



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

February

Prices on the Kuala Lumpur Rubber Market in February ruled mixed and generally hovered within a narrow range, with SMR 20 dropped sharply to 551.00 sen/kg on 20 February, the lowest since September 2016. Trading was sluggish as the direction of the market remained uncertain and market operators were sidelined owing to week-long Lunar New Year holiday in mid-February. Nevertheless, prices recovered moderately towards the end of month as Chinese buyers returned to trade after the Lunar New Year holiday. Overall, market conditions during the month were very much influenced by bearish sentiment in regional rubber futures markets, volatile US dollar against currencies of NR exporting countries, higher rubber inventories in China and instability of crude oil prices. Compared with those on 30 January 2018, the price of SMR 20 decreased slightly by 0.50 sen/kg or 0.1% to close at 580.00 sen/kg while latex concentrate closed at 478.50 sen/kg, an increase by 28.50 sen/kg or 6.3%. The price movements of selected grades of rubber in February 2018 are shown in Table 1.

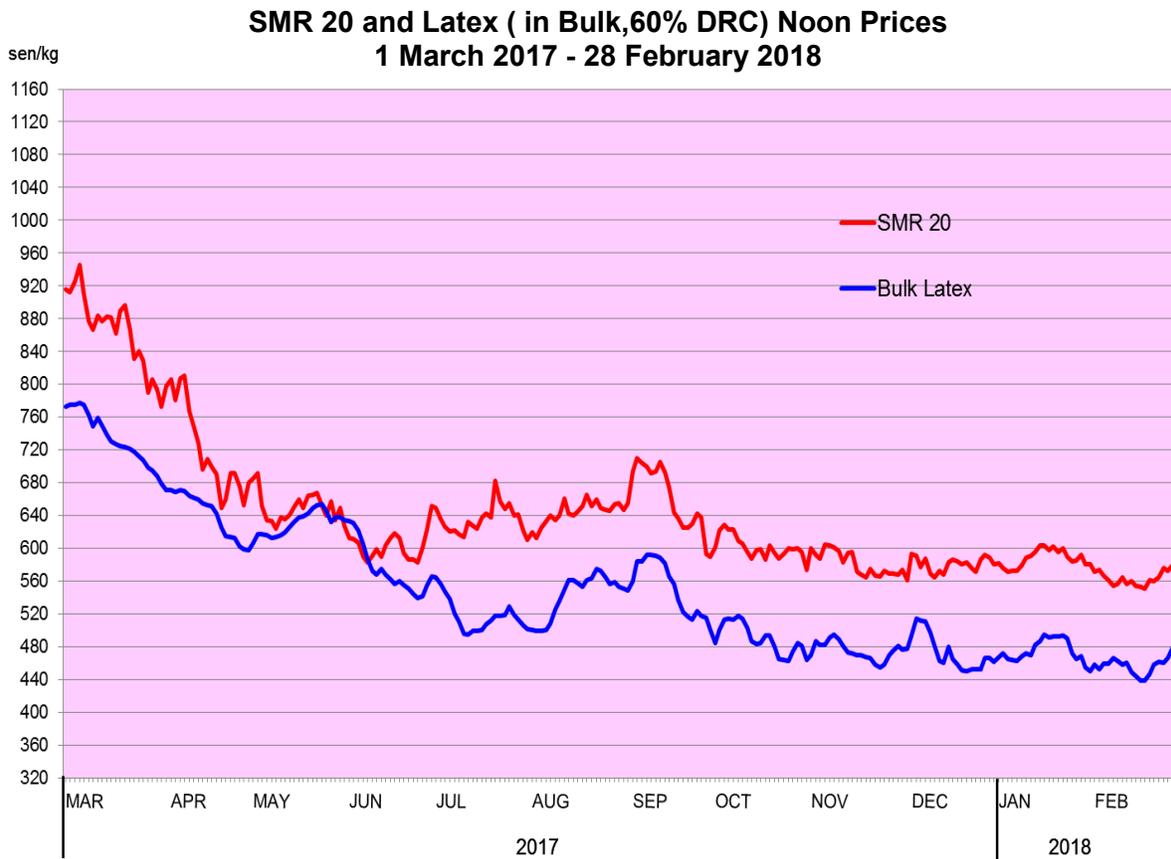
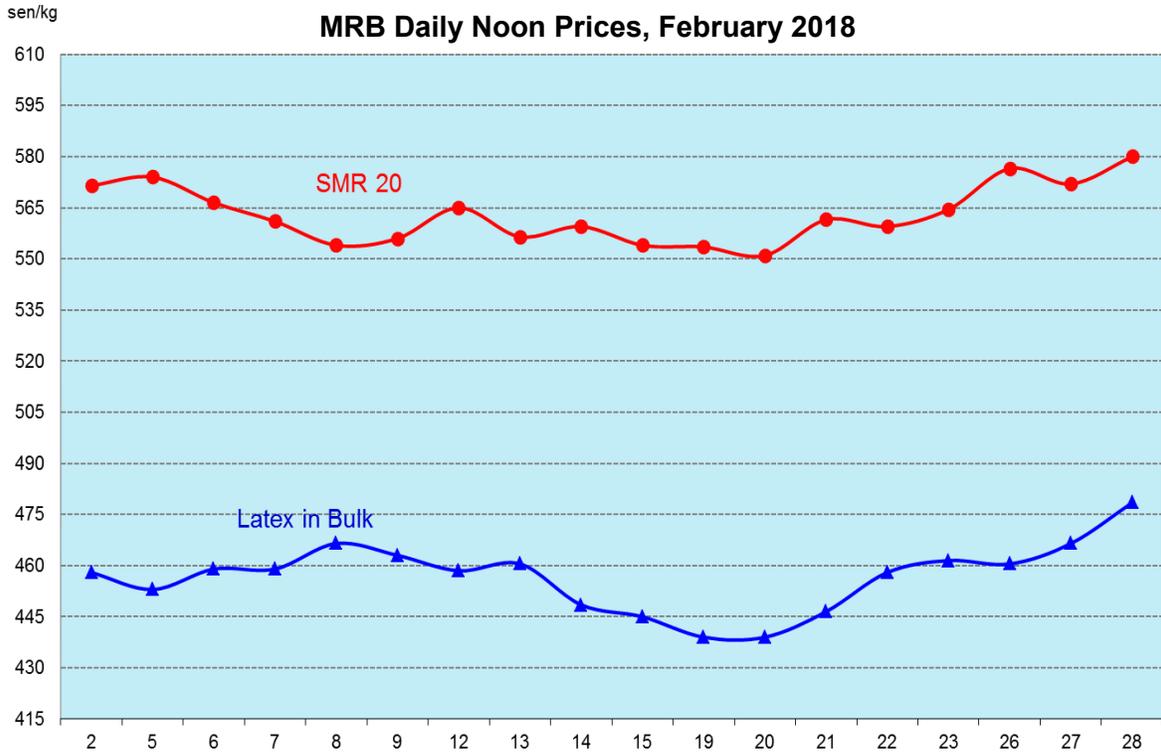
The market edged lower during the first half of the month and fell to the lowest level on 20 February, dragged down by the absence of significant consumer interest and limited trading activities amid the week-long Lunar New Year holiday. In addition, benchmark rubber futures markets in Tokyo Commodity Exchange (TOCOM), Shanghai Futures Exchange (SHFE) and Singapore Exchange (SGX) dropped more than eight-month low due to lingering concerns over high rubber stocks in China warehouse, weaker global equity markets, an excessive speculation activities and weaker US dollar. Total rubber inventories (NR and SR) at Qingdao warehouses, China as of 17 January was reported to surge to 246,300 tonnes. Meanwhile, Shanghai Futures Exchange (SHFE) warehouses stockpile as of 22 February rose to 434,550 tonnes. According to the Rubber Trade Association of Japan (RTAJ) on 9 February, crude rubber inventories at Japanese ports stood at 14,736 tonnes as of 31 January, up 10.7% from the last inventory date. The market also reacted negatively to the data released by the Department of Statistics Malaysia (DOSM) on 13 February. DOSM reported that Malaysia's natural rubber (NR) production rose 14.3% in December 2017 to 67,125 tonnes as compared to November 2017. The ringgit climbed against the US dollar at

