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Market Update — March 19th, 2021

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Resin for Sale 7,860,392 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	1,698,944	\$ 1.230	\$ 1.500	\$ 1.300	\$ 1.400
PP Copo - Inj	1,215,840	\$ 1.325	\$ 1.550	\$ 1.350	\$ 1.450
LDPE - Film	1,163,024	\$ 0.990	\$ 1.110	\$ 1.030	\$ 1.080
LLDPE - Film	1,146,392	\$ 0.940	\$ 1.100	\$ 0.950	\$ 1.000
HDPE - Blow	660,380	\$ 0.990	\$ 1.250	\$ 1.040	\$ 1.090
HDPE - Inj	653,012	\$ 0.880	\$ 1.025	\$ 0.960	\$ 1.010
LDPE - Inj	485,012	\$ 0.870	\$ 1.030	\$ 0.950	\$ 1.000
LLDPE - Inj	440,960	\$ 0.940	\$ 1.030	\$ 0.950	\$ 1.000
HMWPE - Film	396,828	\$ 0.990	\$ 1.060	\$ 0.970	\$ 1.020

The spot resin markets continued to transact at an elevated pace, though order flow became less consistent and there were little lulls in our trading activity, which was something we had not seen in a while. During the quieter moments, participants questioned whether emerging developments, such as weaker PGP monomer prices, the restart of many resin plants, and appearance of fresh spot offgrade offers were signals that the market was ready to come undone, but then reality would set in as resin remained grossly undersupplied. As restarts drag out, it is likely that the mid-Feb winter storm, which shut down the vast majority of US resin plants, could ultimately lead to the loss of 5 billion lbs or more of resin production, digging a very deep hole in inventories throughout the supply chain.

Despite some demand destruction, very heavy imports and the lack of incremental exports, it will take considerable time for producers to back-fill orders, restock their inventories, lift allocations and unwind their Force Majeure declarations. The short periods of market calm did not last long and sudden demand surges returned; spot prices remained well above rising contract levels as processors competed for limited material, quickly rebuilding market momentum as if this raging bull market had not skipped a beat.

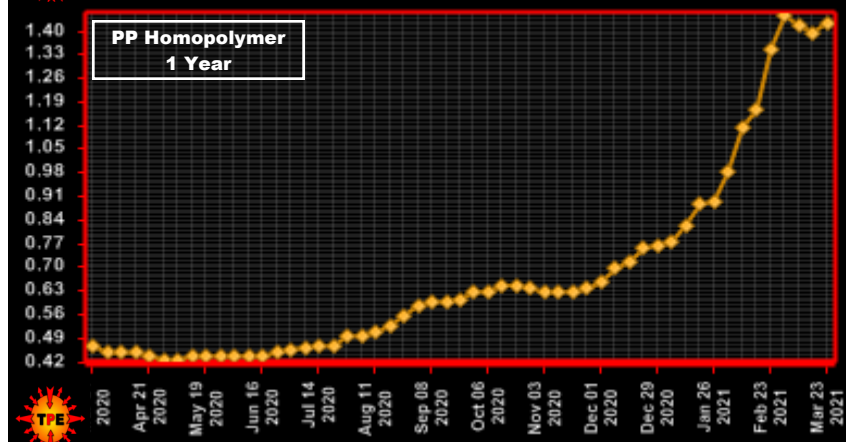
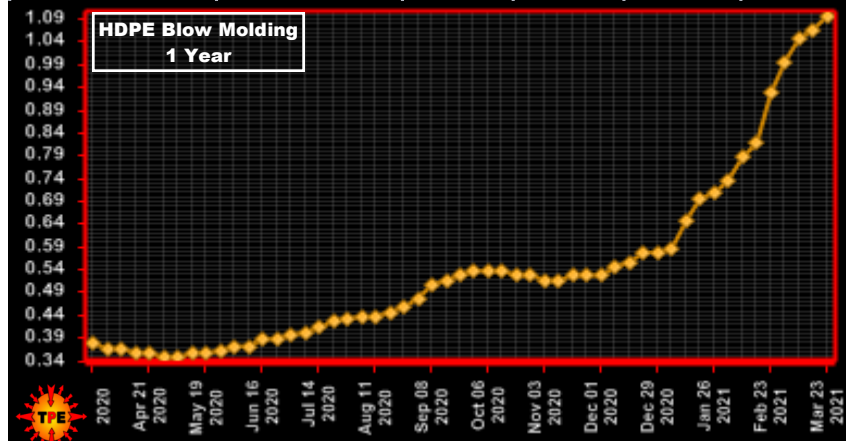
By the end of the week, Polyethylene prices trudged another \$.02/lb higher, bringing the March gain to \$.10/lb. Producers secured their March \$.07/lb increase and nominated as much as \$.09/lb more for April. Ethylene monomer continued to be very tight and spot ended the week at \$.575/lb; short supplies have limited resin production at some plants. HDPE resins were still the tightest of the commodity grades; Prime Blow Molding material has been virtually non-existent in the spot market and sales have reached \$1.25/lb. Some Blow Molding imports are already on the water and next sailing dates are early April if you have needs. LLDPE film grades are also exceedingly snug, delivered prices are generally above \$1.00/lb with the higher alpha-olefins commanding \$1.10/lb or more. LDPE supplies, while also incredibly short, are a bit more available and prices only carry a moderate premium to LLDPE.

While the majority of Polyethylene and Polypropylene plants have indeed restarted, a considerable amount of Offgrade resin has been made, though the percentage of Prime has certainly been growing, but unavailable for spot sales. The widespec offers make some noise in the marketplace as resellers generally opt not to buy offgrade for inventory, especially at these historically high prices, so multiple players quickly offer out the railcars, and they reverberate, so 10 cars can misleadingly seem like 30-40. Nonetheless, by the time the offers make it through the system, the resin has usually been snatched up anyways with disappointed buyers still seeking material.

Polypropylene prices bucked its recent gentle softening and instead held firm this past week; spot PP prices were unwilling to cede more than the nickel relief already seen from the early March peak, after soaring some \$.50/lb during February. March PGP ended the week just shy of \$.60/lb, we expect a double digit decrease in March monomer contracts, which will pass through to resin buyers whose contracts are tied to monomer. The cost decrease will be partially offset by the \$.06/lb margin increase which producers will rightfully secure due to limited sales due to outages and short supplies.

PP Homopolymers sold the most this past week, there was very good demand for higher, 20-40 melts and Raffia grade. Every offer for PP Copolymer and Random Clarified came and went in a heartbeat, including large volumes of imports, some of which have yet to even leave international ports. Spot CoPP sales have strictly been limited by availability, with substantial underlying demand remaining. There has been an ongoing industry effort to import considerable volumes of Polypropylene to help counterbalance some of the lost production, most of the material has been pre-sold to processors, and some uncommitted material has been made available for spot sales. There is a some HoPP, CoPP and RcPP NX8000 on the water and next sailing dates are early April if you have needs.

It seems that some processors have been fatigued by the constant upward pricing pressure and challenges to even find material at these lofty levels, while others have begrudgingly acclimated to this much higher pricing level, having passed through their rapidly rising costs. We are seeing some processors, who might not be able to pass through their rising costs instead profitably sell off some of their resin, either on hand or on order, rather than making incremental product. This has certainly been a unique market environment and it will be interesting to see how it all continues to play out. I recall the wisdom from yet another industry mentor telling me years ago that the cure for high prices was high prices, but we have not seen that take affect in this market, yet.



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