Polybutadiene Rubber (Asia-Pacific)

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

OVERVIEW

- **High-cis prices fall in NE Asia on weak domestic China**
- **High-cis steady in SE Asia on unchanged fundamentals**
- **Low-cis talks muted on year-end trade lull**

Asian spot discussions for the high-cis polybutadiene rubber (PBR) grade fell in northeast Asia, dragged down by losses in the domestic yuan-denominated market in China.

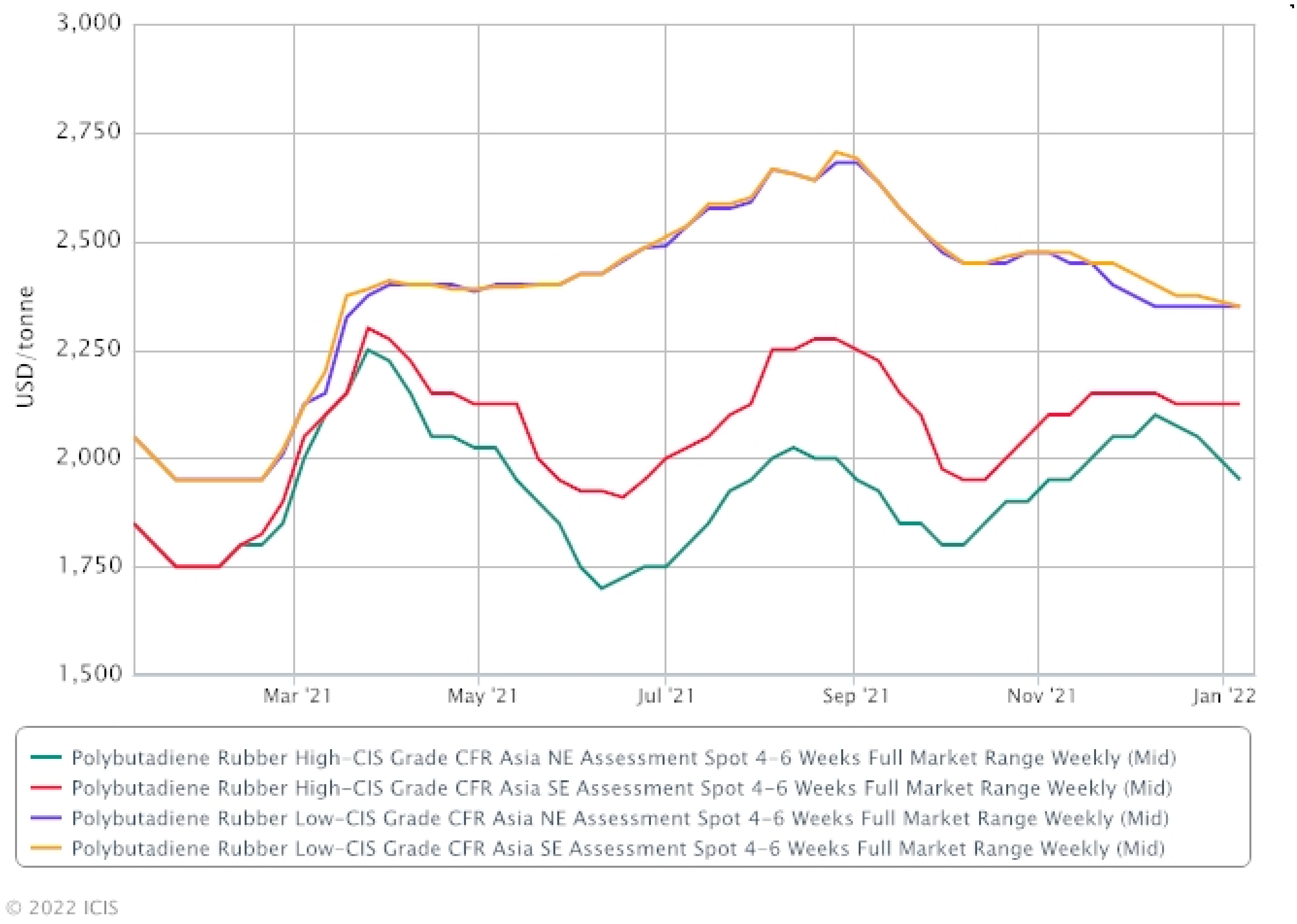
However, high-cis discussions were broadly rangebound in southeast Asia, supported by limitations in spot availability.

