

# TSR 20 Weekly Report:

## SHFE Rubber Consolidated until Demand to Recover

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### Market Review and Trading Advice

This week the market narrowly consolidated and the public remained hesitant. Global auto and tire factories resumed operation, though demand stayed weak. Operation rate of domestic tire factories is lower than average as export violently declined and holiday suspense. Furthermore, new rubber listed accounts for low scale, but tapping may increase after the holiday. The inventory is at historical high and pressure exists in supply and demand. We estimated that SHFE rubber may still consolidated at bottom, and downstream corporations may consider shorting put options to lower procurement costs. RU2009 may face resistance at 10300~10500, and support at 9500.

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**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										
nr2005	7955	8710	7955	8150	160	1955	-86	8050	184	1481.41
nr2006	8165	8345	8045	8320	270	9383	741	8150	4457	36341.21
nr2007	8220	8590	8160	8480	290	8122	2140	8225	3466	28521.13
nr2008	8310	8530	8255	8520	250	401	-17	8320	109	907.06
nr2009	8400	8610	8380	8600	235	286	15	8515	58	494.14
nr2011	--	--	--	8430	135	1	0	8430	0	--
nr2012	--	--	--	9130	145	4	0	9130	0	--
nr2101	--	--	--	9190	--	16	0	9190	0	--
nr2102	--	--	--	8800	--	1	0	8800	0	--
nr2103	--	--	--	8530	135	1	0	8530	0	--
nrSubtotal		8710	7955			20170	2793		8274	67744.95
Total		--	--			192546	3333		226799	5915712.83



Chart 1-1 SHFE Rubber Active Contract Trend Analysis

Source: Wenhua, Founder Cifco

## II. Highlights

### **U.S. Tire Shipments will Drop by 17.8% this Year**

The latest forecast from the U.S. Tire Manufacturers Association (USTMA) shows that in 2020, almost all types of tire shipments in the United States experienced a double-digit decline, but the replacement tire market is slightly better than the original tire market. USTMA says that U.S. tire shipments may drop to 273.6m in 2020, down 17.8% from the 332.7m in 2019. Among them, the shipment of original tires is expected to decline by 24.5%, replacement tires by 16.3%, and truck tires may be better by only 7.3%.

### **Domestic Industrial Business Profits Dropped by 36.7% and Auto by 80.2% in Q1**

According to data released by the National Bureau of Statistics, from January to March, national industrial business achieved a total profit of 781.45 billion yuan, a year-on-year decrease of 36.7%, a decrease of 1.6 percentage points from January to February. The total profit of the auto manufacturing industry decreased by 80.2% year-on-year to 20.94 billion yuan; operating income to 1,268.26 billion yuan, a year-on-year decline of 30.9%; operating costs to 1,095.96 billion yuan, a year-on-year decrease of 29.6%.

### **China's March and March tire exports have resumed significantly**

On April 23, the General Administration of Customs released tire export data of March and Q1, 2020. In March, China's tire exports recovered significantly. Affected by the sharp decline in January and February, Q1 exports fell significantly. In March, China's rubber tire export volume was 600,000 tons, an increase of 2.9% year-on-year; the export value was 9.409 billion yuan, a decrease of 1.3% year-on-year. Among them, the export volume of new pneumatic tires was 580,000 tons, an increase of 3.1% year-on-year; the export value was 9.076 billion yuan, a decrease of 1.3% year-on-year.

