

Asian petrochemicals market outlook, w/c Jun 25

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The Asian petrochemical markets this week will depend on the impact of environmental regulations tightening in China, plant outages and seasonal lull in demand.

The final antidumping duties effective last week that would last for five years could have a mixed impact on benzene and styrene moving forward. Meanwhile, turnaround season for methanol and ethylene are expected to buoy prices this week.

AROMATICS

For Asian paraxylene, with new shipments from Vietnam and Saudi Arabia due to land in Asia in the weeks ahead, and with major buyers in the market having stayed on the sidelines, the spread between paraxylene and naphtha is expected to remain within the \$320-\$335/mt range, according to traders. Going into the third quarter, high downstream operating rates amid good margins for purified terephthalic acid makers will ensure that PX demand continues to remain healthy.

China finalized antidumping duties on styrene monomer, effective June 23, for five years, raising duties on imports from US and cutting duties on imports from Taiwan and South Korea. End-users said it was too soon to tell how this would impact the benzene market. For styrene monomer, the higher duties for US-origin styrene implied that it was becoming more difficult to export to China, so US producers would try harder to export to other Asian destinations such as South Korea or Taiwan, market participants said this week. However, despite lower antidumping duty rates, it is unlikely that Korean and Taiwanese exports into China will increase dramatically in the second half of the year, market participants said.

Meanwhile, the CFR Southeast Asia methanol market will continue to experience tight supply and higher offer prices this week, as the region recovers from a slate of plant outages. Malaysia's Petronas Chemicals experienced an unexpected shutdown at its 1.7 million mt/year No.2 methanol plant at Labuan last Tuesday, and is expected to restart Monday, the company said. Industry sources then expected several more days before full ramp-up of the plant is achieved. The region was already short on supply due to Brunei Methanol Company's multiple outages recently, and Kaltim Methanol Industri's low inventories, industry sources said.

OLEFINS

Asian ethylene market would likely remain stable this week. Buyers would likely be on the sidelines amid volatile western crude oil futures. On the other hand, sellers were also reluctant to reduce their offers due to limited spot supplies amid ongoing steam cracker turnaround season. Last Friday, the CFR Northeast Asia price for ethylene was stable, hovering at a 2-month high.

Meanwhile, the demand in the Chinese mono ethylene glycol market is expected to remain weak this week amid a looming supply glut. The typical lull in demand season which starts from June and last till August, coupled with the arrival of close to

200,000 mt of imported cargoes at east China ports last Friday, bringing the total east China inventory levels to above 800,000 mt, is expected to weigh on buying interest this week.

POLYMERS

Demand for Asian high density polyethylene is expected to pick up in India during September when manufacturing returns, and ahead of festival buying towards end-Q3. Near-term demand for automobile manufacturing, construction and infrastructure should remain high in H2, but growth would be slower.

Meanwhile, for linear low density polyethylene, the tightening environmental regulations in China might lead to closures and consolidations as the smaller and typically less efficient converters are edged out.