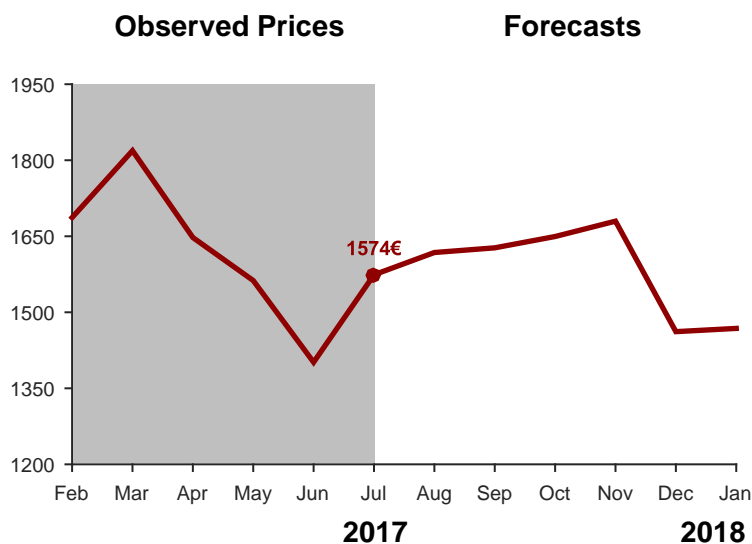


Forecasting the Price of ABS

Commodity	ABS (Asia Spot CFR)
Forecast Period	August 2017 – January 2018
Currency	€
Unit	Metric Tonne
Observations	Monthly forecasts of the spot price in the first day of the month



Forecasts



Month/Year	Forecast	Prob. of Raise
Aug. 2017	1618€	76 %
Sep. 2017	1627€	66 %
Oct. 2017	1650€	61 %
Nov. 2017	1680€	67 %
Dec. 2017	1462€	37 %
Jan. 2018	1468€	46 %

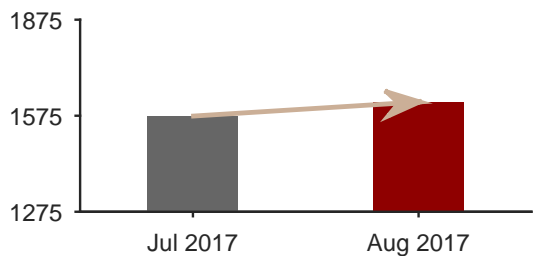
Suggested Action for Procurement

Purchase Limit Month	Suggested Action
August 2017	Buy in July at 1574€
September 2017	Buy in July at 1574€
October 2017	Buy in July at 1574€
November 2017	Buy in July at 1574€
December 2017	Buy part of requirements
January 2018	Buy part of requirements

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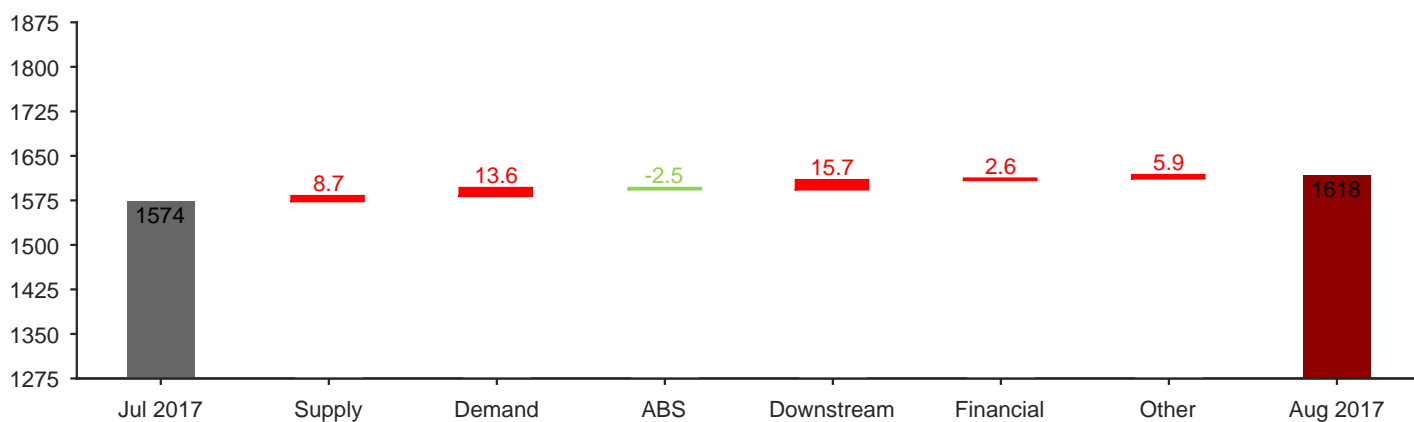
Forecasting the Price of ABS

