Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
13-Apr-2022

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

OVERVIEW

- **China quiet amid ongoing lockdowns**
- **Discussions more upbeat elsewhere in Asia**
- **Spot supplies limited**

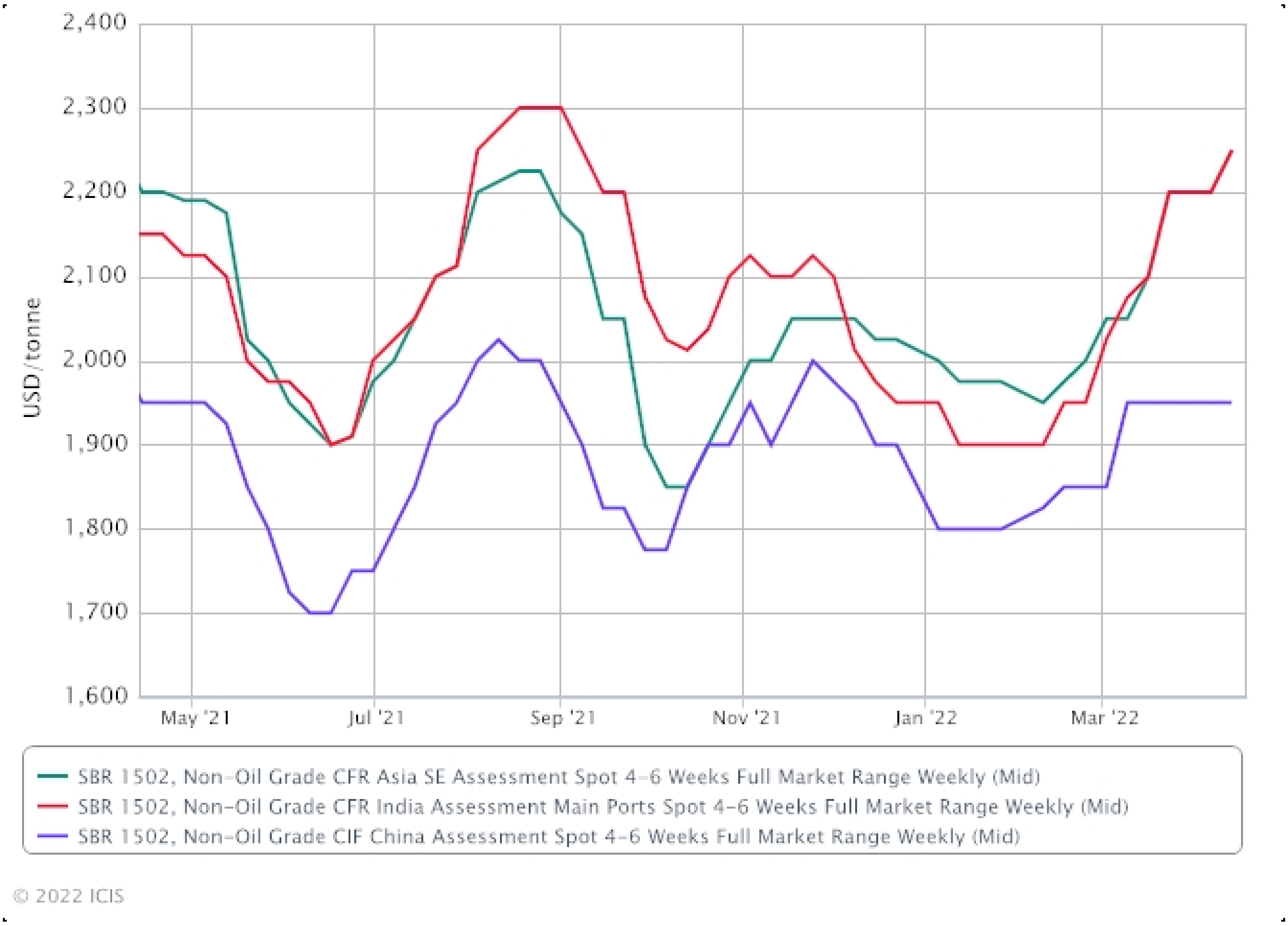
Asian spot discussions for styrene butadiene rubber (SBR) were flat in China, but stable-to-firm in southeast (SE) Asia and India, taking into account firmer deals and discussions heard there.

In China, discussions for imports were at a standstill. Downstream operations were mostly subdued amid prolonged coronavirus related lockdowns at several major Chinese cities.

