



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
07-Jul-2021

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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

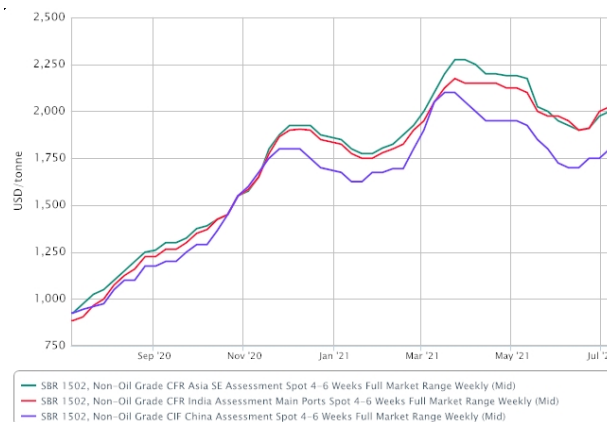
OVERVIEW

- **Offers rise on upstream strength**
- **Buying indications heard higher**
- **Longer-term outlook still hazy**

Asian import talks for styrene-butadiene-rubber (SBR) were mostly stable-to-firm as sellers hiked offers to recoup increases in feedstock butadiene (BD) costs.

With upstream BD supplies poised to stay stretched by competing demand from [arbitrage trade](#) to the US, Asian SBR makers were apprehensive that their cost pressures would not ease anytime soon, which sharpened their determination to hold firm to existing SBR expectations, if not chase higher targets.

Demand sentiment remained uneven across the region, While buyers with concrete needs could be prodded to raise buying indications to secure volumes, those with no immediate requirements kept to a more bearish pricing outlook, citing lingering reservations about downstream demand conditions.



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OUTLOOK

- **Cost pressures may not ease soon**
- **Regional supplies may lengthen**
- **Demand recovery contingent on coronavirus restrictions**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1750-1850	+50	1650-1750	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1950.00-2050.00	+50	1850.00-2000.00	88.45-92.99
CFR India Main Ports	USD/tonne	n/c	1950.00-2100.00	+50	1900.00-2000.00	88.45-95.25
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1650-1750	+50	1550-1650	74.84-79.38
CFR Asia SE	USD/tonne	n/c	1850.00-1950.00	+50	1750.00-1900.00	83.91-88.45
CFR India Main Ports	USD/tonne	n/c	1850.00-2000.00	+50	1800.00-1900.00	83.91-90.72

China

CIF China prices for non-oil 1502 grade were assessed up on higher buy-sell indications, but no deals were heard with domestic end-users heard amply supplied by domestically produced material.

CIF China prices for oil-extended 1712 grade were adjusted up, in line with 1502 grade changes, in the absence of any concrete discussions.

Domestic China prices of 1502 grade material also rose with upstream BD gains in the yuan-denominated market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	7 July	30 June
E China Ex-Warehouse	12,700-12,900	12,300-12,500

Southeast Asia

CFR SE Asian prices for non-oil 1502 grade were stable-to-firm, with the high end lifted to capture the full range of trades heard in the week.

Several cargoes were heard sold at levels within the range.

The assessment for oil-extended 1712 grade was adjusted up, in line with changes for the 1502 grade assessment. Some limited volumes were heard sold around the low end of the published range too, market sources said.

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

Jul 2021	(1-7) June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
160.88	164.51	169.09	164.72	175.25	169.16	158.41

India

CFR Indian prices for non-oil 1502 grade were assessed stable-to-firm, with the high end lifted to capture the full spectrum of buy-sell talks heard in the week.

Buying indications were heard at the low end, but offers were up, and reflected at the high end, with increased cost pressure.

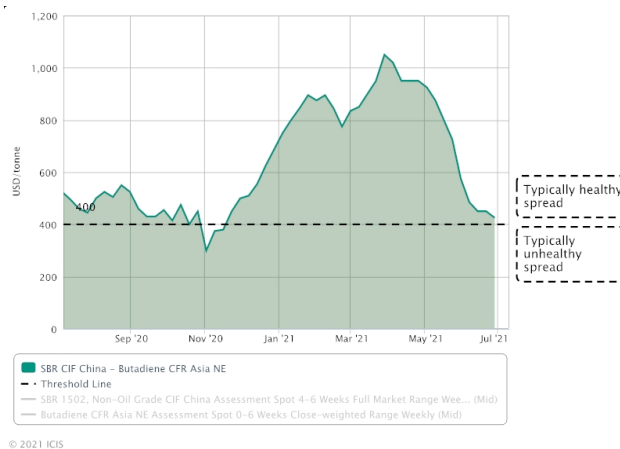
The CFR India assessment for oil-extended 1712 grade was adjusted up at the high end, in tandem with changes for 1502 grade, in the absence of concrete 1712 business.

