



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

August

In August, the Kuala Lumpur rubber market drifted in an uncertain direction within a narrow range for the major part of the month. In the first half of the month, the market ruled mixed in quiet conditions before falling sharply in second half of month owing to weaker regional rubber futures market as well as instability in crude oil prices. During the review period, crude oil prices hovered at USD 41.80 to 50.89 per barrel while ringgit fluctuated between 3.9945 and 4.0585 to the US dollar. Compared with those on 29 July 2016, the price of SMR 20 increased slightly by 4.00 sen/kg or 0.8 % to close at 511.00 sen/kg while latex concentrate closed at 422.00 sen/kg, a decrease of 33.50 sen/kg or 7.4%. The price movements of selected grades of rubber in August 2016 are shown in Table 1.

During the first half of the month, the market ruled mixed in quiet conditions with thin trading activities due to uncertainty about market directions. In addition, market operators were closely monitoring measures from Organization of

the Petroleum Exporting Countries (OPEC) in addressing global oil glut. Although the market remained quiet from the demand side, the Kuala Lumpur rubber market witnessed the upward trend during second trading week. The positive sentiment was supported by stronger advices from Tokyo rubber futures market coupled with an increase in crude oil prices at USD 49 per barrel and weaker ringgit against US dollar. The market also reacted positively on the news that top oil producers to restrain output in the near term.

Prices declined through the second half of the month resulting from weaker crude oil prices pressured by a strong U.S dollar, global oil glut and uncertainty on the OPEC's initiative to freeze oil output. The negative sentiments were also brought by the downtrend in regional rubber futures markets, slower demand from China, ringgit fluctuations as well as uncertainty over the US Federal Reserve's to increase its interest rate. Furthermore, market players were closely monitoring the U.S. job data. According to analyst, solid growth in U.S. job market would give the federal government more reasons to raise interest rates. Higher rates tend to strengthen the US dollar which will add downward pressure on commodities prices traded in the greenback. At the same time, it was

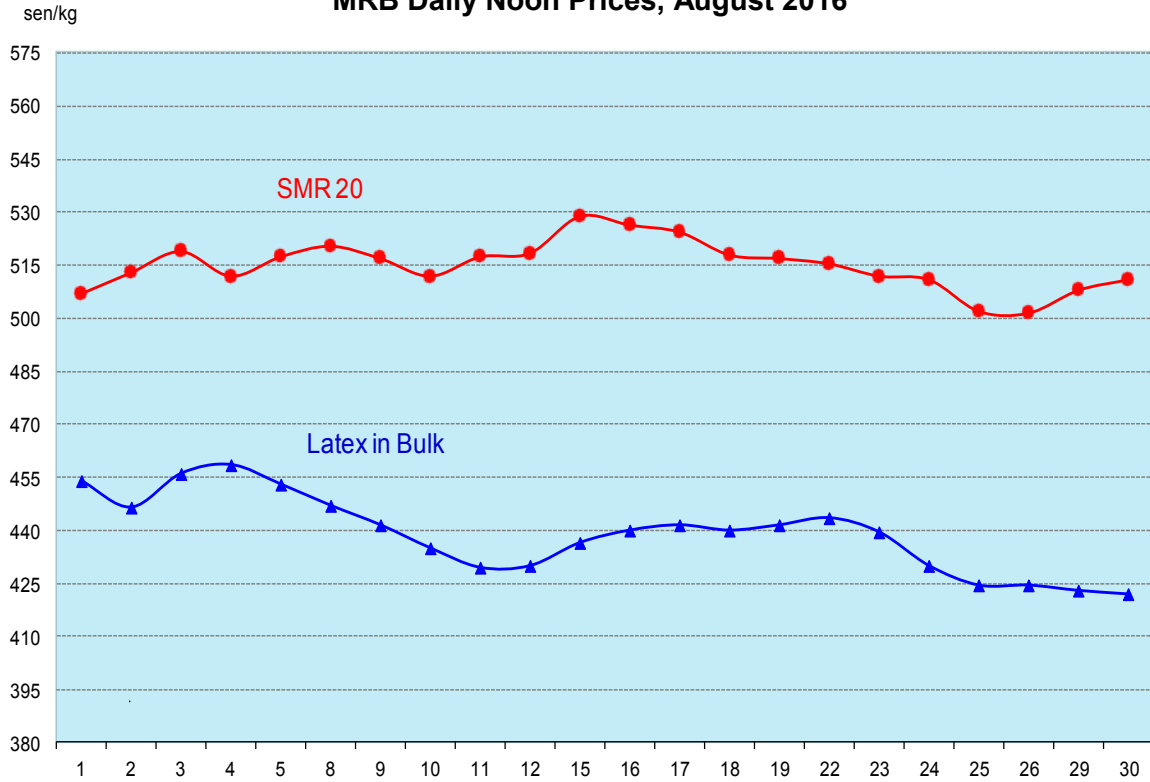
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, August 2016

