



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

July

The Kuala Lumpur Rubber Market ruled mixed with prices drifted uncertainly for the major part of July. Prices fluctuated downwards earlier of the month, thereafter recovered gradually until SMR 20 hit a near two month-high at 682.50 sen/kg on 20 July. The rebound was short-lived as prices tumbled again to close lower towards the end of review period. However, SMR 20 price still headed for a monthly gain of 5.4%, its first monthly rise since February 2017. Compared with those on 30 June 2017, the price of SMR 20 decreased by 41.00 sen/kg or 6.3% to close at 610.00 sen/kg while latex concentrate closed at 501.50 sen/kg, down by 64.50 sen/kg or 11.4%. The price movements of selected grades of rubber in July 2017 are shown in Table 1.

The bearish sentiment was witnessed during the first trading week owing to poor performance of regional rubber futures markets, slumping oil prices and as market operators were concerned on rising NR stocks in China. Trading at rubber futures markets were listless and volumes were reported to be below normal, pressured by lower

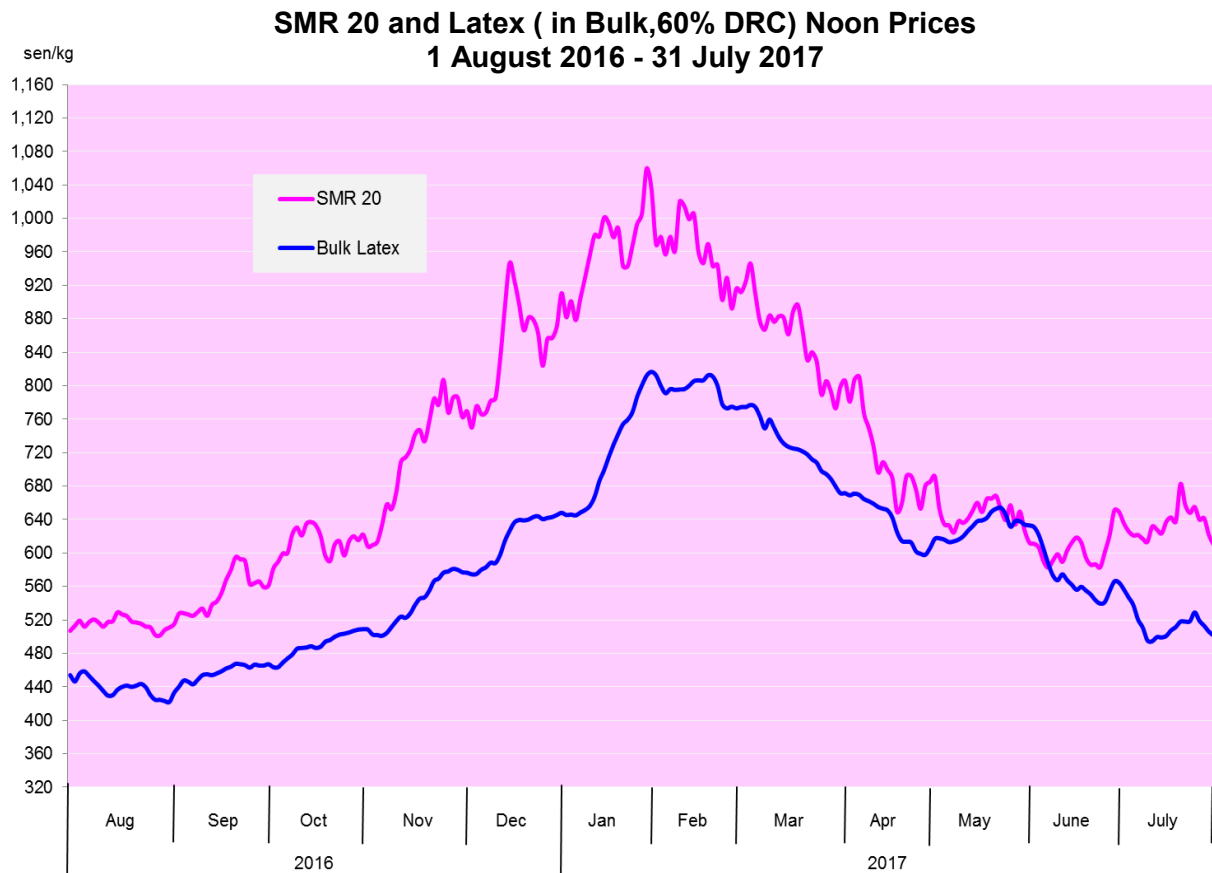
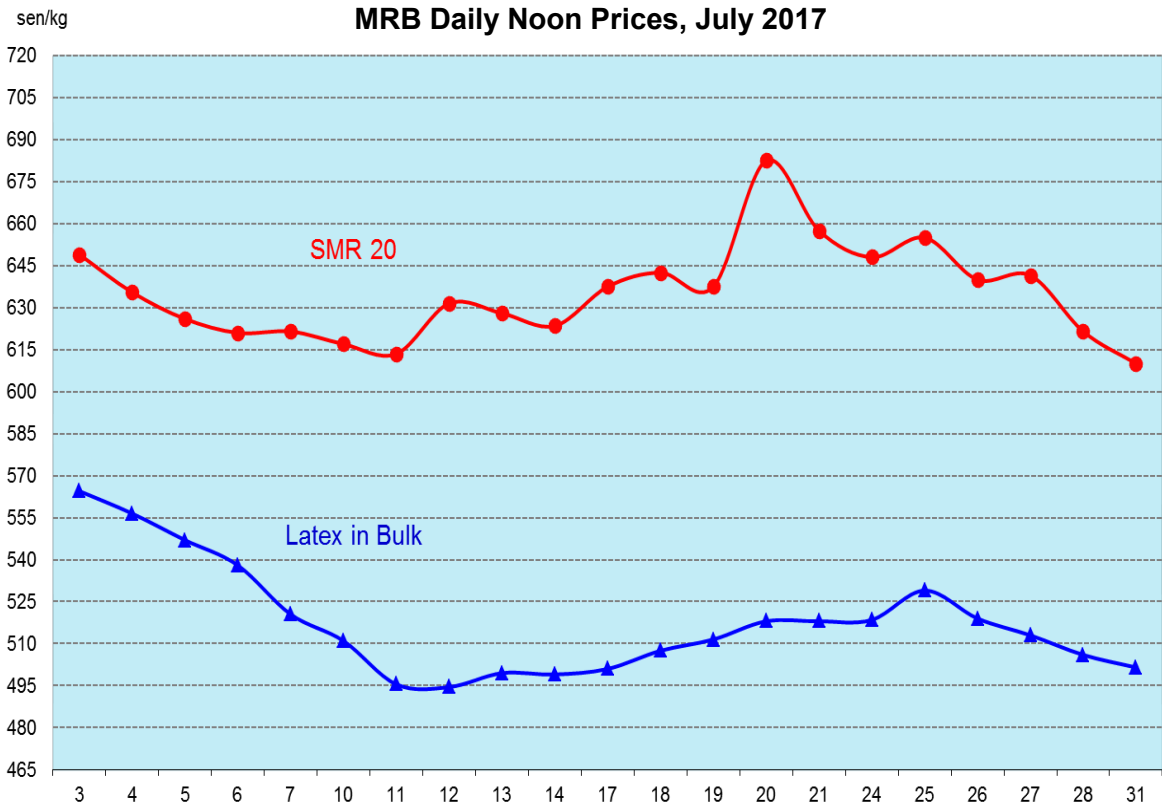
crude oil prices. However, the market rebounded slightly during the second trading week, thereafter prices peaked to a near-two-month-high on 20 July. The bullish sentiment exhibited during mid-month was contributed by firmer advices from regional rubber futures markets, positive China economic data and higher crude oil prices. Rubber futures market at Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) edged higher to a 1-1/2 month high on 20 July owing to weaker Japanese Yen/Chinese Yuan against USD, firmer oil prices and as the market reacted to the encouraging China economic data. In addition, market responded positively to the report on China economic growth. According to the China National Bureau of Statistics, China's GDP grew at a faster-than-expected 6.9% year-on-year in the first half of 2017, above the government's target for the year of 6.5%, in part driven by firmer exports and production. Furthermore, it was reported that China's imports of natural rubber in June 2017 rose 30.48% from a year earlier. Brent crude oil jumped above USD 50 per barrel, the highest since 6 June, boosted by declining U.S. inventories to the lowest since 6 Jan coupled with pledges by leading producers in the Middle East that they would cut supplies to the global market in earnest.

