



Butadiene (Asia-Pacific)

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

OVERVIEW

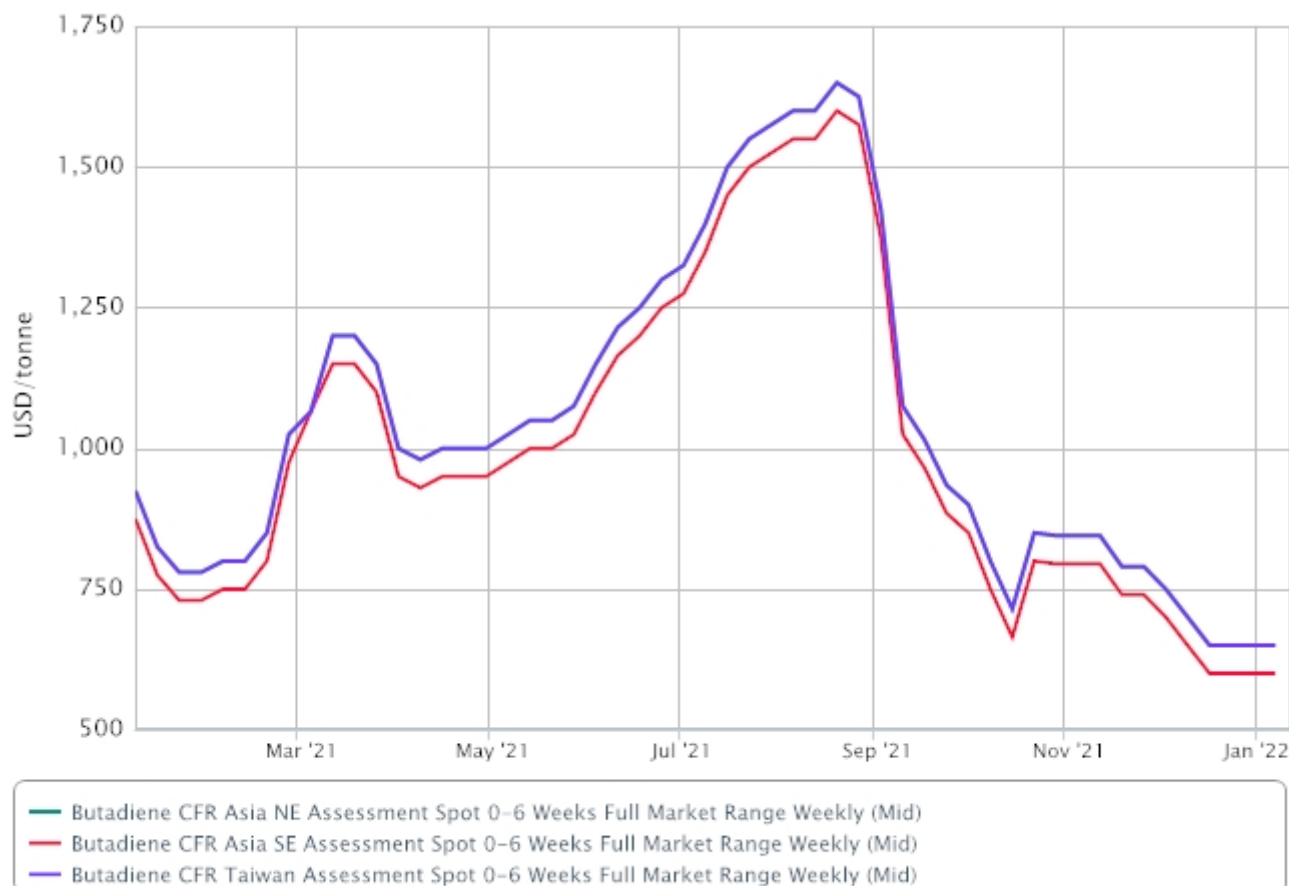
- **Some arbitrage trades seen**
- **Sellers more upbeat**
- **Regional buyers cautious**

Sentiment was mixed for Asian spot discussions for butadiene (BD), with some sellers [buoyant](#) on renewed opportunities for arbitrage trades, while regional buyers were generally still more cautious in nature, citing uncertainties about the near-term downstream demand outlook.

