



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

January

The beginning of 2019 saw the Kuala Lumpur Rubber Market regaining strength where SMR 20 surged to 570.50 sen/kg on 9 January, the highest since May 2018. The bullish sentiment was supported by positive developments in U.S - China trade relations. Nevertheless, prices turned lower and fluctuated within a tight range after mid-month as poor performance of regional rubber futures markets, declining oil prices, weaker China's economic data and concerns on slowing global economic growth weighed on market sentiment. Compared with those on 31 December 2018, the price of SMR 20 rose by 16.5 sen/kg or 3.2% to close at 537.50 sen/kg. Meanwhile, latex concentrate closed at 390.00 sen/kg, up by 10.5 sen/kg or 2.8%. Compared with the previous month, average price of SMR 20 in January increased by 30.3 sen/kg or 5.8% to 548.48 sen/kg. Price movements of selected grades of rubber in January 2019 are shown in Table 1.

Prices trended higher before mid-month, brought by growing optimism that the trade negotiations between U.S and China on 7 - 9 January 2019

would lead to an easing in tensions between the world's two largest economies. The market took cue from higher regional rubber futures markets which surged to a 7-month high owing to speculators' purchases in the near term contracts as well as on hopes that the U.S and China would resolve their trade dispute. Market was also supported by firmer oil prices where Brent and WTI surpassed USD 60 and USD 50 per barrel respectively on 9 January as supply cuts by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC by 1.2 million barrels per day started in January 2019. The market responded to the positive announcement by Thailand government to cut production by a third over the next five years in an attempt to address protracted low NR prices since 2016. Thailand plans to reduce output to 3.0 million metric tonnes from 4.5 million currently and the rubber area to 2.4 million hectares (ha) from 4.2 million ha.

