



# MALAYSIAN RUBBER BOARD

## D I G E S T

A monthly publication of the Malaysian Rubber Board

2010  
OCTOBER

### Natural Rubber market review

#### October

The Kuala Lumpur market continued to surge during October. Strong demand from consumers amid fears of worsening supply caused by the persistent rain in major producing countries helped to push prices higher across the board. However, towards the end of the month, prices began to adjust downwards as weather conditions improved. Despite the correction, the undertone of the market remained firm. Compared with levels on 30 September, the price of SMR 20 gained 1,390 RM/tonne or 13% to close at 11,925 RM/tonne while latex concentrate also rose by 580 RM/tonne or 8% to close at 7,885 RM/tonne. The price movements of selected grades of rubber in October are shown in *Table 1*.

At the beginning of the month, the Chinese were seen returning to the market after a brief absence, making enquiries for SMR 20. Other major tyre manufacturers were also enquiring for SMR grades for nearby and forward shipments. The increase in the export cess by the Thai Government effective 1 October 2010 also gave

a run-up in prices, which were adjusted higher, as consumers were expected to bear the additional cost resulting from the increase. Tight supply, coupled with short-covering activities, sent rubber prices soaring further in the following trading week. Further gains on regional markets also helped to push the local prices higher. Meanwhile, there were a lot of enquiries from other consumers.

Dealers reported that the underlying tone of the market remained very strong, with active consumer buying amid fears of supply shortages contributed to the steep run-up in prices. The price of SMR 20 hit the historic RM12.00/kg-level on 15 October to close at 1,203.50 sen/kg as inclement weather brought on another supply squeeze and a consequent price rally.

The market continued to strengthen, maintaining its price uptrend. Supply stayed tight under wet conditions, which brought on the floods in certain rubber-growing areas in Southern Thailand and Peninsular Malaysia. Sellers were cautious as raw material turned scarce thereby triggering a strong interest in demand. The price of SMR 20 peaked during the month to a new historic high of 1,207.00 sen/kg on 26 October.

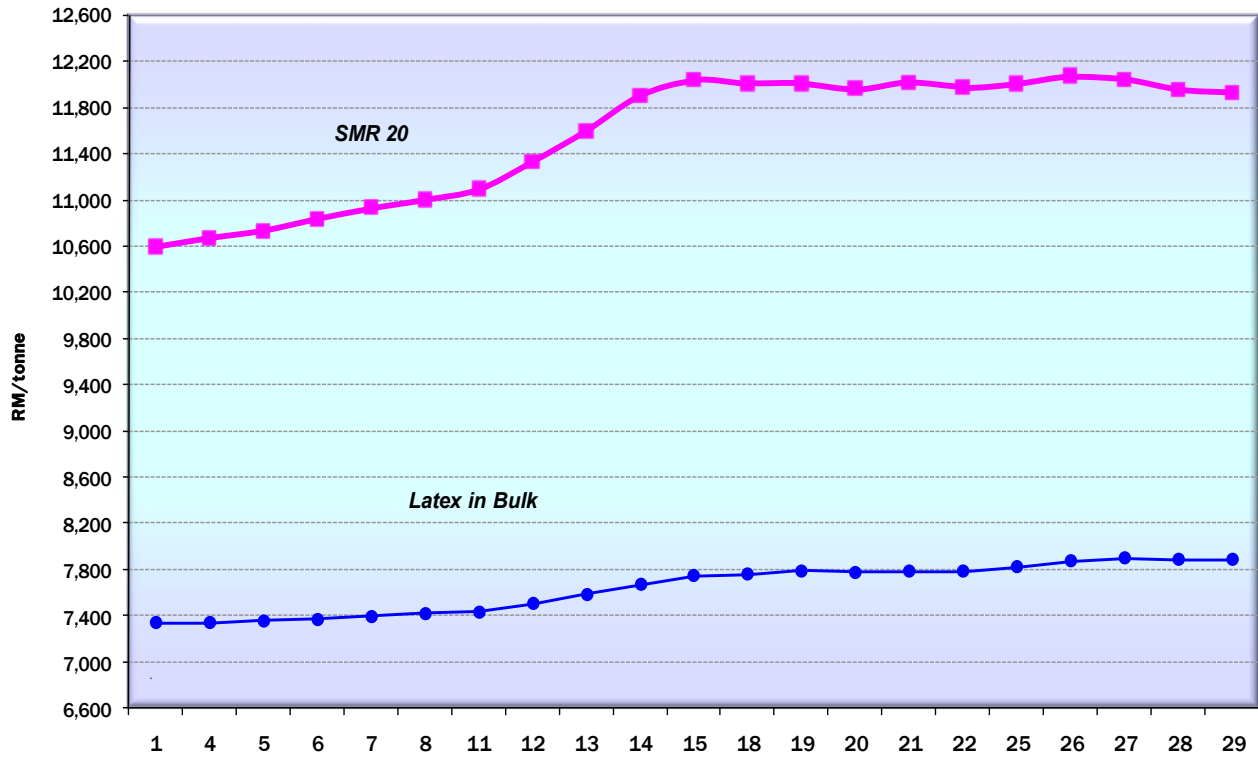
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, October 2010 (RM/tonne)**

