

Asia: The week ahead in petrochemicals, w/c Dec 18

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Talk of the divestment of one of China's largest traders of toluene and benzene from Southeast Asia was set to be the focus of the Asian petrochemical market this week.

Zhejiang Ningbo-based Grand Resources Group may divest one of its subsidiaries, Grand Petrochemical Co. Ltd., due to disagreements among senior management in the company, sources close to the company said Friday.

A Grand Petrochemical source told S&P Global Platts the entire aromatics team has left the company due to disagreement among senior board members and that its offices in China and Singapore would be closed over a period of time.

Any divestment would be expected to have an impact on the aromatics market as Grand Petrochemical has become one of the largest traders of toluene and benzene from Southeast Asia to China since its Singapore office was set up a year ago to procure aromatics for the Chinese market.

Grand Resources' other subsidiary, Grand Energy, will not be affected.

AROMATICS

In the Asian benzene market this week, prices are likely to be supported by firm demand from downstream caprolactam and phenol markets.

However, high inventories in the Chinese market could weigh on demand and curb price gains.

Demand for toluene is expected to be stable amid a holiday season lull in the FOB Korea and CFR China markets.

Toluene inventories in east and south China are likely to fall further this week as buyers look to procure domestic cargoes to shore up inventory before year end. Inventory in east China was down 25% week on week at 45,000 mt and in south China down 20% at 8,000 mt last week.

As for styrene monomer, the steep backwardation in the Asian SM market could narrow further as market participants anticipate a seasonal surge in spot pricing ahead of the Lunar New Year holidays.

Market sources said spot availability could be tighter than usual in the first quarter of 2018 as two major producers in Northeast Asia, Hanwha Total's 650,000 mt/year No. 2 SM line and Changzhou Dohow's 210,000 mt/year SM unit, are expected to undergo planned turnarounds in January.

The supply crunch could be further exacerbated by more end-users entering the spot market as they continue to hold back on term conclusions amid uncertainty over China's duties.

OLEFINS

Asian ethylene market sentiment will likely remain firm this week in line with healthy buying appetite from end-users in Northeast Asia as term contract negotiations for next year have not yet been finalized.

Propylene markets in Asia could see some spot discussion for January emerge as long-term negotiations are completed. With a turnaround schedule expected to commence from January, notional prices for propylene will likely continue rising.

Market participants said butadiene prices could weaken in the coming weeks as vessels in Europe and the US are loading cargoes in December bound for Asia. They said at least six vessels were loading butadiene from Brazil, Europe and the US in the month.

The vessels Celanova, Trans Iberia and Trans Catalonia are lifting butadiene in December from either Amsterdam-Rotterdam-Antwerp or Sines, Portugal, while the Astipalea and Jotagas were taking product from Houston and the Navigator Ceres from Brazil. The overall volume is at least 38,800 mt arriving over late January to early February.

METHANOL, MTBE

Methanol prices are expected to find support going into Q1 2018 from seasonal supply tightness in winter as natural gas is redirected from use as a methanol feedstock to heating purposes in China and Iran.

Prices in Asia are currently at a more than three-year high on the back of a persisting supply crunch exacerbated by an unplanned outage in Southeast Asia.

Stronger gasoline and energy markets were expected to continue to push up MTBE prices this week, while Asian MTBE spot market activity was expected to remain thin amid ongoing term discussions for 2018.

POLYMERS

Sentiment in the Asian low density polyethylene market was expected to remain weak this week as almost 40% of the Chinese manufacturing capacity of downstream converters was shut due to local air pollution control policies, market observers said.

LDPE was assessed \$40/mt down week on week to \$1,200/mt CFR Far East Asia last Wednesday due to the prevailing weak demand.