



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

August

In August, the Kuala Lumpur Rubber Market ruled mixed where prices moved upwards during the first half of the month. The market thereafter took a breather and prices fluctuated within a narrow range during the second half of the month, followed by a slight recovery towards end of the review period. However, SMR 20 price still headed for a monthly gain of 9.0 sen/kg or 1.4%. Overall market conditions during the review period were very much influenced by performance of regional rubber futures markets, encouraging China economic data, firmer oil prices and currencies movements. Compared with those on 31 July 2017, the price of SMR 20 rose by 45.00 sen/kg or 7.4% to close at 655.00 sen/kg while latex concentrate closed at 548.00 sen/kg, up by 46.50 sen/kg or 9.3%. The price movements of selected grades of rubber in August 2017 are shown in Table 1.

During the first half of the month, the market sentiment was boosted by declining China rubber stocks, increased automobile demand in China, stronger advices from regional rubber futures

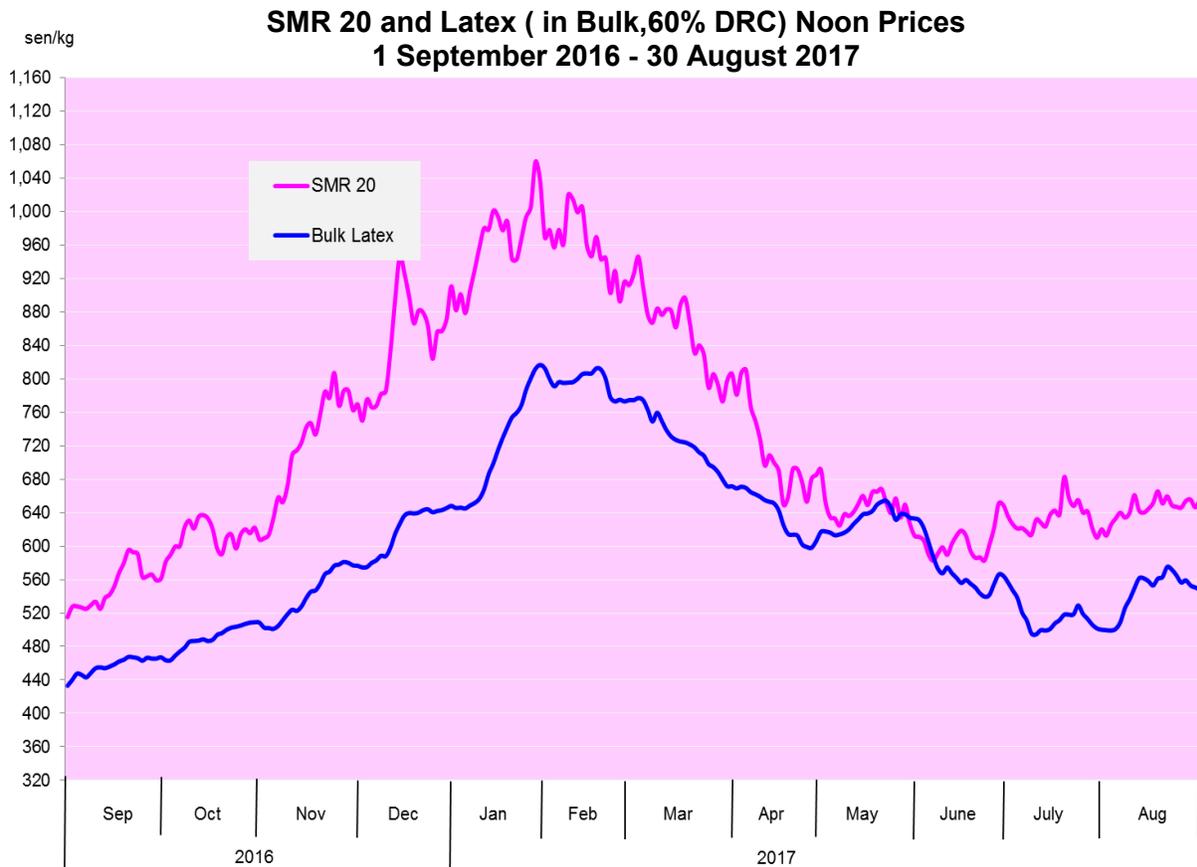
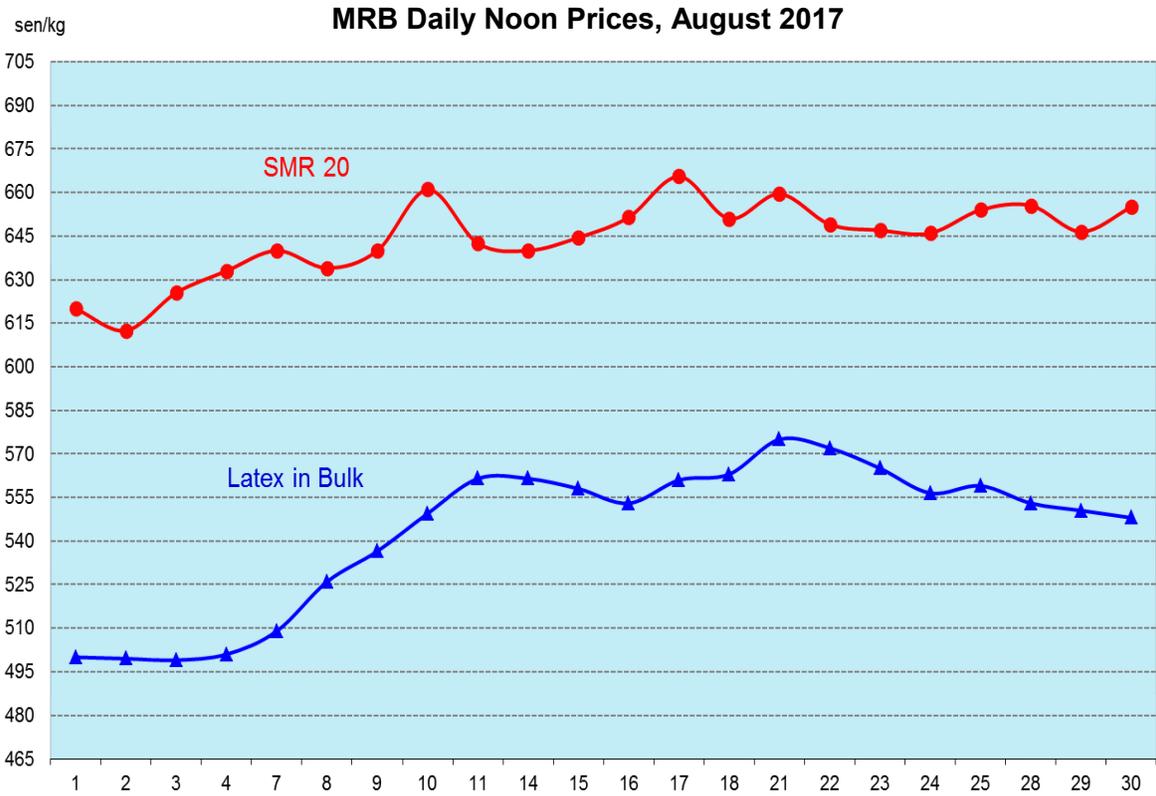
markets and improved Chinese economic performance. Natural rubber (NR) stocks at Qingdao bonded warehouse, China fell by 14.9% to 171,300 tonnes as of 15 August 2017 compared to 201,400 tonnes on 17 July 2017. The Association of Natural Rubber Producing