|   | SMR CV    | SMR 20    | Latex Concentrate |
|---|-----------|-----------|-------------------|
| <b>Highest</b>  | 12,695.00 | 12,070.00 | 7,895.00          |
| <b>Lowest</b>   | 11,805.00 | 10,595.00 | 7,335.00          |
| <b>Average</b>  | 12,285.00 | 11,554.50 | 7,637.90          |
| <b>Change from the last day of the previous month</b> | 905.00    | 1,390.00  | 580.00            |

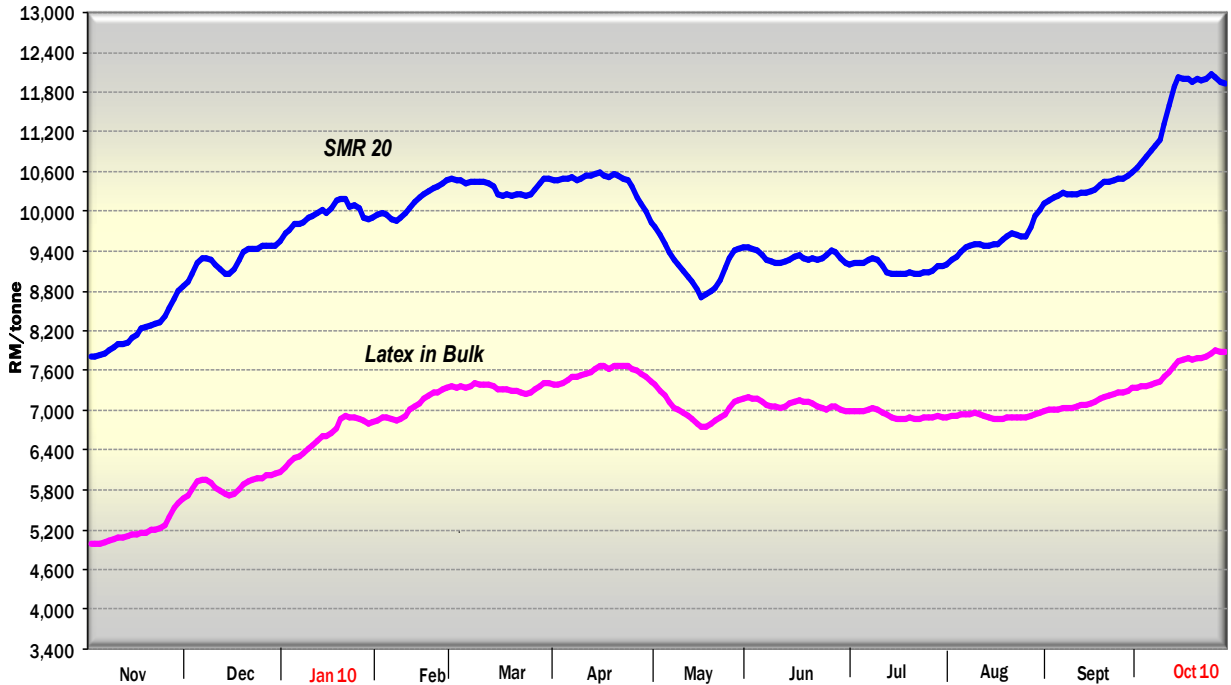
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

