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

- **Buying tempo slows with sharp upstream losses**
- **Demand outlook murky too**
- **Snug spot supplies keep offers supported**

Discussions for styrene-butadiene-rubber (SBR) were weighed down by sharp losses in the upstream butadiene (BD) market.

Most players are reluctant to take positions this week, and wanted to wait until it is clearer how BD pricing may trend in the near term.

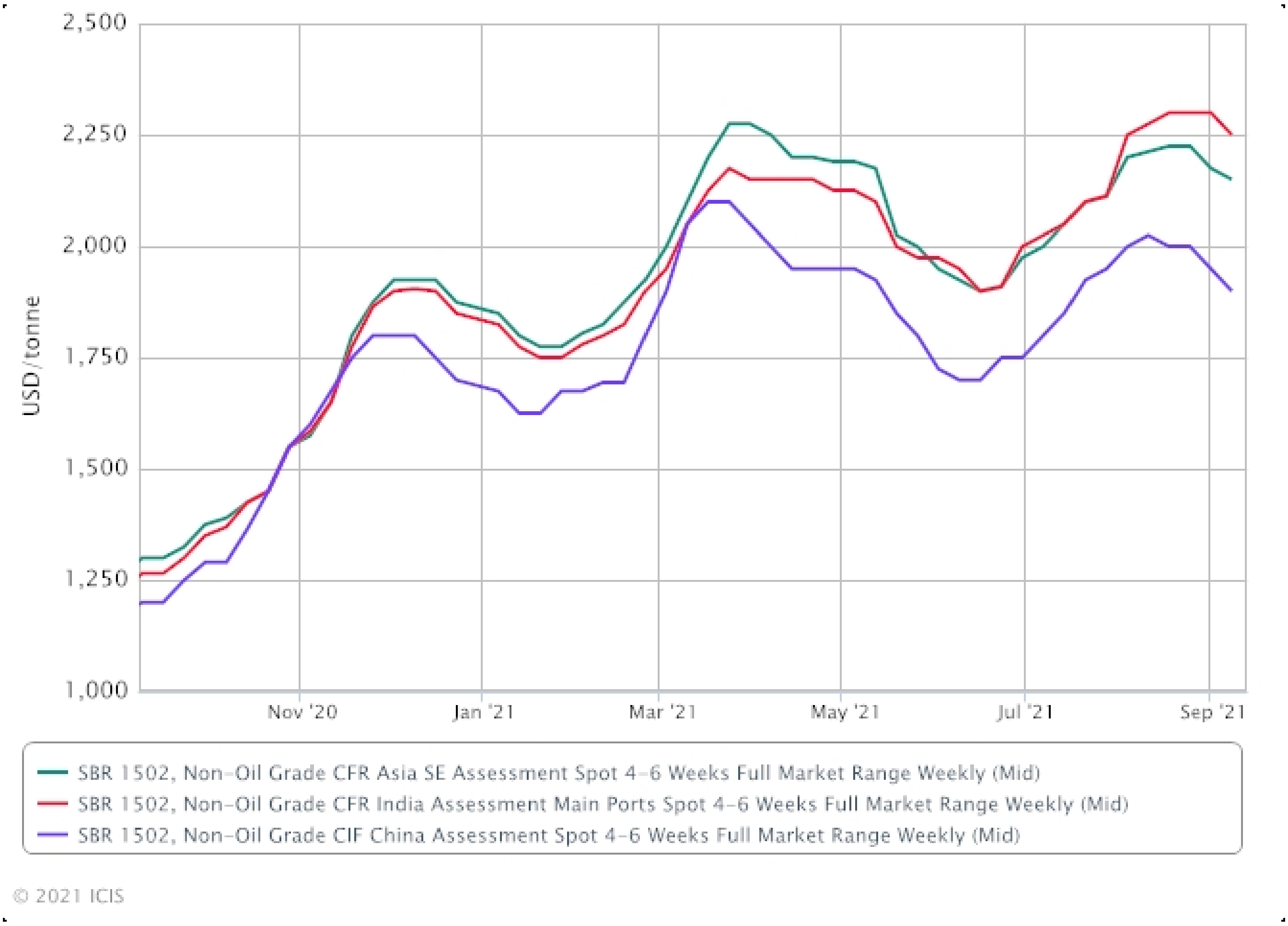
While some sellers moderated offers to move some volumes, most regional SBR makers were heard not inclined to widen discounts, citing minimal selling pressures in view of upcoming turnarounds.

