Independent Commodity Intelligence Services

Butadiene (Asia-Pacific)

By Ai Teng Lim
29-Mar-2024

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.

All prices in the weekly analysis on 29 March are assessed based on information collated up to 28 March, with the exception of Chinese domestic yuan (CNY) quotes.
The FOB China and CNY prices in the weekly analysis on 5 April will be based on information collated up to 3 April. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Production losses widen in the region**
- **Import offers well supported as such**
- **But trade liquidity subdued amid growing buy-side resistance**

Discussions for Asian spot imports of butadiene (BD) were muted this week, but sentiment among sellers stayed broadly buoyant and upbeat, as regional production losses are poised to widen with fresh news of operation woes at several BD plants.

For instance, one unit in Taiwan had to stay shut for at least another two to three weeks longer, as a related cracker failed to restart from regular servicing as planned. Another unit in southeast Asia will also be out of action for several months more than earlier expected, on the back of extended cracker outage.

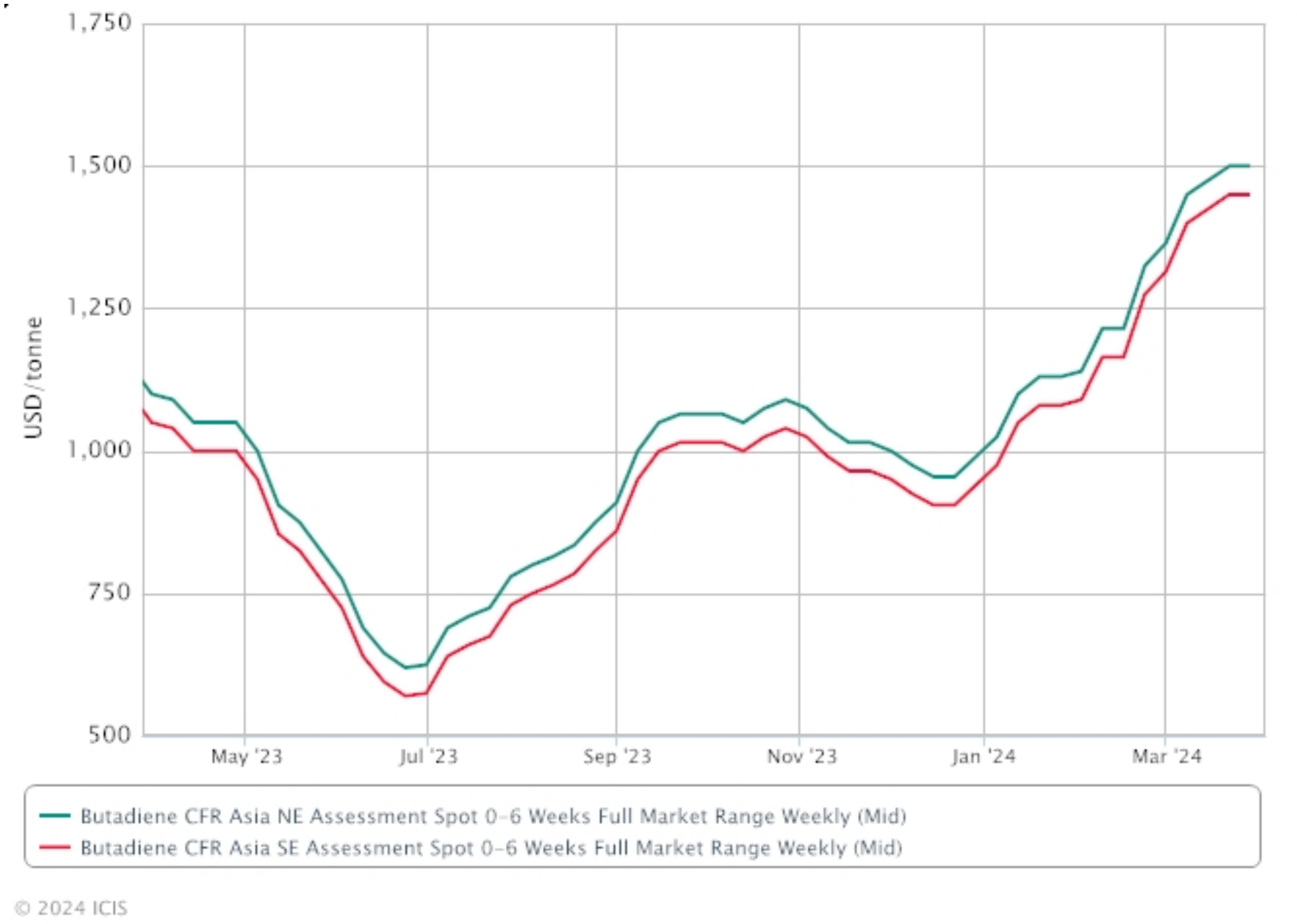
These came on top of a heavy wave of planned maintenance or the March to May period, affecting over 500,000 tonnes/year worth of production capacity across Japan and China.

