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Market Update — September 14th, 2020

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MARKET UPDATE

The spot resin markets were extremely active, and despite challenging Polyethylene conditions, high volumes in Polypropylene generated one of our best overall weeks ever. The industry is reeling in the aftermath of Hurricane Laura; some resin production remains offline, largely due to significant damage to the Louisiana power grid and supply chains are still interrupted. As expected, the flow of fresh railcar offers was sporadic this week and most material was offgrade. Prime truckloads of all commodity grades were available, but in limited quantities. Prices for both PE and PP resins were already on the rise before the storm and then jumped in chunks over the past several weeks, to now transact at these lofty levels. While we are generally tasked to find homes for resin on offer, the tables turn too as we have been given many more buy orders to fill as we can find the resin. PE contracts are poised to record their 4th straight monthly increase and if this nickel is fully implemented, contracts will be up \$.19/lb since June. PP contracts will see little change based on monomer costs this month, but producers should easily receive their previously elusive margin enhancing \$.03-.04/lb increase. There are similar increases starting to be nominated for both resins for October. Incremental exports for both resin groups have essentially ground to a halt since the hurricane, the supplies are instead needed here in the US. Dare we say there are another series of storms forming in the Atlantic again with at least one already targeting the Gulf Coast, OY!

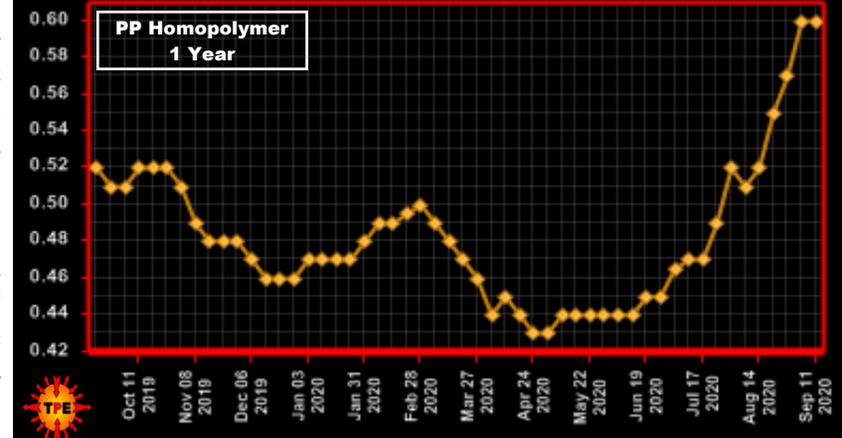
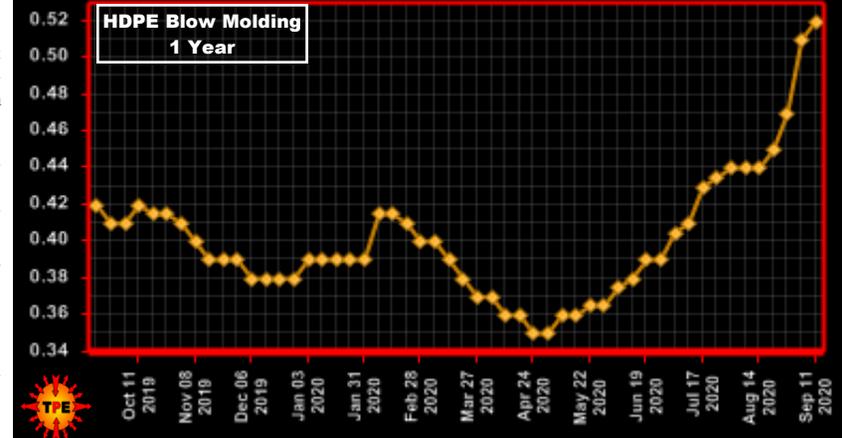
The spot Polyethylene market surprisingly struggled this past week – resin availability was thin, buyers resisted further price advancement and consequently our completed volumes were good, but not great. Louisiana power outages persisted and considerable resin production disruptions remained as did Force Majeure supply conditions, so there were very few fresh railcars made available to the spot market. Resellers provided adequate liquidity across all Prime commodity grades, but with little replacement material to be had, they often placed more value on their resin than buyers were willing to pay. All HDPE grades added another cent this past week, as did very scarce LLDPE high flow, but other commodities like LDPE & LLDPE for film, while also tightly supplied, seemed to stall in their accent. We feel that the spot Polyethylene market has been rightfully consolidating at this elevated level. Export requests continued to pepper our trading desk, but soaring US prices have shut off incremental sales opportunities, shifting more well-needed material towards domestic buyers. Overly tight supply/demand fundamentals will likely carry the September \$.05/lb price increase, and if so, the 4-month tally would be \$.19/lb. We did see another nickel nominated for October, but not all producers have followed suit, yet.

