

## Rubber stocks to hit 13-year high, hurting prices

World rubber stocks are to rise to a 13-year high, reflecting the slowdown in China's economy, which was underlined by data on Wednesday, and production underpinned by a hangover from high prices in 2005-08. The outlook for the rubber market "does not suggest any significant price surges" for now, Commerzbank said, flagging that world inventories, which ended last year at some 2m tonnes, look like being swollen by up to 284,000 tonnes in 2013. "It is therefore anticipated that global reserves will continue to climb to a 13-year high," the bank said. Rubber prices in Singapore, which closed at 227 US dollar cents a kilogramme in Singapore on Wednesday for the best-traded December contract, down 0.5 cents, are already down more than 25% this year, at their lowest levels since 2009. Tokyo rubber prices have fared better, closing 1.2% higher at 257.10 yen per kilogramme, reducing 2013 losses to 15.0%, although this outperformance reflects the weakness of the yen, which raises in yen terms the value of assets denominated in other currencies. China factor Demand for rubber "is suffering under the uncertainty about the global economy", and particularly over China, which accounts for more than one-third of world consumption of the commodity, mainly for use in making tyres. "Disappointing data from China recently have been a major factor in the latest slump in rubber prices," Commerzbank said, adding that "momentum has eased a little recently" in the country's car sales. On Wednesday, the monthly HSBC/Markit flash purchasing managers index for China fell to an 11-month low of 47.7, below market expectations of a figure in line with June's 48.2. Any figure below 50.0 indicates contraction. The decline underlines "the need to introduce additional fine-tuning measures to stabilise growth" in China, HSBC chief economist Qu Hongbin said. Hangover from high prices Meanwhile, efforts by Thailand, Malaysia and Indonesia, the top rubber-producing countries, to stem supplies have faltered after initial success in plans to reduce exports by 300,000 tonnes between October last year and March. An inability to agree on an extension to the curbs "probably has something to do with the fact that stocks have meanwhile increased again sharply", boosted resilient production. A batch of trees, which take five-to-seven years to mature, are coming into production after being planted during the last decade when high prices prompted many plantation owners to opt for rubber over rival crops such as palm oil. "Higher production is not least a consequence of rising prices in the years from 2005-08, leading to a strong expansion of plantations especially towards the end of this period," Commerzbank said. 'No shortage' The bank quoted International Rubber Study Group forecasts that production could grow by up to 4% this year, with demand seen growing by 2-5%. "The highest surplus that this could lead to in 2013 would be 284,000 tons, the lowest 92,000 tonnes." This following a surplus of 322,000 tonnes last year and of 92,000 tonnes in 2011. "These data and forecasts do not signal a shortage whichever way you look at it," Commerzbank said. AgriMoney