Given soaring freight costs, SBR sellers also said that they could not price down further.

But demand outlook is muted, especially in China, where buyers are heard gearing more towards procuring from the yuan-denominated market where prices are, and have been, slipping.

Off-take remains slow in southeast Asia too with various coronavirus-related restrictions still in force in several outlets, from Malaysia to Vietnam.

In India, the demand fundamentals are relatively more positive, given that downstream operations have resumed fully. But spot trade liquidity took a beating this week as potential buyers withdrew, in anticipation of softer offers should upstream conditions weaken further.




## OUTLOOK

- **Pandemic worries will weigh in on demand**
- **China exports may rise with poor domestic sales**
- **Supply chain issues may weigh in on Indian demand too**

## PRICES

### SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|---|---|---|---|---|---|---|
| **SBR 1502, Non-Oil Grade** | | | | | | |
| **CIF China** | USD/tonne | -100 | 1800-2000 | n/c | 1950-2100 | 81.65-90.72 |
| **CFR Asia SE** | USD/tonne | -50 | 2100.00-2200.00 | n/c | 2175.00-2250.00 | 95.25-99.79 |
| **CFR India Main Ports** | USD/tonne | -50 | 2200.00-2300.00 | -50 | 2250.00-2300.00 | 99.79-104.33 |
| **SBR 1712, Oil-Extended** | | | | | | |
| **CIF China** | USD/tonne | -100 | 1700-1900 | n/c | 1850-2000 | 77.11-86.18 |
| **CFR Asia SE** | USD/tonne | -50 | 2000.00-2100.00 | n/c | 2075.00-2150.00 | 90.72-95.25 |
| **CFR India Main Ports** | USD/tonne | -50 | 2100.00-2200.00 | -50 | 2150.00-2200.00 | 95.25-99.79 |

**China**

CIF China assessments for the non-oil 1502 grade materials were stable-to-soft, with the low end dropped to reflect bearish buying indications.

The high end was kept unchanged, taking into consideration stable offers heard.

Assessments for the oil-extended 1712 grade were also adjusted down at the low end, in line with changes for the 1502 grade, in the absence of any concrete business or discussions.

Domestic China prices of the 1502 grade materials continued to trend down on a sluggish upstream butadiene market.

**East China domestic SBR 1502 prices**

| Price (CNY/tonne) | 08 Sep | 01 Sep |
|---|---|---|
| E China Ex-Warehouse | 12,400-12,500 | 12,700-12,900 |

*Clarification: In the 1 September pricing analysis, the date of the first column of the East China domestic SBR 1502 price table should say 1 September.*

**Southeast Asia**

CFR southeast (SE) Asian prices for the non-oil 1502 grade were assessed in a wider range, taking into consideration weaker buying indications heard.

Deals were heard within the published range, market sources said.

CFR SE Asian assessments for the oil-extended 1712 grade were also adjusted down at the low-end, in line with changes for the 1502 grade, in the absence of any concrete 1712 discussions.

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

| Sep (1-8) 2021 | Aug 2021 | July 2021 | June 2021 | May 2021 | Apr 2021 | Mar 2021 |
|---|---|---|---|---|---|---|
| 163.37 | 172.678 | 164.32 | 164.51 | 169.09 | 164.72 | 175.25 |

**India**

CFR Indian prices for the non-oil 1502 were assessed down, with offers reflected at the high-end, against buying indications capped at the low-end.

