

Rubber futures surging without volume, complains industry

The rubber industry is set to further increase imports of natural rubber, as speculation in futures market has severely affected its availability in the spot market.

The Automotive Tyre Manufacturers Association (ATMA) and All-India Rubber Industries Association (AIRIA) said that domestic futures trade in natural rubber has once again gone into a binge of heavy speculation that has thrown the entire domestic rubber trade out of gear.

The industry, in a communication to the Forward Market Commission (FMC), said that expiry pressures of just expired September contract, notwithstanding volumes less than 100 tonnes in a day and stocks less than 200 tonnes, sent prices spiralling upwards.

Last week, the September contract zoomed up 4 per cent intra-day circuit limit, to close at Rs 193.

The trend was not in sync with fundamentals as the physical price, according to the Rubber Board, was Rs 185.

On September 15, when a strike was observed in Kerala and physical trade was closed, the September contract rose further by another 4 per cent and touched Rs 201.

Ironically, the traded volume on September 15 was a meagre 48 tonnes, the communication said.

In view of frenzied speculation, physical market pole-vaulted in no time with prices of Rs 200 being quoted that day ignoring the wafer-thin volumes being traded on the futures market.

Strangely, all this happened when international price of RSS3 was just Rs 170 (and Malaysian SMR20 only Rs 153), says the communication.

According to the rubber industry, such unnatural and illogical trends in futures trade hamper the physical trade heavily resulting into wrong signals to all the stakeholders including growers, and beneficiaries are just speculators and the exchange operators.

Typically, under such circumstances, farmers and traders tend to hold stocks and consumers have no option but to contract imports, as availability thins out and also as landed price difference too is in the range of Rs 25-30 a kg.

Vinod Simon, President, AIRIA, said in a statement that current speculation in domestic futures is giving least consideration to demand-supply fundamentals.

In its communication, the industry has also asked for curbing the volatility in futures prices by reducing intra-day price fluctuation limit from the current 4 per cent to 1 per cent.