Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
27-Apr-2022

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

OVERVIEW

- **Weak domestic China dampens sentiment**
- **Increased export availabilities from China**
- **But spot availabilities from wider Asia stays snug**

Asian spot discussions for styrene-butadiene-rubber (SBR) softened, in part due to downside pressures from losses seen in the domestic China market.

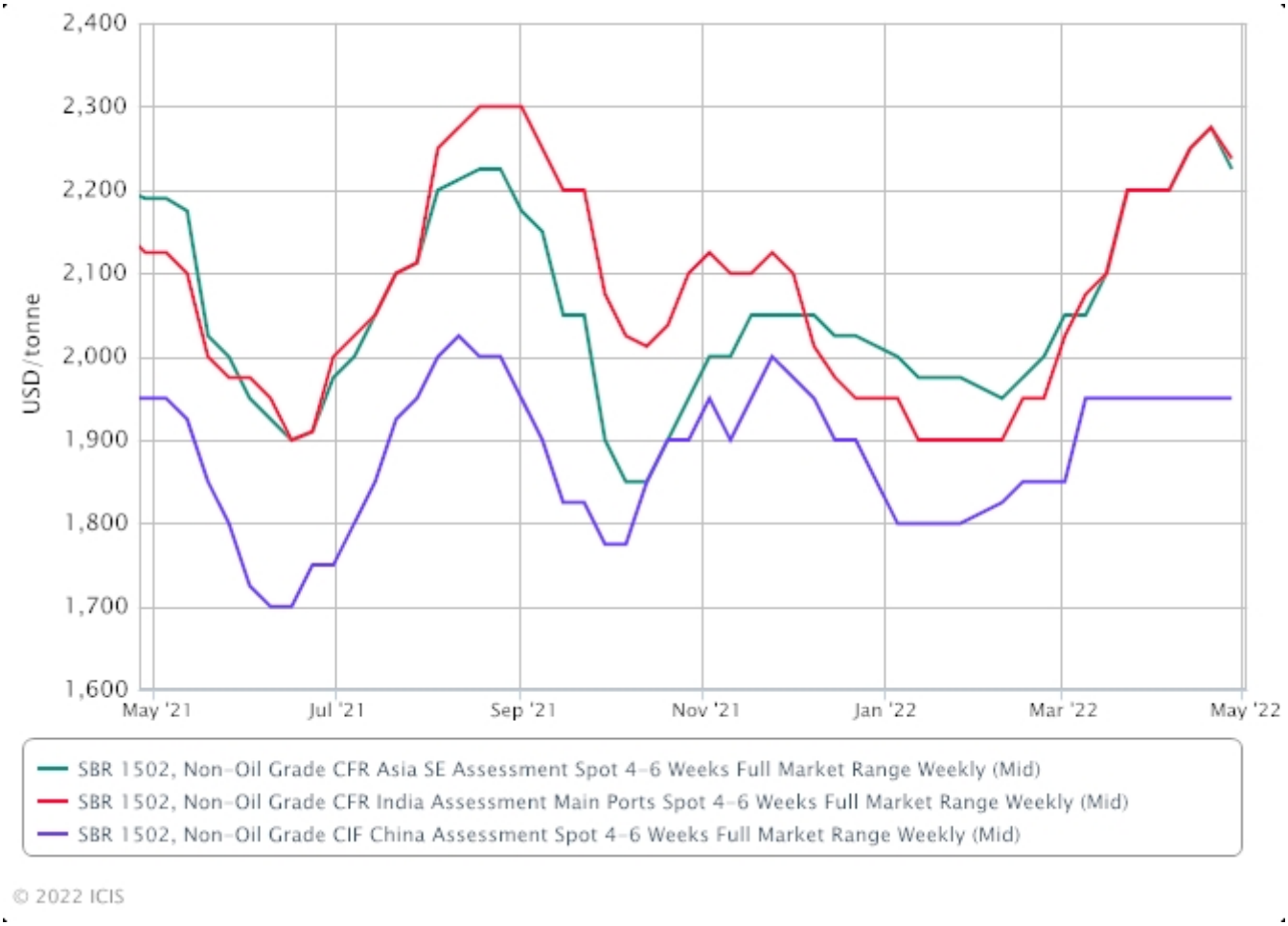
Domestic China prices for SBR faltered, as local off-take dwindled alongside protracted pandemic-related lockdowns in Shanghai.

The latter had caused substantial disruptions to local downstream operations, and there may be no near-term respite, if the same restrictions are also imposed on more cities, market sources said.

This also invariably dampens overall sentiment in the region, with many end-users in other outlets increasingly worried about demand for their own finished products.

At the same time, China SBR makers are heard seeking to export more, to make up for slow domestic sales. Their asking prices were also substantially lower than their counterparts in wider Asia.

