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Argus *Asia Bitumen Daily*

Asia-Pacific prices and commentary

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MARKET COMMENTARY

Singapore, South Korea prices edge higher

Bitumen prices from the major export points of Singapore and South Korea firmed as a potentially tightly supplied outlook for February prompted some buyers to take positions, widening the spread against weaker Iranian prices pressured by market volatility.

A key South Korean refinery likely sold around five to eight 5,000t cargoes loading in early February at a premium of around $60/t against prevailing high-sulphur fuel oil (HSFO) prices on fob basis, although relevant details could not be immediately confirmed. Most of these cargoes are destined for China, where a supply crunch because of firmer than expected winter purchases has pushed refinery inventories close to a historic low of 30pc, reviving interest for seaborne material despite the onset of festivities there later this month.

Ex-works prices in most parts of China have rebounded to their highest since late November, although the country's bitumen futures softened slightly. The most actively traded June contract on the Shanghai Futures Exchange closed at 3,758 yuan/t ($547/t) on 5 January, down slightly from Yn3,789/t on 4 January.

Singapore prices benefited from firmer Chinese sentiment, with at least one late January-loading cargo possibly sold at around $570/t cfr to south China, according to participants, although this transaction including the cargo size could not be immediately confirmed. Late January to early February cargoes Singapore cargoes were indicatively bid at around $500/t against offers at $510-520/t fob. Singapore-origin truck cargoes were sold around $520/t ex-refinery.

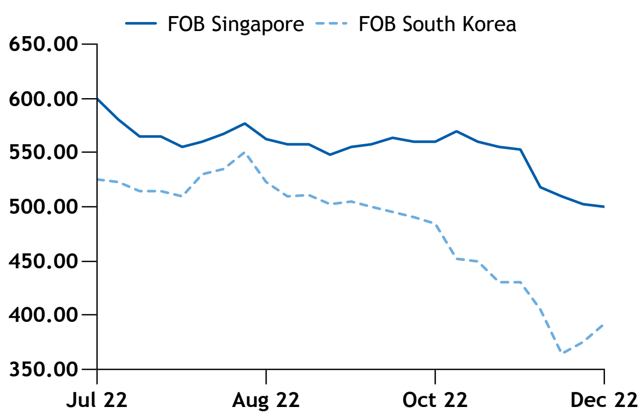
A 10,000t prompt-loading bulk cargo was sold in Iran at $310/t fob. This was higher than another 8,000t bulk cargo at $305/t fob. The lower price was attributed by some participants to this transaction being a potentially distressed sale, which precluded it from inclusion in the *Argus* index. Price ideas for prompt bulk material were in a $310-315/t fob range. The country's drummed market saw at least 12,600t of prompt material sold at $370-384/t fob. Premium embossed drummed accounted for the higher price range.

West Mediterranean 3.5pc 380cst HSFO was assessed by *Argus* at $335/t on 4 January.

PRICES

Asia bitumen daily prices, 5 January						$/t
	5 Jan			4 Jan		
	Low	High	Change	Low	High	Change
Waterborne, fob						
Singapore	495	505	+2.5	490	505	nc
South Korea	395	405	+2.5	390	405	+2.5
Iran	310	315	-2.5	310	320	+2.5

Asia bitumen prices $/t



NEWS

China's 2022 bitumen intake destined for multi-year low

The largest bitumen consumption market of China is on track to receive its lowest yearly imports since 2012 because of less urgent roading deadlines, which could set the stage for demand to rebound modestly this year and support seaborne prices.

China imported 2.72mn t of bitumen during January-November 2022, down by more than 10pc against 3.05mn t a year earlier, according to GTT data. It received 290,700t in November against 223,408t for the same month in 2021. The higher November receipts last year was because some importers stocked up in preparation for a tightly supplied winter. But December is a seasonally weak month for China's import demand, meaning that the country's overall 2022 receipts of seaborne material are on track to hit their lowest since the 2.73mn t in 2012.

China's bitumen imports over 2013-21 averaged 4.32mn t/yr, according to *Argus* calculations based on GTT data, underscoring the extent of last year's demand weakness. The relatively weak Chinese demand for imports was largely because of the muted pace of road construction as contractors were under no significant pressure as the country was in the second year of the current 14th five-year economic plan. China imported 4.76mn t in 2020 when the country was in the final year of the previous five-year cycle compared with 3.21mn t in 2021.

But China's import demand has at times defied the pattern set by the government's five-year plans. The country imported 5mn t and 4.95mn t in 2017 and 2016 respectively during the first two years of the previous 2016-20 five-year plan to support higher infrastructure spending. While 2023 marks the third year of the current 2021-25 five-year plan, the need to revive economic growth through infrastructure spending after nearly three years of financially strenuous Covid-19 restrictions could fuel a rebound in bitumen imports. The World Bank has forecast China's economic growth to slow to 2.7pc in 2022 from 8.1pc in 2021.

"China's import demand should be firmer after the lunar new year season," an international trader said. "The country is opening up after three years of Covid-19 restrictions. I expect the recent price increase to intensify after the holiday as a result so I plan to minimise my risks by using index-linked prices rather than spot," the trader added, referring to east and south China's ex-works prices rising by 100 yuan/t ($14.53/t) and Yn405/t against late last week to Yn3,850/t and Yn4,445/t on 4 January respectively.

China leans towards South Korea

China received 1.52mn t and 816,510t of bitumen respectively from key Asian suppliers South Korea and Singapore over January-November, accounting for 56pc and 30pc of receipts. The country received 1.7mn t and 1mn t of South Korean and Singapore supplies in 2021, accounting for 53pc and 31pc respectively. This suggests that some Chinese importers could be leaning towards South Korean cargoes that have been priced significantly lower than Singapore material for most of 2022.

The discount of the South Korean ABX 2 against the Singapore ABX 1 started widening in late March from the usual $10-15/t to a record high of $145/t by 9 December. The ABX 2 and ABX 1 were last assessed at $500/t and $392.50/t on 23 December respectively.

The price gap was largely because South Korea is not a key producer of the 60/70 penetration grade bitumen, which appeals to a wider scope of markets because of versatile specifications compared with its usual 60/80 grade. This meant that the ABX 2 was significantly linked to Chinese price ideas as China is a key consumer of South Korean material, while the ABX 1 drew wider support from non-Chinese markets where demand was relatively firmer. But logistical constraints because of the relative lack of bitumen vessels in northeast Asia put a cap on South Korean inflows to China.
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