Impact Analysis: One Month Forecast



Our algorithm forecasts a higher price of ABS in one month: it is expectable that the price increases 2.79% from 1574€ to 1618€ until the beginning of August.

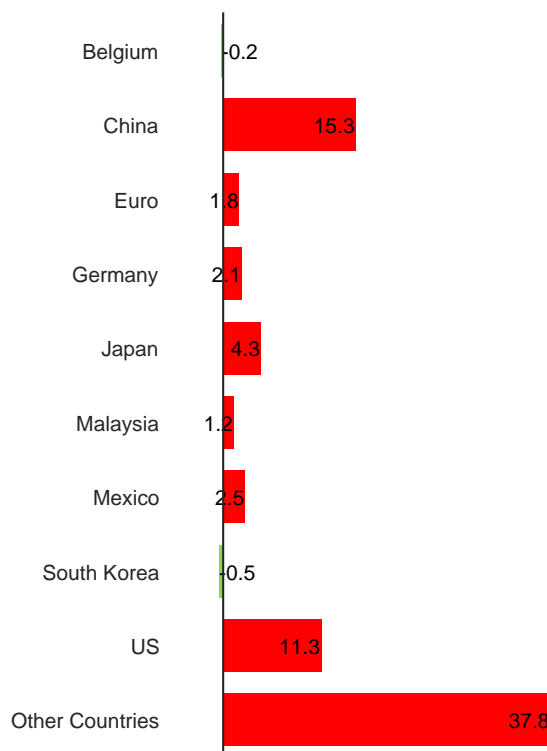
Indices of Factors



Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Negative pressure of the index of ABS
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- Positive pressure of other commodities and other factors
- Focus on China, US, and Japan

