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The spot resin markets continued to soar, jumping by leaps and bounds. Even as prices rose, resin remained scarce, and reluctant yet determined buyers continued to pay up in order to scoop up material. Once again, our transactions were more limited by available supplies rather than price. While energy and feedstock costs consolidated recent gains, finally moderating to end the week mildly mixed, resin prices accelerated their accent climbing to new cycle highs. Polyethylene grades gained between \$.04 -.06/lb and Polypropylene surged a solid seven-cents.

Widespread production issues and Force Majeure allocations have greatly restricted the flow of resin into the spot market. Though some prime cars manage to trickle through, offgrade has been more available, and none of it sticks around very long. Our supply partners have largely depleted their warehoused resin stocks and our market making inventories tend to turnover very actively even in normal times. Restocking has recently been quite a challenge so we have dug well into our strategic supplies to enhance spot market liquidity and deliver prompt resin to our market participants during these exceptionally tight times.

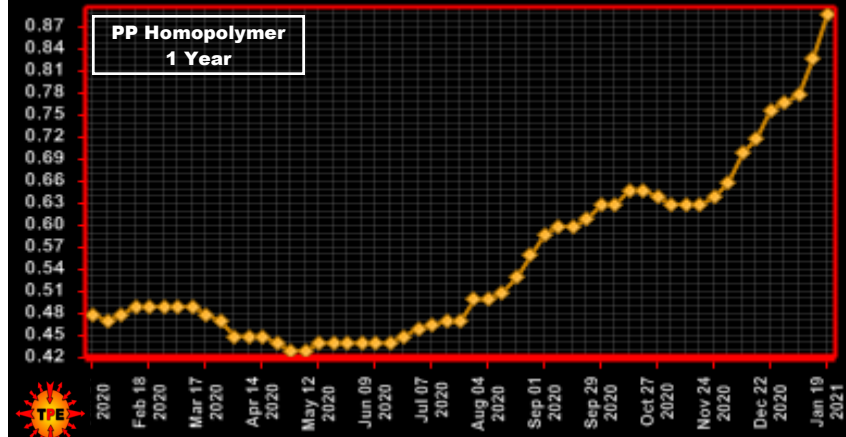
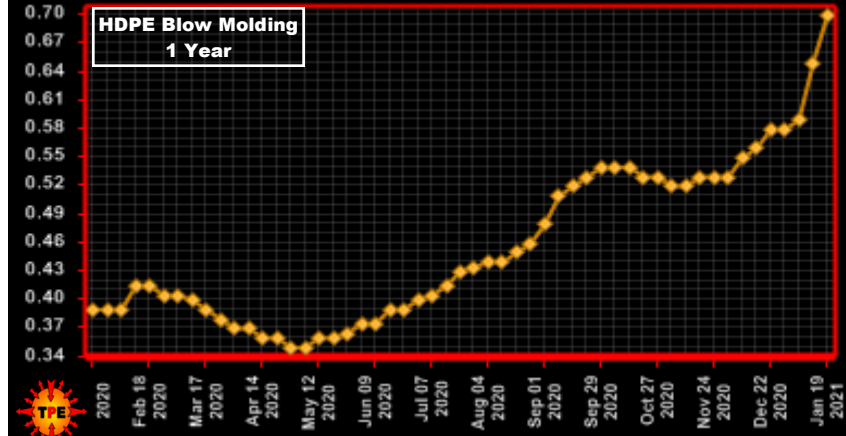
A unique set of circumstances came together to create market conditions like no other. As we have seen periodically over the years, a major hurricane or serious plant fire can whip the resin market into a frenzy, but these actual extreme events were only two among a series of issues that have accumulated to position the US resin supply chain significantly short of product, perpetuating this major bull run. After the 2020 hurricanes, exceptionally robust export demand along with ongoing resin production disruptions, including both planned turnarounds and unexpected outages, kept upstream Polyethylene supplies from adequately rebuilding. Further delays in highly anticipated new US PE production only added to the supply woes.

