



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

December

In December, the Kuala Lumpur Rubber Market ruled mixed with prices drifted uncertainly resulting from ample supplies, instability of global shares markets, political uncertainty in the U.S., worries over a potential global economic slowdown, weaker China's manufacturing activity, excessive speculative in the regional rubber futures markets, weaker oil prices as well as ringgit fluctuations against the U.S. dollar. Nevertheless, prices generally fluctuated upwards for the major part of the month and recovered modestly as compared to the previous month, tracking positive developments in the U.S. - China trade relations. Compared with those on 30 November 2018, the price of SMR 20 rose by 11.0 sen/kg or 2.2% to close at 521.00 sen/kg. Meanwhile, latex concentrate closed at 379.50 sen/kg, up by 13.0 sen/kg or 3.5%. Compared with the previous month, average price of SMR 20 in December increased by 8.8 sen/kg or 1.7% to 518.18 sen/kg. Price movements of selected grades of rubber in December 2018 are shown in Table 1.

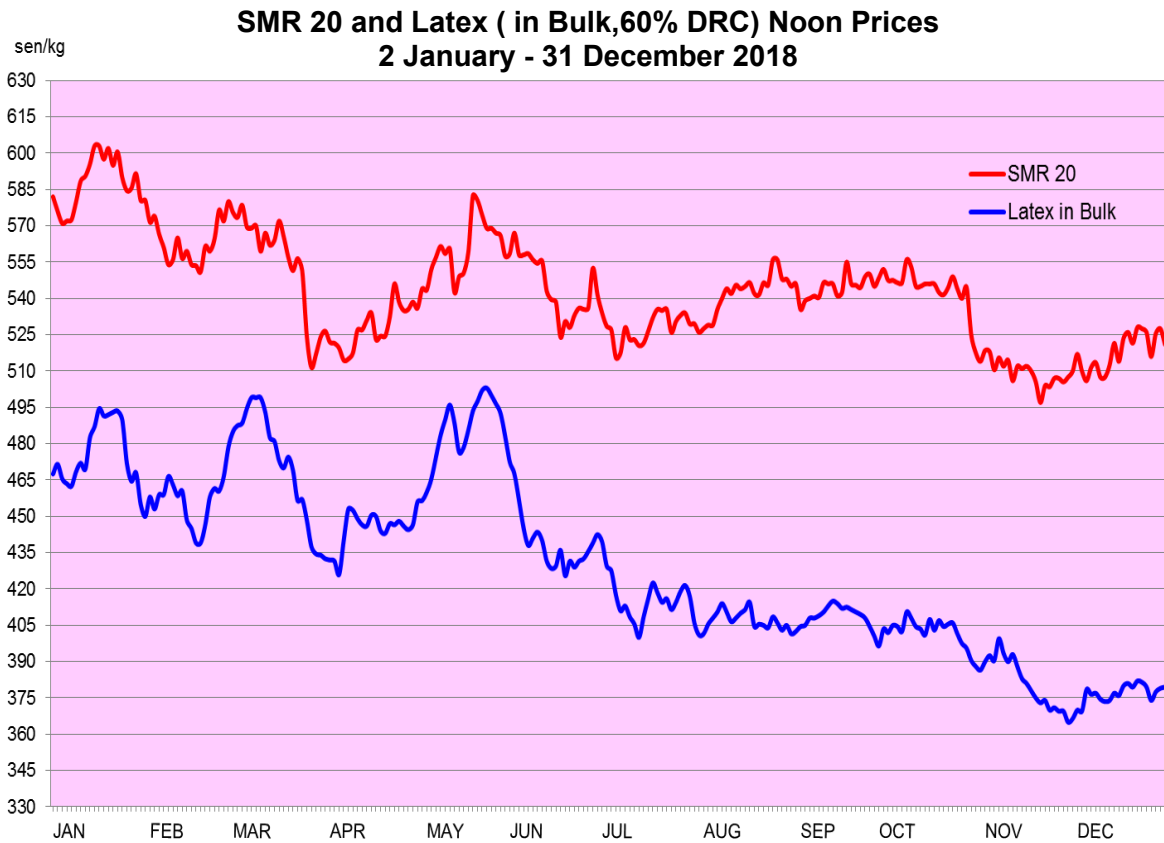
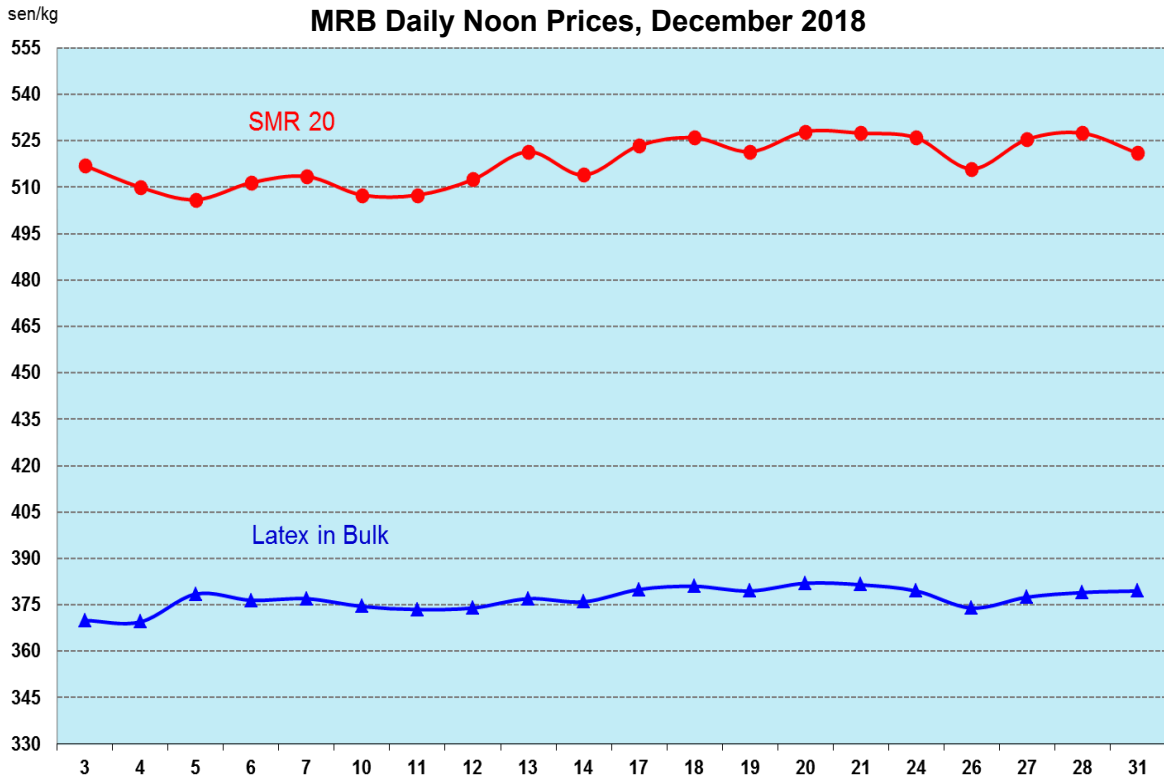
Prices rebounded mildly compared to the previous month, boosted by positive developments in U.S. - China trade relations following a 90-day U.S. - China truce in their trade conflict during trade talk at G20 Summit on 1 December. China's effort which resulted in positive progress of the U.S.