

## TSR 20 Weekly Report: SHFE Rubber in Corrective Wave around 10,000

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### Market Review and Strategy

This week, SHFE rubber consolidated, and the price fluctuated around 10,000. Currently domestic rubber inventory is overly high, as production areas began tapping while demand is low. Facing block in tire exports, manufacturers are not willing to purchase rubber. However, the economic stimulus policies will gradually improve the situation. Moreover, some foreign auto and tire companies are resuming operation, increasing rubber demand. Domestic economic data in Q1 was low, but the market has already priced in. SHFE ru may continue to maintain at the bottom in the near term.

**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     |                      |      |      |              |            |               |            |               |        |             |
| nr2004         | 8000                 | 8000 | 8000 | 8000         | -100       | 1627          | 0          | 8000          | 9      | 72.00       |
| nr2005         | 8435                 | 8435 | 7960 | 8060         | -205       | 8771          | -959       | 8130          | 10349  | 84487.85    |
| nr2006         | 8500                 | 8500 | 8055 | 8220         | -180       | 12330         | 1057       | 8240          | 10299  | 85064.59    |
| nr2007         | 8490                 | 8520 | 8125 | 8310         | -115       | 1558          | 331        | 8300          | 2055   | 17179.19    |
| nr2008         | 8410                 | 8635 | 8245 | 8470         | -30        | 432           | -10        | 8430          | 722    | 6096.64     |
| nr2009         | 8695                 | 8695 | 8425 | 8480         | -140       | 78            | 34         | 8490          | 65     | 555.57      |
| nr2010         | --                   | --   | --   | 8580         | -25        | 1             | 0          | 8580          | 0      | --          |
| nr2011         | --                   | --   | --   | 8275         | -85        | 1             | 0          | 8275          | 0      | --          |
| nr2012         | --                   | --   | --   | 8680         | -45        | 1             | 0          | 8680          | 0      | --          |
| nr2101         | --                   | --   | --   | 9030         | -75        | 6             | 0          | 9030          | 0      | --          |
| nr2102         | --                   | --   | --   | 8945         | -75        | 1             | 0          | 8945          | 0      | --          |
| nr2103         | --                   | --   | --   | 8480         | -65        | 1             | 0          | 8480          | 0      | --          |
| nrSubtotal     |                      | 8695 | 7960 |              |            | 24807         | 453        |               | 23499  | 193455.83   |
| Total          |                      | --   | --   |              |            | 184660        | 28294      |               | 560933 | 15821451.16 |

**Note**

1. Quoted Price(the quotation is tax-exclusive price): RMB yuan/barrel for crude oil;RMB yuan/ton for TSR20
2. Unit Price:1000bbl/lot for crude oil;10 tons/lot for TSR 20
3. The unit of trading volume, open interest and change of positions is lot, which is counted as one-sided. The unit of turnover is RMB 10,000, which is counted as one-sided.
4. Price change=closing price of this week - closing price of previous week
5. Subtotal and Total don't include efp contracts.



Chart 1-1 SHFE Rubber Active Contract Trend Analysis

Source: Wenhua, Founder Cifco

**II. Highlights**

**China’s rubber import increased by 3.6% year-on-year to 602,000 tons in March 2020**

According to data released by the General Administration of Customs of China on April 14, China imported a total of 602,000 tons of natural and synthetic rubber (including latex) in March 2020, a year-on-year increase of 3.6%. From January to March 2020, China imported 1.659 million tons of natural and synthetic rubber (including latex), an increase of 5.6% from 1.571 million tons in the same period of 2019.

**Overseas institutions predicted that global car sales may fall to the lowest in a decade**

According to the data released by *Financial Times*, car sales in Western European countries fell by about two-thirds in March, while U.S. car sales fell to the lowest level in a decade. With the strengthening of social blockade measures, both markets are expected to experience a greater decline in April.

**Ministry of Commerce: China’s car ownership is expected to surpass the US by the end of 2020**

The State Council held a press conference on April 9<sup>th</sup>. Wang Bin, head of the Consumer Promotion Department in Ministry of Commerce, revealed at the press conference that China’s automobile production and sales have been ranked first in the world for 11 consecutive years, and China’s car ownership will be expected to surpass United States by the end of 2020. Wang Bin also pointed out that with the domestic epidemic gradually under control, auto companies have fully resumed production, and market demand has steadily rebounded. In late March, retail sales of automobile companies increased 8.9% over late February. According

to statistics from the China Automobile Dealers Association, passenger vehicles sold in March were 1.04 million units, 37.5 percentage increase from February's growth rate.