Even if regional buyers acknowledge that usage of China-origin materials is hitherto still not commonplace and thus these were not directly comparable with cargoes from regular suppliers, their buying appetite for the latter has been invariably weighed down by the availability of competitively priced alternatives, market sources said.



OUTLOOK

- **Domestic China may stay weak if lockdowns persist**
- **China SBR exports may grow as such**
- **Cargoes from different Asian origins may see divergent pricing trends**

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	2200.00-2250.00	-50	2150.00-2250.00	99.79-102.06
CFR India Main Ports	USD/tonne	-50	2200.00-2275.00	-25	2100.00-2300.00	99.79-103.19
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	2150.00-2200.00	-50	2100.00-2200.00	97.52-99.79
CFR India Main Ports	USD/tonne	-50	2150.00-2225.00	-25	2050.00-2250.00	97.52-100.92

China

CIF China assessments for both the non-oil 1502 grade and the oil-extended 1712 grade were kept unchanged, in the absence of any fresh pricing indications this week.

There were no buying interest in US dollar denominated imports, market players said, as end-users have ready access to more competitively priced products in the domestic market.

But even trades in the domestic market were thin, as downstream operations were in limbo amid widening pandemic lockdowns in the country. Yuan-denominated prices of the 1502 grade extended losses as such..

East China domestic SBR 1502 prices

Price (CNY/tonne)	27 April	20 April
E China Ex-Warehouse	11,600-11,700	12,000-12,100

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade are assessed down, taking into account discussions and indications heard for cargoes from diverse origins.

The high-end captures the lowest offer heard for SBR 1502 spot cargoes from amongregular suppliers in northeast Asia.

The low-end reflects buying indications for similar cargoes, which market players said have trended down as buyers' resistance grew against what they deemed as overpriced offers in view of lacklustre conditions in their own downstream markets.

China-origin products were offered and sold at substantially lower levels – up to $200/tonne below the published CFR SE Asia range, market sources said.

But because such trades were hitherto infrequent, and usage acceptance limited to only select regional end-users, the consensus view in the market remains that these were not reflective of mainstream discussions and hence excluded from the assessments.

That said, market players said the availability of such competitively priced products will invariably dampen buying indications for cargoes from other origins.

CFR SE Asian prices for the oil-extended 1712 grade was adjusted down, in line with changes seen for the 1502 grade asssessments, in the absence of concrete 1712 business.

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

Apr (1-27) 2022	Mar 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021
172.36	175.18	179.84	178.12	172.08	175.65	174.39	163.23

India

CFR India prices for the non-oil 1502 grade are also assessed down, taking into account softer discussions heard.

The high-end tracks deals heard, while buying indications for cargoes from regular northeast Asian suppliers slipped to the low-end.

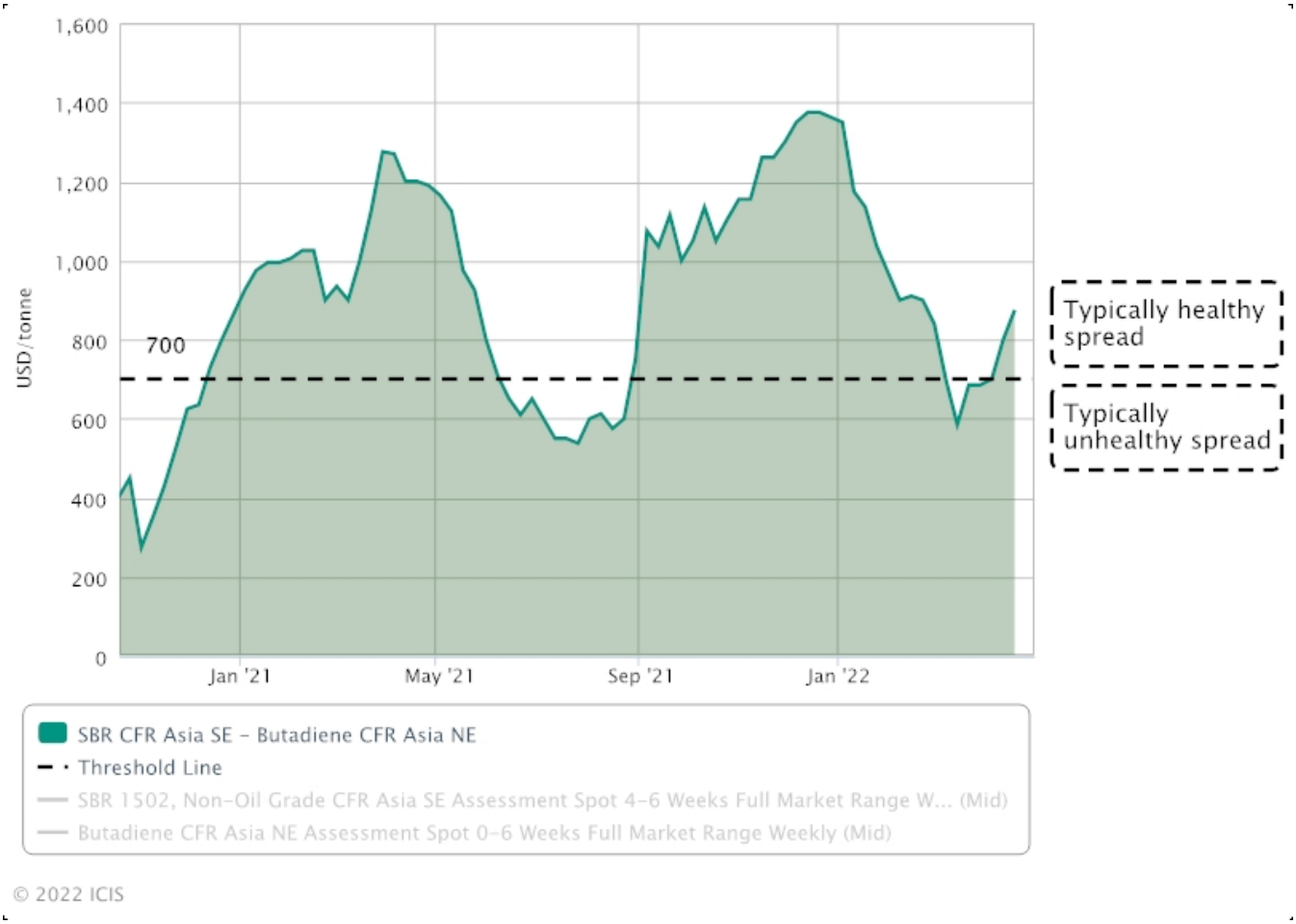
CFR Indian assessments for the oil-extended 1712 grade was adjusted down in line with changes in 1502 grade assessments.