- China trade talk includes China's agreement to cut tariffs on U.S. automobiles to 15% from 40%; redrafting 'Made in China 2025 Plan' and China's first major purchases of U.S. soybeans on 12 December. In addition, China is addressing U.S. concerns by working on a law to improve intellectual property rights and grant equal right to foreign investors. The market sentiment was boosted by declining NR production and stocks as reported by the Department of Statistics Malaysia (DOSM). According to DOSM, Malaysia's NR production in October 2018 dropped 23.8% to 51,209 tonnes, as compared to the same month in 2017. Meanwhile, Malaysia's NR stock dropped by 7.7% to 165,533 tonnes in October, against 179,351 tonnes in September 2018. Furthermore, the market reacted positively to the announcement by International Tripartite Rubber Council (ITRC) on 13 December whereby the three member countries (Thailand, Indonesia and Malaysia) will finalise measures to be implemented by ITRC beginning early 2019 as an

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, December 2018

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	666.00	6,660.00	528.00	5,280.00	382.00	3,820.00
Lowest	655.50	6,555.00	506.00	5,060.00	369.50	3,695.00
Average	661.88	6,618.00	518.18	5,181.80	377.00	3,770.00
Change from the last day of the previous month	-0.50	-5.00	11.00	110.00	13.00	130.00

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

Source: Malaysian Rubber Board



immediate effort to improve NR market situation. The market was further supported by a global NR supply deficit of 228,000 tonnes during January to October 2018 as reported by the Association of Natural Rubber Producing Countries (ANRPC) on 26 December. Speculative buying of about 25,000 lots or 250,000 tonnes for the forward contract month of May 2019 were observed in Shanghai rubber futures while a short covering reported in the Singapore rubber futures.

