



MALAYSIAN RUBBER BOARD

DIGEST

A monthly publication of the Malaysian Rubber Board

2018
NOV

Natural Rubber Market Review

November

Extending the downtrend from the previous month, the Kuala Lumpur Rubber Market remained dull in November with SMR 20 hitting 28-month low to 497.00 sen/kg on 21 November 2018. Despite the favourable world supply and demand fundamentals, the market sentiment was mostly dominated by the external factors such as broader losses in global financial markets, concerns over slowing global economic growth following the ongoing U.S - China trade war, weaker China manufacturing activities, excessive speculative in regional rubber futures markets and slumping oil prices. Compared with those on 31 October 2018, the price of SMR 20 dropped by 4.0 sen/kg or 0.8% to close at 510.00 sen/kg. Meanwhile, latex concentrate closed at 366.50 sen/kg, down by 20.0 sen/kg or 5.2%. Compared with the previous month, average price of SMR 20 in November dropped by 33.61 sen/kg or 6.2% to 509.35 sen/kg. Price movements of selected grades of rubber in November 2018 are shown in Table 1.

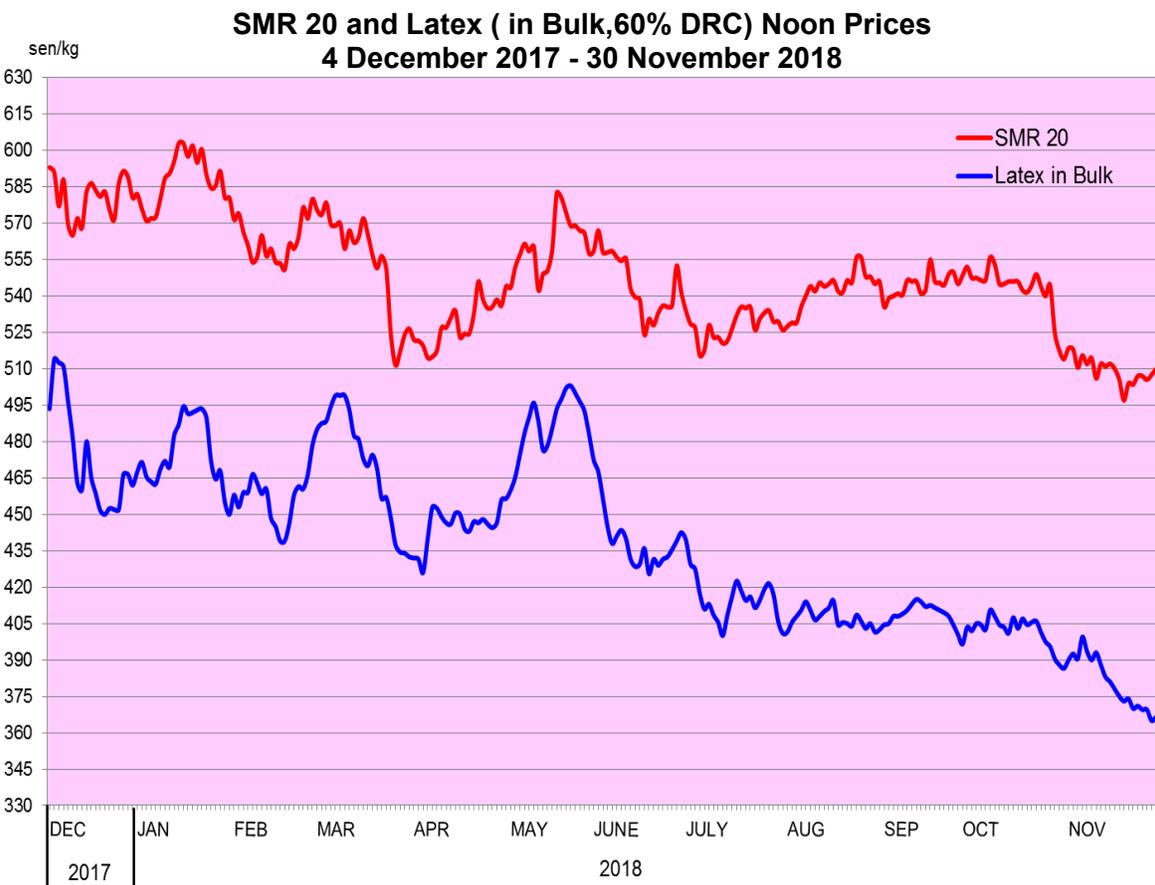
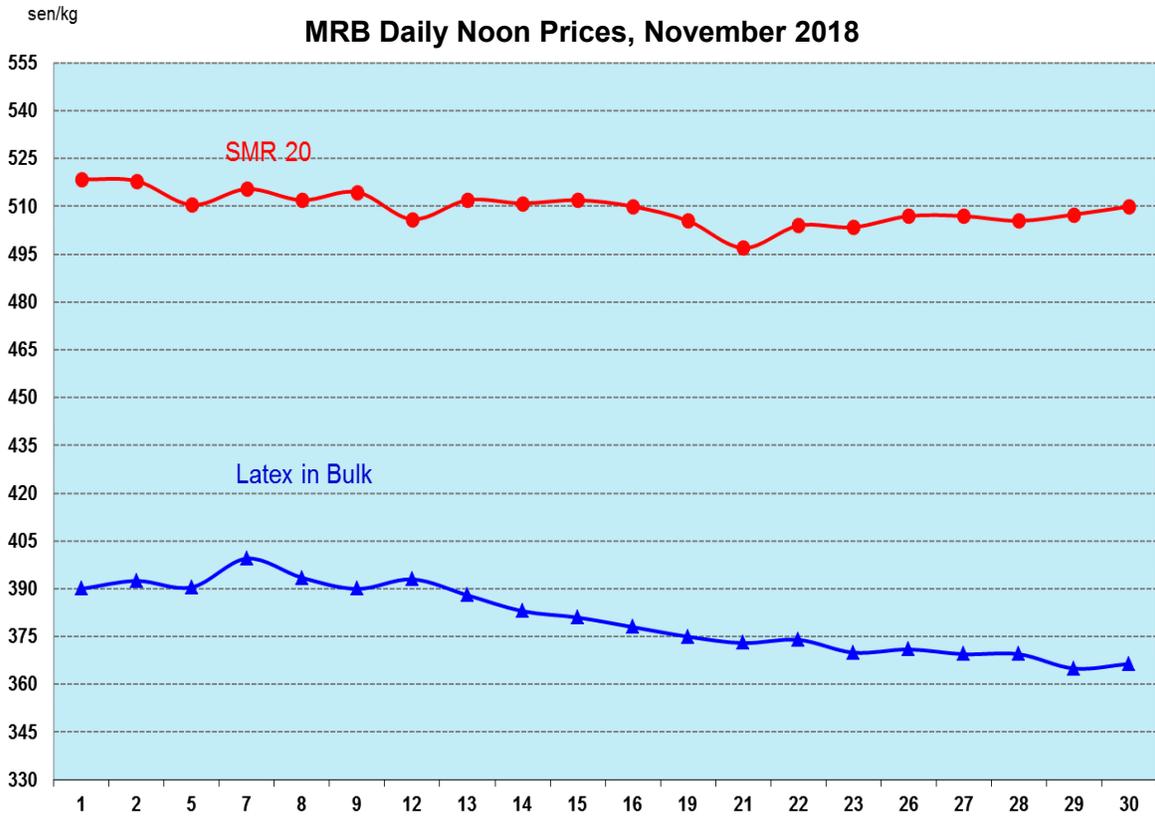
The market was dragged down by broader losses across financial markets, which saw global equities sell off sharply specifically in U.S. technology shares. The recent downturn in global equities was pressured by worries of a peak in U.S. corporate earnings growth, rising borrowing costs, slowing global economic momentum and trade tensions. Market was also weighed down by concerns over escalating trade tension between China and U.S. as well as higher U.S. interest rates that prompted investors to sell risk globally. The U.S. Federal Reserve has reaffirmed its plan to raise interest rates by 25 basis points in December 2018, followed by two more potential rate hikes by mid-2019 on the back of an upbeat economy and rising wage pressures. The market reacted negatively to the collapse in oil prices where WTI and Brent declined more than 30% from their peak at USD86.29 and USD76.41 per barrel respectively on 3 October resulting from escalating concerns about an increase in global supply and expectation of faltering demand from an economic slowdown. Market players took cues from poor performance of rubber futures markets at Tokyo, Shanghai and Singapore that fell to two years low resulting from excessive speculative and persistent selling as worries over a lingering trade war between U.S. and China continued to

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	679.48	6,794.80	509.35	5,093.50	380.63	3,806.30
Lowest	690.50	6,905.00	518.50	5,185.00	399.50	3,995.00
Average	664.00	6,640.00	497.00	4,970.00	365.00	3,650.00
Change from the last day of the previous month	-27.50	-275.00	-4.00	-40.00	-20.00	-200.00

