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DECEMBER 16, 2009, 6:44 A.M. ET

## Asia Rubber Futures Settle Up On China Duty Cut

By Sameer Mohindru Of DOW JONES NEWSWIRES

SINGAPORE (Dow Jones)--Natural rubber futures on the Tokyo Commodity Exchange rose by as much as 4.5% during intraday trading Wednesday, and settled above the first daily upper limit on expectations of fresh demand after an announcement that China will reduce rubber import duties effective Jan. 1.

Physical prices rose by around \$100 per ton, prompting buyers to "run for the hills," said a Singapore-based trading executive.

The benchmark Tocom May contract rose by the first daily limit of Y10 a kilogram and continued to rise after trading resumed. The contract settled up Y10.6 at Y263.8/kg.

The contract continued to rise in the night session and touched a fresh 14-month high of Y268.5/kg before a minor correction. Night session prices aren't included in intraday trading.

***China's finance ministry said Wednesday that it will cut the import duty on natural rubber to a maximum of CNY2,000 a metric ton from CNY2,600/ton. The tariff on smoked sheet rubber will be cut even more sharply, to CNY1,600/ton from CNY2,600/ton.***

Buyers who have been on the sidelines waiting for the 2010 schedule of taxes are now expected to re-enter the market.

"The general impression is that China was slow in buying for the last few weeks and may step up purchases early next year," said Chiaki Furui, chief executive of Bangkok-based commodities brokerage Agrow Enterprise.

Prices may quickly rise to Y270/kg as overall global demand for natural rubber is strong, he said.

Even though Thailand is in its high production season, there isn't any major surplus in the global market, Furui said.

There has been aggressive fund buying due to China's duty cut, said Nick Ng, a Tokyo-based broker with Okachi Corp.

Somewhere between 1,000 and 2,000 lots of rubber were bought by funds on Tocom following China's announcement of the cuts in duties, he said.

The market is overbought and a correction is in the offing, he said. The benchmark March contract at the Shanghai Futures Exchange settled 2.9% higher at CNY22,365/ton.

**Chinese tire manufacturers have long been demanding cuts in import duties on natural rubber to reduce raw material costs. The reductions will cushion the impact of a special 35% import duty imposed by the U.S. on light Chinese tires in September.**

**However, sharp increases in natural rubber prices have partly offset the advantages of the lower duties.**

**China's imports are markedly shifting toward duty-free compound rubber from major Southeast Asian growing countries, traders said.**

**"Demand for natural rubber may increase, but it will go to China more in form of compound grades," said an exporter in Singapore.**

**To avoid customs tariffs altogether, many buyers prefer to import compound rubber, which is 97%-99.5% natural rubber--with synthetic rubber comprising the balance.**

**Despite strong tire industry demand amid surging sales of automobiles, China's imports of natural rubber fell 2.8% from January-November, to 1.53 million tons, according to government data.**

**Meanwhile, the International Rubber Study Group estimates that natural rubber content in China's compound rubber imports during the January-October period was around 742,000 metric tons compared with 364,000 tons during the whole of 2008.**

Asian Rubber Future

			Dec 16	Change from
				previous close
Tocom	May	RSS3	Y263.8/kg	Up Y10.6/kg
C-Com	May	RSS3	Y259.2/kg	Up Y8.0/kg
Shanghai	Mar	SCR5	CNY22,365/ton	Up CNY635
Thai	Jul	RSS3	THB92.35	Up THB3.00
Sicom	Jan	RSS3	284.0 U.S cents/kg	Up 10 cents/kg
Sicom	Jan	TSR20	282.0 U.S cents/kg	Up 10 cents/kg

The following are the physical prices in Asia, quoted in U.S. cents a kilogram, FOB basis

Grade	Shipment	Dec 16		Dec 15	
		Bids	Offers	Bids	Offers
RSS3	Jan/Feb	-	283-286	-	273-274
STR20	Jan/Feb	-	282-283	-	274-275
SIR20	Jan/Feb	-	279-282	-	269-270
SMR20	Jan/Feb	-	283-284	-	263-274
USS3	Dec	THB82.75-THB83.52		THB81.00-THB81.57	

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## Rubber Gains Most in Four Months as China May Increase Imports

By Aya Takada

Dec. 16, 2009 (Bloomberg) -- Rubber gained by the most in four months on speculation rising car sales will boost demand for tires and lower tariffs may increase imports by China, the world's largest consumer.

Futures in Tokyo surged 4.2 percent, the biggest daily increase since Aug. 24, after China's **Ministry of Finance** said it will cut tariffs on natural rubber imports in 2010. European car sales surged 27 percent last month, according to the **European Automobile Manufacturers' Association**.

"News about China is positive for the market as its tariff reduction may stimulate imports," **Hisaaki Tasaka**, an analyst at Tokyo-based commodity broker ACE Koeki Co., said today by phone. "Rising car sales also raised speculation that rubber demand from tire makers will increase."

Rubber for May delivery gained as much as 4.5 percent to 264.6 yen per kilogram (\$2,957 a metric ton) on the Tokyo Commodity Exchange before settling at 263.8 yen.

Rubber for March delivery on the **Shanghai Futures Exchange** climbed by as much as 4.9 percent to 22,780 yuan (\$3,336) a ton, the highest level since September last year, before closing at 22,760 yuan.

**China's so-called temporary tariff rate for ribbed smoked sheet will be set at 20 percent of the import price or 1,600 yuan (\$234) a metric ton, whichever is lower, the ministry said. The tariff rate for technically specified rubber is set at 20 percent of imported price or 2,000 yuan per ton.**

China's natural rubber **imports** rose to 120,000 tons in November from 100,000 tons the previous month, according to government data.

### Car Sales

November car sales in Europe increased to 1.18 million from 933,458 a year earlier, the European Automobile Manufacturers' Association said yesterday. Growth in new car registrations accelerated from 11.2 percent in October and 6.3 percent in September as vehicle-scraping incentives boosted demand in the U.K., France and Spain.

Vehicle production in Japan will increase to 8.98 million units in 2010 from the 7.89 million estimated for this year, according to the **Japan Automobile Tyre Manufacturers Association**. Tire demand will rise 7 percent to 109 million units next year, the group said on its Web site.

"Rubber is supported by expectations that economic growth will accelerate next year, leading to an increase in the raw material demand," ACE Koeki's Tasaka said.

Thai shippers offered so-called RSS-3 grade rubber for January shipment at \$2.71 a kilogram today, little changed from yesterday, Tasaka said.

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*Last Updated: December 16, 2009 02:59 EST*