



MALAYSIAN RUBBER BOARD

D I G E S T

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JULY

Natural Rubber Market Review

July

In July, prices on the Kuala Lumpur rubber market fluctuated within a narrow range in the absence of significant consumer interest. Generally easier conditions set in during the month resulting from slower demand from China coupled with weaker crude oil prices pressured by stronger U.S dollar, global oil glut as well as uncertainty on the global economic conditions. At the same time, bearish sentiment in Tokyo rubber futures following stronger yen against US dollar ahead of decision on stimulus monetary policy by Bank of Japan's (BOJ) further depressed the market sentiment. Trading was listless amid uncertainty over the US Federal Reserve to increase its interest rate in 2016. The recovery at certain parts during the month was contributed by firmer advice from Tokyo rubber futures, weakening of ringgit against US dollar and slight rebounds in crude oil prices. Compared with those on 30 June 2016, the price of SMR 20 decreased by 12.00 sen/kg or 2.3% to close at 507.00 sen/kg while latex concentrate closed at 455.50 sen/kg, an increase of 16.50 sen/kg or

3.8%. The price movements of selected grades of rubber in July 2016 are shown in Table 1.

The market was mixed and quiet for the first two trading weeks. The market was steady before declining sharply on 11 July to 493.00 sen/kg tracking the previous week downtrend in regional rubber futures market as the Kuala Lumpur rubber market was closed for Hari Raya Aidilfitri celebration. The positive sentiment at certain parts during the first and second trading week was contributed by firmer advices from Tokyo Commodity Exchange (TOCOM) rubber futures resulting from weaker yen against US dollar, stronger Tokyo stocks market and bargain-hunting activities. Weakening of ringgit against the US dollar, firmer crude oil prices and diminishing anxiety over Britain's vote to leave the European Union also gave some support to the market.

During the third trading week, the market saw a slight gain as the positive sentiment was brought by stronger advices from regional rubber futures markets coupled with the weakening of ringgit against the US dollar. The rubber market responded positively on recovery of crude oil prices on 22 July after the U.S. Energy Department reported a ninth consecutive weekly

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

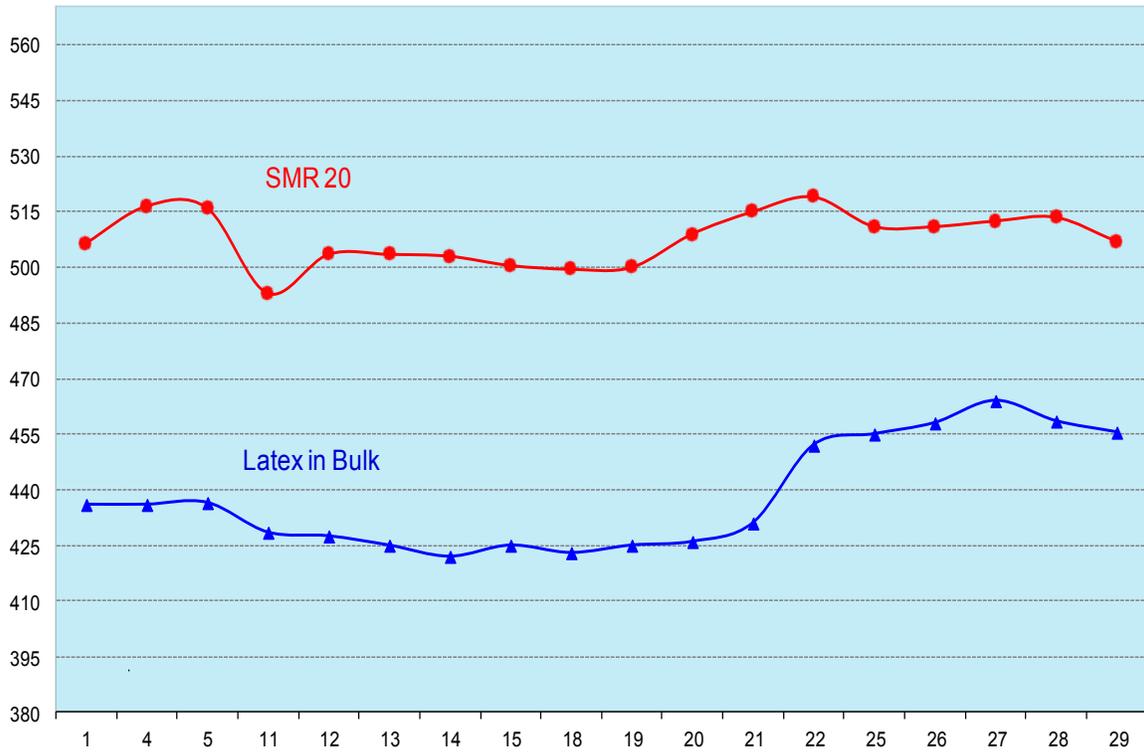
	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	718.00	7,180.00	519.00	5,190.00	464.00	4,640.00
Lowest	699.00	6,990.00	493.00	4,930.00	422.00	4,220.00
Average	709.53	7,095.30	507.78	5,077.80	438.03	4,380.30
Change from the last day of the previous month	-0.50	-5.00	-12.00	-120.00	+16.50	+165.00

