



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
20-Jul-2022

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

OVERVIEW

- **Tepid demand**
- **Buyers sidelined**
- **Softer offers heard too**

Discussions were softer for spot styrene butadiene rubber (SBR) imports to southeast Asia and India, but flat in China amid thin talks.

Most requirements were already covered with prior purchases, and potential buyers saw no urgency to buy additional volumes for stockpiling purposes, as they perceive the market to be amply supplied, especially if China continues to [export](#) actively.

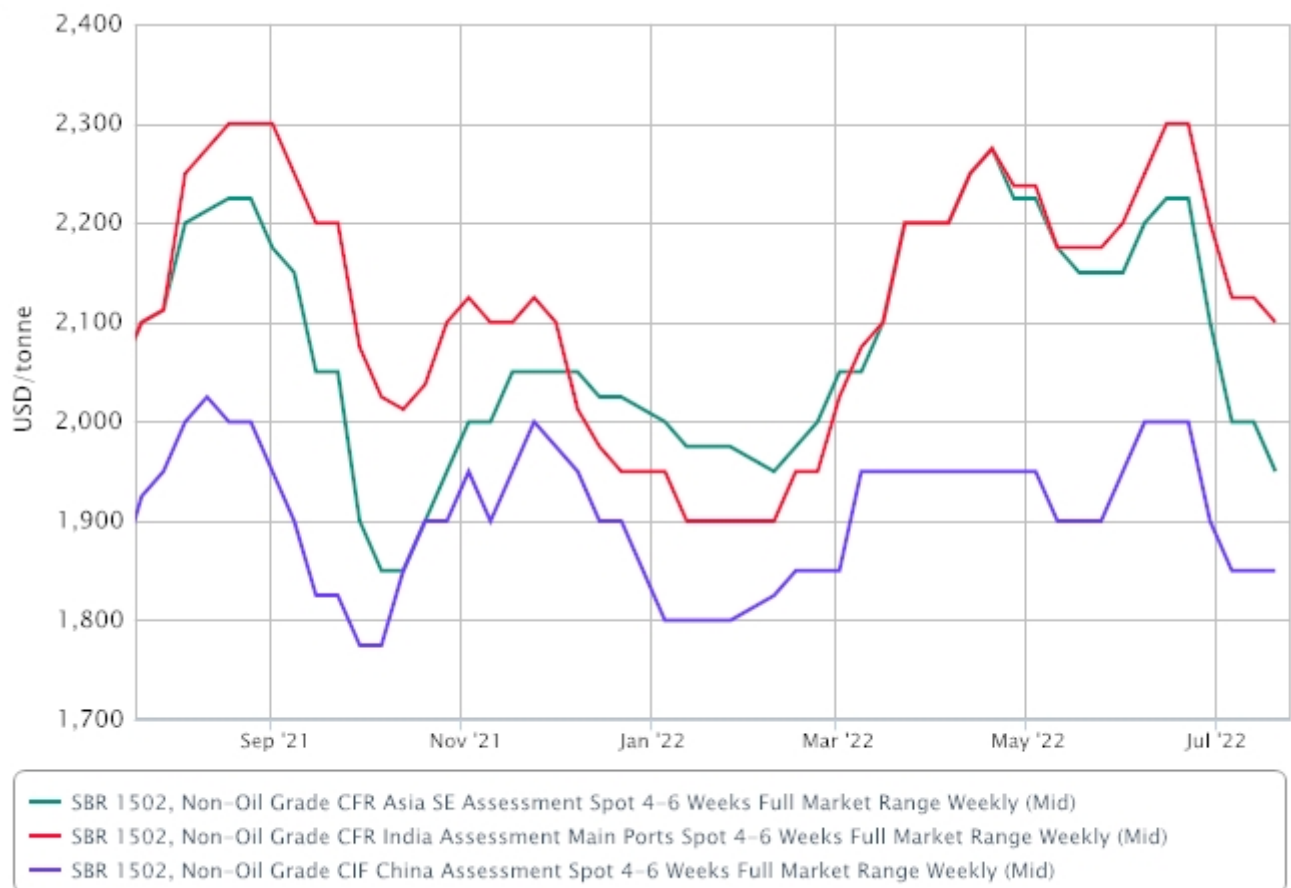
Substantive usage of SBR may also taper if tyre makers turn to substituting SBR with more natural rubber, as prices for the latter have plummeted recently, market players said.

With upstream feedstock butadiene (BD) prices falling, most buyers also expect that this will translate in time to lower SBR import offers, and so they saw it to their advantage to wait and see.

Indeed, sellers did moderate offers further this week to induce sales, but these still drew limited response as buyers continued to hold back, awaiting wider discounts to surface.

