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

- **Domestic China prices surge**
- **Discussions more upbeat on China-bound shipments**
- **Sentiment also up in wider Asia**

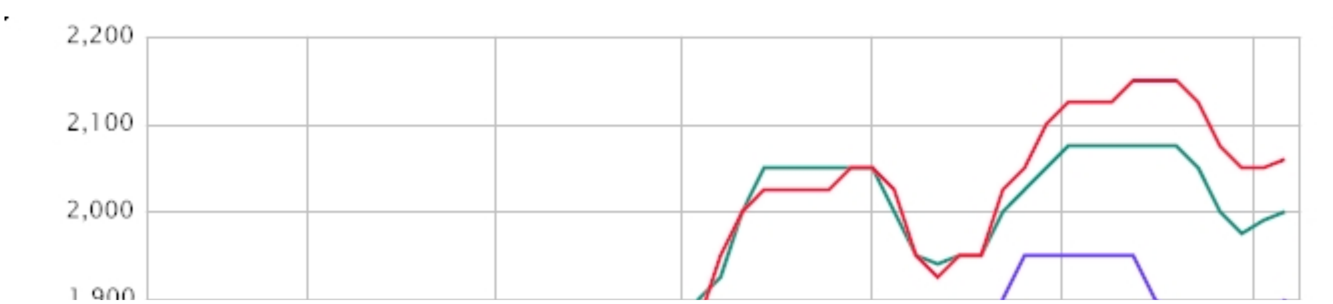
Discussions for spot imports into China of styrene butadiene rubber (SBR) spiked, tracking robust gains in yuan-denominated values for the product in the domestic China market.

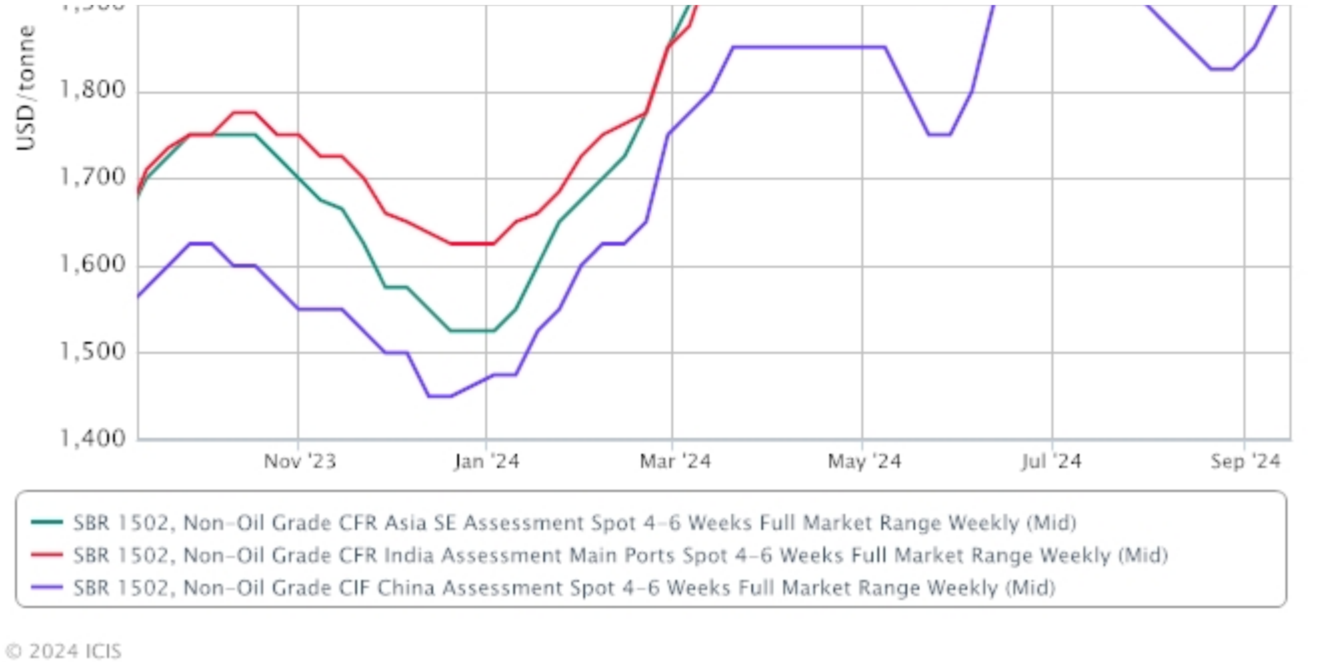
Domestic China prices rose with support from sustained gains in local futures markets, from natural rubber to polybutadiene rubber (PBR). The bullish yuan market in turn boosted sellers' expectations for US dollar-denominated imports into China.

