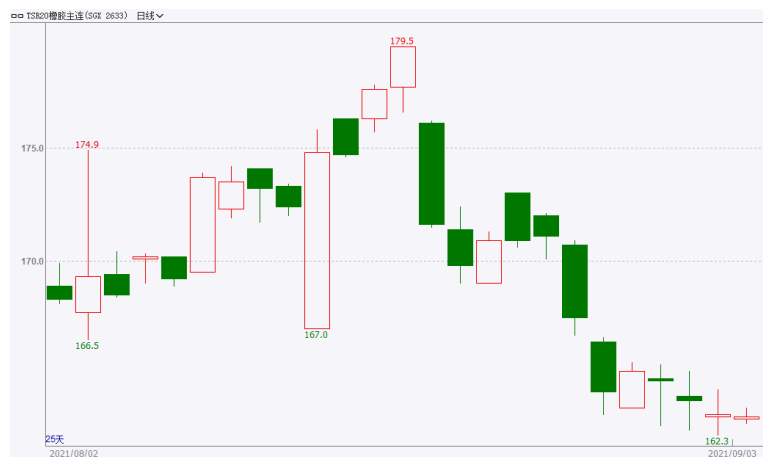


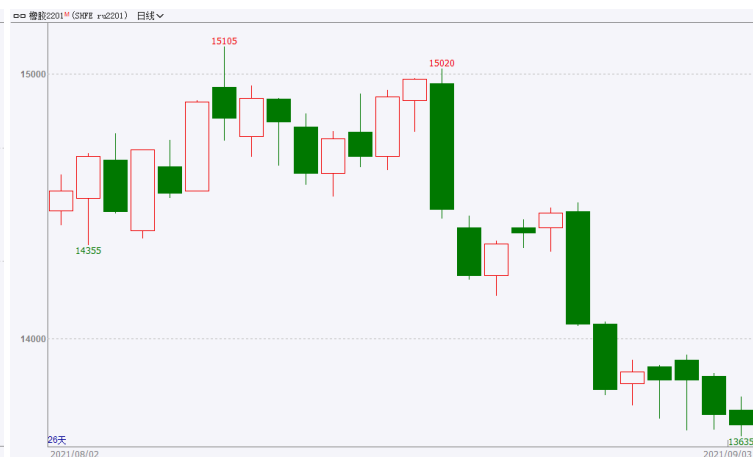
### Overview of market trends (as of 3 Sep 2021)

#### SICOM TSR20 (Active months)



Support: 160 -155.3 usc/kg  
Resistance: 179.5 – 193.5 usc/kg

#### SHFE WF (Active months)



Support: 13,695 – 13,380 CNY/mT  
Resistance: 15,105 – 15,785 CNY/mT

#### INE TSR20 (Active months)



Support: 10,500 – 10,080 CNY/mT  
Resistance: 11,890 – 13,040 CNY/mT  
Source: Wenhua Financial

#### TOCOM RSS3 (Active months)



Support: 200 – 175.1 JPY/kg  
Resistance: 232.2 – 241.3 JPY/kg

In general, the rubber price indices across different markets have displayed similar trends during the month of August, i.e. range bound in the first half of the month, and weakened during the second half of the month.

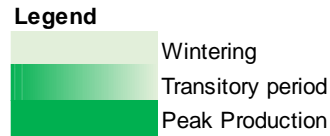
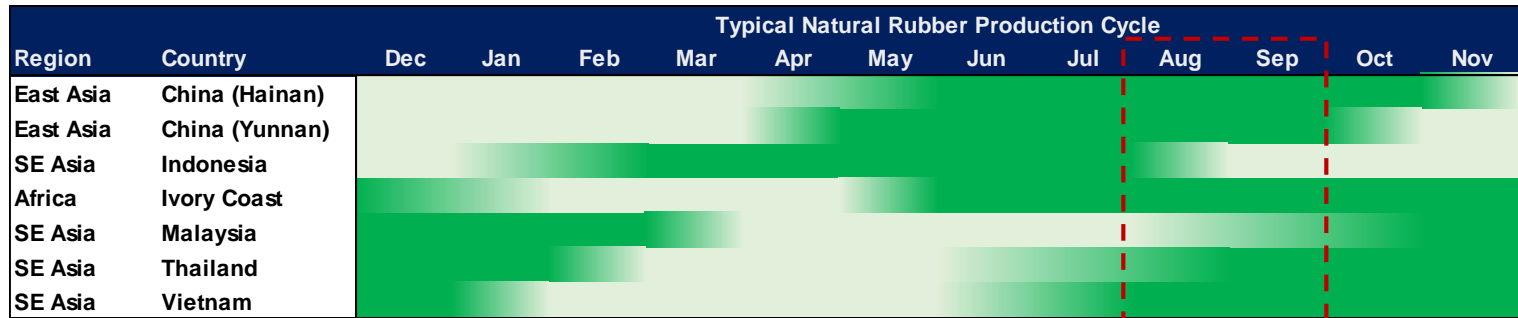
### Overview of forex trend for August 2021

