Natural rubber surpluses, poor demand to weigh on prices: Commerzbank

Natural rubber surpluses and poor demand, especially from China, will weigh on spot prices for the commodity, Germany's Commerzbank said in a report issued Tuesday."Several years of supply surpluses on the global rubber market have pushed prices in Singapore down to their lowest level since autumn 2009. High prices in the years before had made it attractive to set up new plantations. After the long growth phase of rubber trees, this is now increasing supply. On the other hand, rubber demand is suffering under the uncertainty about the global economy," the bank said in its agricultural report.Citing a January 2013 report from the Singapore-based International Rubber Study Group, Commerzbank said surpluses were forecast at 179,000 mt for 2013 and 153,000 mt in 2014.In mid-July, the IRSG forecast that global demand will grow by 2-5% year on year in 2013 while production could be flat to 4% higher."The highest surplus that this could lead to in 2013 would be 284,000 mt, the lowest 92,000 mt," Commerzbank cited."Although the forecasts were received by the market with a slight plus in prices, all these data and forecasts do not signal a shortage whichever way you look at it," it said."That said, the reasons why another large global surplus is possible this year predominantly lie on the demand side. Although the situation in the US is slowly improving, the euro zone has so far not really escaped the fangs of the sovereign debt crisis. Consequently, upward momentum after the one and a half years of recession will presumably be slow," the bank said.China is most significant for the rubber market, being the No. 1 consumer, the group said. China accounted for 34% of world consumption, or 3.85 million mt in 2012.China's consumption was met by 2.18 million mt of natural rubber imports in 2012, 4% more than the 2.10 million mt it received in 2011, according to data from the General Administration of Customs.At end June, China's H1 imports totaled 1.16 million mt, up 17% from 990,000 mt year on year."…disappointing data from China recently have been a major factor in the latest slump in rubber prices," Commerzbank said.On Wednesday, China's manufacturing activity contracted to a 11-month low in July, an HSBC survey showed.The British banking giant said its preliminary purchasing managers' index (PMI) hit 47.7 this month, down from a final 48.2 in June and the lowest since last August.The index tracks manufacturing activity in China's factories and workshops and is a closely watched gauge of the health of the economy. A reading below 50 indicates contraction, while anything above signals expansion."International rubber stocks had already expanded to a seven-year high of 2 million mt by the end of 2012. It is therefore anticipated that global reserves will continue to climb to a 13-year high in the coming year. This outlook does not suggest any significant price surges initially," Commerzbank said.In addition to the glut situation, the poor demand has led to a buildup of rubber inventories in China.Rubber stocks at warehouses monitored by the Qingdao International Rubber Exchange stood at 330,300 mt on July 15, compared with 314,170 mt on January 15, according to data from from the exchange."Given the plentiful rubber stocks at present, the price correlation should also remain rather loose in the months ahead," it said.On

Wednesday, TSR 20 (Technically Specified Rubber) prices stood at $2.29/kg FOB Basis Singapore, Platts data showed, down 25% from $3.05/kg on January 2, 2013.platts.com