Countries (ANRPC) in its Natural Rubber Trends and Statistics July 2017 published on 9 August reported that the world production of natural rubber (NR) including non-ANRPC member countries for the first seven months of 2017 amounted to 6.838 million tonnes, while the consumption recorded at 7.486 million tonnes, resulting in a supply deficit of 648,000 tonnes. The market also reacted to the data released by the China Association of Automobile Manufacturers (CAAM) on 11 August that China's vehicles sales grew 6.2% in July from a year earlier to 1.97 million vehicles. Furthermore, rubber futures market at Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) edged higher owing to declining NR stocks in Japan and China warehouses, weaker Japanese Yen/Chinese Yuan against USD, firmer oil prices and encouraging China economic data uplifted the rubber market. China's economic grew at a faster-than-expected of 6.9% year-on-year in the first half of 2017, above the government's target for

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	846.50	8,465.00	665.50	6,655.00	575.00	5,750.00
Lowest	838.00	8,380.00	612.50	6,125.00	499.00	4,990.00
Average	841.61	8,416.10	644.25	6,442.50	543.52	5,435.20
Change from the last day of the previous month	8.50	85.00	45.00	450.00	46.50	465.00

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

Source: Malaysian Rubber Board



the year of 6.5%, in part driven by firmer exports and production.

