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Market Update — September 26, 2014

Total Offers 14,775,608 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,690,692	\$ 0.790	\$ 0.865	\$ 0.765	\$ 0.805
HDPE - Blow Mold	2,545,048	\$ 0.720	\$ 0.810	\$ 0.750	\$ 0.790
HDPE - Inj	2,020,852	\$ 0.780	\$ 0.830	\$ 0.750	\$ 0.790
HMWPE - Film	1,645,036	\$ 0.810	\$ 0.850	\$ 0.770	\$ 0.810
LDPE - Film	1,407,748	\$ 0.800	\$ 0.885	\$ 0.810	\$ 0.850
PP Homo - Inj	1,303,012	\$ 0.790	\$ 0.880	\$ 0.820	\$ 0.860
LLDPE - Inj	1,297,564	\$ 0.790	\$ 0.840	\$ 0.770	\$ 0.810
PP Copo - Inj	1,046,828	\$ 0.790	\$ 0.880	\$ 0.830	\$ 0.870
LDPE- Inj	818,828	\$ 0.770	\$ 0.840	\$ 0.800	\$ 0.840

The spot resin markets remained fairly active; quite a number of deals were done and prices were mixed. However, activity slowed at the end of the week, as some participants observed the Rosh Hashanah holiday – Shana Tova to our Jewish friends!! Polyethylene contracts are settling up \$.03/lb in Sept and at least one producer nominated another \$.03/lb effective mid-Oct. Spot PE for injection and blow molding was steady this past week, although film grades slid as much as a penny; giving back more of the premium previously garnered vs. the other PE grades. Polypropylene prices were firmer with better demand seen, as strengthening spot monomer points to higher resin contracts in October.

The major US energy markets moved higher and November rolled to the front month futures contract. Crude Oil pressed lower early in the week and approached the \$90/bbl level, but the Nov futures contract rallied from there to settle Friday at \$93.54/bbl, a net gain of \$2.89/bbl. Nov Brent Oil futures made new contract lows, sliding \$1.40/bbl to \$97.63/bbl. Nov Natural Gas futures added a solid \$.126/mmBtu to end the week at \$4.029/mmBtu. The Crude Oil : Natural Gas ratio has shrunk to 23:1. Spot Ethane slid less than a penny to \$.2325/gal (\$.098/lb). Propane lost more than \$.04/gal falling back to \$1.035/gal (\$.293/lb).

Spot Ethylene buying interest all but vanished and prices fell sharply, giving back all of the previous week's gains and then some. There were few transactions seen for September delivery and the most recent sale was a shade under \$.71/lb, for a large loss of almost \$.06/lb. Most of the near-term interest was for October delivery, which traded all the way down below \$.68/lb. The forward markets were much busier, but the bulk of the losses were upfront so the shape of the curve flattened considerably. Ethylene for Dec 2014 ended the week at \$.635/lb and Dec 2015 just above \$.50/lb shaving that discount by about \$.04/lb. Eastman took a cracker down for scheduled maintenance; there are currently a total of 4 gulf units offline.

The spot Polyethylene market saw good activity; there was a healthy flow of offers met with similar demand. The spot Ethylene market deflated, relieving concerns of a potential cost-influenced incremental Polyethylene production reduction. While HDPE prices held firm amid continued supply constraints, availability of LLDPE and LDPE film resins improved and prices were \$.005-.01/lb softer. Since Jan 1, most Polyethylene resins are up \$.07/lb in the spot market, LLDPE a bit more. With the implementation of the September \$.03/lb price increase, contracts are also up \$.07/lb this year.

