

SGX SICOM Rubber

Price volatility & managing price risk

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Singapore Exchange

Commodities | Equity Derivatives | Fixed Income | FX | Indices | Securities

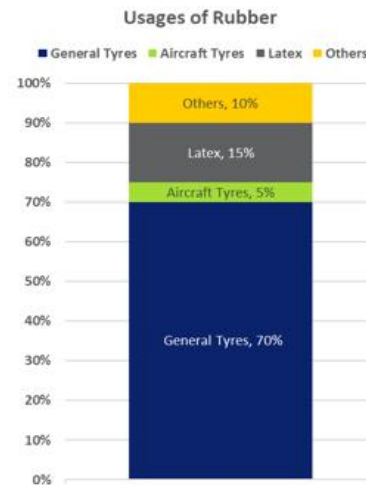
Overview of the Rubber Market



- The latex derived is used to produce two main forms of rubber:

RSS (Ribbed Smoked Sheets)	TSR (Technically Specified Rubber)
<ul style="list-style-type: none"> ▪ Latex are diluted, processed and pressed into sheets of <u>standardised dimensions</u> ▪ Sheets are smoked and hung in smokehouses and dried before packing 	<ul style="list-style-type: none"> ▪ Latex is processed and compressed into bale/block before being packed in plastic wrap ▪ Also known as Standard Rubber ▪ Specification is drafted by ISO

- Accompanying number represents quality (e.g. TSR10, TSR20, RSS1, RSS3)
- 75% of natural rubber production is in the form of TSR
- Thailand, Indonesia and Malaysia account for 57% of global rubber production
- China (40%) and the rest of Asia (35%) are the biggest consumers of rubber



Rubber Benchmark Is Supported By Active Trading

Dominant Offshore Market Share (YTD January 24):
>85% marker share in both volume and open interest

