Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **Prices up in SE Asia for all grades**
- **Offers hiked on cost pressures**
- **NE Asia capped by seasonal demand lull**

Asian spot prices for polybutadiene rubber (PBR) were largely higher, but unevenly across different outlets.

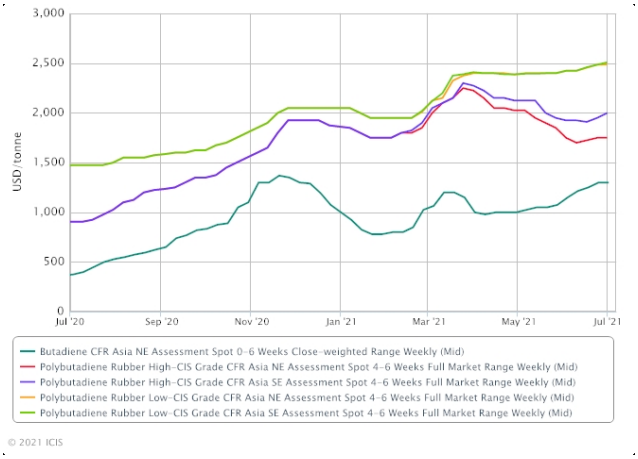
Offers were raised across the board, for both high-cis and low-cis materials, with sellers citing rising cost pressures as a key price driver.

As feedstock butadiene prices have risen more than 10% within the month of June, PBR makers said that they would need to price up to relieve squeezed margins.

However, buyer's response was mixed, subdued in China but relatively more upbeat in import-reliant markets of southeast Asia and India, market players said.

In China, buying appetite for high-cis PBR imports were curbed by growing domestic production. Downstream requirements are also typically lower during summer, due to warmer weather and electricity rationing.

In southeast Asia, even though there are lingering coronavirus issues, such as an indefinite extension of lockdown in Malaysia, market players said that some end-users remain keen to consider fresh spot procurement for restocking purposes.



OUTLOOK

- **Supplies may grow in China**
- **Demand may improve more if coronavirus situation eases further**
- **Longer-term demand outlook in China still optimistic on positive growth forecast**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+10	2480.00-2500.00	n/c	2400.00-2450.00	112.49-113.40
CFR Asia SE	USD/tonne	+30	2500.00-2520.00	+20	2400.00-2450.00	113.40-114.31
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1700.00-1800.00	n/c	1700.00-1800.00	77.11-81.65
CFR Asia SE	USD/tonne	+50	1950.00-2050.00	+50	1850.00-2000.00	88.45-92.99

Northeast Asia

High-cis

CFR NE Asia prices for high-cis materials were kept unchanged, taking into account range-bound pricing indications for China-bound cargoes.

Some materials changed hands at levels higher than the range, for Q3 deliveries to other northeast Asian outlets, but on a term sales basis and therefore, not included in the assessments.

Domestic China prices were stable-to-soft, as buying tempo tapered on a seasonal factor.

East China Domestic PBR Prices

Price (CNY/tonne)	01 Jul	24 Jun

E China Ex-Warehouse	12,200-12,300	12,200-12,400

Low-cis

CFR northeast Asian assessments were assessed as stable-to-firm, with the low-end of the range lifted with the deals heard done. The high-end was kept unchanged on lowest offers heard.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were assessed as up, tracking firmer deals done and discussions heard.

The low-end of the assessment range captures best buying indications, while offers were reflected at the high-end. Some volumes were sold within the published range, market sources said.

SMR 20 Natural Rubber Reference Price (US cents/kg) FOB Malaysia

June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
164.51	169.09	164.72	175.25	169.16	158.40

Low-cis

CFR southeast Asian assessments for low-cis materials were raised with firmer deals done and discussions heard.

The low-end of the range was lifted with the lowest offers heard, while the high-end captured deals heard done in the week.

India

In India, demand has improved, as downstream factories are heard ramping up after a prolonged coronavirus-induced production hiatus in the last few months.

Some buyers remained cautious and held fast to buying only on a need-to basis, until there is concrete clarity about when the coronavirus situation in the country will be fully stabilised and all business resumed to normalcy.

