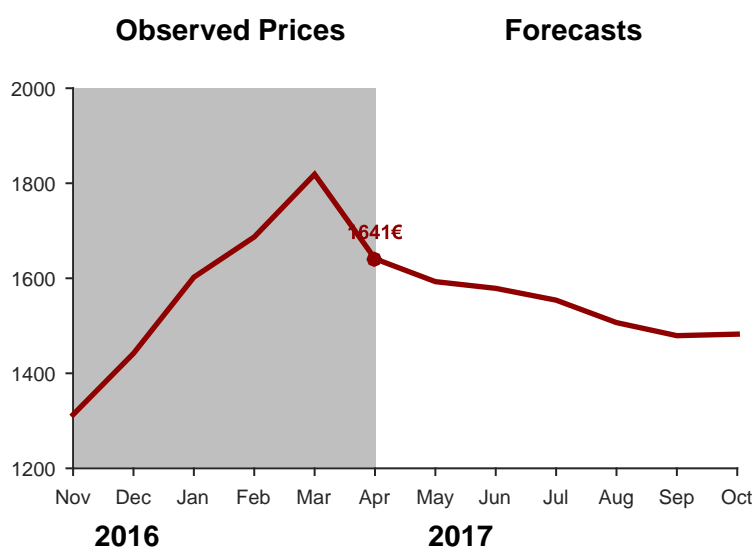


# Forecasting the Price of ABS

<b>Commodity</b>	ABS (Asia Spot CFR)
<b>Forecast Period</b>	May 2017 – October 2017
<b>Currency</b>	€
<b>Unit</b>	Metric Tonne
<b>Observations</b>	Monthly forecasts of the spot price in the first day of the month



## Forecasts



Month/Year	Forecast	Prob. of Raise
May 2017	1593€	17 %
Jun. 2017	1579€	32 %
Jul. 2017	1554€	39 %
Aug. 2017	1507€	45 %
Sep. 2017	1479€	44 %
Oct. 2017	1482€	36 %

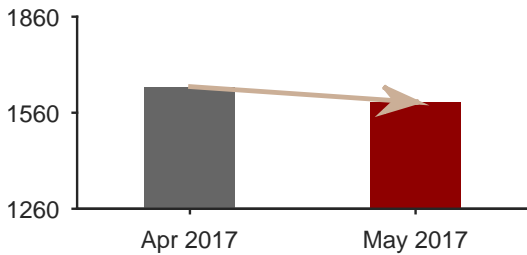
## Suggested Action for Procurement

Purchase Limit Month	Suggested Action
May 2017	Buy in May
June 2017	Wait
July 2017	Wait
August 2017	Wait
September 2017	Wait
October 2017	Wait

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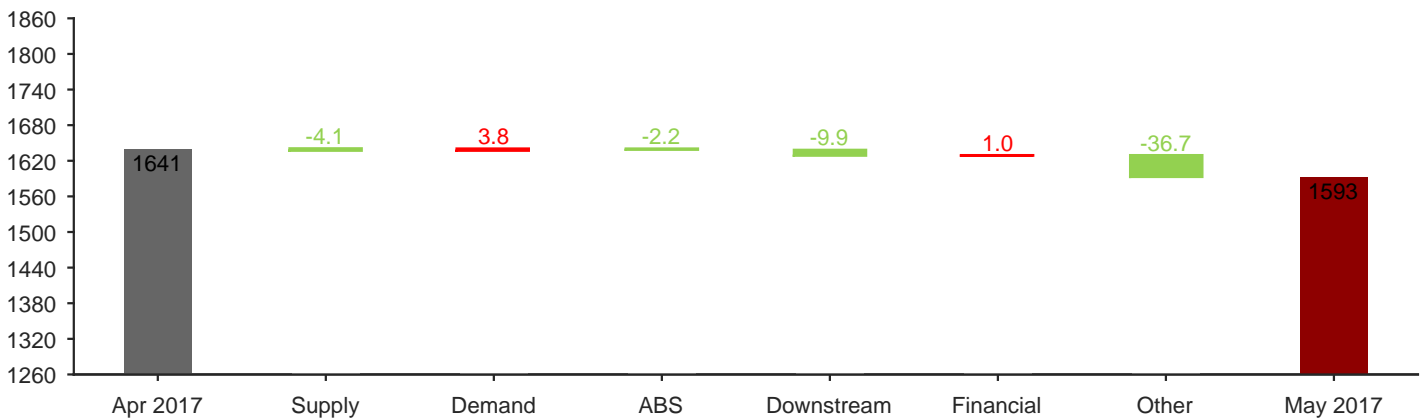
# Forecasting the Price of ABS

