



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2017
MAR

Natural Rubber Market Review

March

Generally easier conditions set in during March resulting from unfavourable market sentiment in regional rubber futures markets and weak benchmark crude oil prices. The Kuala Lumpur Rubber Market started the month on a steady tone and turned softer thereafter across the board with price of SMR 20 dropped sharply to 773.00 sen/kg on 30 March, the lowest since early December 2016. Prices relatively more volatile compared to the previous month. The monthly price volatility of SMR 20 increased to 173.0 sen/kg, compared to February at 144.0 sen/kg. Compared with those on 28 February 2017, the price of SMR 20 decreased by 94.00 sen/kg or -10.5% to close at 798.50 sen/kg while latex concentrate closed at 671.50 sen/kg, declined by 103.50 sen/kg or 13.4%. The price movements of selected grades of rubber in March 2017 are shown in Table 1.

The market started the month with a high note, bolstered by favourable market sentiment in rubber futures markets owing to bargain hunting activities coupled with the market concerns on the

news reported on 2 March that natural rubber stocks in Tokyo Commodity Exchange (TOCOM) fell to the lowest in over six years. The sentiment also aided by a recovery in oil prices supported by the positive news that the Organization of the Petroleum Exporting Countries (OPEC) may prolong oil production cuts after expire in June 2017 if the global oil inventories remain excessive. Furthermore, weaker ringgit against US dollar also gave some support.

