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It was another super-busy week of resin trading at The Plastics Exchange; activity was heavily skewed towards Polyethylene over Polypropylene and completed volumes were amongst the highest of the year. Spot PE prices were mildly mixed with small half-cent movements marked for some commodity grades. The jury is still out on the \$.02-.04/lb price increase on the table for Oct PE contracts, and for added upward pressure, at least a couple of producers have nominated another \$.03/lb increase for Nov. PP contracts are rolling flat in Oct, and while monomer costs have continued to ease, pointing to a cost driven decrease in Nov, an offsetting \$.02/lb margin increase has been floated by at least one producer. PP exports are just sputtering along with only about 1.5% of total sales sent offshore. On the other hand, Polyethylene requires hefty exports to offset the new / incremental resin production. As such, and despite Chinese tariffs, PE exports have surged to now account for an average of 30% of total sales, compared to the trailing 12 month average of less than 22%.

The major energy markets saw heightened volatility and the Oil complex declined further. December rolled to the front month for WTI Crude Oil and the week started with small gains before a larger than expected inventory build, reported mid-week, shook the market and it settled sub \$70/bbl for the first time in over a month. With the Iranian oil sanction deadline of Nov. 5th quickly approaching, we anticipate continued volatility in the coming weeks. WTI ended the week down \$1.90/bbl to \$69.28/bbl. Brent Oil also fell, but its losses were contained to just \$.65/bbl as the Dec futures contract finished Friday at \$79.79/bbl. Nat Gas futures scored a nearly 3% gain; the Nov contract ended the week up \$.089/mmBtu to \$3.25/mmBtu. After reaching multi-year highs near the end of September, NGLs have now fallen for the third straight week. Ethane shed \$.01/gal to \$.42/gal (\$.177/lb). Propane dropped a couple of cents to \$.97/gal (\$.274/lb).

The monomer markets saw a steady week of trading activity with good buyer/seller interest and about average volume visibly done. Spot Ethylene started the week off strong and retraced back up to \$.20/lb, before relinquishing the gains. The market ended the week around \$.18/lb, about a penny in the red. Propylene continued to be pressured to the downside and spot levels drifted lower. PGP for prompt delivery slid another \$.015/lb to end the week around \$.55/lb. Forward prices were weaker still, increasing the backwardation to about \$.02/lb by the end of 2018. Oct PGP contracts rolled flat at \$.60/lb, which is generous considering spot levels. If the market were to maintain current pricing well into Nov, we would expect a decent decrease - as much as \$.03/lb would be warranted.

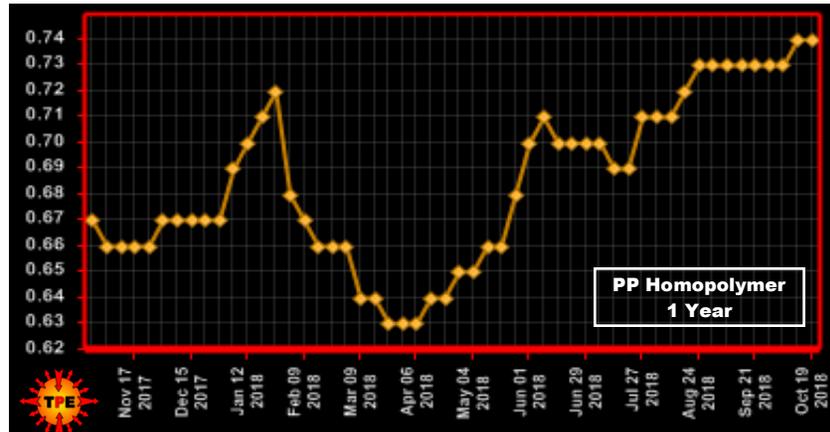
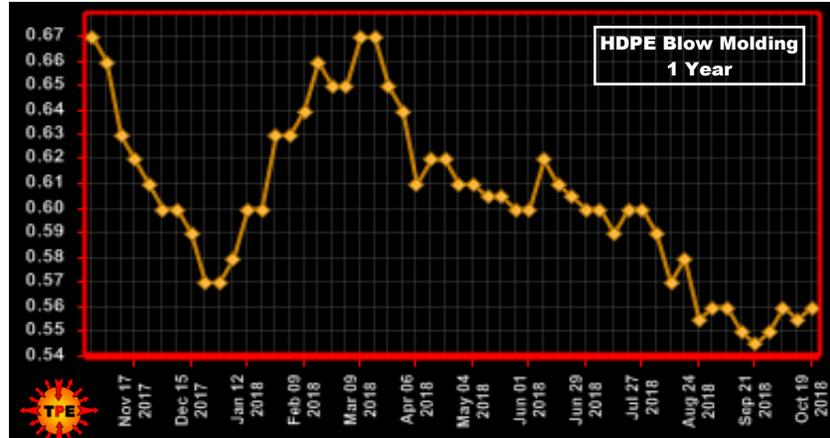
The spot Polyethylene market has been very liquid and the vast majority of our realistic trading opportunities were successfully completed this past week. Transaction volumes continue to grow and are nearing the robust levels seen a year ago in the aftermath of Hurricane Harvey. While PE contract prices remain firmly supported with (average) \$.03/lb increases nominated for each Oct and Nov, there has been a steady flow of well-discounted spot material, both bulk domestic railcars and Prime packages in Houston, that have compelled market participants to engage our spot market for relative deals. As Polyethylene exports continue to ramp up to consume a significant portion of the added PE production, another wrench has been thrown adding to the complications already caused by the tariffs. Rail carriers have begun to restrict the heavy flow of railcars that cross the border into Mexico, which will put even more pressure on the already bursting Houston area packaging houses. The overall PE export market has been very healthy and this is just another sign of confirmation.

In contrast to the very active two-sided PE market, Polypropylene trading has been challenged by a mismatch between timely product demand and actual shippable supply. The particular grades in need have not necessarily been easily accessed as overall PP availability has been fairly tight. PGP monomer costs continue to ease, which points to softer resin prices ahead, so resellers have shied away from adding significant volumes of PP to their uncommitted inventories. At the same time, railcar offers for surplus prime PP resin have been scarce and priced to reflect an opportunistic premium – which has been unappealing to processors. This type of situation can generate special discounted deals towards the end of a month, usually available for a very short time and to those that are ready to pull the trigger with orders. We expect a busier week ahead.

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Market Update — October 19th, 2018

Resin for Sale 12,262,676 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,836,152	\$ 0.490	\$ 0.610	\$ 0.470	\$ 0.510
PP Homo - Inj	1,752,024	\$ 0.660	\$ 0.790	\$ 0.700	\$ 0.740
LDPE - Film	1,719,588	\$ 0.560	\$ 0.640	\$ 0.525	\$ 0.565
HDPE - Blow	1,329,840	\$ 0.540	\$ 0.590	\$ 0.520	\$ 0.560
LLDPE - Inj	1,279,104	\$ 0.550	\$ 0.650	\$ 0.550	\$ 0.590
LDPE - Inj	1,015,024	\$ 0.550	\$ 0.620	\$ 0.530	\$ 0.570
PP Copo - Inj	920,000	\$ 0.690	\$ 0.860	\$ 0.740	\$ 0.780
HDPE - Inj	881,840	\$ 0.540	\$ 0.590	\$ 0.505	\$ 0.545
HMWPE - Film	529,104	\$ 0.560	\$ 0.600	\$ 0.535	\$ 0.575



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