Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
28-Sep-2022

Overview | Outlook | Prices | Upstream | Production | Other Regions | Analytics

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

The CIF China and Chinese domestic yuan (CNY) prices in the weekly analysis on 5 October will be assessed based on information collated up to 30 September. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Discussions muted**
- **Supply tighter with turnarounds**
- **Demand waning**

Asian import discussions for styrene-butadiene-rubber (SBR) mostly stalled for the non-oil 1502 grade as weak demand conditions linger, neutralising any upside pricing support that may come with spot supply constraints stemming from ongoing and upcoming turnarounds.

End-users continued to stay away, keeping strictly to buying only limited volumes on a need-to basis. As long as natural rubber prices remain at current low points, it would also continue to weigh on SBR demand, market sources said. This is because tyre makers may likely switch to using more natural rubber at the expense of synthetic rubbers such as SBR, to achieve better economics and rescue compressed margins.

End-users are also generally doubtful that downstream market conditions would improve sufficiently soon enough to merit any stock-building type of procurement for raw materials such as SBR. The recent weakening of Asian currencies have also dented requirements for US dollar-denominated imports, which have now become far more expensive than expected.

On the sell-side, asking prices for the 1502 grade were broadly rangebound this week. Market players said selling pressures may ease somewhat on producers once spot availabilities tighten more, when a wave of regional plant turnarounds gets fully underway in the coming months.

Indications for the oil-extended 1712 grade were heard at a narrower spread with those of the dry 1502 grade. Market players were of the consensus view that this was reflective of the reality that cost pressures for 1712 had risen with tighter global supplies of distillate oils required for oil grade production.

OUTLOOK

- **Supply likely to stay snug in the coming month**
- **Macroeconomic concerns will weigh on buying tempo**
- **Additional demand losses likely if natural rubber markets stay low**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1500-1600	n/c	1550-1700	68.04-72.57
CFR Asia SE	USD/tonne	n/c	1600.00-1700.00	n/c	1650.00-1800.00	72.57-77.11
CFR India Main Ports	USD/tonne	n/c	1700.00-1800.00	-50	1750.00-1950.00	77.11-81.65
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1450-1550	+50	1450-1600	65.77-70.31
CFR Asia SE	USD/tonne	+50	1550.00-1650.00	+50	1550.00-1700.00	70.31-74.84
CFR India Main Ports	USD/tonne	+50	1650.00-1750.00	n/c	1650.00-1850.00	74.84-79.38

China

CIF China assessments for the non-oil 1502 grade held steady on rangebound pricing indications heard.

Discussions were limited with many market players already winding down for the upcoming holidays. China will be shut from 1-7 October for its National Day celebrations.

CIF China assessments for the oil-extended 1712 grade were raised, to reflect a narrower spread with the non-oil 1502 grade, even if substantive spot discussions were limited in the week.

Domestic China prices for the 1502 grade were stable week on week. There was some pre-holiday restocking purchases but these failed to boost pricing as, unlike previous years, buyers were considerably more cautious this year on this front.

East China domestic SBR 1502 prices

Price (CNY/tonne)	28 Sep	21 Sep
E China EXWH	11,650-11,750	11,650-11,750

Southeast Asia

CFR SE Asia assessments for the non-oil 1502 grade were kept unchanged, tracking broadly stable buy-sell indications for cargoes from regular northeast Asian suppliers.

CFR SE Asia assessments for the oil-extended 1712 grade were up, after taking into account the market consensus view that the spread between 1712 and 1502 grades has narrowed amid rising costs of distillates oil required for 1712 production.

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

Sep 2022*	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
133.99	149.74	158.83	164.15	162.81	171.15	175.18	179.84	178.12

From 1-28 Sep 2022.

India

CFR India assessments for the non-oil 1502 grade were stable to soft, with the high end dropped in line with lower selling indications heard.

There were no substantive spot discussions for oil-extended 1712 grade imports but in line with the market consensus view, CFR India assessments for 1712 were adjusted to reflect a $50/tonne gap with 1502 assessments.

