# Polybutadiene Rubber (Asia-Pacific)

**By Ai Teng Lim**
**23-Jun-2022**

Overview | Outlook | Prices | Upstream | Production | Analytics

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

## OVERVIEW

- **Muted discussions**
- **Scant offers**
- **But tepid buying interest**

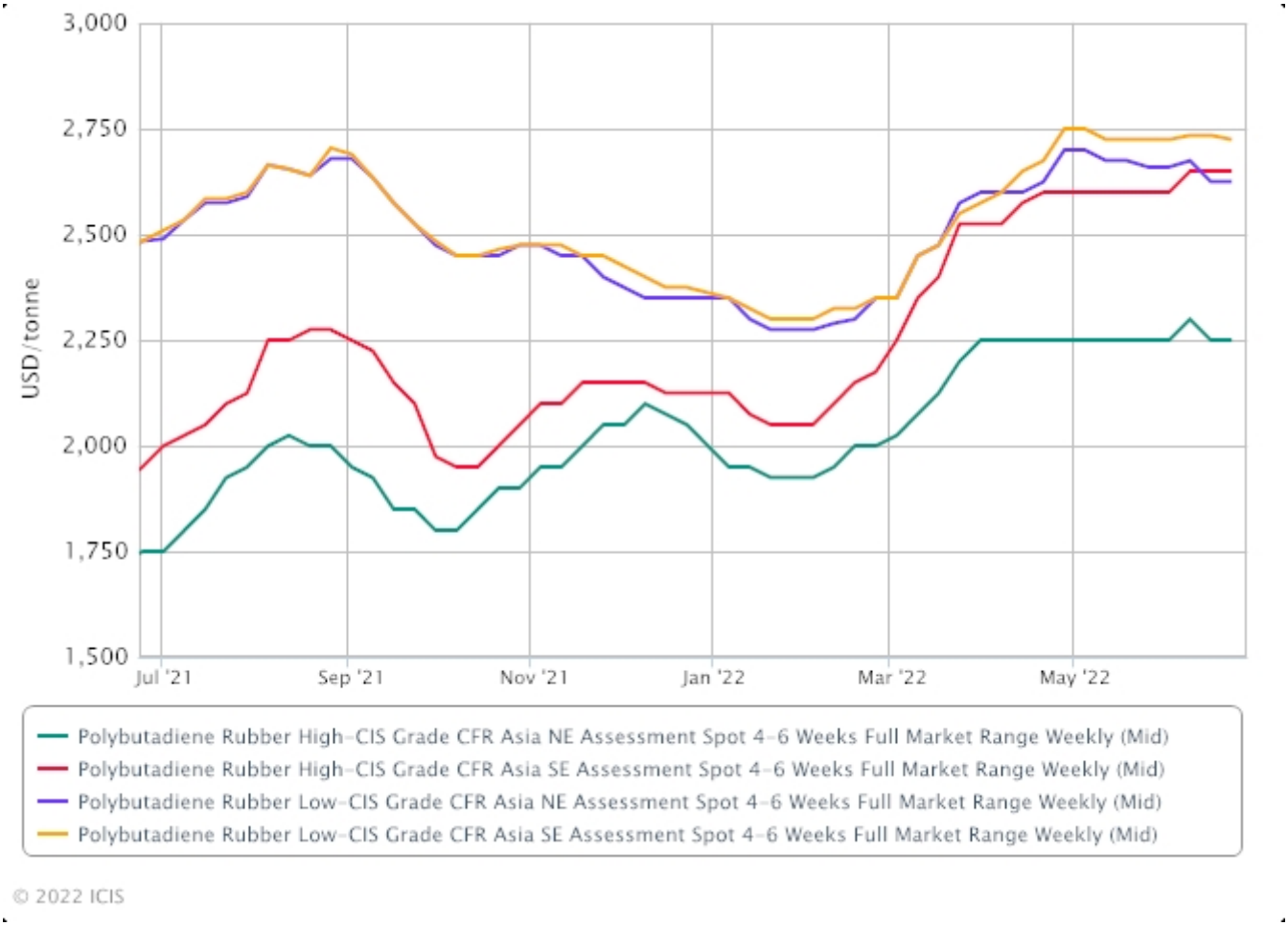
Asian spot discussions for polybutadiene rubber (PBR) were subdued, amid a wide gap in buy-sell ideas.

For suppliers in wider Asia, many have already sold out their spot availability, and saw no need to moderate expectations even if they acknowledge that downstream demand is currently still weak, accentuated by bumpy post-lockdown recovery in China.

