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

- **Offers supported on cost push**
- **Demand sentiment mixed**
- **Coronavirus worries persist**

Asian import prices for polybutadiene rubber (PBR) were mixed – mostly stable-to-firm for high-cis material and, stable-to-soft for low-cis material.

Overall, offers for all PBR grades held steady, tracking a bullish upstream butadiene (BD) market.

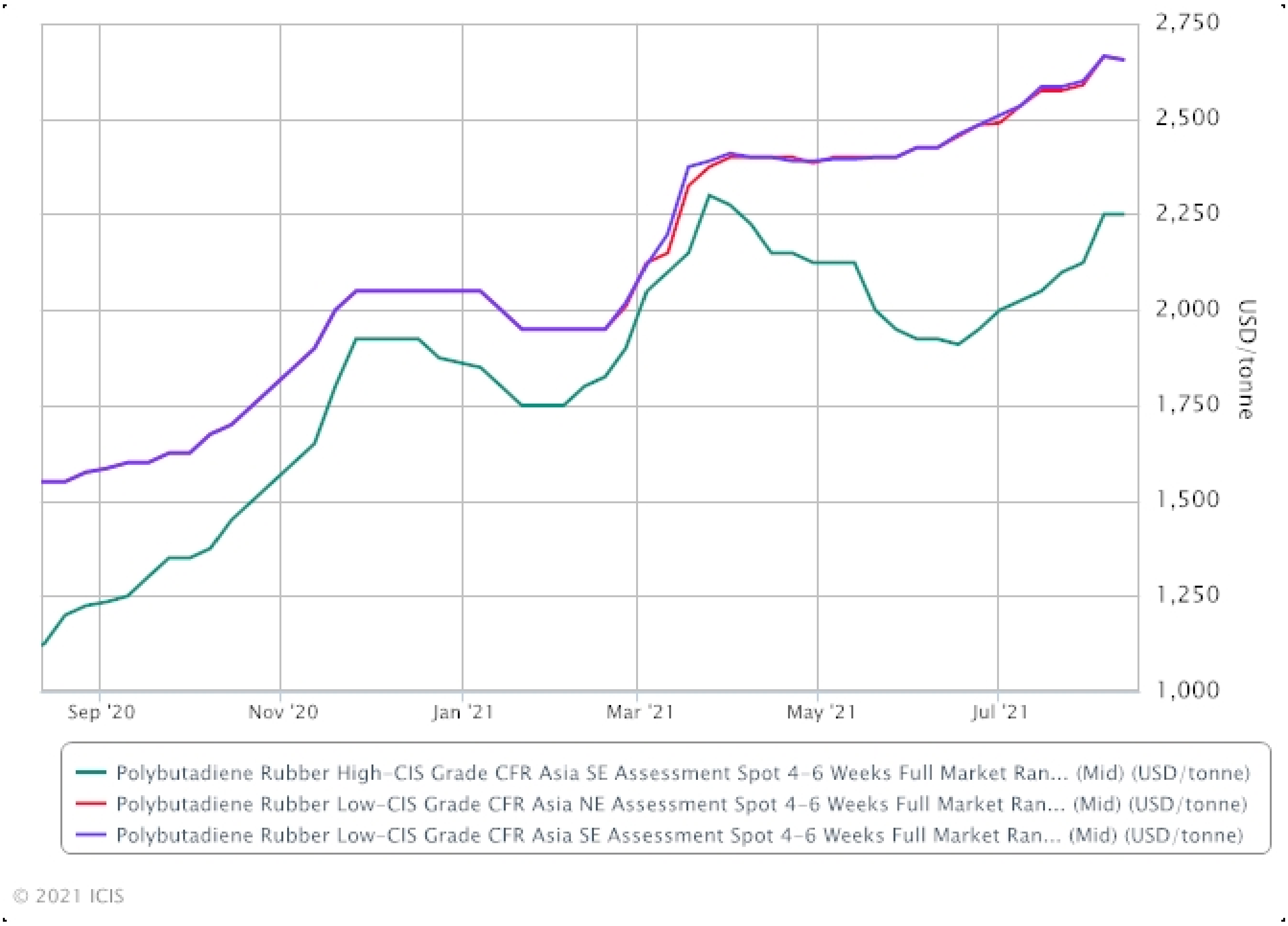
With BD prices still well supported by a strong arbitrage demand from the US, PBR makers said stiff cost pressures they face are unlikely to ease in the near term, and as such they have no plans to moderate current selling expectations.

