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Independent Commodity Intelligence Services

Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **More spot offers from China**
- **Other sellers moderate targets to stay competitive**
- **Buyers retreat further**

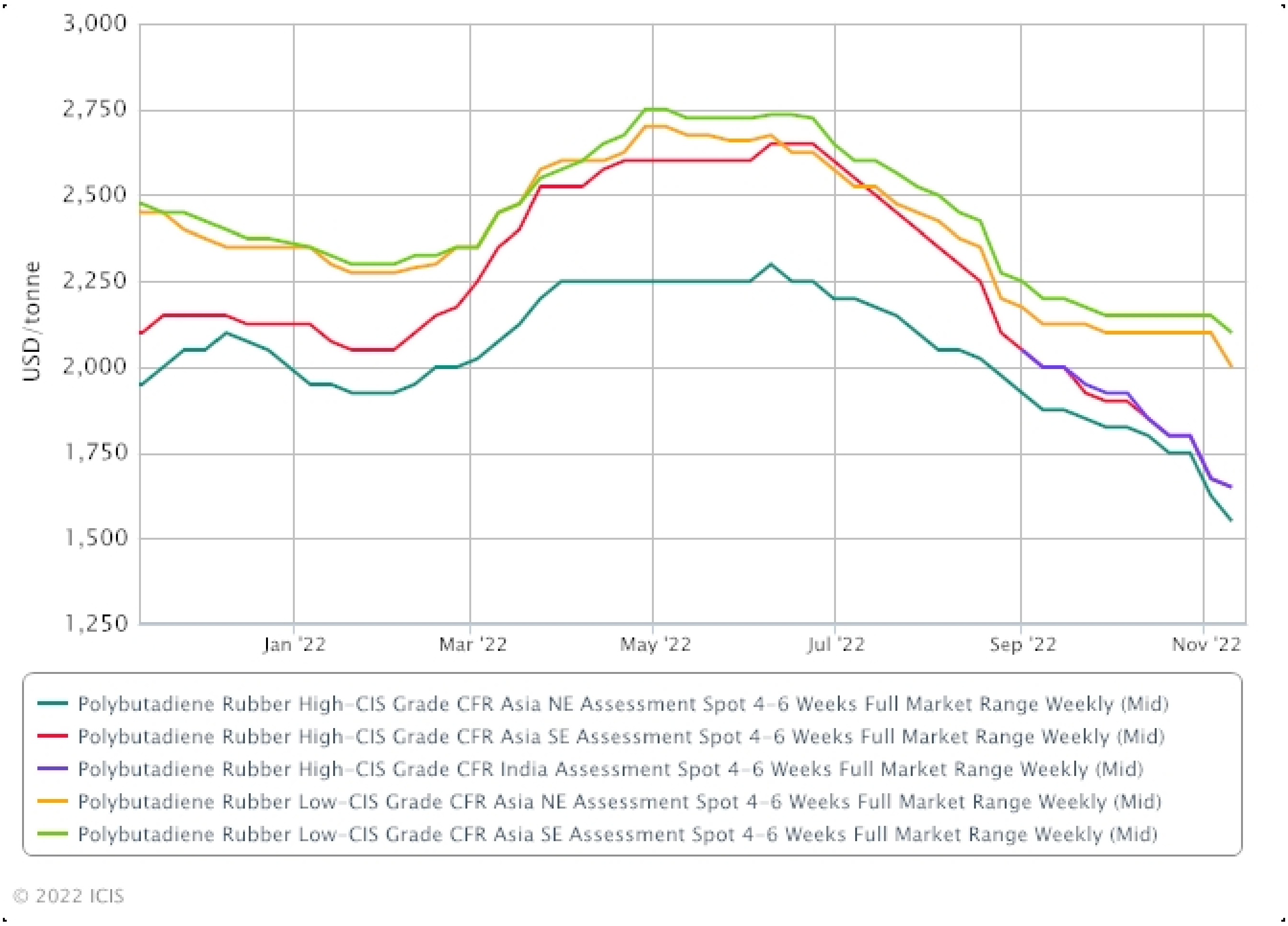
Asia's spot discussions for polybutadiene rubber (PBR) are hampered first by structurally weak demand, and then by declining offers amid stiffer competition for market share.

Domestic PBR prices in east China have slipped recently to year-low levels, which gave China's PBR makers leeway to price their export cargoes competitively compared with the prevailing asking prices from other regional counterparts.

