Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
05-Jan-2023

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

OVERVIEW

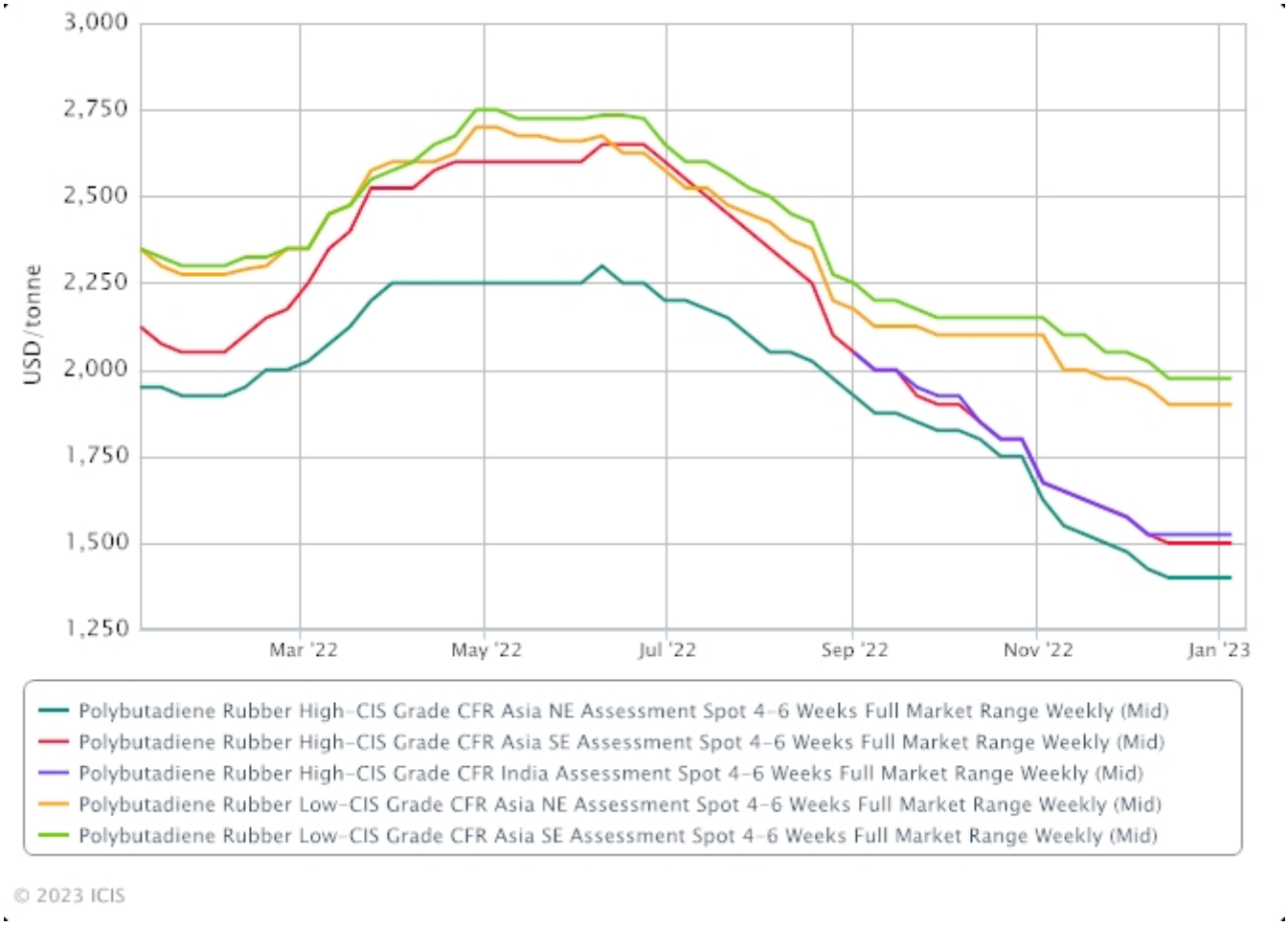
- **Discussions muted in short trading week**
- **Upstream strengths lend support to offers**
- **Buyers remain in wait-and-see mode**

Asia's spot market for polybutadiene rubber (PBR) was quiet in a short trading week, and market players expected discussions to pick up more pace only in the coming week when more traders return to work.

