



# MALAYSIAN RUBBER BOARD

## D I G E S T

A monthly publication of the Malaysian Rubber Board

2018  
JULY

### Natural Rubber Market Review

#### July

In July, the Kuala Lumpur Rubber Market was generally dull and drifted within a narrow range owing to lack of fresh market catalysts. Price of SMR20 slid to four-month low on 5 July at 515.50 sen/kg, tracking poor market sentiment in regional rubber futures markets as market players' concerns on higher stocks, ample supplies as well as worries over the impact of U.S - China trade tensions to the global economic growth. There were no signs of fresh consumer demand reported while sellers were reluctant to deal at lower prices. Compared with those on 29 June 2018, the price of SMR 20 dropped by 15.50 sen/kg or 2.9% to close at 526.00 sen/kg. Meanwhile, latex concentrate closed at 401.00 sen/kg, down by 41.50 sen/kg or 9.4%. Compared with the previous month, the average price of SMR 20 in July continued to decline by 17.40 sen/kg or 3.2% to 527.80 sen/kg. Price movements of selected grades of rubber in July 2018 are shown in Table 1.

The market was seen to decline in the first week of July as investors are cautious ahead of a

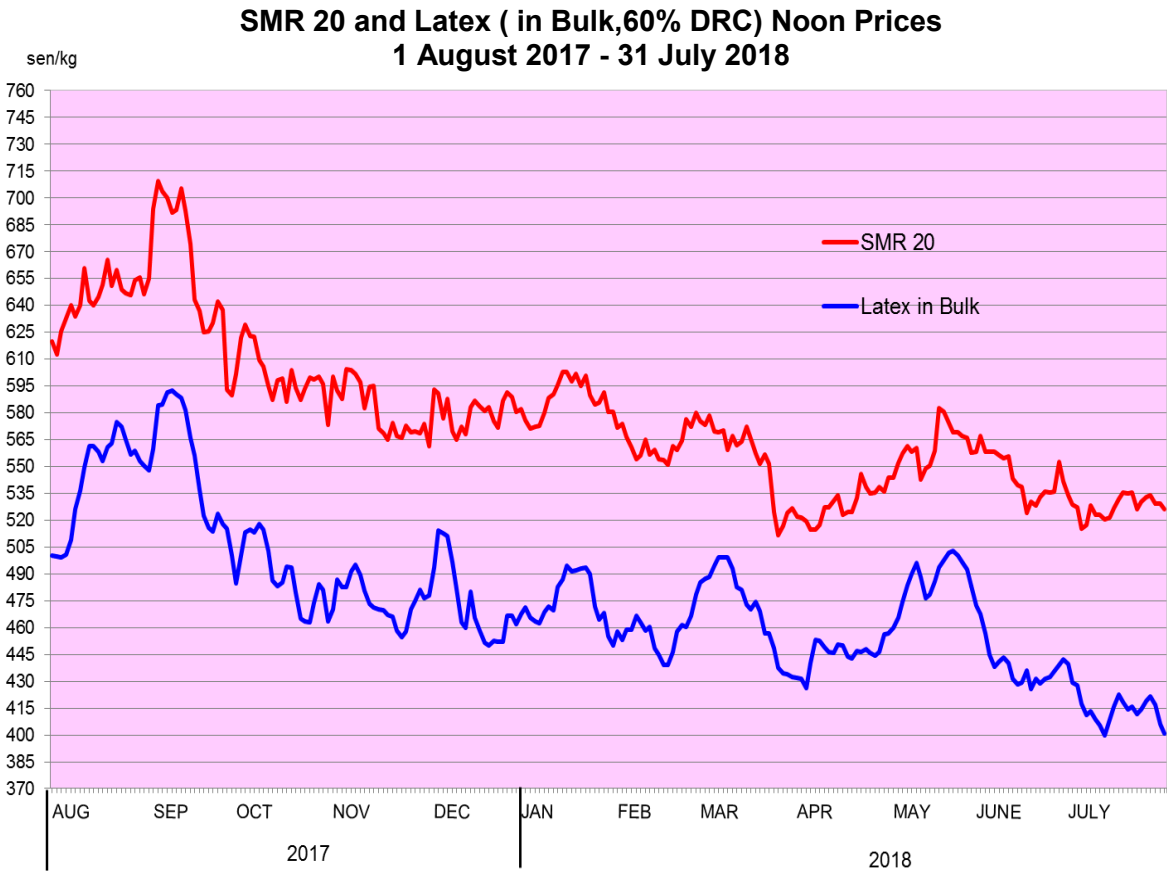
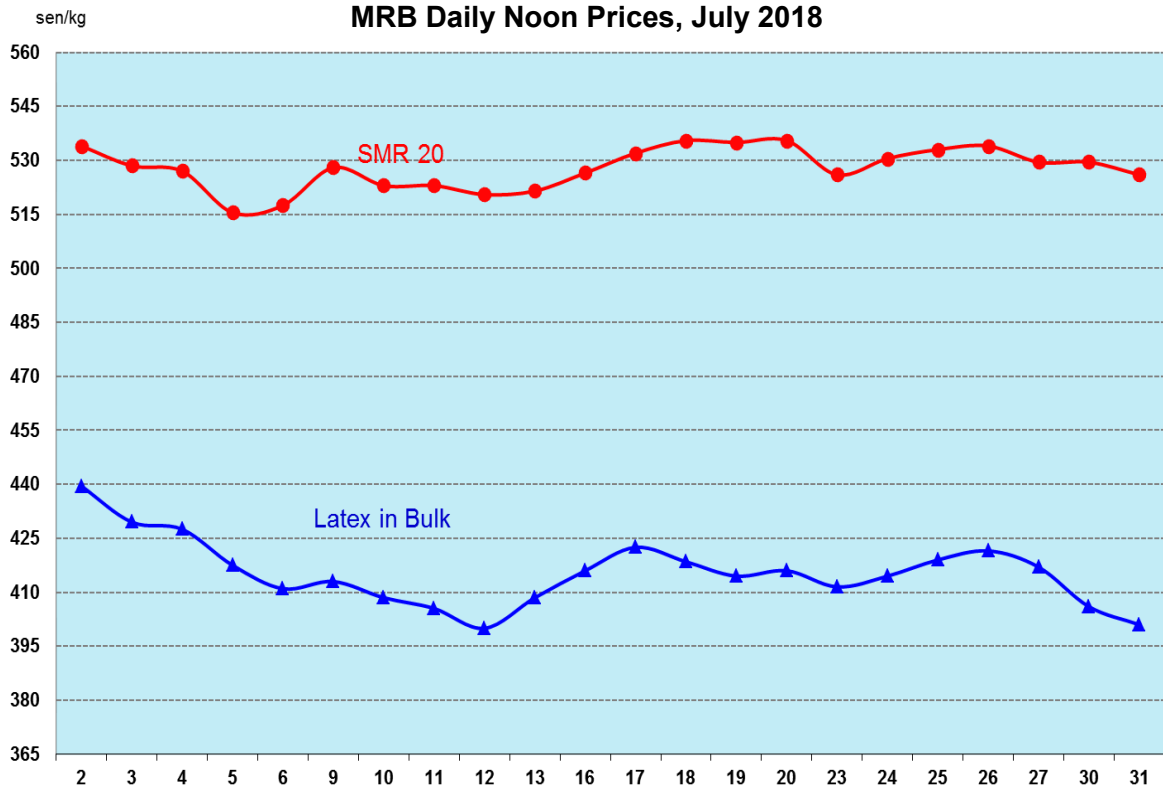
deadline when tariffs from the U.S and China are set to take effect on 6 July 2018. Thereafter, the market ruled mixed and edged lower for the major part of July. Although the favourable supply-demand fundamentals for first half of the year as reported by the Association of Natural Rubber Producing Countries (ANRPC), the market sentiment was mostly influenced by the external factors. The market ruled in quiet conditions as market players concerns on China's economy growth and demand may fall due to an escalating U.S - China trade war. The market remained lacklustre despite shortages of raw materials in some parts of Indonesia due to wintering season. Prices continued to remain subdued, taking cue from weaker regional rubber futures markets. Tokyo rubber futures slumped to a nearly two years low resulting from lingering fears over the trade tensions and stronger Japanese yen against the U.S dollar. Trading was listless owing to ample supplies and surging rubber inventories in China designated warehouses which kept the market sentiment weak. It was reported that Qingdao rubber stocks (NR and SR) increased to 200,100 tonnes on 16 July 2018 while Shanghai Futures Exchange (SHFE) warrant stocks surged to 526,989 tonnes on 26 July 2018. The market reacted negatively on the release of China's second-quarter economic growth. Official data

