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Market Update — February, 19th 2016

Selection of Interesting Offers for Sale

Product	Melt	Density	Details	FOB	Price	TLs
LLD - Butene	1	0.920	Bare	TX	\$ 0.480	5
LD - Clarity	2	0.920	Slip/Block	NJ	\$ 0.530	4
HD - Blow	.35	0.955	Phillips	TX	\$ 0.480	5
HD - Blow	.04	0.952	Phillips	TX	\$ 0.440	3
HD - Inj	6	0.960		TX	\$ 0.495	5
HD - Blow	.7	0.960	Phillips	TX	\$ 0.490	10
HD - Inj	18	0.951		TX	\$ 0.510	2
HD - Inj	10	0.963	UV	NJ	\$ 0.530	5

All Gen. Prime Truckloads (TLs) in 25 kg bags

Summary

Spot resin trading was again slower than in a typical week; neither buyers nor sellers seemed inspired to act on anything other than urgent orders. Overall resin market sentiment can currently be described as cautious; ongoing bearish factors are starting to run out of steam while potentially bullish signals are beginning to appear. On average, Polyethylene and Polypropylene prices balanced out around steady; while some other grades eased further, the bottom end of PE began to clean up - both price and availability. Although at times volatile, there was little net change in upstream energy and feedstock costs.

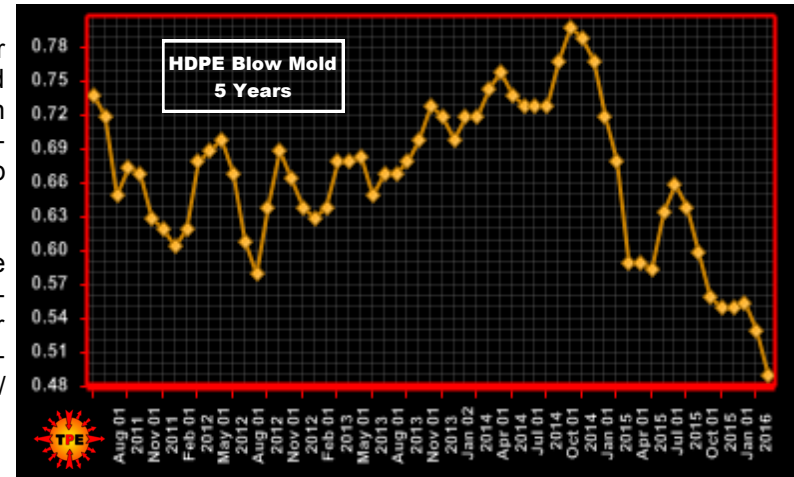
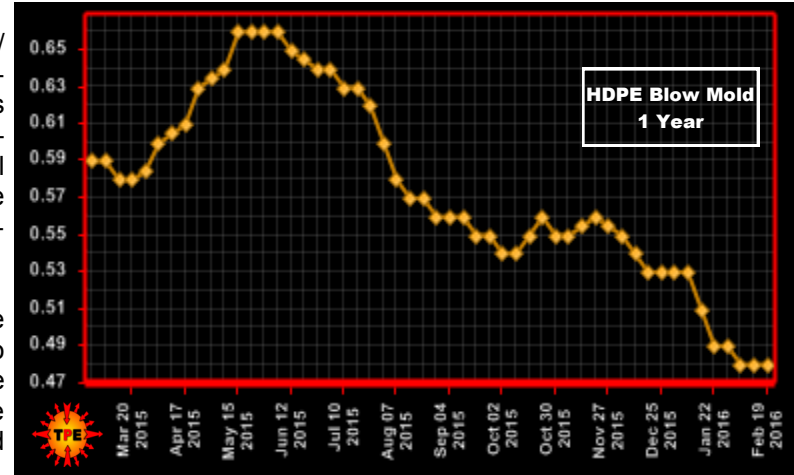
Polyethylene

After a lengthy 7-month downtrend, which saw Polyethylene contract prices erode \$.15/lb, the market seems to be consolidating and could be heading into a period of transition. While PE contracts have decreased as much as \$.03/lb in Feb, some producers are holding firmer, only officially lowering contracts by \$.02/lb, but still reportedly meeting competitive offers. In an attempt to stop the slide and eventually prop up prices, all major Polyethylene producers issued a \$.05/lb increase for March. However, as we have seen plenty of times in the past, a price increase nomination by no means translates with certainty into timely implementation.

Absent an unexpected and unfortunately, usually tragic event, before a Polyethylene downtrend reverses, fundamentals need to shift which requires at least a month or two of flat pricing. In fact, for at least the last three years (then memories begin to fade) there has not been a single occasion where a price increase has immediately followed a price decrease. In this case, bucking that trend could be a tall order and producers would likely smile to see contracts simply hold steady in March.

While acknowledging some current reactor issues and the need to build inventory for some planned maintenance ahead, collective producer Polyethylene inventories swelled a massive 365 million lbs during January - this was the single largest monthly build in more than 7 years. The effect of these overly abundant supplies were evident in the domestic spot and export markets, where prices dropped well in excess of the \$.05 -.06/lb decrease for Jan / Feb contracts. Still, change could be coming...

Over the past week or so, we have seen an uptick in the Houston market and some traders became less aggressive to move material. The Peso has gained strength, assisting pricing to Mexico. On the other hand, while Chinese trader demand is returning after their New Year's break, it has lacked fervor. Several key producers began to limit volumes or even stopped selling for the remainder of the month, while indicating a \$.02-.03/lb jump in export asking prices for March.