UPSTREAM

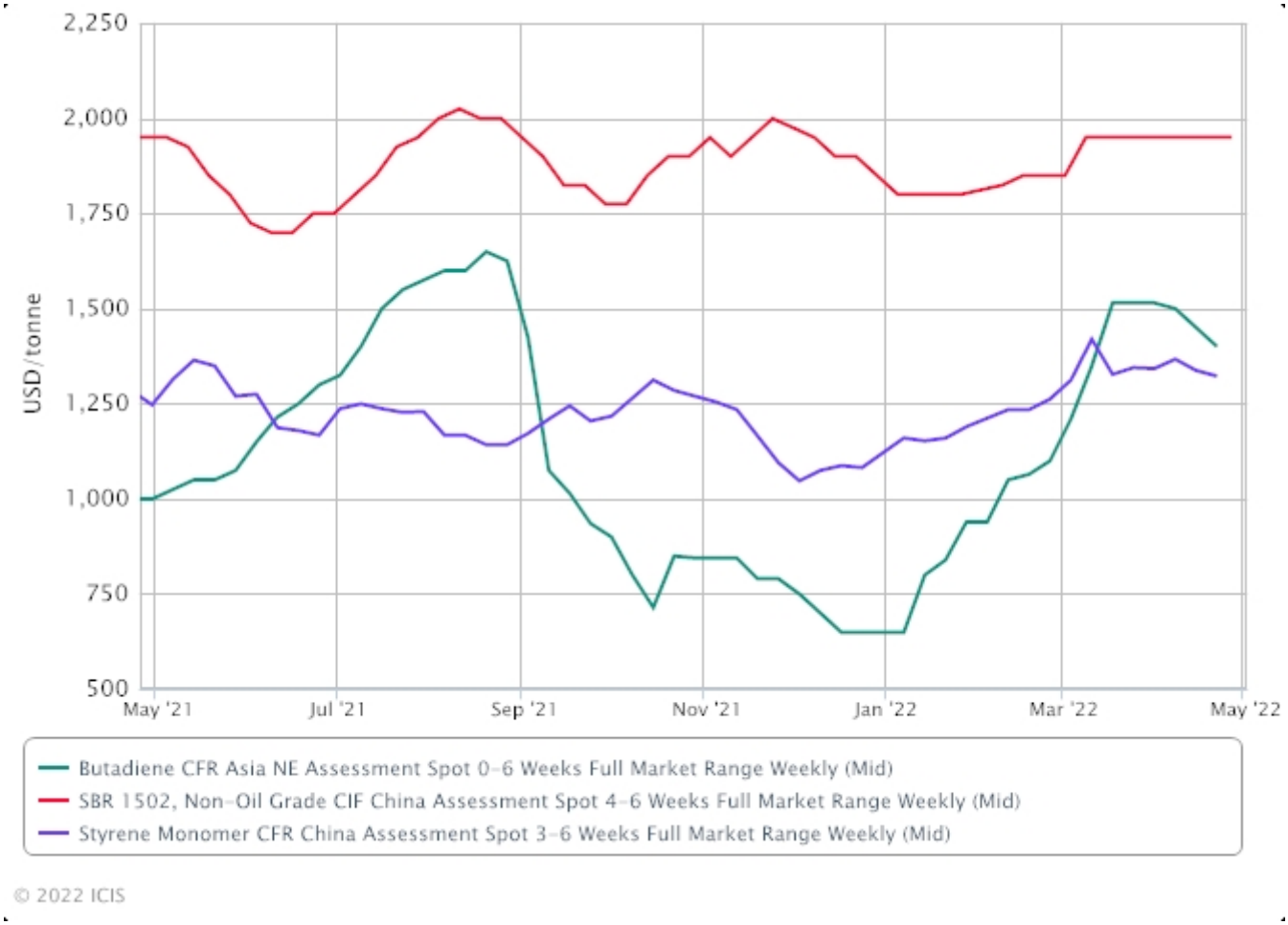
Sentiment for Asian **butadiene (BD)** import discussions are still mostly dull, as buying tempo remains subdued. While some sellers moderated expectations to close deals, others held back to wait and see more, especially after domestic BD price in the yuan-denominated China market recovered some lost grounds this week.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian **styrene** prices softened further reflecting cautious Chinese trading sentiment and a weaker yuan against the US dollar, together with weaker demand from the west for Asian export parcels because of the early week holiday season.



