



MALAYSIAN RUBBER BOARD

DIGEST

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SEP

Natural Rubber Market Review

September

In September, prices on the Kuala Lumpur Rubber Market were mostly range bound owing to lack of fresh leads. Towards the end of month, price of SMR 20 dropped sharply to 529.00 sen/kg on 27 September, the lowest since February 2019 owing to bearish sentiment in the global commodity and equity markets. Apart from the global economic uncertainty following the U.S - China trade war and U.S political turmoil, ample of supply and unfavourable economic data further undermined sentiment. Compared with those on 30 August 2019, the price of SMR 20 declined marginally by 1.00 sen/kg or 0.2% to close at 537.50 sen/kg while latex concentrate remained unchanged at 431.00 sen/kg. Price movements of selected grades of rubber in September are shown in Table 1.

The market was on a steady note before mid-month, driven by strong advices from regional rubber futures markets following bargain hunting coupled with weakening of ringgit against the U.S dollar. The market reacted positively to the announcement by Thai government to propose

up to THB26 billion in subsidies for rubber farmers in a bid to boost their income. The market also took positive cues from interest rates cuts by U.S. Federal Reserve for a second time this year to 1.75% -2.00%. Meanwhile, Brent and WTI oil prices surged to USD 69.02/barrel and USD62.90/barrel respectively on 16 September following concerns about oil supply disruptions from Saudi Arabia and elevated tensions in Middle East after an attack on its largest oil processing facility.

Trading was listless after mid-month as market operators seen digesting the increasing of Malaysia's natural rubber (NR) production. The Department of Statistics Malaysia (DOSM) on 13 September reported that Malaysia's NR production in July 2019 surged by 63.3% as compared to June 2019, from 36,796 tonnes to 60,088 tonnes. For year on year comparison, the production increased by 6.4% as compared to July 2018. The market was further dragged down by the weaker economic data in China and U.S. China's August exports to the U.S fell 16% year-on-year, slowing sharply from a decline of 6.5% in July, while imports from the U.S slumped by 22.4%. At the same time, China's auto sales fell 6.9% for a 14th consecutive month in August to 1.96 million. In addition, China's industrial firms

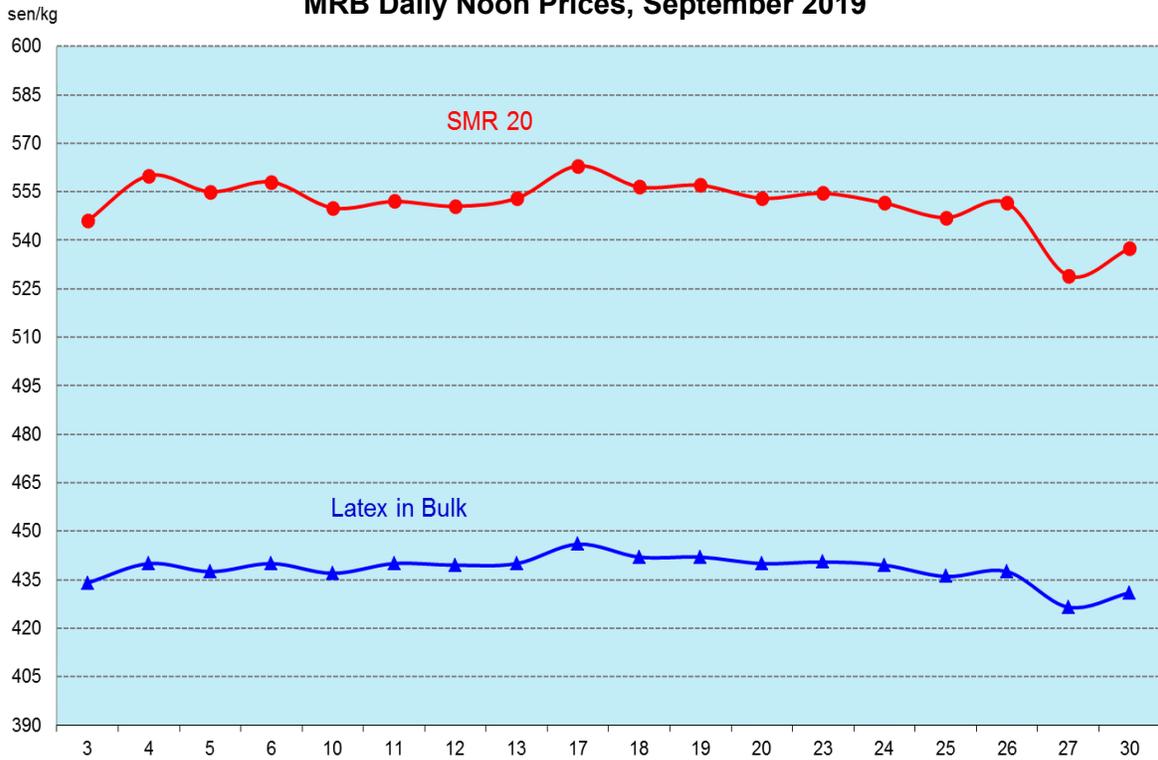
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, September 2019