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

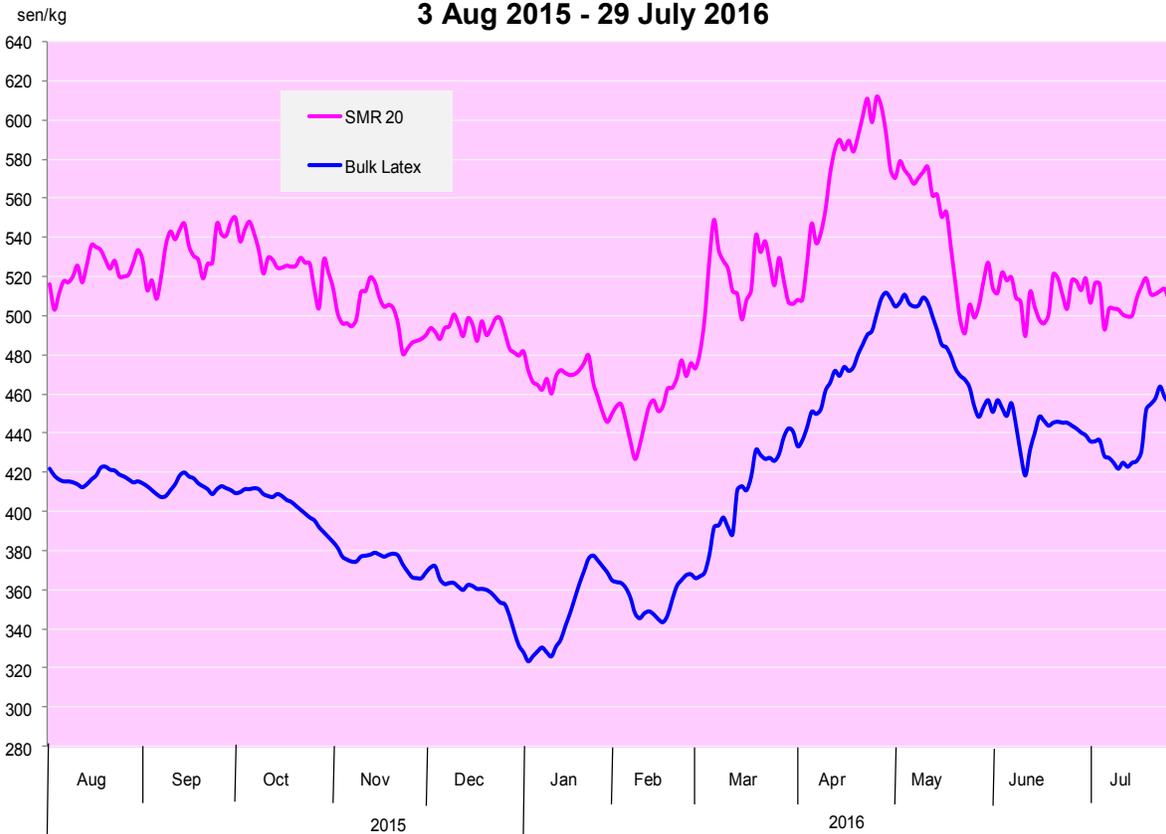
Source: Malaysian Rubber Board

sen/kg

MRB Daily Noon Prices, July 2016



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 3 Aug 2015 - 29 July 2016



drawdown of crude stocks. However, gains in the rubber market were capped by uncertainty of currency movements.