Generally, the gains were limited as the market was dominated by the bearish sentiments such as sharp losses in global equities market, concerns over a potential world economic slowdown, uncertainties surrounding the details of the agreement between U.S. and China coupled with political uncertainty in the U.S. following a partial government shutdown. The market was also dragged down by slumping crude oil prices where both Brent and WTI oil prices tumbled more than 35% from their recent peaks in early October owing to fears of oversupply and deteriorating demand. The market was affected by the U.S. Federal Reserve interest rate hike to a range of 2.25% to 2.50% on 20 December and concern on the projection of two more rate hikes in 2019. Surging rubber inventories in Shanghai Futures Exchange (SHFE) to 427,671 tonnes as of 27 December 2018 further pressured the market. The market was also influenced by a stronger ringgit and weaker China manufacturing activities. The ringgit strengthened at RM4.1385 – 4.1870 against the U.S dollar in December, as compared to the previous month at RM4.1670 – 4.1995. On the other hand, the official China Purchasing Managers' Index (PMI) fell to 49.4 in December, contracted for the first time in more than two years owing to domestic economic slowdown and China's ongoing trade dispute with the U.S. Trade was thin towards the end of month as most of the market operators were on the sidelines due to the year-end holidays.

Outlook

Prices are expected to recover mildly in the near term supported by expectations that the International Tripartite Rubber Council (ITRC) will announce measures to address the prolonged low and unremunerative NR prices following an announcement on 13 December in Putrajaya,

Malaysia. In addition, the upcoming wintering season in Thailand and Malaysia that usually occurs in the first quarter of the year is also expected to further reduce the supply of NR to the global market. Meanwhile, anticipation of Chinese buyers to replenish their NR stocks before the Lunar New Year in February 2019 could provide positive sentiment to the market. However, non-fundamental factors are expected to continue playing a dominant role in influencing rubber market in 2019. Uncertainty on the global financial markets, weaker crude oil prices, political uncertainty in the U.S., developments in U.S. - China trade relations as well as concerns on the potential global and China's economic slowdown would continue to put pressure on the rubber market.

News Briefs

China, U.S. declare 90-day halt to new tariffs - White House

China and the U.S. agreed to halt additional tariffs in a deal that keeps their trade war from escalating as the two sides try again to bridge their differences with fresh talks aimed at reaching an agreement within 90 days. The White House said that President Donald Trump told Chinese President Xi Jinping during high-stakes talks in Argentina that he would not boost tariffs on USD200 billion of Chinese goods to 25% on January 2019 as previously announced. Beijing for its part agreed to buy an unspecified but "very substantial" amount of agricultural, energy, industrial and other products, the White House said in a statement.

- reuters.com, 2 Dec

Local rubber farmers form tyre brand

Local farmers will officially start processing their own rubber produce under a local brand and market it to manufacturing companies. Officials of the Philippine Rubber Farmers Cooperative recently signed a processing and marketing agreement with Valenzuela City-based Leo Tyre Manufacturing Corp for the processing of raw rubber into motorcycle and small tractor tyres under the brand name Pilipinas Agila starting February 2019. Under the agreement, the rubber farmers' cooperative will buy the raw rubber produce of its members at a price higher than the

prevailing local buying price using an initial capitalization of P10 million provided by the Department of Agriculture-Agricultural Credit Policy Council.

- *factiva.com*, 2 Dec

RPI activation price to increase smallholders' income by RM144 a month

The increase in the Rubber Production Incentive (RPI) activation price from RM2.20 a kg to RM2.50 a kg from 2019 is expected to increase the income of rubber smallholders by RM144 a month or RM1,728 a year for a two-hectare smallholding. Malaysian Rubber Board (LGM) Director-General Dato' Dr Zairossani Mohd Nor said the current price of scrap rubber was RM1.80 a kg, but only 15% to 20% of smallholders had benefited from this production category since its introduction in 2015. He said the increase to smallholders' income was higher than the three-month RM600 Monsoon Season Aid.

