MALAYSIAN RUBBER BOARD
DIGEST
A monthly publication of the Malaysian Rubber Board
2016 JUNE

Natural Rubber Market Review

June

In June, prices on the Kuala Lumpur rubber market were mixed with volatile fluctuations. Generally, the market drifted uncertainly owing to a decline in crude oil prices pressured by a strong US dollar and gloomy economic prospects in Europe and Asia. Buyers kept to the sidelines and trading was limited following weaker advices from both Tokyo and Shanghai rubber futures markets resulting from lower crude oil prices and weaker equities market. Lower prices were also triggered by volatility in the ringgit and uncertainty of US Federal Reserve to increase its interest rate coupled with the market nervousness on Britain's vote to leave the EU. Nevertheless, market recovered slightly at certain parts during the review period contributed by a rebound in crude oil prices resulting from a weakening of US dollar and an increase in Tokyo rubber futures prices following bargain-hunting activities. Meanwhile, a weakening of ringgit against US dollar has helped to curb further falls during the review period. Compared with those on 31 May 2016, the price of SMR 20 decreased by 8.0 sen/kg or 1.5% to close at 519.00 sen/kg while latex concentrate closed at 439.00 sen/kg, a decrease of 18.0 sen/kg or 3.9%. The price movements of selected grades of rubber in June 2016 are shown in Table 1.

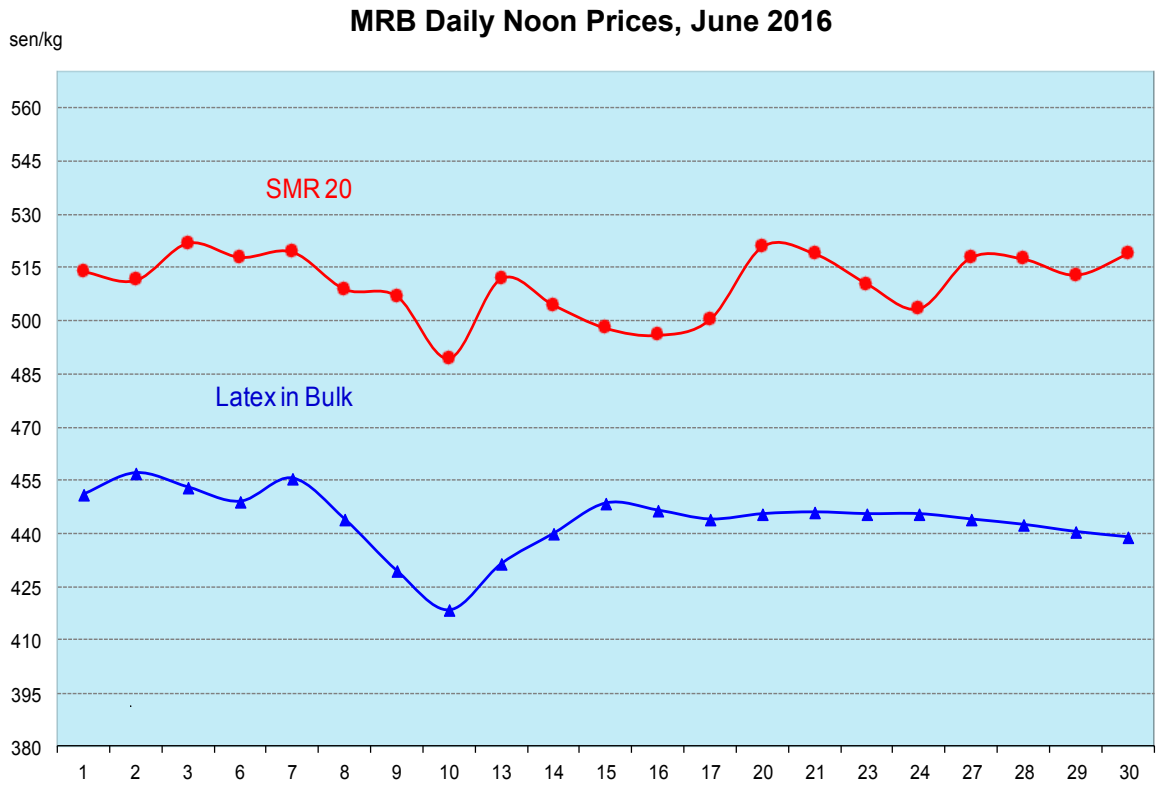
The market was mixed during the first trading week. The Kuala Lumpur rubber market rebounded towards the end of the week following weaker ringgit against US dollar. The positive sentiment was also aided by an increase in crude oil prices and short-covering activities in Tokyo Commodity Exchange (TOCOM). It was reported that oil prices edged higher for the first time in seven months, after the latest drawdown in U.S. crude stockpiles offset failure of the Organization of the Petroleum Exporting Countries (OPEC) to set a ceiling for its output.

