

SGX - Global Pricing Benchmark for Natural Rubber: Fundamentals and Trading Opportunities

3 June 2020

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Agenda

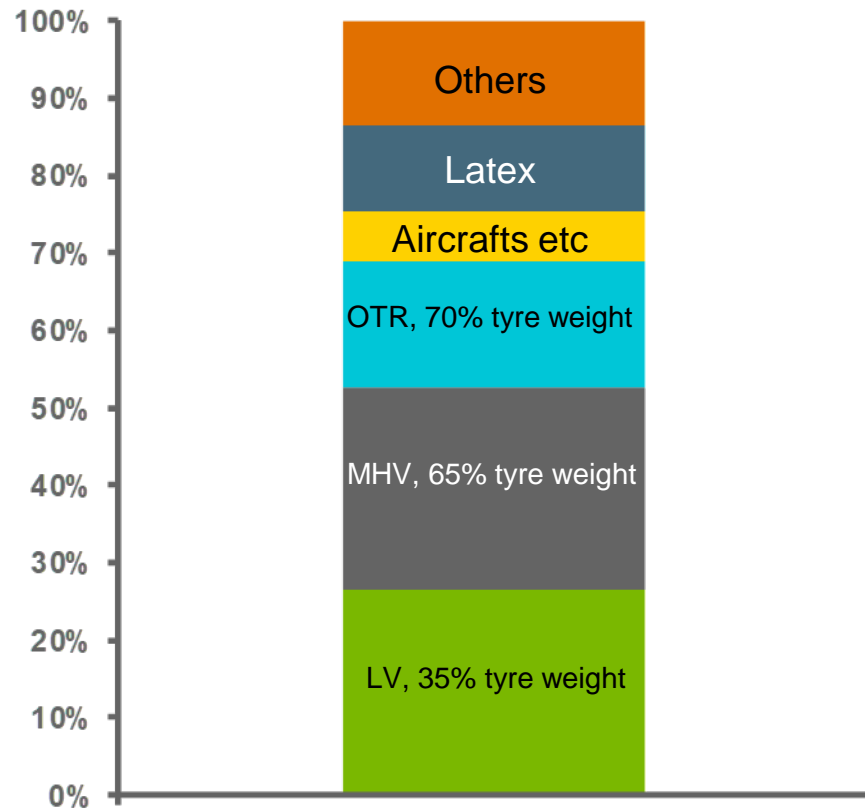
- ▶ Fundamentals - The Physical Industry
- ▶ Overview of Rubber Derivatives
- ▶ Trading Strategies
- ▶ SGX SICOM Rubber Derivatives

