Polybutadiene Rubber (Asia-Pacific)

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

OVERVIEW

- **Cost pressures mount on sellers**
- **Some firmer buying indications heard**
- **Demand concerns still prevalent**

Sentiment is mixed in the Asian spot import market for polybutadiene rubber (PBR).

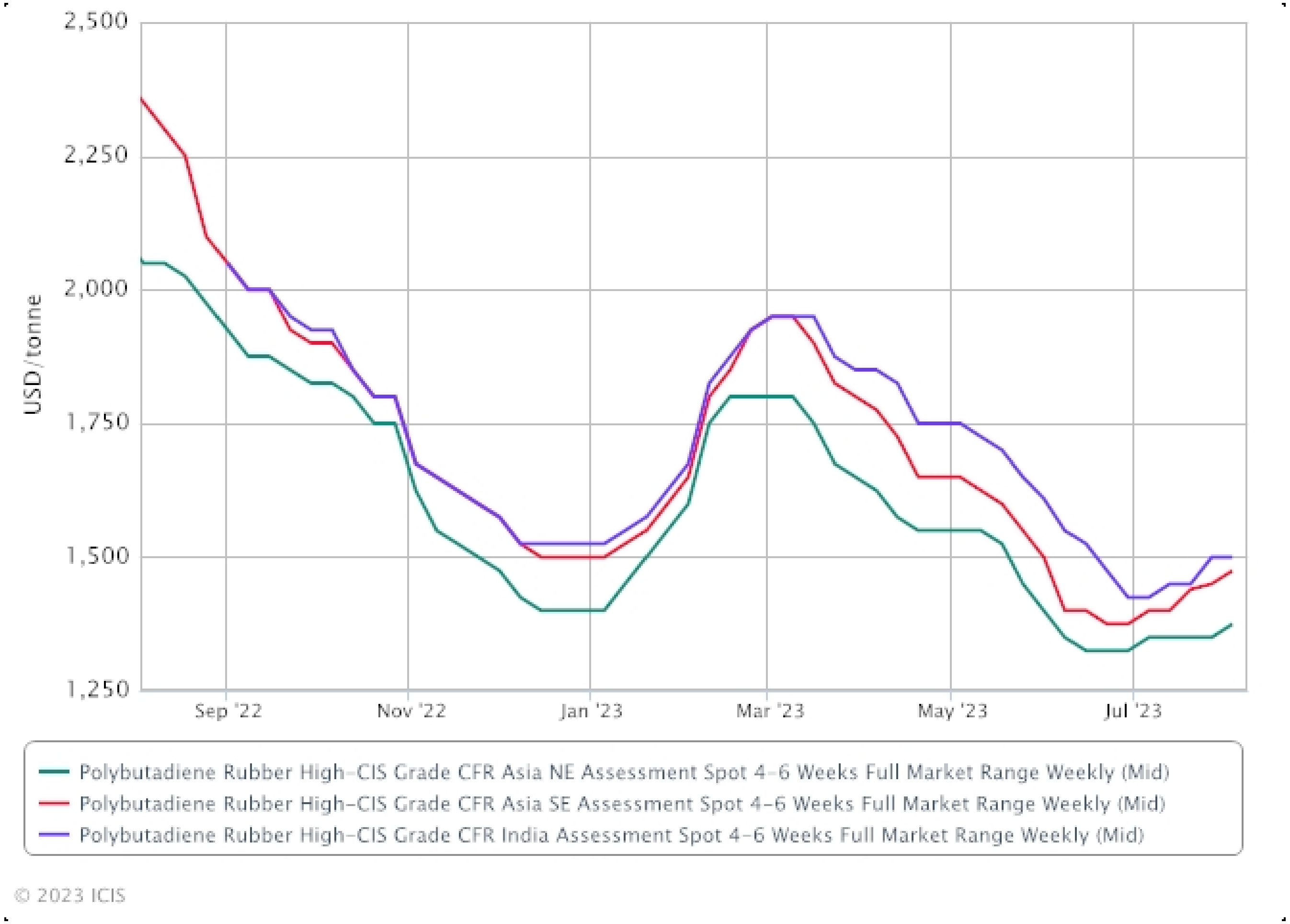
On the sell side, regional producers mull higher offers to recoup rising upstream costs and protect frail margins. Or minimally, sellers would not hand out fresh discounts to induce buying, market players said.

