



Butadiene (Asia-Pacific)

By Ai Teng Lim
05-Nov-2021

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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **Domestic China loses fresh ground**
- **Room for import trades into China**
- **Weak demand for imports elsewhere in Asia**

Asian butadiene (BD) import prices were range-bound this week, taking into consideration discussions across all regional outlets.

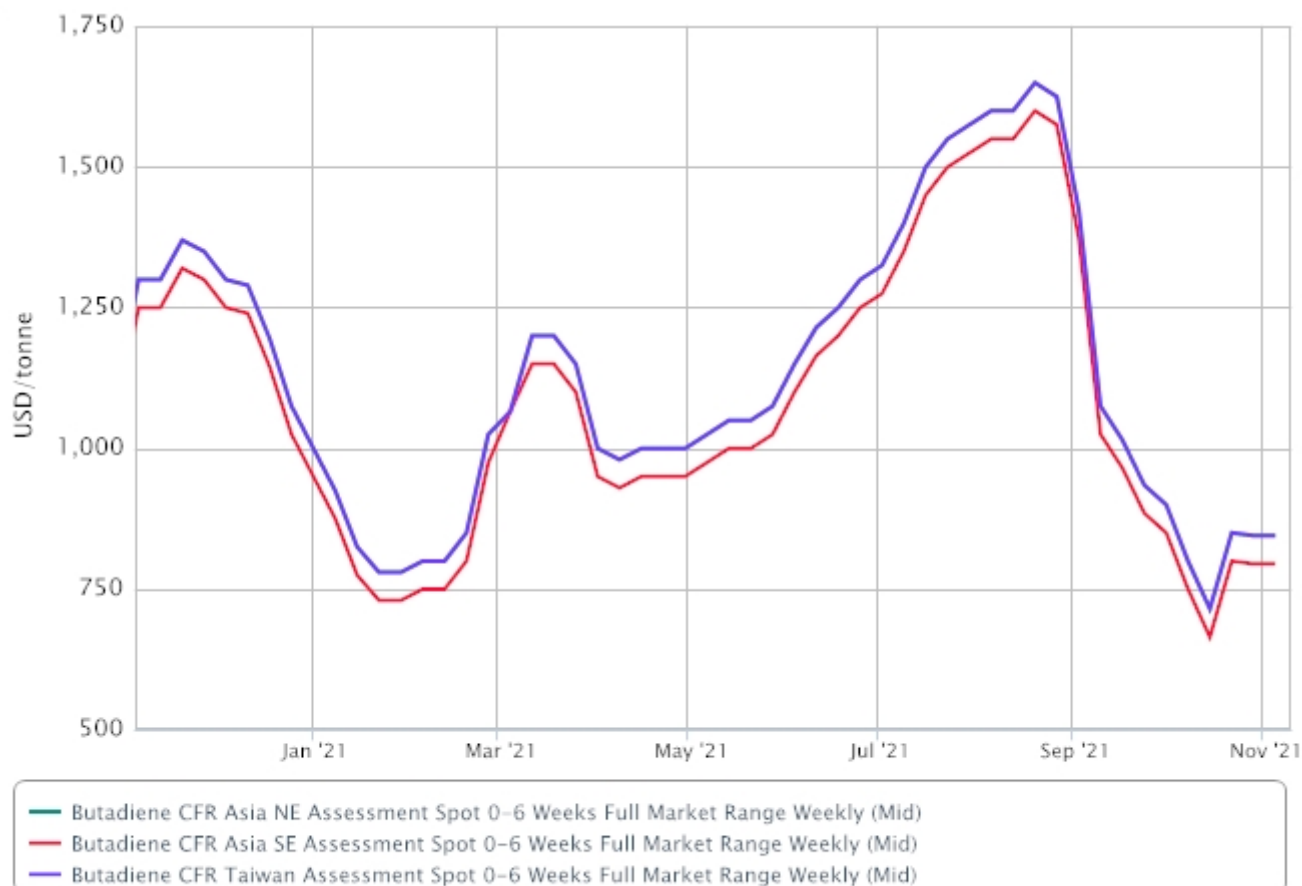
Overall, buying interest was generally tepid, with most requirements already covered by prior purchases. Buyers were heard not terribly keen on fresh spot bookings unless pricing conditions were deemed favourable to them.

