



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

Aug

In August, the Kuala Lumpur Rubber Market started the month on a firm note, thereafter prices fluctuated within a tight range until mid-month. Prices recovered moderately after mid-month with a mild correction before tumbling again to close lower towards the end of month. Overall market conditions during the review period were very much influenced by fundamentals of supply and demand, uncertainties in the global commodities and equities markets following worries on escalating U.S - China trade tension, volatile regional rubber futures markets, performance of crude oil prices and currencies movements. Compared with those on 31 July 2018, the price of SMR 20 rose by 20.00 sen/kg or 3.8% to close at 546.00 sen/kg. Meanwhile, latex concentrate closed at 402.50 sen/kg, up by 1.50 sen/kg or 0.4%. Compared with the previous month, average price of SMR 20 in August increased by 15.18 sen/kg or 2.9% to 542.98 sen/kg. Price movements of selected grades of rubber in August 2018 are shown in Table 1.

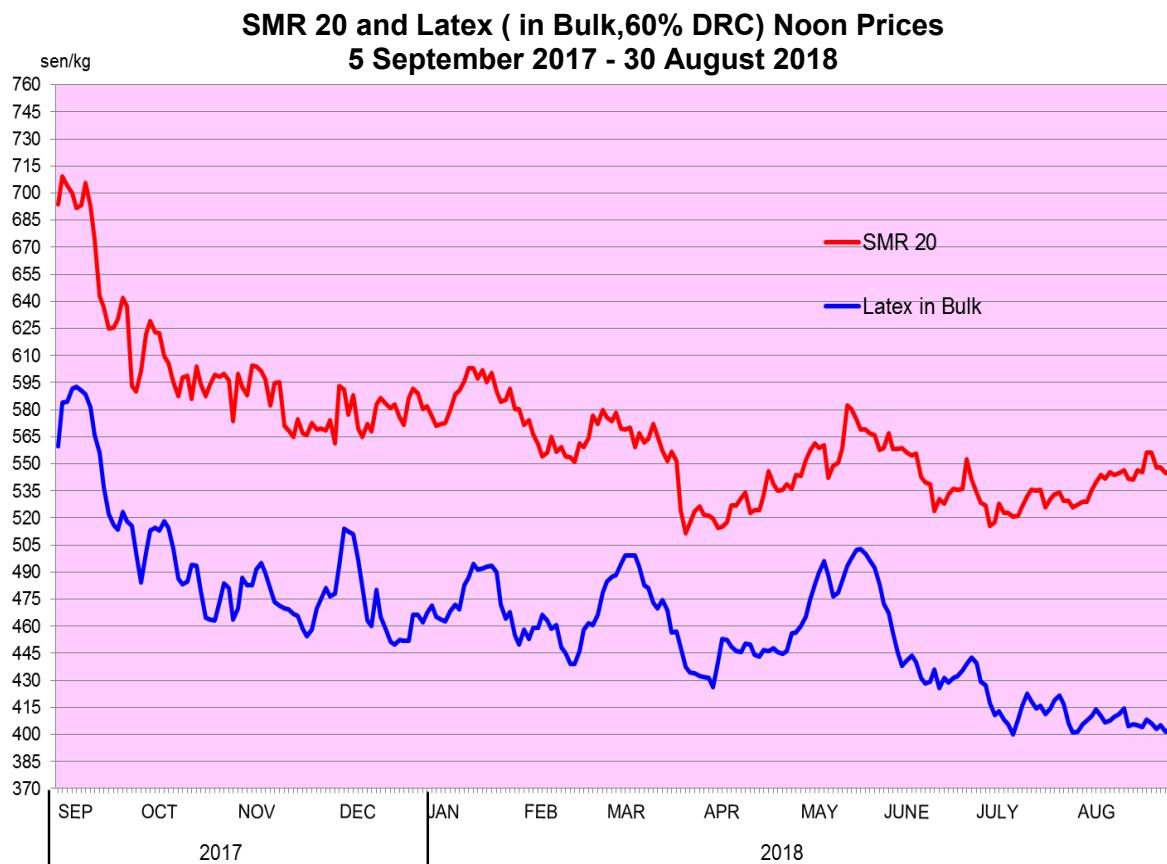
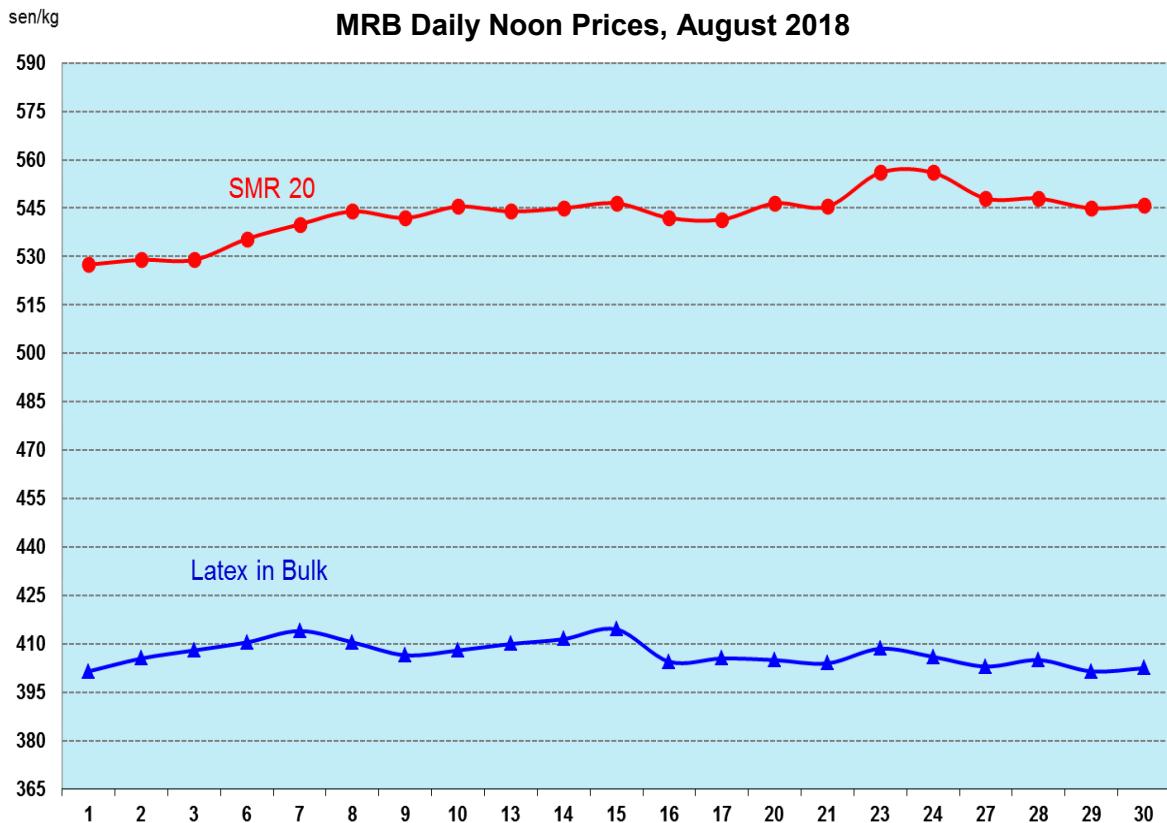
The market was on a firmer note in early August as well as second half of the month, taking positive cues from a recovery in Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) rubber futures owing to bargain buying and weaker Japanese Yen/Chinese Renminbi against the U.S dollar. SHFE rubber futures hit 7% limit up on 21 Aug on speculative and commodity funds buying. The market was lifted by supply disruptions at certain parts in Thailand due to wet weather coupled with some plantations in Sumatra, Indonesia that were hit by fungal disease which affected the production. In addition, the market was supported by news on massive floods that hit Kerala, the biggest rubber area in India. A weaker ringgit against the US dollar provide some support to the market. The ringgit continued to depreciate against the U.S dollar at RM4.1095 on 24 August as the U.S dollar broadly rose near a 13-month high against a basket of major currencies after minutes of the Federal Reserve's latest policy meeting suggested the U.S central bank is on course to further raise interest rates. The market sentiment was also aided by firmer oil prices resulting from the introduction of U.S sanctions against Iran which begin on 07 August as well as intensifying concerns that sanctions on Iranian oil expected in November which could cause supply