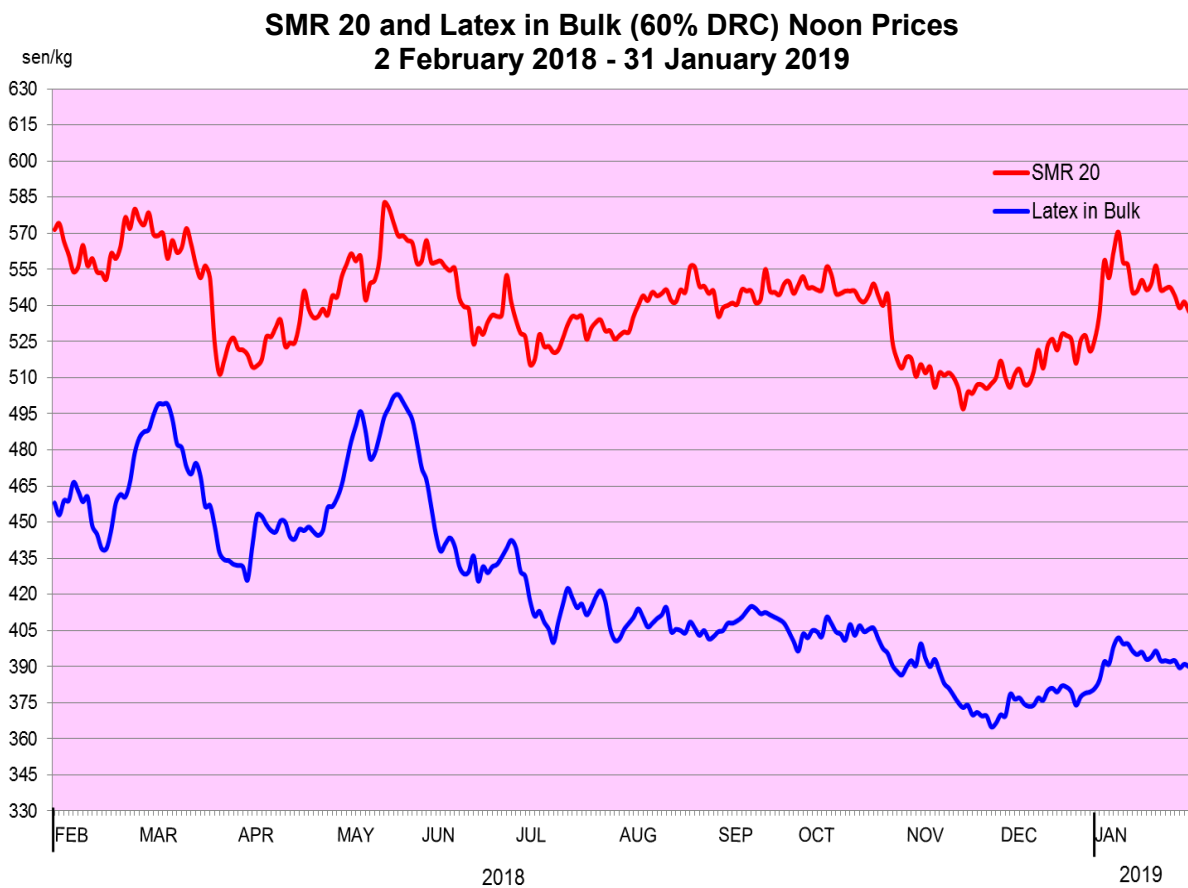
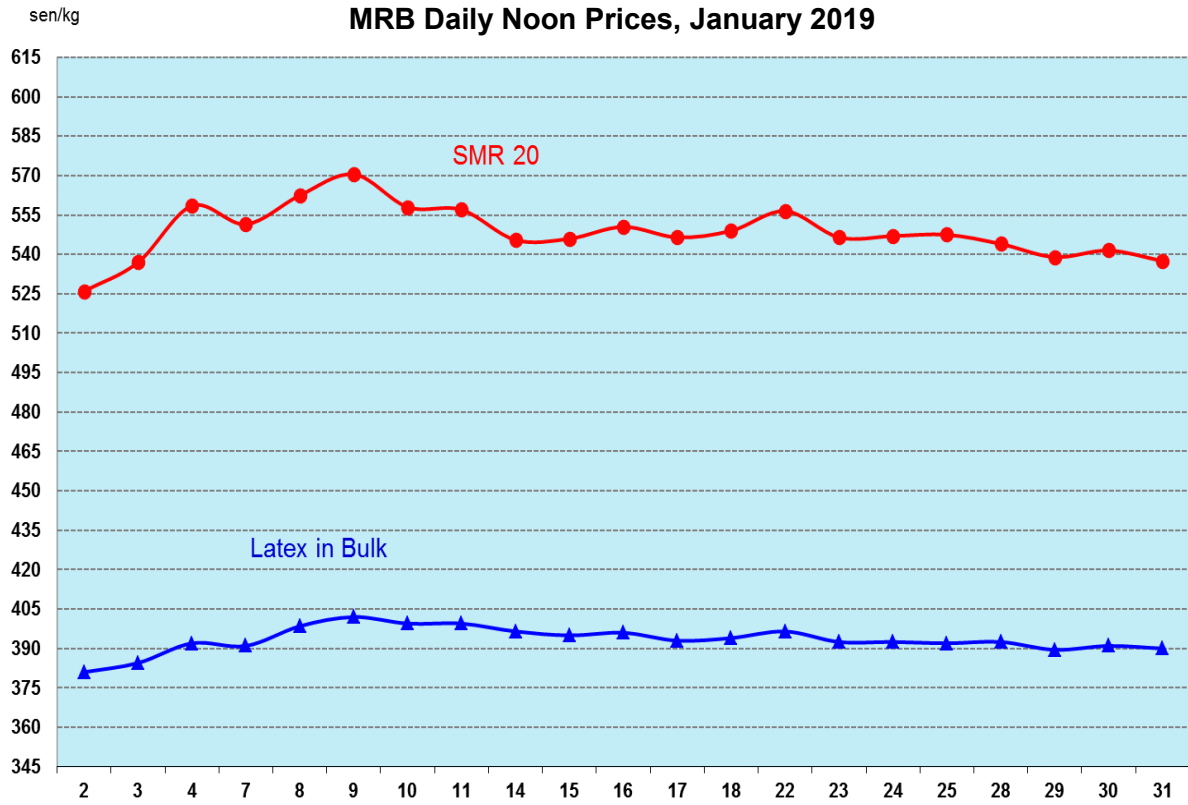
However, the firmer sentiment was short-lived and the market turned lower after mid-month influenced by weaker regional rubber futures markets following speculating selling and concerns on global economic slowdown. World Bank on 8 January 2019 expects the world economy to grow 2.9% in 2019, down from the

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, January 2019

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	790.00	7,900.00	570.50	5,705.00	402.00	4,020.00
Lowest	755.00	7,550.00	526.00	5,260.00	381.00	3,810.00
Average	775.48	7,754.80	548.48	5,484.80	393.29	3,932.90
Change from the last day of the previous month	106.50	1,065.00	16.50	165.00	10.50	105.00

Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board



previous forecast of 3.0%. The International Monetary Fund (IMF) trimmed its global economic outlook for 2019 and 2020. IMF cut its 2019 global growth estimate to 3.5% from 3.7%, citing trade tensions and rising interest rates. IMF also revised its estimate for 2020 to 3.6%, down from 3.7%. The market reacted negatively to the natural rubber (NR) statistics released by the Department of Statistics Malaysia (DOSM) on 14 January. Malaysia's NR production increased by 1.9% to 52,174 tonnes in November 2018, as compared to 51,209 tonnes in October. However, year-on-year comparisons showed that the production decreased by 11.1%. The level of NR stocks in November 2018 stood at 169,920 tonnes, an increase of 2.6% as compared to 165,550 tonnes at the end of October 2018. The market was pressured by the release of weak China's exports and imports data on 14 January with reignited worries over global economic slowdown. China's exports and imports in December 2018 unexpectedly fell by 4.4% and 7.6% respectively from a year earlier, marking the biggest decline since July 2016. The sentiment was dampened after China on 21 January announced that their economy grew 6.6% in 2018, which was the slowest pace since 1990. On the other hand, China's manufacturing activity contracted for a second straight month in January 2019, pointing to further strains on the economy that could heighten risks to global economic. The official Purchasing Managers' Index (PMI) ticked up fractionally to 49.5, but remained below the 50-point level that separates growth from contraction on a monthly basis.