The market ruled mixed and hovered within a tight range during the second half of the month before ending the month with a slight rebound. The market was influenced by poor performance of regional rubber futures markets and stronger ringgit against US dollar. The ringgit was firmer against US dollar and hovered between RM 4.2655 – 4.2985 during the month as the dollar index remains weak at 92.20 - 93.85 owing to weaker US jobs data, geopolitical tension with North Korea and Tropical Storm Harvey which paralyzed many oil refineries in the U.S. Gulf Coast. The market reacted negatively to the weaker advices from Tokyo Commodity Exchange (TOCOM) rubber futures after prices peaked on 17 August resulting from profit taking activities, poor performance of Shanghai rubber futures market and stronger yen against US dollar. 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. Nevertheless, the bearish sentiment was offset by improved oil prices and declining Japanese rubber inventories. Monthly average of oil prices improved in August with Brent rose by 5.5% to USD 51.87/barrel while WTI NYMEX up by 3.0% to USD 48.06/barrel boosted by weaker US dollar, cuts in U.S. driller's rigs and declines in US crude stockpile. The Rubber Trade Association of Japan (RTAJ) on 28 Aug reported that crude rubber inventories at Japanese ports stood at 6,821 tonnes as of 20 Aug, down 1.4% from the last inventory reported on 10 Aug 2017. Towards month end, the market improved slightly responding to the stronger China's Official Manufacturing Purchasing Managers' Index (PMI) of 51.7 in August which was above the expected 51.3.

Outlook

Prices at the Kuala Lumpur Rubber Market are expected to remain steady following declining NR stocks in China warehouse, encouraging China economic data and anticipation of moderate global economic growth. Qingdao rubber stocks were reported to continued decline by 12.7% to 149,600 tonnes on 1 Sept as compared to 171,300 tonnes on 15 August 2017. 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. Market sentiment is also expected to respond positively to the measures to be undertaken by Thailand, Indonesia and Malaysia under the framework of International Tripartite Rubber Council (ITRC). The ITRC would meet on 15 September in Bangkok, Thailand to explore possible measures towards strengthening NR prices. Nevertheless, the rubber market is expected to be volatile due to uncertainty of external factors such as regional rubber futures markets, benchmark oil prices, rising geopolitical tension between US and North Korea, 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.

News Briefs

Thailand promotes use of rubber

The cabinet of Thailand has decided to allocate 1.8 billion THB (54 million USD) from the central fund to promote the use of rubber by various government bodies. The recipients include the Ministry of Defence (1.5 billion THB), the Ministry of Agriculture and Cooperatives (164.4 million THB), and the Ministry of Tourism and Sports (135 million THB). The Ministry of Defence plans to spend the allocated money purchasing rubber mattresses and multi-purpose lawns using rubber as raw material, while the Ministry of Tourism and Sports will use more rubber in covering the floors of sport stadiums.

- *globalrubbermarkets.com, 1 Aug*

China's natural rubber imports in June increased

According to data released by the General Administration of Customs, China's natural rubber imports in June increased by 30.48% year on year to 19.9 million tonnes. January-June rubber imports increased 24.39% over the same period last year to 1,477,000 tonnes. As the majority of Southeast Asian rubber production in March and April cut off, these countries rubber exports in the subsequent months were seasonal reduction of the law.

- *globalrubbermarkets.com, 1 Aug*

Rubber snapped up at matching event

More than 300,000 tonnes of rubber were sold at the Commerce Minister's business matching event for the industry, with more orders expected to follow to help boost demand for the commodity. Commerce Minister Apiradi Tantraporn said yesterday's event gathered more than 100 Thai and foreign rubber companies and generated up to 15 billion baht of rubber trade. The event created the potential for joint ventures in the future that may create more demand to absorb rising supply, she added.