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

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	717.50	7,175.00	556.00	5,560.00	414.50	4,145.00
Lowest	709.50	7,095.00	527.50	5,275.00	401.50	4,015.00
Average	713.45	7,134.50	542.98	5,429.80	406.95	4,069.50
Change from the last day of the previous month	-1.00	-10.00	20.00	200.00	1.50	15.00

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

Source: Malaysian Rubber Board



shortages. The market reacted positively to the data released by Department of Statistics Malaysia (DOSM) on 13 August. According to DOSM, the stocks of natural rubber (NR) continued declining in June 2018 to 196,410 tonnes or a decrease of 9.2% month-on-month. Meanwhile, NR production also decreased by 17.9% year-on-year to 41,578 tonnes in June 2018.

Overall, prices during the month remained at the lower range as most market players' concerns over escalating trade tensions between U.S and China, Turkey financial crisis, weaker regional rubber market futures and high rubber stockpile in China. Weaker regional rubber futures markets resulting from profit-taking activities and slower demand following ample supplies continued to dampen the market sentiment. The market reacted negatively on higher rubber inventories in China designated warehouses. Qingdao rubber stocks (NR and SR) remained high at 204,600 tonnes on 16 Aug 2018 despite witnessed a slight decline of 1,600 tonnes from the previous data released. Meanwhile, Shanghai Futures Exchange (SHFE) warrant stocks surged to 551,634 tonnes on 30 August. The market was also bearish on the announcement of unfavourable China economic data. According to China National Bureau of Statistics (NBS), profit growth for China's industrial firms cooled for a third straight month in July, a further indication of a slower demand in China. Industrial profits in July rose 16.2% from a year earlier to 515.12 billion yuan (USD74.94 billion), slowing from a 20% increase in June as producer price inflation moderates.

Outlook

The market is still weak due to the lack of buying interest and market players will continue to adopt 'wait and see' attitude owing to worries on lingering U.S-China trade tensions, high rubber stocks in China, volatile currencies and uncertainty of crude oil prices movements. Nevertheless, prices are expected to improve slightly within a tight range in the near term as unfavourable weather condition and prevailing low rubber prices have resulted declining production in Malaysia, Vietnam, India and Sri Lanka. The Association of Natural Rubber Producing Countries (ANRPC) reported a shortfall of 786,000 tonnes in the global natural

rubber (NR) production during January until July 2018. According to the ANRPC, during the same period, the world consumption of NR increased by 5.2%, year-on-year to 8.158 million tonnes while the world production of NR rose 3.7%, year-over-year to 7.372 million tonnes.

News Briefs

Transportation, trade policy key for tyre makers

Transportation policy, trade policy and state advocacy will be the general key issues for U.S. tyre manufacturers in 2018, according to speakers at the 34th Clemson University Global Tyre Industry Conference. The U.S. tyre industry has been growing steadily in the past few years, according to Tracey Norberg, Senior Vice President and General Counsel for the U.S. Tyre Manufacturers Association (USTMA). From eight members in 2015, the USTMA now has 12, with 57 plants in 18 states, Norberg said. U.S. tyre manufacturing has a total impact of more than USD148 billion on the domestic economy, accounting for USD19.6 billion in direct industry wages and USD21.3 billion in federal and state tax revenue, she said.

- rubbernews.com, 1 Aug

Vietnam earns less from exporting more rubber in 7 months

Vietnam exported 705,000 tonnes of rubber worth over 1 billion U.S. dollars in the first seven months of this year, up 11.3% in volume but down 9.7% year-on-year. In July, Vietnam earned 173 million U.S. dollars from exporting 122,000 tonnes of rubber, the Vietnamese Ministry of Industry and Trade said.

- Xinhua.net, 3 Aug

Ministry studying ways to stabilise rubber prices

The Sabah Agriculture and Food Industry Ministry is studying ways to stabilise rubber prices in the state, said its Minister Junz Wong. He said it was his great desire to fix the floor price for rubber to help smallholders in the state.

