

TSR 20 Weekly Report: Repetitive Drops in SHFE Rubber

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Market Review and Strategy

Last week has seen rubber's repetitive dips while global crude oil and stock markets plunged, and domestic auto production and sales fell over 80% year over year. However, factories gradually resumed operation and government were planning on new beneficial policies, which put support on rubber's price. In addition, PBOC's incoming rates cut and technical analysis have a bullish affect on the market. This week SHFE rubber may rebound but face resilience on 11,000~12,000.

I. Market Review

Delivery Month	Weekly Opening Price	High	Low	Weekly Close	Net Change	Open Interest	O.I Change	Weekly Settle	Volume	Turnover
Species:nr										
nr2003	8650	8900	8300	8505	-550	1712	-202	8340	466	4045.88
nr2004	8800	8995	8430	8800	-315	3741	-1397	8650	6984	60910.28
nr2005	8850	9115	8525	8950	-255	21515	2669	8720	40271	353481.16
nr2006	8940	9185	8635	9000	-310	2592	353	8825	3124	27789.47
nr2007	8900	9260	8745	9045	-410	303	176	8920	535	4839.03
nr2008	--	--	--	9070	-380	4	0	9070	0	--
nr2009	8830	8830	8830	8830	-670	5	0	8830	3	26.49
nr2011	--	--	--	9215	-205	1	0	9215	0	--
nr2012	9525	9525	9525	9590	80	2	1	9590	1	9.53
nr2101	9930	9930	9930	9930	415	4	0	9930	3	29.79
nrSubtotal		9930	8300			29879	1600		51387	451131.63
Total		--	--			132827	19270		610250	15791517.45



Chart 1-1 SHFE Rubber Active Contract Trend Analysis

Source: Wenhua, Founder Cifco

II. Highlights

Auto Factories Back on Track and Resumption Rate over 40%

According to China Automobile Association, as of March 11, the 23 enterprise groups, which were closely followed by the association (with annual sales accounted for more than 96%), had a resumption rate of 90.1% and an employee return rate of 77%. The rate of production resumption is estimated to reached 40%.

February’s Production and Sales Dropped about 80% year on year

According to the latest data from the China Automobile Association, in February, the production and sales of automobiles were 285,000 and 310,000, respectively, car production and sales fell by 83.9% month-on-month in February, down 79.8% and 79.1% year-on-year, the lowest monthly level in nearly a decade.

Among them, the decrease in passenger cars was particularly significant in February, production and sales of 195,000 and 224,000, respectively, a year-on-year decrease of 82.9% and 81.7%. From January to February, the cumulative production and sales were 1.631m and 1.831m, respectively, and the production and sales volume decreased by 48.1% and 43.6% year-on-year respectively.

In February, the production and sales of commercial vehicles were 89,000 and 86,000, respectively, -73.0% month-on-month; and -66.9% and -67.1% year-on-year respectively. From January to February, the production and sales of commercial vehicles were 417,000 and 407,000, respectively, a year-on-year decrease of 34.8% and 33.2%.

ANRPC: Global Natural Rubber Production Expected to Increase by 2.7% to 14.177 m tons in 2020

According to the latest data released by ANRPC, global natural rubber production is expected to increase by 2.7% to 14.177 m tons by 2020. From January to February 2020, the average annual output of natural rubber declined by 5.2%. In addition, the global demand for natural rubber in 2019 is expected to fall by 1.4% to 13.661 million tons. It is expected that the global demand for natural rubber in 2020 will increase by 1.2% to 13.824 million tons.

Jan and Feb have seen global natural rubber consumption dropped by 18.6% year-on-year. Given that the COVID-19 epidemic has spread to approximately 90 countries around the world, it is expected that the global economic downturn will further reduce the consumption in 2020.