Rubber: An Agricultural Crop Consumed Industrially



Fundamentals: Uses of Natural Rubber

>70% natural rubber goes into tyre manufacturing



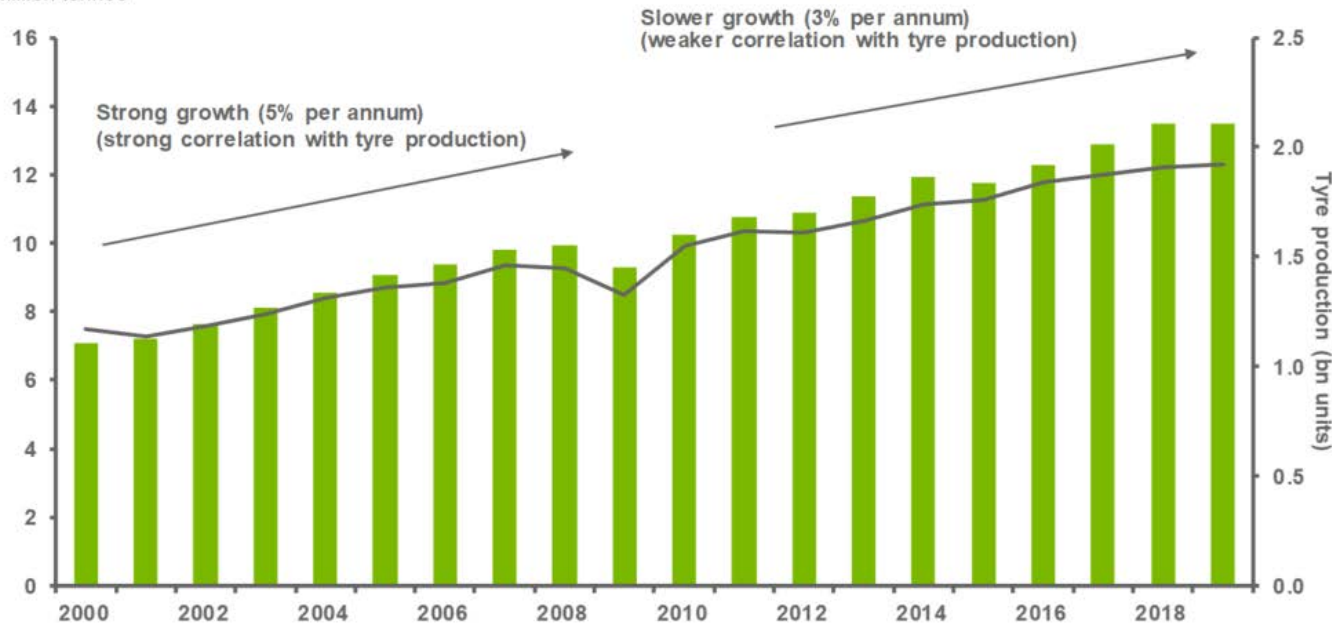
Source: LMC Tyre & Rubber Ltd.

