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After a slow first half of May, the spot resin markets really woke up! Our trading desk was super busy, completing significantly more transactions than the previous two weeks combined. Polyethylene availability began to improve and prices were mixed. Demand was better too as many processors had held off buying and simply needed material. Polypropylene supplies were considered heavy and prices fell sharply.

WTI Crude Oil continued to rally, the July futures contract added \$1.51/bbl to end the week at \$48.41/bbl. NGLs were lower; Ethane slid fractionally and Propane gave back nearly \$.03/gal. Ethylene continued its high turnover rate, but remained near \$.25/lb; spot PGP was relatively quiet and still priced around \$.30/lb. May PGP contracts rolled steady at \$.325/lb.

Spot **Polyethylene** trading was very active, which was a welcomed change to the recent lackluster market. After a two-week lull, both buyers and sellers finally came to play; supply began to flow faster and processors were ready to pull the trigger and place orders. Polyethylene contracts are rolling flat in May, holding on to the \$.09/lb gain garnered in Mar/Apr. The market has been supported by restricted Ethylene monomer and Polyethylene production, about 10% of capacity for each has been offline for maintenance.

All film grades (HD, LD and LL) remained fairly snug, but there are signs that availability is improving. There was however, a Force Majeure issued for LLDPE from two relatively small plants, which contributed to this week's 1-cent uptick in LLDPE. HDPE managed to hold steady, but there is a negative undertone as new capacity in Mexico threatens to displace some of the country's traditional high volume demand for exported US material. As the plant moves past startup phase and into full prime production, it will create the need for alternative outlets for surplus North American HDPE resins.

It is widely anticipated that Polyethylene prices will be marked lower in June, so the reseller market has been shedding inventory and processors limiting large orders. However, resin reactors are still down, the market is not awash in resin and producers have plenty of room to restock - so while price relief may very well lie ahead, it is far from a done deal.

Spot **Polypropylene** trading was much improved; supplies were abundant and prices kept falling. The PP market dropped a very large \$.03/lb this past week, the adjustment in Generic Prime pricing worked towards shrinking the wide discount that Offgrade had been developing. The lower offerings have stirred demand, as processors rightfully recognized the value of Polypropylene at these levels.

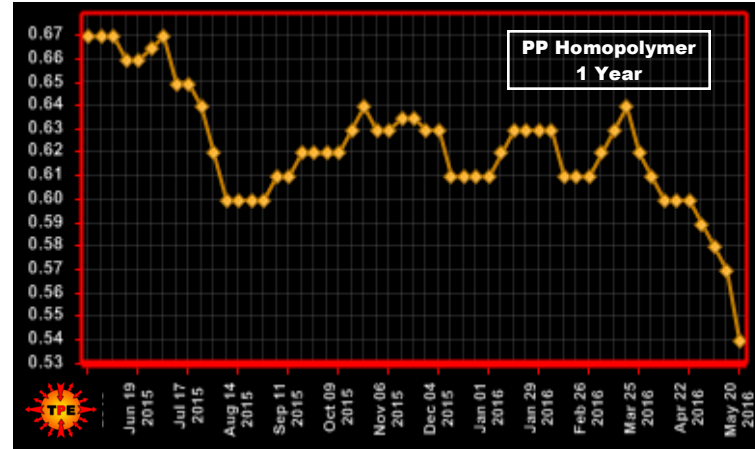
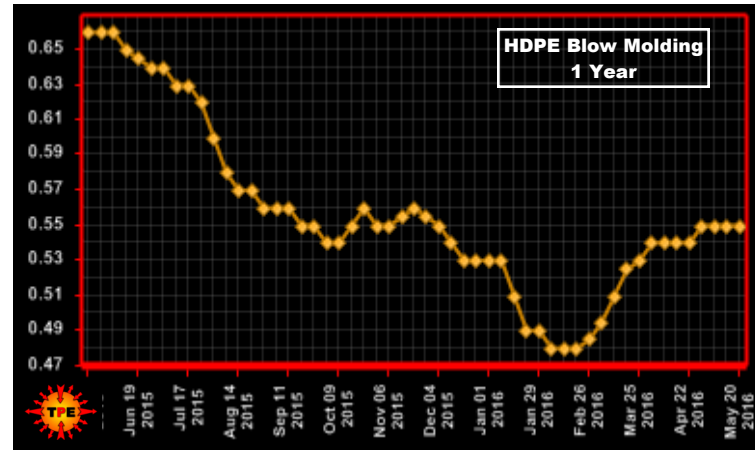
The supply / demand dynamics in the PP market have made a 180 degree turn from the 5 quarters ending March 2016. Material is now plentiful including most HoPP and CoPP grades, in bulk railcars and packaged loads warehoused around the country. At the same time that resin imports came to satisfy the shortfall in domestic supply, competitively priced finished products also came to impact processors' end-user orders, sapping domestic resin demand.

Producers have responded to this massive inflow of competitively priced international PP resin by lowering their domestic prices. The first \$.05/lb decrease was implemented in April and another \$.05/lb decrease appears to be coming in June. This not only protects orders in the local market, but it also reduces the import arbitrage, thus lowering the incentive for resellers to bring in more material. While the market is currently bearish and falling, we anticipate that another supply gap will arise in the future. It is hard to pick a tick-low bottom, so we can simply suggest that there are very compelling opportunities currently available in the market.

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 — May 20th, 2016

Resin For Sale 16,664,930 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	3,826,440	\$ 0.480	\$ 0.580	\$ 0.500	\$ 0.540
PP Copo - Inj	3,518,440	\$ 0.510	\$ 0.600	\$ 0.520	\$ 0.560
LDPE - Film	2,465,220	\$ 0.550	\$ 0.660	\$ 0.600	\$ 0.640
HDPE - Blow Mold	1,751,208	\$ 0.500	\$ 0.580	\$ 0.510	\$ 0.550
LLDPE - Film	1,418,208	\$ 0.555	\$ 0.600	\$ 0.530	\$ 0.570
LLDPE - Inj	1,193,564	\$ 0.530	\$ 0.640	\$ 0.580	\$ 0.620
HDPE - Inj	1,138,024	\$ 0.500	\$ 0.585	\$ 0.510	\$ 0.550
HMMWPE - Film	843,012	\$ 0.545	\$ 0.585	\$ 0.525	\$ 0.565
LDPE - Inj	510,814	\$ 0.570	\$ 0.635	\$ 0.590	\$ 0.630



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