The market remained listless as rubber inventories in Shanghai Futures Exchange (SHFE) increased to 434,270 tonnes on 25 January. Trading was quiet as market players adopted a 'wait-and see' attitude on the outcome of the developments of the U.S. - China high level trade negotiations in Washington on 30 – 31 January. The market was further dragged by the stronger ringgit against the U.S dollar at RM4.0890 - 4.1425 in January 2019.

Outlook

The Kuala Lumpur Rubber Market is expected to fluctuate within a tight range in February as Chinese buyers will be on long break to celebrate the Lunar New Year. However, anticipation of shortage of raw materials due to coming dry

season in Thailand and Malaysia will likely provide some support to the market. The Association of Natural Rubber Producing Countries (ANRPC) expects the world production of NR in 2018 to grow by 4.5% to 13.952 million tonnes as compared to the previous year. The world demand of NR in 2018 is expected to increase by 5.2% to 14.017 million tonnes. Meanwhile, anticipation of slower China's economic growth would have an impact on the market as demand may weaken from the largest consumer. Uncertainty on the developments in U.S. - China trade negotiations would also continue to put pressure on the rubber market.

News Briefs

China's targeted reserve cuts to benefit more small firms

China's central bank has relaxed its conditions on targeted reserve requirement cuts to benefit more small firms, in the latest move to support the slowing economy. The People's Bank of China will include loans for small firms with a credit line of less than 10 million yuan (USD1.46 million) in its assessments for targeted reserve requirement cuts, up from 5 million yuan, it said. Indications are that momentum is likely to come off further in the fourth quarter and 2019.

- reuters.com, 2 Jan

Car sales grew 6% in 2018 on low base, string of new launches

India's domestic passenger car sales rose by 6.05% during a volatile 2018 to over 2.55 million units on the back of a low base before July and a string of new launches after the Auto Expo in February. The trend in car sales was robust during the first half of the calendar year on the back of new launches, expectations of a healthy monsoon and a low base, but weakened since July due to factors such as the devastating floods in Kerala, unfavourable macroeconomic scenario, as well as regulatory changes and high fuel prices, which increased the cost of ownership.

- livemint.com, 3 Jan

China to roll out options for rubber, cotton, corn

China will launch options contracts for rubber, cotton, and corn on 28 January. The China Securities Regulatory Commission has given the nod to start rubber options on the Shanghai Futures Exchange (SHFE), cotton options on the Zhengzhou Commodity Exchange and corn options on the Dalian Commodity Exchange as part of the government's drive to promote more complex agricultural trading tools. Options give the holder the right to buy or sell a commodity at a particular strike price and allow greater hedging flexibility for Chinese processors and traders.

- *xinhuanet.com*, 5 Jan

U.S. auto industry posts fourth-biggest year on record thanks to December gains

U.S. auto sales increased 2.2% in December, capping a year that saw overall volume rise 0.6% even as auto makers endeavoured to counter slumping car demand with higher light-truck deliveries. December, with sales of 1.639 million, turned in the second-best month of the year on a volume basis. The final sales tally for 2018 was 17.33 million cars and light trucks, making it the fourth-biggest year on record.

- *rubbernews.com*, 5 Jan

Vietnam rubber exports rise in volume but decrease in value

In 2018, Vietnam exported 1.58 million tonnes of rubber, worth USD2.1 billion, an increase of 14.5% in quantity but a drop of 6.6% in value compared with the same period in 2017.

- *vietnamnews.vn*, 7 Jan

Indonesia's 2018 natural rubber output rises to 3.77 million tonnes

The Rubber Association of Indonesia (GAPKINDO) estimated total natural rubber production in 2018 at 3.77 million tonnes, Chairman Moenarji Soedargo said. It was an increase from 3.63 million tonnes produced in 2017, according to Gapkindo data. Exports in

2018 fell to 3.09 million tonnes, from 3.28 million tonnes a year earlier as stocks fell last year. Domestic consumption last year was estimated at 660,000 tonnes, up from 629,800 tonnes in 2017, Soedargo said.

