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Market Update — November 14, 2014

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MARKET UPDATE

Spot resin trading was solid; supplies continued to improve and prices were lower. The flow of fresh Polyethylene railcars was fluid, with occasions of deep discounts to the domestic market and extremely sharp discounts afforded for Houston export. Most Polyethylene grades were well-represented in the offerings; however, high flow HDPE is still mostly absent from the market. November PE contracts have not yet settled, although there is significant chatter about a decrease, perhaps \$.03/lb. November PP contracts are dropping \$.05/lb commensurate with the decrease in PGP contracts. While Polypropylene availability is still relatively scarce, average spot prices shed another \$.02/lb this week on the heels of further monomer weakness.

The major energy markets were all significantly lower in volatile trading. Crude Oil futures traded in a very large \$6.65/bbl range. The December WTI futures contract recovered more than \$2.5/bbl from Friday's low, but still ended the week at \$75.82/bbl, a net loss of \$2.83/bbl. January rolled to the front month Brent Oil futures contract; it lost \$.456/bbl to \$79.41/bbl, multi-year lows. Natural Gas futures gave back much of the previous week's huge gain, falling \$.392/mmBtu, about 9%, to settle Friday at \$4.02/mmBtu. The Crude Oil : Natural Gas ratio expanded to 18.8:1. Spot Ethane lost \$.015/gal to \$.2225/gal (\$.093/lb). Spot Propane made new lows, ending the week at just \$.80/gal (\$.227/lb).

Spot Ethylene prices were fairly steady and then jumped Friday to record a weekly \$.04/lb gain. Ethylene for November delivery primarily transacted on either side of \$.52/lb, but surged to \$.56/lb amid temporary production disruptions at three different crackers. In addition, three more gulf crackers remain offline for long-term maintenance, two of which are expected to return on-stream later this month. The Evangeline Pipeline is still shut, hampering the flow of Ethylene to Louisiana. While the entire forward Ethylene market rose on the Friday rally, most of the gains were in the front months. Consequently, the curve regained its backwarddated shape, falling steadily throughout 2015 until about \$.055/lb discount is seen by December.

The spot Polyethylene market moved lower and offers accumulated while a pending contract price decrease looms. Most Polyethylene grades were amply supplied and lost another penny; levels now sit \$.04-.05/lb below this season's highs. Sellers continue to offer material aggressively, seeking to quickly flip railcars rather than take on additional resin for future sale. However, processors, many of whom already have ample supplies, were ambivalent to the cheaper offers as they feel the market is trending lower. Preliminary reports show that in October, domestic PE demand was 2.68 billion lbs, a bit more than September and about 75 million lbs above the trailing 12 month average. PE exports were dismal, at just 461 million lbs; which were 156 million lbs below the 12 month average and the lowest figure since the hurricanes of 2008. The weak sales were offset by PE production constraints, as reactor operating rates were less than 92%; still, producers collectively built 24 million lbs of inventory. November began with 3.384 billion lbs of Polyethylene on hand, 55 million lbs above average.