## Impact Analysis: One Month Forecast



Our algorithm forecasts a lower price of ABS in one month: it is expectable that the price decreases 2.92% from 1641€ to 1593€ until the beginning of May.

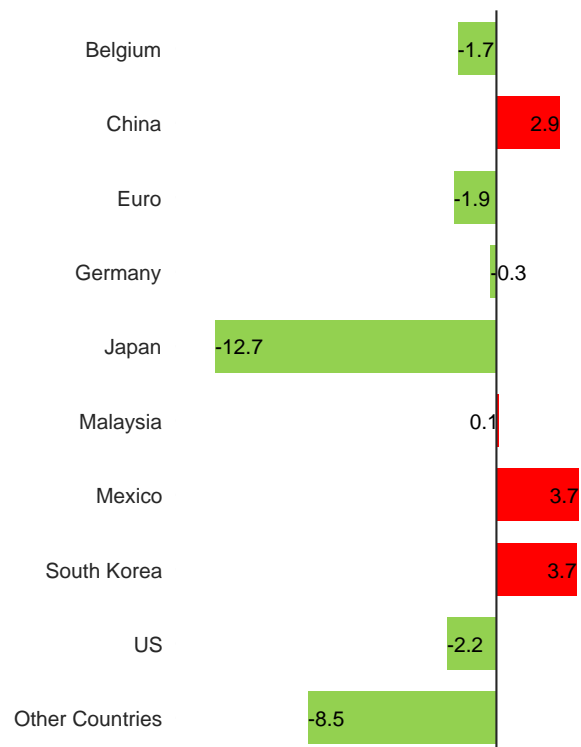
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Increase of Demand:** Positive 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 positive pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on Japan, Italy, and Mexico

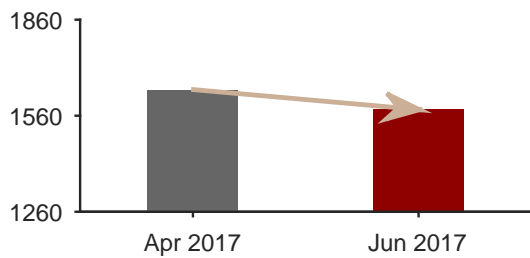
### Impact per Country



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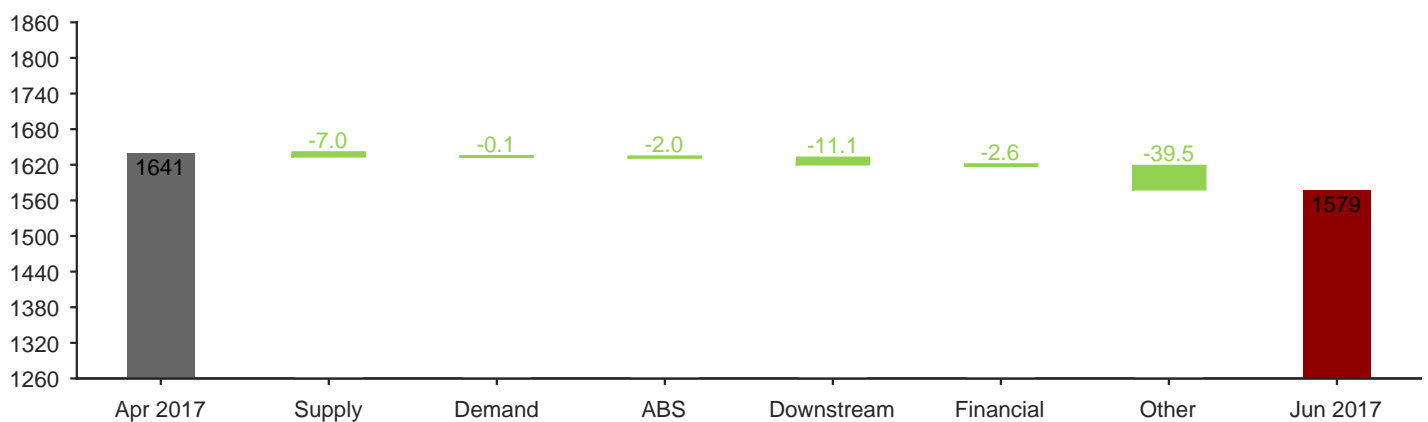
# Forecasting the Price of ABS