Some other sellers in wider Asia were prompted to moderate their targets, in order to stay competitive and protect market share, market sources said.

But buying interest remained tepid, and wider buy-sell disparity developed to crimp spot trade liquidity.

With most increasingly sceptical about the likelihood that China will let up anytime soon on its zero-COVID policies, end-users remain cautious and said they would keep spot procurement to a minimum, as well as press for wider discounts.



OUTLOOK

- **Unclear as to when downstream production tempo will improve**
- **Bearish sentiment to continue**
- **Weak upstream could also crimp buying appetite**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-100	1900.00-2100.00	-100	2000.00-2200.00	86.18-95.25
CFR Asia SE	USD/tonne	-50	2050.00-2150.00	-50	2100.00-2200.00	92.99-97.52
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1500.00-1600.00	-100	1750.00-1850.00	68.04-72.57
CFR Asia SE	USD/tonne	n/c	1600.00-1700.00	-50	1800.00-1900.00	72.57-77.11
CFR India	USD/tonne	-50	1550.00-1750.00	n/c	1800.00-1900.00	70.31-79.38

Northeast Asia

High-cis

CFR NE Asian assessments fell with lower discussions and deals for shipment to diverse NE Asian destinations.

The low end tracks indications for China-bound shipments, while some cargoes changed hands at the high end for delivery to other NE Asian outlets.

Meanwhile, domestic prices in China recovered some lost ground in the week, with some restocking activities.

Price (CNY/tonne)	10 Nov	3 Nov
E China Ex-Warehouse	11,000-11,500	10,900-11,300

Low-cis

Discussions were muted as some regular sellers exited the market, citing difficulties in engaging buyers meaningfully amid wide disparity in the pricing outlook. Instead, these suppliers may look into deeper operating rate cuts to reduce surplus stocks, market sources said.

But there were other sporadic selling indications and these formed the high end, and the low end is notionally adjusted down in line.

Some cargoes changed hands at levels lower than the published range for prompt month shipment, and although this was not assessed as the cargo delivery window fell outside of ICIS methodology parameters, market players said that this accentuated the bearish market sentiment.

Southeast Asia

High-cis

CFR southeast Asian assessments were down at the high end, tracking lower discussions and deals heard for mainstream northeast Asia-origin materials.

Offers on China-origin materials formed the low end.

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

Nov (1-10) 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022
125.28	130.52	134.12	149.74	158.83	164.15	162.81

Low-cis

CFR SE Asian assessments are dropped on both ends with lower buy-sell indications.

India

CFR India assessments for high-cis PBR are down at the low end, tracking discussions for China-origin materials, while the high end reflected range-bound discussions for cargoes from other northeast Asian suppliers.

