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The spot resin markets were fairly active; the flow of fresh offers remained inconsistent and prices were mixed. Transacted volumes were better than average, though heavily skewed towards Polyethylene over Polypropylene. After securing a \$.05/lb increase in Feb, PE producers are seeking to raise March contracts by as much as \$.06/lb. PP contracts have already jumped \$.165/lb during this young year and producers are looking to again pass along their soaring monomer costs, which have continued to rise this month. Incremental exports are challenged by high prices and lack of availability; we are seeing a huge gap grow between high domestic PE and PP levels and workable export prices.

The major energy markets reversed direction from the previous week, although the final results were ultimately just a mild retracement. WTI Crude Oil continued lower early in the week before recovering; the May contract briefly breached above \$50/bbl before ending the week at \$49.31/bbl, a net gain of \$.28/bbl. May Brent Oil added \$.39/bbl to \$51.76/bbl. May Natural Gas futures sunk \$.07/mmBtu to settle Friday at \$3.004/mmBtu.

Ethane slid about \$.01/gal to \$.23/gal (\$.097/lb); Propane fell several cents to \$.60/gal (\$.17/lb). Spot Ethylene began the week steady and then marched higher, adding \$.03/lb to \$.29/lb. Spot PGP was volatile; it began higher, gave back the gains and then finished the week on an uptick, nearing \$.53/lb.

Spot Polyethylene trading was solid and while the overall market was mostly priced lower, there was some variance amongst grades and even some strength seen. Processors with ample material on hand shied away from spot (railcar) offers that included \$.04 - .06/lb of the March price increase, as direct contracts are generally protected if the increase does not stick. Though still being negotiated, we would not be surprised to see at least \$.03/lb take hold and some view this as potentially peak pricing for this cycle. There was a run on HDPE for injection, which has been hit with production issues - it bucked the rest and gained at least a cent, with little reasonably priced material to still be found.

On the other hand, LDPE and LLDPE resins, which had been trading at a healthy premium to other grades, gave back \$.01-.02/lb. While the typical base for offshore Polyethylene sales is still largely intact, the arb for extra export orders has been closed based on price. However, the PE market is far from awash with resin as producers have faced planned and unexpected outages which have limited overall resin supplies, thus reducing the need to offset slacking domestic demand with a major export purge. This lull has allowed the railcar log-jams and packaging back-ups in the Houston area to substantially clear.

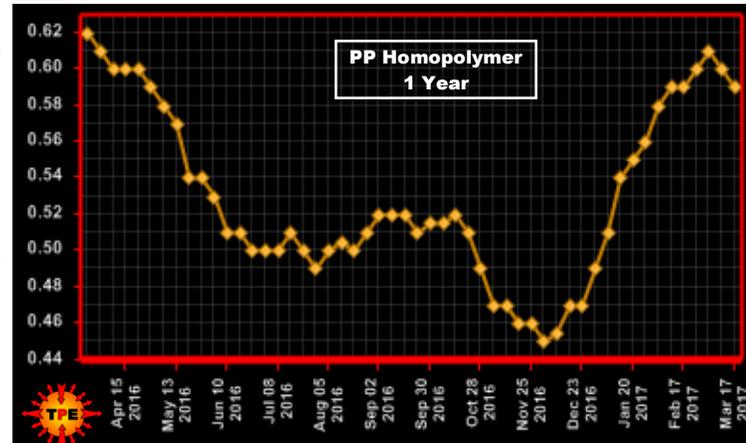
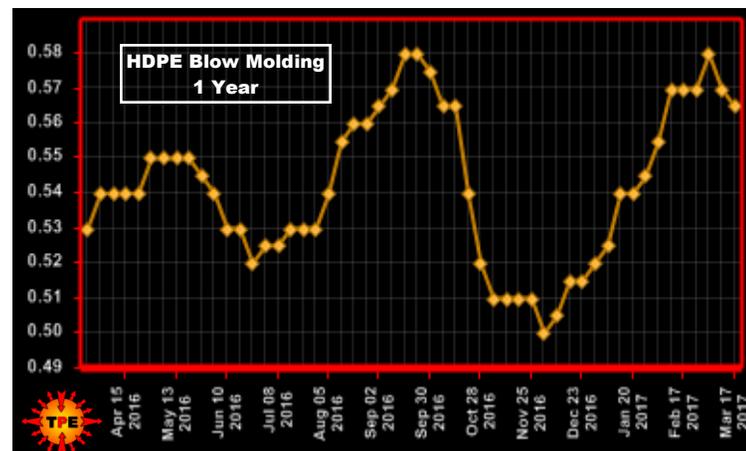
Polypropylene demand remained slack, which has capped spot levels even as contract prices continue to leap higher. Spot HoPP and CoPP prices actually eased another penny this week. Those processors locked into contracts or specific brands are feeling the brunt of the monomer rally as another cost-push increase, which is starting to target near a nickel, will imminently implement in March. This will bring the 2017 PP contract gains to \$.20/lb+. It is a very rare occurrence to see spot prices develop an ever-growing discount to rising contracts and we are not referring to a few loads here and there. There are many millions of pounds of prime and offgrade PP packed and ready to go in various warehouses around the country - just give us a call.

While occasional softening of the PGP monomer market lends unsubstantiated relief hope to processors, deeper insight could actually reveal spot monomer sales that result from reduced reactor rates, which while temporarily weighs on monomer prices, also tightens resin supplies. Indeed, the forward PGP market indicates lower feedstock costs ahead. However, supply/demand dynamics are tight and given reduced production, will likely remain snug in the months ahead. So as we saw throughout 2015, if and when monomer prices do subside, we expect PP producers to then rebuild their margins as they lower resin prices less than the drop in their costs.

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 17th, 2017

Resin for Sale 13,960,768 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	2,499,588	\$ 0.540	\$ 0.620	\$ 0.550	\$ 0.590
HDPE - Blow	2,246,324	\$ 0.540	\$ 0.610	\$ 0.525	\$ 0.565
HDPE - Inj	1,927,496	\$ 0.560	\$ 0.620	\$ 0.550	\$ 0.590
LDPE - Film	1,746,852	\$ 0.620	\$ 0.700	\$ 0.620	\$ 0.660
PP Copo - Inj	1,696,184	\$ 0.535	\$ 0.640	\$ 0.570	\$ 0.610
HMWPE - Film	1,160,024	\$ 0.570	\$ 0.610	\$ 0.540	\$ 0.580
LLDPE - Film	935,380	\$ 0.550	\$ 0.630	\$ 0.540	\$ 0.580
LLDPE - Inj	904,920	\$ 0.590	\$ 0.650	\$ 0.570	\$ 0.610
LDPE - Inj	844,000	\$ 0.600	\$ 0.685	\$ 0.580	\$ 0.620



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MARKET UPDATE