They were also mostly convinced that spot availability would remain tight in the near term, given that there is upcoming maintenance, as well as an ongoing outage. If so, this should continue to lend support to their existing targets.

But buyers held a different view, with many heard fearful that consumer confidence would erode further with widening inflation and recession risks, dampening in turn end-use consumption.

As such, most held fast to a cautious procurement stance, limiting purchase volumes and seeking out cheaper supplies. Buying interest for competitively priced cargoes from China grew as such, market sources said.




## OUTLOOK

- **Supply in wider Asia to remain snug for the near term**
- **But China exports may fill the shortfall**
- **Economic concerns to weigh in on demand sentiment**

## PRICES

### SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|---|---|---|---|---|---|---|
| **Polybutadiene Rubber Low-CIS Grade** | | | | | | |
| **CFR Asia NE** | USD/tonne | n/c | 2550.00-2700.00 | n/c | 2600.00-2720.00 | 115.67-122.47 |
| **CFR Asia SE** | USD/tonne | -20 | 2700.00-2750.00 | n/c | 2700.00-2750.00 | 122.47-124.74 |
| **Polybutadiene Rubber High-CIS Grade** | | | | | | |
| **CFR Asia NE** | USD/tonne | n/c | 2200.00-2300.00 | n/c | 2200.00-2300.00 | 99.79-104.33 |
| **CFR Asia SE** | USD/tonne | n/c | 2550.00-2750.00 | n/c | 2500.00-2700.00 | 115.67-124.74 |

#### Northeast Asia

***High-cis***

CFR NE Asian prices for high-cis grades were kept unchanged, in the absence of fresh discussions or indications.

Domestic PBR prices in China extended losses, as downstream demand recovery was slower than expected.

| Price (CNY/tonne) | 23 Jun | 16 Jun |
|---|---|---|
| E China Ex-Warehouse | 14,400-14,600 | 14,600-14,800 |

***Low-cis***

CFR northeast Asian prices for low-cis materials were rolled over in a thinly-discussed market.

Selling indications for northeast Asia-origin materials were heard at levels higher than the published range, but not taken into account as these did not draw any response from buyers.

**Southeast Asia**

***High-cis***

CFR southeast Asian prices for high-cis materials were rolled over, tracking stable offers heard for China-origin materials at the low end, and for other NE Asia-origin materials at the high-end.

Some transactions were heard within the range, market sources said.

But with natural rubber prices still trending down, market sources said that end-users may switch to using more natural rubber to save costs, at the expense of synthetic rubber like PBR.

The scope of CFR SE Asian assessments does not include discussions for India-bound shipments.

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

| June 2022 | (1-23) | May 2022 | Apr 2022 | Mar 2022 | Feb 2022 | Jan 2022 |
|---|---|---|---|---|---|---|
| 164.62 | | 162.81 | 171.15 | 175.18 | 179.84 | 178.12 |

***Low-cis***

CFR southeast Asian prices for low-cis materials held steady at the high-end, tracking a deal heard.

The low-end fell, with a lower offer heard for China-origin materials. But selling indications for materials from other regular northeast Asian suppliers were heard over the published range.

**India**

Discussions for CFR Indian trade for high-cis PBR were muted with end-users heard avoiding over-buying at a time when downstream operations may be tapering with the onset of the monsoon season.

Selling indications for non-China, northeast Asia-origin materials held steady in the $2,700-2,800/tonne CFR India range.

But China-origin materials were heard indicated in the $2,150-2,200/tonne CFR India range, market sources said.

