

TSR 20 Weekly Report:

SHFE Rubber Consolidated and Demand Recovered Slow

ZHANG Xiangjun, Research Institute of Founder CIFCO Futures

Market Review and Trading Advice

SHFE RU consolidated narrowly this week. Although many foreign auto companies have returned to work, demand has not recovered yet. Domestic tire factories operation rate is lower than what it was in the same time last year. In addition, rubber inventory stayed at historically high and new rubber's launch weighed on supply. The outlook turns to be positive, but demand maintained weak. Experts held that auto sales increase have already taken in the depressed buying demand last several months and may face pressure to continue growth. Domestic auto production and sales, as well as tire exports, are considered to be the most influential factors.

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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										
nr2006	8220	8395	8190	8250	55	1608	-4149	8315	6544	54179.50
nr2007	8300	8500	8295	8340	50	5848	-4772	8425	17843	149759.77
nr2008	8440	8595	8405	8470	60	7944	6930	8530	10400	88687.34
nr2009	8540	8775	8450	8525	-65	8380	7679	8600	12405	106960.99
nr2010	8660	8840	8600	8650	50	244	146	8730	441	3838.79
nr2011	--	--	--	8085	120	1	0	8085	0	--
nr2012	--	--	--	8820	35	4	0	8820	0	--
nr2101	9180	9180	8905	9070	-125	50	10	9070	12	109.72
nr2102	--	--	--	8560	100	1	0	8560	0	--
nr2103	9015	9015	9015	8995	-300	36	-1	8995	1	9.02
nrSubtotal		9180	8190			24116	5843		47646	403545.13
Total		--	--			200988	-1700		1354300	36696936.68



Chart 1-1 SHFE Rubber Active Contract Trend Analysis

Source: Wenhua, Founder Cifco

II. Highlights

Domestic Tire Production Decreased Consecutively

The National Bureau of Statistics released April tire production data. Domestic tires continued Q1's downward trend, with a sharp decline both YoY and MoM.

Data shows that April rubber tire output was 66.612 million, -12.2% YoY, a decline from March continued to expand. From January to April, the cumulative output of domestic rubber tires was 218 million, -17.4% YoY.

April Natural Rubber Imports Decreased both MoM and YoY

Imports in April (10 tax code numbers) totaled 39.21 m tons, -19.11% month-on-month, and -9.66% YoY, and cumulative imports of 1.717 m tons in January-April, + 0.56% YoY. In terms of imports in April, the largest volume of hybrid glue imports accounted for 68% of total imports, while imports totaled 10.743 m tons in January-April, accounting for 62.57% of total imports. From this year's import situation, cigarette glue and mixed glue increased year-on-year, other varieties have weakened, especially natural latex and compound glue, standard glue change is not much.

China Tire Export Decreased 34% in April

On May 23, the General Administration of Customs released data on tire exports for April this year. Exports fell in April, dragged down by a significant increase in cumulative tire exports in the first four months. Data shows that in April, China's rubber tire exports were 370,000 tons, a decrease of 230,000 tons from last month, and 33.5% YoY; while exports were 5,896 m yuan, a decrease of 3.513 b yuan, or 34.1% YoY. Among them, the export volume of new inflatable rubber tires was 350,000 tons, a decrease of 230,000 tons, a decrease of 34.1% YoY, and the export volume was 5.570 b yuan, a decrease of 3.506 b yuan, a decrease of 34.9% YoY. During the month, the number of new inflatable rubber tires exported was 27.78 m, -13.41 m, or 34.5% YoY decrease.