In wider Asia, market sentiment was also lifted by the buoyancy in China, and regional SBR makers elevated prices in line with their selling expectations, particularly for shipments to southeast Asia, where they command a relatively firmer market share vis-à-vis suppliers of non-Asia origin materials.

Furthermore, as spot availabilities are poised to run lower once a heavy wave of SBR plant maintenance in northeast Asia begins in late September, sellers are expected to provide even more support to their offers.

However, sentiment is relatively more muted on the buy-side, with many end-users still cautious about the risk of over-committing on forward import shipments. Many are worried that their own downstream markets, such as the automotive sector, may not hold up well if macroeconomic headwinds intensify.





OUTLOOK

- **Near-term demand outlook in China still shaky**
- **But tightening spot supply pool to keep up offers**
- **Buy-sell stalemate may stretch**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1850-1950	+50	1800-1900	83.91-88.45
CFR Asia SE	USD/tonne	n/c	1950.00-2050.00	+20	2000.00-2100.00	88.45-92.99
CFR India Main Ports	USD/tonne	+20	2020.00-2100.00	n/c	2050.00-2200.00	91.63-95.25
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1800-1900	+50	1750-1850	81.65-86.18
CFR Asia SE	USD/tonne	n/c	1900.00-2000.00	+20	1950.00-2050.00	86.18-90.72
CFR India Main Ports	USD/tonne	+20	1970.00-2050.00	n/c	2000.00-2150.00	89.36-92.99

China

CIF China discussions for the non-oil 1502 grade were more upbeat, and assessments are lifted, taking into account firmer buy-sell indications heard.

Domestic prices in east China spiked, tracking increases seen in the upstream butadiene (BD) market.

CIF China assessments for the oil-extended 1712 grade are adjusted up, in line with changes 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	15,500-15,700	15,200-15,400

Southeast Asia

CFR SE Asian assessments for the non-oil 1502 grade were up at the high end, with firmer offers heard for NE Asia-origin materials.

Limited volumes changed hands within the range, market sources said.

Bullish natural rubber prices also served to boost SBR sellers’ confidence, as they believed that more end-users may turn to purchasing SBR as a cheaper substitution product.

CFR SE Asian assessments for the oil-extended 1712 grade are adjusted up at the high end with the changes in 1502 grade.

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

Sep (1-11) 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024
185.56	179.89	168.65	176.00	170.03	162.99	165.36	156.66

Source: Malaysian Rubber Board

India

CFR India prices for the non-oil 1502 grade are assessed in a narrower range, with the low end up to capture the spectrum of buy-sell indications for NE Asia-origin materials.

Local buyers are seeking more volumes from the domestic producers too, to reduce reliance on imports, market sources said.

CFR India assessments for the oil-extended 1712 grade are adjusted up at the low end, in line with changes for the 1502 grade.

