



# MALAYSIAN RUBBER BOARD

## D I G E S T

A monthly publication of the Malaysian Rubber Board

2018  
SEP

## Natural Rubber Market Review

### September

In September, the Kuala Lumpur Rubber Market ruled quiet and prices were mostly range bound owing to lack of fresh leads. Apart from the global economic uncertainty following escalating U.S. - China trade war and emerging market turmoil, high rubber inventories in China further undermined sentiment. Despite the bullish oil prices, with global benchmark Brent crude soaring to a four-year high, lingering trade tensions clouded the outlook for demand in commodities. Compared with those on 30 August 2018, the price of SMR 20 dropped slightly by 1.00 sen/kg or 0.2% to close at 545.00 sen/kg. Meanwhile, latex concentrate closed at 400.50 sen/kg, down by 2.00 sen/kg or 0.5%. Compared with the previous month, average price of SMR 20 in September rose slightly by 1.31 sen/kg or 0.2% to 544.29 sen/kg. Price movements of selected grades of rubber in September 2018 are shown in Table 1.

Generally, the bearish sentiment was largely brought by U.S. - China trade tensions. Bearish conditions prevailed in the market after U.S. and

China imposed fresh tariffs on each other's goods on 24 September. U.S. imposed 10% tariffs on about USD200 billion worth of Chinese imports while China imposing tariffs on USD60 billion of U.S. goods. Dull and featureless conditions prevailed and trading activity was slow with the long market holidays during mid-month. The market reacted negatively on the data released by the Department of Statistics Malaysia (DOSM) on 14 September. According to DOSM, Malaysia's natural rubber production rose by 36.3% in July to 56,397 tonnes as compared with 41,364 tonnes in June. For year-on-year basis, the production showed an increase of 2.1%. The market took cues from the higher rubber inventories in China designated warehouses. Qingdao rubber stocks (NR and SR) remained high at 217,900 tonnes on 31 August while Shanghai Futures Exchange (SHFE) warrant stocks surged to 565,524 tonnes on 20 September. The market was also dragged down by poor performance of regional rubber futures markets as investors squared their positions due to uncertainty of market direction. Traders continued to remain on the sidelines after the U.S. Federal Reserve on 26 September announced to hike interest rates by 25 basis points to a range of 2.00% to 2.25%, its third hike for 2018. The U.S. central bank still foresees

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

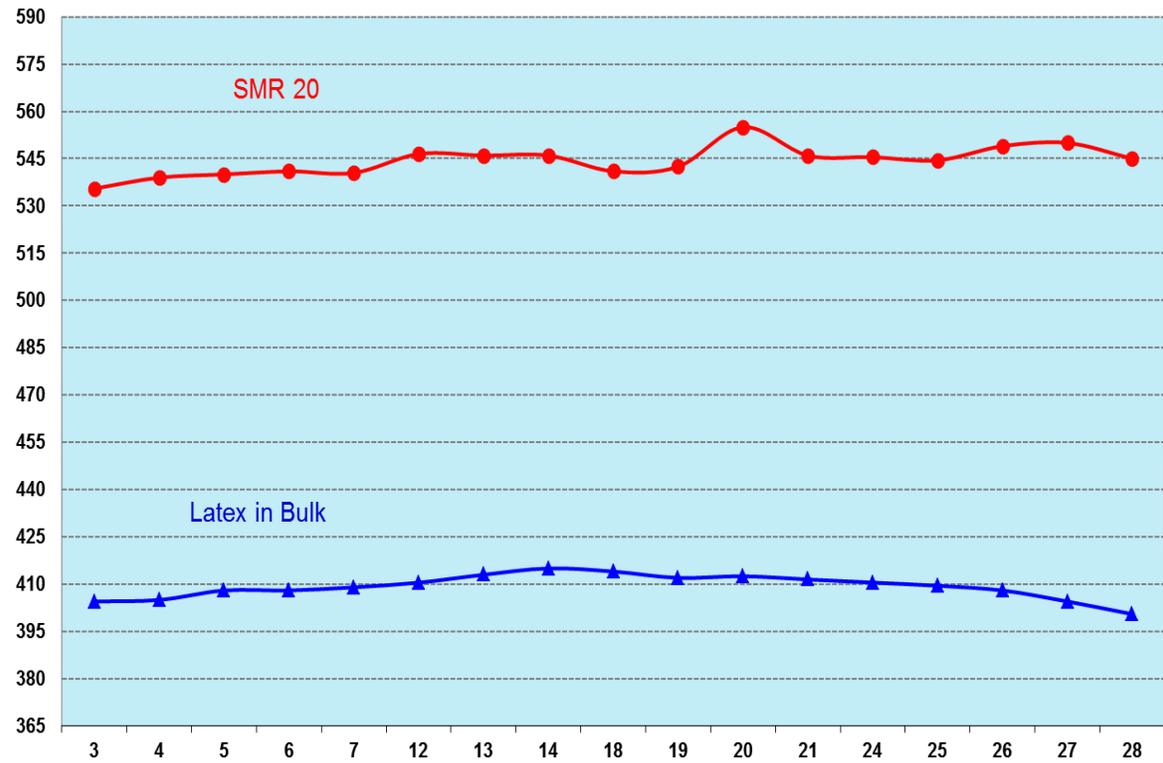
	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	715.50	7,155.00	555.00	5,550.00	415.00	4,150.00
<b>Lowest</b>	705.50	7,055.00	535.50	5,355.00	400.50	4,005.00
<b>Average</b>	712.29	7,122.90	544.29	5,442.90	409.18	4,091.80
<b>Change from the last day of the previous month</b>	-7.50	-75.00	-1.00	-10.00	-2.00	-20.00

