



MARKET UPDATE

America

- Winter storms create logistical issues
- Producers exporting large volumes under contract
- Operating rates remain high

Europe

- NWE buyers accepting increases for 1Q business
- Barge transport limitations in Germany
- Activity in seaborne markets to resume shortly

Asia

- Northeast Asian export price unchanged
- Chinese domestic prices resume decline
- Domestic prices in markets outside China held steady

AMERICAS

US caustic soda markets have started the year steadily, with domestic and export spot prices unchanged. Some domestic supply chains are being affected by a strong blast of wintry weather in the midwest, southern and eastern regions of the US. But the impact on the market has been limited in terms of magnitude and location.

Producers indicate that they are unaffected by the current weather conditions and are able to load trucks and barges at their production facilities. High operating rates are supporting exports and stable domestic demand. One chlor-alkali to vinyls producer integrated to ethylene at Point Comfort, Texas is having some issues with its ethylene cracker, but it is buying pipeline ethylene to support its output, and chlor-alkali production rates are unaffected.

December and January deep-sea loadings are expected to be at 300,000 dmt/month, but spot export transactions are few and far between. A couple of small parcels are being quoted in the market with price indications at around \$650/dmt fob US Gulf coast, but nothing has closed this week. The Argus export range for this week has rolled over at \$590-\$665/dmt fob US Gulf coast.

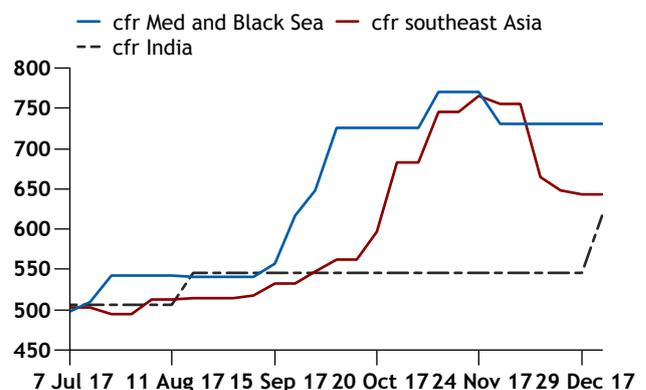
Some buyers in the domestic market were purchasing the occasional spot tank truck to supplement their normal demand. Some truck buyers are looking for alternative

MARKET PRICES

Key prices						
		Units	Timing	Low	High	±
Americas						
Caustic soda (22 Dec)	fob USGC contract	\$/dst	Dec 17	535	575	na
Caustic soda	fob USGC export	\$/dmt	week 1	590	665	nc
Caustic soda	North America barge	\$/dst	week 1	540	560	nc
Europe						
Caustic soda (22 Dec)	fd northwest Europe contract	€/dmt	4Q17	540	600	na
Caustic soda	fob northwest Europe export	\$/dmt	week 1	660	680	nc
Caustic soda	cfr Med and Black Sea import	\$/dmt	week 1	720	740	nc
Asia-Pacific						
Caustic soda export	fob northeast Asia	\$/dmt	week 1	590	600	nc
Caustic soda import	cfr southeast Asia	\$/dmt	week 1	640	645	nc
Caustic soda import	cfr India	\$/dmt	week 1	615	620	+72.50
Caustic soda 50pc contract (22 Dec)	ex-factory China	Yn/dmt	Dec 17	3,350	3,700	na
Caustic soda solid export	fob China	\$/t	week 1	690	710	-40.00

Global caustic soda import prices

\$/dmt



sources after terminals along the eastern and southern coasts had to close because of frozen pipes. The Illinois river has closed as a result of heavy ice conditions, which stopped all barge traffic. One producer sold a couple of spot barge equivalent volumes of caustic soda in railcars at the current prevailing barge rate of \$540-560/dst fob US Gulf coast. The forecast for the next 10 days is for deteriorating weather conditions in the midwest and this may lead to some tanks in the region becoming critically low on inventory and buyers seeking more rail deliveries.

The EDC market remains quiet, with no new spot transactions. Higher volumes of EDC are expected to be exported under contract this year, compared with the end of 2017, as buyers in Asia look to ramp up PVC production ahead of seasonal demand increases.

Merchant chlorine demand is at a seasonal low, with reduced demand into water treatment applications and refrigerants. Chlorine shipments are currently unaffected by the recent cold weather that has affected caustic soda deliveries. Chlorine demand into HCl looks to be picking up in January, as many oil companies have a new budget cycle for E&P activities buoyed by higher oil prices. The vinyls segment continues to consume chlorine at a robust level, as producers run their assets at high rates to meet caustic soda demand.

