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

- **Thin buying interest**
- **But spot availabilities limited too**
- **Market players mostly in wait-and-see mode**

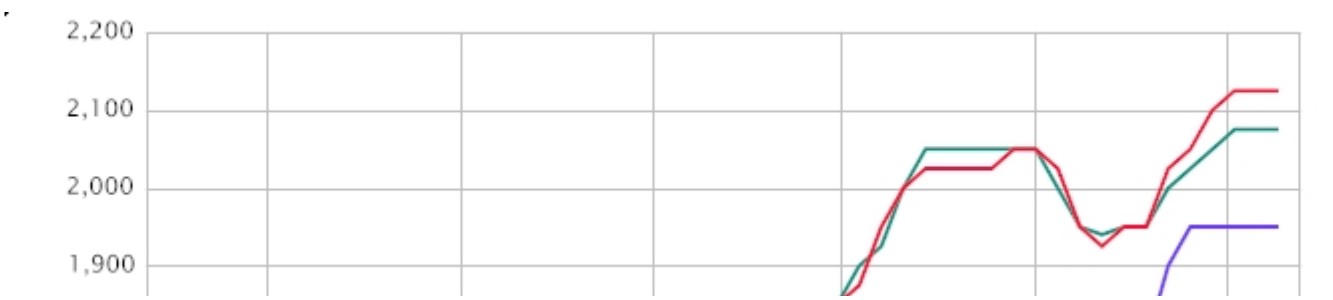
Substantive trade discussions for Asian spot imports of styrene-butadiene-rubber (SBR) were limited, as both buyers and sellers pulled back to wait and see.

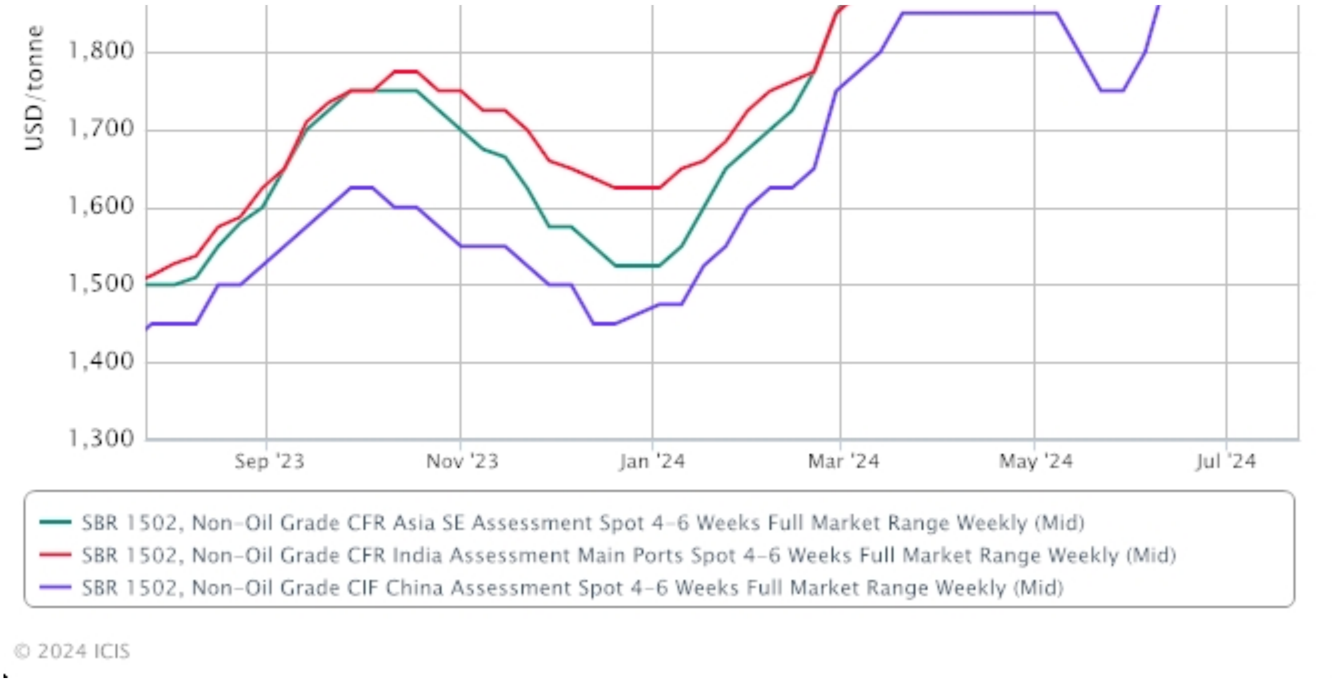
For the end-users, many were reluctant to commit on additional spot volumes until they have more clarity and assurance on how downstream market conditions may trend in the near term.