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	838.00	8380.00	682.50	6825.00	564.50	5645.00
Lowest	811.50	8115.00	610.00	6100.00	494.50	4945.00
Average	820.60	8206.00	635.24	6352.40	517.57	5175.70
Change from the last day of the previous month	24.00	240.00	-41.00	-410.00	-64.50	-645.00

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

Source: Malaysian Rubber Board



The market turned easier towards the end of month. The market reacted negatively to the report on natural rubber (NR) stocks in China and Japan. NR stocks at Qingdao bonded warehouse in China remained high at 201,400 tonnes as of 17 July 2017. According to the data released by Rubber Trade Association of Japan (RTAJ), crude rubber inventories at Japanese ports stood at 7,592 tonnes as of 20 July, up 12.9% from the last inventory date reported on 10 July. Meanwhile, TOCOM rubber futures traded sharply lower after prices peaked on 20 July resulting from profit taking activities, weaker advices from Shanghai rubber futures and stronger yen against US dollar. Furthermore, trading activities at regional rubber futures markets were limited towards the end of month as investors were mostly making position adjustments ahead of the nearest term contracts expiry. China's report on 31 July that its official manufacturing Purchasing Managers' Index (PMI) for July 2017 came in at 51.4, below economist's expectation of 51.6 also dampened the market sentiment. The dollar index, which measures the greenback against six major currencies, fell to 93.39 on 26 July, touching its lowest level in more than a year after the release of the Federal Reserve's policy statement that the Federal Open Market Committee (FOMC) retains its current monetary policy as expected. The ringgit was firmer against US dollar and hovered between RM 4.2765 – 4.2995 during the month. A firmer ringgit typically makes rubber more expensive for holders of foreign currencies.

Outlook

The outlook for the rubber market is uncertain as non-fundamental factors continue to play a major role in determining prices. However, the market is expected to improve moderately in line with the anticipation of global economic growth. According to the "July World Economic Outlook" released by International Monetary Fund (IMF), global economic growth was expected to accelerate further at 3.5% in 2017 and 3.6% in 2018. Furthermore, Economist Intelligence Unit (EIU) expects global consumption of natural rubber (NR) to expand by 3% in 2017, driven by slightly firmer global economic growth. Market sentiment is also expected to react positively to the measures to be undertaken by Thailand, Indonesia and Malaysia under International Tripartite Rubber Council (ITRC) to curb exports. The ITRC would meet in September to decide

measures to stabilise rubber prices including considering cutting rubber output under the 5th Agreed Export Tonnage Scheme (AETS). Nevertheless, the rubber market is expected to be volatile due to uncertainty of non-fundamental factors such as regional rubber futures markets, benchmark oil prices, currencies fluctuations and economic development in major NR consuming countries. Investors will be keeping their eyes on greater uncertainty on US policies which will impact the global economy. In addition, analysts were of the view that the movement of US Dollar Index may not influence commodities prices unless it surpasses 100.

News Briefs

Set up fund to help stabilised rubber prices

With prices of rubber dwindling in Thailand and hurting rubber growers, a fund amounting 1.2 billion baht has been set up by five major rubber players and the Rubber Authority of Thailand (RAOT) to assist the growers, said a government spokesman. Lt Gen Sansern Kaewkamnerd said in helping the rubber growers, the fund will be spent on buying natural rubber in overseas futures market and the central market in Thailand.

- www.oananews.org, 1 July

EU, Japan officials seal trade agreement, EU official says

Japan and the European Union should agree to a free trade pact that could be completed within months, after senior officials removed final snags to a political deal intended as a signal to US President Donald Trump. Japan and the European Union aim to bring a new, wide-ranging trade pact into effect in 2019, eliminating or slashing tariffs on the bulk of goods and turning global trade away from the protectionist tide. Once in effect, the pact will link countries containing 8.6% of the world's population and nearly 30% of global gross domestic product in an enormous free trade zone. The EU will lower its 10% tariff on Japanese passenger cars over seven years, eliminating it in the eighth. Duties on Japanese autoparts accounting for 92.1% of trade in that field by value will be abolished immediately.

