



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

October

In October, prices on the Kuala Lumpur Rubber Market remained weak with SMR 20 tumbled to their lowest level in nearly seven months at 514.00 sen/kg on 31 October. Generally easier conditions set in during October resulting from slumping global equity market, concerns over slowing global economic growth, unfavourable China's economic data, poor performance of the regional rubber futures markets, weaker oil prices and uncertainty in the currency market. The market remained featureless as major buyers sought for lower prices while sellers were reluctant to deal at such levels. Compared with those on 28 September 2018, the price of SMR 20 dropped by 31.00 sen/kg or 5.7% to close at 514.00 sen/kg. Meanwhile, latex concentrate closed at 386.50 sen/kg, down by 14.00 sen/kg or 3.5%. Compared with the previous month, average price of SMR 20 in October fell slightly by 1.3 sen/kg or 0.2 % to 542.96 sen/kg. Price movements of selected grades of rubber in October 2018 are shown in Table 1.

The bearish sentiments prevailed in the market

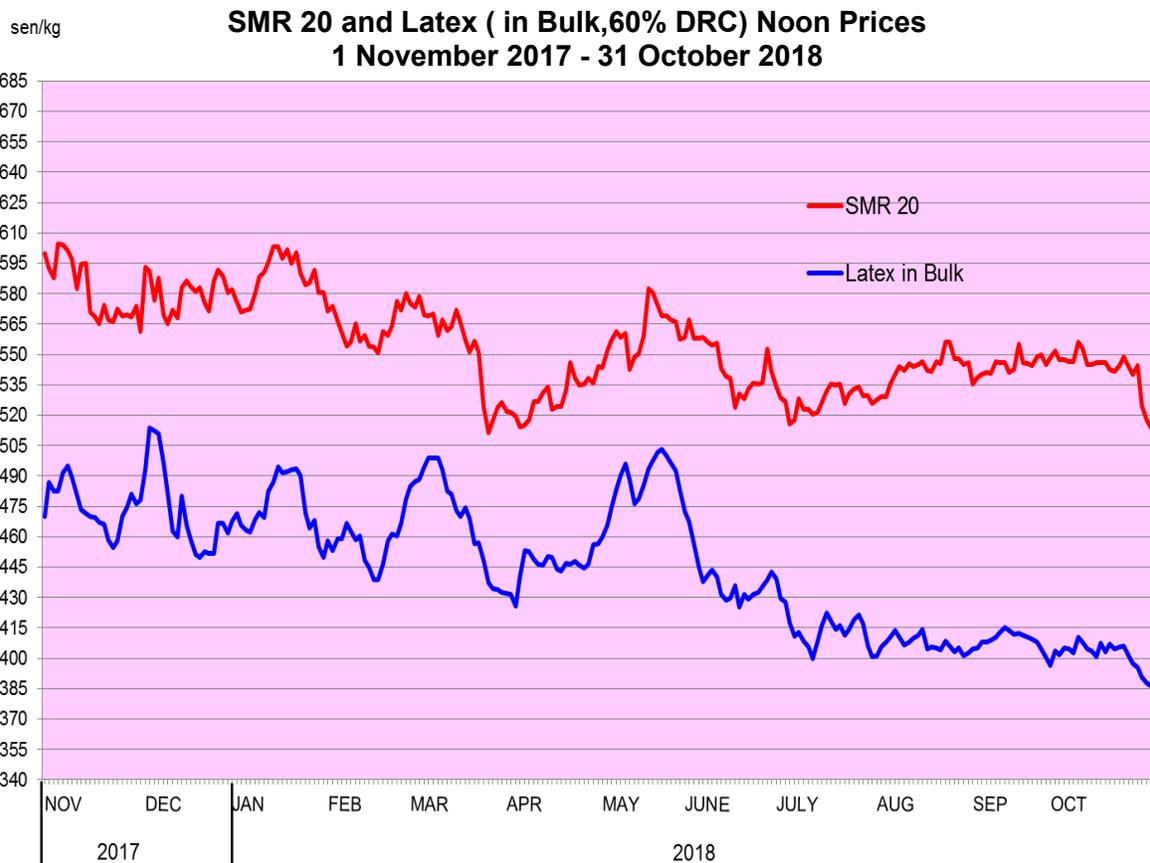
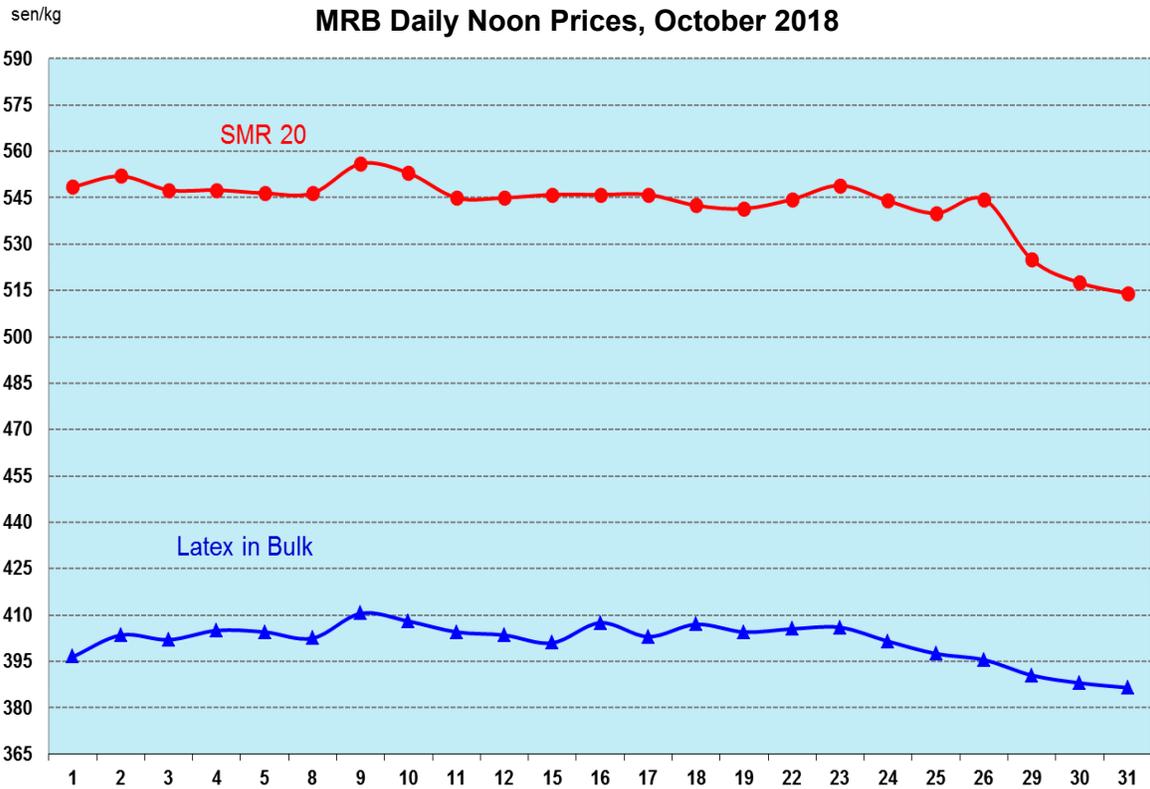
with a steep decline towards the end of month owing to renewed worries on lingering U.S-China trade tension and its impact to the global economy. The market took cue from sharp losses in the global stock market as U.S stocks posted the biggest daily decline