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Spot resin trading continued to improve; transacted volumes were quite healthy, while spot prices, which have been soaring, eased back a penny across all PE and PP commodity grades. Although the flow of fresh railcars remained sporadic, resellers have become more liberal offering material into the secondary market – providing relatively good liquidity. Polyethylene and Polypropylene producers have both secured sizable increases so far in 2017 and are seeking to advance contract prices further in March. While momentum is still bullish and fundamentals can potentially support another increase, the sudden sell-off in Crude Oil might sap some of the markets enthusiasm, especially Polyethylene export demand, which has already been languishing.

The major energy markets moved sharply in opposite directions. April Crude Oil futures escaped its 3-month tight range and fell a sizable \$4.84/bbl, to end the week at \$48.49/bbl, the lowest since late Nov. Brent Oil saw a similar loss as the May contract eroded \$4.53/bbl to \$51.37/bbl. Natural Gas prices continued to recover; the April futures contract jumped \$.181/mmBtu to just barely regain the \$3/mmBtu threshold. Spot Ethane prices snapped back, gaining more than \$.03/gal to nearly \$.24/gal (\$.101/lb). March Propane added \$.03/gal, rising to \$.64/gal (\$.181/lb). Ethylene slid 2 pennies more to \$.26/lb; spot PGP rose again, adding yet another \$.015/lb to \$.54/lb, a price not seen since Dec 2014.

The spot Polyethylene market was very active, buyers that have been holding back purchases re-appeared to procure material as their inventories began to run low. Despite the very real possibility that March contracts could see another increase take hold, some resin suppliers with uncommitted inventory got spooked by the nearly 10% drop in Crude Oil prices, and it's potential to shake market sentiment. We noted several weeks ago that there seemed to be unexpected resin production issues on top of the planned maintenance. We felt this because of the quick dime break in Ethylene monomer amid healthy PE margins, which was further backed by the lack of spot material, even while the incremental export arb was largely closed.

Preliminary reports support these thoughts as Feb Polyethylene reactor rates fell to the mid-80% level, generating the lowest resin production in 28 months. And indeed, PE exports were almost 500 million lbs less than the record level achieved in Dec 2016, and ran 15% beneath the trailing 12 month average. Domestic demand was only average in Feb and all together led to the 3<sup>rd</sup> consecutive drawdown in producer stocks, beginning March with the lowest upstream PE inventory since Feb 2013. An \$.11/lb increase over 2 months can be hard to swallow, but the likelihood of the March \$.06/lb taking hold is growing. Polyethylene producers are very well capitalized and with very light inventory on hand are easily in the position to manage a poor demand month in exchange for another price increase.

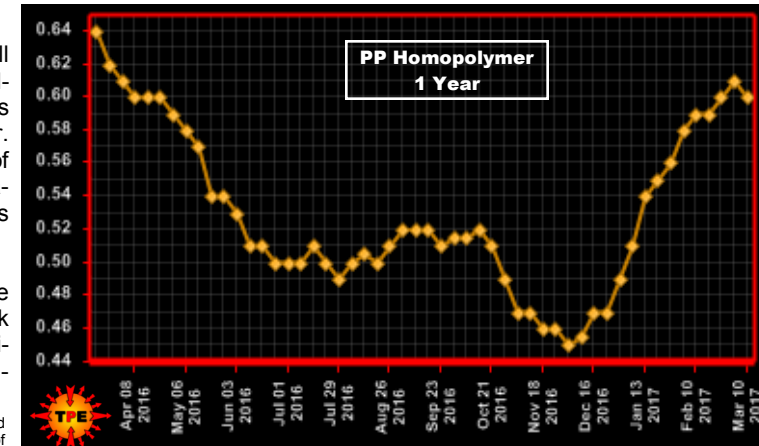
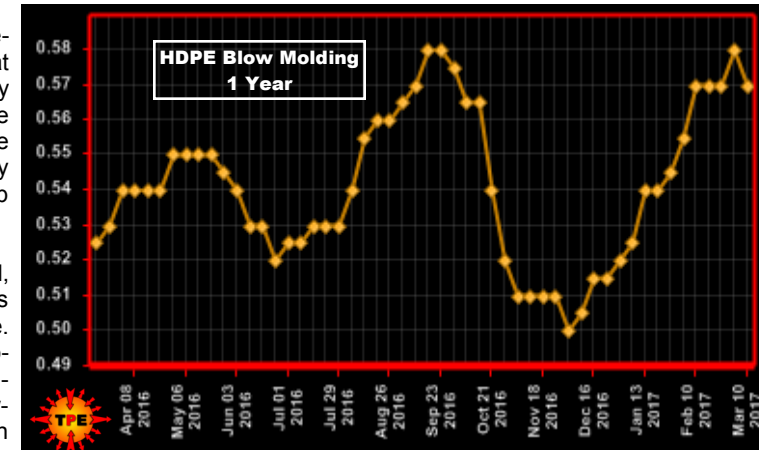
Polypropylene trading was lackluster as demand continued to disappoint. Although resin contracts will again increase in March, adding to the \$.165/lb already implemented in Jan/Feb, packaged spot availability remains relatively good and surprisingly well-discounted to general contract levels. Certain resins are, however, hard to come by and chasing those prime railcars would likely be an expensive endeavor. Rapidly rising Propylene monomer costs have encouraged PP producers to revert back to the practice of tying price increases to the rise in PGP monomer. Based on current spot PGP levels and its historic relationship to contracts, another cost-push price increase in the magnitude of \$.06 -.09/lb can be seen this month.

Polypropylene reactors ran around 90% in Feb, producing an average amount of resin compared to the trailing 12 months. Domestic demand languished around 5% below average; however, exports really took it on the chin. They fell to the lowest level in a full year, back to approximately 25 million lbs, a more traditional figure. All in, after 3 months of sharp draw downs, producers built close to 90 million lbs of inventory, somewhat replenishing coffers, but still began March about 10% below the 12 month average.

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 — March 10th, 2017

Resin for Sale 14,366,976 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,458,520	\$ 0.560	\$ 0.620	\$ 0.540	\$ 0.580
PP Copo - Inj	2,191,644	\$ 0.550	\$ 0.665	\$ 0.580	\$ 0.620
PP Homo - Inj	2,094,484	\$ 0.540	\$ 0.615	\$ 0.560	\$ 0.600
LDPE - Film	1,851,864	\$ 0.620	\$ 0.685	\$ 0.640	\$ 0.680
HDPE - Blow	1,717,220	\$ 0.550	\$ 0.590	\$ 0.530	\$ 0.570
LLDPE - Film	1,410,944	\$ 0.560	\$ 0.630	\$ 0.540	\$ 0.580
LDPE - Inj	1,000,460	\$ 0.585	\$ 0.650	\$ 0.590	\$ 0.630
HMVPE - Film	865,012	\$ 0.560	\$ 0.610	\$ 0.540	\$ 0.580
LLDPE - Inj	776,828	\$ 0.590	\$ 0.660	\$ 0.580	\$ 0.620



Dominick Russo and Fred Dial — Editors

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