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.

The China prices in the weekly analysis on 14 February will be based on information collated up to 13:00 hours Singapore/Shanghai time on 9 February. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Cost pressure on sellers builds**
- **Some restocking purchases seen**
- **Overall liquidity capped on holiday trade lull**

Spot prices for Asia's styrene butadiene rubber (SBR) imports continue to trend up, as sellers kept up their pursuit for higher targets to protect frail margins.

SBR makers are reeling under mounting cost pressures, as feedstock butadiene (BD) prices are on a bullish run amid sustained supply concerns.

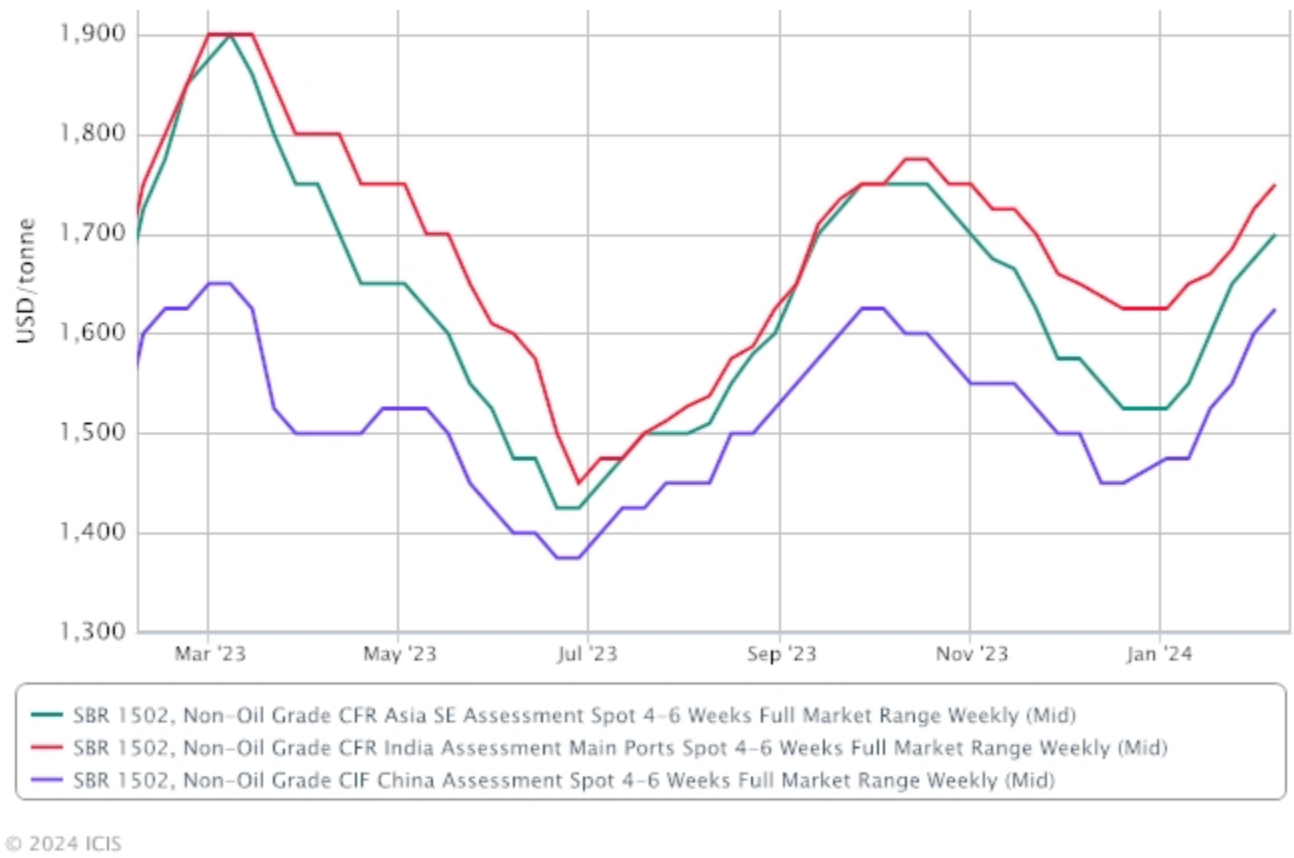
Escalations of tension in the Red Sea have also disrupted shipping arrangements, adding further to sellers' cost outlay in delivering finished products to customers.

Many are therefore determined not to dish out fresh discounts, just for the sake of inducing buying. Instead, some were heard mulling the option to moderate operating rates to rein in costs, if spot sales do not pick up more pace.

