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Market Update — October 2nd, 2015

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MARKET UPDATE

The resin markets continued to transact at an elevated pace; the second half of September more than made up for a slow start to the month. Transactional volume continued to be greatly slanted towards Polyethylene, where supplies are plentiful and prices under pressure. The flow of PE offers was high again this week and prices slid a cent across the board. PP prices were steady and offers were limited, but material could be found against buyer requests. PE export orders are shipping, but plenty more material is still waiting to be packaged, complicating Houston area logistics.

The key energy markets each made lows on Friday and recorded losses for the week. WTI Crude Oil traded in more than a \$3/bbl range; the November futures contract recovered \$1.57/bbl from its low, but still lost a net \$.18/bbl to settle Friday at \$45.54/bbl. Nov Brent Oil futures also bounced from its bottom, but still dropped \$.47/bbl to \$46.94/bbl. Natural Gas was the biggest loser, slicing off \$.18/mmBtu, nearly 7%, to end the week at \$2.451/mmBtu, a level not seen since June 2012. Spot Ethane was steady to a quarter-cent lower at \$.1925/gal (\$.081/lb); Propane gave back a cent to \$.47/gal (\$.133/lb).

The spot Ethylene market was more subdued than in recent weeks; transactions were concluded as much as a penny higher, but ended the week with little change. Ethylene for October delivery was last marked at \$.195/lb. Several crackers remain offline for both planned and unexpected outages; however, as prices hang around 6+ year lows, there is clearly still plenty of supply. Ethylene's forward curve holds a mild contango through the balance of this year rising about \$.02/lb through December. The curve then indicates a sharp price jump in early 2016 and total premiums accumulate to more than \$.06/lb by March, which is very steep considering the price level.

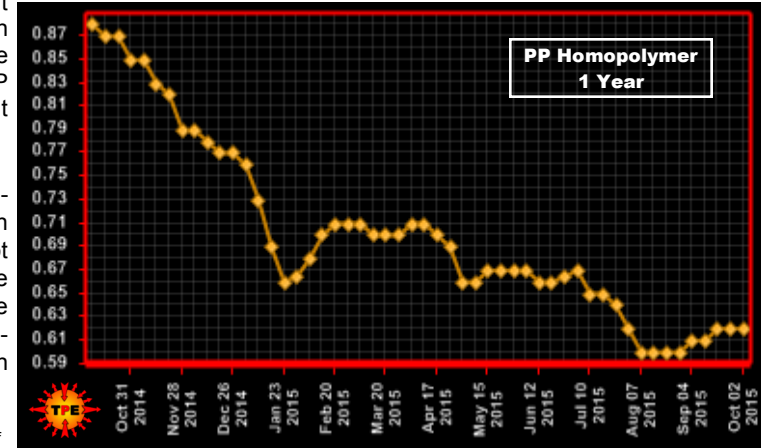
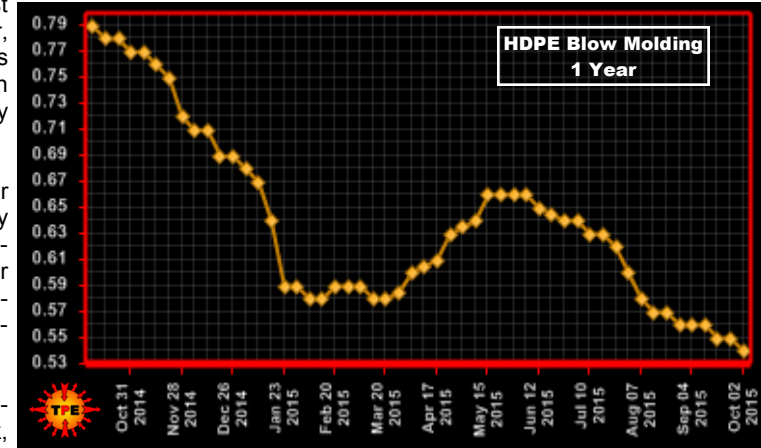
Spot Polyethylene resin changed hands at a fairly rapid clip as the month drew to a close. Material for all major commodity grades was readily available for immediate shipment and prices eased a penny across the board. Although producers had widely nominated a price increase averaging \$.05/lb for October, it seems highly unlikely that it would become implemented. So rather than delaying processor orders awaiting pricing clarity, concessions were quickly made to suggest that contracts roll flat to September. It is still early in the month, so it is possible that the market could erode further, contracts already declined a total of \$.09/lb between Aug/Sep.

The spot Propylene market was mostly quoted with bids and offers, while just a few physical transactions were completed. PGP for October delivery held steady around \$.27/lb the first part of the week, but then gained a little strength. The market was bid up in small steps, eventually to \$.28/lb, where it most recently changed hands, up a penny for the week. PGP contracts fell consistently for seven straight months and culminated with September priced at \$.30/lb. Given current spot levels, the slide might be over; initial nominations were to roll flat, but even a penny increase could be justified. The PGP forward curve remains in contango but flattened a bit, it currently peaks at \$.30/lb in March 2016, about a \$.02/lb premium to prompt. RGP rose and ended the week at \$.175/lb.

Spot Polypropylene trading was light, as challenging supply/demand and pricing dynamics again created a difficult trading environment. Even as the month was drawing to a close, there were few fresh railcar offerings other than widespec destined for export out of Houston. Prime US Polypropylene is not priced competitively for international markets; on the contrary, several US resellers have made prime imported HoPP and CoPP available on both the east and west coasts. Polypropylene contracts have been slowly sliding for the past 7 months, peeling off about \$.11/lb since March. Polypropylene contracts could see a little pop in October, as PGP monomer should at a minimum hold steady and resin producers continue to push for margin expansion.

Disclaimer: The information and data in this report is gathered from exchange observations as well as interactions with producers, distributors, brokers and processors. These are considered reliable. The accuracy and completeness of this information is not guaranteed. Any decision to purchase or sell as a result of the opinions expressed in this report will be the full responsibility of the person authorizing such a transaction. Our market updates are compiled with integrity and we hope that you find them of value. Chart values reflect our asking prices of generic prime railcars delivered in USA.

Total Offers 18,826,960 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	5,376,512	\$ 0.520	\$ 0.590	\$ 0.500	\$ 0.540
LDPE - Film	3,743,796	\$ 0.550	\$ 0.630	\$ 0.530	\$ 0.570
HDPE - Blow Mold	2,425,060	\$ 0.520	\$ 0.575	\$ 0.500	\$ 0.540
LLDPE - Film	1,853,128	\$ 0.495	\$ 0.610	\$ 0.510	\$ 0.550
PP Homo - Inj	1,410,944	\$ 0.570	\$ 0.685	\$ 0.580	\$ 0.620
LLDPE - Inj	1,160,024	\$ 0.570	\$ 0.640	\$ 0.560	\$ 0.600
HMWPE - Film	1,058,208	\$ 0.545	\$ 0.590	\$ 0.520	\$ 0.560
PP Copo - Inj	920,644	\$ 0.610	\$ 0.700	\$ 0.600	\$ 0.640
LDPE - Inj	878,644	\$ 0.550	\$ 0.635	\$ 0.580	\$ 0.620



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