ICIS
Independent Commodity Intelligence Services

Styrene Butadiene 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

- **Offers supported by supply limitations**
- **Active demand in SE Asia and India**
- **Shipping difficulties dampen spot trade liquidity**

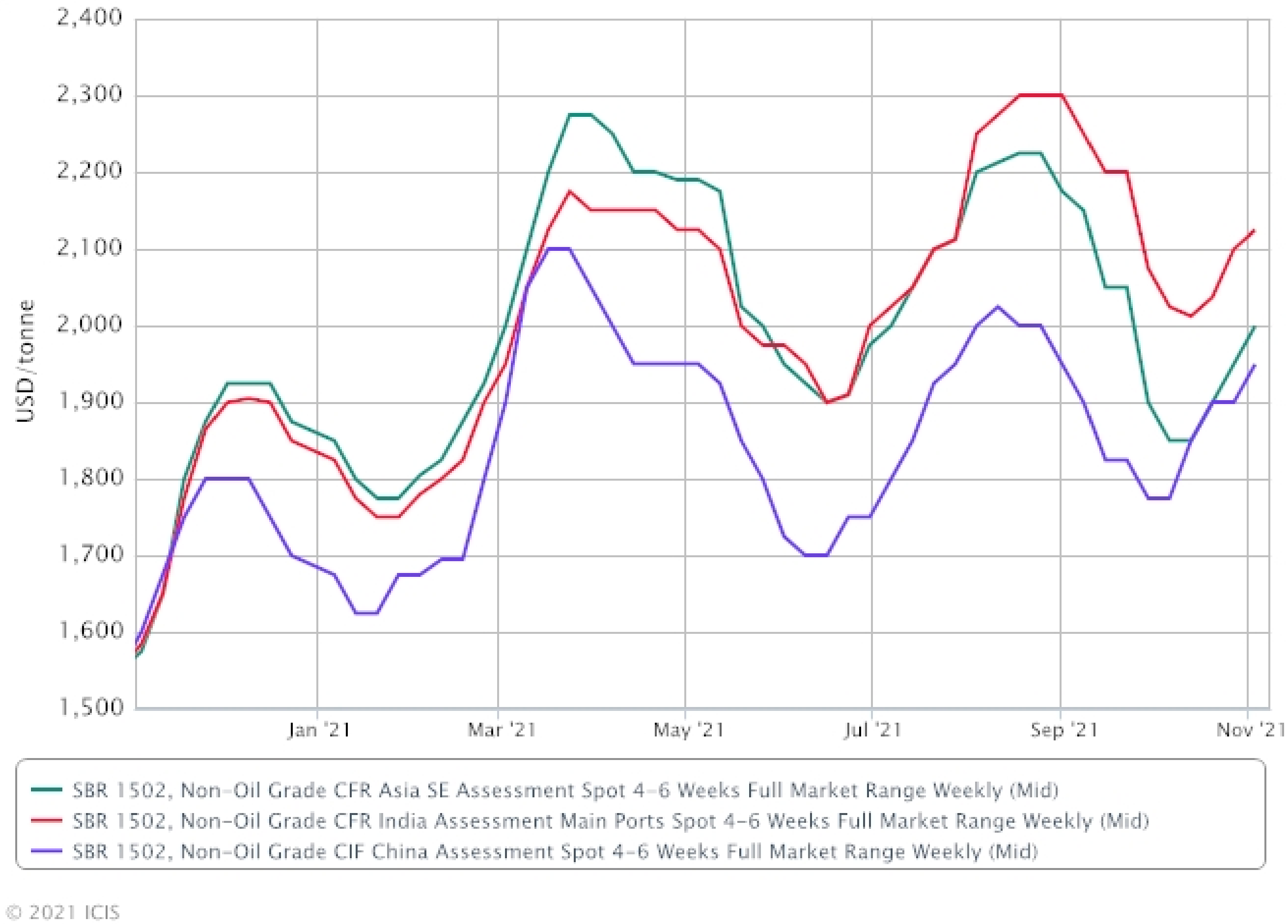
Asian spot prices for styrene butadiene rubber (SBR) mostly saw upside support across the region, from factors like spot supply limitations and improved buying interest in some outlets.