In China, sentiment was weighed down, not only from a persistent yuan-denominated downtrend in both upstream butadiene (BD) and other synthetic rubber grades, including PBR, but also from downstream operations that have been curtailed by tighter anti-virus controls imposed in various cities.

In southeast Asia, high-cis discussions saw more support from supply limitations, as regular suppliers were unable to step up spot sales due to low inventories.

Import offers broadly held firm, notwithstanding a muted response from buyers, many of whom are either not back from year-end holidays, or inclined to go slow when entering into fresh negotiations.

Trade discussions for February shipment are expected to pick up more pace in the coming weeks, market players said.



OUTLOOK

- **Supply may remain snug in near term**
- **Demand growth to hinge on virus situation**
- **Macroeconomic outlook fraught with uncertainty**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2300.00-2400.00	n/c	2300.00-2400.00	104.33-108.86
CFR Asia SE	USD/tonne	-50	2300.00-2400.00	n/c	2350.00-2450.00	104.33-108.86
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-100	1900.00-2000.00	-100	2050.00-2150.00	86.18-90.72
CFR Asia SE	USD/tonne	n/c	2100.00-2150.00	n/c	2100.00-2200.00	95.25-97.52

Northeast Asia

High-cis

The CFR northeast Asian assessment for high-cis materials fell, taking into consideration lower buy-sell indications for cargoes to various northeast Asian destinations, including China.

Demand for China-bound shipments was weak as buyers were amply supplied by competitively-priced domestic material.

Domestic prices in east China fell, tracking recent accumulative losses in the upstream BD market.

Price (CNY/tonne)	**06 January**	**23 December**
E China Ex-Warehouse	13,500-13,700	14,200-14,400

Low-cis

CFR northeast Asian prices were rolled over in the absence of any concrete discussions.

Suppliers were heard looking to move cargoes further afield, such as the Middle East, the US and Europe, where demand and pricing are relatively more attractive than in Asia.

Southeast Asia

High-cis

The CFR southeast Asia assessment was rolled over, taking into account range-bound buy-sell indications.

Some transactions also materialised within the published range, market sources said.

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

Jan (1-6) 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
176.008	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

The CFR southeast Asia assessment for low-cis material widened, with the low end dropped in line with softer buying indications heard.

However, import offers from regular suppliers held steady, and the high end was kept unchanged.

There were limited substantive discussions amid the wider buy-sell gap.

India

In India, discussions were mostly rangebound, with some Asia-origin cargoes heard concluded for January shipment at the low-to-mid $2,000s/tonne CFR India.

