Independent Commodity
Intelligence Services

Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
11-May-2022

Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **More offers emerge from China**
- **Spot availability still tight in wider Asia**
- **Buy-sell gap widens**

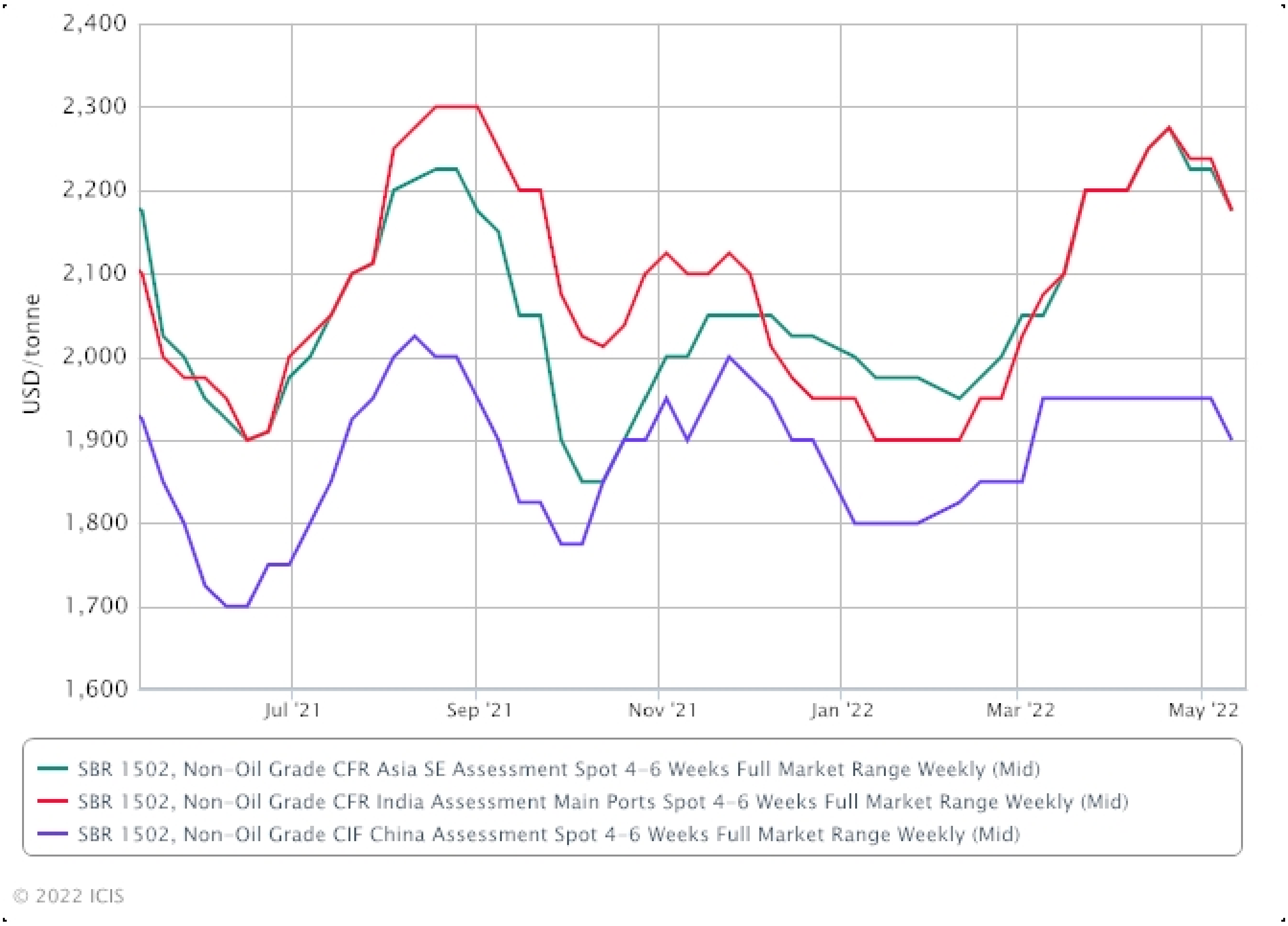
Asian spot discussions for styrene-butadiene-rubber (SBR) softened as more competitive offers surfaced from China.

China is stepping up efforts to drive exports, in part to make up for slow domestic sales. The yuan's recent depreciation against the US dollar also accentuated China SBR makers' interest to maximise export trade.

