

WEEK IN REVIEW: AUG 04-AUG 08

SUMMARY

Energy, NGLs and olefins markets saw steep price declines this week. Resin market activity slowed but lower prices were not yet seen.

OLEFINS

Ethylene: Spot prices continued to tumble, shedding more than 7 cents between Monday and Friday to end the week at 45 cpp. August ethylene traded at 52.75 cpp Monday and 50 cpp Tuesday in the Williams system. August ethylene traded three times Wednesday at 50 cpp in the Equistar system before trading at 49 cpp Wednesday and Thursday and finally trading several times at 45 cpp Friday. September ethylene traded Thursday at 47 cpp in the Williams system. A Nov-Dec strip traded Thursday at an ethane-based formula.

The spot ethylene market ended the week with August bid at 44 cpp and offered and 45 cpp. September ethylene was consistently talked at levels very close to August, closing the week bid at 44 cpp and offered and 46 cpp. 4Q was bid at 38 cpp and offered at 47 cpp.

Overall, spot ethylene sellers lamented the lack of demand seen this week and wondered where the market's floor would be. Several crackers were heard to have reduced operating rates as Tropical Storm Eduoard swept through the Texas Gulf Coast area, but no major outages were heard in its wake.

Ethylene contract negotiations were reported to have been fully concluded this week for June and July. June contract prices increased 5 cpp to 70.5 cpp. July contract prices increased 4 cpp to 74.5 cpp. August contracts were nominated to increase between 10 cpp and 15 cpp. August contract discussions were not heard to have begun.

Propylene: Spot refinery grade propylene continued to ease. After starting the week in silence, with no firm bids or offers Monday or Tuesday, August RGP traded twice on Wednesday, at 71 cpp and 69.5 cpp, and at 69 cpp and 68 cpp Friday. Alkylolation values were reportedly in the low 60s cpp range for much of the week.

August chemical grade and polymer grade contracts were still under discussion for some parties. Others reported initial agreements last week of a rollover, which would keep August contract prices flat to July, at 85 cpp for PGP and 83.5 cpp for CGP.

CLOSING MARKETS

NGLs

	AUGUST		SEPTEMBER	
	Bid	Ask	Bid	Ask
Ethane (MtB-EPC)	0.99250	0.99750	0.96250	0.96750
Propane (MtB-LDH)	1.63500	1.64000	1.64500	1.65000
Butane (MtB-EPC)	1.92250	1.92750		
Isobutane (MtB-EPC)	1.94750	1.95250		
Nat Gasoline (MtB-EPC)	2.47750	2.48250		

Olefins

Ethylene (MtB-Eq)	0.44000	0.45000	0.44000	0.46000
Ethylene (MtB-Wms)	-	0.45000	0.44000	0.46000
Ethylene (Choctaw)	-	-	-	-
RGP (MtB)	-	0.68000	-	-
Benzene	4.22000	4.25000	4.12000	4.15000

Polyolefins

	August Market		Current Spot Offers		
	Bid	Ask	Low	High	Volume (lbs)
HDPE - Blow Mold	0.810	0.850	0.830	0.900	4,369,176
CoPP - Inj	0.900	0.940	0.910	1.045	4,186,576
HoPP - Inj	0.880	0.920	0.850	0.975	4,126,104
LDPE - Film	0.900	0.940	0.795	0.935	1,570,644
HMWPE - Film	0.840	0.880	0.870	0.910	1,071,840
LLDPE - Film	0.840	0.880	0.855	0.935	925,184
GPPS	0.900	0.940	0.800	0.935	803,644
HIPS	0.980	1.020	1.060	1.130	436,184
HDPE - Inj	0.820	0.860	0.840	0.870	300,000

Total 17,789,352 lbs

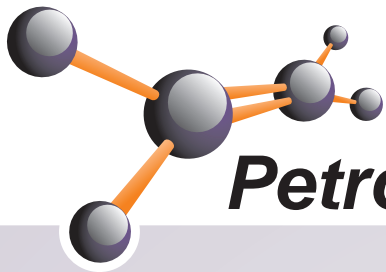
NGLs: \$/gal, Mont Belvieu basis. Bids and offers confirmed from Lozier Energy brokerage.

Ethylene: \$/lb, in either the Equistar, Williams or Choctaw systems, specified above. Bids and offers confirmed from market participants.