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

Source: Malaysian Rubber Board



weigh on the market. The market was pressured by worries over slowing global economic growth after the International Monetary Fund (IMF) cut its global economic growth forecasts for 2018 and 2019 at 3.7%, down from its July forecast of 3.9% growth for both years. Market sentiment was further dampened by weaker China's economic data. It was reported that China's manufacturing activity (PMI) fell to 50.0 in November, the lowest since July 2016 hurt by slowing domestic and external demand resulting from an intensifying trade war with the U.S. Meanwhile, China's third quarter 2018 economic growth fell to 6.5%, the weakest since 2009. At the same time, China's automobile sales fell 11.7% in October from a year earlier where the drop was the steepest in more than six years.

Nevertheless, the decline was capped by declining rubber inventories in China designated warehouses. Rubber inventories in Shanghai Futures Exchange (SHFE) dropped more than 200,000 tonnes or 36% to 366,571 tonnes as of 22 November following the clearing of old rubber stocks as it expired. Meanwhile, NR stocks in Qingdao warehouse declined to 52,100 tonnes as of 16 October. Market was also lifted by declining Malaysia's NR production and stocks. According to the Department of Statistic Malaysia (DOSM) on 13 November, Malaysia's NR production declined by 22% in September to 49,022 tonnes as compared to 62,862 tonnes in August. Year-on-year (y-o-y) comparisons showed that production decreased by 6.1%. Meanwhile, stocks of NR fell 2.3% to 179,844 tonnes in September 2018 compared with 184,051 tonnes at the end of August. Moreover, weaker ringgit against the U.S. dollar lend some support to the market. The ringgit hovered between RM 4.1670 – 4.1995 against the U.S. dollar in November.

Outlook

The recent sharp fall in prices was due to the poor performances of global financial markets rather than rubber related factors. Uncertainty on the equity markets, declining crude oil prices and currency movements due to concerns over U.S. – China trade tension would continue to put pressure on the rubber market but prices are expected to remain steady. The anticipation of tight supplies in the immediate term due to wet weather would have a positive impact on rubber prices but the trends in consumer demand looks

rather depressing. There would be a slowdown in demand for the near term due to the declining automobile sales and weaker manufacturing activities in China. Major consumers are expected to ease off their buying activities with the approach of the year-end holidays. However, the positive outcome from the trade talks between U.S. President Donald Trump and Chinese President Xi Jinping during G20 Summit is set to be the catalyst for global equity and commodity markets in the near term. Meanwhile, market players are expected to adopt a 'wait-and-see attitude' ahead on the outcome of the upcoming Organization of the Petroleum Exporting Countries (OPEC) and U.S. Federal Reserve meetings to be held in December 2018.

News Briefs

China plans more tax cuts to spur consumption: Vice Finance Minister

China is planning more tax cuts to help spur domestic consumption, Vice Finance Minister Zou Jiayi told Reuters. The Finance Ministry has pledged a more active fiscal policy to help bolster China's slowing economy.

- reuters.com, 1 Nov

China signals big shift in economic course in trade war headwinds

China's ruling Communist Party sent a strong message that it will significantly alter its economic policy course to respond to growing economic headwinds resulting from the trade war with the United States. The shift emphasize on the "three battles" of financial risk control, poverty alleviation and pollution curbs. Reducing debt and excess industrial capacity were also top priorities.

- scmp.com, 2 Nov

U.S. trade court remands 2017 ITC ruling on Chinese truck/bus tyres

The U.S. Court of International Trade (CIT) has remanded the U.S. International Trade Commission's 2017 negative injury determination on truck and bus tyres from China. The CIT's ruling, issued 1 November, means that the ITC is ordered to reconsider an ITC ruling issued in

February 2017 that the domestic truck and bus tyre industry was not being "materially injured" by imports of tyres from China.

- *rubbernews.com*, 3 Nov

Despite budget cut, focus still on agri-commodity sector

Although its allocation has been halved under Budget 2019, the Primary Industries Ministry says it will still seek to develop the agri-commodity sector. Minister Teresa Kok said her ministry's allocation was RM507 million, a 50.7% reduction from last year's allocation. Of that total, RM125.6 million is for operating expenditure while the remainder is for development expenditure. The ministry will continue to give its attention to the farming and commodities sectors, which are major contributors to the country's economic development and a catalyst for increased income for rural folk.