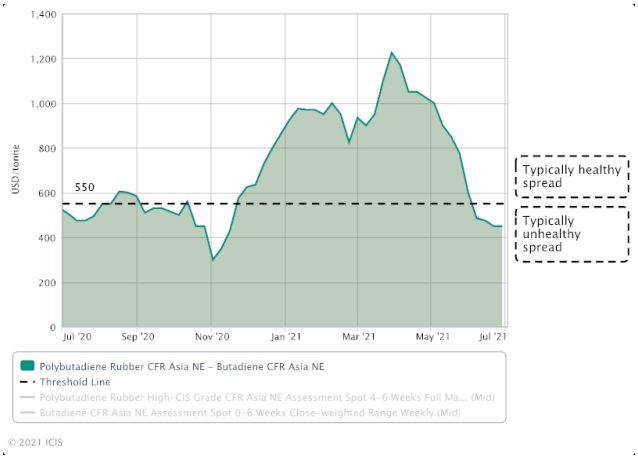
Offers were heard at above $2,000/tonne CFR India for Asia-origin materials, but some buying indications were heard at $100/tonne or more under, market sources said.

UPSTREAM

Asian **butadiene (BD)** continues on a bull run, amid competing demand pull from the western markets.

The chart below shows the spread between BD and PBR, which has slipped into the unhealthy zone.

Downstream spread – butadiene and PBR NE Asia



PRODUCTION

In China, average operating rates at its PBR plants continued to climb, two weeks in a row, hitting about 77% in the week ending 25 June, which is eight percentage points higher than the week ended 11 June, market sources said.

Moving forward, PBR supplies from China are poised to expand further, especially after the 100,000 tonnes/year Sinopec Maoming Petrochemical plant in Guangdong restarted on 23 June, more than three months after it was shut in mid-March.

ANALYTICS

ICIS Crude Outlook

The price of Brent rose in June, primarily due to strong positive sentiment from the continued success of the global vaccination program, as well as improved demand as governments around the world remove restrictions. Looking forward, vaccination programs are expected to be successful and many countries are likely to remove restrictions over the coming months. In the West, the overall oil demand outlook is positive for the summer as the driving season is likely to be much stronger than usual this year, helping to lift core oil products demand. President Biden's $1.9tr stimulus package is also expected to boost the US and global economy, helping to spur oil demand for the rest of the year. On the supply side, OPEC+ will release an extra 2m bbl/day oil into the market by the end of July, with further tapering expected later in the year. The US and Iran continue discussions over a nuclear deal, and should this come to fruition, up to 1.5m bbl/day of additional oil could be supplied into the market by Iran.

By **Ajay Parmar**, ICIS senior analyst

ICIS Naphtha Outlook

The price of naphtha rose in June, in line with crude prices. The supply of naphtha from Asian refineries will rise in the coming months; China's oil refining throughput is expected to rise above 14.7m bbl/day in September following the start-up of new refining capacities in the country. Supply from the US will also increase as refinery operating rates there have already exceeded 90% for the first time since January 2020. European naphtha demand is strong in both the petrochemical and gasoline blendstock markets. This is likely to continue through the summer as the warmer weather spurs driving demand. Asian ethylene-naphtha spreads are weakening due to the start-up of new crackers in South Korea, but naphtha demand will remain strong if operating rates do not fall too low. However, if the Asian LPG-naphtha spread falls below -$60/tonne, naphtha demand could be

negatively impacted as dual-feed crackers will be more likely to switch to liquefied petroleum gas (LPG) as the preferred feedstock.

By **Ajay Parmar**, ICIS senior analyst

ICIS Butadiene Outlook

The North American butadiene (BD) market, including Mexico, will continue to be short in 2021, with the shortage of BD set to increase slightly year on year, reaching about 170,000 tonnes/year. While Canada's stand-alone BD extraction plant structurally supports the US' needs, outside the region Brazil and Europe will remain the main sources both for the US and Mexico. ICIS estimates new passenger car and light truck sales in the US will increase to between 16.9m and 17.5m units throughout 2021, up from about 14.5m in 2020.

In 2021, European demand is projected to rise by about 12% year on year, but production should increase by about 6% based on ICIS projections. As a result, net exports will decrease, likely dropping to around 240,000 tonnes/year, with northeast Asia reducing total imports from Europe.

Asian BD production is forecast to increase by about 10% to 7.7m tonnes in 2021, but underlying demand should rise by about 6% to 8m tonnes. Consequently, net imports will fall below 400,000 tonnes/year. Additional capacity is expected to be installed only in Asia this year, with China being the major contributor. Total Asian capacity is set to reach 9.7m tonnes/year, up about 1m tonnes/year from 2020.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

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