Propylene: \$/lb, Mont Belvieu basis. Bids and offers confirmed from market participants.

Benzene: \$/gal, Delivered, duty-pad Houston/Texas City basis. bids and offers confirmed from PCB brokerage.

Resins: \$/lb, Bid/Ask is for Generic Prime PE and PP, bulk railcar delivered to most US locations or packaged in 25Kg bags on pallets in Houston area warehouse as confirmed by market participants. Current Spot offers are summarized with high and low price range with volume aggregated as offered for sale via The Plastics Exchange system.



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POLYETHYLENE

The spot polyethylene market was slow this week, with competitively-priced offers limited to some offgrade railcars and generic prime material priced to include the 8 cpp price increase nominated for August contracts. Resellers, with an eye on plummeting monomer and NGL prices, have been seen aggressively selling their inventories, providing liquidity to the spot market. Processors continued to turn to the spot market for low volumes of competitively-priced material to tide them over as they avoid higher priced contract purchases early in the month. An additional 5 cpp price increase has been issued for September.

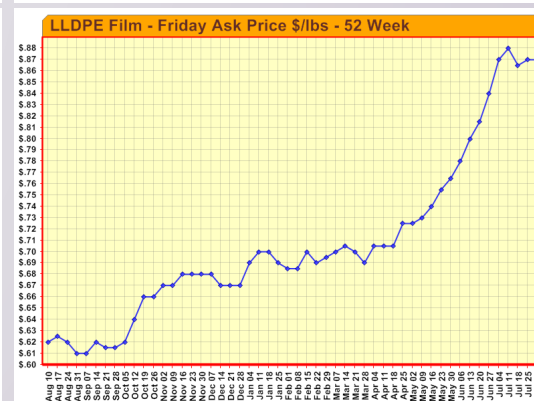
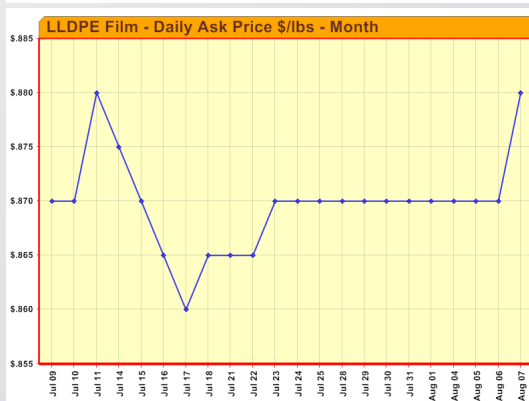
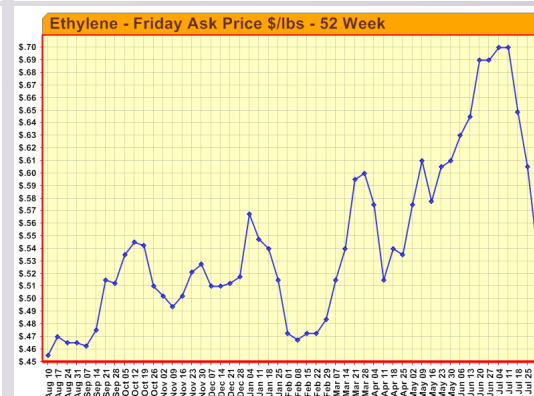
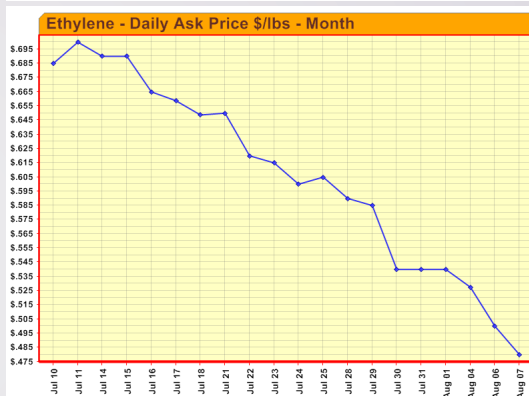
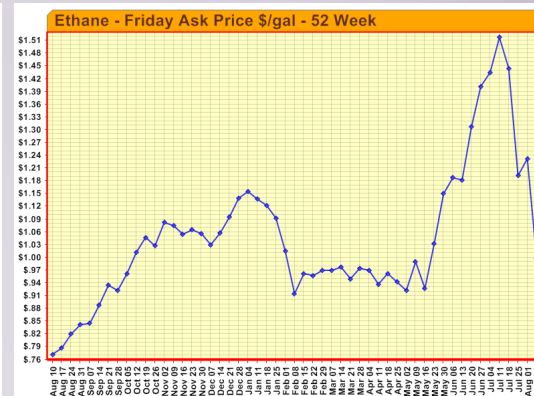
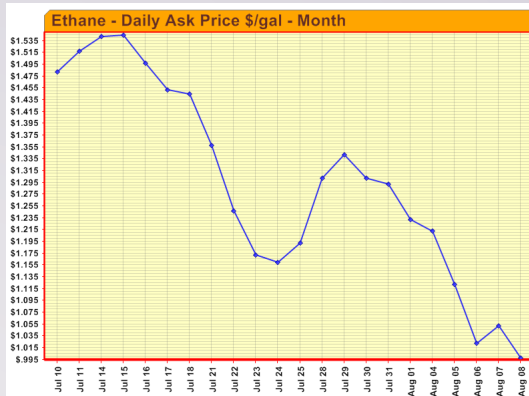
The domestic polyethylene contract market remains contentious. Some parties maintained this week that they refused to support the full 7 cpp increase in July, while others reported that they reluctantly accepted the entire increase for their July purchases. Many smaller processors have expressed frustration with their own inability to pass along the July increase further downstream.