## Impact Analysis: Two Months Forecast



Our algorithm forecasts a lower price of ABS in two months: it is expectable that the price decreases 3.79% from 1641€ to 1579€ until the beginning of June.

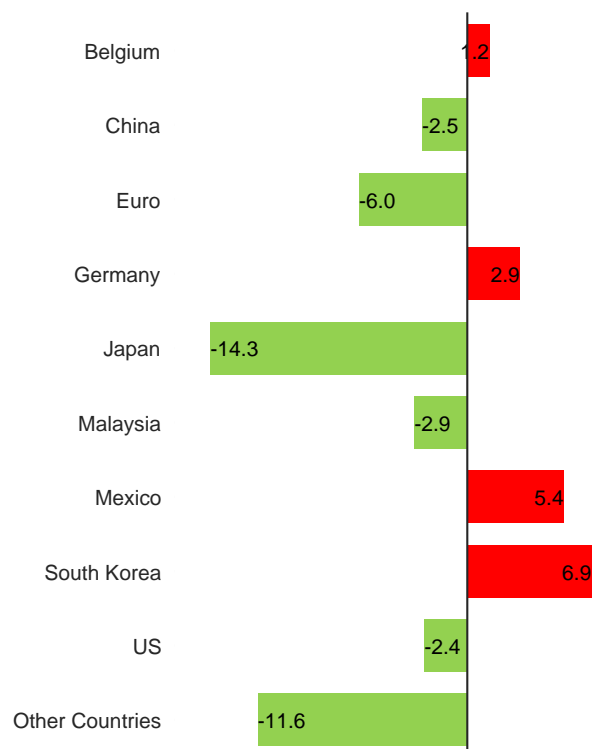
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- Slight 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
- **Considerably negative pressure of other commodities and other factors**
- Focus on Japan, Italy, and South Korea

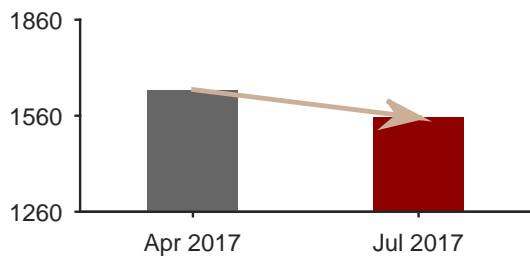
### Impact per Country



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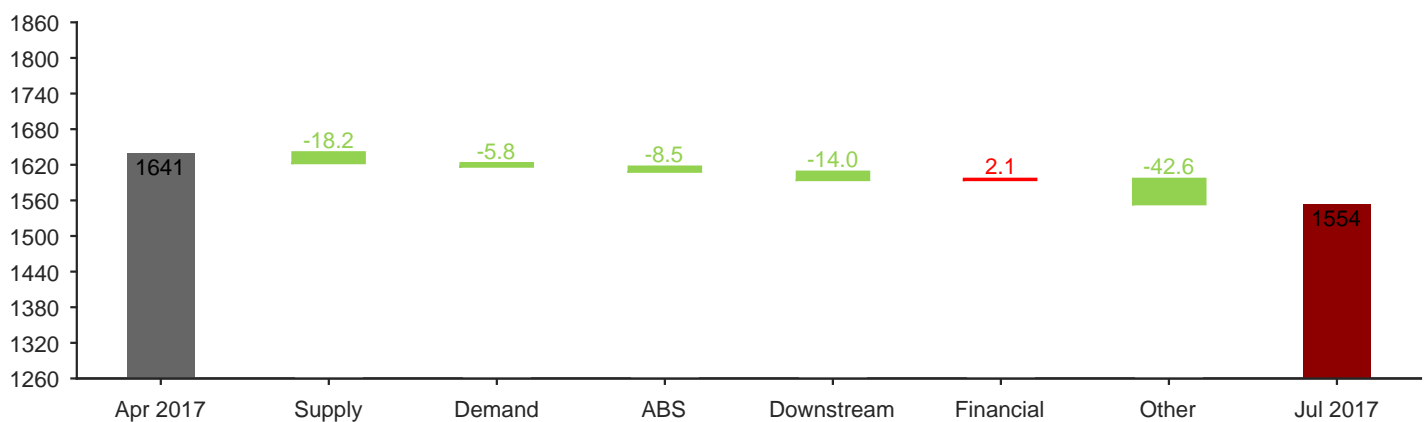
# Forecasting the Price of ABS