Even if fresh requirements for SBR surface in China, there is ample material in the domestic yuan-denominated market to meet the requirements, market players said.

However, regional rubber makers elevated their selling expectations for cargoes bound for SE Asia and India, citing the fact that spot availabilities for these sales are limited. This takes into account stronger requirements from customers in Europe who have been hit by a disruption to Russia-origin supplies after the start of the Russia-Ukraine conflict.

Some buyers with pressing needs did raise bids to secure volumes, sources said. However, concerns have also grown about downstream affordability issues, especially after economic growth forecasts were recently revised down. These worries will invariably weigh on buying interest moving forward, market players said.



OUTLOOK

- **Supply may remain tight on demand pull from Europe**
- **Regional demand to depend on pandemic in China**
- **Buying resistance may grow on economic worries**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1900-2000	n/c	1900-2000	86.18-90.72
CFR Asia SE	USD/tonne	+50	2200.00-2300.00	+50	2050.00-2150.00	99.79-104.33
CFR India Main Ports	USD/tonne	+100	2200.00-2300.00	n/c	2050.00-2150.00	99.79-104.33
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1800-1900	n/c	1800-1900	81.65-86.18
CFR Asia SE	USD/tonne	+50	2150.00-2250.00	+50	2000.00-2100.00	97.52-102.06
CFR India Main Ports	USD/tonne	+100	2150.00-2250.00	n/c	2000.00-2100.00	97.52-102.06

China

The CIF China assessment for non-oil 1502 grade and oil-extended 1712 grade were rolled over amid muted import talks.

Downstream operations in China were weighed down by ongoing lockdowns which crimped buying interest for imports, especially given the abundance of more competitively-priced domestic product.

Domestic yuan-denominated prices for 1502 grade softened amid supply chain disruptions caused by prolonged COVID-19 restrictions.

East China domestic SBR 1502 prices

Price (CNY/tonne)	13 April	06 April
E China Ex-Warehouse	12,400-12,400	12,500-12,600

Southeast Asia

CFR SE Asia prices for non-oil 1502 grade rose on firmer deals and discussions heard.

Some cargoes were heard sold in the range for May shipment, while other offers were heard at the high end, at a minimum, if not higher.

However, because natural rubber prices softened, some market players said that this may impact on the buying appetite for SBR.

CFR SE Asian prices for oil-extended 1712 grade were adjusted up, alongside the change in the 1502 grade assessment in the absence of concrete 1712 business.

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

Apr (1-13) 2022	Mar 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021
175.24	175.18	179.84	178.12	172.08	175.65	174.39	163.23

India

The CFR India assessment for non-oil 1512 grade narrowed, with the low end raised to capture firmer buying indications heard.

The high end was kept unchanged with the lowest offers heard.

