

Asia: The week ahead in petrochemicals, w/c Nov 13

Platts.com, 13th Nov 2017

In Asian petrochemical markets this week, all eyes will be on crude oil futures and its influence on the downstream markets. ICE November Brent crude oil futures rose \$3.20/b week on week to \$63.94/b at the 0830 GMT close of Asian trade last Friday.

Majorly influenced by oil's more-than-\$60/b position, feedstock naphtha's prices soared \$25.88/mt over the week to \$600.12/mt CFR Japan Friday. The benchmark was last assessed higher on December 3, 2015, at \$605.75/mt, S&P Global Platts data showed.

As a result, several major aromatics -- such as benzene, styrene monomer, paraxylene and toluene -- registered gains last week, underpinned by strong fundamentals.

This week, Asian petrochemical markets will continue to be buttressed by the strengthening crude oil futures; however, some of the participants doubt if the bullish run could last long.

AROMATICS

Strong buying interest for December cargoes was observed in the Asian paraxylene market last week. Friday saw the conclusion of four December-arrival trades at \$896-\$897/mt CFR China during the Platts Markets on Close assessment process. A January-arrival trade was also concluded at \$904/mt CFR China.

Consequently, PX rose \$15.67/mt on the week to \$880/mt FOB Korea and \$898/mt CFR Taiwan/China. However, it was not enough to keep pace with a \$25.88/mt rise in the CFR Japan naphtha marker, which again brought the spread under the \$300/mt mark.

Meanwhile, Asian benzene marked the last week with volatility as the prices fluctuated wildly. Earlier in the week, the FOB Korea marker hit an eight-month high of \$872/mt, supported by the sharp rise in the FOB USG market due to delayed shipments and tighter domestic supply.

However, the urgency for prompt USGC cargoes only lasted until mid-week. Prices started to fall Thursday after most of the traders' short positions were covered. As delayed cargoes from Europe and Asia were likely to arrive from December onwards, front-month USGC prices went down -- impacting December FOB Korea discussion levels.

Still, the uptrend took precedence as Asian benzene gained \$20-\$25/mt from the previous Friday to be assessed at \$835/mt FOB Korea and \$845/mt CFR China, underpinned by firmer crude oil futures.

OLEFINS

Ethylene rose \$20-\$50/mt week on week to \$1,160/mt CFR Southeast Asia and \$1,300/mt CFR Northeast Asia Friday, buoyed by the tightening demand-and-supply condition for December-arrival business.

The Asian ethylene market started the last week on a firm note amid healthy demand, especially in China. End-users continued to seek spot ethylene cargoes for December in Northeast Asia in a bid to build their inventories amid term-contract negotiations for 2018.

Market sources said that the sentiment was likely to remain firm, driven by the styrene monomer sector once again as the bullish western crude oil futures and low styrene inventories push up the spot prices.

Butadiene, however, did not see similar positivity as the prices remained stable week on week Friday, amid thin spot market activity and firmer synthetic rubber markets. Demand was weak, especially in China because of oversupply, and in South Korea because most of the end-users had secured their requirements for December, market participants said.

Further exacerbating the oversupply situation was Sinopec Qilu's closure of its downstream 100,000 mt/year styrene-butadiene-rubber plant in October. As a result, about 2,000-4,000 mt of butadiene is available every month from Sinopec.

METHANOL, MTBE

Seaborne Asian methanol markets started the week with little activity as most of the participants were away at an international industry conference. However, toward the end of the week, the activity picked up, in line with the rising domestic prices in China. The CFR China price was assessed up Yuan 75/mt week on week to Yuan 2,935/mt Friday, or up \$7/mt from the last Friday to \$349/mt, due to continued tight supply.

The Southeast Asian marker was assessed \$3/mt down on the week to \$362/mt as the market was quiet with low interest for spot cargoes heard. Meanwhile, the CFR India market was assessed \$5/mt up on the week to \$310/mt, with stable-to-slightly positive sentiment heard in the market, in line with the movements in China. Going forward, India is set to receive more supply for December.

MTBE prices surged \$29.50/mt week on week to \$707/mt FOB Singapore last Friday, on firmer gasoline prices. The gasoline market was gaining strength on the back of crude futures.

POLYMERS

Asian high density polyethylene prices were higher on the back of strong demand amid a rise in futures prices in China. The most actively traded January 2018 linear low density polyethylene futures on the Dalian Commodity Exchange was up Yuan 345/mt on the week to settle at Yuan 9,880/mt ex-warehouse Wednesday.

Chinese producers' polyethylene inventories were heard to be average to slightly lower at around 400,000 mt, traders said. The draw was attributed to the purchasing activity of the participants of the futures market to settle their contracts.