

TSR 20 Weekly Report:

SHFE Rubber to Form Bottoms and Reluctant to Rise

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Market Review and Trading Advice

SHFE RU consolidated this week. 10,500 acts as a resistance and 10,000 as a support. Foreign auto companies resumed operation, thus benefiting China's tire export. Domestic auto production and sales is still on the way to normal, and under consumption stimulus policies, the market confidence would be affected by the sales volume in May. Furthermore, U.S. research on half-steel tires from Korea, Thailand, Vietnam, and China Taiwan would affect rubber consumption, weigh on the market. Demand and supply situation turned slow and new rubbers add stress. Technically, SHFE rubber in April and May corrected the bearish market from Jan to March. The bottom is still building in the long term.

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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	8275	8575	8145	8195	-90	5757	-2678	8290	9989	83497.49
nr2007	8400	8700	8280	8290	-105	10620	-2793	8410	29391	248898.86
nr2008	8495	8785	8400	8410	-90	1014	170	8480	1886	16179.34
nr2009	8580	8860	8465	8590	15	701	172	8595	1355	11741.26
nr2010	8700	8800	8580	8600	-100	98	79	8600	113	983.62
nr2011	--	--	--	7965	-50	1	0	7965	0	--
nr2012	--	--	--	8785	-25	4	0	8785	0	--
nr2101	9400	9570	9095	9195	-125	40	17	9105	23	212.06
nr2102	--	--	--	8460	-90	1	0	8460	0	--
nr2103	9025	9025	9020	9295	1015	37	36	9295	36	324.73
nrSubtotal		9570	8145			18273	-4997		42793	361837.34
Total		--	--			202688	-7420		1904656	51435539.67



Chart 1-1 SHFE Rubber Active Contract Trend Analysis

Source: Wenhua, Founder Cifco

II. Highlights

Thailand's Natural Rubber Production Increased 6.9% YoY in Q1

The latest data shows that Thailand produced 1.3 million tons of natural rubber in Q1 2020, up 6.9% from 1.22 million tons in the same period last year. In terms of specific products, the output of RSS was 4.2% YoY, STR increased by 25.5% YoY, latex decreased by 4.3% YoY, and mixed rubber decreased by 7.5% YoY. Domestic consumption in Q1 was 174,000 tons, up 12.8% YoY, compared with 154,000 tons in the same period last year. In terms of specific products, consumption of RSS increased by 92% YoY, STR increased by 70% YoY, latex decreased by 54% YoY, and mixed rubber decreased by 85% YoY. In addition, Thailand's rubber inventory was 750,000 tons in March, up 3.3% YoY and down 6.4% YoY. Among them, 7% were RSS, 13% were STR, 21% were latex and 59% were other products.

Indonesia's Natural Rubber Exports in March Decreased both MoM and YoY

According to the latest data released by the Indonesian Customs, Indonesia's natural rubber exports in March 2020 were 199.3k tons, down 6.78% month-on-month and 0.73% year-on-year. Among them, STR exports 188.9 k tons, mixed glue 0.4 million tons, RSS 0.44 million tons. Indonesia's total exports of natural rubber from Jan to March 2020 were 636.8 million tons, an increase of 4.46% Year-on-Year.

Tianjin Issued 535,000 Targets to Promote Auto Consumption

On May 21, the Tianjin Municipal People's Government Office issued the "Tianjin Municipal Government's Measures on Promoting Automobile Consumption " (referred to as "Measures"), which clearly proposed that in 2020 the new individual small passenger cars allocation quota of 35,000, all in the way of license plate lottery, and the Municipal Transportation Commission is to coordinate arrangements on monthly specific indicator allocation quota.

