



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

- **Domestic China weak**
- **Import discussions down as well**
- **Tepid [demand](#) persists**

Thin buying interest continued to weigh down discussions on Asia's spot imports of styrene butadiene rubber (SBR).

In China, domestic yuan-denominated prices extended losses, affecting demand too for US dollar-denominated imports as well.

Downstream production tempo in China is still far from satisfactory, judging from the latest economic indicators, such as the 7.1% month-on-month [slump](#) shown in the ICIS' July China petrochemical index.

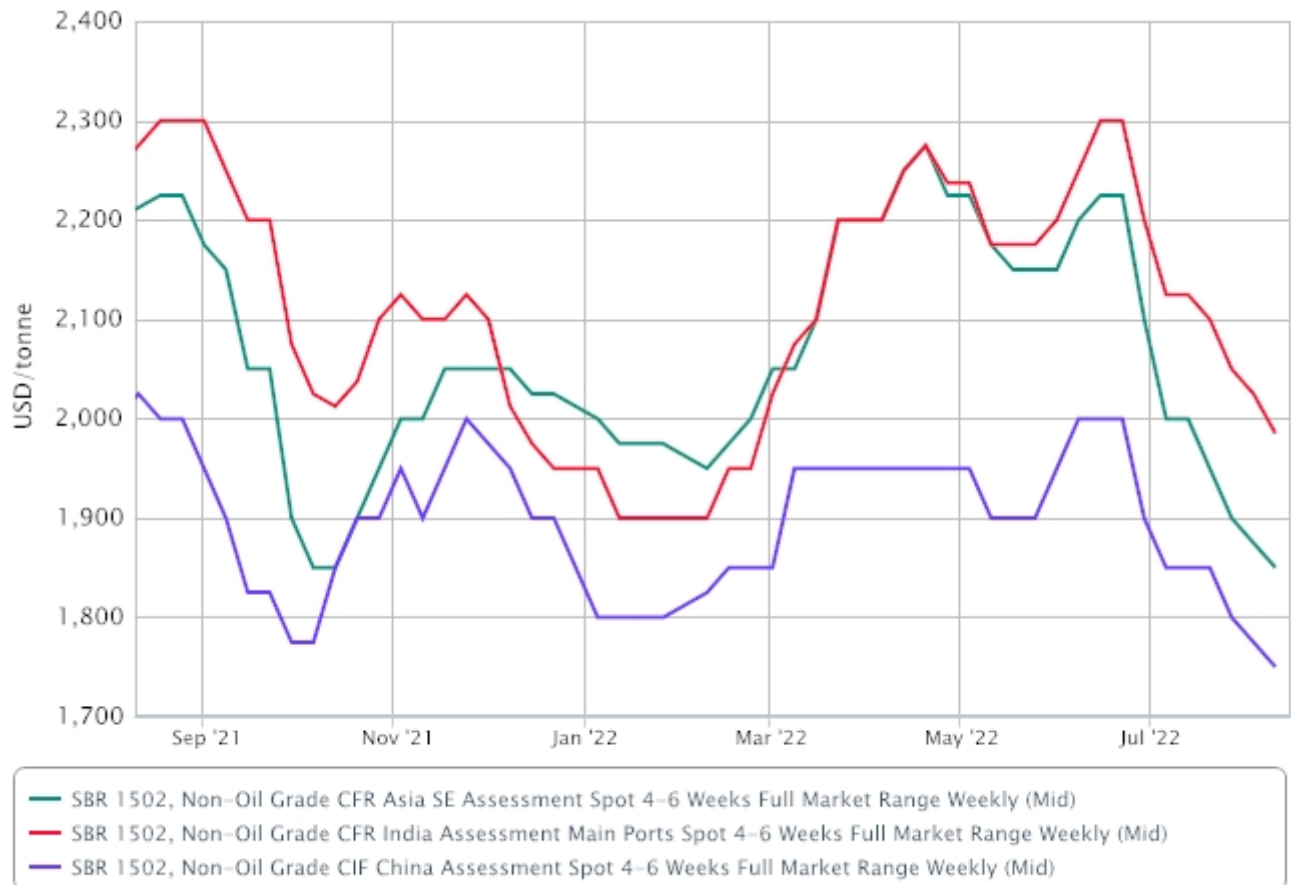
In southeast Asia, sentiment is also downbeat, and most end-users were inclined to scale back spot procurement to tide over the inflation-induced global economic slow-down, market players said.