since 2011 due to a panic-selling among investors resulting from weak U.S housing data, poor corporate earnings results, trade war fears and concerns on slowing global economic growth. International Monetary Fund (IMF) cut its global economic growth forecasts for 2018 and 2019 to 3.7% from its July forecast of 3.9% growth for both years. Market players reacted negatively to China's industrial profits growth in September which slowed to 4.1% y-o-y from 9.2% in August as sales of raw materials and manufactured goods ebbed. Weaker advices from regional rubber futures markets was observed as a result of sharp losses in global equity markets and as market players unwound positions ahead of the expiry of a near-term contract towards end of the month. Market sentiment was also dampened by higher natural production reported by the Department of Statistics Malaysia (DOSM) on 12 October. According to DOSM, Malaysia's natural rubber production rose by 11.4% in August to 62,862 tonnes as compared to 56,454 tonnes in July and increased 2.9% year-on-year. Market players

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, October 2018

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	705.00	7,050.00	556.00	5,560.00	410.50	4,105.00
Lowest	691.50	6,915.00	514.00	5,140.00	386.50	3,865.00
Average	701.41	7,014.10	542.96	5,429.60	401.50	4,015.00
Change from the last day of the previous month	-14.00	-140.00	-31.00	-310.00	-14.00	-140.00

