



# MALAYSIAN RUBBER BOARD

## DIGEST

A monthly publication of the Malaysian Rubber Board

2017  
JUNE

### Natural Rubber Market Review

#### June

The Kuala Lumpur Rubber Market in June ruled mixed and generally hovered within a tight range. However, prices recovered and edged higher towards the end of month. Overall market conditions during the month were very much influenced by instability of the regional rubber futures markets, currencies movements of the NR exporting countries against US dollar (USD) and the fluctuation of crude oil prices. Price of SMR 20 dropped sharply to 582.50 sen/kg on 7 June, its lowest since early October 2016. Compared with those on 31 May 2017, the price of SMR 20 increased by 24.00 sen/kg or 3.8% to close at 651.00 sen/kg while latex concentrate closed at 566.00 sen/kg, down by 68.00 sen/kg or 10.7%. Average price of SMR 20 in June fell by 47.34 sen/kg or 7.3% to 602.71 sen/kg. The price movements of selected grades of rubber in June 2017 are shown in Table 1.

The prices declined on the first half and the fourth trading week weighed down by several bearish sentiments. The market reacted negatively to the news that there were ample supplies of natural

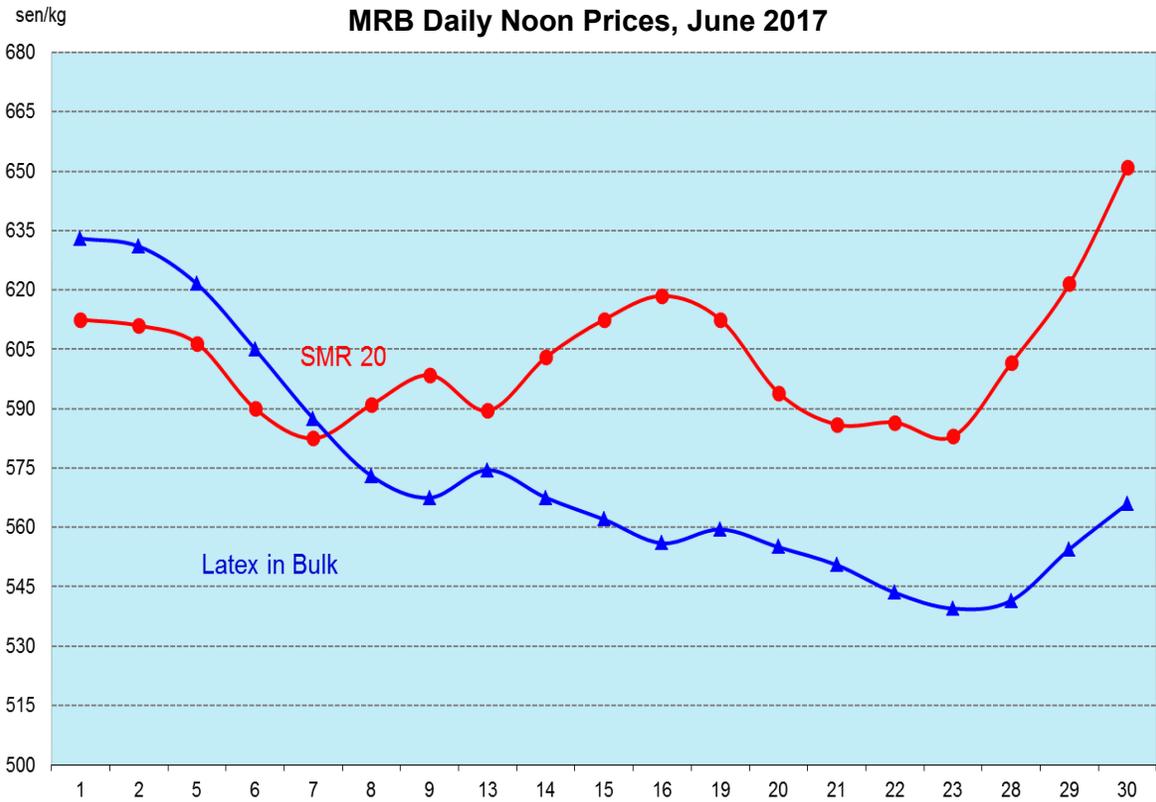
rubber in China warehouse. Natural rubber (NR) stocks in Qingdao bonded warehouse, China increased to 217,000 tonnes as of 9 June from 215,900 tonnes on 26 May. According to the major tyre maker based in China, buyers may only start to import NR and SBR from late July when these inventories are depleted as tyre makers in China usually run their factories at lower rates in the hot summer month of July. In addition, Tokyo Commodity Exchange (TOCOM) rubber futures fell to a seven-month low on 7 June owing to a stronger Japanese Yen against USD and concern over excess supplies. Furthermore, crude rubber inventories at Japanese ports stood at 4,999 tonnes as of 20 June, up 5.8% from the last inventory date. Meanwhile, benchmark crude oil prices hovered below USD 50 per barrel in June on persistent global oil glut despite the Organization of the Petroleum Exporting Countries (OPEC) on 25 May agreed to extend output curbs by a further nine months until March 2018. The average price in June for Brent oil fell by 7.4% to USD 47.59 while NYMEX crude oil dropped by 5.2% to USD 46.04 per barrel compared to the previous month. The ringgit was firmer against US dollar and hovered between RM 4.2540 – 4.2975 during the month. A firmer ringgit typically makes rubber more expensive for holders of foreign currencies.

