The spot resin markets were a tad slower this past week, our completed volumes were still well ahead of year ago levels, which was amid the Covid market trough, but only ran around the elevated average that we have experienced so far during 2021. The activity is nothing to complain about, but also nothing to write home about either. We have seen this type of ebb and flow action the past couple of months as demand fluctuates between a cautious pause and then another surge. The supply situation has not changed much either as most producers remain under Force Majeure and / or only providing limited contract volumes per allocations.

Spot Polyethylene and Polypropylene prices were widely mixed by grade, most materials have held their steep spot premiums while some grades have become more available and unable to hold peak price levels. Producer direct Polyethylene exports continue to flow, but relatively few offers have been shown to the exporter community as supplies remain snug and the vast majority of Prime resin is used to fill contract orders. Those limited incremental export offers have generally been priced out of reach of international buyers. Logistics issues and soaring freight rates, both ocean and domestic trucking, have added to delivered resin costs.

Polyethylene trading was good, but not great, activity has generally been hampered by limited supplies that have not yet recovered from the series of production issues that have plagued the North American plastics industry. While most plants have been back up and running, some reactors are still having production issues, so spot supplies are still super snug. Most Prime resins were hard to source, though a decent flow of offgrade has continued. HDPE for blow molding has remained the shortest material, another round of eager buyers grabbed every pellet that appeared, those prices jumped a solid $.04/lb. Blow Molding is the only PE grade that we have seen significant imports come to help close the supply shortfall.

Quite to the contrary, HMW for film has become a bit loose as competitive offers from overseas have usurped many potential export orders, this resin charged off a hefty $.04/lb this past week. The rest of the commodity PE materials including LDPE Clarity, LLDPE Hexene, MDPE Rotomolding, HDPE high flow, LLDPE injection and granular, each added $.01-.02/lb as general tightness remained. Producers should ink their $.05-.06/lb price increase for May contracts and some have another increase nominated for June. Polyethylene prices have disconnected from Ethylene costs, which decreased $.07/lb this past week and have dropped a huge 33% since May began.

The Polypropylene market has bucked its interim softness and has returned higher as supplies remain very tight and rapidly rising monomer costs foretell a sharp increase in May contracts. Prime railcars are still generally absent from the spot market, but we saw a fairly steady flow of offgrade PP railcars, with a good range of quality from rough offgrade transitional resin all the way up to near prime material; Homopolymer was again more available than Copolymer. There was some consolidation in pricing as the lower end of the spectrum cleaned up and in an ultra-rare occurrence, average HoPP prices slid a cent, while CoPP resins rose.

A significant amount of PP imports have been reaching the US shores, but most have been presold, though additional cargoes are making their way across the seas to help satisfy demand. Spot PGP has maintained its rally back in to the mid-$1.70s/lb, and if prices continue to hold, we expect May contracts to jump between $.15-.20/lb, and we would not be surprised to see producers awarded an additional margin enhancing increase, so there is a very good chance that May PP contracts will see an increase in the vicinity of $.20/lb.

We have been firm in our conviction that spot material would remain tight and we are still fairly bullish both Polyethylene and Polypropylene prices. The North American resin market has seen ongoing production disruptions, which have helped maintain the extraordinary supply / demand imbalance. While the gap has been closing over time, additional hicups have come to challenge the return to normalcy. We are not out of the woods yet and must advise early that the hurricane season, which officially begins in June, is forecast to be heavy and could again prove to be problematic.