

Asia: The week ahead in petrochemicals, w/c Mar 5

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Asian petrochemical markets ended the week stable to slightly weaker last week, moving in line with the overall trend of falling oil futures.

Upstream, major feedstock naphtha was also pressured lower, falling \$5.75/mt last week to \$557.75/mt last Friday. Market sentiment is expected to be bearish this week as demand may be subdued in light of a slew of ongoing maintenance at steam crackers and several end-users having covered their requirements.

This week, aromatics is likely to continue to see downward pressure if the energy complex continues its downtrend. The sentiment for the olefins markets will likely be quiet on expectations that downstream segments may apply pressure on prices this week.

AROMATICS

Paraxylene prices fell steadily last week, after peaking earlier in the week, as it followed weakness in the upstream, despite downstream terephthalic acid gains. The market was focused on the March Asia Contract Price negotiations and a major settlement at \$975/mt CFR Asia, up \$5/mt from the previous month was reached.

Going forward, the market took note of fresh PX capacity coming online soon, with Vietnam's Nghi Son refinery having started trial runs and likely to start production mid-April, an official at the refinery confirmed.

Benzene slipped on week amid bearish sentiment which was largely led by the plunge in crude oil futures. East China prices were also pressured lower given high inventory levels in tanks at main ports, as well as weaker demand on downstream turnarounds.

Inventory levels at east China's main ports were heard at 177,800 mt Friday, up 5,000 mt from last Friday. These high levels will continue to loom over April demand and weigh on FOB Korea discussions this week.

In downstream styrene, buyers were heard to have covered most of their March and early April requirement after buying in the first few days post-holiday. This should limit any uptick in prices this week.

Nonetheless, prices remain supported in light of reduced imports into China, after anti-dumping duties were imposed mid-February on Korean, Taiwan and US cargoes.

OLEFINS, POLYMERS

In propylene and ethylene markets, participants are eyeing the operating rates of polyethylene and polypropylene plants, as negative margins for PE and PP production are likely keep monomer prices bearish for the time being.

Nonetheless, high density polyethylene, or HDPE, prices look to be stable to firm this week as some buying interest was heard to have returned.

Meanwhile in downstream mono-ethylene glycol, or MEG, selling interest was strong last week, with traders heard clearing the long positions they had held over the Lunar New Year holidays.

Market sentiment diverged on the outlook of MEG going forward with several traders concerned over the open arbitrage window for MEG cargoes arriving from the US Gulf Coast and headed to China. This could potentially result in a supply glut. However, some traders noted that deep-sea cargoes would not pose too much risk in the short term.

In butadiene, several market participants cautioned that downstream SBR producers may face thinner margins on higher feedstock butadiene and styrene costs, which may put cap on butadiene prices this week.

European producer Inovyn to expand ECU, VCM capacities in Norway
Platts.com, 14th Feb 2018

Inovyn, which is owned by Ineos, said Wednesday it was to expand its vinyl chloride monomer and electrochemical unit capacity at Rafnes, Norway.

The VCM expansion will amount to additional capacity of 70,000 mt/year.

The project was also expected to include 35,000 mt/year of membrane ECU capacity to supply caustic soda customers in Scandinavia, Inovyn said.

The additional VCM capacity was due to be on line during the third quarter of 2019, while the ECU volume will be available from Q1 2020.

"This is a strategically important Project for Inovyn that further demonstrates our commitment to continued innovation and the long-term security of supply to our vinyls and caustic soda customers across key industry sectors," Inovyn business director Filipe Constant said.