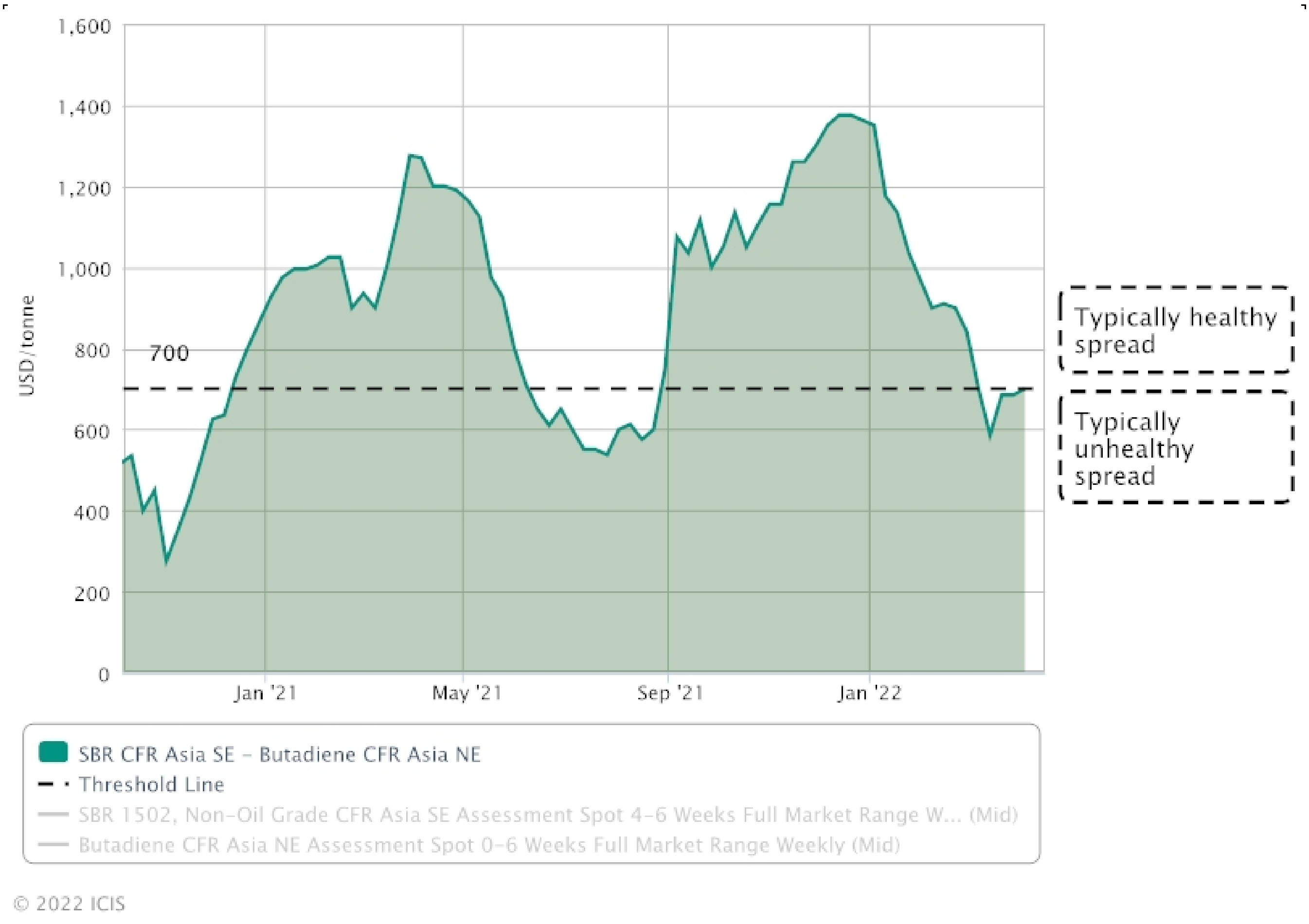
The CFR India assessment for oil-extended 1712 grade was adjusted up, alongside the change in the 1502 grade assessment in the absence of concrete 1712 business.

UPSTREAM

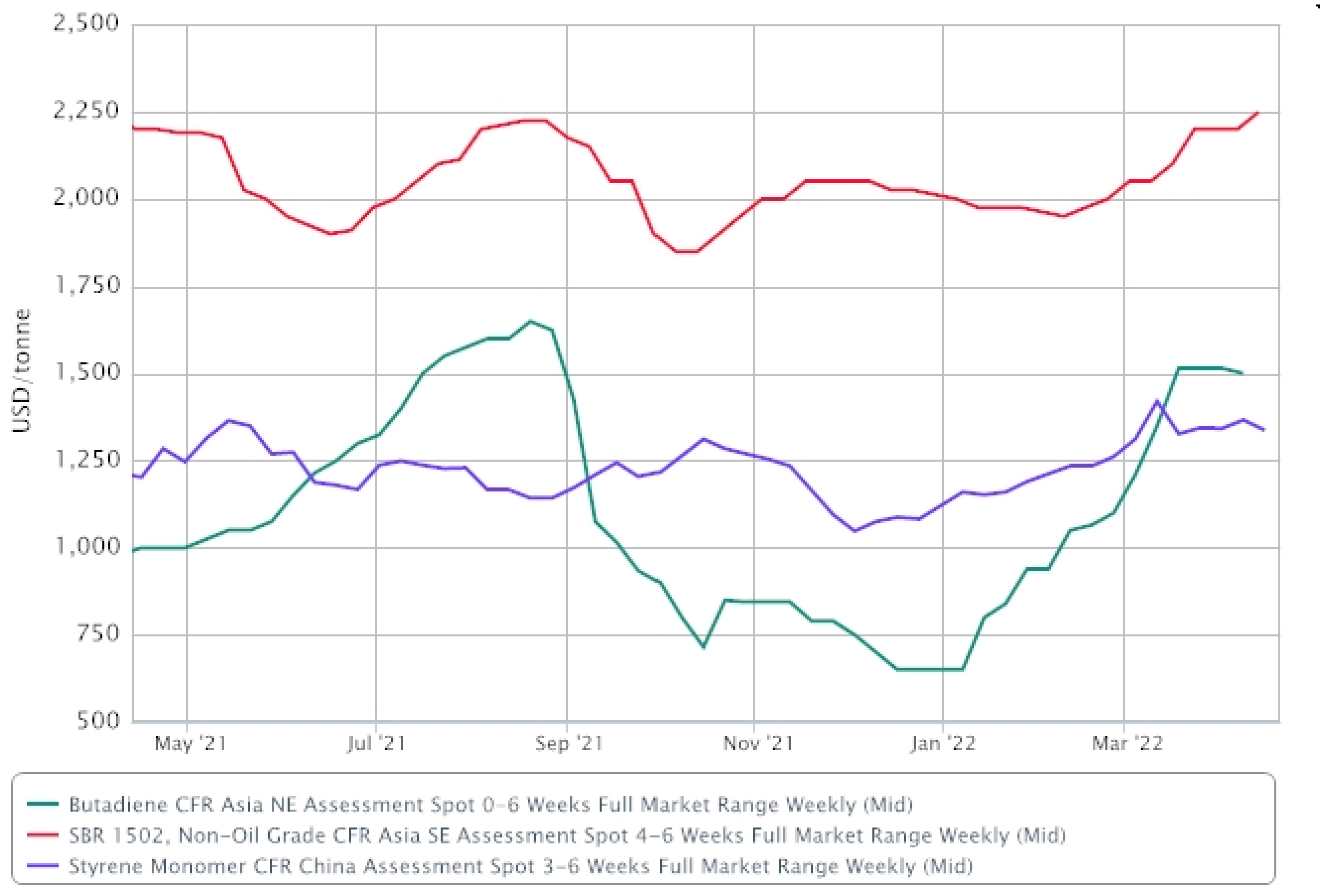
Asian spot discussions for **butadiene (BD)** were stable-to-soft, as pricing sentiment wavered on consistently soft demand. However, the buy-sell gap remains wide, crimping spot trade liquidity. Even as buyers kept to bearish bids, some sellers held fast to higher expectations, citing the fact that prompt BD output will remain weighed down while regional cracker operations are not optimised.