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	719.50	7,195.00	535.50	5,355.00	439.50	4,395.00
<b>Lowest</b>	713.00	7,130.00	515.50	5,155.00	400.00	4,000.00
<b>Average</b>	716.48	7,164.80	527.80	5,278.00	415.39	4,153.00
<b>Change from the last day of the previous month</b>	-4.50	-45.00	-15.50	-155.00	-41.50	-415.00

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

Source: Malaysian Rubber Board



released on 16 July showed China's economy grew 6.7% in the second quarter of 2018, declining slightly from 6.8% growth registered in each of the previous three quarters. Furthermore, China National Bureau of Statistics (NBS) on 27 July reported that profit growth for China's industrial firms eased to 20% in June compared to 21.1% in May as factory production slowed amid the worsening trade tension and China's efforts to cut pollution and debt. China manufacturing purchasing managers' index (PMI) for July also slows, coming in at 51.2, the weakest since February. At the same time, lower crude oil prices with WTI dropped below USD 70 per barrel following worries on oversupply also pressured prices.

The downtrend in the Kuala Lumpur Rubber Market during the month were capped by a report on declining Malaysia's natural rubber (NR) production and stocks as well as the depreciation of ringgit. According to DOSM, NR production in May 2018 decreased by 18.6% year-on-year to 35,789 tonnes, but rose slightly by 0.2% month-on-month. Stocks of natural rubber at the end of May 2018 decreased by 14.6% compared to April 2018 to 216,674 tonnes. Market sentiment improved slightly on news of the Thailand government on 17 July to reduce supply in order to stimulate the market. Thailand plans to reduce rubber plantations by 200,000 rai (32,000 hectare) per year for five years, which make one million rai (160,000 hectare) starting this September. The ringgit depreciated to its lowest in almost seven months at RM4.0675 on 24 July as the U.S dollar strengthens after Federal Reserve Chairman Powell delivered an upbeat assessment of the U.S economy as well as resulting from weaker oil prices. A slight recovery was witnessed in regional rubber futures markets as market players looked for bargains.

## Outlook

Prices in the Kuala Lumpur Rubber Market are expected to remain range-bound owing to ample supplies and rising rubber stocks in China warehouses. Market operators will be continuing to adopt 'wait and see' attitude and will be closely monitoring the impact of trade tensions to the commodity market. Although the market's focus largely would be on the developments of trade conflicts between U.S and China, the positive data on NR could provide some support to the

market in the near term. According to the Natural Rubber Trend and Statistics Report released by ANRPC on 30 July, the global demand of NR grew 5.0%, year-over-year (y-o-y) to 6.960 million tonnes during the first half of 2018. Meanwhile, the global supply of NR rose 4.5%, y-o-y, to 6.214 million tonnes, thus witnessed a supply deficit of 746,000 tonnes. An analyst reported that Chinese government policy of monetary and fiscal easing in second half of the year might stimulate the demand, but the impact will be limited. Besides, International Monetary Fund (IMF) in its World Economic Outlook Update released in July 2018 expects the global growth to reach 3.9% in 2018 and 2019 from 3.7% in 2017, but the expansion is becoming less even, and risks to the outlook are mounting. Growth in China is projected to moderate from 6.9% in 2017 to 6.6% in 2018 and 6.4% in 2019, as regulatory tightening of the financial sector takes hold and external demand softens.

## News Briefs

### ***EIU's monthly rubber outlook***

The Economist Intelligence Unit (EIU) forecasts that growth in annual natural rubber (NR) consumption will average 2.7% in 2018-2019 on the back of rising car ownership in emerging-market countries and solid global economic growth. The gradual move towards monetary tightening in major developed markets, including the U.S and the EU, is likely to weigh on capital investment and vehicle purchases in 2018-2019, both key drivers of NR demand. On the upside, higher crude oil prices could encourage a switch away from synthetic rubber towards greater consumption of NR.

- *factiva.com*, 1 Jul

### ***Thailand achieves more foreign orders for rubber***

Minister for Agriculture and Agricultural Cooperatives, Krisada Boonrat said that the recent tour of southern rubber plantations and operations by foreign diplomats and traders has been tremendously successful and has resulted in an additional 700,000 tonnes per year increase for rubber orders.