Spot availability is limited, not only due to ongoing turnarounds, but also because regional inventories were drawn down earlier in the year, such as in Q3 when some regional plants moderated operating rates to protect margins.

Demand sentiment is more upbeat as downstream production in several key outlets, like southeast Asia and India, has picked up pace after more coronavirus-related restrictions were lifted.

Trade liquidity has, however, been weighed down by difficulties in securing vessels and steep freight costs incurred.

Some buyers kept to a more cautious stance as such, buying only on a need-to basis, in part due to affordability concerns.



OUTLOOK

- **Supply to normalise when turnarounds are completed this year**
- **Demand may pick up on steady production recovery in SE Asia**
- **India may be muted in near term on holiday lull**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1900-2000	+50	1700-1850	86.18-90.72
CFR Asia SE	USD/tonne	+50	1950.00-2050.00	+50	1800.00-1900.00	88.45-92.99
CFR India Main Ports	USD/tonne	+50	2100.00-2150.00	n/c	1950.00-2100.00	95.25-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1800-1900	+50	1600-1750	81.65-86.18
CFR Asia SE	USD/tonne	+50	1850.00-1950.00	+50	1700.00-1800.00	83.91-88.45
CFR India Main Ports	USD/tonne	+50	2000.00-2050.00	n/c	1850.00-2000.00	90.72-92.99

China

CIF China prices for non-oil 1502 grade were assessed higher, tracking firmer offers heard.

The CIF China assessment for oil-extended 1712 grade was also adjusted up with changes seen in the 1502 grade assessment.

However, spot trade liquidity for imports was low, with potential buyers in China amply supplied locally.

Domestic China prices of 1502 grade material continued to trend down due to a lacklustre performance in the upstream butadiene (BD) market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	3 November	27 October
E China Ex-Warehouse	13,200-13,300	13,800-13,900

Southeast Asia

CFR southeast (SE) Asian prices for non-oil 1502 grade continued to trend up, supported by firmer buy-sell discussions.

Deals were heard closed within the range. Some offers also emerged at levels above the assessment range, but gained no traction with buyers, many of whom are still keeping to a cautious procurement stance.

CFR SE Asian prices for oil-extended 1712 grade were also adjusted up with changes for the 1502 grade assessment, in the absence of concrete 1712 discussions.

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

Nov (1-3) 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
172.73	174.39	163.23	172.67	164.32	164.51	169.09

India

CFR Indian prices for non-oil 1502 grade were stable-to-firm, with the low end lifted to capture a tighter range of buy-sell pricing indications heard.