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

Source: Malaysian Rubber Board



turned cautious as oil prices declined more than 10% towards the end of the month after Brent and WTI peaked at USD86.29 and USD76.41 per barrel respectively in early October. The declines were due to rising U.S crude inventories, geopolitical tensions in Saudi Arabia, on-going U.S-China trade tension and worries about the long-term outlook for demand. The market remained dull after China National Bureau of Statistics reported that China's third quarter economic growth slumped to 6.5%, the weakest since 2009. The economic slowdown was largely due to weaker China factory output as automobile makers cut production by over 10% amid a sales slowdown. Market was also impacted by surging rubber inventories in Shanghai Futures Exchange (SHFE) warehouse to 591,599 tonnes on 25 October and as China's manufacturing activity (PMI) was reported fell to 50.2 in October, the lowest since July 2016.

Nevertheless, the decline in the rubber market was capped by declining natural rubber (NR) stocks in Qingdao warehouse to 52,100 tonnes on 16 October following the expiry of old rubber. The market was also responded positively to the data released by the Association of Natural Rubber Producing Countries (ANRPC). During the first nine months of 2018, the world NR production recorded a slower growth at 1.5% (y-o-y) to 9.779 million tonnes while the world NR consumption grew 6.6% (y-o-y) to 10.653 million tonnes, thus resulted a supply deficit of 874,000 tonnes. Furthermore, the market losses throughout the month were offset by the continuous depreciation of ringgit against the U.S dollar at RM 4.1825 on 31 October that reached an 11-month low.

Outlook

The rubber market is expected to remain volatile as external factors such as uncertainty of global equity and financial markets following lingering trade tension between U.S and China. The market participants would be watching closely developments in the U.S and China for direction which will impact the global economy. Prospects for the near term are uncertain due to the slower China manufacturing activities and the expectation of further U.S interest rate hike which will affect the currencies of the major rubber exporting countries. However, the decline would be limited resulting from shortage of raw

materials following wet weather, global NR supply deficit of 874,000 tonnes during the first nine months of 2018 as well as declining NR stocks in Qingdao warehouse.

News Briefs

Iran and France to cooperate on tyre manufacturing

While Iran is facing a trade backlash from the U.S, French rubber and plastics industry association UCAPLAST (Union des Syndicats des PME du Caoutchouc et de la Plasturgie) and Iranian tyre maker Barez Industrial Group have inked a memorandum of understanding (MOU) to advance technological and educational cooperation in tyre manufacturing.

- *rubberjournalasia.com, 1 Oct*

Sri Lanka rubber farmers call for effective taxes on export industries

In a move which may spell the death for more than 10% of Sri Lanka's industrial exports, the country's top association representing large rubber farms has called for effective taxes on value-added rubber product exporters to help farmers make easier profits. Export of industrially processed rubber products alone accounted for 835.4 million dollars, or 9.8% of Sri Lanka's industrial sector exports in 2017, growing 8.8% from a year earlier, while rubber components are also used in other products exported.

- *economynext.com, 2 Oct*

Vietnam ranked third worldwide in natural rubber export

Vietnam is currently the third-biggest exporter of natural rubber globally, accounting for around 8.1% of the world's total rubber output, according to the Vietnam Timber and Forest Production Association (VIFORES). At present, natural rubber, rubber products, and rubber wood products are the sector's export staples with revenue hitting USD6.4 billion in 2017, contributing 5.4% to the country's total exports, the VIFORES noted.

- *factiva.com, 2 Oct*

Synthetic rubber prices likely to remain volatile

Prices for synthetic rubber and petrochemical feed-stocks have been "incredibly volatile" and are likely to remain so for a while, according to a speaker at the International Tire Exhibition & Conference in Akron 11-13 September. "Energy and economy related fundamentals in the synthetic rubber market are encouraging, but risks abound," said Bill Hyde, Executive Director-Olefins and Elastomers at IHS Markit.