## Impact Analysis: Three Months Forecast



Our algorithm forecasts a lower price of ABS in three months: it is expectable that the price decreases 5.30% from 1641€ to 1554€ until the beginning of July.

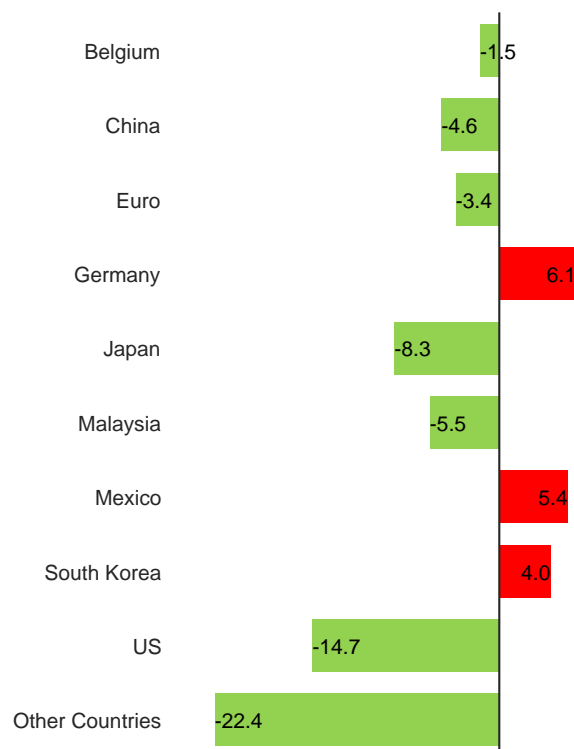
## Indices of Factors



### Interpretation

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

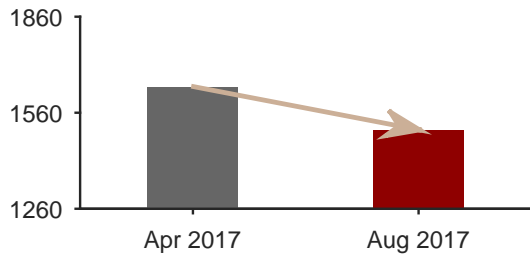
### Impact per Country



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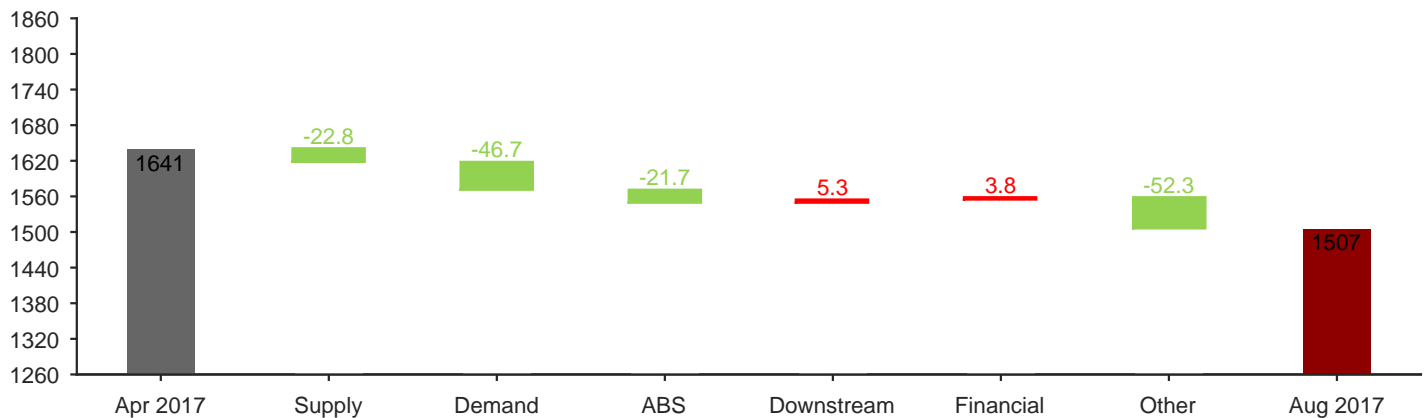
# Forecasting the Price of ABS

