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Market Update — April 9th, 2021

Spot resin trading was very good during the first full week of April. We saw a steady flow of spot demand and our completed volumes were solid, well mixed between truckload and railcar volumes. It was the start of a new quarter and the intensity of market engagement seemed to come down a notch. With a longer look ahead, buyers generally approached more patiently, taking some pressure off the top-side of the market, allowing resin prices to ease a tad. Spot Polyethylene averaged about \$.02/lb lower and varied by grade. Polypropylene prices, taking a cue from still sliding PGP monomer costs, backed off \$.04/lb this week and have now retreated \$.07/lb from at least the interim top. The rally might be tired, but a major down leg of the cycle does not yet seem imminent. We, as a market marker, are trying to restock, but having a very difficult time finding fresh domestic prime material.

With most resin reactors now restarted we are seeing a better flow of widespec cars offered into the market, including some higher quality offgrade and an occasional car of prime from forecasted supply. Although resin prices remain greatly elevated, some softening made sense as the supply mend has begun and will eventually lead to a more balanced supply/demand dynamic. However, there is still some time before this will happen and we do not expect a huge and sudden sell-off, so a relief celebration would be pre-mature. In the meantime, most producers remain under Force Majeure and allocations are intact, so for the foreseeable future, prime production will primarily serve contract buyers and allow for some upstream inventory restocking.

Large cargoes of prime resin, and more PP than PE, have been sailing from the Asian region to the US shores to help supplement insufficient domestic production and to Latin America to offset the lack of incremental imports which generally come from the US. Rather than Chinese and other Asian traders importing resin from the US as traditional, they have instead been exporting regionally produced material and digging deep and depleting their own inventories, tightening their local supplies and placing upward pressure on Asian resin prices. The shift in trade patterns has also wreaked havoc on freight rates, cargo space and displaced empty containers, causing congestion and logistics delays. Rising international resin prices, along with expensive ocean freight, all while US prices are sitting closer to the top than to the bottom, have together served to recently limit new import deals. Most imported resin has been presold, and while the import arbitrage is still open, substantially fewer new orders are being placed for material still sitting overseas. This will likely limit the volume of unsold lots seeking sales

While most reactors are now operational, a multitude of problems are still occurring and several are still challenged to consistently make prime resin. US Polyethylene supplies remain categorically tight, and all grades are still difficult to source in the spot market. HDPE injection is scarce, especially high flow. Blow molding resin is very hard to come by and LDPE and LLDPE film resins are relatively rare and their injection and granular grades are virtually non-existent. Drips and drabs of each of these commodity grades do become available, though the offers do not last long. Even as tight as the market has been, spot pricing, which sprinted well beyond contracts, might have gotten ahead of itself so premiums recently relaxed a little giving contracts a chance to catch up.

