

The Japan Rubber Futures Weekly Report:

04 Jan. 2020 – 08 Jan. 2021

Japan's PM Yoshihide Suga declared a State of Emergency in Tokyo & Surrounding areas to stem Infections

Rubber Futures Report:

Rubber Futures prices staged an impressive rally on commodity funds and speculative buying. Prices were up between 7% and 8% reversing previous week losses as most commodities rallied sharply like Crude Oil, Copper, Soybeans and Palm Oil prices. The positive sentiment is further fuelled by a strong global equity markets as major indices broke record highs in US, China, Japan and some European markets. It was estimated that commodity funds bought 150,000 tonnes of May rubber futures on the SHFE market on Wed and Thurs but some profit taking set in on Friday. Crude oil prices WTI surged above USD 51/barrel after Saudi Arabia surprised voluntary 1 mbd output cut in Feb and March also boosted commodity prices. Report of China NEV (New Energy Vehicles) sales will rise 35% in 2021 may lead to higher tyre demand is another bullish factor for the rally. IMF sees China's GDP to grow at 7.9% in 2021 but warned the need to contain financial risks as debts climb. US reported Dec Unemployment rate at 6.8% with non-farm job losses at 140,000 was a poor figure as virus cases surged. President elect Joe Biden will be sworn in on 20 Jan 2021.

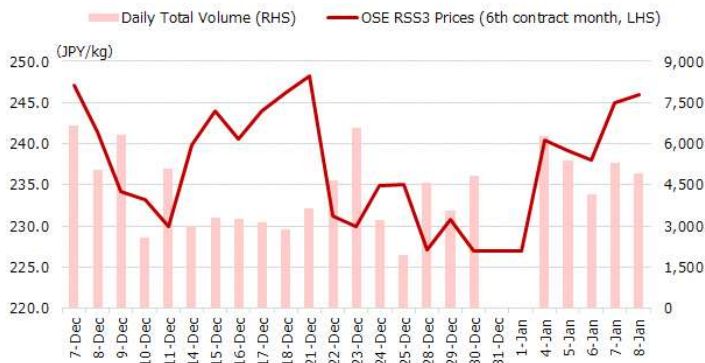
OSE RSS3	Last (JPY)	Net	SHFE/INE	Last (CNY)	Net	SICOM TSR20	Last (USC)	Net	TFEX	Last (THB)	Net
Jan 21	287.1	+18.3	SCR/RSS May 21	14,775	+975	Feb 21	159.4	+9.8	RSS3 May 21	70.45	+5.35
Feb 21	262.5	+13.5	SCR/RSS Sep 21	14,830	+935	Mar 21	162.3	+11.0	RSS3 Jun 21	70.45	+5.20
Mar 21	253.3	+16.8	Total Vol.	2,591,817	+72,556	Apr 21	163.8	+11.0	JRF May 21	246.2	+21.5
Apr 21	252.5	+21.5	Total OI	286,335	+6,193	May 21	165.1	+11.1	JRF Jun 21	244.5	+21.8
May 21	248.5	+20.1	INE TSR Feb21	10,830	+760	Jun 21	166.3	+11.2	ICEX	Last (INR)	Net
Jun 21	245.9	+19.0	INE TSR Mar21	10,945	+755	Jul 21	167.4	+11.3	RSS4 Jan 21	15,447	+59
Total Vol.	26,036	+13,092	Total Vol.	118,521	+6,772	Total Vol.	35,226	+14,840	MCX	Last (INR)	Net
Total OI	14,078	-188	Total OI	48,633	+4,608	Total OI	54,714	+3,632	RSS4 Jan 21	15,421	+157