- *factiva.com*, 4 Dec

USTMA expects 2.7% increase in tyre shipments

Tyre shipments will total 325.2 million units this year, up 2.7% from the 316.7 million units recorded in 2017, according to projections from the U.S. Tyre Manufacturers Association (USTMA). The biggest gains will be in passenger tyres, the USTMA said. Original equipment passenger shipments will increase by 1 million, to 46.2 million from 45.2 million, and replacement passenger shipments will rise 5.2 million from 209.7 million to 214.9 million.

- *factiva.com*, 6 Dec

U.S. economy adds 155,000 jobs in November, below expectations

The U.S. economy added 155,000 jobs in November, missing expectations for more robust growth, and the unemployment rate stayed at a 49-year low of 3.7%, federal economists reported. But hiring has remained strong overall as 2018 wraps up. American employers have added more than 200,000 jobs in four of the past six months, even in the face of economic curveballs such as trade tensions, jittery markets and hurricanes.

- *washingtonpost.com*, 7 Dec

OPEC and non-OPEC nations agree on 1.2M barrel per day production cut

The Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC members including Russia agreed in Vienna to work to jointly reduce crude oil production by 1.2 million barrels per day for the next six months to try to influence higher oil prices.

- *upi.com*, 7 Dec

Continental opens dandelion rubber research center

Continental A.G. has inaugurated its laboratory for research into the production of rubber from the Russian dandelion, in Anklam. The December 6 opening of the Taraxagum Lab Anklam comes just one year after breaking ground on the 323,000 sq.-ft. facility that is dedicated to the study of dandelion rubber farming and extraction methods. "We are fully convinced of this project, which has the potential to shape the future of the region," Harry Glawe, minister of economics, employment and health of Mecklenburg-Western Pomerania, said during the opening ceremony. Nikolai Setzer, a member of the Continental board and head of its Tyre division, noted that the company intends to use dandelion rubber routinely within the next 10 years.

- *rubbernews.com*, 10 Dec

Asia to grow as expected in 2018 and 2019, trade war poses downside risks

The Asian Development Bank expects developing Asia to meet its growth forecasts for this year and next on strong domestic demand and easing inflation pressures, though it warned of downside risks from a rising tide of trade protectionism. The Manila-based institution, which released an update of its Asian Development Outlook, maintained its 2018 and 2019 economic growth estimates for the region at 6.0% and 5.8%, respectively.

- *theedgemarkets.com*, 12 Dec

Global tyre industry pushes for sustainable rubber supply

Faced with a global demand for natural rubber that is rapidly outstripping supply, tyre industry

stakeholders are pushing to improve sustainable rubber yields, harmonize standards, protect human rights and natural resources — all while improving transparency and traceability in a complex supply chain. In late October, the Tyre Industry Project launched the Global Platform for Sustainable Natural Rubber (GPSNR). This independent platform aims to lead improvements in the socio-economic and environmental performance of the natural rubber value chain. Operations will begin in March 2019 headquartered in Singapore.

- *environmentalleader.com*, 12 Dec

Natural rubber production gained 6.5% in October 2018

Malaysia's natural rubber production in October was 51,209 tonnes, increased by 6.5% as compared to 48,076 tonnes in September. Year-on-year comparisons showed the production dropped 23.8%. Malaysia's natural rubber exports amounted 54,189 tonnes, increased 3.5% as compared to September 2018. Main destination of exported natural rubber was to China which contributed 50.4 per cent of total exports in October, followed by Germany (13.6%), Iran (3.7%), Korea (3.5%) and Finland (3.3%).

- *dosm.gov.my*, 12 Dec

Alibaba plans e-auctions for Thai rubber

Alibaba has told the Rubber Authority of Thailand (RAOT) it will provide an auction system for Chinese buyers of Thai rubber in China, anticipating annual sales of at least 200,000 tonnes. The e-commerce venture is designed to let buyers in China bid for Thai natural rubber from the convenience of their own homeland, he said. The RAOT and Alibaba expect the project to produce orders for at least 200,000 tonnes of Thai rubber per year, Mr Nakorn said.

- *factiva.com*, 13 Dec

Price, demand for Thai natural rubber on the rise

The Rubber Authority of Thailand (RAOT) reports that the price of ribbed smoked sheets from locally-grown natural rubber has been on the rise over the past few weeks, thanks to the higher market

demand. RAOT Deputy Governor Nakorn Tangvirapat expressed his appreciation to the rising demand for the Thai natural rubber, to about 1.71 million kilograms totally lately, by tyre manufacturing firms in the country, in particular, that have joined the Thai government's tax break program and have purchased more locally-grown natural rubber from RAOT and institutions which have been formed by individual Thai natural rubber growers and have worked on behalf of them.

