

Rubber Drops to Two-Week Low as Spain Riots Raise Europe Concern

Rubber declined to a two-week low after Spanish borrowing costs soared amid violent protests against austerity measures, raising concerns Europe's sovereign-debt crisis will worsen and may stall global economic growth.

March-delivery rubber lost as much as 1.7 percent to 249 yen a kilogram (\$3,206 a metric ton), the lowest level since Sept. 14, before trading at 251.7 yen on the Tokyo Commodity Exchange at 11:08 a.m. The most-active contract has climbed 4.9 percent this quarter, trimming this year's loss to 4.4 percent.

Spanish protesters marched for a second night in Madrid yesterday, calling on Prime Minister Mariano Rajoy to reverse austerity measures as his nine-month-old government prepared its fifth package of budget cuts. Spain's 10-year government bond yields jumped as much as 6.07 percent.

"The market was weighed down by concerns over the European crisis as anti-austerity protests spread from Spain to Greece," Hideshi Matsunaga, an analyst at broker ACE Koeki Co. in Tokyo, said today by e-mail.

The Bank of Spain said the Spanish economy contracted at a "significant pace" in the third quarter. In Athens yesterday police fired tear gas in response to fire-bombs thrown by demonstrators during a strike over wage cuts and austerity measures that Prime Minister Antonis Samaras said are vital to keep Greece in the euro zone.

Losses in futures were limited as the world's three largest producers will reduce rubber exports from October to buoy prices, Matsunaga said. Thailand, Indonesia and Malaysia, representing 70 percent of world output, agreed to cut supply by 450,000 tons by curbing shipments and destroying aging trees.

January-delivery rubber lost 0.2 percent to 23,790 yuan (\$3,772) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board fell 0.1 percent to 96.65 baht (\$3.12) a kilogram yesterday, according to Rubber Research Institute of Thailand.

