

Overview of market trends (as of 31 Oct 2021)

SICOM TSR20 (2201)



Support: 158.0 - 165.9 USC/KG
Resistance: 180.4 – 187.6 USC/KG

SHFE WF (2201)



Support: 13,195 – 13,635 CNY/MT
Resistance: 15,360 – 15,985 CNY/MT

INE TSR20 (2201)



Support: 10,440 – 10,805 CNY/MT
Resistance: 12,100 – 12,690 CNY/MT

Source: Wenhua Financial

TOCOM RSS3 (Active months)



Support: 193.7 – 213.9 JPY/kg
Resistance: 234.2 – 240.7 JPY/kg

Indices across different markets were on uptrend in October, with intraday prices hitting their multi-month highs on 21 October due to supply/demand mismatch attributed to an expected surge in Chinese demand to replenish its inventory stockpile in the midst of a tight raw material supply situation.

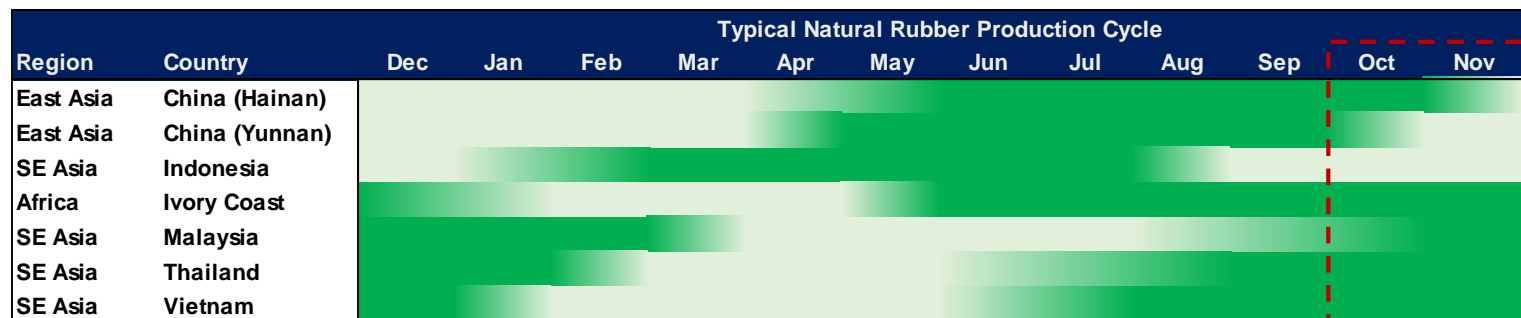
Overview of forex trends for October 2021

October 2021 (USD equivalent)	Open	Close	Low	High	MoM change %	YTD change %	Trendline
Indonesia Rupiah	14,308	14,168	14,075	14,308	-1.0%	0.8%	
Thai Baht	33.63	33.18	33.12	33.93	-1.3%	10.8%	
Chinese Renminbi	6.44	6.40	6.38	6.46	-0.5%	-1.5%	
Malaysian Ringgit	4.18	4.14	4.14	4.18	-0.9%	3.0%	
Euro	0.86	0.87	0.84	0.87	0.3%	5.7%	
Central African Franc	566	567	561	569	0.3%	6.2%	

Source: Bloomberg

USD declined against most listed currencies except for Euro and CAF in October mainly due to a rebound in appetite for riskier assets.