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	758.50	7,585.00	580.00	5,800.00	478.50	4,785.00
Lowest	729.50	7,295.00	551.00	5,510.00	439.00	4,390.00
Average	750.42	7,504.20	563.14	5,631.40	456.69	4,566.90
Change from the last day of the previous month	-31.50	-315.00	-0.50	-5.00	28.50	285.00

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

Source: Malaysian Rubber Board



RM3.8880 on 19 February as investors reacted positively to the announcement of bullish Malaysia's gross domestic product (GDP) growth which expanded 5.9% in 2017. A stronger ringgit capped further gains in NR prices. Meanwhile, the US dollar index, which tracks the U.S. currency against a basket of six rivals, extended losses and dropped to three-year lows at 88.59 on 15 February. Moreover, the decline of Brent crude oil prices in February by 4.9% to USD 65.68 per barrel, compared with USD 69.08 per barrel in January further pressured the market.

The market recovered modestly after mid-month despite a mild correction, driven by the active buying interest as Chinese buyers returned to trade after the week-long Lunar New Year holiday. Market players were also concerned on the measures undertaken by Thailand, Indonesia and Malaysia under International Tripartite Rubber Council (ITRC) in curbing NR exports of 350,000 tonnes from January until 31 March 2018. Furthermore, supplies of raw material were reported to be tight owing to effects of wintering season which has started in certain areas in Thailand and Malaysia. The market responded positively to the data released by China's Custom on 26 February where China's natural rubber imports grew by 0.51% year-on-year in January 2018. Stronger advices from the rubber futures market resulting from weaker Japanese yen/Chinese yuan, stronger global equity markets and firmer oil prices also lifted the market. The depreciation of ringgit against the US dollar at RM3.9285 on 28 February, compared with its strong performance of RM3.8880 on 19 February also helped in boosting the market.

Outlook

Prospects for the near term are favourable considering the measures by ITRC countries to curb NR export until end of March 2018. At the same time, tight-supply situation following wintering season which is currently being experienced in major rubber producing countries until May 2018 will stabilise the rubber prices. However, as rising rubber stocks in China coupled with weaker China manufacturing activity (PMI) in February at 50.3, major consumers would likely remain sidelined, waiting for better bargains. The outlook for the rubber market is uncertain as the movements of the US dollar, crude oil prices and benchmark regional rubber futures markets would continue to put pressure

on the rubber market, but prices are expected to remain steady.

News Briefs

Chinese firm makes inroads into Southeast Asian rubber industry

Guangdong Guangken Rubber Group is a Chinese firm that has invested millions of dollars leasing lands and introducing new technologies in Sabah since 2008. Lai Xionghui, General Manager of Bornion Guangken Rubber said that for the 50-50 joint venture between Guangken Rubber Group and Bornion, as the number of rubber trees ready for tapping goes up, costs will be further reduced and the company will be able to withstand longer periods of low prices. Currently, there are some 770,000 rubber trees in the plantation, and the company aims to raise that number to 2 million in a couple of years.

- *globaltimes.com*, 1 Feb

The global rubber market expected to grow at CAGR of 4.66% in 2017-2021

The global rubber market is expected to grow at a Compound Annual Growth Rate (CAGR) of 4.66% during the period 2017-2021. One of the major drivers for this market is the growing demand for rubber in Asia Pacific (APAC). APAC accounted for the largest market for rubber consumption in 2016 and is expected to be the fastest-growing market for rubber consumption during the forecast period. Countries such as Indonesia, India, Vietnam, Thailand, and China will also witness a high rubber consumption.

