Spot resin trading was mixed. Polyethylene business improved but was offset by slower Polypropylene sales. Overall spot prices ended mostly steady, though there was deep producer discounting along the way to help improve month-end sales; it remains to be seen if one-off deal levels will return in May. Average PE contracts saw a $.04/lb decrease in April while most PP contracts declined 2-cents. In an effort to combat over supply, resin producers have begun to reduce production by either throttling back reactor rates or as we suggested the need last week, the actual idling of plants. Resellers continue to shed their inventoried stocks while also seeking back to back orders. Though recognizing the current advantageous price level, most believe there is still plenty of time to buy and replenish their inventories. Houston prices were soft as sellers chased limited demand amid the pandemic led slowdown and cost based shifting of supply channels. Contributing to global market anxiety and economic uncertainties, growing geopolitical tension between the US and China concerning Covid-19 fallout and blame has caused pause from some resin buyers in the Far East fearing possible retaliatory tariffs.

Activity in the monomer markets picked up a touch, volume was healthier and prices moved in opposite directions. Ethylene trading took a back seat to Propylene, but finally found support after weeks of pressing into lower levels. There has recently been limited interest in front month monomer trading and April Ethylene expired this past week without a visible transaction. On Friday, May officially took over and material for delivery later this month changed hands at $.1025/lb. This nearly $.015/lb bump was a 15% increase from prior week’s settlement. There was heavy turnover in the deferred months with high bids while large offers pressed the market to the downside. Spot PGP rolled to May and settled Friday at $19.78/bbl, up $.24/bbl, about a 12% gain. Brent Oil rolled to July and transacted in a $6/bbl range, ultimately added $1.63/bbl to $25.44/bbl. Natural Gas futures trading was largely uneventful as prices were bound between $1.80 – 2.0/mmBtu, with the upper boundary providing strong resistance. The June Nat Gas contract ended the week just a half-cent lower at $1.89/mmBtu. NGLs were mixed; Ethane scored back-to-back weekly gains, rising $.016/gal to $.174/gal ($0.73/lb), while Propane chalked up another loss, shedding $.014/gal to $.326/gal ($0.92/lb).

The spot Polyethylene market ended April and began May with surprisingly good activity amid the difficult economic environment the plastics industry is still wading through. There was heavy a flow of railcar offers as producers sought sales for their excess output, domestic or export, given reduced demand from many of their normal processing customers. Our trading desk managed to close a high percentage of opportunities presented, bringing completed volumes above the short-term average and closer to our normal market figures. Processors have shown, only ordering small quantities, expecting lower prices ahead, and in most cases being very aggressive with low-priced bids. However, most grades held steady this past week, supported by news that Dow will idle three Polyethylene plants for at least one month to help balance against lower demand (and diminishing storage space). We expect other producers to follow suit to at least a certain extent, which may help to curb this price slide. A $.04/lb contract price decrease seems to be solid for April PE contracts and the battle for May begins – processors are calling for another $.03-.04/lb decrease. The export market has remained quiet, though prices have fallen.

Polypropylene trading was slower this past week, supply was ample, but buyers were conservative, and spot prices ended flat with a weak undertone. Of the transactions completed, truckloads outsold railcars as processors continue to buy in reduced volumes. April Polypropylene contracts will mostly settle down $.02/lb with potential variance based on the index / metric as producers have tried to implement a small margin increase. Our HoPP sales outpaced CoPP and Prime was favored over widespec as the contract decrease has helped narrow the spread. Upstream resin inventories jumped 40 million lbs to begin April, but remain historically very low after reducing 355 million lbs over the previous five months. The market awaits a normalization of demand which could begin to develop as shelter in place orders begin to ease. Still, Polypropylene prices seemed poised to slide further in May as spot monomer levels already point to a potential cost-based price decrease.