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Market Update — August 7th, 2020

The resin market began August actively and prices were mildly mixed; although our completed volumes did not quite reach the high level that we achieved heading into July month end, it was a very nice start. Asking prices for fresh offers jumped to begin the month which pushed some processors to the sidelines for assessment. The rise in both Polyethylene and Polypropylene export prices also gave pause to international buyers as Asian prices have eased. Export pricing might have gotten a bit ahead of itself and has disengaged the easy arbitrage for incremental resin which had been present for months. Still, producers have had few surplus pounds to sell to exporters anyway and sometimes the market just needs to breathe a bit. These tighter supply / demand conditions and upward market momentum will lend support to producers' efforts to implement yet another \$.05/lb price increase for domestic August PE contracts; however, with 9-cents already attained in June/July, three straight increases can be a tall order, but still possible. Spot Polypropylene prices also pulled back a tad as the PGP monomer \$.02/lb month-end retreat indeed capped the fast and furious supply constrained induced rally, PGP prices continued to slide into early August, before already recovering somewhat.

The major energy markets showed strength amid increased volatility. WTI and Brent Oil both made new cycle highs as they continued along their recovery rallies, resting for the weekend far above their epic March lows. WTI traded in a wider 10% range, the September contract ended near the middle, having added \$.95/bbl to \$41.22/bbl. Brent has outperformed WTI in recent weeks as it has been more resilient to pullbacks. This week October Brent jumped \$1.60/bbl to \$45.12/bbl. Natural Gas has also staged a serious recovery rally after making a historic low under \$1.60/mmBtu in late June. The market finally broke out with a massive up week, gaining a whopping \$.439/mmBtu, nearly 25%, to \$2.238/mmBtu. Ethane had a good week adding \$.02/gal, about 10%, to \$.227/gal (\$.096/lb). Propane was only slightly higher and gained just \$.004/gal to \$.501/gal (\$.142/lb).

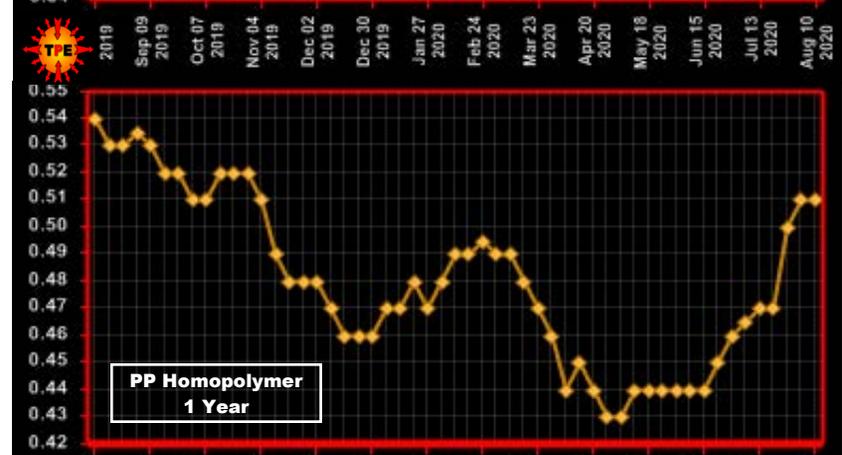
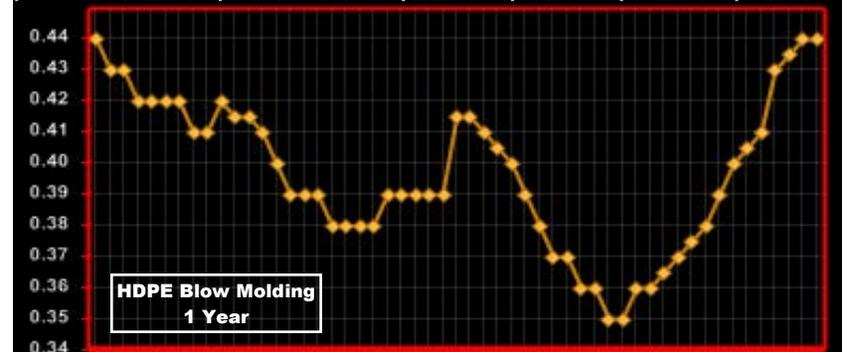
Spot monomer trading was again energetic, volume was about average and prices moved in opposite directions. Ethylene, subdued over the last several sessions, found renewed interest early in the week when the calendar flipped to August. Traders came together Monday and spot August Ethylene exchanged hands at \$.1575/lb and then again at \$.155/lb. Bids / offers peppered the market through Tuesday and a few additional deals were inked in the forward market on Wednesday before the market quieted. Ethylene then slowly bid higher and on Friday, prompt Ethylene settled at \$.1725/lb, up \$.015/lb for the week. The forward curve ended with a slightly backwardated shape, with peak pricing for prompt material, while the majority of deferred months through Dec 21 follow closely behind, mostly around a penny discount.

