



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

March

In March, the Kuala Lumpur Rubber Market started the month on a firm note and turned bearish thereafter across the board with price of SMR 20 dropped sharply to 511.50 sen/kg on 26 March, the lowest since August 2016. The global shares and commodities markets tumbled on 26 March on fears of possibility trade war after US President Donald Trump unveiled tariffs of up to USD60 billion on Chinese imports. Furthermore, prices were dragged down by weaker regional rubber futures markets resulting from an excessive speculation activities, volatile currencies, concerns on rising world natural rubber (NR) supply as well as high rubber inventories in China. Compared with those on 28 February 2018, the price of SMR 20 dropped by 53.50 sen/kg or 9.2% to close at 526.50 sen/kg, while latex concentrate closed at 432.50 sen/kg, a decrease by 46.00 sen/kg or 9.6%. The price movements of selected grades of rubber in March 2018 are shown in Table 1.

The bearish sentiment that affected the rubber market was largely brought by trade tensions

between the world's two largest economies which unnerved global equities and commodities markets. Investors were worried that a global trade war would be triggered by US-imposed tariffs on China imports, while China unveiled plans on 23 March to impose tariffs on up to USD3 billion of US imports. The market edged lower influenced by poor performance of regional rubber futures markets due to lingering concerns on high rubber inventories in China warehouses, weaker global equity markets, an excessive speculation activities and weaker US dollar. Furthermore, the market's concern over rising global NR supply for the period Jan-Feb 2018 as reported by the Association of Natural Rubber Producing Countries (ANRPC) despite higher demand growth during this period. According to ANRPC in its report released on 23 March 2018, production rose 4.3% to 2.207 million tonnes, while demand grew 7.5% year-on-year to 2.014 million tonnes for this period.