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

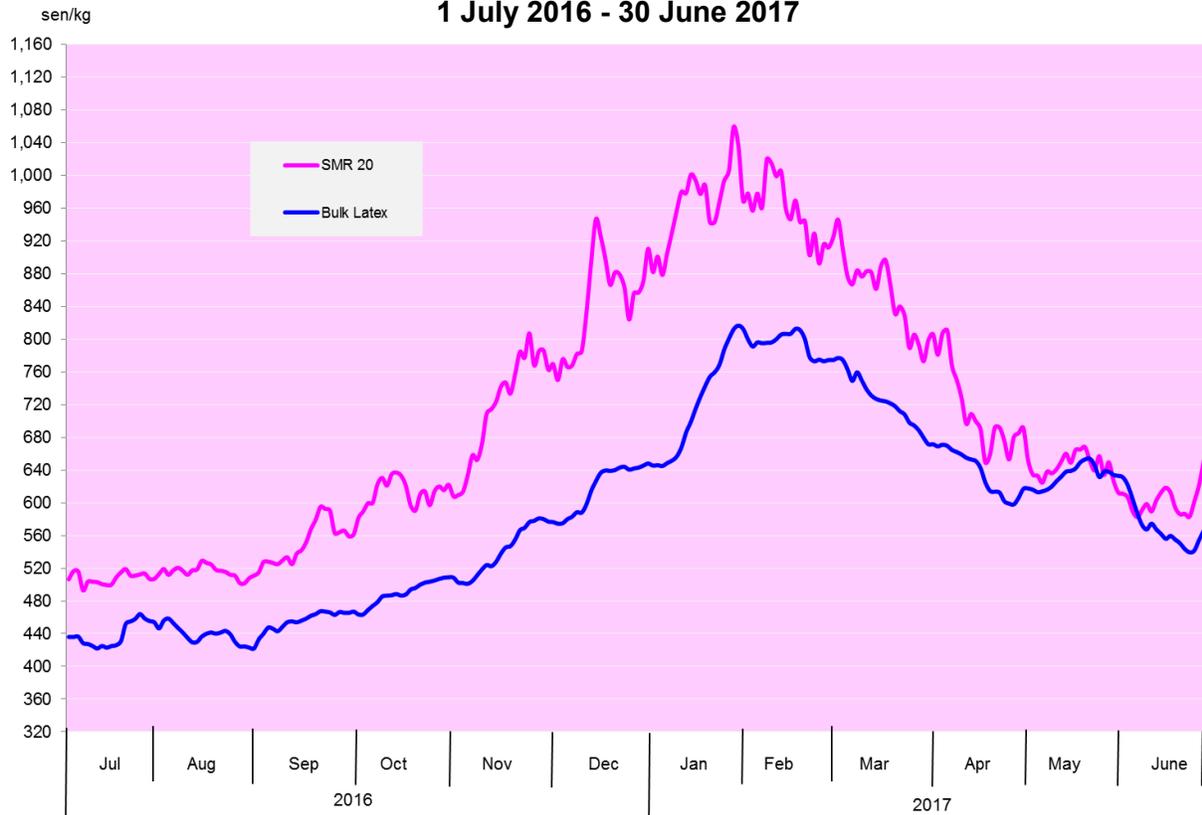
	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	967.00	9,670.00	651.00	6,510.00	633.00	6,330.00
<b>Lowest</b>	812.00	8,120.00	582.50	5,825.00	539.50	5,395.00
<b>Average</b>	853.05	8,530.50	602.71	6,027.10	573.08	5,730.80
<b>Change from the last day of the previous month</b>	-146.50	-1,465.00	+24.00	+240.00	-68.00	-680.00