- *reuters.com*, 7 Jan

New tyre plant to rise in Thailand for Prinx Chengshan

Chinese tyre maker Prinx Chengshan is acquiring land plots in Thailand worth an estimated USD25 million for its new plant. The transaction involves purchase of 2,250 acres of land in Tambon Nong Suea Chang, Amphur Nong Yai and Tambon Klong-Kew, Amphur Ban-Bung, Chonburi province by affiliate Prinx Thailand from WHA Eastern, Thailand's industrial real estate developer. The company choose Thailand as its new plant site to benefit from the low costs for raw materials and transportation, as well as the country's favourable policies.

- *rubberjournalasia.com*, 8 Jan

Overcapacity in crumb rubber

The Rubber Association of Indonesia (GAPKINDO) has urged the government to review its plan to open the crumb rubber industry to foreign investors because the industry is suffering from overcapacity due to an acute lack of raw materials. The association claims that even now the industry already has a total installed capacity of 5.6 million tonnes annually while the total supply of rubber materials from domestic plantations is only about 3.5 million tonnes, thereby forcing crumb rubber manufacturers to operate way below their capacity.

- *thejakartapost.com*, 8 Jan

Continental opens "Taraxagum Lab Anklam" research laboratory for dandelion rubber

Continental, the technology company and manufacturer of premium tyres, has officially inaugurated its research laboratory named "Taraxagum Lab Anklam" in Anklam, Mecklenburg-Western Pomerania, Germany, and

presented it to the public. After the ground-breaking ceremony in November 2017, the building - covering an area of 323,000 square feet (30,000 square meters) - is ready for occupation one year later, completed on schedule. It is set as the base for future research on farming and the extraction process of Russian dandelion as an alternative raw material source to the tropical rubber tree.

- *aviationpros.com*, 8 Jan

Rubber growers plan to make value-added products

Rubber growers in Kerala have decided to form a company to venture into manufacturing value-added products as demand has fallen for locally-produced rubber. The proposed Integrated Rubber Farmers Producer Company (IRFPC) , is expected to open a factory at the rubber park near Kochi by June next year, will start by manufacturing tyres for two-wheelers and three-wheelers. Farmers will be the shareholders and a contribution of Rs 1 lakh will ensure a voting right.

- *economictimes.indiatimes.com*, 8 Jan

Rubber to top Laos' agricultural exports in 2018

Rubber is expected to be the nation's top agricultural export earner in 2018 with bananas to fall to second place after being number one in 2017. Rubber exports in the first 10 months of 2018 were worth over USD115.6 million while banana exports dropped to USD99.7 million, according to the Ministry of Industry and Commerce. Rubber exports are trending up as the number of rubber trees being tapped increases. Laos currently has almost 300,000 hectares of rubber trees under cultivation including company-owned plantations and trees owned by local people, the Ministry of Agriculture and Forestry reported.

- *factiva.com*, 8 Jan

World Bank cuts forecast for world economic growth in 2019

The World Bank is downgrading its outlook for the global economy this year, citing rising trade

tension, weakening manufacturing activity and growing financial stress in emerging-market countries. In a report titled "Darkening Skies," the anti-poverty agency said that it expects the world economy to grow 2.9% in 2019, down from the 3% it forecast back in June. It would be the second straight year of slowing growth: The global economy expanded 3% last year and 3.1% in 2017.

- *voanews.com*, 9 Jan

Thailand takes hatchet to rubber trees in plan to cut output 30%

Thailand plans to cut production by a third over the next five years in an attempt to lift prices that are hovering near their lowest level since 2016. According to the Agriculture Minister Grisada Boonrach, Thailand will fell old trees and replace them with other crops to tackle oversupply. The goal is to reduce output to 3 million metric tonnes from 4.5 million now and the area to 2.4 million hectares (ha) from 4.2 million ha.

- *themalaysianreserve.com*, 10 Jan

Hainan Agri products trading center inaugurated in Haikou

The trading center for Hainan international tropical agricultural products was inaugurated in Haikou, capital of south China's Hainan Province, on December 18, 2018. On the same day, the Xinhua-HSF natural rubber series price indexes were released, consisting of concentrated latex price index, standard rubber price index, mixed rubber price index, and field latex price index. The series of indexes, compiled jointly by China Economic Information Service (CEIS) of Xinhua News Agency and Hainan State Farms Investment Holdings Group Co., Ltd (HSF), is China's first price index system that integrates rubber production and sales.

- *factiva.com*, 10 Jan

Iran increases tyre output despite sanctions

In the first eight months of the current Iranian year (started March 21, 2018), Iran manufactured 162,000 tonnes of tyres, which is an increase compared to last year (154,800 tonnes) by 4.5%,

the head of Tyre Industry Association of Iran, Khosrov Mahmodian said at a conference on tyre industry.