August 2021 (USD equivalent)		Open	Close	Low	High	MoM change %	YTD change %	Trendline
Indonesia Rupiah	IDR	14,423	14,268	14,268	14,453	-1.1%	1.6%	
Thai Baht	THB	32.94	32.24	32.24	33.46	-2.1%	7.6%	
Chinese Renminbi	CNY	6.47	6.45	6.45	6.50	-0.2%	-0.7%	
Malaysian Ringgit	MYR	4.22	4.16	4.16	4.24	-1.6%	3.4%	
Euro	EUR	0.84	0.85	0.84	0.86	0.5%	3.4%	
Central African Franc	CFA	553	555	553	562	0.5%	3.9%	

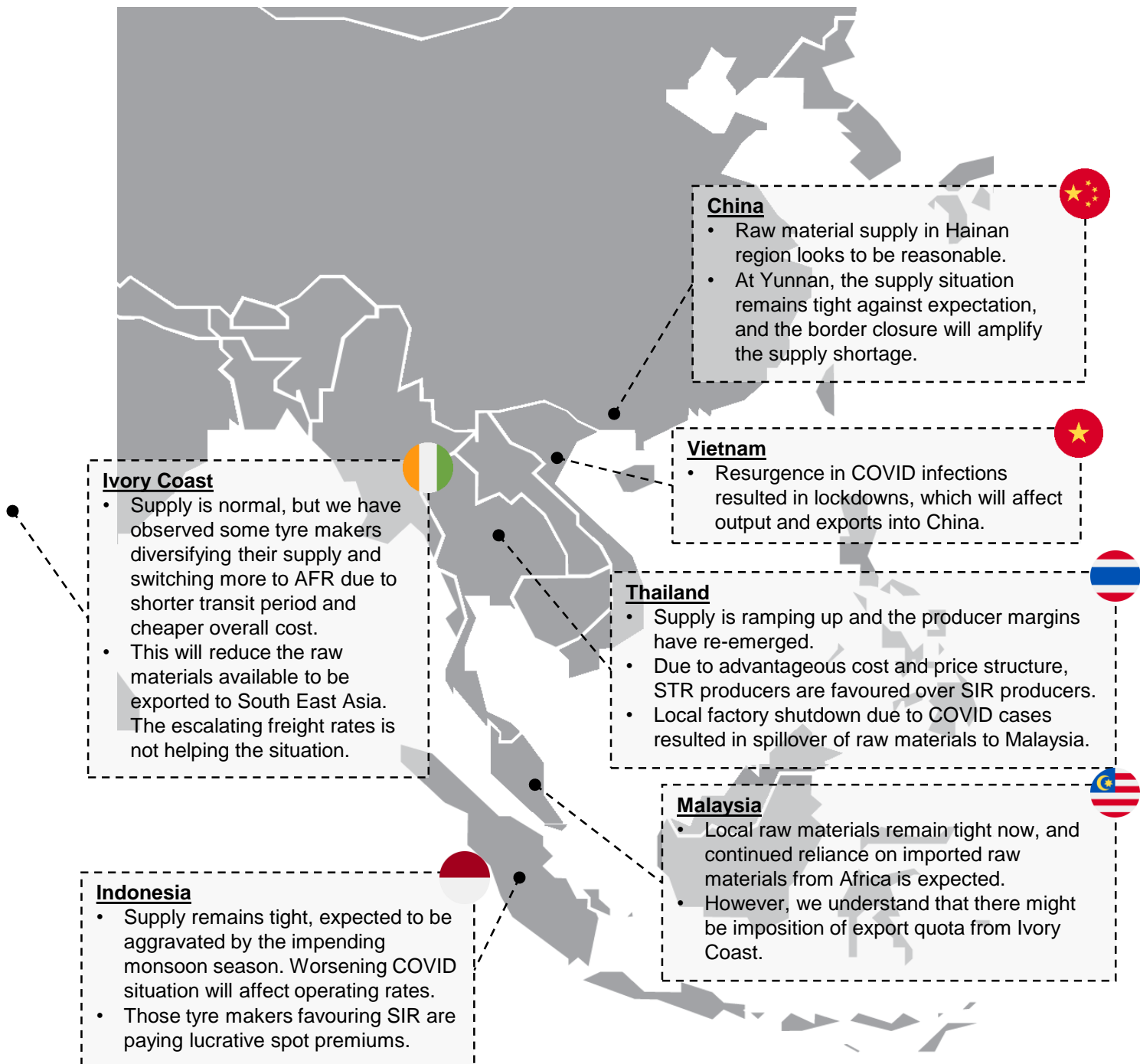
Source: Bloomberg

In general, the market has lowered expectation of rising interest rates by the Fed, which resulted in the USD weakening towards the month end.