It also remains to be seen if earlier anticipations of fresh deep-sea import availabilities may materialise, as the economics for such arbitrage trades may not work now that domestic BD prices in the US and Europe are spiralling up.

Against this background, BD sellers remain firmly confident that they will continue to wield the upper hand in negotiations with buyers, and thus held their grounds on existing selling targets, notwithstanding growing concerns about downstream affordability.

Many buy-side element pulled back this week, saying that they would monitor how derivative markets may trend from here, before they redeliberate on their next buying position for feedstock BD.

Prices for derivative products like synthetic rubbers have risen of-late, but market players said that the increases still lagged the quantum of BD gains. End-users' margins stay squeezed as such, limiting in turn their ability to bid up at will for the scarce feedstock BD cargoes.



OUTLOOK

- **Supply constraints unlikely to ease within H1 2024**
- **Demand to hinge on how well downstream markets recover in China**
- **Nagging macro-economic concerns may continue to weigh on buy-side sentiment**

PRICES

SPOT PRICES - PRICE RANGE FOR THE WEEK

			Price Range		Four Weeks Ago	US CTS/lb
Butadiene						
FOB China	USD/tonne	+20	1430.00-1450.00	n/c	1300.00-1400.00	64.86-65.77
CFR NE Asia	USD/tonne	n/c	1450.00-1550.00	n/c	1300.00-1430.00	65.77-70.31

