Independent Commodity Intelligence Services

Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
04-Sep-2024

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

OVERVIEW

- **Sellers' sentiment buoyed by some upstream recovery seen in the week prior**
- **Spot availabilities tighten too with upcoming turnarouds**
- **But majority of buyers continue to hold back**

Sentiment in this week's Asian spot import market for styrene-butadiene-rubber (SBR) is more upbeat this week, as some sellers leveraged on a slight price recovery in the week prior for feedstock butadiene (BD) to raise offers.

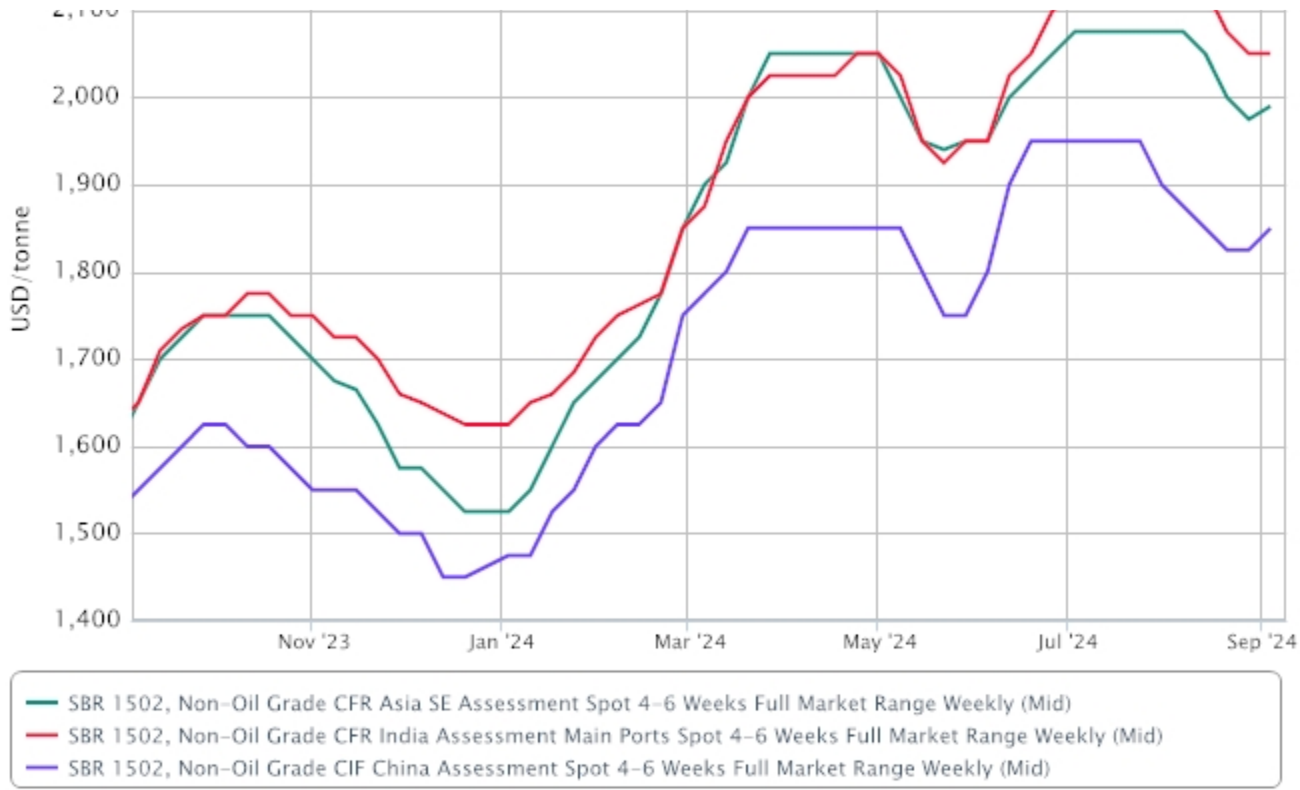
Spot availabilities are also dwindling ahead of a heavy wave of plant maintenance expected in the late September to November window, and market players said that this should provide some upside support to prevailing spot offers.

But buy-side response remains muted, with many end-users still in the sidelines, maintaining a wait-and-see procurement stance.

There are several factors weighing on buying interest for SBR. Firstly, recent volatility in the crude oil market, which triggered in turn a rout in Asia's equity market, did little to shore up consumer's confidence of a sustained recovery and growth of the key downstream automotive industry.