- *The Edge Markets*, 5 July

Global NR demand to grow by 1.7% in 2017: ANRPC

World demand of Natural Rubber (NR), including non-ANRPC (Association of Natural Rubber Producing Countries), is anticipated to grow by 1.7% to 12.900 million tonnes during 2017 against 12.679 million tonnes in 2016. During the first half of 2017, the world consumed 6.417 million tonnes of NR compared to 6.395 million tonnes in the same period last year, an increase of 0.34%. Based on the actual figure up to March, preliminary estimates for April to June 2017 and forecasts for July to September 2017, the world consumption of NR during the first nine months of 2017 is anticipated at 9.693 million tonnes, up 1.5% from the same period in 2016.

- Rubber Asia, 10 July

China to buy 300,000 tonnes of rubber from Cambodia

China is set to purchase 300,000 tonnes of rubber from Cambodia in 2018, according to a statement released by Cambodia's Ministry of Commerce following their meeting with the Chinese and Japanese delegations. "Recently, Shaanxi, China, has signed a memorandum of understanding with Cambodia to buy 300,000 tonnes of Cambodian rubber," the statement said. "China is expected to begin importing it in 2018."

- rubberjournalasia.com, 11 July

Russia's Rostec working with Vietnam for rubber cooperation

Russia industrial company Rostec Corporation worked with authorities in the southern province of Binh Duong to prepare for the Viet Nam-Russia Rubber Joint Venture Company (Visorutex), which is expected to begin operations after 2020. The project, which was signed between the Vietnamese Government and the Russian Government, will include rubber plantations, research and pilot production of Visorutex rubber in Binh Duong Province.

- rubberjournalasia.com, 11 July

Natural rubber production in India increases by 23%

Natural rubber (NR) production in India increased by 23% percent during the last fiscal (2016-2017). This was announced by A Ajith Kumar, Chairman & Executive Director of Rubber Board while delivering the presidential address at the 174th meeting of the Rubber Board held at Kottayam. Production of NR increased from 562,000 tonnes in 2015-2016 to 691,000 tonnes in 2016-2017.

- Kerala IT News, 11 July

Asia SBR prices look set to stay stable in the near term on lower NR

Styrene butadiene rubber (SBR) prices in Southeast Asia look set to remain stable in the near term as buyers adopt a wait-and-see stance due to the lower natural rubber (NR) price and uncertainty over the price direction of the key feedstock butadiene (BD). Spot offers for non-oil grade 1502 at \$1,550/tonne CFR (cost and freight) southeast (SE) Asia have met with little interest, market sources said.

- ICIS News, 11 July

Ministry of Commerce finding new markets for Thai rubber

The Ministry of Commerce is addressing low rubber prices by partnering with businesses to provide export opportunities for sellers. Minister of Commerce Apiradi Tantraporn has announced that her ministry will send a delegation to negotiate rubber trade deals in foreign countries such as China, Bangladesh, Iran, and countries in Latin America. The Ministry of Commerce has instructed the directors of Thailand's International Trade Promotion offices in their respective countries to inquire into each country's rubber demand and introduce them to the prospect of sourcing supplies in Thailand. Rubber products that the ministry will promote include natural rubber, automotive parts, rubber gloves, medical gloves, rubber wheels, bedding, shoes and furniture parts. The recent drop in oil prices has enabled businesses to utilize artificial rubber materials in place of real rubber, which has therefore suppressed the price of rubber in Thailand.

- TRA News, 14 July

Agencies instructed to speed up rubber plans

Prime Minister Prayut Chan-o-cha has instructed nine state agencies to speed up the use of rubber in a bid to lift domestic demand which will help shore up falling rubber prices. The Prime Minister wants the agencies to quickly approve the disbursement of a combined budget of 16.9 billion *baht* and spend the money to buy rubber sheets and latex from farmers by the end of the current fiscal year ending 30 Sept, said government spokesperson Sansern Kaewkamnerd. The nine organisations are the Agriculture Ministry, Defence Ministry, Transport Ministry, Education Ministry, Natural Resources and Environment Ministry, Public Health Ministry, Interior Ministry, Tourism and Sports Ministry and Bangkok Metropolitan Administration. Gen Prayut wants the agencies' plans to use rubber to begin immediately and be completed by next year, said Lt Gen Sansern.