During the second trading week, the market witnessed a downtrend with mild rebound on 7 June. Steadier crude oil prices following news of the attacks on Nigeria's oil industry and the decline of US crude stockpiles supported the market sentiment. However, the market remained lacklustre due to a stronger ringgit against the USD, weaker advices from regional futures market, weaker global economy prospects

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, June 2016

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	726.00	7,260.00	522.00	5,220.00	457.00	4,570.00
Lowest	705.00	7,050.00	489.50	4,895.00	418.50	4,185.00
Average	714.69	7,146.90	510.62	5,106.20	443.64	4,436.40
Change from the last day of the previous month	-16.00	-160.00	-8.00	-80.00	-18.00	-180.00

Note: * Official price of latex concentrate in bulk, 60% DRC
Source: Malaysian Rubber Board


MRB Daily Noon Prices, June 2016
sen/kg
SMR 20
Latex in Bulk
560
545
530
515
500
485
470
455
440
425
410
395
380
1
2
3
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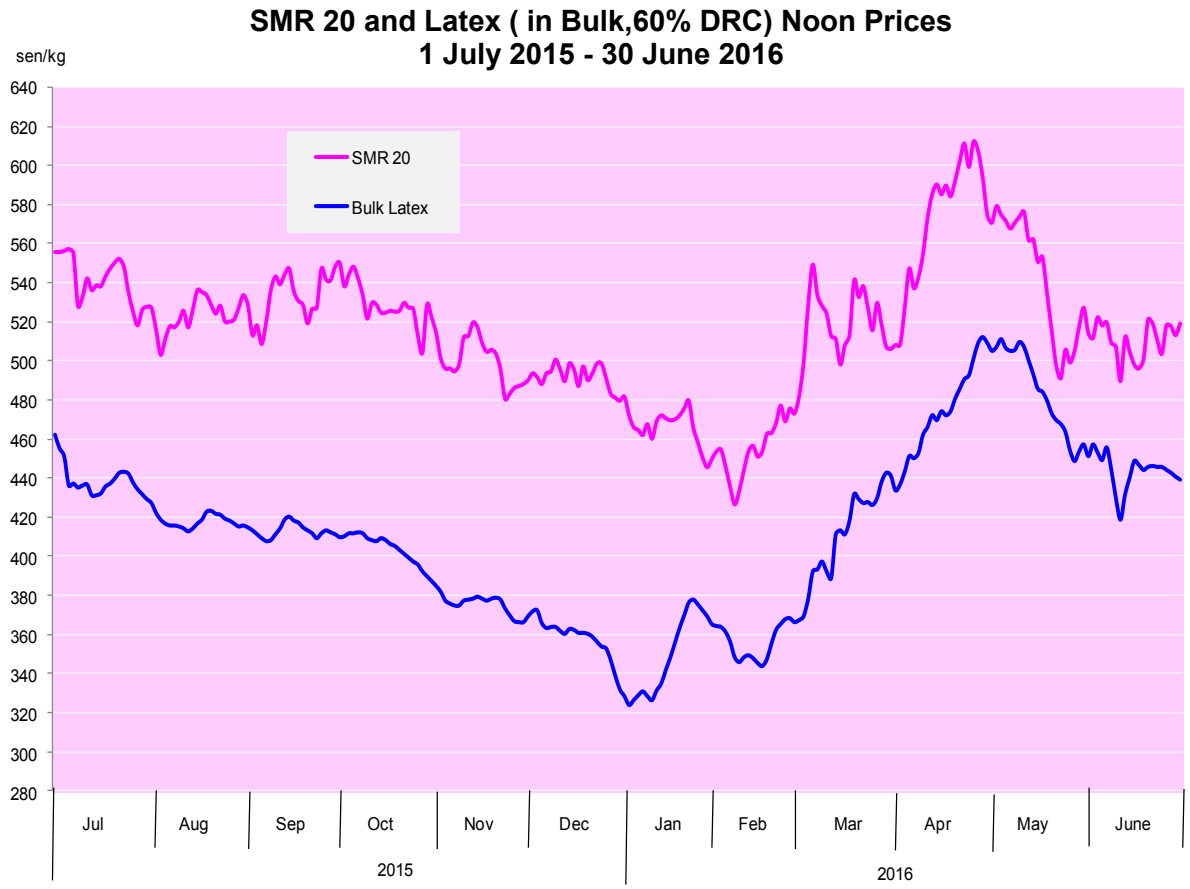

SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
1 July 2015 - 30 June 2016
sen/kg
SMR 20
Bulk Latex
640
620
600
580
560
540
520
500
480
460
440
420
400
380
360
340
320
300
280
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
June
2015
2016

released by World Bank and lingering concerns over slow demand from China.

