

## Chinese Crude MDI Weekly Report

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### 1. Market Brief

- Yisheng Petrochemicals' 2 Mln Tpa PTA Plant on Track to Start By End 2012
- Abu Dhabi's IPIC Eyes Complete Takeover of Spanish Petrochemical Holding
- LANXESS to Increase Prices for Its Baypren (CR) Products
- Ineos Group Reports Technical Flaw in The Olefins Unit 1 at Chocolate Bayou
- France's Arkema to Start Two China Plants, Eyes Asia Expansion
- Formosa Plastics Group Studying Feasibility of Investments in Singapore
- SABIC And ExxonMobil Choose Saudi Site for Elastomer JV
- Mitsubishi Rayon to Double MMA, AA Capacity in S Korea By Jan 2013
- Bluestar Silicones Expanding U.S. Manufacturing, R&D in Charlotte, NC

### 2 Weekly Market Analyses

#### 2.1 Summary

This week, domestic crude MDI market prices soar up rapidly and prices in spot have been up regulated early this week, which also drives the transaction prices.

Up to this weekend, the mainstream quotations rise to RMB17800-18200/ton and the actual transaction prices are at RMB17700-18000/ton, up RMB600/ton compared with last week.

In March, all major producers up revise their list prices in succession. Yantai Wanhua quotes at RMB18800/ton, increasing by RMB800/ton from that of February. As for traders, they have no desires to sell off at low prices for the moment and as they still hold bullish attitudes towards the later market, most of them are active in stockpiling now.

Table1: Crude MDI Prices Comparison between Weeks in China (Drums, RMB/ton)

Crude MDI	E China	S China	N China	USD
0225-0304	17300-18200	17500-18200	17300-18200	2150-2200
A week ago	17000-17600	17500-18000	17300-17600	1980-2000
Four weeks ago	16400-17200	16600-17300	16500-17300	1950-2000

#### East China

In East China, crude MDI market prices ascend again while the transactions still present to be insipid.

By this weekend, in Shanghai market, 44V20L series from Shanghai plant are dealt at RMB17700-17900/t and Spanish materials are at RMB17500-17700/t ex-factory. M20S stocks from

Shanghai are sold at RMB17600-17800/t, and from Belgium are also offered at RMB17500-17600/t ex-factory. 5005 stocks from Shanghai are transacted at RMB17500-17600/t and from America at RMB17600-17800/t ex-factory, PM-200 stocks are offered at RMB17800-18200/t, MR-200 from Japan are offered at RMB17400-17600/t ex-factory, and from Ruian at RMB17200-17300/t. M-200 from Korea are offered at RMB17300-17400/t ex-factory.

In Jiangsu markets, 44V20L series from Shanghai plant are sold at RMB17600-17900/t ex-factory. M20S stocks from Shanghai are also offered at RMB17700-17800/t ex-factory. MR-200 stocks from Japan are offered at RMB17500-17600/t ex-factory while from Ruian at RMB17300-17500/t, M-200 from Korea at RMB17600-17800/t, and PM-200 stocks at RMB17800-18000/t ex-factory, European and American stocks are offered at RMB17500-17600/t ex-factory.

In Zhejiang province, 44V20L series from Shanghai plant are quoted at RMB17700-17900/t ex-factory. M20S stocks from Shanghai are offered at RMB17600-17800/t ex-factory. PM-200 stocks are offered at RMB17800-18000/t ex-factory. MR-200 series stocks from Japan are offered at RMB17300-17500/t ex-factory and from Ruian at RMB17100-17300/t. The mainstream USD quotations are settled at USD2050-2150/t (March shipment; CIF China).

### **South China**

In the south, crude MDI market prices increase early this week. Traders quote firmly high and they even show no signs to sell with stocks at hand and meanwhile, demands from downstream users prove to be poor, and thus transactions in the trading market are limited.

Up to the weekend, Japanese MR-200 stocks are offered mainly at RMB17500-17800/t ex-factory. M-200 from Korea are sold at RMB17500-17800/t. 44V20 from Shanghai are mainly offered at RMB17700-17900/t ex-factory. M20S from Shanghai are offered at RMB17800-18000/t ex-factory. PM-200 are quoted at RMB17800-18000/t ex-factory. Imports from Europe and America are offered at RMB17800-18000/t.

