

Rubber prices set to bounce higher

Phillip Futures analyst Chung Yang Ker names rubber as his number one pick on the commodity menu, as the world's top producers move to slash exports in a bid to push up prices.

From Oct. 1, Thailand, Indonesia and Malaysia will collectively cut natural rubber exports by 300,000 metric tons, over six months. The trio produces around 70% of the world's natural rubber.

"The cartel is coming in to support the market with the same view. Coordinated action to cut down on exports will support prices," Ker said.

A slowing global economy, and the fallout of last year's devastating earthquake and tsunami in Japan, slugged rubber prices. But the cartel's action, coupled with fresh stimulus from China – the world's top rubber consumer – has brightened the outlook for the material.

Rubber futures for February delivery on the Tokyo Commodity Exchange are currently trading at 220.60 yen (\$2.81) per kilogram.

Prices rallied from near three-year lows after the export plan was unveiled in August. Natural rubber futures are trading up more than 5% over the past month.

"Rubber has been among the top gainers recently among the soft commodities and hard commodities," Ker said.

He tips prices will hit around 280 yen per kilogram by the year-end.

The losers? Tire makers like Bridgestone Corp. – lower rubber costs contributed to a 45% jump in second-quarter profit for the Japanese giant.