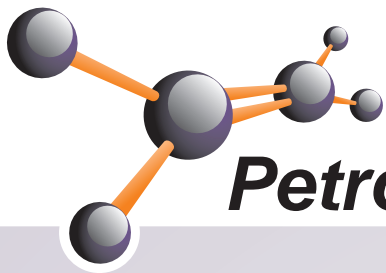
While market sentiment has turned bearish, domestic spot PE prices have been largely steady so far this month. Railcar quantities of HMW and LLDPE film grades are generally priced in the mid-high 80s cpp, HDPE injection and blow molding cars in the mid-80s cpp range and LDPE in the high 80s to low 90s cpp. While considered by many to be high-priced, the state of supply was such that those in need of material were still at the mercy of sellers, and usually had to pay up for prompt material. In the face of potential demand destruction to both export and domestic markets, operating rate cuts continued to be reported, which some note has placed significant pressure on the spot ethylene and ethane markets.

Spot offer volumes for some polyethylene grades have increased from July, but other grades remain snug and are not being shown to the spot market in large volumes. According to The Plastics Exchange Spot Floor, an average of 1.5 million pounds of blow molding HDPE, LLDPE and LDPE have remained on offer at the close of each day this week. At the same time, less than 1 million pounds of HMW HDPE were seen and less than 500,000 pounds of injection grade HDPE have been seen most days.

The export market remains slow as international traders, fully cognizant of falling energy and monomer costs, are wary of future resin pricing. While the arbitrage to Europe is open strictly based on price, summer holidays have kept trader interest from that region low. Asian demand is also light as some Chinese manufacturing sites have closed while the Olympic Games take place. This lack of Chinese buying has inspired Asian sellers to aggressively offer material into South American markets, further limiting demand for US resin.

While producers continue to point to a balanced supply/demand environment warranting the current resin price level, traders and processors expressed their expectations for a swift and steep drop in spot offering prices, which they feel is warranted due to falling energy and spot monomer prices. For the time being, the market remains firm.





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POLYPROPYLENE

Spot polypropylene offers continued to accumulate this week and prices have eased. Rapidly rising resin prices have destroyed demand and resin plants reportedly continue to keep operating rates reduced to best match production to forecasted orders. Still, negative market sentiment has restricted processor purchasing and resellers continue to unload inventory positions. So not only have high-priced generic prime railcars gone unsold, lower priced offgrade cars have permeated the market.

For at least the past several months, polypropylene producers have been able to pass along rising monomer costs in the form of higher resin contracts. A 6 cpp August price increase is currently on the table, but has already been met with stiff resistance given the recent fall in energy and spot monomer prices.

