



# MALYSIAN RUBBER BOARD

## D I G E S T

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**2017  
APR**

### Natural Rubber Market Review

#### April

Prices on the Kuala Lumpur Rubber Market in April declined further brought by weak performance of rubber futures markets, anticipation of increasing natural rubber (NR) production, weaker US dollar, slumping oil prices and rising NR inventory in Qingdao warehouse, China. Price of SMR 20 dropped sharply to 649.50 sen/kg on 19 April 2017, its lowest since early November 2016. The monthly price volatility of SMR 20 remains high at 161.00 sen/kg, compared to March at 173.00 sen/kg. Compared with those on 31 March 2017, the price of SMR 20 decreased by 118.00 sen/kg or 14.8% to close at 695.00 sen/kg while latex concentrate closed at 598.00 sen/kg, declined by 73.50 sen/kg or 11.0%. Average price of SMR 20 in April fell by 143.82 sen/kg or 16.7 % to 719.25 sen/kg. The price movements of selected grades of rubber in April 2017 are shown in Table 1.

The market was on a firmer in early April driven by encouraging China Purchasing Manager Index (PMI) that rose to 51.8 in March 2017 coupled with concerns over low inventories at the Tokyo

Commodity Exchange (TOCOM)-approved warehouses. The sentiment was also aided by a firmer oil prices resulting from an outage at the largest UK North Sea oilfield as well as geopolitical tension after North Korea test-fired a ballistic missile into the Sea of Japan on 5 April 2017. Furthermore, weaker ringgit against US dollar also gave some support.

The firmer sentiment was short-lived and the market was brought down by the negative factors on the 7 April and thereafter. The market declined to 649.50 sen/kg on 19 April, the lowest since November 2016. The bearish sentiment was brought by weaker performance in rubber futures markets. An analysis reported that rubber futures markets were relatively more volatile resulting from an increase in short-selling activities. Benchmark TOCOM rubber futures fell sharply to five-month lows on 19 April 2017 pressured by heavy selling in the nearest-month contract. It was reported that TOCOM urged investors with open positions in April rubber futures to settle contracts well before expiry on 24 April. According to industry players and analysts, the excessive speculation in rubber futures markets may be due to the large number of individual traders, who tend to be more short-term focused and are less concerned with supply-demand

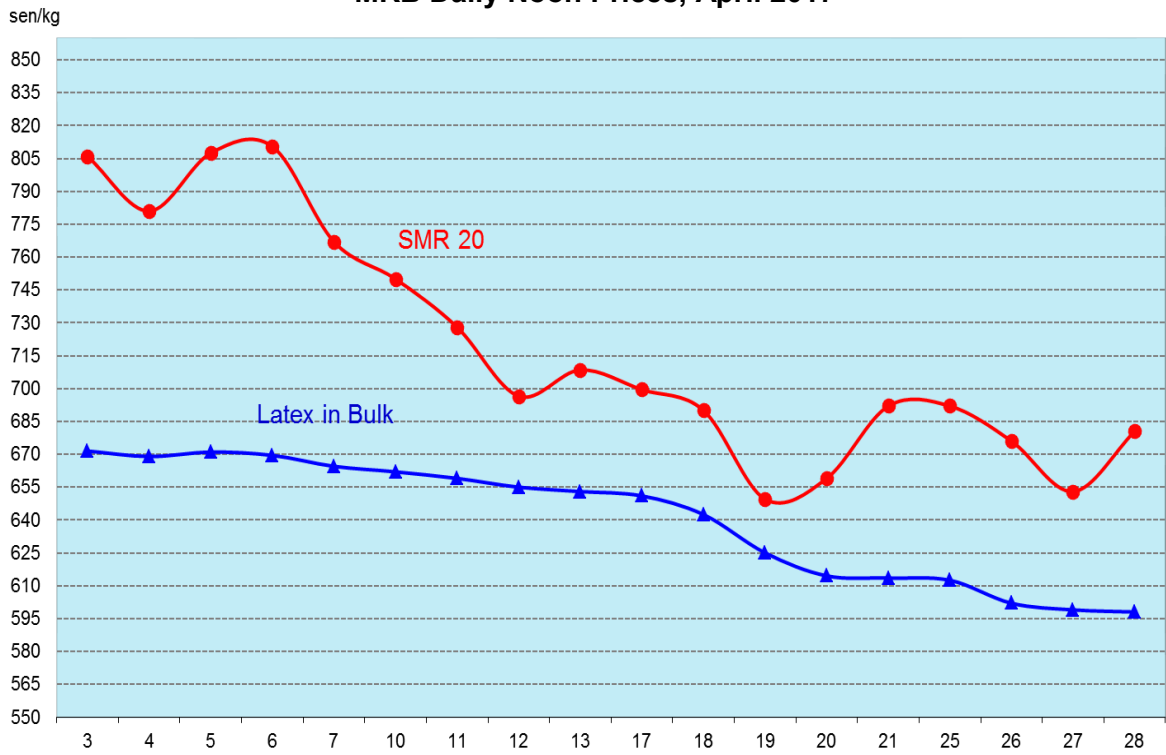
**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, April 2017**