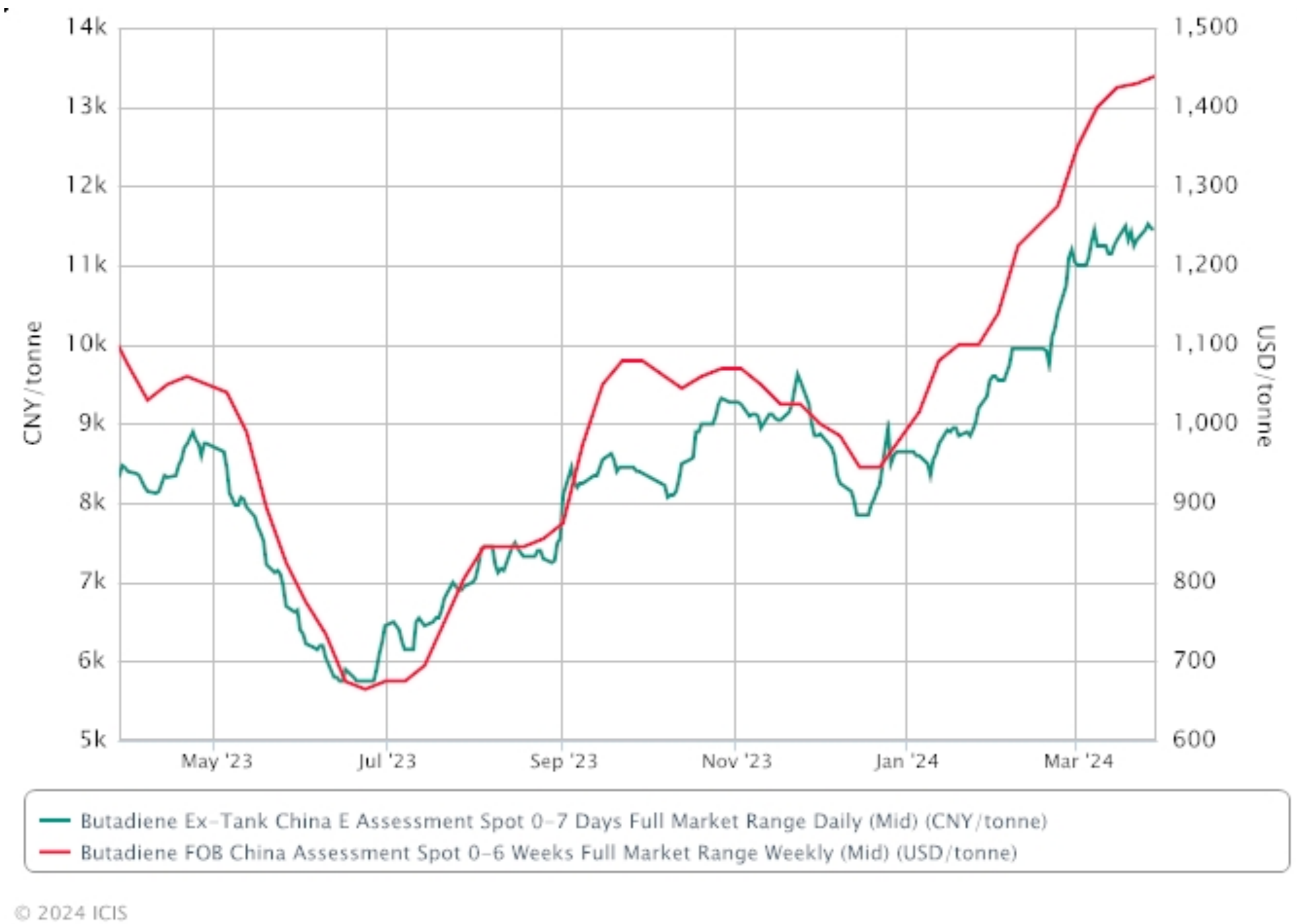
CFR SE Asia	USD/tonne	n/c	1400.00-1500.00	n/c	1250.00-1380.00	63.50-68.04

China

FOB China assessments narrowed, taking into account buy-sell indications heard in the week.

Some cargoes were indicated at the high-end for April shipment sales, against buying indications at the lower end, similar to a FOB China trade heard done in the week prior.

Domestic ex-tank prices in east China were volatile, starting on a more bullish note early-week but softer from mid-week.



Northeast Asia

CFR NE Asian assessments are stable with range-bound indications and in the absence of concrete discussions or transactions for fixed-price trades.

Sellers kept targets for regional materials, if any may still be available for April shipment spot sales, unchanged at mid-to-high $1,500's/tonne CFR NE Asia. The high-end is rolled as such

Some market sources said that deep-sea origin materials were available at similar levels for H2 April lifting from Europe. But other market participants were doubtful if this was still feasible for the sell-side, considering a 8%

month-on-month hike in Europe's April contract reference price for BD.

Meanwhile, regional end-users were mostly quiet this week, pulling back to monitor how their own downstream market would perform from here, before they deliberate and decide on their affordability line for feedstock including BD.

The low-end is kept unchanged in line.

