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The spot resin markets continued to trade very actively and did not skip a beat midweek as the calendar turned to October. There was a good flow of Polyethylene offers and prices held steady, but with a hint of underlying weakness. Although there are a couple scattered \$.03/lb PE increases on the table for Mid-Oct and Nov 1, contracts should roll flat this month. Spot Polypropylene availability was choppy and prices rose \$.02/lb. October PP contracts have been nominated to increase as much as \$.105/lb based on higher PGP monomer costs and desired margin expansion; PP prices will be up, but not quite the dime and the spot market is trailing well behind. The high volume spot export arb is firmly shut for both PE and PP.

The major US energy markets were volatile and by the end of the week, Crude Oil was sharply lower while Nat Gas was steady. November Crude Oil futures scored a \$1/bbl gain on Monday, but plunged from there generating a net weekly loss of \$3.80/bbl. Friday's \$89.74/bbl settlement was the contract's first close below \$90/bbl since way back in January. November Natural Gas futures began with a healthy gain, rising \$.125/mmBtu on Monday, but by Thursday prices were more than a dime lower for the week. The market recovered to \$.4039/mmBtu on Friday, squeezing out a net 1-cent gain. The Crude Oil : Natural Gas ratio shrunk further to 22.2:1, but is still 3.5X the ratio considered parity. Spot Ethane rebounded fractionally to \$.24/gal (\$.101/lb). Propane recouped the previous week's sizable loss, reverting to \$1.08/gal (\$.306/lb).

The spot Ethylene market was fairly busy and prices jumped around. Material for October delivery initially shed nearly \$.03/lb and changed hands at \$.65/lb on Wednesday as Equistar began to restart its expanded unit in Laporte, TX. Then a couple of other unexpected cracker outages buoyed the market and the bounce began. Ethylene prices ticked higher over a series of transactions and most recently sold at \$.68/lb, eking out a quarter-cent gain for the week – but still well off the mid \$.70s/lb peak a fortnight ago. The forward markets continued to see positioning, the nearby months flattened about a penny with Dec 2014 now providing for only a \$.035/lb discount. Dec 2015 is currently indicated at \$.515/lb, which is \$.165/lb below prompt values. Ethylene market participants agreed to a 2-month contract settlement, the Net Transaction Price for August was set at \$.515/lb, while September was inked \$.03/lb higher at \$.545/lb.

Spot Polyethylene trading was swift and our trading desk completed plenty of transactions across the slate of commodity grades. Although Generic Prime prices held firm, the offgrade market was a tad softer as material availability increased. While several reactor issues will keep a lid on Polyethylene production, the lack of spot export opportunities due to the large premium US prices hold to international levels creates the potential for resin inventories to back up and build quickly. Most film grades, prime and widespec, are currently accessible in both bulk railcars and packaged truckloads. HDPE is also becoming more plentiful, particularly for blow molding and lower flow injection; however, high melt flow resins for all HD, LD and LLD are still tough to source. Sep Polyethylene contracts were up \$.03/lb, Oct should roll flat.

The spot Propylene market also saw good activity and volatile pricing. Refinery turnarounds and outages have kept the RGP market short of supply. PGP for October delivery transacted at \$.74/lb on Monday and jumped to \$.765/lb on Wednesday, before settling back to end the week at \$.74/lb. As the market rallied, October contract increase nominations were revised up from \$.05/lb to \$.075/lb, which equates to \$.80/lb before discounts. Based on typical relationships, an agreement around \$.05/lb seems appropriate, but negotiations are ongoing and market conditions ever-changing. The front end of the forward curve is fairly flat, with less than a cent separating PGP prices through the end of 2014. However the 2015 market has reshaped much steeper, now representing a large backwardation as lower prices are shown each month until they reach below \$.62/lb by December of next year.

