ICIS
Independent Commodity Intelligence Services

Butadiene (Asia-Pacific)

By Ai Teng Lim
13-Aug-2021

Overview | Outlook | Prices | Upstream | Downstream | Production | Analytics

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

OVERVIEW

- **Buy-sell gap persists**
- **Buyers wait-and-see**
- **Sellers not keen to price down**

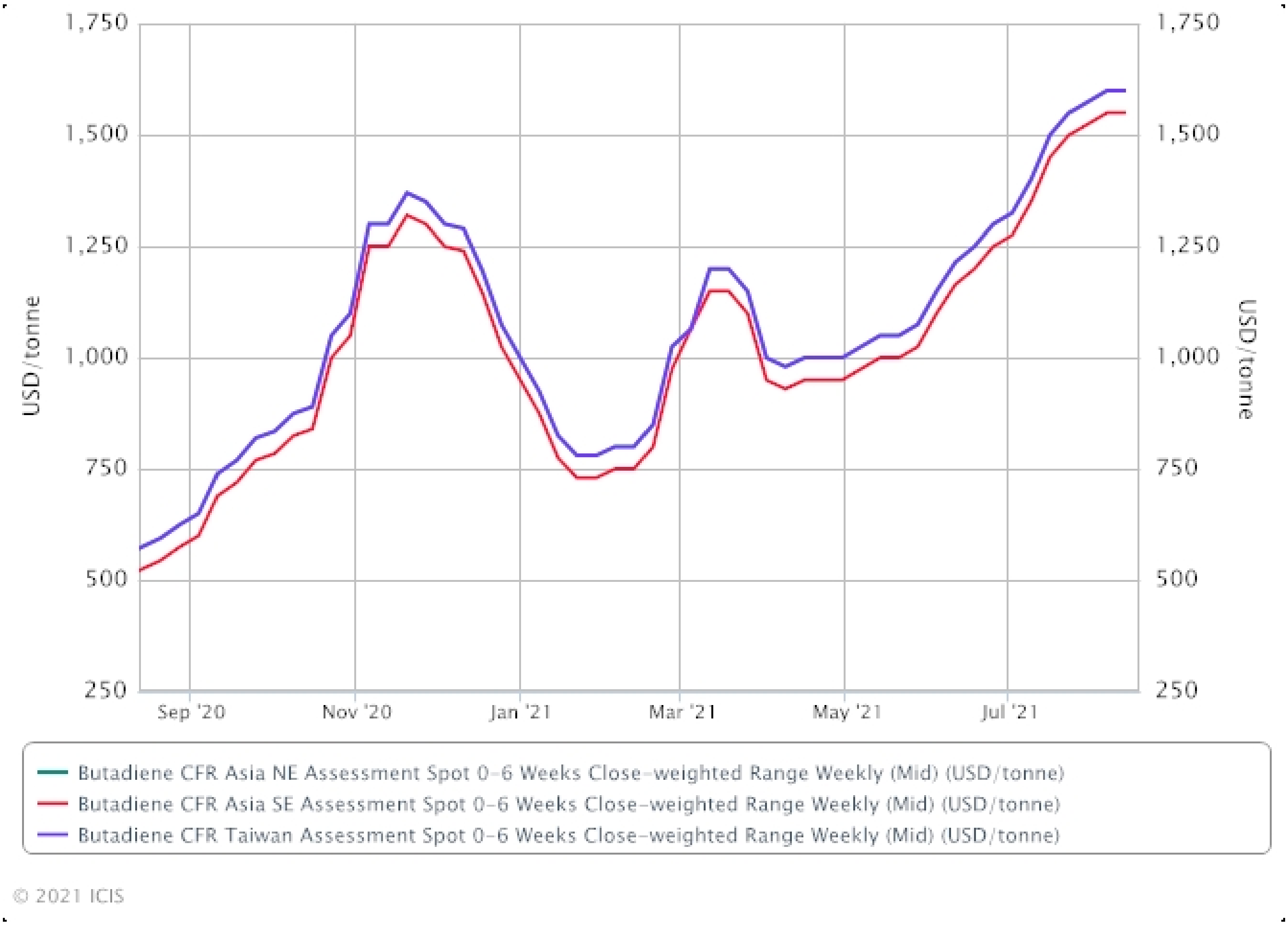
Asian butadiene (BD) spot talks were range-bound in the week amid muted buying interest, but there was a bullish pricing outlook among sellers.