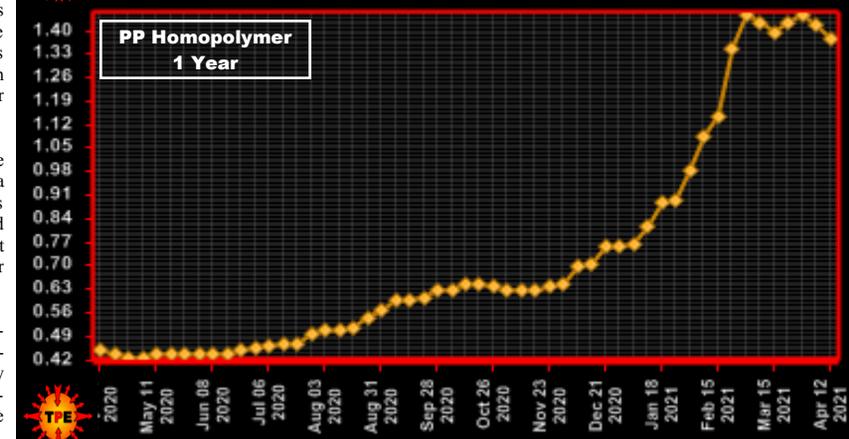
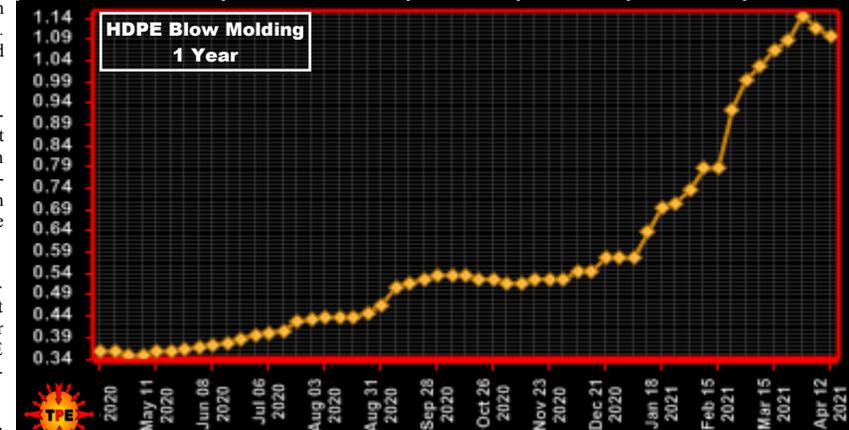
Resin producers have nominated April Polyethylene increases for as much as \$.09/lb, and while the market has lost a little upward momentum, which will challenge the full implementation, PE producers are known to be very disciplined and masters at managing supply before a burdensome overhang can develop. So even as PE production continues to ramp up, we expect a clever balance developing between inventory replenishment and renewed export sales to maintain upward pressure on the domestic PE prices. The Polyethylene market has had legs and could potentially keep running, so considering that all 3 previous 2021 increases have already taken hold for \$.19/lb, we cannot count out the potential success of the current April increase.

This Polypropylene environment has been like none other in our 20 years of making spot resin markets. The supply/demand imbalance that sent spot Polypropylene prices parabolic in Feb still remains and the undersupply is likely to continue for months ahead. However, PP contracts are comprised of two components, which are PGP monomer costs, which have been falling since March began and production margin which continues to expand as each nominated increase becomes implemented. As tight as the Polypropylene market still is, contract PP prices have started falling after enduring massive increases since June 2020, March PP contracts decreased a net \$.125/lb which is after the \$.06/lb margin increase and April contracts are setting up for a similar result.

The very tricky part is that few PP buying processors are satisfied with the limited supplies that have been allocated per the Force Majeure conditions. So as many processors compete to procure additional resin from very limited supplies, buoying spot prices, a huge gap has grown between lower contracts and much higher spot levels. This has not only been sustained, but the gap has actually continued to grow, even as spot has softened the past couple weeks. Falling contracts with limited availability coupled with decently discounted rough widespec material, has lulled some spot buyers into a false sense of comfort that the entire market is coming undone. Unfortunately, some have tried to wait this one out only to come back to find Prime availability just as tight or choice lots no longer available.

There is no telling exactly when enough resin will be produced and/or imported to satisfy both past short-filled and current contracts as well as fill normal spot demand, but when that does happen a larger portion of the huge spot premium will erode. However, as we seek to build spot liquidity each new day there has still been very little high quality spot resin to be found, particularly prime that so many require. Those that are satisfied with allocated contract volumes are catching some relief, while those demanding PP from the secondary market are still paying historically high prices, and will continue to do so for the foreseeable future, with some slow easing along the way.

Resin for Sale 9,917,744 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	2,489,588	\$ 1.200	\$ 1.410	\$ 1.280	\$ 1.380
PP Copo - Inj	1,754,300	\$ 1.290	\$ 1.510	\$ 1.330	\$ 1.430
LDPE - Film	1,330,116	\$ 0.980	\$ 1.060	\$ 1.020	\$ 1.070
HDPE - Inj	1,071,840	\$ 0.940	\$ 1.030	\$ 0.950	\$ 1.000
LLDPE - Film	983,656	\$ 0.910	\$ 0.990	\$ 0.950	\$ 1.000
HDPE - Blow	925,932	\$ 1.010	\$ 1.150	\$ 1.050	\$ 1.100
LDPE - Inj	568,644	\$ 0.900	\$ 1.020	\$ 0.930	\$ 0.980
HMWPE - Film	440,932	\$ 0.900	\$ 0.970	\$ 0.950	\$ 1.000
LLDPE - Inj	352,736	\$ 0.930	\$ 1.040	\$ 0.980	\$ 1.030



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