



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
10-Jan-2024

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

OVERVIEW

- **Sellers chase higher targets to mitigate costs**
- **But buy-side resistance strong**
- **Buy-sell disparity develops**

Discussions for Asian imports of styrene-butadiene-rubber (SBR) are hampered by a widening buy-sell gulf.

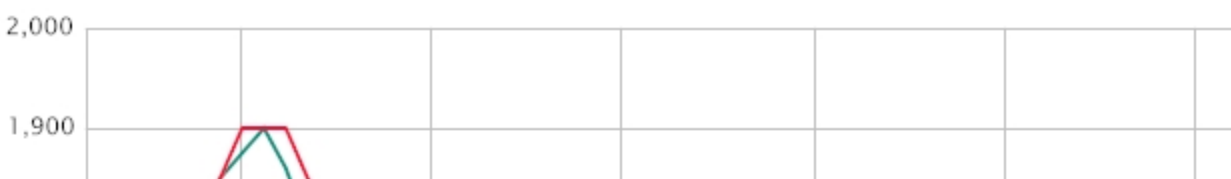
Buy-side elements remained cautious in their outlook for near-term downstream demand. There is as yet no clarity how growth in the key [automotive sector](#) will trend this year, and many end-users are reluctant therefore to commit as yet to more heavy procurement of raw materials like SBR.

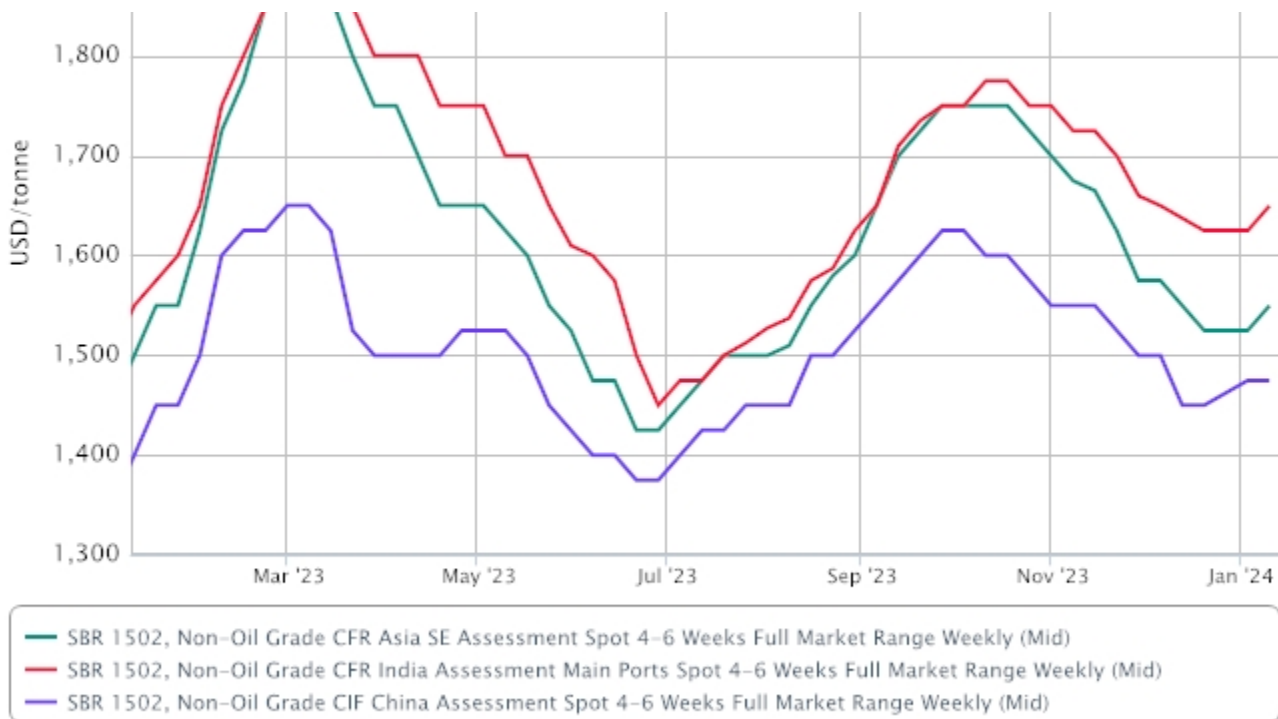
Escalation of maritime security concerns in Suez Canal also weighed on SBR buyers' sentiment, as many are worried how movement of their own finished products may be affected by [rising freight rates](#). They are thus careful not to over-stock on SBR lest they have to trim their own operations to manage inventories of finished products.