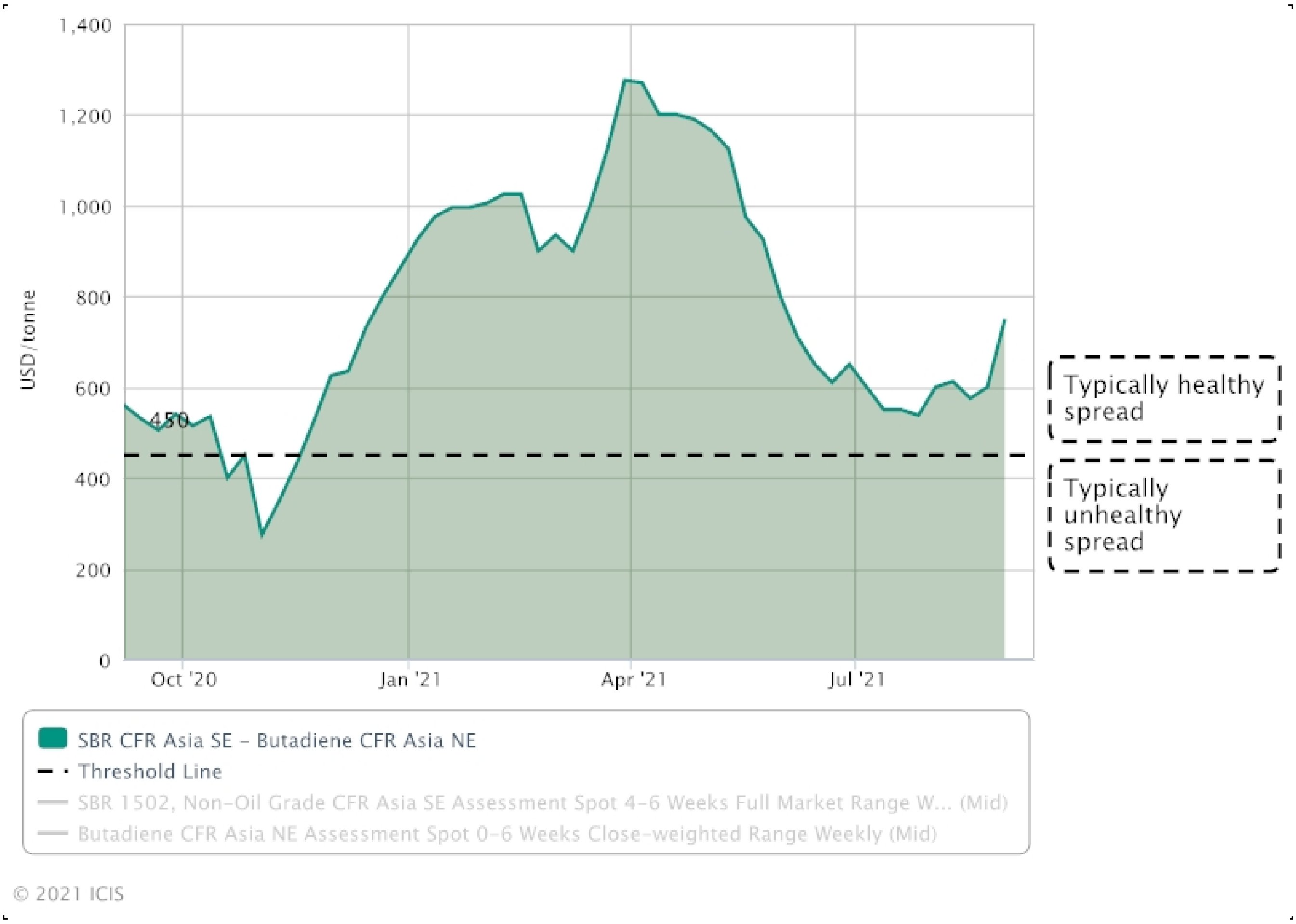
Assessments for the oil-extended 1712 grade were adjusted in line with changes in the 1502 grade, in the absence of concrete transactions.