Buying tempo is however visibly weaker this week, with various players already winding down and exiting the arena for the extended Lunar New Year holidays that will begin from 10 February.

Those who do not have pressing gaps to fill said that they would rather defer fresh spot procurement to later, or when they are clearer about post-holiday market conditions.

However, some also stepped up to book limited volumes, to replenish stocks or as a safeguard against fresh offer hikes in weeks forward should the rally in upstream markets fail to ease.



OUTLOOK

- **Players to monitor how post-holiday market in China may trend**
- **More positive GDP growth outlook for China may help uplift spirits**
- **Macroeconomic concerns continue to weigh on sentiment**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1600-1650	n/c	1450-1500	72.57-74.84
CFR Asia SE	USD/tonne	n/c	1650.00-1750.00	+50	1500.00-1600.00	74.84-79.38
CFR India Main Ports	USD/tonne	n/c	1700.00-1800.00	+50	1600.00-1700.00	77.11-81.65
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1550-1600	n/c	1400-1450	70.31-72.57
CFR Asia SE	USD/tonne	n/c	1600.00-1700.00	+50	1450.00-1550.00	72.57-77.11
CFR India Main Ports	USD/tonne	n/c	1650.00-1750.00	+50	1550.00-1650.00	74.84-79.38

China

CIF China prices for the non-oil 1502 grade were stable to firm, with the low end lifted with more buoyant buying indications.

However, substantive discussions and transactions were limited, as many players there have left the arena for the extended Lunar New Year holidays from 10-17 February.

Market players said that trade activities may return to fuller normalcy even later, after the festivities are over in H2 February.

The high end is kept unchanged, reflecting the lowest, albeit stable, selling indication.

Assessments for the oil-extended 1712 grade were adjusted with changes for the 1502 grade.

Domestic prices in east China were in a wider range, compared to the week prior. On one hand, buying activities waned with the upcoming holidays, leading to downside pressures on transaction levels. However, offers edged up, tracking gains in the feedstock BD market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week’s close	Previous week’s close
E China Ex-Warehouse	12,300-12,600	12,400-12,500

Southeast Asia

CFR SE Asian prices for the non-oil 1502 grade were assessed in a wider range, taking into account buy-sell indications heard.

Buyers were mostly resistant to paying more for cargoes, citing downstream affordability issues and demand uncertainties. Their buying indications were capped at the low end.

Offers rose with firmed upstream values, and form the high end.

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

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

Feb (1-7) 2024	Jan 2024	Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023
153.14	154.20	146.31	148.42	145.26	142.65	130.22

Source: Malaysian Rubber Board

India

CFR Indian assessments for the non-oil 1502 grade were stable to firm, with the high end up on firmer sell-side targets.

Buying indications were at the low end. Some limited transactions materialised at the mid-point of the published range, market sources said.

