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.

ICIS plans to discontinue the CFR Taiwan spot assessment in Q1 2024, as import trade in this market would already be considered for assessment purposes in the CFR NE Asia quote. For any queries, please contact aiteng.lim@icis.com.

OVERVIEW

- **Downtrend continues**
- **More spot cargoes emerge**
- **Buying appetite shrinks nevertheless**

Spot prices in the Asian butadiene (BD) import market softened as buying interest kept waning while spot supplies grew.

This week, a total of five southeast Asia-origin cargoes available to load in different December laycan windows were floated for sale via several tenders that will close in the 16-20 December period.

Several other regional lots in traders' hands may find their way into the spot supply pool too if term customers cut back on December intake, market sources said.

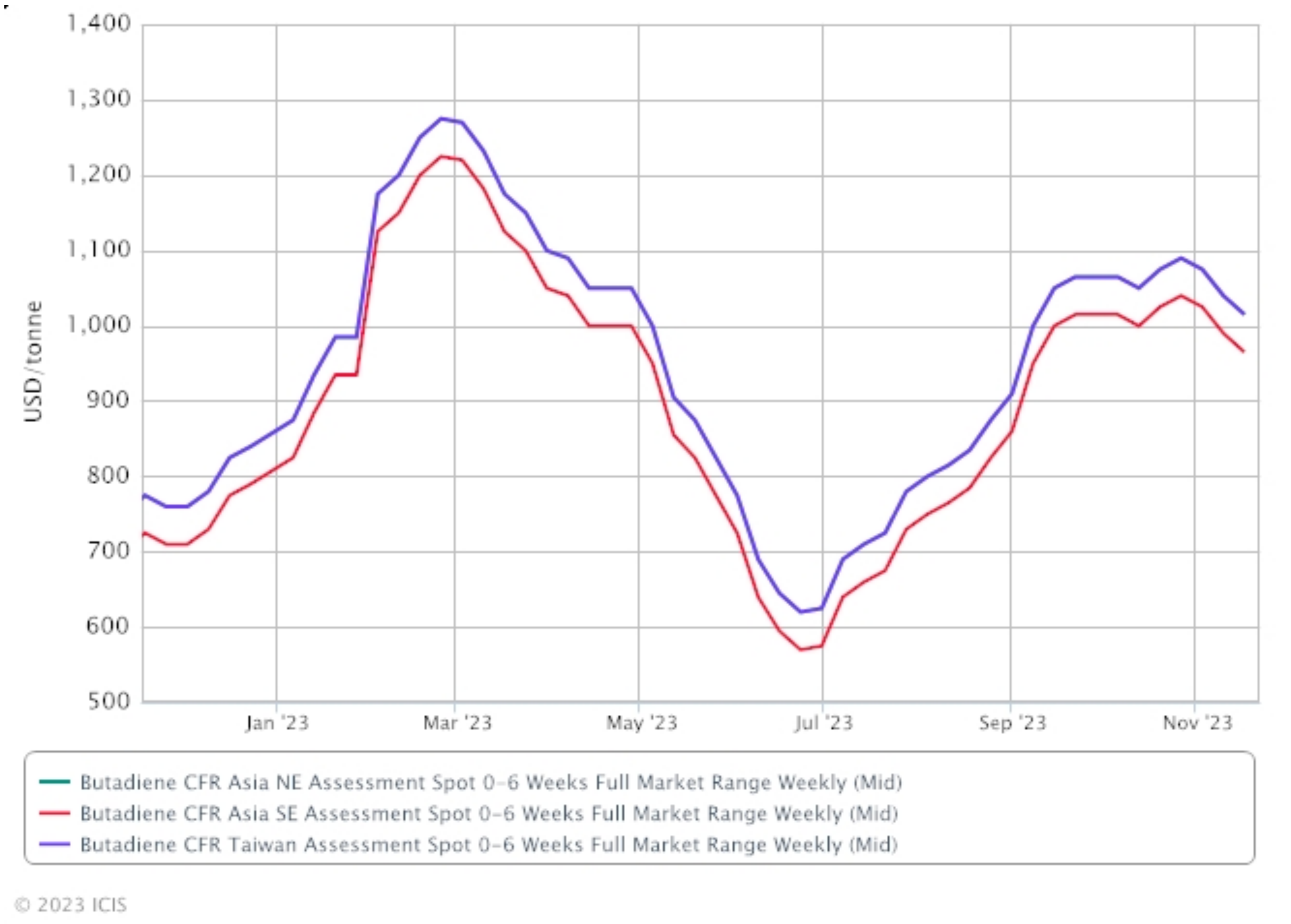
Buyers thus retreated, taking their time to shop and bargain. Substantive requirements are not high to begin with, and buyers said they could wait and will only book when spot offers are closer to their expectations.

