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## Market Update — December 1st, 2017

Spot resin trading picked up significantly after the long Thanksgiving weekend. Demand was very good and while Polyethylene offers were again not overly voluminous, negative sentiment has had a grip on the market and prices continued to erode another \$.01-.03/lb. Polypropylene, however, has maintained its strength and even rose another penny this past week amid tight supply/demand dynamics and firm monomer costs. Houston prices in general have been sliding, seeking a level to trigger significant incremental demand. While this could typically be a seasonally weak period for international resin purchases, rising energy costs are buoying regional resin prices, helping to close the gap.

The major energy markets were mixed and Feb rolled to the front month for Brent. WTI Crude Oil began on its high and made its low mid-week; the late Friday rally was not strong enough to erase the earlier losses and the Jan futures contract ended the week at \$58.36/bbl, down a net \$.59/bbl. Brent Oil also gained strength the second half of the week and managed a \$.26/bbl gain to settle Friday at \$63.73/bbl, expanding its premium over WTI to \$5.37/bbl. Natural gas moved around in a wide 8% range, the Jan futures contract went into the weekend at \$3.061/mmBtu, up \$.145/mmBtu, 5%.

The spot monomer markets also picked back up, and while large quantities of material changed hands, there was relatively little price movement. Ethylene for Dec delivery edged fractionally higher than the previous week's \$.275/lb settlement. There were numerous spot PGP transactions too, but all within the recent price range. The week ended with a little softness that dragged prices down a half-cent to \$.4725/lb. Nov PGP contracts settled late in the month at \$.49/lb, up \$.01/lb. NGL prices were pressured - ethane lost more than \$.02/gal to \$.2375/gal (\$.108/lb). Propane eased more than a penny to \$.99/gal, (\$.28/lb).

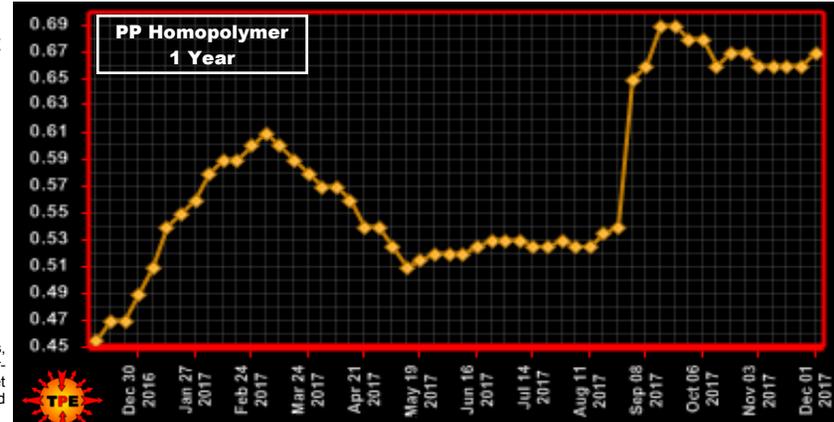
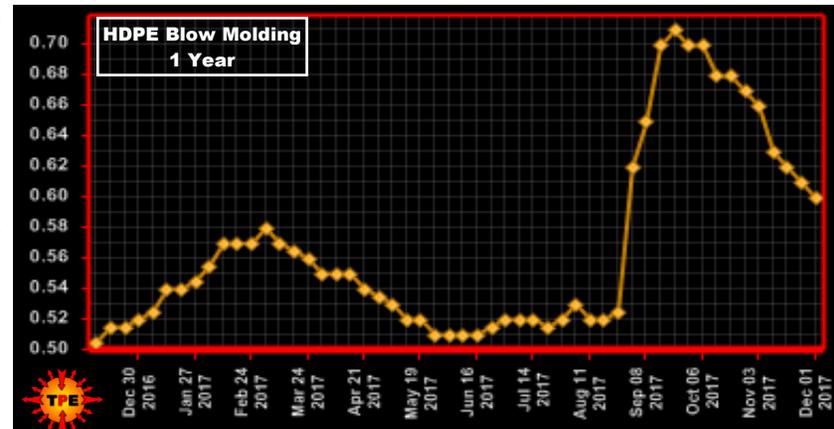
The spot Polyethylene market was much busier; after a shortened holiday week, both buyers and sellers were ready to transact. PE prices continued to unwind, giving back more of the sharp premiums that were garnered in the aftermath of Hurricane Harvey. Resellers maintained their desire to liquidate their uncommitted materials while buyers were happy to pick off packaged truckloads and fresh bulk railcars at discounted levels. HDPE for blow molding had initially rallied the most, rising \$.185/lb and is still holding on to \$.075/lb of gains - for now. LDPE for injection had risen the least, just a dime and has already given back \$.09/lb. HDPE for injection already gained a huge premium during the summer, then added another \$.145/lb after the storm and has since fallen a whopping \$.19/lb to be the only grade to dip below pre-Harvey levels (by \$.045/lb).

There was a series of price increases since August that varied by amount and implementation date, it seems that \$.10/lb on average took hold, but perhaps not for all. At this point, with the spot market falling as sharply as it has, we would not consider any further contract advancement and expect to see contract prices begin to decline, maybe as early as December.

Spot Polypropylene trading improved, supplies have generally been snug and certain grades, particularly high melt flow materials, both HoPP and CoPP, PP Random Clarified and CoPP No Break are outright difficult to source. Despite the fact that PE prices are coming back down hard, PP market fundamentals are quite different and to buyers' frustrations, prices remain firm to higher. Producers have responded to rising prices and good demand with added production, running reactors as close to capacity as practical. This has helped to keep a lid on PP prices, but follow through strength could continue. PP contracts in Nov rose \$.02/lb on average, half for the cost increase and a penny of it for margin.

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Resin for Sale 12,595,560 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,669,220	\$ 0.595	\$ 0.670	\$ 0.570	\$ 0.610
LDPE - Film	2,372,600	\$ 0.580	\$ 0.650	\$ 0.570	\$ 0.610
PP Copo - Inj	1,883,288	\$ 0.600	\$ 0.720	\$ 0.660	\$ 0.700
LLDPE - Film	1,472,932	\$ 0.580	\$ 0.650	\$ 0.565	\$ 0.605
PP Homo - Inj	1,200,920	\$ 0.610	\$ 0.685	\$ 0.630	\$ 0.670
LLDPE - Inj	908,828	\$ 0.630	\$ 0.700	\$ 0.640	\$ 0.680
HMVPE - Film	793,656	\$ 0.580	\$ 0.640	\$ 0.570	\$ 0.610
HDPE - Blow	720,920	\$ 0.580	\$ 0.640	\$ 0.560	\$ 0.600
LDPE - Inj	573,196	\$ 0.600	\$ 0.680	\$ 0.610	\$ 0.650



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