- *factiva.com*, 10 Jan

World rubber demand rising, International Rubber Study Group says

Global demand for rubber should rise about 2.5% in 2019 to more than 30 million metric tonnes, according to the International Rubber Study Group (IRSG). The IRSG's forecast based on the International Monetary Fund's (IMF) world outlook for the rubber industry and other scenarios represents a slight drop in demand growth for rubber from a 3.2% consumption increase last year. According to the IRSG data, global rubber consumption increased by around 29.3 million tonnes in 2018. NR growth was pegged at 4.9%, to 13.9 million tonnes, and SR growth at 1.7%, to 15.4 million tonnes.

- *rubbernews.com*, 10 Jan

Hainan Rubber to build plant for deproteinized natural rubber

Hainan Rubber is planning to invest USD20.5 million in a new plant for green, deproteinized natural rubber (DPNR). The investment was approved on 19 December by the company board, according to a Hainan Rubber statement issued that same day. Deproteinization can help to remove the allergy risks posed by standard NR latex products. Located in Changjiang, the plant's planned capacity includes 15,000 metric tonnes per year of concentrated latex, 3,000 tonnes of deproteinised constant-viscosity NR annually, and 5,000 tonnes per year of wet constant-viscosity rubber. It also will make 10,000 tonnes of dry constant-viscosity rubber and 1,000 tonnes of unsmoked sheets each year.

- *rubbernews.com*, 10 Jan

Encourage use of local rubber with incentives

Malaysia's economic outlook in 2019 is expected to remain challenging. Malaysia accounts for 29% of the world's palm oil production and 37% of the world's exports while it is also the fifth largest producer and exporter of natural rubber (NR), contributing 46% to global rubber production by

producing one million tonnes of rubber annually. In view of this, it would be good if the government could consider introducing special incentives for glove makers who use our local NR for their products. The incentive could be a tax exemption up to a certain percentage to encourage new and existing companies to expand further and utilise local resources.

- *anrpc.org*, 10 Jan

China looking to set up FTZ in Sri Lanka for rubber exports

China is looking to set up a specialised free trade zone (FTZ) for rubber-based value added exports in Sri Lanka by partnering with private sector rubber manufactures, exporters and planters including Regional Plantation Companies (RPCs). A high-powered Chinese delegation led by the Deputy Governor of China's Hainan Province and former Chinese Ministry of Commerce spokesperson, Shen Danyang and other Chinese State officials had discussions with Plantation Industries Minister Navin Dissanayake and other top ministry officials at the ministry premises in Colombo recently.

- *dailymirror.lk*, 12 Jan

Natural rubber production increased 1.9% in November 2018

According to Department of Statistics Malaysia (DOSM), Malaysia's natural rubber (NR) production increased by 1.9% to 52,174 tonnes in November 2018, as compared to 51,209 tonnes in October. However, year-on-year comparisons showed that the production decreased by 11.1%. The department said the level of NR stocks in November 2018 stood at 169,920 tonnes, increase by 2.6% as compared to 165,550 tonnes at the end of October 2018.

- *dosm.gov.my*, 14 Jan

China car sales hit reverse for first time since 1990s

Car makers in China will face more fierce competition this year, after a tough 2018 when the world's biggest auto market contracted for the first time in more than two decades, the country's

top auto industry association said. China car sales fell 13% in December, the sixth straight month of declines, bringing annual sales to 28.1 million, down 2.8% from a year earlier, China's Association of Automobile Manufacturers (CAAM) said. This was against a 3% annual growth forecast set at the start of 2018 and is the first time China's auto market has contracted since the 1990s.

- reuters.com, 14 Jan

Indian Government developing national rubber policy

Union Minister for Commerce and Industry and Civil Aviation, Suresh Prabhu Thursday said the government is developing a National Rubber Policy to address various issues concerning the sector. The policy by the commerce and industry ministry will address issues that will boost productivity, the minister said at the inaugural function of the 10th edition of India Rubber Expo (IRE) 2019.

- factiva.com, 18 Jan

ENEA finds potential in Russian dandelion for production of natural rubber

Italian Energy and Economic Development Research Agency (ENEA) has carried out a study which showed the potential of the Russian dandelion for the production of natural rubber, which could adapt to the European climate. Genomics researchers of ENEA's centre in Trisaia, southern Italy, have highlighted that the Russian dandelion represented one of the most effective plant species for the production of rubber, thanks to its physiological characteristics.

- factiva.com, 24 Jan

Natural Rubber Trends & Statistics, November 2018

According to Natural Rubber Trends and Statistics released by the Association of Natural Rubber Producing Countries (ANRPC), during the first eleven months of 2018, the world demand of natural rubber (NR) observed a growth at 5.0%, amounting to 12.852 million tonnes, from 12.243

million tonnes during the same period last year. While, the world production accounted 12.816 million tonnes, an increase of 5.4% from 12.156 million tonnes during the same reference period.