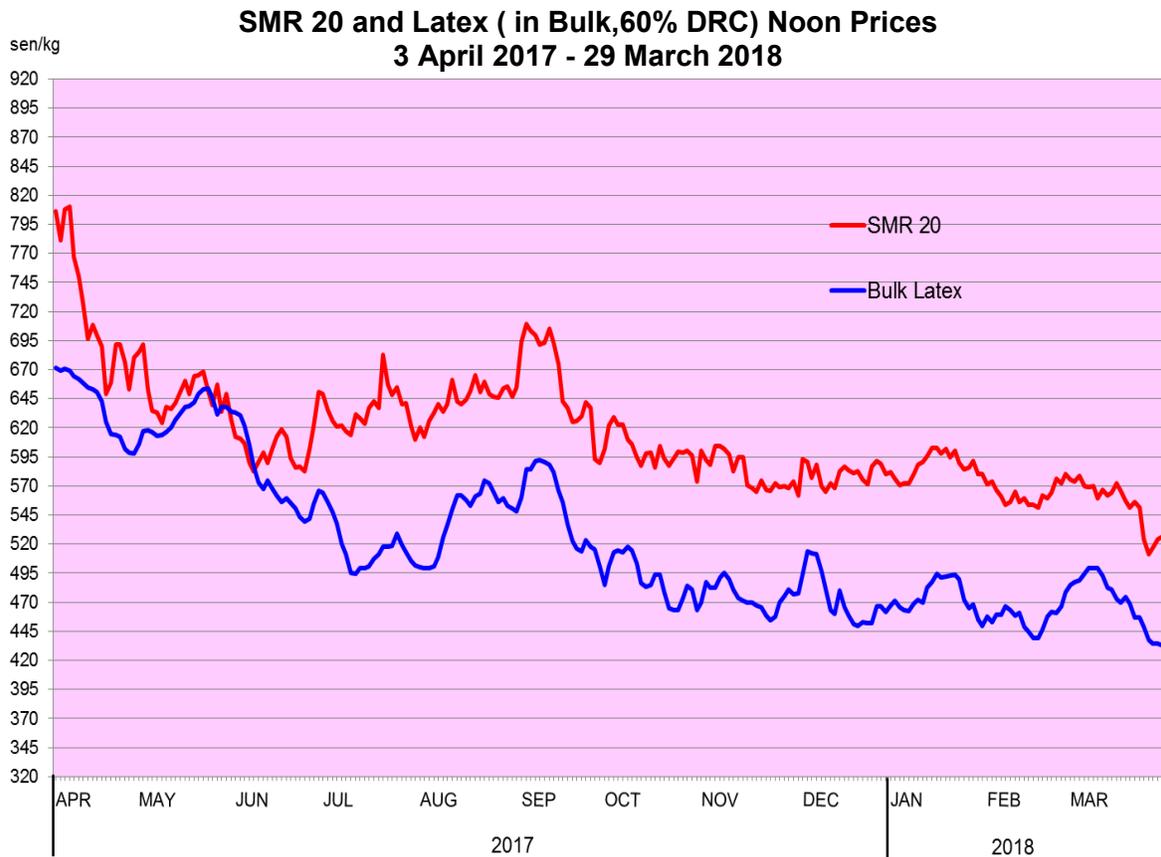
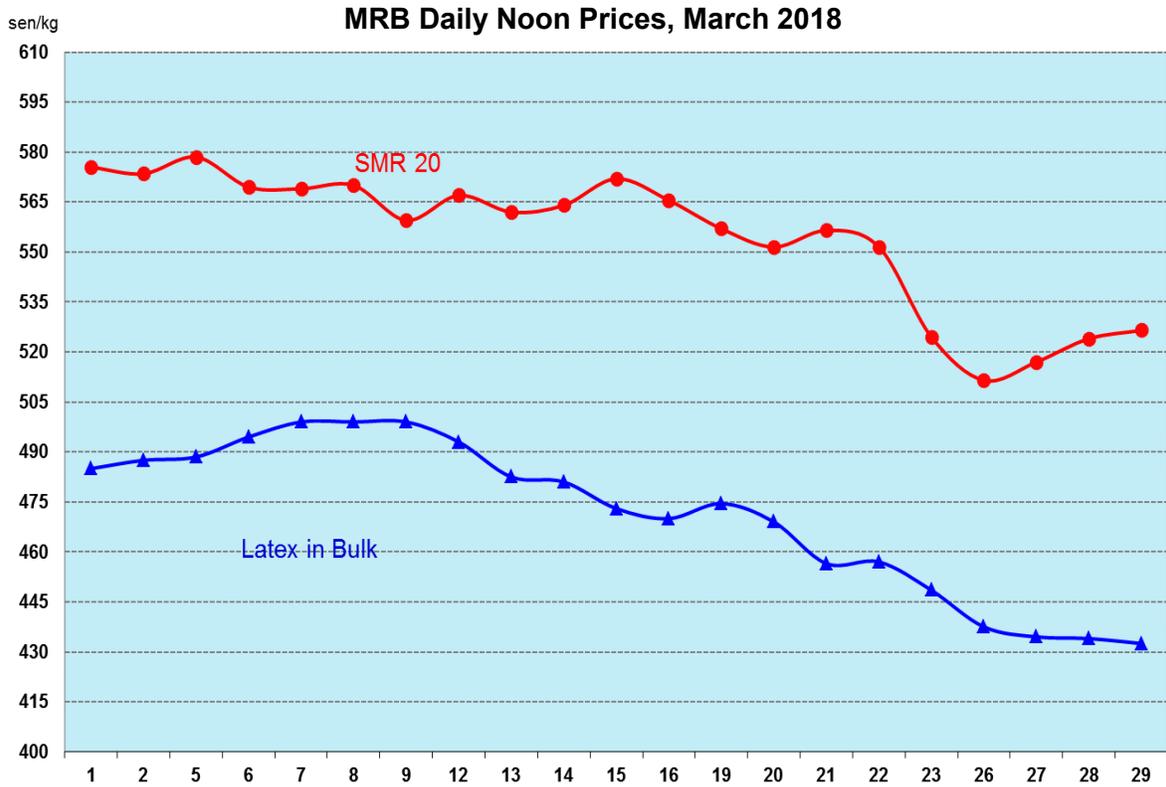
Trading was listless owing to a report on high rubber inventories in China. Total rubber inventories (NR and SR) at Qingdao warehouses, China as of 19 March surged to 244,400 tonnes. Meanwhile, Shanghai Futures Exchange (SHFE) warrant stocks as of 29 March rose to 442,770 tonnes. The market reacted negatively after US

