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Market Update — October 28th, 2016

Resin For Sale 17,913,076 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	4,536,348	\$ 0.465	\$ 0.540	\$ 0.450	\$ 0.490
LLDPE - Film	2,770,760	\$ 0.520	\$ 0.580	\$ 0.510	\$ 0.550
HDPE - Inj	2,655,288	\$ 0.500	\$ 0.560	\$ 0.480	\$ 0.520
PP Copo - Inj	2,164,368	\$ 0.470	\$ 0.580	\$ 0.470	\$ 0.510
HDPE - Blow Mold	2,043,220	\$ 0.500	\$ 0.560	\$ 0.480	\$ 0.520
HMWPE - Film	1,249,564	\$ 0.520	\$ 0.585	\$ 0.500	\$ 0.540
LDPE - Film	880,000	\$ 0.580	\$ 0.685	\$ 0.630	\$ 0.670
LLDPE - Inj	851,380	\$ 0.590	\$ 0.645	\$ 0.570	\$ 0.610
LDPE - Inj	762,184	\$ 0.580	\$ 0.625	\$ 0.560	\$ 0.600

The spot resin markets were active and transacted volumes were relatively high this last full week of October. Products along the entire energy to plastics supply chain ended the week in the red and resin market sentiment turned decisively negative. Processors that were not in urgent need of material backed away from procurement, even if discounted month-end offerings seemed like a good deal. Resellers continued their effort to sell-off uncommitted inventories and otherwise sought to only complete back-to-back transactions. Export interest from Latin America and Europe was good, but it was soft from the Asian and Indian regions.

The energy markets all fell, some sharply. Dec Crude Oil futures dropped \$2.15/bbl to \$48.70/bbl, it was the lowest close during all of October, completely wiping out earlier month gains. Dec Brent Oil saw a similar loss and went into the weekend at \$49.71/bbl. Dec Natural Gas futures doubled up on the previous week's rout, eroding another \$.256/mmBtu to \$3.105/mmBtu, \$.45/mmBtu below the mid-month peak. Ethane slid another cent or so to \$.23/gal (\$.097/lb); Propane dropped about \$.025/gal to \$.565/gal (\$.16/lb).

Ethylene prices continued to unwind and traded as low as \$.26/lb before recovering to nearly \$.29/lb, about a net penny loss. Spot Propylene prices were pressured further, indicated as low as \$.36/lb, but no transactions were seen. Oct PGP finally settled at \$.415/lb, down \$.015/lb, considered modest by some market participants. Based on current spot levels, another small decrease is anticipated for November.

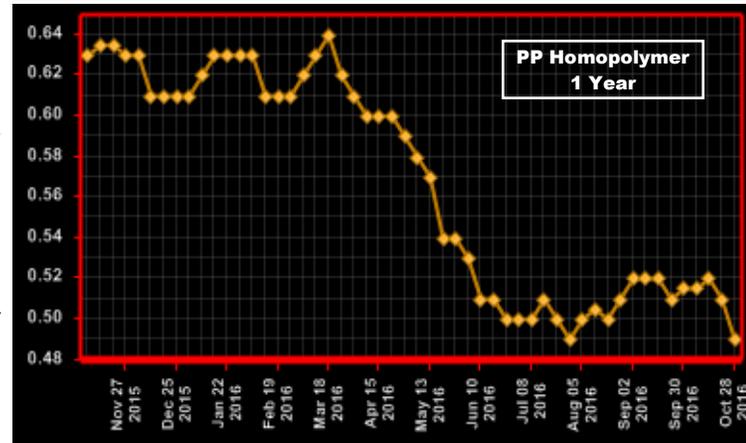
The Polyethylene market remained weak; the flow of offers was fluid and prices fell. Offgrade railcars were discounted and generic prime was available from resellers who owned material still requiring disposition prior to month end. There was good availability across the commodity resins and price drops of \$.02/lb were common, the lone standout was again LDPE Clarity with adds, which is still tightly supplied. Completed volumes were heavy and spread amongst grades, with the bulk of transactions concentrated in LLDPE, both injection and film.

While the \$.05/lb contract increase has held through October, the spot market has fallen throughout the month. Considering some deeply discounted prime railcars that were available late in the week, certain PE grades have even dipped below pre-increase levels. Some processors viewed the offers as a good buying opportunity, while others were frightened off, feeling that it was a sign of things to come. It will be interesting to see if the special deals will continue or if it was just an aggressive end of the month purge. Either way, with material availability improving and spot levels slipping, processors are rumbling for contract price relief ahead.

Spot Polypropylene trading was good, but not great; buying was unenthusiastic and prices shed \$.02/lb. PP supplies remained adequate even though planned maintenance projects restricted resin production. While some processors buffered their inventories, the continued availability provided others with confidence that any near-term upside risk would be limited. Spot PP prices eroded these past couple weeks in anticipation of those reactors beginning to return online.

Plentiful material even minimized the implementation of prior cost-push price increases, which to a varying degree, remain in the market. We are now seeing a large gap develop between contract and spot as generic prime has slipped back to the trough low seen during the summer. Faring worse, offgrade has taken the brunt of the hit, as challenging export markets limit high volume outlets; export bids for widespec have dropped down to \$.40/lb and below. October PGP contracts finally settled with a \$.015/lb decrease, that or more should be passed through downstream.

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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