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## Market Update — July 10<sup>th</sup>, 2020

Spot resin trading maintained its swift pace. Demand was very good and supply remained constrained, yet available. Prices continued to tick higher as all commodity Polyethylene and Polypropylene grades added another \$.005/lb this week. Processors absorbed the June \$.04/lb Polyethylene increase in stride and the upward momentum has been sustained into July, which now brings the next \$.05/lb increase currently on the table into focus. Polypropylene contracts were steady to a penny higher in June and are poised to jump a cost-push nickel or more as monomer prices run higher on the heels of several production outages. Export demand for both PE and PP remained strong though there was some resistance from international traders after producers offered incremental July allocations with a significant price hike. Still, high export turnover persisted and continued to provide a rising floor and ample outlet for material, which in turn supported domestic pricing.

The major energy markets were less volatile compared to recent weeks, Oil trading held to within a 6% range. WTI Crude Oil and Brent Oil both ended essentially unchanged, actually down a dime and up a dime, to settle Friday at \$40.55/bbl and \$43.24/bbl respectively. Natural Gas futures advanced nicely early in the week, soaring some 20-cents, but then pulled back as the week wore on; the August contract managed to hold on to a good \$.071/mmBtu gain to settle Friday at \$1.805/mmBtu. NGLs were both positive. Ethane gained \$.02/gal to \$.213/gal (\$.09/lb). Propane added \$.014/gal to \$.481/gal (\$.136/lb).

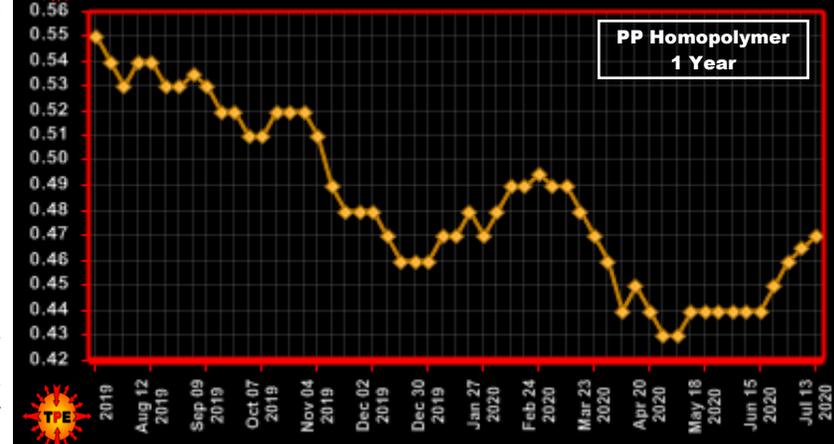
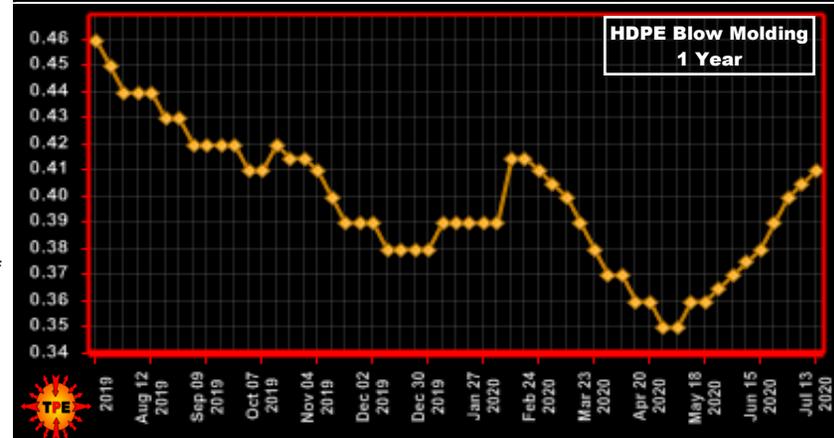
Monomer trading remained enthusiastic though slightly less intense from the prior week, volume was above average and prices ended mixed. Ethylene limped into Monday but saw heavy action Tuesday / Wednesday as spot July changed hands multiple times at \$.16/lb. On Friday, additional transactions were finalized for both July and August before prompt Ethylene closed the week nearly flat around \$.16/lb. The market saw a significant sentiment change, the forward curve completely inverted as future Ethylene delivery months were deemed overpriced and all pulled back, some sharply. The entire 2021 calendar year pricing now nestles around \$.145/lb and spot July Ethylene took over as peak, the highest priced delivery contract along the forward curve.