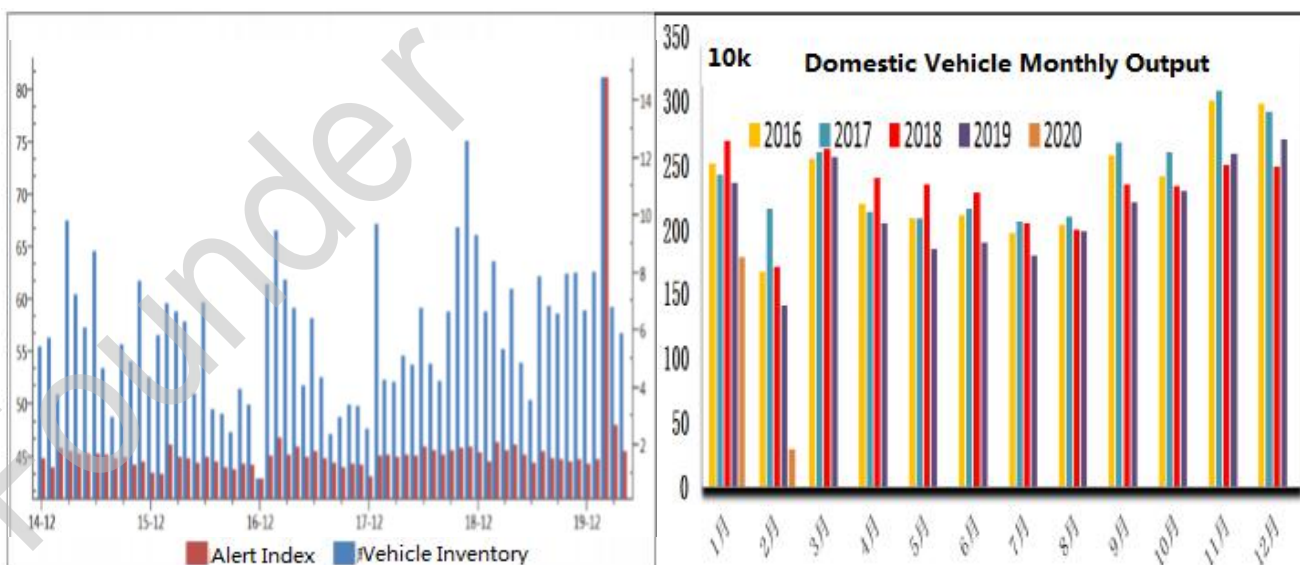


Chart 2-1 Domestic Vehicle Inventory and Alert Index

Source: Wind, Compiled by Founder Cifco

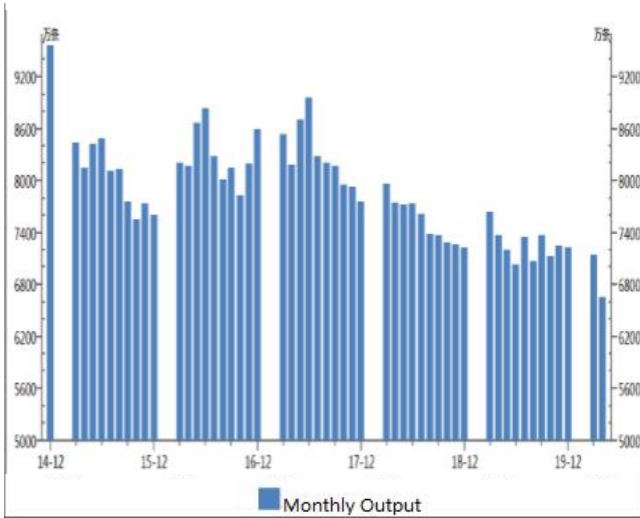


Chart 2-3 Rubber Tire Monthly Output

Source: Wind, Compiled by Founder Cifco

Chart 2-2 Domestic Vehicle Monthly Output

Source: CAAM, Compiled by Founder Cifco

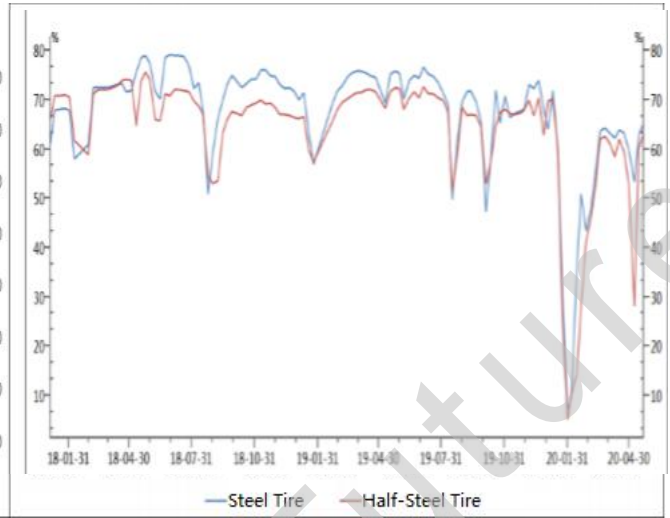


Chart 2-4 Steel Tire Operation Rate (Daily)