The market continued its mixed trend during the last trading week. Prices continued to slide towards the end of the month as easier market conditions persisted in the absence of buying interest and leads. The negative sentiments were also brought by the downtrend in rubber futures market, slumping in crude oil prices as well as growing concerns regarding global economic growth. According to economic outlook report released by International Monetary Fund (IMF) in July 2016, world economic growth is forecast at 3.1% for 2016 and 3.4% for 2017. Growth in China is expected to slow to 6.6% while India to expand this year at a considerable level of 7.4%. In contrast, the positive sentiment at certain parts during the last trading week was contributed by stronger advices from benchmark Tokyo rubber futures resulting from bargain-hunting activities coupled with weakening of yen against the U.S. dollar.

Outlook

Uncertainty on the global economic conditions, declining in crude oil prices and volatility in currencies would continue to put pressure on the rubber market. Market operators will continue to adopt 'wait and see' attitude and will be closely monitoring the economic development in China, US, Japan and Europe. Meanwhile, the rubber market would continuously be influenced by the uncertainty over US Federal Reserve measures to raise its interest rates in 2016. However, the weakening of ringgit against US dollar will help to curb further falls in NR prices.

News Briefs

India: Rubber incentive to continue

Finance Minister, Thomas Isaac said the government would continue the rubber production incentive scheme introduced by the previous government to ensure Rs 150 per kg minimum price for rubber. In reply to a calling attention motion moved by Mons Joseph MLA, Isaac said Rs 128 cr was sanctioned for the project this fiscal till June 29, 2016. "Every two weeks, farmers who sell rubber gets the subsidy in their

account.

The government will consider the demand for increasing the support price. Mons Joseph said the market price of rubber has crossed Rs 140 and it would be a great help for farmers if the government hiked the support price to Rs 200 per kg. He also warned that the free trade agreement between India and Malaysia which came into existence on Wednesday would further damage the prospects of rubber farmers.

Isaac said the new contract enables free import of rubber products and there will soon be the demand for free import of natural rubber. "We need to think what the state can do against the new agreement," he said.

- *The Times of India (Kochi Edition), 1 July*

Global natural rubber supply expected at 11.157 mln tonnes in 2016

Global Natural Rubber supply from Association of Natural Rubber Producing Countries (ANRPC) is anticipated at 11.157 million tonnes up 1.0 per cent from the previous year. Total supply of natural rubber during the period from January to September 2016 is anticipated at 8.011 million tonnes up 0.7 per cent from the same period in the previous year.

Global production of natural rubber by ANRPC member countries during January to June 2016 is estimated at 4.928 million tonnes down 0.3 per cent from the same period in the previous year. ANRPC member countries account for 90 per cent of the total global supply of Natural Rubber.

- *Commodity Online, 7 July*

More Russian dandelions grown in tests to produce commercial rubber alternative

Dutch researchers will ramp up cropping of the Russian dandelion (*Taraxacum kok-saghyz*) from two to six hectares next year to supply a test refining plant which produces an alternative to commercial rubber. 'Companies want more material quickly as they see major opportunities for European natural rubber,' said Wageningen researcher Ingrid van der Meer, who co-ordinates the DRIVE4EU project.

'It strongly depends on the rubber price, which is currently very low. But if the cultivation in Asia were to be struck by disease then the demand for European natural rubber would increase exponentially.' She added: 'It is comparable to the quality of traditional natural rubber. For some applications, such as having a good grip on wet surfaces, dandelion rubber even appears to perform better.'

