ICIS
Independent Commodity
Intelligence Services

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.

All prices in the weekly analysis on 13 May will be based on information collated up to 12 May. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Discussions muted amid holiday lull**
- **High-cis flat but low-cis stable-to-firm**
- **Demand sentiment mixed**

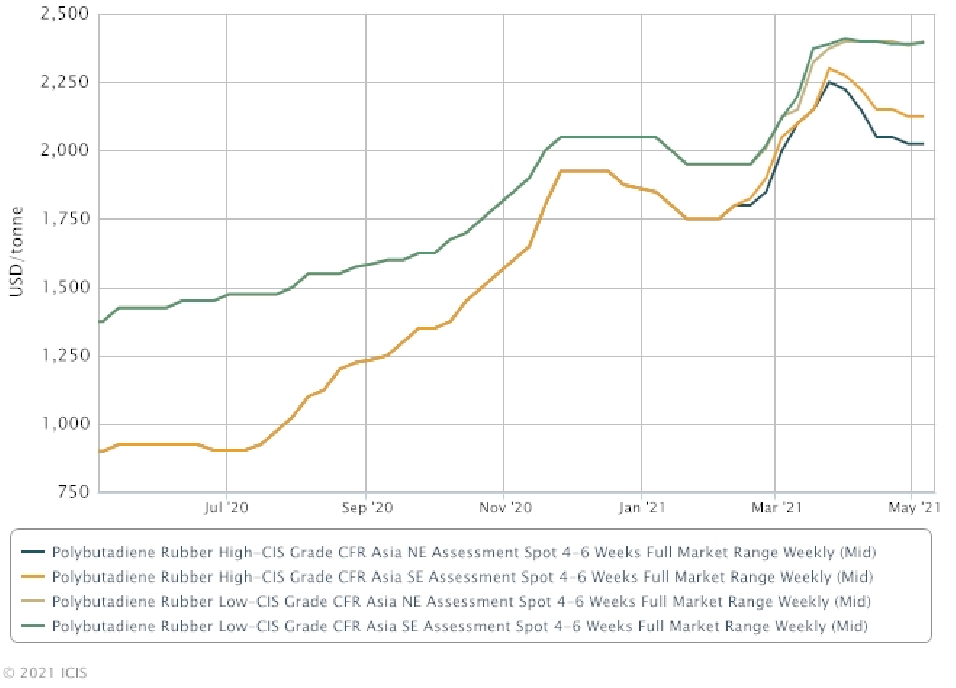
Discussions in Asia's polybutadiene rubber spot market were thin amid extensive holiday closures in the week.

Assessments for high-cis material held steady on rangebound talks, while those for low-cis materials were stable-to-firm on limited deals heard.

Demand sentiment is mixed between the two grades, contingent on their respective downstream applications.

For low-cis materials, which goes more heavily into the production of white goods, market players said that off-take is healthy, supported by a seasonal spike in requirements for appliances like air-conditioners.

But for high-cis materials, which are typically used more in manufacturing of heavy commercial vehicles, the demand outlook has dimmed somewhat as commercial vehicle sales in India are slowing down amid an onslaught of a second coronavirus wave.



OUTLOOK

- **Supply may expand once more turnarounds are completed**
- **Coronavirus worries will continue to weigh on sentiment**
- **Buying momentum may taper**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2350.00-2450.00	+30	2350.00-2450.00	106.59-111.13
CFR Asia SE	USD/tonne	n/c	2350.00-2440.00	+10	2350.00-2450.00	106.59-110.68
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2050.00	n/c	2100.00-2200.00	90.72-92.99
CFR Asia SE	USD/tonne	n/c	2100.00-2150.00	n/c	2150.00-2300.00	95.25-97.52

Northeast Asia

High-cis

CFR northeast Asia assessments for high-cis materials were kept unchanged, in the absence of any substantive discussions heard.

China and Japan were both shut for holidays between 1 and 5 May.

Domestic China prices rebounded on 6 May as restocking purchases picked up pace post holiday.

East China Domestic PBR Prices Ex-Warehouse (CNY/tonne)

06 May	29 Apr	22 Apr	15 Apr	8 Apr	1 Apr	25 Mar	18 Mar
11,700-12,050	11,500-11,800	12,000-12,200	12,700-12,800	13,200-13,400	13,300-13,500	13,400-13,500	13,500-13,600

Low-cis

CFR northeast Asian assessments for low-cis materials were stable to firm, with the high-end lifted to capture the full range of deals and offers heard.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were also rolled over on range-bound talks.

The high end tracks the lowest offer heard, while buying indications were heard capped at the low-end.

However, some sellers remained confident that their offers at levels above the published range were not be rebuffed, as spot availabilities are not abundant to begin with.

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

May (1-6) 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020
169.54	164.72	175.25	169.16	158.40	157.61

Low-cis

CFR SE Asian assessments for low-cis PBR materials were stable-to-firm, with the high end lifted in line with deals heard.

India

Discussions are muted in India, and spot trade liquidity curbed by wide buy-sell gap.

Asia-origin materials were heard indicated at minimally $2,200/tonne CFR India, but potential buyers were heard unwilling to pay more than low $2,000s/tonne CFR India, similar to what they claimed they could purchase deep-sea origin materials at.