- *bangkokpost.com*, 3 Aug

Global NR production up 5% in Jan-July 2017: ANRPC

The world production of natural rubber (NR), including non-ANRPC member countries, during January to July 2017 period amounted to 6.838 million tonnes, up 5% from same period in 2016. This was revealed by the Association of Natural Rubber Producing Countries (ANRPC) in its Natural Rubber Trends and Statistics report in July 2017. This is based on the actual figures up to April 2017 and preliminary estimates for May 2017 to July 2017. The revised outlook of world supply is anticipated at 12.881 million tonnes of NR during the year compared to 12.797 million tonnes of NR reported in June 2017.

- *Rubber Asia*, 9 Aug

RAOT working to boost rubber futures

The Rubber Authority of Thailand (RAOT) has joined five rubber traders to set up a 1.2-billion-baht fund to invest in paper rubber traded on the Thailand Futures Exchange (TFEX), aiming to boost anaemic volume in rubber futures. The fund was set up earlier this month, said RAOT Governor Titus Suksaard. The fund has enough to buy 200,000 tonnes of natural rubber or 5% of the total output, while the government aims to spend 14 billion baht to buy rubber for state agencies' usage.

- *bangkokpost.com*, 11 Aug

June NR production up 15.1% to 50,164 tonnes

Malaysia's June 2017 natural rubber (NR) production rose by 15.1% to 50,164 tonnes from 43,962 tonnes in the previous month, with the smallholding sector contributing over 90% to its production. In a statement on 11 Aug 2017, the Department of Statistics Malaysia said, according to the Monthly Rubber Statistics for June, the average monthly price of latex concentrate and Standard Malaysia Rubber was at 573.08 sen per kilogramme (kg) and 602.71 sen per kg, down 9.1% and 7.3% from May 2017, respectively. "Exports of NR declined by 10.9% from 50,126 tonnes to 44,683 tonnes in June 2017. The five main destinations of exports were China, Germany, Taiwan, US and Iran," it said. Rubber gloves industry remained as the main domestic consumer with more than 70 per cent consumption, it said.

- *BERNAMA*, 11 Aug

Malaysia's rubber glove exports set for record year

Malaysia's export growth for rubber gloves is set to see a record year, with sales expected to hit RM16 billion for the year, up 20% from last year, according to the Ministry of Plantation Industries and Commodities. Its Minister Datuk Seri Mah Siew Keong said exports during 1H17 were up 25% at RM7.95 billion, from the RM5.28 billion recorded in the same period last year.

- *theedgemarkets.com*, 11 Aug

Malaysia to conduct replanting exercise for rubber trees

Malaysia will be conducting a massive replanting exercise for rubber trees in order to keep up with the growing global demand for rubber wood-based furniture, worth around RM10 billion. Announcing the revival of the Malaysian rubber industry, Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said this move is set to benefit 450,000 smallholders in the country. The government will set aside a budget for the replanting programme and the Rubber Industry Smallholders Development Authority (RISDA) has been tasked with applying for the allocation from the Ministry of Finance.

- *rubberjournalasia.com*, 11 Aug

US hose & belt demand to reach USD6.8 billion in 2021

US hose and belt demand is forecast to reach USD 6.8 billion in 2021, a report recently released by Freedonia. Rising transportation equipment output will spur demand for products such as vehicular hoses and power transmission belts. Domestic oil and gas production is also expected to increase through 2021, which will benefit suppliers of related hoses.

- *prnewswire.com*, 11 Aug

Guayule tyre performance at least equal to conventional rubbers

Working as the lead entity in the consortium, Cooper Tire & Rubber announced at the meeting that its scientists have produced several sets of concept passenger car tyres in which all natural and synthetic rubber was replaced by guayule natural rubber. The 100% guayule-based concept tyres were extensively evaluated by a Cooper technical team, with rigorous wheel and road tests performed as part of the evaluation. The Cooper test team found the tyres to have overall performance at least equal to tyres made with Hevea and synthetic rubber.

- *The Swazi Observer*, 12 Aug

Malaysia's economy seen on uptrend for next three to five years - Business News

Malaysia's economy is expected to be on an uptrend for the next three to five years, supported by strong local and foreign investments, increase in exports as well as consistent government support for the companies.

- *The Star*, 15 Aug

Thailand to host rubber council meeting amid price worries

Asia's top rubber producers will meet in Thailand in September, an official at Thailand's rubber authority said on 16 August, with export curbs to help boost prices likely to be on the agenda. They expressed concerns "on the current downward rubber price trend" and discussed measures to improve the price of rubber, the statement said.

