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Market Update — November 10th, 2017

Resin for Sale 14,435,284 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	3,061,336	\$ 0.570	\$ 0.670	\$ 0.590	\$ 0.630
PP Homo - Inj	2,252,116	\$ 0.610	\$ 0.690	\$ 0.620	\$ 0.660
HDPE - Inj	2,078,208	\$ 0.580	\$ 0.720	\$ 0.630	\$ 0.670
LLDPE - Film	1,849,748	\$ 0.590	\$ 0.680	\$ 0.560	\$ 0.600
PP Copo - Inj	1,666,196	\$ 0.620	\$ 0.720	\$ 0.650	\$ 0.690
HDPE - Blow	1,293,656	\$ 0.610	\$ 0.690	\$ 0.600	\$ 0.640
HMMWPE - Film	1,061,380	\$ 0.630	\$ 0.690	\$ 0.610	\$ 0.650
LDPE - Inj	648,552	\$ 0.610	\$ 0.680	\$ 0.630	\$ 0.670
LLDPE - Inj	524,092	\$ 0.670	\$ 0.720	\$ 0.650	\$ 0.690

With all Houston area petrochemical plants affected by Hurricane Harvey finally either fully operational or well on their way, the spot resin markets have reverted to a more typical environment - at least for the moment. While the market is far from flooded with resin, and some suppliers still need to back-fill some orders due to the production gap, we continue to see a more liquid flow of spot Polyethylene offers while prices further erode the huge storm related premiums. Polypropylene offers have been a bit more sporadic, and while most commodity grades have been offered for prompt shipment, the volume available has generally been limited.

Once again, the major energy markets all moved higher. WTI Crude Oil spent the week within a 4% range. The December futures contract settled Friday at \$56.74/bbl, though it was more than a dollar off the high, it still represented a \$1.10/bbl gain, the highest close for front month WTI in 28 months. Brent Oil saw a slightly larger rise, adding \$1.45/bbl to end the week at \$63.52/bbl. The Brent-WTI spread has widened to \$6.78/bbl. Natural Gas was the strongest of the bunch; the Jan futures contract jumped a huge \$2.29/mmBtu, almost 8%, before heading into the weekend at \$3.213/mmBtu.

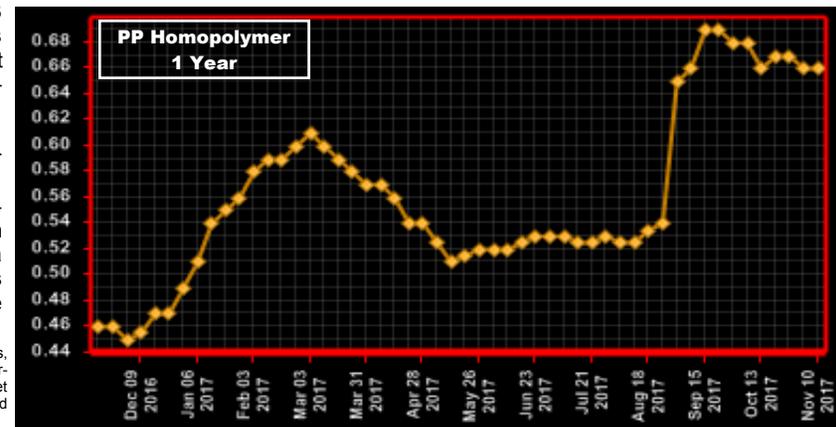
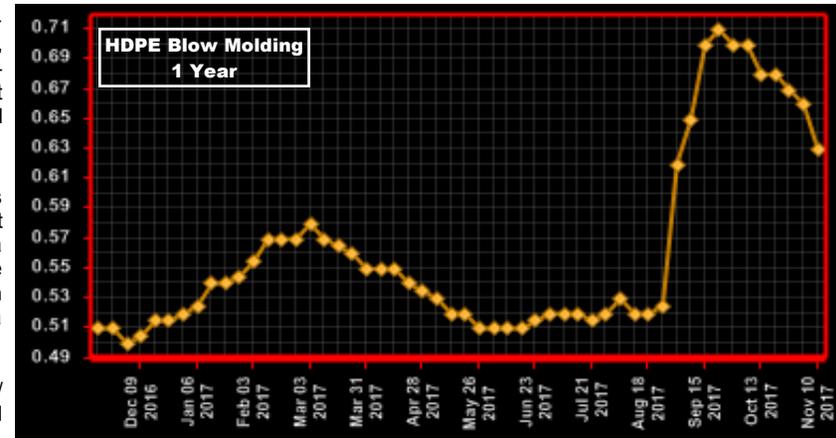
The spot monomer markets were relatively quiet, there was very little interest to begin the week and buyer / seller price ideas were wide. Activity picked up a bit and levels came together for a limited number of completed deals, all within proximity of the recent transaction prices. Ethylene for Nov delivery ended the week flat at \$.26/lb. Spot Propylene was equally unexciting, with nary a deal seen. PGP bids however, did move higher, enough to mark the week-ending prices up a penny to \$.465/lb. As a reminder, October PGP contracts settled late at \$.48/lb, up \$.015/lb. Current spot PGP prices, considering its historic relationship to contracts, provides support and even minor upward pressure for Nov contracts. Spot Ethane shed about a half-cent to \$.2675/gal (\$.113/lb); Nov Propane also eased a half-cent to \$.975/gal (\$.277/lb).

Spot Polyethylene trading hummed along at a healthy pace as supplies continued to improve and prices peeled off more of their hurricane induced premiums. Most commodity grade resins came down about \$.02/lb, some as much as \$.03/lb, though LLDPE film grades, which mostly remain tight, recovered a penny as levels had fallen too far too quickly. Indeed it is a rare occurrence for LDPE film resins to be priced below LLDPE. While not all PE grades were easily accessible for immediate shipment and in high volumes, the market has now transitioned past urgent procurement mode into what might prove to be a short lived normal-type market.

Sentiment has shifted from runaway bullish in the immediate wake of the storm, to a period of pause / reflect near the peak, and is now leaning towards outright bearish as the calendar approaches the second half of the 4th quarter, which usually brings tight inventory management. Beyond year-end pressures, which are not quite on the immediate horizon, participants are also eyeing the additional supplies the 3 new major resin plants starting to come to market. As domestic processors seek to limit their purchases while they wait for prices to fall back below pre-hurricane levels, attention needs to focus on the export market and the lower Houston levels needed to help clear the excess inventories that could quickly accumulate in this developing environment.

Polypropylene trading was very steady, there was a consistent flow of buyer inquiries, but mostly for smaller truckload quantities. Offgrade prices remain discounted to prime, which held flat this past week. Domestic demand had been somewhat lackluster after the sharp rally, but processors seem to have become acclimated to this elevated level as this market cycle seems to still have some legs. Do note though that a long awaited new PDH unit, which should finally become operational late this year, could put a damper on PGP prices and bleed downstream into resin. However, as previously noted in past reports from this season, supply / demand dynamics are outright tight and with no new PP production on the horizon, we believe additional PP margin expansion could be forthcoming.

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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