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The spot resin markets ended the year on an uptick; both Polyethylene and Polypropylene prices began to recover earlier in Dec as material started to dry up. After a sharp downtrend, some processors seemed to be caught off guard as they were quickly willing to pay several cents higher for material. The trading business was very good during the first half of Dec, which carried the month, most market participants also concurred - the bulk of their business was completed by mid-Dec. There was limited supply and transactions through the end of the year, while a large part of the industry took time off for the holidays. As the year drew towards a close, there were very few fresh railcar offers seen as producers instead relied heavily on exports to clean up the spot market. Significant railcar and packaging delays in Houston added to tightening supplies, which was somewhat countered by local traders pushing to move out material that was already packaged and avoid end of year inventory tax. Sentiment has turned from neutral to cautiously bullish. We foresee upward market momentum to continue at least into the first couple of weeks of the New Year as rumors begin to swirl of a \$.05/lb PE contract price increase for Feb.

Feb WTI Crude Oil futures gained \$.70/bbl for the week and rose 45% during 2016, settling Friday at \$53.72/bbl vs \$37.04/bbl a year ago. Feb Brent Oil added \$.92/bbl to end the year at \$56.82/bbl up just under \$20/bbl during the year. Natural Gas saw an even greater gain in 2016 adding nearly 60%, the February futures contract closed Friday at \$3.724/mmBtu, up \$.046/mmBtu for the week. Significant gains were also seen in NGLs in 2016. Although Ethane dropped about a half-cent this week to \$.275/gal (\$.11/lb), it is up 73% for the year; Propane jumped to \$.715/gal (\$.203/lb) up over 9% for the week and a whopping 82% for the year. Ethylene was steady to fractionally higher for the week to \$.2675/lb, however up 39% year on year; spot PGP added more than a half cent nearing \$.335/lb, up almost 14% for the year.

Polyethylene trading was lighter last week; market participants were scarce as players chose to take some time off rather than pad the books with additional deals. Spot PE prices firmed up across all grades with limited Generic Prime railcar availability seen. Those resellers who were around and interested in thinning inventories into year end were able to provide some liquidity; though logistics challenges continued to loom over seemingly every transaction. Year end trade is always hectic, but more so this year as Houston continued to be jammed with railcars awaiting placement and packaging. Adding to the higher spot prices were processors and resellers realizing they may have missed the bottom as they rushed to fill any outstanding needs, wishfully at early Dec levels. Export interest did wane last week, but was paramount in cleaning up surplus during most of the month.

Although there was good price volatility during 2016, prices for most commodity Polyethylene grades finished the year within a cent or two of 2015 year-end levels. 2016 lows were put in place in February while completing a long down cycle which began in 2014. From there the market steadily recovered and peaked in September, before giving back almost all the gains only to again bounce these last few weeks in December. A \$.05/lb contract price increase is being floated for February and could add a little fuel to the fire before a glut of resin from planned production expansion hits the market in spurts throughout 2017.

The spot Polypropylene market found a bottom in early Dec as producers maintained lower operating rates while well-utilizing the export market to move material and tighten supplies. Even rougher offgrade disappeared as the low-end cleaned up and prices experienced a small vacuum to the upside. Some processors were seen scrambling to procure resin at bargain basement prices, levels not seen in about 7 years. Spot PP prices continued to recover into year-end as fresh railcars were virtually non-existent and resellers with material continued to inch up prices. Special year-end deals were not as plentiful as in years past

2016 was not kind to spot Polypropylene prices. The year began with the implementation of the final margin expanding increase. Then a huge influx of imported PP flooded the market, capping prices before sending them sharply southward. The imported material continued to flow keeping the market heavily supplied. There were a few failed rallies during the summer and fall, and prices only finally found solid footing in late Nov / early Dec. We tallied up \$.13/lb in spot PP losses in 2016, nearly 21%.

