ICIS
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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.

ICIS is currently consulting readers about the methodology used for this report. To respond, click here. All prices in the weekly analysis on 22 May will be assessed based on information collated up to 21 May. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Offers soften with feedstock declines**
- **Some buyers pull back as well**
- **But spot supply limitations may provide some support**

Spot prices in this week's Asian import market for styrene butadiene rubber (SBR) trended down in some outlets, tracking declines seen of late in the feedstock butadiene (BD) market.

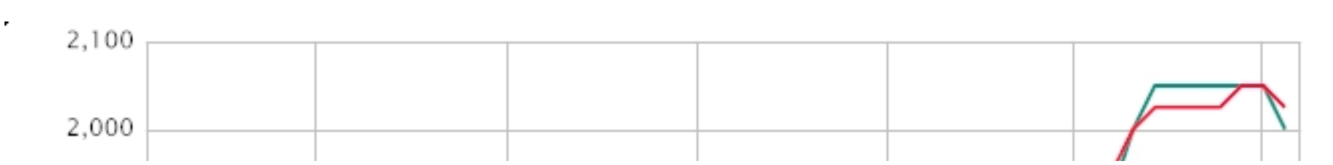
BD prices have corrected downwards, prompting some SBR makers to moderate offers to keep pace with upstream cost shifts.

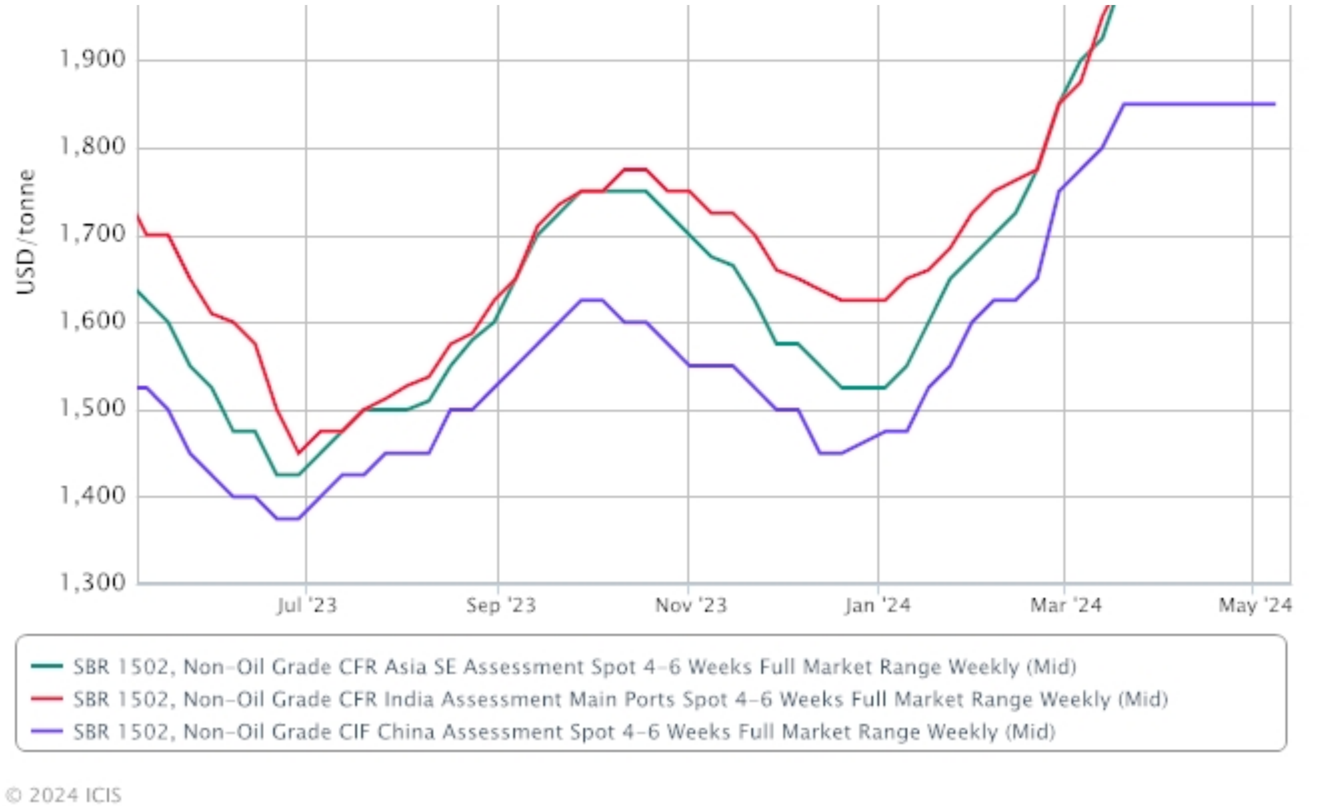
But because their overall production margins are still far from healthy, most SBR makers said that they may not be able to widen discounts further.