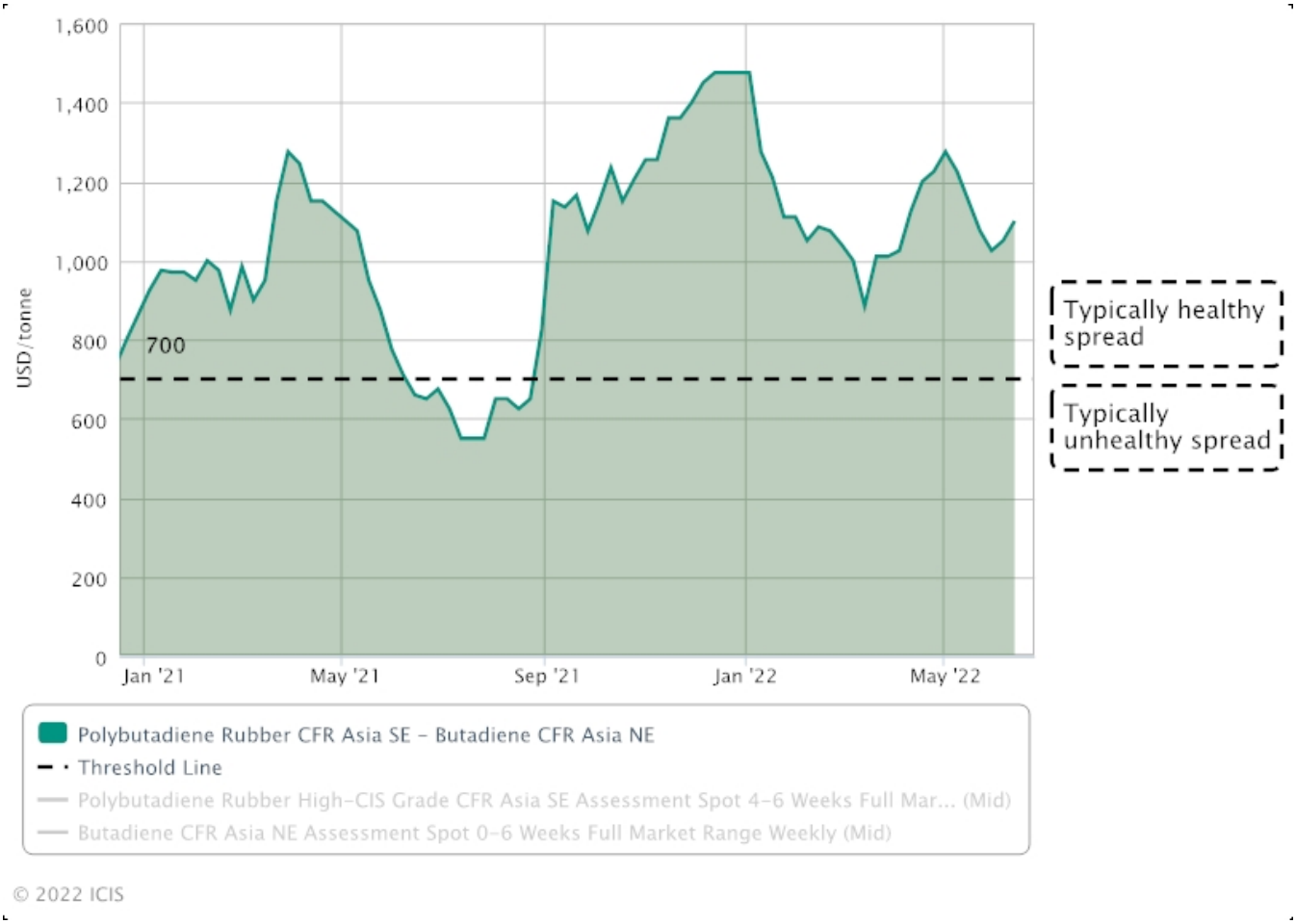
## UPSTREAM

### Butadiene (BD)

- Buying appetite shrunk with weaker domestic China
- But import offers still see support from prompt supply limitations
- Buy-sell gap widens

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 for PBR were stable at 62% for the week ended 17 June, unchanged from the week prior, market sources said.

Operations at the 100,000 tonnes/year Sinopec Maoming PBR plant in Guangdong were still suspended, following an accident at an upstream unit on 8 June.

In wider Asia, a plant in India restarted from turnarounds, but spot availability remained squeezed by an upcoming maintenance outage, in addition to an existing outage which could stretch for the rest of the year, market source said.

## ANALYTICS

### ICIS Outlook on GDP

Fear of recession is the major concern of many market participants. However, the consensus on the probability of recession is low. One of the key indicators followed by the global investor community to sense the state of the economy is the yield inversion curve. Simply put, the negative yield implies the short-term return is better than long-term prospects. It can be considered a warning sign that the overall economy is expected to deteriorate. In an article in Kiplinger, Anu Gaggar, global investment strategist for Commonwealth Financial Network, said: "The 10-and-2 yield curve has inverted 28 times since 1900, and in 22 of those instances, a recession has followed." The important point here is the yield curve does not indicate the intensity of the slowdown. Looking at specific inverted curves, the EU has a higher probability compared with the US.

US GDP increased by 3.6% in Q1 compared with 2021 year on year, and Q2 is expected to grow 2.9% (consensus estimate). However, according to the Bureau of Economic Analysis, quarter-on-quarter Q1 GDP was minus 1.4%. This negative growth was due to the decrease in government spending and private investment. However, an increase in personal consumption expenditure was reported. US inflation was reported at 8% in Q1 and Q2 is expected to be at 7.6%. Bill Adams, senior vice president of Comerica Bank, said: "Fear of recession is overblown; however, growth will slow down as stimulus fades away."

