Butadiene (Asia-Pacific)

By Ai Teng Lim
02-Dec-2022

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **Import spot talks stall**
- **Limited spot availabilities**
- **But poor demand support too**

Discussions are muted in Asia's butadiene (BD) import market, amid limited supplies and weak demand.

In wider Asia, 2023 term contract negotiations are ongoing but progress seems slow, market sources said, due to divergent buy-sell outlook on 2023 supply-demand balance.

But until term talks are more finalised, most market players said that they will stave off January spot discussions.

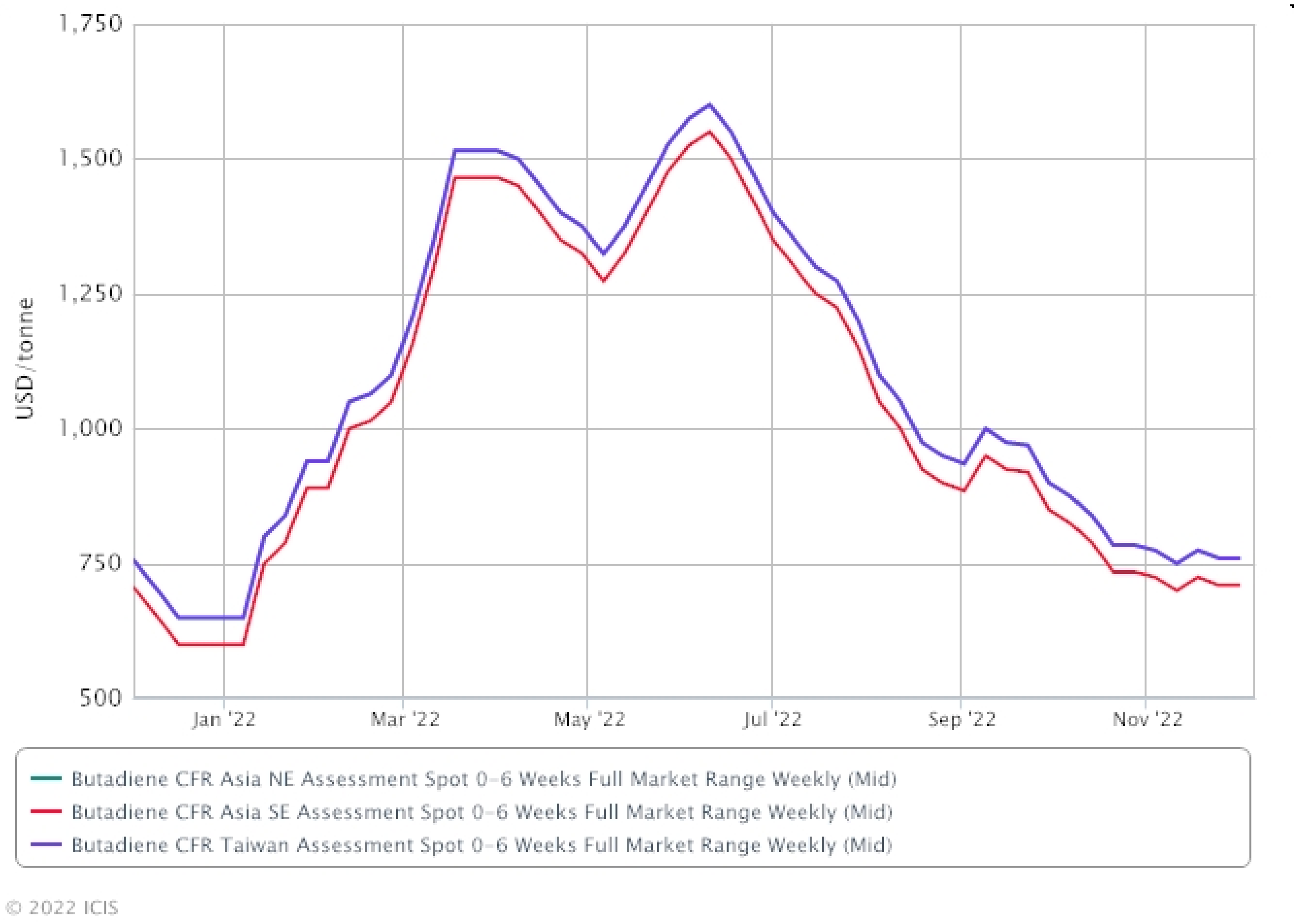
That said, on a spot basis, notional selling targets are still well supported by limitations in supply, since December shipment cargoes are already fully committed, and January spot availabilities still hazy.

