I·C·I·S
Independent Commodity Intelligence Services

Butadiene (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Downstream | Production | Other Regions | Analytics

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

OVERVIEW

- **Better buying appetite in China for imports**
- **But outlook unclear following late-week domestic losses**
- **Demand muted elsewhere in Asia**

Discussions for butadiene (BD) imports rose this week, supported primarily by more positive buying interest in China for August shipment supplies.

As prevailing import prices had been cheaper than domestic cargoes, some China end-users were heard not disinclined to pay more for import shipment.

Regional traders who are keen to tap and leverage on such trade opportunities then proceeded to bid more bullishly for cargoes, possibly in the hope that they are then equipped better to supply into China next.

Suppliers also wanted to seize this opportunity to pursue higher targets and rescue compressed margins.

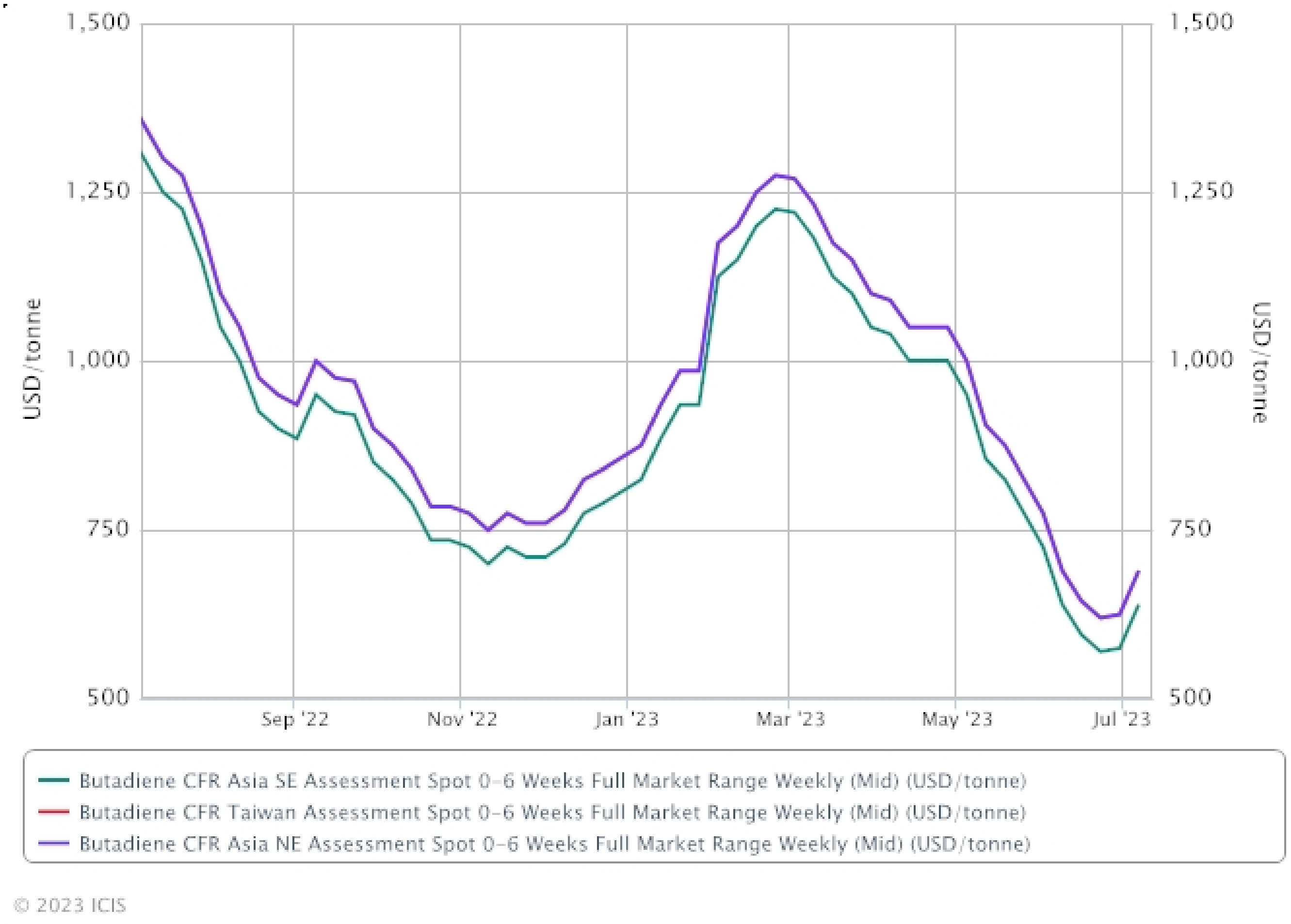
But sentiment turned somewhat more sullen late week, after domestic yuan prices started easing.