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	763.50	7635.00	563.00	5630.00	446.00	4460.00
Lowest	731.00	7310.00	529.00	5290.00	426.50	4265.00
Average	750.50	7505.00	551.39	5513.90	438.28	4382.80
Change from the last day of the previous month	0.00	0.00	-1.00	-10.00	0.00	0.00

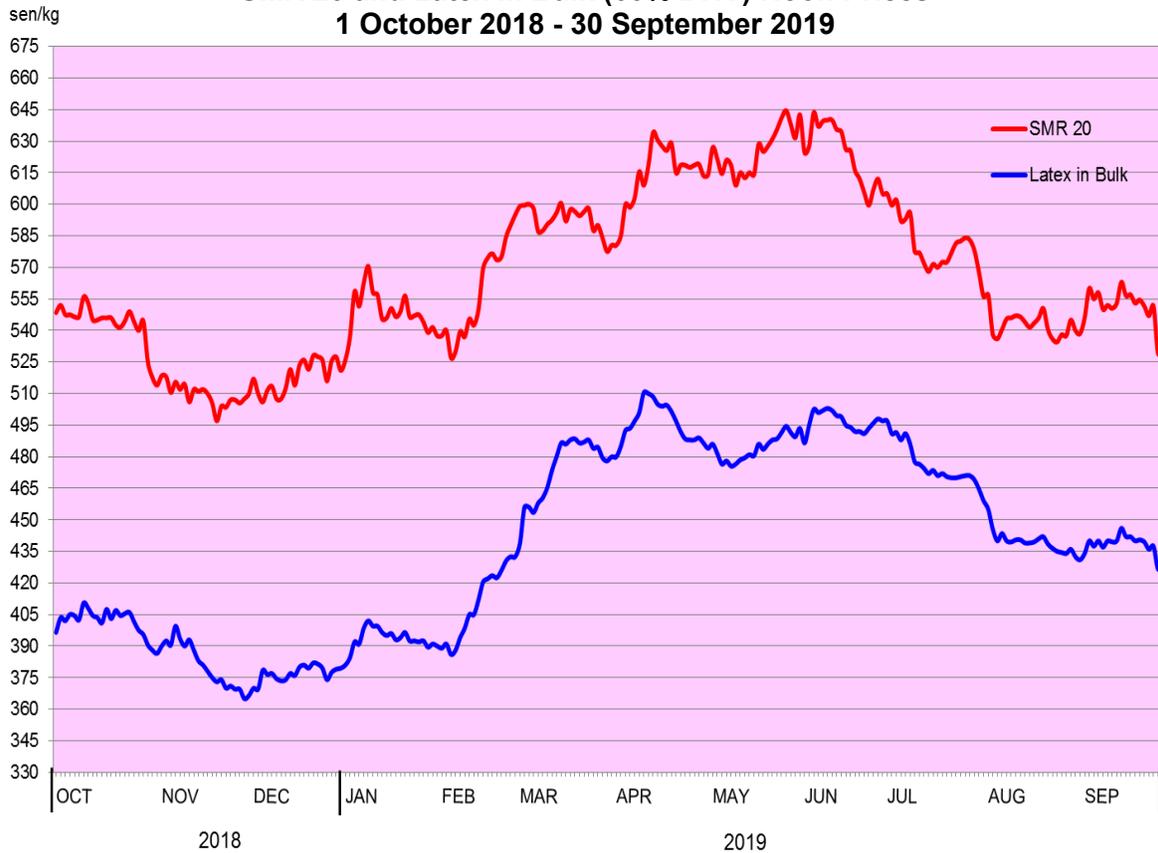
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, September 2019



SMR 20 and Latex in Bulk (60% DRC) Noon Prices 1 October 2018 - 30 September 2019



contracted in August by 2% from a year earlier, compared with a 2.6% gain in July. Traders continued to remain on the sidelines after China's official manufacturing activity (PMI) for September showed a contraction at 49.8, despite slightly higher compared to the previous month. Market sentiment remains bearish after U.S. manufacturing activity shrank in August to 49.1, the lowest since January 2016.