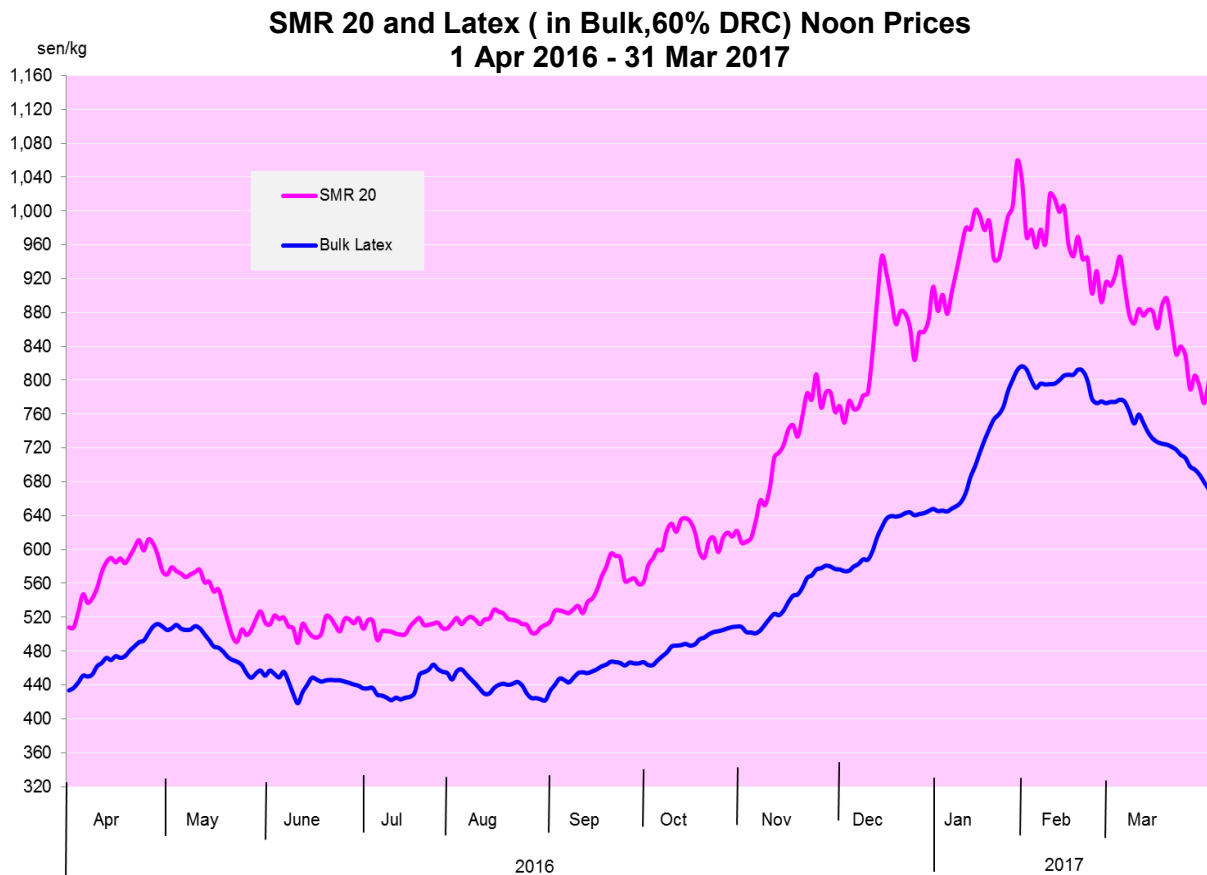
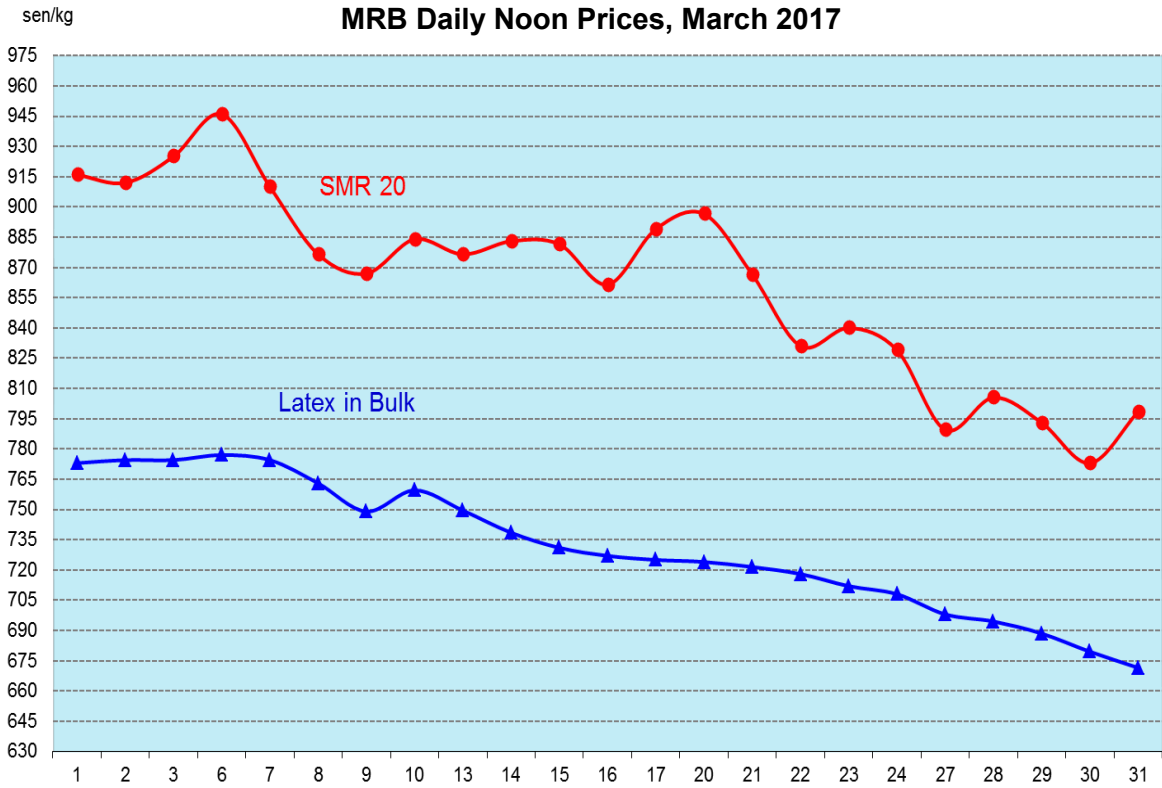
However, the market turned bearish gradually followed by a sharp decline towards the end of month. Overall, the bearish sentiment was brought by poor performance of regional rubber futures markets, slumping in oil prices and stronger ringgit against US dollar. According to market players and analysts, the excessive speculation in rubber futures markets may be due to the large number of individual traders, who tend to be more short-term focused and are less concerned with supply-demand dynamics. Concerns on supply shortage by market operators eased after Thailand announced to release the remaining 120,000 tonnes of rubber in stockpiles on 7 March 2017. Oil prices dropped to their lowest in three months at USD 47.72 on 14 March, despite OPEC efforts to curb crude oil output was offset by rising U.S crude inventories.