China-based buyers were seen as relatively more receptive than their counterparts in other regional outlets to committing on import purchases, as these are still more competitively priced than domestically produced cargoes.

However, with the downward spiral in the domestic yuan market, market players said the pricing differential has narrowed and would likely crimp China's buying appetite for US dollar-denominated cargoes moving forward.

That said, while regional BD makers are aware that regional demand is structurally weak, they were heard mostly unwilling to lower expectations to boost sales, citing the need to salvage and protect depressed cracker margins.

With cracker operations weighed down by [technical woes](#) and [prolonged maintenance](#), market players said that would also help to ease selling pressure on regional BD makers, providing support in turn to their existing selling ideas.



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OUTLOOK

- Volatility in domestic China may persist
- Import trade liquidity may be curtailed near term
- Supply may lengthen as well

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	900.00-950.00	-50	750.00-900.00	40.82-43.09
CFR NE Asia	USD/tonne	n/c	790.00-900.00	n/c	750.00-850.00	35.83-40.82
CFR Taiwan	USD/tonne	n/c	790.00-900.00	n/c	750.00-850.00	35.83-40.82
CFR SE Asia	USD/tonne	n/c	740.00-850.00	n/c	700.00-800.00	33.57-38.56

China

FOB China assessments were stable-to-soft, weighed down by losses in the domestic market.

The high-end softened, with lower selling indications heard.

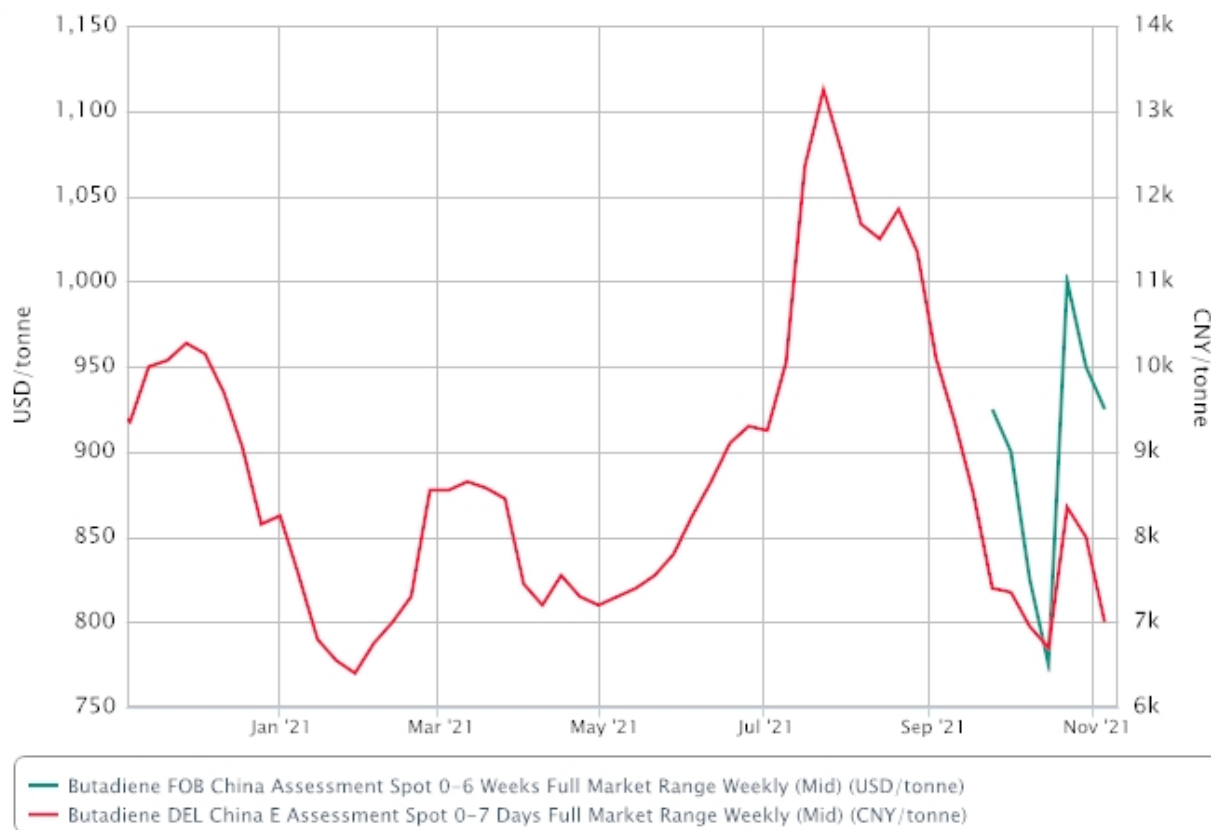
There was no visible buying interest but the low end was kept unchanged as market participants deemed this as a realistic negotiation baseline for sellers, still broadly commensurate to current US dollar parity