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	1,076.00	10,760.00	810.50	8,105.00	671.50	6,715.00
<b>Lowest</b>	973.00	9,730.00	649.50	6,495.00	598.00	5,980.00
<b>Average</b>	1,022.72	10,227.20	719.25	7,192.50	640.69	6,406.90
<b>Change from the last day of the previous month</b>	-99.50	-995.00	-118.00	-1,180.00	-73.50	-735.00

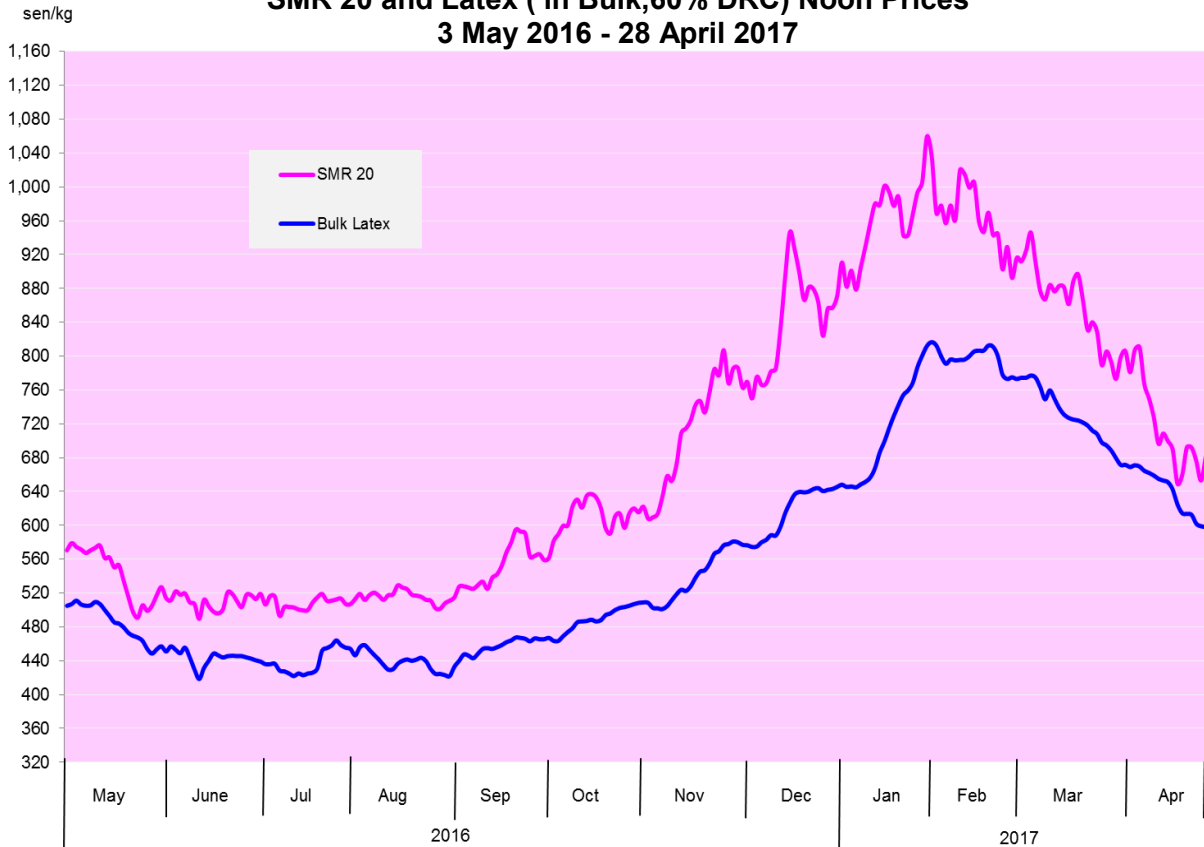
Note: \* Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

