Asia Rubber-Tyre grades traded, fears of cancellations appear

* RSS3 done at $2.78-$2.80/kg FOB, STR20 at $2.65 CIF China

* SIR20 sold to European buyers at 117 cents/lb FOB

* SMR20 traded at $2.65-$2.68/kg FOB

SINGAPORE, Sept 5 (Reuters) – A few rubber cargoes were sold to main consumer China and other buyers for nearby shipment, but persistent declines on Tokyo futures brought back fears of defaults and cancellations, dealers said on Wednesday.

Tyre grades were hovering at their weakest since 2008 after global benchmark Tokyo futures tumbled on concerns about a global economic slowdown, and recently after the Thai cabinet rejected a plan to spend more on buying rubber to lift prices.

Thai RSS3 was traded overnight at $2.78 to $2.80 a kg free on board, well below a lifetime high of $6.40 per kg hit in February 2011. Another Thai grade, STR20, was sold to China at much cheaper prices.

“Cancellations have happened, but it may not be as serious as it was as in 2008. The quantity is difficult to estimate,” said a dealer in Thailand, referring to cancellations of orders by some Chinese buyers.

But other dealers said China was still in the market to buy selected types of rubber whenever prices dropped, although the quantity was small. STR20 was traded late on Tuesday at $2.65 to $2.66 including freight to China.

Late last year, the ASEAN Rubber Business Council blacklisted buyers who defaulted on shipments and urged members to ignore requests from Chinese buyers for discounts following a plunge in prices.

Buyers in China stunned the market late in 2008 when they refused to pay for their cargoes after prices tumbled by more than half due to the global financial crisis that hit automakers in Europe, North America and Japan hard.

Indonesia’s SIR20 was sold to European buyers at 117 U.S.

cents a pound ($2.58 a kg) FOB for October/November delivery, higher than last week’s 115 cents, but prices have dropped more than 20 percent since January because of falling Tokyo futures.

The most active rubber contract on the Tokyo Commodity Exchange, February, slipped more than 3 percent to a low of 216.5 yen a kg on Wednesday after soft U.S. manufacturing data added to concerns about a global slowdown.

The contract was more than 120 yen below a peak in February, and a recent agreement reached by main producers Thailand, Indonesia and Malaysia to cut exports by a total of 300,000 tonnes failed to shore up prices.

Malaysian SMR20 changed hands at $2.65 to $2.68 a kg FOB.

WEEK AHEAD

Physical prices could see sharp movements on TOCOM next week, while ample stocks in China’s bonded warehouses in Qingdao were likely to curb buying interest from there.

“China is quite reluctant to buy because it has plenty of stocks in the warehouses. They can buy rubber, provided that we can sell it at cheaper prices. We heard that stocks in Qingdao are about 250,000 tonnes,” said a dealer in Singapore. Inventory in Qingdao, which makes up the bulk of China’s rubber stocks, is not disclosed to the public

(Editing by Miral Fahmy)