Source: Wind, Compiled by Founder Cifco

III. Spread and Basis

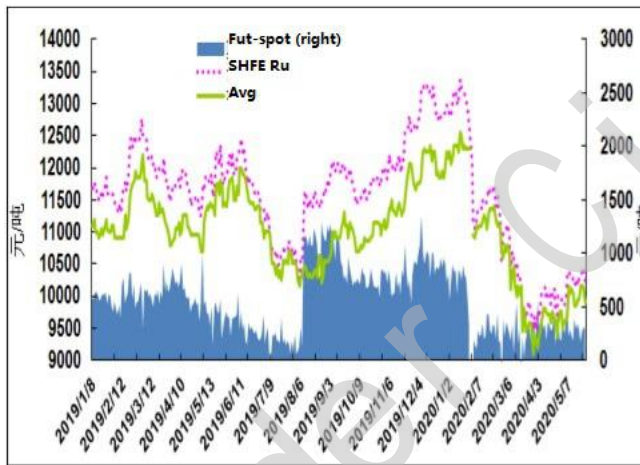


Chart 3-1 Domestic Rubber Trend

Source: Wind, Compiled by Founder Cifco

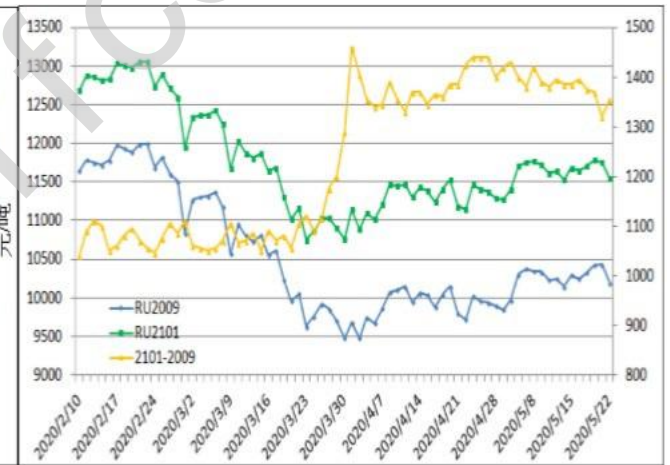


Chart 3-2 RU2009 and RU 2005

Source: SHFE, Compiled by Founder Cifco



Chart 3-3 Latex and TSR20

Source: Wind, Compiled by Founder Cifco

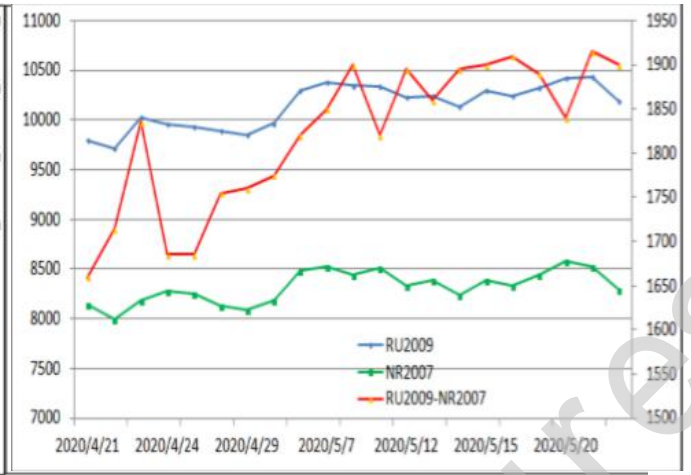


Chart 3-4 Spread of RU and NR

Source: SHFE, Compiled by Founder Cifco



Chart 3-5 TSR 20 Basis Trend

Source: Wind, Compiled by Founder Cifco

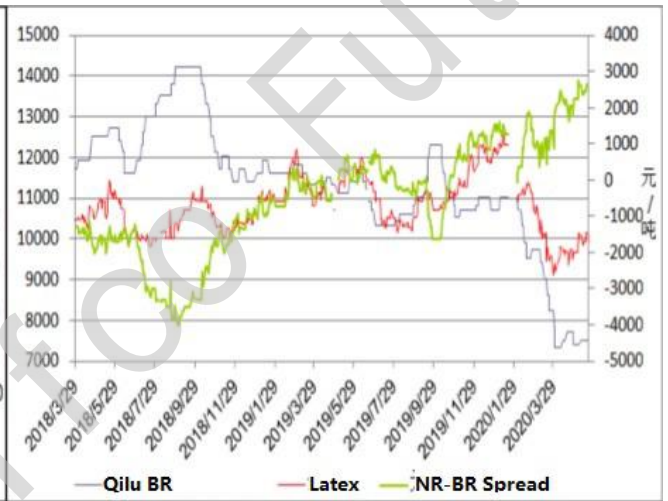


Chart 3-6 BR and Natural Rubber Spread

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

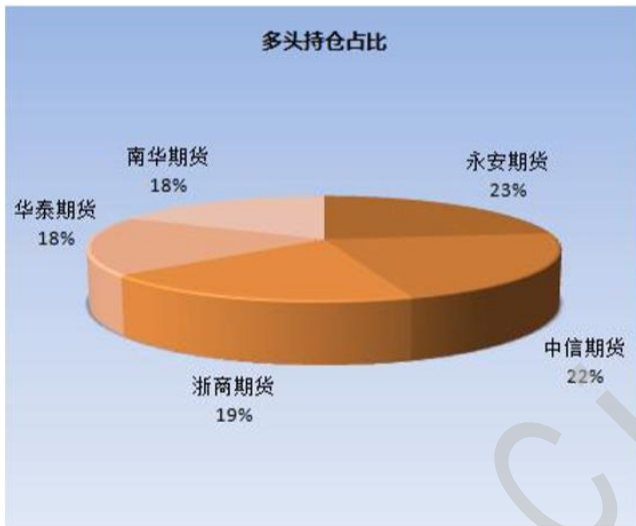


Chart 4-3 Long Positions Ratio

Source: Wind, Compiled by Founder Cifco

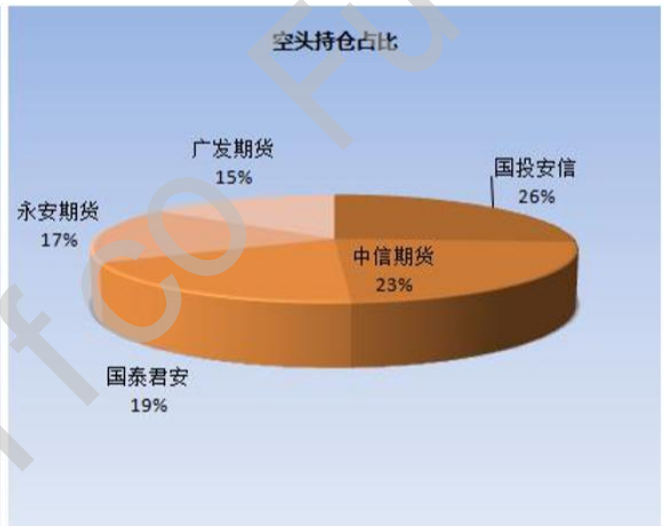


Chart 4-4 Short Positions Ratio

Source: Wind, Compiled by Founder Cifco

V. Rubber Option Market

SHFE Rubber Option Transaction- Weekly						
	Turnover	Change	Positions	Change	Trading PCR	Positions PCR
Call	7993	-7423	19767	555	-	-
Put	4079	-1822	6964	462	-	-
Rubber Option	12072	-9245	26731	1017	51.03%	35.23%



Chart 5-1 Volatility of SHFE Rubber

Source: Wind, Compiled by Founder Cifco

The current price is volatile around 10,000 and is hard to breach the line. Investors could consider selling put option whose strike price is at the support (e.g. 9,500yuan).

VI. Related Equities

Ticker Symbol	Company	Products	Change (%)	Price
601118	China Hainan Rubber Industry	Natural Rubber	14.02	5.61
600500	Sino-Chem International	Natural Rubber, Chemicals	-6.42	4.96

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Contact information:

International Business Dept.

Founder Cifco Futures Co., Ltd.

Tel: +86 10 85881336

Fax: +86 10 85881177

E-mail: gjywb@foundersc.com

Website: www.founderfu.com/en

22/F Taikang Financial Tower, Building1, 38# East 3rd Ring North Road, Chaoyang District, Beijing, P. R. China 100026
