



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
16-Mar-2022

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

OVERVIEW

- **Offers supported by upstream cost push**
- **Production constraints to tighten spot supplies too**
- **But buying appetite suppressed by downstream demand worries**

Asian spot discussions for styrene-butadiene-rubber (SBR) were stable-to-firm in import-reliant outlets like southeast Asia and India, but flat in China where local end-users are amply supplied domestically.

Overall, SBR sellers continued to chase higher targets, given upstream cost push, as feedstock butadiene (BD) prices have increased significantly recently with a strong [crude rally](#).

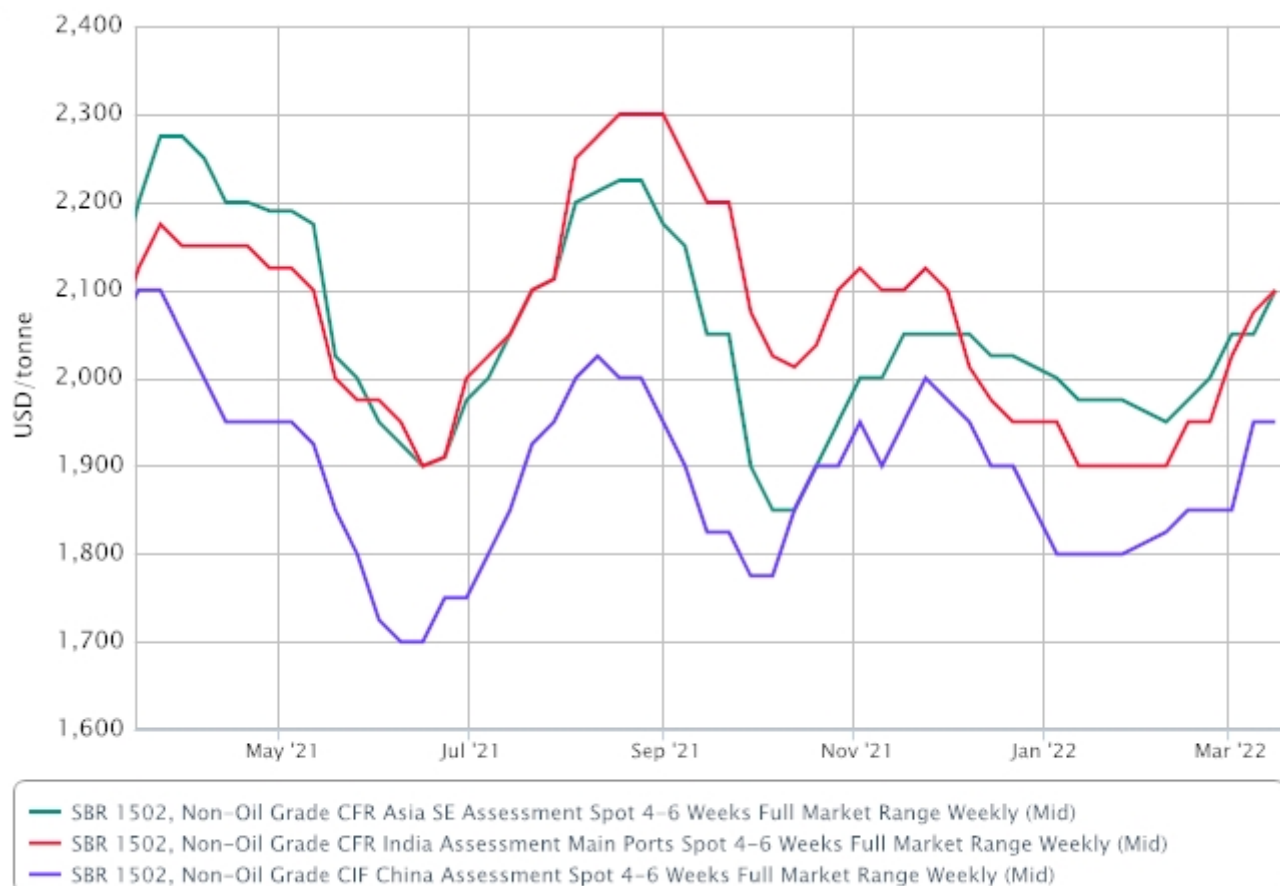
Although crude futures [receded](#) this week, market players said that it remains unclear if BD will trend similarly, since BD output has been crimped by low cracker operating rates.