- BERNAMA, 4 Aug

Vietnamese rubber farmers' challenges as prices bounce

The south eastern region of Vietnam offers favourable conditions for the cultivation of major industrial crops such as rubber, coconut trees and pepper vines, all of which earn high profits, but challenges remain as yields have decreased for various reasons, including oversupply and unplanned expansion. The south eastern region has 543,373 hectares of land under rubber tree cultivation (153,372 hectares over the master plan for rubber cultivation), accounting for more than 63% of land and nearly 74% of rubber latex in Vietnam, according to the Ministry of Agriculture and Rural Development.

- englishvietnamnet.vn, 6 Aug

Decline in India's NR productivity, tapped area

India reported substantial decrease in both rubber productivity and tapped area in the year 2017-18, according to the Indian Rubber Board data. The tapped area during the year was only 78% of the tappable area, against the expected 90%. The average yield, measured in terms of production per hectare of tapped area, decreased to 1,449 kg/ha in 2017-18 from 1,553 kg/ha in the previous year.

- factiva.com, 6 Aug

Proposal to tax imported cooking oils and rubber products

Primary Industries Minister YB Puan Teresa Kok said imposing import taxes on select cooking oils and rubber products is among suggestions from the industry stakeholders for Budget 2019. "I've just been briefed that cooking oil supply surpasses demand and it is the same situation for select rubber products. So, there are proposals to impose taxes on imported vegetable cooking oils and some of these rubber products," she said at a press conference here today.

- nst.com.my, 7 Aug

Tyre makers cheer as automobile sales boom

The boom in automobile sales is responsible for a higher proportion of the tyre industry's growth. In the past, the latter was mostly driven by replacement market demand, still the lion's share of total tyre sales. The contribution of OEM sales in growth is estimated to be strengthening in the current financial year. The production volume (excluding tractors) had grown almost 15% in FY18, to 29.07 million units. The trend so far this year indicates it could be another record year of production.

- factiva.com, 8 Aug

China imposes anti-dumping duties on synthetic rubber from U.S, EU, Singapore

China's Ministry of Commerce said it would levy anti-dumping duties ranging from 23.1% to 75.5% on halogenated butyl rubber from the United States, the European Union and Singapore starting from 20 Aug. The ministry, which had imposed temporary anti-dumping duties on the synthetic rubber from those countries in April, said the 75.5% tariff would apply to U.S. rubber made by Exxon Mobil and other U.S. companies.

- factiva.com, 10 Aug

Rubber exports from North Sumatra begin to revive

Shipments of natural rubber from North Sumatra to international market begin to revive since July after a sharp fall in June this year. The decline in shipments in June was due to delays in shipping because of long holidays ahead of Aidilfitri," Secretary of the Federation of Indonesian Rubber Companies (Gapkindo) of North Sumatra Edy Irwansyah said. He said rubber exports from North Sumatra averaged 40,000 tonnes every month.

- factiva.com, 12 Aug

June natural rubber output up 16.3%

Malaysia's natural rubber production in June 2018 increased by 16.3% to 41,578 tonnes from 35,761 tonnes in the previous month, according

to Department of Statistics. For year-on-year, the production decreased by 17.9%. Malaysia's natural rubber exports amounted to 52,395 tonnes in June 2018 and showed a decrease of 8.5% against the previous month. The main destinations for natural rubber exports were China, Germany, Iran, Turkey and the US.

- *thesundaily.my*, 13 Aug

MCX to roll out rubber futures contracts from August 16

Multi Commodity Exchange of India Ltd (MCX) will commence trading in rubber futures contract effective 16 August 2018. This new agri contract is targeted towards offering an effective hedging solution to the rubber value chain participants—growers, traders, exporters, importers, and tyre manufacturing companies among others. MCX to roll out rubber futures contracts from August 16. India is the sixth largest producer and second largest consumer of natural rubber in the world.

- *globalrubbermarkets.com*, 15 Aug

Floods hit rubber output in Kerala, Malaysian exports may rise

The death toll from the southern Indian state of Kerala's worst floods in a century has risen to 79, a government official said, with rising water levels likely to impact rubber and other plantations in the region. That could lift India's imports to a record 500,000 tonnes due to high demand from tyre makers, Budhraja said. Higher imports by India could support global rubber prices and lift shipments from major exporters like Thailand, Malaysia, Indonesia and Vietnam.

