

Rubber Bear Market Draws Draws Export Curbs From Thailand

Rubber's slump into a bear market drew export curbs from Thailand, the biggest producer, as expanding stockpiles in China signaled easing demand from the largest consumer of the commodity used in tires. Thailand said it would reduce shipments through May to support prices as futures on the Tokyo Commodity Exchange, the global benchmark, dropped 20 percent from this year's high. Five of nine analysts and traders in China surveyed by Bloomberg forecast further declines this quarter after rubber dropped in February and March. Officials from Thailand, Indonesia and Malaysia – representing about 70 percent of world output — will meet April 10-12 on the resort island of Phuket to discuss measures to bolster prices, Thai Deputy Farm Minister Yuttapong Charasathien said in a telephone interview yesterday. Inventories in bonded warehouses in Qingdao, China's main import hub, reached an all-time high on March 15 as the nation's industrial output had the weakest start to a year since 2009. "China's growth is not strong enough to absorb surplus supply," said Takaki Shigemoto, an analyst at research company JSC Corp. in Tokyo. "Inventories may continue to expand unless producers take additional steps to restrict shipments." China's benchmark stock index traded near the lowest level since December yesterday as a key manufacturing gauge missed economist estimates while the Topix Index dropped the most since March 2011 after the Bank of Japan (8301)'s Tankan index of confidence among large manufacturers also lagged forecasts. Tokyo, Shanghai Rubber for delivery in September on the Tokyo raw materials bourse dropped 2.6 percent yesterday to 266.9 yen a kilogram (\$2,844 a metric ton), a 20 percent decline from this year's highest settlement for a most-active contract of 334 yen reached Feb. 6. The contract for delivery the same month on the Shanghai Futures Exchange dropped 3.2 percent after plunging 16 percent during the first quarter. Thai rubber free-on-board lost 0.4 percent to 85.25 baht (\$2.91) a kilogram, according to the Rubber Research Institute of Thailand. That is the lowest level since November 2009, according to data compiled by Bloomberg. Indonesia, Malaysia and Thailand reduced exports by 300,000 tons in the six months through March and removed aging trees to help curb slumping prices, according to Thailand's Yuttapong. The measures came after futures in Tokyo slumped to a three-year low of 205.6 yen in August. "Weak Demand" Indonesia will review overseas shipments, said Mardjoko, exports director for agriculture and forestry products at Indonesia's Trade Ministry, by text message. Yuttapong didn't provide details about Thailand's curbs through May. "The top three may impose additional measures to boost prices, which may be able to help in the short term," Sureerat Kunthongjun, an analyst at Agrow Enterprise Ltd., said by phone from Bangkok. "The long-term outlook is depressed by weak demand and high inventory level." Qingdao inventories climbed to 358,300 tons by March 15, said Cai Zhiwei, general manager at the Qingdao International Rubber Exchange Market, in an interview on March 22. Stockpiles monitored by the Shanghai Futures

Exchange climbed to 117,696 tons, the highest in over three years, the bourse said March 29. China accounts for 34 percent of global demand, according to the International Rubber Study Group. “Multiple risks remain for the rubber outlook — inventory overhang, a weak global economy and rising production,” said Cai. “Barring any major stimulus on the macro front, there’ll be renewed weakness in rubber prices.”

Truck Tires Demand for tires for large trucks will slow this year as China shifts from heavy industries to a more consumption-driven growth model, said Shen Jinrong, chairman of Hangzhou Zhongce Rubber Co., the nation’s largest tire maker, on March 27. “The heavy-truck sector accounts for about half of China’s total natural-rubber consumption,” Shen Jun, a trader at Shanghai Flow International Trade Co., said by phone from Shanghai. “While China’s economy has recovered since the fourth quarter of last year, infrastructure projects and investment isn’t catching up at a speed that will stimulate heavy-truck sales.”

The Japanese yen, which depreciated 7.3 percent this year against the dollar, helping increase trading volume on the Tokyo Commodity Exchange, won’t be enough to support the rubber price, said Kazuhiko Saito, an analyst at broker Fujitomi Co. “The yen’s weakness alone cannot support rubber futures as the fundamentals of the commodity are getting worse,” Saito said by phone from Tokyo. “We have abundant supply from Southeast Asian countries and a weak recovery in Chinese demand.”

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