But on the demand front, China's prior buying appetite for imports tapered this week, alongside volatility in the domestic yuan-denominated market.

Substantive requirements in Asia are poor too, as key downstream acrylonitrile-butadiene-styrene (ABS) and synthetic rubber sectors continue to struggle with lacklustre sales of their own finished products.

End-users are therefore resistant to bidding up for imports, even if they acknowledged the reality that in this current tight-supply environment, sellers may be equally unwilling to price down either.

The ensuing buy-sell tussle is expected to stretch, and weigh not just on spot trade liquidity, but also on the progress for 2023 term negotiations, market players said.



OUTLOOK

- **Term discussions may dominate in the near term**
- **Supply likely to stay snug with low cracker operations**
- **China's COVID-19 uncertainties may dent demand recovery**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-50	750.00-850.00	n/c	850.00-900.00	34.02-38.56
CFR NE Asia	USD/tonne	n/c	720.00-800.00	n/c	750.00-800.00	32.66-36.29
CFR Taiwan	USD/tonne	n/c	720.00-800.00	n/c	750.00-800.00	32.66-36.29
CFR SE Asia	USD/tonne	n/c	670.00-750.00	n/c	700.00-750.00	30.39-34.02

China

FOB China assessments were stable-to-soft, with the high end tracking unchanged selling indications. The low end is notionally adjusted down, to reflect dented buy-side sentiment in the wake of early-week declines in the domestic market.

Domestic ex-tank prices in east China fell heavily in early week on aggressive selling, but rebounded towards the end of the week.

Northeast Asia

CFR NE Asian prices were left unchanged in the absence of any firm bids or offers.

Some notional buying indications were heard within range-bound levels, but no concrete requirements emerged to drive more substantive negotiations with potential suppliers.

The latter were also generally reluctant to chase spot deals at this point, focusing instead on term negotiations.

And even if any spot talks should develop, sellers are heard adamant to discuss only on formula-linked terms, much to the resistance of potential buyers who leaned more towards fixed-price trades.

Also, with spot supplies likely to stay tight in the near term, sellers are also determined to hold out on current expectations, if not chase higher targets, even if downstream demand does not pick up any further, market players said.

CFR Taiwan assessments were stable with unchanged CFR NE Asian assessments.

Monthly Contract DEL, $ /tonne	Nov 22	Oct 22	Sep 22	Aug 22	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22	Jan 22
Taiwan FPCC	755	795	885	1,025	1,255	1,450	1,360	1,415	1,355	1,040	795

Korea YNCC	755	745	920	983	1,315	1,555	1,445	1,445	1,335	1,015	835

Southeast Asia

CFR SE Asian assessments were unchanged with stable CFR NE Asian assessments.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