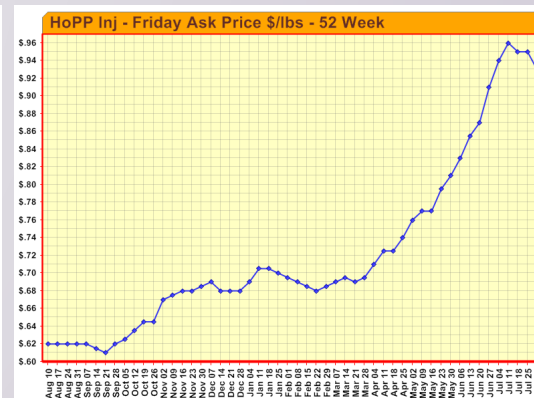
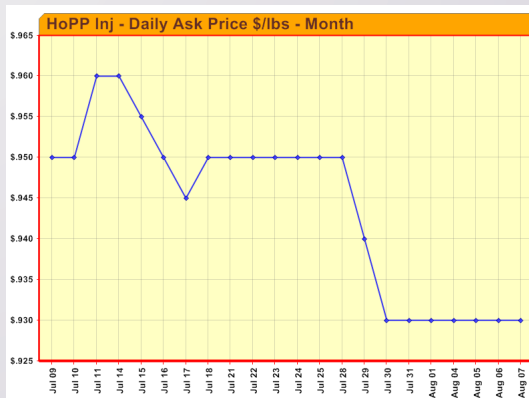
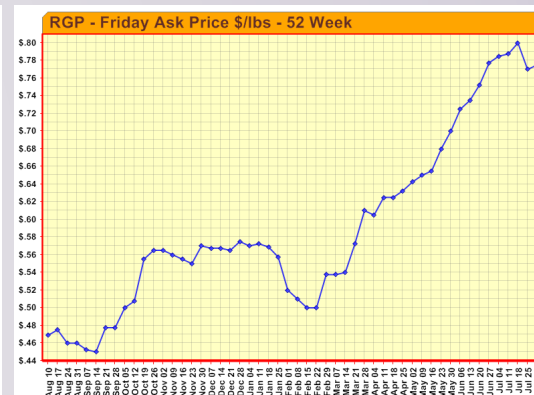
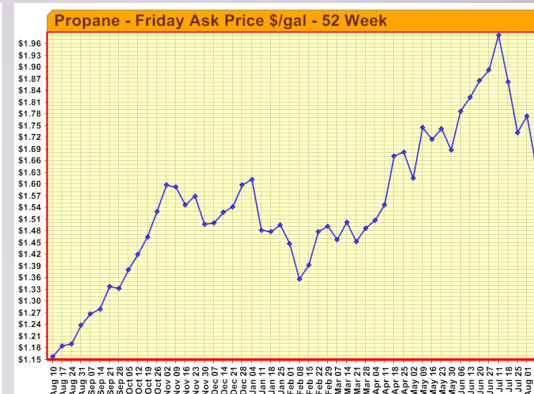
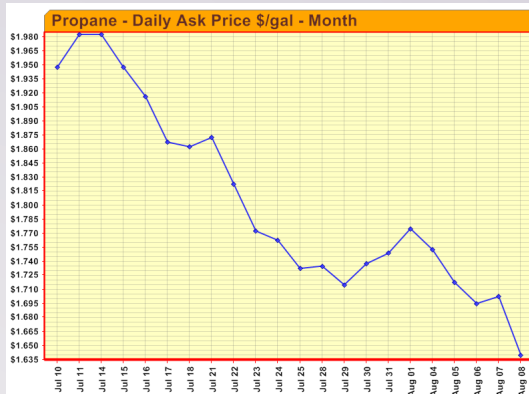
With upstream PGP contracts rolling over, market watchers speculated this week that the contract price for polypropylene may also have reached a peak.

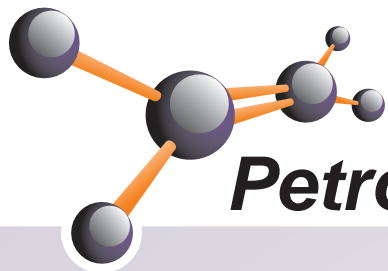
Lower prices could stimulate demand, but since many products have been priced right off the shelf at big-box retailers, rebuilding towards peak demand could take some time. August buying was expected to be slow since processors, sensing that lower resin prices will be seen ahead, have limited their purchases in favor of working off their resin inventories. They have been primarily purchasing spot material to fill in supply gaps.