Also, many were skeptical if the uptrend seen in late August of yuan-denominated prices of SBR could continue for long, especially after trades in the derivative rubber futures started to taper and fall when September's trade commenced this week.

If and once the downtrend in China's domestic markets gets more entrenched, many buyers believed that this would invariably weigh down offers on US dollar denominated imports.



OUTLOOK

- **Players to keep a close monitor on how domestic China market will trend**
- **Limitation in spot supplies to keep import offers supported**
- **Buy-sell tussle may intensify and widen**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1800-1900	+50	1850-1900	81.65-86.18
CFR Asia SE	USD/tonne	n/c	1950.00-2030.00	+30	2050.00-2100.00	88.45-92.08
CFR India Main Ports	USD/tonne	n/c	2000.00-2100.00	n/c	2100.00-2200.00	90.72-95.25
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1750-1850	+50	1800-1850	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1900.00-1980.00	+30	2000.00-2050.00	86.18-89.81
CFR India Main Ports	USD/tonne	n/c	1950.00-2050.00	n/c	2050.00-2150.00	88.45-92.99

China

CIF China discussions for the non-oil 1502 grade were in a wider range, and the high-end is lifted with firmer selling indications heard.

Domestic prices in east China were higher, supported by gains seen in the prior week on the futures market, both for synthetic rubber and natural rubber.

CIF China assessments for the oil-extended 1712 grade were adjusted up at the high-end, in line with similar changes for the 1502 grade.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	15,200-15,400	15,150-15,350

Southeast Asia

Similarly, CFR SE Asian prices for the non-oil 1502 grade were stable-to-firm, tracking elevated selling targets heard.

NE Asia-origin materials were heard available for H2 September ship at the high-end and up.

Buying indications were capped at the low-end, and some cargoes changed hands too at the lower-end of the published range.

Spikes in natural rubber futures also boosted sellers' sentiment, as they believed more buyers may turn to buying SBR 1502 as a cheaper alternative to natural rubber.

CFR SE Asian assessments for the oil-extended 1712 grade were adjusted in line with the changes for the 1502 grade.

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

Sep (1-4) 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024
183.50	179.89	168.65	176.00	170.03	162.99	165.36

Source: Malaysian Rubber Board

India

CFR Indian assessments for the non-oil 1502 grade held steady, on rangebound buy-sell indications heard for NE Asia-origin materials.

Downstream requirements are expected to pick up from here, now that the rainy monsoon weather is expected to subside and ease. But buyers were heard in no hurry still to finalise import bookings as they deemed the market amply supplied, not just of NE Asia-origin materials, but also of domestic products and cargoes from non-Asia origins.

CFR Indian assessments for the oil-extended 1712 grade were also rolled with stable 1502 grade assessments.

