It was a challenging week for spot resin trading, the flow of resin requests diminished and those opportunities that did arise were still difficult to complete. Aside from obvious window shopping, orders that seemed imminent sometimes just died on the vine; with plenty of time to shop around, perhaps more competitive offers were found. Resellers continued to destock, generally limiting purchases to only when they had back-to-back sales. Spot commodity resin prices slid further as buyers have been scarce and supplies accumulated. Spot PE levels were steady to down 2-cents as offgrade and generously downgraded / near prime material developed an even larger discount to contracts, which have been holding firm ever since the pandemic developed. Polypropylene prices gave up a cent, recovering monomer costs will negate much of the previously expected April contract decrease. Most participants recognize that these historically cheap resin prices will create an excellent opportunity to stock up, but also that there is probably still time as resin prices continue to slide. Exports remained strong as producers do their best to ship surplus materials away from the domestic market.

We expect to see resin production rates finally decline in April.

The major energy markets continued to trade in a highly volatile way, the weekly range was 15-20% depending on product. WTI Crude Oil rolled to June and remained pressured a week after the OPEC+ group agreed to a new production cut. Prices were slightly higher on Monday, and even peaked above the $30/bbl level, before declining each day for the rest of the week, giving back $7.39/bbl to $25.03/bbl. Though the May contract will soon expire, it is worth noting that prices broke down to $17.31/bbl on Friday as traders worried that storage capacity was getting full and there would be no place to store fresh production. Brent saw similar price action and dropped $3.40/bbl to $28.08/bbl. Nat Gas spent most of the week in negative territory, reaching a low of $1.555/mmBtu on Thursday before recovering to settle Friday at $1.753/mmBtu, a net 2-cent rise. NGLs averaged a huge 20% gain. Ethane added $.019/gal to $.121/gal ($.051/lb), while Propylene jumped $.069/gal to $.386/gal ($.109/lb).

Monomer market activity was muted, limited transactions helped volumes reach average while prices moved a bit higher. Participants limped into the trading week, Ethylene activity was extremely limited until Thursday when bids and offers materialized and a number of deals were finalized, but mostly for future delivery. On the prompt side, spot Ethylene in Louisiana exchanged hands just below $.08/lb, and after posting five consecutive weeks of losses, Ethylene prices in TX pushed up $.0075/lb, almost 10%, to settle the week at $.0875/lb. Propylene transactions were scattered throughout the week and attention was also focused on future deliveries. On Friday afternoon April PGP closed with a fractional gain, settling just below $.24/lb. Current spot prices continue to suggest a roll or possible penny decrease for April PGP contract settlements.

The spot Polyethylene market hit the brakes this past week as there was very limited activity, even as prices moved lower. Our trading desk worked hard to complete every opportunity that was presented, but volumes fell well below average as the global pandemic has caught up to demand, and prices continue to slide. April had been plugging along and we did see an initial surge of buying to support consumer stocking of groceries and other items to last them weeks/months, but other non-essential businesses have been temporarily shut for several weeks and the slowdown has worked through the supply chain. Our spot prices were steady to down two cents this past week, as products like LD Film and LLDPE injection lost some of the premiums that had been built from previously tight supplies. There is a growing call from processors to achieve a contact price decrease for April, but the success and magnitude remain unknown at this time. Several producers purged very large volumes of their inventory to help lighten the burdensome overhang that developed from still strong production and slower worldwide demand. Much of the material dumped will reportedly head to China, which has already restarted parts of their economy while other countries largely stay shut as they deal with the Covid-19 Pandemic. The exported resin might not necessarily be processed now, as it seems that groups in China have been exploiting the situation to acquire and stockpile a variety of commodities at fire sale prices.

Spot Polypropylene trading was slower, availability was better, but not ideal, and prices gave back the previous week’s penny gain. PP buyers were a bit more active than PE customers and there were deals to complete; however, most availability was for resellers on-hand truckload inventories have dwindled. As we have seen for weeks, buyers were generally seeking more conservative truckload quantities amid the uncertainty. Of the limited deals completed, volume favored CoPP over HoPP and railcars still sold more than truckloads. We expect truckload availability to improve in these coming weeks as recently purchased railcars hit packaging lines. PGP monomer costs have recovered, so the anticipated April decrease will likely be small.