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

Source: Malaysian Rubber Board

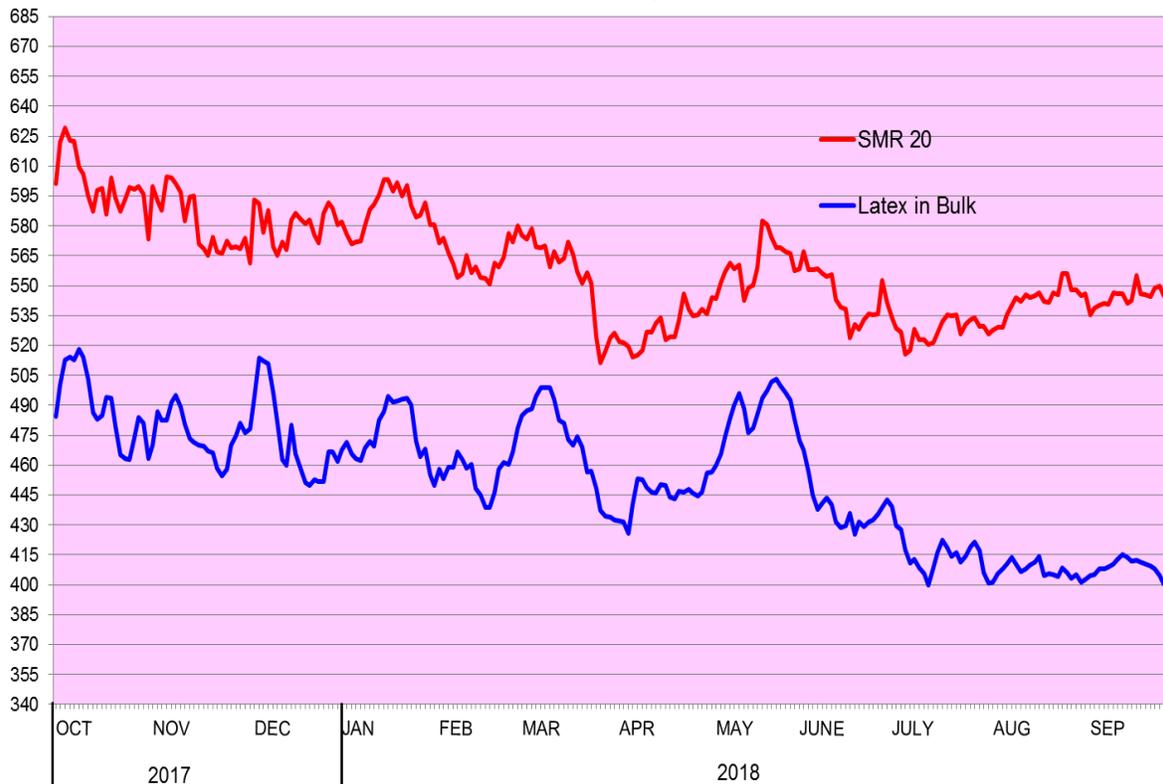
sen/kg

### MRB Daily Noon Prices, September 2018



### SMR 20 and Latex ( in Bulk,60% DRC) Noon Prices 2 Oktober 2017 - 28 September 2018

sen/kg



another rate hike in December, three more next year, and one increase in 2020.