## UPSTREAM

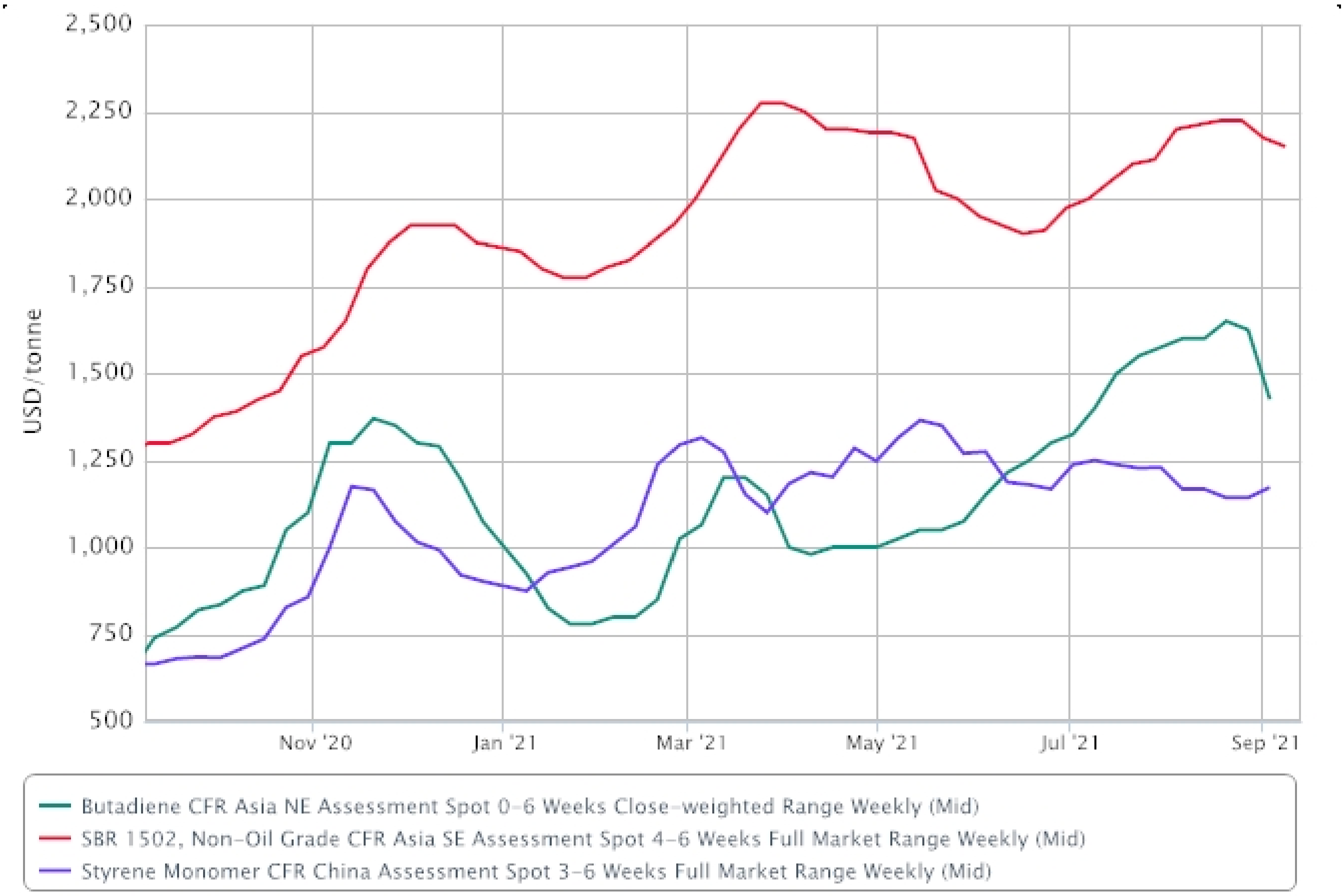
Asian **butadiene** spot discussions turned bearish as regional demand remains battered by an unending COVID-19 pandemic.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia




Asian **styrene** import prices were on a general uptrend, despite mixed market sentiment among participants, because of short-term supply disruptions in the West and stronger performance in domestic Chinese benzene prices.






