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Market Update — September 8th 2017

The spot resin markets were incredibly active, in fact, even with only a 4-day holiday shortened period, our trading desk recorded its best week in our 17 year history – wow, has it really been that long?!? And to think some still consider us the new kids on the block!! Do not let the stellar results fool you, the markets remained very challenging as there was little uncommitted resin floating around the industry. It was only with tremendous team hustle - scouring the market for available supply, while working with key trading partners to provide market liquidity, that so many deals were actually completed.

With orders in hand from needy customers, most materials had a happy home before it was even sourced, while other offers that simply flowed in continued to come and go in a virtual blink of the eye. There was very little negotiating as availability ruled over price and once again we were proud to see few attempts at excessive profiteering at the reseller level. There are still pockets of both prime and offgrade supply available in Houston and around the country, just let us know what you need – click, call, email, or send us smoke signals and we will hunt it down – we are here to serve you.

Houston area warehouse are generally back up to speed and a limited number of railcars are again travelling over the tracks that are clear. Much of the shut petrochemical and plastics supply has begun to return back online, though the lost production will never be recovered. However, rather than listing them all out plant by plant, we respectfully defer to our friends at the Petrochem Wire (PCW), who has masterfully covered the hurricane and its subsequent impact on the area's petrochemical complexes and detailed lost production. Please follow the link for PCW's 60th and most current update. <http://www.petrochemwire.com/Frames/Events/Storm/HarveyUpdate.html>

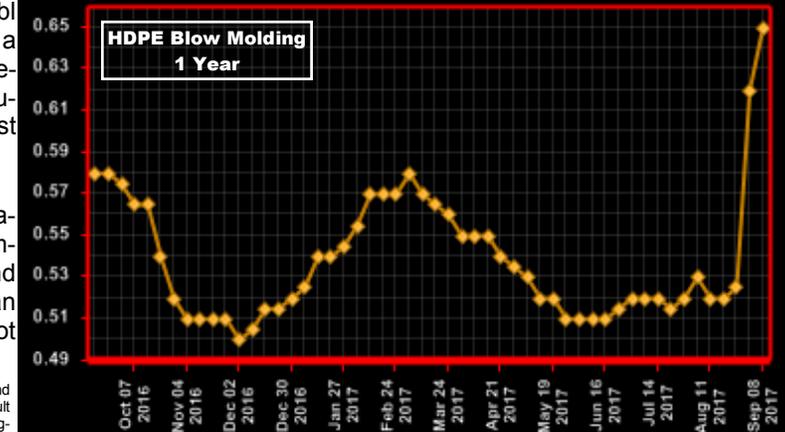
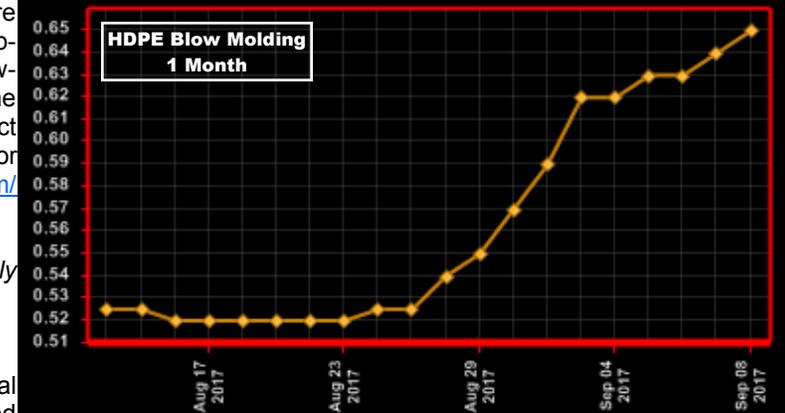
Please follow this link for PCW's special report titled *The Road to Recovery: Plastics supply after Hurricane Harvey* <http://www.petrochemwire.com/Frames/Events/NewsArticles/Stories/9-2017/17-09-11-1.html>

The major energy markets scored mixed results with Crude Oil heading higher and Natural Gas falling hard – they both traded in the vicinity of a 5% range. October WTI Oil established its entire range on Tues/Wed and settled Friday near the middle at \$47.48/bbl, a scant \$.19/bbl gain. November rolled to the front month for Brent Oil, though it ended the week more than a dollar off its Friday high, it still added a net \$1.03/bbl to \$53.78/bbl – further expanding its premium over WTI to \$6.30/bbl. Natural Gas began on its high and ended on its low, the Oct futures contract headed into the weekend at \$2.89/mmBtu, a sharp \$.18/mmBtu loss. Ethane last traded at \$.2475/gal (\$.104/lb); Propane ended the week at \$.835/gal (\$.237/lb).

The monomer markets awoke from their hurricane induced slumber and a high volume of material changed hands. Ethylene for Sept delivery traded up to \$.3025/lb while October commanded a penny premium. Propylene was active too, the market rallied from the get go and picked up steam as the week wore on. PGP for Sept delivery reached \$.4425/lb, up more than \$.03/lb. Aug PGP contracts were up a minimal \$.005/lb to \$.395/lb, so given the traditional spot -contract relationship, we would already estimate that a \$.07/lb increase is due for Sept.

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.