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	712.00	7,120.00	529.00	5,290.00	458.50	4,585.00
Lowest	682.00	6,820.00	501.50	5,015.00	422.00	4,220.00
Average	696.06	6,960.45	515.00	5,150.00	438.98	4,389.77
Change from the last day of the previous month	-31.00	-310.00	+4.00	+40.00	-33.50	-335.00

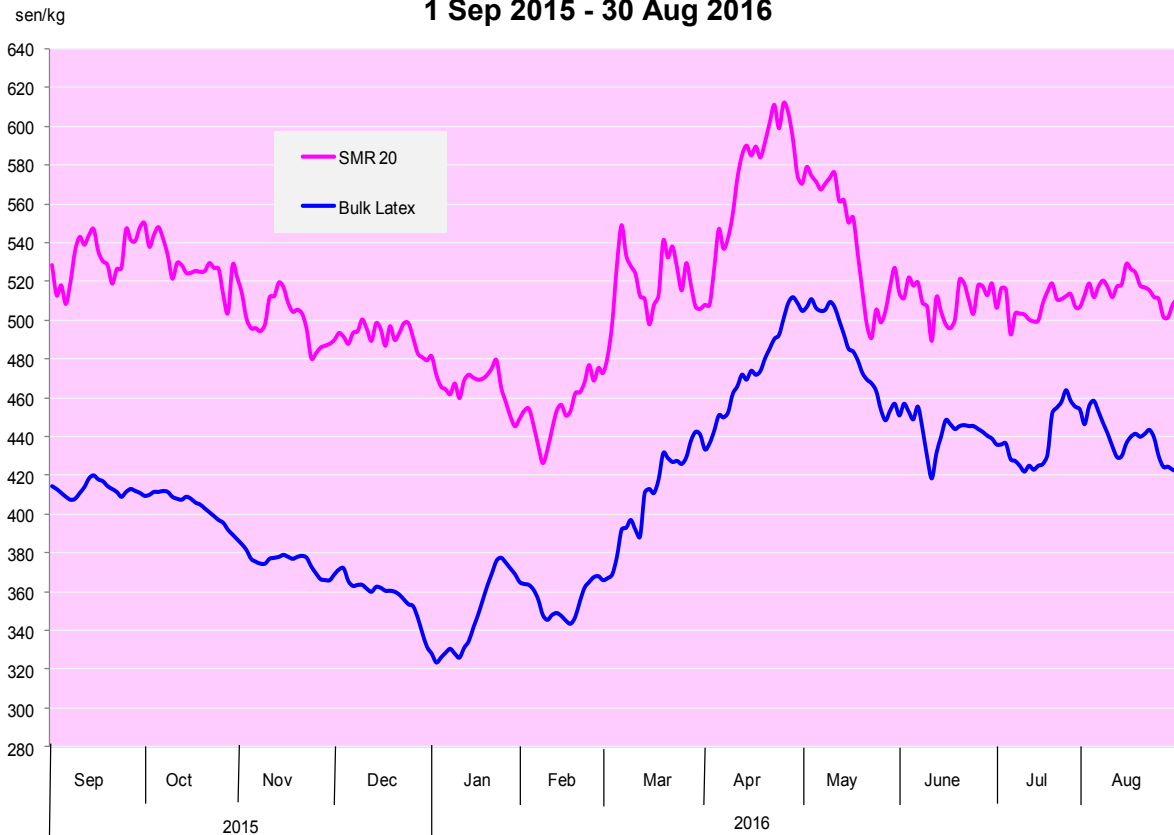
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, August 2016