- *reuters.com*, 16 Aug

Continental - Expertise in rubber takes to the waterways

Germany's Federal Waterways Engineering and Research Institute opted for the product of a joint research effort with ContiTech. 'The materials ContiTech uses in its conveyor belts are already being utilized successfully in rubber dams and have proven to be extremely resilient, among other things. They are even able to withstand deliberate acts of vandalism,' explains Michael Moschen, application technician with ContiTech. Together, the research team road-tested a new sealing method for lock basins to find out how an existing lock might be retrofitted with extra-durable seals.

- *ENP Newswire*, 16 Aug

Chinese economy strong going into 2nd half

The Chinese economy is expected to remain resilient in the second half, as continued efforts to promote economic transformation will support the economy as it bottoms out, experts said. China's economy steamed along in the second quarter with 6.9% GDP growth, beating market expectations and hovering well above previous institutional forecasts. "We have made continued progress moving away from the old manufacturing model to services-led model," said Hu Angang, Director of Center for China Studies of Tsinghua University.

- *chinadaily.com.cn*, 17 Aug

Thai Government to swoop in on rubber sneaks, illegal plantations

The Department of Royal Forests in Thailand will speed up operations to destroy rubber trees illegally planted inside protected forest zones to prevent the trees' owners from periodically sneaking in to harvest their milky latex. Chief of the Forest Department said, he will implement stronger measures to deal with illegal rubber tree planting in reserved forest zones by quickly cut down those trees. The department will confiscate such land from big investors - those who illegally plant rubber plants over an area of 25 rai or more - under the National Council for Peace and Order's (NCPO) direction.

- *bangkokpost.com*, 23 Aug

Hartalega to build three more plants

Hartalega Holdings Bhd is expected to spend between RM200 mil and RM300 mil for the next three years to complete the construction of its three remaining Next Generation Integrated Glove Manufacturing Complex (NGC) facilities.

- *thestar.com.my*, 23 Aug

Vietnam rubber exports soar 58% to USD 1.1B in Jan-Jul: Customs

Vietnam exported 634,995 tonnes of rubber worth USD1.1 billion in the first seven months of this year, up 12.2% in volume and 58.4% in value from the same period last year, according to the General Department of Vietnam Customs. In July, local firms shipped 151,138 tonnes of rubber abroad with a value of USD 225.5 million, up 23.5% in volume and 19.8% in value from a month earlier, the customs said.

- *Vietnam News Brief Service*, 23 Aug

Asia SBR may surge in September on soaring BD costs

Spot styrene butadiene rubber (SBR) prices in Asia may spike on the back of surging costs of feedstock butadiene (BD) and improved demand, as well as market gains in rival product natural rubber (NR). Regional SBR producers hiked their offers for September shipments of non-oil grade 1502 SBR this week to USD1,600-1,700/tonne CFR (cost and freight) to China, India and southeast Asia.

- *ICIS News*, 23 Aug

Current natural rubber price trend not reflective of fundamentals

A Joint Meeting between Senior Officers of the International Tripartite Rubber Council (ITRC) and Board of Directors of the International Rubber Consortium (IRCo) has concluded that the current price of Natural Rubber (NR) is not reflective of the economic fundamentals that affect it. Both ITRC and IRCo are encouraged by the findings of various technical analysis of the price movements on the Tokyo Commodity Exchange (TOCOM), Shanghai Futures Exchange (SHFE) and Singapore Commodity Exchange (SGX) that indicates that the market is entering a

consolidation phase, signifying the establishment of a new momentum to set a new direction for the market.

- *Media Outreach Newswire*, 28 Aug

Oil markets roiled as Hurricane Harvey hits U.S. petroleum industry

Oil markets were roiled on Monday after Hurricane Harvey wreaked havoc along the U.S. Gulf coast over the weekend, knocking out numerous refineries and some crude production. Brent futures were pushed up by pipeline blockades in Libya, but U.S. crude futures eased as the U.S. refinery shutdowns could reduce demand for American crude.

- *thehindubusinessline.com*, 28 Aug

Dollar falls to 4-month low vs yen after N.Korea fires missile

The dollar hit a four-month low against the yen on Tuesday after North Korea fired a missile that passed over northern Japan, the latest act of provocation by Pyongyang that has ramped up global tensions. The dollar was down 0.4 % at 108.81 yen, having slid to as low as 108.33 yen in early Asian trade on Tuesday, its lowest level since mid-April.