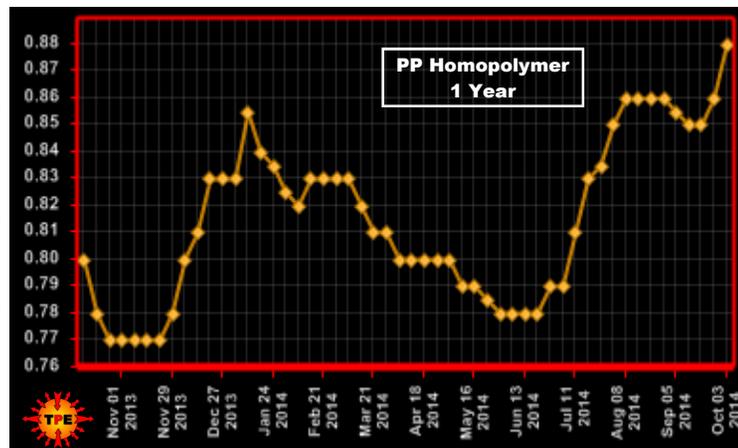
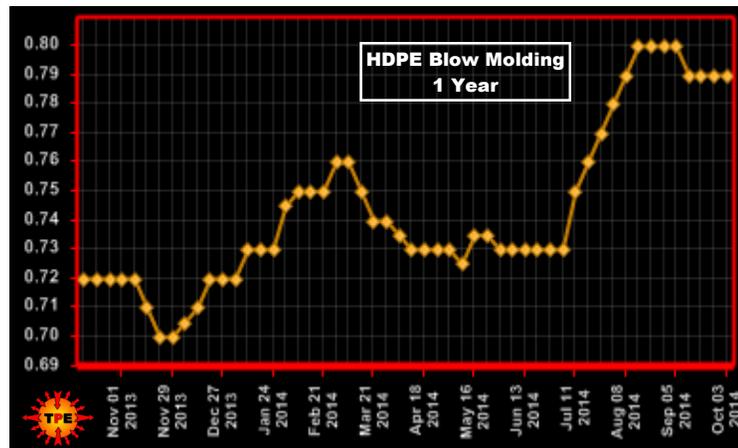
The Polypropylene market had an interesting week; trade flow was strong and spot prices jumped \$.02/lb early in the week, adding to the previous week's penny gain. The market was jolted early in the week when PGP monomer prices continued to rise, prompting the issuance of PP price increases as much as \$.105/lb. After a flurry of resin buying, where processors and traders scooped up well-priced offers, suppliers raised the asking prices – some to astronomical levels, which were not worth chasing. With Prime railcars now generally floated in the low-mid-\$.90s/lb and Prime packaged truckloads breaching a buck, thoughts of serious demand destruction swirled. Then midweek monomer reversed its ascent and resin offers eased particularly for offgrade, so buyers took a step back to wait and see how it all shakes out. We do expect to see a sizable price increase, but think the dime is too steep. It's likely that monomer goes a nickel or so and any extra margin expansion will be based on market conditions and whether producers have the ability to exert pricing power.

Spot resin trading came on strong during the second half of September and did not disappoint as October rolled in. Spot PE is currently a tad pressured, while spot PP is moving higher and could have some room still to go. The markets are being influenced by monomer price volatility and continued resin production constraints while the spot export markets are a big yawn. Polyethylene contracts were up \$.03/lb in Sep and should roll flat this month. Polypropylene contracts were flat last month and will be up a nickel or more in Oct. The big picture (see the 5 year price charts on our website) reveals historically high pricing, but perhaps no need to remind resin buyers.

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.

## Market Update — October 3, 2014

Total Offers 17,028,104 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	3,163,244	\$ 0.775	\$ 0.810	\$ 0.750	\$ 0.790
LDPE - Film	2,712,484	\$ 0.835	\$ 0.880	\$ 0.810	\$ 0.850
HDPE - Inj	2,334,508	\$ 0.770	\$ 0.830	\$ 0.750	\$ 0.790
LLDPE - Film	2,077,588	\$ 0.790	\$ 0.840	\$ 0.770	\$ 0.810
PP Homo - Inj	2,074,852	\$ 0.795	\$ 0.920	\$ 0.840	\$ 0.880
PP Copo - Inj	1,677,196	\$ 0.810	\$ 0.940	\$ 0.850	\$ 0.890
HMWPE - Film	1,115,932	\$ 0.800	\$ 0.840	\$ 0.770	\$ 0.810
LLDPE - Inj	1,107,564	\$ 0.800	\$ 0.840	\$ 0.770	\$ 0.810
LDPE- Inj	764,736	\$ 0.770	\$ 0.885	\$ 0.800	\$ 0.840



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MARKET UPDATE  
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