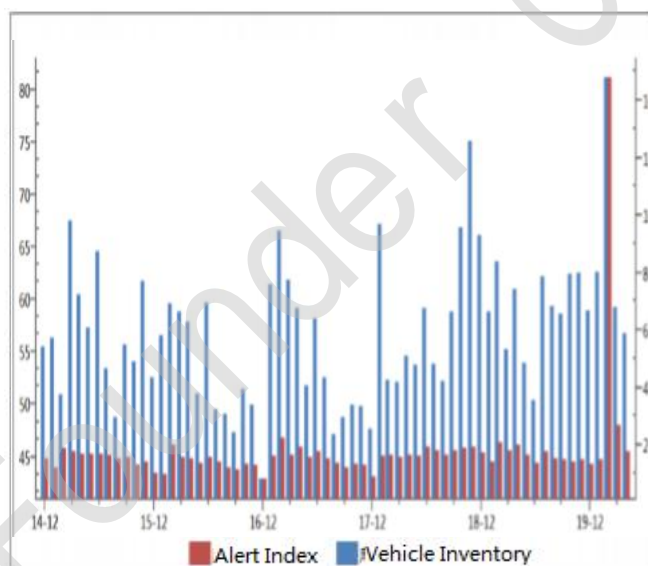


Chart 2-1 Domestic Vehicle Inventory and Alert Index

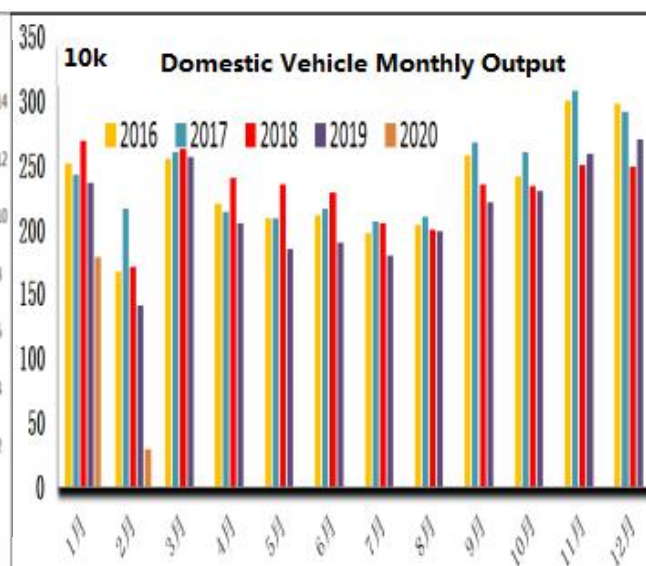


Chart 2-2 Domestic Vehicle Monthly Output

Source: Wind, Compiled by Founder Cifco

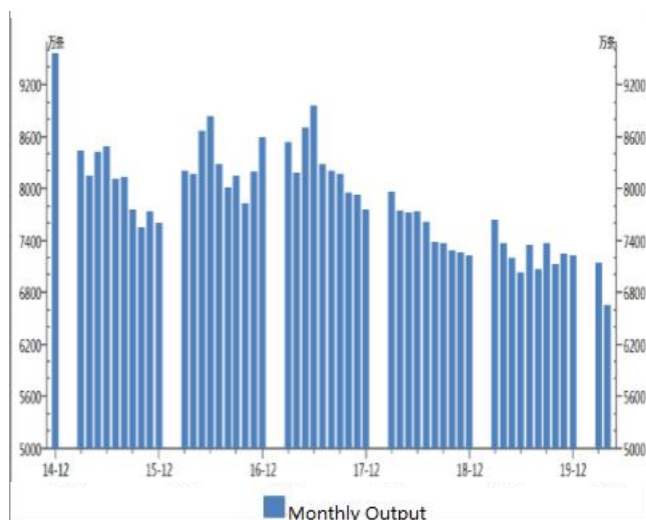


Chart 2-3 Rubber Tire Monthly Output

Source: Wind, Compiled by Founder Cifco

Source: CAAM, Compiled by Founder Cifco

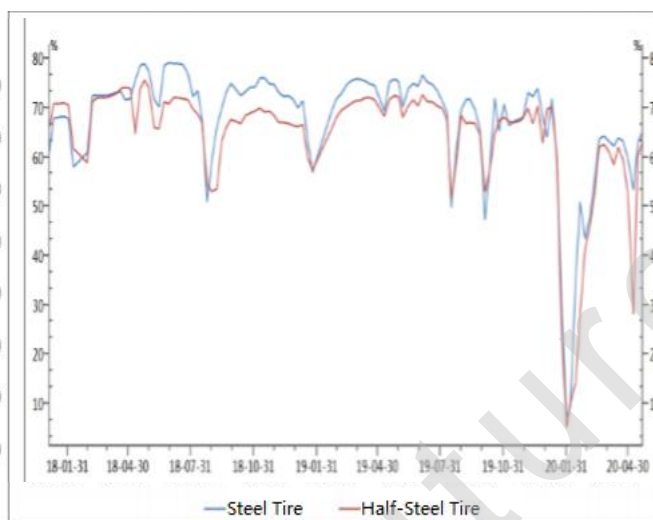


Chart 2-4 Steel Tire Operation Rate (Daily)