Although usage of China-origin materials is not commonplace in many regional outlets, players said regional end-users are considering the merit of procuring China-origin cargoes, especially as the gap in asking prices vis-a-vis those of cargoes from other Asian suppliers has widened substantially recently.

Furthermore, as output in wider Asia has been curtailed by turnarounds, spot availability in this pool was limited to begin with, prompting some spot buyers to seek alternative supplies from other channels to plug any unforeseen shortfalls.

However some players doubt whether the flow of Chinese supplies can be sustained, especially if domestic demand recovers once lockdowns in China are lifted. That said, others said there is as yet no clear sign that this will materialise in the near term.



OUTLOOK

- **China supply may continue to grow in near term**
- **Chinese domestic demand to hinge on lockdowns**
- **Divergent pricing trends likely for cargoes from different origins**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	-50	1850-1950	-50	1900-2000	83.91-88.45
CFR Asia SE	USD/tonne	-100	2100.00-2250.00	n/c	2200.00-2300.00	95.25-102.06
CFR India Main Ports	USD/tonne	-100	2100.00-2250.00	-25	2200.00-2300.00	95.25-102.06
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1750-1850	-50	1800-1900	79.38-83.91
CFR Asia SE	USD/tonne	-100	2050.00-2200.00	n/c	2150.00-2250.00	92.99-99.79
CFR India Main Ports	USD/tonne	-100	2050.00-2200.00	-25	2150.00-2250.00	92.99-99.79

China

CIF China discussions for non-oil 1502 grade were scant, with local end-users steering away from imports in favour of cheaper alternatives in the domestic pool.

Buying indications were down on a notional basis, tracking declines in domestic yuan values. This formed the low end.

The high end of the assessment was dropped in line with the low end, in the absence of any concrete offers.

The CIF China assessment for oil-extended 1712 grade was adjusted down on both ends, in line with changes for non-oil 1502 grade, in the absence of any concrete 1712 discussions.

Domestic yuan-denominated prices for SBR 1502 were also lower on sluggish demand.

East China domestic SBR 1502 prices

Price (CNY/tonne)	11 May	5 May*
E China Ex-Warehouse	11,500-11,600	11,600-11,700

*China markets resumed on 5 May, after extended Labour Day holidays from 30 April to 4 May.

Southeast Asia

CFR southeast (SE) Asian prices for non-oil 1502 grade were assessed in a wider range, with the low end dropped to capture discussions for the full spectrum of offers, from non-China-origin materials to China-origin cargoes.

Discussions for China-origin cargoes were heard at the low end, while the high end reflects the lowest offers heard for cargoes from other regular northeast Asian suppliers.

CFR SE Asian prices for oil-extended 1712 grade were adjusted down at the low end, in line with changes seen for 1512 grade.

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

May (1-11) 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021
160.76	171.15	175.18	179.84	178.12	172.08	175.65	174.39

India

As in southeast Asia, SBR import discussions in India were dampened by an emergence of more competitively-priced alternatives, not only from China, but also other deep-sea suppliers.

The CFR India assessment for non-oil 1502 grade fell, with the low end dropped in line with discussions heard for cheaper China-origin products, and the high end tracking transactions for imports from other regular Asian suppliers.