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

Source: Malaysian Rubber Board



**SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices  
1 July 2016 - 30 June 2017**



Meanwhile, the US Dollar index (DXY), which tracks the greenback against six major rivals, remained weak and hovered from 95.62 to 97.76 in June.

The market rebounded during third trading week and price edged higher towards the end of month, boosted by the encouraging factors. The market reacted positively to the NR data for April 2017, released by Department of Statistics Malaysia (DOSM) on 14 June. Malaysian natural rubber (NR) production in April 2017 decreased 39.2% compared to the 80,384 tonnes in March 2017. As at end-April, the level of NR stocks declined by 9.7% to 231,698 tonnes. In addition, rubber futures at Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) recovered owing to weaker Japanese Yen/Chinese Yuan against USD; tracking the uptrend in benchmark oil prices; and market players worry that major rubber producing countries under International Tripartite Rubber Council (ITRC) might tighten NR supplies. It was also reported that China Caixin Manufacturing Index (PMI) improved slightly in June at 50.4, compared to 49.6 in May 2017. Market also responded positively to the US Federal Reserve's decision on 14 June 2017 to increase its interest rates a quarter percentage point to a target range of 1.00% to 1.25%. The Ringgit depreciated to the USD at RM 4.2975 on 28 June, its weakest during the month.

## Outlook

Market sentiment is expected to improve in the near-term in line with the anticipation of global economic growth. According to the latest World Economic Prospects released by World Bank in June 2017, global economic growth is projected to accelerate to 2.7% in 2017, up from a post-crisis low of 2.4% in 2016, before strengthening further to 2.9% in 2018-2019. The physical rubber market will continue to be influenced by rubber futures markets. According to the analyst, TOCOM rubber futures may rise into a range of 223.10 - 236.70 yen per kg in the near term, as reflected by its wave pattern and a Fibonacci retracement analysis. Nevertheless, the rubber market is expected to be volatile due to uncertainty of non-fundamental factors such as crude oil prices, currencies fluctuations and economic development in major NR consuming countries. Investors will be keeping their eyes on greater uncertainty on US policies which will

impact the global economy. In addition, analysts were of the view that the movement of US Dollar Index may not influence commodities prices unless it surpasses 100. Oil prices are expected to hover around an average of USD 55 per barrel in 2017 as the market players remains doubtful on the extension of output curbs by OPEC for a further nine months until end of March 2018 amid an increase in US oil production.

## News Briefs

### ***Natural rubber price stabilisation discussed in ANRPC meeting***

Price stabilisation of natural rubber topped the agenda of the Association of Natural Rubber Producing Countries (ANRPC) meeting held in Hatyai City in Thailand. Representatives from ANRPC's 11 member countries – Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand and Vietnam – attended the meeting. Papua New Guinea proposed that member countries look at down streaming the rubber industry and exploiting all possibilities to find industries using rubber as raw material. This and many more recommendations that were arrived at the meeting will be put to the executive committee for ratification for the respective governments to implement.