Available offers on Asia-origin materials were mostly rangebound this week, but some sellers are heard mulling higher targets if recent gains in the upstream butadiene market widen further.

However, uncertainties prevail on the demand front, especially on the pace of recovery in China. Notwithstanding some optimism that downstream operations could pick up once the current COVID-19 wave in China eases, players were generally of the view that this process would take time and could kick in only perhaps after the upcoming Lunar New Year holidays are over in February at the earliest.

Until there is clarity about the situation in China, regional end-users are likely to keep spot procurement to a minimum and only on a need-to basis, and this could continue to weigh on buying indications as such, market sources said.



OUTLOOK

- **Supplies may tighten with an upcoming turnaround**
- **Automotive sector growth prospects to impact demand**
- **Macroeconomic uncertainties may 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	1850.00-1950.00	n/c	1850.00-2050.00	83.91-88.45
CFR Asia SE	USD/tonne	n/c	1950.00-2000.00	n/c	1950.00-2100.00	88.45-90.72
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1350.00-1450.00	n/c	1350.00-1500.00	61.24-65.77
CFR Asia SE	USD/tonne	n/c	1450.00-1550.00	n/c	1450.00-1600.00	65.77-70.31
CFR India	USD/tonne	n/c	1450.00-1600.00	n/c	1450.00-1600.00	65.77-72.57

Northeast Asia

High-cis

CFR NE Asian assessments were kept unchanged in the absence of concrete discussions, with rangebound indications in a thinly-discussed week.

In China, domestic yuan-denominated prices for PBR started the week on a softer note, due to lacklustre downstream buying tempo, but recovered some lost grounds at the end of the trading week, tracking upstream increases.

Price (CNY/tonne)	05 Jan '23	22 Dec '22
E China Ex-Warehouse	10,400-10,500	10,200-10,600

Low-cis

CFR NE Asian assessments were unchanged amid muted discussions.

Southeast Asia

High-cis

CFR southeast Asian assessments were also rolled, taking into account range-bound indications for various Asia-origin materials.

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

Jan (1-5) 2023	Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022
134.43	135.03	127.32	130.52	134.12	149.74	158.83

Low-cis

CFR SE Asian assessments were kept unchanged in a thinly-discussed week.

India

The CFR India assessment for high-cis PBR were flat, on rangebound deals and discussions.

Some buyers continued to stay away, citing availability of cheaper deep-sea alternatives.