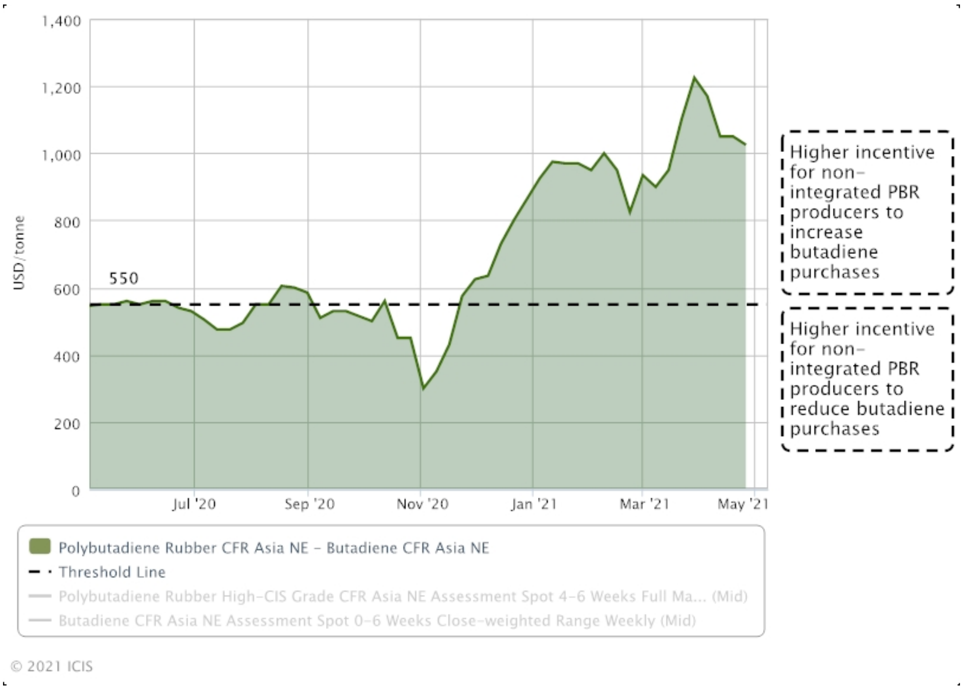
However, availability of deep-sea origin cargoes is limited in the first place, given reduced operations in Europe, market players highlighted.

UPSTREAM

Asian **butadiene** market was flat, and outlook is [unclear] on a wide buy-sell gap.

The chart below shows the spread between butadiene and PBR.

[Downstream spread – butadiene and PBR NE Asia]



PRODUCTION

In China, average operating rates at its PBR plants rose to 68% for the week ended 30 April, up from 64% in the week prior, as a 50,000 tonne/year plant restarted from servicing.

However, at least 400,000 tonnes/year worth of PBR production capacity in China remains shut currently for servicing and repairs.

ANALYTICS

ICIS Crude Outlook

The price of Brent fell in April, primarily due to a more bearish demand outlook after several major European countries such as Italy, Germany and France, as well as India, announced fresh lockdown measures. Looking forward, at least some European lockdowns are expected to remain in May, which will somewhat delay the recovery in demand. In India, a major importer of oil, coronavirus cases are rising rapidly, which is likely to cause regional demand for oil to decrease. ICIS expects oil demand to recover at a higher rate in June, when it is expected that most countries will aim to remove major restrictions. On the supply side, OPEC+ will begin tapering its oil production cuts in May, with a total of 650,000 bbl/day of tapering expected in May and June respectively, and 850,000 bbl/day in July, equating to 2m bbl/day extra oil in the market by July. While this is a significant rise in oil supply, this additional production will arrive during a period where demand is also expected to increase significantly, and therefore the market should remain in balance.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Naphtha Outlook

The price of naphtha fell in April, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May, compared with February. This will prompt additional imports from the West to maintain supply to the region. After the Suez Canal blockage reduced West-East naphtha transfers in April, ICIS expects them to exceed 2 million mt in May. The European LPG-naphtha spread has reached its lowest point since mid-2020, with -$112/tonne recorded in mid-April. This is primarily due to warmer weather in Europe reducing the demand for LPG heating. ICIS expects that the spread will narrow slightly over the coming months; however, the overall spread will remain strongly negative until the end of the summer season.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS Butadiene Outlook

In the short term, the US BD market is likely to have healthy demand and tight supply. Nevertheless, pressure might be eased by extremely challenging times for the auto industry. Apart from the coronavirus pandemic, which has affected vehicle sales, the shortage of semiconductors is forcing several automakers to limit production. This situation has prompted US President Biden to call a summit to try resolve the global chip crisis. ICIS foresees demand for new passenger cars and light trucks in the US will increase to between 15.9m and 16.5m units in 2021.

European BD consumption is expected to remain good in Q2, even though there are mixed sentiments. In April, European demand for new vehicles is projected to be adversely affected by prolonged lockdowns across many countries. In addition, several automakers are planning to reduce or halt production at their plants over the next few weeks due to a semiconductor supply shortage. ICIS projects a rise in passenger car sales in 2021, with the vehicle market picking up in H2 2021. European sales might increase between 3% and 8% compared with 2020, but new registrations will remain below 13m units this year.

The Chinese BD market fundamentals are predicted to remain firm throughout 2021 amid a GDP growth forecast of 8.4% for China, according to the IMF. Vehicle sales should surpass pre-pandemic levels this year. Buoyant domestic demand alongside new incentive package to stimulate car sales in rural areas are expected to sustain the auto industry. Three new BD projects are scheduled to come on stream in Q3 2021. Overall, Zhejiang Petrochemical, Fujian Gulei and Shandong Shouguang Luqing will produce 420,000 tonnes/year of BD at full capacity.

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