- anrpc.org, 26 Jan

Indian Rubber Board worried by productivity decline

Declining rubber productivity seems to be a cause of worry not only for stakeholders but for the Indian Rubber Board as well. It is now contemplating a productivity enhancement campaign in growing areas across South India. Christened Campaign 2019, the Board is in the process of organising a large scale mass-contact programme to increase productivity in rubber holdings with a long-term view to ensuring sustained natural rubber supply and eliminate the necessity for imports.

- factiva.com, 26 Jan

Cambodia's rubber export up 15% last year

Cambodia had exported 217,500 tonnes of dry rubber in 2018, up 15% from a year earlier, according to a General Directorate of Rubber report released. Cambodia exports the commodity mainly to Malaysia, Vietnam, Singapore and China. The country has grown rubber trees on a total area of about 436,682 hectares, in which 201,949 hectares, or 46 percent of the cash crop, are old enough to be harvested, according to the report.

- xinhuanet.com, 28 Jan

US auto sales are expected to drop in January

According to industry consultants J.D. Power and LMC Automotive, U.S. auto sales in January are expected to fall about 1% from the same month in 2018, partly due to uncertainty around government shutdown causing some customers to delay purchases. Total vehicle sales in January are estimated to be about 1,141,300 vehicles.

- cnbc.com, 29 Jan

China leads the world as rubber options begin trading in Shanghai

The world's first natural rubber options trading began on the Shanghai Futures Exchange on 28 January, in a move that will help risk management and boost China's commodities pricing power. Options give a holder the right to buy or sell a commodity at a particular strike price and allow greater hedging flexibility for commercial hedgers such as processors and traders.

- *factiva.com*, 29 Jan

Fed Signals End of Interest Rate Increases

The U.S. Federal Reserve left the key US lending rate unchanged at 2.25-2.50% as expected, signalling that its promise toward higher interest rates may be ending sooner than expected. The Fed's chairman, Jerome H. Powell, said the case for raising rates has weakened, pointing to sluggish inflation, slowing growth in Europe and China, and the possibility of another federal government shutdown.

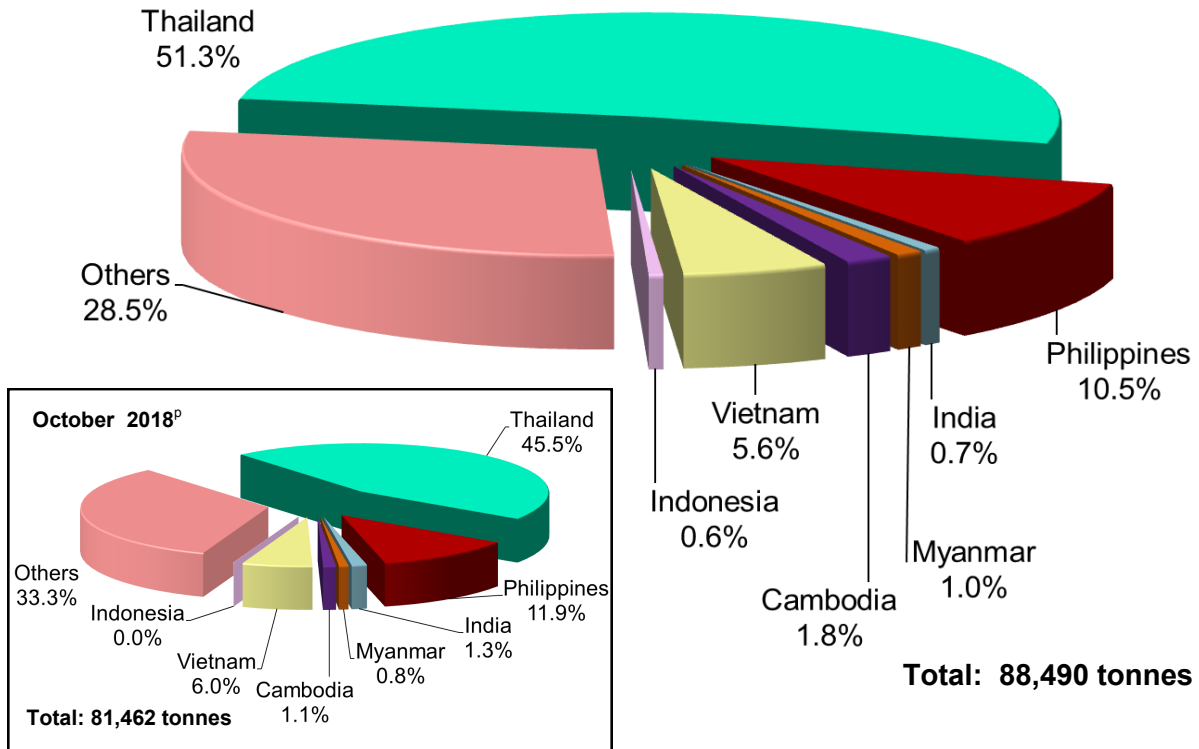
- *nytimes.com*, 30 Jan

China says its manufacturing activity contracted for the second-straight month in January