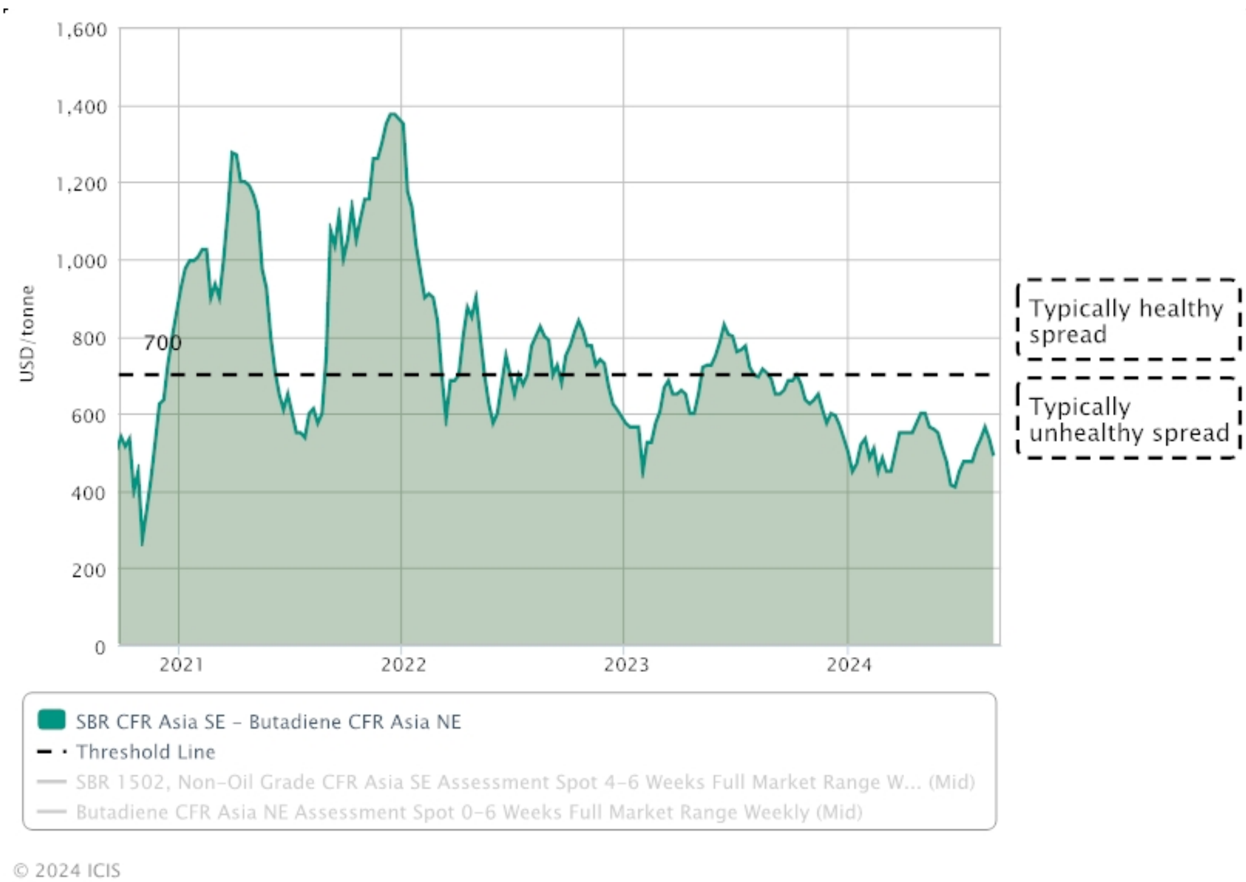
UPSTREAM

Butadiene

- Bullish sentiment in China fuels higher export offers
- Asia demand remains largely tepid with buyers sidelined
- Asia spot sellers focus on the Chinese market

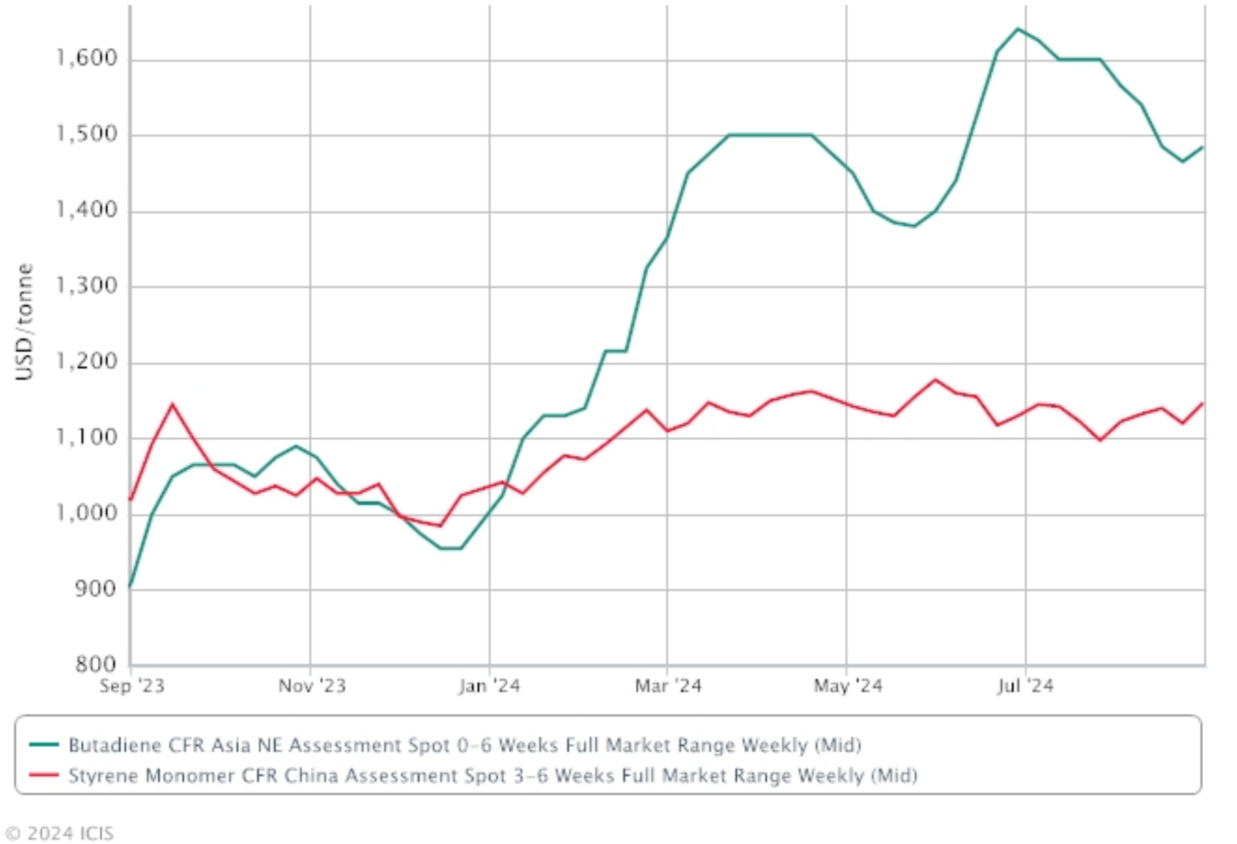
The chart below shows the spread between butadiene and SBR, which remains in the unhealthy zone.