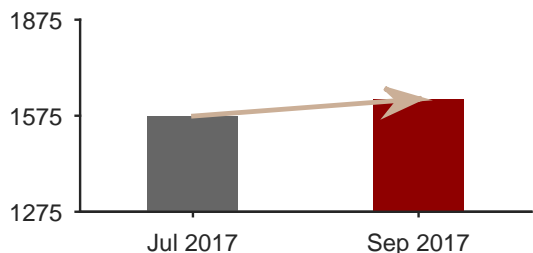
Impact per Country



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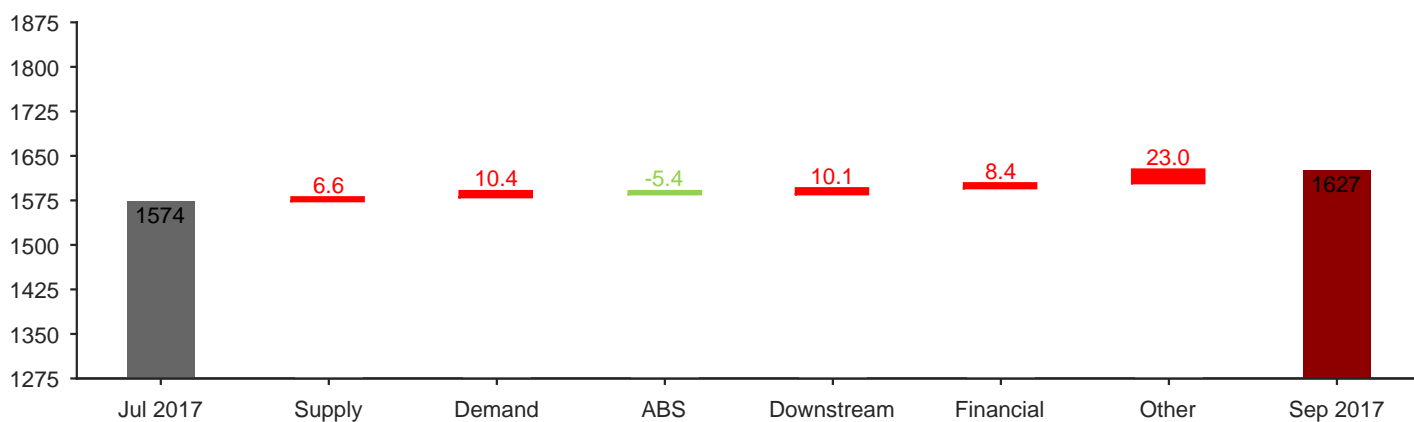
Forecasting the Price of ABS

Impact Analysis: Two Months Forecast



Our algorithm forecasts a higher price of ABS in two months: it is expectable that the price increases 3.37% from 1574€ to 1627€ until the beginning of September.

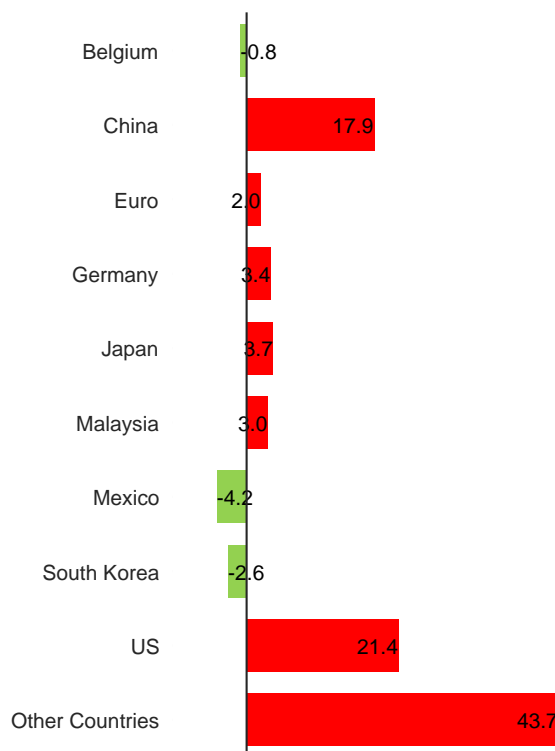
Indices of Factors



Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Negative pressure of the index of ABS
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on US, China, and India