Source: Wind, Compiled by Founder Cifco

III. Spread and Basis

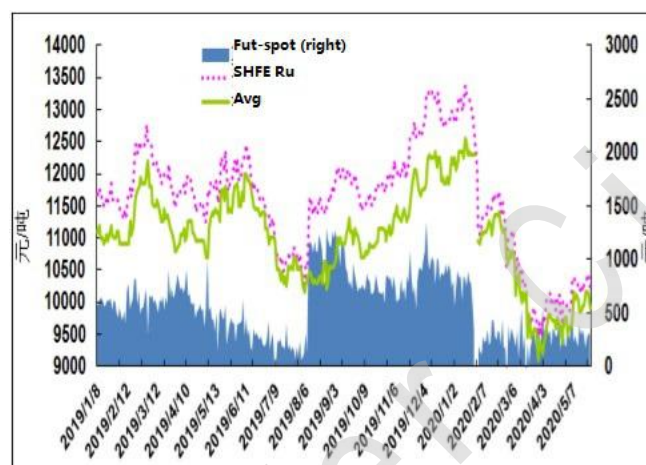


Chart 3-1 Domestic Rubber Trend

Source: Wind, Compiled by Founder Cifco



Chart 3-2 RU2009 and RU 2005

Source: SHFE, Compiled by Founder Cifco

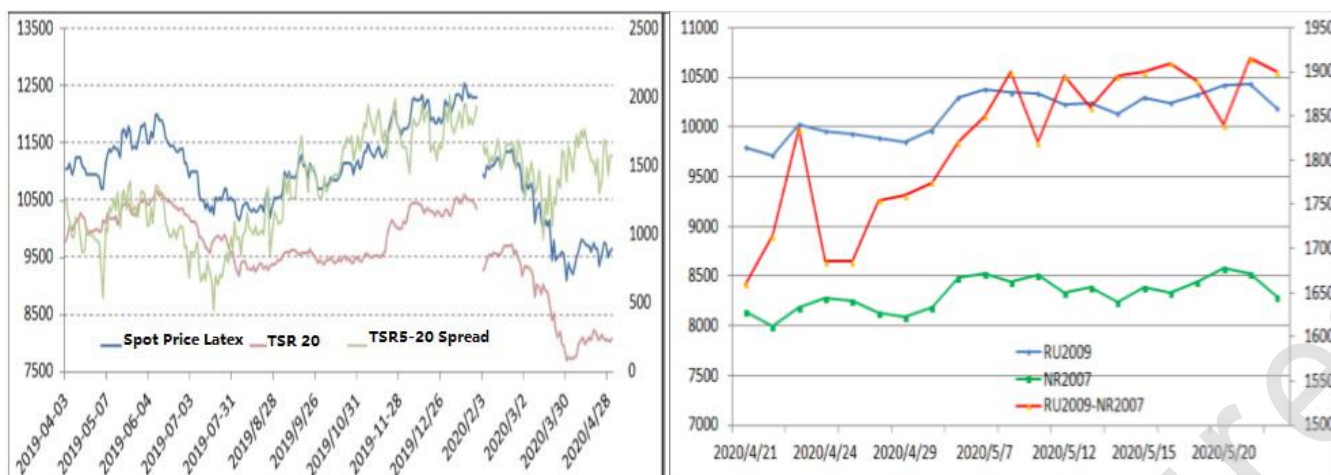


Chart 3-3 Latex and TSR20

Source: Wind, Compiled by Founder Cifco

Chart 3-4 Spread of RU and NR

Source: SHFE, Compiled by Founder Cifco

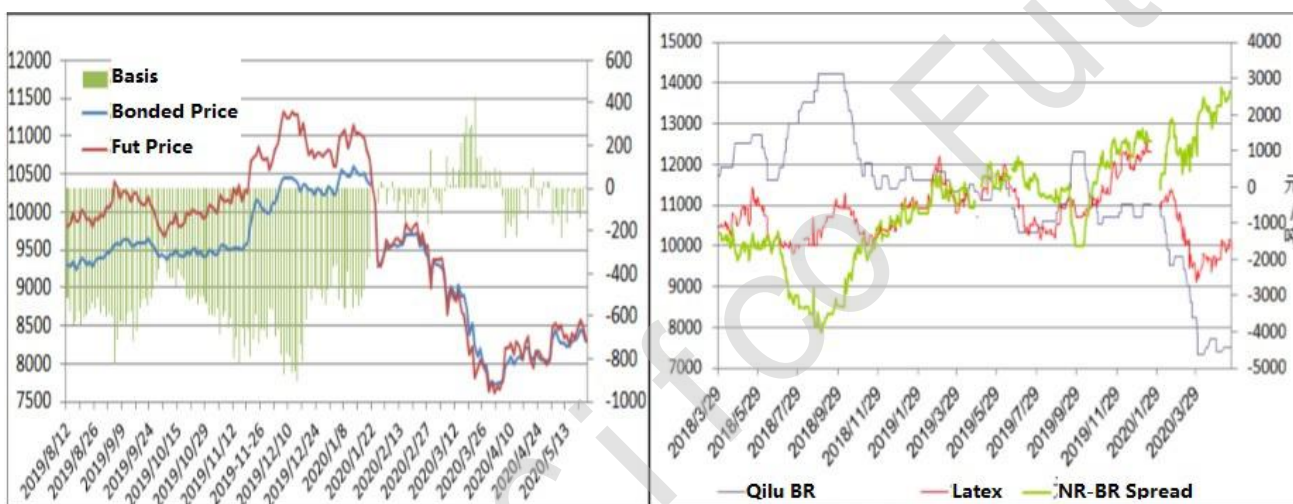