As such, SBR makers saw no merit in moderating their targets, even if buying response to prevailing offers is rather muted .

Furthermore, sellers saw support from limited spot availability, not just on scheduled turnarounds, but also because ongoing production is hampered by a global shortage of some catalysts required, market sources said.

Buyers are mostly cautious, and increasingly nervous that they would not be able to transfer higher costs downstream should they step up to procure SBR cargoes at higher levels.

Such concerns are sharpened after China imposed stricter anti-COVID restrictions on movements in some major cities, which in turn triggered [downstream demand worries](#).



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OUTLOOK

- Snug supply may stretch for some months more
- Demand may weaken if COVID restrictions in China are extended
- Feedstock butadiene pricing trends a factor to watch

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	1800-1900	86.18-90.72
CFR Asia SE	USD/tonne	+50	2050.00-2150.00	+50	1900.00-2050.00	92.99-97.52
CFR India Main Ports	USD/tonne	n/c	2050.00-2150.00	+50	1900.00-2000.00	92.99-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1800-1900	n/c	1700-1800	81.65-86.18
CFR Asia SE	USD/tonne	+50	2000.00-2100.00	+50	1800.00-1950.00	90.72-95.25

CFR India Main Ports	USD/tonne	n/c	2000.00- 2100.00	+50	1800.00-1900.00	90.72-95.25
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China

CIF China assessments for both the non-oil 1502 grade and the oil-extended 1712 grade are kept unchanged, in the absence of concrete discussions for either grade.

Buying interest for US dollar denominated imports is thin, with local end-users amply supplied by domestically produced cargoes.

Domestic prices for the 1502 grade faltered, as downstream off-take declined with tightening covid restrictions in some major cities.

East China domestic SBR 1502 prices

Price (CNY/tonne)	16 March	09 March
E China Ex-Warehouse	12,300-12,500	12,700-12,900

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade rose, with both ends lifted to reflect firmer buy-sell pricing indications heard.

Deals were also closed within the published range, market sources said.

But generally trade liquidity is low, given that spot availabilities are limited to begin with.

Some buyers are also slowing down procurement for synthetic rubbers like SBR, to monitor more closely price movements for natural rubber. If need, end-users may adjust usage ratio between synthetic and natural rubbers to maximise economics, market players said.

CFR SE Asian assessments for the oil-extended 1712 grade were also adjusted up, alongside changes for the 1502 grade assessment.

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

Mar 2022	(1-16) Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021
177.49	179.84	178.12	172.08	175.65	174.39

India

CFR Indian prices for the non-oil 1502 grade were stable-to-firm, with the high-end lifted with higher offers heard.

But buying indications for imports remained capped at the low-end, with buyers heard inclined to tap more heavily on the domestic pool, at the expense of imports.

That said, domestic prices were heard also heftily increased week on week and hovered near the published high-end, on US dollar parity terms, market sources said.