### MRB Daily Noon Prices, April 2017



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 3 May 2016 - 28 April 2017



dynamics. The market also influenced by concern over rising NR production. According to the report by Association of Natural Rubber Producing Countries (ANRPC) released on 7 April 2017, production from their member countries, which is contributed 90% of global natural rubber output, is anticipated to increase by 4.7% to 11.314 million tonnes in 2017. Production in second quarter 2017 is anticipated to grow by 5.8% to 2.491 million tonnes compared with the same quarter in 2016. Slumping oil prices, weaker US dollar coupled with increasing NR stocks in Qingdao Warehouse, China further pressured rubber prices. Both West Texas Intermediate (WTI) and Brent crude respectively dropped to their lowest in the month at USD 48.97 and USD 51.44 per barrel on 27 April 2017 after data from American Petroleum Institute (API) showed rising in U.S. crude inventories. The US dollar weakened at a 5-months low against Japanese yen around 108.84 yen on 13 April owing to a report on geopolitical tensions coupled with a sharp drop in U.S. Treasury yields. Stronger Japanese yen make this currency denominated assets less affordable in other currencies. Ringgit strengthened to the US dollar at RM 4.3460 on 27 April compared to the weakest at RM4.4995 on 4 January 2017. It was also reported that NR stocks in Qingdao warehouse, China has increased to 164,000 tons as at 17 April 2017.

However, a strong recovery was witnessed on the last trading day of April on concern over possible export curbs by major rubber producing countries and expectation of a sharp rebound in the second quarter of US economic growth in anticipation of a better employment growth, higher consumer confidence and stock-market records.

## **Outlook**

The current erratic weather changes in major rubber producing countries specifically in Southern Thailand and Malaysia could prolong the wintering season, thus affecting short to medium term NR supply. Expectation on positive growth of automobile sales in China, Europe and Japan in 2017 could give positive sentiment to the market. Meanwhile, the market is expected to improve in 2017 in line with the global economic growth forecast by IMF. According to IMF, world economic growth is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. However, the rubber market is expected to be volatile as non-fundamental factors such as crude oil prices, performance of rubber futures markets

and currencies fluctuations remains a major role in influencing NR prices. Investors will be keeping their eyes on greater uncertainty on US policies which will impact the global economy. The movement of oil prices are expected to be influenced by whether the OPEC policy on global oil production cut could be extended in second half of 2017 amid the rising in U.S oil production. IMF anticipates oil prices to hover around an average of USD 55 per barrel in 2017-2018. Furthermore, the market will continue to be influenced by the expectation of further US interest rate hike in 2017 which will affect the currencies of the major rubber exporting countries.

## **News Briefs**

### ***US researchers improve guayule plant to enhance rubber output***

Researchers from the Agricultural Research Service (ARS), the principal in-house research agency of the US Department of Agriculture, have successfully improved the guayule plant in order to enhance its rubber output. In 2013, Bridgestone Americas and ARS's Bioproducts Research Unit entered into a research agreement to evaluate ARS's genetically improved guayule. In 2016, they delivered more than 3,000 experimental guayule plants to research partner Bridgestone Americas in Eloy, Arizona, for field testing.

- *rubberjournalasia.com, 3 Apr*

### ***Indonesia, France partner to develop sustainable natural rubber***

Indonesia and France are partnering with each other to develop sustainable natural rubber across plantations in Indonesia through joint social and environmental studies. The US\$270,000 partnership agreement was signed by French Development Agency (AFD) and Royal Lestari Utama (RLU), an Indonesian-based sustainable natural rubber company, during French President François Hollande's state visit to Jakarta. The partnership aims to promote a low carbon footprint for environmental projects in Indonesia, which is expected to bring US\$2.6 billion of diverse investments to Indonesia.