- *factiva.com*, 3 Oct

Thailand Ministry to compensate rubber growers

Thailand's Agriculture and Cooperatives Ministry is planning to offer THB 3,000 compensation per rai to rubber growers who agree not to tap rubber latex in their plantations for three months. "This is a planned measure to tackle falling rubber prices," Agriculture and Cooperatives Minister Grisada Boonrach said. He said he had already instructed the Rubber Authority of Thailand to consult the Council of State about the possibility of seeking a Bt9-billion loan, with the government acting as a guarantor for the plan's implementation. "We hope to implement the plan between November and next April," he said. "We should then be able to cut rubber supply by 200,000 tonnes." Regarding 100,000 tonnes of rubber stored in Rubber Authority of Thailand's warehouses, said the authority and the Electricity Generating Authority of Thailand were now conducting experiments on how to turn rubber into energy.

- *factiva.com*, 4 Oct

China pumps USD109 billion into economy as trade war bites on growth

China has slashed the amount of cash some of its banks must hold in reserve as Beijing's leadership seeks to bolster a flagging economy. As higher U.S interest rates and fears of a trade war piles pressure on economies around the world, China's central bank said that it was cutting the reserve requirement ratios (RRRs) by one percentage point from 15 October to lower financing costs and spur growth in the world's second-biggest economy. The injection of cash into the economy, which will be 750 billion yuan (USD109.2 billion), will also boost hopes that the

negative impact of higher U.S tariffs on Chinese exports can be eased.

- *financialexpress.com*, 7 Oct

IMF cuts world economic growth forecasts as import tariffs, emerging market issues bite

The International Monetary Fund (IMF) cut its global economic growth forecasts for 2018 and 2019, saying that trade policy tensions and the imposition of import tariffs were taking a toll on commerce while emerging markets struggle with tighter financial conditions and capital outflows. The new forecasts show that a burst of strong growth, fueled partly by U.S tax cuts and rising demand for imports, was starting to wane. The IMF said in an update to its World Economic Outlook it was now predicting 3.7% global growth in both 2018 and 2019, down from its July forecast of 3.9% growth for both years.

- *reuters.com*, 9 Oct

Tokyo Commodity Exchange (TOCOM) adds another rubber listing

The Tokyo Commodity Exchange (TOCOM) listed a second natural rubber product on 9 October in an effort to lure Chinese and Southeast Asian traders and investors. Ribbed smoked sheet, or RSS, rubber is already the fourth most traded commodity on TOCOM, behind gold, crude oil and platinum. Now TOCOM has listed technically specified rubber, or TSR. The machine-produced product is cheaper and of higher quality than RSS.

- *asia.nikkei.com*, 10 Oct

NEPC supports farmers to meet rubber export demand

The Nigerian Export Promotion Council, NEPC, said rubber production in Nigerian was not meeting demand and has therefore decided to support farmers with improved seedlings to meet up demand. Deputy Director of the Council, Samuel Oyeyipo stated this in Benin City when he led other officials and those of the Rubber Research Institute of Nigeria (RRIN) on inspection of rubber seedlings donated to farmers in Iguoghiri, Ovia South West local government area of Edo State to increase the production of rubbers for export.

- *factiva.com*, 10 Oct

Vietnam to promote value addition to NR

Vietnam, the world's third largest NR producer, plans to boost domestic consumption by promoting the manufacturing of rubber products such as tyres, gloves, automobile spare parts etc for both domestic and export markets. Dr. Tran Thi Thuy Hoa, Head of Advisory Committee for Rubber Industry Development said globally unprecedented price falls, adverse weather and growing usages of synthetic rubber are pushing traditional natural rubber growers to other agricultural commodities.

- *factiva.com*, 10 Oct

Natural rubber production increased 11.4% in August 2018

Malaysia's natural rubber production rose by 11.4% in August to 62,862 tonnes as compared to 56,454 tonnes in July. For year-on-year, the production showed an increase of 2.9%. Malaysia's natural rubber exports amounted to 57,670 tonnes and showed a growth of 2.1%. China remains as the main destination, accounting 52.1% of total exports in August, followed by Germany (13.0%), Iran (5.5%), Korea (3.3%) and Finland (3.1%).

- *dosm.gov.my*, 12 Oct

China's GDP growth slows to 6.5% in 3rd quarter

China's economy grew at its slowest pace in nine years in the third quarter, as a campaign to tackle mounting debt and trade frictions with the U.S had an effect. The world's second largest economy expanded by 6.5% year-on-year in the July to September period, according to official GDP figures released by China's National Bureau of Statistics. The rate is down from 6.8% and 6.7% in the first and second quarters, respectively, but in line with a growth target of roughly 6.5% for the year set by China's economic policymakers.