- *thestar.com.my*, 4 Nov

U.S. economy creates 250,000 jobs in October, beating expectations again

New data released by the Bureau of Labor Statistics (BLS) shows that nonfarm payroll employment rose by 250,000 jobs in October, far exceeding expectations by 50,000 jobs. The United States economy continues its longest, consecutive streak of positive monthly job numbers, with employment growth averaging 213,000 jobs per month in 2018

- *whitehouse.gov*, 5 Nov

China's Xi Jinping promises lower tariffs, more imports

China will lower import tariffs and continue to broaden market access, President Xi Jinping said at the opening of a week-long trade expo seen as an attempt by Beijing to counter mounting criticism of its trade and business practices. Xi also promised to accelerate opening of the education, telecommunications and cultural sectors, while protecting foreign companies' interests and enhancing punitive enforcement for infractions of intellectual property rights.

- *reuters.com*, 5 Nov

Vietnam: Total rubber export value stable

According to the Ministry of Agriculture and Rural Development (MARD), Vietnam earned USD1.66 billion from shipping 1.21 million tonnes of rubber latex to foreign markets for the first ten months of the year, up 13.4% in volume and down 7.3% in value against the same period last year.

- *factiva.com*, 6 Nov

IISRP: Rubber demand growing despite global market woes

The global market for synthetic rubber (SR) is set to grow, helped by increasing demand in emerging markets, according to the International Institute of Synthetic Rubber (SR) Producers. The growth is coming in spite of oil price volatility, environmental concerns, regulatory changes and trade actions, IISRP said in the 2018 edition of its Worldwide Rubber Statistics report. Rising prosperity from emerging countries should drive demand from the automotive, construction and manufacturing industries, an impact that will offset the negative effects the industry should experience.

- *rubbernews.com*, 7 Nov

China says to impose anti-dumping tax on nitrile rubber from Japan, S. Korea

China's Ministry of Commerce said it would impose anti-dumping tax on nitrile rubber products imported from Japan and South Korea. Ministry says the anti-dumping tax rates vary from as low as 12% to as high as 56.4% and will take effect on 9 November.

- *factiva.com*, 8 Nov

U.S. auto sales edge up in October as SAAR hits highest level of 2018

U.S. light-vehicle sales, behind strong light-truck demand, higher fleet shipments and elevated incentives, edged up 0.4% in October, signalling the second-half slowdown that began in July is moderating. U.S. auto sales in 2018 have risen 0.5% through October but analysts still expect the second-half slowdown to continue.

- *rubbernews.com*, 8 Nov

Rural Development Ministry to continue helping rubber, oil palm smallholders

The Rural Development Ministry will continue to help smallholders in the rubber and oil palm sectors, including offering entrepreneurial programmes. Minister Datuk Seri Rina Harun said the ministry would help smallholders who were facing challenges owing to lower prices for rubber and palm oil, even though Felcra Bhd (FELCRA) and the Rubber Industry Smallholders Development Authority (RISDA) are now under the Economic Affairs Ministry.

- *nst.com.my*, 8 Nov

Rubber glove sector to see slowing earnings growth

The rubber glove sector in Malaysia is expected to see slowing earnings growth now that the vinyl glove supply from China has recovered, says PublicInvest Research. The research house maintained its neutral call on the sector as it believes growth has been priced-in at current levels.

- *thestar.com.my*, 8 Nov

Kerala plantations may take 5 years to recover from losses due to rains

The unprecedented monsoon and subsequent flood have caused widespread damages to the plantation sector and it may take the state more than five years to recoup the loss, according to the Association of Planters of Kerala (APK). "The total loss for the plantation sector estimated on a scientific bases is above Rs 3,070.85 crore. This is compounded by the factor that most of the agro-commodities are passing through a low price realisation phase", said APK chairman Thomas Jacob.

- *factiva.com*, 10 Nov

Rubber farmers soon to market own brand

Starting February next year, the Philippine Rubber Farmers' Association (PRFA) will begin processing raw rubber into motorcycle and small tractor tyres under the brand name Pilipinas Agila Tyres, said Agriculture Secretary Emmanuel Pinol.

Pinol said this would free the rubber farmers from the control of traders who base their buying prices for raw rubber on world market prices.

- *factiva.com*, 11 Nov

China car sales set for first annual decline since 1990

China auto sales is heading towards its first annual decline, the first seen since at least 1990, Reuters reports. There are plenty of worries about the state of the world's second largest economy, not least the trade war with the U.S and slowing growth, and car sales have mirrored that. Auto sales fell 11.7% in October, pushing Jan-Oct year-to-date sales down 0.1% (22.87 million) from the same period last year. October's 2.38 million was also the fourth straight month of declines and the steepest drop since early 2012, according to data from the China Association of Automobile Manufacturers (CAAM).