- *Org. of Asia-Pacific News Agencies*, 2 Jul

**Primary industries ministry will ensure continuing viability of commodity sector**

Newly appointed Primary Industries Minister Teresa Kok Suh Sim will focus on four areas to ensure the continued viability of the commodity industry across its entire value chain, encompassing both upstream and downstream sectors. Kok said the first area of focus would be on sustainable development in order to maintain the country's natural environment and biodiversity. She also said the ministry would look after the welfare of those involved in the commodity sector such as smallholders, plantation workers and manufacturers.

- *malaymail.com*, 3 Jul

**Top U.S automakers report higher vehicle sales in June**

Top U.S automakers reported stronger June sales, as consumers continued to snap up sport utility vehicles and trucks in larger numbers, parking for now worries about rising fuel prices, higher interest rates and trade tensions. A positive sign for automakers is that U.S jobless rates are at the lowest levels since 2000, and average incomes are starting to grow more robustly.

- *reuters.com*, 3 Jul

**Indonesian rubber producers enter market of Uzbekistan**

The biggest Indonesian manufacturers of rubber are planning expansion into the market of Uzbekistan and through it - to the countries of Central Asia and the Commonwealth of Independent States (CIS). This became known following the results of negotiations with representatives of the Indonesian Rubber Association (GAPKINDO) headed by its Chairman M. Soedargo, which were initiated by the Embassy of Uzbekistan in Indonesia.

- *factiva.com*, 6 Jul

**RPAL's new leadership to revive 'struggling' rubber sector**

The new leadership of the Rubber Planters Association of Liberia (RPAL) said it has strategized a plan to revive the country's already

"struggling" rubber sector. The association's new president, Mrs. Wilhemina G. Mulbah-Siaway, informed development partners and stakeholders that her leadership envisions an approach to change the dynamics of the sector by introducing technology to process and manufacture rubber-based products.

- *liberianobserver.com*, 9 Jul

**France says Europe united against U.S tariffs as Germany eyes negotiation**

The French government insisted that Washington should expect united retaliation from Europe to further tariff increases after Germany signalled it was prepared to negotiate. With Germany's powerful car industry facing the threat of higher U.S duties, Chancellor Angela Merkel said she would back a lowering of European Union levies on imports of U.S cars.

- *reuters.com*, 9 Jul

**Government will continue the rubber city project in Padang Terap**

The Malaysian government will continue the Rubber City Project in Padang Terap to further develop the rubber industry as well as to help improve the living standards of the locals. Primary Industries Minister Teresa Kok Suh Sim said the ministry hoped to work with the state government to look for the best approaches to expedite the project development.

- *thesundaily.my*, 10 Jul

**Malaysian rubber glove makers may benefit from U.S-China trade war**

Affin Hwang Research says Malaysian rubber glove manufacturers could benefit from the trade spat between the U.S and China as a tariff is being imposed on rubber/plastic gloves from China. The research house noted that the gloves are on the USD200 billion list of Chinese goods that will be subject to a 10% import tax. Affin Hwang noted that the U.S consumes 30% to 25% of the world's medical gloves, and the introduction of the tariff will likely deter China manufacturer's expansion plans to produce nitrile gloves in the near term.

- *thestar.com.my*, 12 Jul

**Natural rubber production in May 2018 increased 0.2%**

Natural rubber production rose 0.2% in May 2018 to 35,789 tonnes as compared to 35,726 tonnes in April 2018. For year-on-year (y-o-y), the production decreased by 18.6%. Exports of natural rubber amounted to 57,263 tonnes, increased 7.6% than the previous month. Domestic consumption of natural rubber in May 2018 increased 1.5% to 44,043 tonnes. Natural rubber was widely used in the rubber glove industry with consumption of 33,299 tonnes or 75.6% of the total natural rubber domestic consumption.

- dosm.gov.my, 12 Jul

**Tyres, rubber products, polymers hit heavily in new Trump China tariffs**

Nearly all tyres imported from China, as well as a long list of rubber products, polymers and other raw materials important to the rubber industry, are subject to a 10% tariff proposed by the Trump administration. The Office of the U.S Trade Representative issued the notice on its website July 10. According to the notice, the administration is modifying its original June 20 proposal to place 25 % tariffs on up to USD50 billion worth of Chinese goods to add 10 % tariffs on up to USD 200 billion of additional goods. USTR is taking this further action in response to China placing 26 % duties on USD 50 billion worth of U.S goods, according to the notice.

- rubbernews.com, 13 Jul

**Kingdom's rubber exports bounce high in first half**

Cambodian rubber exports surged 21% during the first half of the year, compared to the same period last year, said Pol Sopha, director-general of the Rubber Department at the Ministry of Agriculture. Total rubber cultivation was also up, at 436,299 hectares.

