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## Market Update — October 9<sup>th</sup>, 2020

The spot resin markets continued to transact at the very rapid rate which has been sustained for 2 months solid. This past week was perhaps the busiest of them all as the industry braced for yet another hurricane, this one named Delta, barreling down towards Louisiana near the Texas border. Processors scrambled to secure material for various reasons including to fill in supply gaps due to already tight supplies, add to onsite inventory as a buffer against additional supply chain disruptions and as a pre-buy for fear of even higher resin prices ahead. While spot materials were generally scarce, particularly Polypropylene, our completed volumes ran high as availability trumped price and sometimes quality. Polyethylene prices continued to hold but did not advance further, spot prices consolidated on the higher side of recent ranges and producers eyed their 5<sup>th</sup> straight monthly price increase. Spot Polypropylene prices jumped another \$.02/lb as availability essentially dried up and suppliers with some inventory to spare commanded and received their ever rising asking prices. Incremental Polyethylene exports resumed as light initial October offerings were quickly scooped up. Only low end and start up Polypropylene railcars sold export.

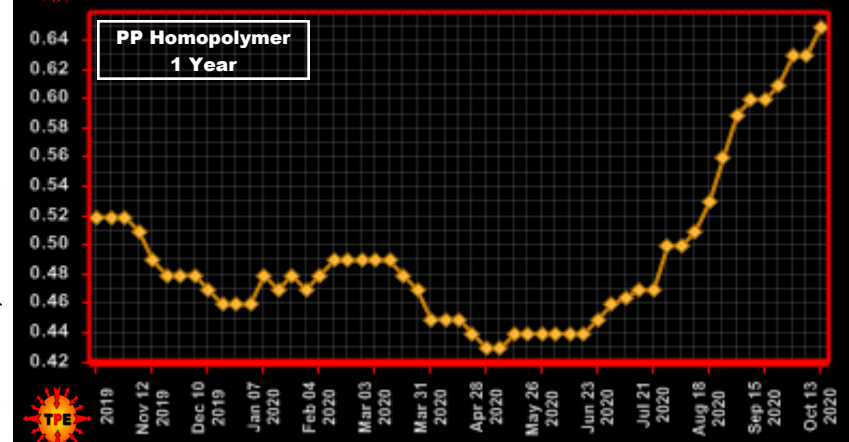
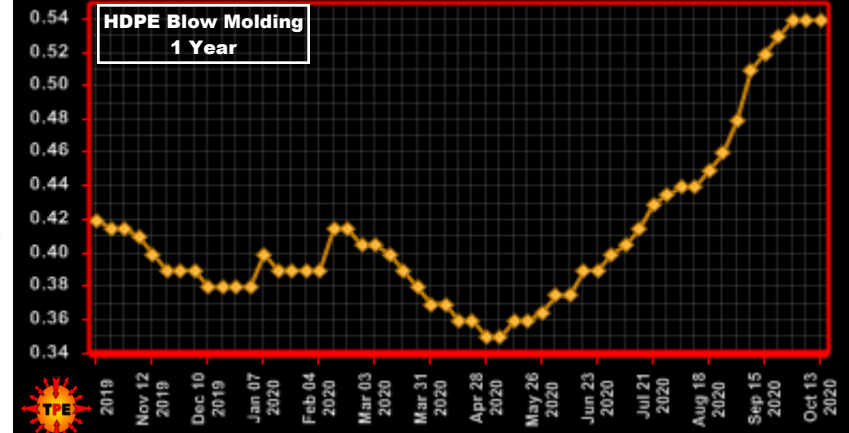
The spot Polyethylene market remained very active, completed volumes were high and dealings were spread amongst all commodity grades while prices hung flat, but firm, for the second week in a row. Transactions came together rather seamlessly with back-to-back railcar orders nicely matched by strong sales for immediate pickup from our market making inventory. At times, a flat market has caused volumes to dip, but in this environment, narrowing spreads and improved price discovery have helped buyers procure with more confidence. Processors continue to buy as needed and throughput demand remains strong, though it seems that we are getting closer to the top-end of this market cycle. PE contracts have risen \$.19/lb since June, and while it's too early to make a solid call on the nickel increase slated for October, the spot market has started feeling a bit tired. However, the overall supply / demand dynamic also remains tight and severe weather could still be a wildcard. Hurricane Delta has targeted the same area as Hurricane Laura did some 6 weeks ago, and if serious damage is incurred, additional disruptions could further perpetuate this Polyethylene rally. We have been vocally quite bullish PE prices since June and have recently taken on a more neutral tone as the rally has been running its course.