- *rubberjournalasia.com, 4 Apr*

### **Thai center built to foster rubber demand set to roll**

The Thai government says the country's first international-standard vehicle and tyre-testing center will open next year. Industry Minister Uttama Savanayana tells the Bangkok Post newspaper the TB3.7 million (\$107.6 million) center covering 488 acres (198 ha) also will be used for R&D to aid Thailand's push to become a regional hub for next-generation auto products. The project was launched in 2015 as part of a government effort to support the automotive sector and tyre-related industries and boost demand for natural rubber. "The first phase of the testing center should be ready for Thai car and tyre makers in 2018 and the whole testing center should be ready for full operation in 2019," Uttama said.

- *Wards Auto*, 6 Apr

### **Investors step up shorting of rubber, shipping stocks in Japan**

Short-selling has grown as a portion of overall stock trading here, with rubber, marine shipping and automotive stocks among those being targeted. Shorting accounted for 42.97% of share trading on 5 April on the Tokyo Stock Exchange, stuck at the highest level since last September 2016. A breakdown by industry shows that rubber products stocks had a shorting percentage of 56%, and marine transportation had 51%. Both categories had ridden a tailwind of hopes for global economic growth since November 2016. But now, skepticism over whether U.S. policies touted by the Trump administration will really come to pass is seen weighing down these shares. A growing number of retail investors are going short, betting that share prices will fall further. Transportation equipment including automobiles had a shorting percentage of 49%. These stocks face earnings uncertainty linked to possible strengthening of the yen. Since November, short-selling generally stayed around 30% of overall trading of Japanese equities, before the recent climb. Now the market is "beginning to see 19,000 as the upside 'wall' of the Nikkei average," says Yutaka Miura, senior technical analyst at Mizuho Securities.

- *asia.nikkei.com*, 6 Apr

### **Natural rubber production up 2% in Jan-Mar of 2017**

Member countries of the Association of Natural Rubber Producing Countries (ANRPC) are estimated to have produced 2.499 million tonnes of natural rubber in the first three months of 2017, up by 2% from the same period a year ago. Consumption of natural rubber by ANRPC member countries was 1.951 million tonnes in this period, which was 78% of their total production. Sentiments slightly improved by the end of March due to improved economic outlook in the US and Europe, better than-expected automobile sales in China and recovery in oil prices, said a report by ANRPC. During the April-June period, the production from ANRPC member countries is anticipated to grow 5.8% to 2.491 million tonnes from 2.355 million tonnes in the period last year. On the demand side, the outlook has improved for China in view of withdrawal of the US tariff on tyres of heavy commercial vehicles originating from China.

- *The Times of India*, 8 Apr

### **China first-quarter auto sales strongest since 2014 despite tax cut rollback**

China auto sales grew 7% in the first quarter, China's automakers' association said on 11 April, with the strongest January-March period since 2014 setting up the world's largest auto market for a better-than-expected year. But first-quarter growth outpaced the China Association of Automobile Manufacturers' (CAAM) prediction in January that auto sales would grow 5% in 2017, and the market is expected to improve further as the year progresses.

- *Reuters*, 11 Apr

### **Dollar slumps broadly after Trump says currency 'getting too strong'**

The dollar slumped broadly on 13 April, falling to a five-month low against the yen, after U.S. President Donald Trump helped accelerate its recent decline by saying the currency was too strong. The greenback took a heavy hit after Trump told the Wall Street Journal that the dollar "is getting too strong" and that he would prefer the Federal Reserve to keep interest rates low.

- *Reuters*, 13 Apr

### ***Saudi oil output below cap, source says***

Saudi Arabia pared its oil production last month to the lowest point since January, staying below the output level it pledged to maintain as part of a global deal to reduce crude supplies, according to a person with knowledge of the data. The biggest producer in OPEC cut output by 111,000 barrels a day last month to 9.9 million a day, according to the person, who asked not to be identified because the information isn't public. Production had increased in February to 10.011 million barrels a day as the country replenished its own storage tanks.