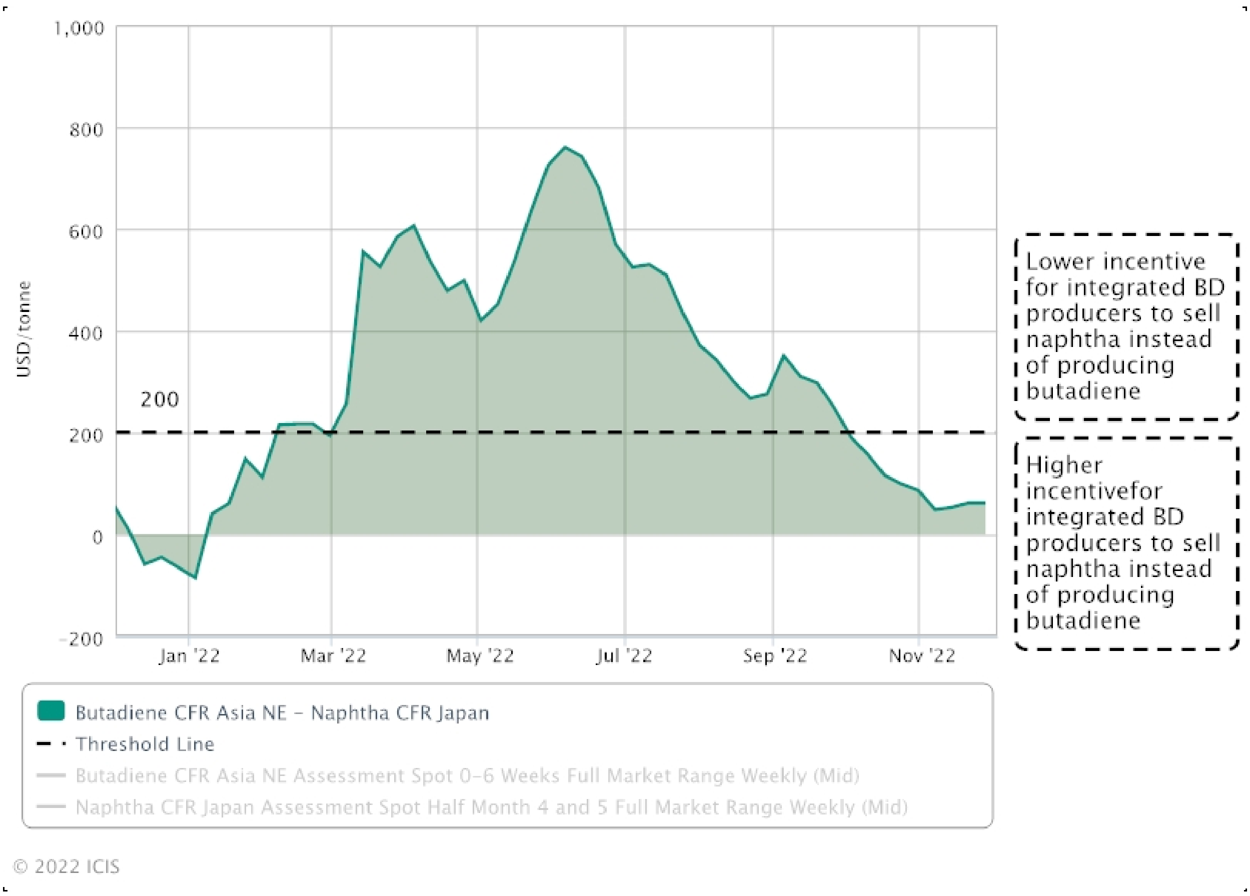
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+100	6300-6500	+250	6400-6500	-

UPSTREAM

Naphtha

- Asia naphtha undermined by limited trade
- Demand cautious on weak downstream economics
- Upstream crude oil volatility caps downside

[Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia]



Click here for the Asia feedstocks and petrochemicals weekly summary.

