It was a very interesting and rather eventful week in the commodity resin markets, which included a series of outages at key Petrochemical facilities along the Texas and Louisiana Gulf Coast. While they could be far reaching, the disruptions could be particularly impactful to the Polypropylene supply chain and prices for both PGP monomer and PP resins have quickly reacted to the upside. The potential for shortages and higher prices sent some plastics buyers to the market while some suppliers pulled offers off the table as the situation began to unfold. Prices for both Polyethylene and Polypropylene resins posted meaningful gains, which were as much as $.03/lb depending on grade. Resin prices had already been in the early stages of an upswing after bottoming out in July, supported by tighter supplies on the back of record exports and shifting sentiment now considered bullish.

On Tuesday, news emerged that Dow Chemical's Propane Dehydrogenation (PDH) unit in Freeport, TX had come down over the weekend, with initial expectations that it would be offline for a period ranging from two weeks to as much as two months. In addition, the Enterprise PDH #1 unit in Chambers County, TX had also been taken offline with no re-start date provided, but as the industry saw during Q1’23, it can be a challenge to restart PDH units to consistent operation. A fire also broke out the BASF TotalEnergies Petrochemical site at Port Arthur, TX, which caused a tower to collapse. The complex is home to one of North America's largest heavy feedstock steam crackers. The incident is under investigation, meanwhile, the entire complex has been shut indefinitely. These three fresh incidents add another layer of complexity to the overall Petrochemical supply chain which is already reeling from a fire at Marathon Petroleum's Garyville, Louisiana facility, which shut down the nation's third-largest refinery during the last week of August. All of this has happened even as major hurricanes have stayed away from the Petrochemical producing part of the Gulf, though the storm threat is not over as the hurricane season can last into November and the peak period is now at hand.

Polyethylene trading was busy from the get-go on Tuesday as participants returned from the long Labor Day Holiday weekend to news that a major producer's much anticipated export availability was immediately sold out on the first day of offering.
Disappointed traders, already frustrated by months of limited offerings during a period of record exports, shifted their demand inquiries to other North American producers and other regions too, searching for alternative supply. With Crude Oil prices continuing to rise, cost-advantaged North American producers have had little issue finding their own incremental offshore demand, which has also served to soak up surplus prime and offgrade supplies, which in turn has tightened up the US PE market and prices. Although there is plenty of excess production capacity, after a difficult year of margin compression, producers have managed to strategically tip pricing power back into their hands. We continued to see traditional bottom fishing buyers seek resin at last month prices to no avail; some have begrudgingly come back to pay prevailing prices. We acknowledge their sentiment as the offgrade market has been rallying the most, recouping much of the huge discount that it had held to Prime.

In somewhat of a surprise move, a major pricing index has assessed their August Polyethylene prices up $.03/lb. This is contrary to a different major index that initially estimated the market to be flat. We agree that real transactional prices were up in August, and our Prime prices rose an average of $.02/lb and besides, what's just a penny between friends. However, we disagree that prices were up $.03/lb from the level that either of those indices had been pricing. If they both finalize up $.03/lb it would put their PE prices up $.06/lb since the beginning of 2023, while The Plastics Exchange benchmark prices are down an average of $.025/lb during the same period in 2023. Only our HDPE Film grade, which has faced a series of production issues, is up for the year, $.03/lb at that, while all other of our Polyethylene grades are down, with LDPE Film grade down the most at $.06/lb. Please do not misunderstand, we welcome the increase as we have accumulated heavy market-making inventories during the past couple of months and have been very vocal about it. We would be happy to sell our material at levels that were up $.06/lb for the year, but alas, the spot market price is not really there. If you are a contract buyer, are you paying up $.06/lb for the year? We welcome your feedback.