- *Horticulture Week, 8 July*

Commercial vehicle tyre market to surpass \$117 billion by 2021

According to recently published TechSci Research report, the global market for commercial vehicle tyres is projected to cross USD\$117 billion by 2021. Construction and logistics sectors are the major demand generators of commercial vehicles across the globe. With the global logistics industry witnessing an upward trend and having already crossed USD\$4 trillion, and the global construction industry projected to register revenues of USD\$10 trillion by 2021. Hence, demand for commercial vehicle tyres is expected to increase over the next five years.

Light Commercial Vehicle (LCV) segment accounted for the largest share in the global commercial vehicle tyre market in 2015, and the segment is anticipated to maintain its dominance over the next five years, owing to expanding demand for transportation services coupled with booming global e-commerce industry.

In 2015, Asia-Pacific dominated the global commercial vehicle tyre market, followed by North America, Europe & CIS Countries, Middle East & Africa and South America. With the launch of various infrastructure projects by various governments in the APAC region, demand for commercial vehicle tyres is anticipated to increase at a robust pace during 2016-2021.

- *India Automobile News, 11 July*

India's passenger vehicle sales grow for the 12th month in a row

Passenger vehicle sales in June grew for the 12th straight month, up 2.68% from a year ago, according to the Society of Indian Automobile

Manufacturers (SIAM). Sales of passenger vehicles, which include cars, utility vehicles and vans, rose to 223,454 units in the month gone by, the data compiled by the industry lobby showed.

For the year ended 31 March, both utility vehicles and passenger vehicles sales were up 7.24% to 2.78 million units. And, in the quarter ended 30 June, passenger vehicle sales grew 6.66%.

- *Mint, 12 July*

China's June rubber imports up 24%

The China Customs declared June imports of natural rubber and synthetic rubber totaling 410000 tonnes, rising 24% from a year earlier and declining 13% from a month ago. The figure hiked 39% from a year ago to 2.69 million tonnes in the first half of 2016.

- *The SinoCast Metals & Mining & Chemicals Beat, 14 July*

MARGMA bullish rubber glove exports will hit RM143b

The Malaysian Rubber Glove Manufacturers Association (MARGMA) expects rubber glove export revenue to hit RM14.3 billion this year, or a 14 per cent growth from RM13.1 billion recorded last year. Its president, Denis Low Jau Foo said rubber glove export revenue in the first quarter rose 2.8 per cent to RM3.2 billion and could hit as high as RM4 billion per quarter for the rest of the year.

"The global demand for rubber gloves is still strong driven by the healthcare sector, despite the sluggish global economic growth. "We expect the industry to remain resilient with an annual growth estimated at least between eight and 10 per cent," he said after a memorandum of understanding signing ceremony to be co-host and key sponsors of the 8th International Rubber Glove Conference and Exhibition (IRGCE) 2016.

- *New Straits Times, 16 July*

Asian growth steady despite weak global prospects, Brexit

Growth in Asia and the Pacific's developing economies for 2016 and 2017 will remain solid as firm performances from South Asia, East Asia and Southeast Asia help offset softness from the US economy, and near-term market shocks from the Brexit vote, says a new Asian Development Bank (ADB) report.

In a supplement to its Asian Development Outlook 2016 (ADO 2016) report, released last March, ADB now forecasts 2016 growth for the developing economies at 5.6%, below its previous projection of 5.7%. For 2017, growth is seen unchanged at 5.7%. "Although the Brexit vote has affected developing Asia's currency and stock markets, its impact on the real economy in the short term is expected to be small," said Shang-Jin Wei ADB's Chief Economist.

"However, in light of the tepid growth prospects in the major industrial economies, policy makers should remain vigilant and be prepared to respond to external shocks to ensure growth in the region remains robust." Growth in 2016 and 2017, the report notes, is led by South Asia, and India in particular, which continues to expand strongly, while the People's Republic of China (PRC) is on track to meet earlier growth projections.