The market in the third and fourth trading week turned mixed with volatile fluctuations. The Kuala Lumpur rubber market surged on 13 and 20 June in tandem with the uptrend in regional rubber futures market resulting from bargain-hunting activities. It was reported that the decision of US Federal Reserve to retain its interest rate resulted in stronger ringgit compared to the US dollar. Market sentiment was also dampened by uncertainty of Britain's exit from European Union (EU) and unstable movement of crude oil prices.

The market remained mixed in the fifth trading week as SMR 20 closed higher towards month end from the rebound of both rubber futures market and crude oil prices. It was reported that oil prices surged with Brent crude oil settling above USD 50 per barrel after a larger than expected drawdown in U.S. crude inventories. The positive sentiment was also supported by private survey that reported China's economy rebounded in the second quarter, with capital expenditure recovering from five (5) year lows from higher government spending.

Outlook

Market operators are expected to remain cautious in view of the uncertainty over the global economic conditions, crude oil prices and volatility in currencies. Market operators will continuously adopt 'wait and see' attitude and will be closely monitoring the economic development in China, US, Japan and Europe. Meanwhile, the rubber market would be continuously influenced by the uncertainty over US Federal Reserve measures to raise its interest rates in 2016.

However, Thailand, Indonesia and Malaysia under International Tripartite Rubber Council (ITRC) remain committed to the reduction of export on Agreed Export Tonnage Scheme (AETS) and this measure would give some support to the market. Besides, a weakening of ringgit against US dollar will help to curb further falls in NR prices.

News Briefs

India may import 3 lakh tonnes natural rubber from Thailand

Faced with rubber shortage, India is looking to import about three *lakh* tonnes (LT) of natural rubber from Thailand to meet its domestic requirement. India's annual demand for natural rubber is more than 10 *lakh* tonnes, while the domestic production is stagnant at about 5 *lakh* tonnes. "The rubber authority of Thailand is offering about 3 *lakh* tonnes of natural rubber to India. Negotiations have started between the domestic tyre, rubber industry and the Thai authority," All India Rubber Industries President Mohinder Gupta said.

A high-level delegation of Thailand, comprising governor of its rubber authority Titus Suksaard, is on a visit to India for negotiations. "As of now we are in talks with Indian industry players to export about 3 *lakh* tonnes of natural rubber," Suksaard said adding that Thailand want to at least double its exports of natural rubber to India to 4 *lakh* tonnes.

- Press Trust of India, 7 June

Global rubber output seen largely steady in 2016 -ANRPC

Global natural rubber output could rise just 0.3 percent in 2016 from a year ago as drop in yields are seen offsetting expansion in the tapping area, the Association of Natural Rubber Producing Countries (ANRPC) said in a statement. Production from the ANRPC members, which together account for about 92 per cent of global output, could rise to 11.07 million tonnes in 2016 from 11.04 million tonnes a year ago, Sheela Thomas, Secretary-General of the ANRPC said.

"Prevailing low natural rubber prices, climatic constraints and a host of other factors are likely to exert downwards pressure on the average yield," she said. The production of ANRPC countries grew 0.8 percent in 2015 as falling prices prompted farmers to reduce tapping.

- Reuters News, 7 June

Eurozone economic growth exceeds estimates

The eurozone economy grew more rapidly over the six months to March than previously estimated, while a pickup in the first quarter was driven by a jump in household spending, according to figures released. The latest data will likely strengthen the growing conviction among policy makers at the European Central Bank that additional stimulus measures won't be needed over coming months, even if they and independent economists expected the recovery to lose some momentum in this and subsequent quarters.

The European Union's statistics agency (Eurostat) said the combined gross domestic product of the Eurozone's 19 members was 0.6% higher in the first quarter than in the final three months of 2015, and 1.7% higher than the first three months of last year. Eurostat had previously estimated that the economy grew 0.5% on the quarter, and 1.5% on the year. On an annualized basis, the economy grew 2.2%.