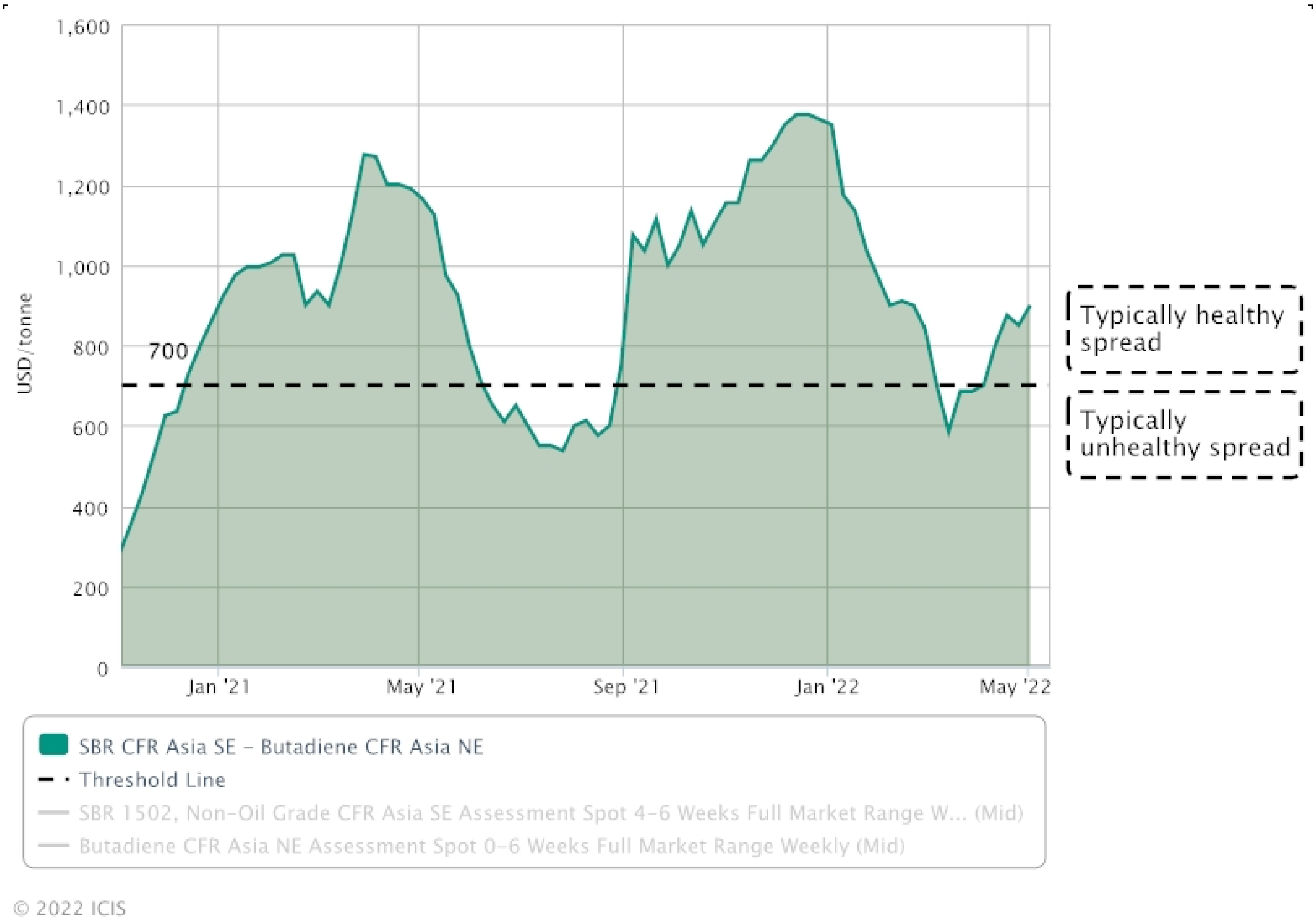
The assessment for oil-extended 1712 grade was lowered, in line with changes seen for the 1502 assessment, in the absence of any concrete 1712 discussions or business.