Polypropylene trading activity was elevated, but did not carry through to our completed volumes, which were actually relatively light considering the developing market dynamics.
The sudden jump in PGP monomer prices this week pushed some market participants to the sidelines and much of our trading contact was from players trying to gather information regarding the two PDH outages and 2 recent refinery fires, which threaten Propylene monomer supply and if problems persist, potentially Polypropylene production as well. Polypropylene prices escalated through Thursday adding a total of $.03/lb before easing back a half-cent before the weekend. Some spot availability quickly evaporated as traders grabbed lingering offers and suppliers pulled back other offers awaiting clarification regarding the upstream outages. Buyers from Mexico were turned off by the higher prices, and planned to revisit the market in the week ahead. If a significant supply / demand balance were to develop, producers would be ready for margin expansion as there is an average of $.03/lb price increase on the table, but it's not necessarily market-wide. We continue to maintain our bullish position on the market from a sentiment, supply, and cost-push perspective, but also note unenthusiastic demand as prices advance higher.

The monomer markets were active, prices surged before easing and completed volumes were healthy during the shortened week which was rocked by production outages. A series of spot Ethylene deals were completed on Wednesday as prices climbed tick by tick, transactions for prompt September delivery were finalized at $.19/lb, $.1925/lb, $.195/lb, $.1975/lb, and then once more at $.20/lb. An deal for 4Q Ethylene deliveries was also inked on Wednesday, while over in Louisiana, spot Sept material changed hands at $.195/lb. Thursday brought a couple more 4Q trades as well as a deal for prompt TX delivery done at $.2125/lb, the high of the week. On Friday, spot asking prices in TX came down a touch, a number of forward deals were completed and before the market came to rest for the weekend, Sept Ethylene in LA also sold at $.20/lb. For the week, spot Sept Ethylene raced up nearly $.025/lb and ended the week at $.2075/lb, a gain of 13%. Forward contract months also saw gains and the curve for the next year is shaped in a gentle normalized contango.

Spot Propylene saw immediate market strength on Tuesday in the aftermath of the aforementioned PDH outages and a PGP deal for 4Q '23 deliveries was first cemented at $.375/lb, up several cents from the previous Friday.
Prices rushed another couple of cents higher on Wednesday and traders competed 4Q '23 PGP at $.40/lb, a deal exchanging Sept and Oct PGP deliveries was also noted. Spot Sept PGP was bid as high as $.395/lb mid-week, but then the rally began to falter late Thursday as word spread that the Dow PDH might come back sooner than expected and bids started to ease. Traders still flipped PGP delivery timeframes from Sep to Oct, Oct to Nov and additional 4Q sales were completed. Prices gave back a tad more on Friday and though bids and counter offers remained, price ideas were too far apart for more deals to come together. By Friday afternoon the weighted average of spot Sep PGP had flown up 13%, adding almost $.045/lb and the Sept PGP weighted average closed the week out at $.374/lb. The curve has set itself into a strange shape, spot now sits slightly higher than the remaining contract months of '23, signifying a short-term supply shortage, though all months in '24 are still priced above prompt. As a reminder Aug PGP contracts recently settled a half cent lower to $.345/lb. At current spot levels, a price increase of around $.04 - $.05/lb might be expected for upcoming Sept PGP settlements, though ample time remains to influence upcoming contracts and the supply situation is certainly going to evolve.

The energy complex was mixed as Crude Oil continued it uptrend following news that Saudi Arabia and Russia would keep production cuts in place through the end of the year, while Nat Gas dipped on easing demand. October WTI futures set a low on Tuesday at $85.02/bbl, but turned around the following day and rebounded $3.06/bbl to a weekly high of $88.08/bbl. By the final bell on Friday, October WTI stood at $87.51/bbl for a weekly net gain of $2.85/bbl. November Brent Oil set its weekly $3.11/bbl trading band on Tuesday moving between a low of $88.07 and a high of $91.18/bbl. The week closed with Nov Brent priced at $90.65/bbl, for a net weekly gain of just over $4/bbl. October Nat Gas swayed in another large 20-cent range, dropping from a high of $2.708/mmBtu on Tuesday to a low of $2.50/mmBtu on Thursday. Oct Nat Gas futures went into the weekend at $2.605/mmBtu, down a net 16 cents NGLs were also up with September Ethane gaining $.014/gal to $.302/gal ($.127/lb), while Propane added 2.9 cents to $.750/gal ($.212/lb).

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