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Rubber pares gains, sugar at 3-year low

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BANGKOK/TOKYO/NEW YORK: Rubber pared a weekly advance on Friday on signs that economic growth is slowing in China, the biggest user of the commodity.

Rubber for delivery in December dropped 0.7% to end at 245.1 yen a kilogramme (\$2,444 a tonne) on the Tokyo Commodity Exchange. The most-active contract gained 3.7% last week, the best performance since the week through May 10.

Reports last week showed expansion in China's non-manufacturing and manufacturing industries is losing pace as the government seeks to redirect the economy away from its dependence on exports.

"Some investors sold rubber amid worries that slow growth in China may reduce demand," Navarat Kaewpratarn, senior marketing official at Future Agri Trade Co, said from Bangkok.

Goldman Sachs Group Inc, China International Capital Corp, Barclays Plc and HSBC Holdings Plc last month pared their China growth projections this year to 7.4%, below the government's 7.5% goal.

Rubber for January delivery on the Shanghai Futures Exchange fell 1.7% to close at 17,935 yuan (\$2,925) a tonne. Thai rubber free-on-board dropped 0.2% to 82.45 baht a kg on Friday, according to the Rubber Research Institute of Thailand.

Meanwhile, sugar futures tumbled to a three-year low on speculation that the real's slump against the dollar will spur sales from Brazil, the world's largest grower and exporter.

In the second quarter, the real weakened 9.4%, the biggest slide in almost two years. Output in Centre South, Brazil's biggest cane-producing region, may be 590 million tonnes in the season that began in April, Luis Roberto Pogetti, the chairman of Copersucar SA, said on Friday. That compares with 532.8 million tonnes a year earlier.

"The real is the single most-bearish factor in the sugar market," Jeff Dobrydney, a vice-president at Jenkins Sugar Group Inc in Wilton, Connecticut, said in a telephone interview. "We're seeing producer pricing, especially in the back months, to boost returns in the local currency," he said.

Raw sugar for October delivery dropped 1% to settle at 16.26 cents a pound at 2pm on ICE Futures US in New York. Earlier, the price touched 16.24 cents, the lowest for a most-active contract since July 2, 2010. The commodity fell for the seventh straight session, the longest slump since mid-August. Last week, the sweetener declined 3.9%. BLOOMBERG