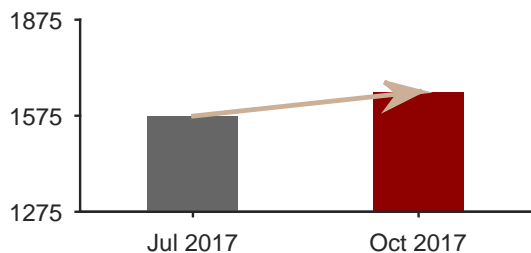
Impact per Country



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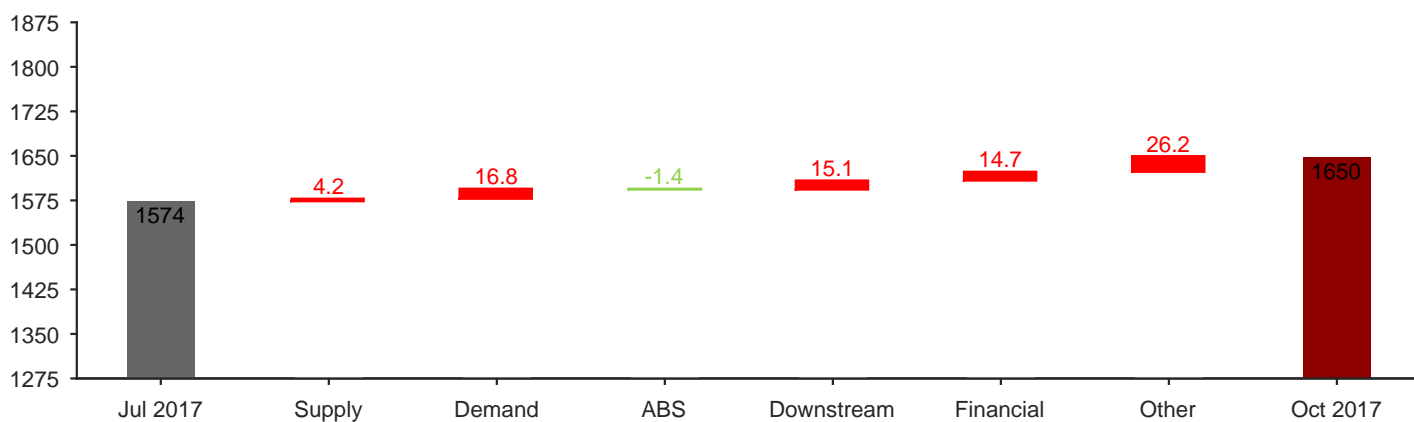
Forecasting the Price of ABS

Impact Analysis: Three Months Forecast



Our algorithm forecasts a higher price of ABS in three months: it is expectable that the price increases 4.79% from 1574€ to 1650€ until the beginning of October.

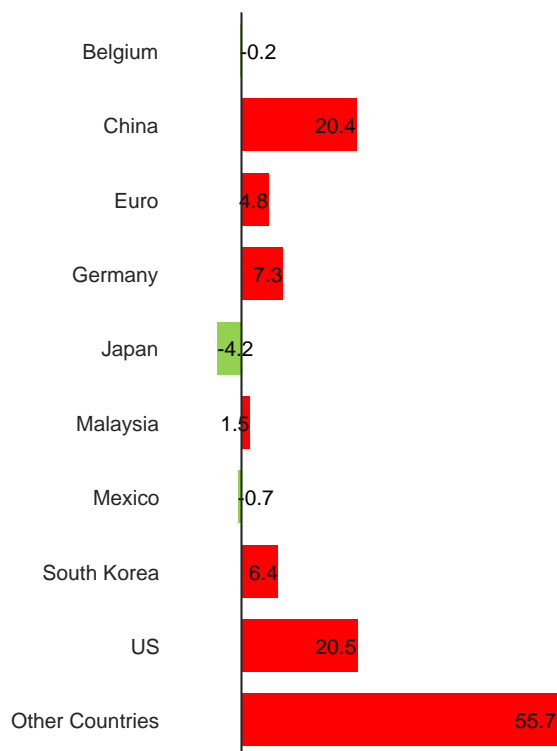
Indices of Factors



Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Slightly negative pressure of the index of ABS
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on US, China, and India