Resin for Sale 7,443,592 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	1,522,300	\$ 0.620	\$ 0.700	\$ 0.620	\$ 0.660
LLDPE - Film	1,115,932	\$ 0.640	\$ 0.730	\$ 0.600	\$ 0.640
LDPE - Film	1,093,932	\$ 0.670	\$ 0.740	\$ 0.670	\$ 0.710
PP Copo - Inj	980,644	\$ 0.660	\$ 0.760	\$ 0.670	\$ 0.710
LDPE - Inj	659,288	\$ 0.650	\$ 0.710	\$ 0.660	\$ 0.700
HIMWPE - Film	576,828	\$ 0.660	\$ 0.700	\$ 0.630	\$ 0.670
LLDPE - Inj	538,276	\$ 0.690	\$ 0.770	\$ 0.670	\$ 0.710
HDPE - Blow	515,472	\$ 0.640	\$ 0.730	\$ 0.600	\$ 0.640
HDPE - Inj	440,920	\$ 0.680	\$ 0.740	\$ 0.710	\$ 0.750



www.ThePlasticsExchange.com MARKET UPDATE

Michael Greenberg
312.202.0002
@ResinGuru



Hurricane Harvey significantly disrupted Houston area plastics production, leading to a series of Force Majeure letters and consequential material allocations. Processors in need of material rushed to the spot market to fill in their supply gaps. The bulk of the transacted volume we concluded has been Polyethylene and well spread between HDPE for blow molding, both homo and copolymers, LDPE for film and foam, and LLDPE film grades, with co-monomers represented. All injection resins including HD, LD and LL remain exceedingly scarce. To date, most of the hurricane driven PE rally was realized in the immediate aftermath with \$.065 -.10/lb already seen, prices only pushed incrementally higher this past week, between \$.02-.04/lb.

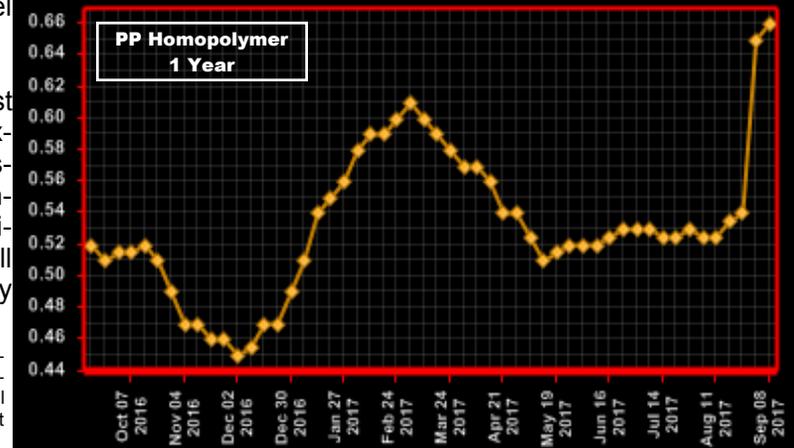
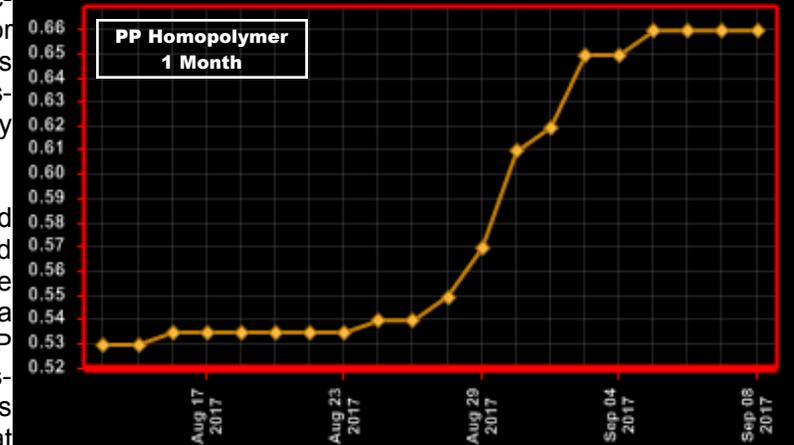
Although the \$.03/lb Polyethylene increase slated for August was unlikely to take hold, Hurricane Harvey came along to instead seal the deal with swift and full implementation. At the time, there were only two PE producers that had issued an additional \$.04/lb increase for Sept contracts, but after the storm, the balance of producers nominated their own \$.04/lb increases with target dates of either Sept 15th or Oct 1st. Given the massive supply disruptions, we expect these additional increases to also become solid. Sometime in the future, as the new, but again delayed plastics plants come online, we expect these increases and probably more to eventually peel back off.

The spot Polypropylene market was also significantly more active and completed transactions ran well above average. The market was already in short supply ahead of the storm, and the lost production has highlighted the gap. There was very little uncommitted warehoused material available after the initial demand surge, though a trickle of offgrade railcars has continued to flow. The industry gulped hard when PP prices rushed up \$.11/lb right after the hurricane; it has taken some time for processors to digest the sharp spike, and prices only edged up another penny or two this past week. These higher prices however, have revealed some additional supply that was apparently held back as some suppliers have seemingly found this new level compelling.

PP producers on average implemented a \$.01-.02/lb price increase in August; just \$.005/lb was cost-push following PGP, the rest was a modest margin gain. We expect a much larger jump in September contracts as monomer costs have been rising and the balance of the \$.03/lb margin increase should now find easy implementation. Based on current conditions and well indicated by spot levels, we now estimate a total Aug/Sept increase of around \$.10/lb or maybe more. This could still change as market dynamics for both PGP monomer and PP resin remain fluid, stay tuned for additional details and guidance in our next report.

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PCW has a plethora of daily and weekly plastics supply chain reports including *Ethylene Week, Propylene Week, PE Weekly, PP Weekly, Benzene & PS Weekly, PVC & Pipe Weekly, Recycled Plastics Weekly, and NGLs Week*. We encourage you to subscribe and as a special incentive, contact Kathy Hall, Executive Editor, Kathy@Petrochemwire.com and mention code TPE/Sept for a 10% discount off all new subscriptions during the month of September.



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Michael Greenberg
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