This week, some cargoes were sold for January and February shipment to the US, bolstering expectations that this would help to reduce the regional supply glut and provide some support for current pricing levels.

There was also some intra-regional buying, as some end-users emerged to purchase some volumes to fill potential supply gaps that may come with reduced operations, both [planned](#) and [unplanned](#), at several regional crackers.

Otherwise, regional end-users largely remained cautious about rushing into more fresh spot procurement, as they deemed regional BD supply to be long with no lack of cargoes.



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OUTLOOK

- Supplies to lengthen when new capacities come onstream
- Buying momentum to remain measured
- Eyes on how long the arbitrage window may stay open

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	600.00-650.00	n/c	650.00-700.00	27.22-29.48
CFR NE Asia	USD/tonne	n/c	600.00-700.00	n/c	650.00-750.00	27.22-31.75
CFR Taiwan	USD/tonne	n/c	600.00-700.00	n/c	650.00-750.00	27.22-31.75
CFR SE Asia	USD/tonne	n/c	550.00-650.00	n/c	600.00-700.00	24.95-29.48

China

FOB China assessments were kept unchanged, taking into account rangebound pricing indications heard.

However, sellers were largely heard looking at negotiating deals on a floating basis, instead of on a fixed-price basis, amid uncertainties arising from the volatile domestic yuan-denominated market.

Domestic China prices started the week softer, but recovered some lost ground in late week. The overall sentiment remains weak as domestic supply continues to outpace demand.



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Northeast Asia

CFR northeast Asian assessments were kept unchanged, taking into consideration the full spectrum of buy-sell talks for shipment bound for northeast Asian outlets.

Some cargoes were sold for shipment to US, albeit on an FOB northeast Asia basis. These were deemed to be at levels nearer or over the high end of the published CFR NE Asian range.

This bolstered sellers' confidence to hold their grounds on current expectations for intra-regional sales.

However, many buyers also held firm to their prior buying indications, amid an amply supplied market.

Some Asia-origin cargoes changed hands in the week for end-January shipment to Korea, at around the mid-point of the published range.

CFR Taiwan assessments were also unchanged on stable CFR NE Asian assessments.

Monthly Contract DEL, \$/tonne	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21	June 21
Taiwan FPCC	780	885	870	1,175	1,545	1,380	1,205
Korea YNCC	645	800	790	1,050	1,650	1,470	1,245

