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Spot resin trading lost some momentum this past week; the flow of material was sporadic and transactions were more difficult to conclude. Energy and feedstock markets were mostly lower, dousing suppliers' hopes that resin prices are currently finding a bottom. Spot Polyethylene prices were weak; however, producers, looking to stop the slide and turn the tide, widely nominated a \$.05/lb price increase for March. Spot Polypropylene prices dropped a deuce as another wave of imports hit the shores. While PP producers are trying to gain another \$.03/lb beyond the change in monomer, processors are pushing back hard for a flat or lower net settlement.

Polyethylene prices remained under pressure as negative sentiment held a tight grip on the processor community. Material for all commodity Polyethylene grades are plentiful, even LDPE Frac melt is available. HDPE has generally led the market lower during this cycle and these resins saw consolidation this week; LLDPE and LDPE film grades in turn picked up the slack, shaving off \$.005-.01/lb. Although several PE producers agreed to reduce February contracts by \$.03/lb, even the new levels remain higher than domestic spot prices, which can be interpreted as a bearish sign. While market prices have fallen dramatically over both the short and medium term, many buyers believe there is more room to the downside. As such, spot buying activity was skewed towards smaller orders, with processors filling in supply gaps awaiting lower prices ahead.

There is plenty of margin throughout the pellet side of the Polyethylene supply chain. While Ethane to Ethylene margins have shrunk to the low teens, they are still historically wide, so crackers have incentive to maximize output. Although Ethylene to Polyethylene margins have also been reduced, they remain extremely healthy, ranging between \$.20-.40/lb and more depending on product and target market. PE producers are therefore encouraged to optimize reactor utilization and remain agile in product choice. Though still sitting in the catbird seat, market discipline and sales efforts are indeed posing a challenge to producers, particularly with regard to maintaining massive exports to keep burdensome supplies from inundating their highest margin domestic market segments.

Years of massive North American feedstock cost advantages have been whittled away by plunging Crude Oil prices, which also provide international Polyethylene producers, many with modern world-class reactors and surplus capacity, with competitive resin to win back market share. Given this, the complex dance of international trade has become fascinating.

North American PE producers are well-integrated back to the cracker, so they can profitably export at will, even if it requires borrowing from upstream margin. However, while the arbitrage to Europe is open, aided by the recently strengthening Euro and cheap ocean freight, Middle Eastern supply with quicker transit is providing strong competition. Natural sales to Latin American markets remain strong, but are challenged by the eroding Mexican Peso and Brazilian Real, coupled with resin traveling the high seas from Asia. China itself has been soaking up North American Polyethylene and suppliers await the resurgence of demand when traders return from their Chinese New Year's holiday.

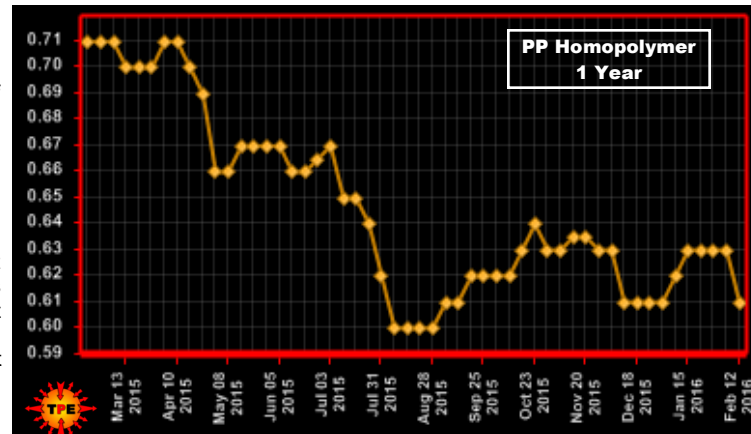
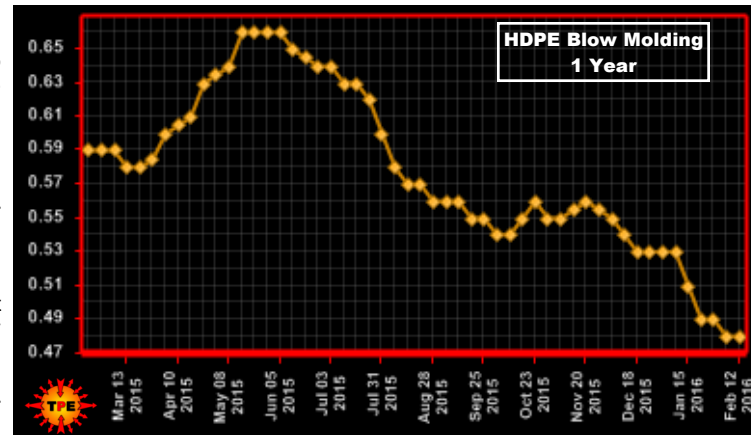
Polypropylene might finally be transitioning back to a two-sided market. After more than a year of seemingly continuous margin enhancing price increases, the upward pressure seems to be subsiding, at least for now. While the domestic market, which has seen excellent demand growth, is still categorically short of supply, the volume of imports continues to grow and is starting to have a loosening effect; both HoPP and CoPP retreated a sizable \$.02/lb this past week. The market also took a very short hiatus in December, so we need to wait and see if this little break is sustainable.

Polypropylene price declines have actually not been rare as contracts decreased about \$.245/lb over the past 15 months. With Feb PGP contracts just settling down \$.015/lb to \$.30/lb, monomer costs dropped \$.465/lb during the same time. The \$.22/lb difference, which varies among market participants, represents the production margin that producers have garnered. Most processors have been pleased with their resin cost savings; however, sometimes major contentions arise. Such as in Q4 of 2015 or even right now, when producers look to implement an outright price increase while their monomer costs are steady to lower. So considering macro conditions, the Polypropylene market might best be served with Feb as a month where producers gain but not at the expense of processors - flat to slightly lower PP contracts could be at hand.

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 — February 12th, 2016

Resin For Sale 21,073,604 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	3,730,992	\$ 0.450	\$ 0.520	\$ 0.440	\$ 0.480
HDPE - Inj	3,615,544	\$ 0.480	\$ 0.520	\$ 0.460	\$ 0.500
LLDPE - Film	3,285,336	\$ 0.480	\$ 0.560	\$ 0.465	\$ 0.505
LDPE - Film	2,950,968	\$ 0.505	\$ 0.560	\$ 0.500	\$ 0.540
PP Homo - Inj	1,764,116	\$ 0.535	\$ 0.660	\$ 0.570	\$ 0.610
LLDPE - Inj	1,759,496	\$ 0.490	\$ 0.590	\$ 0.490	\$ 0.530
PP Copo - Inj	1,593,564	\$ 0.560	\$ 0.670	\$ 0.590	\$ 0.630
HMWPE - Film	1,248,208	\$ 0.480	\$ 0.520	\$ 0.460	\$ 0.500
LDPE - Inj	1,125,380	\$ 0.450	\$ 0.550	\$ 0.500	\$ 0.540



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