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2017

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	1,150.00	11,500.00	946.00	9,460.00	777.00	7,770.00
Lowest	1,069.00	10,690.00	773.00	7,730.00	671.50	6,715.00
Average	1,112.87	11,128.70	863.07	8,630.70	731.80	7,318.00
Change from the last day of the previous month	-64.00	-640.00	-94.00	-940.00	-103.50	-1,035.00

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

Source: Malaysian Rubber Board



The market also reacted negatively to the news reported on the China trade deficit. It was reported that China February import increased by 38.1% on a year earlier while exports unexpectedly fell 1.3%, giving a trade deficit of USD 9.2 billion for the month. Meanwhile, trading was listless as market operators reacted to the news that US Federal Reserve on 16 March has raised its interest rates for the second time in three months by 25 basis points to a range of 0.75% to 1.00%. Despite the U.S. Federal Reserve increased its interest rate, market players remains worries as the decision signalled no pick-up in the pace of 2017 US monetary tightening. Furthermore, the market operators reacted negatively on the report released by the Association of Natural Rubber Producing Countries (ANRPC) that indicates the expectation of increasing production in 2017. According to the ANRPC, natural rubber production of association countries that contributed 90% of global natural rubber output, is expected to increase by 4.2 % in 2017 from 10.767 million tonnes in 2016. Towards the end of review period, price of SMR 20 fell sharply at 773.00 sen/kg on 30 March as the buyers continued to stay away from the market in anticipation of prices to further down. The global market remains directionless as the US dollar index fell sharply at 99.00, sparking concerns on the ability of the President Trump administration to pass further fiscal reforms, as pledged earlier in the year.

Outlook

The rubber market are expected to experience high volatility in response to the uncertainty of crude oil prices, rubber futures markets and currencies fluctuations. Nevertheless, the effects of wintering which has started in major rubber producing countries and expected to prolong until May 2017 will strongly support the market sentiment, giving it a bullish undertone. Meanwhile, investors will be keeping their eyes on greater uncertainty on US policies which will impact the global economy. The movement of oil prices are expected to be influenced by whether the OPEC policy on global oil production cut could be complied and extended in second half of 2017 amid the expectation on rising U.S oil production. In addition, the market will continue to be influenced by the expectation of further US interest rate hike in 2017 which will affect the currencies of the major rubber exporting countries. The market is expected to move

moderately in 2017 in line with the global economic growth forecast at 2.7% in 2017.

News Briefs

SR price pressures 'set to ease' after Q2

Current upward pressures on synthetic rubber (SR) prices should ease off after the second quarter of the year as feedstock availability returns to normal, believes Daniela Quintero, commercial intelligence manager at Grupo Dynasol. According to Quintero, SR prices are being driven largely by developments in the butadiene market, where availability has been a key issue over recent months, particularly the case in Asia and Europe, due to shutdowns of large crackers for maintenance. Another factor has been an unexpected pick-up in Chinese demand over the last few months of 2016 and continuing into January. Demand is also expected to fall off mid-year, based on GDP forecasts for Asia and a seasonal slowdown in European markets over the summer, Quintero added.

- *www.thainr.com, 1 Mar*

Trump administration would ignore WTO rulings it sees as anti-U.S.

U.S. President Donald Trump's administration is preparing to ignore any rulings by the World Trade Organization that it sees as an affront to U.S. sovereignty, the Financial Times reported, citing a report prepared by officials. The draft document, due to be sent to the U.S. Congress marks the first time the new administration has laid out its trade plans in writing. "Ever since the United States won its independence, it has been a basic principle of our country that American citizens are subject only to laws and regulations made by the U.S. government -- not rulings made by foreign governments or international bodies," the report added.