- *thestar.com.my*, 17 Aug

Cambodia's rubber export up 20% in first 7 months of 2018

Cambodia exported 100,534 tonnes of dry rubber in the first seven months of 2018, up 20% over the same period last year, according to a General Directorate of Rubber report.

- *globalrubbermarkets.com*, 21 Aug

Malaysia, China sign MoUs on biofuel, rubber research

Malaysia and China have inked two memorandums of understanding (MoUs) on the use of palm-based biofuel collaborative research and development, as well as rubber research. Prime Minister Tun Dr Mahathir Mohamad, who is on his official visit to China, and Chinese Premier Li Keqiang witnessed the signing of the MoUs in Beijing.

- *thestar.com.my*, 21 Aug

U.S.-China impose further tariffs, escalating trade war

The United States and China escalated their acrimonious trade war, implementing punitive 25% tariffs on USD16 billion worth of the other's goods. The latest round brings to USD50 billion the value of imports subjected to tariffs on either side since early July, and more are in the pipeline, adding to risks for global economic growth. Washington is holding hearings this week on a proposed list of an additional USD200 billion worth of Chinese imports to face duties.

- *reuters.com*, 23 Aug

Fed signals readiness to hike again if economy stays on track

U.S. central bankers are ready to raise interest rates again so long as the economy stays healthy, according to a record of the Federal Reserve's most recent policy meeting. "Many participants suggested that if incoming data continued to support their current economic outlook, it would likely soon be appropriate to take another step in removing policy accommodation," minutes of the 31 July - 1 August Federal Open Market Committee meeting released in Washington said.

- *bloomberg.com*, 23 Aug

Malaysian rubber glove industry expects revenue of RM18.8 bil in 2018

Malaysia's rubber glove industry expects to generate revenue of RM18.8 billion this year, up from RM16.2 billion in 2017, due to robust global demand, says the Malaysian Rubber Glove

Manufacturers Association (MARGMA). President Denis Low Jau Foo said global demand for rubber gloves continued to rise and is anticipated to increase to 268 billion pieces this year from 232.2 billion in 2017.

- factiva.com, 23 Aug

Sinochem-backed group to launch digital platform for rubber

The world's largest supply chain manager for natural rubber will launch a digital marketplace for the commodity- Halcyon Agri's service in 2019, offering an alternative to futures markets to fight market dysfunction that has halved rubber prices in the past 18 months.

- ft.com, 23 Aug

ANRPC: Natural rubber production impacted by flooding, tree disease

World consumption of natural rubber grew 5.2% in the first seven months of 2018, compared with growth of 3.7% in world NR supply, according to the July 2018 issue of Natural Rubber Trends & Statistics from the Association of Natural Rubber Producing Countries. World NR production totaled 8.16 million metric tonnes in January-July 2018, and production stood at 7.37 million tonnes, causing a total production shortfall of 786,000 tonnes, ANRPC Secretary General Nguyen Ngoc Bich wrote in his 23 August letter prefacing the July report.

- rubbernews.com, 24 Aug

Rubber planters to meet this weekend to formulate demand Thai government shore up prices

Southern Rubber Growers Network will hold a meeting in Nakhon Si Thammarat to draw up a plan for pressing the Thai government to shore up rubber prices. Prathop Suksanan, President of the Southern Rubber Growers Network said the meeting would be held in the province's Thung Song district. The meeting will plan strategies for calling on the government to keep its promise for state agencies to increase the use of rubber and for the administration to take action against the

Rubber Authority of Thailand (RAOT) for its failure to shore up prices, Prathop added.

- nationmultimedia.com, 27 Aug

Rubber glove industry expected to benefit from US hygiene push

Demand for medical gloves is expected to increase ahead of guidelines from the U.S. Pharmacopeia (USP) Convention that come into effect December 2019. The new standards if widely enforced could push demand from that market well above its "normal" 8-12% annual growth rate, said Malaysian Rubber Glove Manufacturers Association (MARGMA) Vice-President, Supramaniam Shanmugam.

