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Market Update — May 29th, 2015

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**MARKET UPDATE**

Despite the holiday shortened week, spot resin continued to transact at a rapid rate. As we have seen for quite some time, traded volume was heavily slanted towards Polyethylene rather than Polypropylene. Spot prices for both groups of resin were flat as May drew to a close. Aside from several Generic Prime cars already owned by resellers that still required destinations, fresh railcar offers were limited to offgrade. Resellers continued to make their uncommitted inventories available in Houston and nationwide for prompt truckload shipments. While material is still shipping offshore, export sales remain off the active pace we saw in Mar/Apr. International demand for North American resin has been affected by both rising Houston prices and a softer market in Asia along with their expectations for better regional supply.

The major energy markets were mixed amid increasingly volatile trading. WTI Crude Oil transacted along a 7% range and ended the week up \$.58/bbl to \$60.30/bbl, nearly \$4/bbl off Thursday's low. Brent Oil almost had a \$5/bbl range, but saw little net change by Friday's close. The July contract finished at \$65.56/bbl, up just \$.19/bbl. July Natural Gas saw sharp losses for the second week in a row, dropping a hefty \$.277/mmBtu, returning to month ago levels of \$2.642/mmBtu. Ethane shed a cent to \$.1825/gal (\$.077/lb); Propane recovered fractionally to \$.4425/gal (\$.125/lb).

The Ethylene market continued to see heavy turnover in a tight price range. Ethylene for May delivery transacted numerous times at \$.36/lb and just below; it went off the board at \$.36/lb, regaining the previous week's quarter-cent loss. June Ethylene then moved to the front month, but only saw light interest and held tight to \$.36/lb, which was the predominant spot transaction price seen throughout the month of May. Most Gulf crackers are fully operational, there is just one notable unit offline for maintenance. Ethylene's forward curve has taken on a penny contango through (higher priced) September, but the overall curve is still essentially flat with only a \$.01/lb separating all months, prompt through the end of 2016.

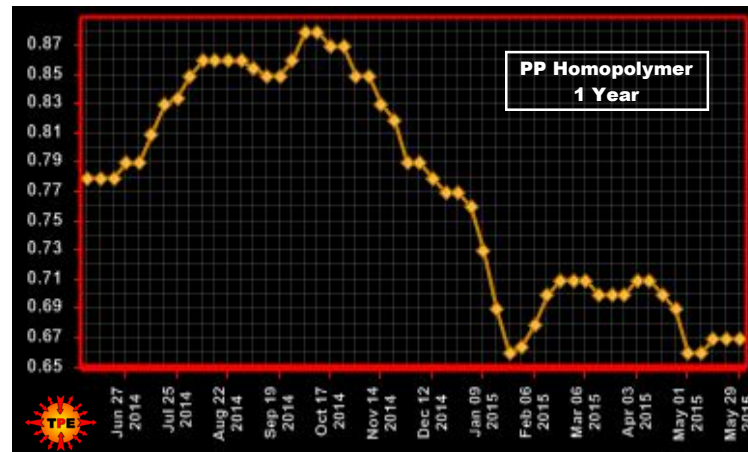
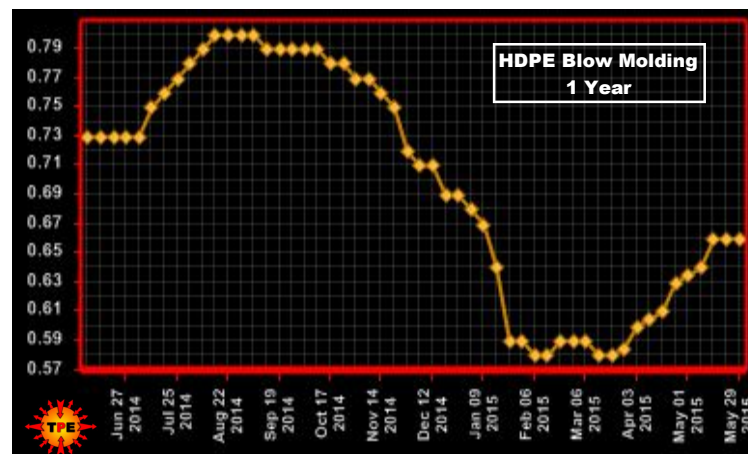
After the Monday holiday, quite a large volume of spot Polyethylene transacted and average market levels were steady. Although there was no price change, the domestic market maintained a firm undertone as producers successfully implemented their \$.05/lb price increase for May contracts. There was a tinge of weakness seen in the Houston market as export demand has softened. While producers successfully liquidated significant inventories over the past few months, overall availability is adequate and all commodity grades are accessible in the spot market, it's just a matter of price. As commercial business for May was ending, letters began to circulate for a new \$.05/lb price increase nominated for July. While of course it is way too early to judge its viability, the Polyethylene market should find support during June, which also allows processors time to push the May increase downstream to their customers.

Spot Propylene activity improved, but transacted volumes were still low. PGP for May delivery recovered as much as \$.02/lb to \$.395/lb before changing hands a shade below \$.39/lb. June became the front month and while it was indicated around the same level, it did not trade this past week. The forward curve has reshaped in an interesting way; it has become slightly backwarddated through (cheaper) December, before turning sharply contango in 2016, where a \$.09/lb premium is reached by December. May PGP contracts were down \$.01/lb to \$.42/lb and June has been nominated to roll flat. Spot RGP was sold at \$.30/lb, up a deuce.

Spot Polypropylene market activity remained light as high prices relative to contracts have limited processor purchases. There are still a couple Polypropylene producers with major production issues, which have kept overall supplies tight. Those buyers short of prime supply are paying a pretty penny to cover their resin shortfall, otherwise, we have seen the premium for widespec resin over contracts dwindle. Despite a \$.01/lb decline in contract PGP monomer costs, average PP resin contracts held steady in May. While there are certainly individual cases, it seems that PP margins have now expanded by about \$.05/lb. While producers have reduced contract PP prices fairly consistently since November, it has just not been as much as their feedstock cost savings. There is an ongoing effort to further expand margins and up until this point, as PP prices have declined, we have heard few complaints from contract buyers; we imagine their ambivalence will eventually be tested.

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.

Total Offers 17,779,864 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	3,857,784	\$ 0.620	\$ 0.710	\$ 0.620	\$ 0.660
LLDPE - Film	3,804,164	\$ 0.650	\$ 0.730	\$ 0.640	\$ 0.680
HDPE - Inj	3,042,348	\$ 0.620	\$ 0.690	\$ 0.630	\$ 0.670
HMMWPE - Film	2,035,472	\$ 0.605	\$ 0.710	\$ 0.650	\$ 0.690
LDPE - Film	1,716,392	\$ 0.660	\$ 0.750	\$ 0.660	\$ 0.700
LLDPE - Inj	1,248,208	\$ 0.635	\$ 0.720	\$ 0.640	\$ 0.680
PP Homo - Inj	877,656	\$ 0.610	\$ 0.720	\$ 0.630	\$ 0.670
LDPE - Inj	705,472	\$ 0.680	\$ 0.730	\$ 0.660	\$ 0.700
PP Copo - Inj	492,368	\$ 0.640	\$ 0.730	\$ 0.650	\$ 0.690



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