Sellers were also seemingly more confident that buyers' resistance may be waning, as they believe PBR inventories among end-users must have run low by now, and that end-users would therefore have to procure soon to avoid disrupting ongoing production.

However, buy-side elements have a different view. While some did pay more to book limited top-up volumes, majority of end-users held back procurement, saying that there were as yet no concrete sign that downstream demand recovery is forthcoming.

Such reservations were accentuated as China’s Caixin PMI reading for July fell back into the contraction zone.

The Chinese government's latest announcement of fiscal stimulus plans did not boost sentiment among buyers too. Market players said that fuller details of the measures were still hazy and it remains to be seen how these could spur PBR consumption.



OUTLOOK

- **Upcoming offers to tap upstream strengths for support**
- **Players to monitor impact of China's fiscal stimulus**
- **Macroeconomic uncertainties to weigh on sentiment**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1750.00-1950.00	+50	1750.00-1970.00	79.38-88.45
CFR Asia SE	USD/tonne	n/c	1850.00-2000.00	+50	1850.00-2000.00	83.91-90.72
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1350.00-1400.00	n/c	1300.00-1400.00	61.24-63.50
CFR Asia SE	USD/tonne	+50	1450.00-1500.00	n/c	1350.00-1450.00	65.77-68.04
CFR India	USD/tonne	n/c	1450.00-1550.00	n/c	1400.00-1450.00	65.77-70.31

Northeast Asia

High-cis

The low end of CFR NE Asian assessments is lifted, as buying indications in China for imports rose with firmer domestic values.

Domestic prices in east China spiked, not just due to upstream butadiene price increases, but also because the recent launch of a new PBR futures on the Shanghai Futures Exchange boosted trading momentum in the physical market, market sources said.

Price (CNY/tonne)	This week’s close	Previous week’s close
E China Ex-Warehouse	11,100-11,300	10,600-10,900

Low-cis

The high end is up with firmer selling indications, but the low end was kept unchanged in the absence of any concrete buy-side interest.

Southeast Asia

High-cis

CFR SE Asian prices were assessed in a narrower range, based on discussions and deals heard.

Offers were at the high end and above for Asia-origin materials, and market sources said that firmer buying indications also emerged, which formed the low end.

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

Aug (1-3) 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023

130.18	131.31	133.48	136.34	136.27	135.03	140.11	140.11

Low-cis

The high end tracks firmer selling indications. Buy-side response is thin, due to a lack of concrete requirements, and the low end is rolled as such.

India

The CFR India assessment held steady, taking into consideration of limited deals for some Asian-origin materials at the low end.

Offers were heard at the high end and above.

Prevailing downstream operations are subdued, in part due to the ongoing monsoon and weather, and market players said that this weighed on buying appetite for fresh imports.