### MRB Daily Noon Prices, October 2010



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 2 November 2009 - 29 October 2010



After the peak, towards the end of the month, the market showed signs of easing as buyers refrained from making further purchases as the prices had risen too high. There was also an expectation of price correction as the weather appeared to have improved temporarily and investors in the Tokyo rubber futures were on a selling mood.

### **Outlook**

Favourable factors are expected to keep the market in its buoyant mood in the near term. On the supply side, production is expected to be restricted as widespread rainfall would continue in November and would curb raw material supply, thereby extending the tight supply situation.

## **News Brief**

### **More uptrend in rubber prices seen**

The global natural rubber prices including those of Malaysia's tyre grade SMR 20 and latex-in-bulk, which are nearing new historical highs, may continue to be on the uptrend at least till year-end.

"In terms of factors determining prices, the current phase of the NR market could have no parallel in history," said Association of Natural Rubber Producing Countries (ANRPC) senior economist Jom Jacob.

"The commodity stayed bullish even when demand has sharply slowed down, with crude oil prices descending and the yen gaining remarkable strength," he said in the latest ANRPC report.

*-The Star, 4 Oct*

### **IRSG revises up rubber demand forecast**

Global natural rubber demand is expected to reach 10.3 million tonnes in 2010, up 114,000 tonnes from an earlier forecast, the International Rubber Study Group said.

Demand for natural rubber, used in making tyres, gloves and condoms, was 9.425 million tonnes in 2009. The IRSG said that global demand, including natural and synthetic rubber, was forecasted to reach 23.9 million tonnes in 2010 and 25.5 million in 2011.

The three countries account for 70 percent of global natural rubber output. Prices are currently trading near record levels seen in April.

*- Reuters News, 6 Oct*

### **Asian growth needs stronger currencies: IMF**

According to the IMF, China needs a stronger currency to boost domestic demand and reduce its reliance on exports, a rebalancing needed across Asia to ensure the region's long-term growth prospects.

The Washington-based lender maintained its 2010 gross domestic product growth forecast for China at 10.5 per cent from its last estimate given in July, while revising up its prediction for India to 9.7 per cent from 9.4 per cent.

As a whole, according to the IMF, Asian economies will expand an average of 7.9 per cent this year, higher than the 7.5 per cent forecast in July, before slowing to 6.7 per cent in 2011 as stimulus measures introduced to combat the global financial crisis are withdrawn.

*- The Nation (Thailand), 7 Oct*

### **Natural rubber production likely to rise 6.3% in 2010**

The total global production of natural rubber in 2010 by nine member nations of the Association of Natural Rubber Producing Countries (ANRPC) will rise 6.3 per cent to 9.47 million tonnes.

According to data presented at the Global Annual Rubber Conference 2010 held in Kochi, India, the total output of the commodity in 2009 was 9.66 million tonnes, of which the contribution of the ANRPC was 8.91 million tonnes.

All leading natural rubber producing countries are expected to have increased production this year, with a whopping rise of 43.9 per cent expected in Cambodia.

A 16.7 per cent increase is expected in Malaysia, followed by 8.3 per cent in Vietnam and 7.2 per cent in India. Production in India is expected to increase to 879,000 tonnes from 820,000 tonnes in 2009.

*-Dow Jones Newswires, 7 Oct*

### **China faces challenges as auto sales continue to expand in September**

Automobile sales in China continued to expand last month, raising the forecast for annual sales to a record of 17 million units this year, according to the China Association of Automobile Manufacturers (CAAM).