PRODUCTION

In China, average operating rates of local SBR plants held steady at 80% for the week ended 20 April, three weeks in a row, market sources said.

Meanwhile, regional SBR supplies remained tight with an ongoing turnarounds.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In Europe, SBR's April contracts jumped triple digits up from the month prior, alongside soaring prices for feedstock styrene.

Separately, Dynasol Group also announced plans to build, by Q1 2024, a new SBR line in Spain to produce 20,000 tonnes/year of solution styrene butadiene rubber (SSBR).

ANALYTICS

ICIS Styrene Outlook

The Europe styrene market balance is tight to short following limitations on US imports and several domestic production hiccups. The recent jump in costs of natural gas, used by styrene producers for power generation and heating, continues to dent production volumes. Trinseo declared force majeure on production following an outage at its Terneuzen site in the Netherlands at the end of March. ICIS Analytics estimates up to 40% of the region's

production capacity is disrupted because of feedstock supply constraints and weakened production economics. Finland suspended rail freight from Russia, with this expected to cut around 80% of Russia's total styrene export volume, which normally takes that route. A delay to US turnarounds is also expected to limit Europe's imports in Q2.

Demand is stable, despite record prices, due to strong demand from the construction sector, which is likely to improve further moving into spring. The current price levels may result in some demand erosion over the coming weeks, but we believe this will still outweigh limited supply.

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

ICIS Butadiene Outlook

Although 2022 US BD demand is likely to remain subdued year on year, domestic needs will continue to outpace production. Given Q2 scheduled maintenance is expected to be lighter than the same period a year earlier, overall BD output could increase to between 360,000 and 400,000 tonnes, up from about 345,000 tonnes in Q2 2021. In the weeks to come, imports from Asia may rise to support US domestic demand, but European BD, which has relatively higher costs than past months, could see a contraction in exports to the US. High energy prices, increasing inflation rates and the ongoing semiconductor shortage will weigh on the new vehicle sales trajectory in the US.

BD production in Europe is set to decline to between 550,000 and 570,000 tonnes in Q2 2022 compared with Q1 due mainly to the spring scheduled cracker maintenance. According to ICIS analysts, the price spread between propane and naphtha is expected to remain in negative territory, hitting at average about $345/tonne in Q2. As a result, cracker operators are likely to increase the use of propane at the expense of naphtha as an alternative feedstock. 2022 tyre production is likely to be still affected by automotive supply disruptions caused also by the Ukraine war and a gloomy demand outlook. The lack of electrical parts for engines from Ukraine is further pressuring European auto manufacturing rates, particularly in Germany.

Asian BD demand continues to be weak, likely reflecting concerns over the war in Ukraine, lower economic growth than expected and the increase in COVID-19 cases in China. Downstream automotive production continues to be hindered by a shortage of semiconductors and lockdowns imposed in cities such as Changchun, Shenzhen and Shanghai, which are key car manufacturing bases. Consequently, ICIS analysts downgraded their forecast for auto sales from the previous month. This year's new passenger car registrations are forecast to reach about 22.5m units, up 5.1% from 2021. As the price spread between naphtha CFR Japan and BD CFR northeast Asia is expected to be lower than $400/tonne for most months in 2022, integrated players may be incentivised to sell naphtha instead of BD producing.

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

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