- *Reuters, 1 Mar*

MARGMA: Rubber glove industry expected to earn RM15.2 billion this year

Malaysia continues to lead globally in the production and supply of medical examination and surgical gloves as well as rubber gloves. The

country is also forecasted to earn RM15.2 billion in revenue this year as global demand for rubber gloves will continue to be strong in 2017, according to a presentation made by Malaysian Rubber Glove Manufacturers Association's (MARGMA) President Denis Low at the organisation's annual All CEOs' Dinner.

According to Low, Malaysia exported 1.336 trillion pieces of gloves to 195 countries worldwide. The revenue was RM13.8 billion, slightly short of the forecast of RM14.3 billion. The Minister, YB Datuk Seri Mah Siew Keong said he was positive that given a year or so, Malaysia can aspire to control 65% of the global market from the current 63%. The minister said that the government has set up a task force to look into labour issues and that water and natural gas issues will also be looked into with a view of overcoming shortages.

- *rubberjournalasia.com*, 6 Mar

Rubberised cycles lanes a way forward

The Plantation Industries and Commodities Ministry hopes that rubberized cycle lanes can be implemented in the future. Its minister, Datuk Seri Mah Siew Keong, said as the country was constructing rubberized roads, rubberized cycle lanes should also be a way forward. He said the move would create sustainable demand for rubber, and benefit some 440,000 rubber smallholders. Three rubberized road projects at three sites are being carried out in Selangor and Negeri Sembilan.

- *New Straits Times*, 5 Mar

Asia Pacific nations expected to lead growth of global tyre industry

Asia Pacific nations are expected to lead the growth of the global tyre industry as it continues to expand economically. Countries including China, India, Japan, and Australia are set to play an economically-defining role in the tyre trade in the next few years. Against the backdrop of the global automotive tyre market estimated to reach US\$298.15 billion by 2021, more than half of all tyres will be sold in the Asia Pacific region by 2019. Asia-Pacific's role as global protagonists of the tyre trade, as the world's leading platform in connecting global players in the tyre community to the region will be the focus of the 11th edition of

Tyrexpo Asia 2017, Asia's largest tyre exhibition.

- *rubberjournalasia.com*, 7 Mar

Central banks are stockpiling foreign reserves

Central banks around the world are loading up on foreign-currency reserves, highlighting the fragile underpinnings of the global economic recovery despite a more buoyant mood in financial markets. In emerging economies, reserve levels have stabilized after two years of big declines. Two-thirds of the 30 biggest emerging markets grew their reserves last year, and foreign-currency holdings in Israel, Vietnam and the Czech Republic recently reached all-time highs. China's foreign reserves also rose by \$6.9 billion in February compared with the previous month, rebounding for the first in eight months. Economists polled by The Wall Street Journal had expected a \$28 billion drop but the gains pushed China's reserve total back above the \$3 trillion mark.

- *Dow Jones Newswires Chinese*, 8 Mar

US Federal Reserve raises interest rates for second time in three months

The US Federal Reserve has raised interest rates for the second time in three months, a move spurred by steady economic growth, strong job gains and confidence that inflation is rising to the central bank's target. The decision to lift the target overnight interest rate by 25 basis points to a range of 0.75 per cent to 1.00 per cent marked one of the Fed's most convincing steps yet in the effort to return monetary policy to a more normal footing. However, the Fed's policy-setting committee did not flag any plan to accelerate the pace of monetary tightening.

- *www.abc.net.au*, 16 Mar

Malaysian rubber exports expected to rise by 7% in 2017

As for the rubber sector, Datu Nasrun said the industry has contributed a total of RM24.8 billion in 2016, recording a slight drop of 1.6% compared to 2015. The exports of natural rubber in 2016 dropped to 673,841 tonnes whereas the average price of standard Malaysia Rubber (SMR

20) has increased to RM5.68 per kg. "The EU, US and China are among the major export markets with total exports worth RM15.6 billion or 62.7% from the exports of rubber products," Datu Nasrun said. The government targets an increase of 7% in the exports of rubber products by strengthening the existing market share and exploring new markets.