- *deccanherald.com*, 18 Oct

ANRPC releases Natural Rubber Trends & Statistics September 2018

The world consumption grew 6.6%, on a year-to-year basis, to 10.653 million tonnes from January to September 2018 while the world production recorded a slower growth at 1.5% to 9.779 million tonnes, on a year-to-year basis. This resulted to a

supply deficit of 874,000 tonnes during the same reference period based on these statistics. The physical rubber prices remain low despite such favourable market fundamental in the NR market. The high rubber inventory in the Shanghai Futures Exchange (SHFE) and the warehouses in Qingdao Free Trade zone and other external factors have kept the sentiments down in NR market.

- *anrpc.org*, 19 Oct

Uptake in motorcycle tyres globally expected over the next four years

The demand for motorcycle tyres around the world is expected to rise 4% every year till 2022, at an estimated 704 million units valued at about USD14 billion. The advances in motorcycle tyres will see it overtaking the global tyre average as growth in the production, as use of motorcycles outpaces that of motor vehicles. Motorcycle tyre sales will develop prominently in warm climates such as Central and South America, and the Asia Pacific region, where motorcycles are a strong choice of transport. It is predicted that the Asia Pacific region will be responsible for 83% of all new demands in 2022.

- *rubberjournalasia.com*, 19 Oct

Towards a global platform for sustainable natural rubber

Natural rubber is a crucial element of tyre production and one reason Tyre Industry Project (TIP) members want to ensure the sustainable production and supply of natural rubber. Twelve months of stakeholder collaboration have resulted in development of an ambitious, wide-reaching, common set of priorities for the natural rubber supply chain. Together with other stakeholders, TIP members are working to transform the natural rubber supply chain for the better with the launch of the Global Platform for Sustainable Natural Rubber (GPSNR). The GPSNR will work to harmonize standards to improve respect for human rights, prevent land-grabbing, protect biodiversity and water resources, improve yields, and increase supply chain transparency and traceability.

- *shopfloor.org*, 22 Oct

Hainan Rubber to buy 71.58% stake in R1 International for USD76.71 million

China's largest natural rubber maker China Hainan Rubber Industry Group Co., Ltd. announced to purchase a 71.58% stake in R1 International Pte Ltd., a natural rubber trader, for 76.71 million U.S. dollars.

- *en.silkroad.news.cn* , 22 Oct

Cambodia: Rubber exports surge by 22%

Cambodian rubber exports surged 22% during the first nine months of the year, compared to the same period last year, based on figures from the Ministry of Agriculture. Local producers exported 140,303 tonnes of rubber during the period, an increase of 25,240 tonnes compared to a year earlier, said Pol Sopha, the Director-General of the Rubber Department at the Ministry of Agriculture. Sopha said total rubber cultivation will reach a peak of 450,000 ha in 2025. Cambodia now has a total of 427,000 ha of rubber plantations, of which 201,000 ha is mature. He said the government is considering helping on tax payment facilities to assist local producers and exporters.

- *factiva.com*, 22 Oct

U.S plans more China tariffs if Trump-Xi meeting fails

The U.S is preparing to announce by early December tariffs on all remaining Chinese imports if talks next month between Presidents Donald Trump and Xi Jinping fail to ease the trade war. The list would apply to the imports from the Asian nation that aren't already covered by previous rounds of tariffs -- which may be USD257 billion using last year's import figures.

- *bloomberg.com*, 30 Oct

High consumption of rubber may trigger its production growth in India

The projected growth in the rubber consumption which is a corollary to overall economic development of the country necessitates the need to expand rubber production though the current prolonged phase of natural rubber (NR) price crash has impacted the growers deeply, said Sheela Thomas, former Rubber Board Chairman and Secretary General of the

Association of Natural Rubber Producing Countries (ANRPC), in her inaugural speech at India Rubber Meet (IRM) here. The per capita consumption of rubber, which is a basic indicator of rubber based industrialisation is only 1.2 kg in India compared with global average of 3.69 kg and a relatively high figure of 6.59 kg in China. "So our economy will drive to produce more rubber and consume more rubber products in the country".

- *economictimes.indiatimes.com*, 30 Oct

Relief package put together for rubber industry loss in Kerala floods

The Indian Rubber Board has submitted USD33.5 million relief package to compensate for the devastating Kerala flood losses caused to the sector. According to D. Anandan, Chairman and Secretary of the board, the damages are in the form of tree loss, income loss, wage loss, as the floods have had a significant impact on overall production. The loss in tapping days and abnormal leaf fall after the disaster may impact production in the 2018-2019 season. The board has estimated a production dip of approximately 137,000 tonnes. Total production through the year could be around 600,000 tonnes.