*-Arkansas Democrat-Gazette, 12 Apr*

### ***China plans planting areas to upgrade agricultural pattern***

China is planning to define the country's agricultural production areas into main grain and key agricultural products in three years, to assure the effective supply of agricultural products, Minister of Agriculture Han Changfu said. A total of 900 million mu (60 million hectares) of arable land will be allocated to main grain products including rice, wheat and corn, and 238 million mu will be assigned to five key agricultural products including soybean, cotton, rape seed, sugarcane and natural rubber, according to a State Council statement. The move is in line with a national strategy on food supply. It is aimed at optimizing agricultural production pattern and better orienting supportive policies.

*- Xinhua's China Economic Information Service,  
12 Apr*

### ***China economic outlook brightens as trade up, tensions down***

Chinese exports surged in March, the largest jump in two years, in the latest sign of robust global demand as concerns ease over a possible trade war with the US after President Donald Trump softened his stance on Beijing. The new figures, released on Apr 13, boost hopes that the world's number two economy is getting back on track after a recent slowdown - it grew last year at its slowest pace in a quarter of a century.

In a positive sign for the Chinese economy, exports jumped 16.4% year-on-year to US\$180.6 billion in March, the country's customs agency

said, marking a dramatic turnaround from the 1.3% year-on-year drop recorded in February. A pickup in external demand, surging import prices, and a stable domestic economy boosted the figures, Customs spokesman Huang Songping told a press briefing on Thursday.

*- channelnewsasia.com, 14 Apr*

### ***European replacement tyre market off to strong 2017***

The replacement tyre market in Europe has had a strong start to 2017 with first quarter improvements in almost every segment. According to the latest quarterly report from the European Tyre and Rubber Manufacturers' Association, sales of passenger car tyres reached 55.4 million units in the three months to 31 March, 4% higher than in the same period in 2016. The highest growth was in the truck and bus radial market, with a 15% increase to 2.61 million units.

*- Rubber & Plastics News, 21 Apr*

### ***World's biggest natural rubber platform Halcyon Agri opens business in Shanghai***

On April 12, 2017, the world's biggest natural rubber platform and a listed company from Singapore, Halcyon Agri Corporation Limited (hereinafter referred to as Halcyon Agri) celebrated the newly established Halcyon Agri Natural Rubber (Shanghai) Co., Ltd. in Shanghai with a grand opening ceremony held at the Sinochem International Plaza. The establishment of Halcyon Agri Shanghai marks the strong completion of Sinochem International's mergers and acquisitions in the natural rubber industry. Halcyon Agri Shanghai will take over and continue to assume the responsibilities of Halcyon Agri in the Chinese natural rubber industry, and it will keep providing better products and services to customers as well as win-win benefits to partners.

*- Kuwait News Agency, 22 Apr*

### **Producers unite to boost rubber prices**

Thailand, Malaysia and Indonesia are cooperating to ensure stability of world rubber prices, which continue to fluctuate after signs of recovery. Titus Suksaard, governor of the Rubber Authority of Thailand, said the three countries, which account for 70% of the world's natural rubber supply, recently held a meeting to discuss the situation. The big players in the natural rubber industry see prices as still volatile and agreed to increase domestic demand as much as possible. They will meet again in July to discuss the issue again and see whether prices are still fluctuating; if so, the group might consider controlling rubber exports to tamp down prices. Meanwhile, the Natural Rubber Policy Committee has approved to extend a rubber price subsidy scheme worth 20 billion baht to bolster rubber prices in the country. The first is an extension of a soft loan package worth 10 billion *baht* to rubber cooperatives until March 31 next year to encourage rubber cooperatives to buy more raw rubber from farmers. The second scheme is to extend loan packages totalling 10 billion to private rubber processing operators to help with their cash flow so that they can continue production and buy rubber from farmers. Under this scheme which will last until April 2019, the government will subsidise 3% of interest rate for borrowers.

- Bangkok Post, 23 Apr

### **Thai Government to push more rubber use by launching "TH-Tyre"**

The Rubber Authority of Thailand, Ministry of Agriculture and Cooperatives, has unveiled Pracharath Tyre under the brand "TH-TYRE", which are tyres containing more natural rubber from trees, to support the increasing use of rubber in the country, in order to raise the rubber price and improve the income of rubber farmers. The "TH-TYRE" project is expected to drive rubber utilization in other products and to create quality, standardized, and inexpensive tyres. The TH-TYRE will use 45% natural rubber, includes motorcycle tyres and automobile tyres for taxis, vans, and pickup trucks. The TH-TYRE is more durable and costs 20-30% less than other brands. The TH-TYRE will be on sale starting from April 2017 onwards.

