Bearish sentiments to rule rubber counter

Petrol price hike likely to hurt tyre demand, commodity

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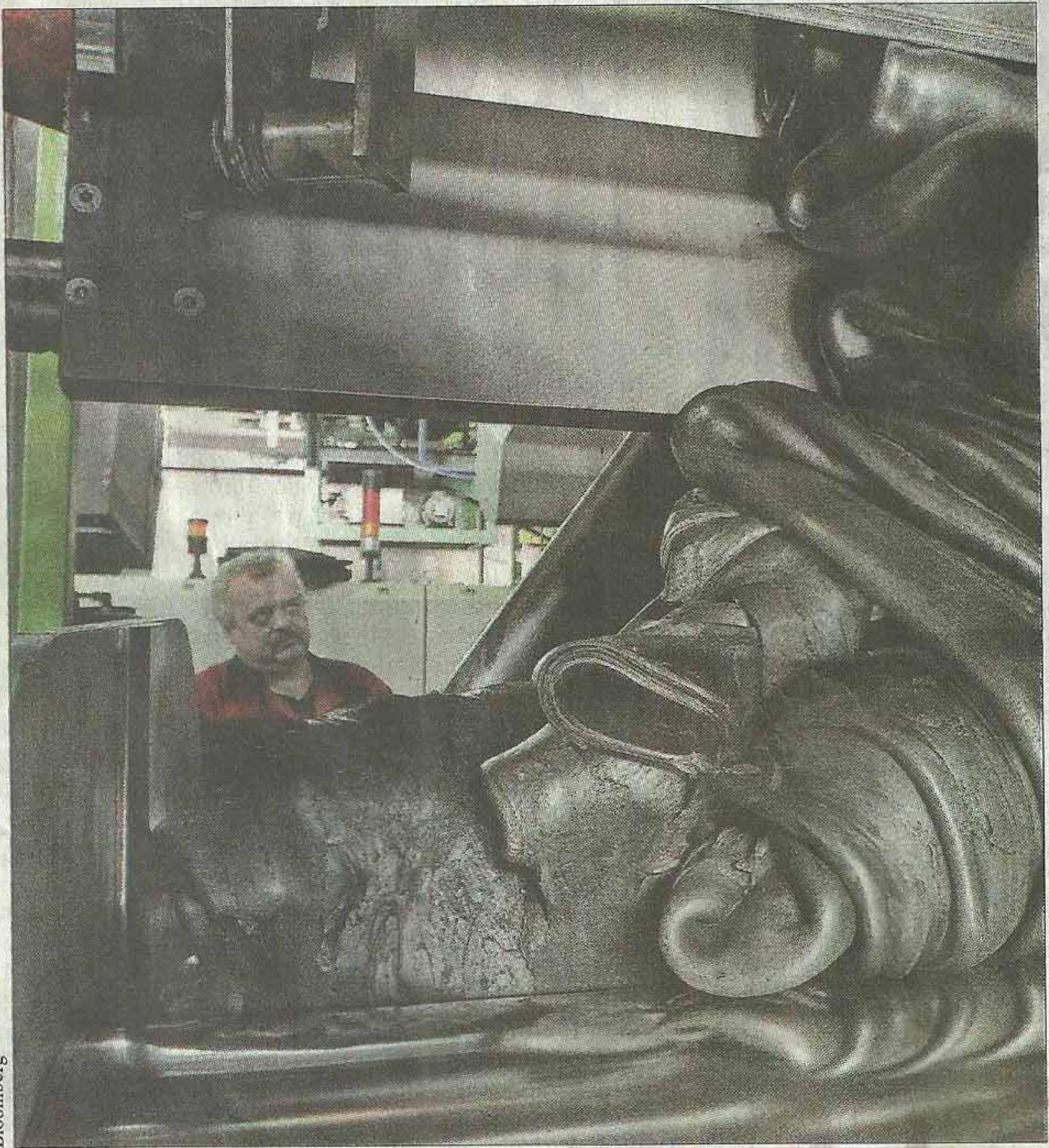
RUBBER prices may trade sideways with a negative bias over the near term as the fuel price hike is anticipated to further dampen automobile sales, which is already reeling under a slump.

Way below the record level of Rs 242 per kg in April last year, RSS-4 prices in the spot market are at present at around Rs 194 per kg levels. However, prices have recovered from the Rs 184-Rs 185 level in February.

"However, going ahead, demand from the automotive industry does not look very promising, especially after the fuel price hike. Automotive industry consumes around 60 per cent of the natural rubber produced in the country. Rubber has a good support at Rs 175 and a resistance at Rs 196. If it breaks Rs 198-Rs 200 levels, there could be some upside. But as such, both in the domestic, as well as global front, demand is subdued. So, bearish sentiments may prevail over the near term, or else, prices may move sideways," said Anu V Pai, analyst at Geojit Comtrade.



Bloomberg

ROUGH PATCH: The automotive industry consumes around 60 per cent of the natural rubber produced in the country and the fuel price hike will dent demand for cars and two-wheelers

The global scenario too has not been much different. The Tokyo Commodity Exchange (Tocom) futures have witnessed considerable fall from their record levels. In February last year, rubber prices had touched 535.7 yen per kg. By the end of the year, they had dropped to 270 yen, mainly due to the euro zone worries and Chinese demand. Till the end of February, however, prices rose to 345 yen, mainly due to the seasonal decline in production during winter. But, once again, prices came under the grip of lower auto demand from the European region and China.

By May 20, Tocom prices were down to 264 yen. They got some support from Thailand's move to procure rubber from Tocom and Shanghai exchanges and moved up to 282 yen. The correction in crude oil prices once again pulled the price back to 266 yen last week.

"Indian rubber prices have comparatively been steady compared with Tocom prices because the production-consumption gap over the past few months has been in favour of prices," said Pai.

As per Rubber Board data, between February and April, production of natural rubber has been lower, compared with the same period last year. However, consumption has been up marginally. Moreover, in 2011-12, the country imported 8.87 per cent more natural rubber. Indian rubber has been priced at a premium to international prices, especially Malaysian prices, during most part of the year and it is still up by around Rs 14.

In the futures market, the trading has been lacklustre. According to Pai, volumes have been lower during the past few months and open interest positions at National Multi Commodity Exchange have almost halved by mid-May, compared with the levels in February.

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