Growth momentum

DAV trading above 10k lots for 7 consecutive months

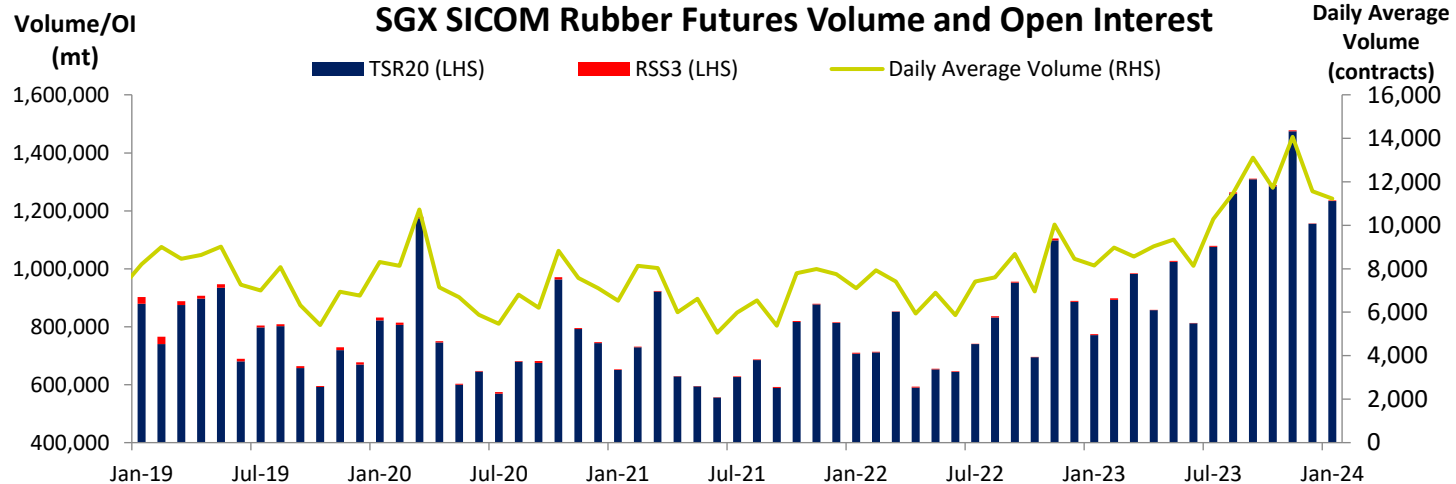
Recent records

Daily volume record of on 4 September 2023

Monthly DAV record of 14k lots in November 2023

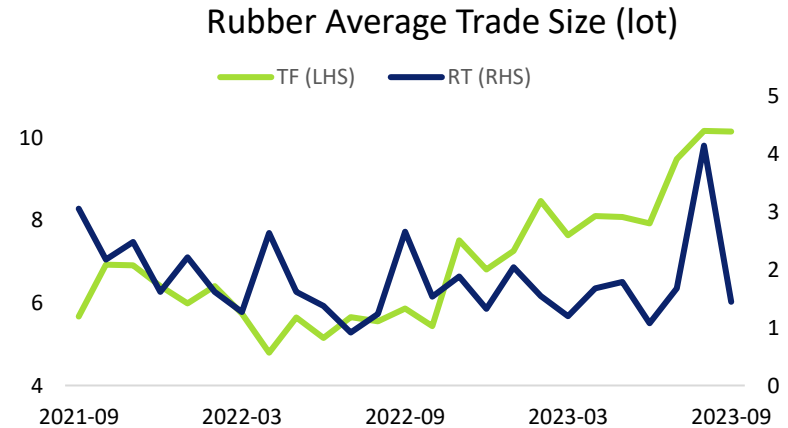
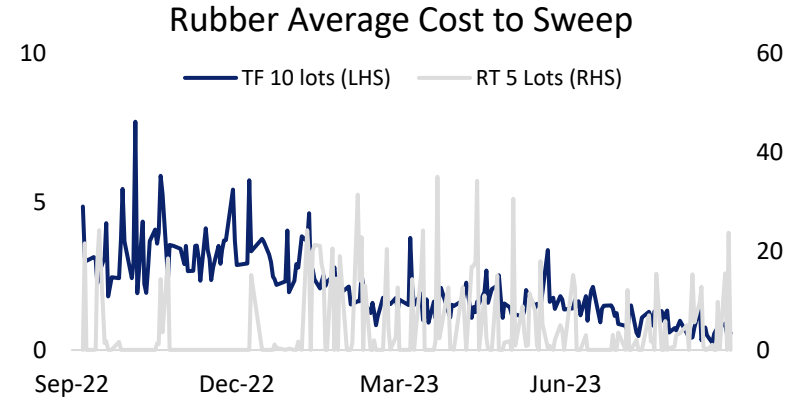
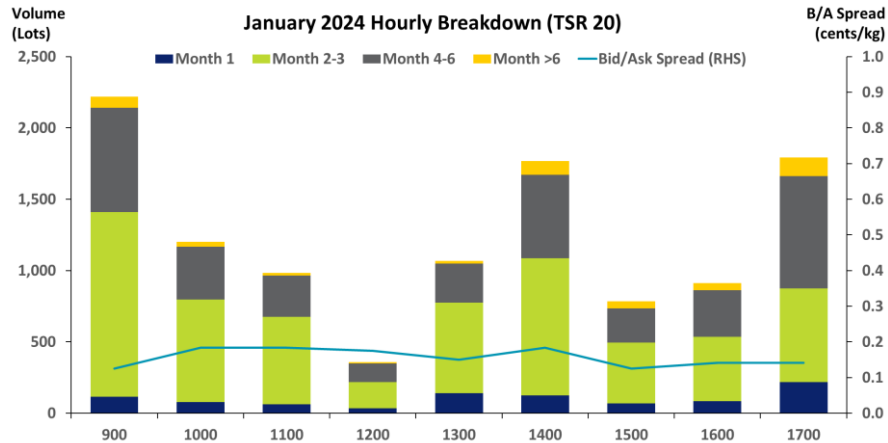
Monthly DAV in notional exceeded US\$100mil in November 2023