But for SBR sellers, many were concerned how their frail margins are being squeezed and eroded by recent cost increases for feedstock [butadiene](#) (BD).

They are looking therefore to independently raise SBR offers in a bid to recoup costs and protect margins, but firmer offers met with strong resistance from buyers.

That said, some sellers remained hopeful that trade momentum should pick up soon, or when China-based end-users are ready to buy and restock for the next extended Lunar New Year holidays that will take place next month. .





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OUTLOOK

- Butadiene market movements to drive SBR offers
- Buying tempo may pick up with pre-CNY restocking in China
- But buy-sell differences unlikely to dissipate anytime soon

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1450-1500	n/c	1400-1500	65.77-68.04
CFR Asia SE	USD/tonne	n/c	1500.00-1600.00	+50	1500.00-1600.00	68.04-72.57
CFR India Main Ports	USD/tonne	+25	1600.00-1700.00	+25	1600.00-1675.00	72.57-77.11
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1400-1450	n/c	1350-1450	63.50-65.77
CFR Asia SE	USD/tonne	n/c	1450.00-1550.00	+50	1450.00-1550.00	65.77-70.31
CFR India Main Ports	USD/tonne	+25	1550.00-1650.00	+25	1550.00-1625.00	70.31-74.84

China

CIF China assessments for the non-oil 1502 grade is rolled with range-bound discussions for NE Asia-origin materials.

But substantive transactions for import materials were limited, as more end-users relied heavier on the domestic supply pool.

CIF China assessments for the oil-extended 1712 grade are unchanged too, on stable 1502 grade.

In the domestic China market, SBR prices slipped, in part because yuan-denominated prices for upstream butadiene cargoes have also softened.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	11,800-12,100	12,200-12,400

Southeast Asia

CFR SE Asian assessments for the non-oil 1502 grade widened, with offers heard consolidating at the high-end.

But concrete buying interest was limited, and buying indications broadly unchanged at the lower end.

Many buy-side elements held back to see how BD and natural rubber prices may trend in the immediate term before they finalise their next buying decisions.

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

Jan (1-10) 2024	Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023
153.79	146.31	148.42	145.26	142.65	130.22	131.31

Source: Malaysian Rubber Board

India

CFR Indian assessments for the non-oil 1502 grade rose with firmer buy-sell indications, even though concrete import transactions were in reality limited as most buyers preferred to procure from the domestic supply pool instead.

But broadly, the outlook is more positive about substantive requirements of synthetic rubbers among Indian tyre makers, especially since vehicle sales in India had grew quite substantially in the last few weeks, market sources said.

The high-end tracked selling indications heard for NE Asia-origin materials while buying indications were capped at

the low-end.

CFR Indian assessments for the oil-extended 1712 grade are adjusted with changes for the 1502 grade.

