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Market Update — October 24, 2014

Total Offers 13,216,498 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	2,723,956	\$ 0.760	\$ 0.800	\$ 0.740	\$ 0.780
LDPE - Film	2,005,472	\$ 0.780	\$ 0.860	\$ 0.800	\$ 0.840
LLDPE - Film	1,871,736	\$ 0.780	\$ 0.840	\$ 0.760	\$ 0.800
PP Homo - Inj	1,509,654	\$ 0.790	\$ 0.885	\$ 0.830	\$ 0.870
HDPE - Inj	1,205,024	\$ 0.760	\$ 0.830	\$ 0.740	\$ 0.780
HMWPE - Film	1,187,288	\$ 0.770	\$ 0.840	\$ 0.760	\$ 0.800
PP Copo - Inj	1,126,368	\$ 0.805	\$ 0.895	\$ 0.840	\$ 0.880
LDPE - Inj	827,000	\$ 0.770	\$ 0.840	\$ 0.790	\$ 0.830
LLDPE - Inj	760,000	\$ 0.770	\$ 0.815	\$ 0.760	\$ 0.800

Spot resin trading remained slow; in sharp contrast to the active first half of October, transacted volumes were below average for the second week in a row. Although energy and feedstock prices have come off considerably, producers have been reluctant to drop Prime resin prices here in the US. Generic Prime for both Polyethylene and Polypropylene was steady, although there was further weakness seen for offgrade resins. October PE contracts are flat; most PP contracts followed PGP up \$.04/lb, although some accounts that are no longer tied to PGP might have taken a larger increase. High volume spot exports are disabled by price, international resin prices are simply lower than here in the US.

Prices for the major energy products continued to drop, but in less volatile trading. December Crude Oil held above \$80/bbl the entire week, settling Friday at \$81.01/bbl, a loss of \$1.05/bbl. Brent Oil prices were relatively stable at \$86.16/bbl, down just \$.03/bbl. December Natural Gas futures were the big loser, shedding \$.165/mmBtu, more than 4%, to end the week at \$3.698/mmBtu, a fresh low close for this contract. The Crude Oil : Natural Gas ratio pushed out to 22:1. Spot Ethane fell a penny to \$.2125/gal (\$.089/lb). Propane prices continued to erode, erasing another nickel to \$.86/gal (\$.2437/lb).

Spot Ethylene prices dropped again in active trading; the market fell \$.02/lb to \$.625/lb from the get-go and losses mounted as the week wore on. By the end of Tuesday, Ethylene for October delivery shed another \$.025/lb; the most recent transaction was just above \$.58/lb, for a net weekly loss of more than \$.06/lb. The bulk of the losses were seen in the nearby months, so the forward curve flattened significantly. Due to cracker outages during 2014, prompt Ethylene has essentially been trading at a premium to future months and that premium is disappearing. Ethylene prices through the balance of 2014 are only slightly discounted to prompt levels. While Ethylene prices still drop each month of 2015, recently they have not moved much; Dec prices are still just a shade below \$.50/lb. There are still currently 4 crackers offline for maintenance; the Evangeline Pipeline is shut again, so a premium is developing for Ethylene in Louisiana.