Fundamentals: Demand of Natural Rubber

Demand of natural rubber moves in the same direction as tyre production

Global demand

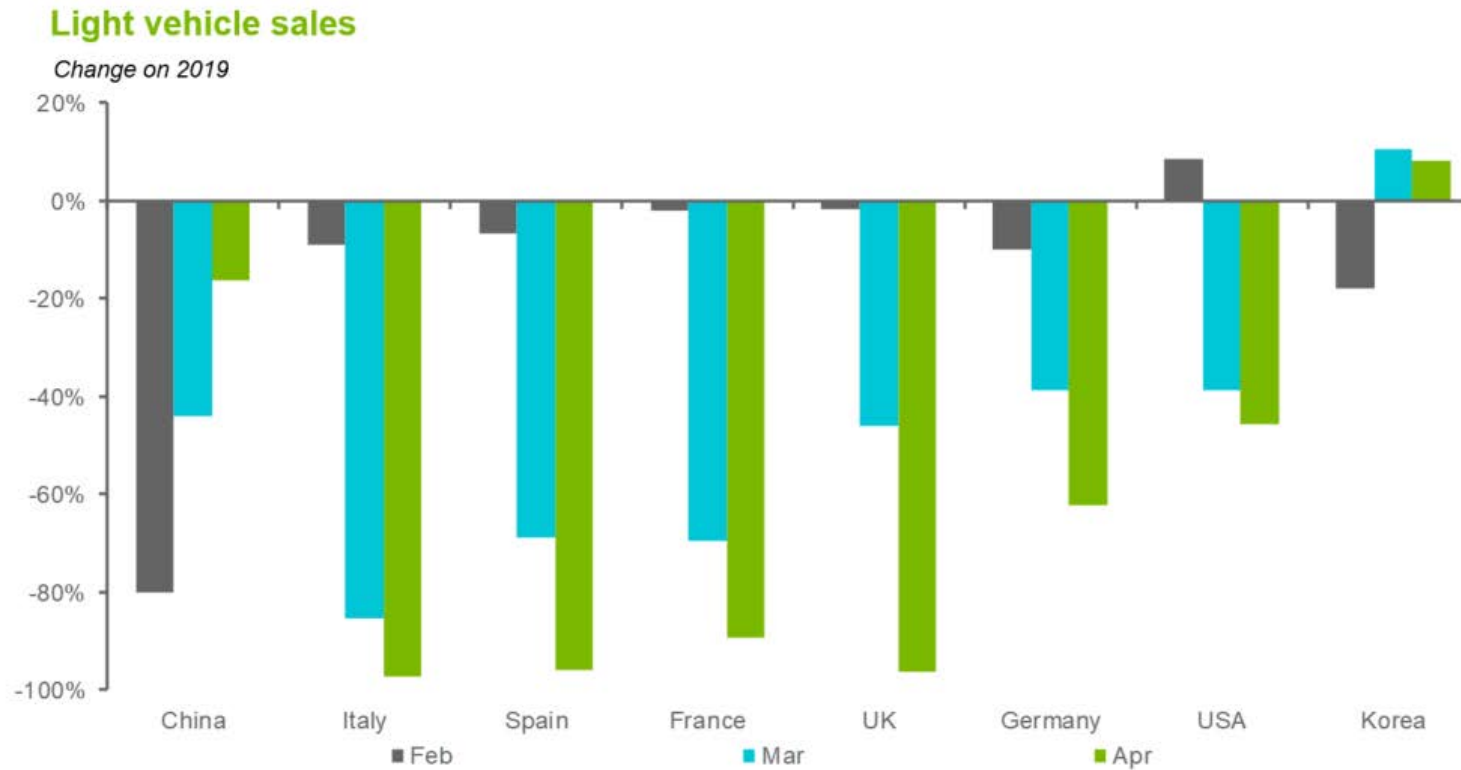
Million tonnes



Source: LMC Tyre & Rubber Ltd.

Fundamentals: Auto Industry

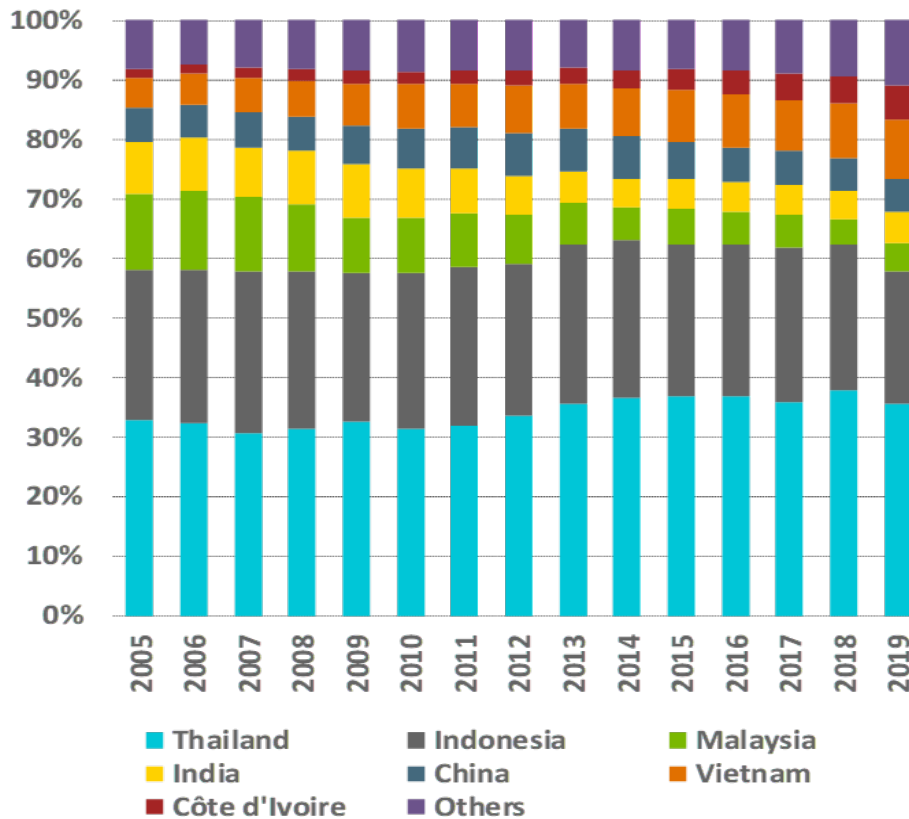
COVID-19 impact on major auto industries: China was worst hit in Feb amidst lockdown, followed by Europe/UK



Source: LMC Automotive

Fundamentals: Supply of Natural Rubber

60% global production comes from Indonesia and Thailand



Source: LMC Tyre & Rubber Ltd.

