

.....

'Avoiding a breakdown' on trade – Brexit 'dead parrot'? – styrene outlook



by Tariq Malik on December 03

.....

No chance of de-escalation... I say trade tensions will ease. So might have gone a conversation between news correspondents travelling to cover the recent G20 summit in Buenos Aires.

Whatever happens as we head into 2019, the trade dingdong between the US and China – no small matter, given their position as economic and political behemoths – is a story that looks set to run and run.

Even though a trading truce was agreed over dinner in Argentina?

US President Donald Trump and Chinese President Xi Jinping agreed to pause their trade hostilities, with Trump putting on hold a proposed increase to 25 percent from 10 percent on \$200 billion of Chinese goods mooted for 1 Jan 2019.

China will agree to buy “a not yet agreed upon, but very substantial, amount” of agricultural, energy, industrial and other products from the US, the White House said in a statement.

Washington and Beijing will aim to reach agreement on trade including intellectual property, services and agriculture within 90 days, the statement added.

Given our focus at GOI Trading on international trade and an expanding range of multinational trading partners, small wonder we monitor an issue like this so closely.

‘avoiding a breakdown’

While that deal over dinner may be seen as encouraging news, there’s plenty of work ahead.

The agreement in Buenos Aires “is not a breakthrough – it’s more of avoiding a breakdown,” The Independent cited Paul Haenle, director at the Carnegie-Tsinghua Center in Beijing, as saying.

“Don’t get too excited,” starts an editorial published on US political website The Hill.

The US and China have “completely different visions of what the 21st century should look like, and who should dominate the future,” the commentary continues.

After all, the trade war between the world’s two biggest economies has seen tariffs imposed on hundreds of billions of dollars of imports, from steel to aluminium, minerals to leather handbags.

The direct effects of the trade war have been modest so far but “the uncertainty they generate may already be having an impact through reduced investment spending,” the World Trade Organization said on 27 Sept, downgrading its outlook for global trade for the rest of this year and 2019.

“Rising trade tensions pose the biggest risk to the forecast,” the WTO said.

Dragon vs elephant

It’s worth remembering also that it was only in mid-November that delegates at November’s Asia-Pacific Economic Cooperation summit failed to come up with a joint statement.

That was the first time in APEC's 25-year history as "the US delegation clashed with China over trade and security," as Reuters put it.

"Imagine a dragon and an elephant fighting in your living room and you have an idea of the Apec summit," a South China Morning Post editorial said.

Other global issues have caught our attention at GOI Trading.

Among them are slowing growth in China and concerns voiced by the International Monetary Fund in October about borrowing levels in the non-financial sector and emerging markets external debt.

As for the trade spat, it can be a big ask to be more Tigger, less Eeyore, about a global dispute of these magnitudes. But some have expressed optimism about the US and China finding a way forward.

Co-existence

China and the US are "just two big animals learning to co-exist with each other," said Morgan Stanley's president Colm Kelleher, according to a CNBC article on 28 Nov.

Even if Washington imposes tariffs of 25 percent on all Chinese imports, that would take 1.3 percentage points from China's economic growth; while "meaningful" it's not something that China cannot overcome, Kelleher said, citing Morgan Stanley research.

"There'll be some face-saving deals done, and I think we'll move forward," CNBC cited Kelleher as saying.

Others see future challenges in the US continuing to have an impact on foreign policy.

"[W]e expect that Mr Trump will have to contend with a slowing economy in 2019/20," the Economist Intelligence Unit said on 15 Nov.

"In an effort to divert attention from these domestic concerns, we expect the Trump administration's approach to foreign policy to harden in the next two years—in terms of both rhetoric and action."

What does that mean for the proposed truce on trade? It's going to be an interesting few months ahead.

'dead parrot'?

For UK Prime Minister Theresa May the small matter of Brexit travelled 7,000 miles with her, then back home to Westminster.

They say a week is a long time in politics... All the more so when a vote in the UK parliament looms on Tues 11 Dec to approve - or reject - the Brexit deal.

About seven in ten Party members believe that Conservative members of parliament (MPs) should oppose the deal, according to a 2 Dec survey on the ConservativeHome website.

It looks to be an uphill struggle, to say the least, as May faces resistance from within her own ranks and from opposition parties alike.

“British art of muddling through is one dead parrot,” reads the headline to a 3 Dec editorial in The Sydney Morning Herald.

(In a 1972 Monty Python sketch, the shopkeeper contends the parrot is sleeping, while the customer insists that it’s dead. Mrs May reprises the role of shopkeeper, the Australian newspaper says.)

Labour and other opposition parties are putting pressure on the government to publish its Brexit legal analysis in full.

Britain could be trapped “indefinitely” in a customs union with Brussels if the Brexit deal gets approval by politicians, The Sunday Times reported, citing leaked details of the legal advice by attorney-general Geoffrey Cox.

“The Dead Parrot sketch ended with a military officer deciding it had all become too silly and demanding that everyone just get on with it,” The Sydney Morning Herald says. “Brexit offers no such escape.”

Outlook for styrene

The supply chains so vital to the global styrene industry are anything but immune to potential disruption to trade, hesitancy about investment or economic uncertainty that hampers consumer spending.

Restrictions on single-use plastics, including a European Union ban from 2021, are also affecting demand for styrene, according to a 16 Nov article by ICIS News.

The last few months have certainly been challenging for the global styrene industry as buyers balked at rising prices. However those prices have come off by over \$300 a tonne to drop below the \$950 mark in recent months, prompting an uptick in demand.

There are longer-term opportunities too.

“Styrene monomer continues to have good supply-demand dynamics for the next several years,” Trinseo CEO Chris Pappas said during the chemical company’s third-quarter conference call on 9 Nov.

Lower styrene prices are prompting customers in Europe and Asia to buy polystyrene, Pappas said.

The Asia-Pacific region “presents the most lucrative opportunity for future growth” in engineering plastics between 2017 and 2024, according to ReportLinker.

Rapid urbanisation in Asia, especially China, India and southeast Asia, has prompted booming demand in the automotive industry, white goods and infrastructure, the research firm said in the summary of an Oct 2018 report.

ABS, made from styrene and used in car parts to 3D printing and keyboards, is an engineering plastic. Increasing demand for lighter vehicles has boosted demand for plastic components, ReportLinker said.

As we move into 2019 the trading environment for styrene looks set to remain complex and fast moving. The team at GOI Trading are available to help meet your market needs, combining our deep market knowledge with flexibility and a focus on delivery.

end.



GOI TRADING.
info@goitrading.com