- *rubberjournalasia.com*, 5 Feb

Nissan to pump USD9.5 billion into China business, eyes top three spot

Nissan Motor Co plans to invest 60 billion yuan (USD9.5 billion) in China over the next five years with its joint-venture partner as it seeks to become a top three automaker in the world's biggest market. Long stuck as a second-tier player in China, Nissan and Dongfeng Group said they plan to boost their volume to 2.6 million vehicles a year by 2022, up from 1.5 million vehicles last year.

- *reuters.com*, 5 Feb

Vietnam ranks third in natural rubber production, export

Vietnam currently ranks third globally in natural rubber production and export, according to the Vietnam Rubber Association (VRA). The association revealed that in 2017, the country earned USD 2.3 billion from export of 1.4 million tonnes of natural rubber, up 36% in value and 11.4% in volume year on year. The Vietnam Rubber Group alone produced over 250,000 tonnes of rubber latex and earned revenue of VND 21.38 trillion (USD 936 million), exceeding the plan by 20%.

- *en.vietnamplus.vn*, 6 Feb

Malaysia: Exports of natural rubber, rubber-based products jump 30%

The natural rubber and rubber-based products were the 'stars' in 2017, with export up 30.2% to RM32.3bil, said Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong. The total export earnings of commodity products amounted to RM140.3bil, or 15% of Malaysia's total merchandise export, 14.4% higher than RM122.6 bil in 2016. The commodity sector, he said, remained the largest net exporter and recorded a trade balance of RM100.8 bil compared with electrical and electronics (RM90.1bil) and petroleum and gas (RM36bil).

- *thestar.com.my*, 9 Feb

New rubber policy soon: Alphons

The Central government of India will soon come out with a new Rubber Policy which will ensure remunerative prices for natural rubber, Union Minister of State for Tourism K.J. Alphons has said. Speaking to media persons on the sidelines of an interactive session with stakeholders at the Indian Rubber Research Institute (IRRI), Puthuppally, Mr. Alphons said all issues, including minimum support price for natural rubber, possibility of introducing Minimum Import Price for the produce, and concerns over introduction of BIS for cup lump as a precursor to its import, would be looked into before formulating the policy.

- *thehindu.com*, 11 Feb

Rubber-based asphalt benefits 440,000 smallholders

The use of cold mix asphalt (CMA) to build and surface roads will benefit about 440,000 rubber smallholders in the country, says Deputy Prime Minister Ahmad Zahid Hamidi on 11 February. He said the use of the rubber-based CMA would boost the consumption of rubber in the country especially in the construction sector, which would in turn bring better prices for the commodity.

- *themalaysianinsight.com*, 11 Feb

Bridgestone, Versalis form strategic partnership

Bridgestone Americas Inc. is forming a strategic partnership with Italian polymer and elastomer giant Versalis S.p.A. to develop and use a comprehensive technology package to commercialize guayule in the agricultural, sustainable rubber and renewable chemical sectors. This partnership brings together the two largest global guayule research projects under common management, the tyre maker said. Under this agreement, Bridgestone and Versalis will work together toward a common goal of creating a commercially sound technology package for guayule, according to the press release.

- *rubbernews.com*, 13 Feb

Malaysia post 5.9% GDP growth in 2017

Malaysian economy growth remained strong at 5.9% as of the end of 2017, predominantly driven by private sector spending, according to data released by Bank Negara Malaysia. The external sector performance also improved a further 5.4% as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% as of 4Q17. Domestic demand driven by the private sector domestic demand expanded by 6.2% in 4Q17 supported by continued strength in private sector expenditure (7.4%), amid waning support from public sector spending.

- *nst.com.my*, 14 Feb

Malaysia: Natural rubber output up 14.3% in Dec

Natural rubber production rose 14.3% in December last year to 67,125 tonnes from 58,733 tonnes produced in the previous month, said the Department of Statistics on 13 February. Stocks rose 6.4% to 230,315 tonnes at the end of December 2017 compared with the preceding month and was 13.2% better than December 2016.