- *www.rubberjournalasia.com*, 17 Mar

New eco-friendly, renewable tyres stretch the boundaries of rubber production

Recently, researchers at the University of Minnesota discovered a method, published in the journal ACS Catalysis, that could make the industry greener by using carbon from natural sources such as grass, trees and corn instead of fossil fuels like petroleum. The process yields isoprene, the main compound needed to create rubber. Isoprene is developed by taking large petroleum molecules, heating them up to break them apart and separating the isoprene from hundreds of other products. According to the Rubber Manufacturers Association, each tyre produced takes 7 gallons of oil—2 gallons power manufacturing, while 5 gallons are feedstock for the creation of isoprene.

- *Newsweek*, 17 Mar

India's rubber imports to increase

Indian tyre manufacturers are actively seeking supply of natural rubber from South-East Asian producers due to slowdown in domestic production and increase in demand, industry officials said. India's rubber industry is also expected to do hedging and risk management on Singapore Commodity Exchange (SICOM), prices set by which are used as a benchmark for rubber export from South East Asia.

"More Indian tyre manufacturers and rubber consumers have been reaching out to South-East Asian rubber producers to secure supply," said Tan Tee Yong, Director for Rubber Commodities at Singapore Exchange (SGX), the parent group of SICOM. He noted that Indian rubber-linked companies have set up offices in the midst of Singapore's global rubber trading hub, led by major producers.

- *Press Trust of India*, 20 Mar

China urged on bigger pricing role

As China pledges to internationalise its futures markets, the country should open commodity futures trading to foreign participants and play a bigger role in setting global prices for metal, energy, and agricultural commodities, according to industry players and analysts. The China Securities Regulatory Commission (CSRC) recently announced plans to allow more overseas industrial companies to take part in the commodities futures market to improve pricing. Fang Xinghai, a CSRC vice-chairman, said authorities will launch new futures products this year, including crude oil futures and agricultural commodity options, as part of wider reforms to internationalise the country's futures markets.

- *South China Morning Post*, 21 Mar

India invests in synthetic rubber

Indian companies are investing in synthetic rubber, building on the recently added capacity of about 270,000 tonnes a year, industry officials said. Tyre manufacturers are also calling on them to start producing Solutions Styrene Butadiene Rubber (SSBR) which is required to produce high performance tyre, strong demand for which is projected in the coming years. At the end of 2016, demand for synthetic rubber (SR) in India was 580,000t/y driven by strong tyre demand from the automobile sector, said Juan Ramon Salinas, managing director and chief executive officer of the International Institute of Synthetic Rubber Producers. Comparatively, domestic SR production was 480,000t/y. "Indian would likely become self-sufficient in 2018, reaching around 650,000 t/y," he told the World Rubber Summit 2017 being held here

- *Press Trust of India*, 23 Mar

Indian NR output to exceed the target this fiscal

Indian natural rubber (NR) production in the current fiscal is expected to surpass the targetted 6.54 lakh tonnes. Rubber Board data showed that output for 11 months to February 2017 has already reached 622,000 tonnes. This is 17.58 % more than a year earlier when it was 529,000 tonnes. Intermittent showers received in most of the rubber growing areas and relative improvement in price of rubber may result in fairly

good production in the current month too, the board said. Production during the month of February 2017 showed an increase of 54 % at 57,000 tonnes as compared to that during the same month last year.

- *The Economic Times, 24 Mar*

Researchers design rubber glove with sensors to scan dangerous nerve agents

Researchers at the University of California San Diego (UCSD) in the US and CSIRO Manufacturing in Australia have designed a new rubber glove equipped with highly stretchable sensors that will be able to detect dangerous nerve agents like sarin and VX during events like terrorist attacks or food contamination. DNA is part of the chemical group known as organophosphates, but so are powerful insecticides used in farming and nerve agents used in chemical warfare and attacks. The second two categories are what concerned the UCSD researchers, who set out to find a quick, cost-effective and easy way to spot the chemical agents in the field.