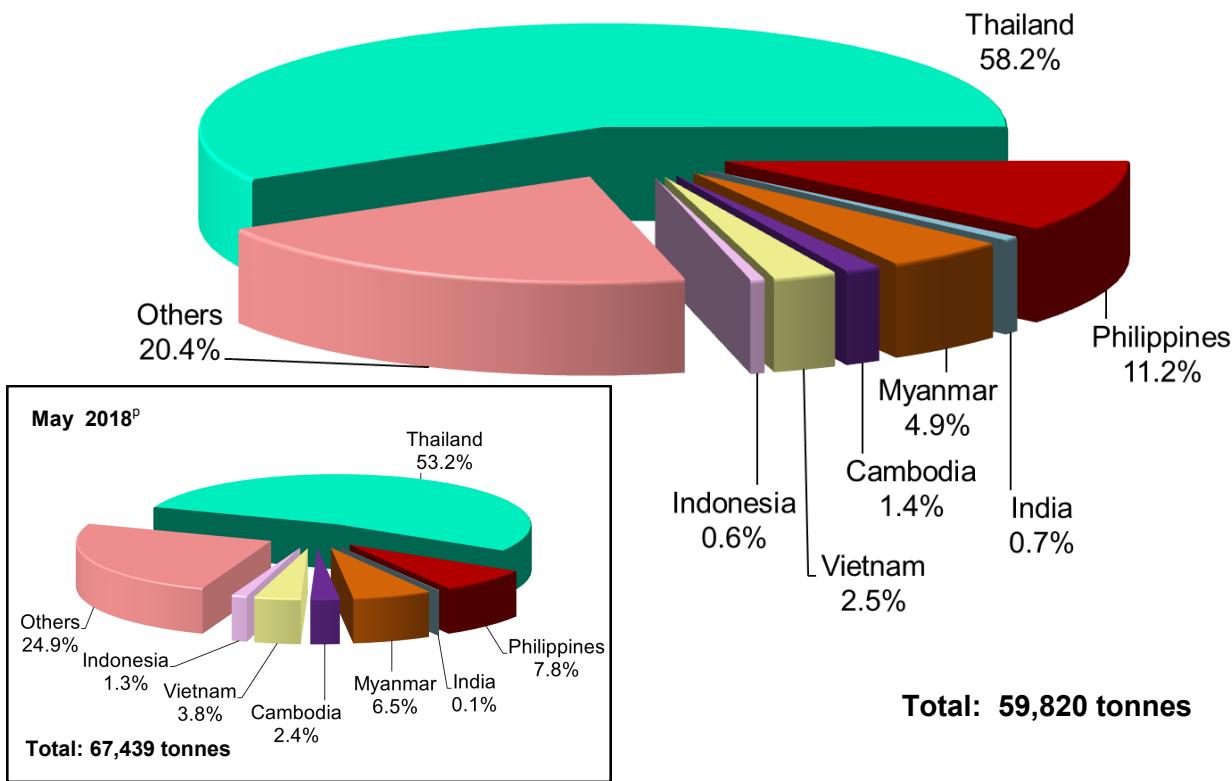
- freemalaysiatoday.com, 30 Aug

China August official factory PMI rises to 51.3, beats expectations

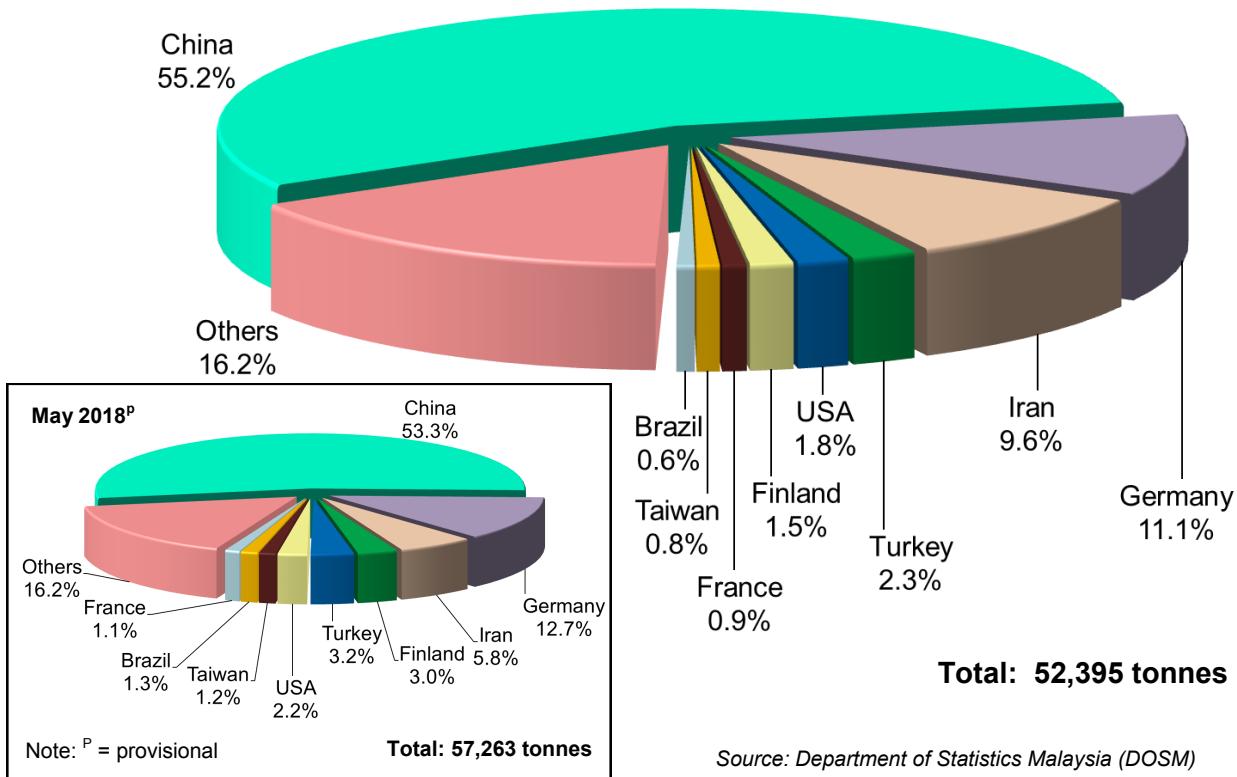
The official Purchasing Managers' Index (PMI) rose to 51.3 in August from 51.2 in July. Growth in China's manufacturing