

Rubber Advances as Japan May Add Stimulus to Stem Yen's Rally

Rubber climbed to the highest level in 11 weeks on speculation that Japan's central bank will expand monetary stimulus to rein in the Japanese currency's strength, boosting the appeal of yen-denominated contracts.

February-delivery rubber gained 0.6 percent to end at 256.2 yen a kilogram (\$3,255 a metric ton) on the Tokyo Commodity Exchange, the highest settlement level since July 4. Futures advanced 12 percent last week, the best gain since the period ended Jan. 20. The market was closed yesterday for a holiday.

The Bank of Japan opened a two-day policy meeting today. Five of 21 economists surveyed by Bloomberg predict the BOJ will announce further easing tomorrow, with sixteen expecting a move by October. The U.S. Federal Reserve announced last week a third round of so-called quantitative easing to bolster growth. The euro retreated from its highest level against the yen in four months on concern that a slowdown in the region's economy will worsen the debt crisis.

"The market is supported by speculation that Japan may ease its monetary policy further to stem a rally in the yen" that hurts exports, Kazuhiko Saito, an analyst at broker Fujitomi Co. in Tokyo, said by phone today.

Thailand's Cabinet approved a budget of 30 billion baht to purchase rubber from farmers at above-market rates, said Sansanee Nakpong, a government spokeswoman. The first disbursement of 5 billion baht for the program was approved today, she said.

January-delivery rubber dropped 0.3 percent to close at 24,305 yuan (\$3,846) a ton on the Shanghai Futures Exchange. Thai rubber free-on-board gained 1.4 percent to 98.25 baht (\$3.18) a kilogram today, according to the Rubber Research Institute of Thailand.