In India, buying interest for SBR imports was relatively healthier, in part due to the anticipation of tighter domestic availabilities once or if maintenance closure plans are finalised for a local plant.

However, India-based buyers were also not in a hurry to finalise import bookings as they expect offers to soften more in due course, especially if the upstream butadiene (BD) market continues to weaken.

Meanwhile, some SBR sellers did price down to chase deals, but to little avail, market sources said.

If sales continue to languish, it is likely that regional producers may deepen or prolong existing output cuts to manage inventories, market sources said.



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OUTLOOK

- Upcoming maintenance could help reduce supply glut
- Demand recovery prospects hazy on macro-economic challenges
- Players to keep an eye on how China exports may trend next

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1700-1800	-50	1800-1900	77.11-81.65
CFR Asia SE	USD/tonne	n/c	1800.00-1900.00	-50	1950.00-2050.00	81.65-86.18
CFR India Main Ports	USD/tonne	n/c	1900.00-2070.00	-80	2000.00-2250.00	86.18-93.89
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1600-1700	-50	1700-1800	72.57-77.11
CFR Asia SE	USD/tonne	n/c	1700.00-1800.00	-50	1850.00-1950.00	77.11-81.65
CFR India Main Ports	USD/tonne	n/c	1800.00-1970.00	-80	1900.00-2150.00	81.65-89.36

China

CIF (cost, insurance & freight) China assessments for the non-oil 1502 grade were stable to soft, with the high end dropped to capture the discussions range heard.

However, no deals materialised as local end-users were amply supplied by domestically produced materials.

CIF China assessments for the oil-extended 1712 grade were adjusted in line with changes seen in the 1502 assessments, in the absence of concrete 1712 business.

Domestic prices in China for 1502 SBR fell, alongside losses seen in the upstream BD market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	10 Aug	03 Aug
E China Ex-Warehouse	11,500-11,600	11,900-12,000

Southeast Asia

CFR (cost & freight) southeast (SE) Asian prices for the non-oil 1502 grade were down at the high end, tracking lower offers heard for cargoes from wider Asian suppliers.

Substantive discussions were minimal, due to poor buying interest. The low end was kept unchanged in the absence of any concrete buy-side indications.

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

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

Aug 10) 2022	(1- Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
153.18	158.83	164.15	162.81	171.15	175.18	179.84	178.12

India

CFR Indian assessments for the non-oil 1502 grade were down at the high end to reflect deals involving cargoes from wider Asian suppliers.

Discussions and deals for China-origin cargoes were heard in the \$1,850-1,900/tonne CFR India range, broadly unchanged from the week prior. The low end was kept unchanged as such.

CFR Indian assessments for the oil-extended 1712 grade were adjusted down at the high end, in line with changes for the 1502 assessments.