- ForeignAffairs.co.nz, 24 Apr

### **Indian Rubber production exceeds projections**

Natural rubber (NR) production in the country during the last fiscal reached 690,000 tonnes, exceeding the anticipated 654,000 tonnes, said a press note from Rubber Board. This shows an increase of 22.78% over the 5,62,000 tonnes produced in 2015-2016. Production during the month of March 2017 also showed an increase of 66.7% as compared to the production during the same period last year. Production during March 2017 was 55,000 tonnes whereas it had been only 33,000 tonnes in March 2016. Export of NR from the country during last fiscal was 20010 tonnes whereas it was only 865 tonnes in the preceding year. The increase is attributed to the higher price in the international market.

- The Times of India, 24 Apr

### **Global reclaimed rubber market forecast to reach USD 6.32 billion by 2025**

The global reclaim rubber market demand was over 2,900 kilo tonnes in 2015 and is expected to grow at an estimated CAGR of 10.3% from 2016 to 2025. Burgeoning demand for whole tyre reclaim (WTR) is anticipated to drive segment volume demand by 42% by 2025.

-PR Newswire, 25 Apr

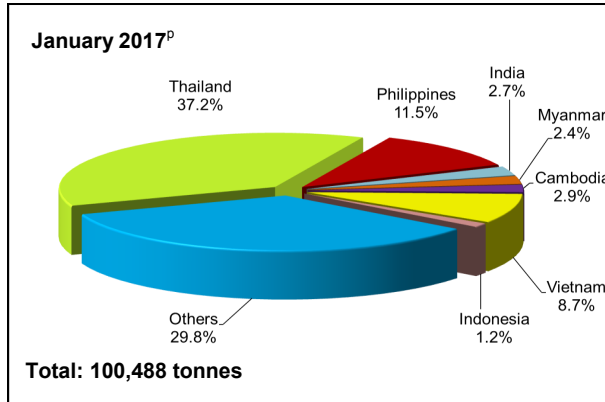
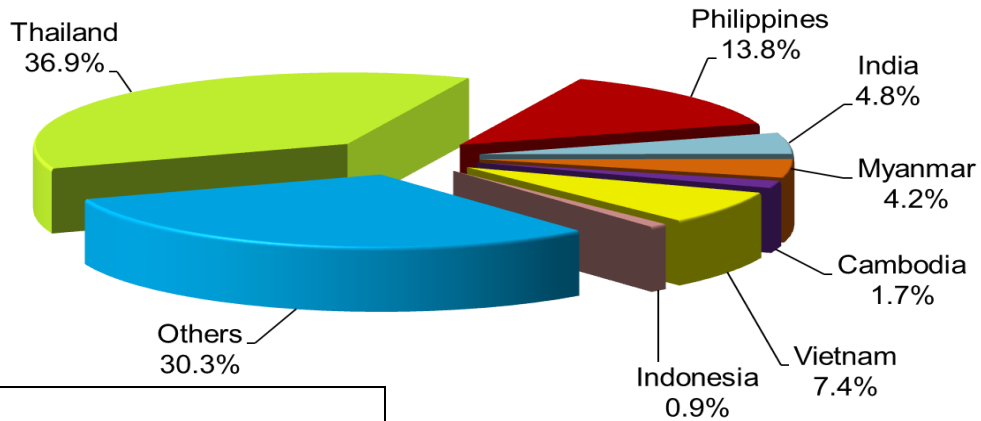
### **Considerable uncertainty over Trump Admin policies: IMF**

Amid a spate of policy changes in the US under the Trump Administration, the International Monetary Fund is closely following the developments in America, a top IMF official has said, noting that there is considerable uncertainty on specific policies. "Our latest World Economic Outlook assumes fiscal expansion by the US will carry momentum forward, raising US economic growth from 2.3 to 2.5% in 2018, which is positive for the global economy," Tao Zhang, Deputy Managing Director of the International Monetary Fund, told PTI in an exclusive interview.