- *New Straits Times*, 14 Feb

Thailand pays farmers to cull rubber trees

Thailand is paying farmers to cull their rubber trees as the world's largest rubber producer and exporter attempts to shore up falling prices. The government aims to reduce total annual rubber output by 5% by the end of April, and has earmarked 800 million baht (USD25.2 million) to compensate those who participate in the program - which is not mandatory - by cutting down trees earlier than the end of their 25-year life cycle.

- *asia.nikkei.com*, 15 Feb

Japan January export growth points to continued economic recovery

Japan's exports grew in January for a 14th straight month led by brisk shipments of China-bound hybrid cars and electronics parts, a sign solid global demand for Japanese goods continued to underpin growth in the world's third largest economy. Ministry of Finance (MOF) data showed on 19 February that exports grew 12.2% in January from a year earlier.

- *businesstimes.com.sg*, 19 Feb

Malaysia to continue dominating global glove market, says Mah

Given the strong export performance in 2017, Malaysia is expected to continue dominating the world market for rubber gloves, especially medical gloves, for use in the healthcare sector. Minister of Plantation Industries and Commodities, Datuk Seri Mah Siew Keong on 19 February said the industry is confident of achieving the target of securing at least 65% of global exports of rubber gloves in 2020.

- *thestar.com.my*, 19 Feb

Malaysia's rubber paint a first in the world

Malaysia is now coming up with another painting medium called natural rubber-based paint, and it is a first in the world. Named 'Getah Colour' (patent pending), the innovative product is by the Malaysian Rubber Board and set to become the world's newest painting medium for visual arts.

- *borneobulletin.com.bn*, 18 Feb

Deals strengthen Halcyon's market position

With three major acquisitions in many months, rubber supply chain manager Halcyon Agri Corp. Ltd. is set to strengthen its position as a world leader in its field. The company completed the purchase of the assets and entities of the Polymer Division of RCMA Group Pte. Ltd. early in January for USD 31.8 million. Also in January, Halcyon Agri signed an agreement to acquire PT Sumber Djantin and PT Sumber Alam, for USD 78.5 million. Once that acquisition is completed, Halcyon Agri will be the world's largest producer of Standard Indonesian Rubber 20.

- *rubbernews.com*, 20 Feb

Fed gives bullish signals on economy

Federal Reserve officials signalled growing confidence in the U.S. economy when they met in January, bolstering their plans to continue raising short-term interest rates as soon as next month. The Fed left rates unchanged at 1.25 to 1.5% at the January meeting and is likely to boost them at its next gathering, 20-21 March, which will be the first led by its new chairman, Jerome Powell.

- *wsj.com*, 21 Feb

Continental taking steps toward sustainable natural rubber sourcing

Continental A.G. and an international aid agency are forming a partnership designed to improve the sustainability of the natural rubber supply chain in Indonesia. The partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) G.m.b.H. will strive to develop a criteria catalog for sustainable production of Natural Rubber (NR), to train farmers in sustainable production in accordance with these criteria and to track the rubber from smallholders to production at Continental.

- *rubbernews.com*, 22 Feb

ANRPC Releases Natural Rubber Trends & Statistics January 2018

The Association of Natural Rubber Producing Countries (ANRPC) in its January 2018 Natural Rubber Trends & Statistics released on 23 February reported that the global outlook of Natural Rubber (NR) supply is anticipated at 13.784 million tonnes in 2018, up 4.5% from 13.196 million tonnes recorded in 2017. A 2.8% growth is forecast for the global demand outlook of NR in 2018. It is expected to grow from 12.964 million tonnes of NR in 2017 to 13.327 million tonnes of NR in 2018.