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Resin For Sale 17,601,300 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	3,383,520	\$ 0.480	\$ 0.570	\$ 0.465	\$ 0.505
LDPE - Film	2,774,600	\$ 0.490	\$ 0.570	\$ 0.495	\$ 0.535
PP Hom o - Inj	2,176,668	\$ 0.535	\$ 0.660	\$ 0.570	\$ 0.610
LLDPE - Inj	1,759,496	\$ 0.510	\$ 0.590	\$ 0.490	\$ 0.530
LDPE - Inj	1,654,484	\$ 0.520	\$ 0.600	\$ 0.500	\$ 0.540
HDPE - Inj	1,582,024	\$ 0.410	\$ 0.540	\$ 0.460	\$ 0.500
HDPE - Blow Mold	1,509,564	\$ 0.460	\$ 0.530	\$ 0.440	\$ 0.480
HMWPE - Film	1,394,116	\$ 0.470	\$ 0.530	\$ 0.455	\$ 0.495
PP Copo - Inj	1,366,828	\$ 0.560	\$ 0.710	\$ 0.590	\$ 0.630

Polyethylene (cont.)

Although well-priced material is still available in Houston across all commodity grades, volumes have thinned out and sometimes there is just a supplier or two at the low level and if taken out, the next best price out there is already \$.02-.03/lb higher.

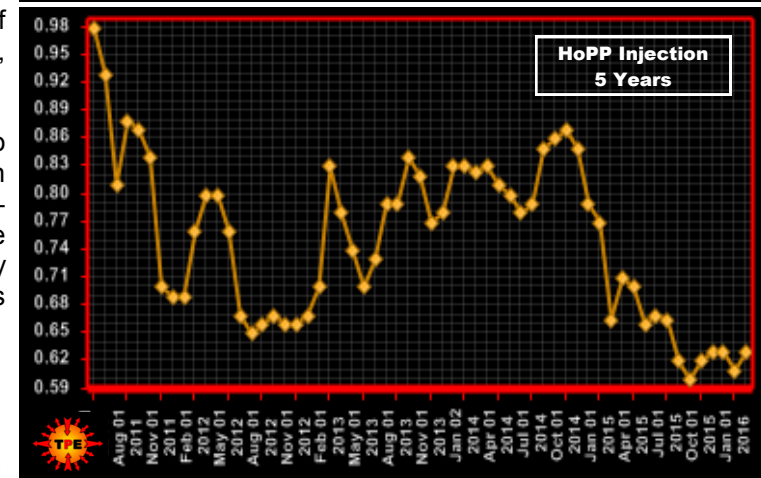
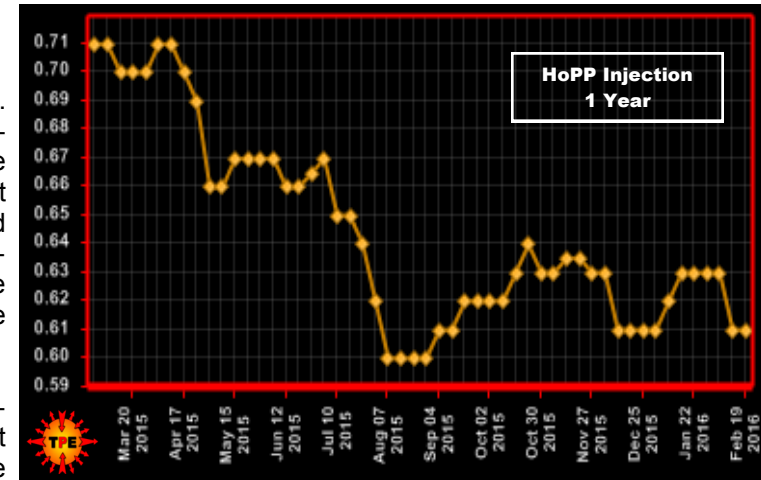
We have also seen a slowdown in the flow of domestic railcars; while we could see another good purge into month-end, we are starting to search for railcars rather than wait for them to be offered. However, even if spot availability dries up significantly, there are some deep pricing discounts that need to be recovered and an actual spot premium develop before we can recognize the next contract price increase taking hold. We are not there yet.

Polypropylene

Spot Polypropylene trading remains challenging, but transactions are workable with effort. There is a very wide range of prices available in the market and offgrade is decently discounted to prime. While there is a growing amount of supply accumulating around the country and much of it imported Prime, material is well spread out making the market somewhat illiquid. This is contrary to market conditions of years past when spot demand was served with a liquid supply of fresh shippable railcars, ah the good ole days! US Polypropylene prices are well above levels in most other international regions so exports have been minimal (1-3% of production) and primarily limited to offgrade, so there is very little domestic prime available, even in Houston warehouses.

Despite notable resistance, producers seem intent on expanding margins again. PP contracts have become about as fragmented as supply, so there is variance among market participants as to the magnitude and timing of price increases. February is seen as the opportunity to implement the balance of the \$.06/lb margin enhancing increase, which if fully secured would translate to a net \$.04/lb increase in resin prices for this young year, accounting for the Jan/Feb \$.02/lb decrease in PGP monomer costs.

Now into the second year of tight supply / demand dynamics, some processors continue to ease their expectations as they seek to supplement their insufficient contracted resin with spot material. Companies that once restricted their purchases to Branded prime are warming to Generic prime alternatives. The stigma that imported resins are of lower quality are fading away as new world-class reactors are built in the Middle East and Asia. Railcar only buyers are willing to take in gaylords and (gasp!) sometimes even 25kg bags. And what is that, Offgrade, you say? Sure send it in as long as it's good color and melt flow consistent.



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.

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