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Market Update — February 5th, 2016

Resin For Sale 25,628,220 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	5,185,616	\$ 0.470	\$ 0.570	\$ 0.470	\$ 0.510
LDPE - Film	4,547,728	\$ 0.490	\$ 0.590	\$ 0.505	\$ 0.545
HDPE - Inj	4,454,200	\$ 0.480	\$ 0.540	\$ 0.460	\$ 0.500
HDPE - Blow Mold	4,436,464	\$ 0.450	\$ 0.530	\$ 0.440	\$ 0.480
LLDPE - Inj	1,895,956	\$ 0.520	\$ 0.590	\$ 0.500	\$ 0.540
HMMWPE - Film	1,366,852	\$ 0.480	\$ 0.540	\$ 0.460	\$ 0.500
PP Copo - Inj	1,333,196	\$ 0.560	\$ 0.670	\$ 0.610	\$ 0.650
LDPE - Inj	1,225,104	\$ 0.480	\$ 0.590	\$ 0.510	\$ 0.550
PP Homo - Inj	1,183,104	\$ 0.520	\$ 0.660	\$ 0.590	\$ 0.630

Spot resin trading was surprisingly swift for the first week of the month. There was a fluid flow of resin offers, particularly Polyethylene, and buyers and sellers were more amenable to market pricing. As time ticks on, resellers' stock of old and expensive inventory is being depleted and replaced with lower priced material. As prices slide, buyers, whose own resin stocks are also depleting, are realizing a significant cost savings and becoming more comfortable placing orders. Together this has helped market participants accept the new pricing reality, thus facilitating spot transactions.

The energy markets were significantly lower this past week. March WTI Crude Oil slid back below \$30/bbl before recovering to settle at \$30.89/bbl, still a loss of \$2.73/bbl. March Brent dropped less than \$2/bbl and finished Friday at \$34.06/bbl, bringing its premium over WTI back above \$3/bbl. Natural Gas fell the most, about 10%, and spent time trading below \$2/mmBtu; the March futures contract went into the weekend at \$2.063/mmBtu, down \$.235/mmBtu. There was relatively little change in monomer and NGL prices: Ethylene was a tad higher while Propylene was steady; Ethane was fractionally firmer and Propane was slightly softer.

Polyethylene producers took a tough stance regarding contract prices in January, only reversing their proposed \$.05/lb increase to a net \$.03/lb decrease late in the game. In contrast, just a week into this month, several producers already dropped their February contracts by \$.03/lb. Not all followed, one major only offered to decrease a deuce and others have yet to announce. The Feb decrease brings total contract price relief to a healthy \$.15/lb since Aug, even with the entire 4th quarter remaining flat. But what would the PE market be without a price increase on the table? No worries, several producers just nominated a fresh \$.05/lb increase for March contracts.

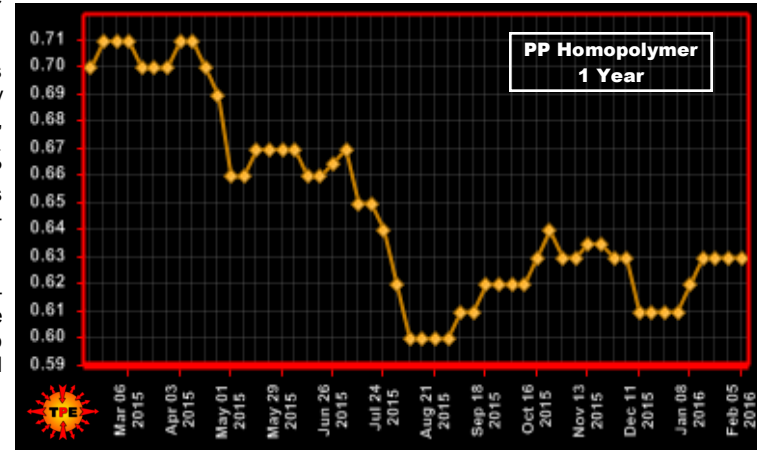
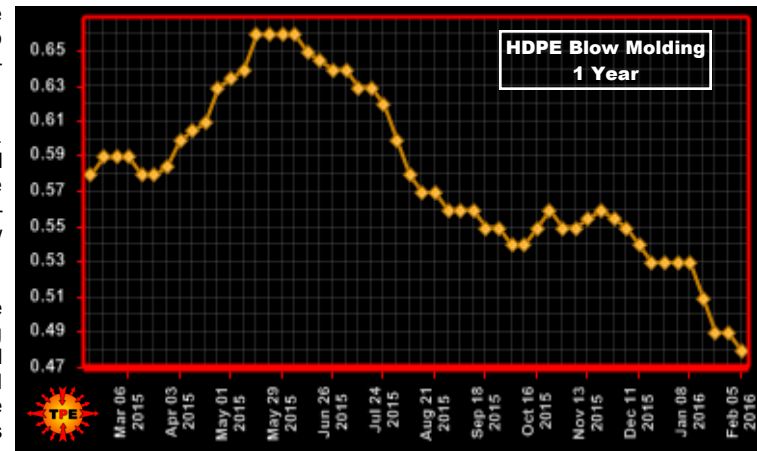
With contract posturing out of the way early, producers were more liberal with their spot Polyethylene offers. Resin availability was plentiful across most grades, although certain materials were somewhat snug and reflected by mixed prices. Some of the deeply discounted offers that were originally market leading have now become more mainstream. On the other hand, when the market was eroding, there was a general feeling to sell Polyanything and typical premiums between grades were crushed. Now that the market seems to be finding a new level, some grades have seen a small uptick in pricing, such as LDPE and LLDPE for injection or roto molding.

HDPE resins remain the cheapest in the marketplace and all grades continued to drop; the lowest levels are seen for blow molding followed by injection and then film; prices in Houston depend on quality and range along the \$.40s/lb and up into the \$.50s/lb. LLDPE film grades have firmed a little, Butene in Houston has consolidated back into the high \$.40s/lb and even breached \$.50/lb; Generic Prime Hexene, Octene and Metallocene are still mostly in the low-mid \$.50s/lb. LDPE film grades are generally mid \$.50s/lb basis Houston, Frac LDPE is scarce and priced in the high \$.50s/lb to low \$.60s/lb. Warehouses remain full of resin and most is destined for overseas shipments, priced accordingly. There is a wide price range seen for domestic delivered railcars, with offgrade seen at deep discounts relative to considerably higher Generic or downgraded prime.

The spot Polypropylene market saw renewed interest. Several PP production issues have left some processors short of material while others are now entering their traditionally stronger demand season. Copolymer is notably absent and gained a half-cent on Homopolymer. While interest is there and those in need of resin are paying up, others that can get by are balking at the rising prices and seeking alternative supply such as imports and repro. In January, PP producers implemented about \$.03/lb of their \$.06/lb price increase; the \$.005/lb drop in Jan PGP contracts seems to have been lost in the shuffle, let's just call it a rounding error... The spot PGP market has barely been tested so far in Feb, but current levels indicate that another \$.01-.02/lb drop in PGP could be warranted this month.

International Polypropylene prices are well below North American levels, so exports are mostly limited to lower-end offgrade and some Prime material to Mexico, only totaling about 1% of US production. An increasing volume of Prime imports are hitting the US shores, with substantial shipments still on the seas. If producers continue to squeeze the processor for further margin enhancing price increases, the import arbitrage will remain open and the US will likely become a net importer of Polypropylene in the very near future.

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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