Rubber Futures Records	Contracts	Tonnes
Volume cleared in a month - November 2023	295,561	1,477,805
Volume cleared in a day - 4 September 2023	29,472	147,360
Total volume cleared in a year - 2023	2,589,023	12.95 mil
Month-end Open interest - March 2018	102,508	512,540



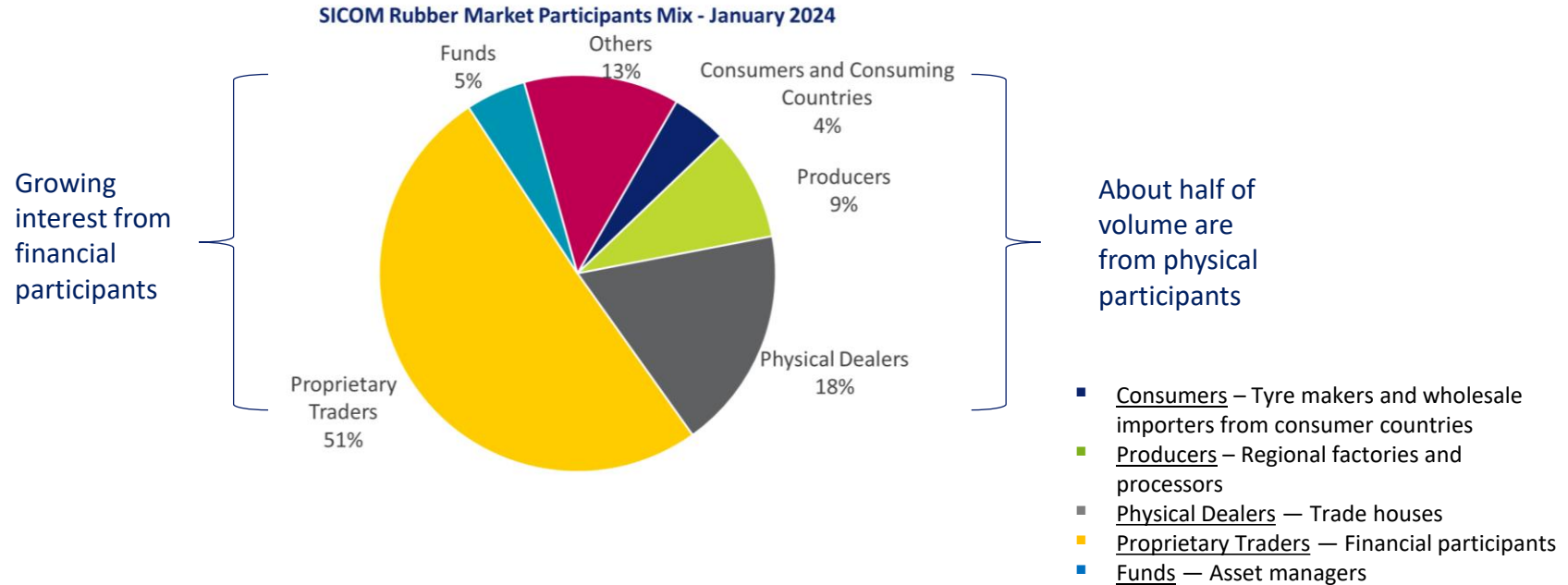
Improved Market Liquidity Made Hedging Easier

- 1-2 ticks bid-ask spread for active contract months during active trading hours
- Hedging in SICOM is made easier with decrease in cost-to-sweep and increase in average trade size