Fundamentals: Natural Rubber Prices

Jan 2009 - May 2020

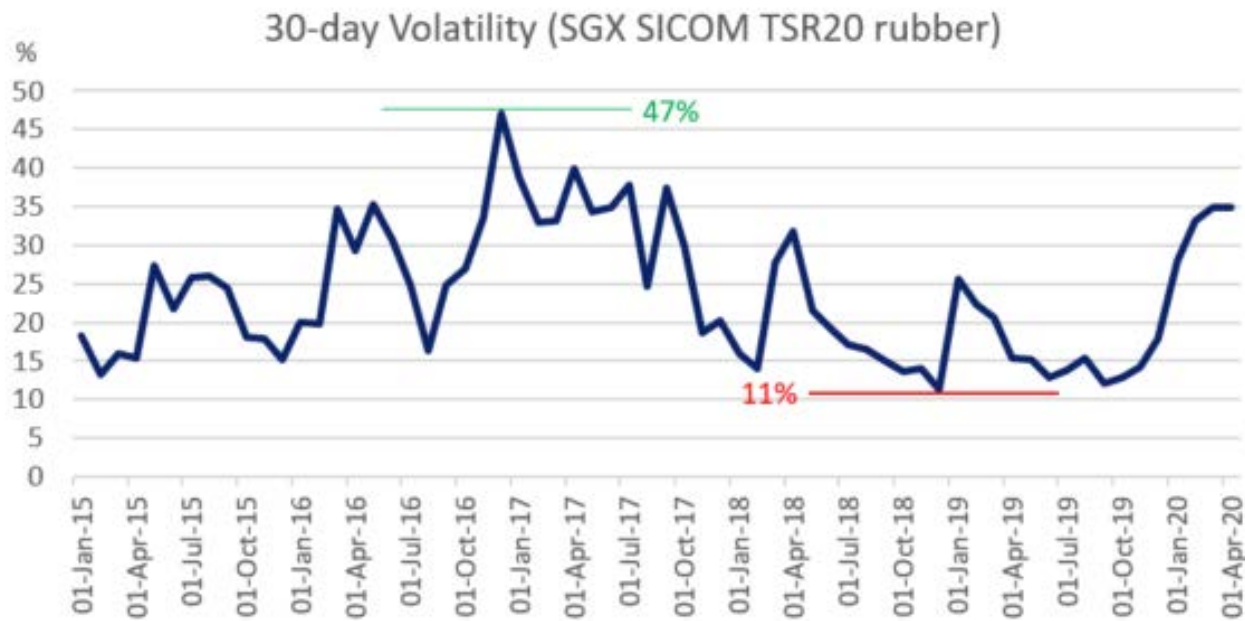


Source: Bloomberg

Fundamentals: 30-day Volatility

Jan 2015 - May 2020

Based on SGX SICOM TSR20 rubber 2nd contract month (most liquid month), as at 30 Apr: 35%



Source: Bloomberg

Rubber in the Paper Market

Rubber listed on various exchanges:

