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## Market Update — April 23<sup>rd</sup>, 2021

The spot resin markets slowed a bit and completed volumes fell short of our 2021 weekly average. Although both the Polyethylene and Polypropylene markets remain categorically under supplied, the market has been acting jittery at these historically high price levels. Many industry participants anticipate a price correction as resin reactors continue to ramp up production and at least one producer has officially lifted its Force Majeure on Polypropylene, though their contract allocations remain in place. While offgrade supplies for both PE and PP have indeed improved a tad in both quality and quantity, spot prime resins continue to be difficult to source and those seeing discounted offgrade materials and expecting significantly cheaper and plentiful prime resins have been disappointed. Still, at times the rally feels a bit tired and spot prices for most prime commodity grades eased a couple / few cents this past week amid comparatively lackluster demand as buyers have opted for minimal purchases in hope of lower prices ahead.

In the meantime, Polyethylene producers were able to leverage the exceedingly tight supply/demand dynamic to implement another \$.07/lb increase onto April contracts, bringing the 2021 gain to \$.26/lb and a whopping \$.50/lb since June 2020. During these same periods, spot PE prices advanced well beyond contracts, and some of the spot premiums have started seeing some erosion while contracts continued to rise, shrinking the gap between the two. HDPE resins that had risen the sharpest in the aftermath of the Mid-Feb storm peeled off the most this past week, dropping \$.03/lb. LDPE and LLDPE film grades eased a penny or two, while super sparsely supplied LDPE and LDPE injection grades generally held firm. These declines were more attributed to softening sentiment rather than a substantial shift in supply.

The flow of fresh Polypropylene railcars remained predominantly widespec, though a few prime Polyethylene cars, including HDPE for Blow Mold, were made available through trading partners' forecasted orders; those offers were immediately snatched up by the happy hands of buyers in need. We began to see some prime export railcars too, including HDPE Crate Grade and LLDPE Butene, as these plain vanilla grades are easier to make than more complex materials such as HDPE Copolymer and higher alpha-olefin film grades for which we are still only seeing offgrade materials. These limited incremental export offers were challenging to sell as US resin prices remain higher than most other regions, still producer direct export programs continued to hum along at a surprisingly rapid rate, soaking up more than a third of total North American PE sales.

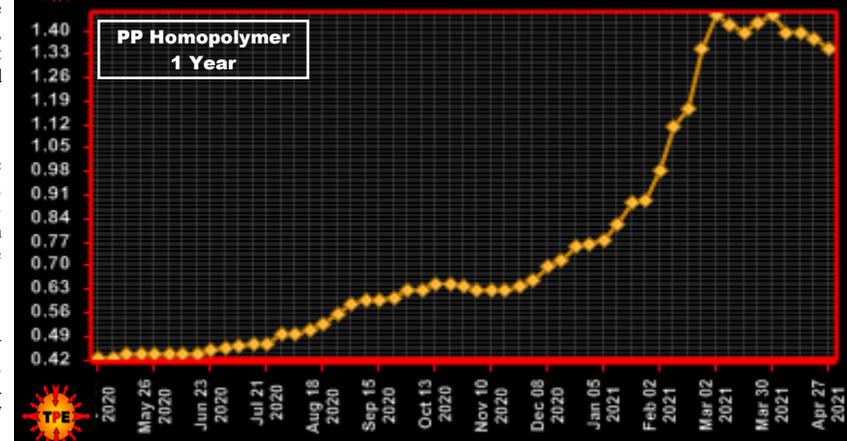
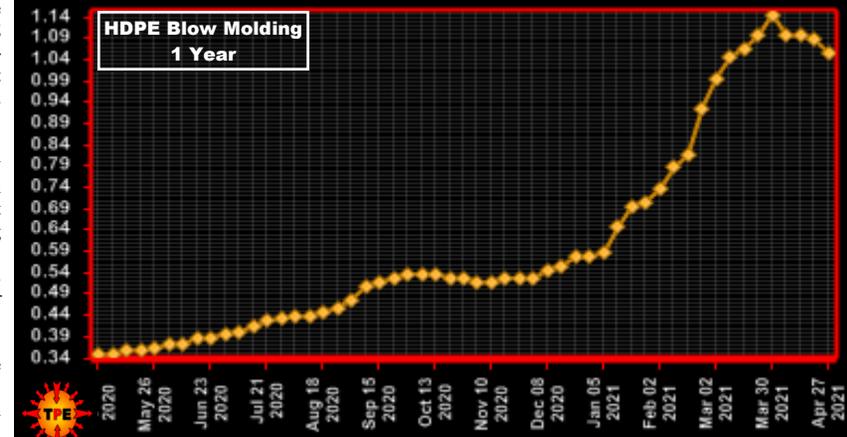
Spot monomer markets saw renewed volatility as the spread between bids and offers has been wide and the lack of liquidity has exaggerated price movement when significant needs to buy or sell have been presented. Prompt Ethylene prices reached above \$.60/lb mid-April and then chunked off double digits this past week as buyers scattered, sending the May contract plummeting to \$.46/lb. Spot PGP prices which peaked at \$1.05/lb in late Feb, recently dropped below \$.50/lb before starting to stage a comeback into the mid-\$.50s/lb and could go higher as PP reactors throttle up, thus demanding more monomer. April PGP contracts have initially settled down \$.13/lb to \$.57/lb, but could still move a bit. The cost decrease will pass through to contract buyers, once again partially offset by a \$.06/lb margin increase to yield about a \$.07/lb net decrease for April Polypropylene contracts.