- *anrpc.org*, 23 Feb

Farmers pitch rubber barter

Farmers have urged the government to help shore up the price of rubber by bartering with foreign countries for military equipment and vehicles. Instead of forcing rubber farmers to reduce production, the government should follow the example of neighbouring countries which use a barter system to shore up the price of farmed goods, said Uthai Sornlaksap, President of the Rubber Network Council and Rubber Farmers Institute of Thailand (RNRF). He added that a similar approach could be applied to other government-to-government projects, such as high-speed trains, to cut their costs.

- *bangkokpost.com*, 25 Feb

Financing a natural rubber plantation in Indonesia, promoting sustainable development and green jobs

The Tropical Landscapes Finance Facility (TLFF), a partnership between UN Environment, World Agroforestry Centre, ADM Capital and BNP Paribas, today announced its inaugural transaction, a landmark USD 95 million Sustainability Bond to help finance a sustainable natural rubber plantation on heavily degraded land in two provinces in Indonesia. The project incorporates extensive social and environmental objectives and safeguards. Planted areas will serve as a buffer zone to protect a threatened national park from encroachment.

- *unenvironment.org*, 26 Feb

Rubber firm expands processing power

Europe-based international rubber firm Socfin is nearing completion on its first rubber processing factory in Cambodia's Monduliri province. Upon completion, the factory will be able to process 16,000 tonnes of dry rubber per year. This is more than enough to cover their own field production and provides leverage to purchase the production of local smallholders, hence creating a long-term market for them. Overall, Socfin invested USD5.7 million in the construction of the facility.

- *phnompenhpost.com*, 26 Feb

Lunar New Year distortion? China factory growth slows the most in 1-1/2 years

Growth in China's manufacturing sector in February slowed more than expected to the weakest in over 1-1/2 years as the Lunar New Year holidays disrupted business activity and tougher pollution rules curtailed factory output. The official Purchasing Managers' Index (PMI) released on 28 February fell to 50.3 in February, from 51.3 in January.

- *reuters.com*, 28 Feb

China February factory growth picks up to six-month high: Caixin PMI

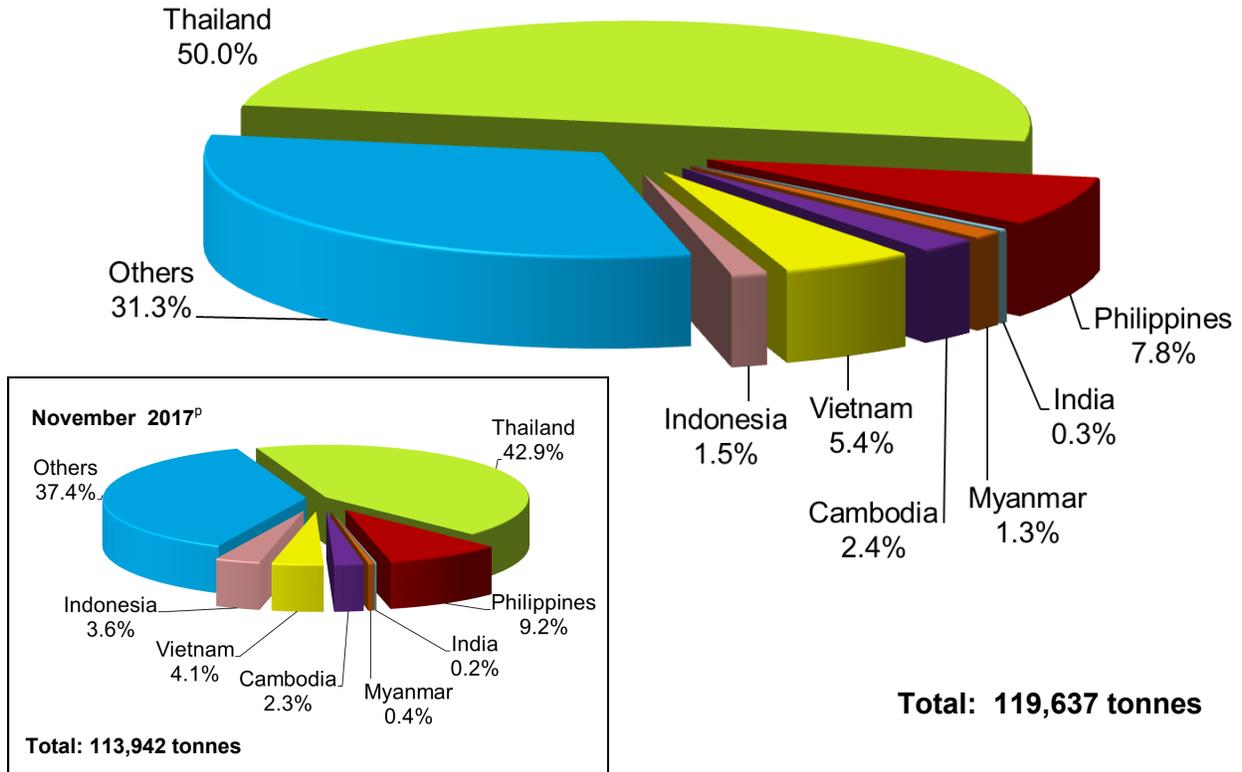
The Caixin/Markit Manufacturing Purchasing Manager's Index (PMI) edged up to 51.6 in February, from 51.5 in January. The Caixin survey focuses more on small and mid-sized companies, and possibly more export-oriented firms, than the larger official version.