- *Rubber Journal Asia, 27 Mar*

US Dollar hurt by 'Trumpcare', testing 99.00

The greenback – in terms of the US Dollar Index – is sharply lower at the beginning of the week, currently hovering over the critical support at 99.00 the figure. The index has plummeted to the 99.00 area, or fresh YTD lows, after the 'Trumpcare' bill failed to see the light on Friday, sparking concerns on the ability of the Trump administration to pass further fiscal reforms, as promised earlier in the year.

- *FX Street, 27 Mar*

Bridgestone announces price increase across tyres in Japan

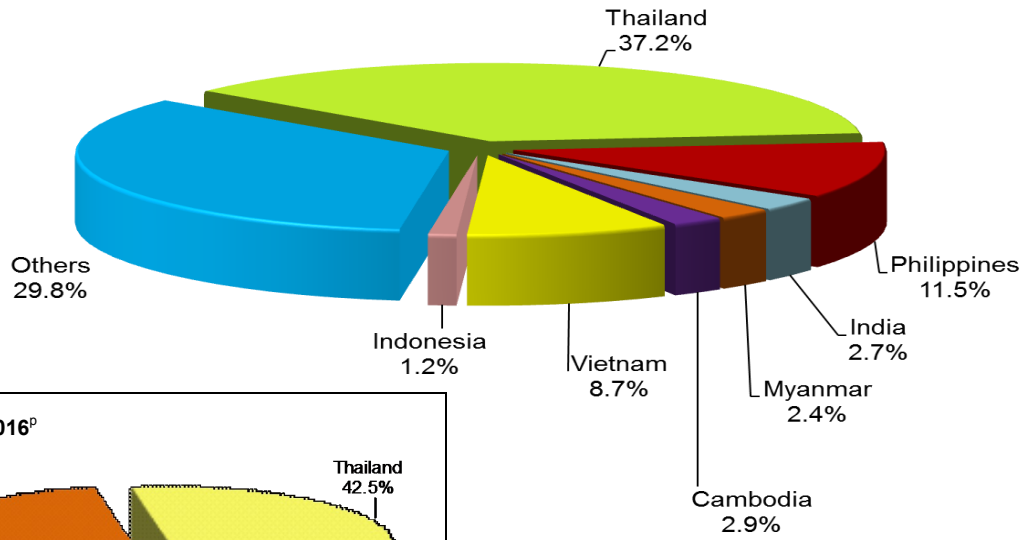
Bridgestone Corporation (Bridgestone) announced that it has decided to increase price for tyres in Japan. Since last year, prices of tyre materials, such as natural rubber, the main material used in tyres, synthetic rubber and other petrochemical materials, have continued to rise. Bridgestone has been working on absorbing impacts of rising tyre material prices through productivity improvements, cost reductions, and

other measures. However, it was determined that it would be difficult to absorb the impacts through the company's efforts alone, leading us to make the decision to raise price for tyres for the Japan domestic market.