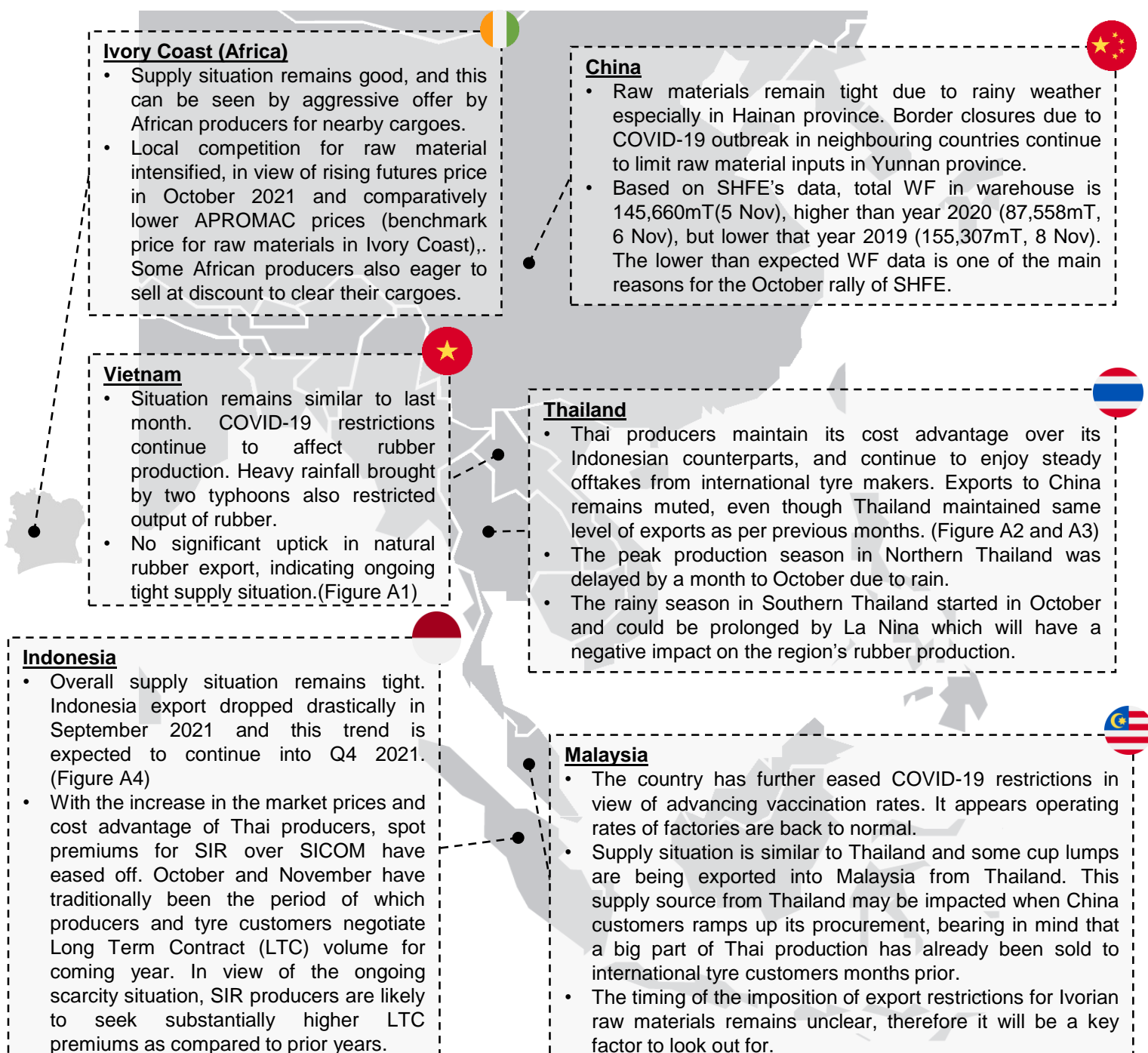
Overview of supply situation by key origins