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	731.50	7,315.00	578.50	5,785.00	499.00	4,990.00
Lowest	712.00	7,120.00	511.50	5,115.00	432.50	4,325.00
Average	723.43	7,234.30	554.57	5,545.70	471.24	4,712.40
Change from the last day of the previous month	-17.50	-175.00	-53.50	-535.00	-46.00	-460.00

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

Source: Malaysian Rubber Board



Federal Reserve officials on 22 March raised the benchmark lending rate a quarter-point to 1.25% to 1.75% and forecast a steeper path of hikes in 2019-2020. Economists continued to project a total of three (3) increases this year. The US dollar index, which tracks the US currency against a basket of six rivals, hovered between 89 – 90 points in March as the dollar continued its decline against a basket of other currencies. On the other hand, the ringgit strengthened to new levels at RM3.8580 on 28 March, the highest level in more than two years as US dollar weakened following fears on global trade war fuelled demand for local currency. A stronger ringgit has further dragged down NR prices. The market remained directionless due to instability of oil price movements influenced by volatile US dollar and surging US crude production. Brent oil price hovering between USD 63 - 70 per barrel in March 2018.

The market rebounded slightly towards the end of month as fears on global trade war between US and China eased, but sharp losses of US technology sector stocks on Wall Street weighed on market sentiment.

Outlook

The rubber market is expected to experience high volatility in response to the greater uncertainty of US - China factors, volatile currencies, instability of crude oil prices and regional rubber futures markets. Prospects for the near term are uncertain despite the wintering season experienced in major rubber producing countries until May 2018. Meanwhile, market operators will be keeping their eyes on NR stocks in China warehouses and expectation of global production and demand of NR in 2018. According to ANRPC, the global NR production is anticipated at 13.784 million tonnes in 2018, up 3.7% from 13.287 million tonnes recorded in 2017. For the global demand outlook of NR in 2018, ANRPC expects a 2.4% growth from 13.041 million tonnes in 2017 to 13.347 million tonnes in 2018.

News Briefs

China's 2017 economic data shows successful soft landing

China's economy accounted for 15% of the world's economy in 2017, expanding by 3% compared with five years ago, the National Bureau of Statistics (NBS) announced. The NBS on 28 February released a communiqué on China's economic and social development in 2017, which Chinese economists say shows that the world's second largest economy has landed softly while continuously optimizing its structure. China's economy, with Gross Domestic Product (GDP) worth 82.7 trillion yuan (USD13 trillion) and 6.9% year-on-year growth in 2017, remained an important growth engine for global economic recovery, the communiqué said. China's contribution to world economic growth stood at around 30% in 2017.

- *ecns.cn, 1 Mar*

Malaysia's rubber products export reached RM21.7 billion in 2017

Malaysia's exports of rubber products reached RM21.7 billion in 2017, compared to RM18.2 billion in 2016. This is an increase of 19.2%. The Malaysian Rubber Export Promotion Council (MREPC) said the stellar growth was despite the strengthening ringgit against the US dollar, which translated into lower revenue in ringgit terms. Meanwhile, the import of rubber products increased by 15.5% year-on-year (y-o-y) to RM7.6 billion from RM6.6 billion previously, resulting in a trade surplus of RM14 billion for the year under review. "In terms of contribution to overall exports, which totalled RM935.4 billion in 2017, the rubber products industry's share remained at 2.3%.

- *rubberjournalasia.com, 5 Mar*

TFEX and alliances jointly continues rubber futures development

Thailand Futures Exchange PCL (TFEX), Rubber Authority of Thailand (RAOT), The Thai Rubber Association (TRA) and TFEX's members, have announced their collaboration in developing rubber futures and encouraging investors and entrepreneurs to utilize the product more effectively. They will focus on providing

knowledge, boosting liquidity while also minimizing trade obstacles. In addition, three rubber entrepreneurs and five TFX members have signed a memorandum of understanding (MoU) to facilitate RSS3 Futures trading and physical delivery process. This is a continuing effort to develop the rubber futures after it was launched in 2016.

- *mondovisione.com*, 5 Mar

Malaysia 2018 GDP to grow at 5.5%

AmBank Group Research expects the Malaysian economy to perform robustly in 2018 supported by the manufacturing sector with the return of expansion in new orders, lower stocks alongside rising employment and a buoyant sentiment added with strong exports fuelled by electrical and electronics and commodities including oil palm goods and liquefied natural gas. AmBank Group Chief Economist and Head of Research Dr Anthony Dass foresees the 2018 gross domestic product to grow around 5.5% and expects the USD/MYR to remain around 3.88 – 3.90 which is his base case and may even trend to a best case of 3.78-3.80.