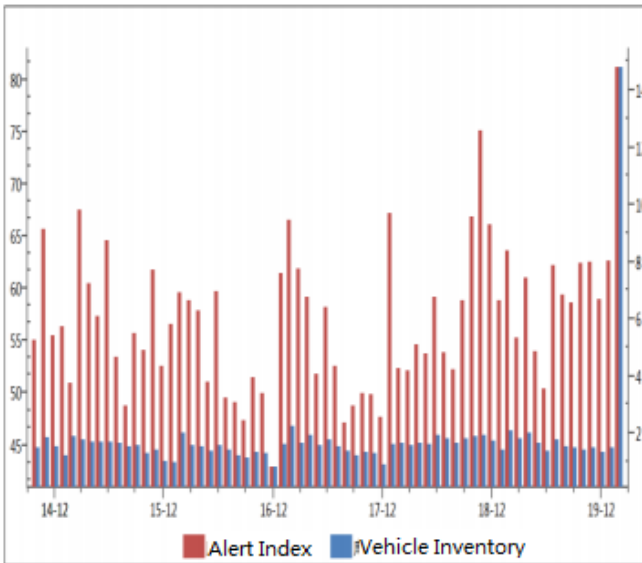


Chart 2-1 Domestic Vehicle Inventory and Alert Index

Source: Wind, Compiled by Founder Cifco

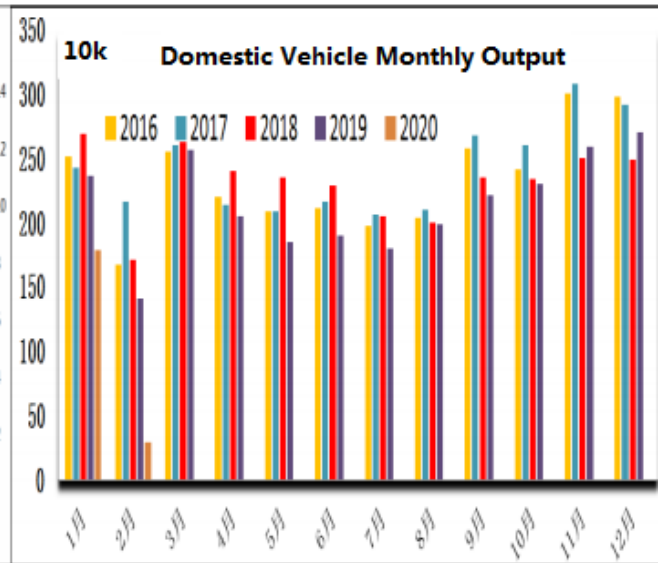


Chart 2-2 Domestic Vehicle Monthly Output

Source: CAAM, Compiled by Founder Cifco

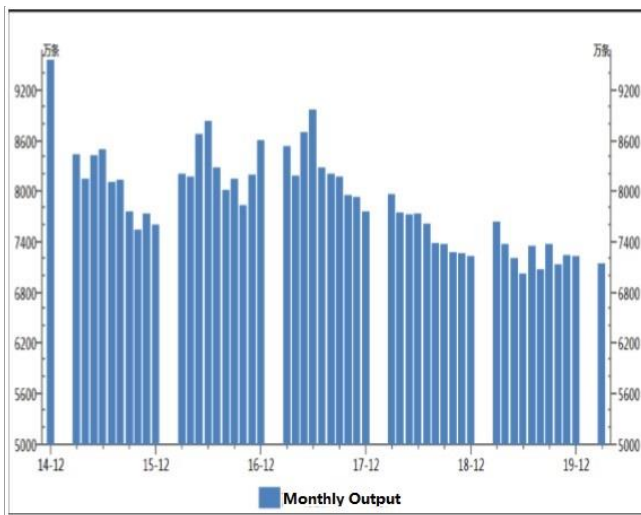


Chart 2-3 Rubber Tire Monthly Output

Source: Wind, Compiled by Founder Cifco

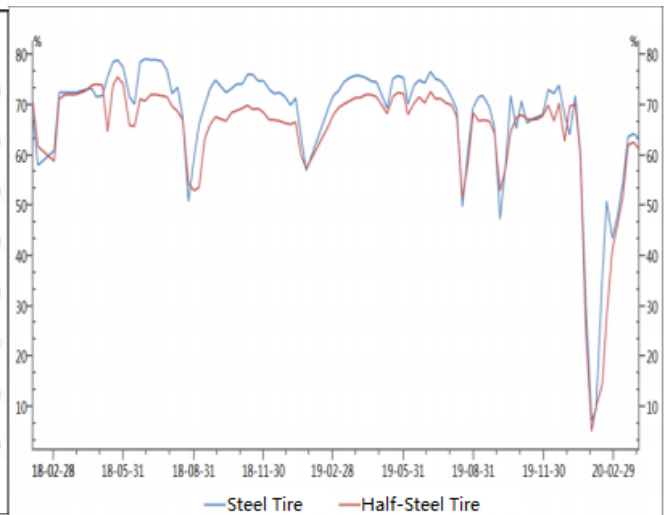


Chart 2-4 Steel Tire Operation Rate (Daily)

