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Market Update — January 8th, 2016

Total Offers 22,866,576lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	5,586,168	\$ 0.495	\$ 0.590	\$ 0.500	\$ 0.540
HDPE - Blow Mold	4,379,844	\$ 0.495	\$ 0.570	\$ 0.490	\$ 0.530
LDPE - Film	3,985,108	\$ 0.495	\$ 0.600	\$ 0.530	\$ 0.570
HDPE - Inj	3,041,164	\$ 0.510	\$ 0.590	\$ 0.490	\$ 0.530
HMWPE - Film	1,404,668	\$ 0.520	\$ 0.570	\$ 0.500	\$ 0.540
LLDPE - Inj	1,322,760	\$ 0.520	\$ 0.590	\$ 0.510	\$ 0.550
PP Copo - Inj	1,277,564	\$ 0.550	\$ 0.675	\$ 0.595	\$ 0.635
LDPE - Inj	993,104	\$ 0.495	\$ 0.590	\$ 0.530	\$ 0.570
PP Homo - Inj	876,196	\$ 0.545	\$ 0.640	\$ 0.580	\$ 0.620

The resin markets were a little slow to get going in the New Year, but activity increased as the week wore on. By Thursday, the spot markets were very liquid with multiple prime and offgrade lots available for each of the major commodity grades. There were definitely processors out looking for material to fill in short-term supply gaps and some were clearly disappointed that the awesome year-end deals were gone. General resin market sentiment was bearish given the overwhelmingly negative movement in world equity, energy and commodity markets. However, Polypropylene prices still gained a cent amid spotty supplies and Jan price increase initiatives.

The major energy markets moved sharply in opposite directions. February WTI Crude Oil futures posted losses every day of the week, ultimately eroding \$3.88/bbl, a hefty 11%, to close at a new low of \$33.16/bbl. Feb Brent Oil futures traded in a massive 18% range, it bounced nearly \$1.50 off the week's low, but was still down \$3.73/bbl when it settled Friday at \$33.55/bbl. Natural Gas prices continued to rise, the Feb futures contract rallied another \$.135/mmBtu, and headed into the weekend at \$2.472/mmBtu – the highest level in seven weeks. Spot Ethane edged higher again and ended the week near \$.16/gal (\$.067/lb); Propane gave up its recent gains, returning back to \$.35/gal (\$.10/lb).

The spot Ethylene market was only lightly traded and prices were softer as the 2016 market got underway. Notwithstanding minor operational issues, all Gulf Ethylene crackers are up and running, providing plenty of monomer to the industry. Sellers seemed to have material to unload as offers hung over the market all week. Ethylene for January delivery changed hands several times around \$.185/lb, down about \$.015/lb. Ethylene's forward curve still provides a premium, growing to nearly \$.03/lb, reflecting tighter supplies during the upcoming turnaround season. Ethylene prices are currently set to peak in April at \$.2125/lb, before easing back down under \$.20/lb later in the year.

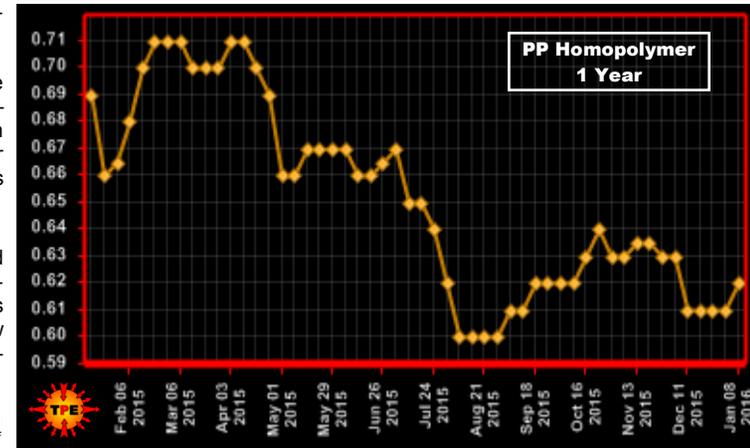
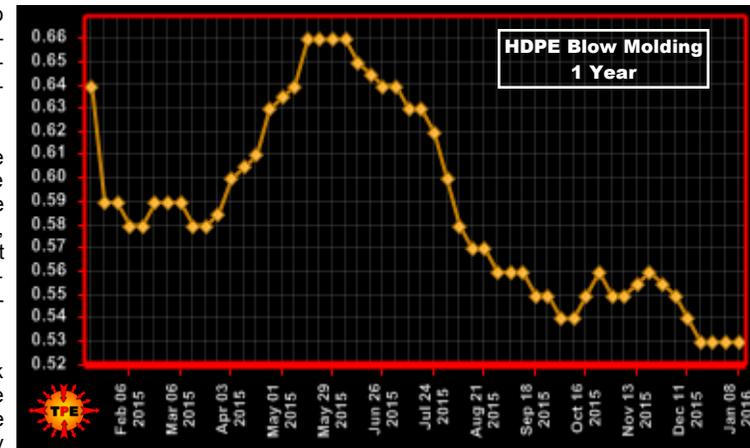
Spot Polyethylene trading began to heat up again as participants returned from holiday vacations. Gone were the year-end pricing specials, but it still did not take long to fully restock our trading floor featuring a full slate of prime and offgrade commodity grade resins. Processors have had little fear that the 4th attempt at the \$.05/lb increase would find any traction in Jan, and indeed, several producers already pushed the increase back to Feb. However, given the bearish state of the energy and feedstock markets and the huge discount that the Houston PE market holds to domestic prices, we do not think that a rollover will cut it again in Jan. In order to better reflect current Polyethylene market conditions and spot domestic railcar pricing, we feel that a contract decrease of \$.03 -.05/lb is reasonable this month.

While most of the Petrochemical market saw renewed activity to start the New Year, it seems that Propylene took an extended vacation. Spot PGP was relatively untested as trader interest remained light, only limited volumes were shown to buy or sell for January delivery, all snugged up on either side of \$.29/lb. Unless a force comes to shake the market, January PGP contracts will find little change from the December level of \$.32/lb. Some modest activity was seen in the forward markets where several transactions occurred. The shape of the curve is slightly backwardated, with tiny discounts, that only add up to a penny, afforded over the next 6 months.

The New Year ushered in and processors were again out looking for spot Polypropylene. Those that expected the stellar December deals to remain available were reminded that the PP market is categorically short of supply - somewhat due to production limitations, but mostly resulting from good ole strong demand. Polypropylene sales in 2015 were up more than 5%, which is about 850 million lbs more than 2014. While some processors are grateful for the \$.135/lb PP price decrease during 2015, others just see producers keeping the lion's share of the costs savings for themselves, especially with another \$.06/lb margin enhancing increase in play for January.

Although cheap energy and monomer costs have led to larger PP price declines overseas, the US supply/demand dynamic is still tight and local prices need not cave. US producers only export around 2% of Polypropylene production, so they are not really impacted by competitive offers from regional suppliers. In order for domestic processors to reap the benefit of cheaper international PP, they cannot remain passive - more resin imports would need to flow into the US, which would require ripping a whole lot of undesirable 25kg bags, an alternative resin handling program, or simply an altered attitude after a quick cost/benefit analysis.

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.



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