- *bangkokpost.com*, 16 July

Malaysia, Indonesia, Thailand mull cutting rubber output to stabilise prices

Malaysia, Thailand and Indonesia are considering cutting rubber output from 10% to 15% in order to curb falling prices, said Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong. He said the International Tripartite Rubber Council (ITRC), comprising Malaysia, Indonesia and Thailand, would meet in Bangkok on 15 Sept to discuss measures to stabilise rubber prices. "The fluctuation of rubber prices was due to declining demand for the commodity, especially from China, the world's largest rubber consumer. Therefore, we need to control the supply. "During the ITRC meeting, we will discuss on the Agreed Export Tonnage Scheme (AETS) to stabilise the rubber prices.

- *The Star*, 17 July

China's economy surges 6.9% in first half of year

China's economy surged 6.9% in the first half of the year, fuelled by consumer spending and trade, the country's National Bureau of Statistics said on 17 July. The economy grew by 6.9% in the second quarter, the same pace as in the first quarter. Analysts had predicted a slight cool-down in the second quarter, to growth of 6.8%. The Chinese government has set an economic growth target

this year of about 6.5% "or higher if possible".

Economic growth has been boosted by government investment in infrastructure and poverty alleviation projects, as well as by entrepreneurship and the service industry, said Hu Xingdou, an economics professor at the Beijing Institute of Technology. Observers expect a drop in China's economic growth in the second half of the year but the government is trying to project stability ahead of an important Communist Party congress in a few months' time.

- *The Sun*, 18 July

Asia growth outlook brightens on strong exports: ADB

The Asian Development Bank (ADB) raised its 2017 and 2018 growth forecasts for the region, reflecting rising exports as manufacturers of smartphones to cars to other consumer goods benefited from improving global demand. Developing Asia - made up of 45 countries in the Asia-Pacific region - is expected to grow 5.9% and 5.8% this year and next, the Manila-based ADB said in the update of its Asian Development Outlook. They are a step up from April forecasts of 5.7% for both years from an upturn in global demand since late last year and with the United States and Europe also showing improving growth. The update of the Development Outlook raised China's 2017 and 2018 growth forecasts to 6.7% and 6.4%, respectively, from 6.5% and 6.2%, driven by strong consumption and improving shipments.

- *reuters.com*, 20 July

ATMA to set standards for NR quality

The Automotive Tyre Manufacturers' Association (ATMA) and the Rubber Board, India will soon define the quality standards of domestic natural rubber that tyre manufacturers in India will need in the mid and long-terms (3-10 years). This was revealed by ATMA Chairman Satish Sharma after a meeting of the stakeholders in which the rubber growers questioned tyre makers' sudden focus on quality. Rubber growers felt that the domestic tyre industry had not defined the quality it expected from them. Sharma said that ATMA has formed a team to study the issue and over the next three months, the tyre industry will let the rubber growers know about the quality standards it will want from them. Sharma said the Prime Minister's

Office wants to study the rubber sector and has sought ATMA's suggestions. Besides, the government wants the tyre industry to focus on the Northeast region in order to develop more rubber-producing zones.

- *Rubber Asia*, 20 July

Malaysian rubber industry shifting to high-value engineering: Mah Siew Keong

The Malaysian rubber industry is moving towards high-value precision engineering, Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said. He said Malaysia's export of structural bearings rose by 36.2% to RM14.14 million in 2016, from RM10.38 million in 2015. Mah assured that Malaysian manufacturers of engineering rubber products are certified to international standards, such as ISO 9001:2015 and ISO 22762 for elastomeric seismic protection isolators and tested by laboratories with ISO/IEC 17025 certification.

- *nst.com.my*, 22 July

Global Forecasting Service - Natural Rubber – July 2017

The Economist Intelligence Unit (EIU) expects global consumption of natural rubber (NR) to expand by 3% in 2017, driven by slightly firmer global economic growth. Overall demand in the first quarter rose by 4.9% in year-on-year terms (which partially reflects the low base of comparison from the first quarter of 2016). An expanding global vehicle fleet will help to bolster NR demand this year. We expect global NR production to expand by 1.8% in 2017.