UPSTREAM

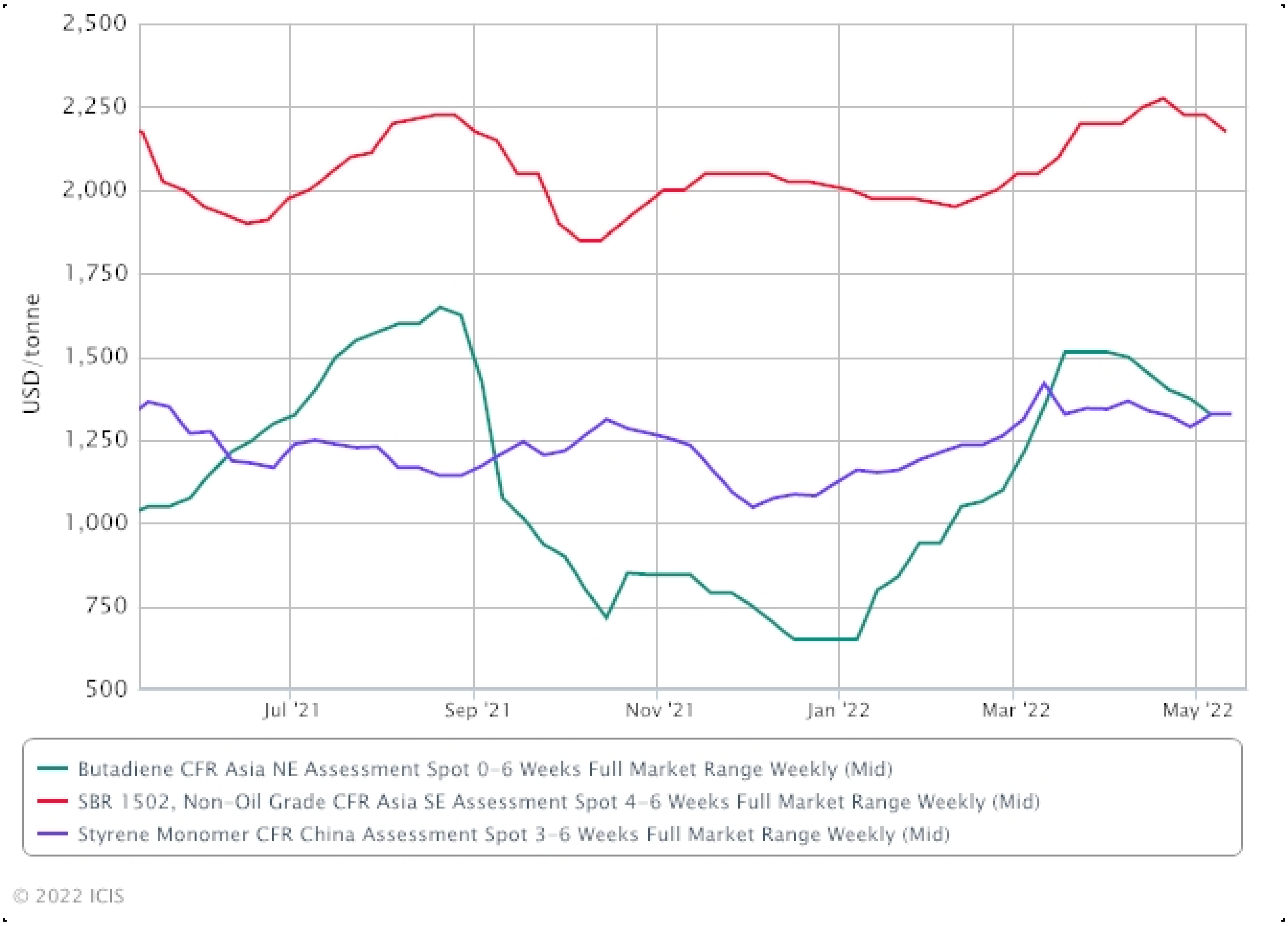
Asian spot discussions for **butadiene (BD)** were muted in the holiday-shortened week ended 6 May, and sentiment remained weak on a lacklustre demand outlook. While prompt availabilities may be limited, anticipations are rising among end-users that regional output will grow once operating rates at upstream crackers are restored, or when new BD plants are started up in the next few months.

The chart below shows the spread between BD and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian **styrene** prices rebounded on the back of firmer domestic China performance and slightly stronger buying sentiment in the open trading market amid rising energy prices, despite a lack of market liquidity for FOB China exports.



PRODUCTION

In China, average operating rates at local SBR plants dropped to 73% for the week ended 6 May, down from 75% in the week prior.

Regional SBR supply is poised to remain tight with upcoming maintenance closures due later in the month.

Click here for the Asian SBR Live Disruption Tracker.

ANALYTICS

ICIS Crude outlook

The crude price has switched from being driven by supply to being driven by demand in recent weeks. China's future oil demand growth is under question, with Shanghai already in lockdown and the potential for Beijing to also be placed under lockdown soon. Furthermore, the International Monetary Fund (IMF) has downgraded its global GDP growth forecast for 2022 by 0.8%, while the US Federal Reserve is expected to raise interest rates by 0.5% in May; these would reduce oil demand growth for the remainder of the year. The EU is likely to impose direct sanctions on Russian crude in May. The exact details are still to be finalised but it is likely that the sanctions will be implemented in a phased manner over the course of 2022. This will give Russia plenty of time to find alternative buyers of this crude (eg India) and therefore the overall loss of crude in the market will be fairly small overall. Finally, new oil supply is due on the market in May as the US and other allies release about 1.3m bbl/day for six months, providing the market with much needed additional supply over the medium term.

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

ICIS Naphtha outlook

With the recent fall in crude prices, European refinery paper margins have risen substantially. European refinery run rates are expected to increase once refineries return from maintenance, primarily to address the deficit of gasoil in the region. This will also increase naphtha supplies. Russian refinery run rates have dropped by just under 1 m bbl/day (compared to typical processing rates of around 6m bbl/day). This is partly due to maintenance, but also due to a lack of demand from willing buyers for their refined products. Naphtha supplies from Russia are expected to be lower as a consequence.

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