EUROPE

The European caustic soda market is resuming activity after the holiday period and the focus remains on price and volume negotiations for contracts starting in January. A number of buyers in northwest Europe have so far accepted price increases of €100/dmt and more, with the magnitude of the increase depending on the starting price as well as the location. Some of the largest increases and highest prices, €700/dmt fd and above, continue to be noted in eastern and northern Germany. In western Germany and the Benelux region some business has been concluded in the high €600s/dmt fd. Substantial price increases of more than €100/dmt are also being implemented in northern France. With the price negotiations still in progress, a clearer picture on the exact increase and regional variations is expected to emerge later this month.

Recent storms and heavy rain are limiting barge transports on the German river system, particularly on the Rhine river owing to high water levels. Barge shipments on parts of the Upper Rhine, including of caustic soda, have been halted and further sections of the Rhine may be closed for barge traffic shortly as river levels are rising further. Some sellers are concerned that rail tank cars may not be readily

available as an alternative mode of transport, and that deliveries to end users may be severely disrupted.

Buyers in central and eastern Europe are accepting higher prices as they seek to secure sufficient volumes after last month's mercury plant closures. Conclusions are so far around €600/dmt fd, and a clearer picture will emerge throughout the month. Fourth quarter prices were between €530-580/dmt fd. There continue to be indications that Bor-sodChem in Hungary has received an extension to operate its remaining 125,000 t/yr mercury-based chlorine line at Kazincbarcika until March 2018.

Producers in southern Europe have started to implement higher prices for January business, although some will not begin discussions until mid-month. KemOne and Ercros had proposed price increases of €100/dmt and €60/dmt, respectively, while smaller sellers are pushing for higher prices on a case-by-case basis. December contracts were in the €740-770/dmt fd range. Output at KemOne in Lavera, France, remains restricted owing to ethylene supply issues.

In the seaborne markets, importers in the Mediterranean and Black Sea area will return to the market shortly for the next round of conclusions. Prices are stable at \$720-740/dmt cfr as activity immediately after the holidays has remained subdued. In northwest Europe, export prices are unchanged at \$660-680/dmt fob.

Data published by industry association Euro Chlor showed that caustic soda inventories in Europe at the end of November had risen to 231,332dmt, the highest level since March 2016. The increase in the EU-28 countries plus Norway and Switzerland was equivalent to a 12.2pc month on month rise and a 17.9pc year on year rise. Higher capacity utilisation of 83.8pc and ongoing operational stability raised average daily chlorine output to 27,451t and supported producers' efforts to replenish inventories ahead of the mercury phase-out deadline.

ASIA PACIFIC

Northeast Asian spot prices were unchanged at \$590-600/dmt fob as business resumed after the new year holiday. Sellers remained firm on their export offers, despite a sharp drop in Chinese domestic prices, because of strong buying interest from southeast Asian, Indian and Australian alumina buyers, as well as from Taiwan and the US west coast. The offer range widened to \$600-640/dmt fob. Lower offers were made from northern China, while offers at the higher end of the range came from eastern China and Japan. Very limited spot export volumes were available from South Korea and Taiwan.

Export prices had been dropping since mid-November,

but domestic prices outside of China have continued to rise as sellers tried to narrow the gap between export prices and domestic parity prices. Robust buying support from downstream has enabled sellers to take this firmer stance on pricing.

China's domestic prices began to slide again this week, dropping by 200-400 yuan/dmt, having stayed flat for the past four weeks. Our monthly contract range will update at the end of January. The degree of decline differed between the northern, central and eastern regions of China and elsewhere. The largest declines were evident in the north, primarily driven by a continuing slowdown in caustic soda consumption in the alumina industry. Downwards pricing pressure is especially pronounced in Shandong province, the largest chlor-alkali hub in China, where alumina refineries are the biggest downstream consumers of caustic soda. Rising inventories driven by high capacity utilisation rates at major producers in the region has added to the pressure on local prices from slower offtake at alumina refineries. There has also been a substantial flow of caustic soda from Shandong into the eastern and central regions of China, altering the supply-demand balance and driving prices lower.