Southeast Asia

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

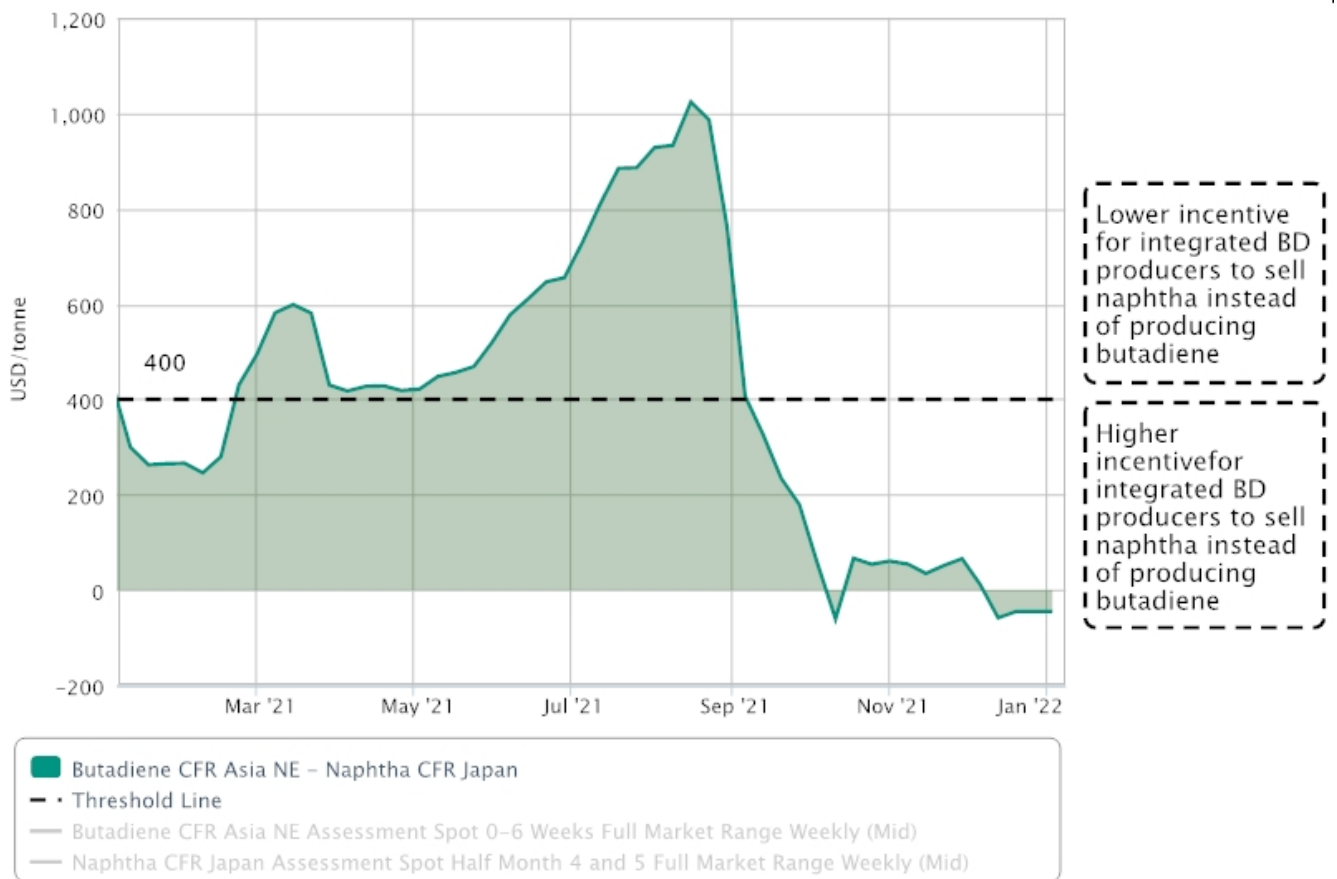
SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	+200	4000-4200	+100	4000-4100	-

UPSTREAM

Asia-Pacific naphtha prices were driven by gains in global crude oil futures prices on concerns of supply tightness. Naphtha’s market structure narrowed in backwardation amid less bullish market fundamentals, as faltering downstream margins have led to cracker run rates being trimmed in parts of northeast Asia, with demand stable at best.