Sales of automobiles rose 16.89 percent in September from a year earlier and 24.69 percent from August to 1.56 million units, while the automobiles production was up 16.94 percent year-on-year to 1.59 million units, said CAAM.

The CAAM predicted that China's annual production and sales of new autos are likely to surpass 17 million units this year, matching the highest annual level ever reached in the United States.

*-Dow Jones Newswires, 13 Oct*

### **Rosy outlook for Thai auto industry**

Global market-research firm Frost & Sullivan expects vehicle production in Thailand to increase at a compound annual growth rate of 6 per cent to reach 2.1 million units in 2016, because of increased investments from global auto-makers.

This would follow a rise of 900,000 units per year in the annual vehicle-production rate over the previous 10 years, from 1.2 million units in 2006.

Automotive assemblers invested 77 billion baht in Thailand in 2008, with 251 projects being undertaken, making Thailand the largest automotive producer in Southeast Asia. adding that With a highly developed infrastructure and proximity to Asia's biggest markets, Thailand was a natural logistics hub.

*-The Nation (Thailand), 14 Oct*

### **China car output raises concerns**

Booming car sales in China have spurred manufacturers to step up production so fast that concerns over "blind investment" and

overcapacity in the sector are emerging, analysts said.

China's car market overtook the US in 2009 as the world's largest and will remain so this year with up to 17 million vehicles expected to be sold.

Sales in 2010 are expected to increase by between 25 per cent and 30 per cent, after a massive 46 per cent surge last year, as an emerging middle class snaps up cars along with other consumer status symbols.

*-New Straits Times, 18 Oct*

### **China's GDP to grow about 9 per cent next year as challenges remain**

China's gross domestic product (GDP) will grow about 9 per cent next year, but the economy will be challenged by rising labor costs, liquidity problems and difficulty in sustaining rapid growth in the long run, a senior researcher at the country's top think-tank said.

Liu Shijin, deputy director of the Development Research Centre of the State Council, or China's Cabinet, spoke at the OTO Fortune Forum held by the Bank of Communications.

As for 2010, Liu predicted an annual 10-percent GDP growth due to the economic slowdown in China during the second half of the year.

*-Dow Jones Newswires, 18 Oct*

### **7 per cent growth real and achievable, says Malaysian PM**

Malaysia is expected to achieve a gross domestic product (GDP) growth of about seven per cent this year and set to grow between five and six per cent in 2011 based on its economic performance, which expanded strongly at 9.5 per cent in the first half of this year.

Prime Minister Datuk Seri Najib Razak said with the right ingredients, Malaysia will grow at an average of six per cent annually over the next 10 years.

"I am confident that the aim is very real and

achievable," Najib said while delivering his keynote address at the second Global Islamic Finance Forum (GIFF) in Kuala Lumpur.

*-New Straits Times, 26 Oct*

### **NR shortage to persist until 2011**

The Association of Natural Rubber Producing Countries (ANRPC) has warned that the current global tight supply situation of natural rubber (NR) is expected to worsen further in the final quarter of this year.

In fact, concerns over the global NR supply would likely persist until end of 2011 unless the demand for the commodity slows down substantially, said senior economist Jom Jacob in the latest *ANRPC NR Trends & Statistics* October report.

According to Jacob, global NR supply was unlikely to grow beyond 5.3 per cent during 2010.