- *reuters.com*, 29 Aug

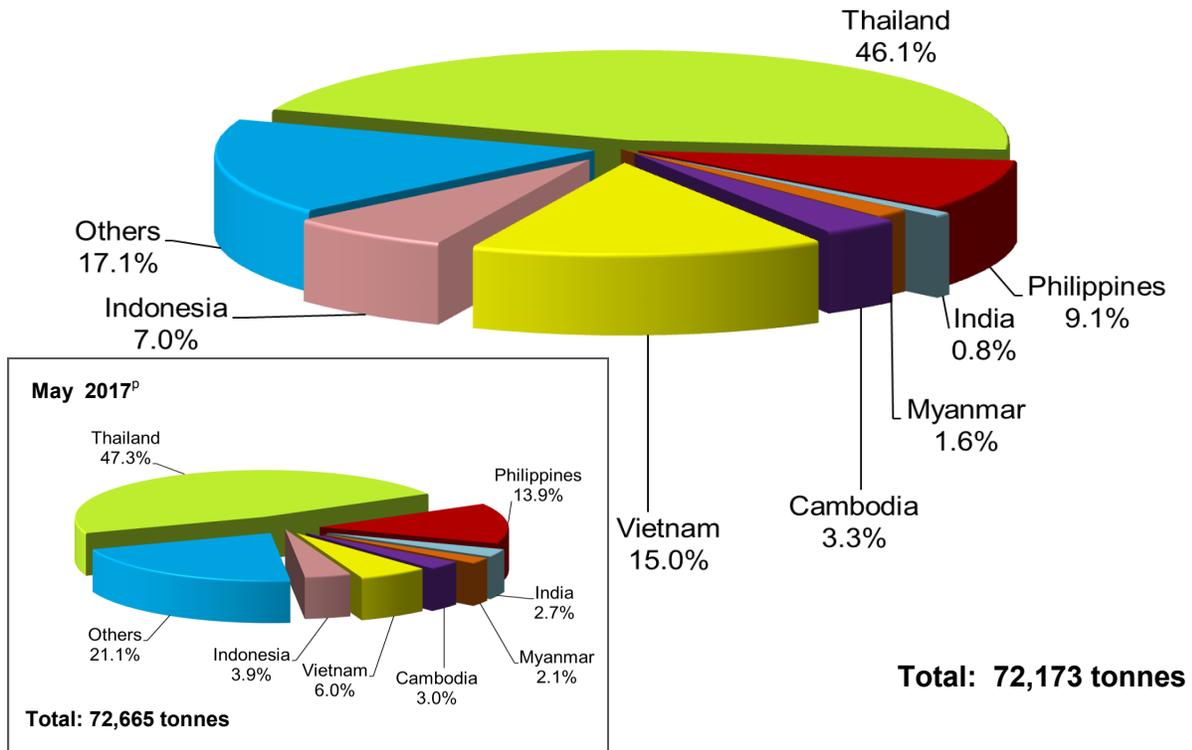
China Official Manufacturing Index (PMI) is 51.7 for August, above expectations

China reported on 30 August that its Official Manufacturing Purchasing Managers' Index (PMI) for the month of August came in at 51.7, above expectations. China's manufacturing sector has been posting solid growth thanks to domestic infrastructure spending and a recovery in exports. That has mitigated some concerns about slowing growth and high debt levels that could derail the world's second-largest economy. The uptick in August was driven by strong production and a rise in new orders attributed to domestic demand, analysts said.