There were mixed views, for instance, about potential SBR requirements from China's electric vehicle (EV) sector in the run up to import tariff hikes on this product in several major overseas markets.

Some believed that sales of China-made EVs will be invariably affected, which could in turn weigh on this sector's consumption of raw materials including SBR, while others were hopeful that some EV makers may be prodded to ramp up near-term operations so that they could export finished products more heavily before the tariffs fully come into force.

But for SBR makers, many said that despite some recent softening of feedstock butadiene (BD) prices, they were still not in the position to dish out discounts on current SBR offers, as many other operation costs, such as for freight, remain hefty.





OUTLOOK

- **Outlook on July demand generally dull**
- **Freight costs may stay elevated**
- **Producers may continue to focus on contractual obligations at expense of spot business**

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	n/c	2050.00-2100.00	n/c	2000.00-2100.00	92.99-95.25
CFR India Main Ports	USD/tonne	+50	2100.00-2200.00	n/c	2000.00-2200.00	95.25-99.79
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1850-1950	n/c	1850-1950	83.91-88.45
CFR Asia SE	USD/tonne	n/c	2000.00-2050.00	n/c	1950.00-2050.00	90.72-92.99
CFR India Main Ports	USD/tonne	+50	2050.00-2150.00	n/c	1950.00-2150.00	92.99-97.52

China

CIF China prices were unchanged for both the non-oil 1502 and the oil-extended 1712 grades, in the absence of fresh buy-sell indications on US dollar denominated imports.

Local buyers in China meanwhile are keeping a close monitor on how pricing in the domestic yuan-denominated market will trend.

Domestic prices in east China were stable-to-firm, with some upside support from broadly stable yuan values for feedstock butadiene.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week’s close	Previous week’s close
E China Ex-Warehouse	15,000-15,200	15,000-15,100

Southeast Asia

CFR SE Asian assessments were also flat for the non-oil 1502 grade, taking into account rangebound offers and buying indications.

CFR SE Asian prices for the oil-extended 1712 grade is kept unchanged, with stable 1502 grade assessments.

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

Jul (1-24) 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
168.72	176.00	170.03	162.99	165.36	156.66	154.20

Source: Malaysian Rubber Board

India

CFR Indian assessments for the non-oil 1502 grade narrowed, with the low-end lifted to reflect the spectrum of deals and offers heard for northeast Asia-origin materials.

Market sources said that buying appetite for SBR imports strengthened somewhat in the week, as a cheaper substitution to natural rubber, prices of which had spiked in India of-late due to supply crunch caused by delayed arrival of many import shipments.

CFR Indian assessments for the oil-extended 1712 grade were adjusted in line with 1502 grade changes.

