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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

- **Buy-sell stalemate prevails**
- **Buying indications muted on downbeat economic outlook**
- **Sellers' discounts capped on spot limitations nonetheless**

Spot trade liquidity in Asia's import market for styrene butadiene rubber (SBR) is weighed down by a persistent gap in respective evaluations and pricing outlook between buyers and sellers.

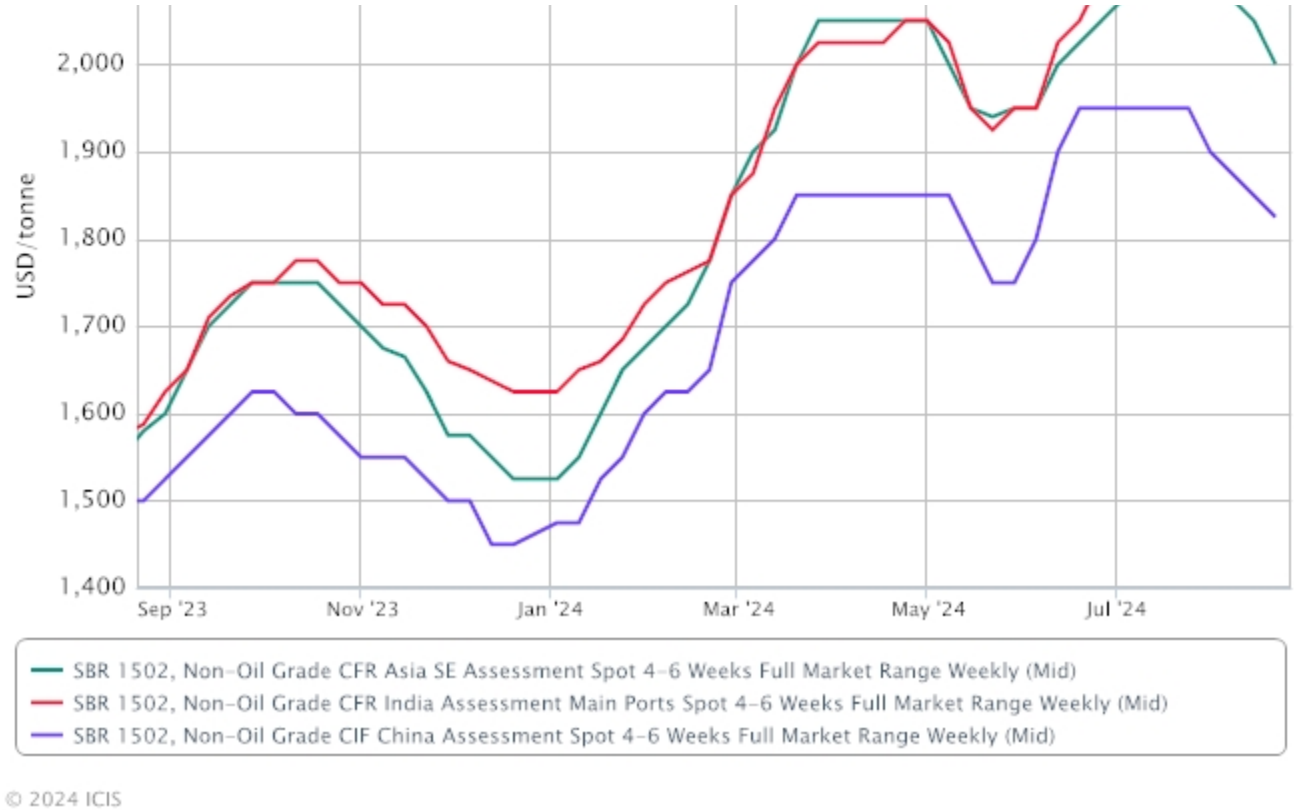
For buy-side elements, many are unwilling to commit more heavily on forward SBR purchases for fear that downstream demand will fail to hold up sufficiently well if growth derailers like recession risks and geopolitical tensions persist.

Such concerns sharpened with a week-on-week decrease in the global spot ICIS petrochemical index (IPEX), signalling subdued chemical demand.

But for sellers, while some did moderate offers slightly to keep pace with recent decreases in feedstock butadiene (BD) prices, most held back from dishing out wider discounts. One consideration was that despite some feedstock BD cost savings, overall costs are still hefty amid factors like stiff freight rates.

Also, spot availabilities will tighten once a heavy wave of regional plant maintenances kick off in late Q3 and Q4, market sources said.

This is expected to provide support for spot offers, market players said.



OUTLOOK

- **Pricing sentiment may swing with feedstock market movements**
- **Demand may stay limp if macroeconomic headwinds do not ease**
- **Spot supplies to tighten going into Q4**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1800-1850	-50	1900-2000	81.65-83.91
CFR Asia SE	USD/tonne	-50	1950.00-2050.00	-50	2050.00-2100.00	88.45-92.99
CFR India Main Ports	USD/tonne	-50	2000.00-2150.00	-50	2100.00-2200.00	90.72-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1750-1800	-50	1850-1950	79.38-81.65
CFR Asia SE	USD/tonne	-50	1900.00-2000.00	-50	2000.00-2050.00	86.18-90.72
CFR India Main Ports	USD/tonne	-50	1950.00-2100.00	-50	2050.00-2150.00	88.45-95.25

China

The high end of CIF China assessment for the non-oil 1502 grade was down with some moderated offers heard, but losses were cushioned by a late week recovery of the yuan-denominated market.

