



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

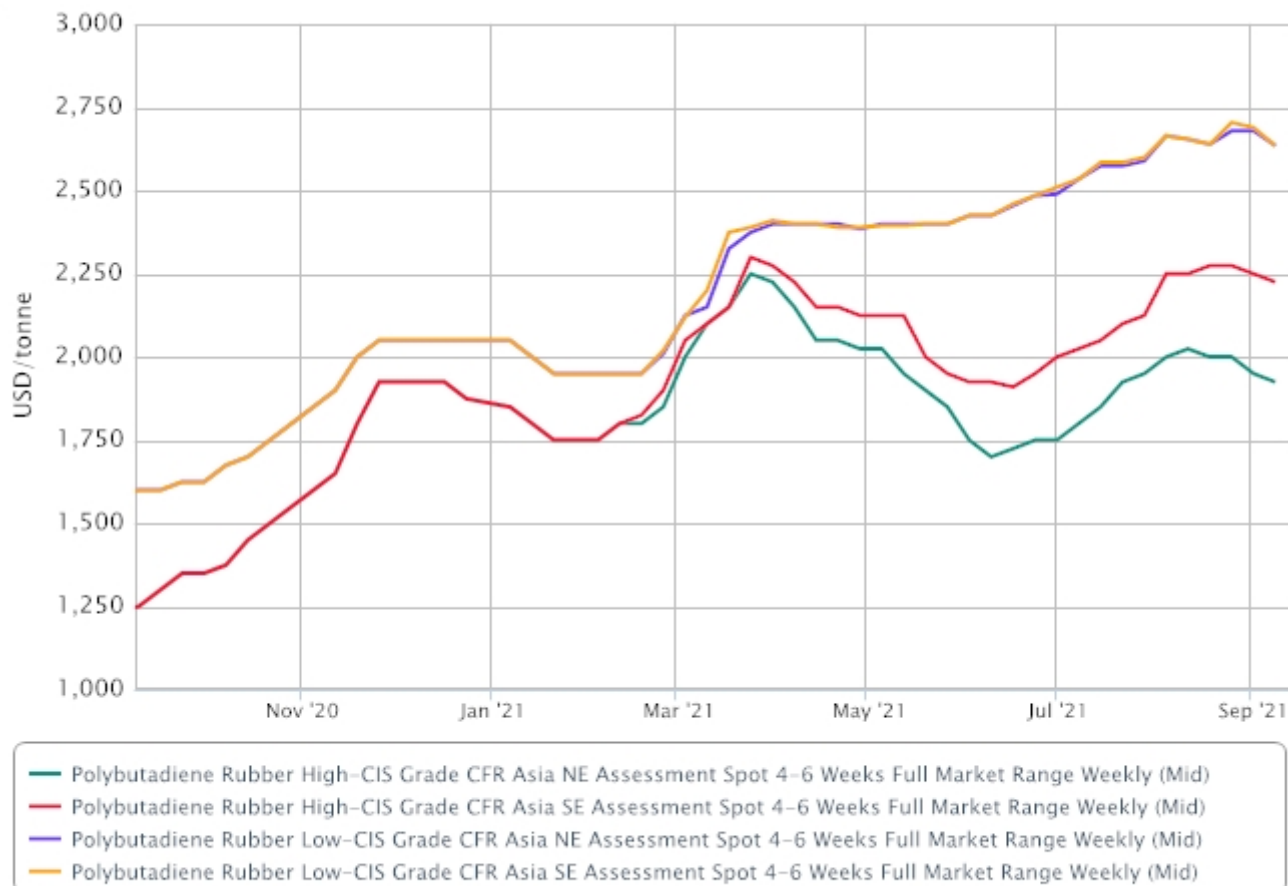
- **Low-cis prices down**
- **High-cis discussions also falter**
- **Bearish demand sentiment**

Asian spot prices for polybutadiene rubber were mostly stable to soft, as buying interest for all grades dimmed, with sharp upstream losses and [slow](#) downstream offtake in southeast Asia.

Buyers held back from fresh talks, in anticipation that offers will soften even more in coming weeks, if the feedstock butadiene markets fail to recoup the hefty losses seen in the prior week.

While some sellers did moderate offers to some extent, to bridge a widening buy-sell gap, most were heard unwilling to price down more on consideration that spot availabilities are limited to begin with in view of upcoming turnarounds.

Furthermore, with [freight costs](#) still spiralling up, sellers said that these will serve to dilute any cost savings or advantages that the recent declines in upstream values ought to have brought about.