- Daily News (Sri Lanka), 20 July

Vietnam tyre market to cross \$3 billion by 2021

According to recently released TechSci Research report, "Vietnam Tyre Market Forecast & Opportunities, 2021", the tyre market in Vietnam is projected to cross \$3 billion by 2021. Over the last five years, Vietnam has emerged as one of the fastest developing economies in the Asia-Pacific region. Increasing automobile production/assembly, expanding fleet size and easy availability of natural rubber are few of the major factors boosting the country's tyre market. Several automobile companies in Vietnam are planning to expand their manufacturing capacities in the coming years.

Booming construction and logistics sectors are expected to drive robust growth in demand for heavy, medium and light trucks in the country,

and consequently boost tyre sales as well over the next five years. Vietnam tyre market is dominated by two-wheeler tyre segment, followed by passenger car tyre segment, and this trend is expected to continue during the next 5 years. South Vietnam is the leading regional market for tyres in the country, due to high population density, large vehicle fleet size and high concentration of industries and businesses in the region.

- PR Newswire Europe, 21 July

Indian Rubber Board says 2016-2017 output seen rising 16% to 654,000 tonnes

Current price stability seen as positive for production Natural rubber production in 2016-17 (April-March) is seen rising 16 per cent year-on-year to 654,000 tonnes, the Indian Rubber Board said. "There is a shift in the decreasing trend in rubber production in the country and the production of natural rubber (NR) during the first quarter of the fiscal has shown an increase of 2.3 per cent on a year-on-year basis.

If the trend continues, production of NR during the fiscal will reach the anticipated 6.54 lakh tonnes," the Board said in a release. Domestic natural rubber production has been on a fall since 2012-13, when it had hit a record high of 913,700 tonnes. Lower price realisation had hit production globally.

- Business Line (The Hindu), 22 July

MRB develops new ways to use rubber

The Malaysian Rubber Board (MRB) has developed ways to expand the use of natural rubber, which is expected to create greater demand and increase the price of the commodity in the future.

MRB Chairman, YB Dato Sri Muhammad Leo Toyad said besides being used for making tyres, rubber has the potential to be used to enrich animal feed, produce seismic rubber bearings and construct rubberised roads. He said the board was negotiating with various parties to commercialise the new usage of rubber in the country.

- New Straits Times, 26 July

Use rubberised bitumen on roads: planters' body

To increase the usage of natural rubber, the United Planters Association of Southern India (Upasi) has urged the Centre to consider rubber bituminised roads for the future construction of national highways. Upasi representatives made this suggestion to Nitin Gadkari, Road Transport & Highways Minister, when they met him at New Delhi.

According to Upasi, the use of natural rubber in road construction could play the dual role of providing long-term stability to roads and help farmers improve price earnings through increased domestic consumption.

With the government giving road infrastructure a thrust, N Dharmaraj, Upasi President, said that there is huge potential for use of rubberised bitumen in road laying and attempts made in the past have shown very encouraging results.

- *Business Line (The Hindu), 26 July*

PM Abe's plan for \$265 billion stimulus puts pressure on BOJ to ease

Japan's prime minister unveiled a surprisingly large \$265 billion stimulus package on Wednesday to reflate the world's third-largest economy, adding pressure on the central bank to match the measures with monetary stimulus later this week.

The earlier-than-expected announcement to boost the flagging economy sent Japanese and other Asian stock markets higher while it weighed on the safe-haven yen, but lacked crucial details on how much of the package would be direct government spending.

The size of the package, at more than 28 trillion yen (\$265.30 billion), exceeds initial estimates of around 20 trillion yen and is nearly 6 percent the size of Japan's economy.

- *www.reuters.com, 27 July*

Thai rubber premium jumps to 3-year high on supply shortages

Thai rubber's premium over prices traded in Tokyo widened to the most in about three years in dollar terms as prolonged wet weather squeezed supplies.

Thai exporters are unable to procure rubber sheets to meet shipment obligations, as heavy rain disrupted tapping, said Bundit Kerdvongbundit, Vice President of Von Bundit Co., the nation's biggest rubber exporter. Thailand is the world's largest rubber producer.

