

## More upsides than downsides in coming 10 days

- Upcoming US tariff finalization on 7 Jul-25 should offer upsides on Thai rubber plays
- The demand halt should be only temporary, given Thai rubber is “too big to ignore”
- Buy NER and STA ahead of US tariff finalization on 7 Jul-25; NER is top pick

### Dilemma for “Liberation Day” within 10 more days

Thailand's rubber sector has seen a flip-flopped price cycle, thanks to the impact of US import tariff uncertainty to the rubber tires imported from Thailand to US. Since 2 April 2025, the self-dubbed “Liberation Day” announcing import tariff rates for most countries worldwide. Thailand has been one of the victims, facing 36% tariffs across all products, including Thai rubber tires exports to US market.

### Thai natural rubber price plunge under tariff hike pressure

Thailand, Mexico, and Canada are three main exporters of rubber tires to US. In 2024, the US imported a total of 66.68m tires worth USD3.6b (+9.9% y-y) from Thailand (+19% y-y), comprising 42.39m passenger car tires (+16.5% y-y) and 15.95m car tires on the truck (+14% y-y). Thai rubber farmers are appealing for government help following a sharp drop in the price of rubber, which has fallen from nearly THB70/kg to just THB48-50 within weeks. The sudden price drop has left Thai farmers struggling to cope with financial losses and reduced income. According to the Rubber Authority of Thailand (RAOT), the natural rubber by THB12/kg since April 8, affecting all types of rubber, including smoked rubber, fresh latex, cup lump, and rubber scraps.

### Rubber tire export rising risk

In 2024, the US imported a total of 273m tires, up 7.3% y-y with imports of passenger car tires up 2.1% y-y to 168.7m units, truck tires up 18.3% y-y to 58.74m pieces, aircraft tires up 1.3% y-y to 290,000 units, motorcycle tires up 30% y-y to 3.4m units, and bicycle tires up 31% y-y to 6.76m units. In 2024, the US imported a total of 24.86m tires from China, down 3% y-y, led by the 34% y-y decline in passenger car tires to 1.59m, truck tires down by 22% y-y to 1.55m units.

### “Too big to ignore” for Thai tire export to US

Thai major rubber producers under our coverage (NER, STA) currently face overhang on the heightening risk of US tariff, have seen their share prices plunge markedly due to the drops in rubber price and potential downsides from weaker demands during the tariff settlement period (until deadline on 7 Jul-25) or margin dips on the inability to pass through cost incurred from tariff hike, if any. We however believe the final tariff imposed by US on Thai tires exported to US will be minimal, given the “too big to ignore” for not only volume (#1 export volume to US) and value (#2 to US).

### Buy on dips ahead of 7 Jul-25 judgement day on US tariff against Thai tires

We believe the downsides on rising tariffs on Thai tires exported to US will be marginal, if not minimal, given 1) volume-wise: Thailand is the world's largest producer of natural rubber, accounting for 1/3 of production. Hence, without Thai rubber, which is 2/3 consumed for tire production, US automobile market, let alone global market, has no choice but to import tires from tire producers somewhere who need to import rubber from Thailand, regardless. 2) value-wise: Thailand exported USD3.6b tire value to US, representing ½ of US tire import value in 2024. Hence, we recommend BUY NER and STA ahead of tariff finalization on 7 Jul-25.

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**Exhibit 1: Global tire export by value in 2024**

| Country          | Rubber tire export value (USD b) | Growth (% y-y) | % total (%)  |
|------------------|----------------------------------|----------------|--------------|
| 1 mainland China | 22.25                            | 4.3            | 22.3         |
| 2 Thailand       | 7.36                             | 5.8            | 7.4          |
| 3 Germany        | 5.75                             | (9.4)          | 5.8          |
| 4 Japan          | 5.18                             | (6.7)          | 5.2          |
| 5 United States  | 4.94                             | (5.1)          | 5.0          |
| 6 Spain          | 6.55                             | (1.4)          | 6.6          |
| 7 South Korea    | 3.37                             | 3.8            | 3.4          |
| 8 India          | 2.97                             | 11.6           | 3.0          |
| 9 Czech Republic | 2.89                             | 11.7           | 2.9          |
| 10 Slovakia      | 2.89                             | 23.4           | 2.9          |
| 11 France        | 2.80                             | 1.5            | 2.8          |
| 12 Vietnam       | 2.76                             | 10.4           | 2.8          |
| 13 Poland        | 2.76                             | (7.1)          | 2.8          |
| 14 Mexico        | 2.54                             | 24.2           | 2.5          |
| 15 Romania       | 2.54                             | 0.4            | 2.5          |
| 16 Hungary       | 2.48                             | 13.9           | 2.5          |
| 17 Netherlands   | 2.36                             | (1.5)          | 2.4          |
| 18 Italy         | 2.26                             | 3.0            | 2.3          |
| 19 Canada        | 1.97                             | 8.9            | 2.0          |
| 20 Turkiye       | 1.78                             | (2.3)          | 1.8          |
| 21 Portugal      | 1.64                             | 3.8            | 1.6          |
| 22 Indonesia     | 1.61                             | (10.8)         | 1.6          |
| 23 Belgium       | 1.34                             | (9.5)          | 1.3          |
| 24 Brazil        | 1.06                             | (7.1)          | 1.1          |
| 25 Serbia        | 0.95                             | 6.3            | 1.0          |
| Other            | 4.80                             |                | 4.8          |
| <b>Total</b>     | <b>99.80</b>                     |                | <b>100.0</b> |

Sources: Rubber & Plastic News

**Exhibit 2: Global tire export by highest trade surpluses/deficit from rubber tires in 2024**

| Country          | Rubber tire export value (USD b) | Trade surplus (% y-y) |
|------------------|----------------------------------|-----------------------|
| 1 mainland China | 21.50                            | 5.0                   |
| 2 Thailand       | 6.90                             | 6.8                   |
| 3 Japan          | 3.90                             | (7.8)                 |
| 4 India          | 2.80                             | 17.2                  |
| 5 South Korea    | 2.23                             | 5.6                   |
| 6 Vietnam        | 2.17                             | 3.6                   |
| 7 Romania        | 1.63                             | (3.5)                 |
| 8 Slovakia       | 1.60                             | (3.5)                 |
| 9 Czech Republic | 1.58                             | 2.0                   |
| 10 Hungary       | 1.58                             | 15.2                  |
| 11 Spain         | 1.20                             | (9.0)                 |
| 12 Portugal      | 1.10                             | 2.9                   |
| 13 Cambodia      | 0.83                             | 141.0                 |
| 14 Serbia        | 0.79                             | 5.1                   |
| 15 Poland        | 0.65                             | (43.7)                |

  

| Country        | Rubber tire export value (USD b) | Trade deficit (% y-y) |
|----------------|----------------------------------|-----------------------|
| 1 US           | (15.0)                           | 4.8                   |
| 2 UK           | (2.9)                            | 11.4                  |
| 3 Australia    | (2.6)                            | (9.7)                 |
| 4 Germany      | (2.2)                            | 42.0                  |
| 5 France       | (2.1)                            | 3.5                   |
| 6 Russia       | (1.8)                            | (17.0)                |
| 7 Canada       | (1.6)                            | (2.1)                 |
| 8 Saudi Arabia | (1.6)                            | (0.1)                 |
| 9 UAE          | (1.6)                            | 2,913.7               |
| 10 Mexico      | (1.0)                            | (55.1)                |

Sources: Investopedia

**Exhibit 3: Rubber futures**



Sources: TradingEconomics

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### Analyst Certification

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.