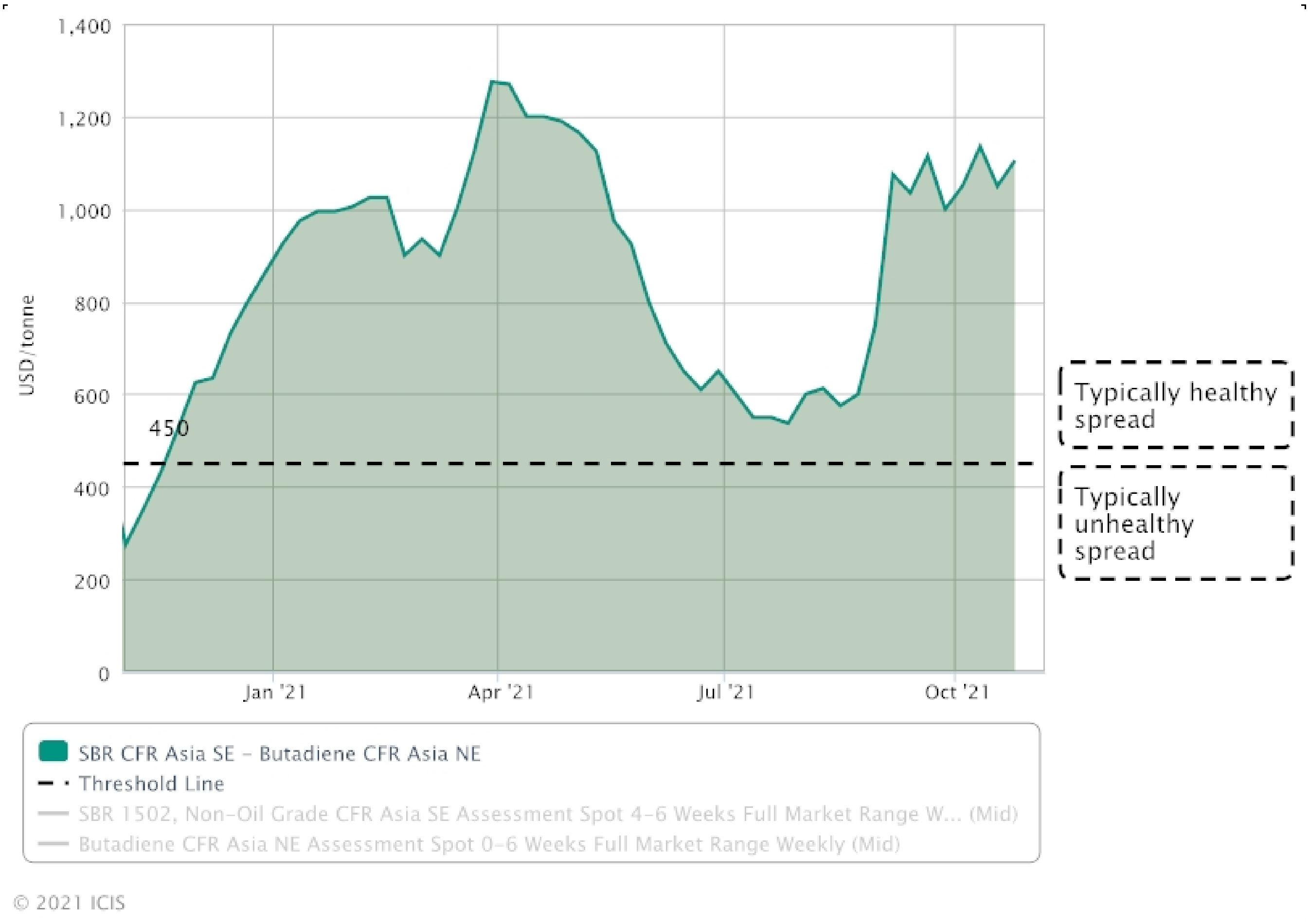
CFR Indian prices for oil-extended 1712 grade were also raised at the low end, in tandem with 1502 grade, in the absence of any concrete 1712 business.

