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Market Update — November 21, 2014

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MARKET UPDATE

Spot resin trading was challenging; processors are only picking away with minimal orders while prices slide. November is gearing up to be the first month since June of 2012 with a contract price decrease for both Polyethylene and Polypropylene. Although there is plenty of material available, the actual flow of offers was spotty this past week. Suppliers have made it known that they have resin to sell; however, they are reluctant to offer multi-cars per grade for fear of flooding the market and impacting the price, without selling the material. Generic Prime Polyethylene was steady to a penny lower; however, offgrade prices felt increased pressure. Polypropylene shed another cent as market participants begin to consider lower contracts in December. Exports are difficult given general asking prices, but special deals for large volumes are reportedly occurring.

The major energy markets were moderately higher and January rolled to the front month futures contract. After several weeks of heightened volatility, Crude Oil futures traded in a narrow \$2.56/bbl range. The January WTI futures contract added \$.69/bbl to end the week at \$76.51/bbl. January Brent Oil futures rose \$.95/bbl to \$80.36/bbl. Natural Gas was extremely volatile, rallying as much as \$.56/mmBtu before eroding \$.272/mmBtu from Friday's high; the January contract still recorded a hefty \$.288/mmBtu gain to end the week at \$4.417/mmBtu. The Crude Oil : Natural Gas ratio contracted to 17.3:1. Spot Ethane lost \$.02/gal to \$.2025/gal (\$.085/lb). Spot Propane prices continued to collapse, nearly reaching \$.70/gal before rebounding to \$.76/gal (\$.215/lb) late Friday.

Spot Ethylene initially traded around steady before giving up several cents as the week wore on. Four of the six gulf crackers that had been offline returned to on-spec production while Formosa and Williams remain down for maintenance. Ethylene for November delivery worked its way lower to \$.535/lb; December fell further, changing hands as low as \$.52/lb, before bouncing to end the week closer to \$.53/lb. The Evangeline pipeline is still closed, generating about a \$.10/lb premium for Ethylene in Louisiana. The Ethylene forward curve is backwarddated, with a \$.05/lb discount developing by December 2015.

The spot Polyethylene market was pressured as availability for most grades swelled. Asking prices in the Houston market continue to fall as suppliers chase the elusive export order. While much of this surplus material will move offshore, noting such a large delta between Houston and domestic prices, some resin will surely stick around the US. Polyethylene producers have begun to offer their domestic customers a \$.03/lb discount for November contract purchases. While this decrease has not been implemented industry-wide, considering current market fundamentals and the very strong likelihood of continued weakness, the other producers should follow.