## Impact Analysis: Four Months Forecast



Our algorithm forecasts a lower price of ABS in four months: it is expectable that the price decreases 8.18% from 1641€ to 1507€ until the beginning of August.

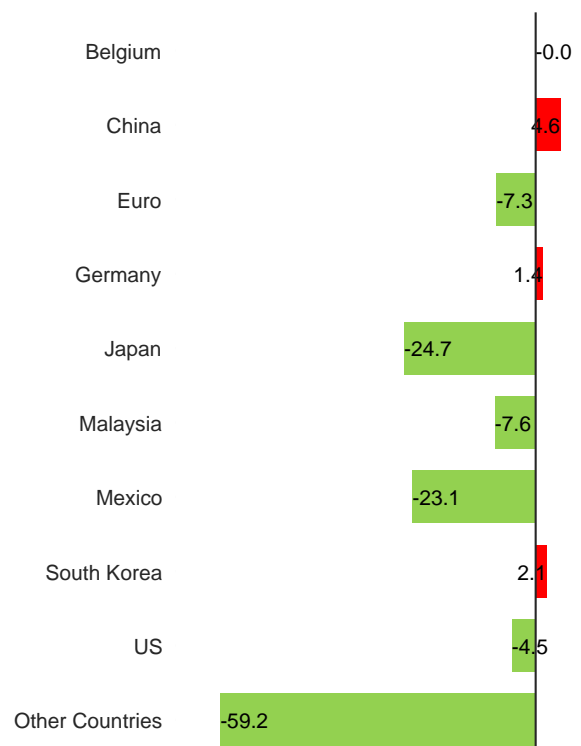
## Indices of Factors



### Interpretation

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

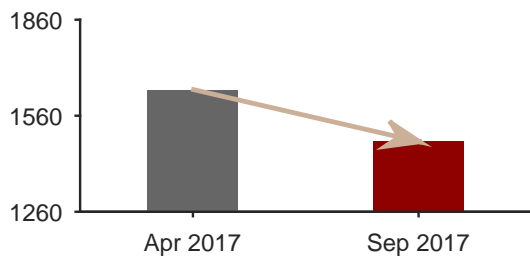
### Impact per Country



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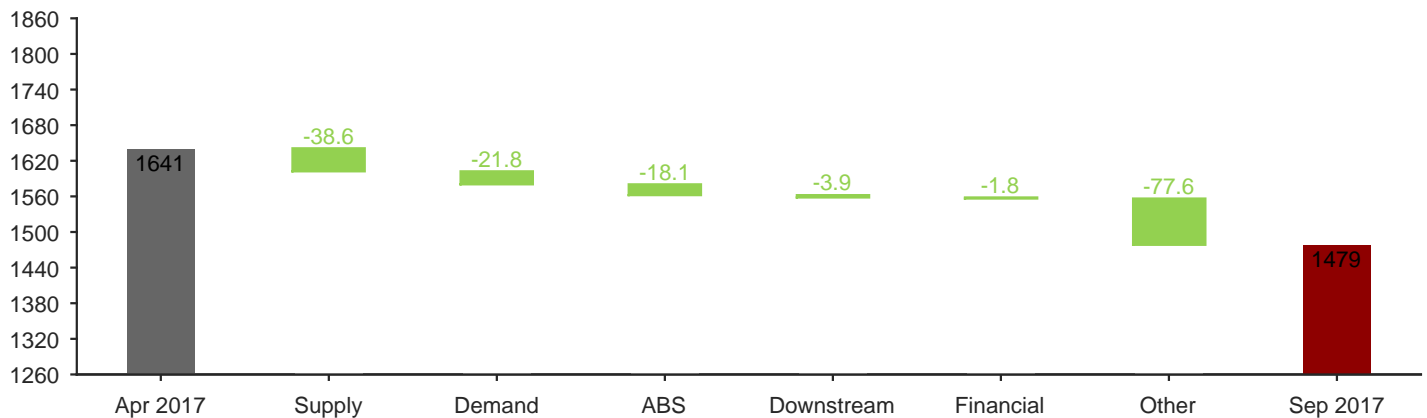
# Forecasting the Price of ABS