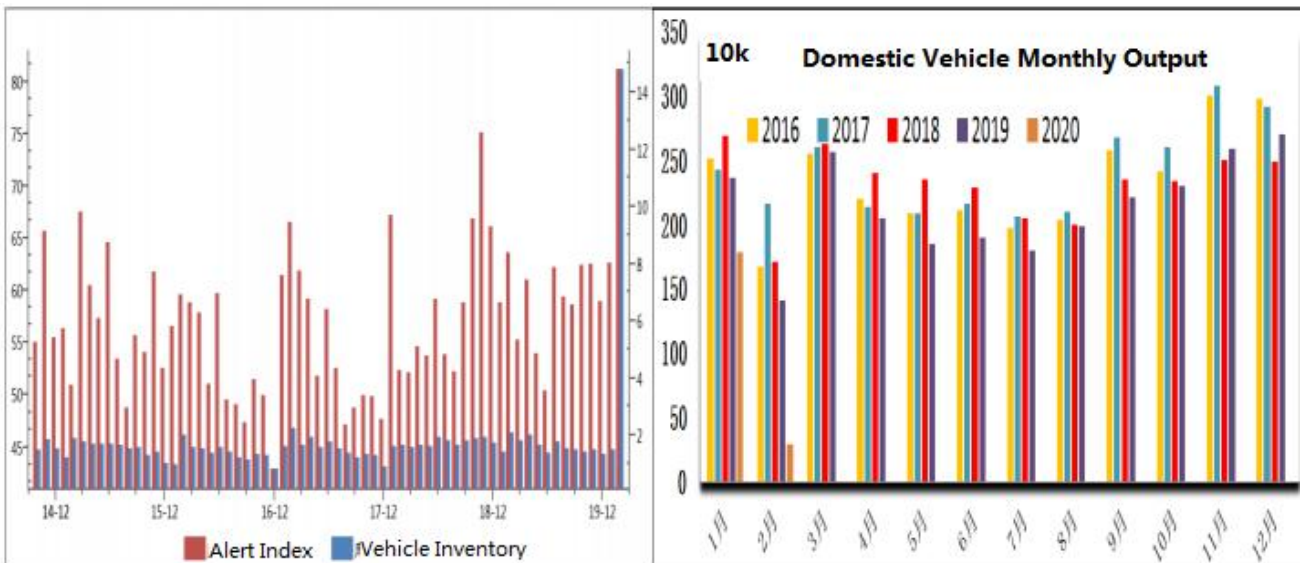


Chart 2-1 Domestic Vehicle Inventory and Alert Index

Chart 2-2 Domestic Vehicle Monthly Output

Source: Wind, Compiled by Founder Cifco

Source: CAAM, Compiled by Founder Cifco

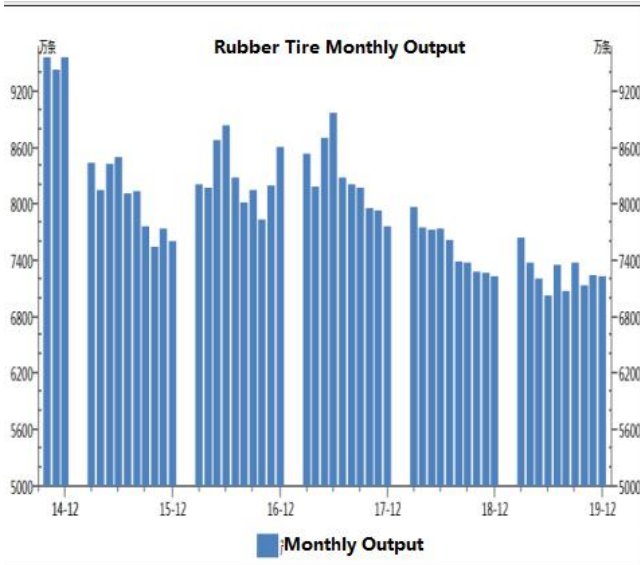


Chart 2-3 Rubber Tire Monthly Output

Source: Wind, Compiled by Founder Cifco



Chart 2-4 Steel Tire Operation Rate (Daily)