- *theedgemarkets.com*, 14 Mar

Myanmar: Loans needed for rubber factories

Financial aid and loans are required to build 28 factories to produce “high-quality” rubber, according to the secretary of Myanmar Rubber Planters and Producers’ Association. Khaing Myint said that rubber farms, especially smaller ones, lacked modern machinery and did not make much profit from selling just rubber sheets. “Only if Myanmar could produce international-quality rubber, we have the market for its produce,” said the secretary. The country produces around 200,000 tonnes of rubber annually. The rubber is mainly exported to China and also to Malaysia, Singapore, Indonesia, Korea, Japan, Taiwan and India.

- *anrpc.org*, 14 Mar

China data points to solid Q1 economic growth

China’s industrial output grew more strongly than expected at the start of the year, suggesting that the economy has sustained solid momentum

even as US President Donald Trump readies hefty tariffs against one of its most strategic growth drivers, technology. Industrial output in January-February rose 7.2% from the same period a year earlier, the National Bureau of Statistics said on 14 March, surpassing analysts’ estimates for a rise of 6.1% and picking up sharply from 6.2% in December.

- *businesstimes.com.sg*, 15 Mar

Natural rubber production falls

Natural rubber production fell 2.0% in January 2018 to 65,792 tonnes from 67,101 tonnes produced in the previous month, said the Department of Statistics on 14 March. Stocks rose 10.5% to 254,525 tonnes at the end of January compared to 230,300 tonnes in the preceding month. The smallholdings sector accounted for more than 92.9% of the rubber produced in January, said the department in a statement. Exports in the month under review decreased 9.7% to 46,928 tonnes and the five main destinations for Malaysia’s natural rubber were China, Germany, Iran, Vietnam and Brazil. Meanwhile, domestic consumption of natural rubber increased 1.6% to 44,302 tonnes in January versus 43,617 tonnes consumed in the previous month.

- *dailyexpress.com.my*, 15 Mar

Thailand to issue USD1billion bonds to help cut rubber supply

The Thai government plans to issue bonds to raise roughly 30 billion baht (USD 963 million) to fund projects aimed at cutting an oversupply of rubber and to prop up the price of the commodity. The Ministry of Agriculture plans to cut annual supply by as much as 1 million tonnes to 3.3 million tonnes before year-end, the minister of the department Grisada Boonrach told the Nikkei Asian Review.

- *asianikkei.com*, 16 Mar

Rubber glove sector revenue to grow by 16% to RM18.8 billion this year

The Malaysian Rubber Glove Manufacturers Association (MARGMA) is upbeat on the rubber glove industry’s performance this year, with revenue expected to grow by 16% year-on-year (y-o-y) to RM18.8 billion. MARGMA Committee

Member, Datuk Lee Kim Meow, said the growth would be driven by stronger economic growth around the world as well as heightened healthcare awareness.

- *bernama.com*, 17 Mar

Fukushima professor develops rubber that can make and store power from light and vibration

Kunio Shimada, a professor of fluid mechanics and energy engineering at Fukushima University, has developed a special rubber that can generate electricity from solar and kinetic energy and save the power generated. His discovery could be used to develop artificial skin for robots or shock-resistant solar batteries.

- *japantimes.co.jp*, 18 Mar

Malaysian government not fixing price of natural rubber to RM3 per kg anytime soon

Malaysia will not be fixing the floor price for natural rubber (NR) at RM3 per kilogramme anytime soon as it will result in an additional expenditure of RM1.29 billion, Deputy Plantation Industries and Commodities Minister Datuk Datu Nasrun Datu Mansur said fixing the price would also give room to speculation by irresponsible rubber traders. "Currently, there are no plans. Price fixing would give rise to the smuggling of NR into the country as local prices will be higher than international prices," he said.

- *rubberjournalasia.com*, 20 Mar

Fed lifts rates, steepens path through 2020 for more hikes

US Federal Reserve officials on 22 March for the first time under Chairman Jerome Powell, raised the benchmark lending rate a quarter-point to 1.25% to 1.75% and forecast a steeper path of hikes in 2019-2020, citing an improving economic outlook. Policy makers continued to project a total of three (3) increases this year.