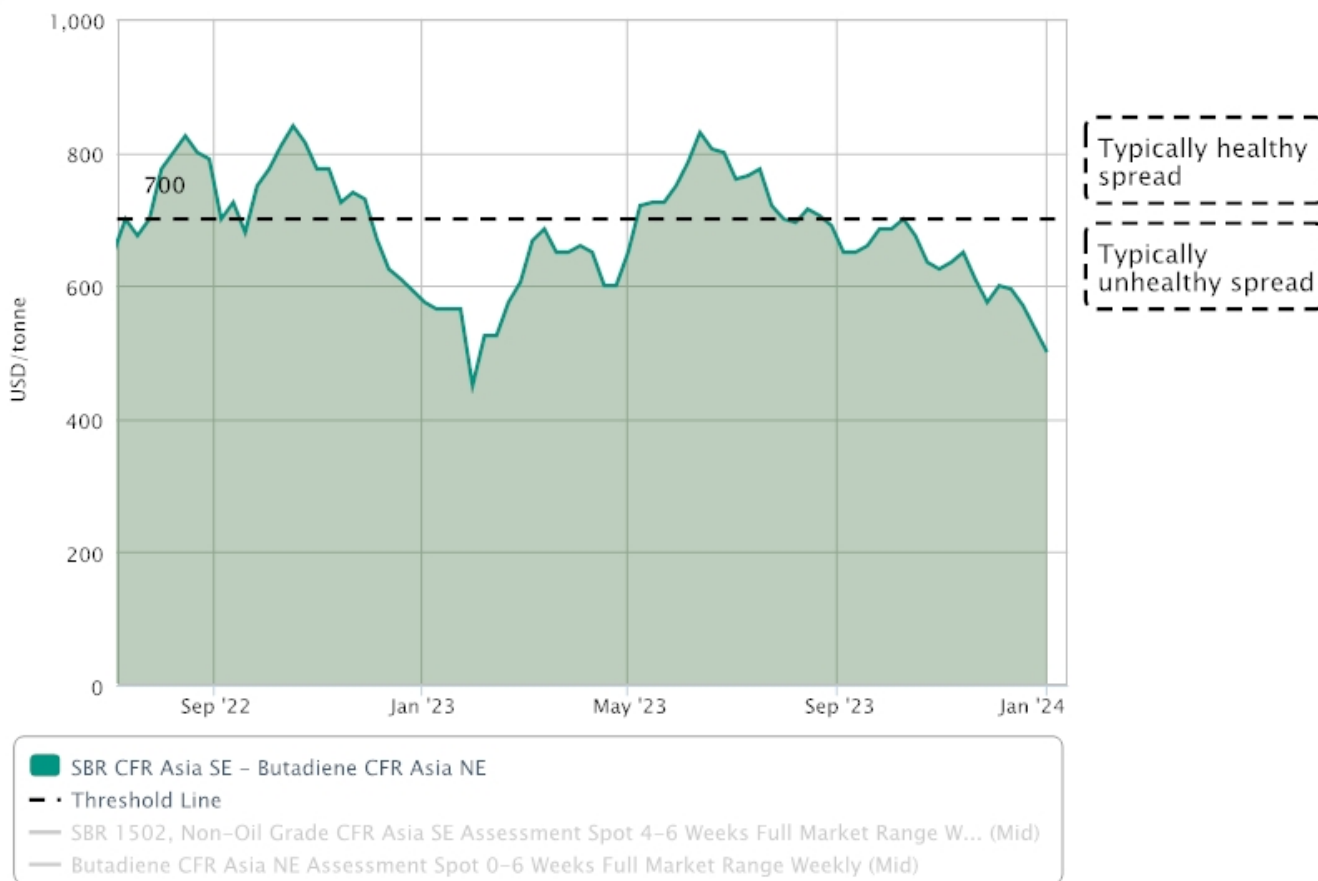
UPSTREAM

Butadiene

- Import talks lifted with recent domestic China gains
- But fixed price trades crimped by persistent buy-sell differences
- Some hold back to wait for domestic China volatility to subside

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

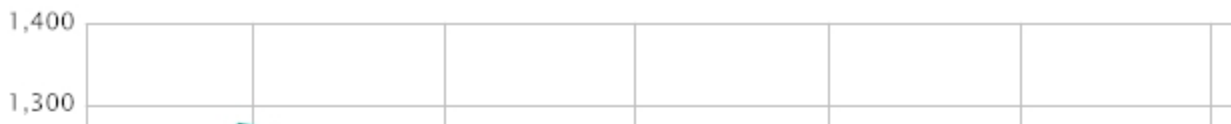
[Downstream spread – butadiene NE Asia and SBR SE Asia](#)