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 1 Sep 2015 - 30 Aug 2016



reported that the China Official Purchasing Managers' Index (PMI) eased to 49.9 in July compared with 50.0 in the previous month. Besides, the Association of Natural Rubber Producing Countries (ANRPC) reported that the total NR production during the first seven months ended July 2016 is estimated at 5.899 million tonnes, up 0.2 per cent year-on-year. The consumption in ANRPC countries is up by 4.4 per cent year-on-year at 4.7 million tonnes for the seven month period. However, market rebounded during the end of review period contributed by weaker ringgit against US dollar coupled with firmer advices from Tokyo rubber futures resulting from an increase in crude oil prices, weaker yen and bargain-hunting activities.

Outlook

Prices are likely to be under pressure in the absence of fresh leads and uncertainty in the external factors. The prices are expected to move within a tight range in the near-term. Market operators continued keeping their eyes on the external factors like the global economic condition specifically the development in China's, U.S, Japan and Europe economy, crude oil prices, currency movements and the performance of regional rubber futures markets. However, decision by International Tripartite Rubber Council (ITRC) to continue export cutbacks through the implementation of Agreed Export Tonnage Scheme (AETS) until December 2016 could give some support to the market.

News Briefs

Govt. calls for importation of rubber to revive ailing industry

Sri Lanka's coalition government is now proposing to establish 'a rubber hub' in Sri Lanka, which will enable importation of rubber for re-exporting after value addition, as a response to the multi-year low production and record low global natural rubber prices.

According to Plantation Industries Minister, Navin Dissanayake, the importation of rubber is timely solution for the ills facing the industry but acknowledged such a proposal could lead to controversy.

Rubber should be allowed to be imported for re-export activities without any hindrances whatsoever, like what is happening in Singapore and Dubai.

Meanwhile, the newly appointed CRTA Chairman Sunil Poholiyadde spoke to Mirror Business that he welcomed the proposal by the minister to allow importation of rubber, provided the local producer is safeguarded and the prices are maintained.

- *Daily Mirror (Sri Lanka), 5 Aug*

Natural rubber production largely unchanged in Jan-July

Production of natural rubber has remained largely unchanged in the first seven months of 2016, but this is providing little support for the market because of weak demand, low crude-oil prices and a fall in the currencies of major natural-rubber exporting countries.

Total production of natural rubber in the Association of Natural Rubber Producing Countries (ANRPC) during the seven months ending July 2016 is estimated to have risen 0.2% to 5.899 million metric tonnes compared to 2015, according to the ANRPC's monthly report. ANRPC has 11 members, which in total produce around 90% of the world's natural rubber.

Production in China fell 10.4% in this seven months as heavy rains in Yunnan's Xishuangbanna prefecture affected supply during June and July 2016. While consumption of natural rubber in China rose 1.6% year-on-year.

- *Dow Jones Institutional News, 5 Aug*

China Tyre Industry Overview 2011-2020

China's output volume of tyres broke through to 280 million pieces and surpassed the U.S.A. to be the leading manufacturer and exporter in the world for the first time from 2006. However, it decreased by 17.33% YOY to 925.16 million compared to 2014 because of the economy slump in 2015.