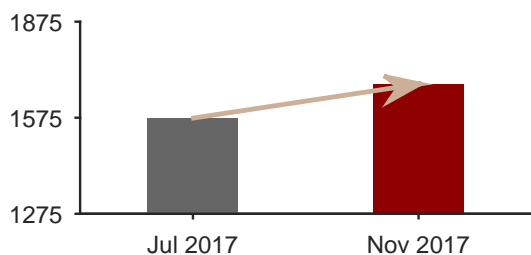
Impact per Country



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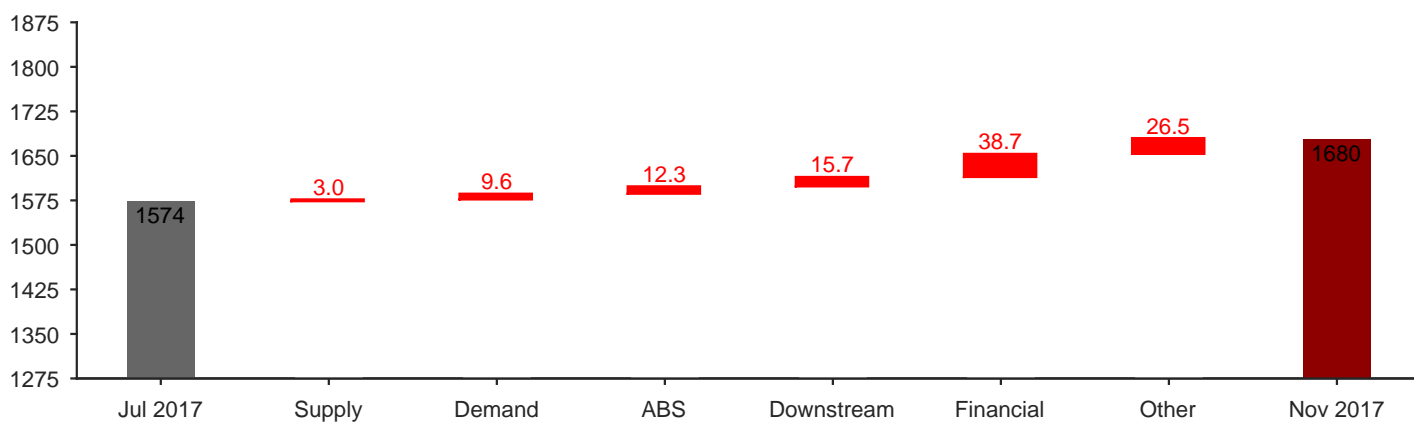
Forecasting the Price of ABS

Impact Analysis: Four Months Forecast



Our algorithm forecasts a higher price of ABS in four months: it is expectable that the price increases 6.72% from 1574€ to 1680€ until the beginning of November.

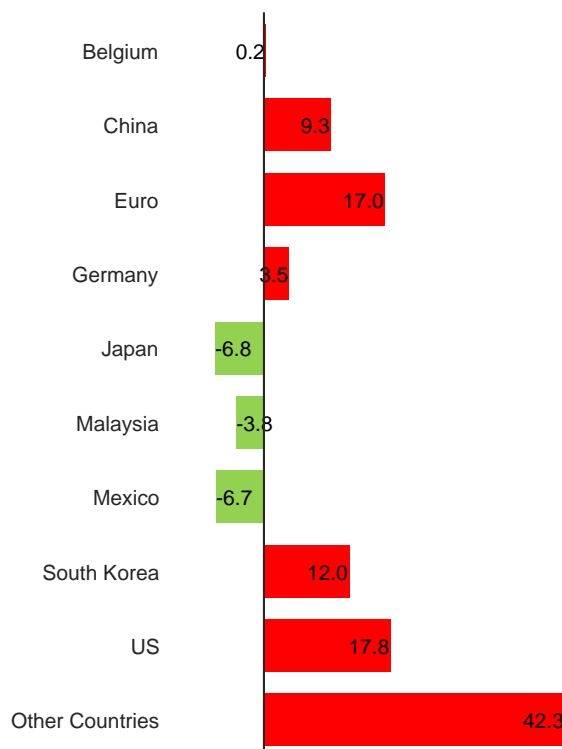
Indices of Factors



Interpretation

- Slight decrease of Supply: Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of ABS
- Positive pressure of the index of variables representing the market downstream
- **Considerably positive pressure of the financial index**
- Positive pressure of other commodities and other factors
- Focus on US, Euro, and Thailand