Broad Market Participation Creates A Robust Benchmark

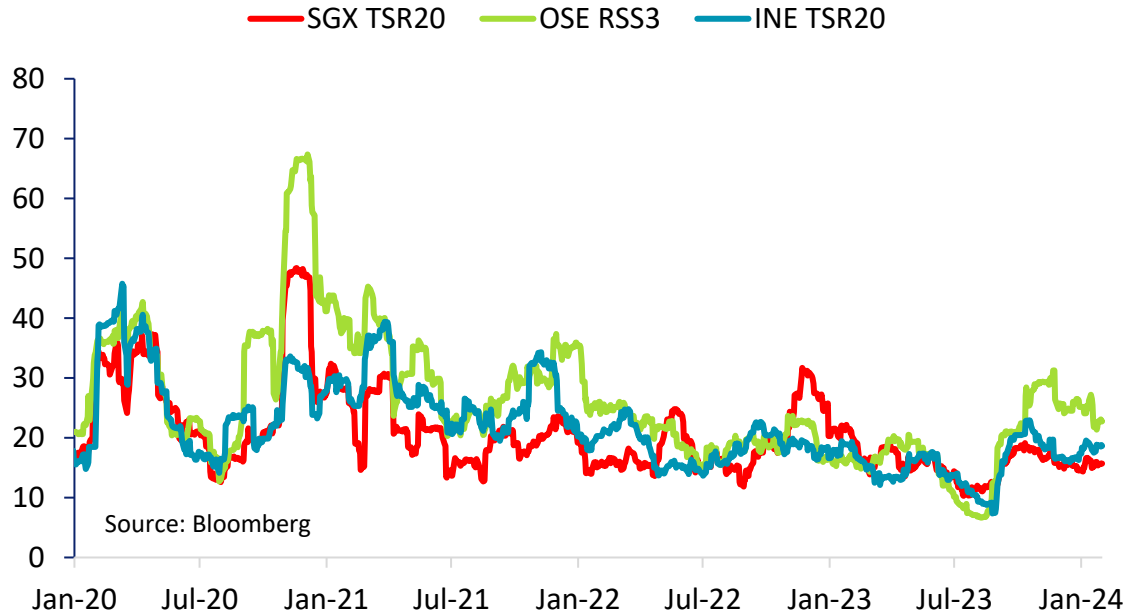
- **Trading Activity** – comes from a full range of participants, each expressing their views on the demand and supply of rubber.



Volatility Across Different Rubber Futures Markets

Average volatility for SICOM rubber is the lowest among major exchanges

Rubber 30 day Volatility



Rubber market	Average volatility
SICOM TSR 20	20.59
SHFE RSS 3	20.85
INE TSR20	21.81
OSE RSS 3	26.04

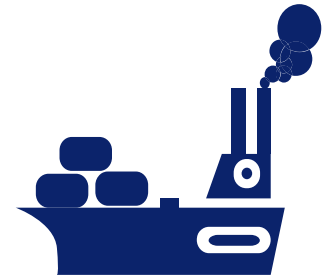
SGX SICOM Rubber Futures - Trading

- A futures contract is a legal agreement to buy or sell the underlying rubber at a predetermined price at a specific time in the future
- Futures contracts are traded in organized exchanges such as SGX
- The exchange clearing house is the central counterparty of all futures transactions
- Traders with a futures position can close out their position with an offsetting trade before contract expiry date



SGX SICOM Rubber Futures - Delivery

- Traders with open positions when the rubber futures contract month expires are subjected to physical delivery of the underlying rubber
- On the day after futures contract expiry, SGX Clearing House will match traders with long positions with those with short positions
- Sellers will choose the port that they wish to delivery their rubber and buyer will arrange to collect rubber from that port
- Sellers' delivery obligation completed when cargo is successfully loaded onto the ship



Why Manage Rubber Price Risk?