UPSTREAM

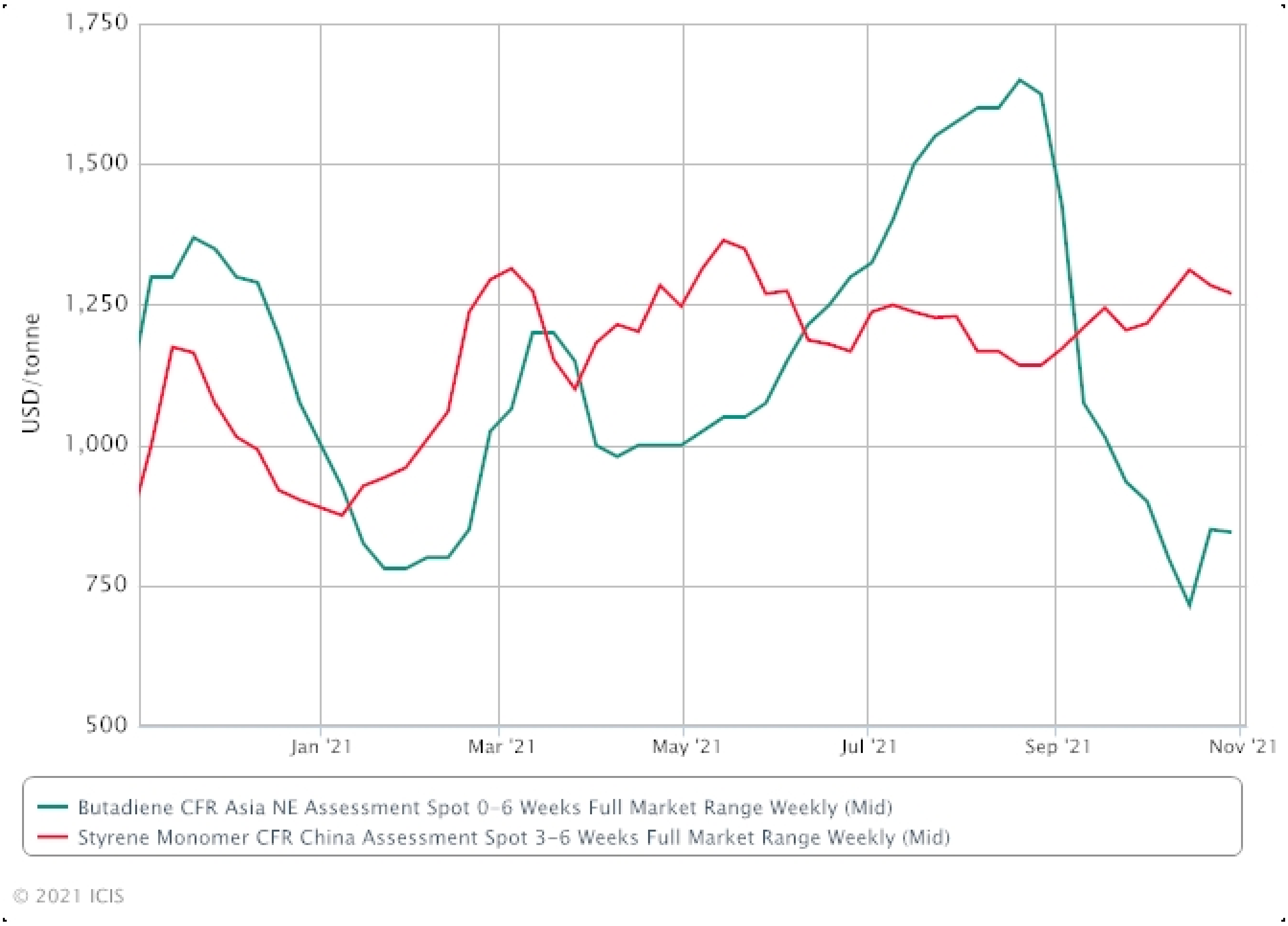
Asian BD import discussions wavered with losses in domestic China, failing in turn to sustain a recovery seen in the week prior.

The chart below shows the spread between BD and SBR.

Downstream spread – BD NE Asia and SBR SE Asia



Asian styrene prices [softened](), despite an early-week jump, on the back of mixed trading sentiment from the key Chinese market and mixed fundamentals.



PRODUCTION

In China, average operating rates of local SBR plants climbed to 77% in the week ended 29 October, up from 73% for the week prior.

Outside of China, earlier tightness in SBR's spot availability eased as several plants returned this week from prior maintenance.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In Europe, SBR's October formula contracts are lower, reflecting upstream BD losses.