Notwithstanding the soft domestic yuan-denominated market, China BD makers held firm to higher expectations for US dollar denominated export availabilities, similar to what cargoes from their regional BD maker counterparts are indicated at.

Most sellers remained assured that with the arbitrage window to the US still wide open, the firm demand in the US for BD imports will continue to keep Asian BD spot talks supported at current levels, if not higher.

However, for regional buyers, many held back fresh bookings citing uncertainties about affordability in their own downstream markets, where operations across the region are crimped by coronvairus-related supply chain disruptions and mobility restrictions.

Outlook is mixed as such between buyers and sellers, contributing in turn to a wide pricing gap, and limiting spot trade liquidity.



OUTLOOK

- **Arbitrage window to the US may stay open for a while more**
- **Status of proposed new BD projects to shape regional supply outlook**
- **Demand recovery depends on when coronavirus situation will ease**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
CFR NE Asia	USD/tonne	n/c	1550.00-1650.00	n/c	1450.00-1550.00	70.31-74.84
CFR Taiwan	USD/tonne	n/c	1550.00-1650.00	n/c	1450.00-1550.00	70.31-74.84
CFR SE Asia	USD/tonne	n/c	1500.00-1600.00	n/c	1400.00-1500.00	68.04-72.57

Northeast Asia

CFR northeast Asia assessment was kept unchanged, taking into account range-bound buy-sell pricing indications in a thinly-traded week.

CFR Taiwan assessment was kept unchanged similarly.

Monthly Contract DEL, $ /tonne	Jul 21	June 21	May 21	Apr 21	Mar 21	Feb 21	Jan '21	Dec '20	Nov '20	Oct '20	Sep '20
Taiwan FPCC	1,380	1,205	1,010	1,050	1,135	880	950	1,255	1,230	940	770
Korea YNCC	1,470	1,245	1,010	987	1,102.50	827.50	867	1,263	1,325	942	723

East China domestic prices

In China, downtrend persisted in the yuan-denominated prices for BD, but late week, there were some signs that prompt supplies have tightened amid covid-related supply chain disruptions, and some sellers were optimistic that this will shore up spot talks in the coming weeks.

Price (CNY/tonne)	**13 Aug**	**6 Aug**
DEL east China	11,400-11,500	11,500-11,600