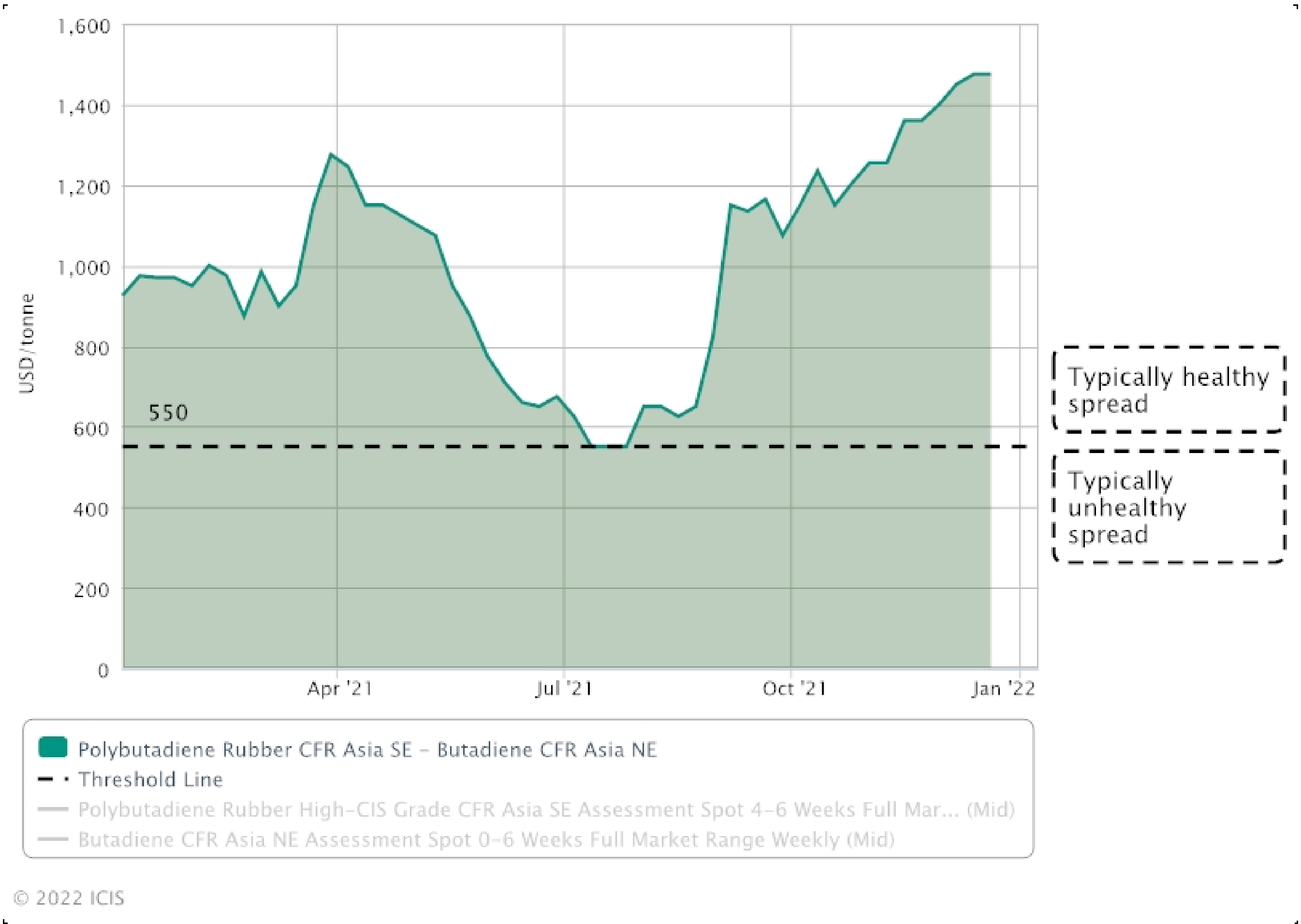
However, because shipment delays are still frequent, many local end-users were heard reluctant to commit to imports, turning instead to procuring from the domestic supply pool. Buying appetite was also dampened by uncertainty about the macroeconomic environment.

UPSTREAM

Sentiment for Asian **BD** spot discussions remained weighed down by lukewarm buying in an over-supplied market.

The chart below shows the spread between BD and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates at PBR plants held steady at 83% for the week ended 31 December, unchanged from the week prior, market sources said.

Elsewhere in Asia, most operating plants were heard running at high rates, not just to meet prompt sales but also to rebuild inventories to more healthy levels, market sources said.

ANALYTICS

ICIS Crude outlook

OPEC+ will continue with releasing an extra 400,000 bbl/day in February. In addition, the US will release 50m bbl of crude reserves, as a co-ordinated effort with other crude importing nations to counter high crude prices. Overall oil demand is strong, but the spread of the Omicron coronavirus variant has led to concerns over future oil demand. While the outbreak in Europe seems to be under control, oil demand could be under threat should there be additional restrictions imposed in other major oil importing regions. Additionally, US (and global) inflation continues to rise, with November's consumer price index up 6.8% year on year. The US Fed is also likely to increase interest rates three times in 2022 to counter this inflation. This will substantially reduce global GDP growth and will also make crude more expensive for buyers, reducing overall crude demand.

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ICIS naphtha outlook

The European naphtha crack decreased by 4% in December month on month due to concerns over rising coronavirus infection rates across Europe. Concerns exist over future naphtha demand in the gasoline blending pool, due to recently imposed restrictions and lockdowns in a number of European countries. However, Asian naphtha demand is expected to continue to grow beyond the short term, spurred by new ethylene capacity coming on line in the region this year and in 2023. While much of this extra demand will be sourced from increasing domestic supplies, any additional required imports will be sourced from the West and Middle East – the latter saw a 10% increase in monthly exports to Asia in 2021 vs 2019 (currently at 3.5m tonnes/month), and is poised to further plug this gap as additional refining capacity will come on line in the Middle East in the coming years.

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