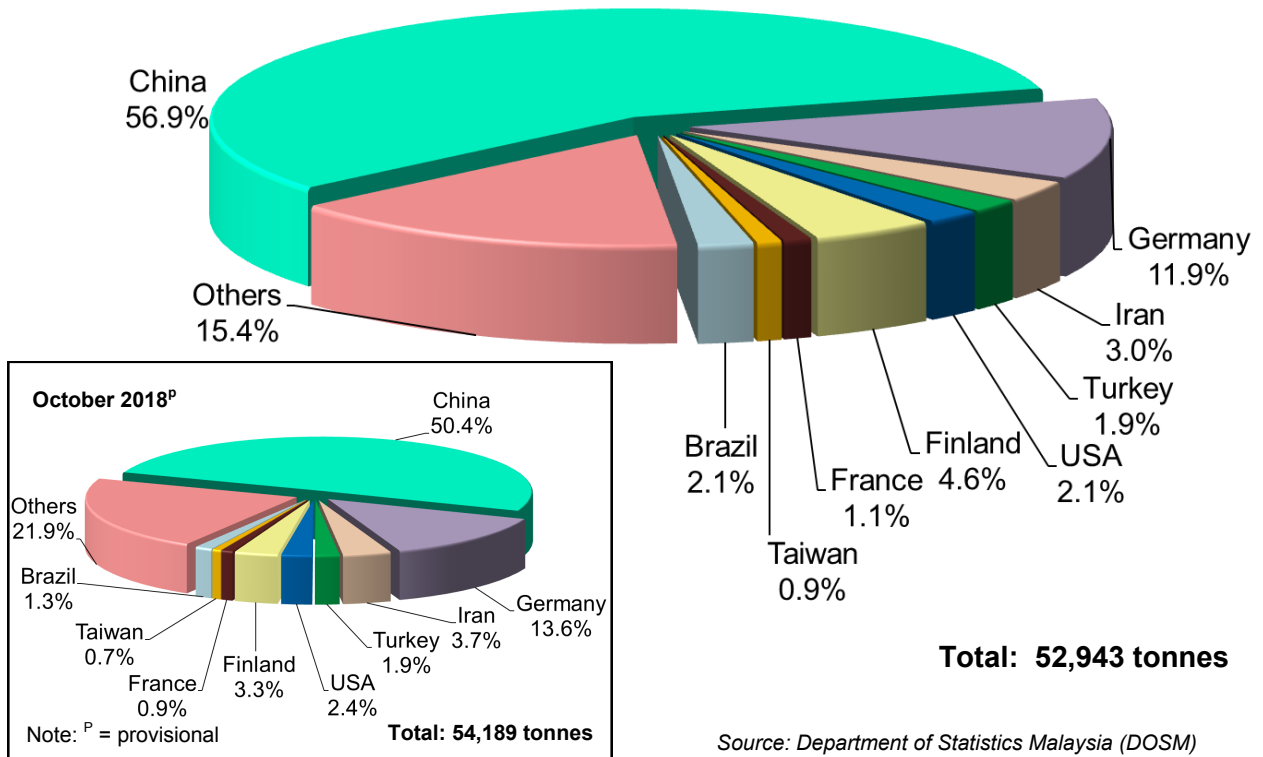
China's manufacturing activity contracted for a second straight month in January 2019, pointing to further strains on the economy that could heighten risks to global economic. The official Purchasing Managers' Index (PMI) ticked up fractionally to 49.5 in January 2019, compared with 49.4 in December 2018 but remained below the 50-point level that separates growth from contraction on a monthly basis.