Domestic prices in east China for the non-oil 1502 grade moved up, tracking a late-week climb in yuan values for feedstock BD.

CIF China prices for the oil-extended 1712 grade were adjusted 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	14,900-15,100	14,700-14,900

Southeast Asia

CFR SE Asia assessment for the non-oil 1502 grade continued to trend down, with the lowest offers tracked at the high end against some deals heard closed towards the lower end.

But sustained gains in natural rubber prices boosted sentiment among sellers, with many confident that the strong natural rubber prices will translate into increased demand for cheaper substitution products like SBR.

CFR SE Asia assessment for the oil-extended 1712 grade were adjusted with changes in 1502 grade assessment in the absence of any concrete spot transactions for the 1712 grade.

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

Aug (1-21) 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
177.06	168.65	176.00	170.03	162.99	165.36	156.66	154.20

Source: Malaysian Rubber Board

India

CFR India assessment for the non-oil 1502 grade also softened alongside lower offers on northeast Asia-origin materials reflected at the high end, and subdued buying indications tracked at the low end.

Local end-users stayed on the sidelines as downstream operations remain undermined by remnant monsoon weather conditions.

Market players said that downstream off-take may pick up pace in the coming month too, on the back of pre-Diwali restocking requirements.

In the meantime, buying appetite remains weighed down by a persistent influx of cheaper alternatives from non-

Asia and non-conventional supply sources, market sources said.

CFR India assessment for the oil-extended 1712 grade were adjusted with changes in the 1502 grade.