The chart below shows the spread between BD and SBR.

[Downstream spread – butadiene NE Asia and SBR SE Asia]



Asian **styrene (SM)** prices rebounded as buying resumed on an export and CFR China front because of an even wider [arbitrage] between Asia and the west, against a backdrop of limited competitively-priced offers left for April shipments from China.



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PRODUCTION

In China, average operating rates of local SBR plants recovered to 80% for the week ended 8 April, after falling by 14 percentage points to 74% in the week before.

Operations at some local SBR plants remain curtailed by ongoing COVID-related restrictions.

Regional SBR supply remains tight due to upcoming turnarounds.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In Europe, SBR spot prices soared on higher feedstock prices.

In the US, April SBR contract prices rose following an upstream cost push.

ANALYTICS

ICIS Outlook on GDP

Russia's invasion of Ukraine has far-reaching economic consequences. It has also created a humanitarian crisis as refugees flee to neighbouring countries. Oxford Economics has revised down its global GDP forecast to 3.7% year on year in 2022, and its Q1 forecast has been revised down to 4.1% year on year. Because the situation is still developing, the outlook could deteriorate further. The International Monetary Fund (IMF) has approved $1.4bn in emergency financing under the Rapid Financing Instrument (RFI) to Ukraine. Some of the direct and immediate impact of the conflict includes higher energy and food prices leading to inflation, disrupted trade and a weakening in market sentiment and business confidence. Historically, whenever crude prices have doubled in a year, there is a high possibility that economies will go into recession. ICIS can currently see typical precursors to a recession - which is a shock to the system - high inflation, asset bubbles and a loss of consumer confidence. Even though many countries in Europe are getting rid of COVID-19 regulations, many believe the pandemic is far from over.

The US GDP forecast has been revised down by 1.0% to 3.4% year on year in 2022 by Oxford Economics, although Q1 GDP is expected to grow by 4.2% year on year. US household savings doubled in 2020 compared with 2019, suggesting that consumers will have higher disposal incomes. It is, however, important to note that the doubling of savings was concentrated among higher income households.

The EU GDP forecast has been revised down by 1.1% to 3.3% year on year in 2022 by Oxford Economics, and its Q1 GDP forecast lowered by 0.7% to 5.5% year on year. The EU's heavy dependence on Russian gas further clouds the gloomy outlook. However, the European Commission has tabled an ambitious plan to reduce Europe's reliance on Russian gas by two-thirds by the end of this year. Many countries in the EU are preparing to remove coronavirus regulations despite renewed concerns about mutations.