Spot polypropylene prices which lost a couple cents at the end of July, were steady for much of this week, but then gave up another penny on Friday. Homopolymer prices are now in the high 80s and low 90s cpp, and copolymer prices were in the mid 90s cpp.

Spot offer volumes continue to accumulate. More than 3.5 million pounds of each grade were seen on The Plastics Exchange Spot Floor at the end of most days. More offers were seen from producers at levels in line with August price increases, but these have attracted little interest. Traders' offerings at prices competitive to July levels have been easier to move, while some feeling anxiety have dropped prices to hit prevailing bids.

The export market continues to be out of US sellers' reach. PP prices are high all over the world, but the downturn in crude and propylene has sent international resin buyers to the sidelines as they wait for lower offers in August. Many processors awaiting relief have applauded falling crude oil prices and now anticipate the follow-through to resins.





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POLYSTYRENE

The polystyrene market is suffering from a severe lack of liquidity, with often no HIPS offers available in the spot market. Scarce and high-priced butadiene has limited HIPS production and availability. While some general purpose polystyrene, particularly offgrade and off-color, continues to flow into the spot market.

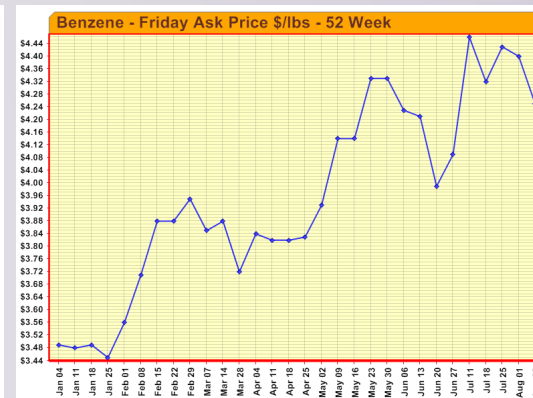
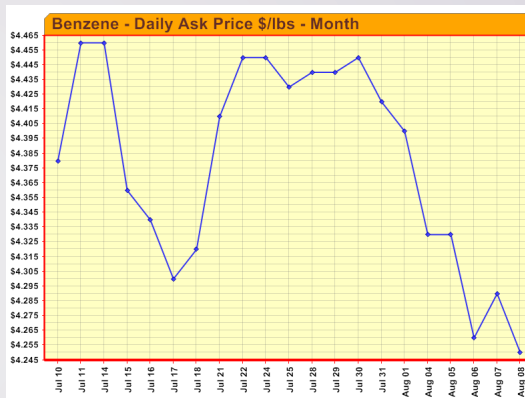
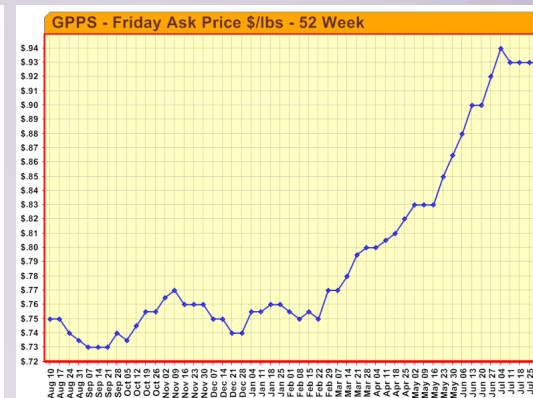
Spot GPPS offer volumes were around 600,000 pounds for much of the week on The Plastics Exchange Spot Floor, while 348,000 pounds of HIPS emerged at week's end.

August polystyrene contracts have been nominated to increase 7 cpp. Despite falling spot ethylene and spot benzene prices, the jump in August benzene contract price was viewed as supportive for the overall PS increase, as was the continued strength seen in butadiene.

BENZENE

Spot benzene prices saw some heavy losses this week. Benzene started the week with a sell-off of 7-8 cents, and August closed at 431-433 cpg Monday while September slid to 427-430 cpg. By Wednesday, declines had extended to 424-426 cpg for August and 417-420 cpg for September. August benzene closed the week at 422-425 cpg, down from 439-440 cpg on Friday Aug 1. September benzene closed at 412-415 cpg Friday, down from 436-437 cpg Aug 1.