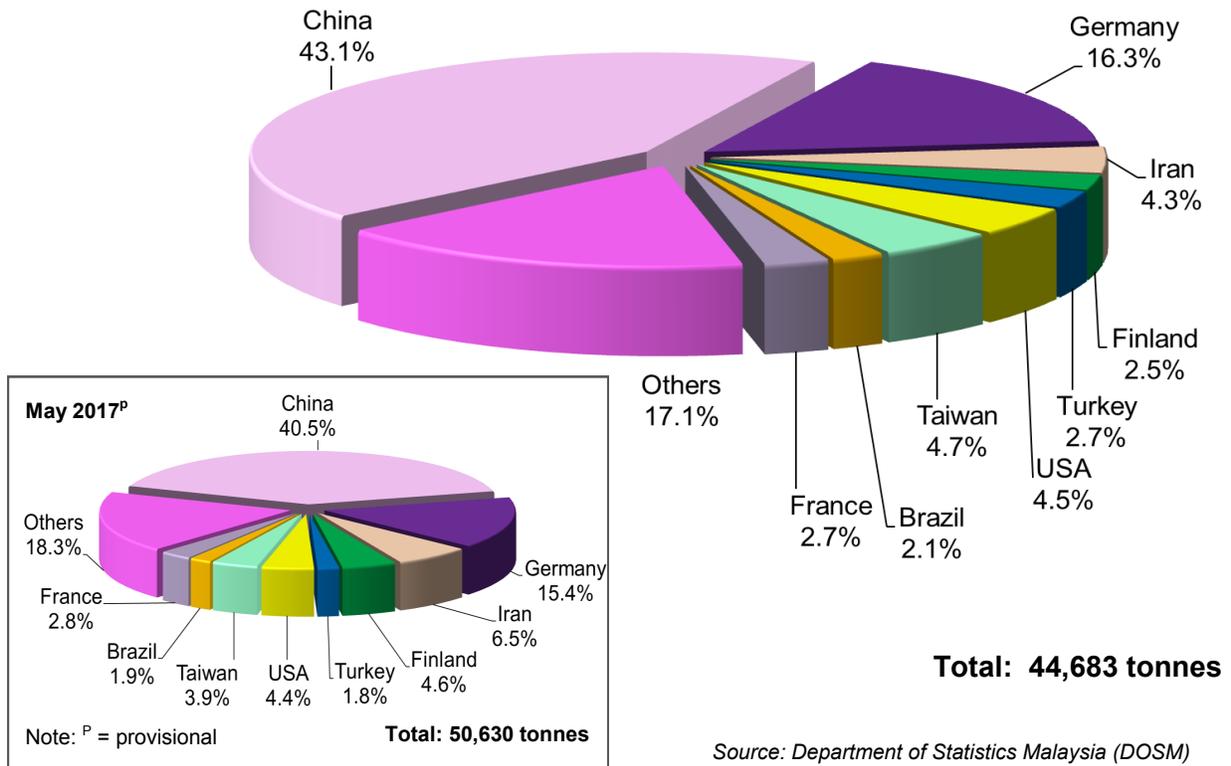
- *CNBC.com*, 30 Aug

Sources: *www.factiva.com*, *www.bangkokpost.com*, *The Star*, *rubberjournalasia.com*, *Reuters*, *CNBC.com*,