The sales revenue of the tyre industry continuously increased in China during these years. However, it experienced a decline with the

decreasing output volume of tyres in 2015. The total export value increased from USD 3.284 billion in 2005 to USD 13.846 billion in 2015 (tyres for bicycles and motorcycles are not included) with the CAGR of 15.48%.

The market share of radial tyres accounted for over 80% in total export value, transferring from focusing on the export of bias tyres to radial tyres, which increased the added value of exported tyre products. Due to the low average price, tyres exported from China were confronted with many trade barriers including anti-dumping.

- *Contify.com*, 9 Aug

India June natural rubber output 50,000 tonnes up 6.4% on year

The country's natural rubber output stood at 50,000 tonnes in June, up 6.4% from 47,000 tonnes a year ago, according to data released by the Rubber Board. The board also pegged production of natural rubber higher for Apr-June. In the first three months of the current fiscal, production of natural rubber was at 135,000 tonnes, up 3,000 tonnes from a year ago.

In June, India's natural rubber imports were at 37,336 tonnes, down 4.1% on year. Imports in June, however, were higher by 35,445 tonnes m-o-m. Consumption of natural rubber during June increased by 7.5% to 87,000 tonnes from 80,955 tonnes a year ago.

Despite a gap of 37,000 tonnes in production and consumption, imports were down in June due to higher inflow of Chinese tyres, which is hurting the domestic tyre industry, market experts said. Imports were also down 4.9% year-on-year at 107,331 tonnes during Apr-Jun. As of June-end, India's natural rubber stock was down 11.1% year-on-year at 208,000 tonnes, the board said.

- *Cogencis CommodityWire*, 9 Aug

World demand for oil will slow in 2017 amid economic woes, says IEA

Global demand for oil will slow next year as the economy weakens, the International Energy Agency (IEA) said, as it cut growth forecasts for 2017. Demand is expected to slow from 1.4m barrels per day (bpd) in 2016 to 1.2m next year,

as the underlying support from low oil price wanes, according to the IEA's monthly report.

The new 2017 forecast is 100,000 bpd lower than the IEA's previous estimates, a change which it blamed on a "dimmer macroeconomic outlook". Oversupply pushed oil prices from \$115 a barrel in June 2014 to as low as \$27 in January this year, and the global glut continues to weigh on pricing. Values have slid to around \$45 a barrel in recent days.

Global oil supply rose by 800,000 bpd in July, driven by rising output from nations in the Opec group, particularly Saudi Arabia, where production hit an eight-year high of 33.4m bpd. Iran and Iraq have made the biggest gains this year, adding 560,000 and 500,000 bpd to output respectively, after sanctions on both countries were lifted, the IEA said.

- *The Daily Telegraph*, 12 Aug

Chinese auto sales accelerate in July

China's auto sales growth accelerated in July, an industry group said, while General Motors Co. and Ford Motor Co. reported record demand for the month. Sales in the world's biggest auto market rose 26.3 percent to 1.6 million units, the China Association of Automobile Manufacturers said. Total vehicle sales, including trucks and buses, rose 23 percent to 1.8 million units.

Demand cratered last year, jolting global brands that depend on China to drive revenue. Sales revived after the government cut sales taxes, but longer-term growth is expected to moderate from the double-digit rates of recent years. For the first seven months of the year, auto sales rose 11.1 percent to 12.6 million units. Sales by Chinese brands rose 14.4 percent to 5.4 million.

- *in.news.yahoo.com*, 12 Aug

Traders say Thread Blight disease may hit rubber output in 2016-17

Production of natural rubber is likely to take a hit this year (Apr-Mar) as recently surfaced Thread Blight disease in Kerala is seen hurting the crop. Industry experts feel the crop situation could worsen if rains continue for long in the state.

Rubber trees dry up when attacked by the disease and loses ability to produce latex, thereby, leading to a fall in production.

