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Market Update — February 6 2015

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MARKET UPDATE

Apparently not noticing the calendar changing, spot resin continued to transact at a voracious pace; volumes were high and prices were mixed in some of the heaviest trading seen for the first week of a month. There is a stark difference developing between the Polyethylene and Polypropylene markets; PE railcars are flowing at a rapid rate and prices are still falling, while PP offers are only sporadic and prices have begun to rebound. Most commodity PE grades can be sourced in packages for immediate shipment, but it is hit or miss with PP. Sharp discounts have enabled healthier Polyethylene exports; however, we are seeing imported Polypropylene arriving on both the East and West coasts.

The major energy markets again moved in opposite directions. WTI Crude Oil was extremely volatile, bouncing around within a huge 18% range which was established already by Tuesday. By the end of the week, the March futures contract stood at \$51.69/bbl, a net gain of \$3.45/bbl. March Brent Crude Oil also recovered, bouncing 9%, nearly \$5/bbl, to \$57.80/bbl. Natural Gas declined further, dropping \$.112/mmBtu to settle Friday at \$2.578/mmBtu, a new contract low. Spot Ethane slid a cent to \$.17/gal (\$.071/lb). Spot Propane jumped a nickel to \$.55/gal (\$.156/lb).

Ethylene prices moved higher in a flurry of trading spurred along by restricted supplies due to planned and unexpected cracker outages. Ethylene for February delivery began the week priced nearly flat around \$.35/lb, but rose steadily from there. The market reached as high as \$.375/lb before easing about a half-cent as the weekend approached. It was still a solid \$.02/lb gain, reversing the previous week's loss. Ethylene for future delivery was also active and the nearby months gained a slight premium to prompt, which then erodes into a slight discount towards the end of the year.

The spot Polyethylene market was extremely active; both buyers and sellers were eager to transact. Spot prices for packaged material slid further as another round of cheaper railcars arrived at terminals and warehouses; losses of \$.01-.02/lb were generally seen and a bit more for LLDPE Butene, playing catch-up. Those processors that have allowed their inventories to dwindle became more aggressive with their orders to replenish some stocks at these lower prices. Houston prices are consolidating; the export market caught a bid largely due to the bounce in Crude Oil prices. Domestic resin is still priced at a huge premium to Houston levels, but at least one producer suggested reducing February Polyethylene contracts by \$.05/lb, others have yet to follow.

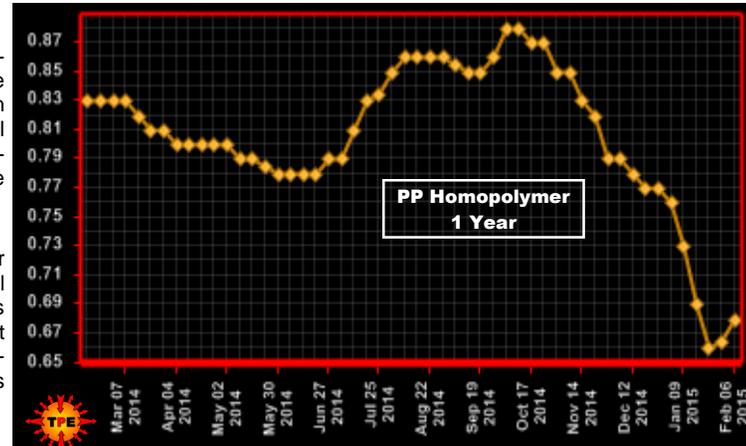
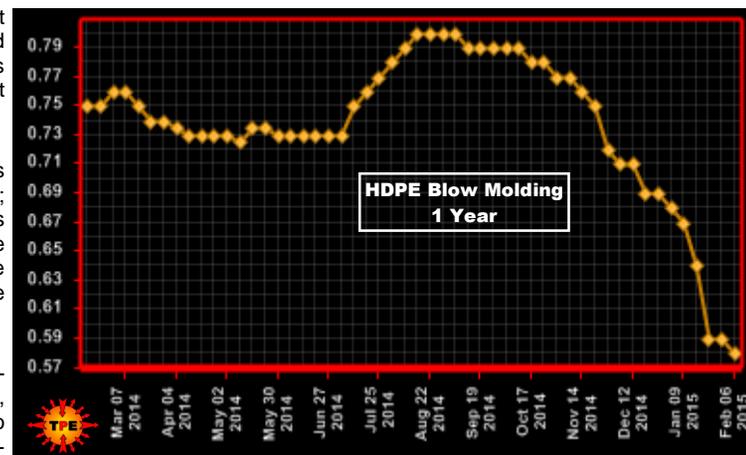
Spot Propylene trading improved and prices rose. PGP for February delivery transacted a number of times stepping higher during the week, eventually reaching \$.495/lb. The market eased back to \$.49/lb by Friday's close, holding on to a penny gain. PGP contracts had declined \$.27/lb during the previous 3 months bringing January to \$.495/lb. The spot market seems to have found a bottom over the past several weeks and even supports a modest contract increase for February, perhaps \$.02/lb or so. February RGP again added a few cents to \$.425/lb.

Spot Polypropylene market activity was better; trading was almost fluid for a change and prices recovered further. Buyers were more willing to procure material and spot prices rose as much as \$.02/lb. The jump in Crude Oil prices seemed to act as a wake up call to those processors that have been on the sidelines watching resin prices fall. Polypropylene contracts have decreased about \$.25/lb since November; however, there are several resin production issues keeping supplies tight and Feb contracts will likely see an increase of \$.02-.04/lb, depending on the change in monomer contracts and producers' ability to expand margins, which seems reasonable at this juncture.

The spot resin markets began February with a bang! Polypropylene prices are beginning to bounce back after their precipitous plunge; \$.25/lb of decreases since November will be countered by a modest increase of a nickel or less in February. PP processors have taken notice and are starting to restock; lifting spot prices as much as \$.02/lb this past week. Polyethylene contracts only came off in little bites; just \$.11/lb was relieved since Nov, but another \$.05/lb decrease could come through this month. Spot PE prices have fallen more dramatically and continue to trade at a large discount to contracts, creating stellar opportunities in both high quality offgrade railcars and prime packaged resins. What can we source for you?

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.

Total Offers 28,769,736 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	5,796,476	\$ 0.535	\$ 0.640	\$ 0.540	\$ 0.580
LDPE - Film	5,501,476	\$ 0.600	\$ 0.710	\$ 0.585	\$ 0.625
LLDPE - Film	4,422,992	\$ 0.580	\$ 0.650	\$ 0.560	\$ 0.600
HMWPE - Film	3,913,728	\$ 0.535	\$ 0.650	\$ 0.585	\$ 0.625
HDPE - Inj	3,703,728	\$ 0.520	\$ 0.650	\$ 0.580	\$ 0.620
PP Homo - Inj	2,492,668	\$ 0.670	\$ 0.740	\$ 0.640	\$ 0.680
LLDPE - Inj	1,575,748	\$ 0.520	\$ 0.700	\$ 0.610	\$ 0.650
PP Copo - Inj	830,920	\$ 0.670	\$ 0.750	\$ 0.655	\$ 0.695
LDPE - Inj	532,000	\$ 0.645	\$ 0.690	\$ 0.630	\$ 0.670



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