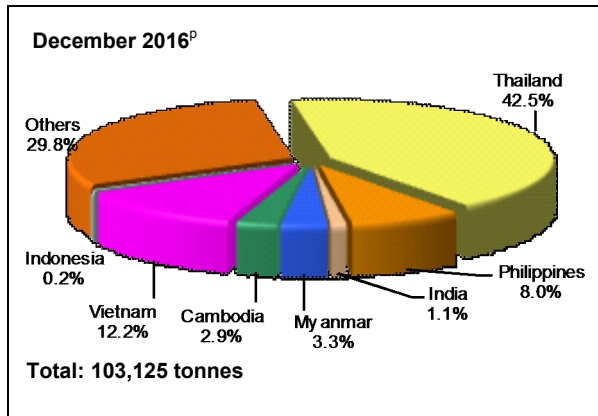
- *ENP Newswire, 29 Mar*

Sources: *www.factiva.com, New Straits Times, The Star, The Sun*

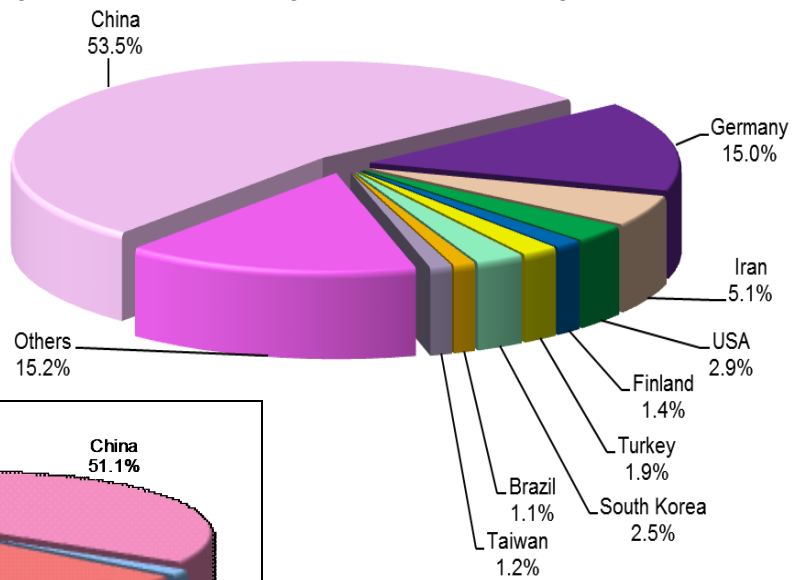
Malaysia's NR imports by countries, January 2017^P



