

Rubber Extends Rally as Yen Drops Before Japan's Abe Sworn in

Rubber extended rally to a seven-month high as Japan's currency weakened to the lowest since April 2011 before Shinzo Abe takes over as prime minister amid expectations for further stimulus.

Rubber for delivery in June climbed as much as 1.3 percent to 296 yen a kilogram (\$3,475 a metric ton), the highest level since May 9, and traded at 294.8 yen on the Tokyo Commodity Exchange at 10:48 a.m., expanding this year's gain to 12 percent.

The yen came under pressure as Abe is scheduled to appoint his cabinet after the lower house names him prime minister today. Abe said he will consider changing the law governing the Bank of Japan unless it boosts its inflation target next month.

"Expectations grew that Abe will take stimulus measures to lift the economy from deflation," Kazuhiko Saito, an analyst at broker Fujitomi Co. in Tokyo, said by phone today.

BOJ members pledged to continue easing, minutes of the Nov. 19-20 meeting showed today. One member said that open-ended measures could be an option. Abe agreed with a coalition ally on a policy package that includes "bold monetary easing" to reach inflation of 2 percent. The agreement also calls for a "large" extra budget for the current fiscal year to March 2013 and deregulation of the energy, environment and health care sectors.

Rubber for May delivery gained 0.2 percent to 25,305 yuan (\$4,058) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board advanced 0.3 percent to 96.60 baht (\$3.15) a kilogram yesterday, according to the Rubber Research Institute of Thailand.