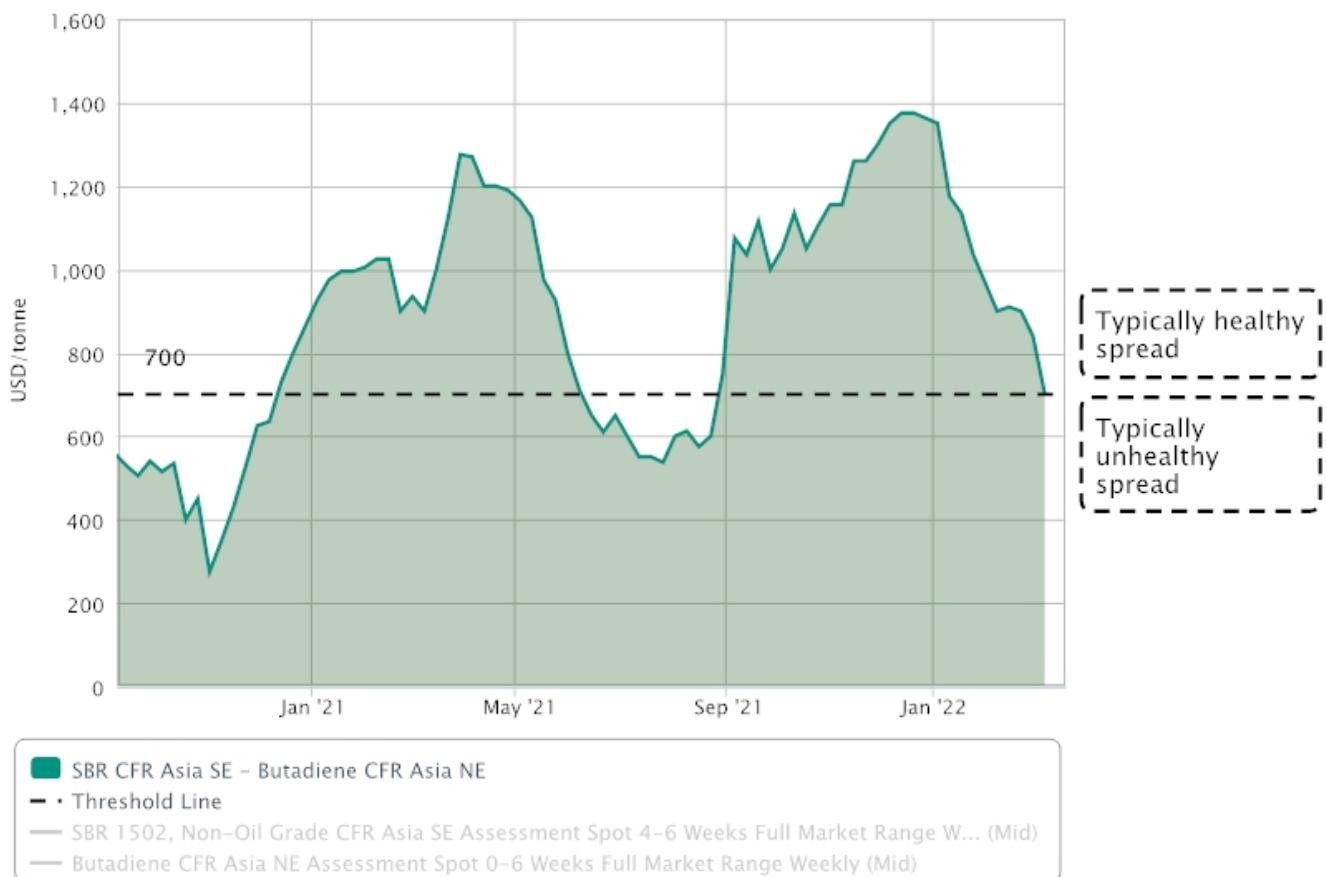
Assessments for the oil-extended 1712 grade were adjusted up at the high-end, in tandem with the 1502 grade.

UPSTREAM

Asian **butadiene** spot talks continue to trend up, as [bullish](#) sentiment is sustained not just by upstream gains, but also because prompt supplies have tightened with a heavy wave of regional cracker operating rate cuts. The latter triggered active buying enquiries this week from customers affected, but negotiations remained protracted and as yet not conclusive due to wide buy-sell gap.

The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene** prices extended gains for the third consecutive week on healthy [northeast Asian demand](#) for April parcels, against a backdrop of rising feedstock, energy and futures prices.



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PRODUCTION

In China, average operating rates of local SBR plants held steady at 93% the week ended 11 March, unchanged for nearly two months, market sources said.

But regional supplies are tight amid [ongoing](#) and [upcoming](#) turnarounds.