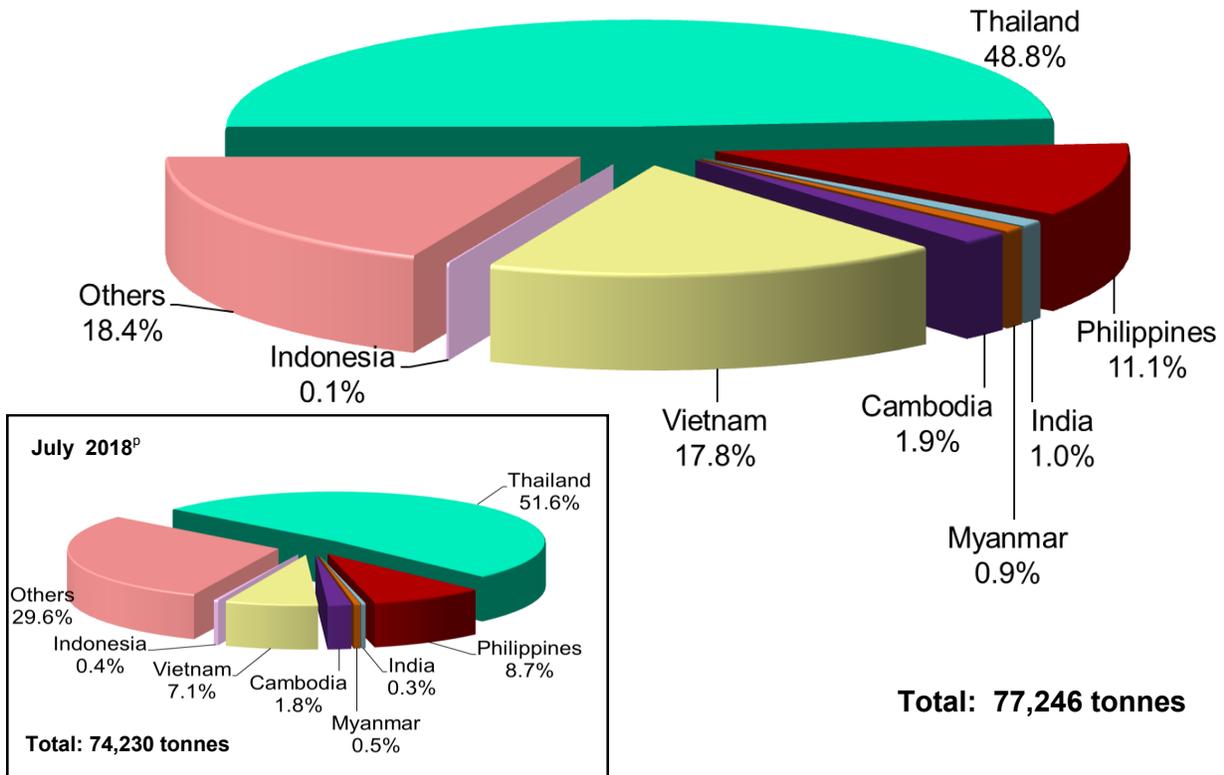
- *rubberjournalasia.com*, 30 Oct

China factory growth weakest in over two years, slump in export orders deepens

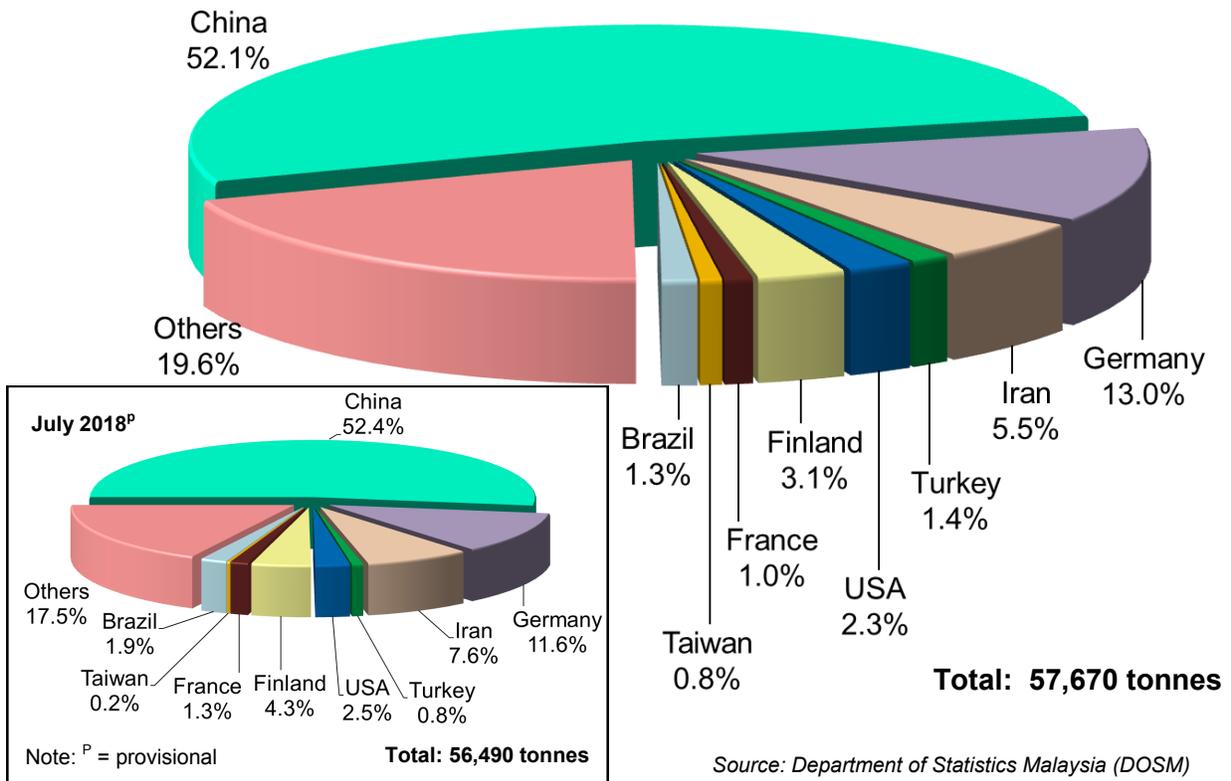
The official PMI - which gives global investors their first look at business conditions in China at the start of the last quarter of the year - fell to 50.2 in October, the lowest since July 2016 and down from 50.8 in September. China's manufacturing sector in October expanded at its weakest pace in over two years, hurt by slowing domestic and external demand, in a sign of deepening cracks in the economy from an intensifying trade war with the United States. The latest reading suggests a further loss of momentum in the world's second-biggest economy, and the deteriorating environment for businesses could prompt more policy support from Beijing on top of a raft of recent initiatives.