## Impact Analysis: Five Months Forecast



Our algorithm forecasts a lower price of ABS in five months: it is expectable that the price decreases 9.85% from 1641€ to 1479€ until the beginning of September.

## Indices of Factors



### Interpretation

- **Considerable increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of ABS
- Slightly negative pressure of the index of variables representing the market downstream
- Slightly negative pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on US, Italy, and Malaysia

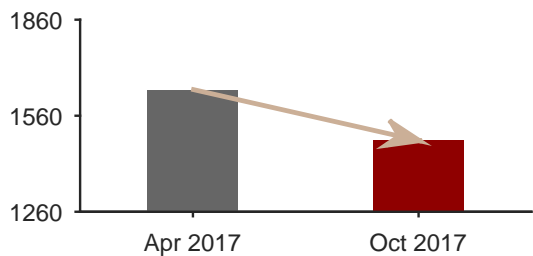
### Impact per Country



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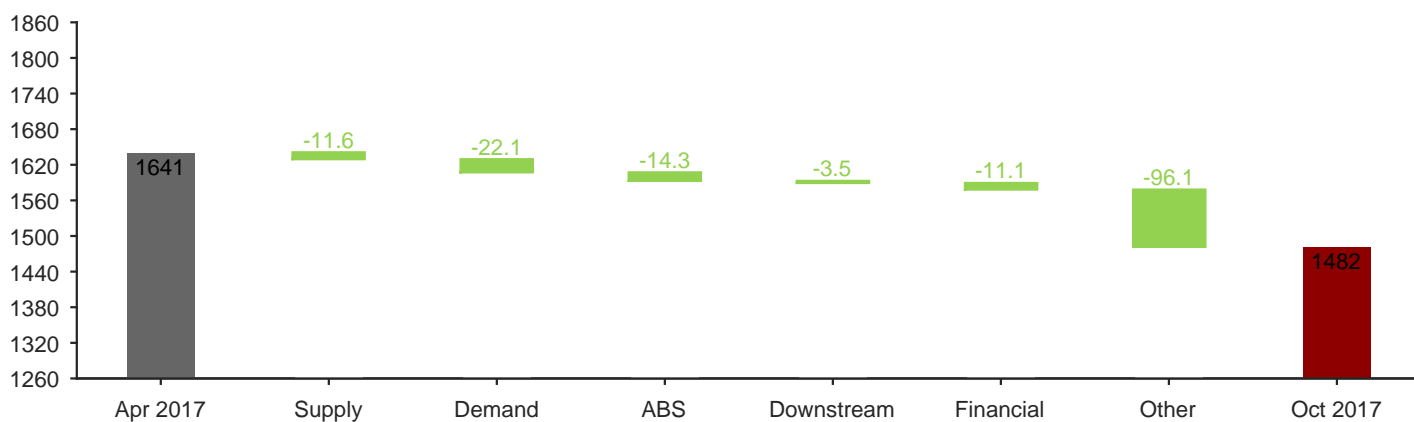
# Forecasting the Price of ABS

## Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of ABS in six months: it is expectable that the price decreases 9.66% from 1641€ to 1482€ until the beginning of October.

## Indices of Factors



### Interpretation

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

### 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.