

Asia: The week ahead in petrochemicals, w/c Oct 30

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Mixed signals were seen in the Asian petrochemical market this week, following last week's price declines in major building blocks such as ethylene, butadiene and styrene monomer despite a bullish upstream market.

Upstream, front-month ICE Brent crude oil futures had soared last week on expectations that planned supply cuts by OPEC and non-OPEC producers would be extended. That positive sentiment is expected to rollover into this week.

Naphtha prices last week were also uplifted by the buoyant upstream market, surging \$27.50/mt week on week to \$554.25/mt CFR Japan last Friday. The last time it was higher than that level was on June 24, 2015, at \$567.125/mt.

It remains to be seen if this surge in naphtha will last into the weeks ahead, and subsequently give Asian petrochemical prices a boost.

The Association of Southeast Asian Nations is set to have a significant impact on energy and commodities in the coming decades, as the region's demand climbs due to favorable geography and demographics.

AROMATICS

Asia's paraxylene market again saw energetic trading throughout last week, with six cargoes exchanging hands during the Platts Markets on Close assessment process.

Five of those cargoes were slated for December delivery, emphasizing the trading interest for December arrivals.

The PX CFR Taiwan/China-naphtha spread was assessed at \$295.08/mt on Friday, dipping for the first time in 31 months below the \$300/mt mark.

The narrowing spread put a slight dampener on Asian paraxylene prices, which declined week on week by \$3.34/mt, to be assessed at \$831.33/mt FOB Korea and \$849.33/mt CFR Taiwan/China on Friday.

Buoyant upstream market fundamentals such as surging naphtha prices and rising crude futures reverberated into the Asian benzene market early in the week, with both December and January FOB Korea discussion levels largely heard at \$795-\$800/mt Friday.

Chinese import demand did not return to full strength, which was proven by climbing inventory levels at East China main ports -- up around 8,000 mt week on week to 166,500 mt Friday.

As such, benzene still rose \$2.50-\$7.50/mt last week across Asia, closing at \$791/mt FOB Korea and \$802.50/mt CFR China on Friday.

OLEFINS

In Northeast Asia, ethylene spot discussions were limited last week, as buyers preferred to trade on a formula basis in a falling market.

However, the Asian ethylene market may be supported in December, as end-users tend to build ethylene inventories for December and January so that they will not be short if term contract negotiations stretch out, according to market sources.

In Southeast Asia, spot supply was seen to be increasing amid a polyethylene plant turnaround in the region.

The immediate bearish factors led to a \$20-\$40/mt slide in ethylene prices to \$1,140/mt CFR Southeast Asia and \$1,240/mt CFR China on Friday, with the CFR China price at a two-month low.

Butadiene prices hit an 11-week low on Friday on weaker Chinese demand and easy availability of spot cargoes for November.

The CFR China marker was assessed down \$215/mt week on week at \$1,000/mt Friday. It was last lower August 10 at \$960/mt CFR China, S&P Global Platts data showed.

Market sentiment in China was bearish as Sinopec's Qilu Petrochemical shut one of its two styrene-butadiene rubber production lines at Zibo in eastern China on October 16, with several sources saying the shutdown was due to an inability to meet government pollution standards.

The shutdown put at least 4,000-5,000 mt of butadiene into the local supply.

METHANOL, MTBE

The Asian methanol market continues to be suppressed by bearish factors, such as weaker downstream demand going into winter and a possible rise in supply to China after Saudi Basic Industries Corp.'s joint venture Ar-Razi 2, 3 and 4 methanol units at Jubail resumed operations following an unplanned outage in early September.

MTBE prices rose \$6.50/mt day on day to \$657/mt FOB Singapore on Friday on the back of a stronger gasoline market. In related markets, about 600,000 mt of reformat and mixed aromatics was heard moving from the Amsterdam-Rotterdam-Antwerp region to China from mid-September to early October.

POLYMERS

Asian butene-grade linear low density polyethylene with a melt flow index of 1-2 was assessed up \$10/mt week on week at \$1,190/mt CFR Far East Asia last Wednesday, amid higher demand and lower inventories.

China is expected to impose a ban on scrap plastics from 2018, spurring import demand for virgin material, traders said.

Domestic prices rose Yuan 150/mt week on week to Yuan 9,750/mt ex-tank on deals heard done.

Domestic prices are having a growing influence on import offers, as their earlier delivery dates mean they are still preferred over imports, sources said.