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This past week, shortened by the US Independence holiday, ushered in the 3rd quarter, but spot resin market activity was slow to begin as many market participants took off for their summer vacation.

My son and I embarked on an adventure in Japan. The highlight of the trip was climbing Mount Fuji on the long and rugged Gotemba Trail, gaining 7,900 feet of altitude along an 8 mile hike up and yes, the sunrise from the summit was spectacular!

Back in Chicago, the Plastics Exchange's talented trading team managed the spot resin market also with a view from the top (98th floor of the Sears Tower). They mostly fielded calls from processors low on both PE & PP inventories in need of quick shipments. Other PE buyers were seemingly just feeling out the market to gauge the temperature of prices, still hoping for the long-awaited relief to appear. However, the market was firm as the supply side saw limited availability with few fresh railcars offered for sale. Resellers had also thinned out their inventories into quarter-end and those with resin to spare saw little need to provide discounts.

LDPE & LLDPE injection grades are still very tight and much of the middle market has been seeking more material. Film grades are also notably snug, even for typically easy to source resins like LL Butene and LDPE barefoot. The special HDPE deals that were available at the end of June are now all sold. Patient buyers, while somewhat disappointed, opted to decline the new slightly elevated levels viewing them as short-term and instead wait for better market liquidity to develop.

Polyethylene contacts rose \$.09/lb during Mar/Apr and after two months of flat pricing, buyers are actively seeking to peel off the last \$.04/lb increase as a July decrease. While the timing for relief could be ripe given growing upstream inventories amid slack exports and economic uncertainty partially due to Brexit, PE producers are not necessarily eager to give up their margin. Although the cracker and reactor maintenance seasons have generally concluded, some production issues persist, potentially leading to another month of interesting negotiations.

After several months of sharp declines, Polypropylene prices have been searching for a bottom and may very well have found it at the end of June.

PP producers proactively dropped contract prices by as much as \$.10/lb during the second quarter to affectively shut off the import arbitrage which had previously encouraged such an inflow of resin that pricing power had tipped into the hands of processors.

After a May/June purge of surplus upstream inventory into the export market and with signs of production being throttled back, the PP market has consolidated and seems to be primed for an upturn. Some resellers caught with material ahead of the second quarter tumble that had resisted selling near the bottom have begun offering material back to the market at prices that again start with a 5.

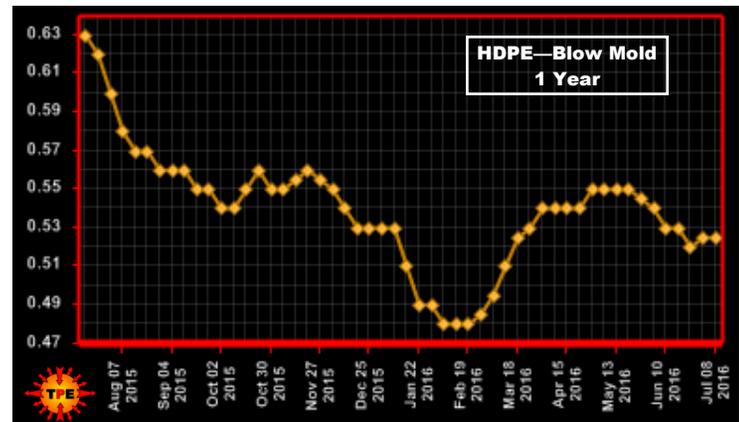
Spot prices have already ticked a bit higher, but are not sprinting to the upside at this time. While many have added to their inventories at bargain levels that had not been seen in some seven years, buyers are still out looking for deals. Some buyers that procured well priced PP during June scoffed at higher prices, expecting more of the same.

All in all, transactional volumes of PE and PP were below average, which was not surprising given the timing. We expect the market to begin heating back up in the coming week.

Disclaimer: The information and data in this report is gathered from exchange observations as well as interactions with producers, distributors, brokers and processors. These are considered reliable. The accuracy and completeness of this information is not guaranteed. Any decision to purchase or sell as a result of the opinions expressed in this report will be the full responsibility of the person authorizing such a transaction. Our market updates are compiled with integrity and we hope that you find them of value. Chart values reflect our asking prices of generic prime railcars delivered in USA.

## Market Update — July 8th, 2016

Resin For Sale 13,749,684 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	3,172,116	\$ 0.470	\$ 0.550	\$ 0.460	\$ 0.500
HDPE - Inj	2,130,484	\$ 0.520	\$ 0.585	\$ 0.485	\$ 0.525
HDPE - Blow Mold	1,618,208	\$ 0.515	\$ 0.590	\$ 0.485	\$ 0.525
PP Copo - Inj	1,554,552	\$ 0.470	\$ 0.570	\$ 0.500	\$ 0.540
LDPE - Film	1,355,288	\$ 0.530	\$ 0.620	\$ 0.585	\$ 0.625
HMWPE - Film	1,245,012	\$ 0.535	\$ 0.590	\$ 0.515	\$ 0.555
LLDPE - Film	1,000,920	\$ 0.555	\$ 0.615	\$ 0.515	\$ 0.555
LLDPE - Inj	850,368	\$ 0.575	\$ 0.650	\$ 0.580	\$ 0.620
LDPE - Inj	822,736	\$ 0.580	\$ 0.650	\$ 0.590	\$ 0.630



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MARKET UPDATE  
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