- *factiva.com*, 17 Dec

Indonesia to rejuvenate 1.2 thousand hectares of rubber plantations in South Sumatra

The Indonesian government has planned to allocate another Rp13 billion in state budget fund to rejuvenate 1.2 thousand hectares of rubber plantations in South Sumatra province next year. The rubber plantation rejuvenation project is aimed at increasing farmers' rubber production, Head of Product Processing and Marketing Section of the South Sumatra Provincial Plantation Office, Rudi Arpian stated. The fund will be disbursed starting early next year.

- *factiva.com*, 17 Dec

Halcyon, DBS launch digital trading platform for sustainable NR

Halcyon Agri Corporation Limited (Halcyon) and DBS Bank Ltd (DBS) announced a partnership to launch a digital marketplace - Hevea Connect - for the trading of sustainably processed natural rubber. The Hevea Connect digital marketplace is meant to connect natural rubber stakeholders such as farmers, rubber producers and tyre manufacturers, via a one-stop shop for participants in the natural rubber supply chain. With this platform, natural rubber producers and consumers are able to track pricing and supply information and transact directly on Hevea Connect, promoting greater price transparency in the industry.

- *factiva.com*, 17 Dec

U.S.-China trade war has positive impact on Indian rubber products industry

The U.S.-China trade war is having a positive rub-off effect on the Indian rubber industries as they

are now witnessing a trend in increased export orders to the U.S., said officials of the All India Rubber Industries Association (AIRIA). "The U.S.-China trade war is positive for the Indian rubber industries that are exporting to the U.S. There are some rubber products for which getting approvals from the U.S. companies are relatively easier. The trade war is a positive for such product makers," AIRIA President Vikram Makar told reporters.

- *factiva.com*, 18 Dec

Vietnam, third largest rubber exporter, imports USD 1 billion of synthetic rubber yearly

A report of the Ministry of Agriculture and Rural Development (MARD) showed that in November alone, Vietnam imported 46,000 tonnes of rubber materials, raising the total import volume in the first 11 months to 543,000 tonnes, worth USD 1 billion, an increase of 8.8% in volume and 1% in value compared with the same period last year.

- *factiva.com*, 18 Dec

Fed raises interest rates, signals more hikes ahead

After weeks of market volatility and calls by President Donald Trump for the Federal Reserve to stop raising interest rates, the U.S. central bank instead did it again, and stuck by a plan to keep withdrawing support from an economy it views as strong. The rate increase, the fourth of the year, pushed the central bank's key overnight lending rate to a range of 2.25% to 2.50%.

- *reuters.com*, 19 Dec

World Bank expects China's economic growth to slow to 6.2%

China's economic growth is likely to slow to 6.2% in 2019 from an expected 6.5% this year, as headwinds increase due to its trade dispute with the U.S., the World Bank said in a report published. Its outlook on China's 2018 economic growth, which would be the weakest in 28 years, remained unchanged from its prediction in April. Growth in Asia's powerhouse economy slowed to 6.5% in the third quarter, the weakest pace since the global financial crisis. Indications are that momentum is likely to come off further in the

current quarter and next year, with data last week showing surprising softness in November factory output and retail sales.

- *reuters.com*, 20 Dec

Aid for RISDA rubber smallholders due to poor yield

A total of 274,639 smallholders registered with the Rubber Industry Smallholders Development Authority (RISDA) will receive RM600 each aid following poor yield due to the monsoon season. "The Cabinet agreed on 12 December to allocate RM164,783,400 for the smallholders who are affected by the poor yield during the rainy season. According to Finance Minister, Lim Guan Eng, out of 274,639 rubber smallholders to benefit from the aid package, 255,997 were rubber smallholders who were also landowners, while 18,642 were non-landowner rubber tappers working on plots smaller than 2.5 hectares.

- *nst.com.my*, 21 Dec

China's rubber industry reports strong profits

China's rubber industry saw strong growth in profits in the first 10 months of this year, according to new data from the Ministry of Industry and Information Technology. In the January-October period, the total profits of 373 tracked companies rose 31.14% year on year (y-o-y) to 13.07 billion yuan (about 1.9 billion U.S. dollars), the ministry said in a statement. "The industry's profitability was better than the same period of last year," the statement said. Total output of the industry rose 6.31% to 283.13 billion yuan, while sales revenue rose 6.12% to 281.62 billion yuan.

