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## Market Update — June 7th, 2019

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The resin markets continued a bit slower as June began - offers were plentiful, prices were weaker and completed volumes tallied a tad below average. The market's short-lived bull-run has been met with sharply lower energy and feedstock costs along with falling international resin prices, which has quickly shaken sentiment back to neutral at best. Spot Polyethylene prices slid \$.01-.02/lb this week, which places a dark cloud over producers' ability to implement their current \$.03/lb increase, which has rolled from June, though the April \$.03/lb increase still remains intact. Spot Polypropylene prices saw a similar decline this week and the recent \$.045/lb cost-push increase enabled for May might already be peeled back in June. Resin export demand is strong, but at down-adjusted bids, which suppliers have not been quite so eager to chase - at least yet. These ever-changing resin markets sure keep us all on our toes!

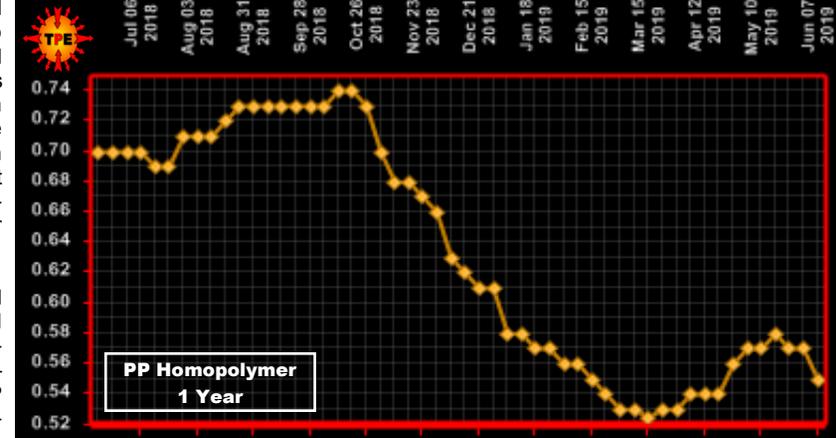
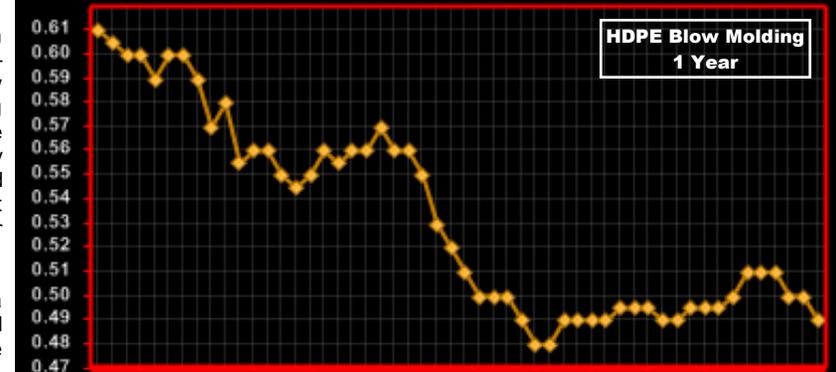
The major energy markets were mixed this past week as Crude Oil attempted to stabilize and recover after a 3-week rout, meanwhile Nat Gas continued to tumble. WTI Crude Oil initially continued lower and even looked like it might flirt with the \$50/bbl level, but was able to bounce back mid-week and eliminate its losses; the July contract ended the week at \$53.99/bbl, up a net \$.49/bbl. August Brent Oil exhibited a bit more strength and gained \$1.30/bbl to \$63.29/bbl. Nat Gas futures fell further, the July contract shed \$.117/mmBtu to \$2.337/mmBtu - new contract lows. Ethane eroded, chunking off \$.032/gal, almost 15%, to end the week at just \$.156/gal (\$.078/lb). Propane was also pummeled, peeling off a sizable \$.0456/gal to \$.46/gal (\$.132/lb).