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



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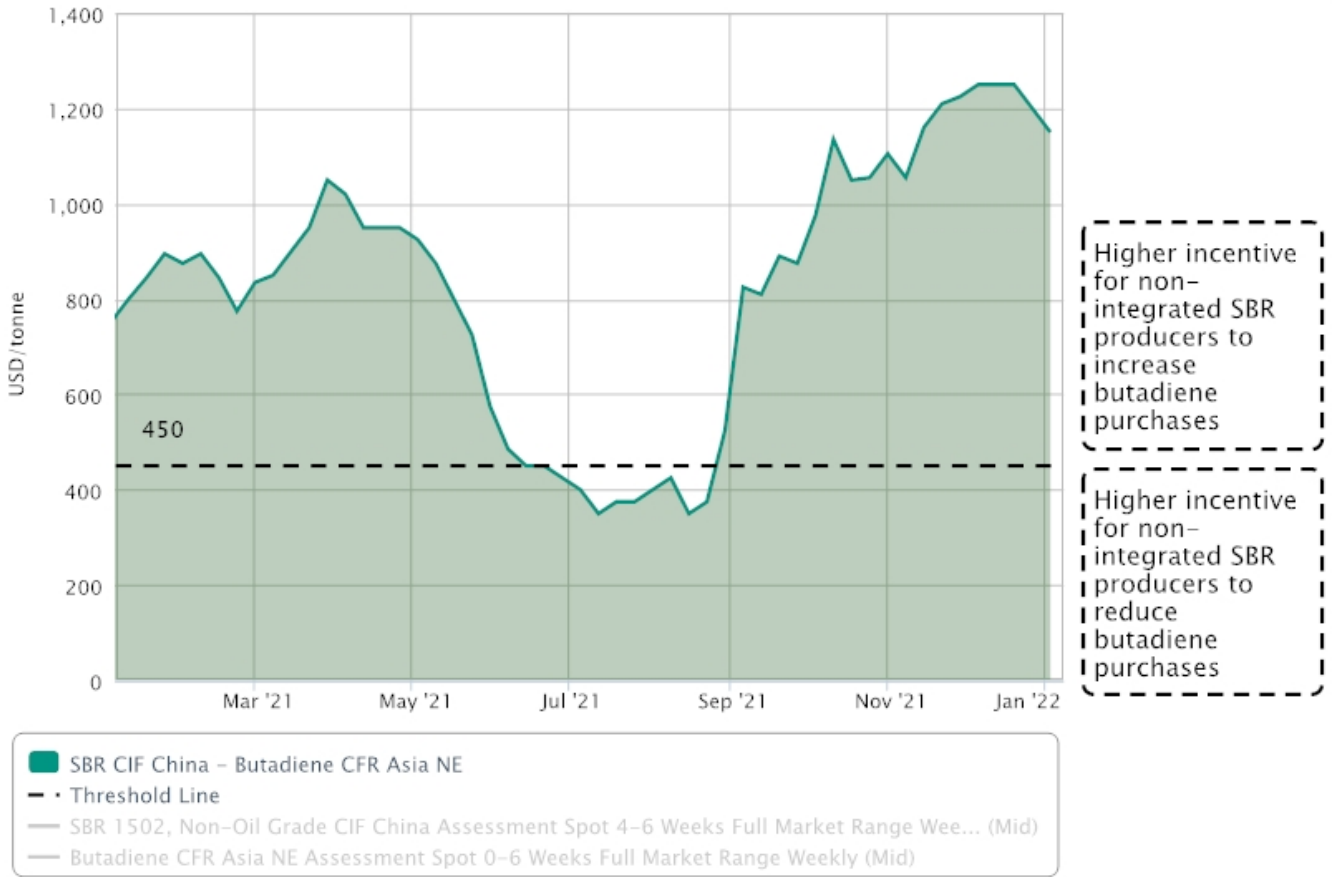
Click [here](#) for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

Asian **styrene butadiene rubber (SBR)** discussions were mixed, down in China with a weak domestic market, but mostly stable in other regional outlets.