- *china.org.cn*, 23 Dec

China says it has made 'new progress' in trade war talks

According to China's Ministry of Commerce, China and U.S. held a fresh round of trade talks last week and achieved "new progress". According to a statement on the ministry's website, the two sides held "vice-ministerial" level talks in a teleconference on 21 December. These included "deep exchanges" over issues such as the trade balance and intellectual property two key U.S. grievances without elaborating further or

sides have discussed the arrangements for the next round of talks.

- *scmp.com*, 23 Dec

China's economy 'set to reach USD13.7 trillion by end of the year'

China's economy is expected to have grown to 90 trillion yuan (USD13.7 trillion) this year, said senior economic officials on 22 December. Han Wenxiu, Deputy Director of the Office of the Central Financial and Economic Affairs Commission, a top economic decision-making group, said at an economic forum in Beijing that China's economic growth and income growth were rising steadily. "China's gross domestic product (GDP) is expected to reach 90 trillion yuan in 2018 or USD9,900 in GDP per capita," Han said. Ning Jizhe, Vice Director of the National Development and Reform Development, told the same forum that China's GDP growth may hit its 6.5% target this year, rising from 82.7 trillion yuan last year.

- *scmp.com*, 24 Dec

China to expand advanced manufacturing, domestic market

China's top economic planner has pledged to strengthen the advanced manufacturing sector and foster stronger domestic market amid efforts to stabilize economic growth. He Lifeng, head of the National Development and Reform Commission, said China will narrow the gap in major technical equipment capabilities to tap into the huge domestic market potentials in this sector.

- *xinhuanet.com*, 24 Dec

China says will adjust import, export tariffs on some products from January 1

China's finance ministry said that it will adjust import and export tariffs for some products starting from 1 January. It will not levy export tariffs on 94 products including fertilizer and iron ore, the ministry said in a statement on its website. For imports, China will levy temporary tariffs on more than 700 items and maintain relatively low import tariffs for aircraft engines, the ministry added. China will also further cut most favoured nation tariffs on 298 information

technology products from July 2019.

- *reuters.com*, 24 Dec

Natural Rubber Trends & Statistics, October 2018-ANRPC

According to the NR data released by the Association of Natural Rubber Producing Countries (ANRPC) on 24 December, the world demand of NR from January to October 2018 recorded at 11.696 million tonnes, an increase of 5.2% from the same corresponding period a year earlier. Meanwhile, the world NR production charted a 5.5% growth to 11.468 million tonnes. This resulted to a supply deficit of 228,000 tonnes of NR during the reference period.

- *anrpc.org*, 24 Dec

USD4.8mil rubber latex processing plant opens in Son La

The Viet Nam Rubber Group inaugurated its new rubber latex processing plant, worth VNĐ110 billion (USD4.8 million), in the northern mountainous province of Son La. Spanning nearly 16ha in Tong Lenh Commune, Thuan Chau District, the plant comprises two production lines, enabling it to provide 9,000 tonnes of rubber latex each year. The first line, has annual production capacity of 6,000 tonnes of rubber latex while the second, slated for completion in 2020, will provide 3,000 tonnes each year.