values for yuan-denominated cargoes.

East China domestic prices

The downtrend continued for yuan-denominated prices as buying interest faltered, with losses seen in the key downstream synthetic rubber sector.

Price (CNY/tonne)	5 November	29 October
DEL east China	6,500-6,700	7,600-7,800



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Northeast Asia

CFR northeast Asian assessments were kept unchanged to reflect the full range of buy-sell discussions across different outlets in the region.

In China, there was still some buying interest detected for US dollar-denominated import cargoes, given that these were broadly still more competitively priced than domestic cargoes. An Asia-origin cargo was heard sold for H1 December shipment to China at around mid-point of the published range.

Another deal involving deep-sea origin materials was also heard closed at similar levels, for December arrival to China, market sources said.

Beyond China, buying interest was tepid in other regional outlets, with buying indications heard mostly still at the lower end of the published range.

The high end was kept unchanged as most sellers deemed this as still workable, even if they would objectively want to target at levels substantially over, so as to rescue suppressed cracker margins.

Some volumes may have changed hands at around the high end of the published range, for December shipment to northeast Asia, but fuller details were not available.

CFR Taiwan assessments were kept unchanged in line with the stable CFR northeast Asian assessments.

Monthl y Contra ct DEL, \$/ tonne	Oct 21	Sep 21	Aug 21	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21
Taiwan FPCC	870	1,175	1,545	1,380	1,205	1,010	1,050	1,135	880	950
Korea YNCC	790	1,050	1,650	1,470	1,245	1,010	987	1,102. 50	827.50	867

