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Market Update — January 9 2015

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MARKET UPDATE

The resin markets were a tad slow to begin 2015, but activity improved as the week wore on; a flurry of offers then hit the market and prices resumed their descent. It is not breaking news that Crude Oil is in the midst of a cataclysmic collapse; prices continue to tumble and are currently moving downstream. Monomer markets have truly taken it on the chin and resin prices are lopping off chunks at a time; processors will receive contract price relief in January, the third month in a row. On average, North American resin prices remain higher than in most other regions, so spot exports are difficult – the much stronger dollar only adds to the complications. Still, super cheap deals were made in December, which seems to have enabled a good amount of offshore sales.

Energy prices continue to erode in epic fashion. The super steep and sharp slide has shown no signs of slowing. However, sooner or later the oil markets will find support simply because after falling more than 50% there is only so much further before zero is in sight - and of course, that is not a realistic price. WTI Crude Oil prices began the year with another 8% decline, the Feb futures contract dropped \$4.33/bbl to end the week at \$48.36/bbl. Feb Brent Oil has been falling faster, losing \$6.31/bbl this week to \$50.11/bbl. Natural Gas futures were hit hard the latter half of December and eased another \$.057/mmBtu this past week to settle at \$2.946/mmBtu. Spot Ethane recovered a bit to \$.19/gal (\$.08/lb). Spot Propane remains relatively weak at just \$.455/gal (\$.128/lb).

Spot Ethylene began the year with a splat! After a modest late Dec bounce, prices have returned to the cycle's lows. Values for Jan Ethylene consistently slid until the market stood just below \$.38/lb on Friday. It was a weekly loss of \$.05/lb, about 12%. Less than 4 months ago, spot Ethylene traded as high as \$.765/lb, so the market break amounts to 50%. The forward curve currently indicates that Ethylene will only get cheaper as the year progresses, discounts are provided each month of 2015 until December is priced around \$.345/lb.

Polyethylene activity began slowly, somewhat atypical for the first week of the year - we usually see processors clamoring for spot material immediately after the holiday break. Suppliers were initially silent as expected, but both sides finally awoke on Thursday and we were off to the races! PE prices have been falling steadily over the past few months; this week saw another penny or two decline, depending on grade. From the cycle highs HDPE prices have slid \$.10 -.14/lb. Spot LDPE film which had built a large premium to LLDPE, has fallen the most and is actively transacting about \$.19/lb from its peak. Polyethylene contracts dropped \$.07/lb during Nov/Dec and will see another decrease in Jan. Contracts are currently offered down \$.04/lb, but have not yet settled so could drop further, and if not this month, then probably in Feb.

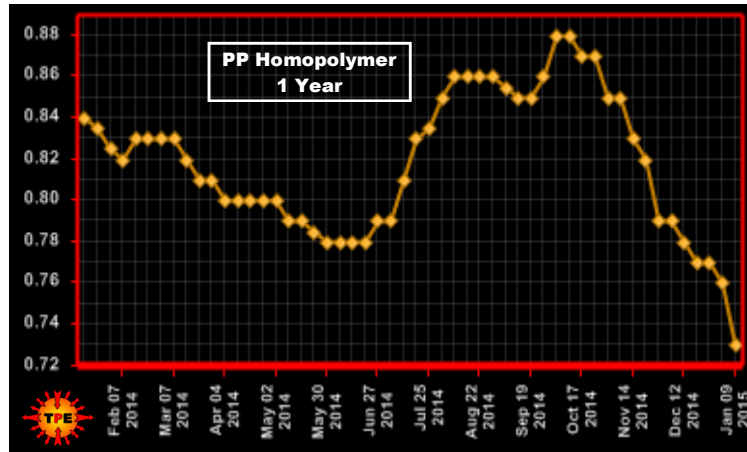
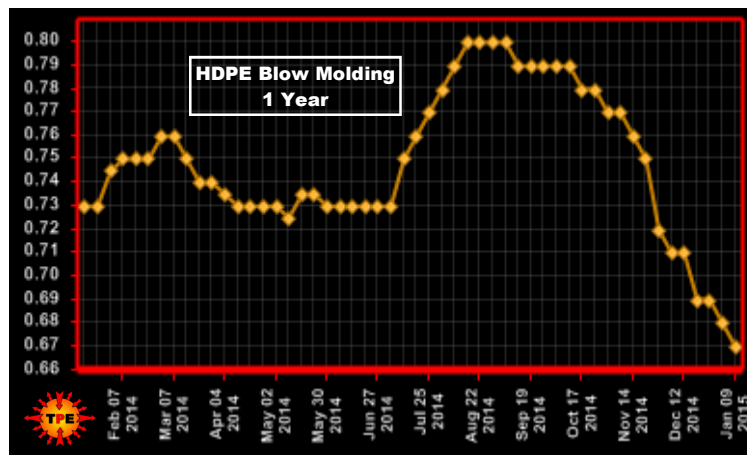
Spot Propylene saw limited activity, but prices were still squashed. Suppliers offered PGP each day looking for elusive buyers; most of this week's \$.045/lb loss was seen on Wednesday. With spot PGP now hovering around \$.475/lb, January contracts are poised to take another plunge. December contracts had settled down \$.10/lb to \$.615/lb, so at least another dime decline should be seen this month – if so, a clean \$.25/lb will have evaporated in the past three months. The forward curve is just slightly backwarddated; prices slope gently lower until they reach down to \$.46/lb at the end of 2015.

Polypropylene trading took a few days to develop; despite rapidly retreating prices, spot availability is still somewhat sparse. Producers have been very disciplined with PP production, maintaining reduced operating rates to better match demand. Although producers are actively trying to disconnect resin prices from monomer costs, PP contracts will follow PGP monomer lower in January and see its third straight large decrease. While some processors might have only been relieved \$.13/lb during Nov/Dec, \$.15/lb came off for those still tied directly to monomer. It is likely that PP contracts will eliminate another dime or so in Jan.

It has only just begun, but 2015 is already gearing up to be an exciting year; resin market dynamics are very interesting and will surely keep us all on our toes. Energy and feedstock costs are cratering, and while North American resin prices are also plummeting, so far the decline has been less dramatic. Although domestic processors are certainly grateful for the price relief at hand, since there seems to be more downside ahead, they are only buying as needed – after all, nobody wants to try and catch a falling knife. We wish you all a happy, healthy and prosperous year ahead.

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 23,597,260 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	4,389,176	\$ 0.595	\$ 0.720	\$ 0.630	\$ 0.670
HDPE - Inj	3,836,004	\$ 0.560	\$ 0.720	\$ 0.660	\$ 0.700
LLDPE - Film	3,581,888	\$ 0.670	\$ 0.740	\$ 0.650	\$ 0.690
LDPE - Film	3,506,348	\$ 0.640	\$ 0.740	\$ 0.640	\$ 0.680
HMWPE - Film	2,435,496	\$ 0.645	\$ 0.720	\$ 0.650	\$ 0.690
PP Homo - Inj	2,391,404	\$ 0.680	\$ 0.770	\$ 0.690	\$ 0.730
PP Copo - Inj	1,757,380	\$ 0.685	\$ 0.770	\$ 0.700	\$ 0.740
LLDPE - Inj	1,010,920	\$ 0.700	\$ 0.770	\$ 0.670	\$ 0.710
LDPE - Inj	688,644	\$ 0.700	\$ 0.735	\$ 0.690	\$ 0.730



Dominick Russo and Jay Schreiber — Editors

Michael Greenberg
312.202.0002
@ResinGuru