Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
13-Jan-2022

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

OVERVIEW

- **Prices mostly stable-to-soft**
- **Tight supply the key price support factor**
- **Buying tempo eases somewhat**

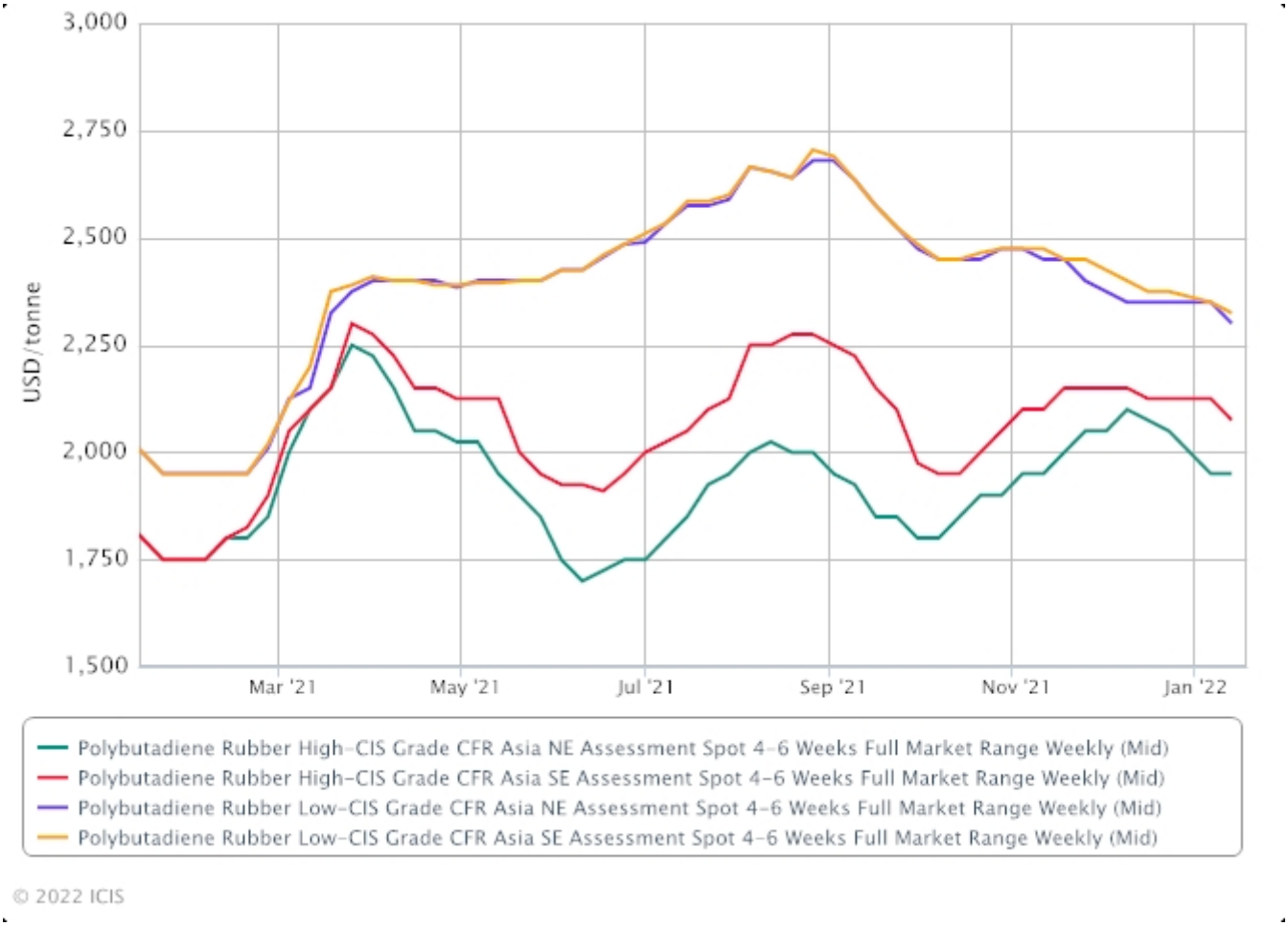
Asian spot discussions for polybutadiene rubber (PBR) were mostly stable-to-soft across the region, for both the high-cis and low-cis grades, as more players settled into a wait-and-see procurement stance.

On the supply front, most regular suppliers are still low on inventories, and hence not actively marketing cargoes on a spot basis. They therefore saw minimal pressures to widen discounts just to stimulate buying interest and induce sales.

But on the demand front, several uncertainties arose, firstly on how the rising Omicron virus spread could impact on downstream operations. For instance, in the major China outlet, localised lockdowns imposed on several cities have disrupted logistics and transportations, curbing in turn operations at some downstream factories.

There are also concerns about how the broader global economic well-being may pan out, amid rising inflation risks and muted economic growth forecasts.

End-users are heard therefore cautious not to over-buy raw materials like PBR. However, some market players also noted that China's 2021 car sales grew year-on-year, and that this may help shore up confidence in the PBR market to some extent.



OUTLOOK

- **Supply may stay snug in the near term**
- **Demand growth will hinge on how virus situation pans out**
- **Eye on near term global economic growth prospects**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2250.00-2350.00	-50	2300.00-2400.00	102.06-106.59
CFR Asia SE	USD/tonne	n/c	2300.00-2350.00	-50	2350.00-2400.00	104.33-106.59
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1900.00-2000.00	n/c	2050.00-2100.00	86.18-90.72
CFR Asia SE	USD/tonne	-50	2050.00-2100.00	-50	2100.00-2150.00	92.99-95.25

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis materials held steady, on range-bound talks.

