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## Market Update — March 20<sup>th</sup>, 2020

Our best hopes are that we, as humanity, join together to overcome the Coronavirus and the associated adversity that is ripping through societies worldwide. Please be safe and kind to others, these are trying times for all, and for some, much more than others.

The resin markets were very active in nervous trading, there were periods of both quiet as well as serious spurts of urgent order flow. While some fear that the much lower upstream energy and feedstock costs will translate to sharply lower resin prices ahead, others clawed for material, almost as if it was toilet paper at the supermarket, finding comfort with added resin inventory for their factory floors in case of shortages or supply chain disruptions. Two major Houston export terminals were temporarily shut, creating fear of export disaster, but then quickly reopened. We have already seen a spike higher in freight costs as trucking capacity has become scarce and drivers cancel lanes last minute. While these conditions can be frustrating, most market participants seem to be taking these disruptive days in stride, as there are larger issues in the big picture. Resin prices continued to hold relatively firm, most Prime Polyethylene and Polypropylene prices shed just a cent this past week, though we started to see larger discounts afforded for offgrade materials.

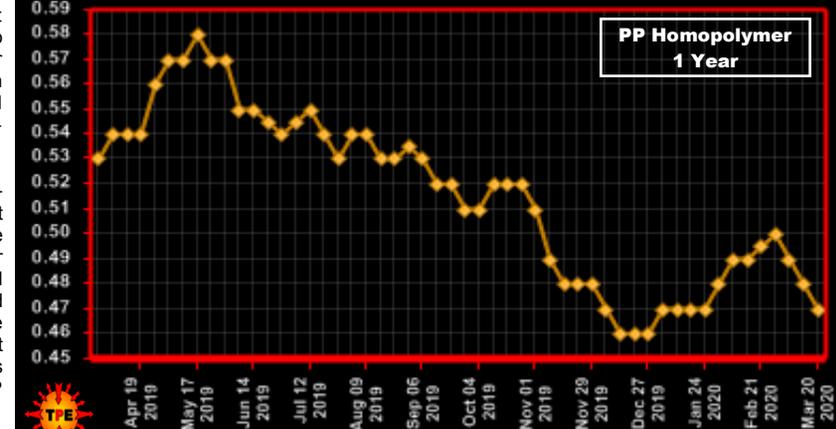
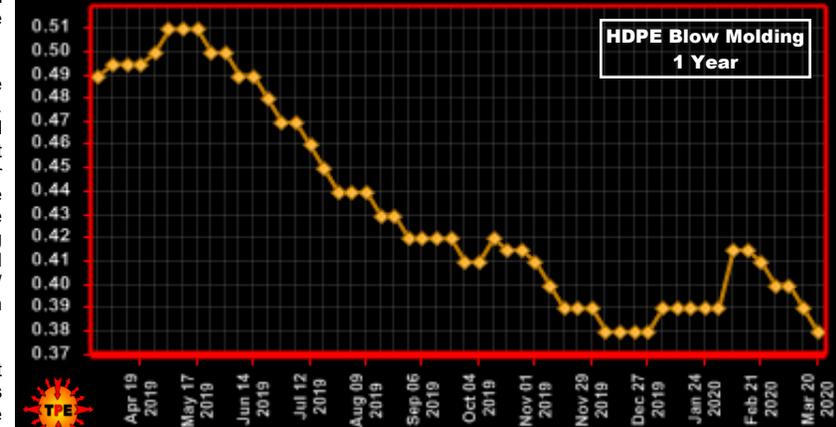
The major energy markets bled red across the board. WTI and Brent Oil futures continued their epic collapse with WTI declining just short of 30% while Brent saw a 20% decline. May WTI reached a low of \$20.52/bbl, before recovering to end the week at \$22.63/bbl, down a massive \$9.48/bbl. Brent lost \$6.87/bbl to \$26.98/bbl. Nat Gas also saw a large decline shedding \$.265/mmBtu, 14%, to \$1.604/mmBtu. Despite holding settlement above \$1.60/mmBtu, prices dipped intraday to \$1.574/mmBtu on Friday which was a multi-decade record low. Ethane and Propane both saw huge percentage drops, both over 30%. April Ethane lost nearly \$.04/gal to \$.09/gal (\$.038/lb). Prompt Propane dropped \$.098/gal to \$.215/gal (\$.061/lb) as April rolled to the front month.