August benzene contracts settled earlier this month at 445 cpg, up significantly from July contract levels of 416 cpg and 418 cpg.



Economic Indicators

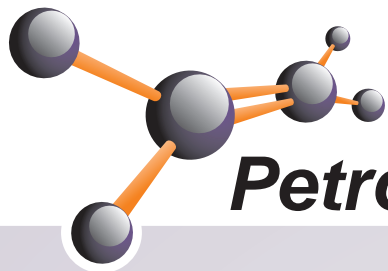
The Commerce Department reported Monday that new orders at US factories increased 1.7% in June.

The International Council of Shopping Centers reported Thursday that US chain stores' aggregate growth rate in July slowed to 2.6%.

The US dollar continued to recover, gaining more than \$.05/Euro this week to close below \$1.50/Eur. This contributed to falling prices for many commodities, including crude, grains and metals, analysts said.

The Week Ahead

- Aug 12: International Trade Balance
- Aug 13: EIA petroleum
- Aug 13: Retail Sales
- Aug 14: EIA nat gas
- Aug 14: Consumer Price Index



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NGLs

Ethane: Prices sank early in the week, shedding 10 cpg per day, reaching 102 cpg Wednesday. Ethane ultimately closed the week at 99.5 cpg, down from 123 cpg the previous Friday. Some attributed ethane's weakness to its waning popularity as a steam cracker feedstock this month. Others cited weak demand from ethylene and polyethylene as contributing factors as well as falling natural gas prices.

Propane: Sharply lower crude oil prices paved the way for lower propane prices this week. The market closed at 175 cpg Monday and 169.25 cpg Wednesday, and ended the week at 163.75 cpg, down from 177.25 cpg the previous Friday. Propane was a fairly popular crack this week, particularly as propylene maintained such a high premium to ethylene.

Butane: After starting the week unchanged at 206 cpg, prices dropped to 200.25 cpg Wednesday and closed at 192.5 cpg Friday. Butane remained a very popular feedstock, steam cracker operators reported. Isobutane maintained a 2-3 cpg premium to n-butane throughout the week.

Natural gasoline: Sharply lower prices were easing the pain felt by heavy steam crackers for the past few months and natural gasoline was starting to come into favor for some. Shedding 10 cpg Monday to close at 261 cpg, prices reached 252.5 cpg by Wednesday and ended the week at 248 cpg, down from 271 cpg seen Friday Aug 1.

ENERGY

Crude oil prices continued to trend lower, settling at \$121.41/bbl Monday and \$118.58/bbl Wednesday before ending the week at \$115.20/bbl, down from \$125.10/bbl on Friday Aug 1. US crude oil refinery inputs averaged 15 million barrels per day during the week ending August 1, down 123,000 barrels per day from the previous week's average, the EIA reported Wednesday. Refineries ran at 87% percent of their operable capacity during that time, down from 88.2% the previous week, according to the EIA report.

Natural gas prices started the week with a steep drop of 66.3 cents to settled Monday at \$8.726/mmBtu. It stabilized by mid-week, settling at \$8.773/mmBtu on Wednesday and ending the week at \$8.248/mmBtu, down from \$9.389/mmBtu on Friday Aug 1. Working gas in storage was 2,517 Bcf as of Friday, August 1, 2008, according to EIA estimates released Thursday. This represents a net increase of 56 Bcf from the previous week. Stocks were 353 Bcf less than last year at this time and 6 Bcf below the 5-year average of 2,523 Bcf, according to the EIA report.

CLOSING SPREADS August

Ethylene - Ethane	0.110
Ethylene - Propane	0.058
Ethylene - Butane	0.050
Ethylene-Nat gasoline	-0.003
Ethylene - RGP	-0.235
RGP-Propane	0.293
LDPE film - Ethylene	0.475
LLDPE film - Ethylene	0.415
HDPE blow mold - Ethylene	0.385
HDPE inj - Ethylene	0.395
HDPE HMW - Ethylene	0.415
LDPE film - Ethane	0.585
LLDPE film - Ethane	0.525
HDPE blow mold - Ethane	0.495
HDPE inj - Ethane	0.505
HDPE HMW - Ethane	0.525
PP homo - RGP	0.230
PP copol - RGP	0.250
PP homo - Propane	0.523
PP copol - Propane	0.543
GPPS - Benzene	0.336
GPPS - Ethylene	0.465
HIPS - Benzene	0.401
HIPS - Ethylene	0.530
LDPE film-HDPE film	0.060
PP homo-HDPE inj	0.070
HIPS - PP Copol	0.045

