Asian ethylene-naphtha spread widens to near five-month high

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The spread between ethylene and naphtha prices in Asia widened $29/mt day on day to $717/mt last Friday, the highest level since September 28, 2016, when it was calculated at $760.38/mt, S&P Global Platts data showed.

The steep widening of the spread was led by a strong ethylene market, where the CFR Northeast Asia ethylene price marker rose $30/mt day on day to be assessed at $1,240/mt. The marker was last higher on July 9, 2015, when it was assessed at $1,245/mt, Platts data showed.

CFR Japan naphtha price benchmark meanwhile, inched up $1/mt day on day to be assessed at $523/mt.

Asia's ethylene market has been gaining strength since the middle of January, driven by strong spot demand -- especially from China.

Chinese buyers have been actively seeking spot ethylene cargoes to offset production shortfall due to lower operations at China's methanol-to-olefins plants.

Strength in most ethylene derivatives -- notably styrene monomer and monoethylene glycol -- has also enabled end-users to keep up their buying momentum despite rising ethylene prices.

The CFR China SM price soared $34.50/mt day on day to be assessed at $1,574.50/mt last Friday, the highest since August 25, 2014, when it was assessed at $1,576.50/mt, Platts data showed. At the current spot prices, SM makers are able to make a profit of $219/mt.

Platt’s data also showed that the CFR China MEG price rose $10/mt day on day to be assessed at $960/mt last Friday, with the MEG margin calculated at $66/mt based on spot prices.

Further out, the Asian ethylene market would likely remain bullish, driven by persistent strength in ethylene derivatives, as well as tight supply amid steam cracker turnaround season, according to market sources.

Taiwan's CPC plans to shut its No. 6 naphtha-fed steam cracker at Linyuan over February-April for planned maintenance, Platts previously reported.

The maintenance program is expected to start on February 13 and end on April 10, lasting about 56 days. The cracker is able to produce 720,000 mt/year of ethylene.