- *Cogencis CommodityWire*, 12 Aug

Global rubber growers' body to meet in Guwahati in Oct

Exploring strategies to help the natural rubber production sector get back to a sustained growth path, the Association of Natural Rubber Producing Countries (ANRPC) is organising its ninth annual rubber conference, in Guwahati, on October 17. The conference, with the theme 'Preparing for the paradigm shift', will discuss strategies to bring the sector back to a sustained growth path.

There will be special talks and panel discussions by renowned global experts, covering specific topics, including Emerging economic trends — Implications for the rubber industry in 2017 and beyond, the outlook for global supply and demand; expansion of rubber to sub-optimal agro-climatic regions, etc.

According to an ANRPC monthly report, the world has undergone a paradigm shift with developments in the crude oil industry in the last couple of years. The era of low oil prices has serious implications for natural rubber prices. Growing uncertainty arising from low oil prices and resultant cheaper availability of synthetic rubber deters investments in rubber production.

- *The Hindu Business Line*, 13 Aug

Thailand to develop rubber innovations

Thailand plans to develop more innovative rubber products for commercial use and exports to neighbouring countries in the ASEAN Community (AC).

Thai Deputy Prime Minister, Dr. Wisanu Kruangam on 18 August 2016, presided over a ceremony to sign a memorandum of technical cooperation between King Mongkut's University of Technology North Bangkok (KMUTNB), the Rubber Authority of Thailand (RAT) and the National Farmers Council (NFC) on the purposes.

Under the agreement, the trio will work together to support the development of personnel, academics and researchers to become rubber specialists in quality control of innovative rubber products, particularly those practically-beneficial to local farmers, and processed rubber products, as well as the management of raw rubber materials, the processing of rubber to become innovative products and logistics in the rubber sector.

- *Organisation of Asia-Pacific News Agencies*, 18 Aug

Asia rubber group to cut additional 85,000 mt from Sept-Dec exports

The International Rubber Tripartite Council (ITRC), a grouping of Asia's top three rubber-producing countries, will reduce exports by an additional 85,000 tonnes from September to December this year, an Indonesian rubber industry official said.

Council members Indonesia, Thailand and Malaysia will reduce their total exports in 2016 by 700,000 tonnes, Indonesian Rubber Association Chairman Moenarji Soedargo also told reporters.

Indonesia's rubber output in 2016 is expected to reach 2.95 million tonnes, below an earlier estimate of 3.1 million tonnes, as a result of the La Nina weather phenomenon, Soedargo said.

- *Reuters News*, 25 Aug

Region agrees on new standards for rubber

Rubber industry experts and government officials from ASEAN member countries gathered in Siem Reap yesterday to agree on harmonised standards for rubber products that would facilitate cross-border trade.

The Asean Consultative Committee for Standards and Quality (ACCSQ) Rubber-Based Product Working Group (RBPWG) agreed to 61 harmonised standards during the meeting, according to Chan Borin, general-director of the Institute of Standards.

He said about a third of these new standards applied to rubber products, while the remainder

applied to testing methodology. The committee and working group also formulated guidelines for labs and an assessment body that will issue a certificate of standards compliance.

“If we want the free flow of goods we have to use the same standard that all other ASEAN countries accept,” he said.

- *www.phnompenhpost.com*, 26 Aug

US ratification vital for TPP to take off

The United States is a key component in the landmark Trans-Pacific Partnership (TPP) and if it does not get the agreement ratified, it may cause the deal to collapse. International Trade and Industry Minister Datuk Seri Mustapha Mohamed said one of the provisions within the TPP agreement, which was signed in February, was that the US must be part of the grouping.