Towards the end of month, the global commodity and equity markets declined sharply with price of SMR 20 dropped to 529.00 sen/kg on 27 September, the lowest since February 2019 due to worries over the political turmoil in U.S caused by an impeachment inquiry into President Donald Trump. Dull and featureless conditions prevailed in the market, tracking weak manufacturing data from Europe and Japan. It was reported that Japanese manufacturing activity shrank at the fastest pace in seven months in September while manufacturing in the Euro Zone fell to a more than six-year low in September. Crude oil prices turned bearish weighed down by an unexpected build in U.S. crude inventories.

Outlook

In the absence of fresh leads and weaker economic data, the Kuala Lumpur Rubber Market is expected to remain quiet in the near-term. Prices are likely to move within a tight range as the China's market will be closed from 1st to 7th October for National Day. Market players are expected to adopt 'wait and see attitude' on the developments of trade negotiations between U.S and China. Prices are also expected to take cues from the performance of ringgit, crude oil prices and regional rubber futures markets. Uncertainty on the global financial markets following U.S political tension would continue to put pressure on the rubber market. However, there could be some improvement in prices if supplies of raw material to be limited by wet weather in major rubber growing areas.

News Briefs

Ministry to propose THB26bn in subsidies for rubber farmers

Thailand Agriculture Ministry will propose up to THB26 billion in subsidies for rubber farmers in a bid to boost their income. The subsidies, which may be considered by the cabinet next week, would benefit about 1.4 million farmers and nearly 300,000 rubber tappers between October and September next year. The government would set floor prices for some rubber products, including unsmoked sheets, latex and cup lumps, and farmers would be paid the price difference.

- *bangkokpost.com*, 2 Sep

Cambodia's rubber export up 25% in 7 months

It was reported that Cambodia exported 125,955 tonnes of dry rubber in the first seven months of 2019, up 25% over the same period last year. The country made gross revenue of 169 million U.S. dollars from exports of the commodity during the January-July period this year, an increase of 19% over the same period last year.

- *xinhua.net*, 2 Sep

China lodges tariff case at WTO against the U.S.

China has lodged a complaint against the United States at the World Trade Organization (WTO) over U.S. import duties, the Chinese Commerce Ministry said on Monday. The United States began imposing 15% tariffs on a variety of Chinese goods on Sunday and China began imposing new duties on U.S. crude oil, the latest escalation in their trade war. The latest tariff actions violated the consensus reached by leaders of China and the United States in a meeting in Osaka, the Commerce Ministry said in the statement. China will defend its legal rights in accordance with WTO rules, it said.

- *reuters.com*, 2 Sep

India's NR demand drops; tyre companies contract for imports

Poor global rubber prices, due to the U.S-China trade war, and a declining demand from Indian

tyre manufacturers have driven down the value of natural rubber (NR) in India, with a further drop expected in the coming weeks. According to Indian rates, the price of RSS-4 NR variety, used in tyre production, has dropped to Rs 140 (USD1.95) per kg, its equivalent in the global market is significantly cheaper over the same period. Rubber production in the country was also marginally down to 123,000 tonnes in the quarter ending June from a year ago while consumption has declined by 4% to 293,000 tonnes.

- *rubberjournalasia.com*, 2 Sep

U.S. factory activity shrinks for first time in 3 years

U.S. manufacturing activity shrank in August for the first time since 2016. The Institute for Supply Management (ISM) said its index of national factory activity decreased in August to **49.1**, the lowest since January 2016.

- *wsj.com*, 3 Sep

Fed's Rosengren sees no pressing need for rate cuts

Despite growing trade tensions and geopolitical concerns that could threaten the U.S. economy, Boston Federal Reserve Bank President Eric Rosengren on Tuesday stuck to his view that the U.S. central bank does not need to cut interest rates further. With the Fed's policy rate currently targeted at between 2% and 2.25%, the central bank has limited space to reduce rates before it hits its lower limit of 0%, he said.

- *reuters.com*, 3 Sep

Japanese automakers' sales fall in South Korea amid consumer boycott

Japanese automakers posted sharper sales falls in South Korea in August, industry data showed on Wednesday, hit by a consumer boycott of Japanese vehicles amid a worsening diplomatic row between the countries. Toyota Motor Corp and other Japanese carmakers saw South Korean sales tumble 57% to 1,398 vehicles in August from a year earlier, steeper than the 17% fall in July. Toyota's South Korean sales fell 59% to 542 in August from a year earlier, while Honda

Motor's sales tumbled 81% to 138. Toyota's Lexus was the top-selling Japanese brand in South Korea, with sales reaching 603 vehicles in August, up 7.7% from year earlier, but down 39% from July.