Polypropylene trading continued to impress, spot demand increased as buyers faced insufficient supplies due to continued production disruptions that were exacerbated by Hurricane Delta which caused precautionary shutdowns. Spot prices for both HoPP and CoPP rose another 2 cents and completed deals were only hampered by the outright lack of available material. Of the deals that were done, the majority was for low-mid melt Prime and widespec HoPP, mid-melt CoPP and Random Clarified resins. Some high priced offgrade railcars came and went in a heartbeat. High flow impact CoPP would have been the biggest mover if it was available, but nary an extra truckload could be found. As mentioned in our last report, while we feel that this move is not yet over, we have shifted our sentiment from bullish to more neutral as we see demand destruction and believe that the top end of the pricing spectrum will likely evaporate when supplies improve. In the meantime, the market is still very tight and buyers in need will continue to pay up for material.

Monomer markets saw activity pick up from the previously sluggish tone, visible volume was about average and prices were mixed. Spot Ethylene began the week under pressure and prompt pricing sliced off \$.015/lb when October material exchanged hands a couple times at \$.21/lb. A couple of forward December deals were also completed at \$.19/lb. Spot Ethylene located in Louisiana transacted at \$.24/lb midweek as the premium over Houston material remained well intact. On Thursday, spot bids dipped below \$.20/lb and sellers took a step back and did not chase the buyers. A few forward delivery rolls were noted on Friday and by end of day spot Ethylene settled where it last traded, down \$.015/lb to \$.21/lb. The forward curve flattened a bit as the deferred months saw little price change, but remains in backwardation. Propylene came alive midweek; multiple deals came to fruition dated from Nov out to Q2 of 2021. On Friday spot PGP transacted at \$.35/lb which is where the market settled for the week. Current spot levels indicate slightly firmer pricing for October contracts, though ample time remains before negotiations come into full swing.

The major energy markets reversed from the previous week as gains were seen across the board. WTI Crude Oil started the week with strength and didn't look back, the \$40/bbl level was regained and held firmly. By the end of the week, the November WTI futures contract advanced a sizable \$3.55/bbl and settled Friday at \$40.60/bbl. Dec Brent Oil saw near identical gains, adding \$3.58/bbl to \$42.85/bbl. Nat Gas Futures were volatile, trading in a wide 15% range as heating season approached with inventories near record highs. The Nov contract recouped almost all of the previous week's losses, jumping \$.303/mmBtu to \$2.741/mmBtu. Ethane gained \$.006/gal to \$.20/gal (\$.083/lb). Propane rose \$.034/gal to \$.52/gal (\$.147/lb).

Resin for Sale 9,723,860 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	1,770,692	\$ 0.570	\$ 0.680	\$ 0.610	\$ 0.650
LDPE - Film	1,650,508	\$ 0.550	\$ 0.630	\$ 0.580	\$ 0.620
LLDPE - Film	1,548,496	\$ 0.460	\$ 0.540	\$ 0.470	\$ 0.510
HDPE - Inj	1,478,024	\$ 0.450	\$ 0.530	\$ 0.480	\$ 0.520
LLDPE - Inj	1,111,748	\$ 0.560	\$ 0.625	\$ 0.570	\$ 0.610
LDPE - Inj	699,196	\$ 0.520	\$ 0.580	\$ 0.550	\$ 0.590
HDPE - Blow	630,552	\$ 0.540	\$ 0.610	\$ 0.500	\$ 0.540
HMVPE - Film	454,552	\$ 0.500	\$ 0.580	\$ 0.520	\$ 0.560
PP Copo - Inj	380,092	\$ 0.670	\$ 0.760	\$ 0.650	\$ 0.690



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