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After a rocking April, the resin markets were slower this week, which is typical for the start of a new month. Although the flow of both resin offers and requests was lighter, we still concluded an average number of transactions. Spot Polyethylene prices were steady across the board while Polypropylene slid another cent. PE export interest from Latin American and Asian regions has waned, while the arb to Europe is still open for now. PP exports have been restricted to relatively low volumes of Offgrade; Prime imports have been more typical.

WTI Crude Oil dropped \$1.25/bbl to \$44.66/bbl amid relatively low volatility. Ethane was weaker; Propane was modestly lower. There was very little activity and price movement in the monomer markets – spot Ethylene remained around \$.25/lb with Polymer Grade Propylene near \$.30/lb. While both a cracker and PDH unit that had been down for maintenance have returned on-stream, several other Ethane crackers remain offline.

The spot Polyethylene market saw reduced activity as May began and overall pricing was flat this past week. Fresh railcar offers were limited, as was demand - aside from buyers needing spot loads to fill immediate supply gaps. Uncommitted inventories among the reseller segment have thinned, although PE prices are not exorbitant, prices have risen quickly and seem a bit frothy at this level. Most traders have been liquidating material on this upswing, while generally opting for new transactions as back-to-back.

PE contracts quickly jumped \$.09/lb during March/April, supported by (mostly planned) cracker and reactor outages. Without a new price increase on the table for May, producers are just looking to roll contracts at these elevated levels and it might not be too hotly contested. A price decrease immediately following an increase can pose a problem to processors that would be challenged to pass the last increase downstream to their customers of finished goods.

The desire for a future decrease is still in mind. Resin market participants are anticipating increased material availability ahead as several reactor maintenance projects are currently in completion stage. After consistent prime production has returned, Polyethylene prices could be heading back south through its cycle. In the meantime, the market is still tight and certain grades like LDPE Clarity for film and higher alpha olefin LLDPE grades are outright tough to source.

Spot Polypropylene trading has improved; the flow of offers is better and prices continue to ease. After five quarters of sparse supplies, Generic Prime railcars are back in the secondary market – competing with imported resins. The Polypropylene market has really turned, rather than chasing spot loads and cars, we are again out looking to liquidate the industry's surplus supplies. While the market is far from swimming in resin, there is a sufficient smattering of most HoPP and CoPP grades spread around the country.

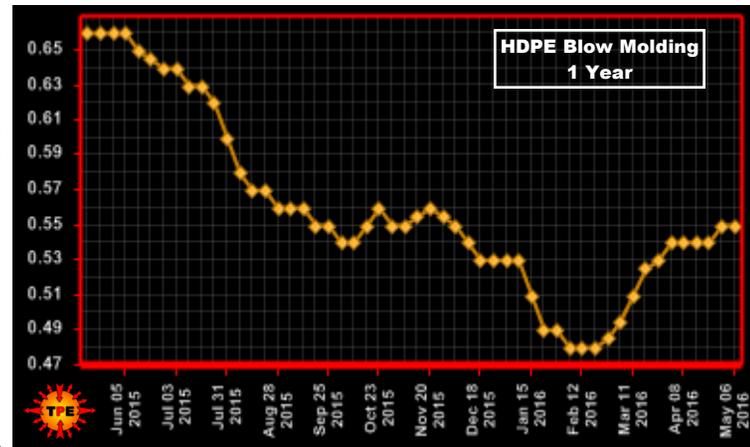
While PGP monomer contracts fell as much as \$.465/lb from its October 2014 peak of \$.765/lb, Polypropylene producers leveraged the resin supply / demand imbalance to significantly expand their margins. They accomplished this by lowering resin prices much less than their cost savings. In April, the bubble finally burst (or at least sprung a leak) as the first \$.03-.05/lb margin decrease was implemented.

There should be very little, if any, change in May PGP contracts – April had settled at \$.325/lb. However, processors are looking for additional relief as they seek another net decrease in PP contract prices this month. Falling North American PP prices have taken a chunk out of the import incentive, which in the months ahead, could become very apparent in terms of supply gaps.

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Market Update — May 6th, 2016

Resin For Sale 12,812,652 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Copo - Inj	3,029,152	\$ 0.540	\$ 0.640	\$ 0.560	\$ 0.600
PP Homo - Inj	2,344,140	\$ 0.510	\$ 0.620	\$ 0.540	\$ 0.580
LDPE - Film	1,540,116	\$ 0.570	\$ 0.680	\$ 0.600	\$ 0.640
HDPE - Blow Mold	1,416,208	\$ 0.530	\$ 0.590	\$ 0.510	\$ 0.550
LLDPE - Film	1,170,460	\$ 0.530	\$ 0.580	\$ 0.520	\$ 0.560
LLDPE - Inj	939,288	\$ 0.600	\$ 0.660	\$ 0.580	\$ 0.620
HDPE - Inj	802,828	\$ 0.525	\$ 0.570	\$ 0.510	\$ 0.550
HMMWPE - Film	790,460	\$ 0.550	\$ 0.585	\$ 0.520	\$ 0.560
LDPE - Inj	780,000	\$ 0.560	\$ 0.620	\$ 0.590	\$ 0.630



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