Chart 3-5 TSR 20 Basis Trend

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

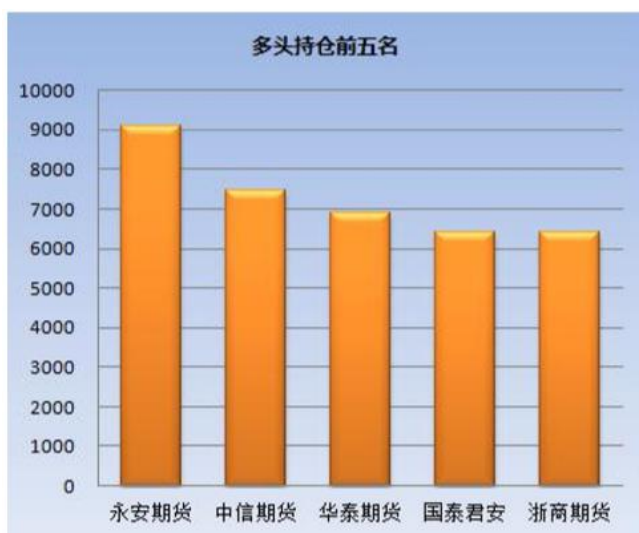


Chart 4-1 Long Positions- Top 5 Brokers

Source: Wind, Compiled by Founder Cifco

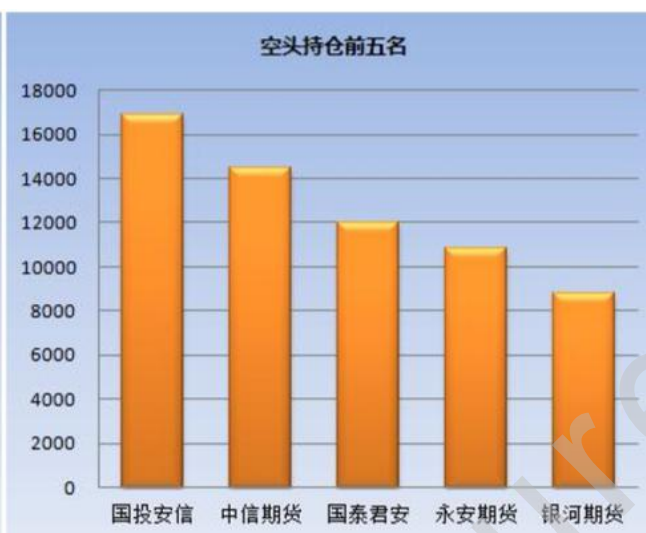


Chart 4-2 Short Positions- Top 5 Brokers

Source: Wind, Compiled by Founder Cifco

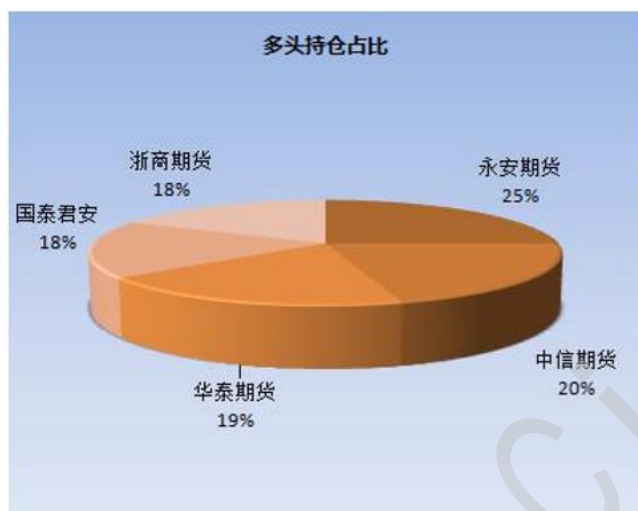


Chart 4-3 Long Positions Ratio

Source: Wind, Compiled by Founder Cifco

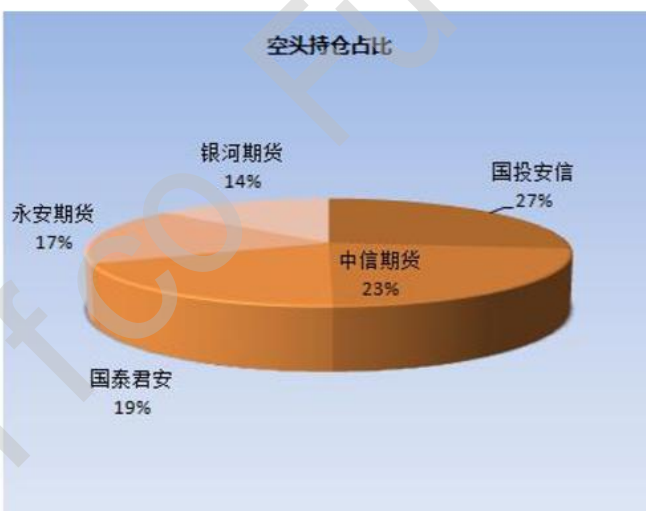


Chart 4-4 Short Positions Ratio

Source: Wind, Compiled by Founder Cifco

V. Rubber Option Market

SHFE Rubber Option Transaction- Weekly

	Turnover	Change	Positions	Change	Trading PCR	Positions PCR
Call	15416	4191	19212	735	-	-
Put	5901	1235	6502	63	-	-
Rubber Option	21317	5426	25714	798	38.28%	33.84%



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	7.72	5.30
600500	Sino-Chem International	Natural Rubber, Chemicals	-6.79	4.94

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