

Asia natural rubber prices fall after China's order to clear stocks at Qingdao warehouses

Natural rubber prices in Asia this week slid to the lowest levels in four to six months, after Chinese authorities Tuesday ordered local warehouses in Qingdao, Shandong province, to clear part of their rubber stocks within 10 days due to safety concerns, market sources said.

Platts assessed TSR 20 (Technically Specified Rubber) for April and May loading down 7 cents day on day to \$2.73/kg FOB basis Singapore Wednesday — the lowest since November 8, 2012 — and RSS 3 (Ribbed Smoked Sheet) down 9 cents to \$2.90/kg for April and \$2.91/kg for May, the lowest since September 7, 2012.

Week on week, TSR 20 has fallen 5.2% while RSS 3 is down 3.7-4.3%, based on Platts data.

The Chinese authorities ordered the clearing of rubber stocks at the warehouses following a minor fire at one of them last week, according to sources in China, Singapore and Thailand. Sources said the build-up of stocks inside and outside the warehouses were a safety hazard so the authorities had asked for all stocks that are a year old to be removed, mainly those outside and at the passageways leading to the inside of the building. The order had to be carried out within 10 days or owners of the rubber stocks risked getting fined.

Rubber inventories at warehouses in Qingdao rose to 354,940 mt as of February 27, according to data from the Qingdao International Rubber Exchange. Traders said this was an all-time high, beating the previous peak of 321,900 mt on January 31.

“The traders must clear [stocks that have built up] outside the warehouses,” a Chinese trader said Thursday, adding that the domestic price of TSR 20 had fallen by more than Yuan 1,000/mt (\$161/mt) over the last week.

Several traders in Southeast Asia were expressing concern and confusion about the recent drop in prices.

“It is an unbelievable market. We have no idea what is going to happen and we have no confidence,” a Singapore-based trader said Thursday as rubber futures were slipping further.

On the Singapore Exchange, or SICOM, TSR 20 futures for April were down 5.8 cents to 268.5 cents/kg and May 2.7 cents lower at 270.5 cents/kg, at about 11:30 am Singapore time (0330 GMT).