"The widening spread reflects a supply shortage, which could last for another month," Bundit said. "We and other exporters have to delay shipments as we couldn't find the raw material to process rubber sheet."

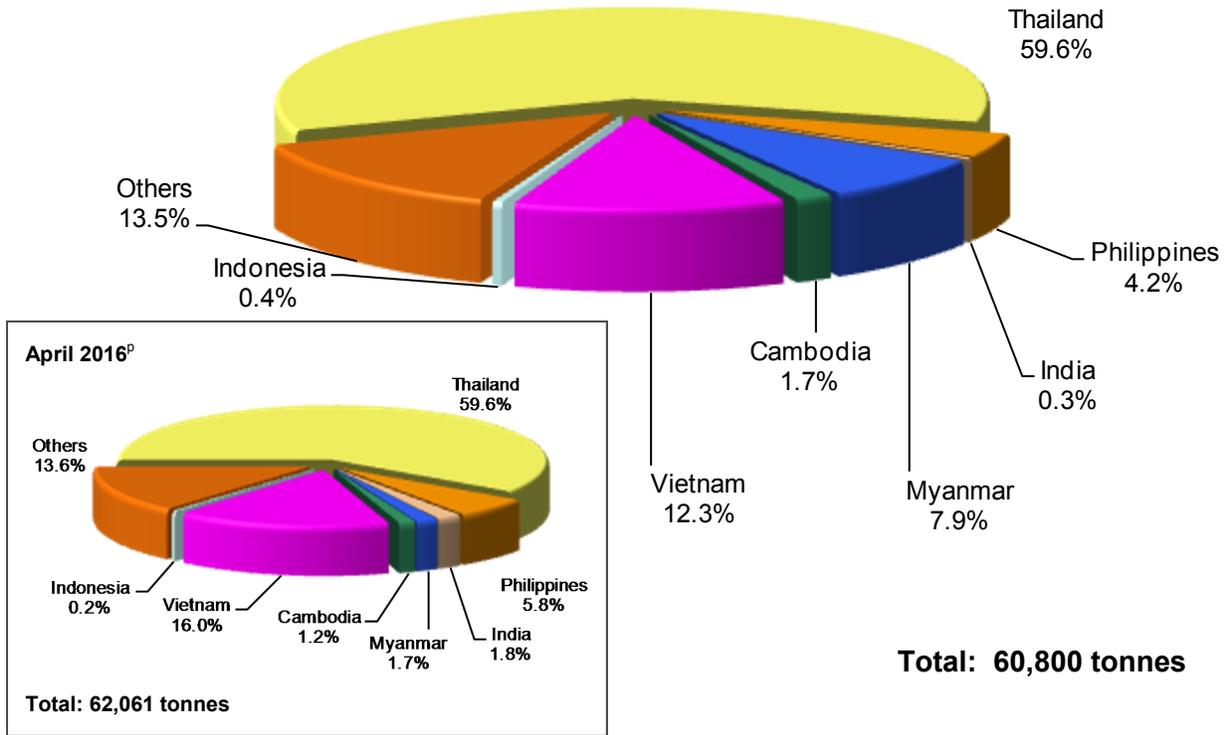
The export price of Thai rubber has surged 48 percent this year, touching 68.55 *baht* (\$1.97) a kilogram last week, the highest level since June 2014.

Futures traded in Tokyo have dropped 2.3 percent in local currency terms this year to 155.3 yen (\$1.49) a kilogram. "If supply remains tight, we could see Japanese prices pick up to reflect prices of the origin," said Felix Yeo, director at RCMA Asia Pte.

