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Market Update — August 10th, 2018

Resin for Sale 11,962,052 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,057,564	\$ 0.520	\$ 0.630	\$ 0.480	\$ 0.520
PP Copo - Inj	1,744,208	\$ 0.670	\$ 0.810	\$ 0.710	\$ 0.750
LDPE - Film	1,611,380	\$ 0.560	\$ 0.660	\$ 0.550	\$ 0.590
PP Homo - Inj	1,413,196	\$ 0.665	\$ 0.780	\$ 0.670	\$ 0.710
HDPE - Inj	1,363,656	\$ 0.540	\$ 0.610	\$ 0.510	\$ 0.550
LDPE - Inj	1,261,840	\$ 0.620	\$ 0.690	\$ 0.530	\$ 0.570
HDPE - Blow	912,460	\$ 0.560	\$ 0.640	\$ 0.530	\$ 0.570
LDPE - Inj	820,920	\$ 0.610	\$ 0.670	\$ 0.590	\$ 0.630
HMWPE - Film	776,828	\$ 0.580	\$ 0.660	\$ 0.560	\$ 0.600

The spot resin markets were very busy and Polyethylene prices were heavily pressured as the new tariff's date draws closer. We have seen some exporters act to liquidate their inventories as their large volume China outlet comes into question. There were occasions of deeply discounted offers which grabbed the attention of resin buyers that target other regions, they scooped up the initial supply, but more is likely to come. On the other hand, Polypropylene prices were firm, as supply/demand is decently balanced and it is not a big export resin. While offgrade in Houston remains well-priced compared to prime domestic levels, availability is dwindling. Producers are again seeking to increase PE prices by \$.03/lb in August, but it is the same increase that has already been tried many times. At least one producer nominated another \$.02/lb for September, really! As we get deeper into hurricane season, it could not hurt to at least have the increases on the books, just in case.

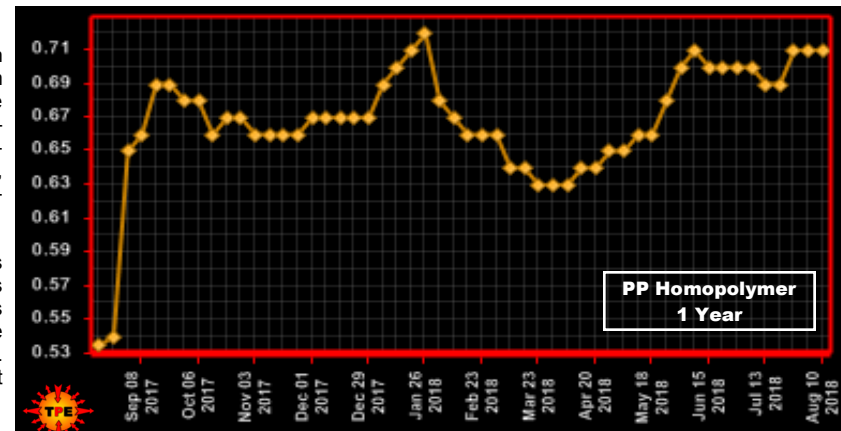
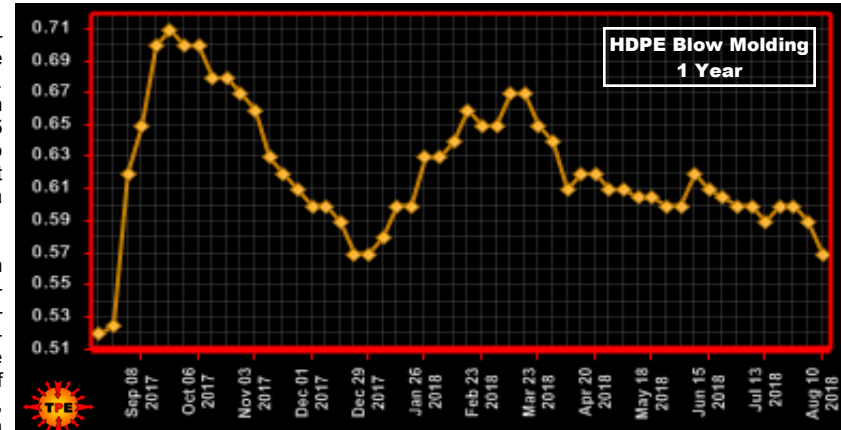
The major energy markets were mixed and while price volatility increased, averaging about 5%, ultimately the net changes were relatively minimal. WTI Crude Oil started the week strong; on Monday the September futures contract brushed up against the \$70/barrel, but faced resistance. Prices proceeded to peel back as the days passed, and by Friday fell as low as \$66.14/bbl. The market did substantially recover and ended the week at \$67.63/bbl, down \$.86/bbl. Brent Oil futures moved around in a \$3.50/bbl range and by Friday's close had dropped a net \$.40/bbl to \$72.81/bbl. Natural Gas futures went the opposite way, they began the week weak and ended strong - at \$2.944/mmBtu, right near its high. It was the second consecutive week of good gains, this time adding \$.091/mmBtu. Ethane consolidated after the previous \$.06/gal jump, essentially holding steady this week at \$.38/gal (\$.162/lb). Propane eeked out a small penny gain to \$.96/gal (\$.272/lb).