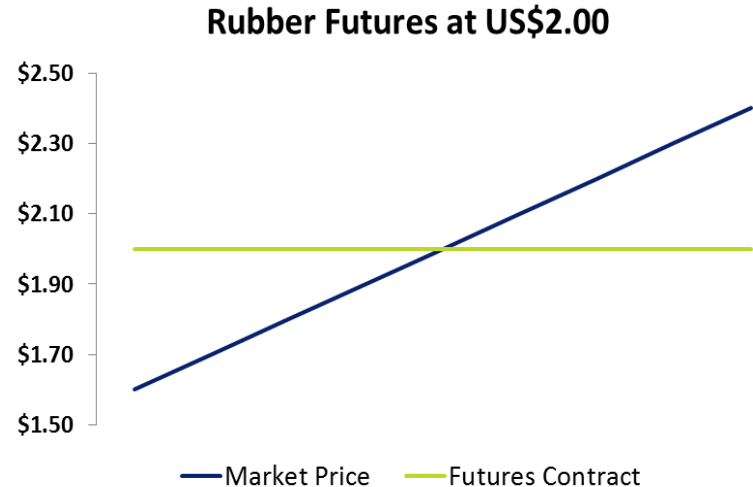
- Mitigate the impact of volatile rubber prices as it relates to cash flows, expenses and/or profit margins
- Achieve budget certainty
- Insurance against sudden and/or significant changes in fuel oil prices
- Mitigate competitive pressure as it relates to rubber prices
- Provide stakeholders with confidence that rubber price exposure is being properly addressed



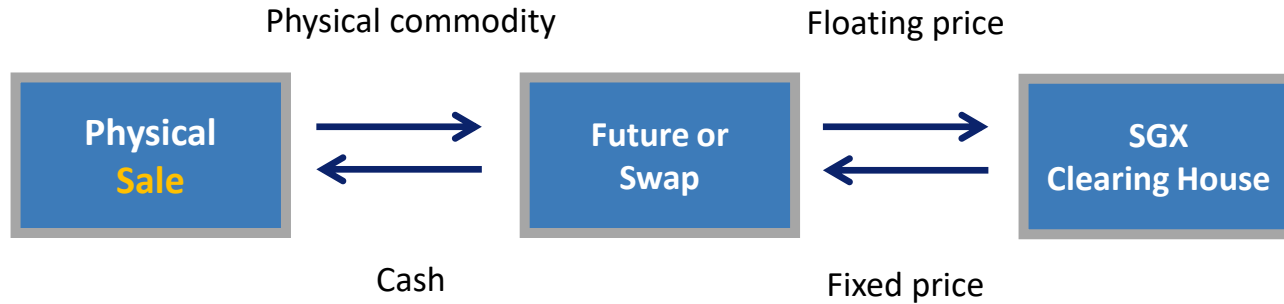
Use SGX SICOM Rubber Futures to “Lock in” Current Prices

Buying or selling a future essentially says, “I accept the current, future market price.”

The “fixed price payer” always realizes a price equal to the future price

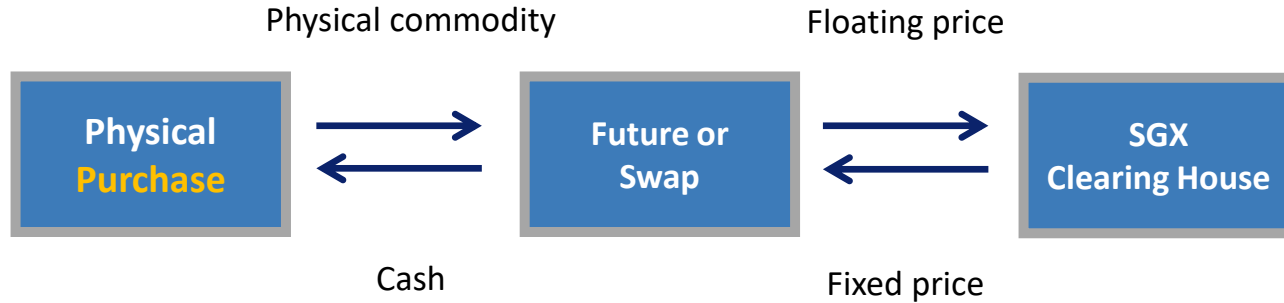


Sell \$2.00 Rubber Future/Swap (Producer Hedge)