Most have also already covered the bulk of their December requirements with prior purchases of deep-sea materials.

While some regional producers did moderate targets somewhat this week, these failed to keep pace with how much bids have fallen.

The buy-sell gap may widen from there as regional producers seem mostly reluctant to deepen discounts even though they acknowledged prevailing demand was not robust, market players said.

Nonetheless, the longer-term forecast still remains, with regional BD output likely to still be curtailed by continued cracker under-utilisation, and BD sellers expect this to keep spot offers supported.



OUTLOOK

- **Dull downstream rubber markets could weigh on demand**
- **Mixed signals on recovery of the global auto sector**
- **Buyers likely to keep to cautious procurement stance**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	-50	950.00-1100.00	n/c	1040.00-1080.00	43.09-49.90
CFR NE Asia	USD/tonne	-20	980.00-1050.00	-30	1050.00-1100.00	44.45-47.63
CFR Taiwan	USD/tonne	-20	980.00-1050.00	-30	1050.00-1100.00	44.45-47.63
CFR SE Asia	USD/tonne	-20	930.00-1000.00	-30	1000.00-1050.00	42.18-45.36

China

Domestic ex-tank prices in east China remain under pressure this week amid lacklustre derivative market performance.

But Chinese BD producers did not adjust their FOB China selling expectations, as reflected at high-end, as there were no export availabilities to begin with.

There was no active buying demand in wider Asia too, but notional buying indications fell, alongside softer discussions for delivered cargoes. The low end of the FOB China assessments were adjusted down in line.

Northeast Asia

Discussions were lower this week for CFR NE Asia trades.

Some NE Asia-origin cargoes changed hands at the low end for December shipment, market players said.

Seller details could not be fully verified, but it does dovetail with majority of the buying indications heard in the $950-1,000/tonne CFR NE Asia range.

There were no other concrete offers, but selling indications were heard broadly still in the mid-to-high $1,000s/tonne CFR NE Asia band.

The high end is dropped with the lowest selling indications, in part to also reflect the softer market sentiment for the week.

Many players were also awaiting outcome of several sell tenders involving southeast Asia-origin cargoes to provide clearer pricing direction.

The first tender for a late December-loading cargo closed this week, and a market source said that the deal was concluded on formula-linked FOB SE Asia basis.

The other two tenders, involving in total four cargoes available to lift across December, will only close after press time.

CFR Taiwan assessments were adjusted with changes in the CFR NE Asia assessments.

Monthly Contract DEL, $/tonne	Oct 23	Sep 23	Aug 23	Jul 23	Jun 23	May 23
Taiwan FPCC	995	940	750	650	655	875
Korea YNCC	1,035	980	770	665	635	855

Southeast Asia

The CFR SE Asia assessments were moved in line with changes in the CFR NE Asia assessments.

There were several SE Asia-origin cargoes for spot sales this week, but market sources said that they are likely to be earmarked for delivery to northeast Asia.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

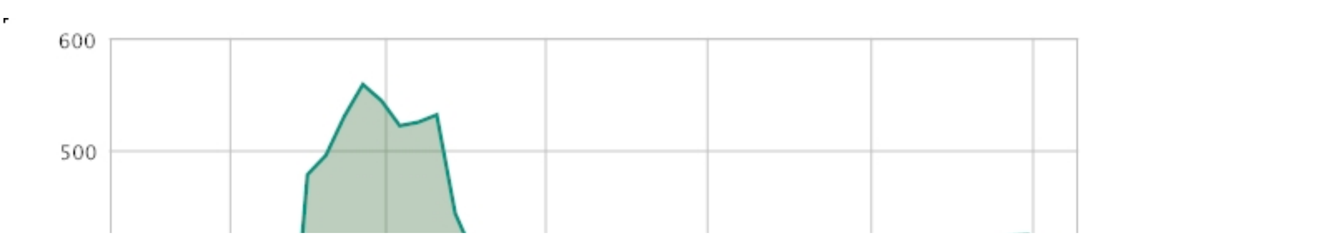
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	9000-9100	n/c	8900-9000	-