- [indiatoday.intoday.in](http://indiatoday.intoday.in), 28 Apr

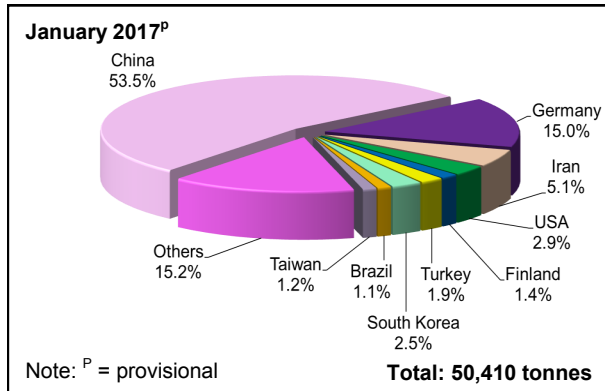
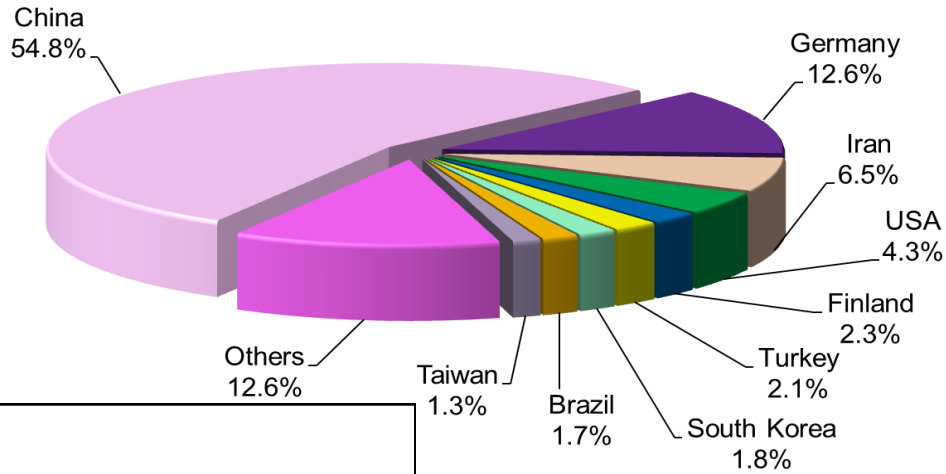
Sources: [www.factiva.com](http://www.factiva.com), New Straits Times, The Star, The Sun