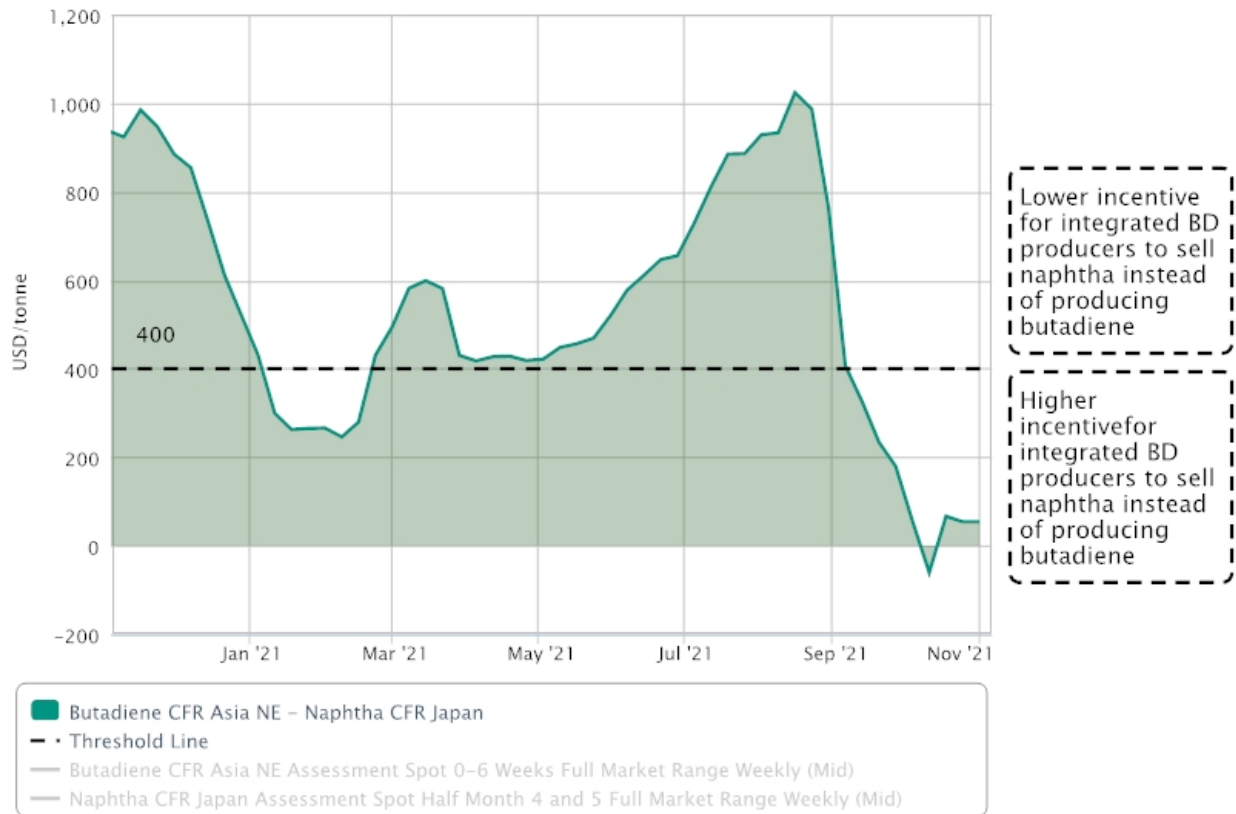
Southeast Asia

CFR SE Asian assessments were kept unchanged, alongside stable market conditions in NE Asia.

UPSTREAM

Asia-Pacific naphtha prices were lower along with global crude oil futures towards the week's close. However, sturdy demand for petrochemical production and for gasoline-blending purposes served to moderate the downward pressure. Naphtha's market structure widened in backwardation, while the product's crack spread strengthened to multi-year highs.

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



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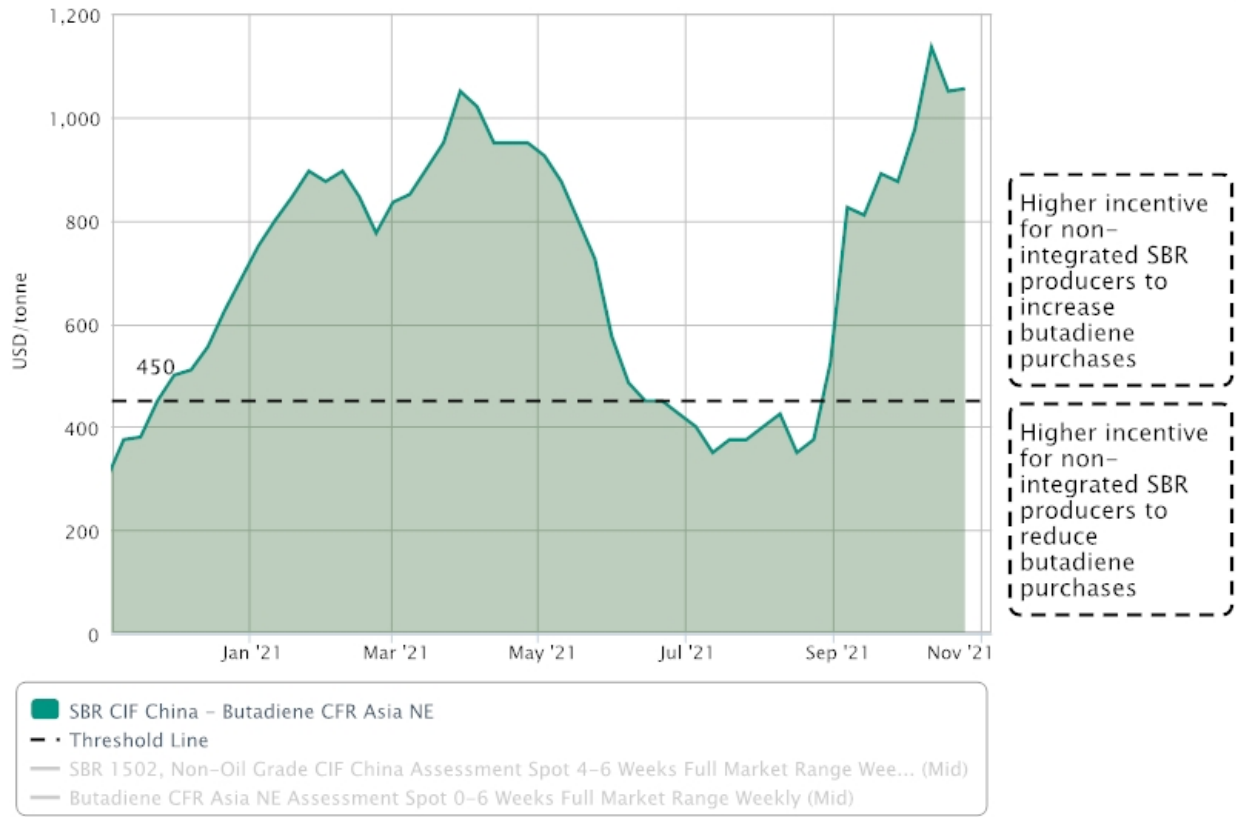
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene-butadiene-rubber (SBR)** spot discussions saw upside support thanks to factors such as spot supply limitations and improved buying tempo in some outlets.