Monthly Contract DEL, $/tonne	Feb 24	Jan 24	Dec 23	Nov 23	Oct 23	Sep 23	Aug 23	Jul 23
Taiwan FPCC	1,135	1,020	910	955	995	940	750	650
Korea YNCC	NA	1,070	945	1,000	1,035	980	770	665

Southeast Asia

CFR SE Asia assessments are unchanged with stable CFR NE Asian assessments.

SPOT PRICES - PRICE RANGE AT CLOSE OF BUSINESS FRIDAY

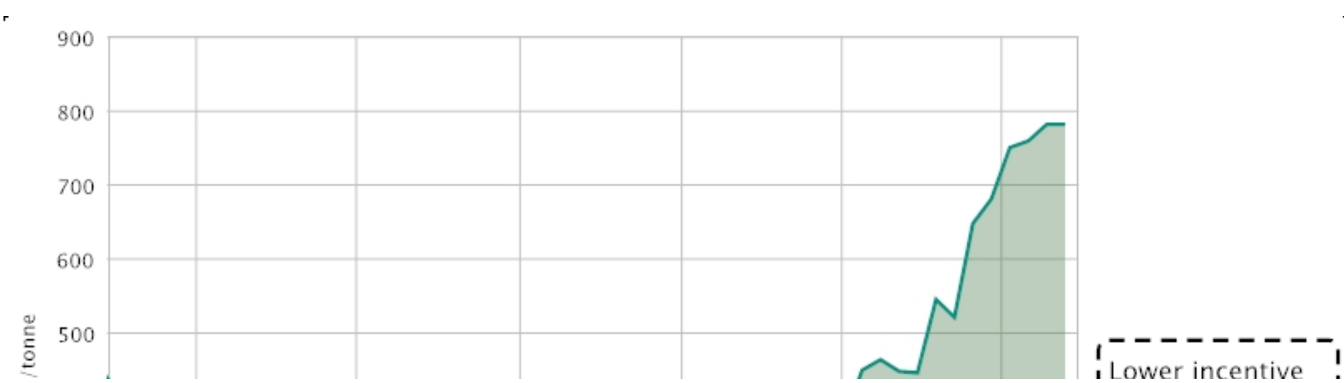
			Price Range		One Week Ago	/
Butadiene						
Ex-Tank E China	CNY/tonne	n/c	11400-11500	n/c	11250-11400	-