A mild rebound was witnessed after mid-month, contributed by firmer advices from regional rubber futures markets especially from speculative buying in Shanghai Futures Exchange (SHFE) rubber futures with an estimated 50,000 lots on 20 September and heavy short covering of about 20,000 lots on 21 September respectively in January 2019 forward month contract. The decline toward the end of the month was capped by a weaker ringgit and firmer oil prices. The ringgit continued to depreciate against the U.S dollar between RM 4.1240 and RM4.1495 in September amid global trade tensions. Brent oil prices surged to a four-year high at USD 81.20 per barrel on 24 September, spurred by expectations that U.S. sanctions against Iran's oil exports, which will start in November, will tighten global markets. Meanwhile, the market was also reacted positively to the news that floods in Kerala India will reduce rubber production by almost 15% to 600,000 tonnes, compared to the previous estimate of 700,000 tonnes.

## Outlook

The Kuala Lumpur Rubber Market is expected to remain quiet in the near term owing to lack of fresh leads and consumer demand following rising rubber inventories in China designated warehouses. Prices are likely to be further pressured by lingering trade tensions between U.S. and China coupled with uncertainty of regional rubber futures markets. Nevertheless, there could be some improvement in prices due to the shortfall of 832,000 tonnes in the global natural rubber (NR) production during January until August 2018 as reported by the Association of Natural Rubber Producing Countries (ANRPC) on 26 September 2018. The decline in NR prices are expected to be capped by bullish benchmark crude oil prices. Analysts anticipate crude oil prices could surge to USD 90 per barrel in the near term and even above USD 100 in early 2019 as markets tighten once U.S. sanctions against Iran are implemented effective November 2018. Meanwhile, weaker ringgit against the U.S. dollar coupled with the shortage of raw materials following current wet weather could limit the losses in the rubber market.

## News Briefs

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

The Economist Intelligence Unit (EIU) expects growth in global consumption of natural rubber (NR) to slow to an annual average of 3% in 2018-2019, down from 4.4% in 2017. EIU anticipates global NR production to rise by just 2.2% in 2018. Demand we expect it to slow over the course of the year, in tandem with slightly softer Chinese GDP growth, signs of a slowdown in the U.S. economy and gradual monetary tightening in major developed markets. Moreover, any move by the U.S. to levy tariffs on imports of cars and car parts could have negative implications for NR demand, at least in the short term. On the upside, higher crude oil prices could encourage a switch away from synthetic rubber towards greater consumption of NR.

- *factiva.com*, 1 Sep

### ***Synthetic rubber market growth to come from tyres, says Ceresana***

The most important sales market for synthetic rubber (SR) in 2017 were tyres, 58% of the total global demand were accounted for by applications in original equipment and replacement tyres. SR are also used for numerous other products in the automotive industry, like, hoses, cables, seals as well as window and door profiles. Analysts at Ceresana expect an increase of global rubber demand in the automotive industry by 3.0% per year until 2025.

- *rubberjournalasia.com*, 4 Sep

### ***Malaysia must emulate success of rubber, oil palm with other plants***

Malaysia should conduct research for plants that can be nurtured and grown to become successful industries, similar to palm oil and rubber, said Prime Minister Tun Dr Mahathir Mohamad. He said oil palm and rubber trees came from foreign countries, but were developed in Malaysia to become the nation's major export commodities. "Research in more plants could yield even more use for other plants that we can grow in this country," he said at the launch of the 9th International Rubber Gloves Conference and Exhibition (IRGCE2018).

- *nst.com.my*, 4 Sep

### ***TOCOM to list technically Specified Rubber (TSR) Futures on 9 October***

The Tokyo Commodity Exchange, Inc. (TOCOM) has scheduled the listing of Technically Specified Rubber (TSR) futures contracts for 9 October 2018, pending regulatory approval from the Minister of Agriculture, Forestry and Fisheries and the Minister of Economy, Trade and Industry. TSR is a class of natural rubber and, along with Ribbed Smoked Sheet (RSS), are key components in automobile tire production. In recent years, TSR has exceeded RSS in both production and consumption. RSS has traded at TOCOM for many decades.