But with current production margins already compressed, sellers said that they were not able to price down on SBR further.

Instead, to regulate their inventories and reduce surplus unsold volumes, some are scaling back production.



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OUTLOOK

- [Demand outlook](#) weak in H2 2022
- Supply may tighten with more output cuts
- Buy-sell gap likely to prevail

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1800-1900	n/c	1950-2050	81.65-86.18
CFR Asia SE	USD/tonne	-50	1900.00-2000.00	-50	2200.00-2250.00	86.18-90.72
CFR India Main Ports	USD/tonne	n/c	2000.00-2200.00	-50	2200.00-2400.00	90.72-99.79
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1700-1800	n/c	1850-1950	77.11-81.65
CFR Asia SE	USD/tonne	-50	1800.00-1900.00	-50	2150.00-2200.00	81.65-86.18
CFR India Main Ports	USD/tonne	n/c	1900.00-2100.00	-50	2150.00-2350.00	86.18-95.25

China

CIF China assessments for both the non-oil 1502 and the oil extended 1712 grades held steady in a thinly-discussed market. No fresh buy-sell pricing indications surfaced, market source said.

Domestic prices in China for 1502 SBR were also flat on limited trade.

East China domestic SBR 1502 prices

Price (CNY/tonne)	20 Jul	13 Jul
E China Ex-Warehouse	12,000-12,100	12,000-12,100

Southeast Asia

CFR southeast Asian prices for the non-oil 1502 grade were down, tracking softer offers heard for cargoes from diverse origins.

The high-end reflect lowest asking prices for cargoes from regular northeast Asian suppliers, while the low-end tracks those for China-origin cargoes.

CFR SE Asian assessments for the oil-extended 1712 grade were down in line with lower 1502 grade assessments.

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

Jul (1-20) 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
159.99	164.15	162.81	171.15	175.18	179.84	178.12

India

CFR India prices for the non-oil 1502 grade were stable-to-soft, taking into account discussions heard for cargoes from different origins.

The high-end tracks offers heard for cargoes from regular northeast Asian suppliers, and some volumes were also sold at this level, market sources said.

But most buyers were heard on the look-out for cheaper alternatives from other origins, discussions of which are capped at the low-end.

Substantive requirements were in any case seasonally low during the current monsoon season, market players said.

CFR Indian assessments for the oil-extended 1712 grade were adjusted down at the high-end, in line with changes for the 1502 assessments.

