

# Asia SM rises towards mid-\$1,700/tonne on tight availability

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Asia styrene monomer (SM) prices gained further ground this week, with prices trending toward the mid-\$1,700/tonne (€1,326/tonne) levels because of tight supply, market sources said on Wednesday. SM fell to its lowest level this year at around \$1,635/tonne CFR (cost and freight) China in the first half of May, before rebounding on the back of tight availability of spot cargoes in the region, ICIS data showed.

Regional SM facilities have been operating at reduced rates since the fourth quarter of last year amid lacklustre performance in downstream styrenics sector. Weak economic conditions in the US and eurozone have curbed demand for Asia-made goods and reduced consumption of resins. "The lower output has resulted in tighter availability of SM this year," said a Korean trader.

Apart from lower rates, a number of SM facilities underwent maintenance in February to April, exacerbating the tight supply condition.

Market players initially expected prices to come under downward pressure in May, as supply conditions will ease when plants complete their turnarounds. There were also concerns that deep-sea cargoes heading into Asia in June would exert downward pressure on prices. "The continued strength in spot prices is underpinned by strong demand for prompt parcels," said another Korean trader. Instead of suffering a down draft, prices pushed ahead and recaptured the \$1,700/tonne level, a position last held in early April, according to ICIS data.

Talk of delays in the arrival of deep-sea lots saw a flurry of deals fixed over the past two weeks. Most of the deals were fixed for June cargoes. "There is talk that some of the arrival of the deep-sea parcels have pushed back to late June or July, hence there is a strong demand for prompt cargoes", said a trader in Singapore. Buying momentum from the downstream sector is also expected to improve in June ahead of the third quarter Chinese manufacturing for exports season.

"Demand for resins should be gradually improving from June and July as factories crank up production," said a resins producer in Taiwan. SM is a liquid chemical used to make resins like polystyrene (PS) and acrylonitrile-butadiene-styrene (ABS), as well as synthetic rubbers like styrene butadiene rubber (SBR).

SOURCE *ICIS News*