

Rubber Prices Climbs to Seven-Month High as Yen's Drop Boosts Appeal

Rubber prices advanced to the highest level in more than seven months as Japan's currency traded near a 20-month low against the dollar, boosting the appeal of the yen-based contract for the commodity used in tires.

Rubber for delivery in June, the most-active by volume, gained as much as 0.8 percent to 289.9 yen a kilogram (\$3,422 a metric ton) on the Tokyo Commodity Exchange. That's the highest price for futures since May 11. The contract traded at 287.9 yen at 11:49 a.m. local time.

The yen fell to 84.96 per dollar, the weakest since April 2011 after incoming prime minister Shinzo Abe said he will consider changing the law governing the Bank of Japan unless it boosts its inflation target next month. Abe asked BOJ Governor Masaaki Shirakawa to agree to set a 2 percent target.

"A weak yen gave the biggest support to rubber futures," Takaki Shigemoto, an analyst at research company JSC Corp. in Tokyo, said by phone today.

Gains were limited by concern that U.S. lawmakers may fail to avoid a so-called fiscal cliff of \$600 billion in tax increases and spending cuts, Shigemoto said. U.S. lawmakers said they were losing confidence that Congress and President Barack Obama can reach a deal within a week to avoid the cliff that could plunge the world's largest economy into recession.

Abe is poised to become prime minister tomorrow after his Liberal Democratic Party's coalition won a majority in parliamentary lower house elections on Dec. 16.

Rubber for May delivery added 0.5 percent to 25,195 yuan (\$4,041) a ton on the Shanghai Futures Exchange. Natural-rubber inventories gained 1,770 tons to 97,697 ton, the highest since March 2010, based on a survey of nine warehouses in Shanghai, Shandong, Yunnan, Hainan and Tianjin, the bourse said Dec. 21.

Thai rubber free-on-board dropped 0.3 percent to 96.35 baht (\$3.15) a kilogram yesterday, according to the Rubber Research Institute of Thailand. Bloomberg