- *paultan.org*, 12 Nov

Natural rubber production in September 2018 slumped 22.0%

Malaysia's natural rubber production in September was 49,022 tonnes, declined by 22.0% as compared to 62,862 tonnes in August. Year-on-year comparisons showed the production decreased by 6.1%. Malaysia's natural rubber exports amounted 52,365 tonnes, a decrease of 9.2% as compared to August 2018. Main destination of exported natural rubber was to China accounting 49.4 per cent of total exports in September. It was followed by Germany (16.8%), Finland (5.4%), Korea (3.0%) and Turkey (2.8%).

- *dosm.gov.my*, 13 Nov

Thailand offers some help for rubber farmers after price slump

Thailand approved a new subsidy and other measures, worth 18.6 billion baht (USD567 million) to help its rubber farmers, who are struggling amid a slump in prices and have threatened protests. The measures will take effect in January and include a direct subsidy of 1,100 baht (USD33) per rai of land (0.16 hectare), capped at 16,500 baht, for small rubber farmers

who are registered with the Rubber Authority of Thailand. Rubber tappers who work on registered farms but do not own the land will get a handout of 700 baht (USD21) per rai of land, capped at 10,500 baht.

- todayonline.com, 20 Nov

Halcyon Agri implements sustainable natural rubber supply chain policy

Halcyon Agri Corp has launched a sustainable natural rubber (NR) supply chain policy (SNRSCP) which will apply to the group as well as the stakeholders that it trades with. "As the world's largest supplier of natural rubber and the owner of large plantation concessions, Halcyon understands its role and obligation to minimise impact on the environment while continuing to meet the growing demand for a raw material vital to modern life," the group said.

- anrpc.org, 21 Nov

Thailand needs 30% cut in rubber plantations: Agriculture Minister

Thailand needs to substantially reduce its rubber plantations to combat the chronic rubber price slumps, said Agriculture and Cooperatives Minister Kritsada Bunrat. A total of 7.6 million acres of rubber plantations in Thailand is yet to be reduced by as much as 30% in order to contain the price slumps, stop global oversupply and prevent further losses to an estimated 1.2 million rubber planters nationwide.

- xinhuanet.com, 21 Nov

Putrajaya ups production incentives for padi, rubber farmers

Finance Minister Lim Guan Eng said the government would also increase the Rubber Production Incentive (IPG) by 30 sen per kg. "For rubber, it will be RM2.50 from the previous RM2.20," he told reporters at the Parliament lobby on 21 November.

- themalaysianinsight.com, 22 Nov

World economy to slow down in 2019 due to trade wars: OECD

The global economy has passed its peak and faces a slowdown driven by trade disputes and higher interest rates, according to a global economic watchdog. The Organisation for Economic Cooperation and Development (OECD), which advises many of the world's richest economies, said it has cut its 2019 global growth forecast to 3.5% from 3.7% as predicted earlier. The OECD also warned that if the United States were to hike tariffs to 25% on all Chinese imports, as Trump has threatened, the world economic growth could fall to close to 3% in 2020.

- Aljazeera.com, 22 Nov

Gov't to buy rubber from farmers to prop up prices

Indonesian President Joko Widodo has ordered the public works ministry to buy rubber directly from farmers and cooperatives to help prop up local prices, a statement from the cabinet secretariat said on 26 November. Widodo said the ministry will start buying rubber from farmers in December to be used as mixing material for asphalt. The move is aimed at helping to increase farmers' prices. Widodo has proposed that the ministry buy from farmers at between 7,500 rupiah and 8,000 rupiah per kilogram.

- jakartaglobe.id, 26 Nov

India: Natural rubber production rises 8%, imports jump 63%

Imports rose sharply to 62,047 tonnes from 38,048 tonnes, while exports dropped to nil from 479 tonnes during the period under the review. Natural rubber production rose 8% to 67,000 tonnes during last month, while imports increased 63% to over 62,000 tonnes, according to India Rubber Board's provisional data. Production stood at 62,000 tonnes in October 2017.

- economictimes.indiatimes.com, 27 Nov

Vietnam Rubber Group to reduce output

The Vietnam Rubber Group (VRG) plans to reduce its output due to a sharp decrease in the price of rubber in the market after it is completely transferred to the Committee for State Capital Management (CMSC). A report from the Ministry of Agriculture and Rural Development showed that Vietnam exported 1.06 million tonnes of rubber in the first nine months of this year, worth USD1.45 billion, increasing 10.9% in volume but decreasing 10% in value in comparison with the same period last year.