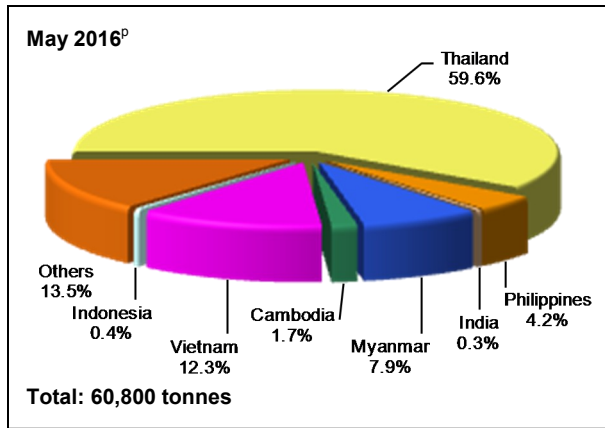
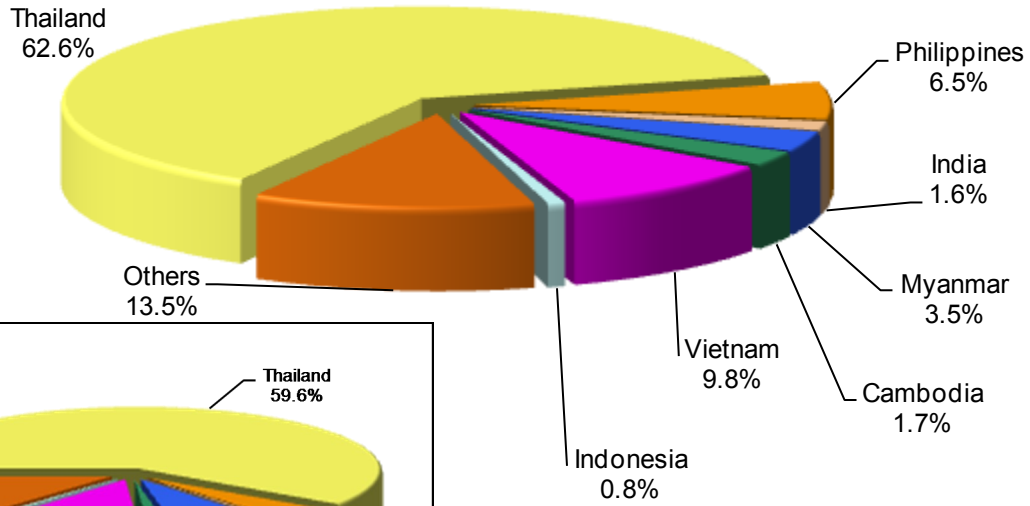
He said the last window for the US ratification was for President Barack Obama to push for it during the lame-duck session of Congress. The TPP agreement is expected to benefit Malaysia by way of four new free trade agreement partners - Canada, Mexico, the US and Peru; new investment and business opportunities; preferred tariff for goods and components; and reduced non-tariff barriers.

Studies have shown that in the grouping, Malaysia's gross domestic product (GDP) would expand by an additional eight per cent, second to Vietnam's 10 per cent GDP expansion.