Trading was energetic in the monomer markets last week, there was good volume and prices were again on the defensive. Ethylene saw pressure from the get go - sell offers emerged on Monday and the negative sentiment continued through Wednesday when front month June changed hands at \$.1175/lb, a new low. Prompt prices proceeded to inch back and June Ethylene settled Friday at \$.125/lb. Propylene trading was noticeably active with sizable volume / completed transactions scattered for both prompt and future deliveries. June PGP saw lower prices each day until the market seemed to find value on Friday, but by then, spot PGP had hacked off nearly \$.06/lb, a massive 15%, before settling just above \$.33/lb. Forward month premiums were deflated, December 2019 is priced at \$.3525/lb and the June 2020 peak is now just above \$.37/lb. If the current weakness in PGP persists, we would expect June contracts to give back their May gains of \$.045/lb, but there is plenty of time to see the market play out before negotiations begin.

Spot Polyethylene trading began June in a mellow way, which is not uncommon for the first week of a summer month. Our spot PE prices were all weaker - most came off a penny, though LDPE for Film and LLDPE for Injection, which had been building premiums, each slid a solid deuce. Completed volumes were only about average as order flow through our trading desk was on the quieter side, but not unexpected, especially considering these quickly changing market dynamics. In recent weeks crude oil has dropped more than \$10/bbl and geopolitical trade wars have been flaring, which has added a level of anxiety to both the US and international resin markets. As international resin prices slide, export interest from all different regions have been flooding the low-cost producing US, however, some buyers' low-bid targets have not been attainable, resulting in many uncompleted opportunities. The trade tariffs with China remain unsolved, while fresh sanctions have just been placed on Iran's Petrochemical industry, which could be seen as bullish. One fire has just been put out with an agreement seemingly in place with Mexico which would avoid tariffs on goods sold back to the US in exchange for tighter border security. The bullish market momentum that developed through May has been deflated; however, we would not characterize this market as bearish. There is a \$.03/lb Polyethylene contract price increase on the table, which was rolled over from May, but given the spot environment, implementation seems unlikely.

Polypropylene business picked up this past week; our completed transactions were sizable, fairly well divided between prime and offgrade, and HoPP sold more commonly than CoPP. This past week favored back to back deals over our inventory sales as some suppliers offered favorable prices to move their material. The flow of spot railcar offers was fluid and prices were discounted \$.01-.03/lb compared to the previous 2-3 weeks and our benchmark prices for both HoPP and CoPP each gave back \$.02/lb as spot PGP declined sharply, indicating lower contracts ahead for June. We have now entered hurricane season, although PP supplies seem ample / loose at the moment, anything can happen over these next few months. Notwithstanding some Polypropylene production issues, we expect June PP contracts to follow monomer contracts lower in June and, at the moment, the entire May increase is at risk of being wiped away.

Resin for Sale 13,593,622 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Copo - Inj	2,027,932	\$ 0.540	\$ 0.620	\$ 0.530	\$ 0.570
HDPE - Inj	2,003,036	\$ 0.480	\$ 0.540	\$ 0.450	\$ 0.490
PP Homo - Inj	1,940,484	\$ 0.530	\$ 0.610	\$ 0.510	\$ 0.550
HDPE - Blow	1,677,036	\$ 0.480	\$ 0.540	\$ 0.450	\$ 0.490
LDPE - Film	1,587,312	\$ 0.505	\$ 0.610	\$ 0.470	\$ 0.510
LLDPE - Film	1,543,220	\$ 0.480	\$ 0.540	\$ 0.440	\$ 0.480
LLDPE - Inj	1,358,484	\$ 0.510	\$ 0.610	\$ 0.480	\$ 0.520
HMMWPE - Film	793,656	\$ 0.490	\$ 0.550	\$ 0.450	\$ 0.490
LDPE - Inj	662,462	\$ 0.480	\$ 0.550	\$ 0.480	\$ 0.520



Michael Greenberg  
312.202.0002  
@ResinGuru