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## Market Update — June 29th, 2018

Resin for Sale 14,185,360 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Copo - Inj	2,734,588	\$ 0.670	\$ 0.760	\$ 0.700	\$ 0.740
LLDPE - Film	2,435,496	\$ 0.540	\$ 0.620	\$ 0.510	\$ 0.550
LDPE - Film	2,323,656	\$ 0.580	\$ 0.690	\$ 0.600	\$ 0.640
PP Homo - Inj	1,701,204	\$ 0.650	\$ 0.750	\$ 0.660	\$ 0.700
HDPE - Blow	1,247,656	\$ 0.550	\$ 0.620	\$ 0.560	\$ 0.600
LLDPE - Inj	980,460	\$ 0.630	\$ 0.720	\$ 0.630	\$ 0.670
HDPE - Inj	973,552	\$ 0.550	\$ 0.620	\$ 0.530	\$ 0.570
LDPE - Inj	967,828	\$ 0.630	\$ 0.690	\$ 0.620	\$ 0.660
HMWPE - Film	820,920	\$ 0.630	\$ 0.680	\$ 0.600	\$ 0.640

Spot resin trading remained healthy this past week, which brought about the end to June. This was by far the most active month of the quarter and transactions were voluminous enough to contribute to very pleasing results for our first half of 2018. Offers for both Polyethylene and Polypropylene continued to flow nicely, resellers sought to sell off their uncommitted inventory, and while there were some discounts provided, their deals were not priced overly aggressive. Spot PE levels averaged about a penny lower, with a range of flat to down \$.02/lb depending on grade. Spot PP availability continued to improve, with offgrade deals far more appealing than prime offerings. Overall HoPP prices were flat this week, while CoPP added a cent. Export interest was a bit better and spurred along by rising Crude Oil prices, which adds cost push pressures to other international regions' monomer and resin.

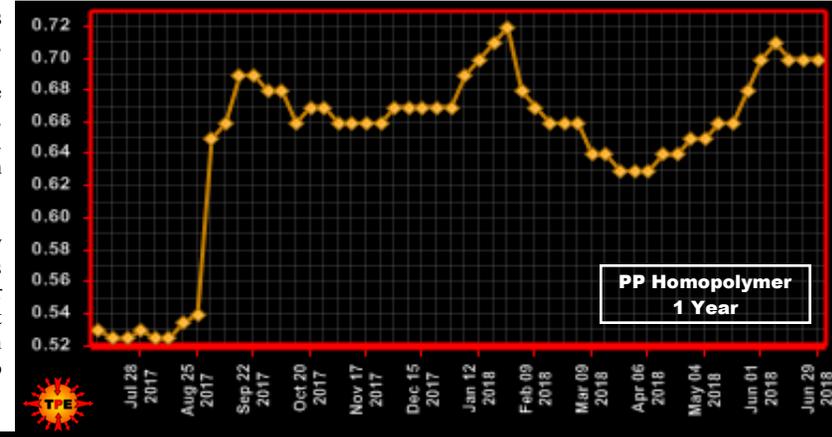
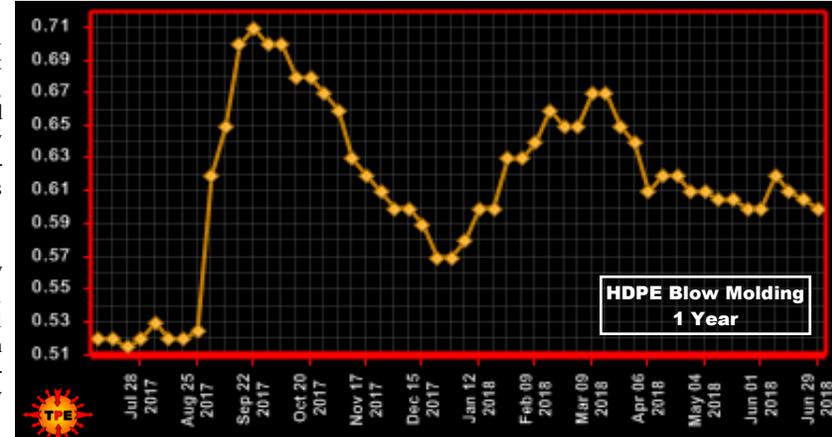
The major energy markets were very active and the Oil complex built upon its gains from the previous week. WTI Crude Oil rose firmly since Tuesday and the huge \$5.57/bbl gain brought the August futures contract up to \$74.15/bbl. In only a week and a half WTI has increased nearly \$10/bbl to fresh multi-year highs. September rolled to the front month for Brent Oil, which had a moderate gain of \$3.91/bbl and settled Friday at \$79.23/bbl. The Brent-WTI spread has narrowed back into a more normal \$5/bbl. August Nat Gas futures saw reduced volatility and dropped \$.021/mmBtu to finish the week at \$2.924/mmBtu. July Ethane took to the front, adding more than a penny to \$.34/gal (\$.143/lb). July Propane prices jumped more than a nickel to \$.94/gal (\$.267/lb).

The monomer markets took a step back from the last few weeks of active trade, as participants mostly returned to the sidelines. Other than a handful of spread transactions, the Ethylene market seemed to lack real interest and prompt prices held mostly flat around \$.13/lb. Though it has yet to generate meaningful market results, there is little or no margin in cracking Ethane to Ethylene, but no worries to producers that are fully integrated all the way to the PE pellet. After a fierce rally in the beginning of June, the PGP market continued to slowly retrace and prices eased further, weakening slightly this past week. July PGP, which had already been discounted to June, was mostly steady around \$.55/lb. After considering typical contract discounts, this level is \$.01-.02/lb below the June contract settlement of \$.59/lb, which was up \$.08/lb – in line with our estimate.

Trading in the spot Polyethylene market was very busy as June came to a close. Overall material availability improved further and our spot prices were mostly a penny lower, with variance amongst the commodity grades. This was seemingly enough for buyers to find good value as the orders consistently arrived, securing material ahead of the fourth of July holiday week. Compared to a year ago we now sit anywhere from down \$.04/lb in resins like HD Injection, where supply restrictions have resolved, to +\$.10/lb for materials like HMWPE. Certainly in the past year we've seen premiums between resins expand and contract, mainly based upon supply related issues and we see this type of price movement continuing into the future.

Some confusion exists in the PE contract market as some producers had reaffirmed their intent to raise prices \$.03/lb in June. However, market chatter and a major consultancy has signaled the market as flat this month, which falls more in line with spot market activity, so we also believe that a flat settlement is most appropriate. International buyers found softening prices out of Houston to be workable, helped along by rapidly rising Crude Oil prices. North American PE producers still enjoy a major feedstock cost advantage to facilitate exports, which is how producers plan to move the bulk of all this new PE production that seems to just be backing up. Also to note, the whole tariff situation has yet to resolve, maintaining a level of uncertainty and not just with China.

Polypropylene trading activity waned this past week, it was the slowest of the month. CoPP gained a penny while HoPP remained flat. After several weeks of strong demand, most processors seemed to hold off purchases at these higher contract prices, up about \$.08/lb in June, that some see as peak levels for this cycle - as monomer has already topped. Resellers have been shedding inventories, but still desire nearly top dollar for material that is ready to ship. Offerings from importers were priced softer as some felt exposed and sought to lock up fresh sales. The overall domestic PP market is still fairly tight and branded prime is priced at a sharp premium to good offgrade resins. Current monomer levels point to easing of cost push pressures in July and beyond.



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Michael Greenberg  
312.202.0002  
@ResinGuru