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Market Update — May 10th, 2019

Resin for Sale 13,768,768 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	2,164,760	\$ 0.540	\$ 0.620	\$ 0.530	\$ 0.570
LLDPE - Inj	2,009,404	\$ 0.500	\$ 0.580	\$ 0.500	\$ 0.540
PP Copo - Inj	1,849,748	\$ 0.530	\$ 0.640	\$ 0.550	\$ 0.590
LLDPE - Film	1,587,312	\$ 0.460	\$ 0.540	\$ 0.460	\$ 0.500
HDPE - Blow	1,578,828	\$ 0.470	\$ 0.540	\$ 0.470	\$ 0.510
HDPE - Inj	1,532,208	\$ 0.480	\$ 0.540	\$ 0.470	\$ 0.510
LDPE - Film	1,188,392	\$ 0.510	\$ 0.570	\$ 0.490	\$ 0.530
LDPE - Inj	962,644	\$ 0.490	\$ 0.550	\$ 0.470	\$ 0.510
HIMWPE - Film	895,472	\$ 0.490	\$ 0.570	\$ 0.500	\$ 0.540

Spot resin trading was relatively strong, and a high volume of resin changed hands through our anonymous trading network. There was no price movement for either Polyethylene or Polypropylene, each simply held the few-cent gains achieved over the past month or so. Market participants still rumbled about the late \$.03/lb increase implemented in April and to add to the upward pressure, there is another 3 on the table for May. PP contracts will jump at least a nickel on the heels of higher PGP costs, which eased this past week, but remain elevated. Exports also slowed a bit amid continued trade war anxiety, but this growing sales channel remains a major market force to move material.

The major energy markets were mildly mixed in sometimes nervous trading. WTI Crude Oil futures moved indecisively back and forth, awaiting a catalyst to move firmly in either direction; by the end of the week, the June futures contract had shed \$.28/bbl to \$61.66/bbl. Brent Oil showed similar price action, losing \$.23/bbl to \$70.62/bbl. Nat Gas futures mustered up a little rally, adding \$.052/mmBtu (about 2%); it finished Friday at \$2.619/mmBtu, still near its multi-year low. Ethane shed about a cent to \$.22/gal (\$.133/lb). Propane staged a decent recovery, regaining \$.02/gal to \$.615/gal (\$.385/lb).

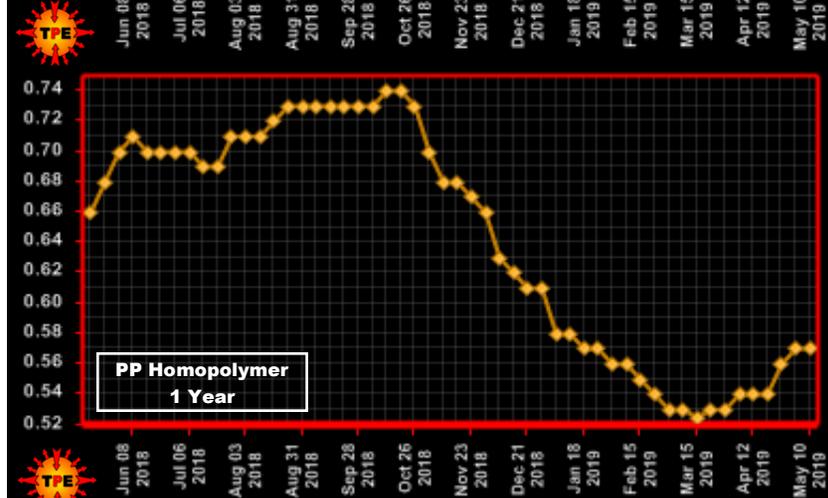
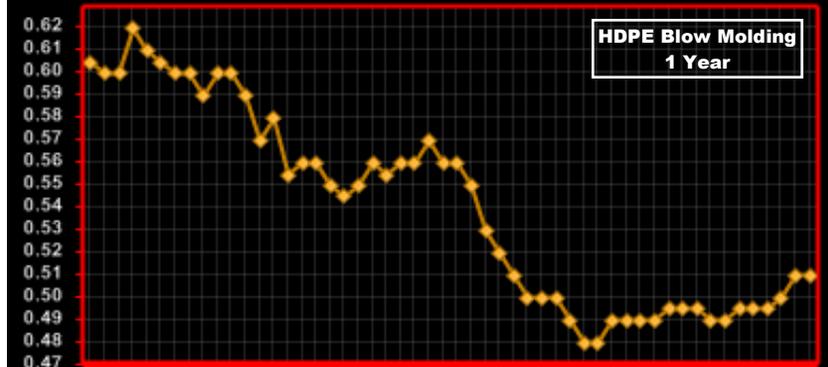
The spot monomer market was active, pricing was mixed, and a large volume of material changed hands. After making new cycle lows the week prior, Ethylene found support on Monday and spot traded back up more than a half-cent to \$.13/lb. There was another wave of trade midweek which further supported prompt pricing. The front months gained slightly on the deferreds, helping to flatten the curve somewhat. By Friday, the barrage of bids and offers had quieted down and prices stabilized. May Ethylene ended the week at \$.135/lb.

After a quiet Monday, the PGP market began to shake off part of the previous weeks' rallies and traded lower through Thursday. There was a small recovery on Friday and May PGP ended the week around \$.385/lb, down \$.02/lb. Traders seemed to focus their attention on the back end of the curve and multiple transactions at lower levels pressured these future months even more than spot levels. Dec 2019 is priced at \$.41/lb and the peak in June of 2020 is a shade below \$.43/lb. There is still some time before contracts settle, but with this week's setback, we would now guide May PGP contracts up somewhere in the vicinity of \$.05-.06/lb.

The spot Polyethylene market was steady this past week, consolidating at these slightly higher levels. The flow of offers was reduced and completed volumes were a tad above average, though transactions slowed late in the week. Market participants digested the higher prices coming from the late (surprise) implementation of a \$.03/lb price increase on April contracts. We had seen the bottom of the discounted spot market clean up and move \$.02-.03/lb higher over the past several weeks, and after several failed attempts felt that the increase finally had a better chance in May, but admittedly, we did not think it would actually take hold in April.

Polyethylene processors who thought that they were stocking up a bit by procuring extra contract resin in April ahead of the (May) increase actually paid the increase on those buys, so there are some disgruntled buyers out there as there were better buying opportunities in spot. There is yet another \$.03/lb increase on the table for May, which should shift negotiation discussions away from April. Some suppliers became emboldened with the higher market, so raised their asking prices and have since held firm.

Spot Polypropylene trading was very good, demand was strong as market participants, including both resellers and processors, were out searching for well-priced deals. Most fresh railcar offers jumped up at least a nickel, in anticipation of at least a \$.05/lb cost-push contract increase for May. Polypropylene prices had been slowly grinding lower during 2019, so a quick reversal market created a little sticker shock for buyers. However, some traders still have older inventory on hand and have been willing to part ways with their material for a lesser premium and these presented relatively easy deals to complete. PGP monomer prices backed off a couple cents this past week, so it provided some comfort to buyers that prices will likely be contained in this range for the moment.



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