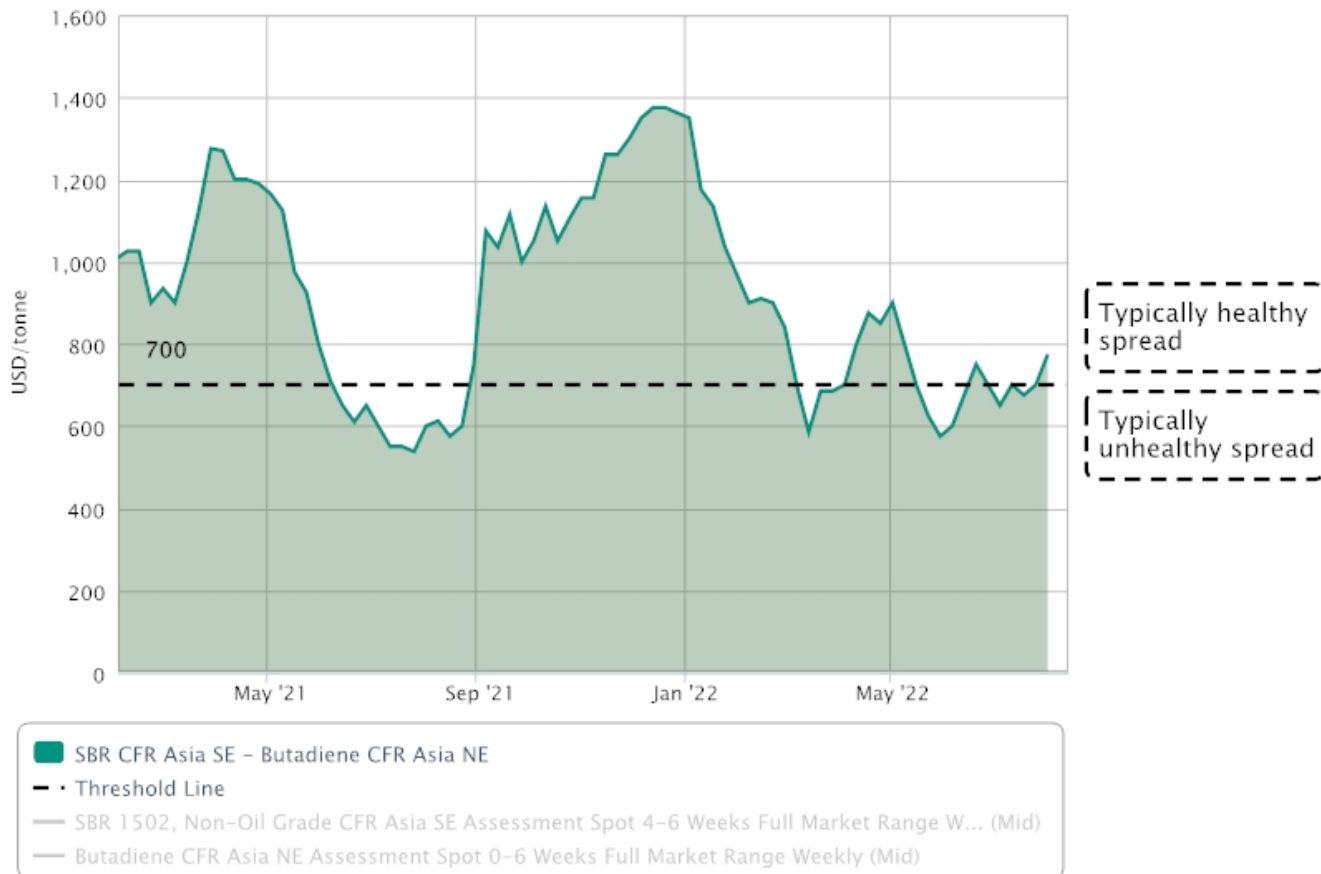
UPSTREAM

Butadiene (BD)

- Weak domestic China
- Tepid demand
- Buy-sell gap widen for imports

The chart below shows the spread between butadiene and SBR.