sector unexpectedly picked up after sliding for two months, a sign that economic activity is still fairly resilient despite weak investment and an escalating trade battle with the United States.

- reuters.com, 31 Aug

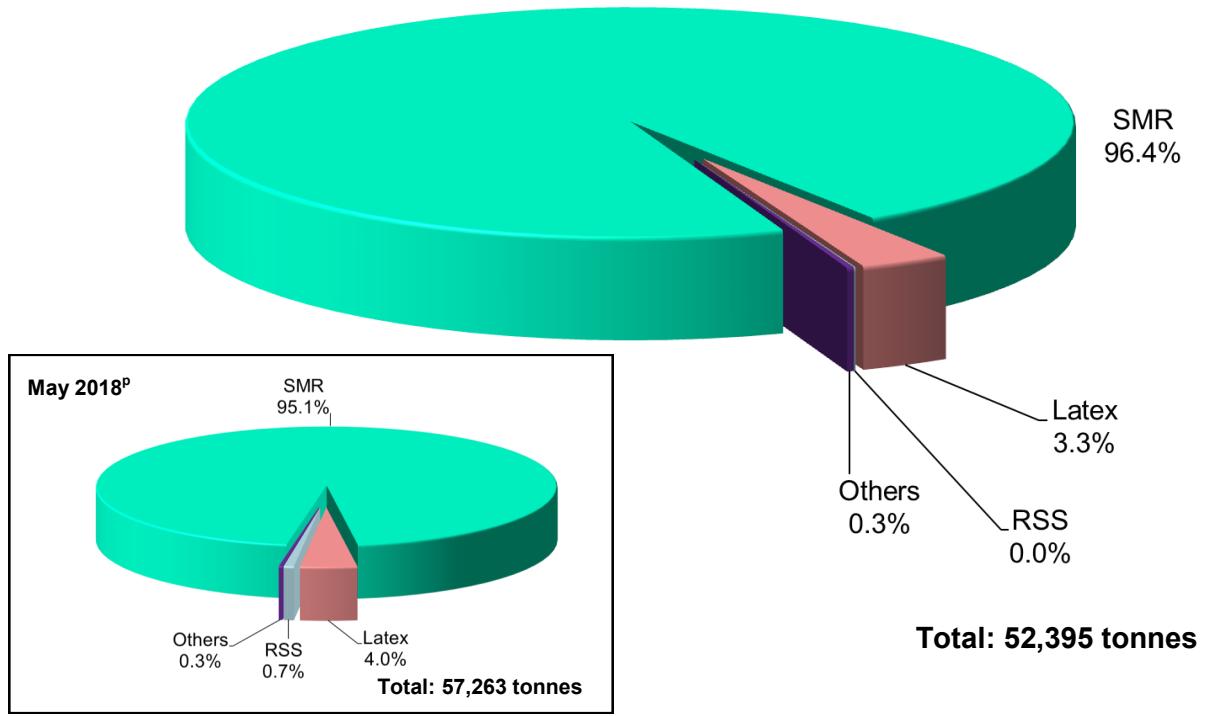
Malaysia's NR Imports by Countries, June 2018^p