- *Economic Intelligence Unit*, 24 July

IMF raises Malaysia GDP growth projection to 4.8%

The International Monetary Fund (IMF) has raised Malaysia's gross domestic product (GDP) growth projection for this year to 4.8% from 4.5%, on the back of savvy economic management and commendable monetary policies. Malaysia registered a GDP growth of 4.2% last year, down from 5% in 2015 and 6% in 2014. The country posted a 5.6% GDP expansion in the first quarter ended March 31 compared to the same quarter a year ago.

- *thestar.com.my*, 25 July

Government to hand out assistance to 440,000 smallholders, rubber tappers in Nov

The government will distribute financial assistance to smallholders and rubber tappers as scheduled. Rural and Regional Development Minister, Datuk Seri Ismail Sabri Yaakob (BN-Bera) said the aid will be handed out over a three-month period beginning November. The aid, which amounts to RM200 a month, is meant to ease the burden of the farmers during the monsoon period. It will benefit some 440,000 smallholder planters and rubber tappers.

- *nst.com.my*, 26 July

US economy expected to accelerate in second quarter

Consumers probably spent enough last quarter to help US growth rebound from a tepid start. Gross domestic product expanded at a 2.5% annualised rate from April to June, according to the median estimate in a Bloomberg survey ahead of figures due today. While that would be an improvement over the first quarter's 1.4%, some of the upswing owes to the dissipation of temporary factors such as low heating bills, delayed tax refunds and volatility in inventories. Meanwhile, a gangbusters pace of business investment earlier in 2017 may have eased to a more sustainable rate.

- *thestar.com.my*, 26 July

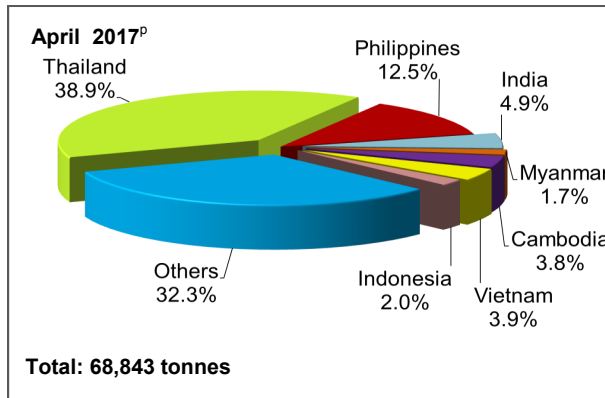
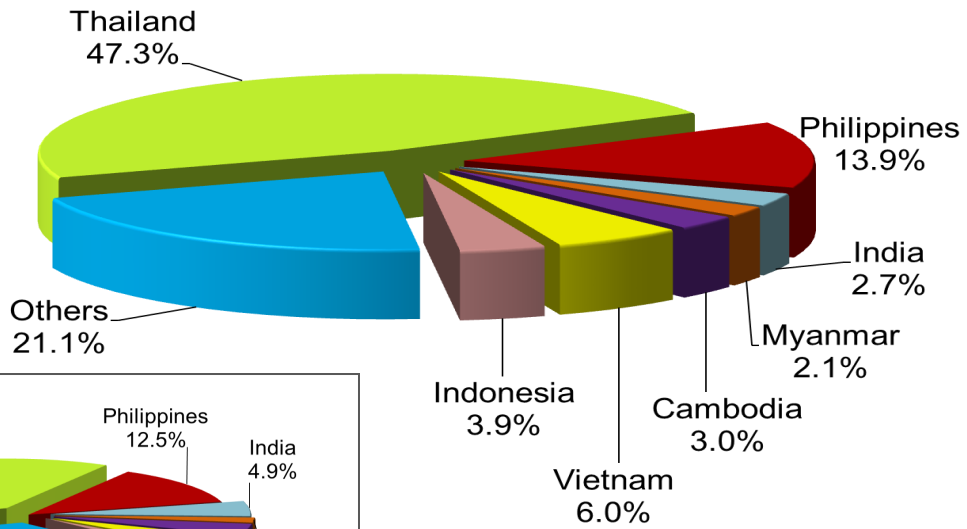
Thailand used over 7,000 tonnes of rubber for road construction, repairs