However, demand sentiment is muted as southeast Asia is experiencing coronavirus worries.

With no sign when lockdowns in several key SE Asian outlets, like Malaysia, Indonesia and Vietnam, will be lifted, PBR buyers are cautious about overbuying and overstocking should their downstream markets fail to recover quickly.

In China, the production tempo was impacted by a recent spike in COVID-19 cases, which has triggered several supply chain issues, including a port closure. Latest data indicating a slide in China's July car sales also weighed on the outlook.

In contrast, the demand picture is more upbeat in India, where factories are heard ramping up after emerging from a prolonged coronavirus lockdown.



OUTLOOK

- **Supplies may stay tight on regional turnarounds**
- **India may drive demand for high-cis material**
- **Demand recovery elsewhere will hinge on coronavirus situation**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-20	2630.00-2680.00	n/c	2550.00-2600.00	119.29-121.56
CFR Asia SE	USD/tonne	-20	2630.00-2680.00	n/c	2570.00-2600.00	119.29-121.56
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	1950.00-2100.00	n/c	1800.00-1900.00	88.45-95.25
CFR Asia SE	USD/tonne	n/c	2200.00-2300.00	n/c	2000.00-2100.00	99.79-104.33

Northeast Asia

High-cis

CFR northeast Asian prices for high-cis materials were assessed in a narrower range, with the low end lifted to reflect the full range of buy-sell pricing indications.

However, spot trade liquidity was low with buyers in the main China outlet still mostly reliant on the domestic supply pool.

Domestic China prices for high-cis materials rose as prompt supplies tightened with ongoing turnarounds.

East China Domestic PBR Prices

Price (CNY/tonne)	12 August	5 August
E China Ex-Warehouse	14,100-14,300	13,800-14,000

Low-cis

The CFR northeast Asian assessment was stable-to-soft, with the low end dropped to reflect buy-sell discussions heard this week.

No deals were heard, with sellers mostly already sold out.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis material were kept unchanged, tracking range-bound buy-sell talks.

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

Aug (1-12) 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 20 20	Oct 2020	Sep 20 20
171.85	164.32	164.51	169.09	164.72	175.25	169.16	158.40	157.61	156.50	152.31	136.85

Low-cis

The CFR southeast Asia assessment for low-cis material was stable-to-soft, with the low end dropped on softer buying indications heard.

India

Discussions for high-cis material were more active on CFR India basis, than for deliveries to SE/NE Asia.

Regional PBR makers said there was a healthy stream of buying enquiries, as buyers sought to secure volumes and replenish low stocks.

Offers were heard at a minimum in the high-$2,200/tonne CFR India, with some bids heard at about mid-$2,200's/tonne CFR India, market sources said.