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

[Spread between Butadiene and Styrene Butadiene Rubber Asia](#)



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Spot acrylonitrile-butadiene-styrene (ABS) import prices in northeast Asia fell for the second consecutive week. Deals surfaced at lower levels, reflecting a slowdown in demand as the traditional peak period is set to end by November.



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PRODUCTION

Within China, domestic production is curtailed to some extent by ongoing energy consumption caps, as well as by the reality that several purpose-built units have suspended operations on economic considerations.

The regional BD market remains structurally over-supplied, with output from several new and upcoming new BD projects in the region poised to hit the market in the short term.

Click [here](#) for the Asian BD Live Disruption Tracker.

OTHER REGIONS

In the US, BD production in [Q3](#) rose year-on-year, but fell from Q2; inventory levels are now at the highest level since early 2019, partially due to heavy import arrivals.

ANALYTICS

ICIS Crude Outlook

Crude prices rose in October due to less supply from OPEC+ and stronger global demand than expected. OPEC+ is expected to continue its existing cuts agreement, with cuts tapering of 400,000 bbl/day per month. However, many producers are unable to actually raise production this quickly - compliance is at 115%, leaving overall future supply from OPEC+ lower than previously expected. Furthermore, OECD total oil inventories are 6% below the pre-pandemic five-year average, and the lowest in over six years. Such low inventories will be difficult to recover from quickly, even if major producers raise production in the next few months. Overall, the current inventories situation indicates a tight market and ICIS expects the tightness to continue in the near future. Finally, rising gas prices will lead to some alternative power generation demand in the form of fuel oil and diesel, with up to 750,000 bbl/day extra oil demand expected in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Naphtha Outlook

The NWE naphtha-Dated BFOE spread strengthened in October by 9% month on month, spurred by firm global demand as a petrochemical feedstock. The spread is expected to remain strong in Q4 due to continued lower supplies and firm demand in the petrochemical feedstock sector. Asian naphtha demand has been particularly strong in recent weeks, with South Korea seeing its highest monthly imports volume since the COVID-19 crisis began, at 820,000 bbl/day in September. Near- and medium-term Asian naphtha demand is also expected to remain robust due to strength in the petrochemical feedstock and gasoline blending markets. The additional naphtha will likely be sourced from the West and Middle East - the latter has already seen a 10% increase in monthly exports to Asia in 2021 vs 2019.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

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