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OUTLOOK

- Pandemic worries will weigh in on SE Asian demand
- China exports may rise with poor domestic sales
- Indian demand monitored

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-60	2600.00-2670.00	-30	2630.00-2680.00	117.93-121.11
CFR Asia SE	USD/tonne	-80	2600.00-2670.00	-30	2630.00-2680.00	117.93-121.11
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1850.00-2000.00	n/c	1950.00-2100.00	83.91-90.72
CFR Asia SE	USD/tonne	-50	2150.00-2300.00	n/c	2200.00-2300.00	97.52-104.33

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis materials widened, reflecting bearish buy-side sentiment.

In China, losses in the domestic yuan-denominated market continue to weigh in on buying interest for US dollar denominated imports.

Domestic China prices fell with sharp declines in yuan values for feedstock butadiene.

East China Domestic PBR Prices

Price (CNY/tonne)	9 September	2 September
E China Ex-Warehouse	13,300-13,500	13,600-13,800

Low-cis

CFR northeast Asian prices for low-cis materials fell on softer pricing indications heard.

Buying indications were capped at the low-end while the high-end tracked the lowest offers heard.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials were assessed in a wider range, with the low end dropped in line with lower buying indications.

Offers were heard broadly stable at the higher-end of the published range.

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

Sep (1-9) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2 020	Oct 2020	Sep 2 020
162.7	172.6	164.3	164.5	169.0	164.7	175.2	169.1	158.4	157.6	156.5	152.3	136.8
3	7	2	1	9	2	5	6	0	1	0	1	5

Low-cis

CFR southeast Asian prices for low-cis materials were assessed down on lower discussions heard.

Buying indications were capped at the low end while the high end tracked the lowest offers heard.

India

Some Asia-origin high-cis PBR cargoes were heard sold to India for late September shipment at low-to-mid \$2,300s/tonne CFR India.

Offers were heard at about \$2,350/tonne CFR India for a mix of cargoes from Asia and deep-sea origins.

While demand fundamentals were heard generally positive, as downstream factories in the country have mostly resumed full operations, buyers were heard slowing down on import bookings, in part due to anticipations that offers may soften more in due course should upstream pricing conditions continue to weaken.

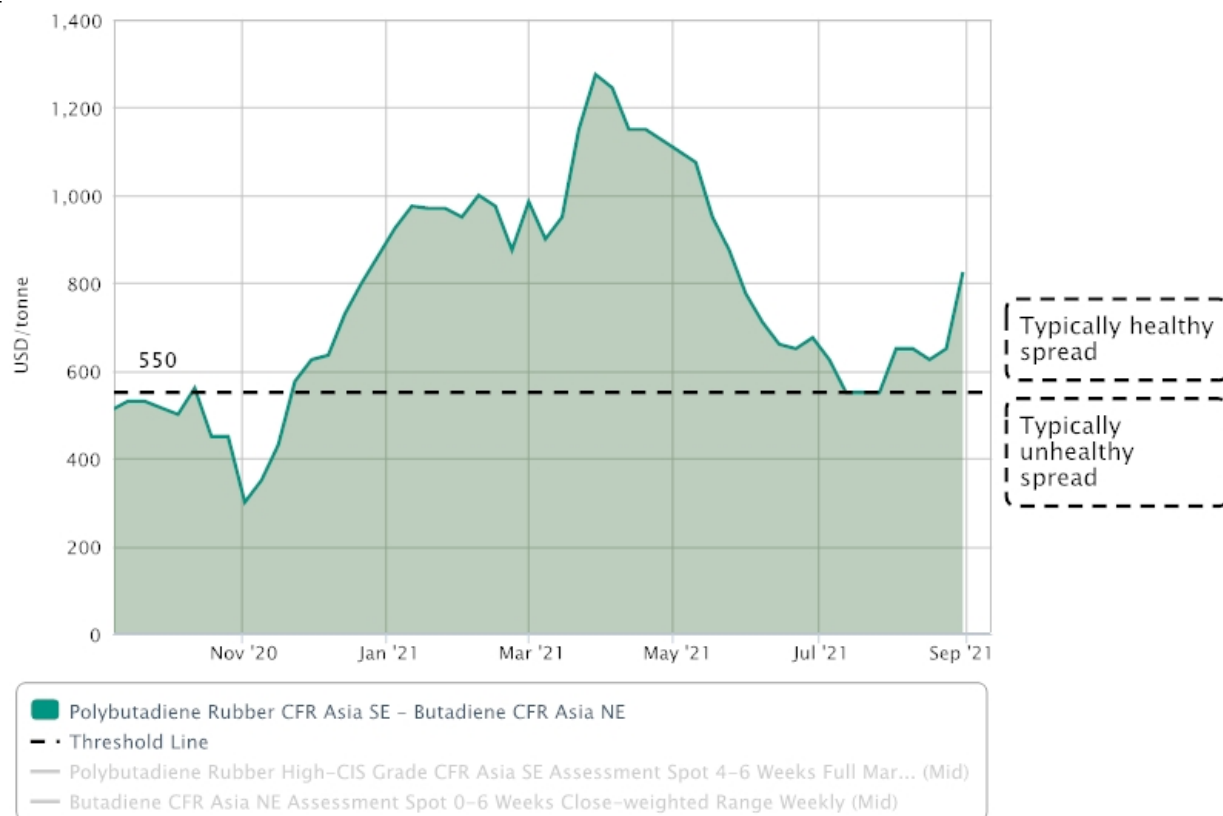
But from the sellers' perspectives, most were heard not inclined to widen discounts, citing need to cater for increases in other operational costs, particularly those pertaining to freight.