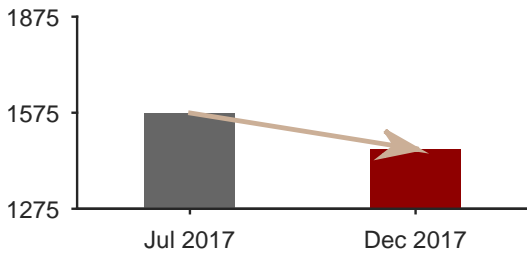
Impact per Country



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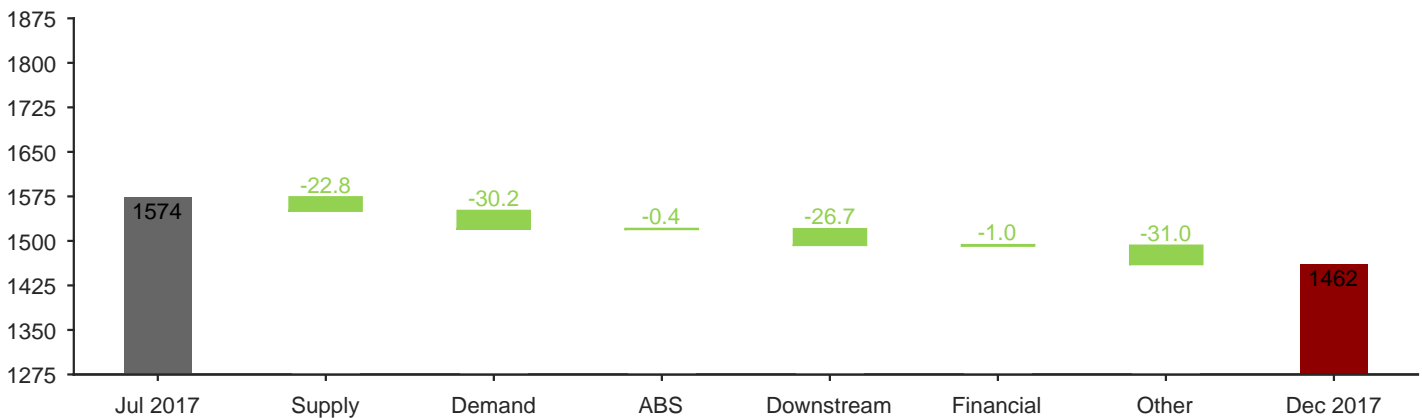
Forecasting the Price of ABS

Impact Analysis: Five Months Forecast



Our algorithm forecasts a lower price of ABS in five months: it is expectable that the price decreases 7.12% from 1574€ to 1462€ until the beginning of December.

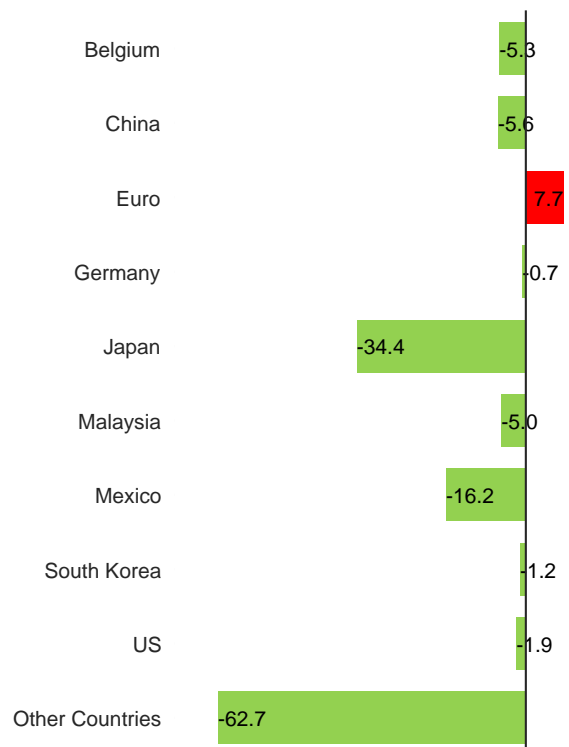
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Slightly negative pressure of the index of ABS
- Negative pressure of the index of variables representing the market downstream
- Slightly negative pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on Japan, Thailand, and Mexico