The European Commission has revised its 2022 GDP forecast down from 4.0% to 2.7%. Factors supporting growth include the relaxation on movement controls and a better labour market. High commodity and food prices are the major drag, followed by war-induced uncertainty. Trade has also taken a major hit owing to China's strict COVID-19 containment measures. Q2 inflation is expected to be 7.4%. UK GDP increased by 8.7% in Q1 2022 year on year and by 0.8% quarter on quarter, while Q2 is expected to grow at 3.2% compared with 2021. Inflation for Q2 is expected at 8.2% (consensus estimate).

China GDP increased by 4.8% in Q1 compared with 2021, and Q2 is expected to grow 4.3% year on year (market consensus). The twin shock from demand and supply has derailed the country's trade prospects, which will impact economies across the globe that are heavily dependent on Chinese material. China's inflation expectation for Q2 is 2.0% year on year. China's economy is struggling with diminishing activity, with about 26m people under strict lockdown. However, there are reports that the lockdown is set to be lifted or relaxed in June. Indian GDP increased by 4.0% in Q1 year on year, and Q2 is expected to grow 12% (market consensus). Rising inflation remains a serious concern, as it disproportionately affects the low to middle income groups. India's inflation for Q2 is expected to be 6.3% year on year.

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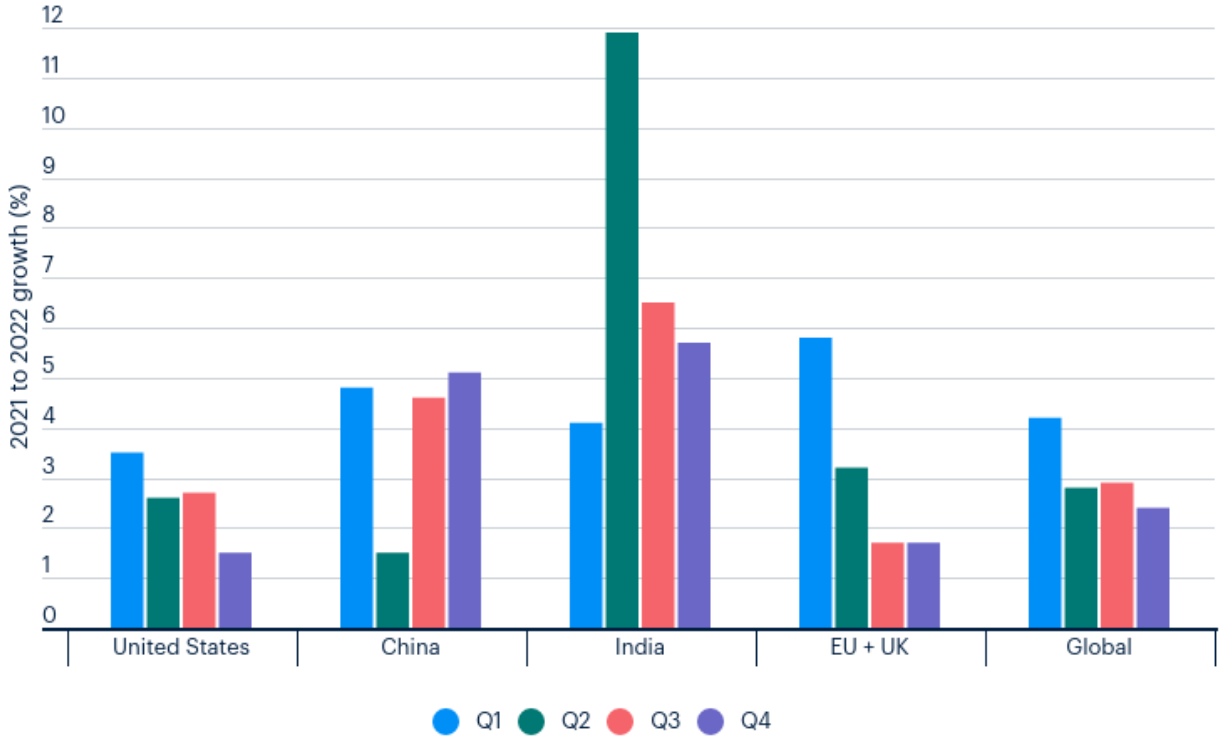
## GDP growth by region

### 2021 vs 2022




**SOURCE**: Oxford Economics

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