- *reuters.com*, 4 Sep

U.S. - China agree to resume trade talks, markets jump

China and the United States on Thursday agreed to hold high-level talks in early October in Washington, cheering investors hoping for a trade war thaw as new U.S. tariffs on Chinese consumer goods chip away at global growth. The new talks were arranged during a phone call between Chinese Vice Premier Liu He, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, China's commerce ministry said in a statement.

- *reuters.com*, 5 Sep

India's tyre after-market reports growth despite industry slump

The declining demand in the automotive industry has not stopped the growth of India's tyre after-market, replacement tyres or exports replacement demand has remained consistent, such that tyre manufacturers can keep production going. Goodyear India Vice President, P. K. Walia, notes that the after-market is growing by a steady 4-6% due to robust replacements. Goodyear India admits to cutting back production to allow for reduced OEM schedules, but will not be terminating temporary working contracts. The tyre after-market demand has also boosted sales in FY19, allowing the industry to post single-digit growth with an 11% increase in revenues, as reported by JK Tyre Marketing Director, Vikram Malhotra.

- *rubberjournalasia.com*, 6 Sep

U.S. economy untouched by trade war: Mnuchin

US Treasury Secretary Steven Mnuchin on Monday said America's economy was unscathed after more than a year of entrenched trade conflict with China and Europe. The remarks brushed aside concerns prompted by recent

economic data showing slower employment growth, falling business investment and a weakening manufacturing sector, which have intensified recession warnings. "I don't see in any way a recession," Mnuchin told Fox Business.

- *nst.com.my*, 9 Sep

Fitch says trade policy disruption is 'darkening' global economic outlook

The escalation in the ongoing U.S.-China trade war and the prospect of a no-deal Brexit are among trade policy disruptions that are "darkening" the global economic outlook, Fitch Ratings said on Monday. A no-deal Brexit scenario could lead to a "significant UK recession" in 2020, the ratings agency said, adding that Eurozone growth prospects will be "materially lower" in the event of a no-deal Brexit. The note added that the impact of China's slowdown has also been a significant factor in recent growth disappointments in the Eurozone.

- *reuters.com*, 10 Sep

Rubber Processing Chemicals market to reach a market valuation of nearly USD 4,500 million by the end of 2026

As per the projections of Persistence Market Research, the global rubber processing chemicals market was estimated to be valued at nearly USD 4,750 million at the end of the year 2017 and is likely to reach a figure of nearly USD 7,000 million at the end of the period of forecast in the year 2026, and in the process exhibit a Compound annual growth rate (CAGR) of 4.5% during the time span of 2017-2026. The tyres and related products segment in the application category of the global rubber processing chemicals market is likely to exhibit a CAGR of 4.2% during the period of forecast. This segment was estimated to be valued at nearly USD 3,300 million in 2017.

- *newvarsity.com*, 10 Sep

Tyre makers Continental, Michelin plan joint venture: filing

German automotive supplier Continental and France's Michelin plan a joint venture related to tyre production, according to a list of mergers under review published by the German antitrust authority. The venture, in which French farming

technology firm SMAG is also listed as a partner, would be based in Singapore, according to the Aug. 29 filing published on the Federal Cartel Office's website.

- *reuters.com*, 10 Sep

Mixed outlook for Malaysian glove makers for now: MIDF Research

Malaysian glove makers stand to benefit from recent U.S. tariffs on China-made gloves, leading to higher demand for medical gloves, Malaysian Industrial Development Finance Berhad (MIDF) Research says. But the Malaysian companies' exports to Europe could be under threat as their Chinese counterparts are expected to reroute products to Europe, so they need to price their products competitively to defend their market shares, the research group says. Declining rubber latex price and efforts to install more efficient production lines could further reduce costs, MIDF says while maintaining neutral on the sector with buys on Kossan and Supermax.

- *factiva.com*, 11 Sep

Asian markets mostly gain as trade tensions ease

President Donald Trump said the tariff hikes, which had been scheduled to take effect 1st Oct will be put off until 15th Oct as a "gesture of good will." Earlier in the day, China said it would exempt some U.S. goods from tariff hikes it intends to impose starting 17th Sept. The conciliatory moves appear to be efforts to create goodwill before the resumption of trade negotiations in early October.

- *marketwatch.com*, 11 Sep

Global economy 'far' from recession, IMF official says

Trade tensions are weighing on growth across the world, but the International Monetary Fund (IMF) is "far" from forecasting a global recession, an IMF official told Reuters on Friday, as the fund prepares to release a new economic outlook next month. The IMF on Thursday said tariffs imposed or threatened by the United States and China could shave 0.8% off global economic output in 2020 and trigger losses in future years.