- *theedgemarkets.com*, 22 Mar

Rubberised roads to shore up rubber consumption, prices'

The implementation of rubberised roads is one of the measures being considered to increase

domestic rubber consumption in order to shore up flagging prices of the commodity, Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said. He said at the initial stage, the construction of rubberised roads would involve resurfacing the apron and taxiway of the Sungai Rambai Aerodrome, Melaka and the 20 km stretch of Jalan Segamat-Yong Peng in Johor.

- *theborneo.com*, 22 Mar

Thailand forecasts 4.8 mil tonnes rubber output in 2018, up 8%

The Rubber Authority of Thailand (RAOT) said on 22 March that Thailand expects to produce 4.8 million tonnes of dried rubber sheets in 2018, an 8% increase from the previous year. Exports are forecast to rise marginally to 4.17 million tonnes this year, from 4.09 million tonnes last year. However, the actual volume exported may be lower because of the government's recent goal to use an additional 200,000 tonnes of rubber domestically among state agencies, such as for infrastructure projects and roads. Thailand currently uses about 600,000-800,000 tonnes domestically and exports the rest.

- *theedgemarkets.com*, 22 Mar

ANRPC Releases Natural Rubber Trends & Statistics, February 2018

The Association of Natural Rubber Producing Countries (ANRPC) in its February 2018 Natural Rubber Trends & Statistics released on 22 March reported that the global natural rubber (NR) production is anticipated at 13.784 million tonnes in 2018, up 3.7% from 13.287 million tonnes recorded in 2017. For the global demand outlook of NR in 2018, ANRPC expects a 2.4% growth from 13.041 million tonnes in 2017 to 13.347 million tonnes in 2018.

- *anrpc.org*, 22 Mar

Trump orders USD50 billion tariff hit on Chinese goods as trade war fears escalate

U.S. President Donald Trump took his boldest step to level the economic playing field with China, ordering sweeping tariffs on Chinese goods in a move that could escalate already tense trade relations between the world's two biggest economies. The president instructed U.S. Trade

Representative Robert Lighthizer to levy tariffs on at least USD50 billion in Chinese imports. Trump was poised to sign an executive memo issuing the instructions on Thursday at the White House. Within 15 days, United States Trade Representative (USTR) will come up with a proposed list of products that will face higher tariffs.

- *business.financialpost.com*, 23 Mar

Sarawak RISDA receives RM20.7 million for rubber replanting'

Sarawak RISDA has received an allocation of RM20.7 million for replanting of rubber involving 5,564 acres of land. This is part of RM158.3 million of the Rubber to Rubber Replanting Programme (TSGG) involving 54,057 hectares of land throughout the country. Rural and Regional Development Deputy Minister Datuk Alexander Nanta Linggi said this amount is part of the RM388.6 million allocated to RISDA under the 11th Malaysia Plan for development programmes in the country this year. "The Sibu Division RISDA office was given RM12 million, of which RM5.36 million is for the replanting of rubber in 550 hectares of land and another in 749 hectares," he said.

- *themailmailonline.com*, 26 Mar

Malaysia's rubber glove exports to hit RM20 billion by 2020

Malaysia's export of rubber gloves is expected to hit RM20 billion in value by 2020 given the growth recorded annually, said Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong. He said Malaysia, as the world's biggest producer of rubber gloves, attracted strong demand from the healthcare sector. "Rubber glove exports were valued at RM10 billion in 2013. The figure rose to RM13 billion in 2016 and grew further last year to RM16 billion. "We are confident the export value will continue to rise based on a survey (by the Malaysian Rubber Board)," he told reporters after visiting the Teluk Intan Hospital today.

- *globalrubbermarkets.com*, 26 Mar

Malaysia's rubber export to China rose 80% in 2017

Malaysia's rubber exports to China rose 80% to RM6.6 billion, or 875,000 tonnes, last year. Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said the share %age of rubber exports to China also increased to 73% last year, compared with 66% in 2016. He said this was due to promotional efforts (via magazines, rubber conferences and the media) in strategic markets, including Iran, which is Malaysia's third largest rubber export market, valued at RM250 million last year. "The Japanese market recorded similar success, making Malaysia the world's fifth largest rubber producer after Indonesia, Thailand, Vietnam, India and China.