SGX SICOM - RSS3 and TSR20

SHFE and INE - RSS/SCR WF/TSR20

TOCOM - RSS3 and TSR20

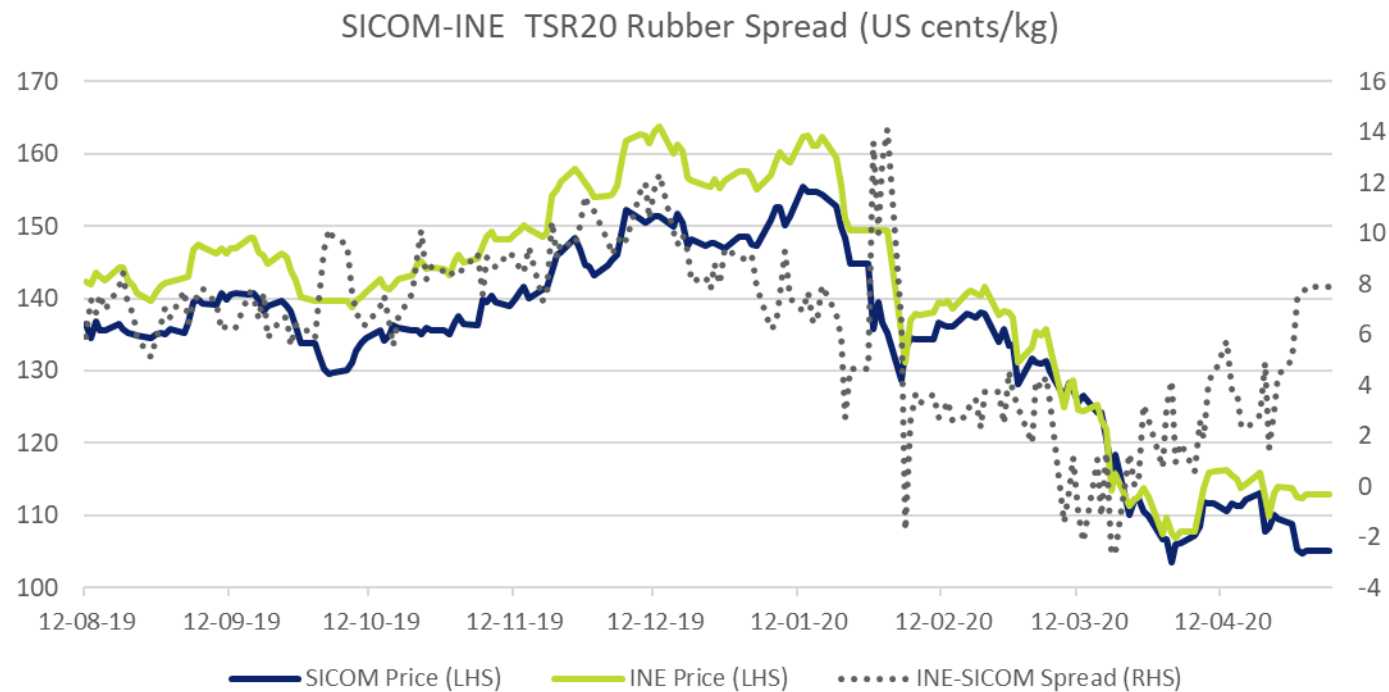
TFEX - RSS



Arbitrage Strategy: Inter-exchange

Aug 2019 - Apr 2020

High SICOM-INE correlation with similar price direction

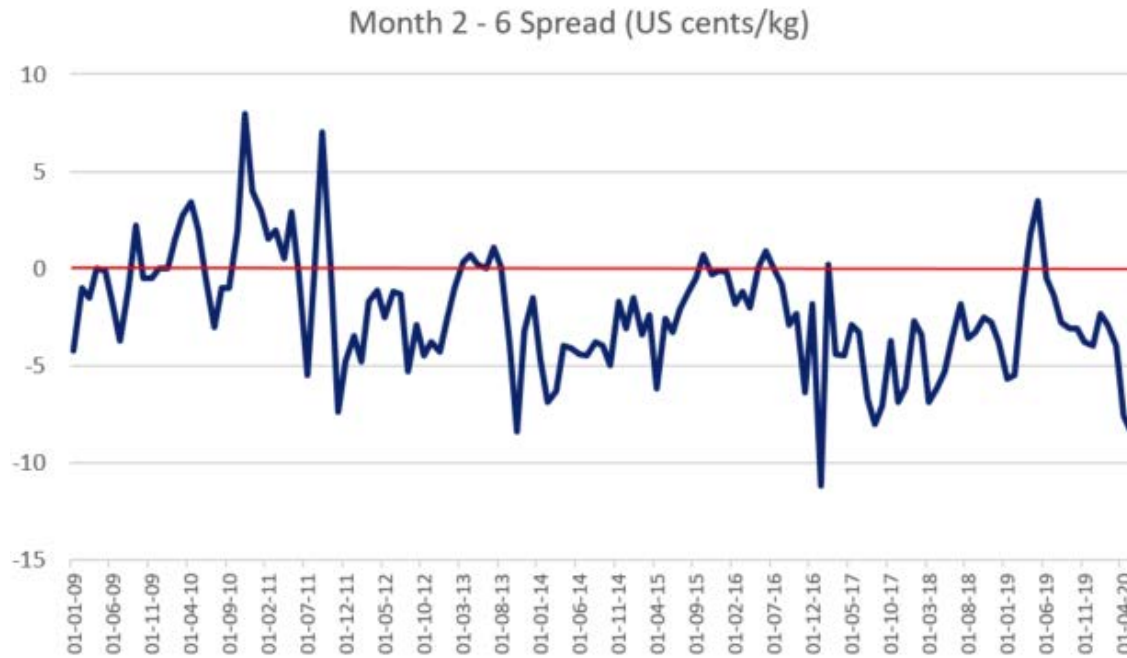


Source: Bloomberg

Arbitrage Strategy: Calendar Spread

Jan 2009 - May 2020

Typically contango; average spread differential between SGX SICOM Rubber futures contract months 2 and 6: -2.2 us cents/kg