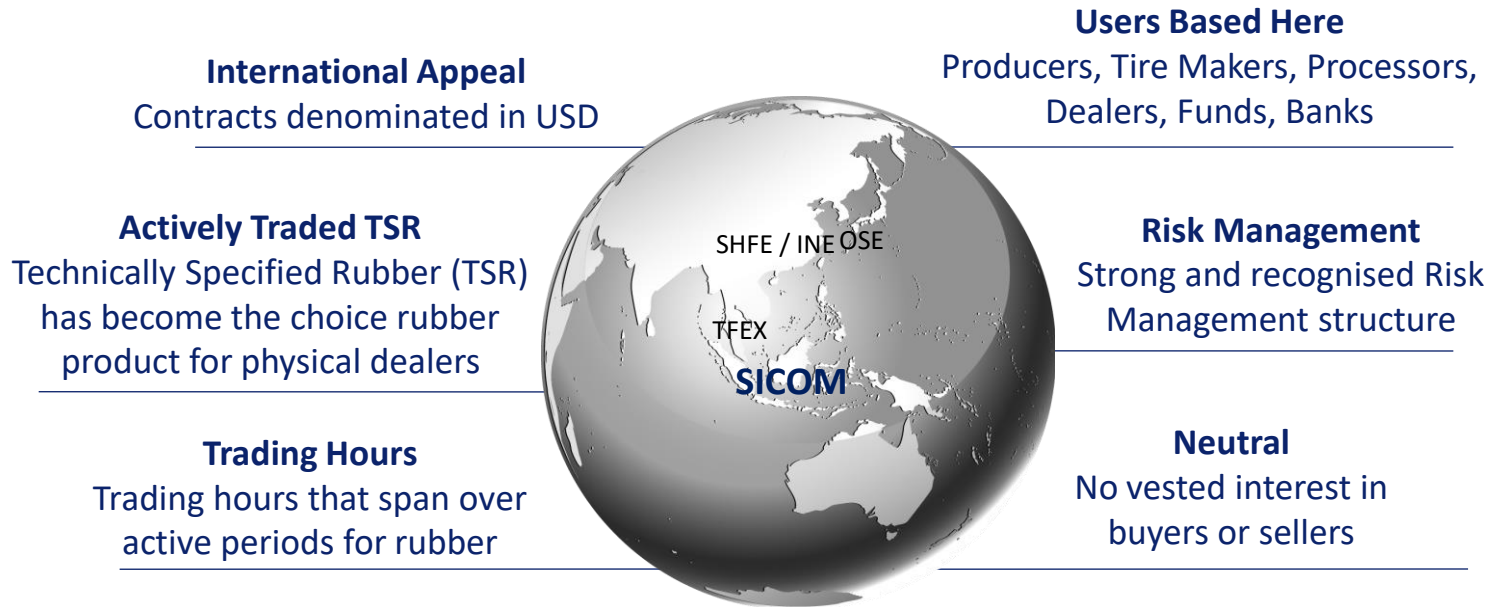
Short \$ 2.00 Future/Swap	\$2.50 Exit	\$1.50 Exit
Pay for physical	\$2.50	\$1.50
+/- exit price	(\$0.50)	\$0.50
Realised price	\$2.00	\$2.00

Buy \$2.00 Rubber Future/Swap (Consumer Hedge)



Long \$ 2.00 Future/Swap	\$2.50 Exit	\$1.50 Exit
Pay for physical	\$2.50	\$1.50
+/- exit price	\$0.50	(\$0.50)
Realised price	\$2.00	\$2.00

Why Singapore and SGX SICOM?



Thank You

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