Legend



Source: Company estimates



Overview of demand situation

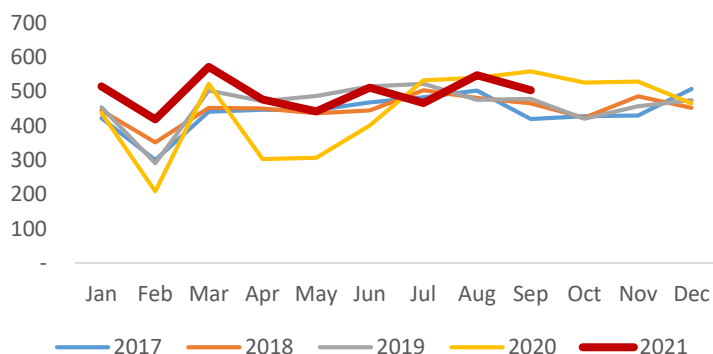
International

- Most tyre makers are optimistic on tyre demand for next year, which should support the near-term demand for natural rubber. However, the ongoing logistics issue in bringing the rubber to their factories location may affect their operating rates.
- With increasing price of raw materials and transportation costs, the increase in tyre prices may be imminent.
- Once the global logistic situation improves, and China starts clearing its delivery backlog and resuming normal export levels, the competition in destination may affect the demand for international tyre makers

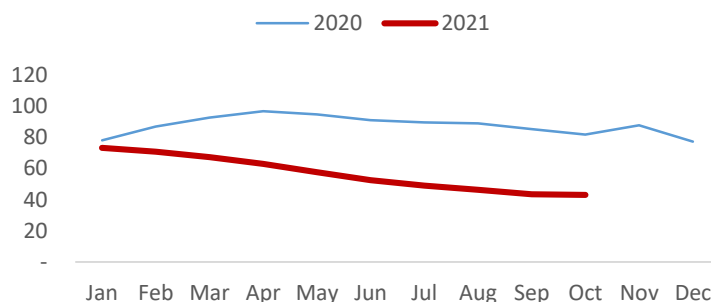
China

- There's some uptick in the operating rates of the tyre factories domestically post-holiday, in anticipation of the hike in tyre prices, it was quickly dampened by the power curbs. Tyre exports from China remains sturdy, which indicates that they continue to drawdown from their inventory stockpile for both tyres and natural rubber.
- Although SHFE deliverable stocks have increased in recent months, as certain producers accelerate the registration as warrants before the end of the year. However, overall stock situation in China remains on a declining trend. (Figures below) This might be an area to pay close attention to in near future.
- The recent rally in SHFE WF futures prices has widened the spread between SHFE WF and Mixture rubber, which attracted arbitragers to bring rubber into China to replenish the stock level. The arbitragers usually buy STR Mixture and SMR Mixture and sell into SHFE WF. As the spread narrows, the arbitragers will then liquidate their short position in futures and sell off the physical rubber to lock in profit. Figure A6 shows the spread between SHFE WF and Mixture Rubber prices.

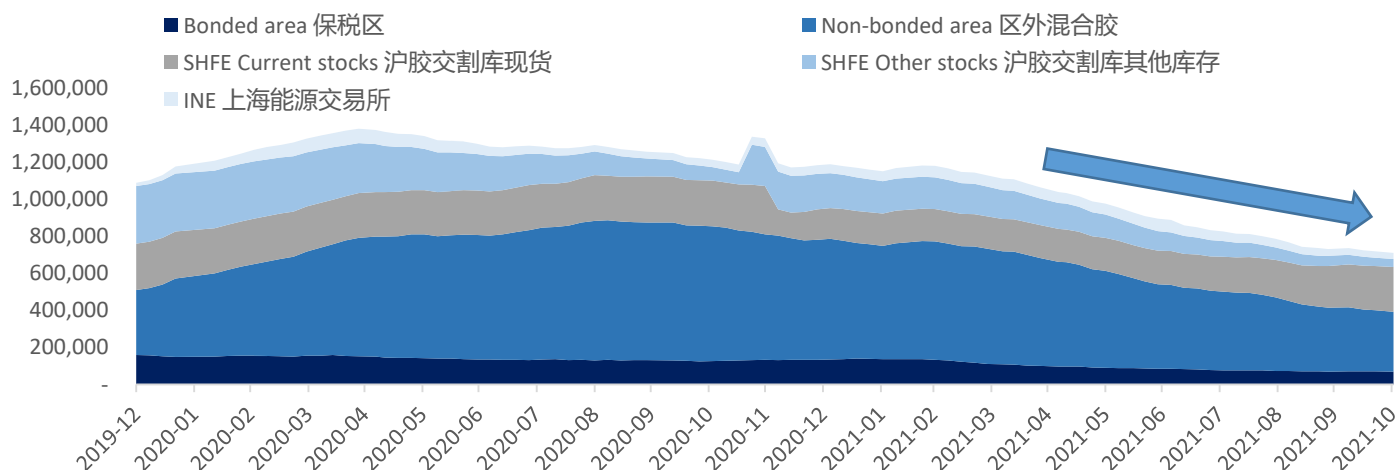
Tyre exports from China (in thousand mT)