UPSTREAM

Asian butadiene spot discussions turned [bearish](#) as regional demand is hit by continuing COVID-19 pandemic.

The chart below shows the spread between butadiene and PBR.

[Downstream spread – butadiene NE Asia and PBR SE Asia](#)



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PRODUCTION

In China, average operating rates at its PBR plants rose marginally to 73% for the week ended 3 September, compared to 72% for the week prior, market sources said.

A major 70,000 tonnes/year plant in Shandong, China, is scheduled [to return](#) from maintenance in H2 September.

Outside of China, PBR supplies are poised to tighten on upcoming [turnarounds](#) in Korea.

ANALYTICS

ICIS Crude Outlook

OPEC+ will continue their programme of tapering output cuts by adding 400,000 bbl/day each month until the end of the year. In the near term, the high likelihood of hurricanes during September and October may lead to production issues in the US. This disruption could lead to millions of barrels per day in production outages, as seen earlier this year. On the demand side, vaccination programmes are expected to continue to be successful, particularly in the US, China and Europe. However, demand going forward is expected to fall in Q4 compared with the summer, as the driving season ends. Future oil demand is also under threat from rising COVID-19 cases in Europe and southeast Asia. If cases continue to rise, new restrictions may be imposed, which could limit demand growth during a period of rising supply. Additionally, concerns have recently risen over the US Federal Reserve potentially ending their asset purchase programme earlier than expected, which could prompt bearish sentiment for commodity and financial markets if implemented.

By **Ajay Parma**, Senior Analyst; ajay.parmar@icis.com

ICIS Naphtha Outlook

The price of naphtha fell in August, in line with crude. However, the European naphtha crack increased by 6% month on month due to strong demand in the gasoline blending markets. That said, gasoline demand will likely wane in Q4, which will then put pressure on the naphtha crack. If COVID-19 cases continue to rise and new restrictions are imposed in southeast Asian countries, gasoline demand may be further hampered and naphtha demand could slide in the near term. However, the European LPG-naphtha spread has reached into positive territory recently, due to high propane prices. This will firm naphtha's place as feedstock of choice for petrochemical producers for the foreseeable future. In addition, imports to Asia from Europe are likely to be constrained somewhat by high freight prices.

By **Ajay Parma**, Senior Analyst; ajay.parmar@icis.com

ICIS Butadiene Outlook

Hurricane Ida took about 20% of total US BD capacity offline and affected already constrained production, which is forecast to remain below 2020 levels. According to preliminary data, the US imported about 126,000 tonnes of BD in the first seven months of 2021, about the same amount as it imported for the whole of 2020, and there are expectations that between 200,000 and 250,000 tonnes will be imported by the end of the year. However, the US BD market is likely to be affected by vehicle production cuts. Indeed, carmakers Ford, General Motors and Nissan have slashed plant operating rates for September due to the ongoing global microchip supply shortage.

European BD producers may continue to look at the tight US market as an attractive outlet for the next few weeks. This may arise from supply disruptions due to the ongoing autumn maintenances and tropical storm-related problems. For European BD producers going forward, trading opportunities to the US are expected to be limited throughout 2022. The route to Asia appears technically closed for next year, given that European BD prices will continue to be unworkable for Asian buyers. Nevertheless, increased BD capacity worldwide will ease pressure on the European market. Apart from greenfield plants in China and South Korea, Yansab will install 136,000 tonnes/year of new capacity at Yanbu, Saudi Arabia, in 2022.

Japanese automakers are cutting domestic and global production in September in response to a persistent lack of semiconductor components. Toyota will decrease worldwide vehicle production by 40% this month. Daihatsu, a Toyota subsidiary, confirmed the closure of manufacturing plants in Osaka and Oita prefecture to mid-September. This is likely to negatively impact the domestic BD market. Based on ICIS estimations, Japanese BD production will total around 850,000 tonnes in 2021, up from 785,000 tonnes in 2020, but down from the 888,000 tonnes it produced in 2019.

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

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