Commodity resin trading improved the second week of Nov though our completed volumes were still somewhat below average. Spot prices for Polyethylene and Polypropylene resins retreated further, wiping away another $.01-.03/lb of the hefty premiums built earlier this year. Producers have been running the reactors well and those suppliers that held on to extra material, partially as a hedge against potential market disruptions such as hurricane season, have been selling off excess material, while traders and resellers were also seen unwinding positions. While overall availability for both key groups of PE and PP resins continued to grow, some grades were still a challenge to source for prompt shipment. Processors welcomed the price relief but were generally still only picking away with smaller orders as they expect even lower prices ahead.

The sustained downtrend in domestic spot pricing is positioning the market for another decrease for the upcoming Nov contract settlements, which would represent a second consecutive monthly decline for PE and a third consecutive drop for PP. This would be in line with our expectations for additional Q4 price erosion that could potentially include decreases for Dec as well. This market can still shift; however, as unplanned market disruptions are always possible, such as fresh force majeures for PE and PP that emerged this month. Winter is also on its way, and eyes will be focused on operations and logistics along the Gulf Coast, TX especially, for the next few months. It has been 8 months since Winter Storm Uri brought our entire industry to a standstill, though operations for the large majority of producers affected by the winter freeze have since recovered.

In the meantime, a combination of logistical challenges, costly freight, and rising warehouse costs persist while port congestion, especially on the West Coast, keeps importers from bringing in more resin. The shipping logjam is expected to continue into 2022, but there are forecasts for container traffic woes to ease slightly after the Dec holidays and the Lunar New Year. While there may be little incentive for buyers to bring in less expensive overseas resin, producers are exporting significant quantities of PE offshore, and PP into Mexico, which is typically a large consumer outlet for the US.

The Energy complex was down across the board with Crude Oil posting a third consecutive weekly decline.

Disclaimer: The information and data in this report is gathered from daily exchange observations, actual transactions, and commercial interactions with producers, distributors, brokers and processors. These are all considered reliable, but 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 resin bagged in Houston, TX.
Nat Gas also declined from the previous week. Dec WTI futures ended Friday at $80.79/bbl, down nearly $.50/bbl on the week. The price drop was driven by a million-barrel increase in domestic stockpiles, a stronger US dollar, and speculation that the US Government may tap Strategic Petroleum Reserves. Jan Brent finished at $82.17/bbl, down nearly $.60/bbl from the previous week. Nat Gas drifted lower amid continued inventory builds and elevated production levels. Dec Nat Gas closed at $4.79/mmBtu on Friday, a huge weekly loss of $.725/mmBtu, more than 13%. NGLs came down as well with Nov Ethane falling a couple of cents to $.406/gal ($.171/lb) and Nov Propane dropping more than a nickel to $1.324/gal ($.374/lb).

Downstream Monomer prices followed Energy and NGLs lower as Ethylene and Polymer Grade Propylene (PGP) both lost ground during an active trading week. Volumes were heavy with the preponderance of trade seen in PGP. Ethylene trade began Tuesday with LA material changing hands twice at $.40/lb for Nov delivery, and once at $.39/lb for Dec delivery, a slight backwardation. TX material transacted midweek a couple of times at $.365/lb for Nov, and once at $.36/lb for Dec delivery, also showing a slight backwardation through the end of the year. By Friday, the TX benchmark closed at $.351/lb, a weekly decline of almost $.02/lb. Deferred months ended at discounted levels into the $.34s/lb through Dec and Q1 2022. The more active PGP market saw Nov business completed at $.63/lb midweek, about where it ended the week, a decline of nearly $.06/lb. Forward month trading was more active as several Q1 trades were confirmed Tuesday in a band of $.625-.63/lb, indicating a slight backwardation. Dec traded lower on Friday with several deals completed within a range of $.6025-.6075/lb. The market has seemingly shrugged off a recent planned PDH turnaround. Ample time remains to sway market pricing, but current spot levels would call for another sizeable PGP decrease, that could be around a dime, for upcoming Nov contract settlements after Oct contracts had recently settled down $.09/lb to $.75/lb.

Polyethylene trading was relatively steady and our volumes improved some from the previous week. The supply/demand dynamic was tipped to the bearish side leading most commodity grades down another $.02-.03/lb. More buying opportunities started to show for PE but the downtrend in pricing is likely to maintain a gradual pace.
LDPE Injection was the only grade that held firm amid still tight supplies. With the continued spot weakness, we expect Polyethylene contracts to decrease again in Nov, perhaps a nickel will be relieved like in Oct. LLDPE Injection and Rotomolding resins also commanded a strong premium due to their limited availability, which has been improving, albeit slowly. Film grades for LDPE and LLDPE continue to fall, although Hexene remains in short supply, maintaining an unusually large premium over Butene. In the meantime, HDPE for Injection, Blow Molding and Film have all become more plentiful, while availability for some pipe and film grades of HDPE is still strained following a recent force majeure in TX earlier in the month. Other supply challenges also remain with a handful of allocation programs still in place. However, with operating rates much improved and new capacity online in TX with more to come this month, we expect availability to grow further.

Domestic US Polypropylene activity remained limited as supply improved alongside uninspired demand, and completed volumes were seen lagging. HoPP and CoPP prices held steady for much of the week but then shed a penny by Friday as abundant supply and further declines in feedstock PGP spot levels pressured resin lower. Traders who had been unable to move their last few prime PP loads found opportunities well over a $1.00/lb to sell processors who needed to fill the gap between railcars deliveries. For Nov, we anticipate another price decrease in the vicinity of the $.09-.10/lb decline seen in Oct. Although overall supply and availability have improved, some high flow material is constrained following a fresh force majeure declared on 23 grades of PP on Tuesday. The FM was due to a raw material shortage that was impacting the production of PP grades that use peroxide-based additives. Producer inventories coming into Nov were flush by historical standards, but the Houston spot market still was not flooded with material. As domestic supplies improve, imported materials have mostly dried up. Hence, traders continue to look for available product and are running into logistical challenges as ready-to-ship material was in the wrong location and exorbitant freight costs pinched margins to unworkable levels. While buyers are indeed working down their own supplies, they also know that producers are well stocked and that traders have inventories of most grades ready to ship. This has changed the market from being tight with challenged processor inventories and long supplier lead times to average processor inventories and shorter supplier lead times. Buyers are also holding off longer as a result, letting the market play out since restocking material is not as difficult as it had been during the first three quarters of the year.

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