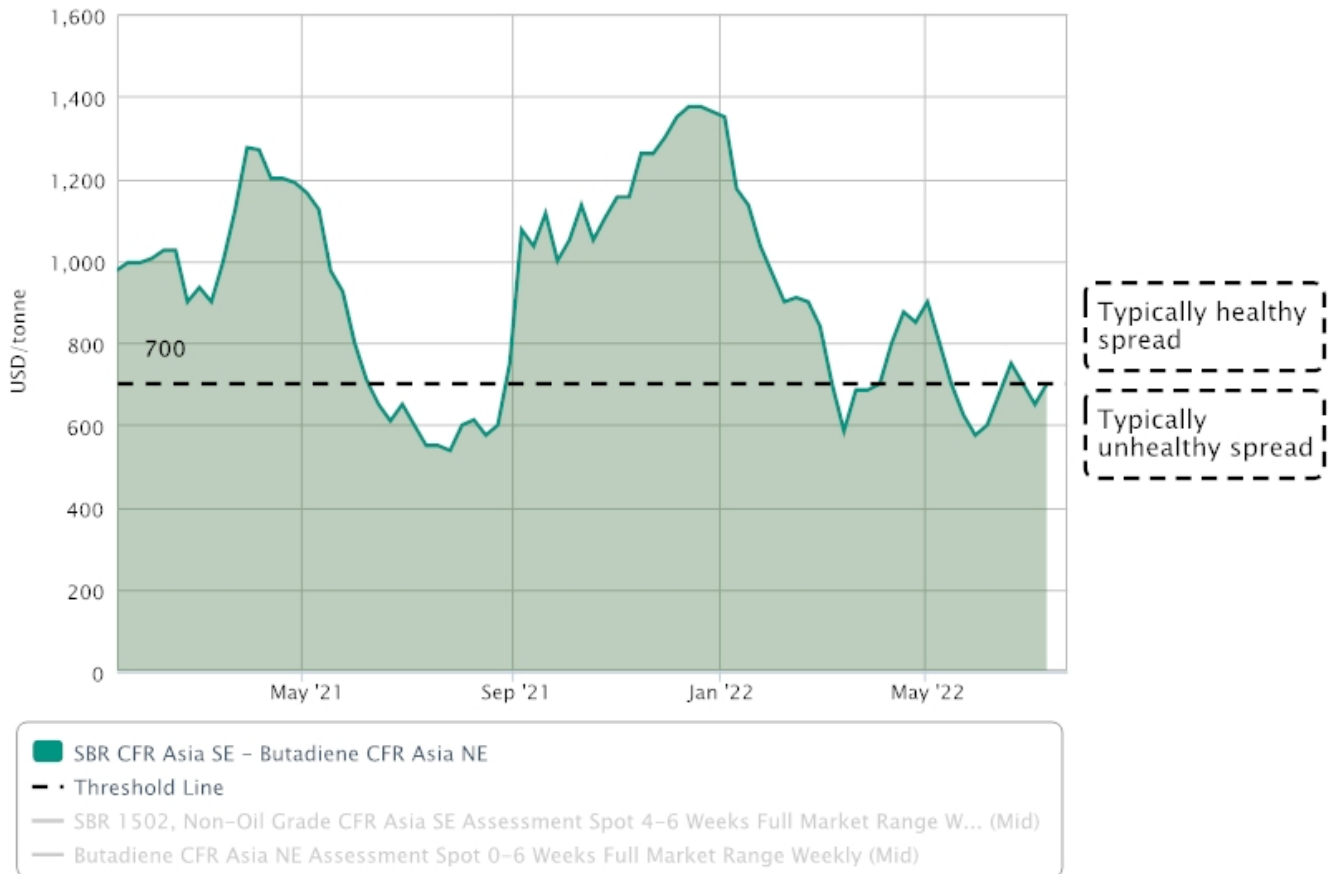
UPSTREAM

Butadiene (BD)

- [Weak](#) regional demand
- Mixed supply picture
- Wide buy-sell disparity

The chart below shows the spread between butadiene and SBR.

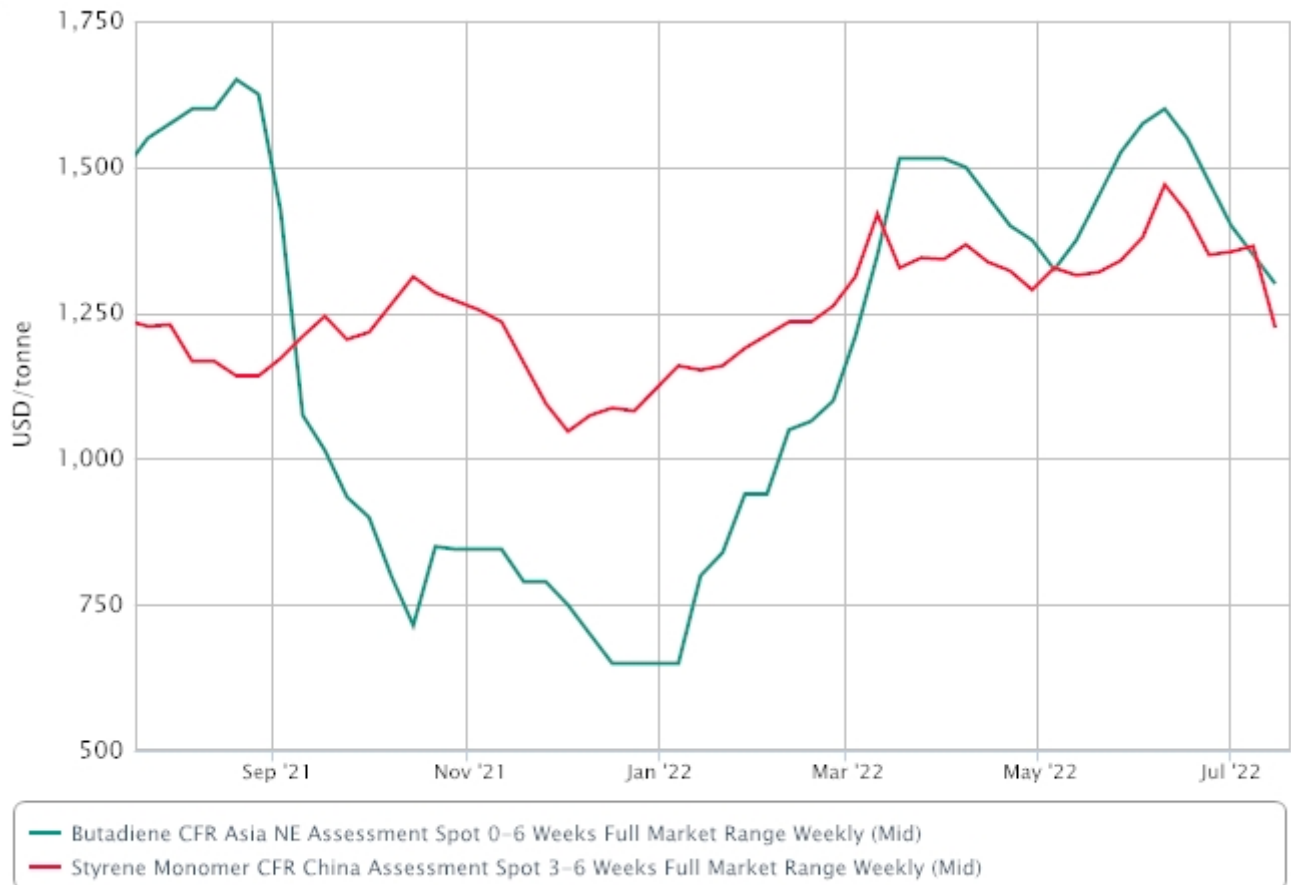
[Downstream spread – butadiene NE Asia and SBR SE Asia](#)