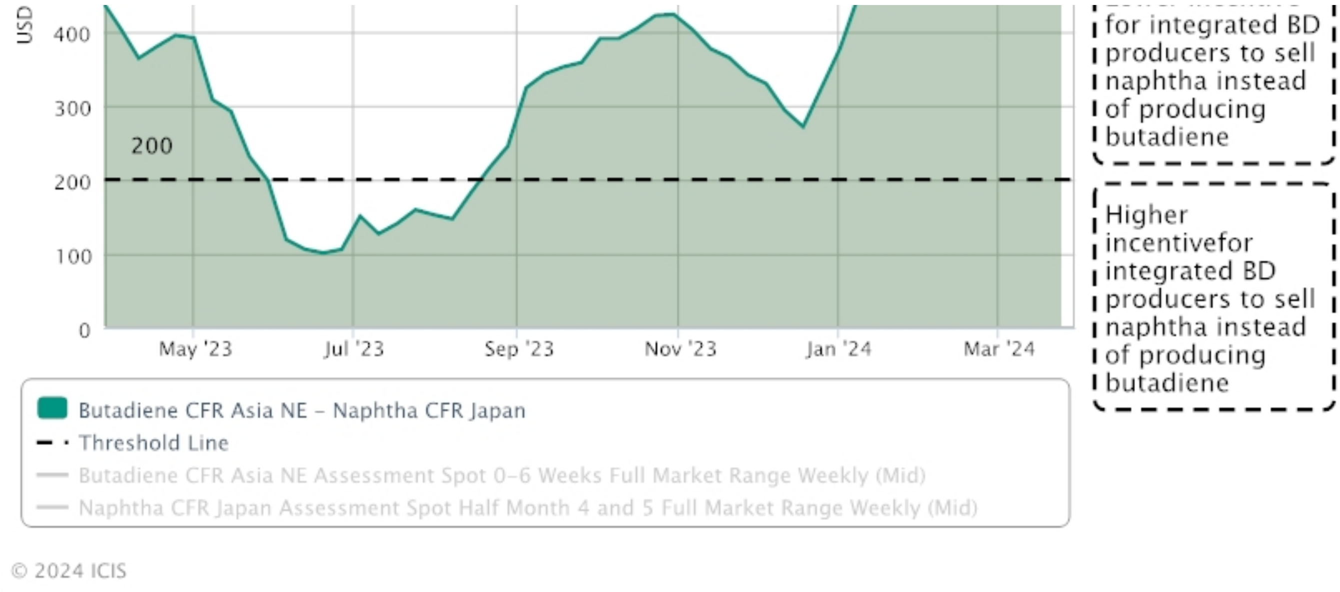
UPSTREAM

Naphtha

- Crack at five-week low; price falls below $75/tonne on 28 Mar
- Intermonth spread also lower this week vs previous week
- Incoming supply from new Nigeria refinery weighs on sentiment

Feedstock spread between Naphtha CFR Japan and Butadiene CFR NE Asia





Click here for the Asia feedstocks and petrochemicals weekly summary.

