



ThePlasticsExchange

bringing the market to you

Market Update — September 2nd, 2016

Resin For Sale 12,933,136 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Copo - Inj	2,862,864	\$ 0.500	\$ 0.660	\$ 0.500	\$ 0.540
PP Homo - Inj	2,739,324	\$ 0.485	\$ 0.560	\$ 0.480	\$ 0.520
HDPE - Blow Mold	1,422,484	\$ 0.530	\$ 0.590	\$ 0.525	\$ 0.565
LLDPE - Film	1,382,024	\$ 0.535	\$ 0.620	\$ 0.550	\$ 0.590
LDPE - Inj	1,121,196	\$ 0.600	\$ 0.680	\$ 0.610	\$ 0.650
HDPE - Inj	1,071,840	\$ 0.510	\$ 0.590	\$ 0.520	\$ 0.560
LDPE - Film	853,196	\$ 0.590	\$ 0.710	\$ 0.650	\$ 0.690
HMMWPE - Film	851,380	\$ 0.560	\$ 0.595	\$ 0.535	\$ 0.575
LLDPE - Inj	628,828	\$ 0.570	\$ 0.655	\$ 0.600	\$ 0.640

Spot resin trading was very active through Wednesday, which marked month-end; the phones then went silent as many market participants took off for an extended Labor Day holiday weekend. Spot prices for both Polyethylene and Polypropylene continued to climb, with most commodity grades advancing another \$.005-.01/lb. It was no surprise that the resin markets behaved in such a way; processors and resellers were aggressively buying material ahead of the price increases pending for September, but there was very little interest in material offered \$.04-.05/lb higher just a day later.

All major US Energy markets moved lower this past week. WTI Crude Oil prices gave back another chunk of its August gains; the October futures contract fell \$3.20/bbl to end the week at \$44.44/bbl. Nov Brent Oil settled Friday at \$46.83/bbl. October Natural Gas futures dropped \$.121/mmBtu and headed into the weekend at \$2.792/mmBtu. Spot Ethylene relinquished some of its recent gains, sliding more than a cent to \$.38/lb. Spot PGP was mostly steady, holding on to its elevated level of \$.425/lb.

The Spot Polyethylene market was busy and contributed to our highest monthly trading volume in years. Resin buyers were out scooping up remaining well-priced offers ahead of the Sept price increase. As current offers were purchased from resellers they were replaced with smaller volumes priced at higher prices. There were few fresh railcar offers available; producers were not seen pushing out Generic Prime resin at month-end, which can be viewed as an expression of confidence in their \$.05/lb increase. Several producers also issued a \$.04/lb price increase for October, which could help solidify the Sept nickel and keep upward pressure on the market.

Those PE offers made available at the end of the week, including Generic Prime railcars, were priced to reflect the full \$.05/lb increase. The prices instantly appeared out of reach, but as time ticks and producers hold firm as we anticipate, these new levels could simply become the prevailing market. We expect a quiet week ahead as many buyers stocked up in August, although those processors in need of quick resin deliveries will have little choice but to pay up for material. The spot market already moved several cents higher over the past few weeks and we believe the \$.05/lb increase has a very good chance of timely implementation.

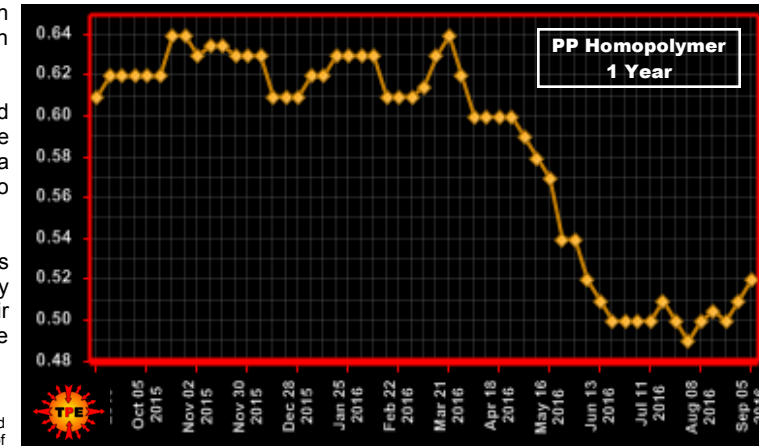
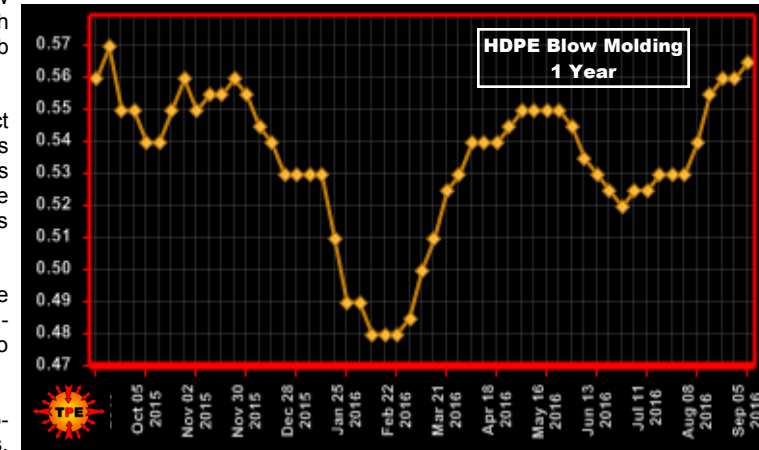
Spot Polypropylene trading was solid and prices added another cent. Despite seemingly ample supplies, the pending \$.04/lb cost-push price increase should have legs. As such, buyers kicked it up a notch, procuring well-priced material that largely cleaned up offers that were still in the \$.40s/lb. Although the PP market appears to still be heading higher, suppliers with inventory were pleased to see better demand and unload material.

The \$.04/lb Sept nomination essentially covers the Aug contract PGP increase of \$.035/lb; however spot monomer prices continued to rally throughout the month leading to a \$.07/lb nomination for Sept PGP contracts. Consequently, producer action has been seen, including a revised and larger increase for Sept and a fresh nickel for Oct. However, there lacks consistency amongst producers, which could challenge implementation beyond the first \$.04/lb.

Over the past few years, PP contracts tied directly to monomer have been changed to be freely negotiated based on supply/demand conditions or tied to an index. Without the lock-step correlation, PP producers were able to greatly expand their margins during 2015 as monomer costs fell and resin prices were reduced, but to a lesser extent. However, with quickly escalating monomer costs currently at hand, there is no sure-fire way to pass along these rising monomer costs downstream.

It might come down to basic microeconomics - this recent run-up in PGP, which has crimped PP margins should lead to reduced operating rates and tighten supplies. If this rings true, we should see thinner availability in Sept and Oct, which would support higher PP prices. On the other hand, if producers continue to run their reactors near capacity, the supply overhang which has still yet to clear, will likely restrict the magnitude of price advancement. In the meantime, we expect the \$.04/lb to find support in Sept.

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.



Dominick Russo and Fred Dial — Editors

MARKET UPDATE
www.ThePlasticsExchange.com

Michael Greenberg
312.202.0002
@ResinGuru