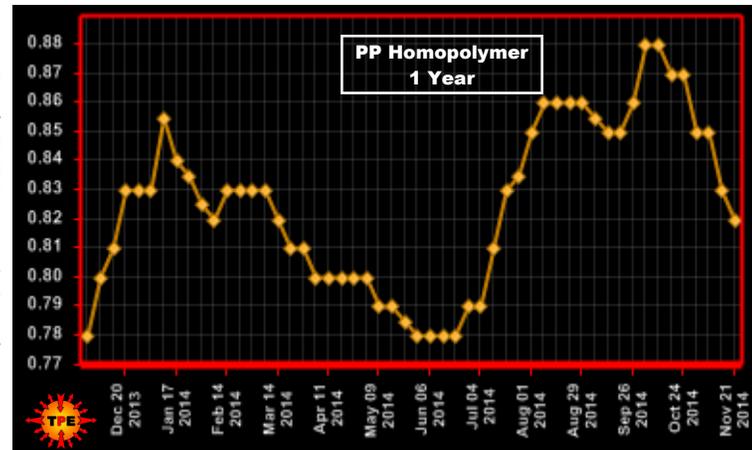
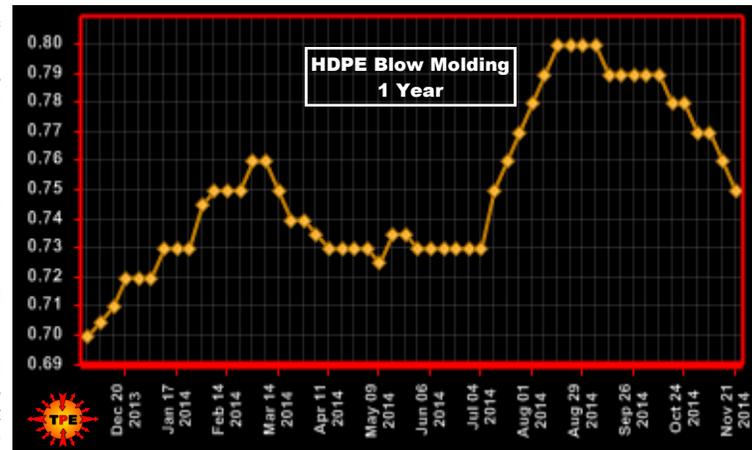
Spot Propylene prices slid further in modest trading activity. PGP for November delivery shed several cents, finding stability, at least for the moment, at \$.64/lb. The week's losses were nearly \$.03/lb. The spot PGP market has dropped about \$.12/lb since it peaked in the mid-\$.70s/lb during early October. November PGP contracts settled at \$.715/lb, down \$.05/lb; based on current spot levels, December is now forecast down another nickel, but of course this could still change. The PGP forward curve is backwarddated, discounts are provided for each month of 2015 until December prices down near \$.60/lb. RGP went untraded in the spot market, but it was indicated in the lower \$.50s/lb.

The Polypropylene market is a little tricky right now; while prices continue to slide, the market is not overtly awash in resin. Immediate availability is still sometimes a challenge and depending on grade, if a few loads or railcars are required for prompt shipment, the quoted price could still be high. Suppliers are playing coy, but who can blame their effort to limit inventory losses? Processors received a \$.05/lb decrease for November PP contract shipments and participants anticipate a similar decline in Dec PGP monomer costs. However, Polypropylene producers are looking for the lion's share of the savings - several producers are seeking to increase the spread between December PGP and PP contracts by as much as \$.04/lb.

The spot resin market is full of activity, but transacted volumes are falling short. Producers are clearly looking to manage an orderly decline in contract prices. In November Polyethylene processors should finally see the first decrease in two full years. Polyethylene buyers saved a nickel in Nov and might see similar savings in Dec. In the meantime, spot Polyethylene and Polypropylene prices have been in a steady downtrend for the past couple months, which has created stellar opportunities to procure well-priced material in the spot market. So what is the current price for resin? That is always a loaded question, bring a firm purchase order and we will talk.

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 18,153,872 lbs | | Spot | | Contract | |
|-----------------------------|-----------|----------|----------|----------|----------|
| Resin | Total lbs | Low | High | Bid | Offer |
| LDPE - Film | 3,276,404 | \$ 0.765 | \$ 0.840 | \$ 0.750 | \$ 0.790 |
| HDPE - Blow Mold | 3,246,416 | \$ 0.690 | \$ 0.780 | \$ 0.710 | \$ 0.750 |
| LLDPE - Film | 2,567,772 | \$ 0.735 | \$ 0.820 | \$ 0.740 | \$ 0.780 |
| HDPE - Inj | 2,387,220 | \$ 0.725 | \$ 0.800 | \$ 0.720 | \$ 0.760 |
| PP Homo - Inj | 1,668,828 | \$ 0.785 | \$ 0.840 | \$ 0.780 | \$ 0.820 |
| HMWPE - Film | 1,451,840 | \$ 0.730 | \$ 0.810 | \$ 0.740 | \$ 0.780 |
| PP Copo - Inj | 1,358,368 | \$ 0.760 | \$ 0.840 | \$ 0.790 | \$ 0.830 |
| LDPE - Inj | 1,232,288 | \$ 0.740 | \$ 0.830 | \$ 0.770 | \$ 0.810 |
| LLDPE - Inj | 964,736 | \$ 0.760 | \$ 0.820 | \$ 0.740 | \$ 0.780 |



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