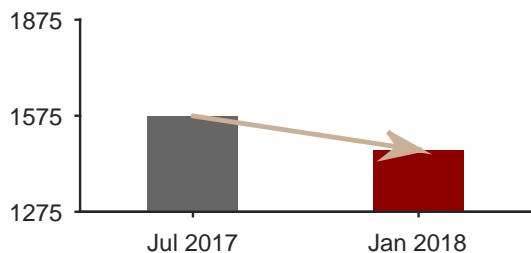
Impact per Country



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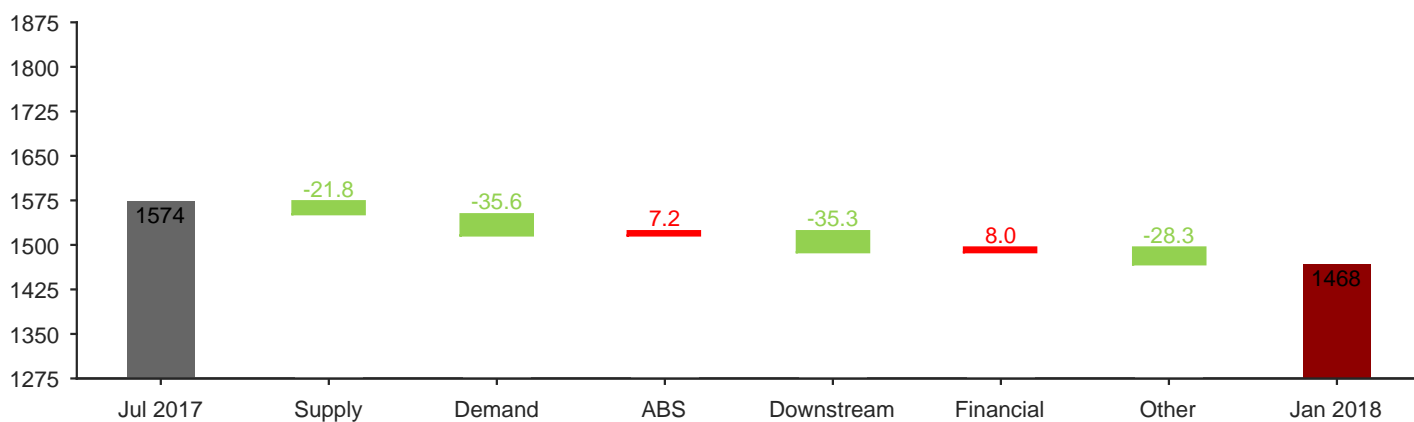
Forecasting the Price of ABS

Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of ABS in six months: it is expectable that the price decreases 6.72% from 1574€ to 1468€ until the beginning of January.