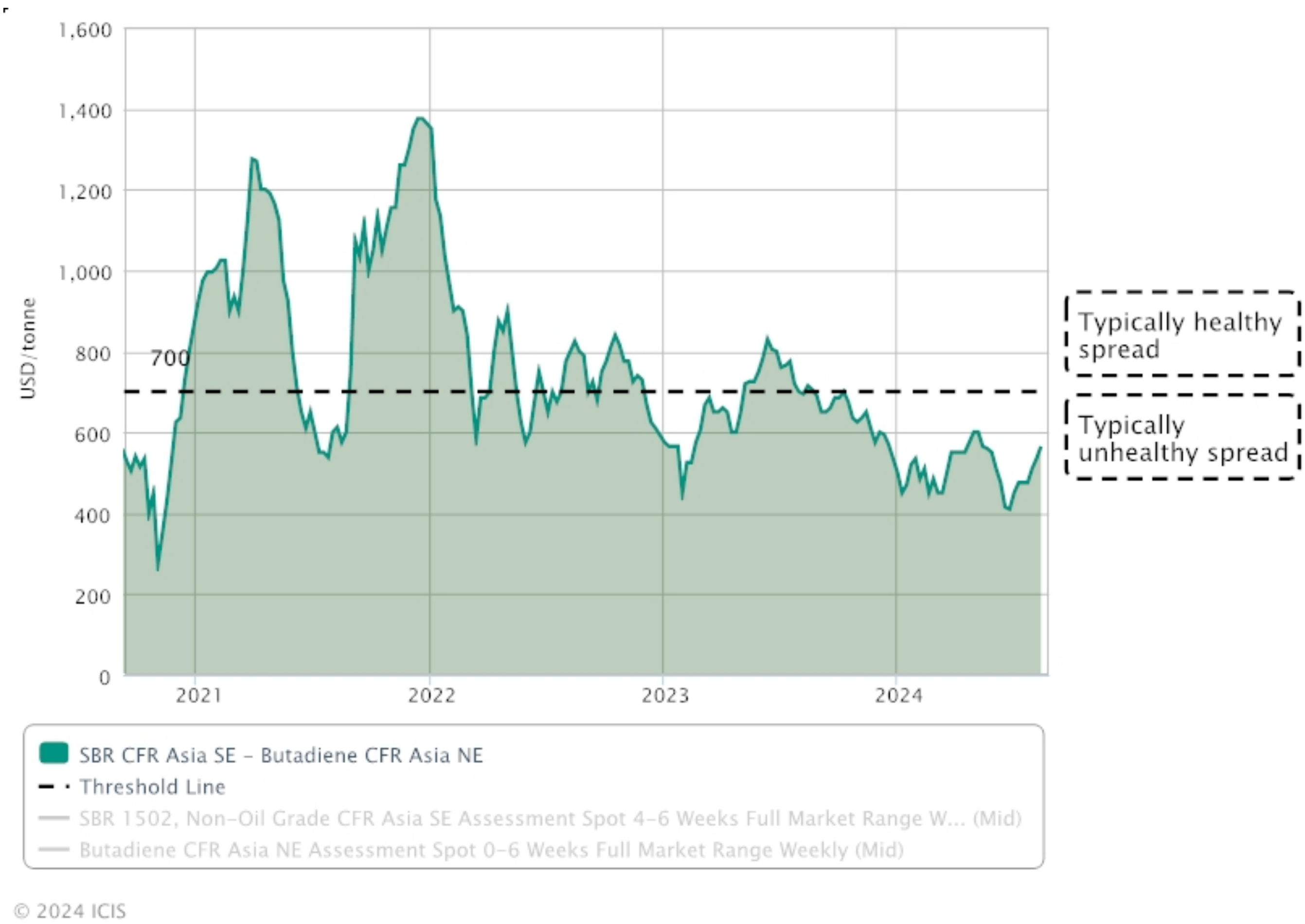
UPSTREAM

Butadiene

- Sellers moderate targets to induce sales
- Spot supplies ample
- Demand dull on upcoming derivative turnarounds

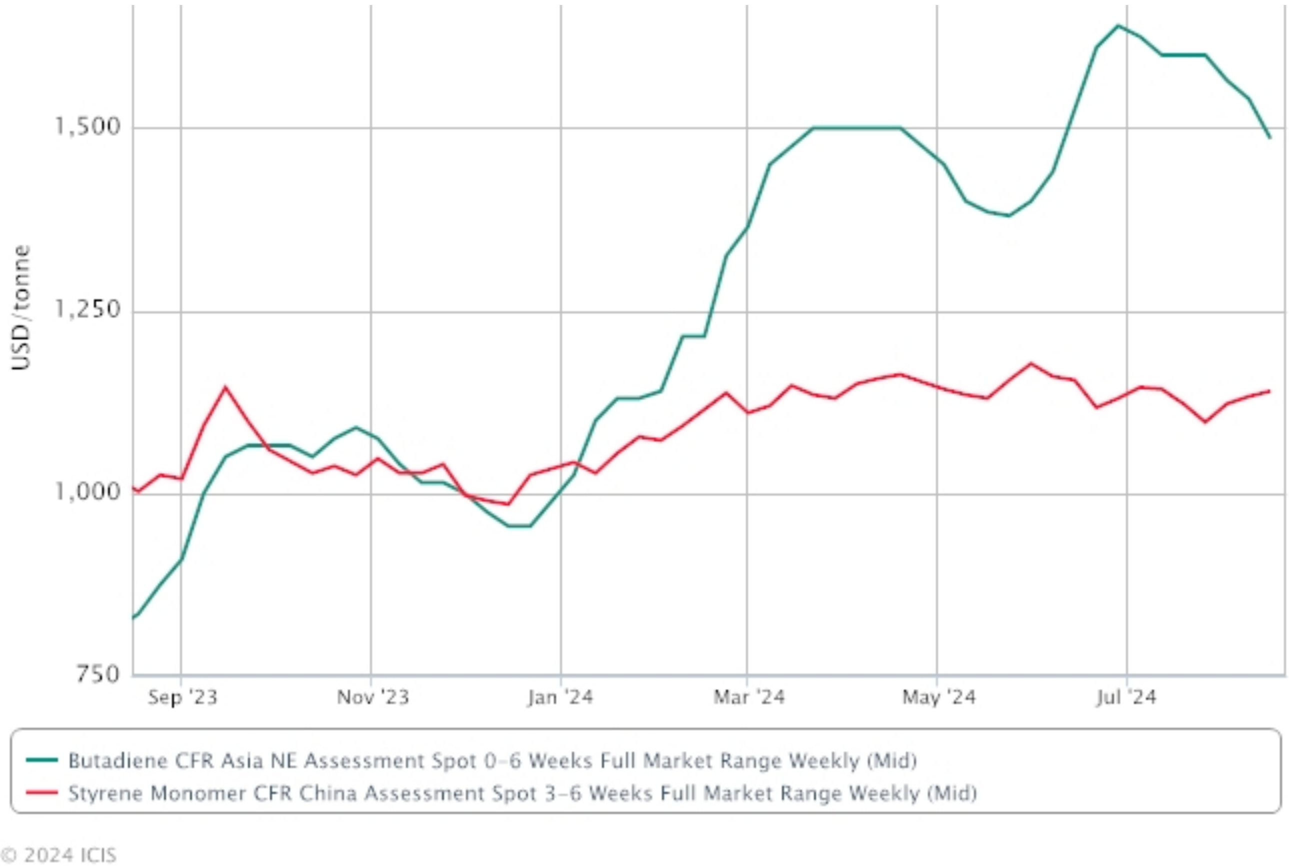
The chart below shows the spread between butadiene and SBR, which while having improved of late, remains tightly wedged in the unhealthy zone.

Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene

- SM market sees increased volatility, tracking benzene cost fluctuations
- S Korea's application for ADD probe against China-origin SM to be withdrawn
- China export market activities remain low amid wide buy-sell gap



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.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- Spot prices stable to soft; oil extended grades steady
- Mixed demand amid summer vacation period
- Feedstock costs higher, August contracts to emerge

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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