Propylene saw another active week beginning with the continuation of previous week's market reversal. We had noted that after gaining a staggering \$.16/lb since mid-June, PGP began to come off last Friday. Spot PGP prices saw a sudden \$.02/lb drop to close out July at \$.37/lb, and this reversal seemed to set the tone for this week as prices immediately sold off further. On Monday PGP for September delivery exchanged hands at \$.33/lb and an offer to sell August Propylene at \$.34/lb materialized with no bids in sight. Participants then completed multiple deals for spot August at \$.315/lb on Tuesday, this was a stunning three-day price drop of \$.075/lb. Additional forward transactions took place both Wednesday and Friday while spot Aug PGP sported a nice recovery with a Thursday deal marked at \$.355/lb. The rally fizzled a bit and by Friday, August PGP had lost nearly \$.025/lb on the week settling around \$.345/lb. Though a short-term top may be in, volatility is clearly high and sentiment could change abruptly. Even at this current softer level, August PGP contracts are still pointing to a moderate price increase. Stay tuned!

Spot Polyethylene trading was timid the first week of August with relatively limited activity occurring. Our team completed what we could, but volumes were below average as participants digested higher asking prices which contributed to sluggish demand. The first week of a contested price increase usually brings light offers and this was no different as availability for fresh railcars was crimped. Resellers were happy to provide liquidity and sell off some inventory to satisfy truckload needs, though their asking prices had also jumped considering the new nickel increase and higher replacement costs. At first look buyers were not ready to deal at those elevated levels and transactions completed somewhere in between. Our spot prices ended the week flat across the board save for LDPE Injection which was up a half cent. Export activity also took a step back as larger orders required lower prices than were offered. As previously mentioned, producers are seeking an additional \$.05/lb for August contracts; the supply side has expressed their continued confidence in the increase, but based on the first week's spot market interest, it is certainly not a done deal. We will see how the month progresses.

Our spot Polypropylene market was very busy this first week of August. Demand was solid, prices fluctuated, and many trades were completed. High flow material was generally sought; our transactions were well spread between HoPP & CoPP, prime & widespec, and resellers & processors. Sourcing was not simple, as restrained production and thinning upstream inventories created challenges; initial asking prices were often high, but firm bids were strongly considered and deals came together. When back-to-back deals were not do-able, we generally filled orders from our own market making inventory. After spot PP prices rallied \$.05/lb in the previous 2 weeks, PP prices slipped \$.02/lb by mid-week before recovering to settle Friday down just a penny. Spot volatility was largely attributed to the fluctuation in upstream PGP prices affecting resin market sentiment and ideas for the magnitude of the upcoming cost-push August price increase. We remain (now cautiously) bullish this market; the supply /demand dynamic is skewed tight and we have a close eye on monomer prices. We still expect a contract price increase this month, and as a reminder, some producers are seeking to enhance margins by \$.03/lb.

Resin for Sale 16,359,140 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,666,784	\$ 0.410	\$ 0.490	\$ 0.380	\$ 0.420
LDPE - Film	2,563,612	\$ 0.480	\$ 0.570	\$ 0.510	\$ 0.550
LLDPE - Film	2,408,232	\$ 0.410	\$ 0.490	\$ 0.400	\$ 0.440
HDPE - Blow	2,397,588	\$ 0.410	\$ 0.490	\$ 0.400	\$ 0.440
PP Homo - Inj	1,872,944	\$ 0.440	\$ 0.570	\$ 0.470	\$ 0.510
LLDPE - Inj	1,624,116	\$ 0.470	\$ 0.530	\$ 0.460	\$ 0.500
LDPE - Inj	1,305,932	\$ 0.440	\$ 0.520	\$ 0.485	\$ 0.525
PP Copo - Inj	990,828	\$ 0.470	\$ 0.590	\$ 0.490	\$ 0.530
HMWPE - Film	529,104	\$ 0.430	\$ 0.480	\$ 0.420	\$ 0.460



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