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

ANALYTICS

ICIS Crude outlook

Crude prices will be driven by the Russia-Ukraine crisis in the immediate short term. The recently announced Western sanctions on Russia have primarily focused on individuals and Russian banks. These sanctions will make oil trade with Russia more difficult, but are unlikely to severely dent Russia's 2.3m bbl/day exports of oil to Europe in the short term. ICIS expects the military conflict to worsen over the coming weeks with the assumption of additional Western sanctions on Russia, but no expulsion from the SWIFT banking system. ICIS forecasts an average Dated BFOE crude price of \$110.50/bbl in March. Our base case assumes a long and protracted conflict in Ukraine over the coming months, but since the current set of sanctions are not expected to pose a significant impact on Russia's oil exports, ICIS expects the risk premium due to this conflict to fade considerably in Q2, as market participants' focus moves away from this conflict.

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

ICIS Naphtha outlook

European naphtha supply remains under threat due to the conflict in Ukraine . Russia supplies Europe with almost 50% of its naphtha imports, so if sanctions are implemented on Russian naphtha exports or Russia chooses to reduce supply to Europe, this could cause a spike in prices. With ARA naphtha inventories already near multiyear lows, this could severely impact the NWE naphtha spread. The NWE propane:naphtha ratio has fallen further in recent weeks, with propane prices now over 15% lower than naphtha. Some naphtha crackers in Asia have already switched to LPG after a long period of almost solely naphtha feed. However, the invasion of Ukraine has led to an LPG price spike as Russia has banned exports of LPG to Ukraine. With the conflict expected to be long and protracted, this could lead to a sustained elevated LPG price, and could lead to naphtha once again being a preferable petrochemical feedstock in the near term.

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

ICIS Styrene Outlook

The transatlantic styrene market is tight due to extensive outages, planned and unplanned, in North America while Europe is also having issues. In North America, outages are ongoing and will not be complete until the end of June, shortening supply in Europe. Once the outages are complete and even more styrene is produced in China, the styrene market across the globe should be amply supplied and trade flows might be adjusted.

Over 1.7m tonnes/year of China styrene is scheduled to start production in Q1 2022, including ZRCC Lyondell Chemical, which started its 600,000 tonne/year unit in January. Elevated styrene prices in the US and Europe may attract northeast Asian product into the transatlantic region. The US does not import styrene, suggesting Europe will see imports from Asia. Also, South America could see styrene from Asia, reducing US exports.

By **Stephanie Cervantes**, Senior analyst - Americas, Stephanie.Cervantes@icis.com and **Alex Lidback**, vice president chemical analytics, alex.lidback@icis.com

ICIS Butadiene Outlook

Surging oil costs will increase annual inflation further in the US, threatening economic growth and consumer confidence. The US butadiene (BD) market is likely to be characterised by tightness of supply and relatively good demand in the next couple of months. With several US sites expected to undergo planned maintenance during Q2, import volumes from Europe and Asia might increase. However, deep-sea sources might struggle with their production because of feedstock costs.

The invasion of Ukraine by Russia and resulting economic sanctions are fuelling concerns over the European business outlook. The butadiene (BD) supply chain could be disrupted by ongoing heightened energy costs and further limits on new vehicle production. Several global automotive manufacturers have stopped sales in Russia, while others have closed plants due to a lack of components from Ukraine. Karpatneftekhim's mixed-feed cracker at Kalush, Ukraine, was shut down because of the imposition of martial law by the national government. With production estimated between 55,000 tonnes/year and 65,000 tonnes/year, its crude C4 was typically sold in the European market. Germany and/or the Czech Republic were likely the main destinations.

Asian butadiene (BD) output is expected to decrease over the coming weeks. For Q1 2022, ICIS estimates a production drop of nearly 20,000 tonnes/month. With soaring crude oil and naphtha prices in response to the Russia-Ukraine war, producers are managing losses by increasingly cracking higher proportions of lighter feedstocks and/or reducing operating rates. This move will lead to decreased BD production. Nevertheless, the arbitrage window between the US and Asia should remain open and widen in Q2 2022, hitting an average differential of more than \$400/tonne.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

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