- *New Straits Times*, 27 Aug

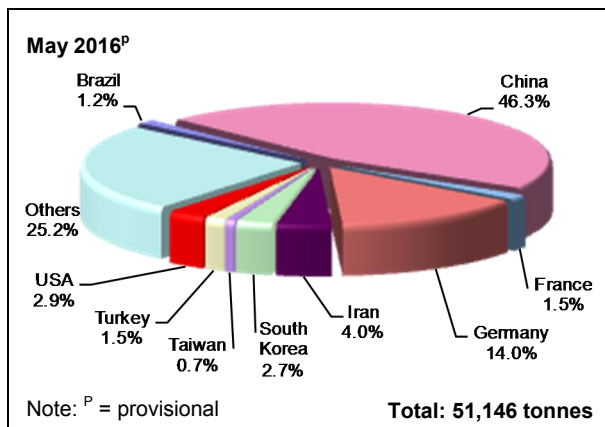
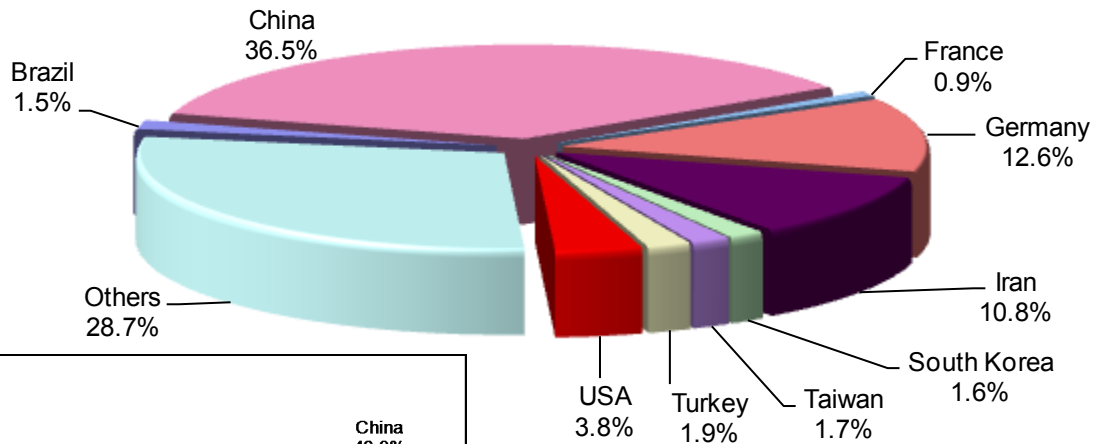
Sources: www.factiva.com, New Straits Times, www.phnompenhpost.com, www.reuters.com

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



Total: 60,038 tonnes

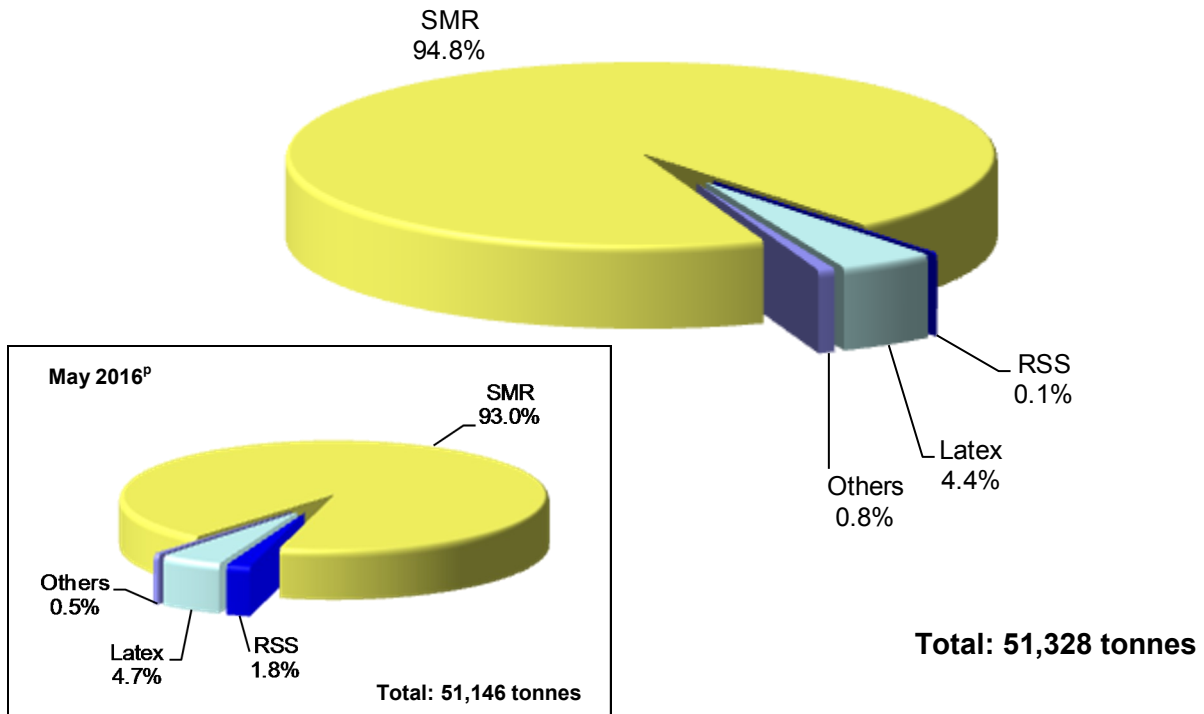
Malaysia's NR exports by countries, June 2016^P



