

# OUTLOOK '15: Asia SM market looks uncertain after '14 Q4 plunge

DATE : 2015-01-05

Asia styrene monomer (SM) market looks uncertain going into the new year after prices slumped below \$900/tonne in the first half of December, a level not seen since May 2009.

The fall in energy futures over the past few months caused petrochemical prices to fall.

Subsequently SM tumbled from \$1,510/tonne CFR (cost & freight) China in September to below \$900/tonne CFR China in December.

Trade in Asia has thinned out after the precipitous fall in prices.

Market players have become increasingly concerned about the ability and willingness of counterparties to perform recently closed deals.

Hence market participants have chosen to stay on the sidelines fearing volatility while traders are preferring not to add on positions.

“The market is very uncertain now and most traders are not putting on new positions,” said a trader in Singapore.

Market players expect the uncertainty as well as the prevailing muted trade to extend into the first quarter of this year.

“It will take some time for market players to regain confidence to re-enter the market; also traders have to sort out previously concluded deals as they fear some parties might become financially not viable after the price plunge,” said a broker in South Korea.

Demand for SM from the downstream styrenic resins sector continued to wane amid the year-end lull season.

Most resins buyers had completed production requirements for 2014 and have decided to hold low inventories.

Resin traders expected users to replenish some resin stocks in late December and January, ahead of the Lunar New Year holidays in February. However, they do not expect a significant increase in demand for resins.

“Most resin producers are trimming output due to weak demand, hence consumption of SM is likely to stay weak into the first quarter,” said a resin producer in Taiwan.

With economic malaise continuing to grip major economies like China, the Eurozone and Russia, coupled with unrest in Ukraine and the Middle East, international trade is expected to be increasingly challenged.

Consequently, demand for Asia made goods from the Eurozone and the US could stay soft in 2015.

“Deflationary pressures are increasingly globally and Chinese exports of finished goods remained weaker than previous years,” said a major moulder in southern China.

Chinese moulders catering to the export markets continued to report weaker than expected orders for finished goods.

Most anticipate order inflows for finished goods to stay flat in 2015 given the weak global economic expansion.

SM is a liquid chemical used to make plastic resins like polystyrene (PS) and acrylonitrile-butadiene-styrene (ABS) as well as synthetic rubbers like styrene-butadiene-rubber (SBR) and styrene-butadiene-latex (SBL).

[blocked URL](#)

*SOURCE Icis News*