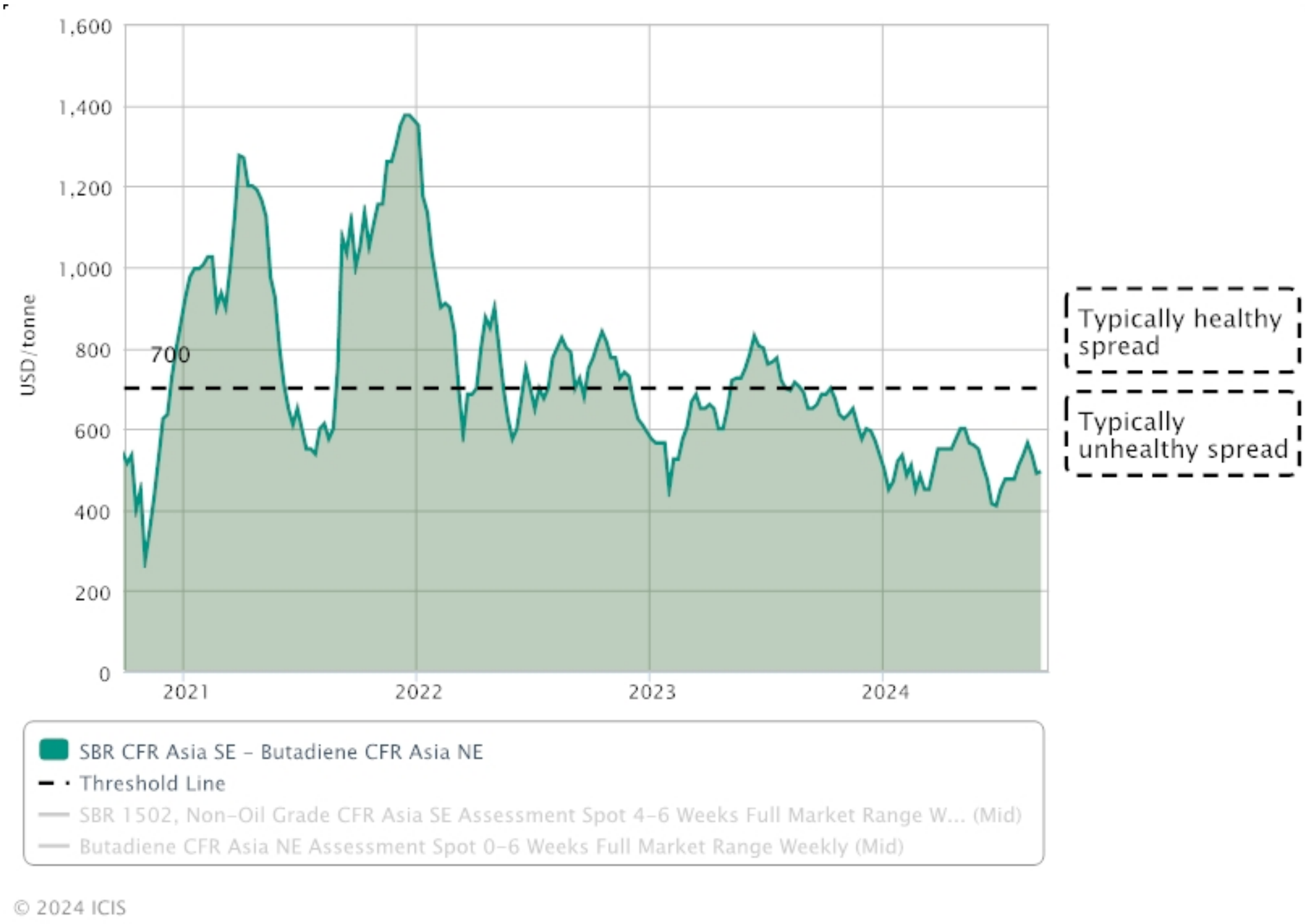
UPSTREAM

Butadiene

- Domestic China stays upbeat
- Discussions for China-bound imports boosted in line
- Demand muted in wider Asia otherwise

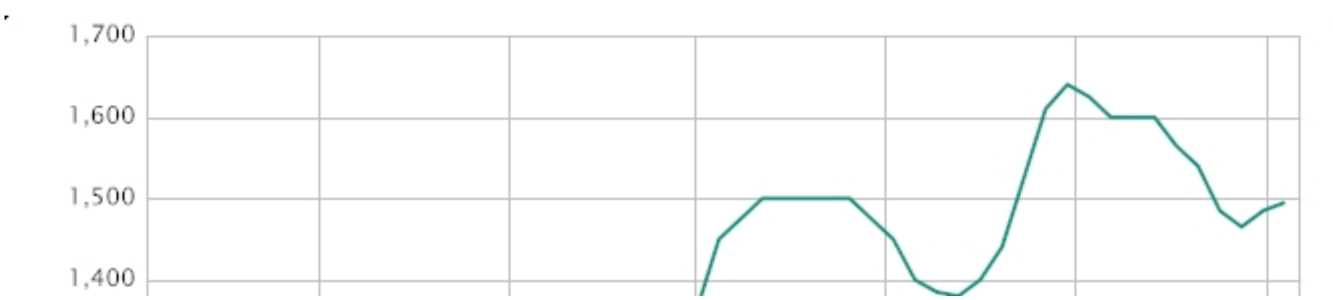
The chart below shows the spread between butadiene and SBR, which remains wedged in the unhealthy zone.