That said, even if China end-users were seemingly more cautious thereafter, they remained open to engaging import sellers, unlike their counterparts in other northeast Asian outlets, many of whom had retreated completely from the spot arena, on the grounds that inventories were high while downstream off-take remains under par.

End-users also saw the spike this week in BD spot discussions as transient in nature, and may not sustain if domestic yuan prices soften further.

To them, the regional BD market is also well supplied, with no lack of cargoes from either regional suppliers, or deep-sea sources.

Several August loading regional cargoes were floated this week for spot sales, and market players expected more such volumes to emerge in due course, as more BD plants in the region are restarting from prior turnaround.



OUTLOOK

- **Import talks may lose steam if domestic China trends lower**
- **Downstream demand fundamentals still underwhelming**
- **Supply is expected to remain long**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	n/c	650.00-700.00	n/c	720.00-750.00	29.48-31.75
CFR NE Asia	USD/tonne	+50	650.00-730.00	+80	650.00-730.00	29.48-33.11
CFR Taiwan	USD/tonne	+50	650.00-730.00	+80	650.00-730.00	29.48-33.11
CFR SE Asia	USD/tonne	+50	600.00-680.00	+80	600.00-680.00	27.22-30.84

China

FOB China assessments were kept unchanged, as players held back discussions to await more clarity on domestic pricing direction.

Domestic ex-tank prices in east China started the week on a firm note, and a major local producer raised its domestic list prices to yuan (CNY) 6,600/tonne at the beginning of the week. This was CNY 500/tonne higher than the week prior.

But domestic ex-tank spot prices started easing by midweek, as buying momentum tapered.

Northeast Asia

CFR NE Asian discussions were higher this week, driven by bullish trades fronted by traders.

Buying indications from China end-users were also firmer, tracking recent gains in the yuan market. This formed the low end.

7,000 tonnes of north America-origin deep-sea materials available to lift end July/early August changed hands in the low-to-mid $600/tonne CFR NE Asia level.

And another China trader also purchased some southeast Asia-origin August shipment cargo at about mid-$600/tonne CFR NE Asia, market sources said.

But more bullish bids were heard from other regional traders for several August parcels floated by southeast and northeast Asian producers, market players said.

These trades were concluded either on floating basis, or in some cases, on a fixed price basis, on FOB SEA/NEA terms. For the latter, inclusive of estimated freight costs assuming the cargoes are earmarked for shipment to China, market players said that they were equivalent to about low 700s/tonne, on CFR NE Asia terms. This formed the high-end.

CFR Taiwan assessments were adjusted in line with changes for CFR NE Asian assessments.

Monthly Contract DEL, $/tonne	Jun 23	May 23	Apr 23	Mar 23	Feb 23	Jan 23	Dec 22
Taiwan FPCC	655	875	1,015	1,085	1,085	855	755
Korea YNCC	635	855	1,060	1,145	1,178	905	795

Southeast Asia

CFR SE Asian assessments were adjusted with changes in CFR NE Asian assessments.

Two August loading cargoes were floating for sale, via tender, this week. One was sold on formula basis, while the other was concluded on fixed priced terms, but on FOB SE Asian basis, market sources said.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