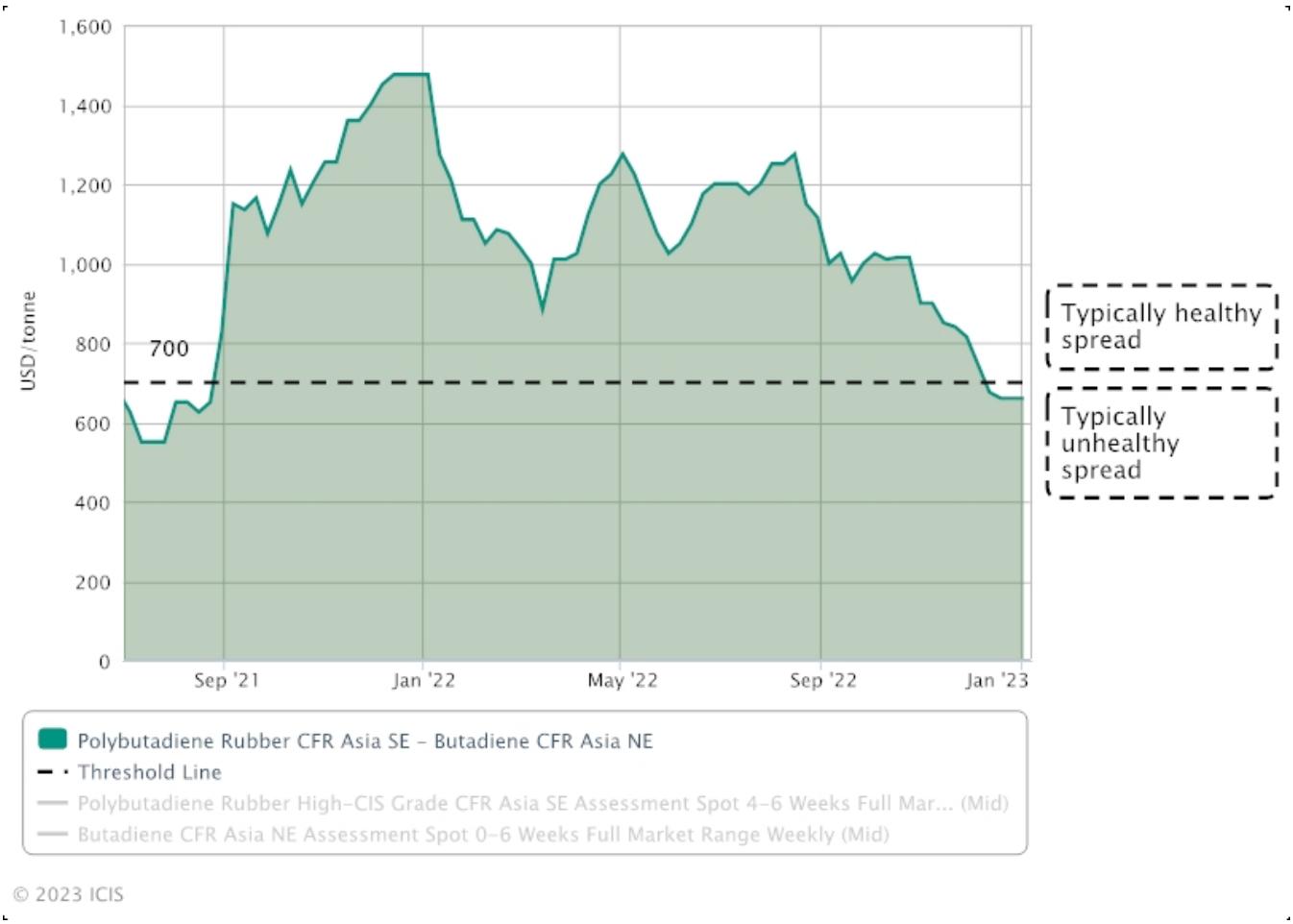
UPSTREAM

Butadiene

- Mixed sentiment persists
- Discussions see support from spot supply constraints
- But trades curbed by demand headwinds

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

Downstream spread – butadiene NE Asia and PBR SE Asia



ANALYTICS

ICIS Crude Outlook

OPEC+ is standing by its decision to cut oil production quotas by 2m bbl/day, while actual production volumes in November dropped 720,000 bbl/day from October - well below the cartel's target. The EU ban on oil purchases from Russia went into effect on 5 December, although its impact has been muted as Russia has had time to find alternative buyers. Between 1-20 December, Russian seaborne volumes were 11% lower than during the same period in November. In terms of demand, China's recent decision to relax its zero-COVID policy should stimulate demand from 2Q, but a transition to pre-COVID-19 movement and seasonally low demand ahead of the Chinese New Year will keep consumption restrained during Q1. Overall, global economic growth is still expected to be subdued in 1H 2023, as the combined effect of high energy prices, increasing inflation and rising interest rates will weigh on oil demand.

By **Ally Kirk**, senior analyst and global team lead, ally.kirk@icis.com

ICIS Naphtha Outlook

Naphtha cracks in Europe fluctuated between positive and negative territory in December. In the US, strong margins for middle distillates and increased refinery output buoyed supply, although US refiners may see an opportunity to send naphtha to Europe in the months ahead as EU sanctions on Russian products will come into force on 5 February. Chinese refiners targeted higher exports for gasoline and diesel in December, although these volumes are expected to fall in the coming months as domestic demand picks up. Demand from petrochemicals in China is expected to increase after the Lunar New Year, if the government shifts its focus to economic growth, as anticipated.

By **Ally Kirk**, senior analyst and global team lead, ally.kirk@icis.com

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