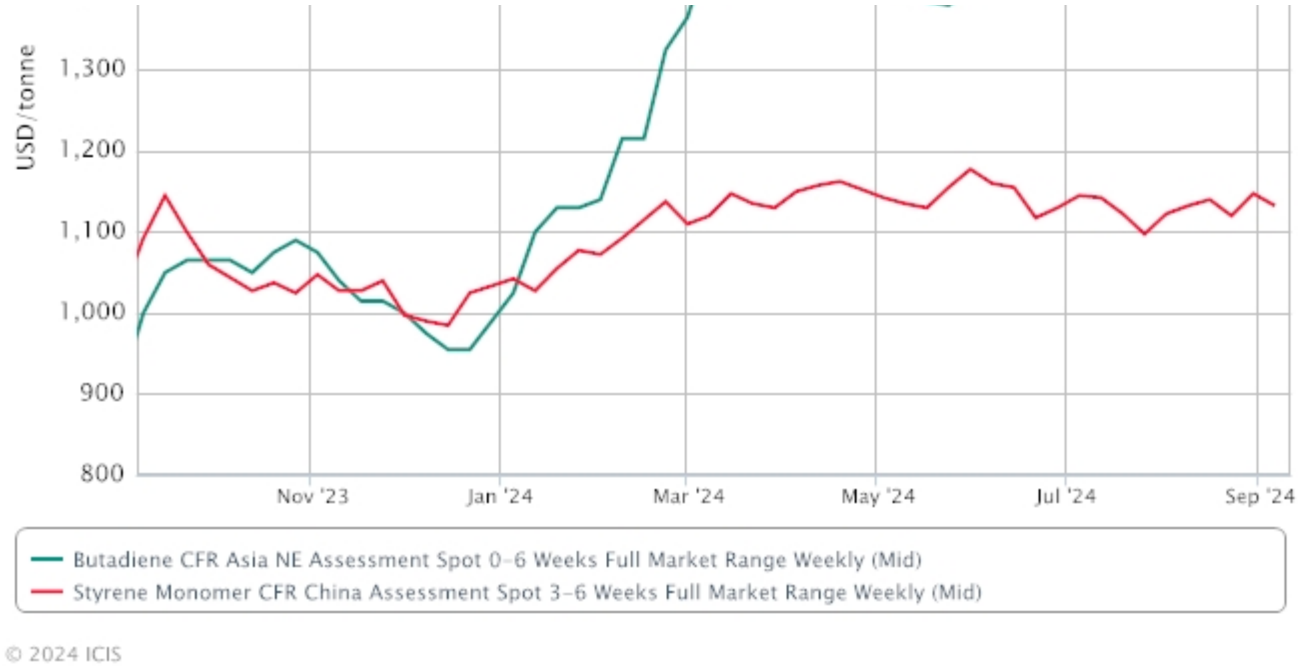
Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene

- China's SM market weighed down by bearish macroeconomic sentiment and feedstock market losses
- Constrained margins and low inventory persist
- Weak demand-supply fundamentals in broader Asia hampering China's export window





PRODUCTION

135,000 tonnes/year worth of SBR production capacity in Tokuyama, Japan, will shut for turnarounds in the mid-September to end-November period.

There will be scheduled maintenance for SBR plants in Ulsan, South Korea, involving up to 283,000 tonnes/year worth of production capacity.

In China, a 150,000 tonnes/year unit in Jilin is shut from late August to mid-October for maintenance.

Click here for the Asian SBR Live Disruptions Tracker.

OTHER REGIONS

Europe

- September styrene CP settles
- September SBR monthly contract talks start
- But slow return post holiday season

ANALYTICS

ICIS outlook on downstream automotive sector

The global automotive industry is still in the middle of a deep crisis, with high interest rates continuing to be a drag on the sector. Other challenges include subdued demand, supply chain disruptions and slower line speeds, among others. Long-term investments for, among others, tightening emission standards, a growing push to electrify, and shared car ownership have already left firms short of cash.

According to the US Census Bureau, US light vehicle sales increased by 4.2% month on month in July with total sales of 15.817 million units (still down 0.8% year on year and down 7.8% from 2019). The finished inventory to sales ratio increased month on month from 1.248 to 1.420 in June. (For context, the ratio was 0.919 and 2.592 respectively in June 2021 and 2020). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automotives. On the positive side, there are multiple supportive federal policies being announced to support and boost the sector, such as the CHIPS and Science Acts.

According to the European Automobile Manufacturers' Association (ACEA), EU new car registration increased by 4.3% in June compared with same month last year. The Association further reports that Italy posted the biggest gain with a 15.1% increase, followed by Germany (+6.1%), and Spain (+2.2%). However, France reported a decline of 4.8%. There are still concerns about balance sheets, with some producers struggling to survive in the short term.

China's inventory coefficient (calculated as inventory over sales) at auto dealers was at 1.40 in June, down from 1.44 in May. This is positive for the industry as less working capital is tied up. Typically, an inventory coefficient less than 1.50 is considered to be reasonable. For the next month we do not expect any significant increase in auto sales, because traditionally July and August are an off-season period. India's Federation of Automobile Dealers Associations (FADA) reported an increased registration of 13.84% in July year on year. However, some of the challenges identified for the industry for the next quarter include severe monsoon, poor consumer sentiments and relatively higher levels of stocks, among others. On the positive side, the onset of the festive season is expected to support the market. Therefore, there is a cautious optimism over the outlook.

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