China's GDP forecast has been revised down by 0.5% to 4.9% year on year in 2022 by Oxford Economics, and Q1 GDP is forecast to grow by 4.3% year on year (although this has been revised down by 1.5%). Renewed pandemic concerns in cities such in Guangdong and Suzhou pose a major downside risk. At present, the country has stopped most non-essential activity. India's GDP forecast has been revised down by 0.7% to 7.3% year on year in 2022 by Oxford Economics, and Q1 GDP is expected to grow by 4.0% year on year (although this has been revised down by 1.4%).

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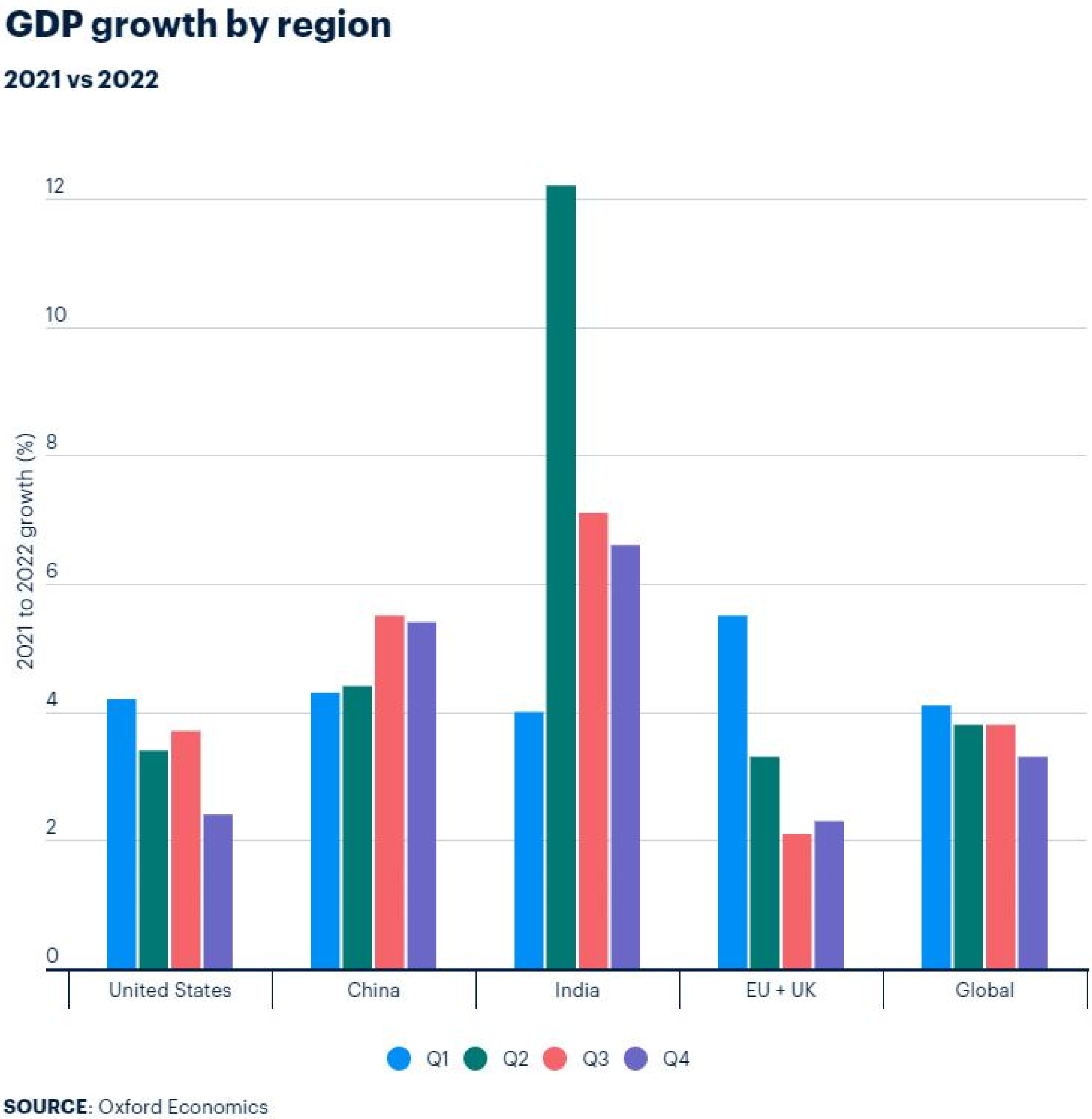

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