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Spot resin trading continued to transact at a quick rate as a relatively high percentage of realistic domestic opportunities are brought to completion. Several grades of Polyethylene pressed even higher on price, while Polypropylene only held its elevated level. PE contracts are rolling flat as there was not a unified active price increase on the table for August. PP contracts should settle at least a nickel higher, but probably less than the initial indications of as much as a dime. Export demand is wavering; scarce resin supply and high Houston prices are further complicated by the falling world Crude Oil market, weakening international sentiment.

The major US energy products both moved lower. Crude Oil was a little more active, whipped around by the military conflicts in the Middle East and Europe. On Friday, September Crude Oil futures snapped back from the week's \$2+/bbl loss, but still ended the week in negative territory; down \$.30/bbl to \$97.35/bbl. September Natural Gas more than gave back the previous recovery bounce, dropping a hefty \$.19/mmBtu to close out the week at \$3.776/mmBtu, about \$1.10/mmmBtu below the mid-June peak. Spot Ethane saw a fractional gain, ending the week just above \$.225/gal (\$.095/lb). Spot Propane also saw little change remaining near \$1.025/gal (\$.29/lb).

The spot Ethylene market quieted a bit, there were fewer prompt transactions, but the forward market remained busy. August Ethylene most recently changed hands at \$.665/lb, which was down a half-cent and there were unfilled sell orders at that level when the week drew to a close. The shape of the forward curve shifted, it flattened somewhat for the balance of 2014, with less than a \$.04/lb discount provided by December. However, each future month continues to drop and the 2015 curve steepened, with Ethylene eventually pointing down around \$.52/lb by the end of 2015.

The spot Polyethylene market remained active; quite a number of deals were concluded across the slate of commodity grades. Supplies continue to tighten, although at a price material could be found. Most PE resins gained another penny, but rising offers are starting to meet steep resistance. Considering freight, spot prices are now generally above contracts, so the current pool of buyers is limited to those in short-term need. This pricing relationship could correct in the future as there is an industry wide (at least) \$.03/lb increase nominated for September contracts. The supporting floor price for spot Polyethylene exports is also well beneath the domestic market, but PE supplies are scarce for now and best sold in North America anyway.

Spot Propylene trading was relatively subdued and prices edged a shade lower – buyers and sellers appeared unmotivated and were generally far apart on price. PGP for August delivery traded at \$.69/lb and more recently at \$.695/lb, which was down a tad for the week; PGP for Sep and Oct subsequently firmed to \$.70/lb. August PGP contracts were nominated to increase \$.065/lb to \$.74/lb, but surprisingly, at mid-month a marketwide agreement has yet to be seen. In the meantime, prompt PGP prices are softening and could reduce the level of increase when settlement is finally reached. The 2015 market is somewhat defined, yet illiquid; still the board is backwardated to the extent of \$.06/lb by Dec 2015. Spot RGP has been trading in the low \$.60s/lb.

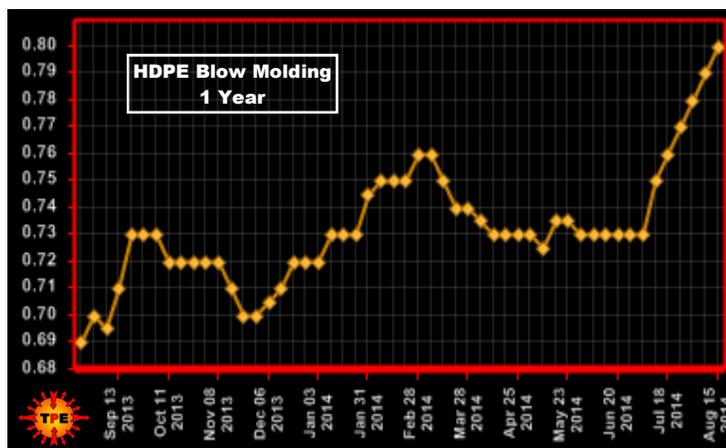
Polypropylene activity moderated and prices, for the first time in six weeks, only held steady. Although spot PP availability has become super snug, the feedstock market has recently eased taking some upward pressure off the resin market. Spot PP prices have rallied about \$.08/lb since late June and these stratospheric levels are scaring off customers. August PP contracts are nominated to increase between \$.065-.105/lb, mostly based on the change in PGP contracts along with some desired margin expansion. A significant increase will still be confirmed, but it will likely be on the lower side of the range.

Spot resin trading chugged along right into mid-month, with Polyethylene more active and firmer than Polypropylene. Those with ample material on hand have backed away from the market, looking to avoid purchasing material priced above contracts. Upstream resin supplies for both commodity groups are tight so processors really in need of material have little choice but to pay the asking prices. Looking past the domestic supply situation, one cannot help but notice the 10% drop in top-of-the-chain and influential Crude Oil prices and wonder if when the trickle down affect might begin to kick in to affect international and eventually domestic resin prices.

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Market Update — August 15, 2014

Total Offers 11,281,768lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,391,404	\$ 0.800	\$ 0.860	\$ 0.780	\$ 0.820
HDPE - Inj	1,982,048	\$ 0.775	\$ 0.850	\$ 0.760	\$ 0.800
LDPE - Film	1,322,760	\$ 0.810	\$ 0.880	\$ 0.820	\$ 0.860
HDPE - Blow Mold	1,193,208	\$ 0.770	\$ 0.830	\$ 0.760	\$ 0.800
LLDPE - Inj	1,146,392	\$ 0.780	\$ 0.840	\$ 0.780	\$ 0.820
PP Homo - Inj	1,132,736	\$ 0.790	\$ 0.890	\$ 0.820	\$ 0.860
PP Copo - Inj	966,828	\$ 0.830	\$ 0.890	\$ 0.830	\$ 0.870
HMWPE - Film	661,380	\$ 0.800	\$ 0.860	\$ 0.780	\$ 0.820
LDPE - Inj	485,012	\$ 0.810	\$ 0.880	\$ 0.800	\$ 0.840



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MARKET UPDATE