China domestic natural rubber stock days



Estimated natural rubber stock level in mT



Source: Customs data, company estimates

Concluding thoughts

All the factors mentioned in the previous editions of Market Digest remains prevalent. The extreme weather patterns and evolving COVID-19 situation may impact the ramp up of production levels as certain regions entering seasonal peak.

From what we have been observing, the international tyre makers have continued to procure rubber aggressively ahead of the holiday season, even increasing their intake from non-traditional origins. On the other hand, Chinese tyre makers continue their procurement at a rather muted pace, presumably to run down their tyre stockpile. However, with the natural rubber stocks lasting slightly over a month now, restocking is not a question of “If?”, but rather “When?” and “Are there still rubber available when they need it?”

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Appendix

Rubber exports from Vietnam (in mT)

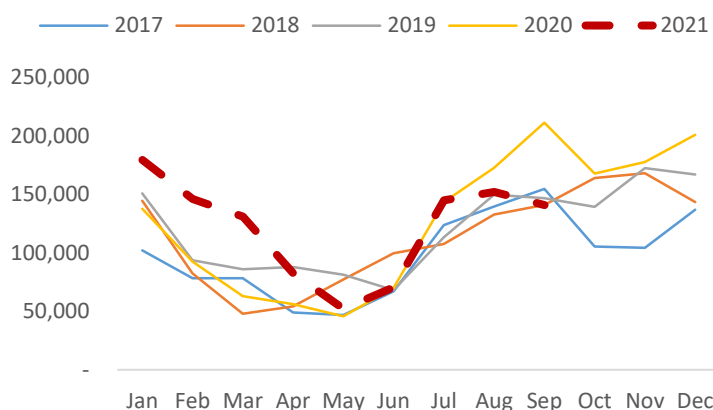


Figure A1: Vietnam rubber export overview

Thai rubber exports (in mT)

