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Market Update — January 23 2015

The spot resin markets slowed a bit while prices slid further. A heavy flow of Polyethylene offers continued to pelt the secondary market; however, fresh Polypropylene offers were still spotty. Processors that required material after the year-end lull seemed to have had their fill through mid-month. Purchasing then dropped off this past week as buyers anticipated cheaper February contract prices, particularly PE, which could be coming around the bend. Houston prices are still eroding, as export offers drop to meet international levels and spur demand.

The major Energy markets moved lower although the extreme volatility has subsided. March WTI Crude Oil dropped \$3.54/bbl, almost the entire weekly range, to settle at \$45.59/bbl, the lowest close since March 2009. Brent Oil futures eased \$1.38/bbl to end the week at \$48.79/bbl. March Natural Gas recovered almost \$.20/mmBtu from its low, but the March futures contract still lost \$.129/mmBtu to close Friday at \$2.958/mmBtu. Spot Ethane fell about \$.015/gal to \$.185/gal (\$.078/lb). Spot Propane recovered another \$.02/gal to \$.51/gal (\$.144/lb).

The spot Ethylene market was moderately busy though prices ended essentially unchanged. Ethylene for January delivery began the week under slight pressure, but then firmed to most recently transact a shade under \$.37/lb. Several crackers remain offline for both planned and unplanned maintenance; the Evangeline pipeline is also still shut, restricting the flow of Ethylene from TX to LA. The Ethylene forward curve steepened a little; prices are lowered each subsequent month until a discount around \$.025/lb is provided for Dec 2015.

Spot Polyethylene trading relaxed to a more average pace; however, prices continued to drop. Railcar offerings came in waves and the offers which were well-discounted to contracts sold sporadically. Polyethylene prices in Houston have fallen dramatically and on average, another \$.02/lb was wiped away this week. High volume deals at very sharp prices were consummated to help clear surplus supplies. HDPE for Blow Molding, which has by far been the weakest resin, fell about a nickel. Jan PE contracts have been offered down \$.04/lb, but are not fully settled – processors are looking for a larger decrease.

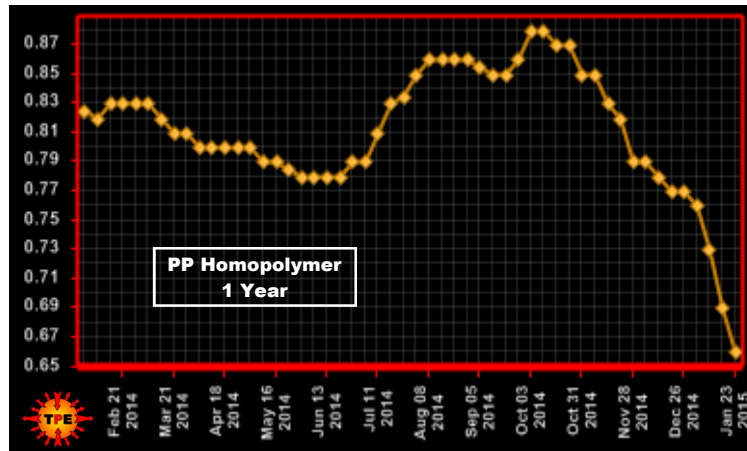
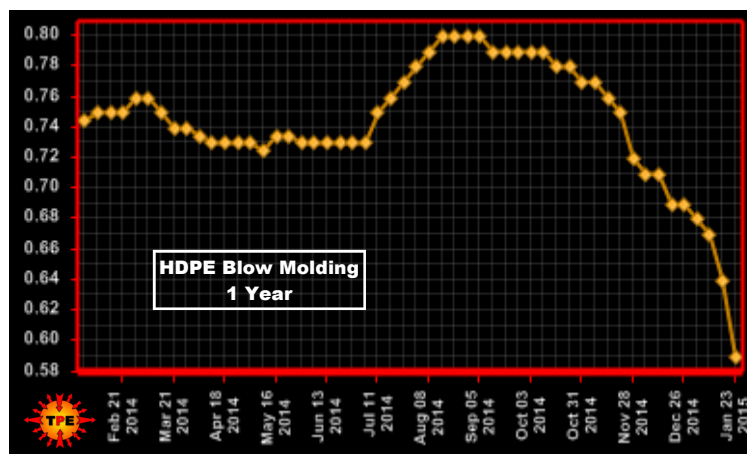
Spot Propylene saw better activity and prices began to recover a little. PGP for January delivery most recently transacted at \$.48/lb, which was up \$.02/lb for the week. Jan PGP contracts settled at \$.495/lb, which was down \$.12/lb. Given current spot levels, we would expect very little change, if any, for February contracts. The stability could be good for downstream resin demand. The back end of the forward market only gained about a cent, so the PGP curve steepened a tad, indicating a \$.025/lb discount by Dec 2015. RGP is around \$.35/lb, providing very healthy splitter margins, especially considering this price level.

The spot Polypropylene market remains challenging; prices are dropping but supplies are relatively light. Producers have not relied heavily on the export market to balance off inventories, instead they have kept operating rates reduced to closely match forecasted orders, and so a significant surplus of material has simply not developed. Spot PP prices have fallen about \$.22/lb since they peaked in October. However, Polypropylene contract prices, which are still heavily tied to monomer, have decreased \$.25-.27/lb since November - including the \$.10-.12/lb decline in January. PGP monomer costs have recently stabilized, so unless something changes significantly, the bulk of the PP market's break has already been seen.

Spot resin trading came off its active pace, although prices continued to decline. Resellers have been focusing on back-to-back railcar sales rather than taking additional resin into inventory while they sell off their uncommitted warehoused resin. Contracts for both PE and PP are decreasing for the third month in a row. PP contracts are down about \$.25/lb, supplies are tight and further downside is limited. If only \$.04/lb comes out of PE contracts this month, they will have only fallen a total of \$.11/lb; PE supplies are ample and spot prices are well discounted, so contracts could have more to go in Feb.

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 24,858,020 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	5,783,292	\$ 0.585	\$ 0.660	\$ 0.550	\$ 0.590
LLDPE - Film	3,768,416	\$ 0.650	\$ 0.720	\$ 0.620	\$ 0.660
HDPE - Inj	3,659,636	\$ 0.560	\$ 0.700	\$ 0.610	\$ 0.650
PP Homo - Inj	3,305,772	\$ 0.630	\$ 0.730	\$ 0.620	\$ 0.660
LDPE - Film	2,923,704	\$ 0.660	\$ 0.720	\$ 0.610	\$ 0.650
HMWPE - Film	2,072,324	\$ 0.635	\$ 0.680	\$ 0.600	\$ 0.640
PP Copo - Inj	1,986,392	\$ 0.620	\$ 0.740	\$ 0.630	\$ 0.670
LDPE - Inj	829,380	\$ 0.680	\$ 0.735	\$ 0.660	\$ 0.700
LLDPE - Inj	529,104	\$ 0.660	\$ 0.730	\$ 0.640	\$ 0.680



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