## PRODUCTION

In China, average operating rates of local SBR plants held steady at 63% for the week ended 3 September, unchanged from the week prior, market sources said.

SBR supplies within China may lengthen with a major 250,000 tonne/year plant in Shandong set to restart in H2 September after nearly two months of maintenance closure.

But in wider Asia, SBR supplies are set to tighten on upcoming plant turnarounds in South Korea.

Click here for the Asian SBR Live Disruption Tracker.

## OTHER REGIONS

In the US, SBR contract prices surged to four-year highs on feedstock BD increases.

In Europe, August SBR contracts also surged by triple digits on feedstock pressures.

But auto sales across US and Europe are increasingly weighed down by persistent chip shortages and supply chain constraints.

## ANALYTICS

**ICIS Crude Outlook**

OPEC+ will continue their programme of tapering output cuts by adding 400,000 bbl/day each month until the end of the year. In the near term, the high likelihood of hurricanes during September and October may lead to production issues in the US. This disruption could lead to millions of barrels per day in production outages, as seen earlier this year. On the demand side, vaccination programmes are expected to continue to be successful, particularly in the US, China and Europe. However, demand going forward is expected to fall in Q4 compared with the summer, as the driving season ends. Future oil demand is also under threat from rising COVID-19 cases in Europe and southeast Asia. If cases continue to rise, new restrictions may be imposed, which could limit demand growth during a period of rising supply. Additionally, concerns have recently risen over the US Federal Reserve potentially ending their asset purchase programme earlier than expected, which could prompt bearish sentiment for commodity and financial markets if implemented.

By **Ajay Parma**, Senior Analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

**ICIS Naphtha Outlook**

The price of naphtha fell in August, in line with crude. However, the European naphtha crack increased by 6% month on month due to strong demand in the gasoline blending markets. That said, gasoline demand will likely wane in Q4, which will then put pressure on the naphtha crack. If COVID-19 cases continue to rise and new restrictions are imposed in southeast Asian countries, gasoline demand may be further hampered and naphtha demand could slide in the near term. However, the European LPG-naphtha spread has reached into positive territory recently, due to high propane prices. This will firm naphtha's place as feedstock of choice for petrochemical producers for the foreseeable future. In addition, imports to Asia from Europe are likely to be constrained somewhat by high freight prices.

By **Ajay Parma**, Senior Analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

**ICIS Downstream Automotive Demand Outlook**

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of outlook for global automotive industry stakeholders. The level of uncertainty has been unprecedented, challenging both decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to make a full recovery. According to Oxford Economics, the global selling rate of light vehicles stood at 82.4m units/year in June, 9% short of its pre-pandemic selling rate in Q4 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in auto output. Hopes for a speedy resolution are still distant. One potential hiccup to the supply of chips could be water! This is because their manufacture is extremely water intensive and Taiwan - which is home to TSMC, the world's largest chip foundry, and has a global market share of 56% of all foundries - is in the middle of its worst drought in 50 years. As a result, TSMC is sourcing requirements via additional water trucks. The Taiwan Institute of Economic Research estimates that water reduction in industrial parks is currently around 15%, which is below the 20% level that factories can tolerate.

Asia was the first region to be impacted by the semiconductor shortage. According to the China Association of Automobile Manufacturers (CAAAM), the country produced and sold 1.863m and 1.864m automobiles in July, down 4.1% and 7.5% month on month and 15.5% and 11.9% year on year respectively. Compared with the same period in 2019, production and sales increased by 3.2% and 2.7% year on year respectively. Japan should see a severe near-term disruption, but South Korea will benefit from domestic chipmakers Samsung and SK Hynix which have both increased production. Electric vehicle production in Asia should ramp up sharply in 2021 as China, in particular, pushes for greater environmental measures. The Delta variant will be closely monitored, as further outbreaks could cut short any recovery.

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