Propylene was a bit more active than Ethylene, transactions came to fruition daily and volume was huge. Traders initially concentrated on future deliveries and a few deals were inked through Tuesday. On Wednesday, market focus temporarily switched to spot and multiple transactions were completed for July PGP at \$.32/lb. Thursday saw traders' attentions revert back to the future and August also changed hands at \$.32/lb and then again just below \$.315/lb. Spot July PGP eased a tad and finished the week with a penny gain, settling around \$.31/lb. Based on current spot levels, July contracts eye an increase of roughly \$.05 -.06/lb though plenty of time remains to upend the upward trend and influence negotiations or then again, the market can also still move higher.

Rising prices and healthy volumes made for a strong week in Polyethylene trading. A flurry of inquiries pelted our trading desk throughout the week and an above average volume of resin changed hands in our spot marketplace. Overall availability was barely ample; relatively scarce grades came in spurts and limited railcar offerings were scooped up fairly quickly. LDPE and LLDPE for both film & injection were in high demand, as was HDPE for film & blow molding, the one commodity material that seemed to lag was injection grade HDPE. Our spot prices inched up another half cent this week as the case for producers \$.05/lb increase efforts strengthens. However, back to back increases without a hurricane or major production disruption are difficult to secure, but if the strength continues some or all of the increase is certainly possible. Although some pushback developed from purchasers, the higher spot prices were generally accepted as resellers' inventory replacement costs have seemingly been rising faster than general sales prices. Export activity continued to be robust with good demand seen from all major regions, especially China and Asia in general.

Spot Polypropylene trading was very busy, demand was hefty, supply was initially sufficient and then thinned out as material sold. While railcars continued to be a heavy mover, ready to ship truckloads were also in high demand. The majority of transactions took place as back to back, while we also filled a number of orders from our market making inventory. Spot PP prices trudged another half cent higher and seem to have more upside ahead. Resellers were the biggest buyers as they snatched up railcars eyeing rising monomer costs with the belief that resin prices will continue to increase. Processors also came with purchase orders in hand, but were sometimes too slow to pull the trigger and missed opportunities. Current spot PGP prices rose another penny from last week and now point to a \$.05/lb or more increase for July contracts. Producers have also nominated a 3-cent margin increase for August, reactor maintenance could support the endeavor, but there is also a new plant slated to come online. We remain bullish from these levels and would not be surprised to see another busy week ahead as the imminent July price increase works its way through the market.

Resin for Sale 13,640,160 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,509,588	\$ 0.385	\$ 0.460	\$ 0.370	\$ 0.410
LDPE - Film	2,108,048	\$ 0.460	\$ 0.570	\$ 0.500	\$ 0.540
LLDPE - Film	1,937,956	\$ 0.390	\$ 0.470	\$ 0.370	\$ 0.410
HDPE - Blow	1,885,220	\$ 0.390	\$ 0.450	\$ 0.370	\$ 0.410
PP Copo - Inj	1,353,196	\$ 0.430	\$ 0.520	\$ 0.450	\$ 0.490
LLDPE - Inj	1,149,116	\$ 0.475	\$ 0.535	\$ 0.450	\$ 0.490
PP Homo - Inj	1,131,748	\$ 0.415	\$ 0.510	\$ 0.430	\$ 0.470
HMMVPE - Film	840,920	\$ 0.395	\$ 0.440	\$ 0.380	\$ 0.420
LDPE - Inj	724,368	\$ 0.460	\$ 0.540	\$ 0.480	\$ 0.520



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