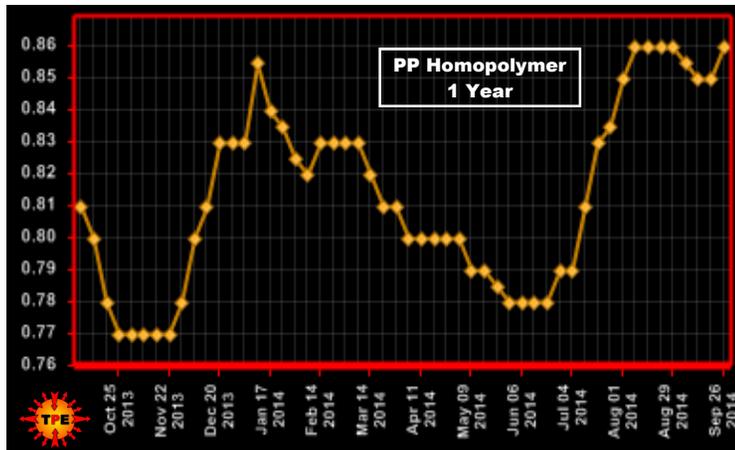
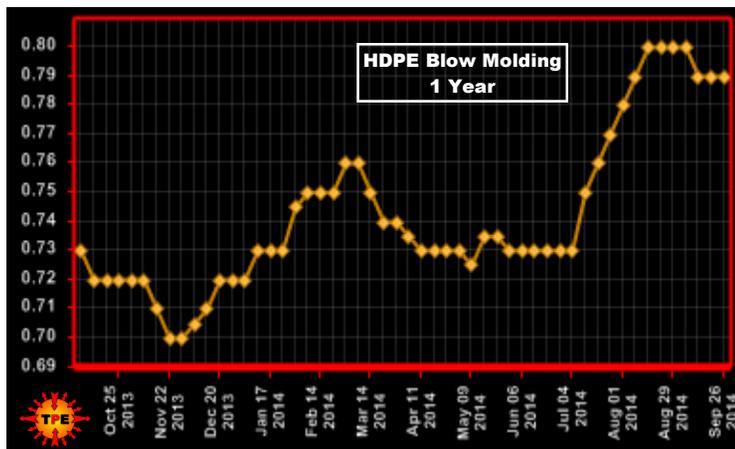
Preliminary reports show that in August, domestic PE demand was 2.7 billion lbs, 125 million lbs more than the trailing 12 month average. PE exports, limited by the closed arbitrage, slowed to 571 million lbs, 50 million lbs below average. PE operating rates were a strong 97%; contributing to an upstream resin inventory build of about 100 million lbs. September began with 3.32 billion lbs of Polyethylene on hand, just above average.

Spot Propylene trading was busy and prices rose for the second week in a row. September PGP transacted several times early in the week at \$.745/lb; October PGP later changed hands at a small premium. Strong spot market conditions encouraged producers to nominate a \$.05/lb price increase for October PGP contracts; Sept had rolled flat at \$.725/lb. Forward PGP markets currently price a \$.01/lb discount for Dec 2014, the relief grows to about \$.09/lb by Dec 2015.

The spot Polypropylene market had better interest from buyers than sellers and prices rose \$.01/lb. The flow of railcars seemed to dwindle as the week wore on, but widespec was still offered at a sizable discount to Generic Prime, which became absent from the secondary market. Some resellers also pulled back offers to bolster their short term inventory as October contracts are poised to move higher. PGP monomer has been nominated to increase \$.05/lb and PP producers on average are looking to bump up contract prices \$.03/lb more than the increase in monomer. PP contracts last saw an increase in August, which was also a nickel.

The spot resin markets have been much busier the second half of September, bringing completed volumes back above average. Polypropylene buyers have been working down inventories from their heavy summer purchases, so spot prices sagged and Sept contracts were flat. However, PP demand has begun to pique again as contract prices, on the heels of PGP monomer, are now imminently headed higher in October. Polyethylene producers secured their \$.03/lb increase in September and contracts should be flat in October. Spot exports for both groups of commodity resins are challenged by high US prices and sinking Oil prices, which have pressured international resin markets.

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.



Dominick Russo and Jay Schreiber — Editors

MARKET UPDATE
www.ThePlasticsExchange.com

Michael Greenberg
312.202.0002
@ResinGuru