- The Wall Street Journal (Europe Edition), 8 June

Japan revises upward growth estimate for Jan -Mar, to 1.9%

Japan's economy expanded at a 1.9 per cent annual pace in January-March, helped by sustained consumer demand, according to revised data issued. The government earlier estimated the world's third-largest economy grew at annualized rate of 1.7 per cent. It said the improvement was mainly due to a better-than-expected level of corporate investment.

The quarterly rate of growth was raised to 0.5 per cent from 0.4 per cent. The latest data showed private consumption, the biggest contributor to growth, rose 0.6 per cent in January-March, compared with an earlier estimate of 0.5 per cent. Economists expect the economy to slow in the current quarter, and Prime Minister Shinzo Abe, facing a parliamentary election in July, judged the situation bleak enough to justify pushing back a planned April 2017 increase in the sales tax by two and a half years, to October 2019.

- The Canadian Press, 8 June

Global industrial rubber industry worth $168.3 billion by 2022

The global industrial rubber market is expected to reach $168.3 billion by 2022. Increasing automotive industry and increased demand for high-performance tyres are the factors driving the growth of global industrial rubber market. Environmental issues, rising threat from the substitutes and volatility of the oil prices are the factors hindering the market. Mechanical goods are expected to account for the largest share. Provider of belts and hose will gain profit from increased customer demand of the durable goods, mainly machinery and equipment. Construction market is estimated to be the strongest gain during the forecast period.

North America dominated the global industrial rubber market in terms of market revenue followed by Europe. Asia Pacific is the major producer and consumer of industrial rubber, with its tyre sector witnessing promising growth rate. Manufacturers have shifted their manufacturing facilities to emerging economies, due to the low labor and operating costs.

- PR Newswire, 9 June

TOCOM and TFEX Sign Memorandum of Understanding

The Tokyo Commodity Exchange (TOCOM) and Thailand Futures Exchange (TFEX), announced that they have signed a Memorandum of Understanding (MOU), which will establish a cooperative relationship between the two exchanges. Both parties agreed to exert efforts to develop areas of cooperation and business opportunities which will mutually benefit both exchanges and lead to enhancement of liquidity, efficiency, integrity of the two marketplaces.

“We are pleased to embark on a cooperative effort. It is based on the friendship nurtured between our exchanges over many years”, said Takamichi Hamada, President & CEO of TOCOM. “Product cooperation will be one of the areas for collaboration. TOCOM Rubber is the world’s benchmark and Thailand is the world’s largest producer of natural rubber. We expect to start by promoting an understanding of derivatives’ effectiveness in risk management for rubber producers and risk takers in both

countries. We will also look to employ innovative tools to expand the rubber futures markets in both countries."

- www.tocom.or.jp, 9 June

Rubber Board plan to promote weekly tapping

Mr. A. Ajithkumar, Chairman of Indian Rubber Board, has called upon the Rubber Producers' Societies (RPS) to transform themselves into skill development centres, as the natural rubber sector required a lot of skill development. Mr. Ajithkumar was speaking at the promotional meeting organised to popularise weekly tapping in the plantation sector, at Chirakkadavu Model RPS near Kanjirappally.

According to him, rubber sector faces acute shortage of rubber tappers. At present, the average age of rubber tappers is 40 plus. There is a need to attract youngsters into the sector. They needed training and the Board would take up the challenge in association with Rubber Skill Development Council, Mr. Ajithkumar added. The Board is now engaged in a campaign with the theme 'weekly tapping, with no yield drop' in the traditional rubber growing belt of Kerala Tamil Nadu and Karnataka. The campaign expects to meet 70,000 growers during the campaign. The second phase of campaign, focusing on the new rubber growing areas in the North Eastern States, will commence in the first week of July.

- The Hindu, 12 June

OPEC global oil demand growth forecast for 2016 unchanged at 1.20 mil b/d

OPEC said the current oversupply on world oil markets will ease over the coming quarters due to the "slowing pace" of US crude inventory builds but it maintained both its both global oil demand growth and supply growth estimates for 2016. In its latest monthly oil market report, OPEC said it expected the call on its crude this year to average 31.6 million b/d, unchanged from its forecast a month ago and representing unchanged year-on-year growth of 1.8 mil b/d.