- *nst.com.my*, 27 Mar

China official factory PMI rises to 51.5 in March, beats forecasts

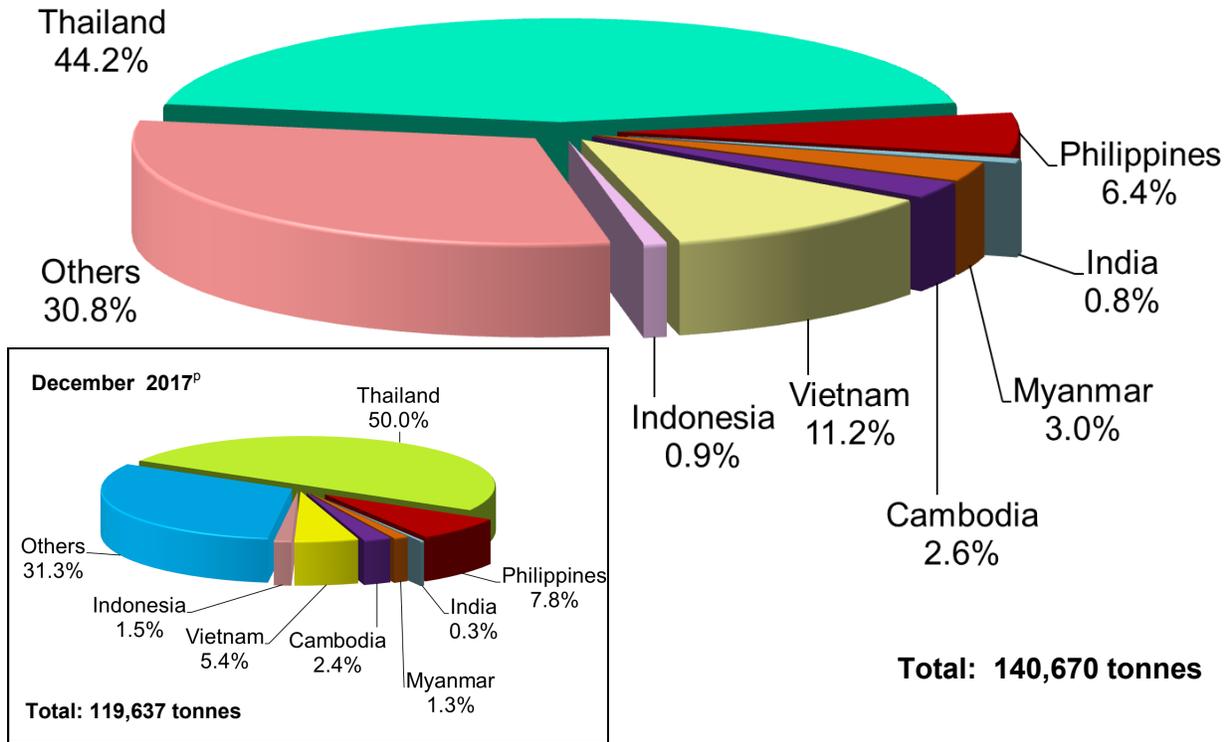
Growth in China's manufacturing sector picked up more than expected in March as authorities lifted winter pollution restrictions and steel mills cranked up production as construction activity swings back into high gear. The official Purchasing Managers' Index (PMI) for March 2018 released on 31 March rose to 51.5, from 50.3 in February, and was well above the 50-point mark that separates growth from contraction on a monthly basis.

