

Rubber in focus as Thai political crisis deepens
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Tokyo rubber futures could track oil prices higher this week, but gains would be curbed by concerns over demand, Thailand's plan to sell from its stockpiles and a lack of action from main producers to support prices, dealers said today.

The most active rubber contract on the Tokyo Commodity Exchange has plunged more than 25% this year on fears of slower economic growth in top consumer China. The October contract rebounded today as oil rose on tensions in Ukraine but it faces tough resistance at 205 yen (RM6.51) a kg. Indonesia has suggested that Vietnam, Cambodia and Laos join a regional grouping in an effort to rescue prices after a protracted crisis in Thailand has made it impossible for members to take action.

Thailand, Indonesia and Malaysia are grouped in the International Rubber Consortium (IRCo), which last intervened to support prices in 2012-2013.

"Vietnam and Laos are also producing TSR, but their production cost is much lower. I think they want to sell their rubber," said Gu Jiong, an analyst at Yutaka Shoji Co in Tokyo.

"So even at current prices, I think they will sell. If they are invited to join the group, they would vote not to support prices. I think it's not a good idea to invite them."

SICOM's TSR20 contract – which covers Thai, Indonesian and Malaysian grades – firmed today as Tokyo regained strength, but the prices were still within sight of their weakest level since mid-2009.

Thailand's beleaguered government has warned people to stay away from anti-government protests, saying it had to step up security as the two sides in a lengthy political crisis squared off over who is running the country.

Among other soft commodities, Thai sugar sellers could push up premiums after raws from the upcoming 2014/15 crop were sold at premiums of up to 69 points to New York futures, higher than 45 points offered last week.

But rising output from Asia, which has been blamed for a global surplus, will keep Thai premiums well below last year's level of 130 points.

"The sugar market continues to be driven by the supply factor. We don't see El Nino being factored in much despite an increasing likelihood," said Vanessa Tan, an investment analyst at Phillip Futures in Singapore.

The chances have increased over the past month that the much-feared El Nino weather phenomenon, which could wreak havoc on global crops, will strike this year, the federal US forecaster has said.

In the coffee market, Indonesian premiums could slip as the crop harvest gains pace, while cocoa butter ratios may fall as chocolate makers stay on the sidelines.

The butter market has been in the doldrums after Easter celebrations, suggesting that chocolate makers are either well-stocked or waiting for ratios to weaken. – Reuters, May 12, 2014.

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