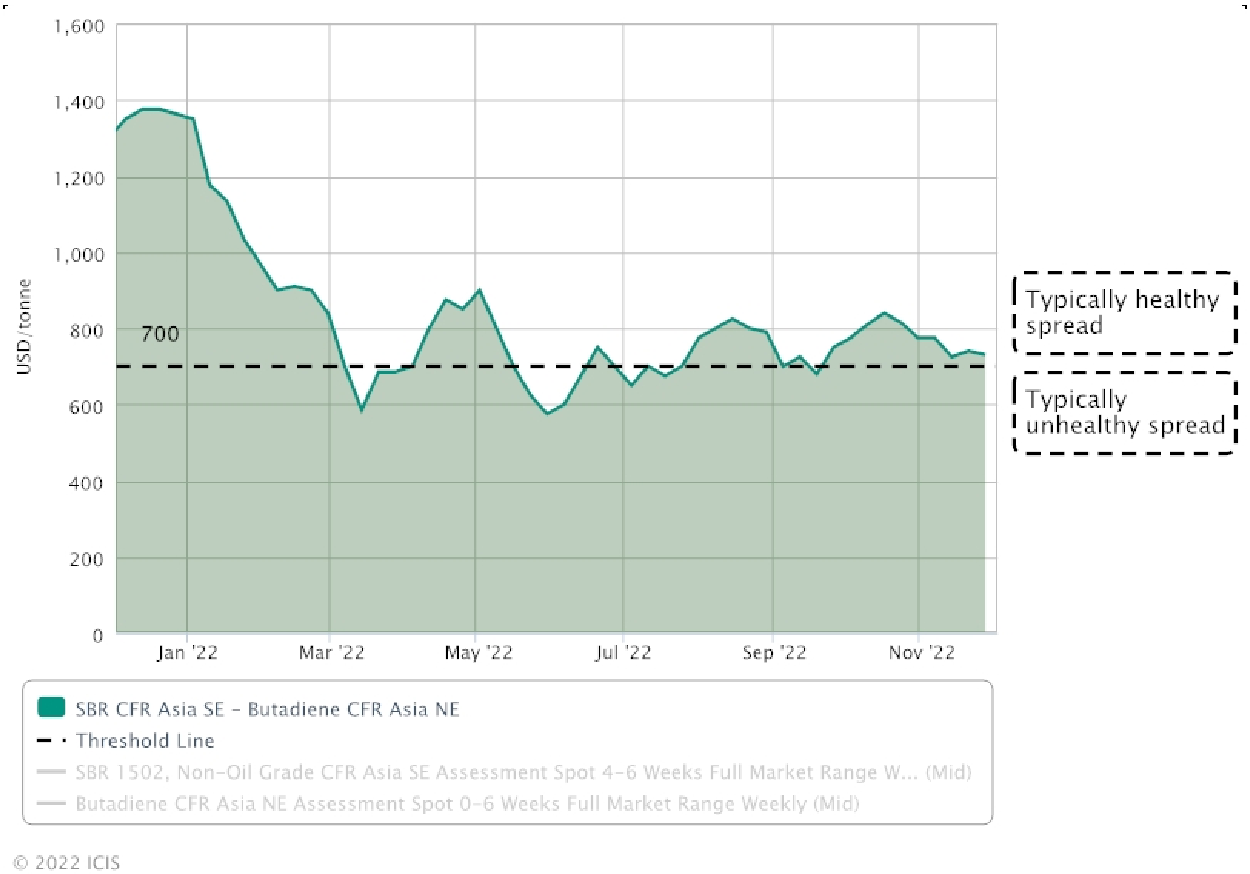
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Weak demand fundamentals
- Buyers retreat deeper onto sidelines
- Lower offers surface

The chart below shows the spread between BD and SBR in Asia.

Spread between Butadiene and Styrene Butadiene Rubber Asia



Acrylonitrile-butadiene-styrene (ABS)

- CFR NE Asia holds steady after last week's decline
- Momentum slows going to final month of the year
- Sentiment subdued by protests; movement control changes

PRODUCTION

In wider Asia, BD output from extraction units in Korea and Japan is expected to remain capped in the near term, as weak margins continue to weigh on operating rates at many upstream crackers.

Domestic BD supplies in China were tightened on several closures in November, but may lengthen if more new projects managed to start up by the end of the year.

Click here for the Asian BD Live Disruption Tracker.

OTHER REGIONS

Europe

- December contract price falls by €140/tonne
- Supply cuts, exports offset significantly reduced demand in November and December
- Spot export prices plummet

US

- December contracts fall sharply on soft demand
- Supplies ample, bolstered by imports
- Crackers running at reduced rates on C2 oversupply

ANALYTICS

ICIS crude outlook

OPEC+ production is set to decrease due to a supply cut of 2m bbl/day which was agreed in late-October and preceded the EU embargo on Russian oil exports on December 5. In addition, Russian exports to the EU have reduced by 90% since the start of EU sanctions on these volumes due to Russia's invasion of Ukraine. Although the EU and G7 are likely to implement a price cap on Russian crude, Russia's overall exports may not be hit as severely as previously expected as it has had time to find alternative buyers. US supply remains stable at 12m bbl/day and will be supported by strong refinery demand and the last SPR releases of 2022. China's oil demand has been challenged in recent months, with lower refinery runs due to outbreaks of COVID-19 and growing worries about a global economic slowdown.

By **Greg Mouchikas**, energy and refining analyst, grigorio.mouchikas@icis.com

ICIS naphtha outlook

Naphtha cracks in Asia and Europe have improved in recent weeks due to the recent drop in oil prices and tight petrochemicals supply. In the US, strong middle distillate margins and increased refinery output have buoyed supply. In China, record-high exports of gasoline and gasoil in November are expected to continue after large additional quotas were announced in September. ICIS expects naphtha cracks to remain challenged due to ongoing high oil prices and higher middle distillate margins, as refiners maximise their output of middle distillates at the expense of excess lighter products, including naphtha.

By **Greg Mouchikas**, energy and refining analyst, grigorio.mouchikas@icis.com