Thailand has used more than 7,000 tonnes of rubber worth Bt358.6 million for 557 road construction and repair projects under the Department of Rural Roads this year. Department Chief Pisak Jitviriyavasin said that findings of research conducted by the department showed that a 5% concentration of latex rubber in the asphalt mixture for road construction and repair projects was most suitable. Since 2013, the department has used a total of 22,659 tonnes of raw latex worth over Bt1.13 million for its road construction projects.

- *rubberjournalasia.com*, 28 July

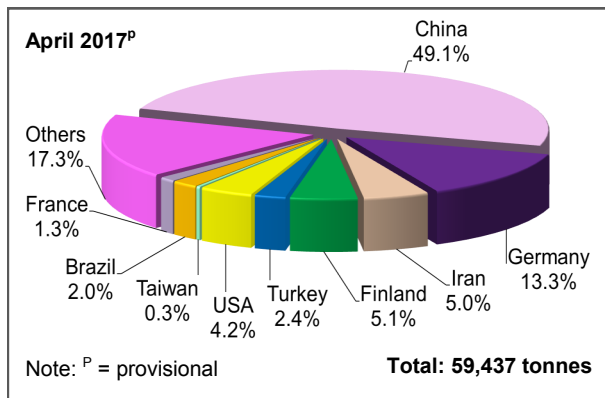
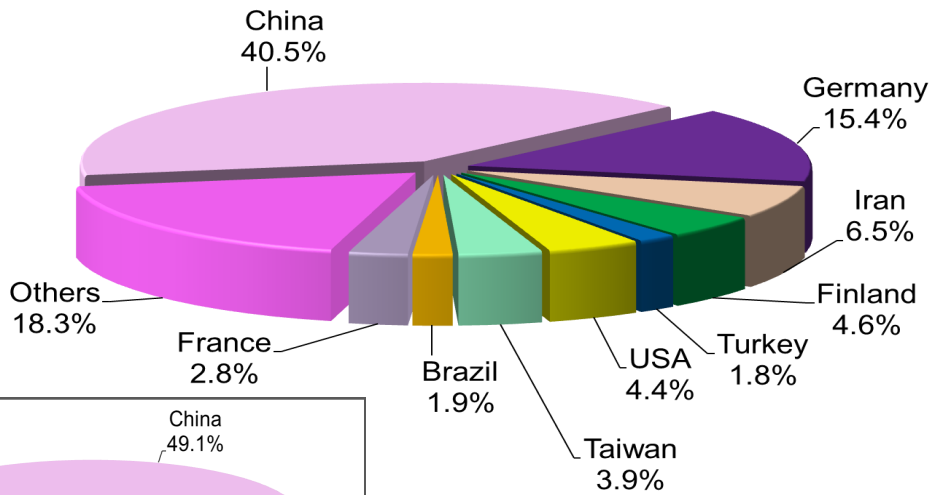
Sources: *www.factiva.com*, *New Straits Times*, *The Star*, *The Sun*, *rubberjournalasia.com*, *Reuters*

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



Total: 72,665 tonnes

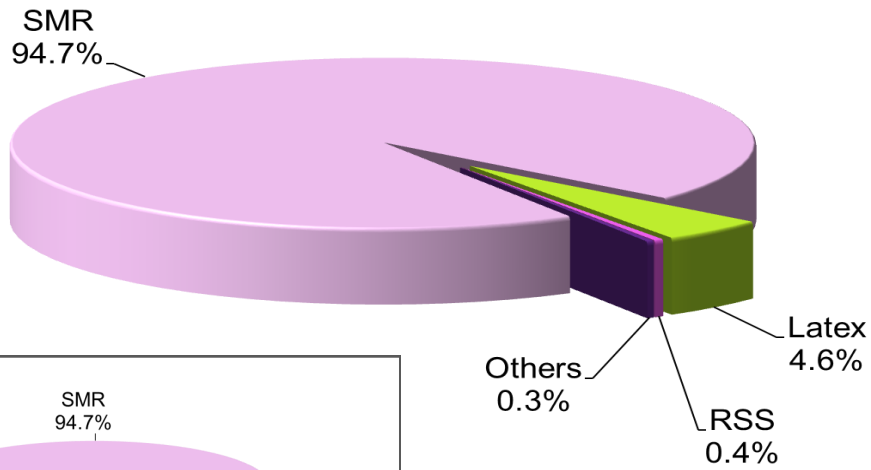
Malaysia's NR exports by countries, May 2017^P