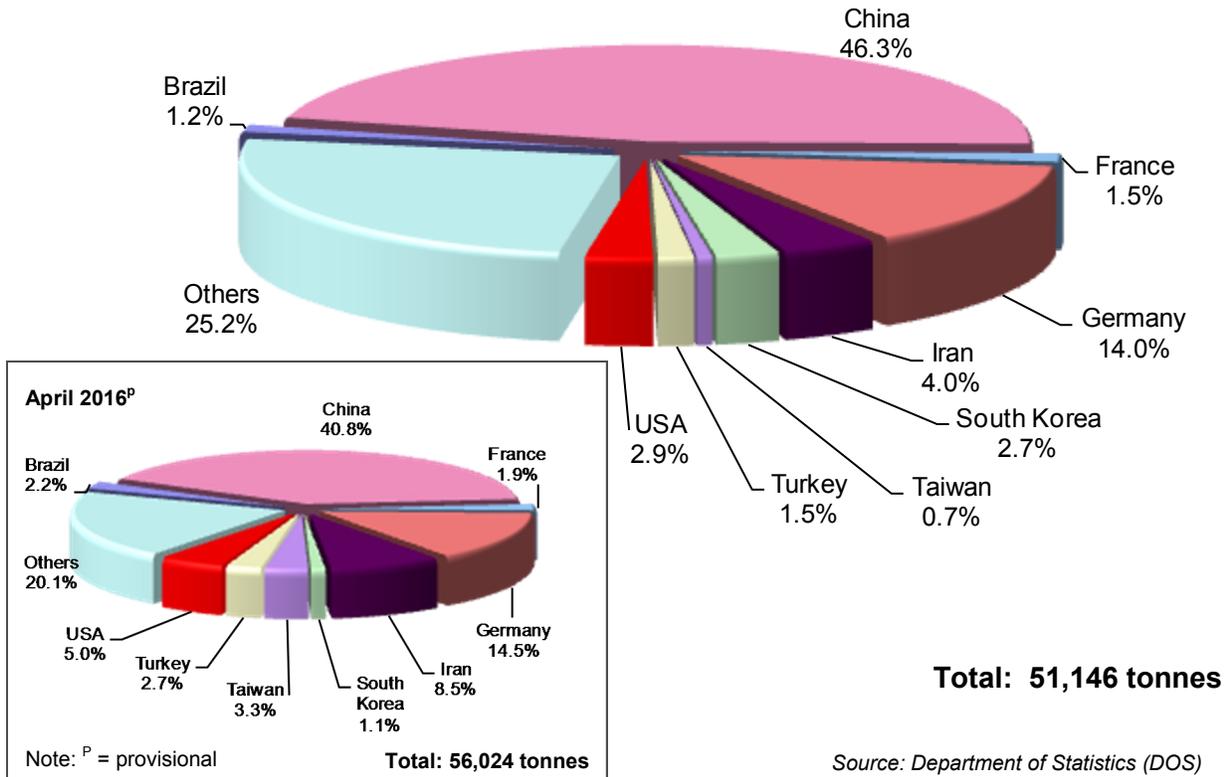
- *Bloomberg, 29 July*

Sources: *www.factiva.com, www.tocom.or.jp, www.reuters.com, Bloomberg*

Malaysia's NR imports by countries, May 2016^P

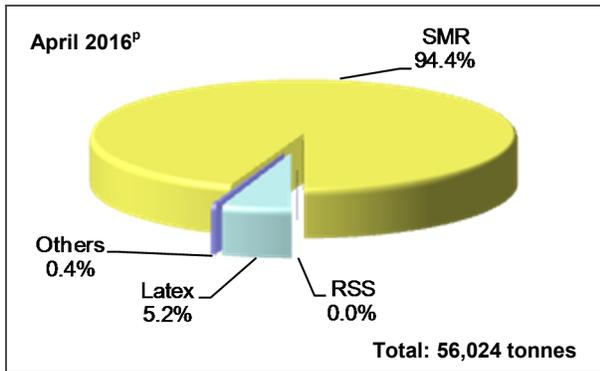
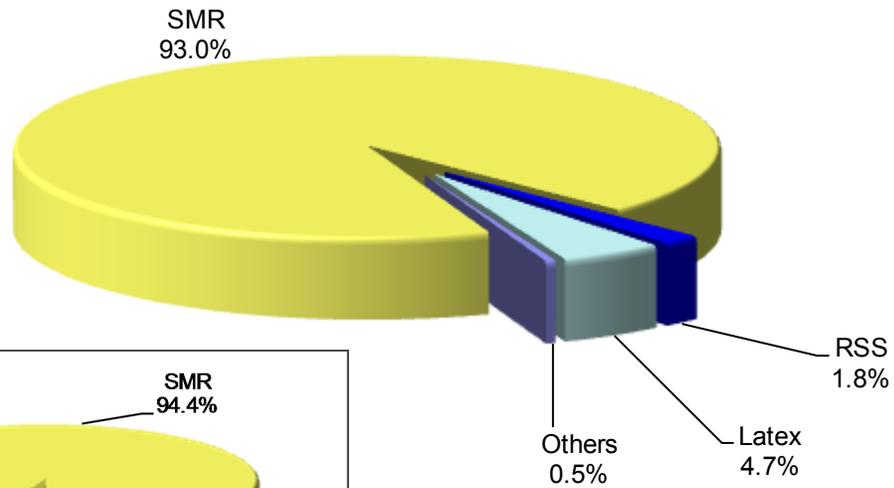