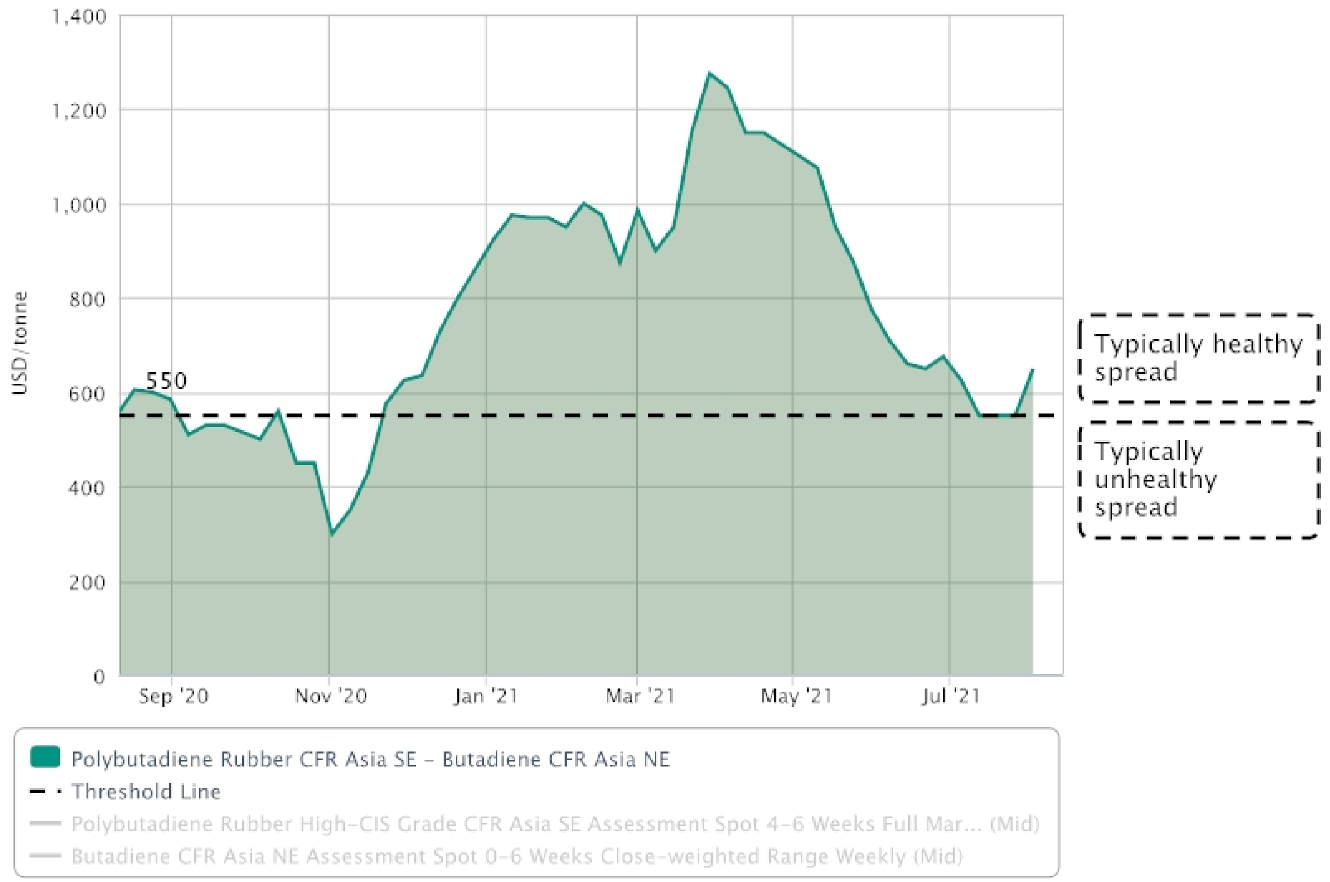
Some other India-based buyers were heard unwilling to fork out more than $2,200/tonne CFR India for Asia-origin cargos, similar to what some deep-sea origin materials were said to be indicated at.

UPSTREAM

Discussions in the US dollar denominated Asian BD spot market remain well supported by arbitrage demand and limited prompt supplies, although lacklustre downstream margins may weigh on buying appetite moving forward.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, the average operating rate at PBR plants fell to 67% in the week ended 6 August, down from 72% in the week prior.

The 70,000 tonnes/year Sinopec Qilu plant is shut from 31 July to mid-September for a turnaround, market sources said.

Outside of China, spot availabilities has been crimped by an ongoing turnaround in Taiwan.

ANALYTICS

ICIS Butadiene Outlook

Enduring US BD market tightness is likely to support bullish sentiment at least until the end of 2021. This year's production is estimated to hit between 1.3m and 1.4m tonnes, down from 2020 levels, with underlying demand remaining robust. Given that the market remains unbalanced, some BD cargos are expected to arrive to support US needs, especially from Asia.

The European BD industry is projected to be characterised by good domestic demand and tight supply over the next few weeks. The unexpected production woes that hit a few BD-integrated crackers in late July might persist, at least through early August. Against this backdrop, production constraints should limit BD trade from Europe to the US. Nevertheless, BD availability is set to reach about 585,000 tonnes in Q3, up from 560,000 tonnes in Q2 but down from 595,000 tonnes in Q1.

In Asia, BD market fundamentals are forecast to become bearish in the short term, primarily on the back of growing supply from new BD plants. As a result, Asia is likely to be an unattractive export outlet for European producers for the rest of 2021.

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