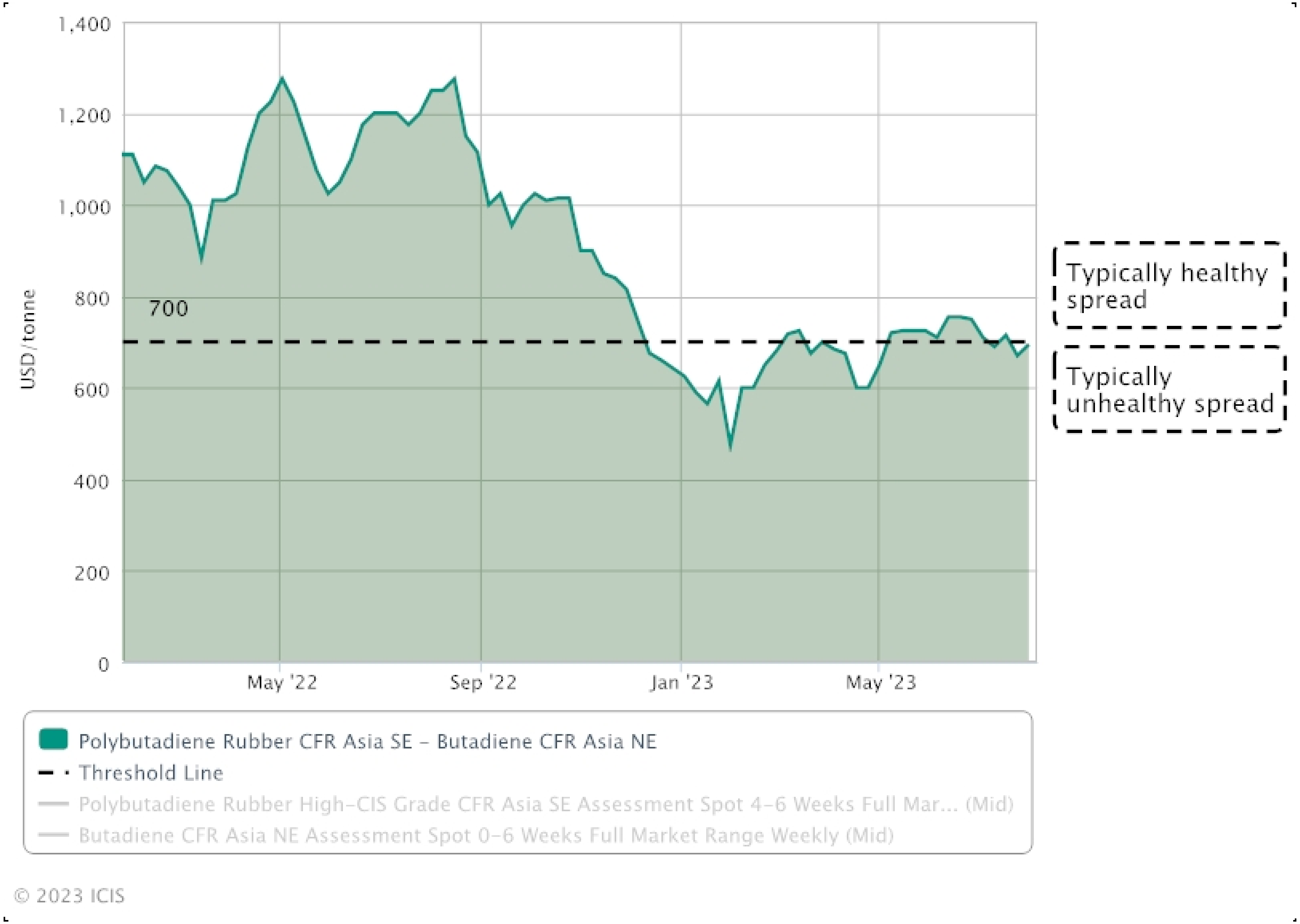
UPSTREAM

Butadiene

- Sellers’ sentiment up with domestic China buoyancy
- China remains main buying support for imports
- Muted buy-side response in wider Asia

The chart below shows the spread between butadiene and PBR prices.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

A 50,000 tonne/year unit in Taiwan will restart in early August from a month of maintenance.

A 60,000 tonne/year unit in Taiwan is shut for maintenance until mid-August.

ANALYTICS

ICIS Crude Outlook

Total OPEC+ crude oil production averaged 28.2m bbl/day in June, over 100,000 bbl/day higher month-on-month. Output from Iran and Iraq mainly increased, but production from Angola fell. Global supply is forecast to decrease by more than 1m bbl/day in July and August as Saudi Arabia implements deeper cuts, with crude output expected to hit a two-year low of around 9m bbl/day. There were signs that Russian crude oil shipments fell in July as seaborne exports declined by over 13% to about 3.2m bbl/day from about 3.7m bbl/day in April and May, indicating that it has started to reduce supply to the market. China and India have imported record volumes of crude from Russia as they take advantage of cheap flows to build up stockpiles.

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

ICIS Naphtha Outlook

A rise in crude oil values led by a deep production cut from OPEC+, supply disruptions, elevated seasonal demand and an open arbitrage, lent significant support to European naphtha in July. However, northwest Europe naphtha cracks have remained under pressure from reduced cracker run rates and limited demand growth. In a similar situation to Europe, naphtha prices in Asia found support from higher crude oil values and reduced Russian exports in July, although cracks saw increased volatility by moving from a double-digit discount to a premium. An open arbitrage to West Africa and Asia and firming gasoline and gasoil cracks also helped to support the feedstock.

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