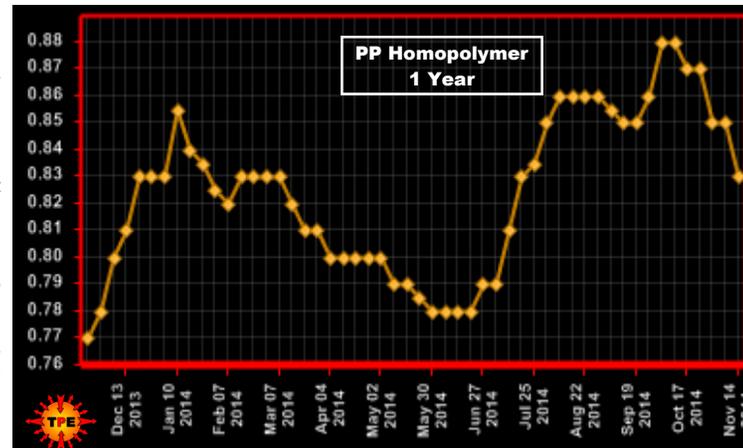
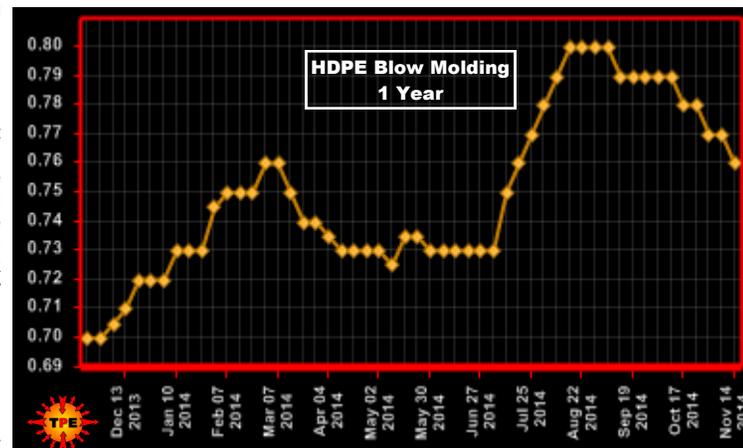
The spot Propylene markets again saw limited activity and prices eased further. Early in the week PGP for November delivery ticked lower in a series of transactions, eventually selling at \$.6675/lb, down a cent. Sellers continued to pressure the market looking for buyers, but no other trades were seen completed. Nov PGP contracts settled down \$.05/lb to \$.715/lb. While plenty can still change over the next several weeks, based on current spot levels, another decrease will be seen for December. The forward curve flattened considerably, but remains backwarddated to the tune of \$.035/lb by Dec 2015 — about half the steepness seen the week before. RGP trimmed a couple cents to around \$.53/lb.

Spot Polypropylene activity was about average, though buyers were generally leaning towards the sidelines. Spot prices dropped \$.02/lb as some Generic Prime resin was offered lower by resellers with monthly allotted railcars to sell. PP contracts are following PGP monomer down \$.05/lb for November and already appear to be headed south again next month. However, the December decline could be tempered by yet another producer seeking to increase PP contracts by \$.02/lb independent of the monomer adjusted price change. Preliminary results show that domestic Polypropylene demand was 1.338 billion lbs in October, a tad more than the trailing 12 month average. PP exports tallied a tiny 24.2 million lbs, the least since we began keeping records (in 2006). PP reactor rates surprisingly increased to 91%, contributing to a 48 million lb increase in upstream resin inventories; November began with 1.492 billion lbs on hand, 1% above average.

Weakness in energy, feedstock, and international resin prices have all contributed to the negative sentiment gripping the domestic market. Spot Polyethylene prices were mostly \$.01/lb lower and buyers are seeking a November contract decrease of at least \$.03/lb. Spot Polypropylene prices shed a deuce this week and contracts are dropping \$.05/lb this month. Both the domestic and export markets are being tested with discounted offers, but buyers are not biting. Spot material availability continues to grow as buyers limit purchases to only cover their immediate needs; they believe that lower prices will continue to show — we tend to agree.

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.

Total Offers 19,271,460 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	4,509,600	\$ 0.765	\$ 0.860	\$ 0.750	\$ 0.790
HDPE - Inj	3,272,140	\$ 0.740	\$ 0.810	\$ 0.720	\$ 0.760
HDPE - Blow Mold	3,061,404	\$ 0.710	\$ 0.770	\$ 0.720	\$ 0.760
LLDPE - Film	2,523,680	\$ 0.730	\$ 0.820	\$ 0.740	\$ 0.780
HMWPE - Film	1,895,956	\$ 0.760	\$ 0.810	\$ 0.740	\$ 0.780
PP Homo - Inj	1,330,828	\$ 0.785	\$ 0.860	\$ 0.800	\$ 0.840
PP Copo - Inj	1,022,460	\$ 0.770	\$ 0.860	\$ 0.810	\$ 0.850
LDPE - Inj	894,288	\$ 0.740	\$ 0.830	\$ 0.770	\$ 0.810
LLDPE - Inj	761,104	\$ 0.760	\$ 0.820	\$ 0.740	\$ 0.780



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