Source: Wind, Compiled by Founder Cifco

**III. Spread and Basis**

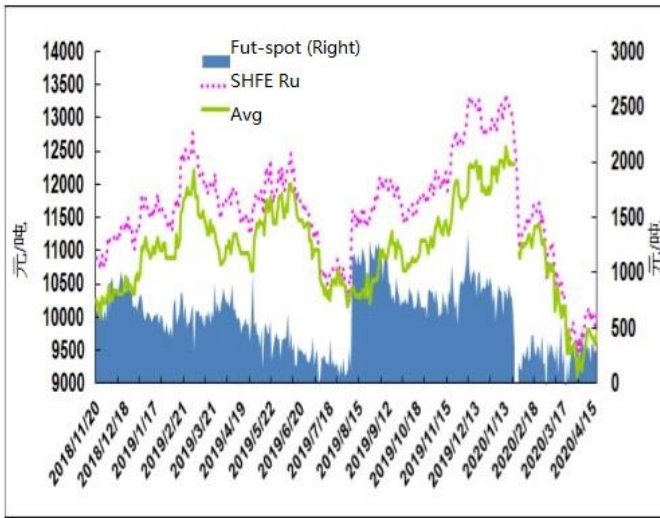


Chart 3-1 Domestic Rubber Trend

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

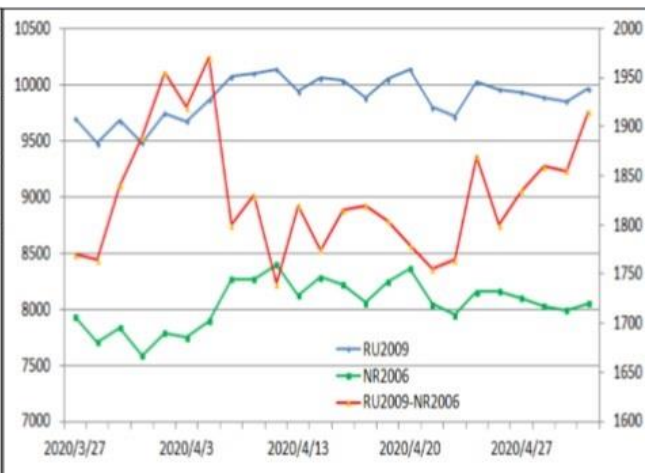


Chart 3-4 Spread of RU and NR

Source: SHFE, Compiled by Founder Cifco

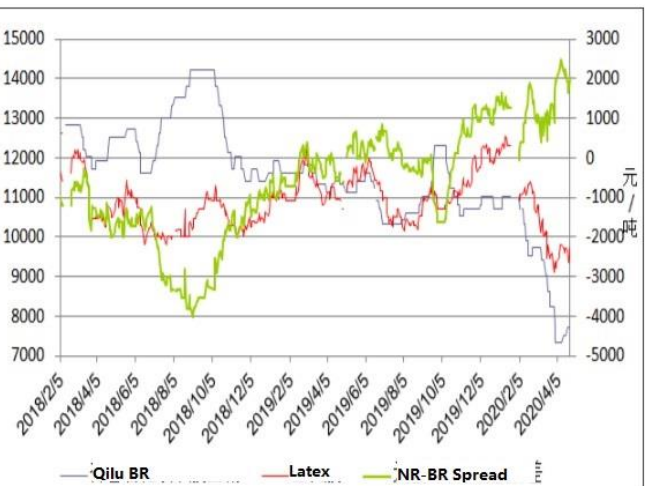


Chart 3-5 TSR 20 Basis Trend

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

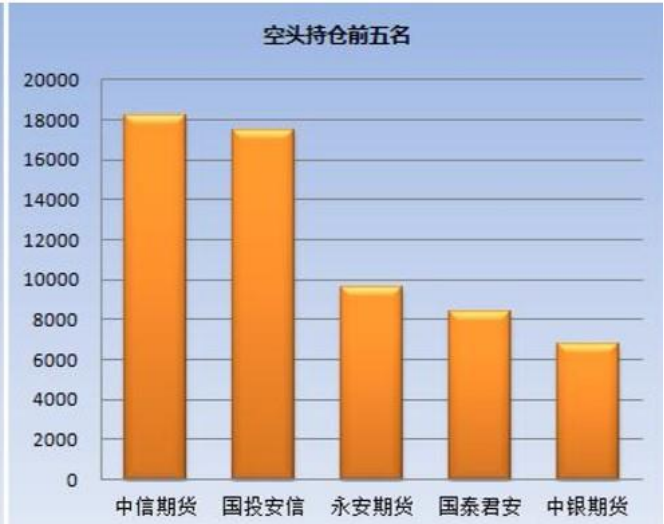