**Malaysia's NR imports by countries, February 2017<sup>P</sup>**



**Total: 84,788 tonnes**

**Malaysia's NR exports by countries, February 2017<sup>P</sup>**

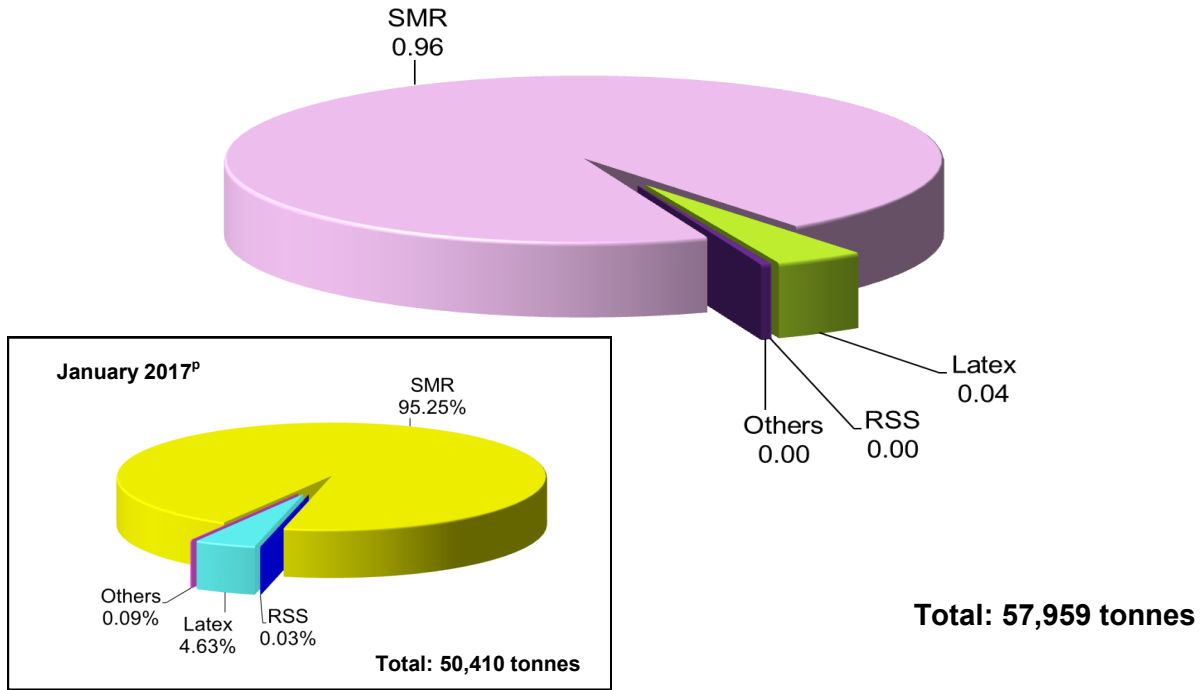


**Total: 57,959 tonnes**

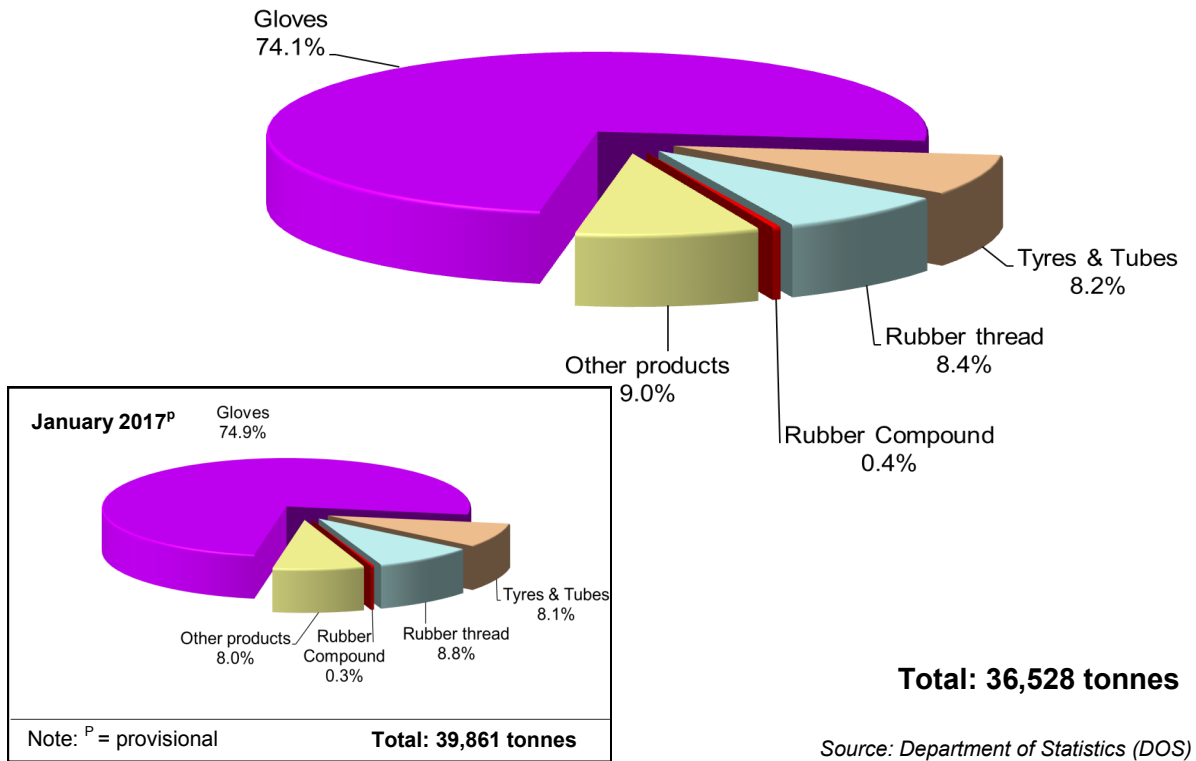
Note: <sup>P</sup> = provisional

Source: Department of Statistics (DOS)

### Malaysia's NR exports by types, February 2017<sup>P</sup>



### Malaysia's NR consumption by sectors, February 2017<sup>P</sup>



Source: Department of Statistics (DOS)