UPSTREAM

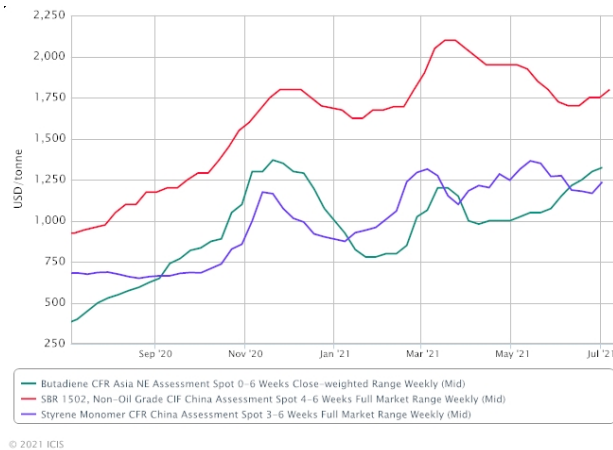
Asian **butadiene (BD)** extended gains, as bids rose in a tightly-supplied market.

The chart below shows the spread between butadiene and SBR.

[Downstream spread – butadiene and SBR NE Asia](#)



Asian **styrene** prices reversed earlier losses because trading sentiment strengthened from cost pressures, following the strong performance in the upstream benzene sector during month-end closing..



PRODUCTION

In China, average operating rates of local SBR plants climbed to 71% for the week ending 2 July, up by a percentage point from the week prior, market sources said.

This came as a 100,000 tonne/year [plant](#) in Hangzhou restarted from a month-long turnaround.

Click [here](#) for the Asian SBR Live Disruption Tracker.

ANALYTICS

ICIS Crude Outlook

The price of Brent rose in June, primarily due to strong positive sentiment from the continued success of the global vaccination programme, as well as improved demand as governments around the world remove restrictions. Looking forward, vaccination programmes are expected to be successful and many countries are likely to remove restrictions over the coming months. In the West, the overall oil demand outlook is positive for the summer as the driving season is likely to be much stronger than usual this year, helping to lift core oil products demand. President Biden's \$1.9tr stimulus package is also expected to boost the US and global economy, helping to spur oil demand for the rest of the year. On the supply side, OPEC+ will release an extra 2m bbl/day oil into the market by the end of July, with further tapering expected later in the year. The US and Iran continue discussions over a nuclear deal, and should this come to fruition, up to 1.5m bbl/day of additional oil could be supplied into the market by Iran.

By **Ajay Parmar**, ICIS senior analyst

ICIS Naphtha Outlook

The price of naphtha rose in June, in line with crude prices. The supply of naphtha from Asian refineries will rise in the coming months; China's oil refining throughput is expected to rise above 14.7m bbl/day in September following the start-up of new refining capacities in the country. Supply from the US will also increase as refinery operating rates there have already exceeded 90% for the first time since January 2020. European naphtha demand is strong in both the petrochemical and gasoline blendstock markets. This is likely to continue through the summer as the warmer weather spurs driving demand. Asian ethylene-naphtha spreads are weakening due to the start-up of new crackers in South Korea, but naphtha demand will remain strong if operating rates do not fall too low. However, if the Asian LPG-naphtha spread falls below -\$60/tonne, naphtha demand could be negatively impacted as dual-feed crackers will be more likely to switch to liquefied petroleum gas (LPG) as the preferred feedstock.

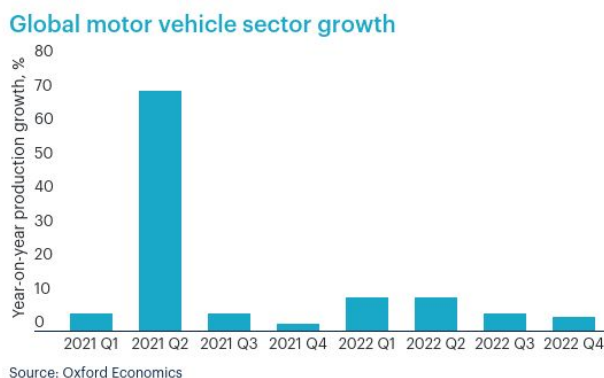
By **Ajay Parmar**, ICIS senior analyst

ICIS Downstream Automotive Demand Outlook

Global automotive demand remains very strong, with a shortage of used vehicles boosting demand for new vehicles. High levels of household savings, increased domestic tourism, and fear of public transport globally have also pushed up vehicle demand. However, low availability is starting to bite, with global sales slightly down month on month in April. Supply shocks continue to impact auto production, affecting demand for chemicals and polymers into this market. In particular, the shortage of microchips has led to production cutbacks of over one million vehicles, record low inventories and high prices. Car producers are focusing only on most in-demand models, and juggling supply chains. Hopes of a speedy resolution to the problem now seem short-sighted. US Commerce Secretary Gina Raimondo said the global shortage would be a "daily challenge" for the "next year or so."

Chinese vehicle sales in May were down month on month for the first time in 13 months. According to a report by CAAM (China Association of Automobile Manufacturers), this is due to the global chip shortage and rising raw material prices. One positive was the strong increase in sales of new energy vehicles (NEVs), which was up 160% month on month. In addition, market analysts believe the country will recover from chip shortages earlier than other regions, with improved production in H2 2021. Medium-term fundamentals also remain strong, with rising income and low car ownership. This is particularly true for electrified and other NEVs as government incentives propel this market. India is suffering from renewed lockdowns, including closing plants and dealerships. Production this year is now forecast to be 9% below 2019 levels, and some 22% below 2018's record levels. Recovery in India is forecast to be slow with 2022 still below 2019 levels.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst



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