### **North China**

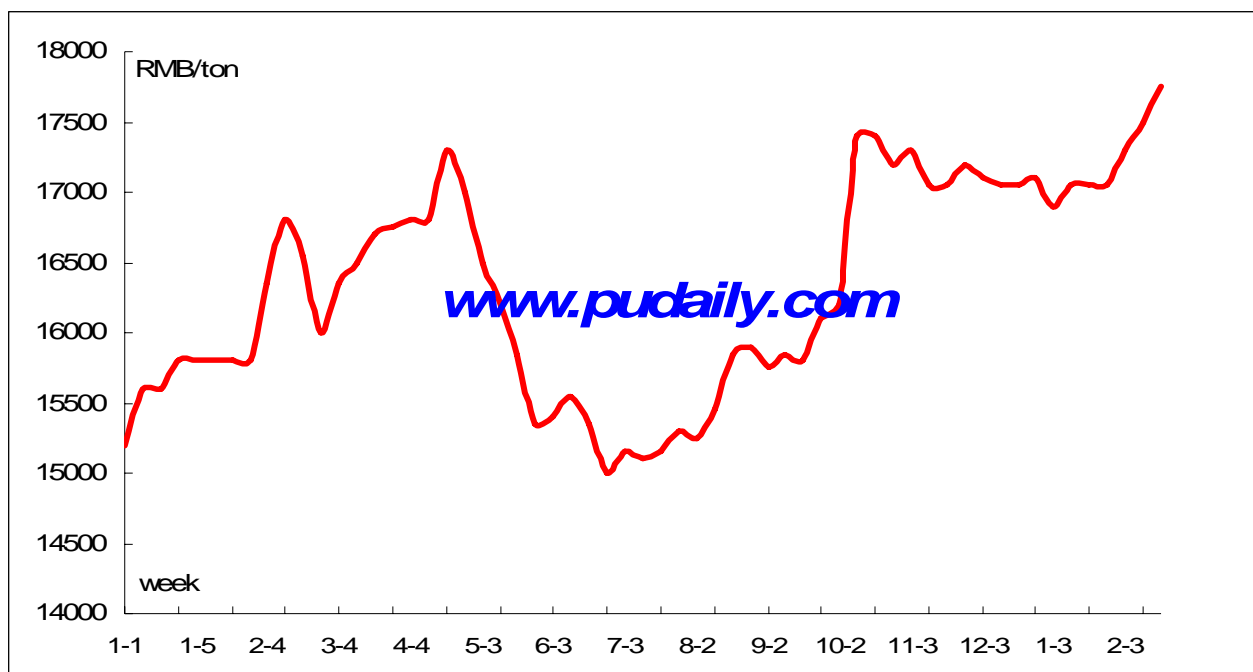
In North China, crude MDI market prices have been up revised as well. Downstream industries now mainly have insufficient inventories but the expected purchasing boom season has not appeared yet.

Up to this weekend, in Beijing and Tianjin markets, MR-200 from Japan are offered at RMB17800-18000/t ex-factory, 44V20L from Shanghai are offered at RMB17700-18000/t and M20S at RMB17800-18000/ton, PM-200 are offered at RMB17800-18000/t ex-factory as well.

In Shandong market, MR-200 from Japan are offered at RMB17500-17600/ton and 44V20L from Shanghai are offered at RMB17800-17900/t ex-factory. M20S from Shanghai and PM-200 are traded at RMB17800-18000/t ex-factory.

On the whole, the overall domestic crude MDI market prices keep stabilized after the increase early this week.

Graph 1: Crude MDI Weekly Price Trend from 2010 to 2011 (E-China)



## 2.2 Suppliers' Quotes

### 2.2.1 Domestic Suppliers

Table 2: Quotes from Domestic Suppliers (RMB/ton)

Suppliers	Feb. List & Contract Prices	Feb. Settlement Prices	Mar. List & Contract Prices
Yantai Wanhua	18000	17600	18800
BASF Shanghai	17800(Contract Price of Late Feb.)		18200(Contract Price of Early Mar.)
Bayer Shanghai	18300	—	18500
Huntsman Shanghai	17500 (drum)		18300
NPU	17100	—	

### 2.2.2 USD Quotes

Table 3: Quotes from Global Suppliers (Contract Price, USD/ton)

Supplier	Region	Quote for Feb.	Quotes for Jan.	Term	Remark
BAYER	Germany, America, Spain	—	2050-2050	CIF China	
BASF	Belgium, U.S.A, S Korea	—	2060-2080	CIF China	
HUNTSMAN	U.S.A, Netherlands	—	2060-2080	CIF China	
NPU	Japan	2050-2050	2000-2000	CIF China	

MITSUI	Japan	2050-2050	2000-2000	CIF China	
DOW	U.S.A., Netherlands, S Korea	—	2000-2000	CIF China	
KMCI	S Korea	2050-2050	1980-1980	CIF China	

### 3 Feed Stocks of Crude MDI

#### 3.1 Crude Oil

Table 4: Weekly Crude Oil Pricing (\$/bbl)

Date	Nymex WTI	IPE Brent	OPEC Reference Basket
2011-02-25	101.91	114.79	110.84
2011-03-04	97.28	111.36	105.88
Fluctuation	4.63	3.43	4.96

Note: Prices for futures contracts

Graph 2: WTI Crude Oil Price Trend from 2010 to 2011



#### 3.2 Aniline

This week, aniline prices continue to climb up. In view of the feedstocks, Sinopec regulated up the benzene prices by RMB300/ton last week and supported by this, aniline producers boosted quotations by RMB300/ton successively as well. This Monday, Sinopec increased benzene price by RMB200/ton again and aniline providers followed up closely. As for facility, as the current demands from downstream users recover slowly, most aniline producers concern about the ample supply will restrict the prices, therefore, they mainly keep the overall operation rates at 50% while it is predicted the operation rates will

improve in March.

