

NWE propane hits 8-month low against naphtha on weak petchem demand

Platts.com, 24th Jan 2018

Propane in Northwest Europe sank to its largest discount to naphtha in nine months on Tuesday, as participants said the market was well covered for January and end-user demand for naphtha remained weak.

On Tuesday, physical CIF large cargo propane prices were at a discount of \$104.50/mt to naphtha, the widest since April 24, 2017. That was mirrored in the paper market, where February propane paper sank to a \$103/mt discount to the equivalent naphtha paper swap.

"The [naphtha] market is equally quiet as it was earlier this week...where they [end-users] can switch [to propane] they will have done," a market source said.

The weakening of propane against naphtha, which began in mid-December, and has now extended for four consecutive days, has made the product more attractive as an alternative feedstock to naphtha for petrochemical buyers. Typically, the propane-naphtha discount is narrow during the winter when the price is supported by heating demand, and widens in the spring as heating demand falls off, leaving propane to sink to levels where it can find buying interest.

This year, a lack of winter heating demand has left propane floundering, while weak end-user demand from the petrochemical sector has required propane to sink further to attract the little remaining demand, according to market sources.

"[Petchems] have sort of covered what they need to," for January and February, a market source said. As a result, parts of the market were looking as far ahead as March for petrochemical buying interest, the source said.