- *Reuters*, 31 Mar

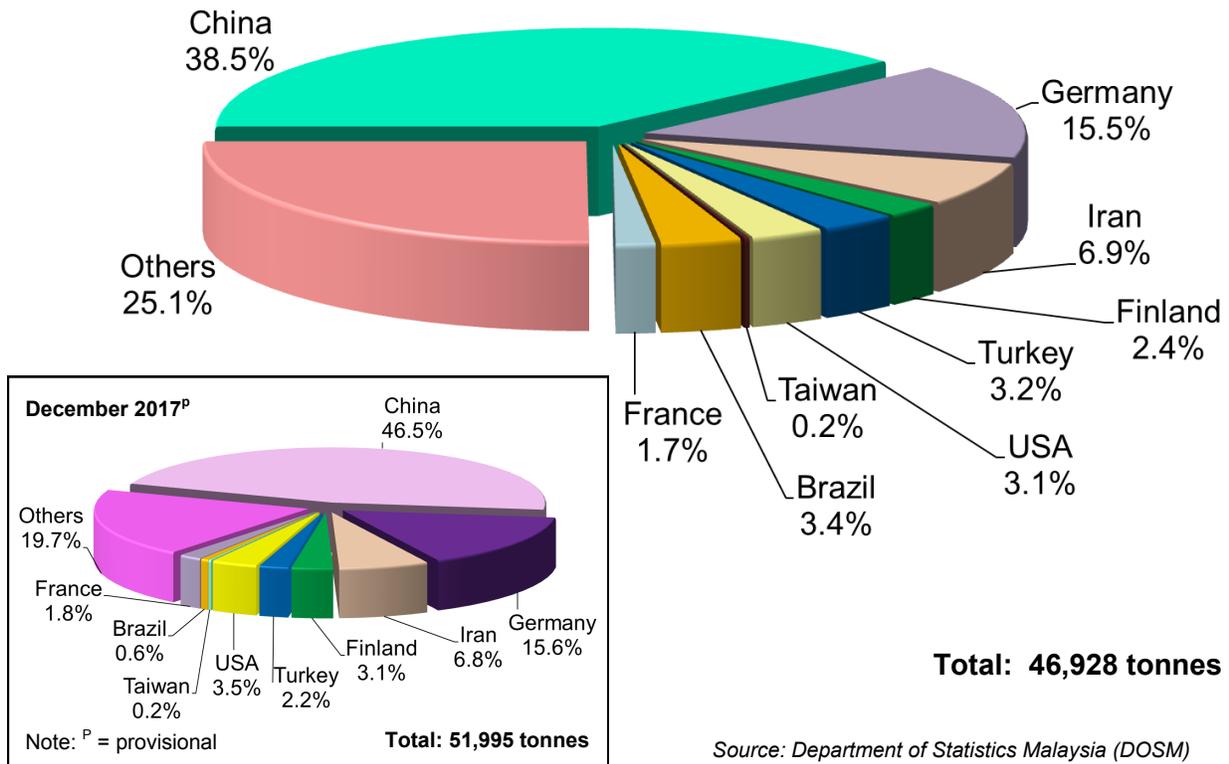
Sources:

ecns.cn, rubberjournalasia.com, reuters.com, mondovisione.com, theedgemarkets.com, anrpc.org, businesstimes.com.sg, dailyexpress.com.my, asianikkei.com, bernama.com, japantimes.co.jp, theborneo.com, business.financialpost.com, themalaymailonline.com, globalrubbermarkets.com, nst.com.my,

Malaysia's NR imports by countries, January 2018^P

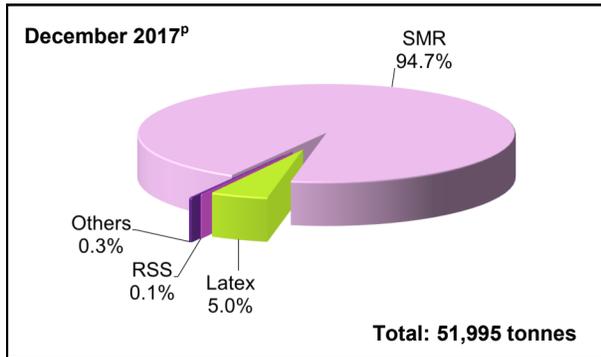
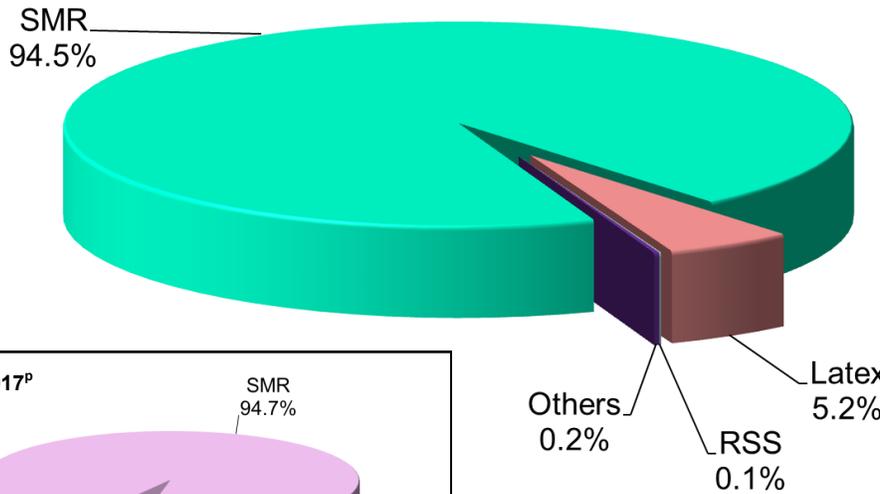