Regarding downstream demands, because of the decline in domestic aniline market prices in the previous, most aniline enterprises cut down the operation rates and thus the outputs decreased. However, for the moment, stimulated by the recovered downstream demands and the increasing feedstock prices, domestic aniline market prices begin to turn better. By this weekend, the mainstream transaction prices in the east remain at RMB10800-10900/ton, up RMB100/ton and in the north, the transaction prices are at RMB10800-11000/ton, increasing by RMB100-200/ton from that of last week.

Furthermore, the increase in feedstock prices is the impetus for domestic aniline prices to ascend. At present, prices for international benzene continue to boost up and domestic two enterprises of benzene have enhanced prices for many times in February as well. Meanwhile, prices for hydrogen nitrate and sulfuric acid also rise up, which adds the aniline producers' production costs, thereby, domestic aniline market prices have been pushed up to some extent.

Table 5: Prices from Domestic Suppliers (RMB/ton)

Name	Region	Suppliers	Ex-factory Price	Fluctuation	Remark
Aniline	Jilin	Connell	11200-11200	200/200	
Aniline	Hebei	Xinyanguang	---	0/0	T/A
Aniline	N China	Dezhou First	11200-11200	200/200	
Aniline	N China	Jiheng	---	0/0	
Aniline	N China	Kaipu	---	0/0	T/A
Aniline	N China	Huahong	11200-11200	200/200	
Aniline	N China	Jinling	11200-11200	200/200	
Aniline	N China	Tianji	11000-11000	0/0	
Aniline	N China	Riyue	11200-11200	200/200	
Aniline	E China	Dahe Chlori-alkali	11200-11200	200/200	
Aniline	E China	Leasty	---	0/0	T/A
Aniline	E China	Meilan	11200-11200	200/200	
Aniline	E China	Nanjing Chemical plant	11200-11200	300/200	
Aniline	E China	Xinpu Chemicals	11200-11200	200/200	
Aniline	Jiangsu	Yangnong	11200-11200	200/200	
Aniline	Jiangsu	Xinpei	---	0/0	T/A
Aniline	Shandong	Ocean Chemicals	11100-11100	200/200	
Aniline	NW China	Lanzhou petrochemicals	11100-11100	300/300	
Aniline	SW China	Changfeng	11100-11100	200/200	

Note: T/A stands for turnaround

#### 4 Market Forecast

During this week, domestic crude MDI prices ascend once again and at the beginning of March, all major producers announce their March list prices successively with great fluctuations. Consequently, downstream users' production costs pressures increase further and thus transaction volumes in the market are very small.

As for domestic facility, Wanhua's Yantai-based and Ningbo's phase I project facilities operate steadily; Ningbo's phase II device shut down transitorily last week while it has resumed production with loads of 80% this week; Shanghai SLIC's MDI facility still keeps high operation rates now; Bayer's MDI facility in Shanghai remains operation rates at 80%; BASF South Korea's and KMCI's facilities run steadily this week.

Regarding domestic suppliers, they offer the mainstream March prices at RMB177000-18000/ton and owing to the increasing production costs, they supply with limited availabilities. According to Korean suppliers, they offer the March shipments quotations at USD2100-2150/ton for the moment.

As for downstream sectors, demands from refrigerators and freezers industries still maintain steady. Producers say the current sales are mainly the inventories before the Spring Festival and the later production boom season will come out in April and May. Besides, influenced by the cold weather, demands from construction industry still remain low levels while coupled with the increasing temperature in late March, the demands will also firm up.

In view of the future market, prices for aniline continue to climb up and thus supported by the high costs, it is difficult to seek for stocks at low prices. This week, crude MDI prices have been up regulated and traders quote firmly high while the prices in the future mainly depend on the acceptability of downstream users. In addition, along with the upcoming boom season of construction, insulation, refrigeratory and auto industries as well as the low inventory caused by the high purchasing costs, traders now mainly show few intentions to sell and they stand on the sidelines for the moment.

According to consultants from PUdaily, most traders now still hold bullish attitudes to the future market while restricted by the feeble demands from downstream users, the prices will not change greatly in the short run, and thus whether prices in the near future will boost again mainly depend on the demands from downstream users. Therefore, impacted by the increasing prices, transactions in the trading market will continue the coldness for a while.

#### Notes:

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