- factiva.com, 16 Jul

**China imposes temporary anti-dumping measures on Japan, S. Korea nitrile rubber**

China's Ministry of Commerce said it would impose temporary anti-dumping measures on nitrile rubber from South Korea and Japan from

July 16. The ministry will collect deposits ranging between 12 % and 37.3 % on imports of the rubber from S.Korea, it said. It will collect deposits ranging from 18.1 % and 56.4 % on imports of the product from Japan.

- factiva.com, 16 Jul

**IMF: World economy likely to grow 3.9% this year**

The International Monetary Fund (IMF) is keeping its forecast for global economic growth unchanged at 3.9 % this year despite worries about rising trade tensions and higher oil prices. But the lending agency is downgrading the outlook for Europe and Japan. The IMF still expects tax cuts to lift U.S economic growth to 2.9 % this year, up from 2.3 % in 2017.

- cnbc.com, 17 Jul

**ADB maintains 2018, 2019 GDP growth forecasts for developing Asia**

The Asian Development Bank (ADB) said developing Asia is on track to meet growth expectations for this year and 2019, but warned that rising U.S protectionist trade measures and countermeasures from China and others pose "a clear downside risk". The ADB kept its 2018 and 2019 economic growth estimates for the region at 6.0% and 5.9%, respectively.

- reuters.com, 19 Jul

**Trump criticizes Federal Reserve interest rate policy despite strong economy**

U.S President Donald Trump criticized Federal Reserve policy even though most economists believe the highest inflation in seven years and lowest unemployment in 40 years justify recent interest rate rises and a strong U.S dollar. Trump said he was concerned about the potential impact on the U.S economy and American corporate competitiveness from rising rates and a stronger dollar.

- reuters.com, 19 Jul

**Trade tensions threaten global economic growth, G20 cautions**

Finance ministers and central bank governors from the G20 warned that global economic growth risks have increased. The main risks are rising financial vulnerabilities, heightened trade and geopolitical tensions, global imbalances, inequality and structurally weak growth. Emerging markets

also face threats including market volatility and capital outflows.

- *scmp.com*, 23 Jul

**Trump relents on EU car tariffs, as U.S-China fight derails Qualcomm deal**

In what the EU chief called a "major concession," U.S President Donald Trump agreed on 25 July to refrain from imposing car tariffs while the two sides launch negotiations to cut other trade barriers, easing the threat of a transatlantic trade war. Trump and European Commission President Jean-Claude Juncker said the talks would also seek to "resolve" U.S tariffs on steel and aluminum and Europe's retaliatory duties - marking a step back from Trump's signature import protections for American metals producers. Europe has agreed to increase purchases of U.S liquefied natural gas and lower trade barriers to American soybeans, aiding U.S farmers and the energy sector, Trump said.

- *reuters.com*, 25 Jul

**China maintains biggest buyer of Vietnam Rubber in H1: Customs**

China maintained the biggest importer of rubber from Vietnam in the first half of this year after spending USD 519.8 million on buying 363,200 tonnes from the neighbouring country, down 3.78% y-o-y in value but up 24.08% y-o-y in volume, said the government-run General Department of Vietnam Customs.

- *factiva.com*, 25 Jul

**Central rubber market to open after legislation**

A central rubber market will open in 2019 after the new Rubber Law has been enacted, U Khaing Myint, secretary at the Myanmar Rubber Planters and Producers Association (MRPPA), told The Myanmar Times.

- *mmtimes.com*, 26 Jul

**Thailand plans rubber 'supply wipe' of up to 50,000 tonnes per year to improve prices**

Thailand plans a yearly "supply wipe" of up to 50,000 tonnes of natural rubber output by reducing the country's rubber growing areas. According to the Rubber Authority of Thailand (RAOT), Thailand plan to reduce rubber

plantations by 200,000 rai (32,000 hectare) per year for five years, which make one million rai (160,000 hectare) starting this September to reduce supply in order to stimulate the market.

- *factiva.com*, 26 Jul

**Asia SBR may fall lower on cheaper NR, breaks link with BD**

Asia styrene butadiene rubber (SBR) prices are facing downward pressure from cheaper natural rubber (NR), and is no longer driven by the key feedstock butadiene (BD) cost. The key feedstock BD is usually an influential driver of the SBR price, but it is no longer the case in the current market, with the BD price overtaking the non-oil grade 1502 SBR price.