Malaysia's NR exports by countries, January 2018^P



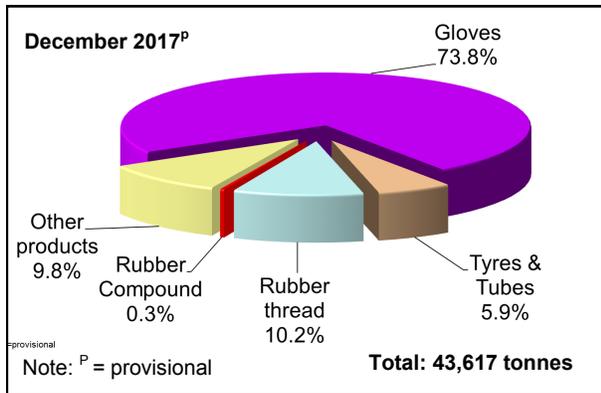
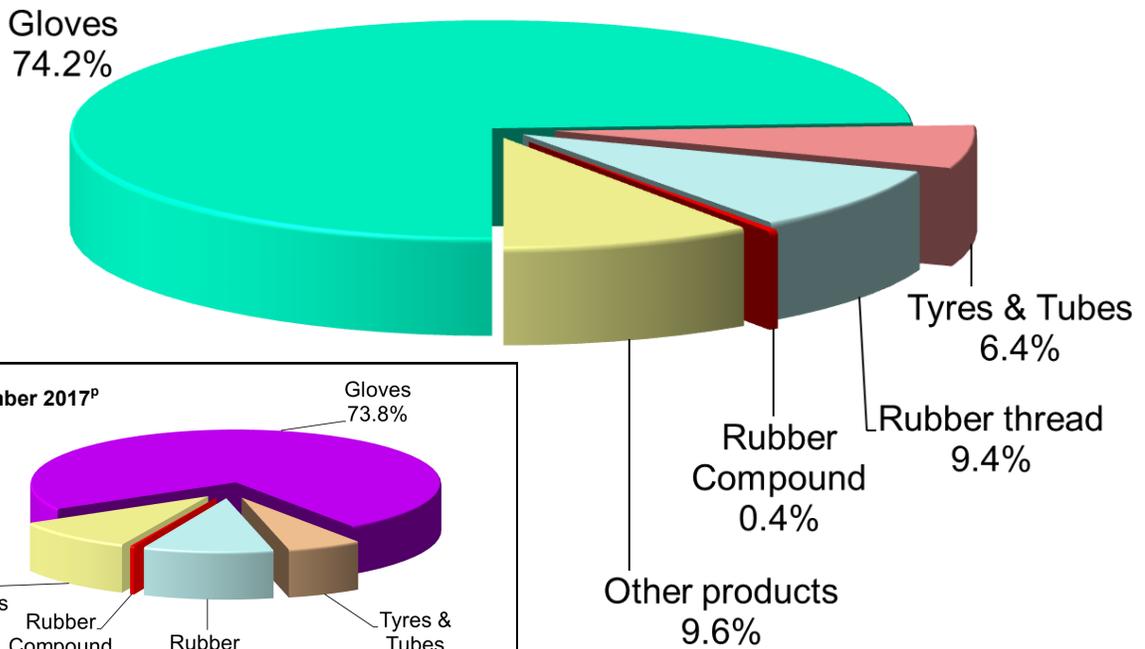
Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR exports by types, January 2018^P



Total: 46,928 tonnes

Malaysia's NR consumption by sectors, January 2018^P



Total: 44,302 tonnes

Source: Department of Statistics Malaysia (DOSM)