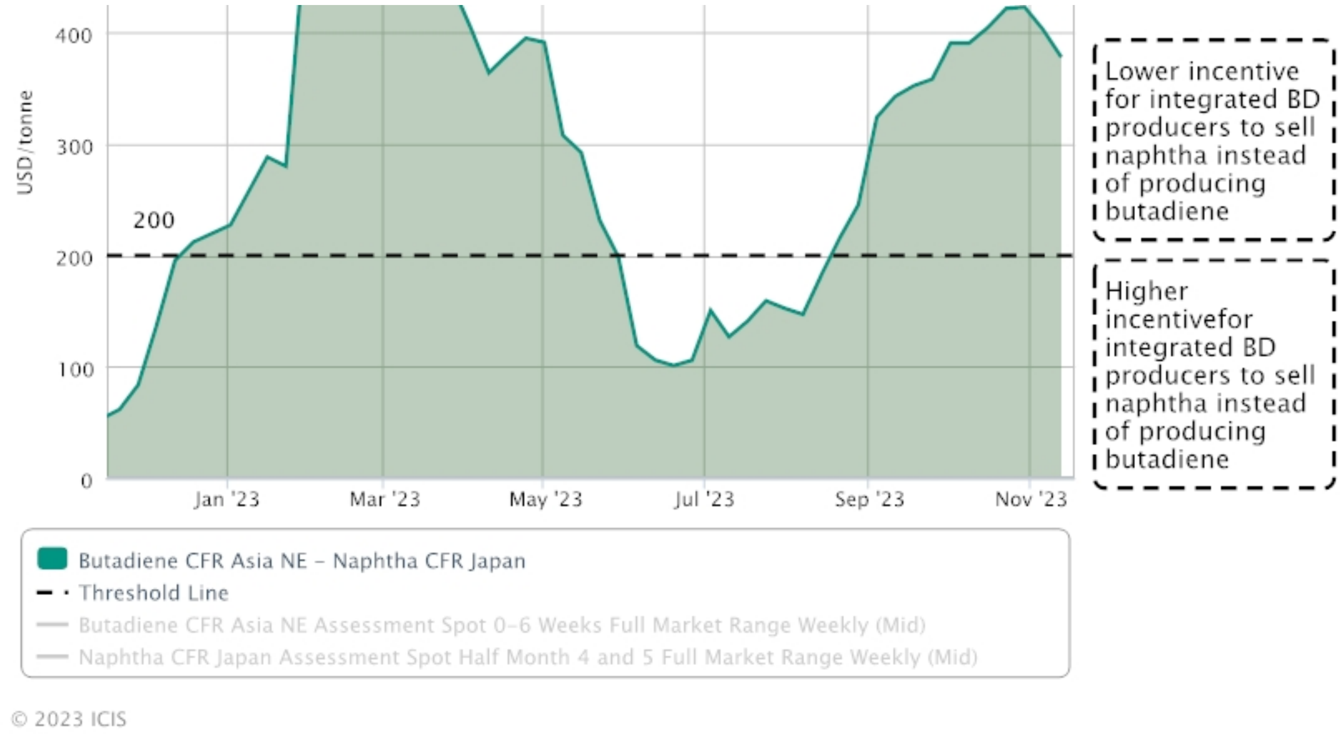
UPSTREAM

Naphtha:

- Crack hits highest since late August as crude eased
- Inter-month spread flips into backwardation
- Spot prices for H2 Dec cargoes still in discounts, but discounts largely narrower vs H1 Dec

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia





Click here for the Asia feedstocks and petrochemicals weekly summary.