- *factiva.com*, 5 Sep

### ***Vietnam's rubber export earnings down in January-August***

Vietnam exported 867,000 tonnes of rubber worth over 1.2 billion U.S. dollars between January and August, up 7.9% in volume but down 12.1% on-year in value. China remained Vietnam's biggest rubber export market in the eight-month period, tailed by India and Malaysia, according to the Vietnamese Ministry of Industry and Trade. In the period, Vietnam imported some 384,000 tonnes of rubber worth 705 million U.S. dollars, up 11.9% in volume but down 1.4% in value. Vietnam sold overseas nearly 1.4 million tonnes of rubber valued at roughly 2.3 billion U.S. dollars in 2017, seeing respective year-on-year rises of 11.4% and 36%.

- *xinhuanet.com*, 11 Sep

### ***Chinese companies flee overseas to avoid U.S. tariffs***

A growing number of Chinese companies are adopting a crafty way to evade U.S. President Donald Trump's tariffs: Remove the "Made in China" label by shifting production to countries such as Vietnam, Serbia and Mexico. The world's two largest economies have been locked in a months-long trade fight after Trump imposed 25% customs duties on USD 50 bil worth of Chinese goods this summer, triggering a swift tit-for-tat response from Beijing. Supply chains have already begun relocating out of China in recent years as its rising labour and environmental protection costs have made the country less attractive.

- *factiva.com*, 11 Sep

### ***Chinese tyre makers report tough 2017***

Production in 2017 by the nation's manufacturers increased 5.4% from 2016 to 926 million units, or one-third of the estimated global total. Tyre makers' production jumped 7.1% to 653 million units, according to data from China's Ministry of Industry and Information Technology. Radial tyre production climbed 8.5% to 613 million units including 131 million truck and bus tires, up 8.2%, and 482 million passenger car tyres, up 8.5% while bias tyre production dropped 11.1% to 40 million units.

- *rubbernews.com*, 13 Sep

### ***Natural rubber production in July 2018 surged 36.3%***

According to Department of Statistics, Malaysia (DOSM), Malaysia's natural rubber production rose by 36.3% in July to 56,397 tonnes as compared with 41,364 tonnes in June. For year-on-year, the production showed an increase of 2.1%. Meanwhile, domestic consumption of natural rubber in July increased by 8.3% to 44,192 compared with the previous month. Malaysia's natural rubber exports amounted to 56,490 tonnes and showed an increase of 7.8%. Stock of natural rubber stood at 185,491 tonnes, decreased by 5.4% as compared to 196,084 tonnes at the end of June.

- *dosm.gov.my*, 14 Sep

### ***ASEAN countries among world's outperforming emerging economies***

Driven by pro-growth policies and presence of dynamic companies, members of the Association of Southeast Asian Nations (ASEAN) are among the world's best performing emerging economies, said a report released by the McKinsey Global Institute (MGI). They include the "long-term outperformers" comprising Indonesia, Malaysia, Singapore and Thailand, which averaged at least 3.5% annual per capita gross domestic product (GD) growth over 50 years.

- *channelnewsasia.com*, 14 Sep

### **Malaysian economy supported by strong fundamentals**

The Malaysian economy remains fundamentally strong and resilient despite recent global events that pose downside risks to global economic growth, said Finance Minister Lim Guan Eng. In a statement, he said emerging markets, including Malaysia, have been especially exposed to these risks.

However, Lim highlighted that the FTSE Bursa Malaysia Kuala Lumpur Composite Index and the local currency have remained among the best performing in the region, while other factors point towards the strength in Malaysia's economy. "With growth in 2018 expected to be around 5%, Malaysia will still be one of the fastest growing economies in the region."

- *thestar.com.my*, 18 Sep

### **Malaysia: Rubber to surpass palm oil in contribution to economy**

The rubber industry is expected to become the number one commodity contributor to the country's economy as palm oil is facing difficulties in the international market, said Primary Industries Minister Teresa Kok Suh Sim. She said in terms of commodity export earnings, rubber and rubber products were currently the second largest contributor after palm oil.

"In 2017, export earnings from rubber and rubber products contributed RM32.1 billion to national exports, (up by 30.2 % from 2016). "The rubber products industry has flourished from a mere 20 manufacturers in the 1970s to more than 300 today," she said at the Malaysian Rubber Export Promotion Council (MREPC) Industry Awards Night.

- *theedgemarkets.com*, 18 Sep

### **U.S. to impose tariffs on USD200 bil worth of Chinese imports, may add more**

The U.S. will impose tariffs on USD200 bil worth of imports from China, many of which include plastics and petrochemicals, President Donald Trump said. The tariffs will go into effect on 24 September, and they will start at 10%, Trump said. On 1 January, the tariffs will rise to 25%. If China takes what the administration considers to be retaliatory actions, then Trump threatened

another round of tariffs on USD267 bil worth of additional imports, he said.