In late Nov / early Dec, another surge of Polyethylene export demand from Asian caught US processors by surprise, soaking up the slightly surplus supplies that were just starting to develop, thereby dashing US buyers' hopes for a Dec price decline and the opportunity to strategically restock their resin coffers. Adding to the market's upward momentum was the sudden shutdown of the Braskem Idesa PE plant in Mexico, further constraining the regions resin production. This significant situation has yet to be resolved and in the meantime, the Mexican government has cut off of Natural Gas supplies to this Petrochemical complex which cracks the Ethane to Ethylene, the feedstock to produce the plants 185 million lbs of HDPE and LDPE resins per month. The plant's customers seeking continuity of supply, quickly turned North to the US for substitute resin and the American supply/demand dynamic got even tighter.

As Jan began, Chinese demand for US PE chilled as their regional supplies bulged when ocean freight rates from Asia to the Americas took off to the upside, adding about \$.15/lb to delivered prices, thereby squashing incremental Asian resin sales to Latin America. Once again, shocked buyers turned North for resin supply and this lack of high volume Asian offers allowed US PE sellers to quickly pivot sales from the cooling Asian region to the hot Latin American market. Without the ultra-competitive Asian supply to contend with, PE prices vacuumed higher, rising an average of \$.09/lb since the beginning of 2021, with some variance seen by grade.

Market Update — January 15th, 2021

Resin for Sale 9,869,720 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,190,772	\$ 0.610	\$ 0.690	\$ 0.610	\$ 0.650
PP Homo	1,867,196	\$ 0.780	\$ 0.920	\$ 0.840	\$ 0.880
PP Copo	1,426,656	\$ 0.840	\$ 1.050	\$ 0.900	\$ 0.940
LDPE - Film	1,278,668	\$ 0.690	\$ 0.770	\$ 0.730	\$ 0.770
LLDPE - Inj	858,748	\$ 0.670	\$ 0.760	\$ 0.680	\$ 0.720
HDPE - Inj	827,288	\$ 0.615	\$ 0.690	\$ 0.630	\$ 0.670
HDPE - Blow	524,920	\$ 0.670	\$ 0.730	\$ 0.650	\$ 0.690
LDPE - Inj	454,552	\$ 0.680	\$ 0.730	\$ 0.660	\$ 0.700
HMWPE - Film	440,920	\$ 0.610	\$ 0.660	\$ 0.580	\$ 0.620



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MARKET UPDATE



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In addition, reduced refinery rates along with several cracker outages has also left Ethylene in short supply, sending spot monomer prices sprinting higher to \$.425/lb, thereby squeezing Polyethylene production margins. Though prompt Ethylene eased a cent or so this past week, spot monomer prices have escalated \$.09/lb since the beginning of Jan and sit \$.14/lb higher than month ago levels. To give better scale to this rally, Ethylene bottomed out at just \$.08/lb back in April. NGLs have been running too, Since Jan 1, Ethane prices have risen around 15% to \$.2425/gal (\$.102/lb), while Natural Gas has recovered \$.198/mmBtu to end this past week at \$.2737/mmBtu.

Polyethylene producers have pressed their persistent pricing power to implement contract increase after increase, in fact \$.24/lb is intact since June and the current average nickel nomination is imminent to secure in Jan while another \$.07/lb already looms for Feb. US Polyethylene buyers are behind the 8 ball: between their generally light on-hand resin stocks, recovering domestic demand and justifiable cost-push pressures supporting the prices increases currently on the table, they have limited ability to resist the increases and we expect the January hike to take hold. We will evaluate the Feb increase when it comes closer into play.

