The spot resin markets continued to transact at a significantly heightened pace, far outstripping our previous week’s activity. Both Polyethylene and Polypropylene prices continued to climb with gains of $.02-.05/lb seen, depending on grade. The week, however, did start out a tad slower, partly because Mondays are simply the slowest trading day of the week. However, after such a fast and furious price rise over the previous two weeks, there was a real lull in transactions as the market participants digested these elevated prices.

On Tuesday, new offers emerged from suppliers who had held back material in the immediate aftermath of the storm; the higher level was too compelling and resin availability swelled. Others that had waited for assurance that their warehoused material was not affected by the Houston flooding also began to sell off their stocks, much to satisfaction of processors in need. Further, as the Houston area railroad tracks cleared and cars began reaching packaging facilities, another round of material became offered as the resins’ ready dates became known. With a heavy flow of fresh supply, the market paused for a moment, and the rally temporarily stalled, there was even an intraday down tick that did not last.

Then on Wednesday afternoon, word began to circulate that a major HDPE complex which was flooded would remain offline for an extended period, and likely not re-start sooner than mid-November. Around the same time, there were discussions that Hexene co-monomer would be extra short and another run on LLDPE film resins also ensued. Our bids lit up and orders for several thousand tons rushed in, cleaning out available HDPE blow molding and LLDPE film supplies, and some buy orders remained unfilled. This surge pushed prices even higher, which magically brought out additional resin offers that were also instantly scooped up by the pent up demand.

Although some are still running at reduced rates, the majority of Houston area petrochemical complexes have now returned back to production. Please follow the link below for Petrochem Wire’s 65th and most current update detailing Hurricane Harvey’s destructive impact on individual Houston Petrochemical and resin producing complexes. http://www.petrochemwire.com/Events/Storm/HarveyUpdate.html For those wishing to subscribe to any of PCWs 10 daily and weekly market reports, just send a message to Kathy Hall, Executive Editor, Kathy@Petrochemwire.com and tell her The Plastics Exchange sent you to get a 10% discount for new subscriptions during September.

The major energy markets all moved higher amid increased volatility which averaged a 6% range; front month contracts also rolled. WTI Crude Oil began the week under pressure but ultimately began to sell off their stocks, much to satisfaction of processors in need. Further, as the Houston area railroad tracks cleared and cars began reaching packaging facilities, another round of material became offered as the resins’ ready dates became known. With a heavy flow of fresh supply, the market paused for a moment, and the rally temporarily stalled, there was even an intraday down tick that did not last.

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The major energy markets all moved higher amid increased volatility which averaged a 6% range; front month contracts also rolled. WTI Crude Oil began the week under pressure but ultimately scored gains every day. The November Crude contract rose 5% and ended the week at $50.44/bbl, up $2.38/bbl. December Brent Oil gained ground each day, settling Friday at $55.42/bbl up $1.84/bbl. November Natural Gas futures earned $.12/mmbtu and headed into the weekend at $3.085/mmbtu, recovering 2/3 of the previous week’s loss.

The monomer markets maintained their active pace and large volumes of material changed hands. Ethylene for Sept delivery added about $.015/lb to last transact a shade under $.32/lb. Propylene trading was also quite active, though PGP prices saw little change. PGP for Sept delivery held on to the previous week’s 7% gain and then edged up fractionally to $.445/lb. Market talk emerged about a pending $.07/lb increase for Sept PGP contracts, which would be right in line with our estimate. Ethane added almost $.02/gal to $.265/gal ($.11/lb); Propane jumped more than $.03/gal to $.87/gal ($.246/lb).

Disclaimer: The information and data in this report is gathered from exchange observations as well as interactions with producers, distributors, brokers and processors. These are considered reliable. The accuracy and completeness of this information is not guaranteed. Any decision to purchase or sell as a result of the opinions expressed in this report will be the full responsibility of the person authorizing such a transaction. Our market updates are compiled with integrity and we hope that you find them of value. Chart values reflect our asking prices of generic prime railcars delivered in USA.
Early in the week, Polyethylene prices paused in their ascent, but the rally regained steam as details emerged that some production disruptions would persist. HDPE for Blow Molding, which has been our highest volume traded material, has also seen the largest gains. This grade added another nickel this week, bringing the post-hurricane increase to a stunning $.175/lb. With prices soaring, supply has come out of the woodworks. There have also been sizable cargoes of HDPE BM material ordered from overseas to help cover the supply gap. Spot prices for all other commodity Polyethylene grades have soared as well, each with gains of at least $.115/lb. As reference, we have included a table outlining the past 4 weeks of our spot PE prices. Real time prices and material availability can always be found on The Plastics Exchange website – here’s a link www.ThePlasticsExchange.com

While spot PE prices have sprinted well ahead of contracts, a series of price increases are also falling into place. The once scoffed at August $.03/lb increase took hold as Harvey hit the Houston shore and a smattering of staggered increases was subsequently nominated by the Polyethylene producing community. Each producer has at least $.07/lb on the table, with one producer adding yet another $.03/lb for mid-Oct to total a dime, we have yet to see others follow. To help clarify the inconsistently dated increases, we have included a handy table.

The spot Polypropylene market has also seen a tremendous price rise and while transacted volumes have also soared, trading has been curtailed by limited supply. Spot railcars from areas outside of Houston have continued to flow, but there’s been nary a chance to secure many. Pockets of warehoused PP material continue to deplete, and once they sell, the next best offer has generally been $.02-.03/lb higher. Spot PP has sprinted well ahead of PP contract levels, but some catch up is at hand.

While the August increase was held to $.01-.02/lb, we expect September contracts to jump by the full pending $.07/lb PGP cost push increase plus the balance of the $.03/lb margin increase that did not take hold in Aug. All in, we see PP contracts rising about a dime between the 2 months, and they seem poised to continue higher ahead given the lack of compelling import arbitrage, upward pressure on monomer costs, with not a new PP project even near completion. PP could be a sleeping giant, just starting to awake.