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Market Update — November 7, 2014

After a very active end to October, the spot resin markets slowed this past week which is typical for the beginning of a month. Still, trading was a bit busier than we had anticipated as a good deal of spot material had apparently not found disposition at month-end and remained available for sale. Market prices for both Polyethylene and Polypropylene recently came off a couple cents and were mostly steady this past week, although there continues to be isolated instances of more aggressive pricing, particularly for widespec and downgraded prime resin. PP contracts were mostly up \$.04/lb in October and will drop around \$.05/lb this month. PE contracts were steady in Oct; there is the possibility for a decrease in November. Spot resin prices have slid in Houston, but incremental third party exports remain challenged by price.

Prices for major energy markets were again mixed, maintaining their recent trends. Crude Oil futures traded in a large \$5.14/bbl range which was entirely established by Tuesday. The December WTI futures contract ended the week at \$78.65/bbl, a net loss of \$1.89/bbl. Dec Brent Oil futures fell \$2.47/bbl to \$83.39/bbl. Natural Gas futures soared a whopping 14% as forecasts for a polar vortex gripped the market - brrr, just wait for the freezing temps to grip the country this coming week! The December Nat Gas futures contract nearly reached \$4.50/mmBtu, before finally settling Friday at \$4.412/mmBtu; it was a massive \$.538/mmBtu gain. The Crude Oil : Natural Gas ratio contracted sharply to under 18:1, the tightest in more than 4 years. Spot Ethane jumped almost 2-cents to \$.2375/gal (\$.10/lb). Propane resumed its losing ways, giving back twice the previous week's recovery gain; the \$.06/gal loss brought Propane prices to a new low of \$.83/gal (\$.235/lb).

Spot Ethylene prices fell in moderately active trading. Formosa took their cracker at Point Comfort, TX down for a turnaround, bringing the total gulf crackers currently offline to three - two of which are expected to return later this month. Ethylene for November delivery traded as low as \$.49/lb, which was down almost \$.07/lb, the market bounced back on Friday to most recently transact at \$.52/lb, still a steep loss. As prices for the prompt months collapsed, the market for 2015 has held mostly steady. The huge front-end premium, which reached \$.25/lb just 2 months ago, has essentially disappeared. Ethylene for delivery anytime over the next 6 months is currently priced at \$.52/lb, before a small \$.025/lb discount gently develops by Dec 2015.

The spot Polyethylene market chilled as November rolled in; prices were mostly steady with some weakness noted. The pace of fresh railcar offers slowed after a sizable late month purge, still some offers remained unsold and additional discounts were provided to move the material. While suppliers' asking prices have been falling in Houston, bids are dropping too, keeping the spot export market from transacting actively. International resin prices are generally well-below domestic levels, so traders are very cautious and only seeking to complete back-to-back deals - while also trying to offload unsold inventory without a loss. With spot Ethylene dropping in relative freefall, domestic processors are looking for a share of the savings; perhaps that ever elusive price decrease might finally come through in November. The last decrease was \$.02/lb back in November 2012, there has since been \$.21/lb of increases, the most recent was \$.03/lb this September.