The monomer markets again transacted at a very active pace, volume was hefty and prices fell further. Ethylene continued to move lower throughout the week, executed trades took place daily with high volumes changing hands. There was limited interest in prompt material as the majority of trade took place for future deliveries. Ethylene located in Choctaw, LA has sustained discounts to Texas, and on Thursday material for April delivery exchanged hands at \$.0925/lb in LA, more than a penny below Houston prices. On Friday, spot March Ethylene settled at \$.10/lb, a near 20% decline and a loss of \$.0225/lb for the week. These are the lowest price levels we have witnessed since we began tracking Ethylene prices in 2007. PGP saw heavy participation and like Ethylene, the majority of deals were completed for future delivery, rather than prompt. By Friday, March PGP prices had sliced off over 6%, ending around \$.235/lb, April PGP settled at \$.205/lb, almost \$.03/lb below March. The forward curve contango steepened as some contracts for deliveries to take place during second half of 2021 gained a bit over a penny, resting at \$.2825/lb. We expect March PGP contracts to soon settle with a large decrease, but don't expect a dime drop all this month as a weighted average will be considered, leaving room for an April decline, unless it recovers by then.

Polyethylene trading was a bit slower this past week as participants assessed and digested the market environment amid the ever changing global Coronavirus pandemic. Our completed volumes fell short of their recent averages which was anticipated as much of the supply side of the industry shifted to work from home, joining much of the country in self quarantine. Many processors took a conservative approach to ordering material; however, some reacted in the opposite fashion and ordered extra resin in case supply channels are crimped or shut off. We have not received many notices from customers informing of the temporarily closure of processing facilities, but we expect to see some soon. So far resin production has not been affected and seems to qualify as an essential component of our economy. Softer demand and falling energy and feedstock costs pulled most of our spot prices down a penny, with still scarce LDPE Film and LLDPE Injection both holding flat. Producers, recognizing the sensitivity of the overall situation, delayed the implementation of their current \$.04/lb contract price increase. At this time we suggest a conservative approach, but also make sure there is enough resin on hand to run, market conditions can change quickly.

Spot Polypropylene trading was strong despite the ongoing challenges and new developments surrounding the Coronavirus pandemic. Overall Polypropylene demand has been healthy, our deal flow was fairly consistent throughout the week and well spread between grades, quality and transaction sizes; both processors and resellers were active participants. A handful of railcars completed, while truckloads were favored as buyers proceeded with caution. Lower PGP costs are slowly making their way into spot pricing as HoPP and CoPP both decreased a penny for the third week in a row, reverting to levels seen at the beginning of 2020. Supply continues to be tight for Prime CoPP and HoPP, while offgrade railcars are appearing at more competitive prices. Truckloads of CoPP were difficult to source and rapidly rising freight rates triggered some sticker shock. HoPP on the other hand is easier to source and most commodity grades can be procured as railcars and packaged truckloads. We will see how this next week plays out as businesses which are considered non-essential could temporarily shut and affect demand. We expect March PP contracts to decrease along with the change in monomer, but potentially see some offset by a margin increase.

Resin for Sale 13,518,952 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,187,312	\$ 0.370	\$ 0.430	\$ 0.340	\$ 0.380
HDPE - Blow	2,148,840	\$ 0.350	\$ 0.430	\$ 0.340	\$ 0.380
LLDPE - Film	2,070,232	\$ 0.375	\$ 0.450	\$ 0.350	\$ 0.390
PP Homo - Inj	1,513,840	\$ 0.440	\$ 0.520	\$ 0.430	\$ 0.470
LLDPE - Inj	1,298,564	\$ 0.460	\$ 0.530	\$ 0.460	\$ 0.500
LDPE - Film	1,283,932	\$ 0.470	\$ 0.550	\$ 0.500	\$ 0.540
PP Copo - Inj	1,087,656	\$ 0.460	\$ 0.550	\$ 0.450	\$ 0.490
HMVPE - Film	1,058,208	\$ 0.370	\$ 0.440	\$ 0.340	\$ 0.380
LDPE - Inj	870,368	\$ 0.450	\$ 0.525	\$ 0.440	\$ 0.480



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