

Rubber Retreats From 10-Month High Amid European Debt Concerns

Rubber fell from a 10-month high as renewed concern about European debt crisis pushed global stocks lower and rallied the yen, reducing investor appetite for the commodity used to make tires.

The contract for delivery in July dropped as much as 1.5 percent to 328.3 yen a kilogram (\$3,553 a metric ton) before trading at 329.5 yen on the Tokyo Commodity Exchange at 12:04 p.m. local time. It closed at 333.3 yen yesterday, the highest settlement price for the most-active contract since March 28.

Spanish 10-year yields are at a seven-week high as the nation's Prime Minister Mariano Rajo struggles to impose austerity and restore confidence amid calls to resign on corruption allegations. Rates on Italian debt rose as polls showed Silvio Berlusconi had closed the gap on his rival before elections this month even as he appeals a four-year prison sentence for tax fraud.

"Political turmoil in Spain and Italy caused risk aversion," Naohiro Niimura, a partner at research company Market Risk Advisory in Tokyo, said in an e-mail today.

The yen advanced to 92.42 per dollar, cutting the appeal of yen-denominated contracts, as European concerns boosted investor demand for haven. It dropped to 93.18 per dollar yesterday, the lowest level since May 2010.

Losses in futures were limited on speculation that China, the world's largest consumer, may step up purchases before the Lunar New Year holiday next week, Niimura said.

Rubber for May delivery rose 0.4 percent to 26,890 yuan (\$4,312) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board gained 2.1 percent to 98.90 baht (\$3.32) a kilogram yesterday, according to the country's Rubber Research Institute.