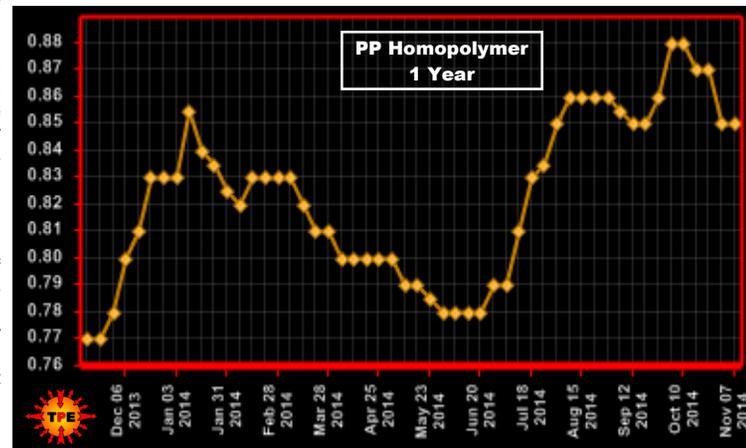
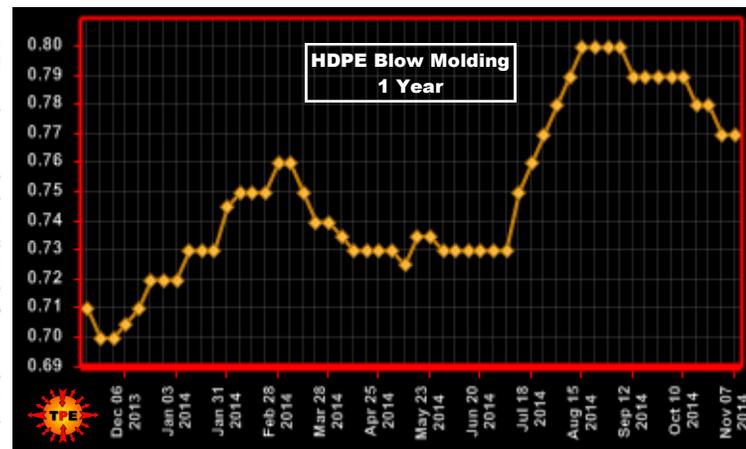
Spot Propylene trading was light while prices fell further. PGP for November delivery changed hands a few times in the beginning of the week and as low as \$.69/lb. Buyers then scattered while sellers remained, offering the market down until another transaction was completed late in the week just below \$.68/lb, a total loss of around \$.03/lb. While Nov PGP contracts were initially nominated to decrease just \$.02/lb, subsequent spot market weakness has encouraged a steeper decline and contracts have begun to settle at \$.715/lb, down a full \$.05/lb. The forward curve is backwardated; prices slide each month until a \$.07/lb discount is seen for Dec 2015. RGP was flat to a tad higher in the mid-\$.50s/lb.

The spot Polypropylene market saw average activity and prices managed steady. October PP contracts were up \$.04/lb and at least the entire increase will come out in November, as PGP monomer contracts begin to settle down \$.05/lb. After a flurry of discounted late month PP sales, the pace of spot railcar offers diminished. While negative sentiment abounds, the market is far from over supplied and actual transaction prices are sliding in a controlled manner. The decline would appear much steeper if one considers the mid-high \$.90s/lb asking prices of early September, but our prices do not reflect such as there were always lower market-clearing offers available along the way. Reseller inventories are fairly light and since producers' offers are still somewhat expensive, traders are apprehensive about buying material without a customer order in hand.

As expected, the spot resin markets quieted down a bit during the first week of November. There is the general sense of weakness wafting in the air, much to do with falling energy and feedstock costs. While international resin prices have already taken it on the chin, US producers have maintained their pricing power and domestic spot resin prices have only been descending slowly. However, the price drop could begin to pick up steam as market participants along the resin supply chain begin to manage their inventories with year-end in mind. We are already seeing an accumulation of offers while processors are only chipping away with small orders, waiting for lower prices ahead. Polypropylene contracts should drop about a nickel in November and Polyethylene can also easily justify a decrease.

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 18,017,400 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	3,678,852	\$ 0.760	\$ 0.850	\$ 0.730	\$ 0.770
LDPE - Film	3,111,852	\$ 0.770	\$ 0.840	\$ 0.760	\$ 0.800
HDPE - Blow Mold	2,901,864	\$ 0.710	\$ 0.820	\$ 0.730	\$ 0.770
HMWPE - Film	2,174,140	\$ 0.775	\$ 0.820	\$ 0.750	\$ 0.790
LLDPE - Film	1,566,300	\$ 0.730	\$ 0.835	\$ 0.750	\$ 0.790
PP Homo - Inj	1,532,644	\$ 0.770	\$ 0.890	\$ 0.810	\$ 0.850
PP Copo - Inj	1,402,460	\$ 0.770	\$ 0.885	\$ 0.820	\$ 0.860
LDPE - Inj	862,920	\$ 0.770	\$ 0.830	\$ 0.780	\$ 0.820
LLDPE - Inj	786,368	\$ 0.780	\$ 0.850	\$ 0.750	\$ 0.790



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