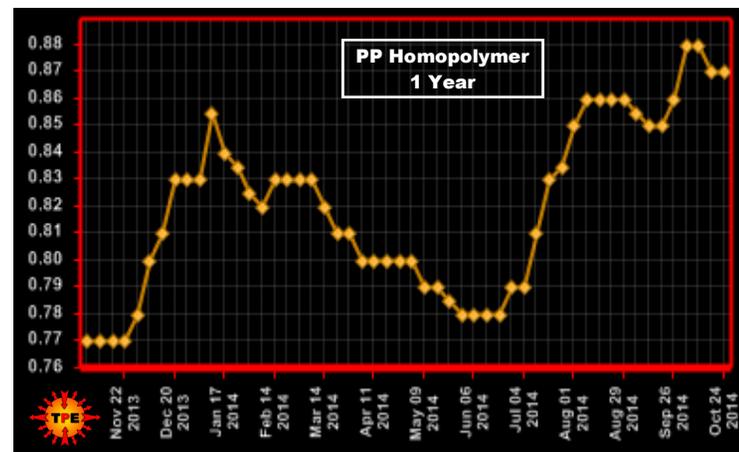
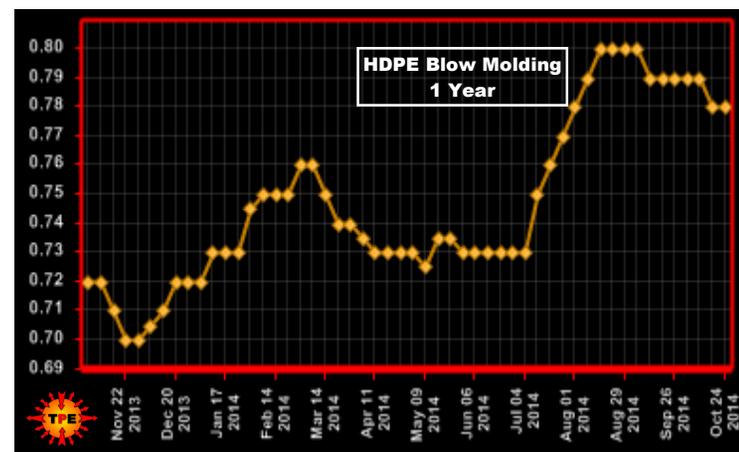
Spot Polyethylene market activity was subdued; fresh producer Prime railcar offers were sporadic and prices were steady. There was however, a better flow of widespec material, particularly film grades and those prices were softer. With thoughts that lower upstream energy and feedstock costs will eventually make their way downstream to resin, buyers in general have slowed purchases. Resellers have also shifted into the practice of decreasing their inventories to limit downside exposure and to make room for special and selective purchasing opportunities in Nov and Dec. A few PE reactor outages are still keeping supplies of some grades snug, but considering cheaper costs ahead for the foreseeable future, producers have little sustainable incentive to build or maintain high inventories into year-end. Further, with limited export outlets at hand, it only takes a minor liquidation at the producer level to turn the resin market from tight to loose.

Spot Propylene trading was limited, there were just a few deals done at lower prices. PGP for both October and November delivery each transacted at \$.715/lb on Friday. These current spot levels are a full nickel below the Oct contract price of \$.765/lb, which was up \$.04/lb from Sep. November PGP contracts have already been nominated to decrease \$.02/lb. The forward curve has flattened a bit; prices for the remainder of the year are now all priced similarly. However, the backwardation in 2015 remains pronounced; PGP prices are forecast to fall each month until they reach \$.62/lb by next Dec. Spot RGP supplies have returned and prices have quickly reverted from the upward spike into the mid \$.70s/lb back down to the current high \$.50s/lb.

There were few spot Polypropylene deals to be done this past week and prices managed to hold steady. Overall PP supplies are still relatively tight; in fact producer inventories entering October were 30 million lbs below the trailing 12 month average. However, buyers balked at this month's contract increase nominations which were as much as \$.105/lb, so direct demand seemed off and inventories have probably bulged these past few weeks. Average PP contracts have now settled up just \$.04/lb along with PGP monomer, but some producers likely secured a higher increase at some freely negotiated accounts. Those processors that can hold off purchases will fare better in November as a \$.02/lb contract decrease has already been floated (for PGP); spot PP supplies are also expected to improve as production issues subside.

For the second week in a row spot resin trading left something to be desired; both buyers and sellers have shied away from the market. Although the marketplace is not awash in resin, lower energy and feedstock costs coupled with weak exports due to cheaper international resin prices has tipped market sentiment into negative territory. Processors are holding off purchases as they anticipate lower prices ahead, sellers are weary to flood the market with offers, but still make it known that supply is available if there is an order in hand. It has been a long time since the domestic resin market has seen a price decrease; we believe one is warranted in November for both Polyethylene and Polypropylene.

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.



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MARKET UPDATE
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