Malaysia's NR exports by countries, May 2016^P



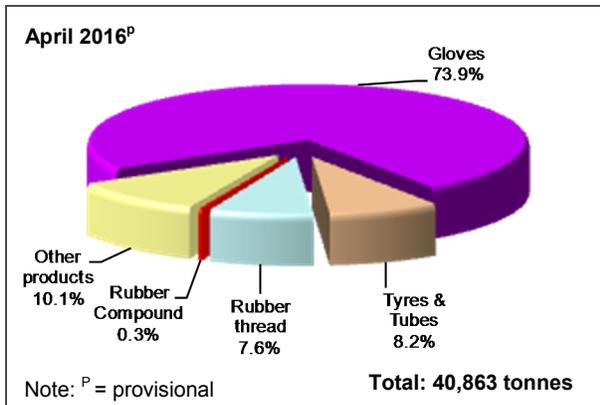
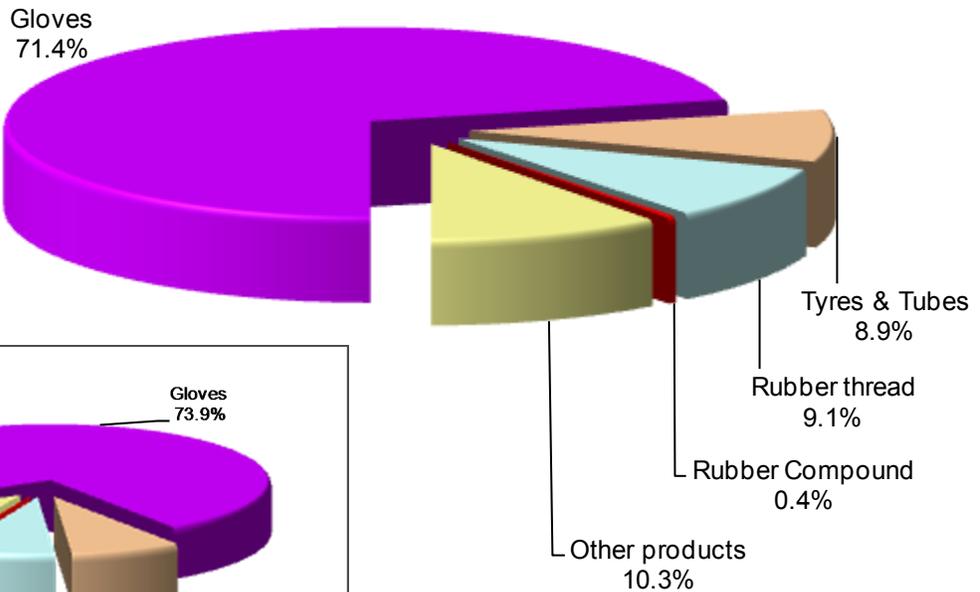
Source: Department of Statistics (DOS)

Malaysia's NR exports by types, May 2016^P



Total: 51,146 tonnes

Malaysia's NR consumption by sectors, May 2016^P



Total: 39,599 tonnes

Source: Department of Statistics (DOS)