Southeast Asia

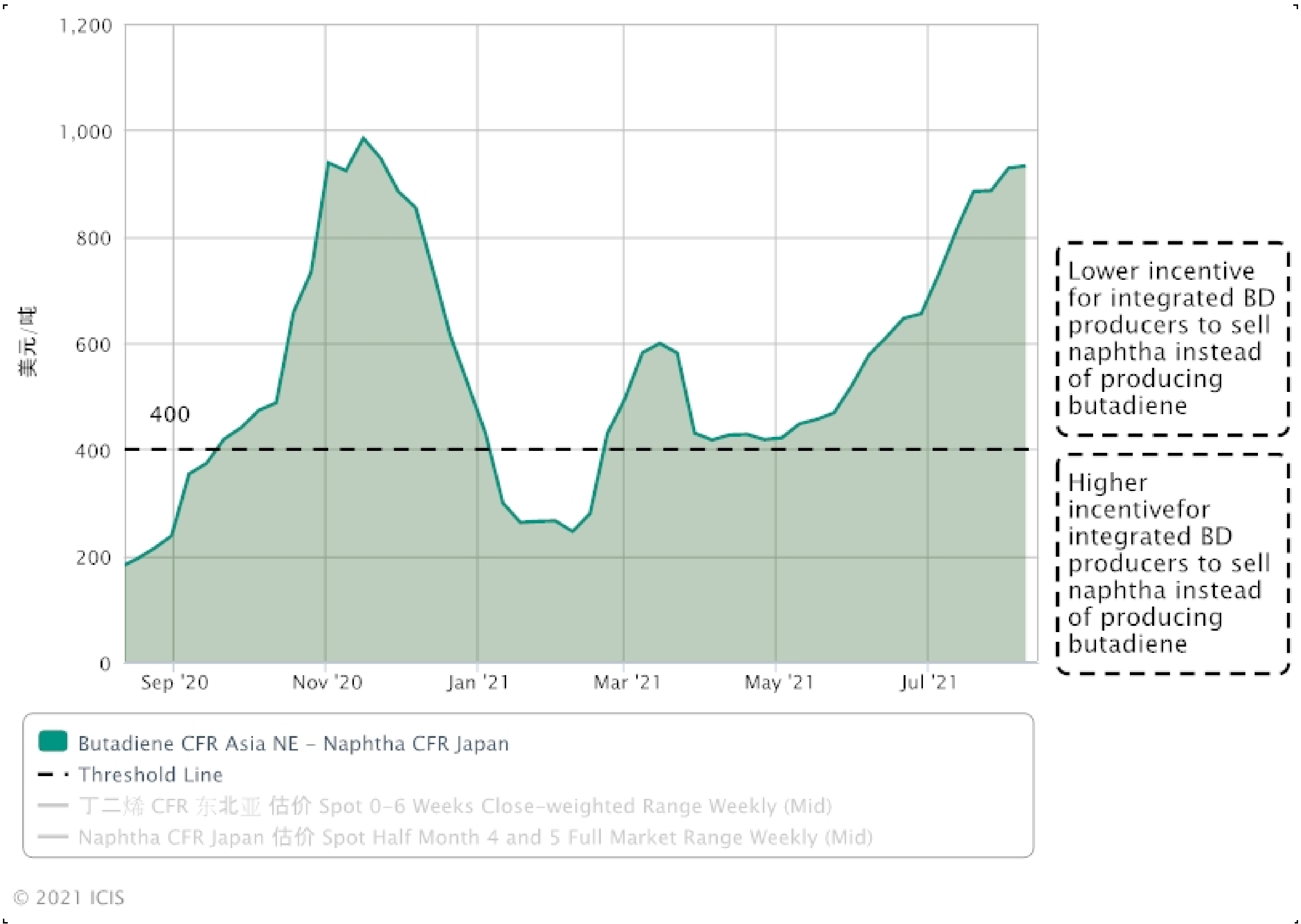
CFR SE Asia prices were rolled over, in line with stable CFR NE Asian assessment.

Another SE Asia-origin cargo was heard sold in the week, via tender, for H2 September shipment, but was not included in the assessment as the deal was heard closed on a formula basis.

UPSTREAM

Asia Pacific **naphtha** prices softened alongside global crude oil futures, amid concerns of coronavirus cases weighing on demand. Naphtha's end-user demand was stable, with supply balanced, limiting any significant boost to the market.

