

## **Asia Rubber-China buys local stocks; prices at multi-year lows**

\* SIR20 done at 104.25-104.75 cents/lb\* SMR20 sold at \$2.35-\$2.40/kg\* China turns to own inventoryBy Lewa PardomuanSINGAPORE, June 19 (Reuters) – Tyre makers in China have turned to the country’s mounting inventory to get cheaper rubber, causing anxiety among sellers in Southeast Asia as physical prices stayed at multi-year lows, dealers said on Wednesday. Even though tyre grades from Indonesia and Malaysia were sold among trading houses in a series of overnight deals, China’s absence weighed on the physical market. China accounts for 35 percent of global consumption, making it the world’s largest user of rubber. “China is very bad. We don’t see much of their buying interest,” said a dealer in Kuala Lumpur. “Supply is not really an issue, it’s the demand. The market is in a surplus. Consumers in China continue to buy rubber from Qingdao on a hand-to-mouth basis. There’s also stock replacement, which is why the inventory could hardly come down,” the dealer added. There are no official numbers for inventory in the bonded warehouses in Qingdao, which makes up the bulk of the country’s rubber stocks, but dealers estimated the inventory at around 350,000 tonnes. Indonesia’s SIR20 grade, usually the cheapest in the region, was traded late on Tuesday at 104.25 to 104.75 U.S. cents a pound (\$2.29 to \$2.30 a kg) without freight for August/September delivery. Deals at 104.25 would bring SIR20 prices to their weakest since the last quarter of 2009. Tyre rubber prices have fallen to current level because of declines in benchmark Tokyo rubber futures and growing risk China’s economic growth will slide further in the second quarter after data showed unexpected weakness in May trade. Thai grades were untraded overnight but was offered at \$2.38 for STR20 and at \$2.75-\$2.80 for RSS3. The price of RSS3, often considered the benchmark grade in Southeast Asia, has dropped around 18 percent so far this year as supply also picked up after the dry wintering season ended recently. Malaysia’s SMR20 was traded at \$2.35, \$2.36 and \$2.40 a kg. “We managed to sell SMR20 at \$2.40 but the quantity was not big. A friend in Thailand told us they quoted STR20 at \$2.45 but I am not sure if it has been traded at that level,” said a dealer in Singapore. “China is buying rubber in the local market because the price is discounted. They can buy the Indonesian grade at \$2.30 and Malaysian rubber at \$2.36, including freight.” WEEK AHEAD Dealers expect tyre grade prices to stay at the current level next week because of China’s slowing demand and ample supply. (Editing by Muralikumar Anantharaman) Reuters