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Styrene:

- Down on bearish outlooks for August
- Buying cautious on continuous downstream op rate cuts amid poor styrenics sales
- Worries of rising supply weigh further on discussions



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PRODUCTION

In China, operating rates of local SBR plants held steady at 65 % for the week ended 15 July, two weeks in a row, market source said.

But in wider Asia, SBR output has tightened with [output cuts](#) at some regional plants.

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

OTHER REGIONS

Europe:

- July contract talks ongoing; some increases due to styrene gains
- Spot prices stable
- Europe's Q2 replacement tyre sales grow in consumer and truck sectors: ETRMA

US:

- ITC moves forward in [anti-dumping investigation](#)
- Supply sufficient to meet demand
- BD nominations expected next week

ANALYTICS

ICIS Butadiene Outlook

With Shell's BD unit at Norco, Louisiana, and BASF -Total's plant at Port Arthur, Texas, returning to normal operations after planned turnarounds, BD supply is seen to improve in July unless unplanned outages occur. The price differential between the US and Europe is workable, supporting US import appetite from Europe. The ICIS analyst team predicted a further loss in US passenger car and light vehicle sales of about 10,000 units in its June outlook compared with May, thus giving a projected aggregate of 14.5m units for 2022. Vehicle inventories are expected to remain depressed as the chip shortage is still challenging the auto industry. In addition, University of Michigan reported a continued downward trend in the index of US consumer sentiment, falling 14.4% in June compared with May. High inflation continues to be the main concern to consumers.

European BD demand is expected to be weak over the coming weeks, with the prospect of slowing demand for some applications, in particular ABS. In theory, the arbitrage window between the US and Europe is expected to remain open over the next few weeks, on renewed US buying interest. Against this backdrop, a stronger US dollar against the euro may encourage trade flows to the US. The petrochemical industry may be affected by a further increase in energy costs in July, driven by the stop of Russian natural gas flows to Europe via Nord Stream from 11 July for ten days for annual maintenance.

Northeast Asian naphtha-based cracker margins are seen to remain in negative territory over the next few weeks. Accordingly, limited cracker operating rates and less costly lighter feedstock are likely to reduce crude C4 availability. The Asian BD market is forecast to be balanced-to-tight. Concerns over the surging of new Covid-19 cases in some Chinese provinces may slow end-user demand recovery prospects, softening supply tightness. On the capacity front, several BD extraction and BD derivatives projects are scheduled to become operational in China in H2 2022. However, the commissioning of these projects is very likely to be delayed because of Covid-19-related uncertainty and stricter production safety following two fires at two Sinopec's sites in Guangdong and Shanghai.

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

ICIS Styrene Outlook

The Europe styrene market is heading into a few difficult weeks. Demand into derivatives is cooling due to high prices and a weakening economic outlook. Supply also remains under pressure from high costs. A record jump in benzene prices in July and recent gains in natural gas costs have resulted in a significant squeeze on margins at European styrene producers and are likely to lead to lower operating rates in the weeks ahead.

This is expected to add further pressure to supply following the closure of the region's largest styrene unit at Maasvlakte in the Netherlands, earlier this month. LyondellBasell declared force majeure after the plant experienced a technical fault with its wastewater facility. Repairs are expected to run into the second half of July.

The return of styrene imports from the US is expected to be delayed further, even though US styrene units have restarted following a heavy turnaround schedule.

US benzene prices have driven US styrene spot prices above those in Europe and exports have become uneconomical. We believe that it will be several weeks before prices normalise and US prices become competitive again. Supply is therefore likely to be limited over the coming weeks, although imports from Asia and the Middle East may provide some relief.

By **Moritz Lank**, lead market analyst, moritz.lank@icis.com

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