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia



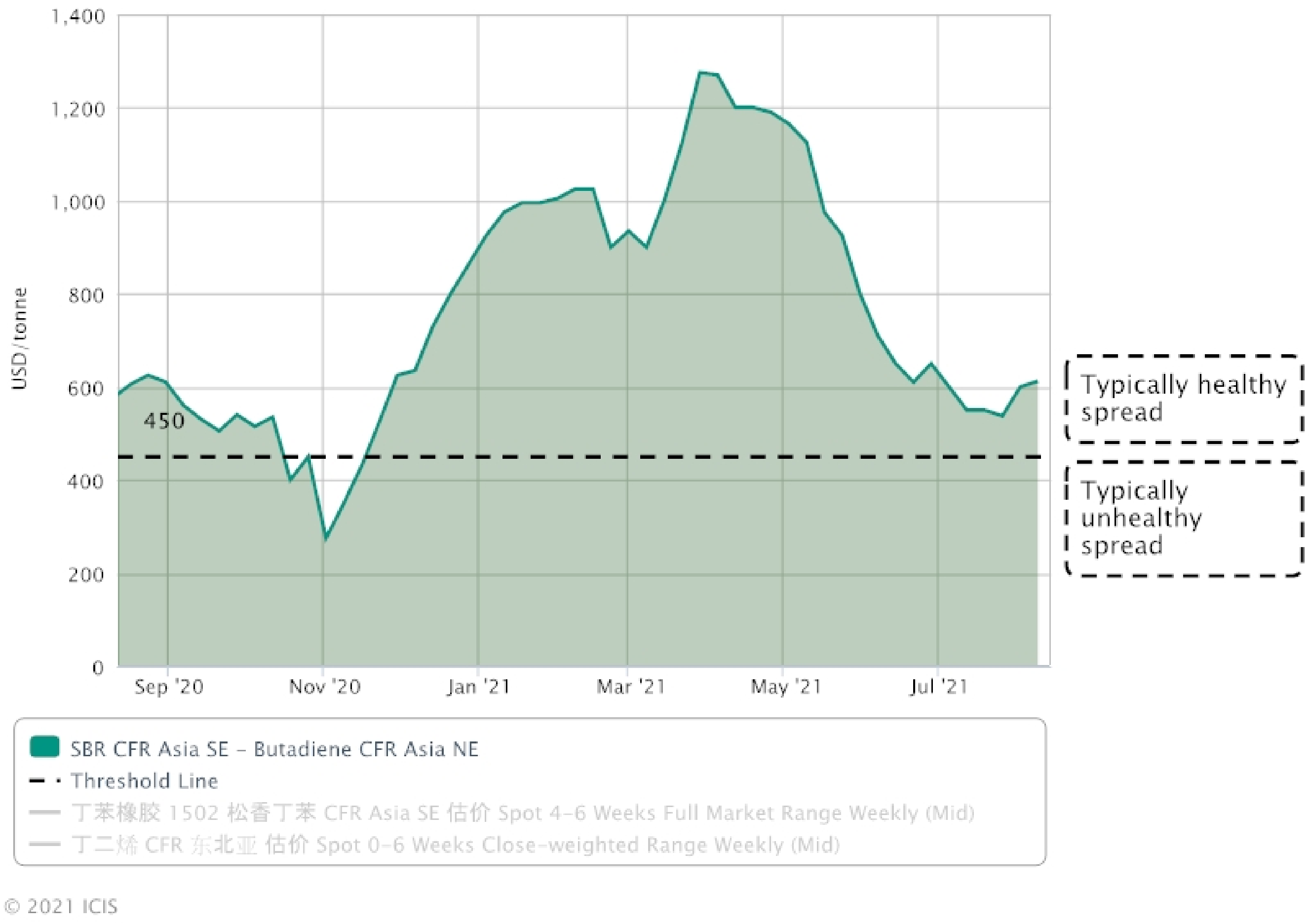
Click here for the Asia feedstocks and petrochemicals weekly summary.