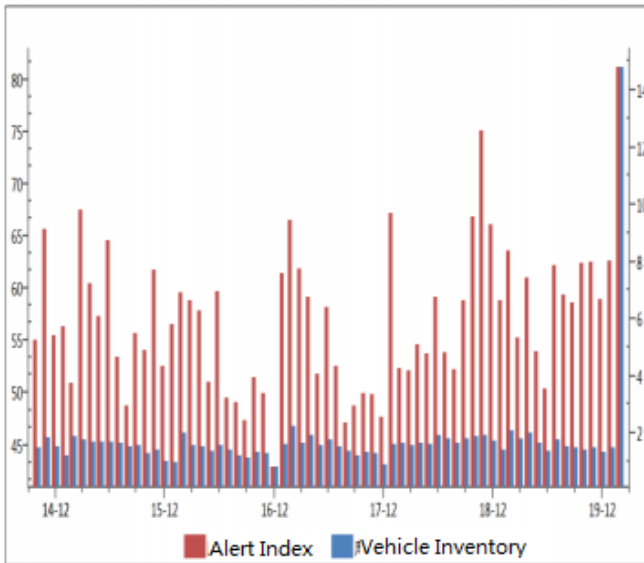


Chart 2-1 Domestic Vehicle Inventory and Alert Index

Source: Wind, Compiled by Founder Cifco

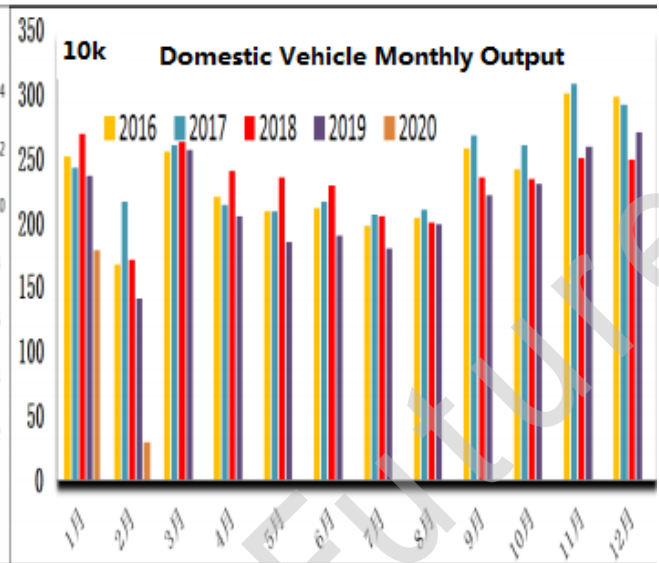


Chart 2-2 Domestic Vehicle Monthly Output

Source: CAAM, Compiled by Founder Cifco

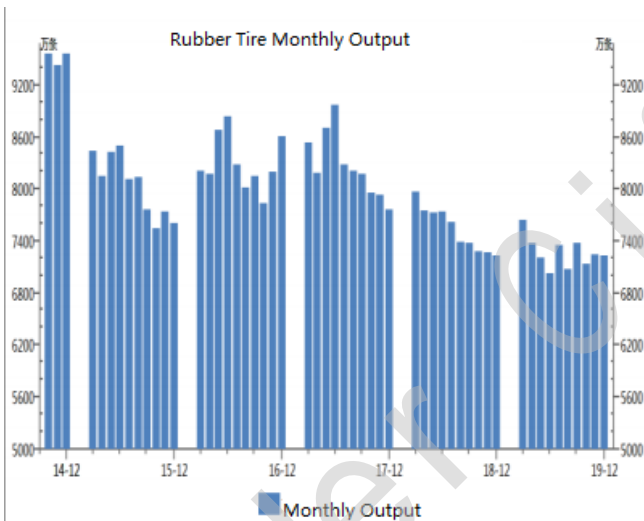


Chart 2-3 Rubber Tire Monthly Output

Source: Wind, Compiled by Founder Cifco

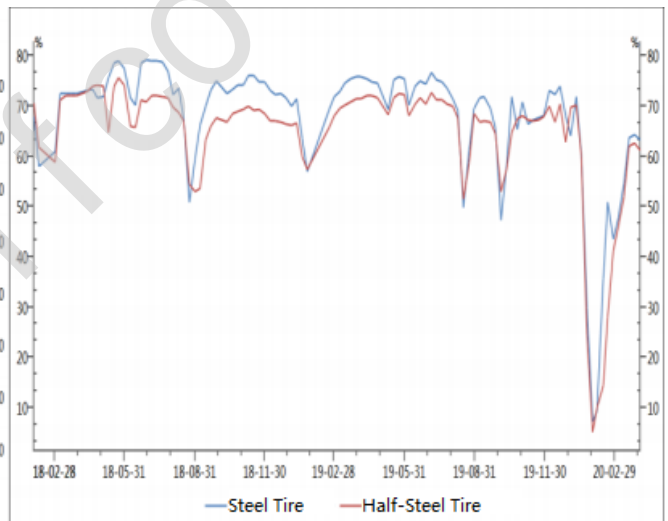


Chart 2-4 Steel Tire Operation Rate (Daily)