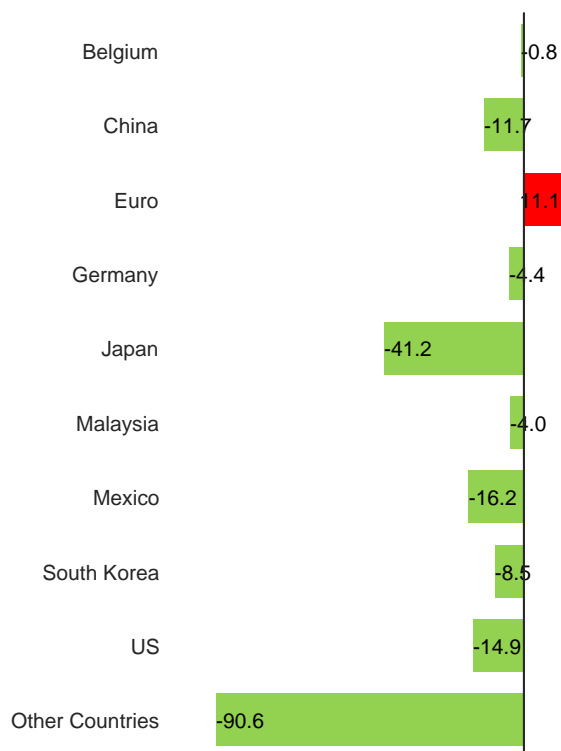
Indices of Factors



Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Considerable decrease of Demand:** Negative pressure of the Demand index
- Positive pressure of the index of ABS
- **Considerably negative pressure of the index of variables representing the market downstream**
- Positive pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on Japan, Mexico, and US

Impact per Country



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Forecasting the Price of ABS

APPENDIX – Technical Explanation of the Impact Analysis

In this appendix, we explain the impact analysis of the factors that most contribute for our forecasts.

This Impact Analysis is conducted individually for **each time horizon**, allowing for a distinction between the indices of variables that contribute for our forecasts at short and medium run.

For each time horizon, our analysis has **two components**: first, we present the impact of variables grouped by **indices of factors**; second we present the impact of variables grouped by **indices of countries**.

Indices of Factors

Indices of factors are indices of the weighted contributions of the variables grouped in those factors.

Supply Index: composed of macroeconomic variables of the producing and exporting countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, an increase in wages implies higher production costs which should (in linear, general, and ceteris paribus terms) generate an incentive to increase prices;

Demand index: composed of macroeconomic variables of the consuming and importing countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, a decrease in a consumer confidence index should (in linear, general, and ceteris paribus terms) increase savings and decrease demand, leading to lower prices;

ABS Index: composed of variables related to ABS. It includes variables such as the price of ABS in different regions of the world and exports, imports, and producer prices of ABS in some countries. It also includes the price and microeconomic variables of Butadiene and Styrene. For example, an increase in the price of ABS in other region may imply an increase in the price of ABS in Europe due to arbitrage movements;

Downstream index: composed of variables related to downstream industries, such as Plastic, Packaging, Construction, and Electronics. It includes variables such as the exports, imports, and producer prices of these industries in some countries. For example, an increase in the demand of Plastic should (in linear, general, and ceteris paribus terms) generate an increase in the price of ABS;

Forecasting the Price of ABS

APPENDIX – Technical Explanation of the Impact Analysis (II)

Financial Variables Index: composed of financial market variables. It includes the share price of companies that produce ABS. It also includes financial indices related to this sector. For example, a positive change in the share price of a producer of ABS should (in linear, general, and ceteris paribus terms) imply an increase in expected profitability of the firm. This may signal an expectation of increase in the price of ABS;

Other Variables Index: composed of variables related to other commodities, such as Oil and other polymers. It includes the price, exports, and imports of these commodities. For example, a positive change in the price of a substitute commodity, should (in linear, general, and ceteris paribus terms) imply an increase of demand of ABS, and thus, of the price of ABS.

Indices of Countries

Indices of Countries: are indices of the weighted contributions of the macroeconomic variables of each country. The countries we present are the most relevant countries in the production, consumption, and international commerce of ABS.

Interpretation Warning

It is important to note that the contribution of individual variables and indices of variables is not linear. The interaction between variables and between variables of different factors may not be neglectable, which means that the importance of each variable and indices of variables is determined together with the importance of all other variables.

Furthermore, the analysis of changes in variables is not linear. This means that the same variable with the same change in different moments of time may have different impacts given its previous evolution. For example, the algorithm contrasts the change in a variable with its expected change. A positive change but inferior to the expected change may originate an effect of price correction.