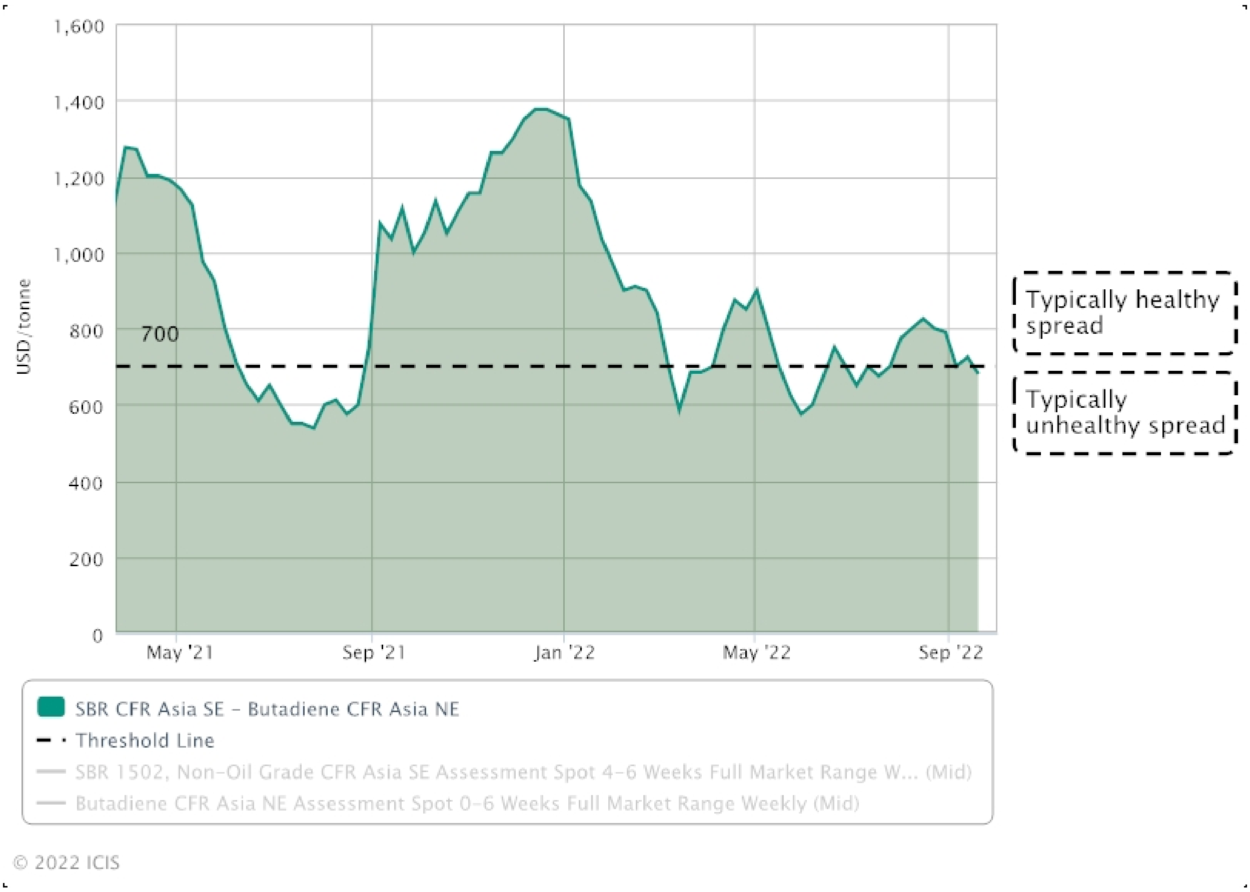
UPSTREAM

Butadiene (BD):

- Domestic China falls but import window to China stays open
- Varying buying appetite in China for different cargo shipment timing
- Wider Asian discussions under pressure of weak demand fundamentals

The chart below shows the spread between BD and SBR.

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



Styrene:

- Significant backwardation seen across Oct-Nov curve
- Depreciating CNY against US dollar hampers forward buying interest
- Market participants prefer to work forward cargoes on floating basis

PRODUCTION

SBR output in Asia is set to tighten in the September-November window, amid various ongoing and upcoming maintenance shutdowns in northeast and south Asia.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe:

- September SBR prices stable to lower
- Mixed pricing due to fall in monomers contrasting with energy surcharges
- Spot/contract SBR price gap remains wide

US:

- Lower feedstocks add downward price pressures
- Supplies sufficient but production constraints continue
- Demand steady