The monomer markets began the week with good action and a flurry of bids and offers that helped define transactional price levels. High volumes of material changed hands late in the week, with both PGP and Ethylene recording large turnover, some of it appeared to be rolling of physically delivered positions for Aug to Sep. Ethylene gave back about half of its early penny gain, ending the week right around \$.155/lb, the highest in about a month. Ethylene in Choctaw, LA picked up more than a penny premium over Ethylene in TX. After 5 consecutive steady or up weeks, PGP relaxed slightly though still managed to hover right above the \$.60/lb mark. Like Ethylene, the majority of the trade took place towards the end of the week; PGP differed in that there was a very good forward trade as well, with deals seen well into 2019. We still maintain our outlook for a moderate August PGP contract increase as spot levels continue to dictate strength.

Polyethylene trading was brisk, continuing to buck the summer doldrums sometimes seen in years past. Resin availability remained ample, if not leaning towards abundant, and our trading desk completed numerous transactions well spread amongst all commodity grades. PE pricing was heavily pressured as a revised list of retaliatory tariffs levied by the Chinese targeted many of the resins produced by the new PE capacity. Both traders and buyers with cargoes slated for China scrambled to find new homes for material that cannot absorb the 25% premium. Many exporters had previously curtailed shipments to China, while others are in the process of diverting deep-sea cargoes already enroute. With some Houston warehouses already bulging with material, tripping up a key export channel could prove very problematic. Although high level negotiations are surely in play, the August 23rd enforcement date is soon approaching and time is ticking quickly - this is getting very real.

Spot PE prices were beaten up, falling \$.01-.04/lb depending on grade and it was easy to make the connection to the current trade war with China. A revision to the targeted resins sent HDPE Injection and HMWPE for Film tumbling at least \$.03/lb. It is somewhat unclear which specific LLDPE resins are included in the list, but the \$.02/lb drop for film grades was evidence enough. LDPE was curiously left off of this version, as it was previously included, still it slid a sympathy cent. Our trading desk received many calls from different regions recognizing that special deals and opportunities might ensue. Plenty of interest was heard from South American, European, and Middle East buyers. Stay tuned as the date approaches, but for now, absent a last minute reprieve, it appears that a major outlet for North American resin will soon be severely cramped.

Polypropylene trading at The Plastic Exchange this past week was good, but not great. While asking prices edged up a cent or two, as a price increase looms, transaction prices were only mostly steady. Railcar offers were generally offgrade and weighted towards Copolymer over Homopolymer; however, packaged HoPP was more plentiful in Houston. Prime HoPP Raffia remained snugly supplied, if not essentially absent from the market. CoPP No Break and Clarified resins are not easily sourced as spot, and command a large premium. We expect a cost-push price increase of around \$.03/lb to take hold for August PP contracts and while it might be tempting to limit purchases at these lofty levels, please remember - hurricanes do happen.



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