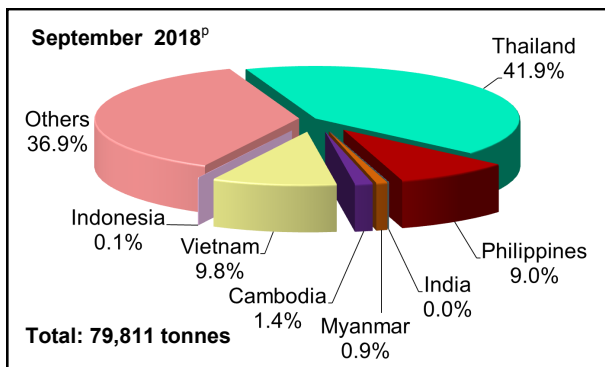
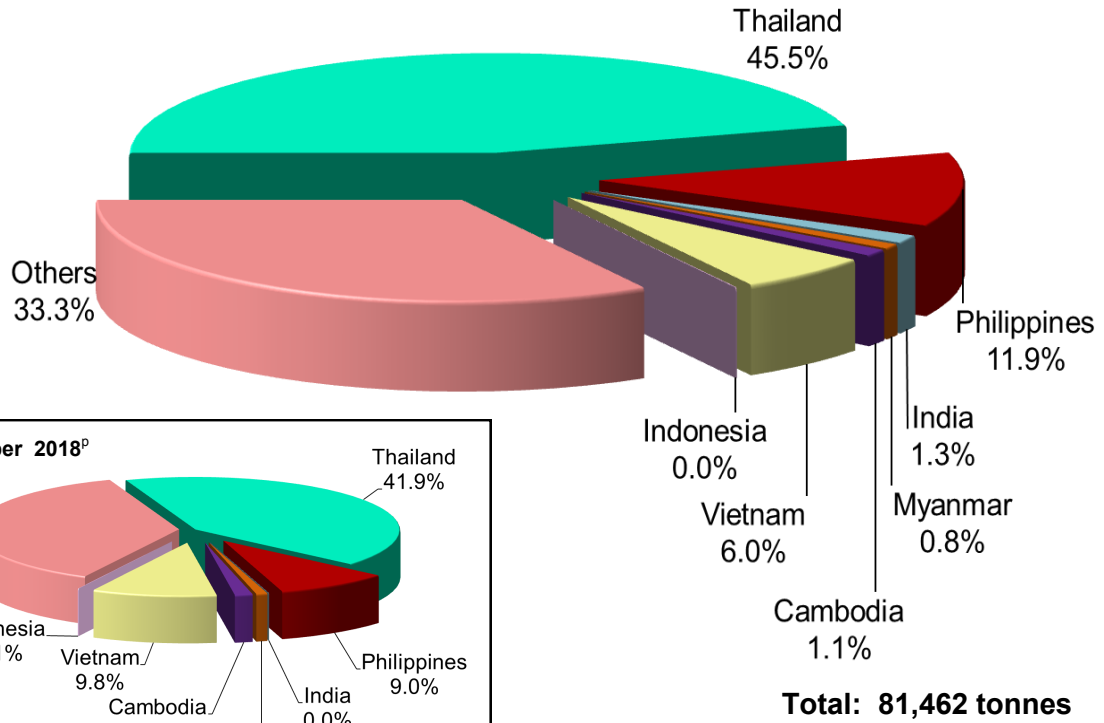
- *vietnamnews.vn*, 27 Dec

China factory activity shrinks for first time in over two years, 2019 looks tougher

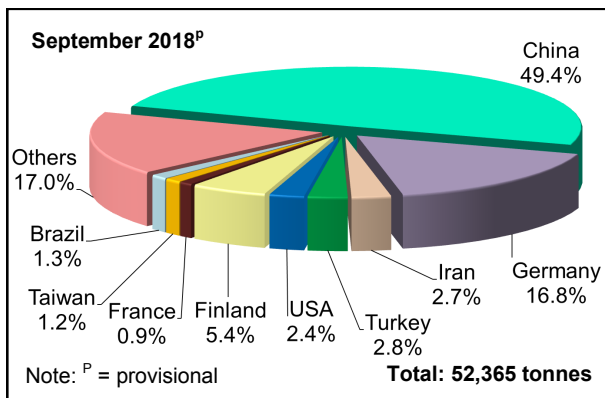
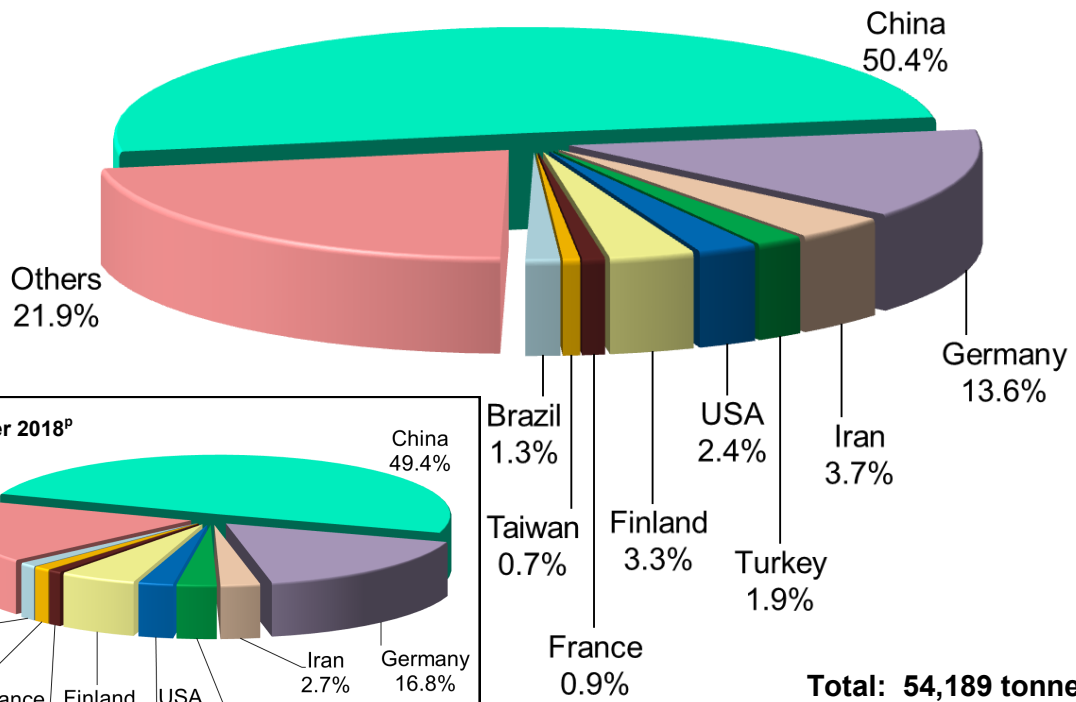
According to the National Bureau of Statistics's (NBS) survey, China's official Purchasing Managers' Index (PMI) fell to 49.4 in December, below the 50-point level that separates growth from contraction. China's factory activity contracted for the first time in over two years in December, highlighting the challenges facing Beijing as it seeks to end a bruising trade war with Washington and reduce the risk of a sharper economic slowdown in 2019. The increasing strain on factories signals a continued loss of momentum in China, adding to worries about softening global growth, especially if the Sino-U.S. dispute drags on.