[Downstream spread – butadiene NE Asia and SBR SE Asia]



Styrene

- Volatility in China SM market constrained until cost-, sentiment-driven increase on 30 Aug
- Lack of concrete structural fundamental changes hamper market's directional momentum
- China export market activities limited by logistical costs, oversupply in broader Asia



PRODUCTION

135,000 tonnes/year worth of SBR production capacity in Tokuyama, Japan, will shut for turnarounds in the mid-September to end November period.

There will be scheduled maintenance for SBR plants in Ulsan, South Korea, involving up to 283,000 tonnes/year worth of production capacity.

In China, a 150,000 tonnes/year unit in Jilin is shut from late August to mid-October for maintenance.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- SBR supply levels ok
- Downstream summer shutdowns ending
- Spot prices remain stable, wide ranging

US

- August SBR contract prices ease again on stable to softer feedstock costs
- US SBR spot prices ease on softer feedstock costs in Asia
- Shipping costs still very elevated as labor, port issues add to woes

ANALYTICS

ICIS crude outlook

Global crude oil supply is projected to remain ample through 2024 and into 2025. OPEC+ members, such as Iraq, Russia, and Kazakhstan, continue to overproduce, contributing to a surplus of supply, despite pledges to cut output. OPEC's crude production averaged 41 million barrels/day in recent months, and global oil demand growth is now forecast at 1.1 million barrels/day in 2024 and 1.4 million barrels/day in 2025. However, demand growth, particularly in key regions like China, is expected to slow due to economic challenges and shifts toward cleaner energy sources. The abundance of non-OPEC supply, particularly from the US and Canada, adds to the oversupply. With continued economic headwinds and ample supply, oil prices are expected to remain under pressure, with ICIS projecting $77/barrel for 2025. Additionally, increased refining capacity in Asia, despite boosting naphtha demand, is unlikely to offset the overall market surplus, keeping prices subdued.

By **David Jorbenaze**, senior analyst, david.jorbenaze@icis.com

ICIS naphtha outlook

In September, the naphtha market is expected to experience significant volatility, driven by fluctuations in the upstream crude market, macroeconomic uncertainties, and geopolitical tensions. In Europe, the ample supply of gasoline is limiting naphtha's support from the gasoline blending pool, contributing to weaker gasoline prices and a declining Eurobob gasoline crack spread. High freight rates and low demand from the US and Asia further strain the market, although steady inflows from the US and Algeria help balance availability. In Asia, seasonal demand may support naphtha prices despite economic slowdowns in major economies such as China. Russian naphtha exports to Asia are expected to hit record levels, driven by increased mobility needs and shifting global trade routes as a result of sanctions. Overall, the market outlook is mixed, with challenges from weak regional demand and high freight costs, but some support from increased cracker run rates and steady feedstock demand as the maintenance season approaches.

By **David Jorbenaze**, senior analyst, david.jorbenaze@icis.com