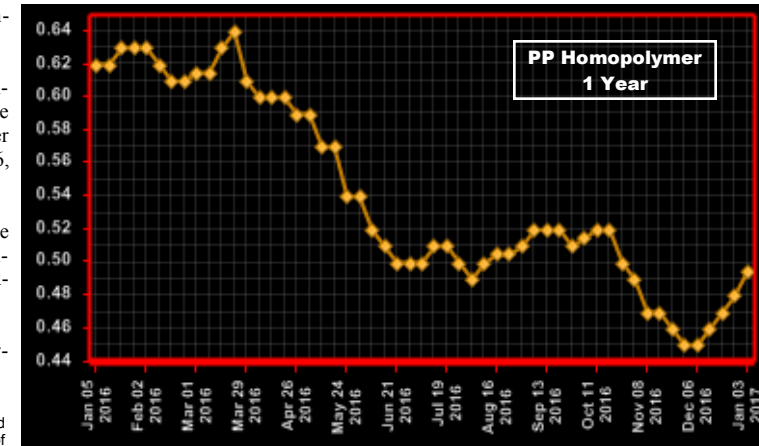
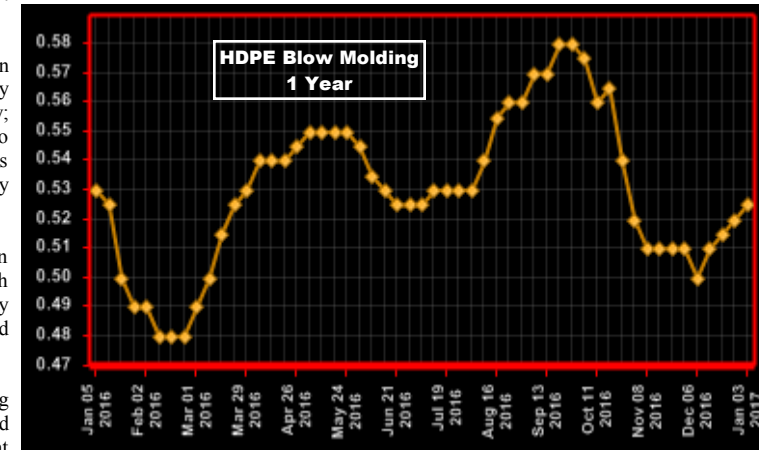
December PGP prices dropped \$.04/lb in Dec, but began to strengthen at year-end. Those processors whose PP contracts are again tied to monomer saw a commensurate decline. We believe that the PP market has now bottomed and if producers continue to ration production rates and still shove serious volumes of resin offshore, there could again be meaningful margin expanding increases on the horizon.

All of us at The Plastics Exchange want to wish you a Happy New Year, thank you for all of your support. Here's to a prosperous 2017!

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 — December 30th, 2016

Resin For Sale <b>11,097,600 lbs</b>		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	1,899,128	\$ 0.435	\$ 0.500	\$ 0.440	\$ 0.480
HMMWPE - Film	1,427,748	\$ 0.510	\$ 0.570	\$ 0.490	\$ 0.530
HDPE - Blow	1,388,920	\$ 0.480	\$ 0.560	\$ 0.480	\$ 0.520
LLDPE - Inj	1,322,736	\$ 0.585	\$ 0.650	\$ 0.560	\$ 0.600
PP Copo - Inj	1,242,000	\$ 0.425	\$ 0.520	\$ 0.460	\$ 0.500
LLDPE - Film	1,210,920	\$ 0.500	\$ 0.620	\$ 0.500	\$ 0.540
HDPE - Inj	1,109,104	\$ 0.515	\$ 0.560	\$ 0.485	\$ 0.525
LDPE - Film	929,104	\$ 0.600	\$ 0.690	\$ 0.590	\$ 0.630
LDPE - Inj	568,000	\$ 0.595	\$ 0.650	\$ 0.560	\$ 0.600



Dominick Russo and Fred Dial — Editors

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