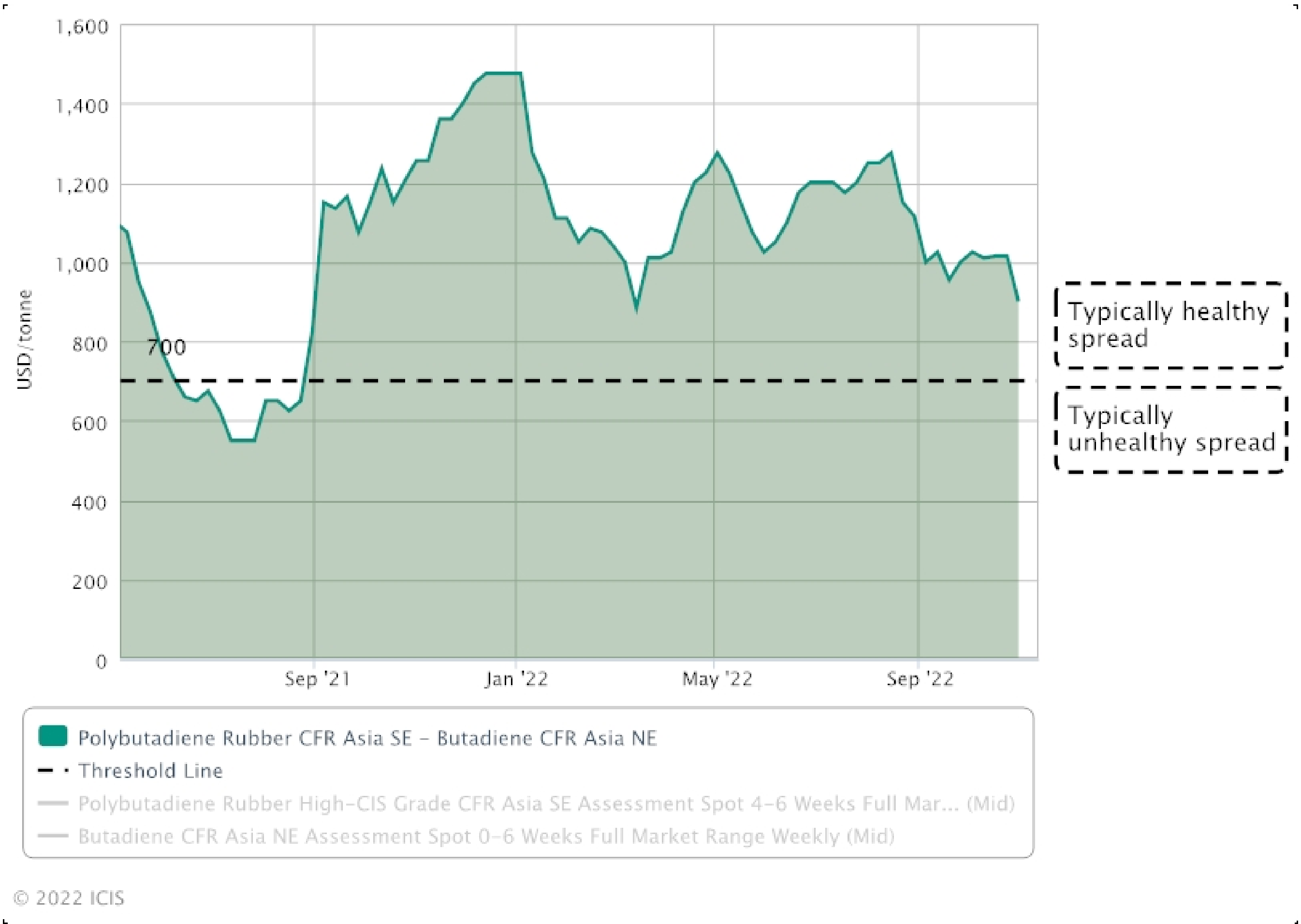
UPSTREAM

Butadiene (BD)

- Scant spot offerings
- Weak demand persists in wider Asia
- China import talks also stall with domestic losses

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

Output in China may lengthen when new PBR projects come on-stream later this year.

But the supply situation in wider Asia is mixed. On one hand, there is ongoing maintenance in Japan but it is expected to wrap up by the end of November. But on the other hand, an existing outage in southeast Asia looks set to stretch longer, with the plant not expected to restart until Q1 2023, market sources said.

ANALYTICS

ICIS Crude outlook

OPEC+ will proceed with its oil production output cut of 2m bbl/day starting in November, in line with its inability to deliver over its production target due to a lack of spare capacity across the cartel. US supply remains stable at

12m bbl/day and will be supported by additional Strategic Petroleum Reserve releases in the final months of 2022. Russian exports to Europe have fallen by around two-thirds since the beginning of the conflict because of the EU's embargo on oil purchases from Russia. However, Russia's overall exports may not be hit as severely as previously forecast, as it has had time to find alternative buyers for its crude. Libyan oil production remains exempt from OPEC+ cuts, providing more volumes to the market, as it has been sustaining production of 1.2m bbl/day in recent months. China's oil demand has been challenged recently, with October runs expected to be slightly lower than in September, as fears of a global economic downturn mount.

By **Greg Mouchikas**, energy and refining analyst, grigorio.mouchikas@icis.com

ICIS Naphtha outlook

Naphtha cracks in Europe and Asia were affected by high oil prices as well as weak petrochemical demand and use into the gasoline blending pool, which kept them in negative territory. Middle distillates are driving refiners' margin strength and refinery throughputs, which has resulted in additional naphtha and gasoline production, particularly in Europe. Despite recent promising indicators for Chinese domestic demand, the latest data reveals unexpectedly weak fuel consumption due to the continuation of the government's zero-COVID policy. Although transportation and other issues around logistics have improved and lowered naphtha stocks in the ARA region since September, weak global demand and high freight rates will weigh on naphtha buying interest.

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