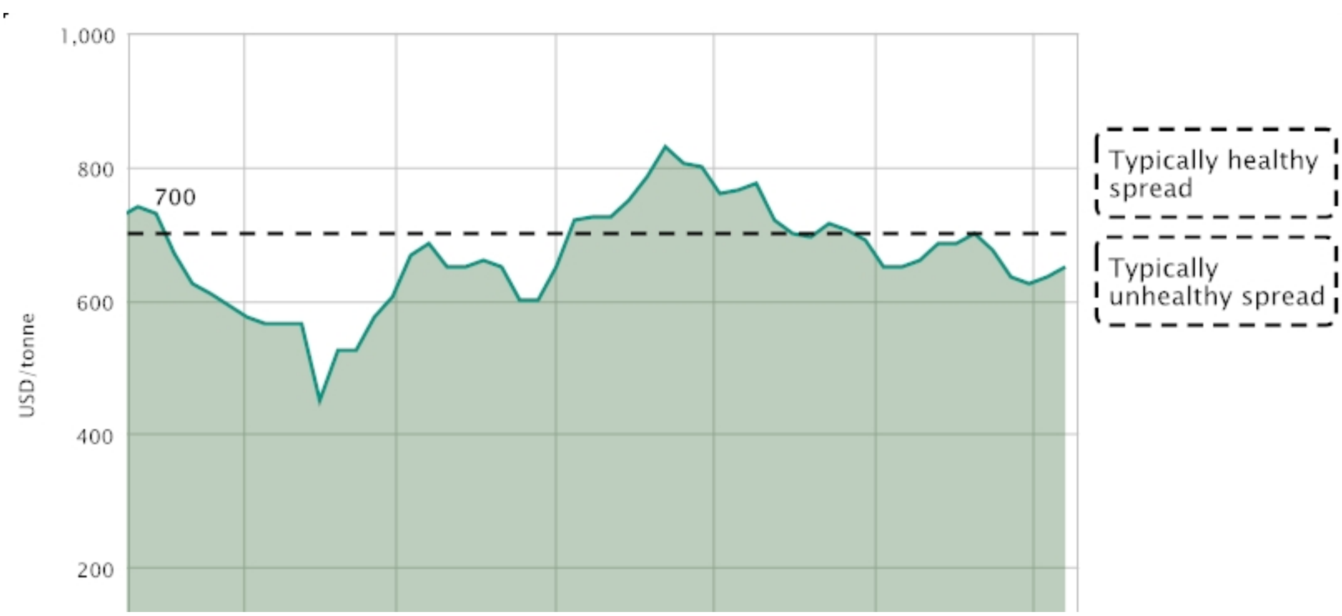
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Buy-sell differences entrenched
- Thinning demand
- Cost concerns weigh on sellers nevertheless

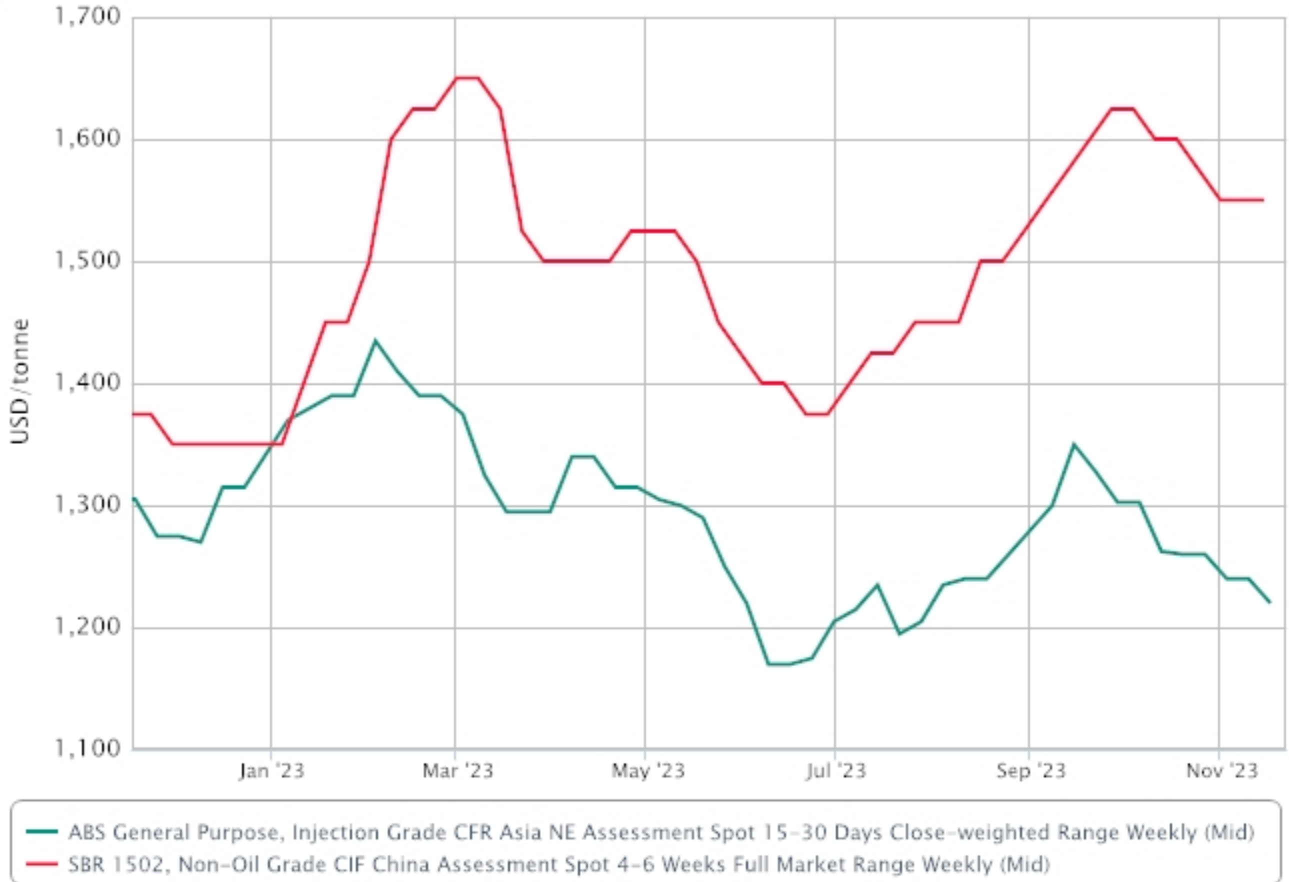
The chart below shows the spread between BD and SBR in Asia.

