

Rubber Recovers From One-Week Low as China Manufacturing Expands

Rubber rallied from the lowest level in a week as data showed China's manufacturing is expanding at the fastest rate in two years, raising speculation demand from the world's largest user will improve.

The contract for delivery in June gained 0.2 percent to 309 yen a kilogram (\$3,482 a metric ton) at 11:26 a.m. after dropping to 306.1 yen on the Tokyo Commodity Exchange, the lowest level since Jan. 18. Futures added 2.2 percent this year.

The preliminary reading of a Purchasing Managers' Index was 51.9 in January, according to a statement from HSBC Holdings Plc and Markit Economics today. That compares with the 51.5 final reading for December and the 51.7 median estimate of 17 analysts surveyed by Bloomberg News.

"The data added to expectations that China's growth will accelerate this year, leading to stronger demand for raw materials," Kazuhiko Saito, an analyst at broker Fujitomi Co. in Tokyo, said by phone today.

The data suggest China's economic growth at the start of 2013 will equal or exceed its 7.9 percent clip in the fourth quarter, reducing the likelihood that the nation's new leadership headed by Xi Jinping will roll out additional measures to support expansion.

Rubber for delivery in May dropped 1.3 percent to 25,735 yuan (\$4,135) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board dropped 0.2 percent to 98.55 baht (\$3.30) a kilogram yesterday, according to the Rubber Research Institute of Thailand.