The spot resin markets coasted into month and quarter end, both of which were ones for our record books. Strong demand continued to outstrip available supply as we have seen for at least the past 5-6 weeks. After ralingly all month long, resin prices were flat the last several days, consolidating at lofty levels. Resin trading did not skip a beat as the calendar flipped to October, as processors remained active in the spot market trying to fill in supply shortfalls. Recappping – already tight supply / demand dynamics were exacerbated by Hurricane Laura that disrupted Louisiana resin production more than a month ago, which helped producers secure a series of price increases for both Polyethylene and Polypropylene contracts. Spot PE prices have run up as much as $.19/lb since bottoming out during the pandemic in May, contracts garnered the same increase over the past 4 months, with another nickel on the table for October. Spot PP prices sprinted $.20 - $.22/lb higher during this period, outstripping the total contract increases of $.125/lb, though producers are seeking to catch up with another well-justified margin enhancing increase for October. Though new and downed production is starting to come back online, we are not out of the woods yet as additional named storms are again forming out on the horizon.

Spot Polyethylene trading had a solid week, deals were done across the whole range of commodity resins and prices held flat. Demand was good, processors generally opted for just single truckloads and a whisper of uncertainty crept into the market as the month came to a close. October began with some fresh railcar offers from resellers’ forecasted supplies, and buyers, having begrudgingly accepted $.19/lb increases in 4 months, were wholly uninterested in hearing prices another $.05/lb higher, reflecting the current price increase. This market has been on a nonstop rally and started to feel a bit tired; however, this pause does not necessarily signal an end to the bull run, as some production disruptions persist and supply remains quite tight. The 4th quarter often brings softer demand and could provide the market an opportunity to re-balance especially when downed plants return fully online and new reactors two production. However, we are still in the midst of the hurricane season and the possibility of a late storm should be considered, so ample resin stocks should be kept on hand. Export interest continued to steadily flow in and we booked several spot deals this past week at levels well-discounted to domestic prices. There is stronger export demand hanging a few cents under the market which producers could tap if needed / desired.

Spot Polypropylene trading remained busy; demand was strong, supply was scarce and our benchmark prices held steady. This week’s completed transactions fell short of our recent averages, largely due to lack of availability along with some price pushback. There was a very large range of prices in the marketplace, some softness was seen in low-end material as startup cars became available, good offgrade prices were strong and Prime resin consolidated at the high end of the spectrum. Processors have reduced the volumes they sought as soaring prices became prohibitive along with thoughts of better supplies ahead. Braskem’s new world class Polypropylene plant has begun production; LyondellBasell’s Lake Charles, LA plant has also restarted and while still under Force Majeure, processors reported higher allocations for October than initially expected. The railroads servicing that facility are also now fully functional and the New Orleans rail gateway has resumed normal service. There are large quantities of imported Polypropylene that have begun hitting the coasts, but most has been pre-sold. Given the lofty price level and anticipated easing of supply conditions, resellers have shifted away from buying every well-priced railcar or truckload that became offered and have generally opted to transact new opportunities on a back-to-back basis. Even with the change of sentiment, practically every Prime and good offgrade pellet has been scooped up quickly to fill current needs. Our outlook has been guiding from bullish back towards neutral as we feel there is some froth in spot pricing; still, industry inventories are at a historically low level and need to be rebuilt from a deep trough. Trading action simmered in the monomer markets, volume was a tad below average and prices dropped. After a quiet start, Ethylene saw a couple forward deals finalized midweek while Sept went off the board and priced skidded lower through Friday. By the end of the week, spot October Ethylene settled down to $2.25/lb, this loss of more than $.03/lb wiped out the previous week’s gains. In contrast, prices for most deferred months were relatively firm helping to flatten the forward curve somewhat, while still keeping its steep backwardation; Ethylene a year out was priced a tad over $1.17/lb. Propylene saw similar midweek action, deals came to fruition on Tuesday through Thursday with most agreements citing future delivery or settlement. The market fell silent on Friday, and by the end of the day, spot October PGP nestled itself at $3.375/lb, just a fractional loss. The forward curve flipped to a contango shape as some back month contracts saw significant increases, peak Dec 21 garnered a $.035/lb gain to rest just below $3.75/lb. As a reminder, September PGP contracts were steady at $.36/lb, current spot pricing suggests little change for October, but there are still a few weeks before contracts settle.

The major energy markets were all deeply negative this past week. WTI Crude Oil was initially resilient, trading on both sides of $40/bbl through Thursday, before breaking the trend with two large down days to end the week. The November WTI contract settled Friday at $37.05/bbl, down $3.20/bbl, an 8% loss. Brent Oil traded in tandem, shedding $3.14/bbl to end the week at $39.27/bbl, the lowest since early June. Natural Gas Futures continued its volatile ways, this time giving up all of the previous week’s gains and a whole lot more. The Nov contract chunked off a large $.369/mmBtu, some 13%, to settle Friday at $2.438/mmBtu. Ethane shed $.007/gal to $.19/gal ($.08/lb). Propane dropped $.024/gal to $.468/gal ($.138/lb).