The group also left its forecasts for 2016 world oil demand and supply broadly unchanged, with year-on-year demand growth of 1.40 million b/d and non-OPEC supply expected to fall by 740,000 b/d from the previous year. World oil demand is estimated to average 94.18 million b/d this year, with consumption in Asia, led by India anticipated to be the main contributor to oil demand growth. The report noted US oil demand, mainly supported by rising gasoline requirements, continued to grow, and that the European oil demand outlook for 2016 remains "slightly positive, mainly as a result of improving industrial production and a continuously growing auto market." The June 2 OPEC meeting in Vienna ended with no agreement to restrict crude oil output, with some OPEC members hinted at a somewhat more limited role for the organization, in which responding to supply shortfalls would be key.

- Platts Commodity News, 13 June

China's economy holds steady in May

China's economy held steady, as industrial production gathered pace in May, retail sales maintained strong growth while investment cooled with improved structure, official data showed. Value-added industrial output, one of the leading indicators for economic growth, rose 6 percent year-on-year in May, unchanged from April and in line with expectations. On a month-on-month basis, industrial output was up 0.45 percent in May, according to data from the National Bureau of Statistics (NBS). In the first five months, industrial output grew 5.9 percent from one year earlier, up from 5.8 percent registered during the January-April period. NBS spokesperson, Sheng Laiyun said the data suggested China's industrial structure had continued to improve.

- Xinhua's China Economic Information Service, 13 June

China new-car demand rose 11% in May

Growth in car sales in China reached a five-month high in May as auto makers launched new models and dealers continued to offer significant discounts. Car makers delivered a total of 1.79 million passenger vehicles -- sedans, sport-utility vehicles and minivans -- to dealers in the world's largest auto market last month, up 11% from a year earlier, the government-backed China Association of Automobile Manufacturers reported.

The performance compared with a 6.5% year-over-year gain in April, and a 6.8% increase in the first quarter. May is traditionally one of the year's big sales months as new car models start to arrive at dealerships following the country's biggest motor show, which this year took place in Beijing in April. According to Ways Consulting Co., a Chinese consulting firm focused on the automotive industry, dealers offered an average 10% discount on cars in May, which was largely unchanged from April.

- The Wall Street Journal (Asia Edition), 13 June

OPEC predicts oil rebound as supply balances out and economic growth improves

The oversupplied oil market is on track to rebalance later this year as economic growth spurs demand against a backdrop of falling US production and a string of supply outages. The Organisation of Petroleum Exporting Countries (OPEC) said in its latest monthly report that commercial crude stocks declined by 8m barrels in May. By contrast, global stocks increased by 12m barrels in March and April, and by 19m barrels in February. The chronic glut of oil forced market prices to their lowest point in 12 years in January, but as the excess supply dwindles, prices have rallied. OPEC's reference price for May averaged $43.21 a barrel, a gain of $5.35 compared to the previous month. "Crude oil prices were supported by the weaker US dollar, strong gasoline consumption in the US, various supply disruptions, the accelerated decline in US crude oil output, and forecasts for a sharp fall in overall non-Opec oil supply this year," Opec said.

- The Telegraph, 14 June

North Sumatra May rubber exports up 10% YoY to 34,503 tonnes

North Sumatra, one of Indonesia's key natural rubber-growing areas, exported 34,502.8 tonnes natural rubber in May, up 10.3% compared with 31,286.5 tonnes in May last year, Edy Irwansyah, Secretary of Rubber Association GAPKINDO's North Sumatra branch, told Cogencis. Despite a higher figure in May, exports in Jan-May declined by 5% on year to 172,328.5 tonnes, Irwansyah said. The decline in Jan-May's export volume, he said, was in line with the export cut programme named Agreed Export Tonnage Scheme or AETS by the International Tripartite Rubber Council from Mar-Aug. The move was aimed at improving the price of rubber in the international market so as to make it remunerative for farmers.

- Cogencis Indonesia Wire, 14 June

World rubber consumption up 1.4% in 2015

World rubber consumption recorded a modest growth of 1.4 per cent to 26.78 million tonnes in 2015, in tandem with the moderate growth of the world economy and lower consumption by China, according to the latest Rubber Industry Report of the International Rubber Study Group (IRSG). The total rubber consumption in 2014 stood at 26.40 million tonnes. China's rubber consumption declined by 1.1 per cent to 8.89 million tonnes during the year as against 8.99 million tonnes in 2014. Natural rubber consumption reported 1.8 per cent growth to 12.35 million tonnes in 2015 as against 12.3 million tonnes in 2014. China, USA and the Americas all contributed to the slowdown in the rubber consumption, but the deceleration was mainly due to the weak economic conditions in Brazil and China, the IRSG says.