Source: JPX

Source: SHFE, INE

Source: SGX

Source: TFEX, ICEX, MCX



Source: JPX

Important Data / Stock levels	Last	Net
Japan OSE Rubber Stocks (ton, 31 Dec)	5,601	+496
Shanghai SHFE Rubber Stocks (ton, 8 Jan)	173,602	+740
Shanghai INE Rubber Stocks (ton, 8 Jan)	52,639	+4,637
China Vehicle Total Sales (unit, 30 Nov)	2,769,666	+196,438
China Passenger Car Sales (unit, 30 Nov)	2,297,401	+187,844
China Commercial Car Sales (unit, 30 Nov)	472,265	+8,594
US Unemployment Rate (% Dec)	6.8	-0.1
US Non-Farm Payroll (Dec)	-140,000	-385,000
Japan Unemployment Rate (% Nov)	2.9	-0.2
Japan PMI (Dec)	49.7	+0.7
Japan Tankan Large Manufacturing (31/12)	-10	+17
China PMI (Dec)	51.9	-0.2
China GDP 3Q (%)	+4.9	+1.7

Source: JPX, SHFE, Bloomberg

FOREX	Last	Net
USD/JPY	103.94	+0.74
EUR/USD	1.2218	+0.0003
GBP/USD	1.3568	-0.0104
USD/CHF	0.8855	-0.0006
AUD/USD	0.7757	+0.0063
USD/CNY	6.4746	-0.0526
USD/INR	73.245	+0.1125
USD/SGD	1.3255	+0.0036
USD/MYR	4.0293	+0.009
USD/THB	30.136	+0.159
USD/IDR	14,020	-30
USD/VND	23,067	-31

Source: Bloomberg

Stock Index	Last	Net
NK225 Japan	28,139.03	+694.85
TOPIX Japan	1,854.94	+50.26
Dow Jones US	31,097.97	+491.49
S&P 500 US	3,824.68	+68.61
Nasdaq US	13,201.98	+313.70
CSI 300 China	5,495.43	+284.14
Shanghai China	3,570.11	+97.04
HSI Hong Kong	27,878.22	+647.09
STI Singapore	2,993.19	+149.38
KLCI Malaysia	1,633.19	+5.98
SET Thailand	1,536.44	+87.09
IDX Indonesia	6,257.83	+278.76
VSE Vietnam	1,167.69	+63.82

Source: JPX, Bloomberg

JPX Derivatives	Last	Net
JPX NK225 Mar 21	28,140	+700
JPX TOPIX Mar 21	1,858.5	+54.0
JPX NK 400 Mar 21	16,865	+525
JPX TSE REIT Mar 21	1,766.0	0.0
JPX NK 225 VI Jan 21	21.75	+1.85
JPX JGB 10 Year Mar 21	151.78	-0.14
JPX Gold 1 Kg Dec 21	6,379	+100
JPX Mini Gold 100g Dec 21	6,379	+100
JPX Gold Rolling Spot	6,365	+117
JPX Silver Dec 21	91.0	-0.4
JPX Platinum Dec 21	3,705	+194
JPX Palladium Dec 21	8,072	+251
JPX Corn Jan 22	27,070	+1,360

Source: JPX

Rubber Trading – Calendar Spread Analysis:

The OSE June futures closed at 245.9 while the Feb futures settled at 262.5 making the calendar M-G spread at -16.6. The spread has narrow 5.5 from the previous week at -22.1 to -16.6. We are seeing the short end rubber shortage is easing and as rubber prices stable and the backwardation is slowly getting less steep. This is likely to continue to narrow further unless there is a short-term shortage of rubber in the near month which is probably unlikely in the near term. The high/low on the spread is rather wide at +30 to -35 in the past 1 year. A RSS3 processor can sell Feb and buy June (selling the spread) in view of seeing prices narrowing further but must be able to deliver when Feb expires.



Source: Bloomberg

Rubber Trading – Arbitrage Analysis:

OSE June futures settled at 245.9 and SGX SICOM June contract is at 166.3. Converting JPY 245.9 to USD (103.94) we have OSE at 2.3658. The differential is OSE RSS3 is premium 0.703 (2.3658-1.663) Looking at the chart below, the largest differential was 0.87 on 3 Dec 2020. An arbitrage opportunity exist as the mean is 0.26 by Selling OSE June futures at 245.9 and buy SICOM June at 166.3 and is looking the OSE premium over SICOM to narrow from 0.703 to 0.26 with stops above the high at 0.87 level. USD/JPY is something worth monitoring.



Source: Bloomberg

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