*-The Star, 28 Oct*

### **US economy grows 2 per cent as consumer spending picks up**

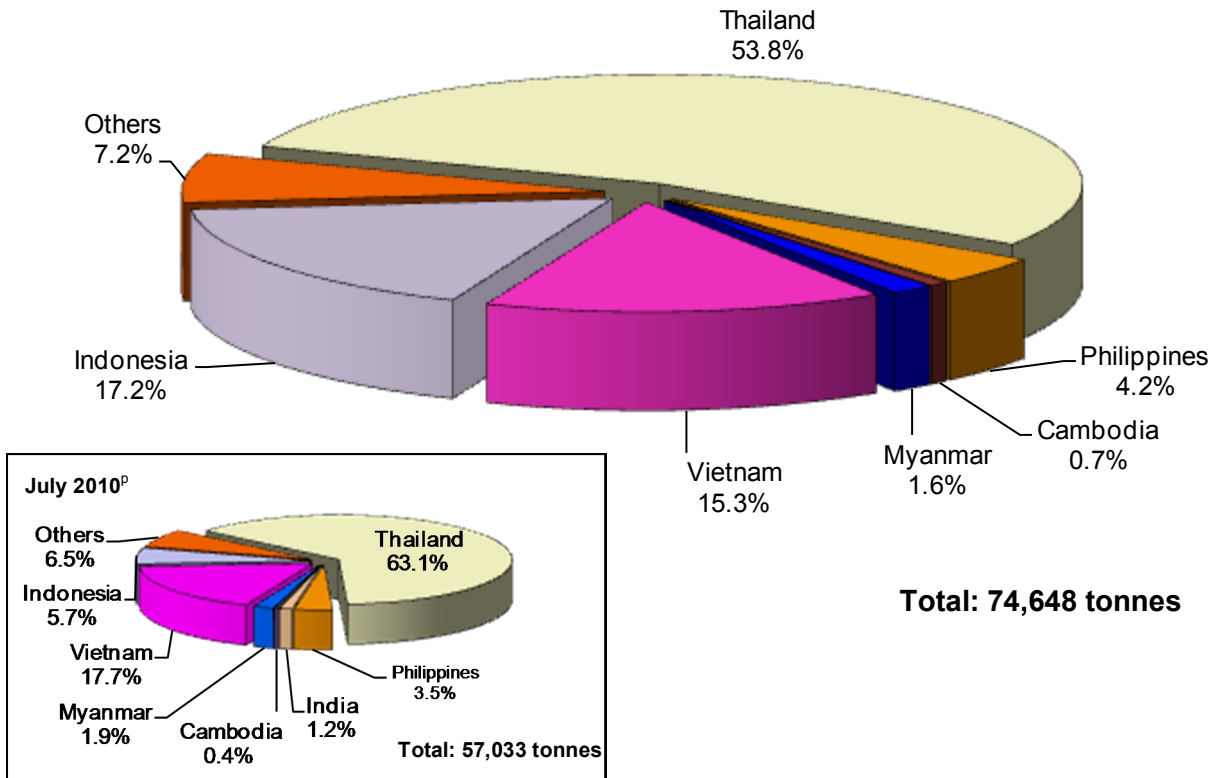
The US economy grew at a 2 per cent annual rate in the third quarter as consumer spending climbed the most in almost four years, a sign that the expansion is developing staying power.

The increase in gross domestic product matched the median forecast of economists surveyed by Bloomberg News and followed a 1.7 per cent gain the prior three months, according to figures by Commerce Department in Washington.