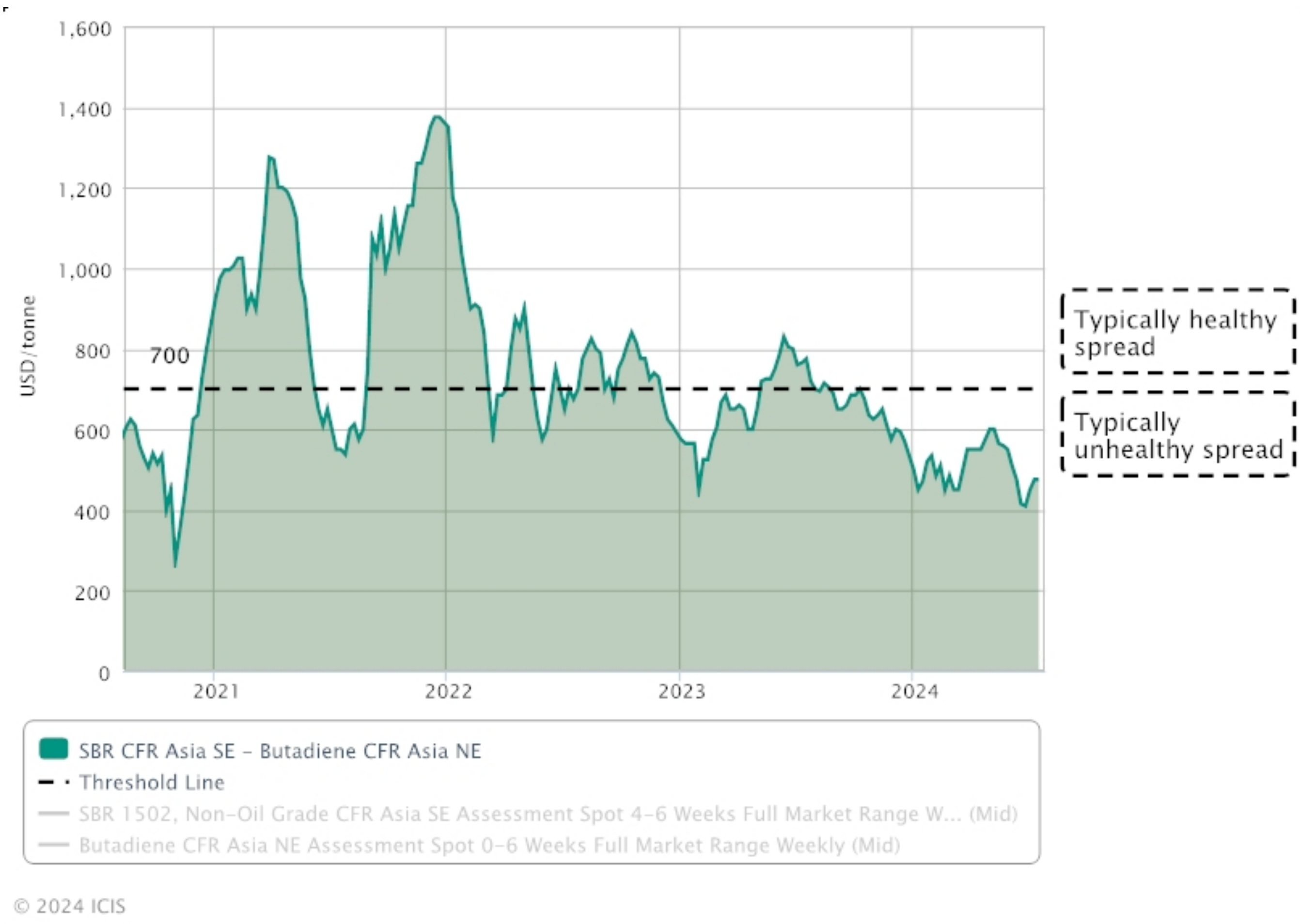
UPSTREAM

Butadiene

- China presses on with exports
- Some small pockets of short-covering buying boosted sell-side sentiment
- Longer-term demand outlook unclear

