The spot resin markets remained extremely active as the industry braced for the impact of Hurricane Laura and then started to assess the seemingly limited damages seen in the storm’s wake. Still, the added production disruption will further tighten already scarce Polyethylene and Polypropylene supplies and several producers declared Force Majeure, which will apply continued upward pricing pressure on these already rising markets. Our trading desk returned the 3rd straight week of record-realm results which will place August among our highest volume months ever, equaling the extreme Hurricane Harvey market back in Sept. 2017.

Buyers scrambled to secure additional material this week and as offers cleared, sellers raised prices on the light supplies they then made available, consequently, our spot prices jumped $.02/lb across the full slate of Prime commodity grade PE and PP resins that we make markets. Rising prices should stifle incremental export opportunities, though a very solid monthly base should continue to provide good underlying support to the market. Price increases for both PE and PP were implemented in August and there is increasing likelihood that additional advancements will be secured for September contracts.

As a precautionary measure ahead of the storm, refineries, oil and gas platforms, ports, rail systems, warehouses, and dozens of Petrochemical plants / Resin reactors in Texas and Louisiana were shut down. Our count and estimation included 16 NGL Crackers with a daily capacity of 95 million lbs, 14 Polyethylene reactors with daily capacity of 30 million lbs and 5 Polypropylene reactors with daily capacity of 20 million lbs. Indeed, Hurricane Laura slammed into Louisiana Wednesday night as a very strong Category 4; the sustained 150 mph winds made it the largest storm to hit the US in a decade and tied the strongest (wind speed) ever recorded in Louisiana, matching a storm back in 1856. Thankfully, the death toll was limited; however, there was extensive wind and flood damage to homes and personal property and for those directly affected, the recovery will be long.

Continued Page 2
While the storm veered away from Texas and spared most of the energy related infrastructure, it did impact Lake Charles, LA and a number of other regional petrochemical complexes. At first assessment, there appears to be no disastrous and long-lasting damage to facilities, but with power still down and flood waters still sitting, deeper assessments will be needed to better evaluate the situation. In the meantime, some facilities in Texas, where the storm avoided, have already begun to restart and pending damages, others will begin to restart in the next days / weeks. Not to minimize the challenges to those affected, it seems that much of the preparation paid off and the largest damage to the Petrochemical industry could be somewhat limited to lost production and associated costs throughout the supply chain. Storm related rail closures and soaring trucking rates will affect near-term logistics and pricing, please plan accordingly.

The Polyethylene market saw strong demand despite a pause while the industry took a step back to see how Hurricane Laura would affect short/mid-term resin supply and pricing. At first blush, it seemed that damages were limited, but the days/weeks of lost Prime production from a number of plants would still further snug up short supplies. Several producers declared Force Majuere which helped send PE prices another $.02/lb higher. Buyers were aggressive with orders, some sought urgent shipments before Houston warehouses closed, while others secured additional material to provide a buffer against potential supply disruptions and rising prices. With the August nickel intact, Polyethylene producers have secured 3 straight increases totaling $.14/lb and have their eyes set on another $.05/lb for September. There was very little fresh material offered this past week and we expect sparse availability in the week ahead, which should further support pricing and the increase initiative. While exports have remained relatively strong, especially on historical standards, rapidly rising prices should further crimp incremental sales which will help provide more material to the domestic market.

Spot Polypropylene trading was very active, demand was strong and many buyers chased limited resin availability as Hurricane Laura shut down some production in the Gulf, squeezing already sparse supplies and generating some Force Majuere declarations. Buyers grabbed all seemingly well priced PP, whether it was Prime of offgrade, driving prices up another $.02/lb. The heavy trading volumes were not just a quick hurricane-related flash, rather this heightened activity has been sustained each week for the past 2 months. Processors that have been unable to procure the material they need from their typical channels, have found good success augmenting their supply through our liquid spot market. This could continue as upstream resin inventories continue to dwindle and will no doubt slide further into new historically low levels. This should help producers finally implement their well-needed $.03/lb increase to help restore deserved margins. Some producers should have seen some margin gain in August, while others will realize it in September. These increases are in addition to the $.10/lb cost-post price increases achieved since June, including $.035/lb in August.

Monomer action picked up, volume was healthy and prices mostly moved higher in storm imbalanced trading. Ethylene opened the week with strong demand for material in Louisiana; spot August traded a few times at $.21/lb and additional deals inked at similar prices through midweek. Strong demand for Ethylene in Texas jumped prices by nearly $.03/lb to $.235/lb maintaining its premium to LA Ethylene. On Friday, Ethylene prices in LA leaped nearly two cents when multiple deals for Sept transacted at $.225/lb. September TX Ethylene settled at $.235/lb, a gain of $.035/lb and up nearly 18% on the week. The market’s forward curve remained backwardated with spot prices posting larger gains than the deferred months, widening the curve by a penny.

Propylene saw a smattering of bids / offers to start the week and participants completed transactions for both Aug and Sept at $.37/lb, up $.02/lb. Scattered interest sprinkled the market, but additional deals for spot and future deliveries did not materialize until Friday. The market was relieved that storm related damages were relatively benign and spot prices eased back to end the week at $.35/lb. Amid the activity, August PGP contracts finally settled at $.36/lb, up $.035/lb, which was right in line with our expectations.

The major energy markets all ended in positive territory this past week, but volatility was surprisingly limited amid the storm related disruptions. Both WTI and Brent Oil eked out new cycle highs, breaking out of recent ranges, which have been tight. October WTI added $.70/bbl to $43.04/bbl while November Brent tacked on $.88/bbl to end the week at $45.81/bbl. Nat Gas Futures rolled to Oct and continued to push higher, nearly reaching $2.75/mmBtu, before easing back to settle Friday at $2.657/mmBtu, up $.084/mmBtu. NGLs were mixed. Ethane, pressured by hurricane shut crackers and related lost demand, shed $.014/gal to $.244/gal ($.103/lb). Propane added $.01/gal to $.518/gal ($.147/lb).