Furthermore, as spot supplies are poised to tighten with ongoing maintenance closures, market players said that this would also give some support to existing SBR offers.

But from the buy-side, sentiment is muted, with many end-users wary and apprehensive about how their own downstream markets may hold up if various external issues, like the geopolitical tensions in Middle East, escalate.

Many prefer therefore to keep spot procurement strictly on a needs basis, and in small lot sizes, in turn crimping spot trade liquidity, market players said.





OUTLOOK

- **Upstream market movements to drive offers**
- **Middle East conflicts will continue to weigh on confidence**
- **Buyers likely to confine themselves to only need-based procurement**

PRICES

SPOT PRICES

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

China

CIF China prices for both the non-oil 1502 and the oil-extended 1712 grades were flat in a holiday-shortened trading week.

The China market was shut for extended Labor Day holidays from 1-5 May.

Buying interest for imports remained tepid but selling indications were broadly stable, supported too by some week-on-week upticks in domestic yuan-denominated prices in east China 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	13,200-13,300	13,100-13,300

*As at 30 April as China was shut from 1-5 May.

Southeast Asia

CFR SE Asian assessments for the non-oil 1502 grade softened with lower buy-sell indications.

NE Asia-origin cargoes were available at the high end and up, but buying indications were heard capped at the low end.

But as natural rubber prices edged up, some sellers were heard optimistic that this might provide better demand support for SBR, as a cheaper substitution product.

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

May (1-8) 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024	Dec 2023
163.05	162.99	165.36	156.66	154.20	146.31

Source: Malaysian Rubber Board

India

CFR Indian prices for the non-oil 1502 grade were stable to soft, with the low-end dropped due to weaker buying indications, and the high-end stable with an offer heard for NE Asia-origin materials.

Buying interest was not active, with many end-users mindful not to hold excessive stocks of raw materials like SBR, in the run up to the monsoon season when downstream operations are typically slower.