Source: Wind, Compiled by Founder Cifco

III. Spread and Basis

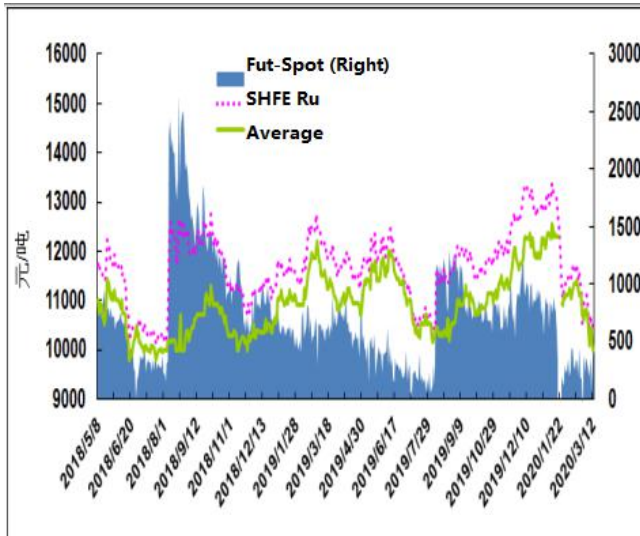


Chart 3-1 Domestic Rubber Trend

Source: Wind, Compiled by Founder Cifco

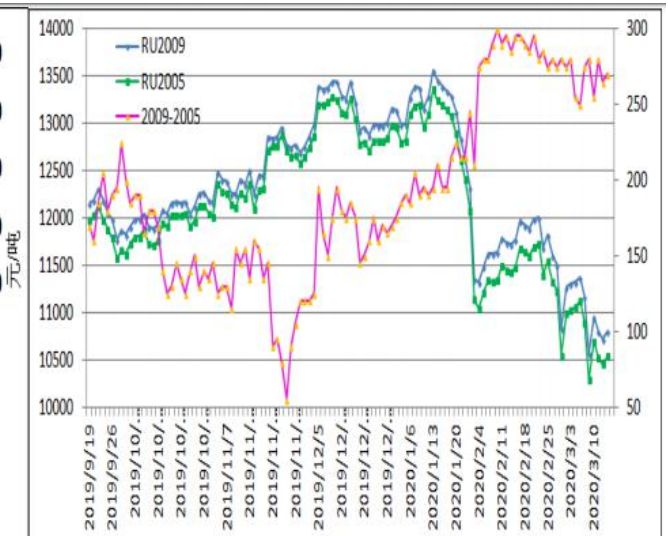


Chart 3-2 RU2009 and RU 2005

Source: SHFE, Compiled by Founder Cifco

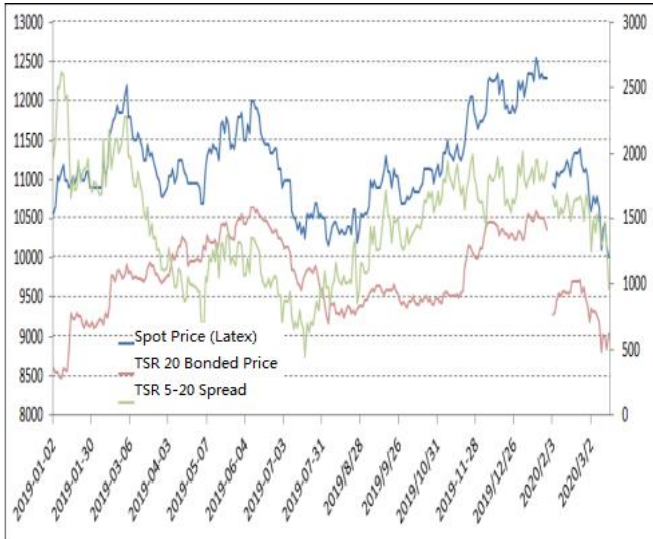


Chart 3-3 Latex and TSR20

Source: Wind, Compiled by Founder Cifco

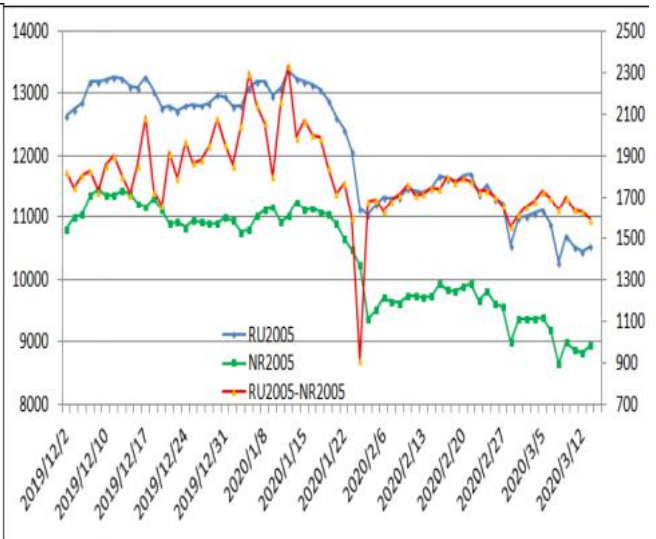


Chart 3-4 Spread of RU and NR

Source: SHFE, Compiled by Founder Cifco

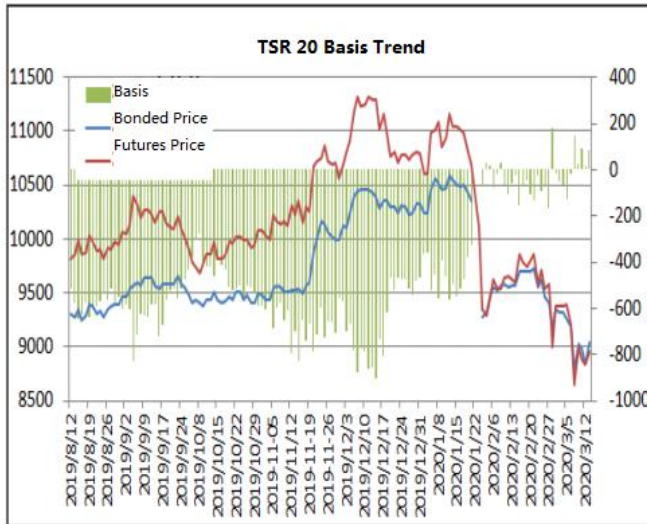


Chart 3-5 TSR 20 Basis Trend

Source: Wind, Compiled by Founder Cifco

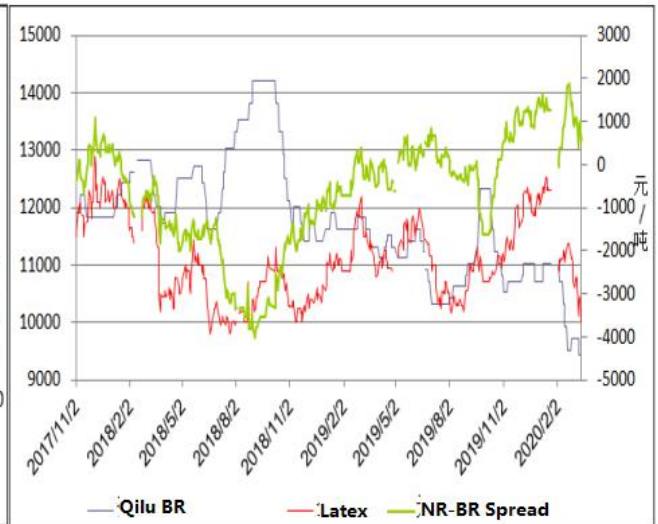


Chart 3-6 BR and Natural Rubber Spread