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

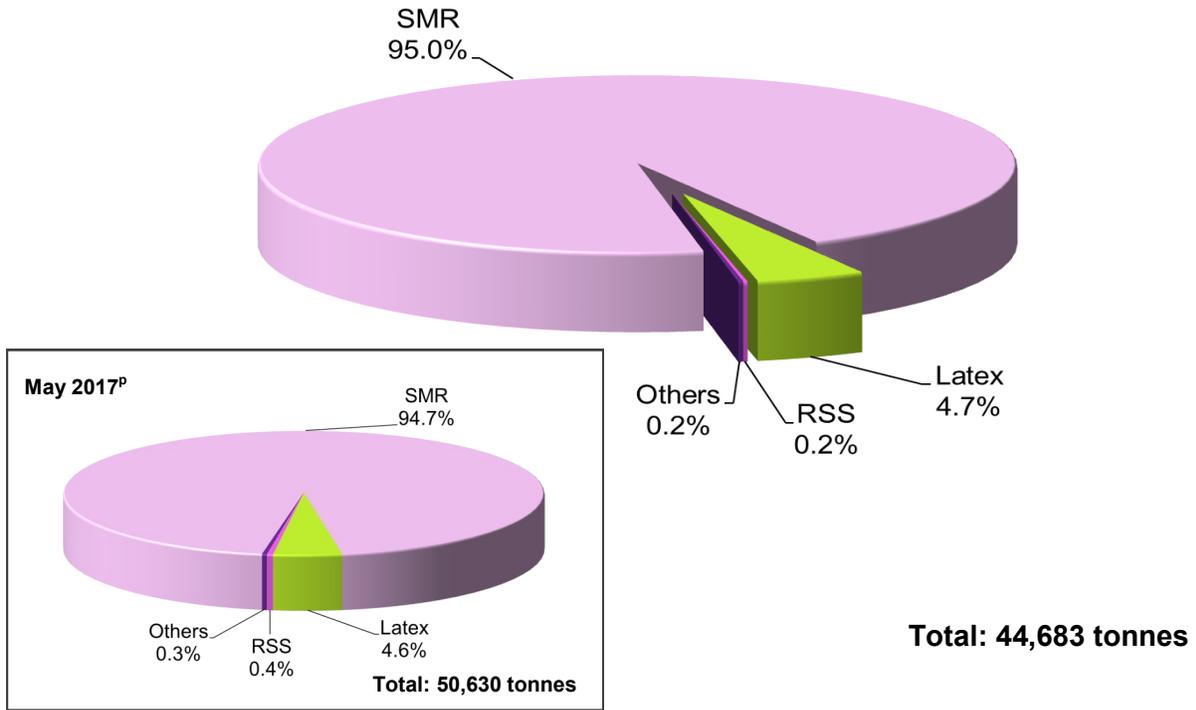


Malaysia's NR exports by countries, June 2017^P

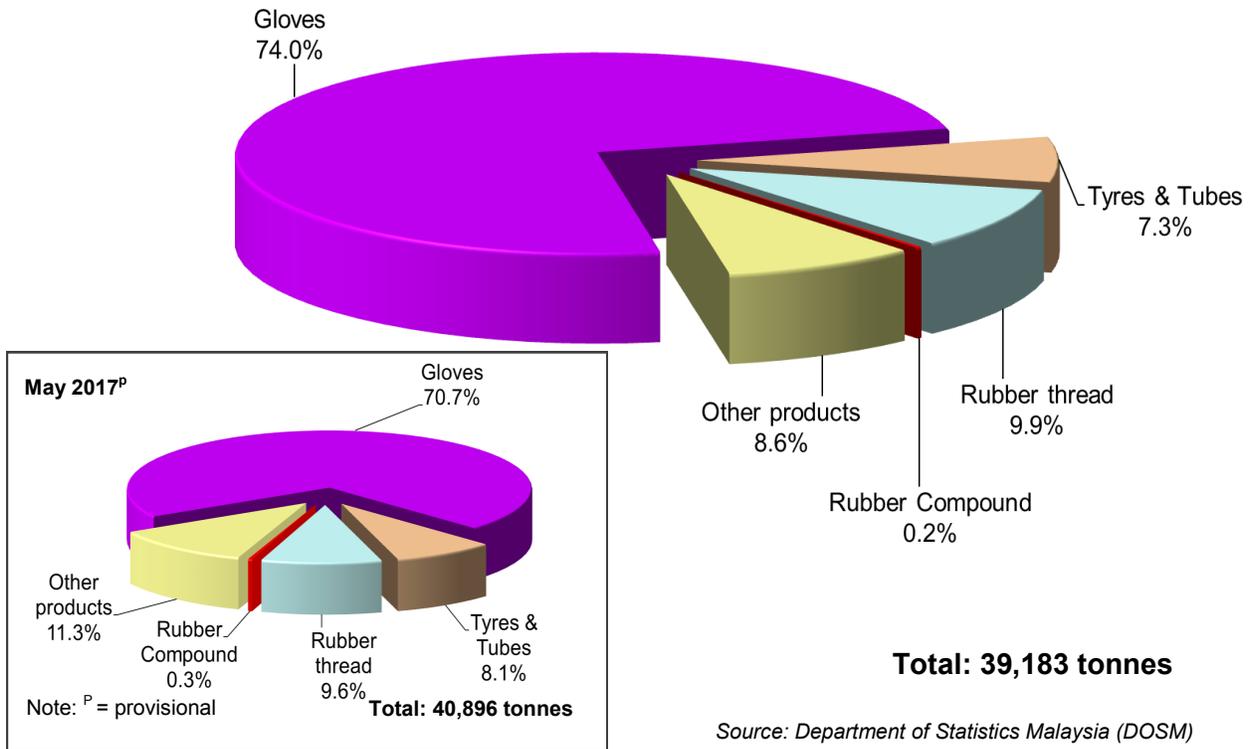


Source: Department of Statistics Malaysia (DOSM)

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



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



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