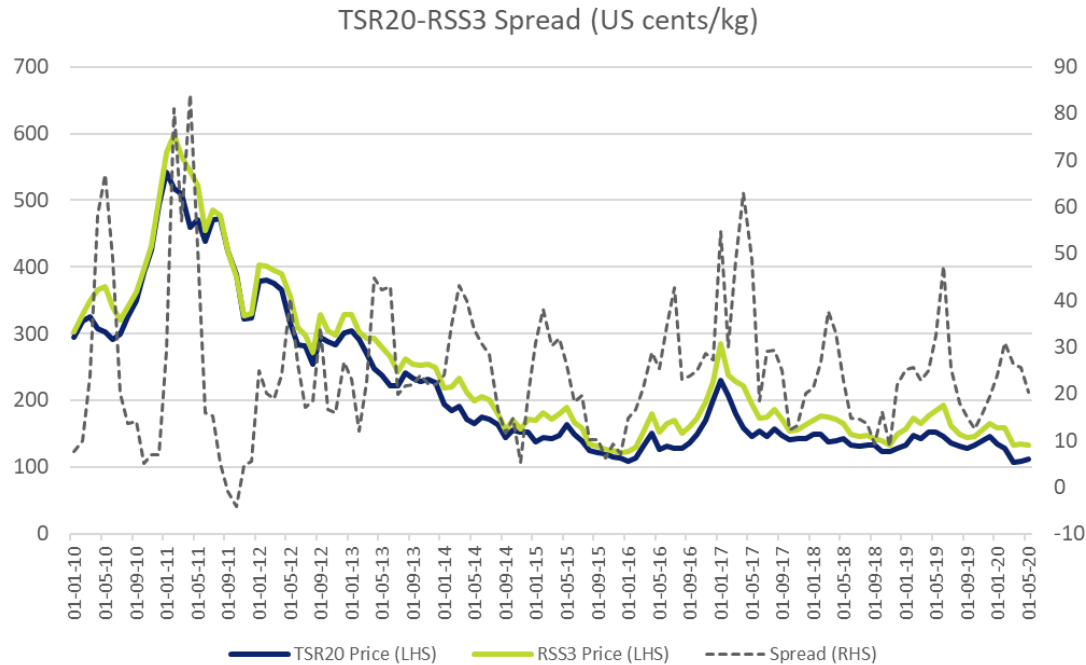


Source: Bloomberg

Arbitrage Strategy: Inter-commodity

Jan 2010 - May 2020

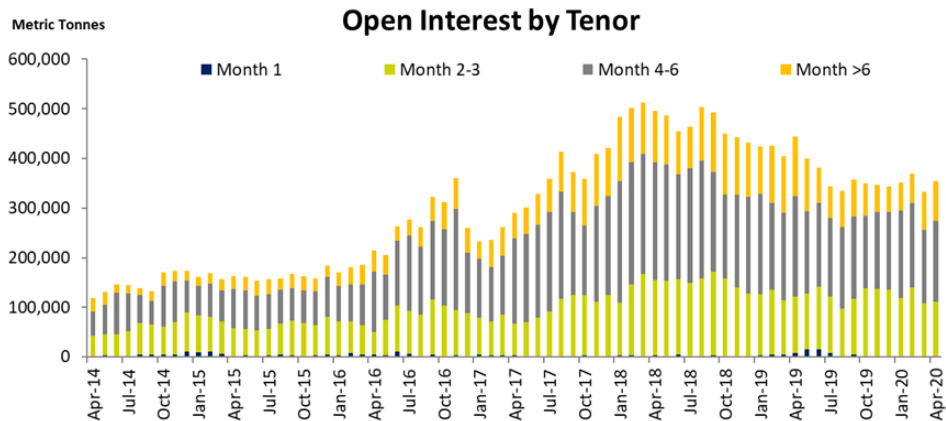
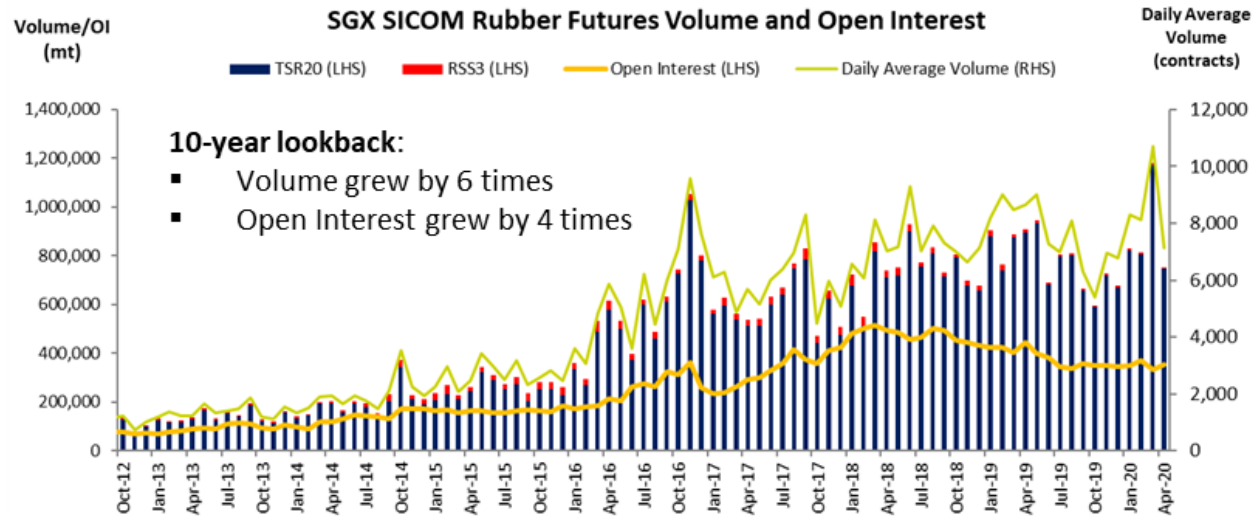
Typically RSS3 premiums over TSR20; average SGX SICOM Rubber futures spread differential: +25 us cents/kg