- Rubber Asia, V:31, No:3, May-June 2016

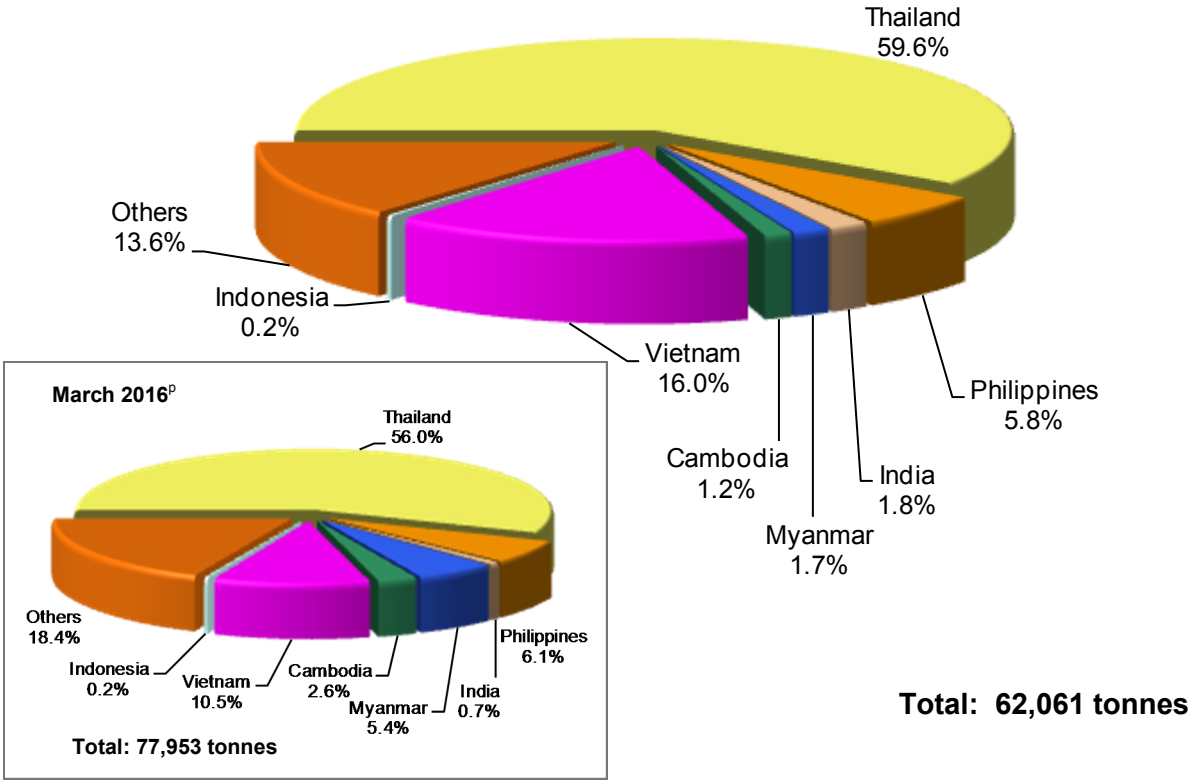
World rubber demand forecast to rise 3.9%

Worldwide demand for rubber is forecast to rise 3.9 per cent per year through 2019, driven by an upswing in tyre manufacturing and rising income levels in the developing regions, particularly in the Asia/Pacific region, according to market research firm Freedonia Group. Freedonia expects the Asia/Pacific region to outstrip the global demand growth pace, rising 4.8 per cent per year through 2019, or double the growth rate of North America and more than five times the expected growth rate in Western Europe. Asia/ Pacific accounted for 62.5% of global demand in 2014, and Freedonia sees that rising to 65.2% by 2019 when worldwide demand should approach 31.7 million metric tonnes. China will remain by far the world's largest rubber market, representing over half of the Asia/Pacific total in 2019, the agency says.

