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RESEARCH DIVISION

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SUSTAINING GROWTH MOMENTUM IN A NEW ERA

The global natural rubber sector is entering into a new era, marked by factors that could disrupt supply chains. These dynamics are expected to support projected selling prices for TSR20 and SVR10 at sustained rates above USD 1.8/kg (VND 45,600/kg) during 4Q24–FY26.

Domestic rubber companies are forecasted to maintain strong profit growth, driven by projected double-digit YoY price increases in 4Q24–2Q25. Regarding positive outlook for sector, **PHS recommends BUY:**

- Dak Lak Rubber Investment JSC (**UpCOM: DRI**) with a target price of **15,100 VND/share**, offering an upside of **31.7% (*)**.
- Dong Phu Rubber JSC (**HSX: DPR**) with a target price of 43,500 VND/share, offering an upside of **21.6%** (including cash dividend yield)

Overview of global natural rubber market in 10M24

The global rubber market has experienced significant volatility in both upward and downward movement recently. However, a low base in the same period last year has supported strong YoY price growth, which is expected to persist through 1H25. By mid-November 2024, the average monthly price for TSR20 still stood at USD 1.94/kg (**-3.1% MoM; +27.0% YTD; +32.4% YoY**). Price volatility can be attributed to following factors:

- **Price growth drivers:** Accelerated purchasing material by global producers in Sept-Oct 2024 to ensure stable production through 1H25:
 - (i) **Automotive industry recovery:** Data from 9M24 shows a positive recovery and continuous growth in the automotive sector – the primary consumer of natural rubber – on both a QoQ and YoY basis in major markets such as the U.S., China, and Europe.
 - (ii) **Supply disruptions:** Key rubber plantations in Southeast Asia have been continuously impacted by typhoons and heavy rains since Aug 2024, raising concerns over raw material availability for 4Q24-1H25 amid stable consumption natural rubber conditions.
- **Price adjustment factors:** Producers slowing production to reassess market conditions following key events:
 - (i) **Delay in EUDR:** In mid-Oct 2024 to current, news of the EU decision to postpone the European Union Deforestation Regulation (EUDR) by one year (from December 31, 2024, to 2025) disrupted market sentiment. Producers, who had prepared 2025 orders with EUDR-compliant rubber priced 10%-30% higher than standard products, were forced to reschedule orders and their business operations.
 - (ii) **Concerns over new tariff policies:** The final stage of the U.S. presidential election, with Donald Trump's victory, raised uncertainty about potential new tariff policies. This led producers to adopt a wait-and-see approach to specific policy actions from the new administration, influencing business strategies for 2025 and beyond.

Will the upward momentum in rubber prices be sustainable?

We maintain a **POSITIVE OUTLOOK** for the natural rubber sector from 4Q24 through FY26, supported by projections that selling prices will remain elevated above 1.8 USD/kg for TSR products.

Notably, price growth is expected to sustain over the next six months, with average quarterly TSR20 prices projected at 1.8 USD/kg from 4Q24 to 3Q25. Detailed analysis includes: