Spot resin trading was extremely active and similar themes remained: limited availability, higher prices, and initial buyer resistance before acquisitiveness to reality / necessity in a super tightly supplied environment. Widespread damage and ongoing Louisiana power outages in the wake of Hurricane Laura kept some PE and PP producing plants from restarting and as time marches, the production shortfall has become more evident and pronounced. The last week Hurricane Sally missed the Petrochemical producing region, but there have been so many storms this season that they have run out of primary names. Tropical Storm Beta is next in line to threaten landfall in the TX/LA area, the winds are not forecast to reach hurricane strength, though the heavy rains could still cause problematic flooding. The stormy summer season has helped producers secure a series of Polyethylene increases, and it appears likely, $.19/lb will have been implemented in just 4 months, with another nickel nominated for October. Polypropylene contracts have run together a dime of cost-push increases along with a $.03/lb margin enhancer that should also stick this month.

Spot Polyethylene activity bounced back from a surprisingly slower previous week to post solid volumes and stronger prices. PE prices rose another penny on average, with some grades up as much as 2 cents. Force Majeure conditions remained as production continued to be strained in the aftermath of Hurricane Laura. Few fresh railcar offers had been made available, so as pressures mounted, buyers turned to the spot market to fill in supply gaps. Resellers have generally been lightening their inventories by selling into this rally and as their stocks diminish, they are also challenged to either turn customers away or try to find spot material to transact on a back to back basis. Together these spot needs sent our trading desk out searching for high volumes of resin and we left few stones unturned to find our clients material. By the end of the week, we return one of our best results on record. HDPE for film and blow molding remained very strong, while injection grades were still somewhat available. LDPE high flow pellet and granular for injection and compounding were nearly non-existent and we sold every available pound; while LL film grades have also been restricted, they can still be found at relatively reasonable prices. LDPE remained super tight, but spot needs were seemingly less required during the past week or two. While high volumes of Polyethylene continue to be exported directly and/or staged internationally for contracted or program sales, incremental availability has been severely stunted and few pounds have flowed through traditional export channels. US prices have sprinted well past international levels, so it would take sharp discounts from current Houston pricing to meet the underlying demand, but the extra outlet is not needed now anyway.

The Polypropylene market remained very strong as demand outstripped supply; our completed volumes ran above average and spot prices advanced further. Processors continued to procure material needed to bridge short term supply gaps and with no fresh Prime railcars offered, reseller’s inventoried stocks provided good liquidity, but by the end of the week, availability diminished significantly. There were a healthy flow of high quality offgrade railcars shown to the market and they were aggressively pursued, sending these spot prices above average Prime contract levels. Rougher widespec and tree grade resin material prices were well priced appropriately, well picked through and some still sold to export markets. Polypropylene Copolymer, both No Break and Random Clarity, have been the tightest of the commodity resins and while Homopolymer has still been in short supply, the rising price has not kept pace. In a relatively move, CoPP pricing was $.03/lb this past week, while HDPE was only added $.01/lb, we expect the $.04/lb premium to relax back to a more typical $.02/lb when supply/demand normalizes again. While LBI’s Lake Charles, LA Polypropylene plant remains offline and could be for another month or so, Braskem’s new PP plant has begun to operate and when Prime resins are consistently produced, should help alleviate much of the supply/demand imbalance. There is also some capacity to return online from planned turnarounds. In the meantime, heavy PE/PP exports have ceased and good volumes of imports are still salling to the US coasts. We remain bullish the market in the near term, but are starting to tread more cautiously as increased availability creeps closer.

Trading was steady in the monomer markets, prices moved in opposite directions and visible volumes ran about average. Ethylene opened the week weaker, prices for Houston material dipped and traders focused on forward transactions. Attention shifted midweek to Louisiana and spot material swapped hands at $.24/lb; deals for October and November were also seen inked there around $.23/lb and $.22/lb respectively. Additional trades were completed through Friday as participants locked in forward pricing for both TX and Louisiana. By the end of the week TX Ethylene had chopped off nearly $.035/lb to settle at $.2275/lb, this was a rather large 12.5% weekly drop, though not all locations saw similar price declines. Late Friday afternoon forward pricing for both TX and Louisiana were priced appropriately, well picked through and some still sold to export markets. Polypropylene Copolymer, both No Break and Random Clarity, have been the tightest of the commodity resins and while Homopolymer has still been in short supply, the rising price has not kept pace. In a relatively move, CoPP pricing was $.03/lb this past week, while HDPE was only added $.01/lb, we expect the $.04/lb premium to relax back to a more typical $.02/lb when supply/demand normalizes again. While LBI’s Lake Charles, LA Polypropylene plant remains offline and could be for another month or so, Braskem’s new PP plant has begun to operate and when Prime resins are consistently produced, should help alleviate much of the supply/demand imbalance. There is also some capacity to return online from planned turnarounds. In the meantime, heavy PE/PP exports have ceased and good volumes of imports are still salling to the US coasts. We remain bullish the market in the near term, but are starting to tread more cautiously as increased availability creeps closer.

The major energy markets were widely mixed; Crude Oil prices rebounded very nicely after seeing some turbulence the prior week. November rolled to the front month WTI contract and after a small Monday loss, rallied the balance of the week. It settled Friday at $.4132/bbl, a large $.3767/bbl gain, more than 10%. Brent Oil saw similar action, but did not perform quite as strong as WTI, as the Nov contract added $.32/bbl to $.4315/bbl. Natural Gas lost its luster and another $.03/bbl hit as it has collapsed back in recent weeks. Market participants seem worried about end of season storage capacity and the market is looking convincingly. The Oct contract dipped below $2 on Friday, trading down to $1.926/MMBtu, before recovering to ended the week at $2.048/MMBtu. NGIs were also mixed. Oct Ethane lost $.027/gal to $.185/gal ($0.78/bbl) while Oct Propane gained $.035/gal to $.51/gal ($1.45/bbl).