- *factiva.com*, 18 Sep

### **Output to fall almost 15% because of Kerala floods**

Production and cultivation of natural rubber will bear the brunt of the recent devastating floods in Kerala, reducing production by a staggering one lakh tonnes, a top Rubber Board official has said. "The colossal Kerala floods enormously affected the cultivation and production of natural rubber. There would be over 100,000 tonnes less production of rubber as there are huge negative effects in rubber cultivation due to the flood," Rubber Board Chairman and Executive Director D. Anandan told IANS. "We had expected 700,000 tonnes of rubber production during the 2018-2019 financial year, but due to the effect of devastated flood the production is likely to be 600,000 tonnes in the current fiscal," he added. That's almost 15% less.

- *factiva.com*, 18 Sep

### **China to slap 10% tariff on U.S. synthetic rubber, tyre products**

The synthetic rubber and tyre market are being pulled into the U.S.-China trade war, with China set to enforce a 10% tariff on various synthetic rubber and tyre products originating in the U.S. or Canada by 24 September, according to China's Ministry of Commerce. The decision follows a third round of tariffs imposed by the U.S. on Chinese products. The list of products to come under China's 10% tariff include several synthetic rubber products such as neoprene rubber, as well as a list of tyre products. The list is a retaliation to the U.S. announcement that it would place a 10% tariff on synthetic rubber and tyre products from China from Monday, with the tariffs due to increase to 25% by January 1.

- *spgglobal.com*, 18 Sep

### **Asia SBR may drop further in October on feedstock BD decline, weak sentiment**

Asia's styrene butadiene rubber (SBR) prices for October shipments may face further downward pressure because of falling feedstock butadiene (BD) costs and sluggish demand. Buying interest

has weakened due to the on-going U.S.-China trade war, depreciated local currencies against the U.S. dollar, declining feedstock BD cost and cheaper natural rubber (NR) prices, market sources said.

- *factiva.com*, 20 Sep

### **Ministry to mount palm oil and rubber mission to N. Africa, Colombia**

Deputy Minister of Primary Industries, Tuan Shamsul Iskandar Mohd Akin will lead a palm oil and rubber economic and investment mission to Egypt, Morocco and Colombia from 21- 29 Sept 2018. The mission delegation would comprise representatives from the Ministry of Primary Industries, Malaysian Palm Oil Board, Malaysian Rubber Board, LGM Properties Corporation, Malaysian Palm Oil Council and Malaysian Rubber Export Promotion Council. "The objective of the mission is to strengthen trade and address issues related to trade, as well as, explore market and investment opportunities particularly for palm oil and rubber." Malaysian exports of rubber and rubber products to Egypt in 2017 totalled RM127.8 million, Colombia at RM82.4 million and Morocco at RM29.6 million, respectively.

- *factiva.com*, 21 Sep

### **FAO, Ministry of Agriculture drafting smallholder rubber farming programme**

The Food and Agriculture Organization of the United Nations (FAO) and the Ministry of Agriculture are teaming up to establish a project that will focus on lifting the living standards of smallholder rubber farmers in Cambodia, Myanmar and Thailand. Plans to create the new project were made public last week during a meeting between Cambodian Agriculture Minister Veng Sakhon and Pierre-Marie Bosc, senior officer at FAO. Mr Bosc said the project will involve collecting data from each country, analysing it, and comparing each data set to assess the efficiency and productivity of the countries rubber sectors.

- *factiva.com*, 25 Sep

### **Iran wants to buy Vietnam's rubber, rice**

Iran has been keen on buying rubber and rice from Vietnam, Iranian Ambassador to Vietnam

Saleh Adibi said at a meeting with Minister of Agriculture and Rural Development Nguyen Xuan Cuong in Vietnam on 24 September, state media reported. Iran wants to buy Vietnamese rubber in the future as it needs 500,000 tonnes of natural rubber products, the Iranian ambassador added. Currently, it has imported these rubber products mainly from Malaysia.

