

Tokyo futures fall 2 pct on strong yen, demand worries (May 18)

TOKYO, May 18 (Reuters) – Key TOCOM rubber futures fell 2 percent on Friday, snapping a rebound on short-covering a day earlier, as renewed concerns that the problems of the euro zone economy will undermine demand and a strong yen weighed on prices.

FUNDAMENTALS

* The key Tokyo Commodity Exchange rubber contract for October delivery was quoted at 268.2 yen per kg as of 0119 GMT, down 5.4 yen or 2 percent.

* The benchmark contract touched a low of 261.5 yen on Thursday, the weakest since Jan. 5, before closing up 8.5 yen at 273.6 yen. The contract is heading for a 5.6 percent fall this week, marking the second weekly decline.

* Financial instability in Spain deepened on Thursday, with Moody's Investors Service cutting the long-term and deposit ratings of 16 Spanish banks, including Banco Santander late on Thursday.

* Also on Thursday, Fitch downgraded Greece deeper into junk territory, citing the risk that the heavily indebted country might leave the euro zone.

MARKET NEWS

* Japan's Nikkei share average dropped more than 2 percent on Friday, breaking through the 8,800 support level, as concerns about the health of Spain's banking system and a stronger yen worsen already bearish investor sentiment.

* Brent crude oil slumped more than 2 percent on Thursday to end at the lowest level since December, as investors avoided risky assets due to mounting fears that turmoil in Greece could spread to other stressed euro zone economies.

* The safe-haven yen posted sharp gains against the euro and dollar on Thursday on concerns about banks in Spain and Greece, chances of contagion if Greece leaves the euro and disappointing U.S. economic data.

DATA EVENTS

* The following data is expected on Friday:

0200 China House prices m/m May

1930 U.S. CFTC commitment of traders data

(Reporting by Risa Maeda; Editing by Ed Davies)