Source: Bloomberg

SGX SICOM Rubber: The Global Pricing Benchmark

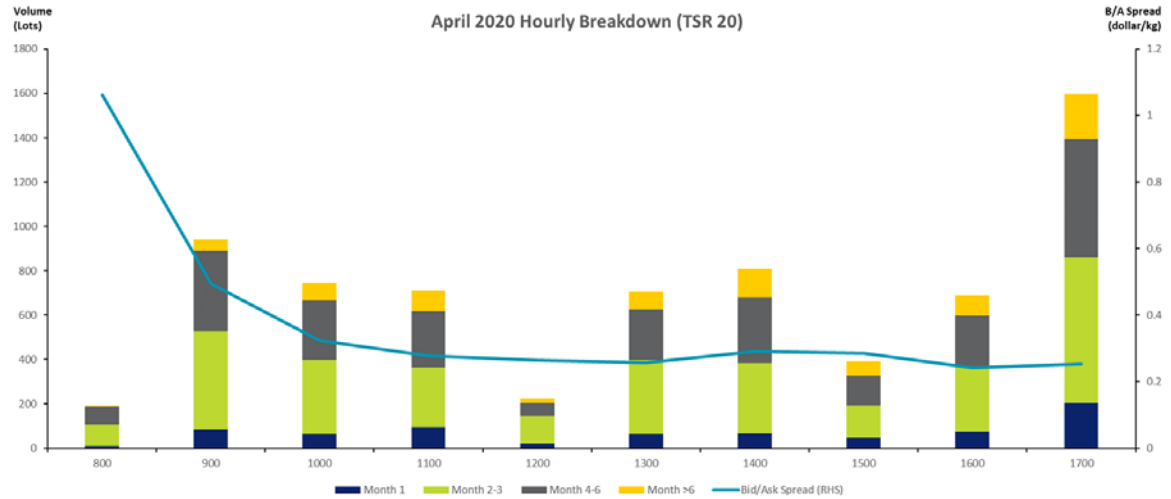
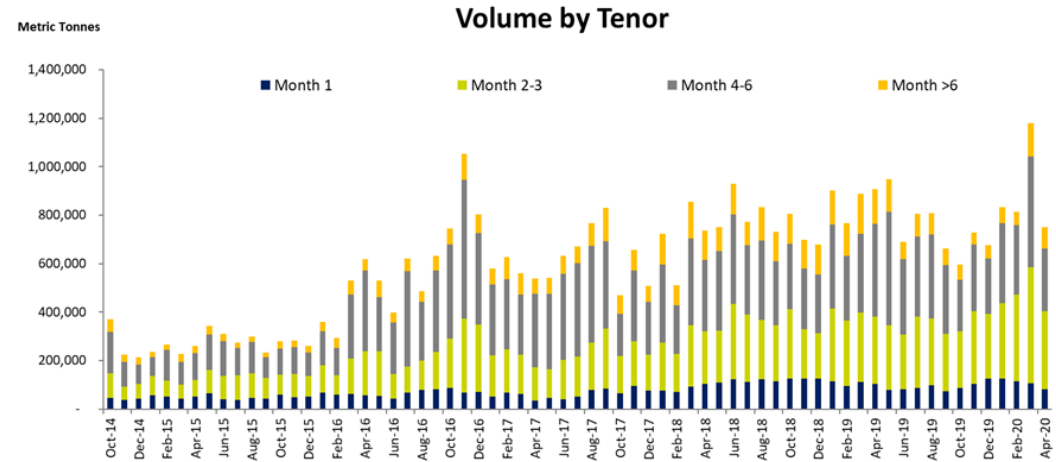
SGX SICOM rubber futures volume has grown by 6 times, and OI has grown by 4 times over the past 10 years



SGX SICOM rubber futures is the global pricing benchmark for natural rubber used by a geographically diverse rubber value chain; OI in forward months

SGX SICOM Rubber: Liquidity down the curve

2-4 contract months are most liquid, with volumes spanning across all 12 contract months; >95% volumes traded on screen



Tight bid ask spread of 2 ticks towards EOD

Thank you