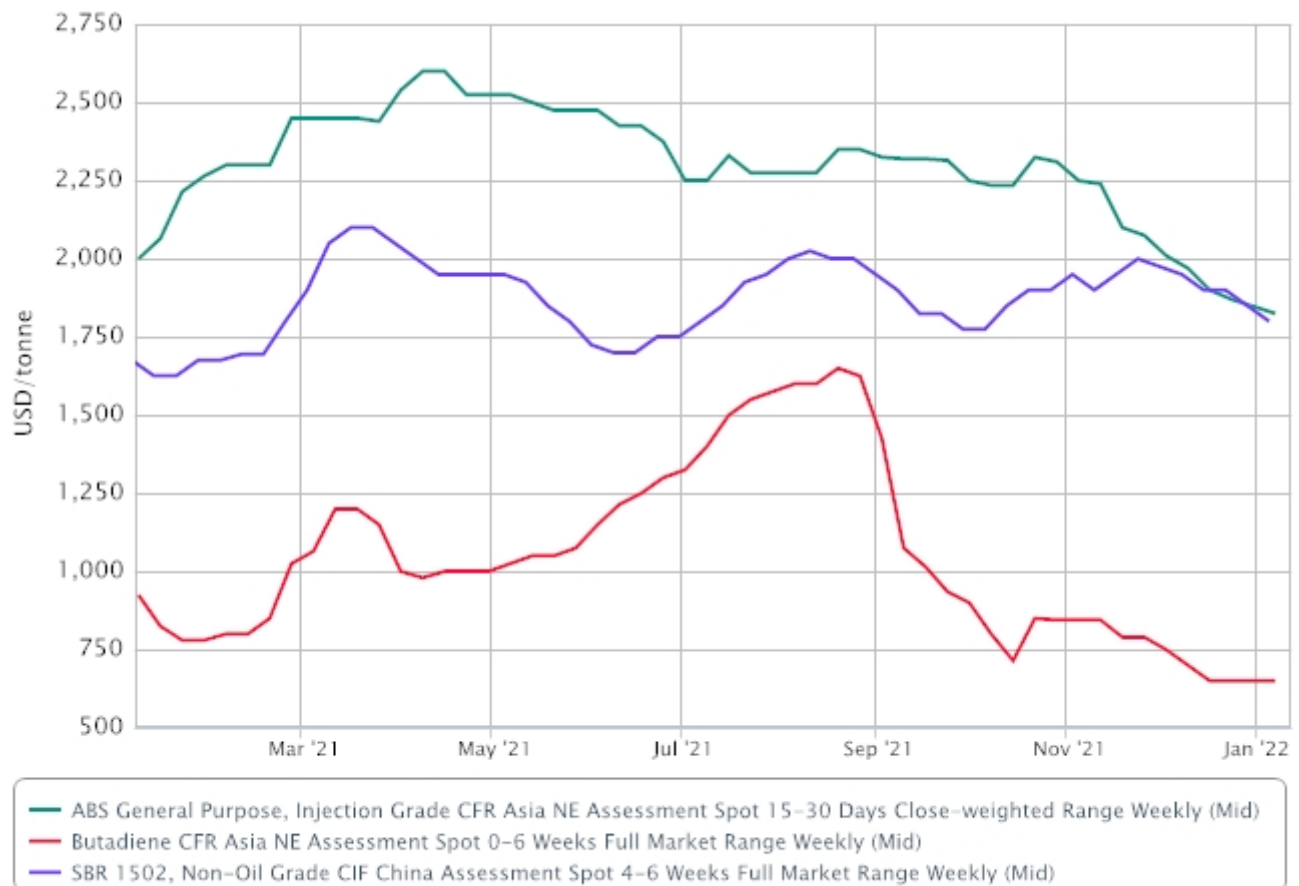
The chart below shows the spread between BD and SBR in Asia

Spread between Butadiene and Styrene Butadiene Rubber Asia



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Spot **acrylonitrile butadiene styrene (ABS)** import prices in northeast Asia prices started the new year on softer levels, continuing the nine-week decline from 2021. The seasonal lull remained in place, as offtakes from major derivative, the home electronics products, which makes up 80% of ABS consumption, stayed sluggish.



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PRODUCTION

The regional BD market remains structurally oversupplied, amid more [new capacities](#), including a 200,000 tonnes/year unit in China's Zhejiang province, expected to come onstream in the next quarter or two.

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

OTHER REGIONS

In the US, January BD contracts [fell](#) month on month on better supply-demand balance.

ANALYTICS

ICIS Crude outlook

OPEC+ will continue with releasing an extra 400,000 bbl/day in February. In addition, the US will release 50m bbl of crude reserves, as a coordinated effort with other crude importing nations to counter high crude prices. Overall oil demand is strong, but the spread of the Omicron coronavirus variant has led to concerns over future oil demand. While the outbreak in Europe seems to be under control, oil demand could be under threat should there be additional restrictions imposed in other major oil importing regions. Additionally, US (and global) inflation continues to rise, with November's consumer price index up 6.8% year on year. The US Fed is also likely to increase interest rates three times in 2022 to counter this inflation. This will substantially reduce global GDP growth and will also make crude more expensive for buyers, reducing overall crude demand.

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ICIS naphtha outlook

The European naphtha crack decreased by 4% in December month on month due to concerns over rising coronavirus infection rates across Europe. Concerns exist over future naphtha demand in the gasoline blending pool, due to recently imposed restrictions and lockdowns in a number of European countries. However, Asian naphtha demand is expected to continue to grow beyond the short term, spurred by new ethylene capacity coming on line in the region this year and in 2023. While much of this extra demand will be sourced from increasing domestic supplies, any additional required imports will be sourced from the West and Middle East – the latter saw a 10% increase in monthly exports to Asia in 2021 vs 2019 (currently at 3.5m tonnes/month), and is poised to further plug this gap as additional refining capacity will come on line in the Middle East in the coming years.

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