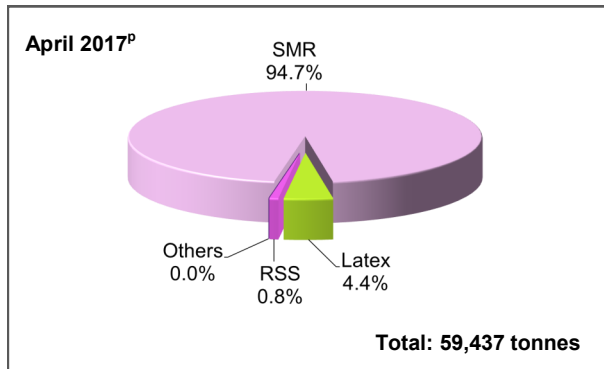
Total: 50,630 tonnes

Source: Department of Statistics Malaysia (DOSM)

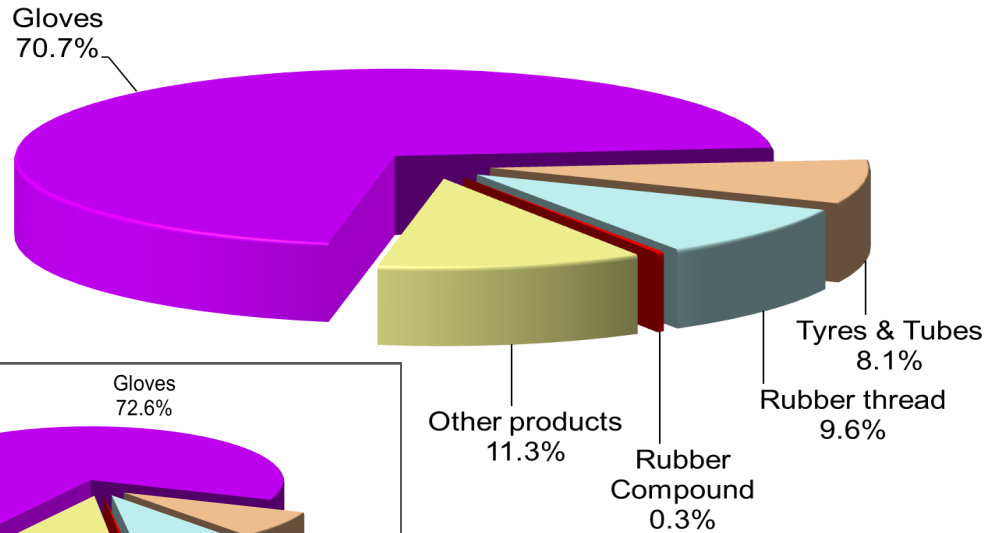
Malaysia's NR exports by types, May 2017^P



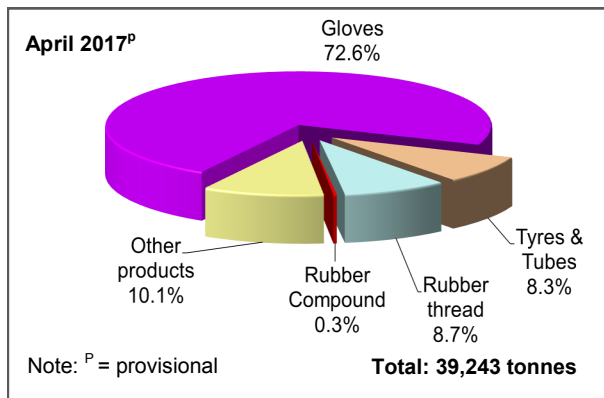
Total: 50,630 tonnes



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



Total: 40,896 tonnes



Source: Department of Statistics Malaysia (DOSM)