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The spot resin markets remained extraordinarily active while prices continued to climb amid scarce supplies, escalating energy and feedstock costs, and an unprecedented winter storm barreling towards the Gulf Coast. This past week, Polyethylene prices added another \$.01-.02/lb in its relentless trek higher, paving the way for implementation of the Feb \$.07/lb increase, which would bring the total tally to \$.36/lb since June. Yet another \$.07/lb PE increase has been nominated for March and is already given serious consideration, though it is still only mid-Feb. While these soaring PE prices are nothing to sneeze at, they pale in comparison to the \$.11/lb spot gains that Polypropylene resins achieved this past week and the \$.75/lb runup since bottoming out last spring, with seemingly more upside still ahead. Given the massive cost-push pressures from PGP monomer along with insufficient resin supplies, perhaps the largest single month Polypropylene increase could be at hand in Feb.

A Polar Vortex carrying an Arctic Blast with record low temperatures, has been making its way towards the very same area along the Texas / Louisiana border that was devastated by hurricanes this past fall. The normally warm petrochemical laden region is ill-prepared to withstand freezing temperatures and sheets of ice, which could impact critical refineries, pipelines, steam crackers, resin reactor systems, the power grid, import/export terminals and overall area logistics. The resin supply / demand dynamic is already so incredibly tight that even as prices have soared, numerous processors are eyeing shut down situations due to a lack of resin to run. This resin market is in no condition to endure additional supply shortages and a significant production disruption could send resin prices to new record high levels.

In this environment where availability trumps price, our completed volumes have soared as buyers have swarmed our spot market, focused and ready to transact. Thankfully, key suppliers have continued to provide us with a good flow of material, albeit at ever-rising prices, to help maintain liquidity to our spot resin market. As we approached mid-month, our trading desk has already blown past its record January performance, as buyers scramble to secure resin to maintain continuity of supply. Buyers have become more liberal with their resin needs too, Branded Prime buyers have generally been accepting Generic Prime if the application supports it, while other Prime buyers making non-critical products have opened their spec to receive offgrade materials. Railcar buyers are taking in truckloads, both bulk and in boxes and even 25kg bags are now coming into high fashion.

With very little replacement material is to be had in the secondary market, resellers are selectively doling out material mostly to loyal customers and new opportunities that could become long-term relationships. Polyethylene supplies remain incredibly tight, HDPE blow molding grades command strong premiums to other HDPE resins such as for injection and film, which happen to also be scarce. LLDPE high flow resins for injection and compounding are hard to come by at any price. LLDPE film grades are super snug, but can be found if one pays up. Spot supplies of LDPE film grades from frac to high clarity have been whittled away, but some still available. Latin America remains the strongest export bid, and buyers are actively competing with US processors for incremental material.

Polypropylene resins are categorically tight and while there has been a somewhat steady flow of spot material, it comes and goes in a heartbeat. CoPP High Flow and NB, HoPP Raffia and PP Random Clarified are the most sought. There are generally multiple buyers pursuing each lot, and when material sells the next offering price comes in higher. Volatility is on the rise, for a market that usually moves in penny increments, nickel and dime moves are becoming commonplace. Many buyers have walked away as profitability is squeezed, but so far the resilient volume of inelastic demand has yet to be satisfied even as prices escalate into uncharted territory.

The lack of PGP monomer has been the primary driving force of this epic PP resin rally. Low refinery rates, resulting from weak gasoline / jet fuel demand have generated reduced Propylene as a byproduct. Domestic PDH units making on purpose PGP monomer have suffered from ongoing maintenance issues, while steam crackers have opted to run the cheaper lighter slate of feedstocks which produce less Propylene. January PGP contracts had settled at \$.605/lb, which was up \$.13/lb from December, and spot PGP levels have since reached \$.98/lb, which could justify as much as a \$.40/lb increase in Feb PGP / PP contracts. Some suggest a more modest increase might be negotiated to keep from crushing resin demand, but in the meantime, there is not enough resin to go around.

The PGP forward curve is in steep backwardation, meaning that market participants expect current price levels to be peak with prices easing significantly as months go by. However, as supply issues often take longer to resolve than initially anticipated, as the front month moves towards expiration, we have often seen the new front month come right back up to the same peak spot levels. Of course, each market dynamic is unique and it will be very interesting to see how this one plays out. In the meantime, Crude Oil, which sits at the top of the international resin supply chain has quietly breached back above the \$60/bbl level, returning to pre-Covid levels, and super high ocean freight costs have also contributed to rising world resin prices.

Market Update — February 17th, 2021

Resin for Sale 12,557,824 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,145,956	\$ 0.685	\$ 0.775	\$ 0.690	\$ 0.730
PP Copo	2,050,760	\$ 1.080	\$ 1.250	\$ 1.160	\$ 1.200
HDPE - Inj	2,045,496	\$ 0.700	\$ 0.780	\$ 0.710	\$ 0.750
PP Homo	1,904,920	\$ 1.060	\$ 1.200	\$ 1.110	\$ 1.150
LDPE - Film	1,401,472	\$ 0.770	\$ 0.850	\$ 0.790	\$ 0.830
LDPE - Inj	914,368	\$ 0.740	\$ 0.800	\$ 0.750	\$ 0.790
LLDPE - Inj	722,736	\$ 0.780	\$ 0.890	\$ 0.760	\$ 0.800
HMWPE - Film	705,472	\$ 0.700	\$ 0.770	\$ 0.670	\$ 0.710
HDPE - Blow	666,644	\$ 0.770	\$ 0.850	\$ 0.750	\$ 0.790



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