- *reuters.com*, 14 Sep

Thailand becomes world's largest rubber exporter, China as biggest market: ministry

The Thai Commerce Ministry's Department of Trade Negotiations on Sunday said that Thailand has become the world's largest rubber exporter, with China as Thailand's biggest market thanks to its free trade agreements (FTA) with China and many other countries. Director-general of the DTN Auramon Saphaweetham said that in 2018, Thailand exported rubber at an estimated over USD4.6 billion, accounting for 1.82% of total Thailand exports. "China was Thailand's biggest market, importing Thailand rubber at USD1.96 billion," said Auramon, "that is 43% of total Thailand rubber exports in 2018.

- xinhua.net, 15 Sep

Myanmar earned USD250 million earned from exporting 190,000 tonnes of rubber in 11 months

Myanmar earned about USD250 million from exporting 190,000 tonnes of rubber in 11 months of the current fiscal year exceeding over USD60 million (over 41,000 tonnes) compared to the same period of last year, said an official from the ministry of commerce. "From 1st October to 30th August in the current 2018-2019 fiscal year, USD247.557 million was earned from the export of over 192,986 tonnes of rubber. In the same period of last year, 151,895 tonnes of rubber worth USD184.360 million, the official told The Daily Eleven. In the 11 months of this year, USD63.197 million more was earned from exporting 41,090 tonnes of rubber.

- thaibizmyanmar.com, 16 Sep

Ivory Coast Jan-July rubber exports up 12% year-on-year

Ivory Coast exported 435,280 tonnes of natural rubber (NR) from 1st January to 31st July, up more than 12% from the same period the previous year, provisional port data showed on Friday. Ivory Coast, the world's top cocoa producer, is also Africa's leading grower of NR. Exports have risen in recent years as farmers, lured by the promise of more stable incomes, have increasingly switched to rubber from cocoa.

- reuters.com, 13 Sep

China's Hainan Group to set up rubber zone in Kegalle next year

The first specialised free trade zone for rubber-based value-added exports of China Hainan Rubber Industry Group Co. Ltd will be set up in Kegalle next year. "We are negotiating with China's Hainan Group to set up rubber zones in Sri Lanka. I am very keen that we set it up in Kegalle. Hainan Group held extensive discussions with Sri Lanka's private sector. They are planning to invest between USD 50 - USD100 million per venture," Plantation Industries Minister Navin Dissanayake said.

- dailymirror.lk, 17 Sep

Continental, Michelin develop new mobile app for natural rubber industry

Continental Tyres, Michelin, and Smag, a software developer for agriculture, have announced a new joint venture to develop, Rubberway, a new mobile app designed to map sustainability practices across the natural rubber (NR) industry. Rubberway is designed in compliance with the objectives of the Global Platform for Sustainable Natural Rubber (GPSNR). Rubberway will provide its users (tyre manufactures) with the collected data and enable them to identify and improve sustainability in the NR chain.

- tractionnews.com, 16 Sep

Capital spending for new plants decreases

Capital spending on new capacities by the world's leading tyre makers fell measurably in the past dozen months to roughly USD3.5 billion, but the total includes plans for seven greenfield factories. At the same time, at least two high-profile projects representing about USD630 million in capital spending Balkrishna Industries Ltd.'s and Sentury Tyre Group's in the U.S. are now on indefinite hold. New U.S. plants from Continental A.G. and Nokian Tyres P.L.C. representing investments of USD1.85 million and more than 4 million units of new annual capacity are scheduled to hold ceremonial production commissioning in the coming months.

- rubbernews.com, 18 Sep

Malaysia sees 4.9% GDP growth

The second quarter of this year (Q2 2019) saw the Malaysian economy expand by 4.9% to RM348.8 billion, after recording a growth of 4.5% during Q1 2019. According to the Ministry of Finance, the GDP growth during this period was supported by solid domestic demand growth of 4.6% year-on-year (y-o-y), which was faster than the 4.4% rate recorded in the first quarter of 2019. The domestic demand expansion was helped by low and stable inflation. In July 2019, the consumer price index rose 1.4% y-o-y, slightly lower than the 1.5% rise in June.

- *marketing-interactive.com*, 18 Sep

Increased rain guarding help raise rubber production in July

Rubber Board's efforts to raise production during monsoon months by increasing rain guarding in the plantations have paid dividends with production in July showing an increase. The natural rubber (NR) production in the country in July was 60,000 tonnes, up by 14,000 tonnes from the same last year. The harvesting operations in rubber in Kerala get hindered during rainy months resulting in steep fall in production. Confronted with a drastic decline in production during the last few years, the Rubber Board took steps to ensure uninterrupted tapping during the monsoon period.