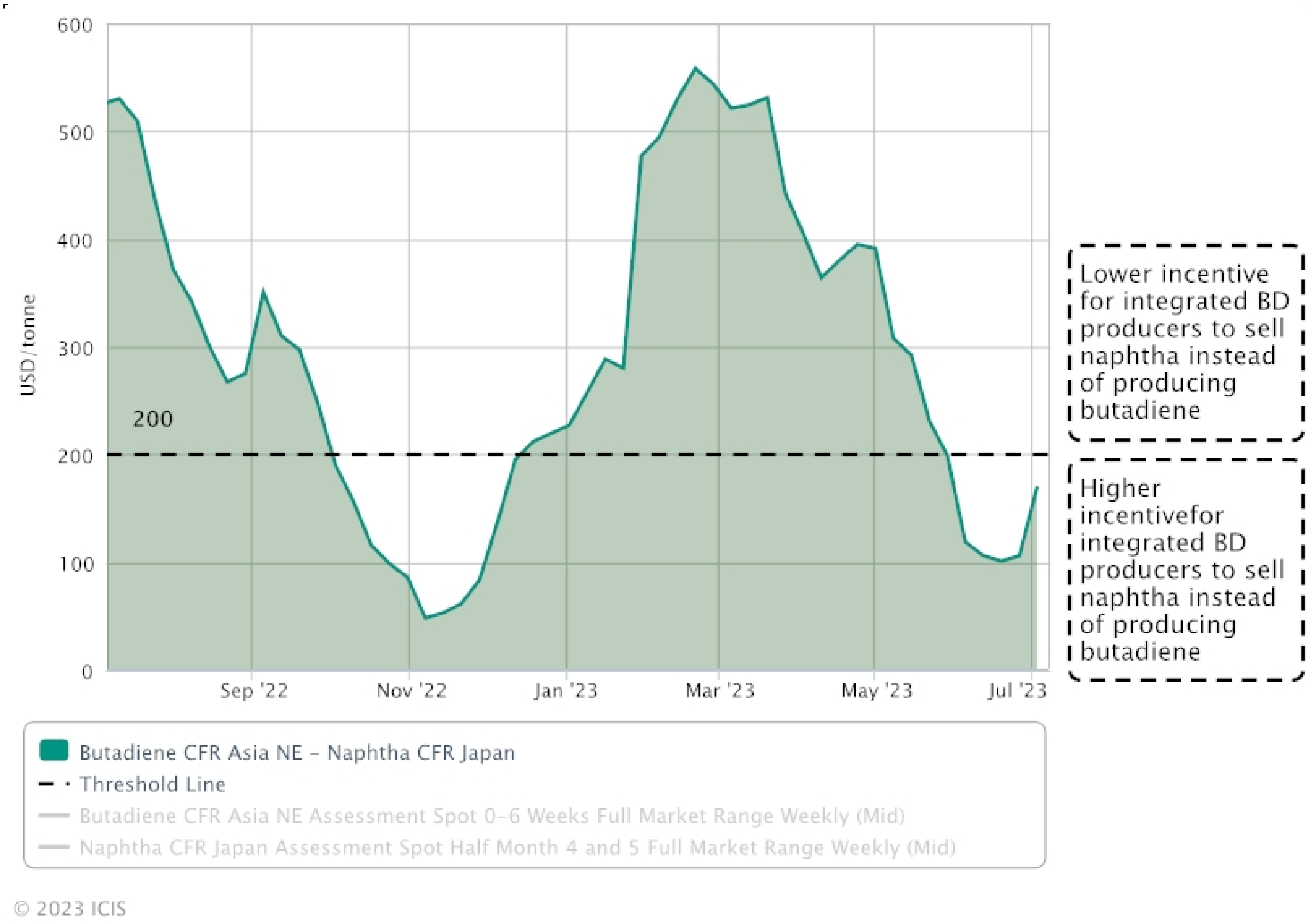
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	-100	6100-6200	-100	6400-6500	-

UPSTREAM

Naphtha:

- Some buyers seen skipping H1 August spot purchases
- Crack spread still in the red
- Concern over weak economic outlook lingers

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



Click here for the Asia feedstocks and petrochemicals weekly summary.