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

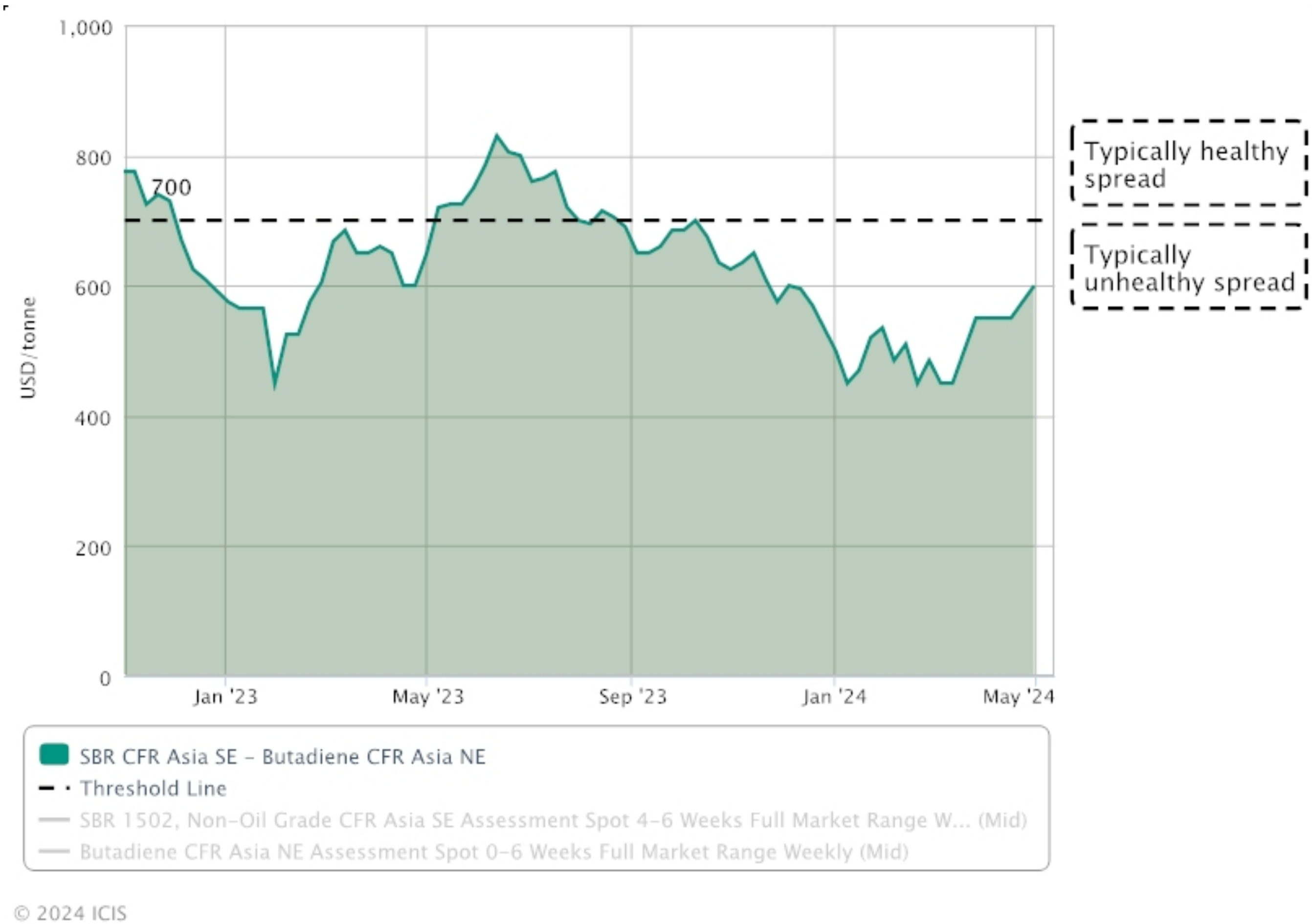
UPSTREAM

Butadiene

- Discussions muted on holiday trade lull
- Buyers more withdrawn
- But offers steady on cost factor

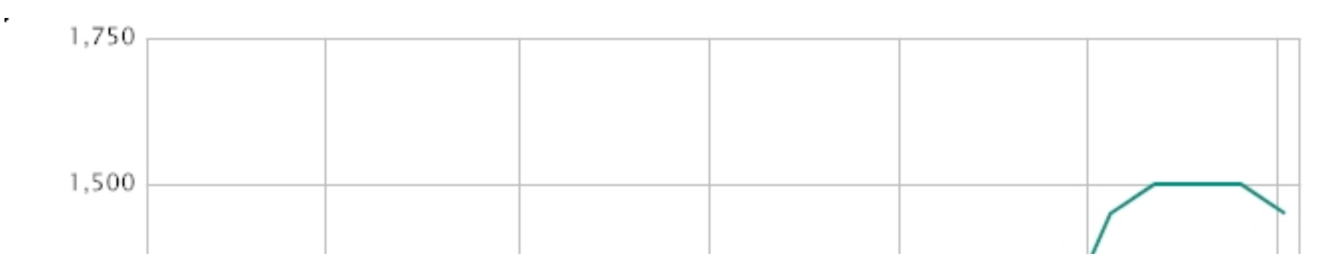
The chart below shows that the spread between butadiene and SBR has started to improve but remains in the unhealthy zone.