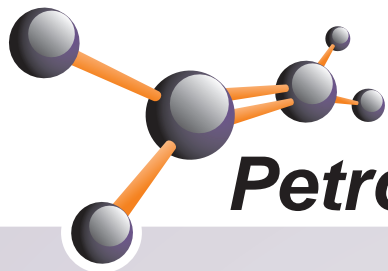
Spreads are calculated on a straight price basis, not inclusive of costs or co-product credit factors. Spreads are calculated in cents per pound, using standard conversion factors for NGLs, which are reported in cents per gallon. If a spread involves an Olefins market that lacks a bid or offer, the existing data for the stated olefin (bid or offer) is correlated to the same data for NGLs and Polymers, such as a spread between bids only or offers only. If bid/ask data is complete for Olefins, the spreads are calculated on a mid-point of data for the chain.

Forward Curve Propane, Ethane

	C3 LDH	C2 XLDH
Aug 2008	1.63750	0.99500
Sep 2008	1.64750	0.96500
Oct 2008	1.65750	0.94000
Nov 2008	1.66750	0.91250
Dec 2008	1.67750	0.89000
Jan 2009	1.68750	0.87000
Feb 2009	1.65250	0.85000
Mar 2009	1.61250	0.83000
Apr 2009	1.56750	0.80000
May 2009	1.52750	0.77500
June 2009	1.48750	0.75000
July 2009	1.46750	0.73000
Aug 2009	1.46750	0.71000
Sep 2009	1.46750	0.71000
Oct 2009	1.47250	0.71000
Nov 2009	1.47750	0.71000
Dec 2009	1.48250	0.71000
Jan 2009	1.48750	0.71000

Closing NGL Prices

Ethane (MtB-EPC)	0.99500
Propane (MtB-LDH)	1.63750
Butane (MtB-EPC)	1.92500
Isobutane (MtB-EPC)	1.95000
Nat Gasoline (MtB-EPC)	2.48000



SPOT OLEFINS DEALS

	08-Aug	07-Aug	06-Aug	05-Aug	04-Aug	01-Aug	31-Jul	30-Jul	29-Jul	28-Jul	25-Jul
Ethylene (MtB-EQ)		.49 (Aug)	.5 (Aug) .5 (Aug) .5 (Aug) .49 (Aug)			.53 (Sep)	.545 (Jul) .545 (Jul)				
Ethylene (MtB-Wms)	.45 (Aug) .45 (Aug) .45 (Aug) .45 (Aug)	.47 (Sep)		.5 (Aug)	.5275 (Aug)		.535 (Jul) .53 (Aug)	.56 (Jul) .535 (Sep)			
Ethylene - Choctaw					.52 (Aug)						
Ethylene (MtB-Other)											
RGP (MtB)	.69 (Aug) .68 (Aug)		.71 (Aug)				.73 (Jul) .725 (Jul) .725 (Jul)	.74 (Jul) .7325 (Jul) .7 (Jul) .73 (Aug)			.74 (Aug)
PGP (MtB)										.805 (Aug)	
	24-Jul	23-Jul	22-Jul	21-Jul	18-Jul	17-Jul	16-Jul	15-Jul	14-Jul	11-Jul	10-Jul
Ethylene (MtB-EQ)			.62 (Jul) .62 (Jul) .62 (Jul) .61 (Aug) .605 (Sep)		.655 (Jul)	.665 (Aug)					.68 (Jul)
Ethylene (MtB-Wms)		.6 (Jul) .595 (Aug)			.6475 (Jul)	.66 (Aug) .66 (Aug) .665 (Jul) .655 (Jul)	.655 (Jul)				.68 (Jul) .6775 (Jul)
Ethylene - Choctaw							.67 (Jul)				
Ethylene (MtB-Other)											
RGP (MtB)								.78875 (Jul) .79 (Jul)			.785 (Jul) .7875 (Jul)
PGP (MtB)											

Specific dates. Aggregate volumes are published with weighted average prices. Deal history dating back to July 2007 is available at www.petrochemwire.com.