DOWNSTREAM

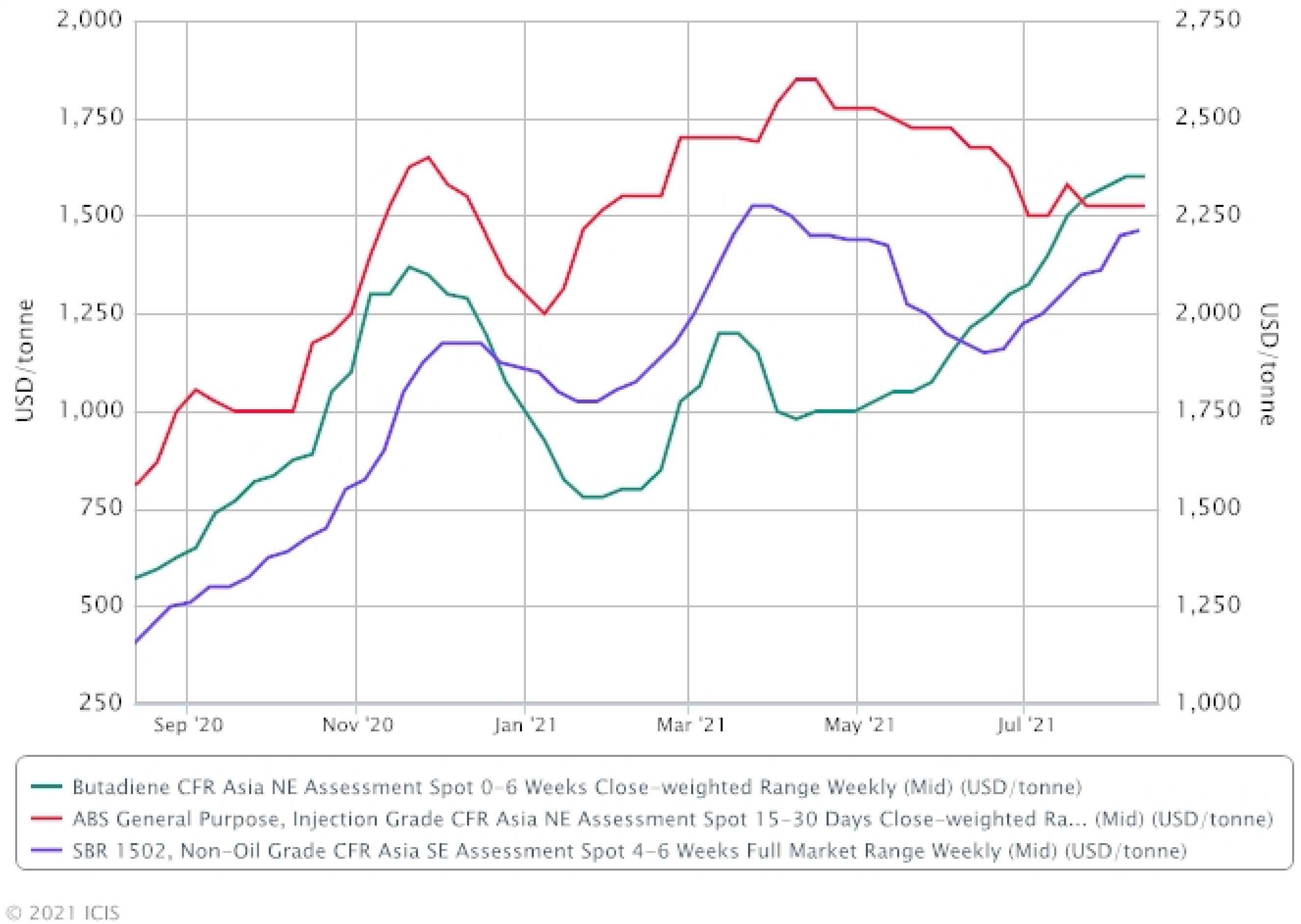
Asian import offers for styrene-butadiene-rubber (SBR) continues to tap upstream strengths for support, despite muted demand.

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

Spread between Butadiene and Styrene Butadiene Rubber Asia



Asian acrylonitrile-butadiene-styrene (ABS) spot import prices were stable on the back of limited discussions, and some downstream players were heard turning to procuring cheaper alternatives to protect squeezed margins.



PRODUCTION

Regional supplies are expected to lengthen in due course, once more new projects come on stream in northeast Asia within the second half of the year, such as the the 200,000 tonnes/year Zhejiang Petrochemical (Phase 2) project which was started up in early August.

Click here for the Asian BD Live Disruption Tracker.

ANALYTICS

ICIS Butadiene Outlook

Enduring US BD market tightness is likely to support bullish sentiment at least until the end of 2021. This year's production is estimated to hit between 1.3m and 1.4m tonnes, down from 2020 levels, with underlying demand remaining robust. Given that the market remains unbalanced, some BD cargos are expected to arrive to support US needs, especially from Asia.

The European BD industry is projected to be characterised by good domestic demand and tight supply over the next few weeks. The unexpected production woes that hit a few BD-integrated crackers in late July might persist, at least through early August. Against this backdrop, production constraints should limit BD trade from Europe to the US. Nevertheless, BD availability is set to reach about 585,000 tonnes in Q3, up from 560,000 tonnes in Q2 but down from 595,000 tonnes in Q1.

In Asia, BD market fundamentals are forecast to become bearish in the short term, primarily on the back of growing supply from new BD plants. As a result, Asia is likely to be an unattractive export outlet for European producers for the rest of 2021.