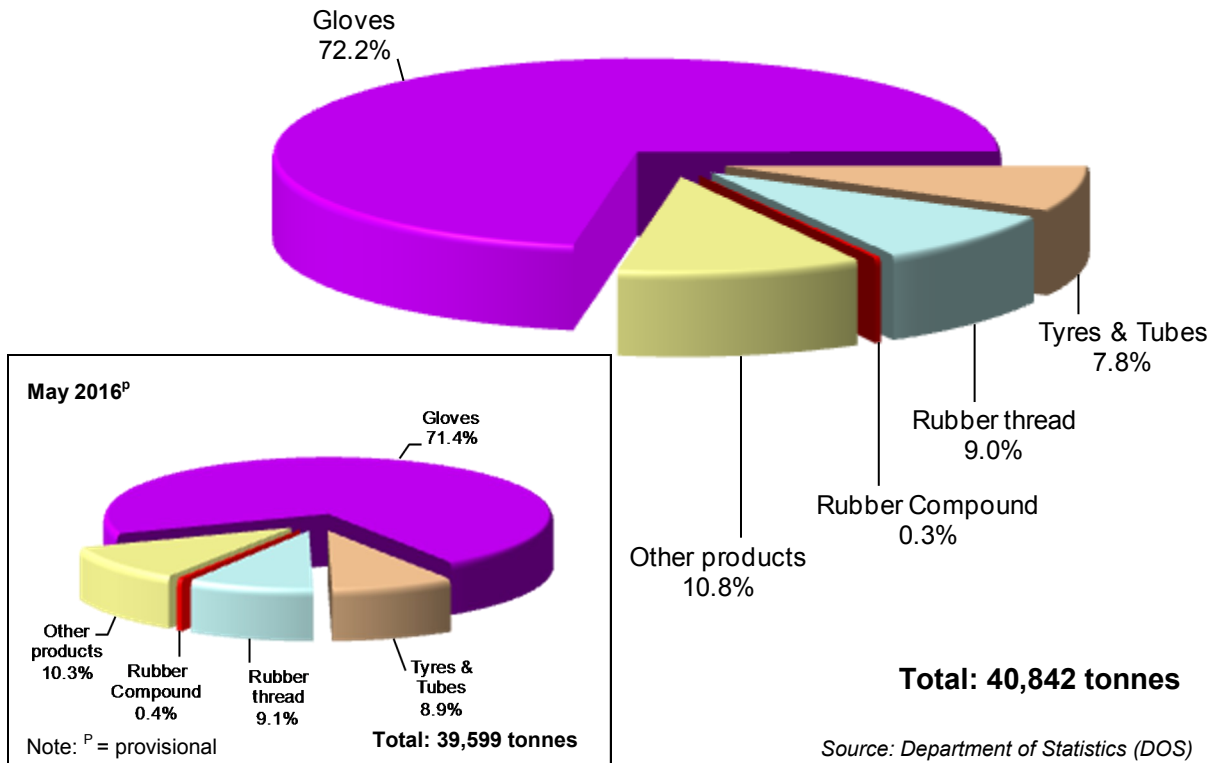
Total: 51,328 tonnes

Source: Department of Statistics (DOS)

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



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



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