- *rubberjournalasia.com, 1 June*

### ***SGX opens public consultation on changes to SICOM rubber derivatives***

The Singapore Exchange (SGX) is inviting public comment on proposed changes to its SICOM rubber derivatives to further strengthen the global benchmark for physical rubber. SICOM rubber contracts are trading and risk-management tools, used extensively by tyre makers to price their purchases of raw material from South-east Asia to West Africa. SGX's recommendations, which follow informal feedback from market participants, seek to clarify operational aspects of the physical delivery process. These include improving free-on-board delivery terms and providing the exchange with the flexibility to prescribe additional loading ports.

- *straitstimes.com, 5 June*

### **Top Glove eyes expansion in China via merger and acquisition**

Malaysia's Top Glove, the world's largest rubber glove manufacturer, is looking for merger and acquisition (M&A) or joint venture (JV) opportunities to grow its market share in China. The company, which accounts for 13% of Malaysia's total rubber product exports to China, aims to acquire existing glove factories, in which the group can put in additional machinery, in order to compete more efficiently, Lim Wee Chai, Top Glove's executive chairman told Xinhua in an interview, adding the company is also open for M&A (mergers and acquisitions) or JV (joint venture) possibilities in distribution companies in China.

- Xinhua News Agency, 6 June

### **World Bank sees 4.9% growth**

The World Bank has revised upwards its growth projection for Malaysia by 0.6 percentage points to 4.9% for this year, citing solid economic activities. It also revised upwards the nation's growth forecasts for next year and 2019 by 0.4 and 0.5 percentage points, respectively. The economy was projected to grow by 4.9% next year and 5.0% in 2019, said the World Bank in this month's global economic prospects.

Income support measures, higher infrastructure spending and improved exports were expected to drive growth. Growth in large commodity exporters is firming, supported by higher commodity prices and gradual monetary policy easing as well as improved confidence in countries like Malaysia. "In Malaysia, stabilising commodity prices have lifted business sentiment and investment."

- New Straits Times, 7 June

### **Kerala to go for more rubberised roads, Sudhakaran says**

The Indian state of Kerala is pushing for the construction of more rubberised roads in order to increase the state's use of natural rubber, said Minister for Public Works K. Sudhakaran. The discovery that waste plastic could be used to reinforce asphaltting of roads had given a new

impetus to road development in the state, the minister said during the inauguration of the modernised office of the Aymanamgrama panchayat and declaring its ISO certification last month.

- rubberjournalasia.com, 8 June

### **India abolishes cess on rubber, automobile and other goods**

India's central government has removed additional cess on goods and services included in the last three General Budgets – 2015-16, 2016-17 and 2017-18, as per a notification by the Finance ministry on June 7, 2017, to ensure the smooth rollout of the new Goods and Services Tax (GST) under the new tax regime. Through the Taxation Law Amendment Act 2017, The Industries (Development and Regulation) Act 151 – cess on automobiles (cars and motorcycles) will no longer be applicable. This comes at a stage when the industry has started to gear up for the new tax regime, further strengthening the July 1, 2017 rollout of GST.

- rubberjournalasia.com, 12 June

### **Thailand takes steps to help rubber farmers cope with low prices**

Thailand's cabinet on 13 June approved measures to help rubber farmers and stabilise falling prices, the country's prime minister said. These include an extension to a 10 billion baht (USD 294.90 million) loan programme for agricultural cooperatives for three more years, and another 10 billion baht loan program for rubber businesses. "The government is trying to solve the problem. Rubber prices, like rice prices, have highs and lows," Prime Minister Prayuth Chan-ocha told reporters after the weekly cabinet meeting.

The government will also continue to pay a direct subsidy of 1,500 baht (USD 44.23) per rai (0.17 hectares) for up to 15 rai per household to help to cover the costs of rubber production as well as living expenses for rubber farmers.

