

Rubber Climbs to Seven-Month High as U.S. Budget Concerns Ease

Rubber advanced to a seven-month high after President Barack Obama made a new budget offer, raising optimism an agreement may be reached to avert automatic spending cuts and tax increases in the world's biggest economy.

Rubber for delivery in May rose as much as 0.6 percent to 285.9 yen a kilogram (\$3,407 a metric ton) on the Tokyo Commodity Exchange, the highest level for the most-active contract since May 14. Futures traded at 284.5 yen at 11:44 a.m. local time, extending this year's gain to 8 percent.

Obama yesterday made the offer that would raise taxes by \$1.2 trillion and cut \$1.22 trillion in spending, according to a person familiar with the talks. Obama and House Speaker John Boehner are negotiating to avert more than \$600 billion in tax increases and spending cuts set to start in January, known as the fiscal cliff. Asian stocks jumped to a nine-month high and crude oil advanced on signs of progress in the talks.

"Optimism about the U.S. budget deal is supporting the market," Takaki Shigemoto, an analyst at research company JSC Corp. in Tokyo, said by phone today.

Futures also gained amid speculation that the Bank of Japan may ease its monetary policy further after Shinzo Abe's Liberal Democratic Party swept to power, Shigemoto said. The Japanese yen traded near its weakest level since April 2011 versus the dollar, raising the appeal of yen-denominated contracts, before the BOJ begins a two-day meeting tomorrow.

Rubber for delivery in May was little changed at 25,360 yuan (\$4,067) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board gained 1.6 percent to 95.60 baht (\$3.13) a kilogram yesterday, according to the Rubber Research Institute of Thailand.