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

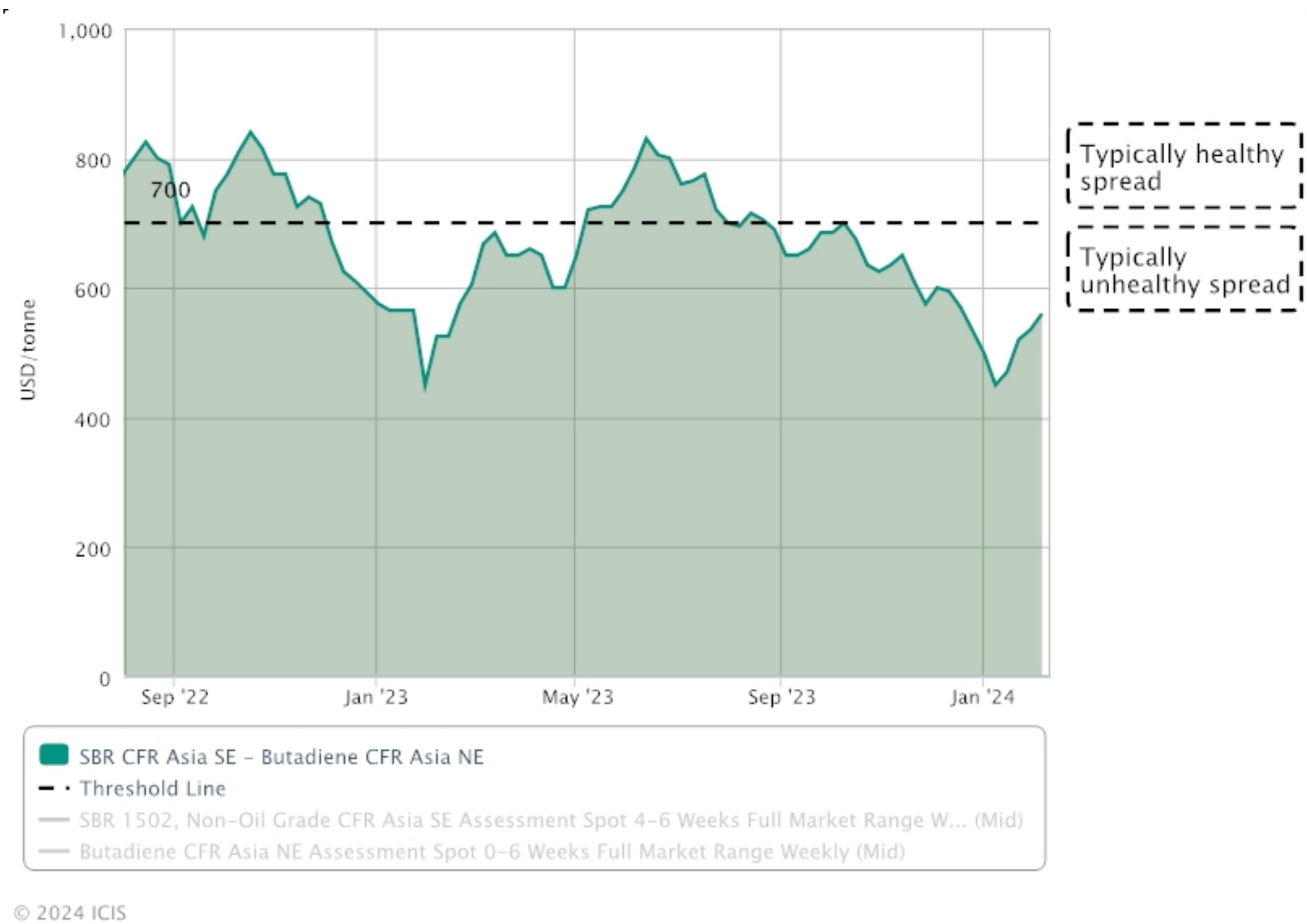
UPSTREAM

Butadiene

- Domestic China buoyancy boosts import sellers' sentiment
- Supply limitations another key upside support for import talks
- Buy-sell gap narrower but fails to bridge fully to induce trades

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

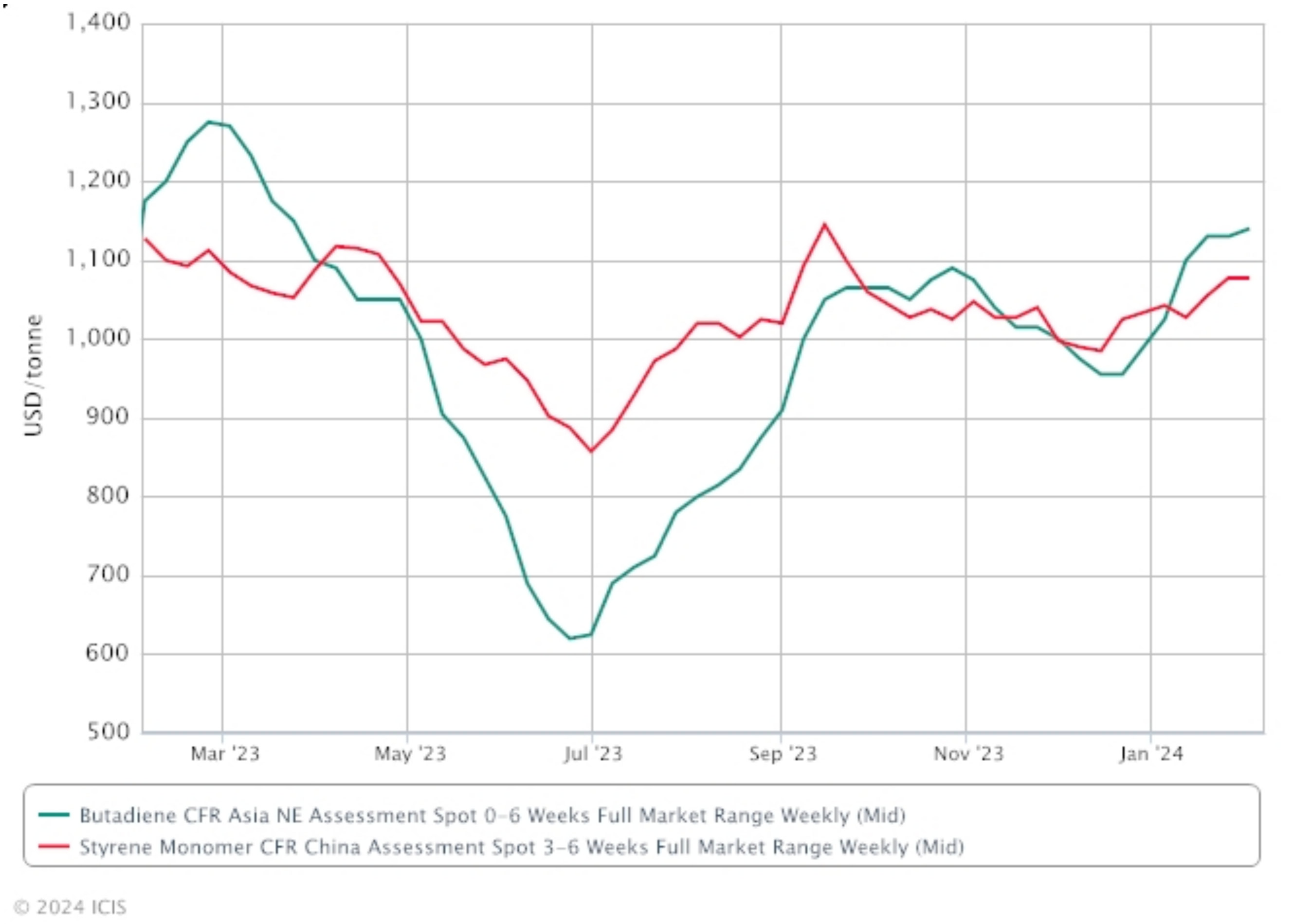
Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene

- Opposing forces from high production costs and low demand remain acute

- Some regional makers assess forward production plans
- Regional market players continue to monitor long-haul trading opportunities



PRODUCTION

A 100,000 tonnes/year unit in Hangzhou, China, has shut from early February for three weeks of planned servicing. In NE Asia, a 100,000 tonnes/year unit in Taiwan will shut for maintenance in April.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- Spot prices steady
- February styrene contract price to emerge
- Some demand improvement; contract orders

US

- SBR likely to see weak spring season with demand only from restocking
- ICIS projects mild economic recovery beginning H2

- Full-year 2024 GDP growth expected around 1.6%

ANALYTICS

ICIS downstream outlook for automotive sector

Two key things to watch out for in 2024 are smart mobility and transport-related greenhouse gas emission goals. The global automotive industry is not out of the woods yet - and is still struggling to make up for pre-pandemic losses. Factors weighing on business include supply-chain disruptions and structural changes in demand. Some of the weakness predates the COVID-19 crisis on the back of global environmental concerns. Short- to medium-term demand still looks gloomy due to an expected fall in disposable incomes.

According to the US Census Bureau, US light vehicle sales decreased by 0.8% month on month in November with total sales at 15.3m units. The finished inventory to sales ratio - calculated by dividing inventory by sales - increased to 1.312 in November from 1.134 in October. 2023 was a challenging year for the US automotive industry because the United Auto Workers (UAW) strike seriously disrupted production. Although a resolution has been reached, vehicle prices will increase given a background of chronically weak demand and high costs.

In Europe, high inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for vehicles. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 3.3% in December 2023 compared with same month in 2022. The fall was blamed on a high baseline performance in December 2022. However, for 2023 as a whole, car registrations were up 13.9%. Italy, Spain and France were the best performing countries with growth of 18.9%, 16.7% and 16.1% respectively. Germany, on the other hand, posted growth of just 7.3%. As reported last month, one point of contention for original equipment manufacturers (OEMs) in Europe is the looming Rules of Origin (ROO) January 2024 deadline – where a 10% additional tariff on electric vehicles will be applicable on exports for vehicles with less than 40-45% non-originating components. OEMs have argued against this citing a severe impact on domestic competitiveness. As a result, the European Commission is seeking a three-year extension to current rules of origin for batteries under the EU-UK Trade and Cooperation Agreement (TCA), a move that has been widely welcomed by the industry.

The outlook for Asia’s automotive industry is mixed. A primary growth driver for the sector will be the increasing penetration of car ownership. This is particularly true of electrified and other new energy vehicles after government incentive schemes. In India, inflation and tighter monetary policy will weigh on demand, but after an improvement in consumer sentiment in December, the Federation of Automobile Dealers Associations of India (FADA) said: “With this resurgence in consumer confidence, the forecast for 2024 is decidedly optimistic.”

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