- reuters.com, 13 June

***Fed hikes rates for the third time in six months***

The Federal Reserve hiked interest rates on 14 June, the third time in six months, as unemployment in the US has continued to fall and consumer confidence has risen. The Fed raised its benchmark borrowing rate range by a quarter-point, to between 1 and 1.25%, the highest since September 2008. The Fed expects the economy to “expand at a moderate pace,” or for inflation to pick up to about 2% by next year after a slew of disappointing readings, the Federal Open Market Committee said in a statement. The widely expected hike is intended to cool the economy by making it more expensive to borrow money.

- *nypost.com*, 14 June

***ANRPC scales down world natural rubber supply in 2017***

The Association of Natural Rubber Producing Countries (ANRPC), has scaled down its earlier forecast of world supply of natural rubber (NR) as it reckons that prevailing downtrend in the market is likely to pull down production further. In its latest report, ANRPC has stated that the world supply of NR is expected to be 12.756 million tonnes in 2017, slightly lower than 12.771 million tonnes anticipated a month ago.

- *The Economic Times*, 15 June

***Malaysia sees increase of 17.1% rubber production in April***

Malaysia’s April production of natural rubber increased 17.1% to 48,889 tonnes in April 2017, from 41,753 tonnes a year ago. On a monthly basis, however, it decreased 39.2% from 80,384 tonnes in March 2017. In a statement, the Statistics Department said the main contributor of NR production is from the smallholding sector with a contribution exceeding 90%. “In April 2017, exports of NR decreased by 0.1% to 59,437 tonnes as compared to March 2017. The main destination of NR exports was China at 49%,” the department said.

- *rubberjournalasia.com*, 15 June

***Asia BD, SBR may rebound in July and rise gradually in 2H 2017***

Asia butadiene (BD) and the derivative styrene butadiene rubber (SBR) prices are likely to be on a more gradual upward momentum in the second half of this year - after a volatile first half. “Re-stocking activities are expected to pick up from July as the tyre makers need to replenish their dwindling SBR stocks and ramp up their operating rates to meet increased demand in the fourth quarter,” a rubber trader said.

This will mean the feedstock BD price is likely to bottom out in June and may start to rebound in July, market sources said. “The feedstock BD and the SBR prices are likely to rebound in July and remain firm in the third quarter but are expected to strengthen in the fourth quarter, which is usually a strong demand season in Asia,” a synthetic rubber producer said.

- *ICIS News*, 19 June

***ATMA: High-quality natural rubber essential in tyre manufacturing***

National tyre industry body Automotive Tyre Manufacturers’ Association (ATMA), which represents 11 large tyre companies in India accounting for over 90% of tyre production, emphasised the increasing importance of maintaining the high quality of natural rubber as a raw material to produce high-quality tyres in the country.

ATMA Chairman Satish Sharma said that the country’s tyre manufacturing sector is converging in research and development (R&D), automation and technology. Quality of natural rubber as a key determinant of end product quality needs to go up the curve to keep pace with the changing scenario in manufacturing, he added.

- *rubberjournalasia.com*, 20 June

***Rising demand for OEM, high-performance tyres to boost SBR market growth***

A significant increase in demand for original equipment (OEM) tyres from the automobile industry as well as a shift in consumer preference for high-performance tyres are expected to have positive impact on the growth of the global styrene butadiene rubber (SBR) market over the next nine years. Worldwide SBR market is expected to reach USD 9.9 billion by 2025, according to a new report by Grand View Research, Inc.

- *rubberjournalasia.com, 21 June*

***Vietnam import of raw rubber increasing***

Although Vietnam is the world's third largest exporter of natural rubber, local businesses still have to import rubber raw material to meet the demand for production and processing. According to the Vietnam Rubber Association (VRA), most of the materials are imported for re-export and only partly meet the needs of local tire manufacturers. Most of the imported rubber materials are TSR 10 and TSR 20, which are in huge demand by tyre companies but are only produced locally in small quantities due to low prices.

