

Rubber Jumps to 9-Month High as Yen Slides on Japan Stimulus

Rubber surged to a nine-month high as Japanese Prime Minister Shinzo Abe moved to add economic stimulus and the nation's currency slid to the lowest level since June 2010 against the dollar, raising the appeal of yen-based contracts.

Rubber for delivery in June jumped as much as 2.5 percent to 321 yen a kilogram (\$3,609 a metric ton) on the Tokyo Commodity Exchange, the highest level for the most-active contract since April 11. Futures have gained 5.1 percent this year, extending last year's advance of 15 percent.

The yen extended its ninth week of declines amid speculation that the Bank of Japan (8301) will agree to double inflation target to 2 percent at a policy meeting this month in line with Abe's economic policy. The currency also came under pressure after data showed Japan posted wider-than-expected current account and trade deficits.

"A weakening yen and Abe's stimulus policy have created a bullish mood in the Tokyo market," Takaki Shigemoto, an analyst at research company JSC Corp. in Tokyo, said by phone.

In an effort to end deflation and revitalize the economy, the government today announced a plan to spend 10.3 trillion yen to drive a recovery from a recession.

The Bank of Japan may increase its fiscal 2014 inflation forecast at this month's policy meeting as stimulus measures and a weaker yen boost growth prospects, according to people familiar with officials' discussions.

Rubber for delivery in May gained 0.6 percent to 26,325 yuan (\$4,234) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board rose 1 percent to 102.55 baht (\$3.39) a kilogram yesterday, according to the Rubber Research Institute of Thailand. Bloomberg