Global rubber prices may gain further on cartel action, stimulus hopes

TOKYO: Rubber prices at Tokyo Commodity Exchange (TOCOM) and Singapore Exchange (SGX) on stimulus hopes and decision by the rubber producing cartels, Thailand, Indonesia and Malaysia to cut global supplies of the commodity.

TOCOM prices have rebounded as rubber cartel unveilved plans in August to curb exports 300000 tons, cut down plantations to stem the fall in prices.

Most active TOCOM February delivery contract has risen further to 238.4 Yen per kg as also the January contract which closed at the same rate. China Government initiative to approve $1 trillion worth infrastructure projects and likely QE 3 measures to be taken by US Fed Reserve are supportive of commodities in general.

There are several reasons why rubber prices could rebound in the coming months: 1)Malaysia and Thailand seeking the possibility of developing a large-scale rubber and rubber-industry based development to stabilise natural rubber prices. 2) Natural rubber imports by China rises 23.5 per cent in August to 210000 tonnes on month on month basis. 3) Indonesia will start cutting exports by Q4, 2012. 4) Despite the slowdown in Indian economy, natural rubber consumption has risen 5% to 4.20 lakh tonnes in the first five months of 2012-13 fiscal while production rose rose marginally to 3.14 lakh tonnes during the same period, according to Rubber Board.5) Firmness in crude oil prices continue to support rubber as it makes production of synthetic rubber more costly.

And lastly, Rubber Board estimates India production to be 9,30,000 tons while consumption will rise to 10,06,000 tons with a deficit of76,000 tons to be met through imports.

Reflecting the global trends, India rubber prices have climbed 5.26% this month to Rs 18,000 per kg in spot market while October futures at National Multi Commodity Exchange (NMCE) rose 1.23% to Rs 17747 per 100 kg with support at Rs 17700, 17600 levels and resistance at Rs 179. 180 levels.