- *vietnamnews.vn*, 27 Nov

Natural rubber soil cement roads to be constructed in all Thai villages

As part of official measures to boost the prices of natural rubber, the Thai Ministry of Agriculture and Cooperatives and other relevant parties will join forces in the construction of natural rubber soil cement roads in all villages across the country. Under the joint plan, natural rubber soil cement roads will be constructed in all 80,000 villages nationwide at the targeted distance of one kilometer each. The senior official stated that every one kilometer-distance of Para rubber soil cement roads uses about 10 tons of the natural rubber.

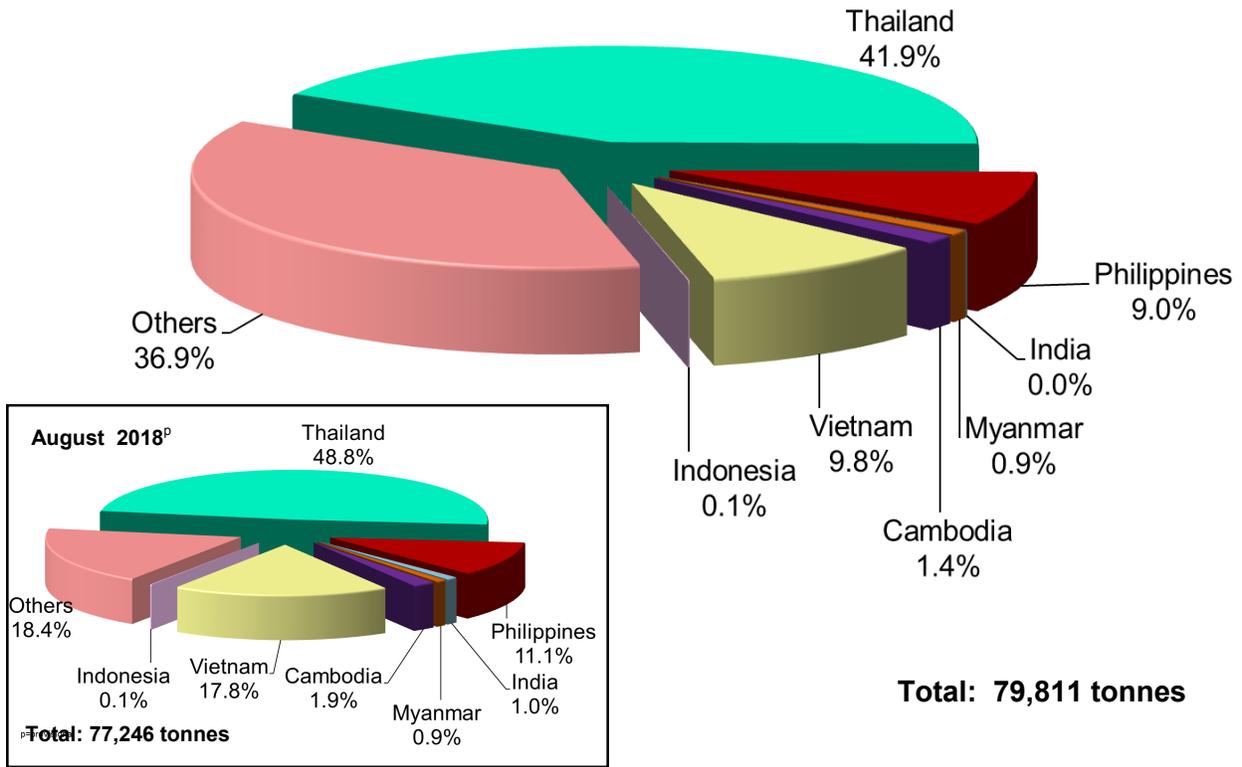
- *factiva.com*, 28 Nov

China factory growth unexpectedly stalls in November

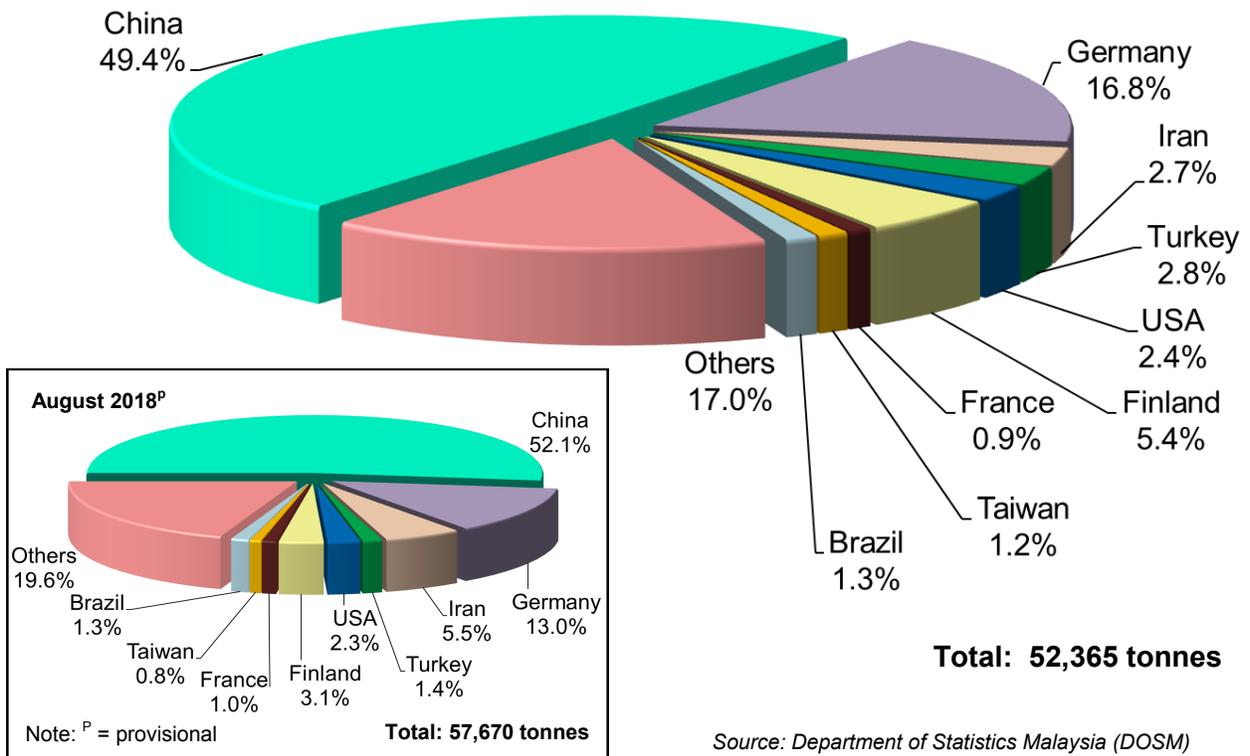
China's official Purchasing Managers' Index (PMI) fell to 50.0 in November from 50.2 in October. The first official gauge of China's economy in November showed manufacturing activity continued to worsen, missing expectations while concerns about a slowing domestic economy added pressure on Beijing to roll out more economic support measures amid the uncertainty of what will happen in the trade war.

