

Asia petrochemicals market outlook, w/c Jun 11

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Market participants are continuing to monitor demand and supply conditions, especially for paraxylene and butadiene, where trade participants are watching whether deepsea butadiene cargoes from Europe will be delivered into Asia on schedule. Meanwhile, styrene and toluene inventories appear to have drawn down while benzene stocks are on the rise.

AROMATICS

Outlook for Asia's paraxylene market in July and August remained uncertain, with some traders expecting volatility in the market. The delay in the delivery of some June cargoes from the Middle East to China, to July at the earliest, would be offset by some downstream turnarounds in July, keeping the PX-naphtha spread within the \$330-\$340/mt range.

Benzene inventories in Asia -- particularly in South Korea and China -- were still high despite ongoing turnarounds in Japan and South Korea, weighing on prices over the past week. Eyes were also on China's planned imposition of anti-dumping duties on downstream styrene imports from the US, South Korea and Taiwan, with market participants expecting a final decision to be announced later this month.

Views on the styrene monomer market meanwhile, were mixed. While prompt supply remained extremely tight with latest inventory data from main ports in East China showing a week-on-week fall of 10,000 mt to a new year-to-date low of 25,700 mt as of last Friday, restarts at China's Abel Chemical and Sinopec Zhenhai were expected to boost prompt cargo availability. Around 24,000 mt of deepsea Middle Eastern cargoes were scheduled for delivery in East China next week, according to shipping data, which would further alleviate supply tightness for second-half June.

Toluene meanwhile, is expected to continue finding support from low inventories in China. In East China, stocks of 22,000 mt as of last week were seen as relatively low compared with a year-to-date average of 43,500 mt. Along with a relatively wide spread of \$28/mt between the CFR China and FOB Korea markers, this would draw buying interest from China. But demand could be capped by narrowing toluene disproportionation margins, which could result in lower operating rates or even shutdowns of some TDP units.

OLEFINS

Asia's ethylene market has firmed on the back of tight supplies. Arbitrage opportunities from Europe to Asia were seen thinning out, while regional ethylene supplies were also limited by steam cracker turnaround season.

But for propylene, weakening demand in China, along with an expected increase in supply from South Korea, would likely continue pressuring the market. South Korea's S-Oil plans to start up its new high-severity residue fluid catalytic cracker, or HS-RFCC, at Onsan around the middle of June. The unit is able to produce 200,000 mt/year of ethylene and 660,000 mt/year of propylene. Market sources said S-Oil would likely sell the additional ethylene from the unit on a term basis.

While Asia's butadiene market was pressured last week by lower demand for ABS production and reduced short-covering interest from Japan, a possible delay in delivery of deepsea cargoes from Europe to Asia might lead to a rebound in the market, trade sources said.

POLYMERS

Asian polyethylene prices were mostly lower last week amid the seasonal demand lull, with the depreciation in the yuan currency expected to further curb China's import appetite for high density polyethylene. But India's peak demand for HDPE film for making irrigation pipes and tight supply from the Middle East have lent support to the South Asian market. Meanwhile, the rise in linear low density polyethylene imports by China since the start of 2018 would likely be tempered by higher recycling rates of Chinese domestic waste attributed to the government's focus on environmentally sustainable measures.

Asian polypropylene prices were higher last week with Chinese PP futures prices up by Yuan 78/mt week on week to settle at Yuan 9,254/mt ex-warehouse. In addition, There might be export opportunities if buyers are willing to pay \$1,300/mt FOB China, Chinese traders said.