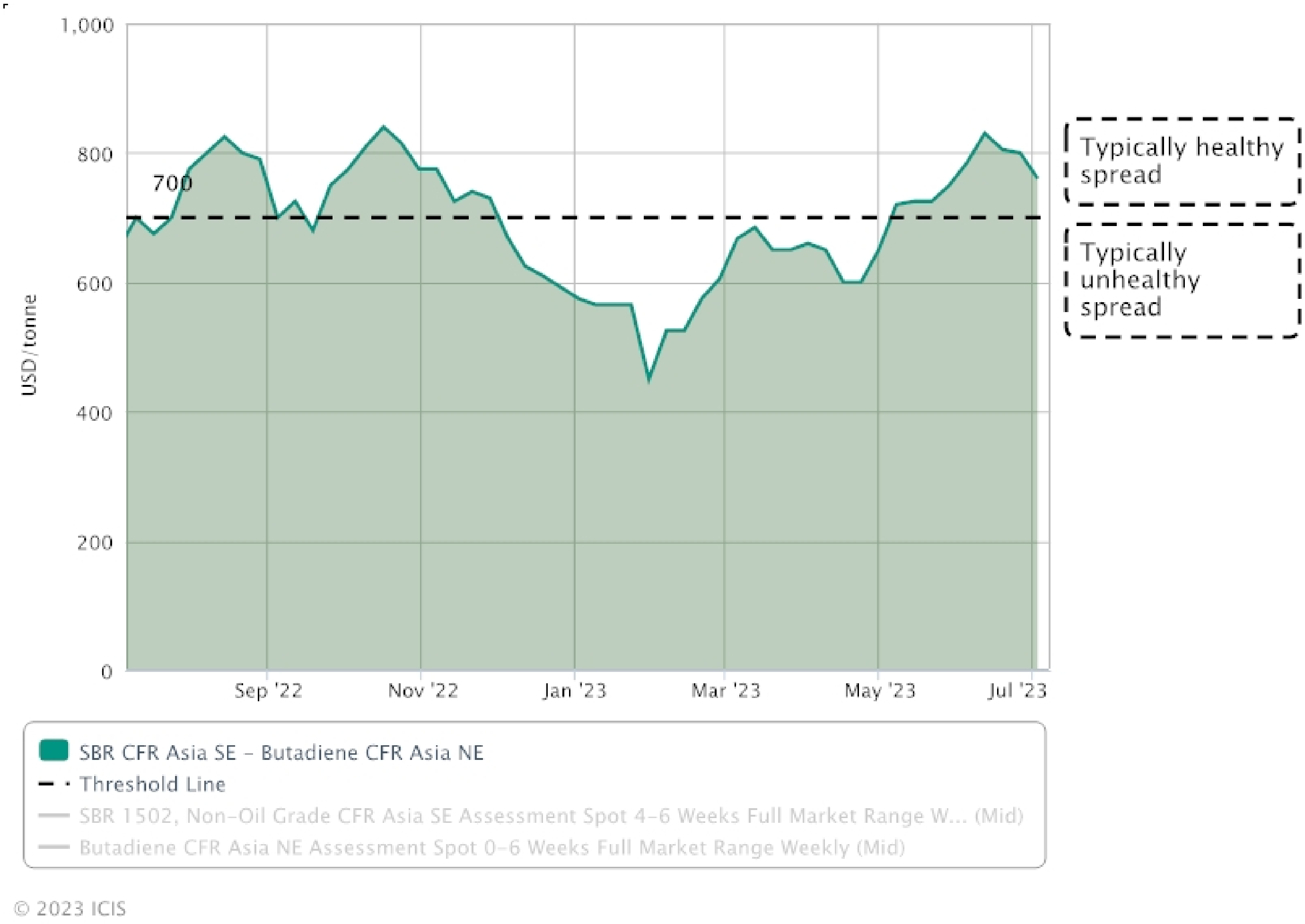
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Sellers' sentiment buoyed by upstream uptick
- Some higher offers surfaced
- Buy-side response muted

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 prices rise for third consecutive week, after two months of decline
- Supply cuts outweigh sluggish demand
- End-users squeezed by lacklustre performance, higher prices

PRODUCTION

Regional output is poised to rise from June as several plants in northeast Asia restart in the month from prior maintenance closures.

Click here for the Asian BD Live Disruption Tracker.

OTHER REGIONS

Europe

- Demand soft, deterioration for H2 2023 compared to original planning
- Some believe market has bottomed
- Production cuts, alternative processing helps constrain supply
- Competition from US volumes on exports persists

US

- July contracts sharply decline
- US contracts at steep discount to Europe
- Spot prices around parity with contracts

ANALYTICS

ICIS Crude Outlook

Total OPEC crude oil production averaged 28.06m bbl/day in May, lower by nearly 465,000 bbl/day month on month. At the June OPEC+ meeting, Saudi Arabia announced it would voluntarily cut its oil production by another 1m bbl/day in July to support global oil prices. Non-OPEC liquids production growth remains unchanged, at about 1.5m bbl/day year on year. Russian exports of crude oil and oil products remained resilient and reached a post-invasion high in May. Crude oil inventories in the US have decreased in recent weeks in June, with crude oil exports projected to get a further boost in July from deeper production cuts in Saudi Arabia. China is still expected to account for more than half of the world's oil demand growth in 2023. Against this backdrop, oil prices continued to decline in June as concerns over a global economic slowdown have weighed on price dynamics.

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ICIS Naphtha Outlook

European naphtha cracks came under increased pressure in June, following greater crude oil price volatility and depressed feedstock demand, combined with weakening fundamentals, sending the crack spreads deeper into negative territory. Limited demand and ample availabilities in Europe and Asia are keeping pressure on refinery margins with some promptly available naphtha cargoes placed at deeper discounts. China's lacklustre economic recovery is weighing on naphtha prices amid limited demand from plastics and petrochemicals, adding another bearish element to the declining market sentiment. We have continued to see weakening dynamics for naphtha flow into the gasoline pool in June. Prices across crude oil and oil products complexes, including naphtha, are expected to be supported in Q3 on the back of additional OPEC+ cuts taking place in July.

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