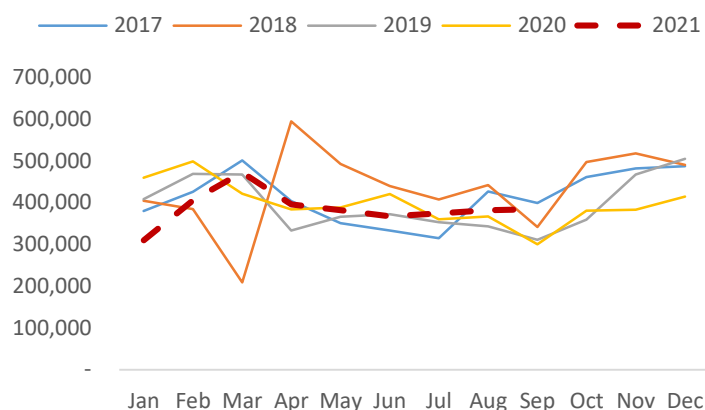


Figure A2: Thailand rubber export overview

% of Thai exports destined to China

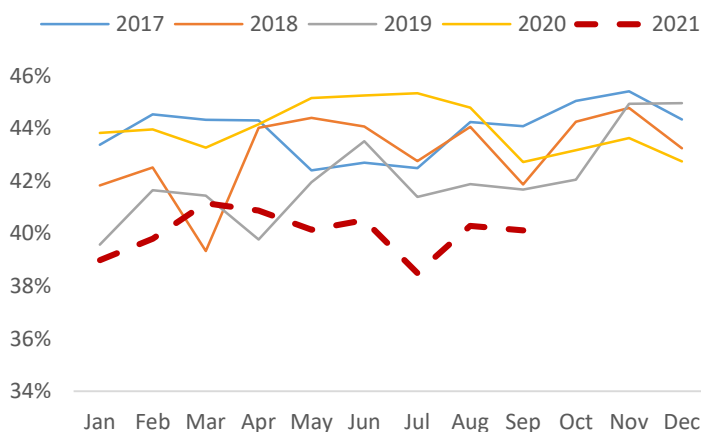


Figure A3: % of Thailand's exports destined towards China

Indonesia exports (in mT)

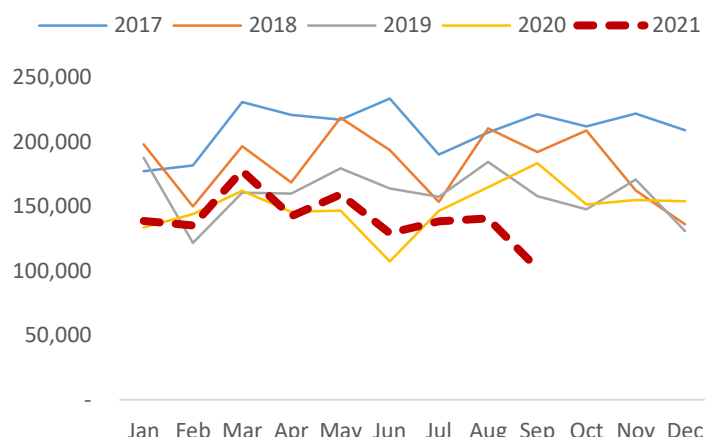


Figure A4: Indonesia rubber export overview

Global shipping indices

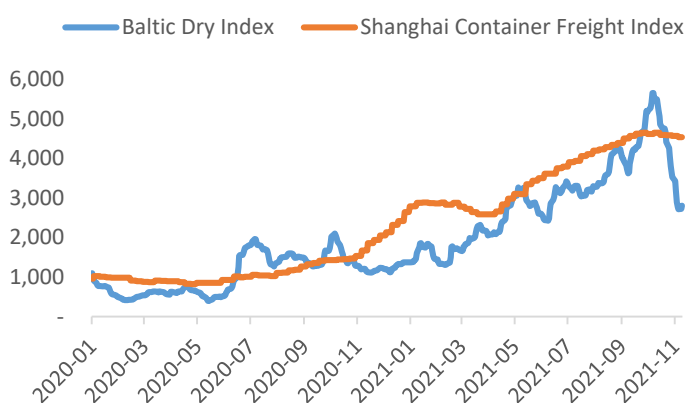


Figure A5: Global shipping indices

SHFE WF active month spread with STR Mixture (CNY per MT)

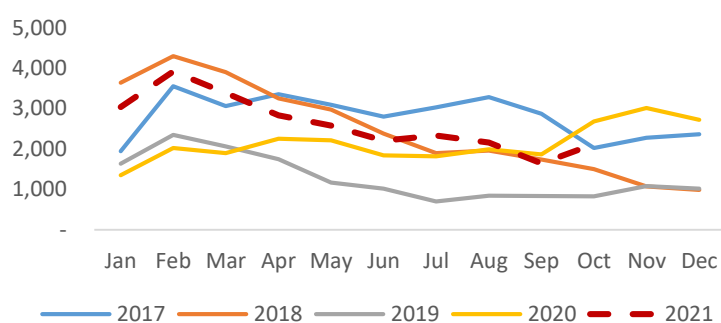


Figure A6: Spread between SHFE WF active month and mixture rubber prices (In CNY per MT)