Reuters.com, 30 Nov

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

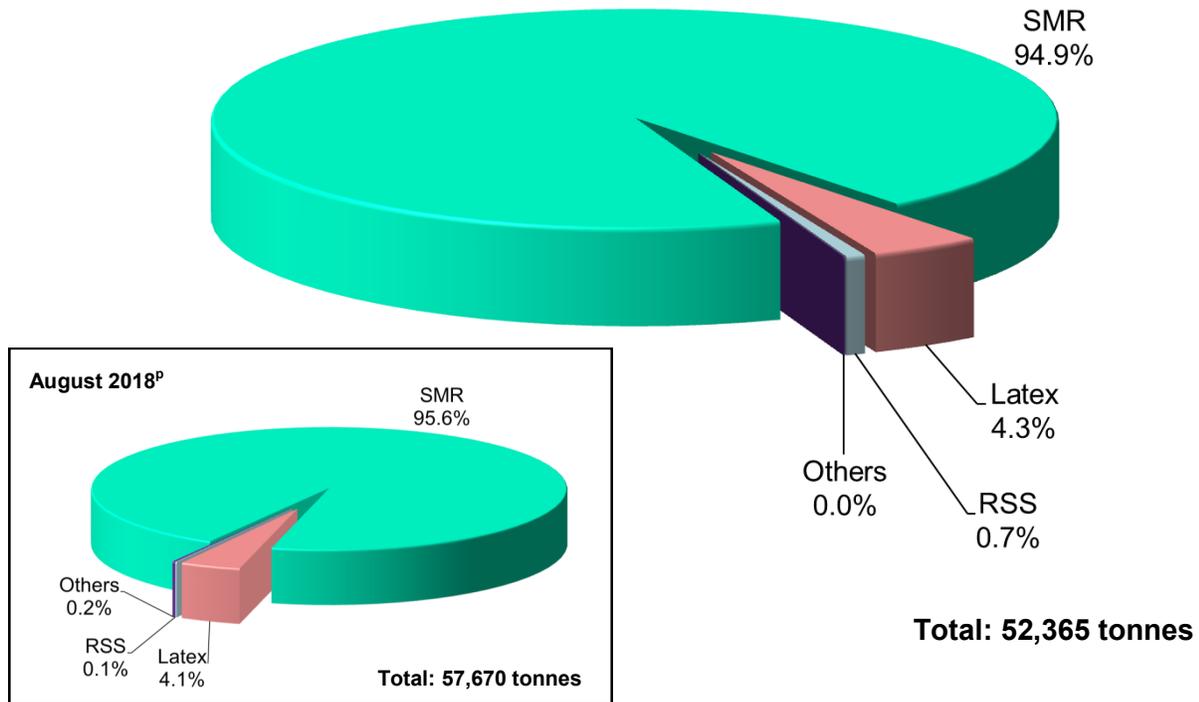


Malaysia's NR Exports by Countries, September 2018^P

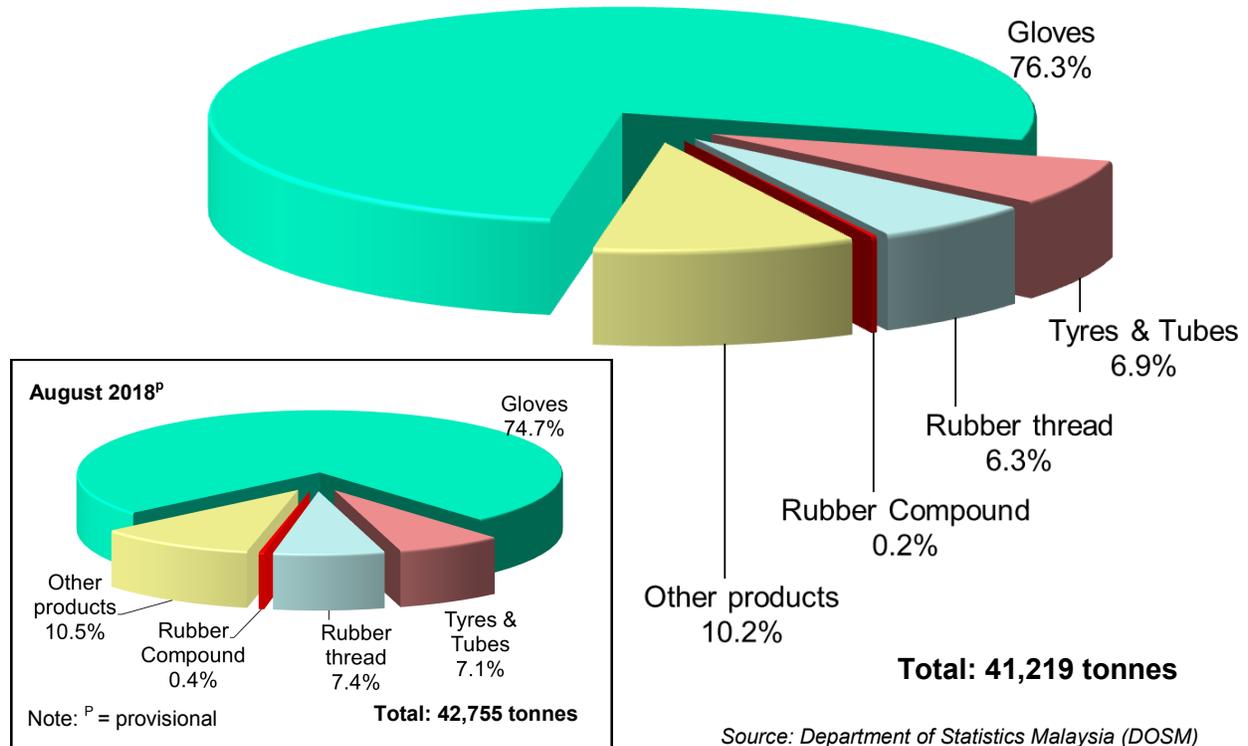


Source: Department of Statistics Malaysia (DOSM)

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



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



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