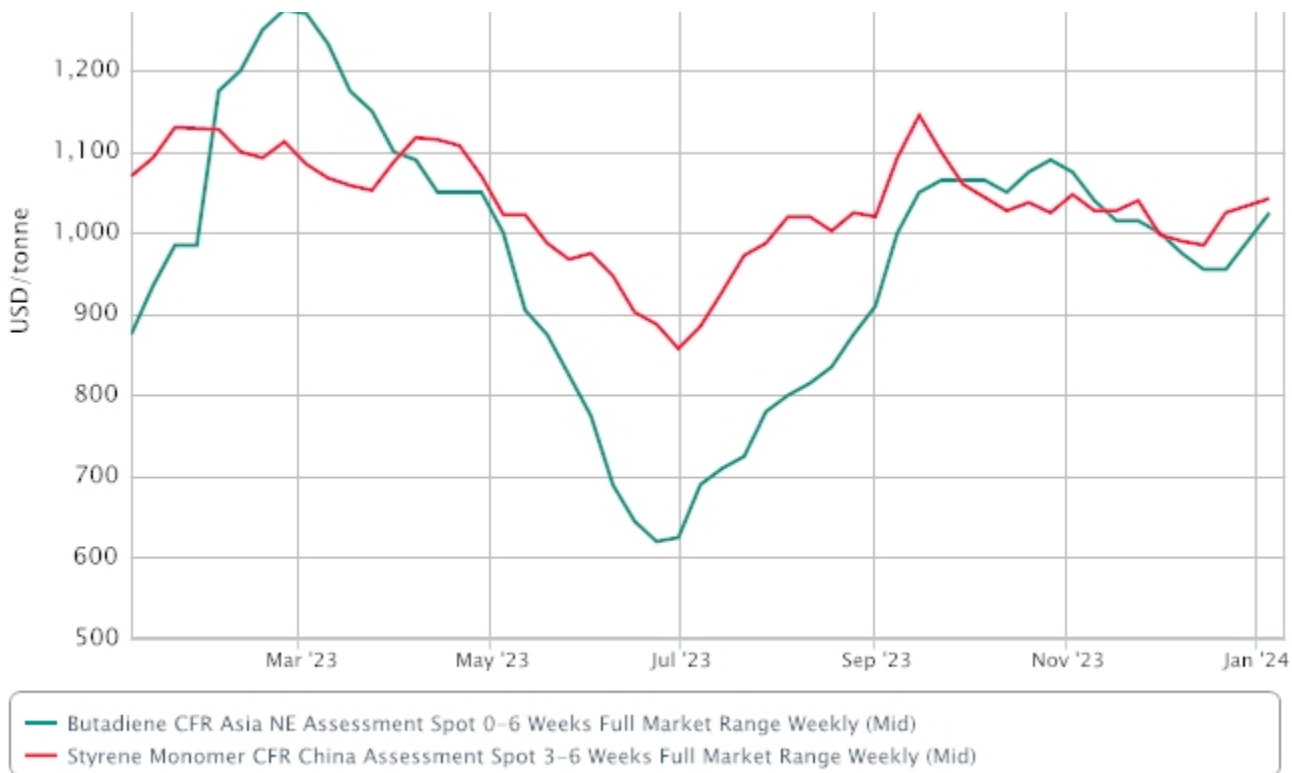


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Styrene

- China market opens firm, but trends softer throughout the week
- China inventory piles up, regional temporary oversupply emerges
- Market players eye potential pre-Lunar New Year replenishment





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PRODUCTION

A 60,000 tonnes/year SBR unit in Zhoushan, China is [shut](#) for maintenance until mid-January.

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

OTHER REGIONS

Europe

- January SBR talks in early stages; spot prices steady
- January BD contract price rolls over
- Upstream styrene contract drops slightly

ANALYTICS

ICIS crude outlook

The OPEC+ group has maintained a cautiously optimistic stance with regards to fundamental factors affecting oil market dynamics in 2024. Saudi Arabia's decision to extend a voluntary cut of 1m bbl/day into Q1 2024 as part of the OPEC+ deal announced on November 30, further reduces Saudi output by 122 000 bbl/day to 8,818m bbl/day. Our forecast indicates that non-OPEC production increased by approximately 2m bbl/day in 2023 and is projected to grow by about 1.5m bbl/day in 2024. Year-on-year growth in crude imports into China is anticipated to decelerate significantly in 2024. The slowdown will be due to the impact of fleets of new energy vehicles on oil consumption growth and a widely expected fall in

China's GDP growth to 4.5% next year.

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

ICIS naphtha outlook

A bearish outlook for crude oil prices is expected to keep naphtha values suppressed moving forward. In December, Saudi Arabia and Russia called for all OPEC+ members to agree on output cuts. The recent announcement by OPEC+ of a 1m bbl/day voluntary output cut has not inspired much confidence as smaller members have little incentive to abide by its terms and larger ones may not reduce exports due to seasonality. An anticipated reduction in naphtha arbitrage flows to Asia are expected as tensions escalate in the Middle East, adding another layer of uncertainty to regional market dynamics. The Asia market is poised to remain robust, buoyed by supply shortfalls that have contributed to its strength. However, petrochemicals face a subdued demand outlook as poor margins continue to exert downward pressure on consumption. Oil refinery runs in China are expected to ease in January due to slower domestic demand for gasoline and jet fuel. Forward-looking indicators remain positive as road mobility in China continues to increase.

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

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