While PP contracts have been on the decline the past 2 months, contract volumes remain restricted, sending buyers to the spot market to supplement supplies. After running up to levels in the vicinity of \$1.50/lb, only some of the fluff in spot PP prices has deflated, and more so in Homopolymer than Copolymer, so prompt prime PP remains priced at a huge premium to contracts. While exports only comprise a small percentage of overall PP sales, even as supplies have been extremely tight, resin continues to sell offshore, but mostly rougher offgrade materials. On the other hand, large quantities of imported prime Polypropylene, targeting around 100 million lbs per month, have been sailing into the US since the 4<sup>th</sup> quarter. However, shifts in regional trade patterns have created container and vessel shortages complicating logistics, sending ocean freight rates soaring, while international PP prices had rallied, all together shrinking the import incentive to recently limit imported PP volumes. This could help drag out the PP supply/demand imbalance longer than some had expected.

We were initially more bullish than most and we forecasted that spot price gains would endure longer than the consensus. We considered the change in consumer habits in the (post) pandemic environment, as we noticed a high level of inelastic demand develop, such as for vaccine syringes and masks made from Polypropylene and packaging supplies made from Polyethylene for online purchases / home deliveries. We believed that processors of these types of products would be willing to pay up to chase limited resin offers and crowd out the weaker demand that would fall off as prices rose. Further, given the extreme tightness in resin supplies, and the complexity of restarting petrochemical / plastics production, there would be no room for error and every additional supply hiccup could impact pricing and extend the longevity of the rally. These feelings seem to be holding true and we continue to stand by this conviction.

As production recovers and supplies increase we expect a continued gentle softening of prices, but also give caution for potential, yet unknown, disruptions that could even initiate another leg of the rally. While there is a little breathing room developing, there is also very little resin throughout each level of the supply chain, so the situation remains very vulnerable. Oh, there are also fresh price increases nominated for May contracts - a nickel for each Polyethylene and Polypropylene, Oy Vey!!

Resin for Sale 12,315,872 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	2,267,588	\$ 1.120	\$ 1.400	\$ 1.250	\$ 1.350
HDPE - Inj	2,143,244	\$ 0.900	\$ 0.980	\$ 0.910	\$ 0.960
HDPE - Blow	2,105,840	\$ 0.950	\$ 1.120	\$ 1.010	\$ 1.060
LLDPE - Film	1,526,392	\$ 0.860	\$ 0.990	\$ 0.920	\$ 0.970
PP Copo - Inj	1,376,300	\$ 1.250	\$ 1.450	\$ 1.320	\$ 1.420
LDPE - Film	1,021,472	\$ 0.960	\$ 1.050	\$ 1.020	\$ 1.070
HMWPE - Film	881,840	\$ 0.890	\$ 0.970	\$ 0.910	\$ 0.960
LDPE - Inj	596,368	\$ 0.960	\$ 1.020	\$ 0.940	\$ 0.990
LLDPE - Inj	396,828	\$ 0.950	\$ 1.050	\$ 0.980	\$ 1.030



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