Activity in the domestic caustic soda market as a whole was slow as the market resumed after the new year holiday. Domestic prices may remain under pressure in near term because of ample supply in the market. Domestic prices of 50pc concentration have declined to the Yn3,100-3,600/dmt ex-plant range, which is equivalent to \$516/dmt at the midpoint

Domestic merchant liquid chlorine prices fell again by around Yn200/t. A recent slight rebound was short lived as rising chlorine inventories, slower chlorine offtake from derivative producers and transportation constraints on chlorine cargoes during the winter sent chlorine prices into a more negative range. Domestic prices reached negative Yn800-1,000/t ex-plant, particularly in northern China, while merchant chlorine prices in eastern and central China settled at a negative Yn200-500/t ex-plant.

Southeast Asian caustic soda import prices were unchanged at \$640-645/dmt cfr in the absence of new fixtures. The latest offers were at \$640-660/dmt cfr. Bids emerged at below \$640/dmt as buyers expected further price falls in the short term as more cargoes emerge from northern China before the long lunar new year break. But the drops in regional export prices were not mirrored in domestic prices across the region, which held relatively firm because of arrivals of higher-priced import parcels in December-January.

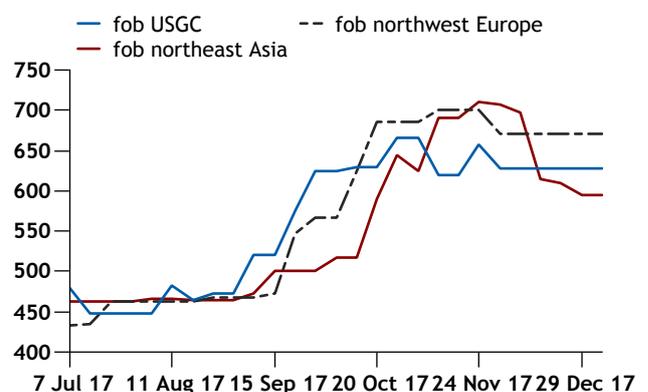
Malaysia has reduced its import duty on Chinese caustic soda to 5pc, from 20pc, effective January 2018. This has opened up more sourcing options other than Japan, but

buyers have so far still opted for Japanese supplies that have been more competitively priced, in part due to currently carrying no duty. Indonesian producer Asahimas has scheduled for a month-long maintenance shutdown in January.

India's domestic prices continued to inch up, by 2,000 rupees/dmt, to narrow the gap to regional export prices and settle at a new high of Rs44,000/dmt excluding tax and delivery, equivalent to \$694/dmt. Recent increases in domestic prices have opened an arbitrage, allowing imported material to enter the west coast market. A 3,000lmt parcel originating from Karachi arrived in the latter part of December, likely priced at \$615-620/dmt cfr, while another parcel of 3,000lmt is being negotiated for January arrival at a similar price. The latest offer of northeast Asian material to a major refinery is around \$600/dmt fob, which would yield a landed price of \$660-670/dmt cfr. Caustic soda consumption has remained robust, supporting the domestic price increases, while the volume of imported cargoes has been too small to dampen the rise.

Chinese export prices for flakes dropped sharply by around \$40/dmt this week to \$690-710/dmt and have now fallen for the past five weeks from a high of \$840/dmt. The latest fall in export prices are the result of a sharp decline in liquid feedstock prices and domestic solid caustic soda prices. A seasonal decline in domestic demand and logistical constraints during the winter has also slowed solid business significantly. Southeast Asian buyers received offers for Chinese flakes at \$715-720/t cfr, while Indonesian solids were priced at the low-\$800s/t cfr.

Global caustic soda export prices \$/dmt



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Registered office

Lacon House, 84 Theobald's Road, London, WC1X 8NL
Tel: +44 20 7780 4200
email: sales@argusmedia.com

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Publisher

Adrian Binks

Chief operating officer

Matthew Burkley

Global compliance officer

Jeffrey Amos

Commercial manager

Jo Loudiadis

Managing editor

Jim Nicholson

Editor

Alex Sands
Tel: +44 20 7780 4273
Chloralkali@argusmedia.com

Customer support and sales:

Technical queries
technicalsupport@argusmedia.com
All other queries
support@argusmedia.com

London, UK
Tel: +44 20 7780 4200

Astana, Kazakhstan
Tel: +7 7172 72 92 94

Beijing, China Tel: +86 10 8535 7688

Dubai Tel: +971 4434 5112

Moscow, Russia Tel: +7 495 933 7571

Rio de Janeiro, Brazil

Tel: +55 21 2548 0817

Singapore Tel: +65 6496 9966

Tokyo, Japan Tel: +81 3 3561 1805

Argus Media Inc, Houston, US

Tel: +1 713 968 0000

Argus Media Inc, New York, US

Tel: +1 646 376 6130

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