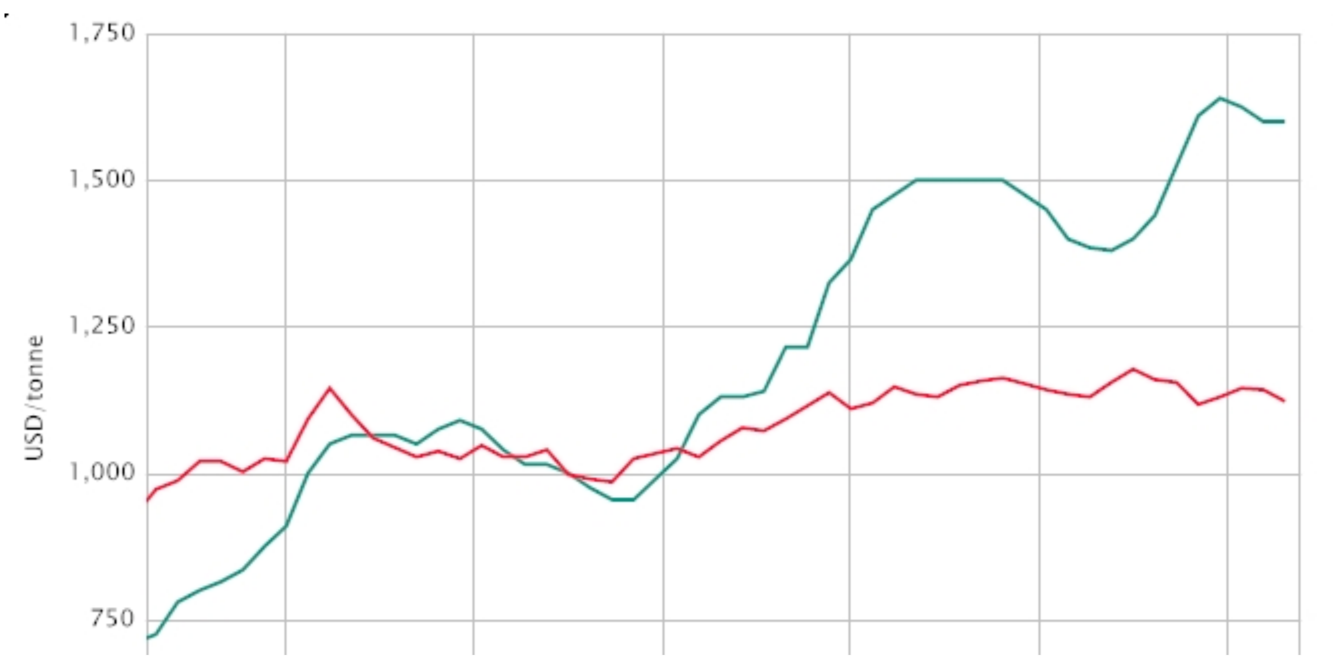
The chart below shows the spread between butadiene and SBR remains wedged in the unhealthy zone.

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



Styrene

- China SM demand-supply fundamentals remain in weak balance
- Regional spot demand seasonal lull persists; suppliers look for trade opportunities
- Suppliers' margin concerns ease; operations carefully managed in line with demand



PRODUCTION

In China, two lines in Xinjiang, each with 60,000 tonnes/year worth of production capacity, are expected to restart within July aftermaintenance which commenced from mid-May, market sources said.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- SBR July contracts assessed stable-to-soft
- Spot prices remain mixed; steady this week
- Some good demand still in July

ANALYTICS

ICIS outlook for the downstream automotive sector

The auto industry is preparing for a structural change. However, there is a degree of skepticism among manufacturers about mandatory targets to ramp up charging and refueling infrastructure for electric vehicles (EVs). Volatile trade relations and changes to policy will continue to be major headwinds for the industry this year.

According to the US Census Bureau, US light vehicle sales decreased by 4.0% month on month in June, with total sales at 15.3 million units. The figure was down by 4.8% year on year and 11.6% below levels seen in 2019. Inflation, a slump in consumer confidence and tighter monetary policy will weigh on US demand in the automotive sector. The outlook for the rest of this year remains bearish.

The European Automobile Manufacturers' Association (ACEA) reported that EU passenger car registrations increased by 4.3% in June year on year. Italy posted the largest increase at 15.1%, followed by Germany at 6.1% and Spain at 2.2%. However, given the weak economy and strained trade relations, concerns about balance sheets are growing, with some producers struggling to survive in the short term. Investment in longer-term trends includes tightening emission standards, a growing push to electrify and increased shared car ownership, but this has left some firms cash strapped. As a result, OEMs and other stakeholders are looking to diversify by identifying and conducting white space analysis. For example, Volkswagen and Rivian have announced plans to form a joint venture which will see Volkswagen invest an initial $1 billion in Rivian, ahead of a further $4 billion in additional funds. Elsewhere, Aramco acquired a 10% stake in HORSE Powertrain, which is owned equally by Renault and Geely, for €7.4 billion. The stake will allow Aramco to help develop competitive powertrains, technologies, synthetic fuels and lubricants.

China's balance of risk lies to the downside after the EU raised tariffs on Chinese EVs and following the implementation of the US Inflation Reduction Act (IRA). Both pose a threat to China's ambition of continuing to lead the EV space. According to ACEA, China's share of the European EV market has increased from 3% to 20% in the past three years.

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