Source: Wind, Compiled by Founder Cifco

IV. Broker Ranking- Active Contract

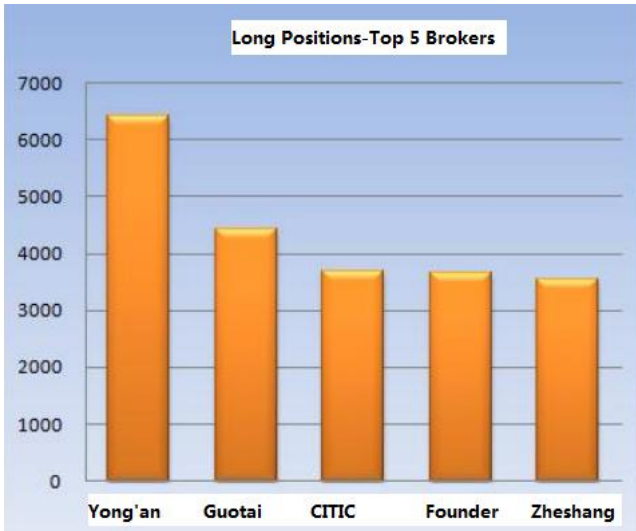


Chart 4-1 Long Positions- Top 5 Brokers

Source: Wind, Compiled by Founder Cifco



Chart 4-2 Short Positions- Top 5 Brokers

Source: Wind, Compiled by Founder Cifco

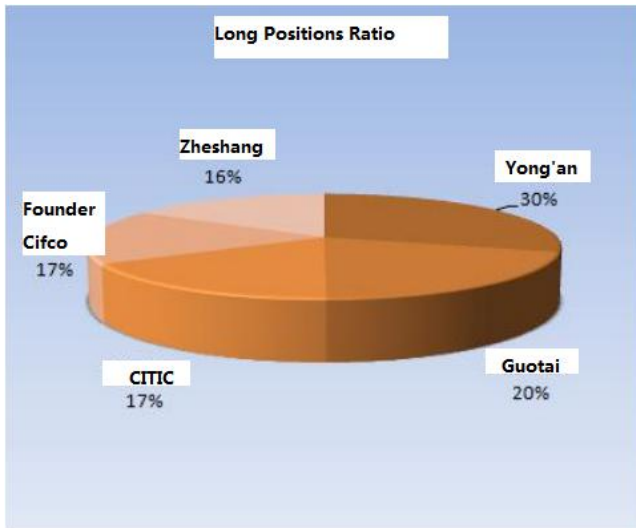


Chart 4-3 Long Positions Ratio

Source: Wind, Compiled by Founder Cifco

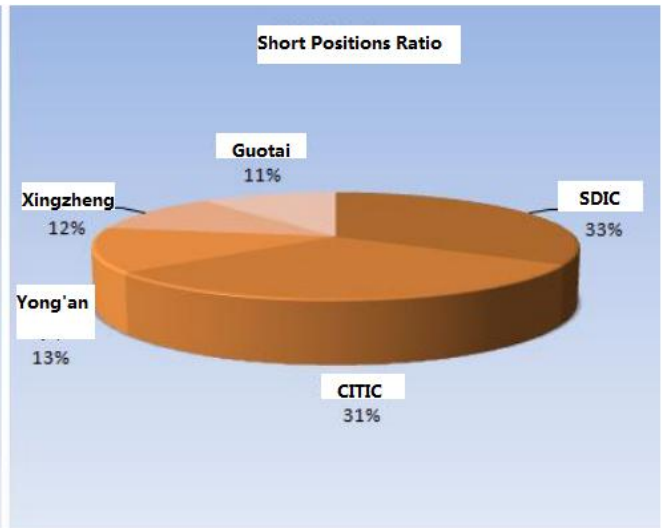


Chart 4-4 Short Positions Ratio

Source: Wind, Compiled by Founder Cifco

V. Rubber Option Market

SHFE Rubber Option Transaction- Weekly						
	Trading	Change	Positions	Change	Trading PCR	Positions PCR
Call	27941	+6041	29045	+1856	-	-
Put	14371	+4819	10854	+2197	-	-

