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The spot resin markets were a bit challenging this past week and it took added effort to bring transactions to a close. Both Polyethylene and Polypropylene supplies were generally snug and prices continued to press higher. However, demand has also been surprisingly lackluster, leaving a wide spread between buyer and seller price expectations. Rail congestion and warehouse backlogs continue to complicate the Houston resin trade.

PE producers are implementing their \$.05/lb increase for Feb contracts; most, if not all, have backed the increase with another \$.06/lb slated for March. PP producers are looking to pass through their higher PGP monomer costs onto Feb resin contracts, generating steep back-to-back monthly increases that will total around \$.18/lb.

The energy markets were a bit more active, but ultimately saw only modest price change. March WTI Crude Oil futures had a nearly \$3/bbl range and ended the week at \$53.86/bbl, up just \$.03/bbl. April Brent Crude shed \$.11/bbl to settle Friday at \$56.70/bbl. Natural Gas prices shaved off a tad more, the March futures contract shed \$.029/mmBtu when it ended the week at \$3.034/mmBtu.

Spot Ethane gained more than a penny to rise above \$.26/gal (\$.11/lb); Propane gave back a chunk of its recent gains, eroding \$.07/gal to \$.80/gal (\$.226/lb) and the market remains in steep backwardation – future prices are set to subside. Ethylene gave back half of the previous week's gain, dropping \$.02/lb to \$.36/lb. PGP trading activity was reduced; spot prices maintained the elevated level of \$.47/lb, with a slightly weak undertone.

Spot Polyethylene trading was difficult, asking prices usually came in too high, but were generally negotiable. Buyers, especially those with enough material on hand, were sometimes just checking levels, perhaps gauging the likelihood of the current price increase. Those processors truly in need of material pulled the trigger and paid up. PE prices gained as much as \$.015/lb, but some grades like LDPE for film, which had been steadily advancing, only held flat this week. Overall PE supplies remained snug, while there was better liquidity spread amongst grades, none would be considered abundant.

PE exports were reduced in January and remain constrained due to rising US prices and logistics limitations. After a blowout December, total pounds shipping offshore in 2017 has since slipped below the 2016 average. Although producers have been running reactors at around 95% of capacity, upstream inventories were reduced again, beginning February about 200 million lbs below the 2016 average. Domestic demand surged last month, running almost 8% above the 2016 average as processors padded their inventories ahead of the Feb \$.05/lb price increase, which is showing all signs of taking firm hold.

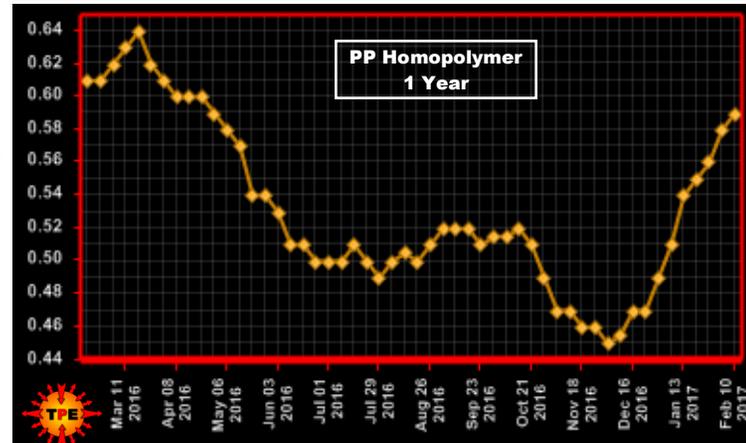
Spot Polypropylene prices continued to rise; packaged supplies were still sparse and while some offgrade railcars were flowing, generic prime cars were again absent from the secondary market. Although both buyer and seller order flow has been sporadic, transactions are becoming easier as sticker shock subsides. Processors have quickly become re-acquainted to offgrade prices in the \$.50s/lb and prime sometimes piercing above \$.60s/lb.

PGP monomer prices stalled after their fast and furious ascent from \$.30/lb to \$.46-.48/lb. After passing through a dime in Jan, PP producers are looking to implement another \$.08/lb or so increase in Feb to fully recover their 2-month rise in costs. Although the PP price spike is tough to swallow, supply / demand dynamics seem to be lending support. With the increase writing clearly on the wall, domestic PP demand in Jan jumped 5% above the 2016 average, though downstream inventories are still light. Soaring PP prices shut down the export surge which peaked in Dec and helped to offset the domestic bump. Still, collectively, PP producers have their lowest inventories in at least 10 years - and yes, PP imports are heading this way.

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.

Market Update — February 10th, 2017

Resin for Sale 14,433,080 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow	2,506,968	\$ 0.550	\$ 0.610	\$ 0.530	\$ 0.570
LLDPE - Film	2,288,600	\$ 0.560	\$ 0.620	\$ 0.540	\$ 0.580
HMWPE - Film	1,807,772	\$ 0.560	\$ 0.610	\$ 0.530	\$ 0.570
PP Homo - Inj	1,805,104	\$ 0.550	\$ 0.640	\$ 0.550	\$ 0.590
HDPE - Inj	1,711,220	\$ 0.550	\$ 0.600	\$ 0.530	\$ 0.570
LDPE - Film	1,500,036	\$ 0.620	\$ 0.700	\$ 0.640	\$ 0.680
PP Copo - Inj	1,496,920	\$ 0.570	\$ 0.660	\$ 0.570	\$ 0.610
LLDPE - Inj	684,460	\$ 0.610	\$ 0.670	\$ 0.580	\$ 0.620
LDPE - Inj	632,000	\$ 0.600	\$ 0.665	\$ 0.590	\$ 0.630



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