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The spot resin markets were busy all week; the flow of offers was high and prices continued to slide. Buyer activity was also solid, but processors are mostly picking away with minimal volume as they anticipate even cheaper prices ahead. There is a very wide range of prices quoted in the market; resellers are looking to minimize losses when selling off high cost inventories, but will generally accept a reasonable offer in order to move the material. Processors are rapidly dropping bids and leading the market lower and while unreasonably low-ball bids are not workable, very sharp prices for certain grades could be do-able if there is patience for fresh railcars to deliver or hit the warehouse for packaging.

Energy markets continued to trade in an extremely volatile fashion and ended the week just mildly mixed, while March rolled to the front month. WTI Crude Oil swung in a 14% range; a strong rally on Friday helped the March futures contract eke out a small weekly gain of \$.14/bbl to \$49.13/bbl. March Brent Oil moved around in a \$6/bbl range, shedding another \$1.13/bbl to end the week at \$50.17/bbl. Natural Gas had a huge range, almost 18% as it recovered \$.14/mmBtu to \$3.087/mmBtu. Spot Ethane added about a cent to \$.20/gal (\$.084/lb). Spot Propane firmed \$.035/gal to \$.49/gal (\$.139/lb).

Spot Ethylene was actively traded and prices continued to lose ground. Ethylene for January delivery initially transacted around \$.36/lb, down nearly \$.02/lb; however, there were then several cracker disruptions, both planned and unplanned, which contributed to the market firming as the week wore on. At one point prompt Ethylene recovered its losses before finally ending the week back on a down tick, shedding a net cent or so, last trading a shade below \$.37/lb. The Evangeline Pipeline shut down again causing Ethylene in Louisiana to transact around a dime premium versus the benchmark in Mont Belvieu, Texas. The forward curve is fairly flat for the next several months, but then prices begin to fall off to generate a \$.02/lb discount by Dec 2015.

Spot Polyethylene trading ramped up to full force as January reached mid-month. Offers for most commodity grades were plentiful and prices continued to erode; LLDPE and LDPE grades fell about \$.01/lb, while HDPE lost as much as \$.03/lb. January Polyethylene contracts are offered down \$.04/lb; they have not yet settled and the decrease could potentially be larger. Although the Polyethylene market has been in a virtual freefall, if supply chain issues continue to develop, they could help stem the slide - in the meantime the market is still very bearish. In an effort to liquidate burdensome inventories, fresh Polyethylene railcars were sold into the Houston market at very steep discounts, cheap enough to enable sizable exports.

Spot Propylene was only lightly traded and prices fell further. PGP for January delivery only transacted a couple times while sliding another cent to \$.46/lb. Jan PGP contracts are settling down a sizable \$.12/lb to \$.495/lb. While the loss is large, the settlement is in line with the typical relationship seen between spot and contract prices. The PGP forward curve is slightly backwardated to the tune of \$.015/lb by Dec 2015.

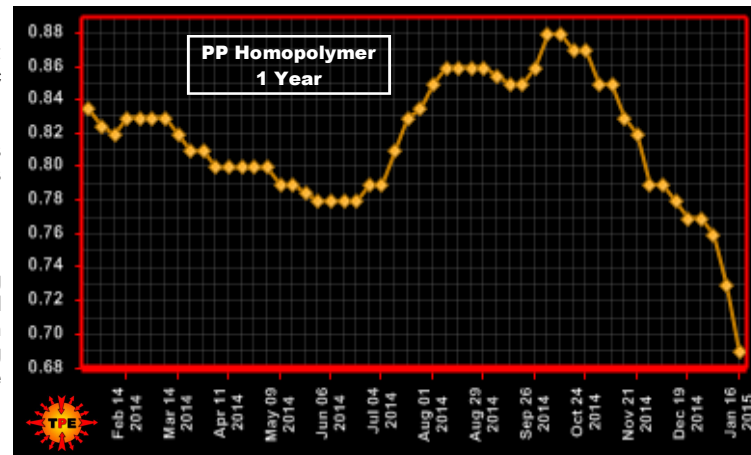
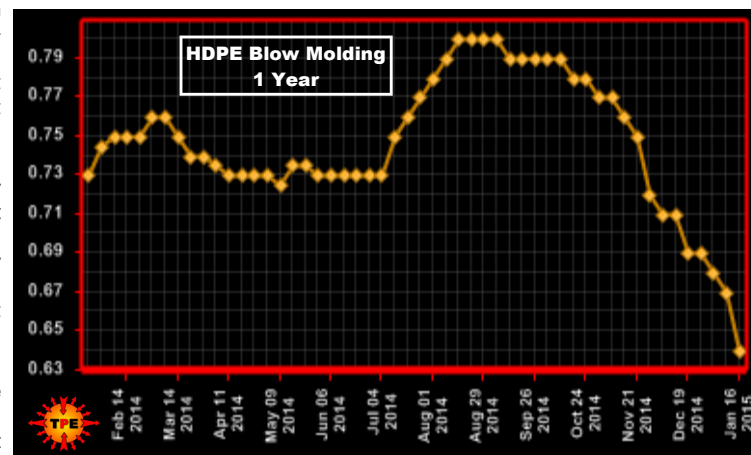
Polypropylene trading was good, prices continued to fall sharply even though spot supplies are still somewhat snug. While some grades are a challenge to find in the spot market overall availability is improving. Generic Prime Polypropylene lopped off another \$.04/lb this past week as Propylene monomer contracts settled down \$.12/lb, which was more than initially nominated. Polypropylene producers have been very disciplined by throttling back reactor rates to limit resin production in support of their effort to expand margins, still Jan PP contracts should see at least a \$.10/lb decrease. Monomer contracts have dropped \$.27/lb since November and during this some resin contracts have likely only relieved \$.23-.25/lb. As more contracts shift away from the absolute correlation with monomer costs, we expect some increased opacity amongst industry prices.

Spot resin trading was swift, continually falling prices are welcomed by processors, who for a change are sitting snugly in the driver's seat. January contracts for both Polyethylene and Polypropylene are dropping for the third straight month as much cheaper energy and feedstock costs work their way downstream. While domestic resin prices could still have more downside, material sold to Houston for export has fallen fast and is quickly becoming competitive with international markets to spur export demand. For now, maintaining negative sentiment for the spot resin market is warranted.

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 — January 16 2015

Total Offers <b>24,633,192 lbs</b>		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	4,670,556	\$ 0.580	\$ 0.700	\$ 0.600	\$ 0.640
LLDPE - Film	4,297,520	\$ 0.660	\$ 0.730	\$ 0.640	\$ 0.680
HDPE - Inj	4,232,832	\$ 0.560	\$ 0.720	\$ 0.630	\$ 0.670
PP Homo - Inj	2,961,404	\$ 0.640	\$ 0.750	\$ 0.650	\$ 0.690
LDPE - Film	2,777,796	\$ 0.650	\$ 0.740	\$ 0.630	\$ 0.670
HMWPE - Film	2,072,324	\$ 0.590	\$ 0.680	\$ 0.620	\$ 0.660
PP Copo - Inj	1,819,380	\$ 0.630	\$ 0.740	\$ 0.660	\$ 0.700
LLDPE - Inj	1,099,104	\$ 0.680	\$ 0.730	\$ 0.660	\$ 0.700
LDPE- Inj	702,276	\$ 0.670	\$ 0.730	\$ 0.680	\$ 0.720



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