Chart 4-2 Short Positions- Top 5 Brokers

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	5508	-10704	15925	831	-	-
Put	3183	-5536	6644	0	-	-
Rubber Option	8691	-16240	22569	831	57.79%	41.72%

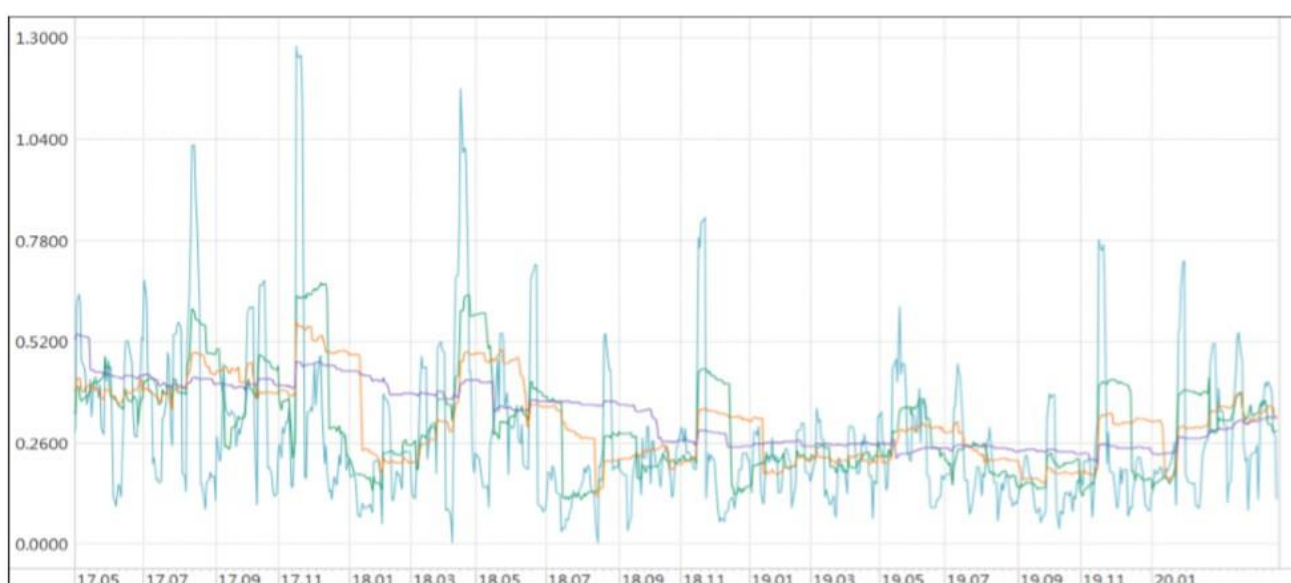


Chart 5-1 Volatility of SHFE Rubber

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 selling 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	-6.42	4.96

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