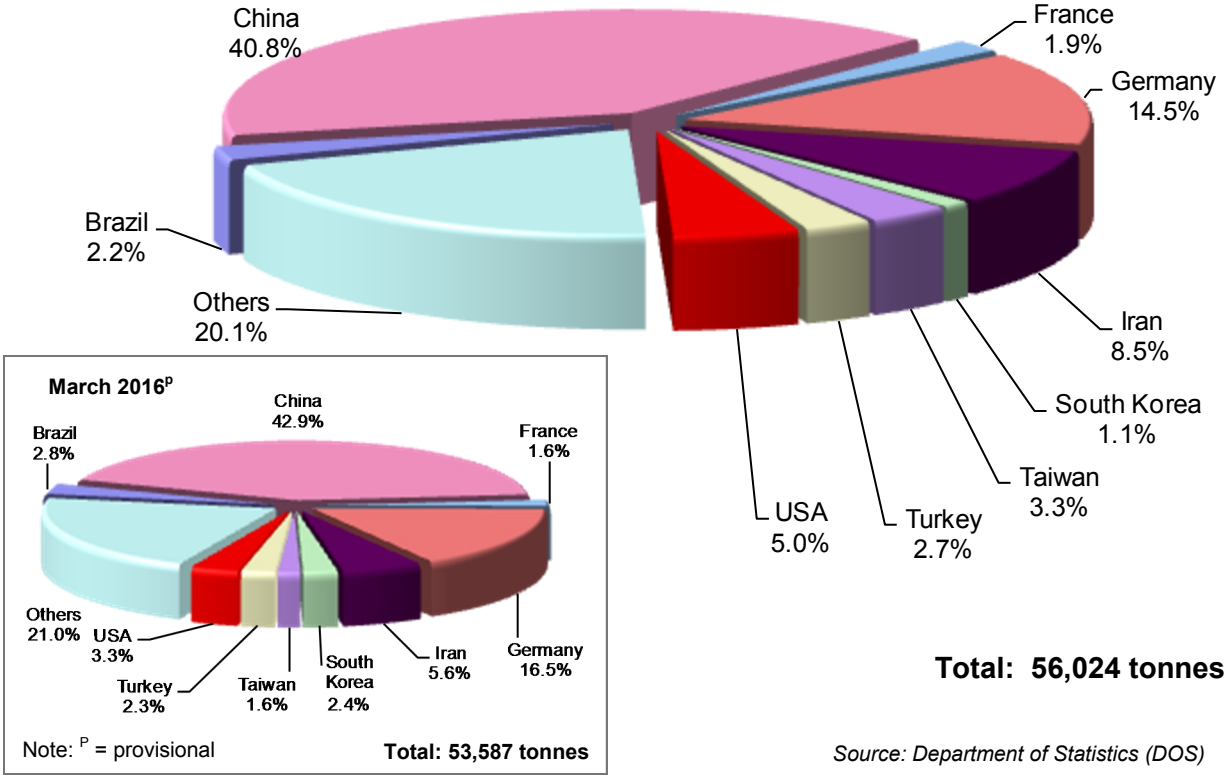
- Rubber Asia, V:31, No:3, May-June 2016

Sources: www.factiva.com, www.tocom.or.jp, Rubber Asia

Malaysia's NR imports by countries, April 2016[p]

