MARKET UPDATE

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Market Update — May 11th, 2018

Resin for Sale 11,009,568 lbs		Spot Range		TPE Index	
Resin	**Total lbs**	**Low**	**High**	**Bid**	**Offer**
HDPE - Inj	2,962,944	$ 0.580	$ 0.630	$ 0.540	$ 0.580
LLDPE - Film	1,185,196	$ 0.570	$ 0.650	$ 0.550	$ 0.590
HMWPE - Film	1,173,656	$ 0.630	$ 0.690	$ 0.600	$ 0.640
PP Homo - Inj	1,173,380	$ 0.600	$ 0.690	$ 0.610	$ 0.650
LDPE - Inj	997,288	$ 0.620	$ 0.700	$ 0.610	$ 0.650
HDPE - Blow	976,368	$ 0.580	$ 0.650	$ 0.570	$ 0.610
PP Copo - Inj	951,736	$ 0.580	$ 0.740	$ 0.640	$ 0.680
LLDPE - Inj	802,000	$ 0.630	$ 0.690	$ 0.610	$ 0.650
LDPE - Film	787,000	$ 0.640	$ 0.690	$ 0.630	$ 0.670

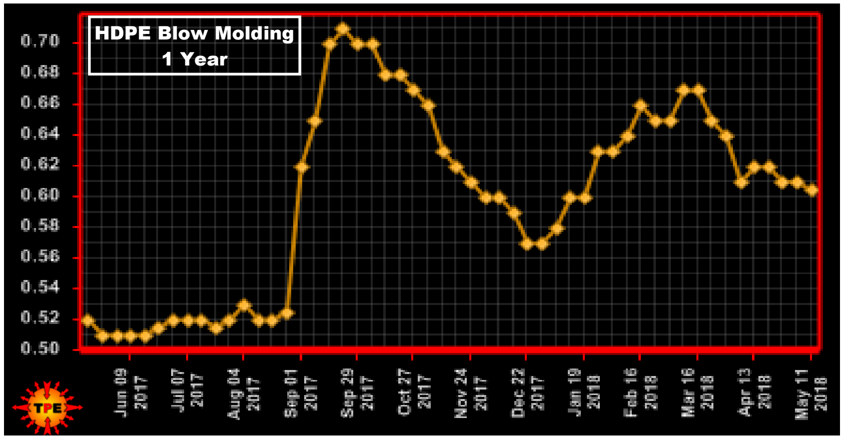
The Plastics Exchange was extremely busy this past week even though we transacted a below average volume of resin. Our entire trading team was at NPE in Orlando, meeting with dozens of trading partners and actively growing our already vast worldwide supply network. The rest of the North American resin market was also slower, while new supply channels were being developed, there was relatively little prompt trading to be done. We have been finding the middle market (distributors, resellers / traders, exporters) to be very light on inventory as the general consensus has been for spot Polyethylene prices to slide further. Prompt Polypropylene availability has also been tight, as there is just not that much material to be had. The bright spot was seen in PE exports, with good demand seen from Mexico / Latin America and notably, now from China as well.

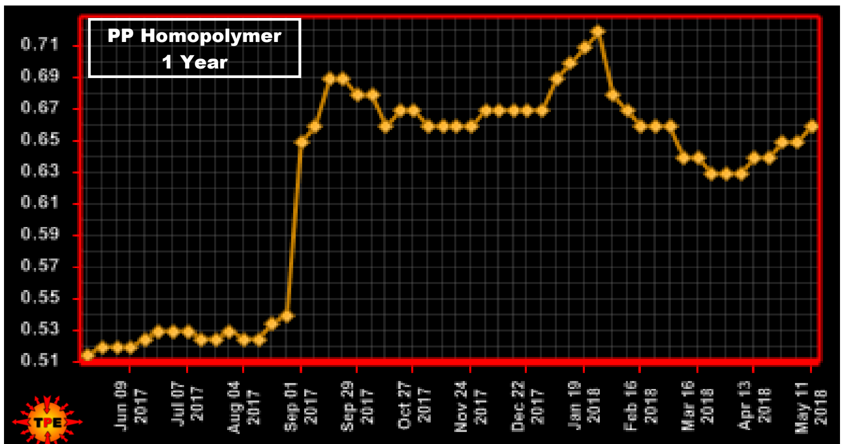
The major energy markets continue to rise as the conflict in the Middle East has been feeding a war-risk premium. June WTI Crude Oil futures moved around within a larger $4+/bbl range, ultimately adding $.98/bbl to end the week at $70.70/bbl, a new multi-year high. Brent Crude Oil futures rose even more; July, the new front month, jumped $2.25/bbl to settle Friday at $77.12/bbl. Natural Gas traded in a nearly 5% range, the June futures contract rose nearly a dime before it went into the weekend at $2.806/mmBtu. Ethane prices edged up slightly to nearly $.26/gal ($.11/lb). Propane finished around $.88/gal ($.25/lb).

The monomer markets were quiet during the first part of the week before the action began to pick up. Ethylene pricing remained pressured, with near month material visibly changing hands as low as $.13/lb; bids then scattered and nominal values dropped to around $.12/lb. While forward prices are still at a premium, the balance of 2018 has also fallen and is currently marked below $.16/lb. The Propylene market firmed further adding to the previous week's gains. Prompt PGP transacted in the very high $.40s/lb, with late week bids reaching nearly $.50/lb, quite a recovery from the early April low around $.43/lb. Current spot PGP prices point to a potential $.04-.06/lb increase in May PGP contracts.

Despite a large number of market participants visiting NPE last week, spot PE trading did show signs of life. Perhaps it was the face-to-face meetings or cheaper pricing starting to appear, but transacted volumes, particularly late in the week, were better than expected considering the show. Market talk continued to focus on anticipated downside in pricing and lower levels were indeed seen in Houston. LLDPE Butene remained the weakest grade losing more than a penny last week while HD for Blow Molding and LD for Film each shaved a half-cent. The other commodity PE grades held steady, with the exception of HD Injection which actually garnered a slight gain. A $.03/lb contract price increase remains on the table for May, although at this point, it seems unlikely given healthy upstream margins and ever building producer inventories. Many more topics were thoroughly discussed in Orlando, feel free to give our trading desk a call to get more in depth information.

The Polypropylene market was also slower as much of the industry converged on Orlando for NPE. Overall PP supply / demand dynamics remain balanced to tight with no new supply on its way, other than imports, to satisfy any increase that we could see in demand. Although April PGP contracts slid a cent, producers kept contract levels steady, earning the first penny of their mostly $.04/lb margin increase. The market seemed poised for further margin gains in March, but the recent nickel run-up in PGP prices might steal the thunder – either way, higher Polypropylene prices are starting to come through and additional gains remain on the horizon. The low end of the Houston market has already ratcheted up 2-3 cents and scarce domestic railcars have already been quoting $.03 - .04/lb higher in May.





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