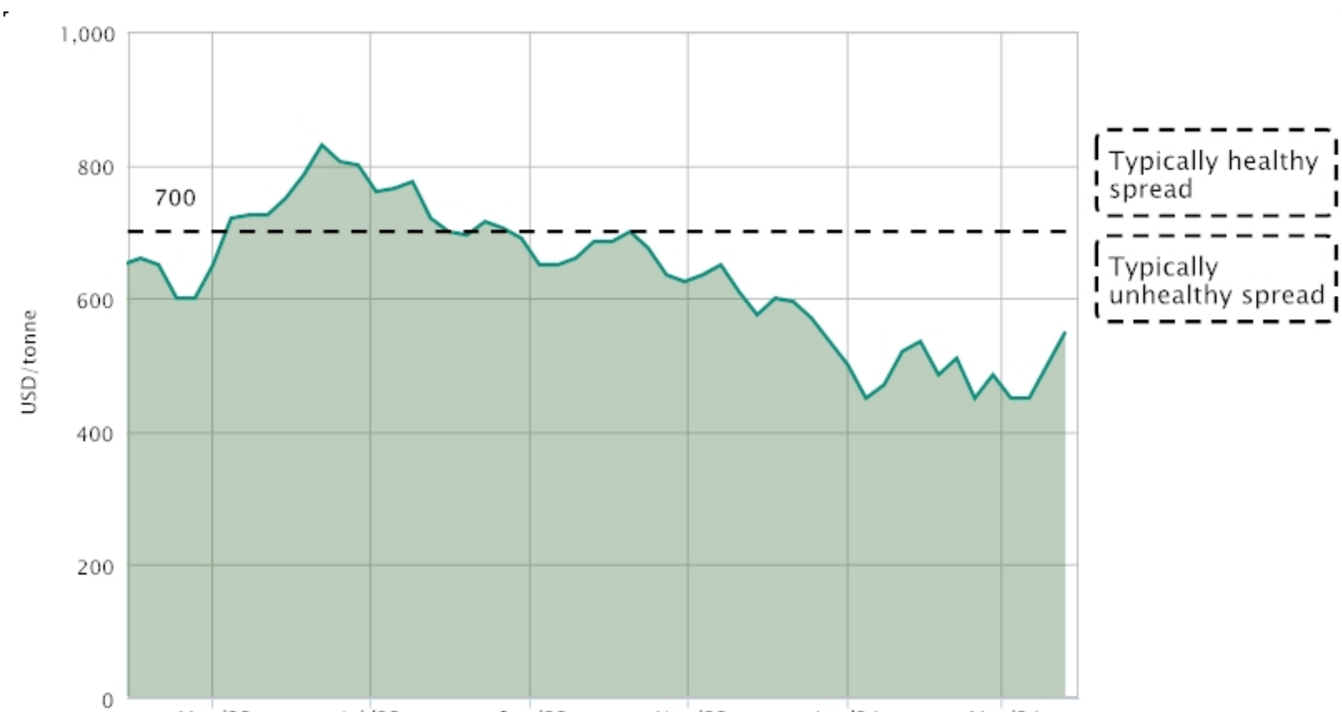
DOWNSTREAM

Styrene-butadiene-rubber (SBR)

- Seller stay bullish on upstream strengths
- Buying tempo varies across outlets
- Discussions more upbeat in SE Asia than other areas

The chart below shows the spread between BD and SBR in Asia, which is still struggling to return to more healthy levels.

Spread between Butadiene and Styrene Butadiene Rubber Asia



Acrylonitrile-butadiene-styrene (ABS)

- Import prices flat after two-week uptrend
- Buyers on sidelines following recent offer surge
- Seller margins slightly positive, first time since late Sep '23

PRODUCTION

BD supply balance remains tight amid a heavy wave of planned and unplanned plant closures across Asia.

In northeast Asia, several plants in Japan and China are undergoing maintenance, affecting cumulatively over 500,000 tonnes/year worth of production capacity.

Furthermore, there are some unplanned production losses, such as delayed restart at a BD unit in Taiwan, as well as closure in Vietnam on the back of a cracker outage.

Click here for the Live Disruption Tracker.

OTHER REGIONS

Europe

- April contract price up on tight supply
- BD specific production issues ongoing
- Domestic demand healthy especially for replacement tonnes
- Asia, US supply also tight
- Spot prices firmer week on week

US

- April prices face pressure, nominations up sharply
- Higher settlement would put US at a premium to Europe for first time in a year
- Tight supply persists globally, lifting spot prices in all regions
- USTMA anticipates record year for tire shipments, providing demand support

ANALYTICS

ICIS crude outlook

The market appears to have broken out of the narrow trading range observed since the start of the year. Geopolitical tensions, including drone strikes on Russian refineries, have added a significant risk premium to oil prices along the entire supply value chain, although macroeconomic concerns have tempered any gains. Higher shipping costs due to logistics disruptions in the Middle East will also put some upward pressure on oil prices. An OPEC+ production cut of 2.2 million barrels/day has been extended until July. Russia has committed to slash output by an additional 471,000 barrels/day in Q2 as part of the latest OPEC+ agreement. This could potentially bolster prices if fully implemented. Non-OPEC oil supply growth is set to marginally outpace demand expansion through the year. China's demand for crude oil will remain a significant factor in 2024, albeit with an expected deceleration in growth in 2024 compared with previous years.

By **David Jorbenaze**, senior analyst, david.jorbenaze@icis.com

ICIS naphtha outlook

The European naphtha spot market in March saw steady supportive demand-side fundamentals and tighter availability, with prices reflecting fluctuations in Brent crude values. Europe aims to retain as much naphtha as possible in April, preparing for a potentially tighter market in Q2. However, it will also compete with other regions for exports to Asia. Backwardation for April-May is anticipated to last for now and potentially flatten out later in Q2, with increased European refinery runs and a possible decrease in gasoline-naphtha spreads. With Taiwanese and South Korean crackers exiting turnaround season and Chinese runs rising post-Lunar New Year, demand is expected to continue to rise. This upward trend in demand is likely to persist throughout Q2, pushing naphtha and LPG prices higher. The Asian market, with its robust cracks and spreads, is anticipated to lead gains over Europe, driven by increased petrochemical production and subsequent naphtha demand.

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