- *factiva.com*, 27 Jul

**Cambodia to buck trend of cutting rubber production**

Cambodia will not follow major rubber players in their move to cut production to boost prices, Pol Sopha, the director of the General Department of Rubber said. Cambodia's rubber exports reached 84,400 tonnes in the first half of this year.

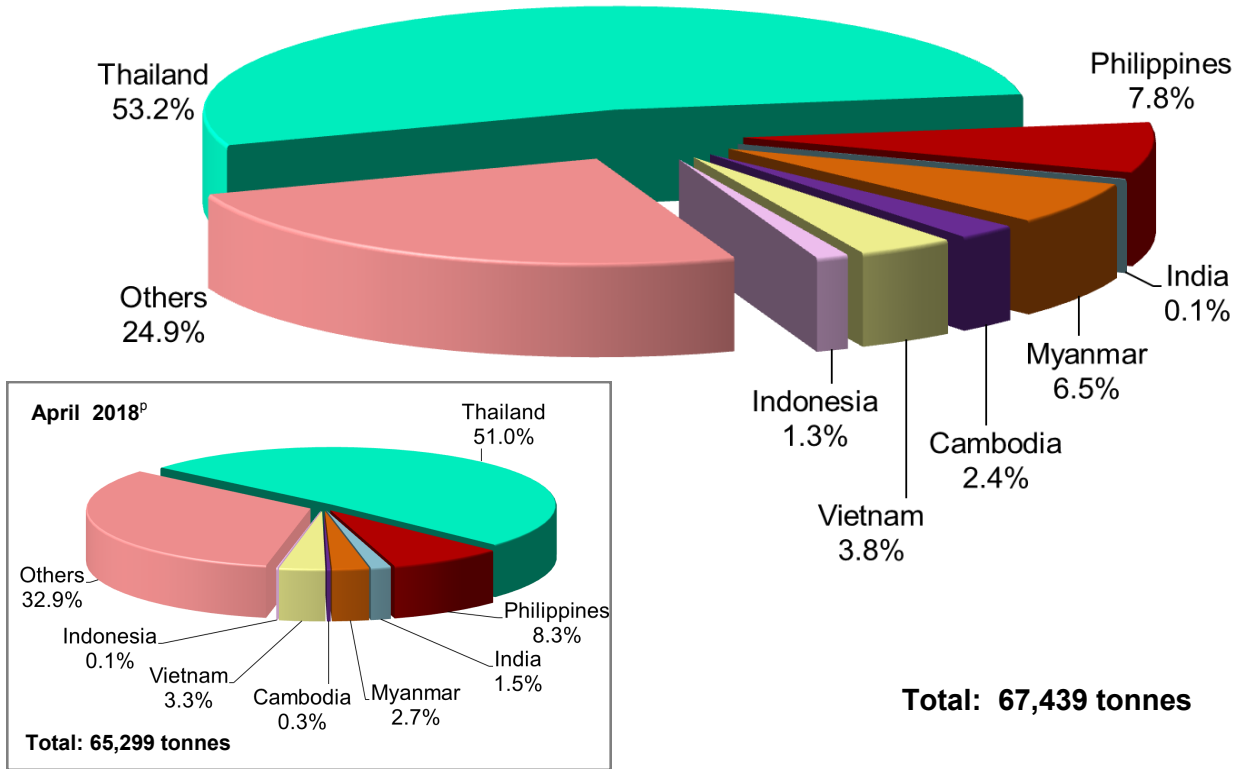
- *khmertimeskh.com*, 30 Jul

**China Official Manufacturing PMI dips to five-month low in July**

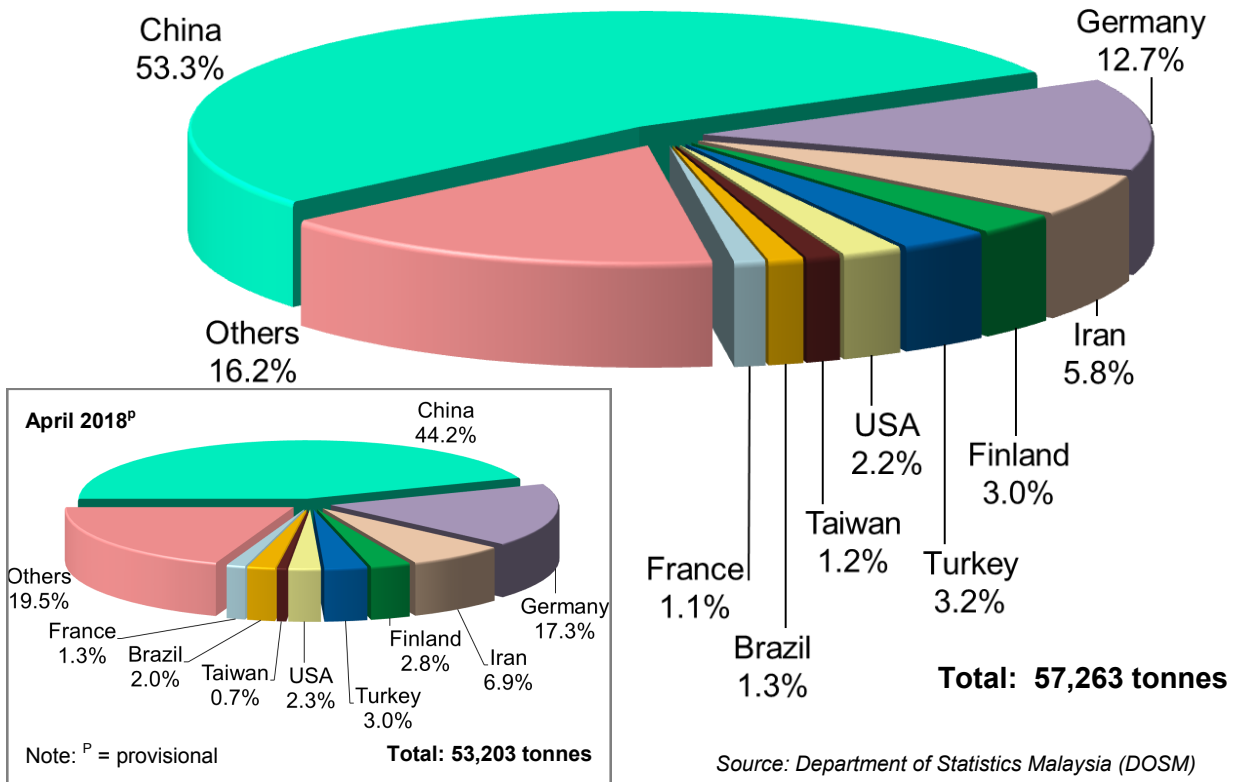
It was reported that China Manufacturing Purchasing Managers' Index (PMI) expanded at its slowest rate in five months in July at 51.2. According to the China National Bureau of Statistics (NBS), output and market demand slowed in July as some factories suspended production due to unfavourable weather conditions in China while some companies started equipment maintenance and technology upgrades. Volatility in the yuan's exchange rate and rising international trade tensions led exports at some companies to fall and imports of raw materials to decline.