Source: Wind, Compiled by Founder Cifco

**III. Spread and Basis**

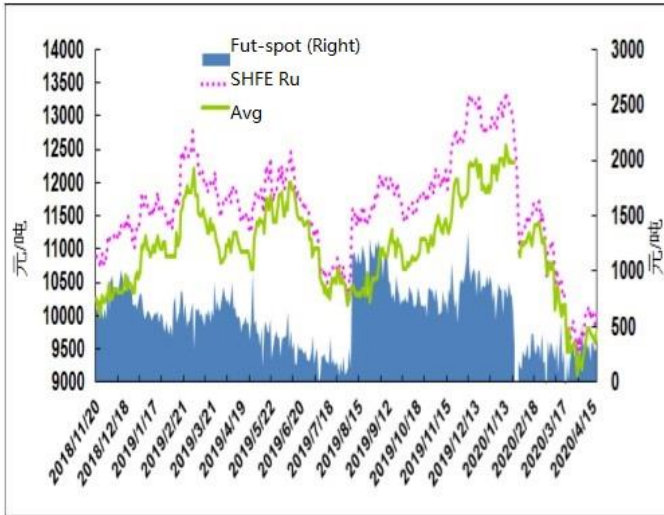


Chart 3-1 Domestic Rubber Trend

Source: Wind, Compiled by Founder Cifco

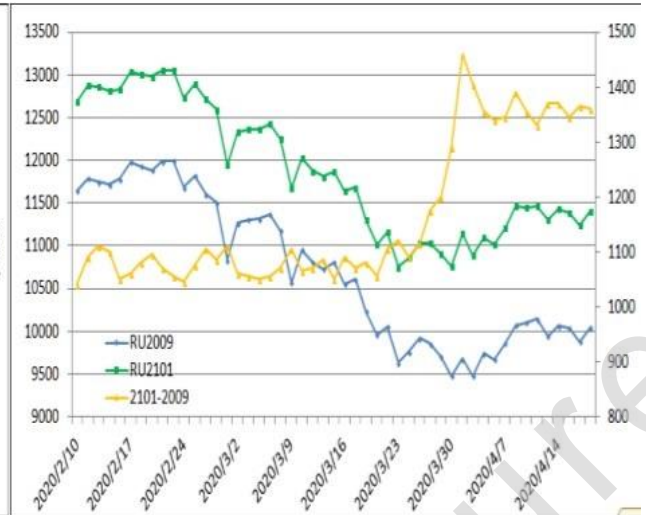


Chart 3-2 RU2009 and RU 2005

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

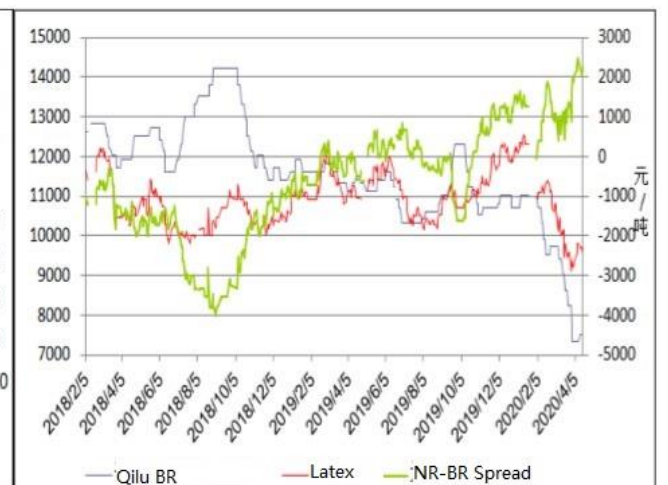
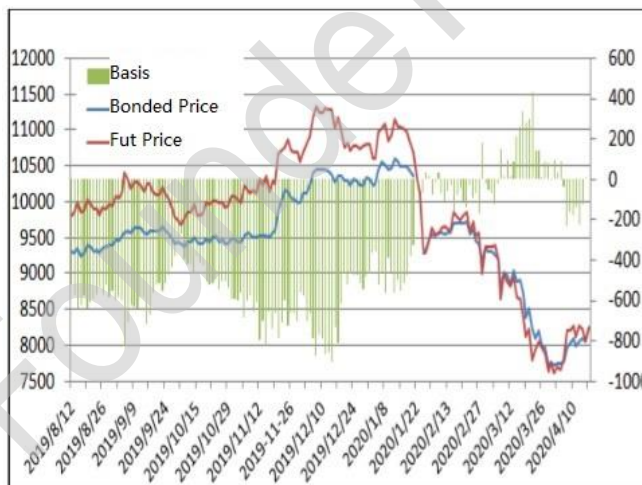