Potential buyers for China-bound shipments held back fresh negotiations, pending more clarity on how the domestic market may trend for PBR vis-a-vis feedstock butadiene (BD).

Domestic prices in east China fell week on week, as buying tempo tapered. A spike seen this week for BD's yuan values failed to provide any upside support, market players said.

Price (CNY/tonne)	13 January	06 January
E China Ex-Warehouse	13,000-13,500	13,500-13,700

Low-cis

CFR northeast Asian prices for low-cis materials fell with muted sentiment and softer buy-sell pricing indications.

Suppliers were heard looking to move cargoes to markets further afield, such as US and Europe, where demand and pricing conditions were deemed relatively more attractive than Asia.

Southeast Asia

High-cis

CFR southeast Asian assessments for high-cis materials were down, tracking softer buy-sell pricing indications.

But with natural rubber prices surging recently on the back of inclement weather-induced production constraints, some sellers remained hopeful that this would help to restore buying interest for cheaper alternatives like the various synthetic rubber grades, including PBR.

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

Jan (1-13) 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
177.96	172.08	175.65	174.39	163.23	172.67	164.32

Low-cis

CFR southeast Asian assessments for low-cis materials narrowed, with the high-end dropped with a deal heard.

India

In India, discussions were also muted on dull demand.

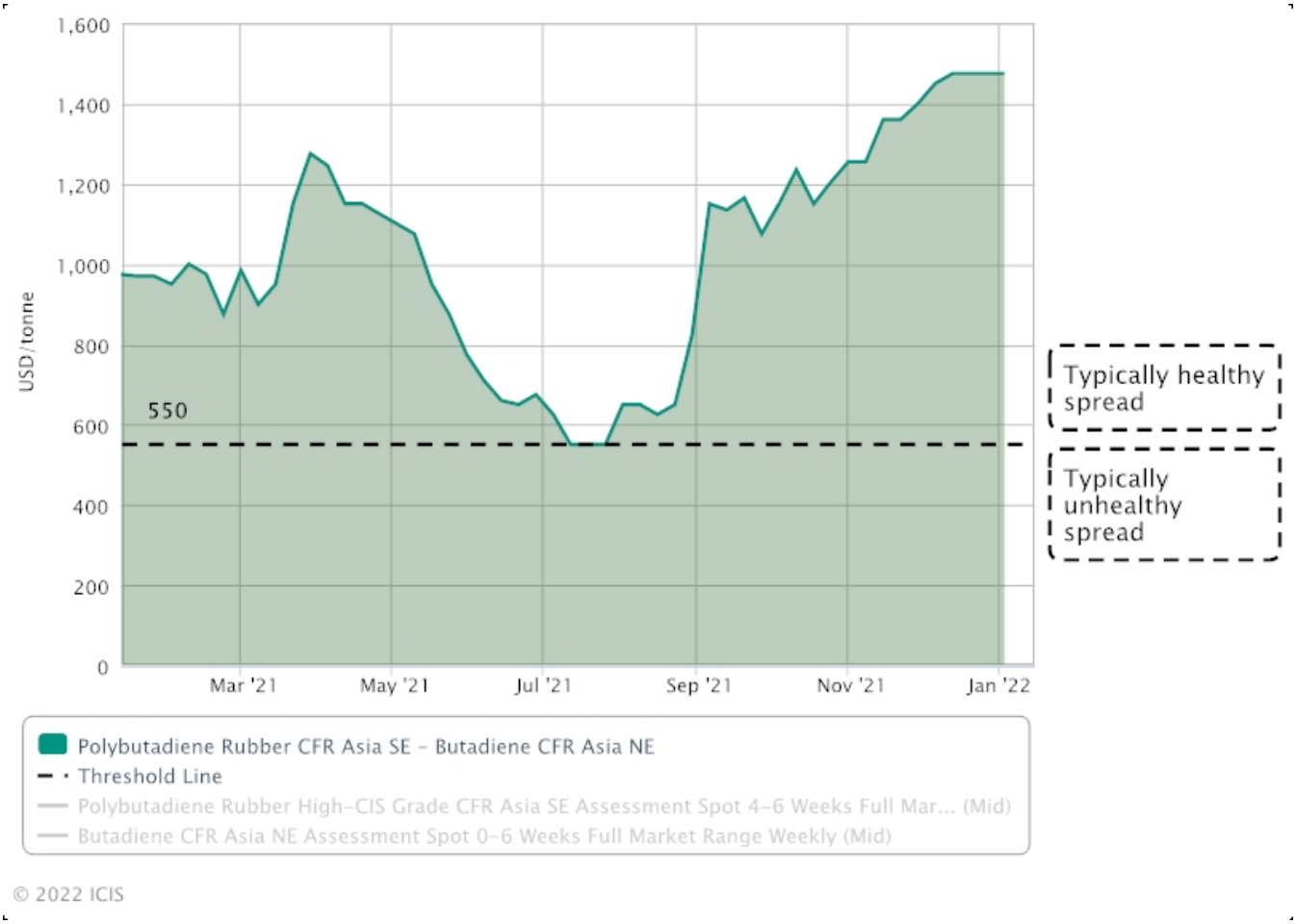
Asia-origin cargoes were heard indicated at over $2,000/tonne CFR India, but buying indications were heard vastly lower, tracking the availability of more competitively-priced deep-sea origin materials, market sources said.

UPSTREAM

Sentiment in spot discussions for Asian **butadiene** was buoyed to some extent by some arbitrage sales to the US, but substantive demand in Asia remains lacklustre and kept intra-regional trades within rangebound levels.

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates of PBR held steady at 83% for the week ended 7 January, several weeks in a roll, market sources said.

Elsewhere in Asia, most operating plants continue to operate at high rates, not just to meet prompt requirements 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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