Rubber Option	42312	+11832	39899	+4053	51.43%	37.37%
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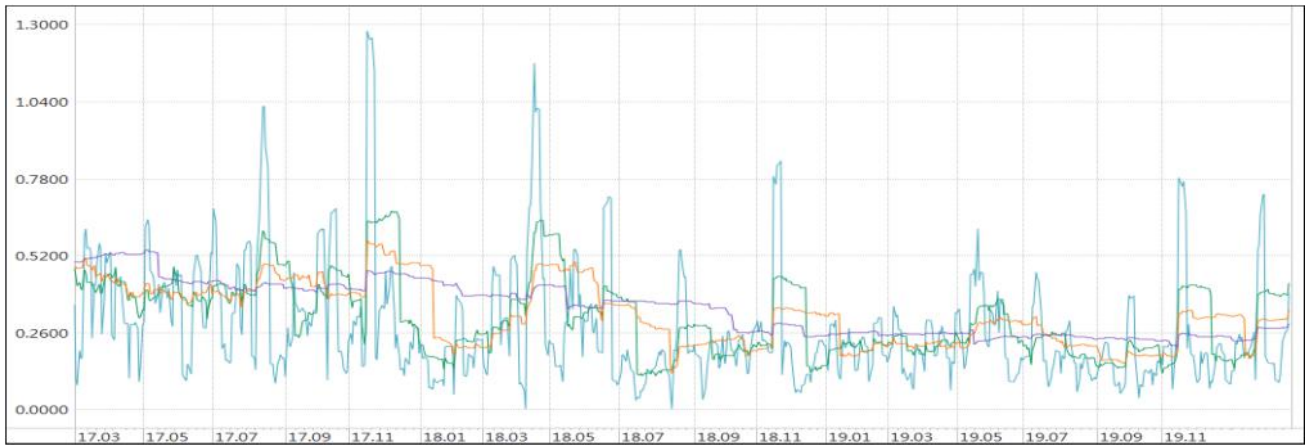


Chart 5-1 Volatility of SHFE Rubber

Source: Wind, Compiled by Founder Cifco

The current price is at historical low and showed signs of over plunged. There is not much space for more downtrend, but momentum is also lacking in near term. Investors could consider to sell put option whose strike price is at the support (e.g. 10,000yuan).

VI. Related Equities

Ticker Symbol	Company	Products	Change (%)	Price
601118	China Hainan Rubber Industry	Natural Rubber	+5.24	6.50
600500	Sino-Chem International	Natural Rubber, Chemicals	+9.62	5.81

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