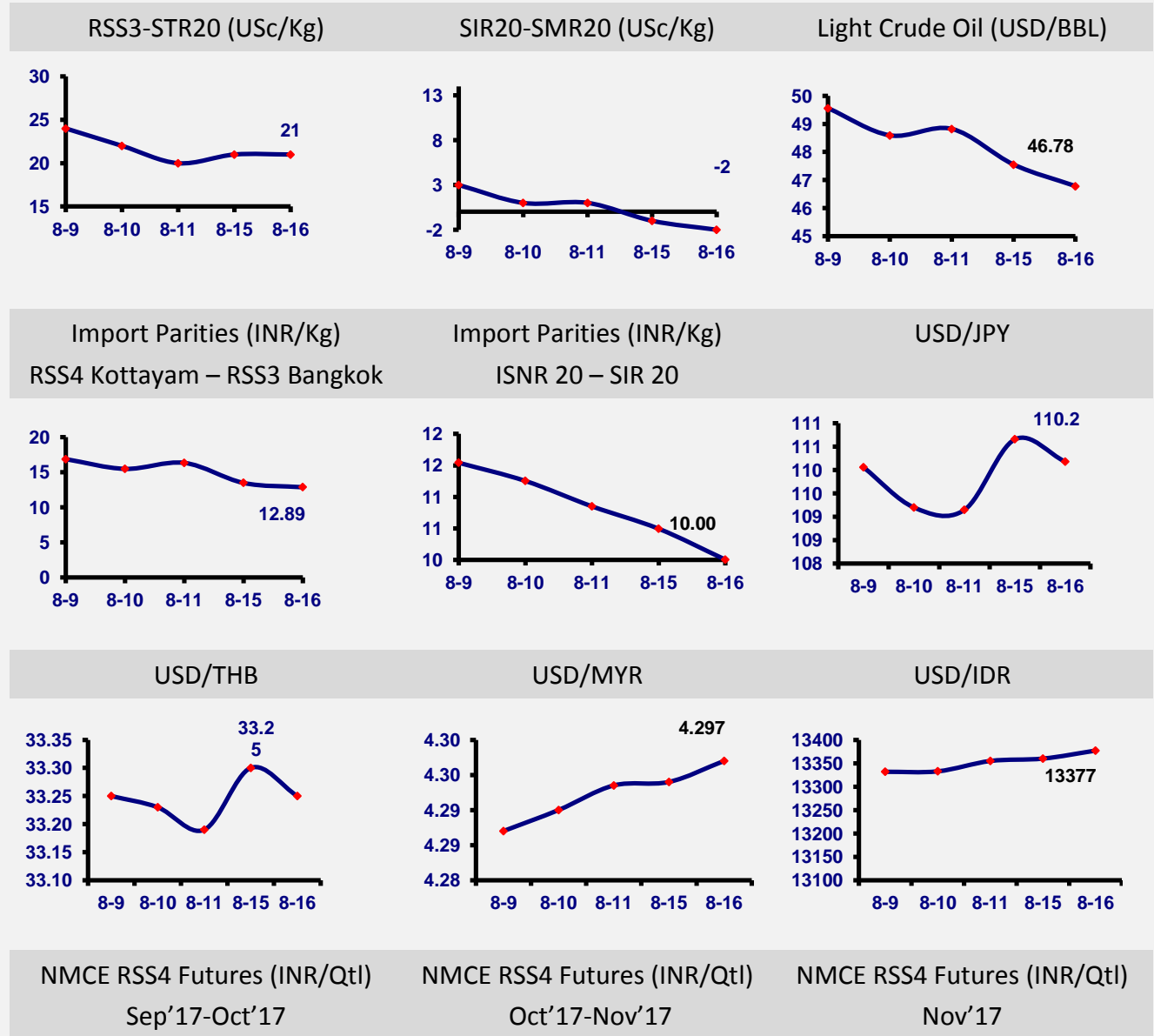
Technical Outlook: NMCE Rubber Aug'17 INR/Qtl

- ❖ Indian NR prices have turned lower sharply after finding resistance at INR 14500 turning the momentum to negative.
- ❖ On the weekly technical setup, Stochastic (14/3/3) and RSI (14Pd) are seen at equilibrium region suggesting corrective bias.
- ❖ Hence, prices are likely to hold below resistance at INR 14500 and turn lower towards INR 12500.
- ❖ On the higher side resistance is placed at INR 14000 followed by INR 15000.
- ❖ On the lower side support is placed at INR 12500 acts as an immediate support followed by INR 11700.