- *reuters.com*, 1 Mar

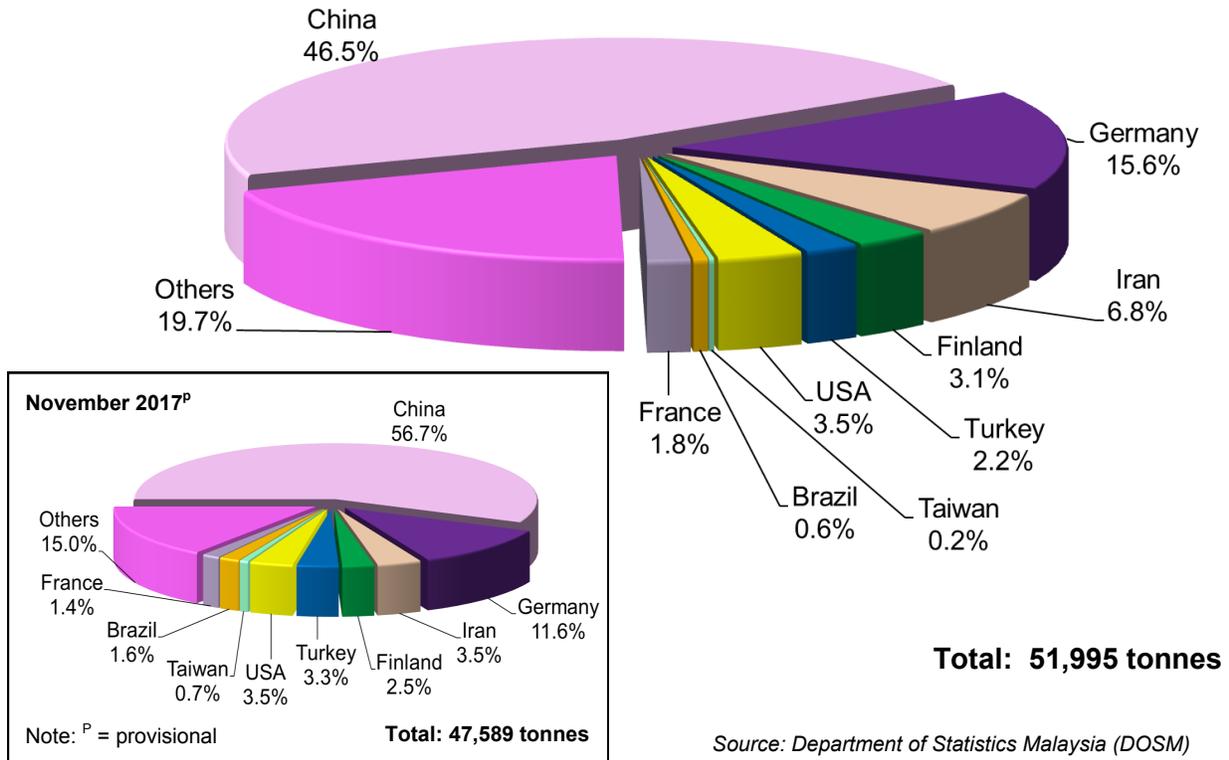
Sources:

globaltimes.com, rubberjournalasia.com, reuters.com, en.vietnamplus.vn, thestar.com.my, thehindu.com, themalaysianinsight.com, rubbernews.com, nst.com.my, asia.nikkei.com, businesstimes.com.sg, borneobulletin.com.bn, wsj.com, anrpc.org, bangkokpost.com, unenvironment.org, phnompenhpost.com

Malaysia's NR imports by countries, December 2017^P

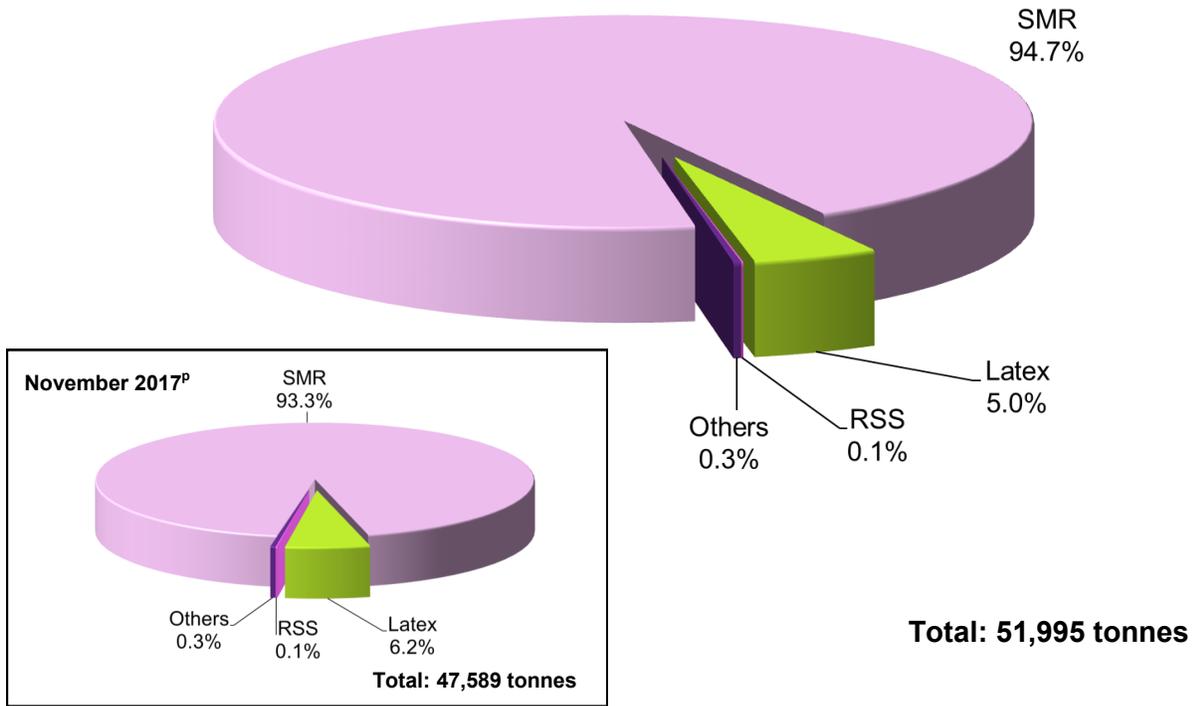


Malaysia's NR exports by countries, December 2017^P



Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR exports by types, December 2017^P



Malaysia's NR consumption by sectors, December 2017^P