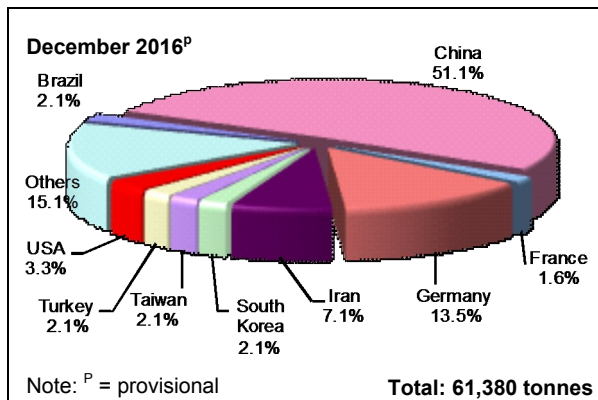
Total: 100,488 tonnes



Malaysia's NR exports by countries, January 2017^P

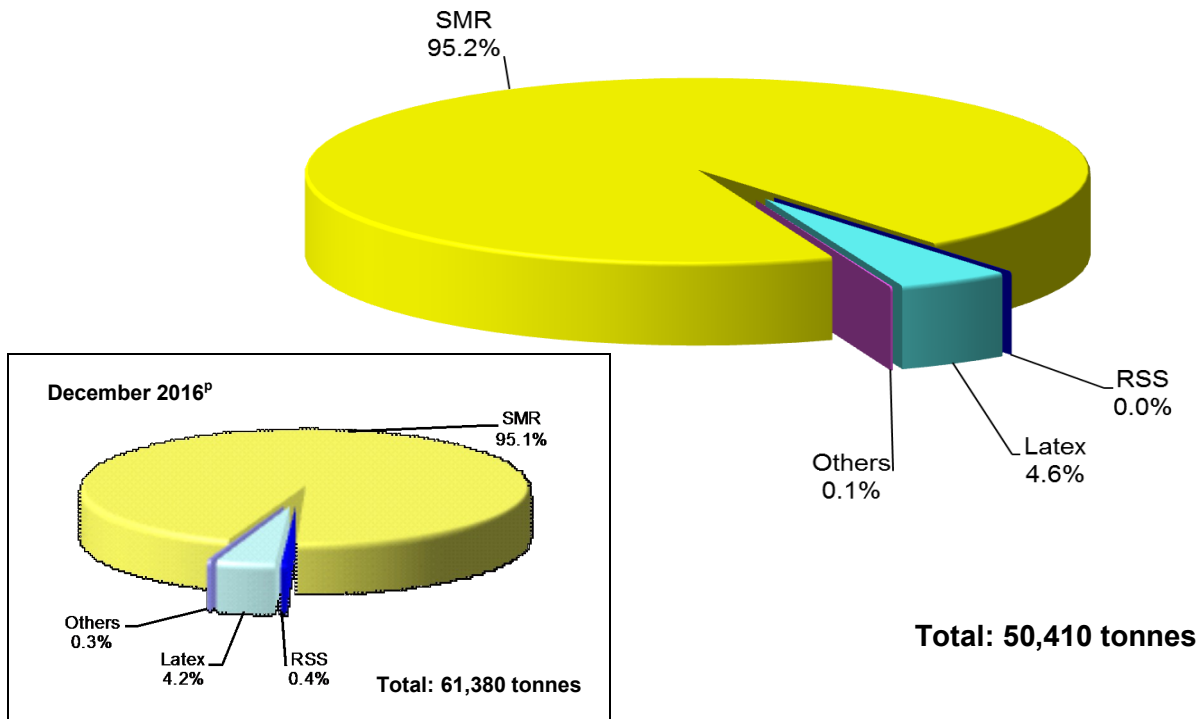


Total: 50,410 tonnes

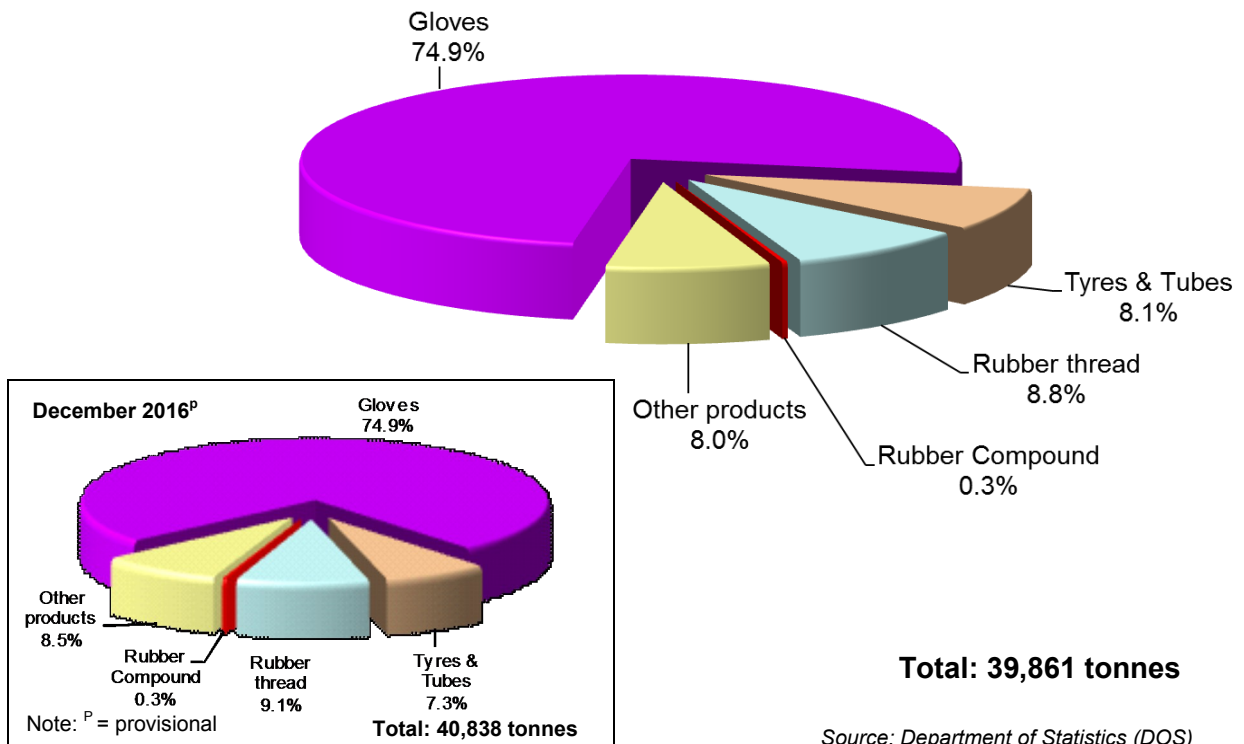


Source: Department of Statistics (DOS)

Malaysia's NR exports by types, January 2017^P



Malaysia's NR consumption by sectors, January 2017^P



Source: Department of Statistics (DOS)