## Overview of supply situations by key origin



Source: Company estimates



## Overview of demand situations

### International

- Robust demand continued to be observed, and tyre makers have been operating at full capacity despite the semi-conductor shortage which affected automakers' operations.
- Demand is inelastic – tyre makers raised the tyre prices to cushion the higher costs from raw materials and freight; e.g. announcements by Bridgestone, Goodyear, Michelin.
- Diversification of the tyre makers' supply from Indonesia traditionally, to Thailand and Africa, possibly due to cost factor as well as logistical convenience.
- Logistic costs remain high: Spot freight rates to the US can go as high as US\$20,000/TEU, whilst Europe US\$10,000/TEU.

### China

- Demand is normal, but not as strong.
- Logistic logjams affected the ability for the PRC tyre makers to ship their goods overseas, thereby affecting their production rates.
- The natural rubber stocks have been on downward trend since November 2020, and it appears that the local players are not in urge to replenish their stocks.
- The weakening of exports and escalating input costs have caused profit pressure on the PRC tyre makers.

Estimated natural rubber stock level in mT  
中国天胶库存水平估计 (吨)

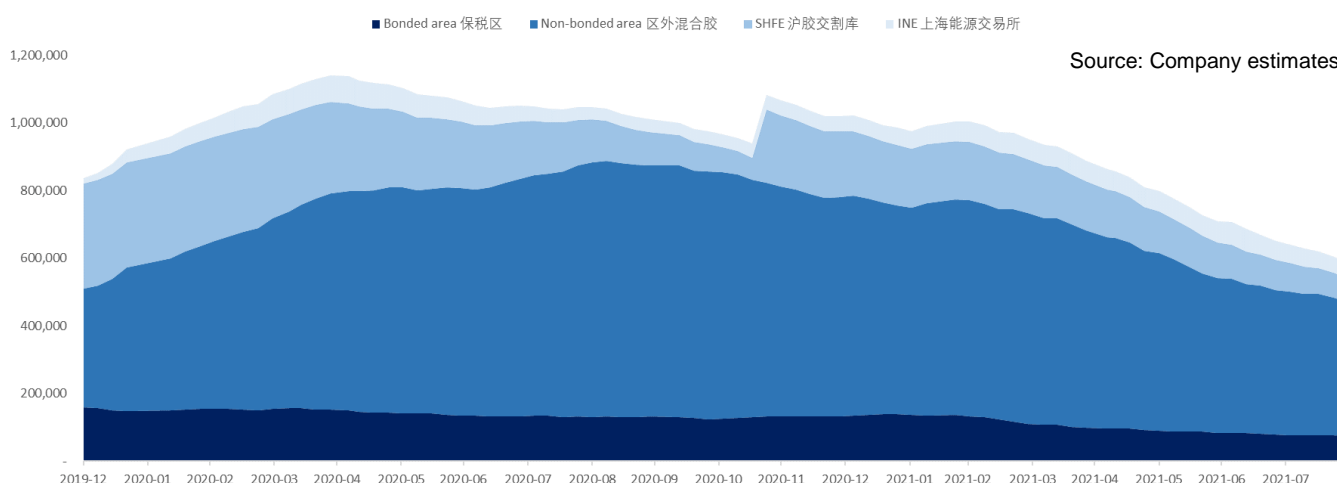


Figure: Estimated natural rubber stock levels in China

## Concluding thoughts

The raw material tightness in key origins has driven up spot prices, and the situation is expected to persist stemming from restrictive measures to curb the spread of COVID-19 and uncertain weather conditions.

On the other hand, natural rubber demand remains buoyant despite logistical and supply chain challenges. The demand strength coming from international and PRC tyre makers are different, due to the impact of the logistic logjams: international tyre makers have been paying up to secure natural rubber supply; while the PRC tyre makers' ability to ship overseas have been affected by container shortage.

The future direction of the rubber market could be determined by the following factors:

- When will the logistic situation improve, and container rates ease off, which will stimulate China's tyre export;
- Weather changes and the evolving COVID-19 situation in rubber origins – the higher prices have not stimulated a spike in raw material supply in the past few months;
  - On the above point, Thailand and Vietnam are expected to enter peak production in Q4 2021. If the supply did not emerge as expected, PRC tyre makers may be caught short as the Thai producers may have pre-sold their inventories to international tyre makers instead of China. This may aggravate the supply/demand mismatch.
- At what point China will decide to re-stock its natural rubber reserves: when inventory drops to a certain level, it will provide some upside for the natural rubber prices.

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