Nguyen Dinh Dong, deputy general director of the Southern Rubber Industry Joint Stock Company (Casumina or CSM), said 75% of the firm's input is domestic natural raw materials. It has to import the rest from Malaysia or Thailand to produce high-grade steel belted tyres.

- *Vietnam News Brief Service, 27 June*

***Top Glove venturing into condom business with RM75 mil investment***

Malaysian rubber glove manufacturer Top Glove is expanding into the condom business with a RM75-million investment, according to the company's founder Tan Sri Lim Wee Chai, adding that it's a flourishing business to expand into since price-earnings valuations for the condom business are higher.

- *rubberjournalasia.com, 28 June*

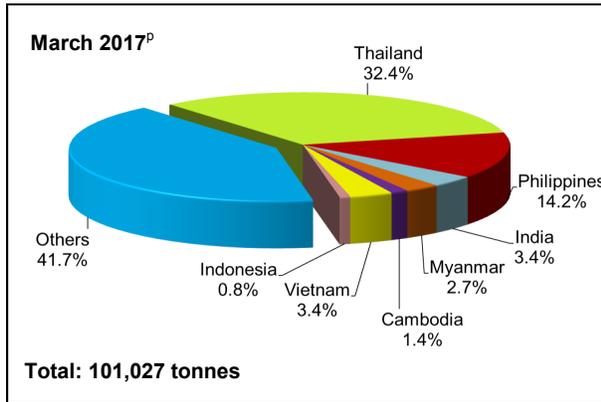
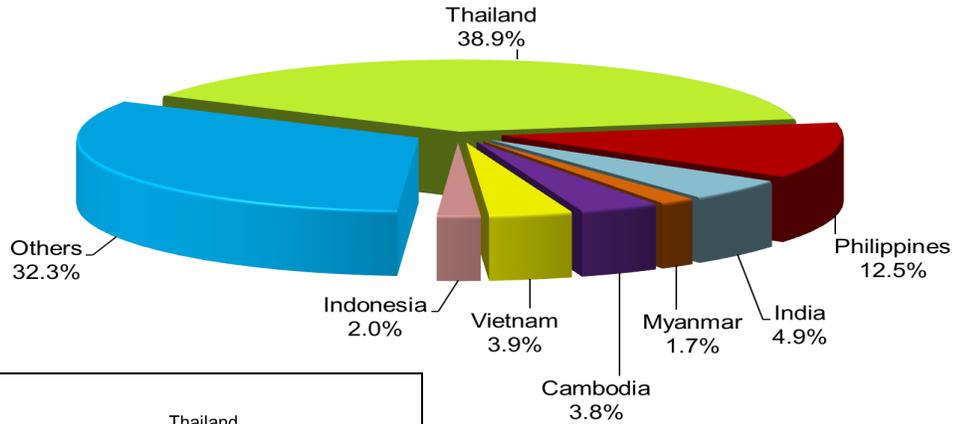
***India to buy fresh latex from Cambodia in new deal***

India is entering a rubber sector agreement with Cambodia as it plans to produce latex concentrate for the manufacture of specialised products with high tensile strength and resilience using fresh latex from Cambodian rubber plantations. The deal is a pilot project for both Cambodia and India, according to Pol Sopha, director-general of the Rubber Department at Cambodia's Ministry of Agriculture. "India has a factory producing rubber latex concentrate in Snoul district in Kratie province and wants to buy fresh latex from Cambodian rubber plantations in the northeast provinces," said Sopha.