ANALYTICS

ICIS Crude Outlook

Crude prices rose in October due to less supply from OPEC+ and stronger global demand than expected. OPEC+ is expected to continue its existing cuts agreement, with cuts tapering of 400,000 bbl/day per month. However, many producers are unable to actually raise production this quickly - compliance is at 115%, leaving overall future supply from OPEC+ lower than previously expected. Furthermore, OECD total oil inventories are 6% below the pre-pandemic five-year average, and the lowest in over six years. Such low inventories will be difficult to recover from quickly, even if major producers raise production in the next few months. Overall, the current inventories situation indicates a tight market and ICIS expects the tightness to continue in the near future. Finally, rising gas prices will lead to some alternative power generation demand in the form of fuel oil and diesel, with up to 750,000 bbl/day extra oil demand expected in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Naphtha Outlook

The NWE naphtha-Dated BFOE spread strengthened in October by 9% month on month, spurred by firm global demand as a petrochemical feedstock. The spread is expected to remain strong in Q4 due to continued lower supplies and firm demand in the petrochemical feedstock sector. Asian naphtha demand has been particularly strong in recent weeks, with South Korea seeing its highest monthly imports volume since the COVID-19 crisis began, at 820,000 bbl/day in September. Near- and medium-term Asian naphtha demand is also expected to remain robust due to strength in the petrochemical feedstock and gasoline blending markets. The additional naphtha will likely be sourced from the West and Middle East - the latter has already seen a 10% increase in monthly exports to Asia in 2021 vs 2019.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Downstream Automotive Demand Outlook

The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs require more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's €2.8bn, among others.

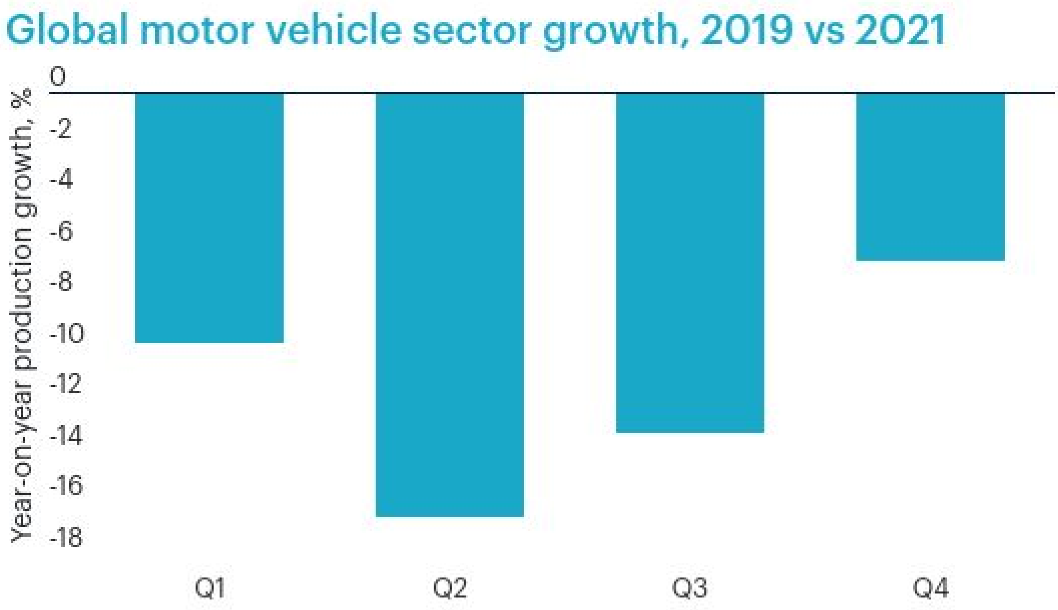
US light vehicle sales fell 6.4% month on month in September and were down 29% from September 2019. The inventory-to-sales ratio also hit an all-time low of 0.724. The overall outlook remains pessimistic. On top of that, the demand-supply imbalance is pushing car prices higher.

EU passenger car registrations were down 23.1% year on year in September, according to the European Automobile Manufacturers Association (EAMA). It was the lowest number of registrations for September since 1995, and was supply driven. All major European countries reported a double-digit fall during the period. Commercial vehicle registration figures were also poor, with a 5.4% year on year decline in August. The outlook for the rest of the year remains negative. Stock levels have depleted noticeably. According to the Ifo research institute, 83% of German car makers have been affected by chip scarcity.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In

September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)



Source: Oxford Economics