

Asia: The week ahead in petrochemicals, w/c Feb 12

Platts.com, 12th Feb 2018

Trading activity in the Asian petrochemical markets was expected to slow down further this week ahead of the Lunar New Year festival. Most of these markets were dragged down last week, as buying thinned ahead of the Lunar New Year holidays and also due to the slide in crude oil futures.

The Asian PVC market was an exception though, as prices hit the highest level since October 2014, amid tightening March supply.

AROMATICS

In line with the overall trend last week of declining crude oil futures, Asian paraxylene was assessed \$32/mt lower week on week at \$931.17/mt FOB Korea and \$950.50/mt CFR Taiwan/China on Friday.

Market participants expressed contrasting views on the spread between the PX CFR Taiwan/China marker and the CFR Japan naphtha marker, which hit an 11-month high Thursday. Some sources expect the spread versus naphtha to stay firm, while others were skeptical that the current spreads of more than \$400/mt will last over a long period, adding that at these levels the duration of planned maintenance among PX producers would likely be reduced to take advantage of extremely favorable margins.

Spot benzene prices weakened over last week, plunging \$60-\$70.66/mt week on week under pressure from weaker crude futures. FOB Korea was assessed at \$869.67/mt Friday, while CFR China was assessed at \$890/mt. Bearish sentiment had persisted over the week, as Chinese demand waned prior to the Lunar New Year holidays, with end-users preferring to remain on the sidelines until after the holiday season. While Chinese demand was expected to rebound in the second quarter after the holidays, general demand was thin as buyers had covered their short positions earlier.

OLEFINS

Asian ethylene and propylene dropped \$5-\$30/mt week on week last Friday, dragged down by bearish sentiment. Spot demand continued to fade as most end-users managed to cover their requirements ahead of the Lunar New Year holiday season. Market sources said this week that spot activities would likely be scarce due to the Lunar New Year holiday season.

In the downstream monoethylene glycol market, liquidity thinned last week ahead of the Lunar New Year holidays as well. Market activity is still expected to remain subdued this week. Nonetheless, participants were holding a positive outlook beyond the holidays, as demand from downstream polyester is anticipated to pick up in March.

MTBE

Asian MTBE continued to retreat in tandem with weaker gasoline and crude last week. Benchmark Mean of Platts Singapore 92 RON gasoline was assessed at \$73.58/b FOB Singapore Friday, down \$2.42/b on the day, amid ample supplies in the region. Gasoline stockpiles in Singapore rose 9.2% on the week to 13.98 million in the week ended February 7, according to IE Singapore data. This downtrend in MTBE is despite continued strength in the European blendstock market, which is enjoying good export demand.

POLYMERS

Asian PVC jumped \$20-\$50/mt week on week last Wednesday, hitting the highest level since October 2014, after buyers accepted a \$60/mt price increase month on month for March business.

Earlier last week, fresh offers for March were announced at \$970/mt CFR China, \$1,020/mt CFR India and \$930/mt FOB Taiwan, \$60/mt higher than the February settlement values. Market sources said ex-Taiwan cargoes were almost sold out immediately after the fresh offer announcement, as buyers rushed to secure March cargoes amid a growing supply crunch.

Some market sources said the Asian PVC market is near its peak, as Chinese PVC makers would likely start exporting PVC amid a bullish Asian market compared to local prices.

US ethylene production higher in Q4 2017: AFPM

Platts.com, 31st Jan 2018

US ethylene production rose in the fourth quarter of 2017 while stocks moved lower compared with the third quarter of the same year, data from the American Fuel and Petrochemical Manufacturers showed Wednesday.

Ethylene production was at 15.739 billion lb in Q4, up 1.474 billion lb from the total of 14.265 billion lb in Q3 2017, the data shows. Total production for 2017 was at 60.543 billion lb, which was almost 2.423 billion lb above the 2016 total of 58.12 billion lb.

The Q4 production was up 1.028 billion lb compared to the year-ago quarter, which saw production at 14.711 billion lb, AFPM said.

Ethylene inventories showed a 74.1 million lb decline quarter on quarter, slipping to 2.342 billion lb, compared to the revised Q3 total of 2.416 billion lb. Stocks stood at 1.487 billion lb in Q4 2016.

NWE propane hits 8-month low against naphtha on weak petchem demand

Platts.com, 24th Jan 2018

Propane in Northwest Europe sank to its largest discount to naphtha in nine months on Tuesday, as participants said the market was well covered for January and end-user demand for naphtha remained weak.

On Tuesday, physical CIF large cargo propane prices were at a discount of \$104.50/mt to naphtha, the widest since April 24, 2017. That was mirrored in the paper market, where February propane paper sank to a \$103/mt discount to the equivalent naphtha paper swap.

"The [naphtha] market is equally quiet as it was earlier this week...where they [end-users] can switch [to propane] they will have done," a market source said.

The weakening of propane against naphtha, which began in mid-December, and has now extended for four consecutive days, has made the product more attractive as an alternative feedstock to naphtha for petrochemical buyers. Typically, the propane-naphtha discount is narrow during the winter when the price is supported by heating demand, and widens in the spring as heating demand falls off, leaving propane to sink to levels where it can find buying interest.

This year, a lack of winter heating demand has left propane floundering, while weak end-user demand from the petrochemical sector has required propane to sink further to attract the little remaining demand, according to market sources.

"[Petchems] have sort of covered what they need to," for January and February, a market source said. As a result, parts of the market were looking as far ahead as March for petrochemical buying interest, the source said.