- *rubberjournalasia.com, 30 June*

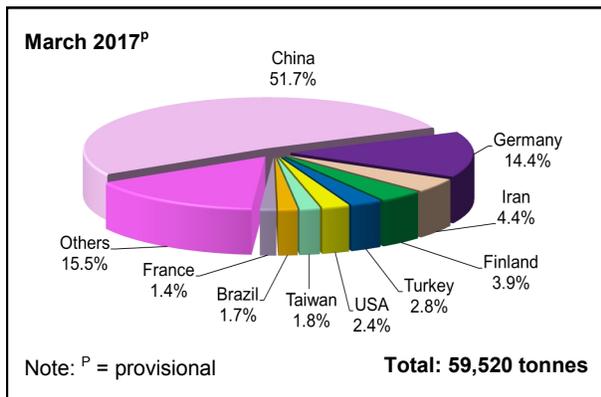
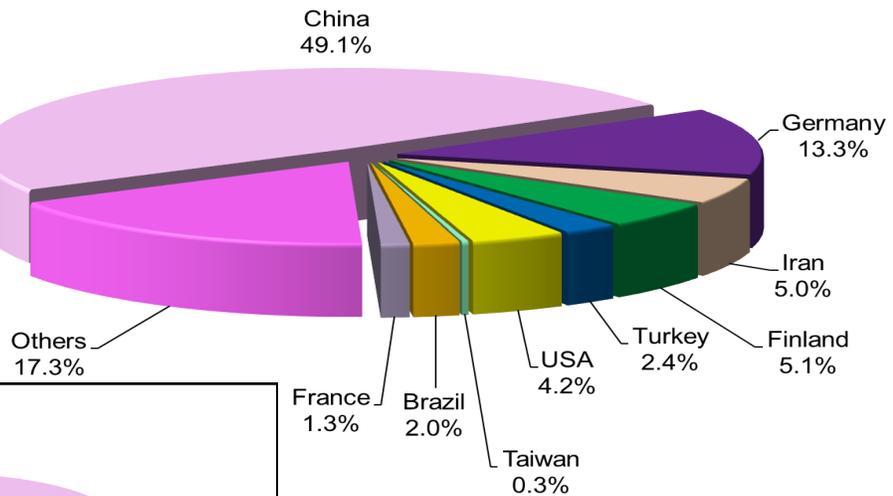
*Sources: www.factiva.com, New Straits Times, The Star, The Sun, rubberjournalasia.com*

### Malaysia's NR imports by countries, April 2017<sup>P</sup>



**Total: 68,843 tonnes**

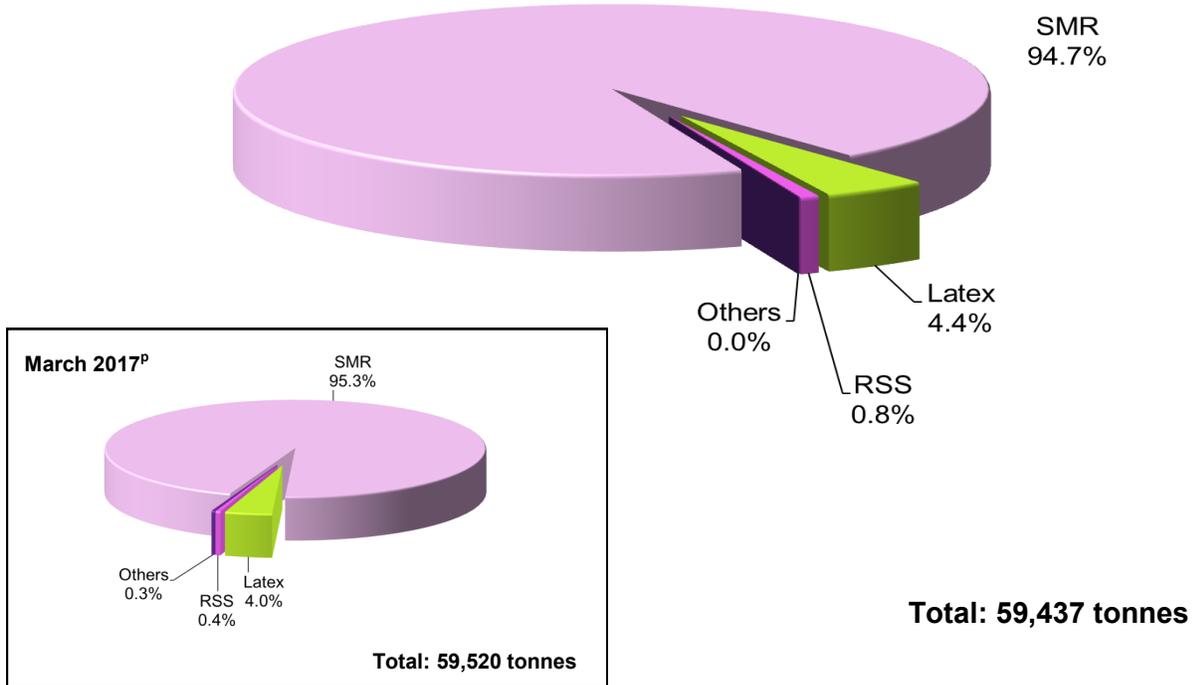
### Malaysia's NR exports by countries, April 2017<sup>P</sup>