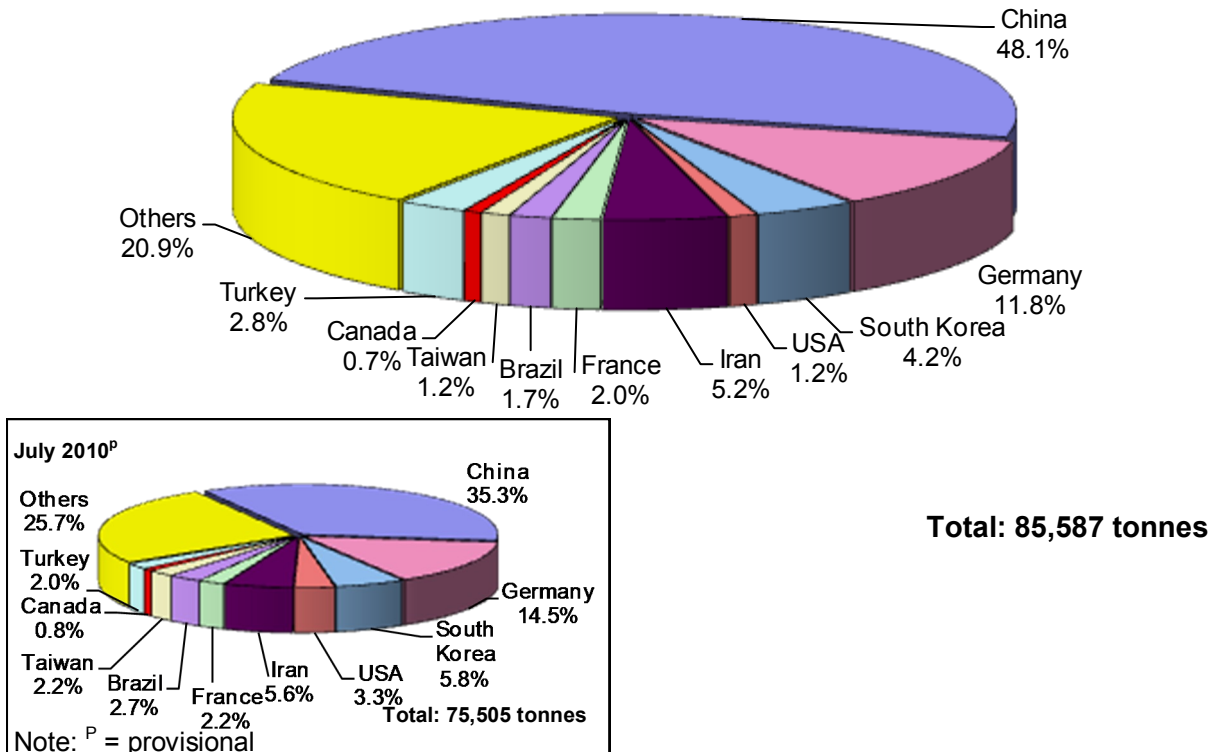
Household purchases, about 70 per cent of the economy, rose at a 2.6 per cent pace, being the best quarter of the recovery that began in June 2009.

*-The Star, 30 Oct*

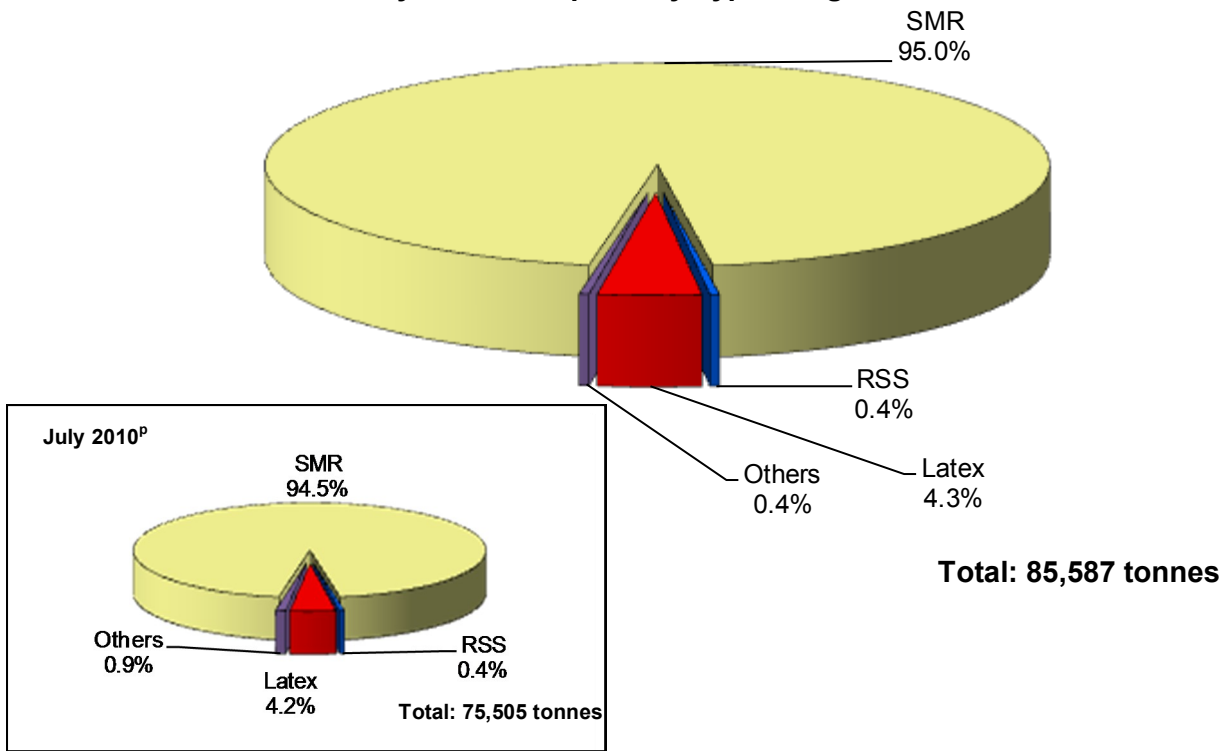
### Malaysia's NR imports by countries August 2010<sup>P</sup>



