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Although the calendar turned to October, the spot resin markets did not skip a beat; our trading desk was pleasantly surprised with such an uncharacteristically active first week of the month. The flow of Polyethylene offers was heavy and spot prices slid for the second week in a row. Although there was a smattering of fresh Polypropylene offers, we are beginning to see trader inventories thin a bit and spot prices managed steady. Export demand perked up; there was improved interest for PE to Latin America and Europe, while high volume buyers from the Indian and Asian regions were seeking PP deals.

The major energy markets moved significantly higher. WTI Crude Oil continued to rally; the Nov futures contract spent some time above \$50/bbl, before easing on Friday to settle at \$49.81/bbl - a net gain of \$1.57/bbl. Dec Brent Oil also pressed higher, adding \$1.74/bbl to \$51.93/bbl, the highest in 14-15 weeks. Nov Natural Gas surged \$.288/mmBtu, about 10%, to end the week at \$3.193/mmBtu, a level not seen since Jan 2015. NGLs were higher; Ethane gained \$.015/gal to \$.24/gal (\$.10/lb) and Propane rose further, adding more than 2-cents to \$.57/gal (\$.161/lb). Ethylene recovered about \$.015/lb to \$.345/lb. Spot PGP edged back up to \$.40/lb.

Polyethylene trading was strong; both buyers and sellers apparently came to transact, which led to a high percentage of completed deals. Resin availability has been improving and leaning on spot prices, which was clearly welcomed by buyers. Processors that bought heavily in August, ahead of the Sept increase, have been working through their resin and have recently come back to the market for material. Resellers also stocked up in August and had been unloading for the better part of the past 3 weeks.

As soon as the Sept \$.05/lb Polyethylene contract increase was implemented, spot prices began to ease and for the second week in a row, continued under pressure. There was a healthy amount of fresh PE railcars offered this past week, including the notable appearance of previously absent grades. HDPE lost \$.01/lb across the board; film grade LLDPE Butene and LDPE High Clarity each gave back a bit more, relieving some of the extra premium they had built to other PE resins.

The Sept nickel brought the Polyethylene gain to \$.14/lb since March, cleanly recouping the equal decrease seen Aug 2015-Feb 2016. Without another industry-wide price increase on the table, the best PE contracts will do in Oct is hold steady, but do not just expect a decrease. The market is still relatively tight and there are back-orders to fill even before the market is considered balanced. Producers then have room to rebuild some inventory before they allow the contract market to get sloppy. However, that still does not preclude good spot buying opportunities ahead, some of which are already at hand.

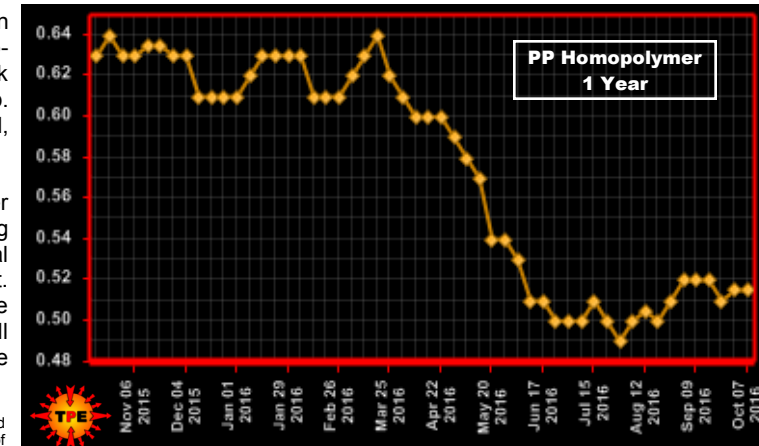
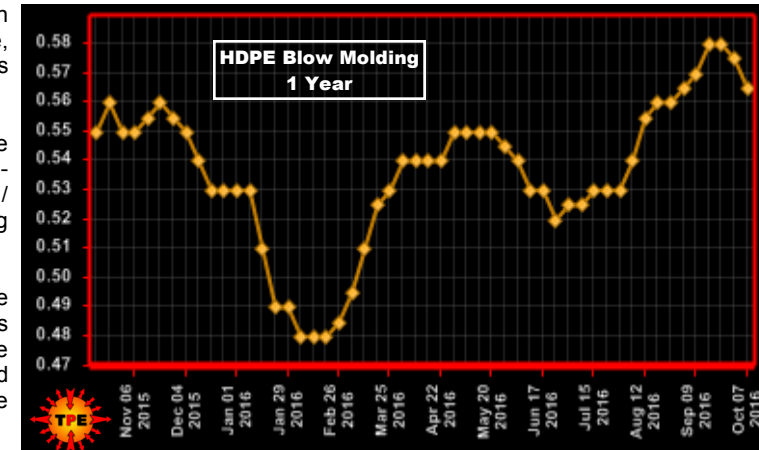
The Polypropylene market remained active; processors, again facing a sizable cost-push price increase in October have been tapping the spot market for well-priced material. However, overall Polypropylene supplies are still ample and could challenge the magnitude of additional price advancement. PP producers took another \$.06/lb increase for contract PGP monomer in September, bringing the 2-month tally to \$.095/lb. The Sept PP resin increase averaged \$.035-.04/lb, and unless another resin increase can be implemented, could erode margins for non-integrated PP producers by as much as \$.06/lb.

Resellers bought in huge volumes of excess Polypropylene during the summer months just as monomer was starting to bottom – it seemed like a logical inventory purchase. However, PP producers kept pumping out resin and the plentiful supplies kept a lid on the resin recovery rally. Subsequently, there were several purges of resin into the export market, but the overhang did not fully clear and the initial rally fizzled out. Export demand is again coming on strong. If the oversupply were to get cleaned up this time, there could be a price vacuum that quickly lifts prices along the full range of the \$.50s/lb. In the meantime, there is still HoPP and CoPP (mostly good offgrade, some prime) that starts with a 4. It's available in Houston, feel free to contact us.

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.

Market Update — October 7th, 2016

| Resin For Sale 17,047,408 lbs | | Spot Range | | TPE Index | |
|--------------------------------------|-----------|------------|----------|-----------|----------|
| Resin | Total lbs | Low | High | Bid | Offer |
| PP Copo - Inj | 4,309,176 | \$ 0.490 | \$ 0.590 | \$ 0.490 | \$ 0.530 |
| PP Homo - Inj | 2,958,416 | \$ 0.460 | \$ 0.540 | \$ 0.475 | \$ 0.515 |
| LDPE - Film | 2,316,852 | \$ 0.620 | \$ 0.720 | \$ 0.670 | \$ 0.710 |
| HDPE - Inj | 2,025,196 | \$ 0.535 | \$ 0.595 | \$ 0.535 | \$ 0.575 |
| HMVPE - Film | 1,628,208 | \$ 0.550 | \$ 0.615 | \$ 0.555 | \$ 0.595 |
| HDPE - Blow | 1,481,444 | \$ 0.490 | \$ 0.580 | \$ 0.535 | \$ 0.575 |
| LLDPE - Film | 909,104 | \$ 0.550 | \$ 0.620 | \$ 0.555 | \$ 0.595 |
| LDPE - Inj | 730,368 | \$ 0.620 | \$ 0.690 | \$ 0.610 | \$ 0.650 |
| LLDPE - Inj | 688,644 | \$ 0.580 | \$ 0.640 | \$ 0.590 | \$ 0.630 |



Dominick Russo and Fred Dial — Editors

www.ThePlasticsExchange.com

Michael Greenberg
312.202.0002
@ResinGuru

MARKET UPDATE