- *factiva.com*, 26 Sep

### **Fed raises U.S. interest rates, sees at least three more years of growth**

The U.S. Federal Reserve raised interest rates on 26 September and left intact its plans to steadily tighten monetary policy, as it forecast that the U.S. economy would enjoy at least three more years of growth. In a statement that marked the end of the era of "accommodative" monetary policy, Fed policymakers lifted the benchmark overnight lending rate by a quarter of a percentage point to a range of 2.00% to 2.25%. The U.S. central bank still foresees another rate hike in December, three more next year, and one increase in 2020.

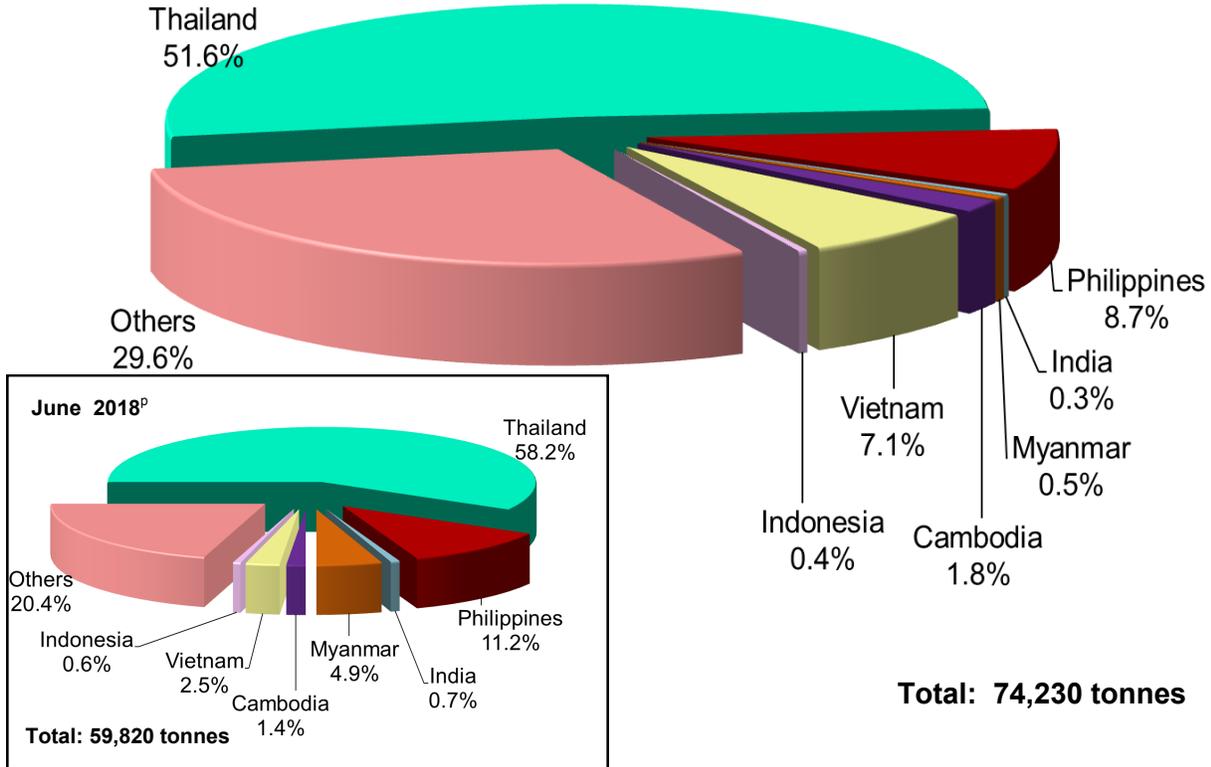
- *reuters.com*, 26 Sep

### **China's manufacturers slow in September as trade war worsens**

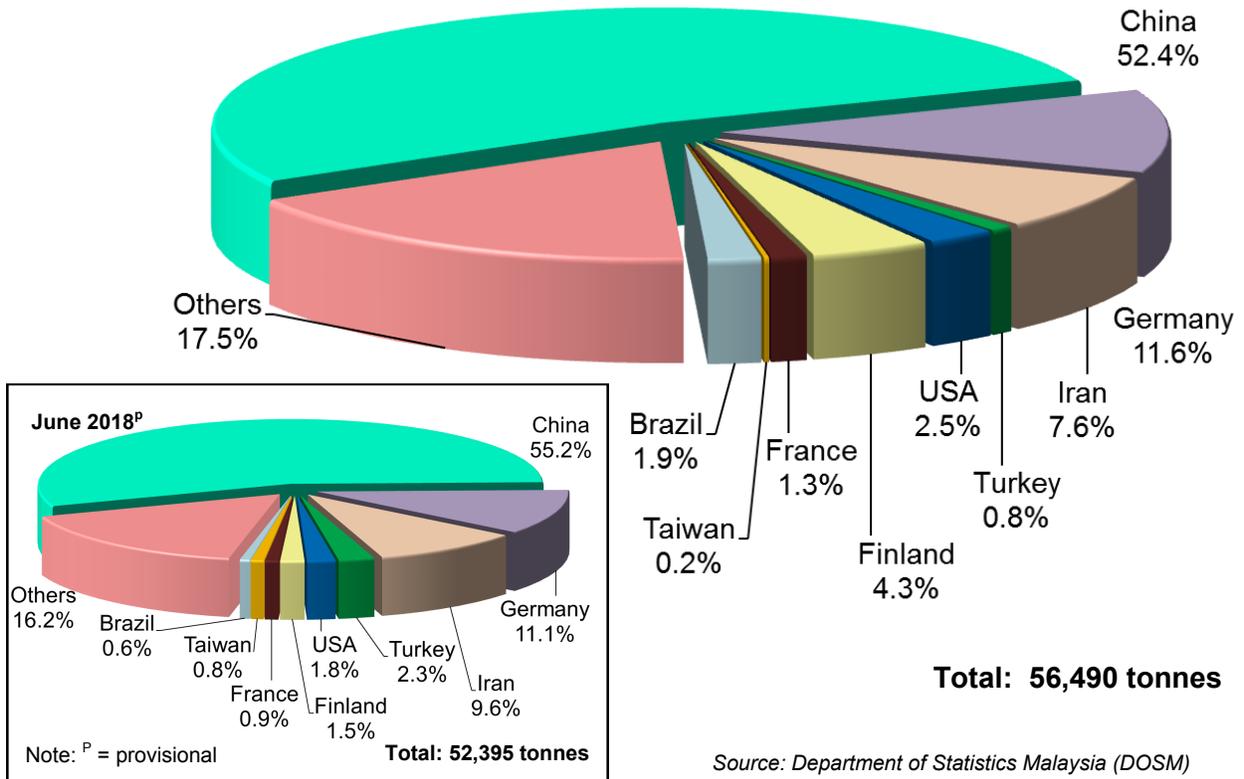
China's manufacturing sector worsened in September, reflecting the nation's economic slowdown and fallout from the trade war with the U.S. The official manufacturing purchasing managers index stood at 50.8 in September versus 51.3 in August, lower than the median estimate of 51.2 in a Bloomberg survey of economists. The lack of progress in negotiations between Washington and Beijing over their trade rivalry means that there's a good chance the current roster of tariffs on USD250 billion of Chinese goods exported to the U.S. will grow, as President Trump has threatened. With little room for optimism on external demand, the outlook for China's economy hinges increasingly on the effectiveness of targeted stimulus measures being rolled out this year.