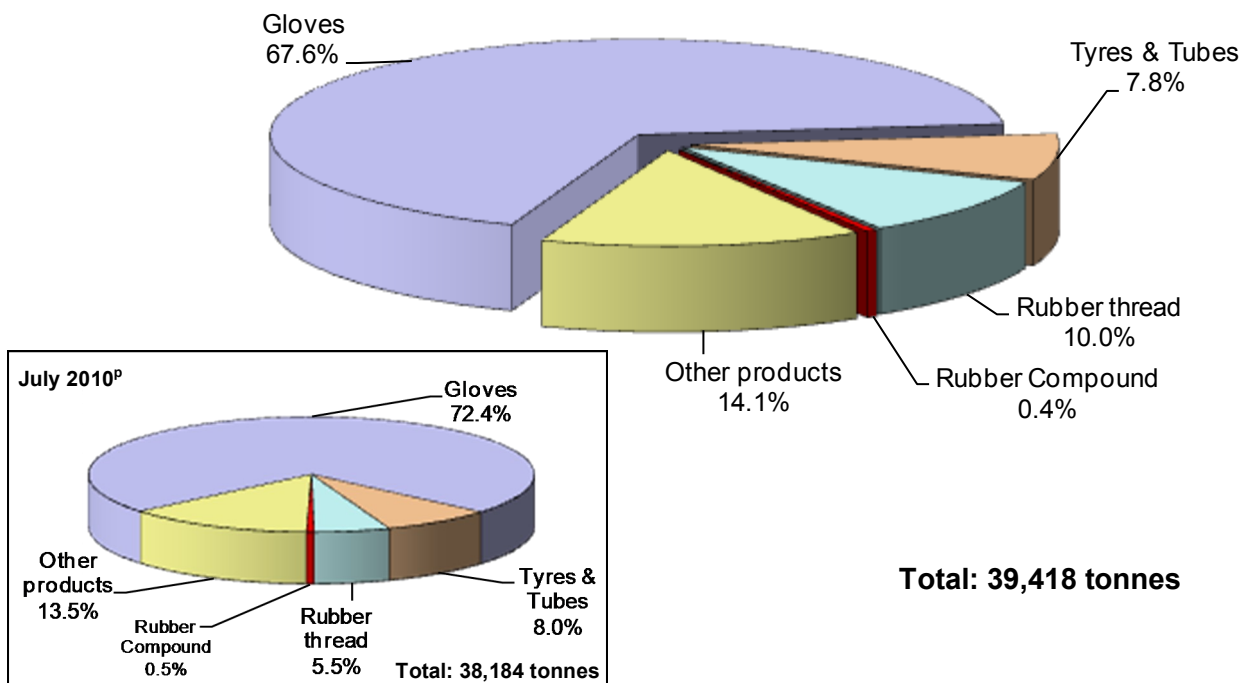
### Malaysia's NR exports by countries August 2010<sup>P</sup>



**Malaysia's NR exports by types August 2010<sup>P</sup>**



**Malaysia's NR consumption by sectors August 2010<sup>P</sup>**



Note: <sup>P</sup> = provisional

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