- *caixinglobal.com*, 31 Jul

### Malaysia's NR Imports by Countries, May 2018<sup>P</sup>

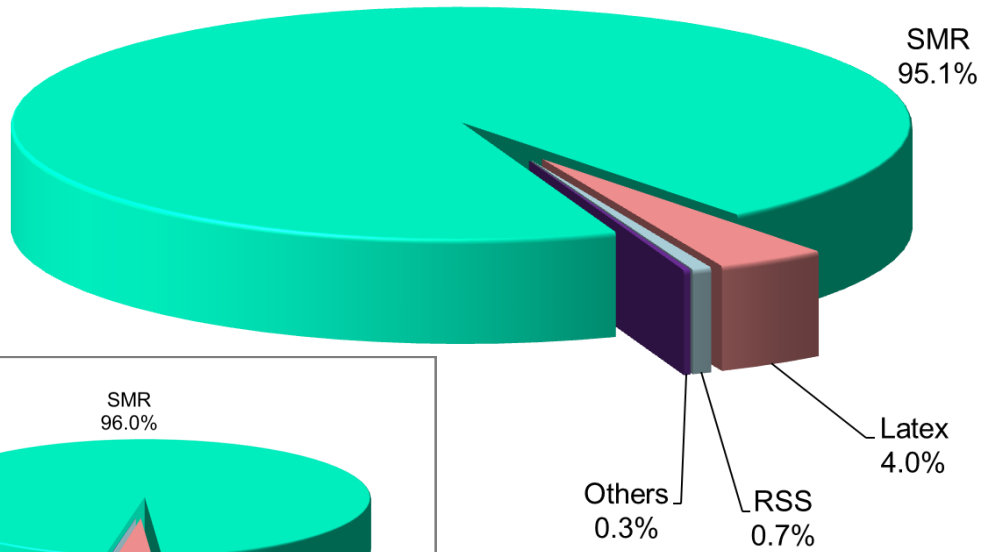


### Malaysia's NR Exports by Countries, May 2018<sup>P</sup>

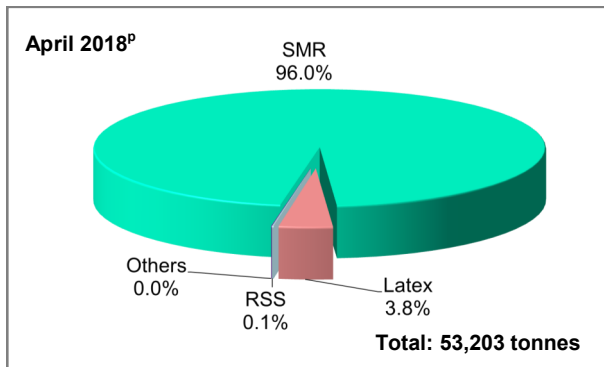


Source: Department of Statistics Malaysia (DOSM)

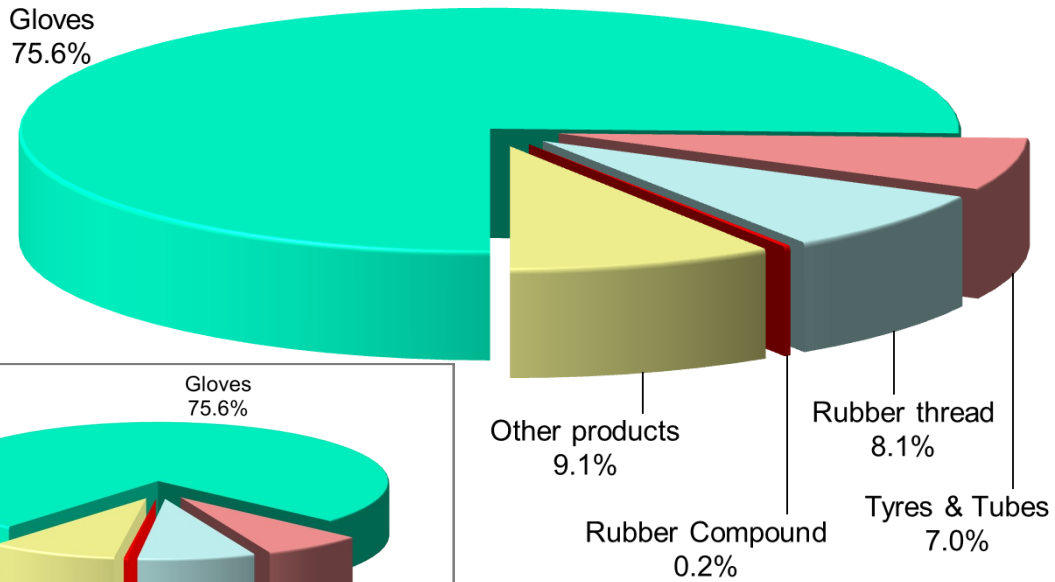
### Malaysia's NR Exports by Types, May 2018<sup>P</sup>



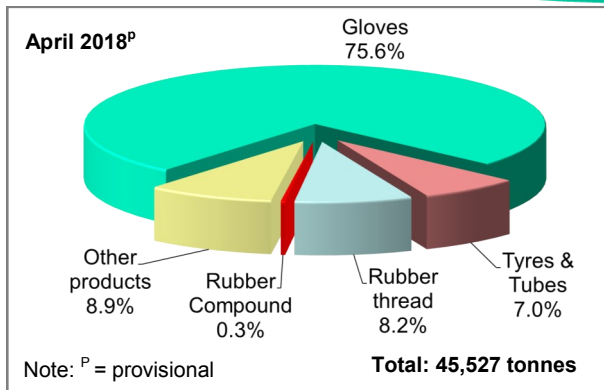
**Total: 57,263 tonnes**



### Malaysia's NR Consumption by Sectors, May 2018<sup>P</sup>



**Total: 44,043 tonnes**



Source: Department of Statistics Malaysia (DOSM)