- *bloomberg.com*, 30 Sep

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

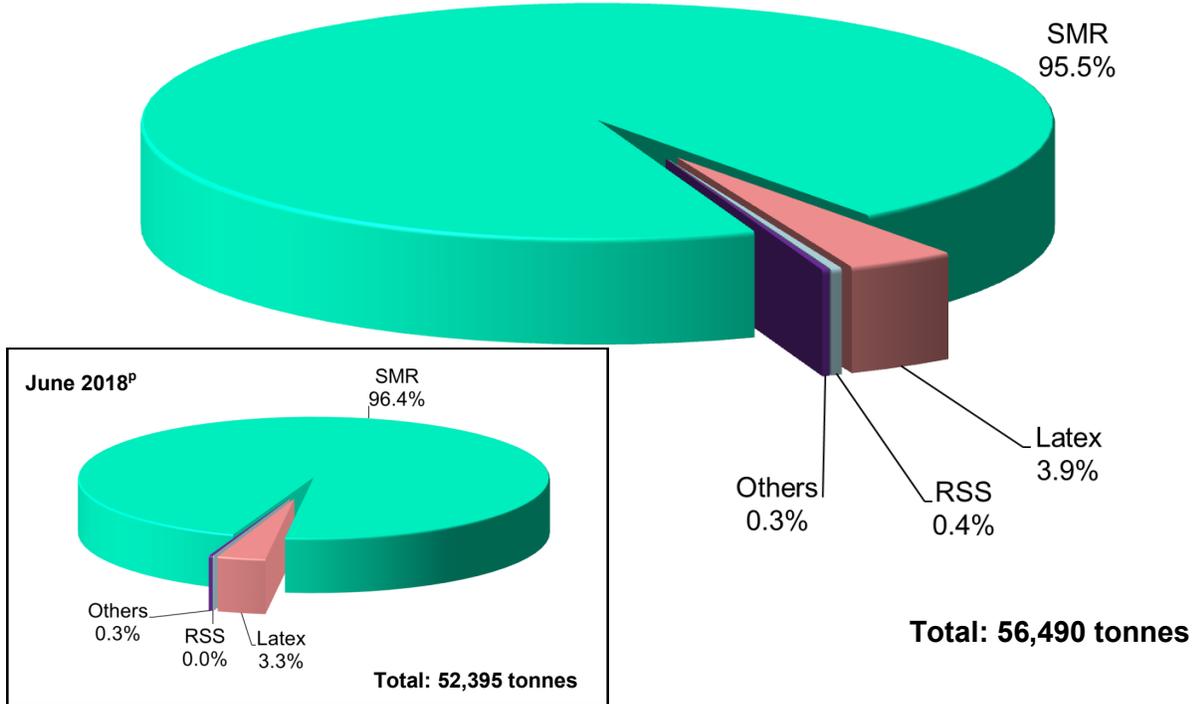


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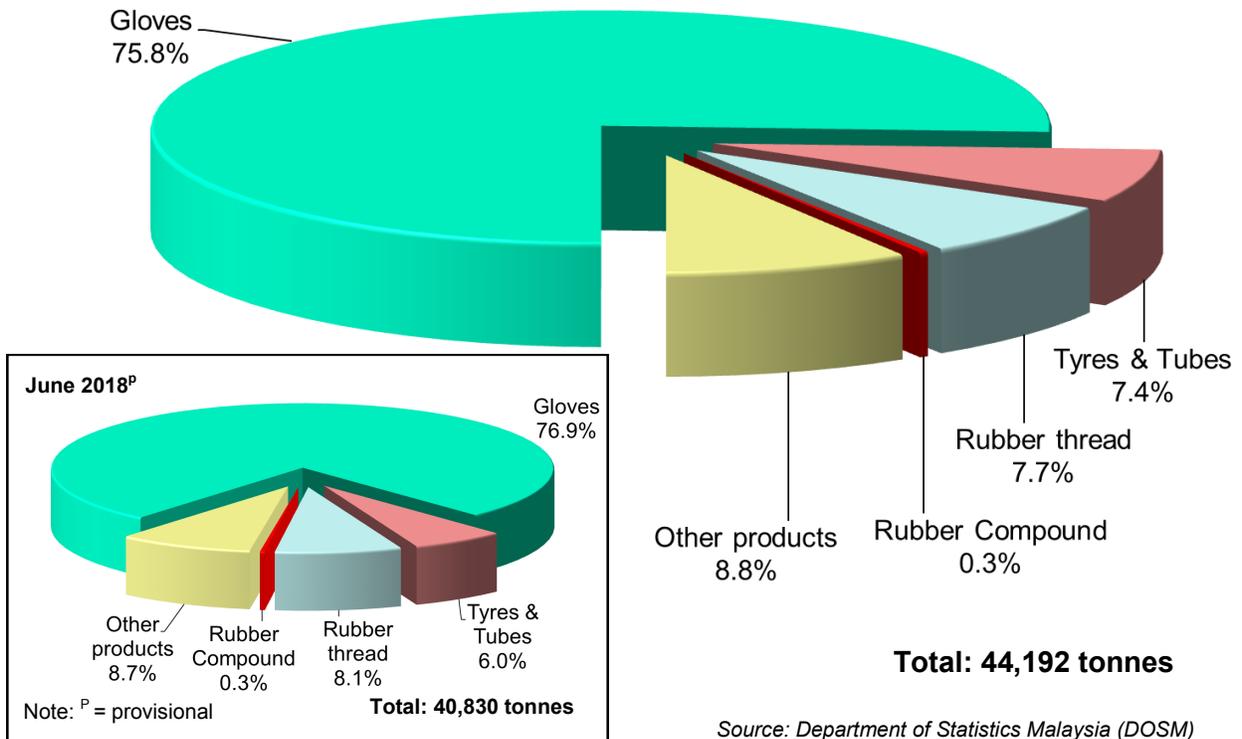


Source: Department of Statistics Malaysia (DOSM)

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



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



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