- *economictimes.indiatimes.com*, 18 Sep

Fed ups its GDP forecast for 2019 slightly to 2.2%

The US Federal Reserve dialed up its growth expectations slightly while keeping its inflation projection unchanged, according to its Summary of Economic Projections. The central bank now expects gross domestic product (GDP) to grow at a 2.2% pace for 2019, versus the 2.1% forecast in June. The unemployment rate is expected to rise to 3.7% this year, slightly above the 3.6% projection in June. The GDP outlook for 2020 stayed unchanged at 2%.

- *cnbc.com*, 19 Sep

Global industrial rubber products market anticipates to rise at 5.5% CAGR by 2025

The global industrial rubber products market is expected to grow at a healthy Compound annual growth rate (CAGR) of 5.5% during the forecast period of 2017 to 2025. According to product type, the global industrial rubber products market is leading by mechanical goods. It is dominating the market as it held 50% of the share in the market during 2016.

- *menafn.com*, 20 Sep

Yokohama set to raise tyre prices

Yokohama Tyre Corp. will raise prices by as much as 5% on its consumer tyres, effective 1st November. The price hike includes high-performance, light truck and passenger car tyres. Yokohama is one of several tyre makers who have announced price increases.

- *rubbernews.com*, 20 Sep

Michelin-Conti-Smag to create NR joint venture with Rubberway app

Tyre manufacturers Michelin and Continental, together with software developer Smag, will start up Rubberway, a joint venture specialising in the development/deployment of technological solutions for mapping sustainability practices in the supply chain of natural rubber (NR). In accordance with the Global Platform for Sustainable Natural Rubber (GPSNR), Rubberway will assess practices and risks regarding environmental issues, social affairs, and Corporate Social Responsibility governance throughout the NR industry, thus making the supply chain more transparent.

- *rubberjournalasia.com*, 23 Sep

Malaysia's export growth outperformed other ASEAN countries

Malaysia's export has outperformed other Association of South East Asian Nations (ASEAN) countries' over three quarters of the year amid global trade uncertainties, according to a survey by Institute of Chartered Accountants in England and Wales (ICAEW). ICAEW said Malaysia's export had actually shown resilient

domestic demand. The institute expects overall economic growth across ASEAN to have slowed down to 4% in the first half of the year compared to 4.5% in the second half of 2018.

- *nst.com.my*, 25 Sep

Japan's Abe: Trump agreed not to impose new car tariffs on Japan

Japan's Prime Minister Shinzo Abe said U.S. President Donald Trump agreed not to impose national-security tariffs on Japanese. "I clearly confirmed to President Trump that the Japan-U.S. joint statement means additional tariffs will not be imposed on (Japanese) autos or auto parts, and President Trump acknowledged this" Abe told a news conference in New York after meeting with Trump.

- *reuters.com*, 26 Sep

UK car output rises for the first time in 15 months

British car production increased by an annual 3.3% in August, the first rise in 15 months, helped by several factories having moved their summertime shutdowns to April in preparation for the original Brexit date, an industry body said on Thursday.

- *reuters.com*, 26 Sep

India keen to import more Thai rubber

Thailand looks set to boost shipments of agricultural products to India, in particular rubber to supply the latter's strong automotive industry. V. T. Chandrasekharan, president of the rubber association, said Indian rubber demand averages 1.2 million tonnes a year, while the import volume was more than 500,000 tonnes this year, only 10% of which was from Thailand. Mr Chandrasekharan said India is keen to raise imports of rubber block and latex from Thailand if Thai distribution agents are set up in India. The Indian tyre market was worth USD8 billion last year, and export volume topped USD1.6 billion.

- *bangkokpost.com*, 28 Sep

China Sept factory activity surprises, expands fastest in 19 mths- Caixin PMI

China's factory activity unexpectedly expanded at the fastest pace in 19 months in September as plants ramped up production and new orders rose, a private business survey showed, suggesting a modest recovery in the manufacturing sector. The Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) for September rose to 51.4 from 50.4 in August, marking the second straight month of expansion.

The National Statistics Bureau said that the world's second-largest economy is being increasingly driven by domestic consumption, even as the trade war and softer global demand continues to weigh on exports. Top-level trade negotiators from China and the United States are expected to meet in Washington Oct. 10-11 to determine if they can reach a truce in the trade dispute and avert new and higher tariffs in coming months. Policymakers are widely expected to unveil more monetary and fiscal support measures in coming months.