- *cncb.com*, 31 Jan

Malaysia's NR Imports by Countries, November 2018^P

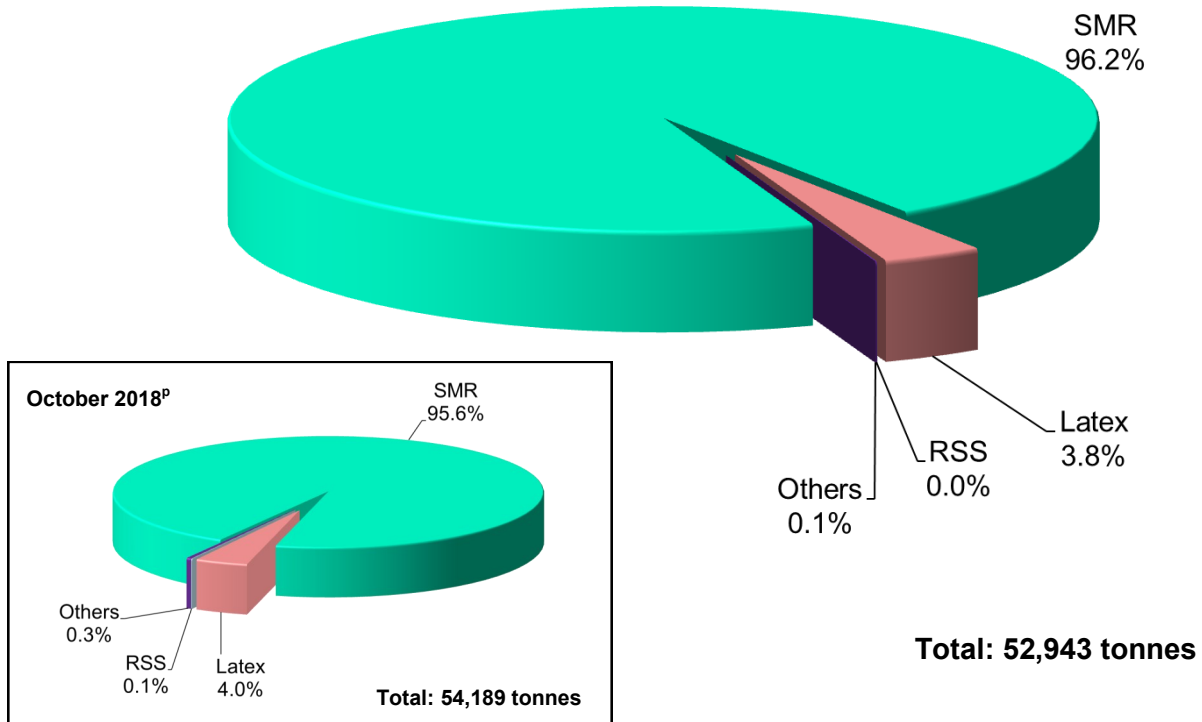


Malaysia's NR Exports by Countries, November 2018^P

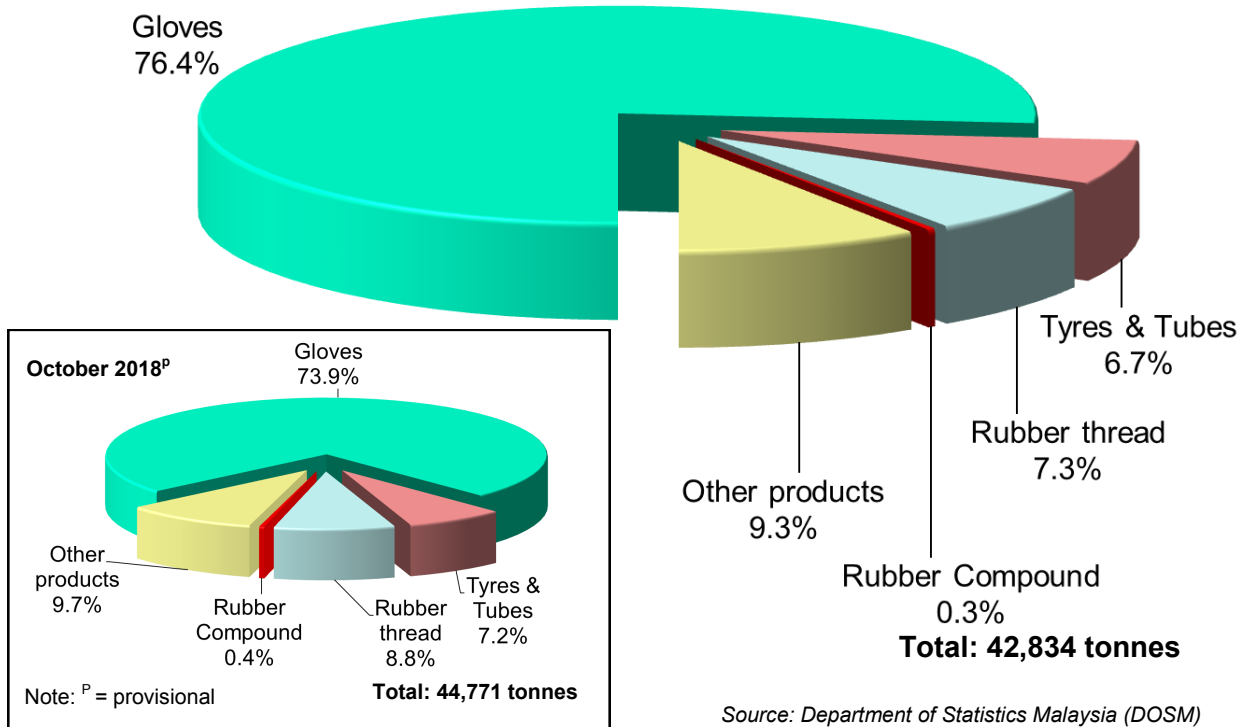


Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, November 2018^P



Malaysia's NR Consumption by Sectors, November 2018^P



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