Chart 3-5 TSR 20 Basis Trend

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

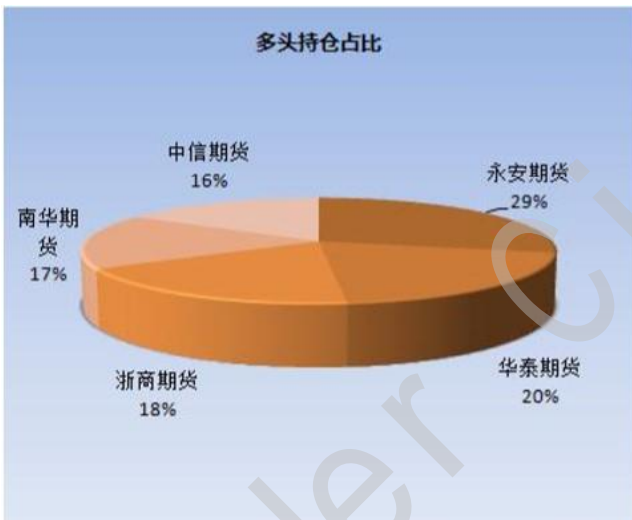


Chart 4-3 Long Positions Ratio

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 |          |        |           |        |             |               |
|--|----------|--------|-----------|--------|-------------|---------------|
|  | Turnover | Change | Positions | Change | Trading PCR | Positions PCR |
| Call                                   | 17941    | 2350   | 30318     | 368    | -           | -             |
| Put                                    | 5913     | -483   | 10365     | 137    | -           | -             |
| Rubber Option                          | 23854    | 1867   | 40683     | 505    | 32.96%      | 34.19%        |

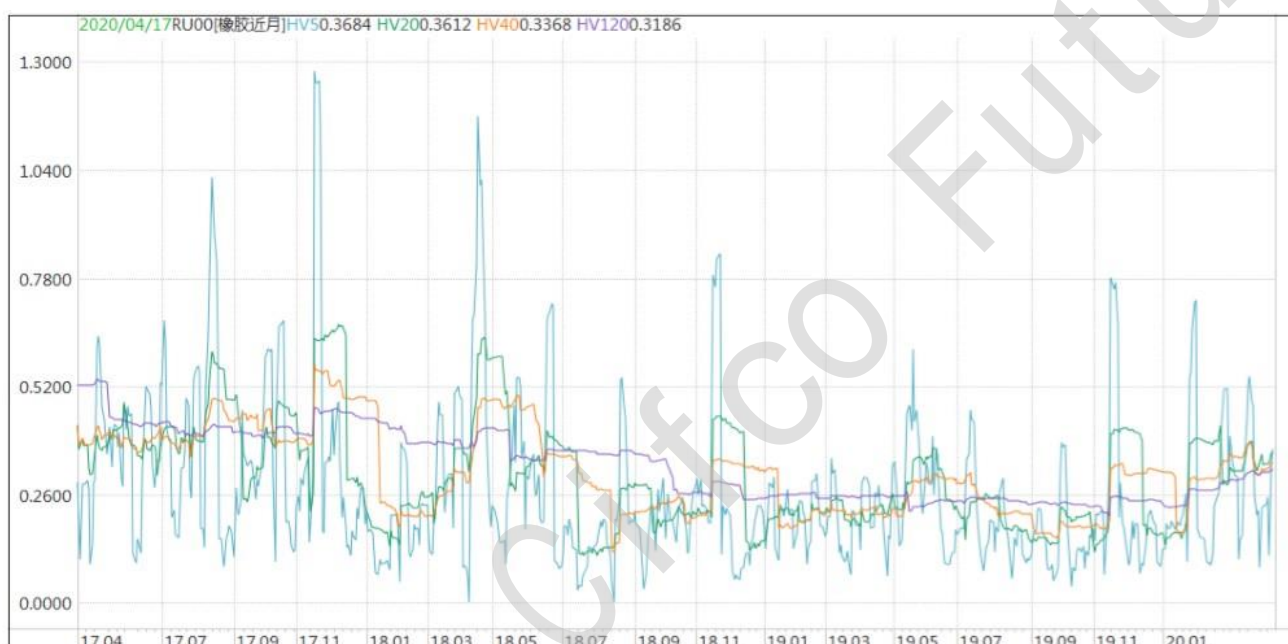


Chart 5-1 Volatility of SHFE Rubber

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. 9,000yuan).

**VI. Related Equities**

| Ticker Symbol | Company                      | Products                  | Change (%) | Price |
|---------------|------------------------------|---------------------------|------------|-------|
| 601118        | China Hainan Rubber Industry | Natural Rubber            | 2.64       | 5.05  |
| 600500        | Sino-Chem International      | Natural Rubber, Chemicals | -1.32      | 5.23  |

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