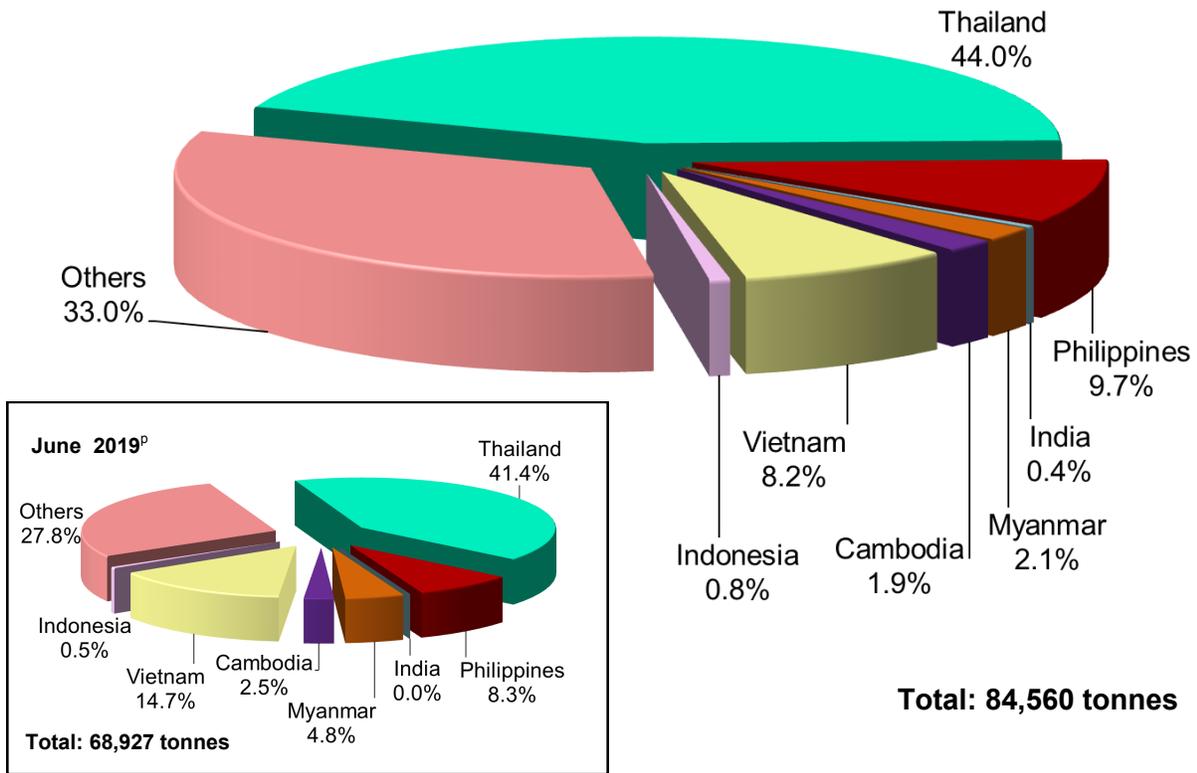
- *reuters.com*, 28 Sep

Automotive tyre market to hit \$75.4 billion

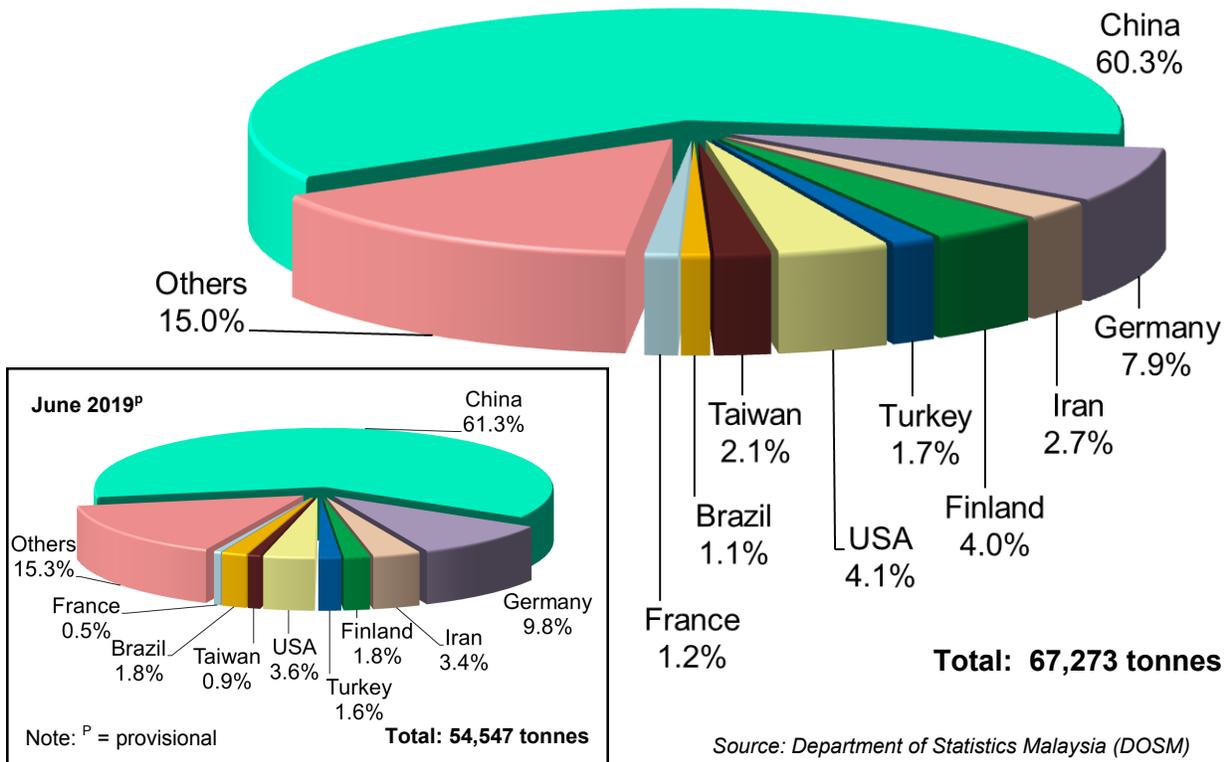
The U.S. automotive tyre market is witnessing growth due to the prospering automotive industry and high demand for tyre replacement due to the improving average age of vehicles. From USD57.9 billion in 2018, the market is expected to garner USD75.4 billion by 2024, registering a 5.4% Compound annual growth rate (CAGR) during the forecast period 2019-2024.