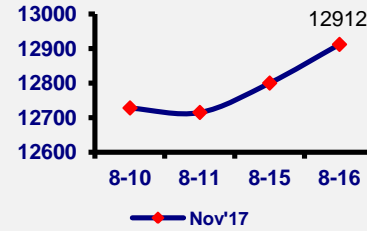
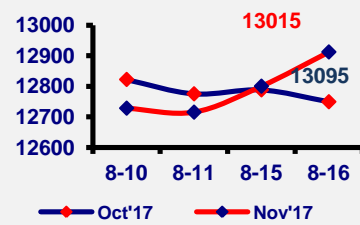
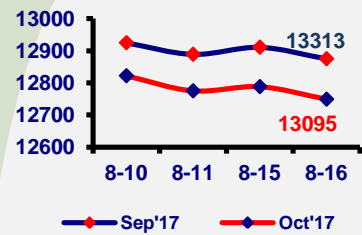
Prices are likely to hold below INR 14000 and trade lower 12500 in the coming weeks.

Mini Charts



Weekly Natural Rubber Price Outlook and Strategy

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Market Prices

Market	Commodity	16 Aug 2017	10 Aug 2017	Change	% Change
Bangkok	RSS 3 THB/Kg	184	184	0	0.00%
Bangkok	STR 20 USc/Kg	163	162	1	0.62%
Indonesia	SIR 20 USc/Kg	161	163	-2	-1.23%
Malaysia	SMR 20 USc/Kg	154	157	-3	-1.91%
Kottayam, India	RSS 4 INR/Qtl	12900	13100	-200	-1.53%
Kottayam, India	RSS 5 INR/Qtl	12400	12600	-200	-1.59%
Kottayam, India	ISNR-20 INR/Qtl	11300	11500	-200	-1.74%
Kottayam, India	Latex (60% drc) INR/Qtl	8030	8240	-210	-2.55%

Source: (RRIT for Bangkok prices in Baht, for other global prices-Reuters), Source: (Indian prices: Rubber board)

Our Extensive coverage of Natural Rubber

Report	Coverage #	Price Outlook & Strategies
Daily Indian Natural Rubber Price Outlook and Strategy	NU, FA, TA, PO, TS, FF, MP, 5D, 2W	IN.RSS4c1.NMCE
Daily International Natural Rubber Price Outlook and	NU, FA, TA, PO, TS, FF, MP, 5D, 2W	JP.RSS3c6.TOCOM, SG.TSR20c1.SICOM

Strategy

Weekly Natural Rubber Price Outlook and Strategy NU, FA, TA, PO, PS, FF, MP, 2W, 6W TH.RSS3.SPOT, TH.TSR20.SPOT, ID.SIR20.SPOT, MY.SMR20.SPOT, IN.RSS4.SPOT

Monthly Natural Rubber special report FA, BS, TA, PO, 2M IN.RSS4.SPOT, TH.RSS3.SPOT, TH.TSR20.SPOT, JP.RSS3c6.TOCOM, SG.TSR20c1.SICOM

News Update **NU**, Fundamental Analysis **FA**, Balance Sheets **BS**, Weather Analysis **WA**, Policy Impact **PI**, Technical Analysis **TA**, Trading Strategies **TS**, Procurement Strategies **PS**, Price Outlook **PO**, Market Intelligence **MI**, Facts & Figures **FF**, Market Prices **MP**, Price Spreads **PS**, Forward Curves **FC**, Elliott Wave Analysis **EWA**, 5D, 2W, 6W, 2M, 4-6M

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