- *Reuters.com*, 31 Oct

Malaysia's NR Imports by Countries, August 2018^P

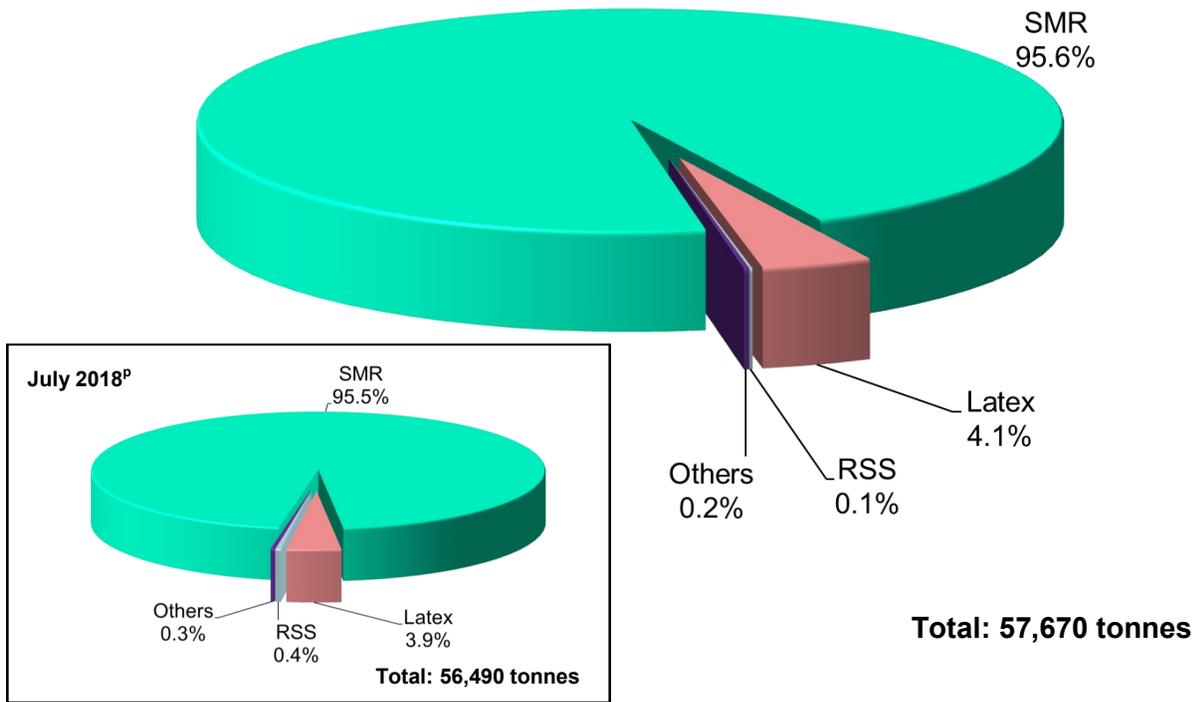


Malaysia's NR Exports by Countries, August 2018^P

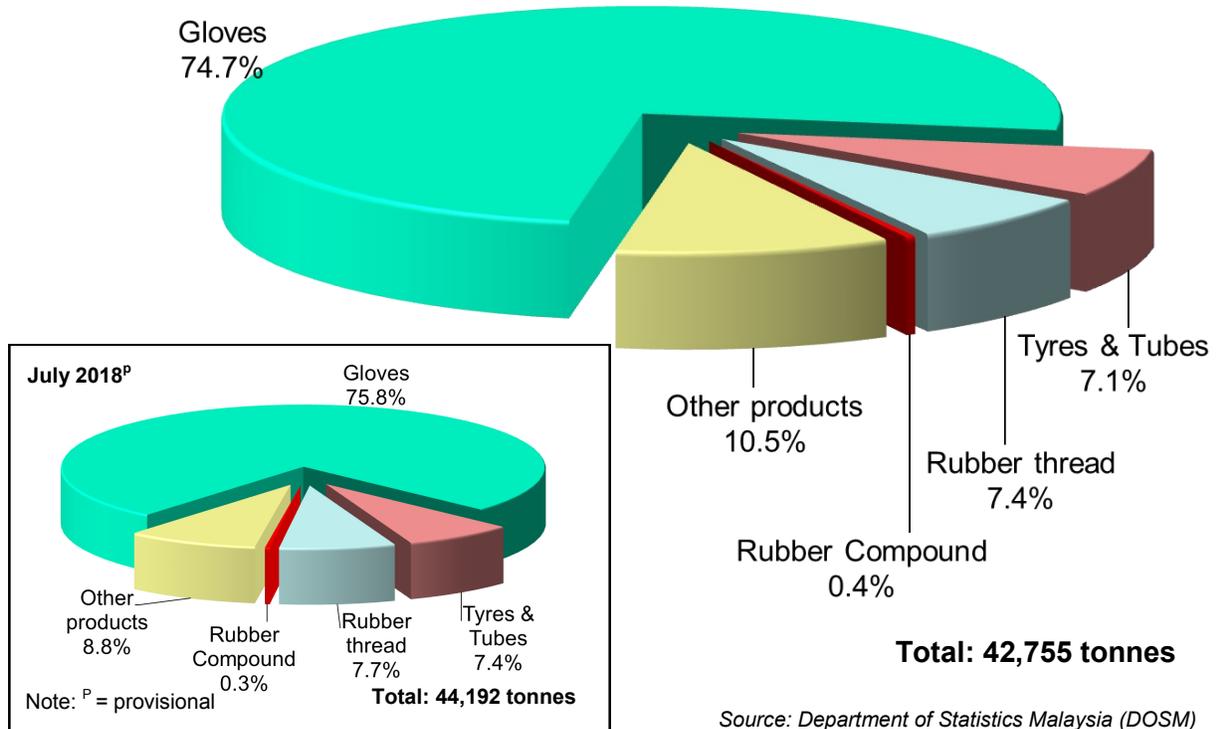


Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, August 2018^P



Malaysia's NR Consumption by Sectors, August 2018^P



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