- *reuters.com*, 31 Dec

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

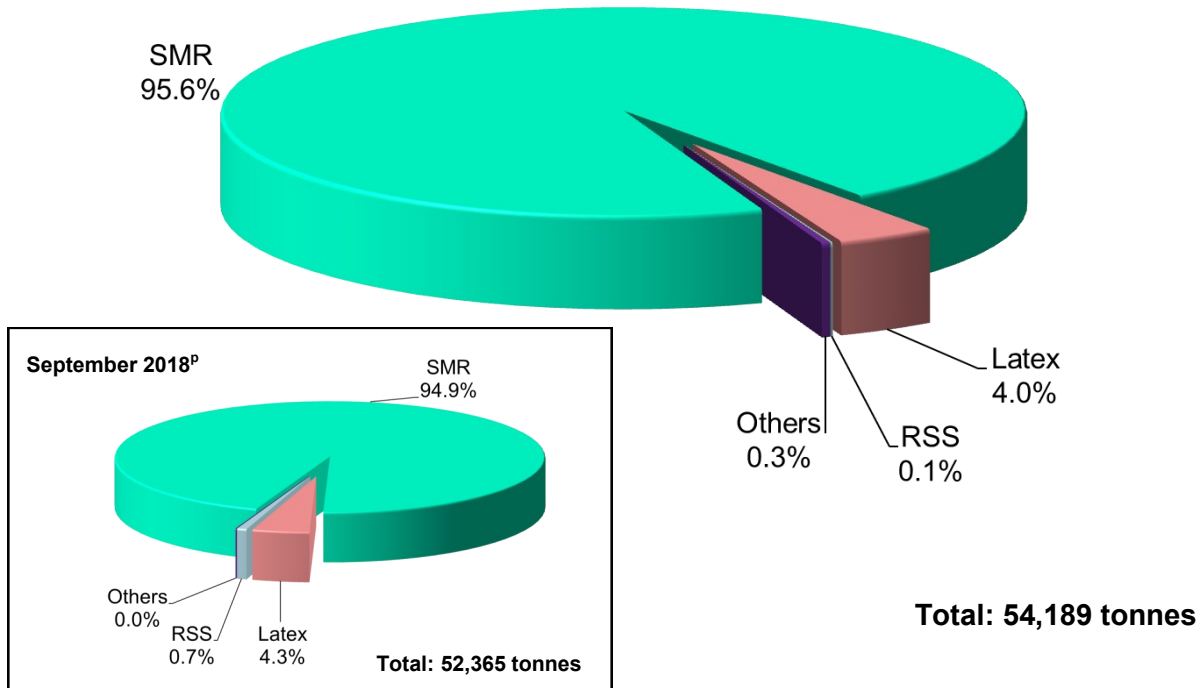


Malaysia's NR Exports by Countries, October 2018^P



Source: Department of Statistics Malaysia (DOSM)

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



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