If the Polyethylene situation does not seem dire enough, read on, we have a Polypropylene tale to tell, and indeed it is taking a toll. Even before the 2020 hurricanes shut down a huge Polypropylene plant, producers offset dismal Pandemic related demand by purging material into the export market, eventually working down collective producer PP inventories to lowest level since we have kept records. Ongoing Force Majeure conditions at multiple Polypropylene plants have put resin allocations in place, so many processors have been tapping the spot market in search of product. A large amount of imported Polypropylene hit the shores of both US coasts during the 4th quarter, but the brief PP pricing pause in Nov limited fresh imports volumes which are soon to arrive. While the Dec/Jan rally re-opened the import arbitrage nice and wide, the aforementioned jump in ocean freight costs have also put a damper on import margins also impacting volumes.

With PP demand outstripping supply, spot prices shot up well beyond the change in PGP monomer costs, inspiring producers to nominate a series of margin enhancing price increases, some of which have already been successful, including \$.03/lb in Oct/Nov and \$.04/lb in Dec. Spot PGP prices have been plagued with their own supply challenges due to weaker refinery runs, a generally light cracker feed slate and PDH outages, each reducing Propylene production and together triggering a \$.12/lb spot jump in Dec, and contracts settled up \$.10/lb to \$.485/lb. The spot monomer rally continued in Jan and has reached \$.60/lb, which currently suggests that a huge \$.14/lb PGP contract increase could be at hand for Jan. Propane costs have kept good pace, rising \$.30/gal (\$.08/lb) so far in Jan while upstream WTI Crude Oil has tacked on a healthy \$.390/bbl and Brent has rallied just \$.60/bbl less.

Although PP resin remains incredibly tight, there could be a limit to current margin expansion efforts. With such a sharp PGP-tied increase lurking around the corner, producers might be challenged to implement both their extra \$.05/lb for Jan and \$.06/lb margin enhancer in Feb. This has clearly been a very difficult environment for the entire plastics supply chain, but eventually this too shall pass.

The Plastics Exchange	Friday	Week ago	Start of Year	Month Ago	Cycle Low	2021 Change	Start of Year	Cycle low	Unit
Product	1/15/21	1/8/21	1/1/21	12/15/20	Price	Gain	1/1/20	Date	US\$
HDPE Film	0.62	0.58	0.550	0.540	0.370	0.070	0.390	5/7/20	\$/LB
HDPE Blow Mold	0.69	0.63	0.580	0.560	0.350	0.110	0.380	5/7/20	\$/LB
HDPE Inj	0.67	0.61	0.580	0.550	0.350	0.090	0.380	5/7/20	\$/LB
LLDPE Film	0.65	0.58	0.550	0.520	0.350	0.100	0.390	5/7/20	\$/LB
LDPE Film	0.78	0.72	0.680	0.650	0.500	0.100	0.490	5/7/20	\$/LB
LDPE Inj	0.71	0.65	0.630	0.620	0.450	0.080	0.470	5/7/20	\$/LB
LLDPE Inj	0.73	0.69	0.670	0.660	0.430	0.060	0.450	5/7/20	\$/LB
HoPP	0.88	0.81	0.770	0.720	0.430	0.110	0.460	5/7/20	\$/LB
CoPP	0.94	0.87	0.830	0.780	0.450	0.110	0.480	5/7/20	\$/LB
Ethylene	0.425	0.438	0.338	0.288	0.081	0.088	0.160	4/6/20	\$/LB
Propylene (PGP)	0.600	0.582	0.555	0.483	0.201	0.045	0.313	5/4/20	\$/LB
Crude WTI	52.42	52.24	48.52	47.78	-37.630	3.900	60.770	4/20/20	\$/BBL
Crude Brent	55.10	55.99	51.80	50.76	9.120	3.300	65.990	4/21/20	\$/BBL
Ethane	0.243	0.226	0.211	0.205	0.089	0.031	0.165	3/23/20	\$/GAL
Propane	0.905	0.855	0.601	0.570	0.183	0.304	0.450	3/23/20	\$/GAL
Natural Gas	2.737	2.700	2.539	2.680	1.552	0.198	2.539	4/15/20	\$/MBTU

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