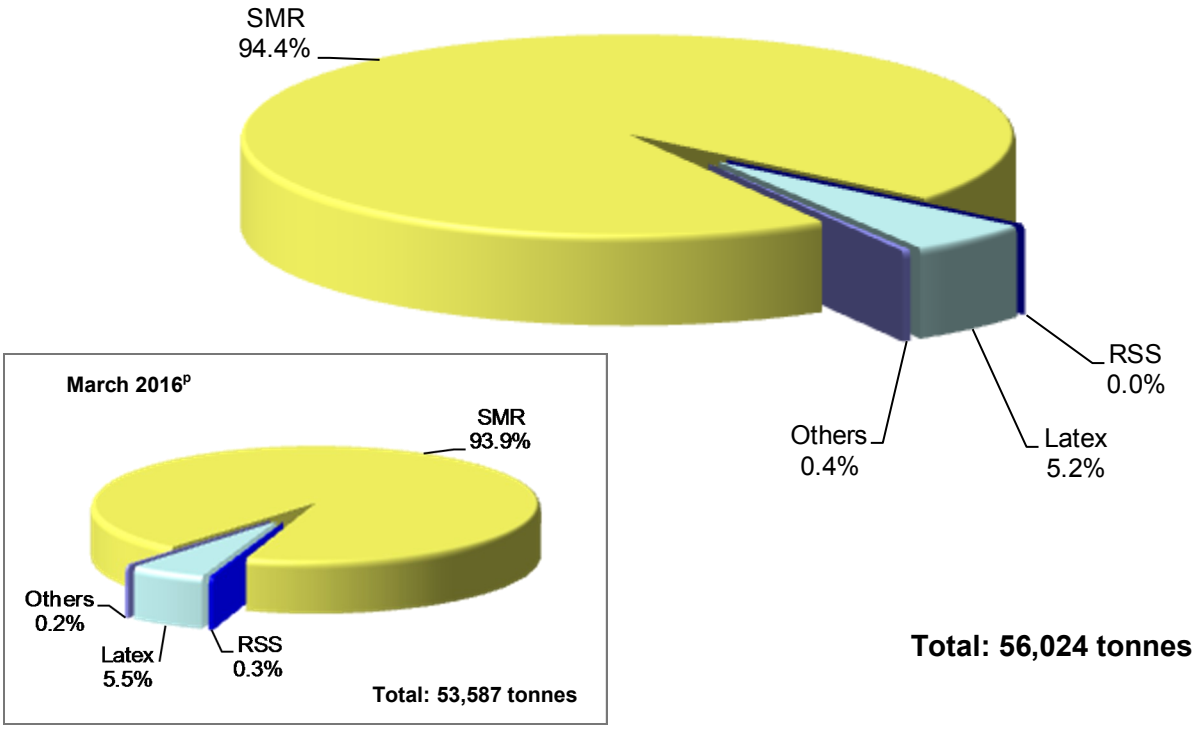


Malaysia's NR exports by countries, April 2016[p]

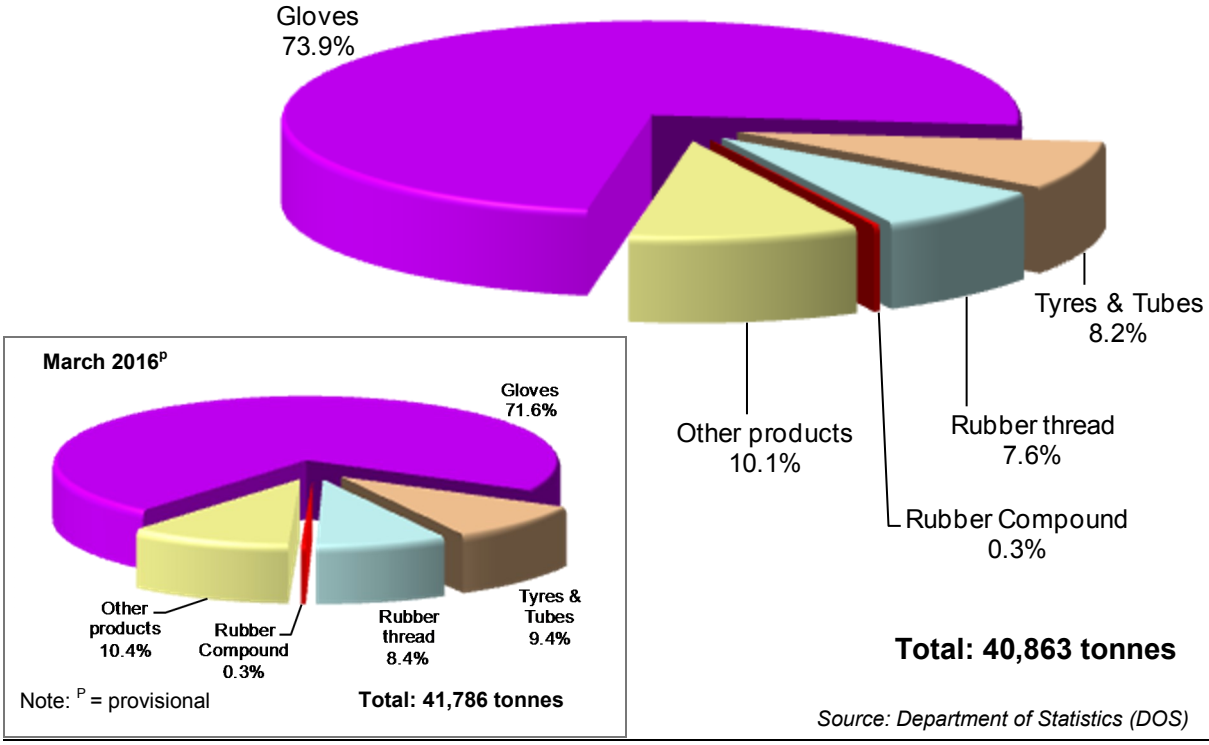


Source: Department of Statistics (DOS)

Malaysia's NR exports by types, April 2016[p]



Malaysia's NR consumption by sectors, April 2016[p]



Source: Department of Statistics (DOS)

Published by the Malaysian Rubber Board, 148 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel: 603-9206 2000 Fax: 603-2161 6586