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Shana Tova – Happy New Year to those that celebrate Rosh Hashana.

The spot resin markets were quieter in this past Labor Day holiday shortened week, which also ushered in the beginning of September. Resin trading was a little slow to restart, but healthy action in the second part of the week still earned our trading desk solid performance in terms of volume. Spot demand was a little stronger for PE compared to PP, but both major commodity resin groups saw little price change this past week. Exporters remain cautious whether the market will find equilibrium considering the burdensome Chinese tariffs, and are curious if producers will support the traditional export channels with discounted prices or simply sell more material directly, even at a lower number, which seems to be the trend for some time. Of course, there is a \$.03/lb price increase on the table for Sept PE contracts, while PP contracts, which is well balanced, will likely just follow the direction of PGP.

The energy markets were all lower this past week, while downstream products were mostly higher. After again piercing above the \$70/bbl level, WTI Crude Oil pulled back a bit in volatile trading. When the market resumed on Tuesday, after the holiday break, the October futures contract initially rallied above \$71/bbl, but fell sharply from there, eroding almost \$5/bbl. The market did recover nearly a buck from the low, but still dropped \$2.05/bbl to end the week at \$67.75/bbl. Brent Oil also fell, but not as much, shedding just \$.81/bbl to \$76.83/bbl, expanding its premium over WTI to a very wide \$9/bbl. Natural Gas futures had been range bound for an extended period, and this week ran towards the bottom of its range, falling a sizable \$.14/mmBtu to \$2.776/mmBtu. Ethane again posted new multi-year highs, adding a huge \$.05/gal to \$.45/gal (\$.19/lb). Propane also made new highs, before settling back to end the week flat at \$1.04/gal (\$.295/lb).

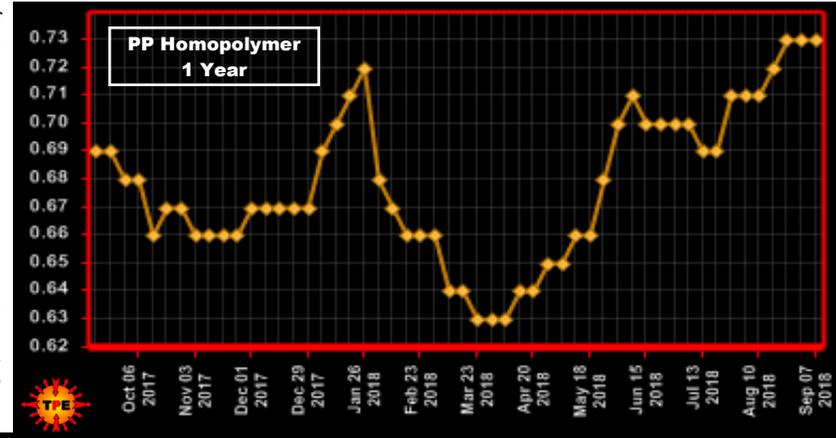
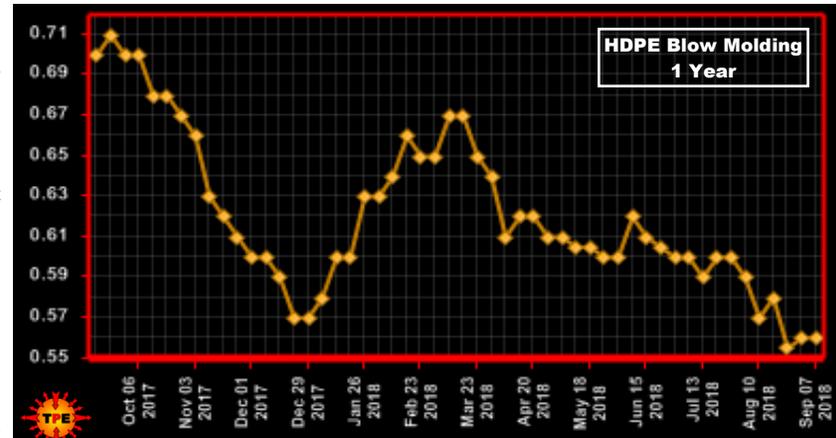
Following the long Labor Day weekend, the holiday hangover seemed evident as the monomer markets were fairly quiet. It wasn't until later in the week when the action heated up and traders returned with bullish enthusiasm, bidding up prices and executing transactions. Ethylene for September delivery found good support resulting in strong gains, jumping more than \$.02/lb to \$.195/lb, an increase of nearly 15% from the prior week. After posting its cycle bottom just below \$.13/lb in the second week of May, Ethylene has seen upward momentum build with frequent weekly gains in both spot and forward months. PGP followed Ethylene in trend with strength in both prompt and forward months; rising bids led to hefty volume seen on Friday. September PGP added about a half-cent to \$.575/lb. Forward months gained even more, flattening the backwarddated shape of the curve. As spot PGP rallies, it limits the potential increase for Sept PGP contracts, now targeted as minimal.

Despite the holiday shortened week, spot Polyethylene activity was very good and completed volumes were a tad above average. The flow of offers was lighter, which is typical for the first week of a month, and most PE grades were steady or gave back the half-cent gain seen in the previous week. Surely, much to the delight of producers, a major consultancy revised its index to be flat for August, instead of down \$.03/lb as initially suggested. Regardless, spot PE still fell about \$.03/lb in August and remains well discounted to contracts. Buyers are increasingly finding value at these lower levels, adding to spot demand and trading activity. Despite the added PE capacity and production, producers will again attempt to implement their \$.03/lb increase for September contracts. We believe that keeping an increase on the table is wise – considering the active trade wars, geopolitical tensions (Iran), and tropical storms / hurricanes threatening the gulf, an upside surprise could come to fruition.

Spot Polypropylene trading was slower, the flow of offers eased and completed volumes slipped below average. There were fewer buyer inquiries, and most of our transactions were for HoPP rather than CoPP. Foreign traders were eager to offer material into the US market, but traders were apprehensive to secure material 45-60 days out without orders in hand. The overall market is fairly well balanced between supply / demand, so any fresh production hiccups could re-tighten the market as we enter a traditional period of heightened demand. Based on current spot levels, September PGP and PP contracts will likely see little change. We do caution to maintain ample inventories as potentially disruptive weather systems heat up in the gulf.

Market Update — September 7th, 2018

Resin for Sale 12,581,316 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow	2,507,932	\$ 0.530	\$ 0.610	\$ 0.520	\$ 0.560
PP Homo - Inj	2,060,644	\$ 0.670	\$ 0.790	\$ 0.690	\$ 0.730
PP Copo - Inj	1,704,828	\$ 0.690	\$ 0.810	\$ 0.730	\$ 0.770
LDPE - Film	1,640,852	\$ 0.550	\$ 0.655	\$ 0.530	\$ 0.570
HDPE - Inj	1,473,656	\$ 0.510	\$ 0.610	\$ 0.490	\$ 0.530
LLDPE - Film	1,085,472	\$ 0.500	\$ 0.575	\$ 0.465	\$ 0.505
HMVPE - Film	776,828	\$ 0.580	\$ 0.630	\$ 0.540	\$ 0.580
LLDPE - Inj	732,736	\$ 0.600	\$ 0.670	\$ 0.570	\$ 0.610
LDPE - Inj	598,368	\$ 0.590	\$ 0.675	\$ 0.570	\$ 0.610



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