Spread between Butadiene and Styrene Butadiene Rubber Asia



Acrylonitrile-butadiene-styrene (ABS)

- CFR NE Asia fall after last week's stalemate
- Prices in India, SE Asia down on slow demand post-Diwali holiday
- Sellers calculate risk of further margin erosion



PRODUCTION

Regional output is constrained by ongoing Q4 turnarounds.

Click here for the Live Disruption Tracker.

OTHER REGIONS

Europe

- Export deals take a pause on faltering Asia market, but talks ongoing
- US cargoes fixed for Asia, but Panama Canal transit issues at play
- No changes on the domestic front for the time being
- Limited impact from unplanned cracker outage
- Producers see no further deterioration; others say further reductions in offtakes are possible

US

- US resumes fixing export cargoes
- Spot supplies available, but no domestic interest
- Improved supplies, softer upstream, weaker Asia BD creates downward pressure

ANALYTICS

ICIS downstream automotive sector outlook

Impending regulation, labour unrest and higher interest rates are three main variables weighing on the outlook of the automotive industry. Though a relative increase in activity has been reported, numbers are still below 2019 levels. Bearish market sentiment continues to delay recovery.

The US automotive industry continues to struggle because of the failure to reach at an amicable resolution between the United Auto Workers (UAW) and the automakers (Ford, General Motors and Stellantis). Industry stakeholders are closely tracking developments and waiting it out. According to the US Census Bureau, US light vehicle sales fell 1.2% month on month in October with total sales of 15.5m units. The finished inventory to sales ratio (its calculated by dividing inventory by sales) rose to 1.069 in September from 0.952 in August. High inflation, eroding consumer confidence and tighter monetary policy will weigh on consumer demand for automotives.

The European Automobile Manufacturers' Association (ACEA) reported positive set of results. Though one of the leading points of contention for European Original Equipment Manufacturers (OEM) is the looming Rules of Origin (ROO) January 2024 deadline where a 10% of additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45% non-originating components. The ACEA, in its petition to the European Commission, argues that it will lead to "direct impact on the competitiveness of EU electric vehicle manufacturing by reducing our share in Europe's number one EV export market." The Association recommends "continuation of the current ROO for batteries in the EU-UK Trade and Cooperation Agreement (TCA) until the end of 2026 is the most appropriate solution."

According to ACEA, EU passenger car registration increased by 9.2% in September compared with same month last year. ACEA reports that Italy posted the biggest gain with a 22.7% increase, followed by France (+10.7%) and Germany being marginally flat. Commercial vehicle registration also reported positive results, even recording double digit growth with Spain (+20.5%), Germany (+18.2%), and Italy (+16.7%). Though long-term investment for trends, including tightening emission standards, a growing push to electrify and increasing shared car ownership, is forecast to put pressure on OEMs.

China automotive in 2023 is expected to grow 9.4% compared with 2022. Q4 2023 is forecast to grow by 7.3% compared with Q4 2022, according to Oxford Economics. Medium-term fundamentals remain strong, with rising income and low car ownership. This is particularly true for electrified and other new energy vehicles (NEV) as governments incentives push this market. India's automotive sector in 2023 is expected to grow 10.8% compared with 2022. Q4 2023 is forecast to grow by 12.7% compared with Q4 2022, according to Oxford Economics. Federation of Automobile Dealers Associations (FADA) reported market optimism with ongoing Diwali festivities in India. Though the association expressed concerns over high inventory levels and is urging OEMs to moderate vehicle dispatch and advise dealers to introduce attractive schemes to manage excess unsold stock before ending the calendar year.

By **Jincy Varghese**, ICIS demand analyst, jincy.varghese@icis.com