Polypropylene trading was very strong and generated our largest volume week of 2020. We continued to receive heavy processor demand as already snug upstream resin supplies were exacerbated by storm related Force Majeure conditions, limiting even contracted resin deliveries, which sent buyers scrambling to find material to process. Our resin availability actually improved a tad during the week as our trading desk focused fragmented supply into an easily accessible marketplace. However, material did not last long, and while price is always extremely important, at times this week it seemed secondary to quick delivery, but of course there is a limit to what the market will bear. CoPP and HoPP both traded heavily, Prime slightly outsold offgrade, and low, mid & high melt grades were all well represented. Good quality railcars sold in a heartbeat, Random Clarified and CoPP No Break resins commanded a large premium. While we did not move our benchmark pricing this week, overall price levels consolidated on the very high side of recent ranges with additional upside likely. Braskem's new Polypropylene plant began production though it could take some time before Prime materials are consistently made. International PP pricing pales to domestic levels, so we expect more imports than exports over the next couple months and there is already incremental material on the water heading to the coasts.

The monomer markets saw good activity as participants sought to balance off supply and demand in the wake of Hurricane led disruptions, volume again was hefty and prices ended mixed. Spot Ethylene continued to hold a large premium over material needed in the future and this backwardation somewhat steepened. Prompt regional Ethylene commanded as much as \$.28/lb midweek and the TX benchmark closed Friday just north of \$.26/lb. Dec Ethylene was valued a tad below \$.23/lb, while monomer for next September was worth just \$.18/lb. Propylene saw solid market interest and traders quickly inked several deals to open the week on Tuesday; transacted volumes were substantial and involved deliveries over the next 6 months. Heavy forward dealings into mid-2021 continued before interest tapered off and by week's end prompt Sept PGP added a quarter cent to \$.3375/lb. As a reminder, August PGP contracts were up \$.035/lb to \$.36/lb and while ample time remains for price fluctuations, current price levels indicate little change will be needed for Sept contracts.

The major energy markets fell amid heavy selling pressure; Crude Oil prices continued to erode following through on the previous week's sharp sell-off. WTI Oil futures established its entire week's range on Tuesday and finished the day with a large \$3/bbl drop. There were subsequent recovery attempts that fell short and the Oct futures contract settled Friday at \$37.33/bbl, down a net \$2.44/bbl. Brent Oil saw similar action and even fell a bit more, the Nov contract closed through the \$40/bbl threshold, having shed \$2.83/bbl to end the week at \$39.83/bbl. Natural Gas futures fared the worst of the group, it dropped more than 12% to wipe away about a month of gains; the October contract lost a hefty \$.319/mmBtu to close Friday at \$2.269/mmBtu. Ethane gained back \$.013/gal of its previous week's nearly nickel loss reverting to \$.21/gal (\$.088/lb). Propane eased off another fraction of a cent to \$.475/gal (\$.135/lb).

Resin for Sale 11,649,216 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	1,910,668	\$ 0.550	\$ 0.650	\$ 0.560	\$ 0.600
HDPE - Blow	1,845,588	\$ 0.490	\$ 0.560	\$ 0.480	\$ 0.520
PP Copo - Inj	1,719,564	\$ 0.590	\$ 0.680	\$ 0.580	\$ 0.620
LLDPE - Fim	1,499,128	\$ 0.480	\$ 0.550	\$ 0.460	\$ 0.500
LDPE - Film	1,494,944	\$ 0.570	\$ 0.660	\$ 0.560	\$ 0.600
HDPE - Inj	1,307,840	\$ 0.480	\$ 0.560	\$ 0.460	\$ 0.500
LLDPE - Inj	749,564	\$ 0.550	\$ 0.620	\$ 0.540	\$ 0.580
HMVPE - Film	636,828	\$ 0.510	\$ 0.550	\$ 0.490	\$ 0.530
LDPE - Inj	485,092	\$ 0.550	\$ 0.590	\$ 0.540	\$ 0.580



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