ANALYTICS

ICIS downstream automotive demand outlook

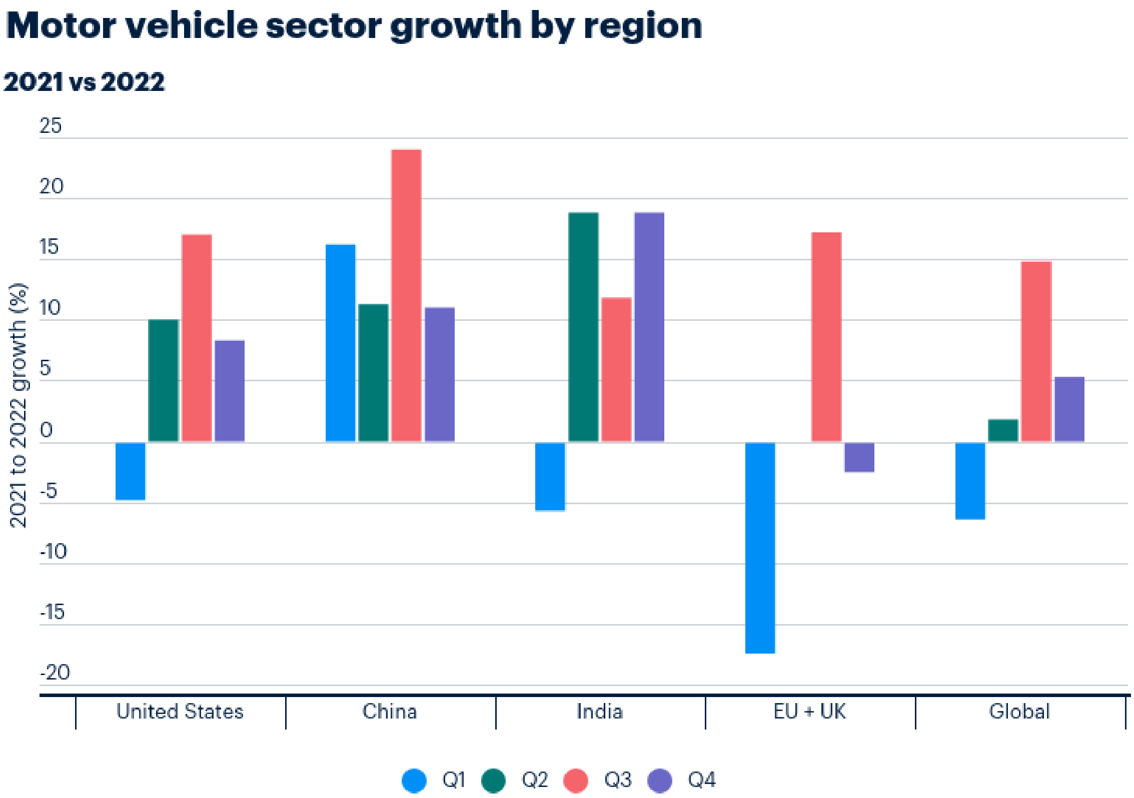
Automotive is one of the most battered sectors, having suffered severe semiconductor shortages at the start of the COVID-19 pandemic. With the exception of Europe, most other major economies have recovered and are operating above pre-pandemic (2019) levels. The global light vehicle selling rate increased to 90m units in July, from 85m units in June, according to Oxford Economics. Growth was primarily contributed by China, with the easing of lockdown measures. However, negatives continue to outweigh the positives for the sector. Geopolitical tensions have worsened the supply situation for semiconductor integrated circuit (IC) chips. The three key critical regions for IC chips are Russia, which supplies key input materials such as palladium, neon gas, etc; Ukraine, which supplies 90% of neon gas; and Taiwan and China, accounting for approximately 22% and 16% of IC chips supply, respectively.

According to the US Census Bureau, US light vehicle sales fell 1.1% month on month in August with total sales of 13.2m units. The finished inventory-to-sales ratio slightly declined month on month, from 0.558 to 0.505 in July. For context, the ratio was 0.937 and 2.641 respectively in June 2021 and 2020. High inflation, slumping consumer confidence and tighter monetary policy will weigh on consumer demand for automotive vehicles.

EU automotive production in 2022 is expected to shrink by 2.0% compared with 2021, while Q4 2022 production is expected to contract by 2.4%, as compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels are still down by approximately 27%. Furthermore, energy rationing would be a drag on recovery. As Gazprom announced last week, the Nord Stream pipeline has been fully shut down until "operational defects in the equipment are eliminated". No timeline in terms of reopening was mentioned. The European Automobile Manufacturers Association (ACEA) reported a 15.4% fall year on year in passenger car registrations in June. All major European economies posted a double-digit sales contraction, as logistics and supply chain problems continue to affect the industry. Commercial vehicle registrations were down 22.5% month on month in June. ACEA reported the fall is mainly due to the drop in sales of new vans.

China automotive production in 2022 is expected to grow 15.4% compared with 2021, while Q4 2022 production is forecast to grow 11.0% compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels in 2022 are 35.0% above pre-pandemic levels. The easing of lockdowns is a major factor contributing to recovery. India automotive output in 2022 is expected to grow 10.4% compared with 2021 levels, while Q4 2022 output is forecast to grow by 18.8%, compared with Q4 2021 levels, according to Oxford Economics. Compared with 2019, production levels in 2022 are 10% above pre-pandemic levels.

By **Jincy Varghese**, ICIS demand analyst, jincy.varghese@icis.com



SOURCE: Oxford Economics