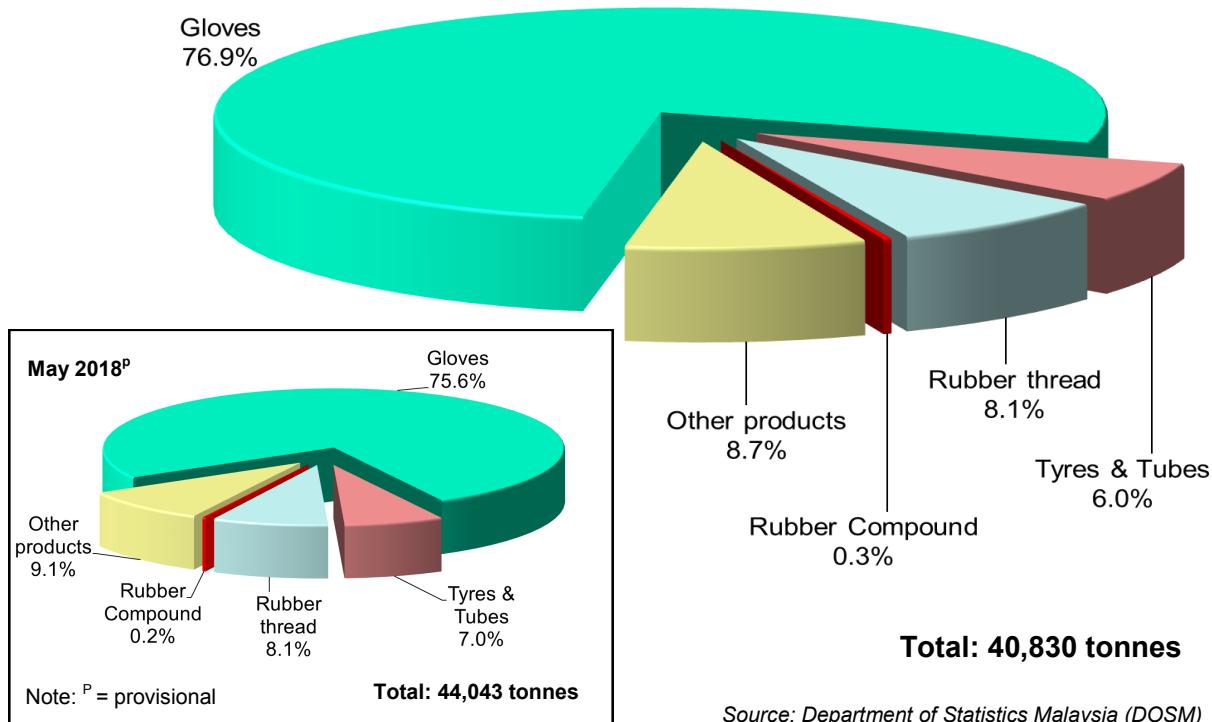
Malaysia's NR Exports by Countries, June 2018^p



Malaysia's NR Exports by Types, June 2018^p



Malaysia's NR Consumption by Sectors, June 2018^p



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