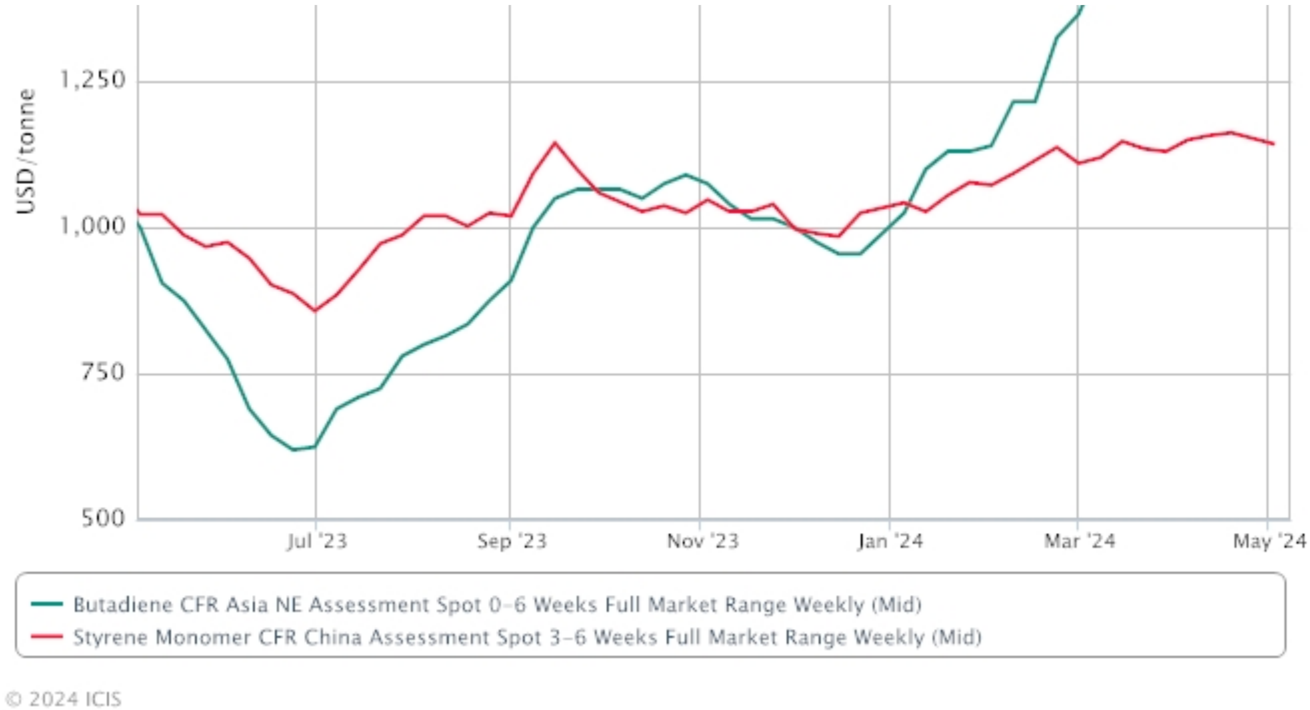
Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene

- Liquidity limited due to Labor Day holiday
- Market sentiments turned more conservative amid softer fundamentals outlook in China
- Chinese exporters eye business opportunities after the holiday





PRODUCTION

A 100,000 tonnes/year unit in Taiwan has shut for a month-long maintenance and is expected to resume end-May.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- SBR spot prices firm on feedstock cost
- Demand muted amid Labor Day holidays
- Some supply limitations for dry grade material

ANALYTICS

ICIS crude outlook

In Q3 2024, global crude oil supply-demand dynamics will be influenced by cautious supply management and geopolitical factors. OPEC+ may consider easing its production cuts in the third quarter if oil prices remain above $90/barrel, reflecting increased geopolitical tensions and supply interruptions. Despite this, OPEC+ has continued with aggressive supply management strategies during the first half of 2024.

Demand growth is primarily being driven by non-OECD countries, buoyed by a recovering Chinese economy and an expected global economic expansion from 2.5% in 2024 to 2.7% in 2025. Meanwhile, US crude oil stocks have increased, indicating slower growth in domestic demand, even as refinery operations see a modest rise. Global demand for crude oil is expected to increase, meeting significant non-OPEC liquid production, particularly from the US, Canada, Guyana, and Brazil.

Production growth in these areas is forecast to slow down slightly in 2024 and 2025, with increases expected to be about 1 million barrels/day in 2024 and 1.25 million barrels/day in 2025. Overall, the oil market in the third quarter of 2024 will be characterized by a balance between cautious supply management by OPEC+ and a gradual increase in global demand, moderated by economic and geopolitical conditions, together with shifts in energy consumption patterns.

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

ICIS naphtha outlook

The global naphtha market in Q3 is influenced by a complex interplay of supply constraints and shifting demand dynamics across different regions. Prices have surged to multiyear highs, closely tracking fluctuations in Brent crude oil due to geopolitical tensions in the Middle East and the Russia-Ukraine conflict. Despite a reduction in physical demand from the European petrochemical sector, which is turning to cheaper alternatives like propane, naphtha prices remain elevated due to tight supplies and strong gasoline blending activity. In Europe, refinery maintenance and geopolitical events are expected to sustain tight supply conditions, while demand from the petrochemical sector remains subdued. However, the onset of the summer driving season in the US could indirectly boost naphtha markets through increased blending requirements. In Asia, particularly in China, the naphtha market is experiencing robust demand driven by substantial petrochemical production. Although the region faces potential supply disruptions due to geopolitical tensions, the demand for naphtha remains strong, supported by petrochemical capacity utilization in northeast Asia. The market is also affected by the competitive pricing of LPG, which is becoming an attractive alternative feedstock for petrochemicals, potentially influencing naphtha's share in the feedstock mix. Overall, the naphtha market is navigating through reduced physical demand, tight supplies, and external pressures from crude oil markets and geopolitical factors, with cautious optimism in the near-term outlook.

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