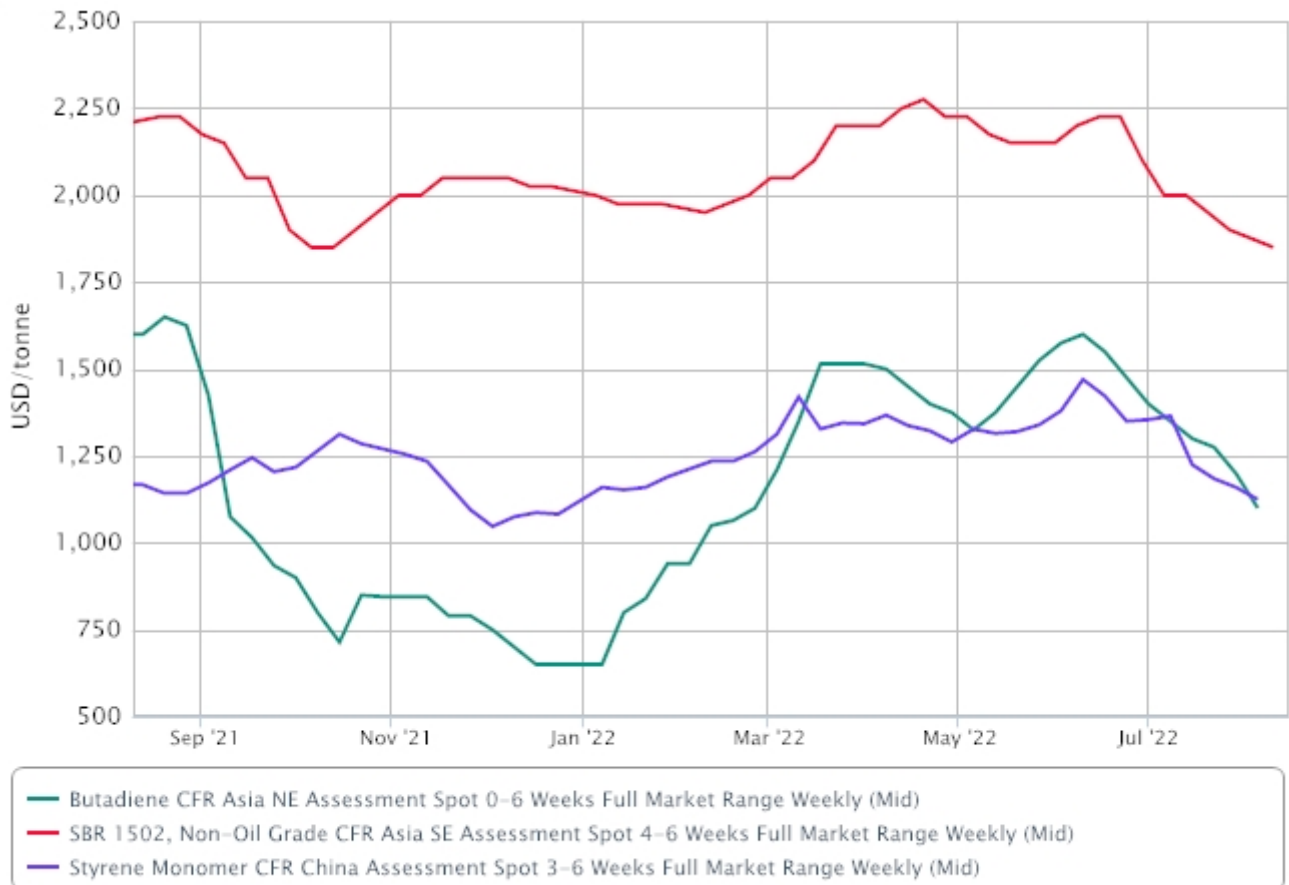
[Downstream spread – BD NE Asia and SBR SE Asia](#)



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Styrene:

- Market down on weaker macros, futures and energy performance
- Thin liquidity; mostly unchanged demand and supply for Sept outside China
- Minimal export arbitrage to the West on seasonal lull there



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PRODUCTION

In China, operating rates of local SBR plants rose to 67% for the week ended 5 August, two percentage points up from the week prior, market source said.

In the wider Asia region, SBR output tightened, with [output cuts](#) at some regional plants. [Upcoming](#) maintenance will also further curtail supplies.

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

OTHER REGIONS

Europe

- SBR August contract talks in early stages
- Upstream styrene drops significantly
- Spot prices assessed stable

US

- August SBR contracts increase with styrene
- Higher June styrene pressures contracts
- Lower August BD offsets upward pressure
- Spot prices lowered

ANALYTICS

ICIS Crude outlook

OPEC+ will continue with production quota increases of 648,000 bbl/day in August. As has been the case for a number of consecutive months, the cartel is unlikely to reach these levels of production, ensuring supply will remain restricted in the near term. Only Saudi Arabia has the capability to meaningfully increase production levels out of the entire cartel. India's oil demand grew by 18% year on year in June, to 5m bbl/day. Gasoline and diesel demand grew by over 23% year on year respectively. However, India does face some headwinds as export taxes have been imposed on diesel, jet fuel and gasoline. Regardless, India's oil demand is expected to continue to remain strong in the second half of 2022. Global oil demand growth is likely to be lower later in 2022, as global economic growth is now expected to be much lower than previous expectations. This is primarily due to the combined effect of high inflation, high energy prices and higher interest rates. This will inevitably lead to lower oil demand growth from the fourth quarter of 2022 and into early 2023.

By **Ajay Parmar**, ICIS senior analyst, ajay.parmar@icis.com

ICIS Naphtha outlook

Naphtha cracks (naphtha price minus crude price) have recovered substantially from the severe collapse in June; however, they still remain weak overall in all major regions. The market had weak demand for a number of months, but cracks collapsed once refineries raised runs around end of May. ICIS expects naphtha cracks to remain steady around current levels throughout the summer. The NWE propane:naphtha ratio has fallen substantially in July, driven by the strengthening naphtha crack. The ratio has hit a recent low of 82% for parts of July. ICIS expects LPG will remain a more favourable feedstock over naphtha in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

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