- *ratchetandwrench.com*, 30 Sep

Malaysia's NR Imports by Countries, July 2019^P

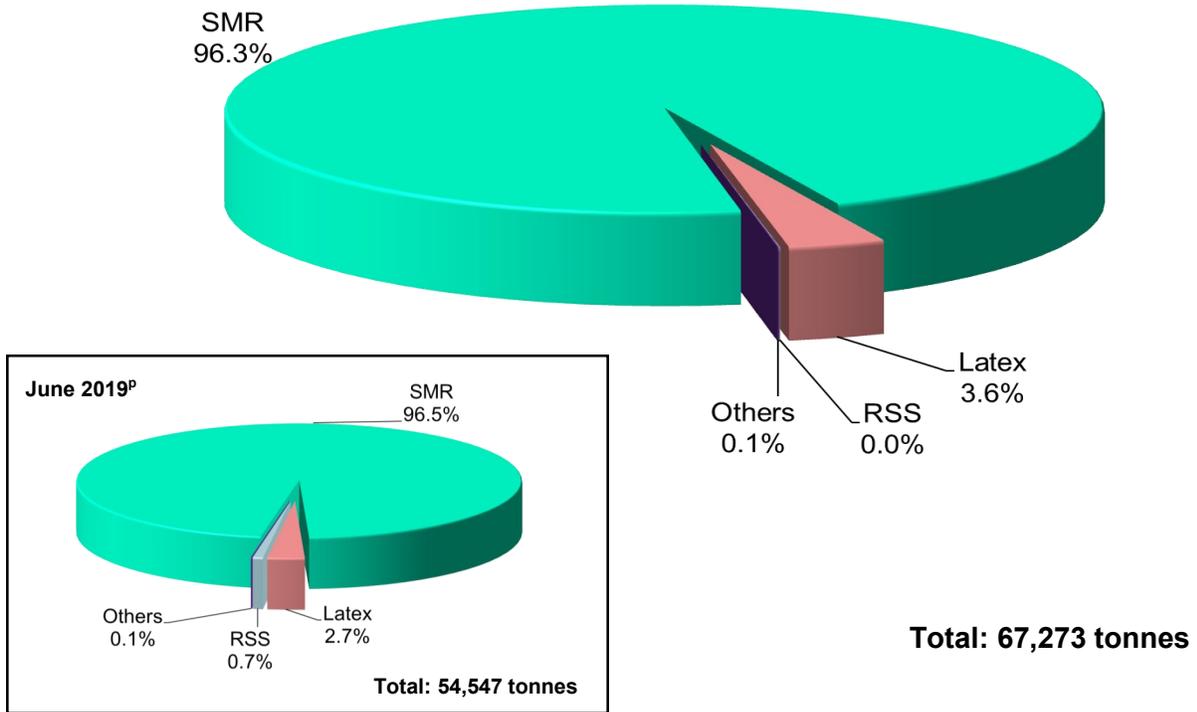


Malaysia's NR Exports by Countries, July 2019^P



Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, July 2019^P



Malaysia's NR Consumption by Sectors, July 2019^P