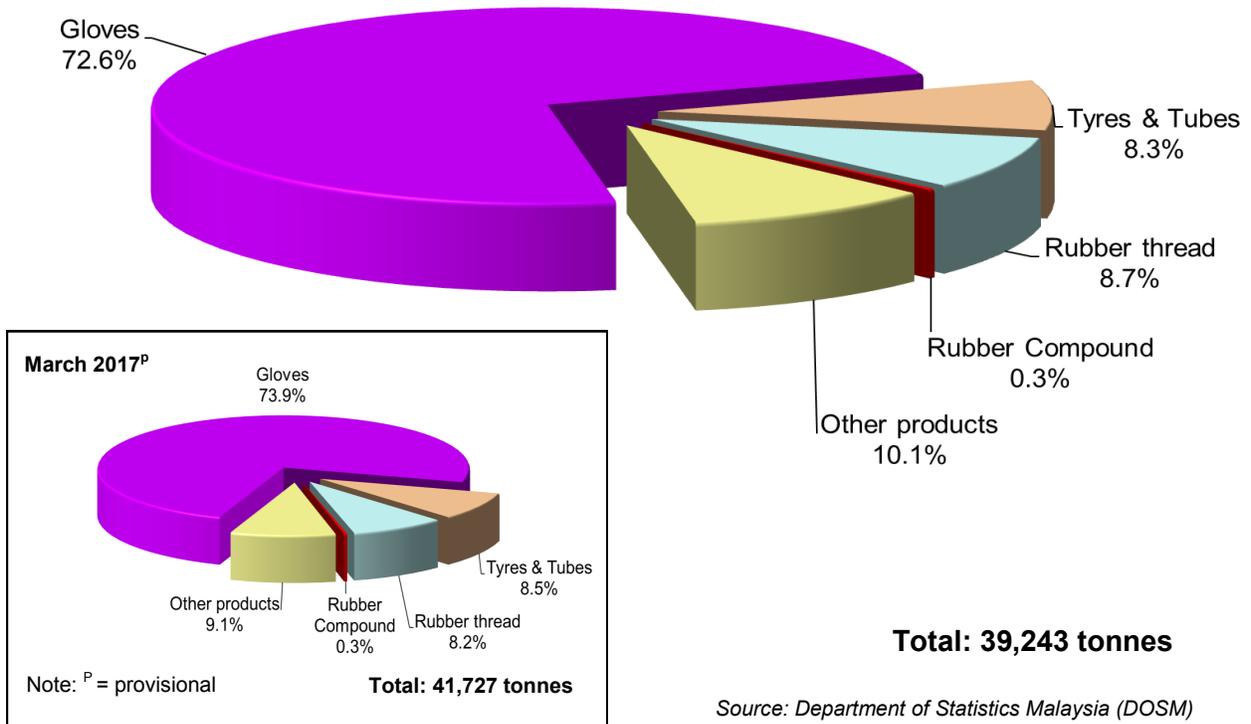
**Total: 59,437 tonnes**

Source: Department of Statistics Malaysia (DOSM)

**Malaysia's NR exports by types, April 2017<sup>P</sup>**



**Malaysia's NR consumption by sectors, April 2017<sup>P</sup>**



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