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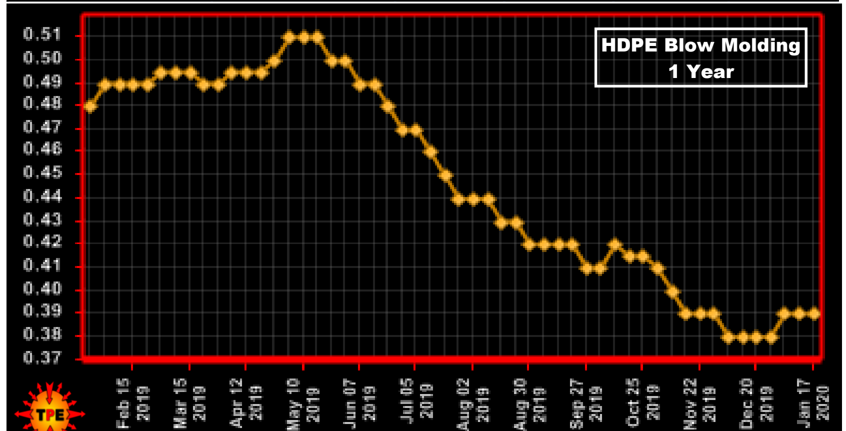
Market Update — January 17th, 2020

Resin for Sale 12,529,376 lbs		Spot Range		TPE Index	
Resin	**Total lbs**	**Low**	**High**	**Bid**	**Offer**
PP Copo - Inj	3,424,944	$ 0.430	$ 0.550	$ 0.450	$ 0.490
PP Homo - Inj	1,872,656	$ 0.425	$ 0.500	$ 0.430	$ 0.470
LDPE - Film	1,843,496	$ 0.450	$ 0.550	$ 0.460	$ 0.500
HDPE - Inj	1,714,116	$ 0.340	$ 0.430	$ 0.350	$ 0.390
LLDPE - Inj	1,217,840	$ 0.450	$ 0.520	$ 0.430	$ 0.470
LLDPE - Film	837,472	$ 0.385	$ 0.465	$ 0.360	$ 0.400
HDPE - Blow	785,288	$ 0.380	$ 0.440	$ 0.350	$ 0.390
HMWPE - Film	529,104	$ 0.390	$ 0.430	$ 0.360	$ 0.400
LDPE - Inj	304,460	$ 0.430	$ 0.520	$ 0.440	$ 0.480



The spot resin markets remained active, our completed volumes were again well above year ago levels, but below the previous week's tally. The flow of fresh railcar offers has been reduced from the pace seen during the 4th quarter and spot prices have firmed, particularly cleaning up the lower end of the pricing spectrum. Though there was a steady stream of buyer inquiries, processors initially balked at higher asking prices, but some came back late in the week and paid up for material. Select grades of both Polyethylene and Polypropylene resins were challenging to source and some, including most LDPE film grades which have been outright scarce, commanded a healthy premium, especially for immediate availability. PE and PP exports have been strong, contributing to tighter supplies and prices have begun to tick higher

The major energy markets were all lower; Natural Gas took most of the heat while Crude Oil stabilized, having already retreated from the previous week's $65/bbl+ highs, which had been fueled by US/Iran tensions. WTI volatility reduced to just a small 3% range and the March futures contract ended the week at $58.58/bbl, down $.41/bbl. Brent Oil was closer to unchanged this week, the March contract sliced off just $.13/bbl to $64.85/bbl. Nat Gas futures gave way and prices pierced below the major $2/mmBtu support level for the first time since May, 2016. Feb Nat Gas futures ended the week down $.199/mmBtu to $2.003/mmBtu, a new contract low. NGLs also bled red; Ethane lost ¾-cent to $.154/gal ($.065/lb). Propane dropped $.037/gal, a hefty 8%, to $.426/gal ($.12/lb).

Monomer trading remained volatile and prices were mixed. The Ethylene market saw similar action as the previous week, as prompt prices jumped a sharp $.035/lb on Monday, before peeling back a penny or two as the week progressed. On Friday, spot Ethylene firmed again to settle at $.21/lb, up nearly $.025/lb for the week. The forward curve's backwardated shape steepened, the price for Jan '21 delivery and beyond was around $.03/lb below current spot levels. Propylene prices came under immediate pressure on Monday and the market was unable to recoup the losses; there were daily PGP transactions, either prompt or forward, and Jan PGP ended the week at $.30/lb, down a cent. If spot continues to hold here or leak lower, these levels suggest a roll or even a slight decrease for upcoming Jan PGP contracts.

The spot Polyethylene market continued to be red hot, just as it has been since 2020 began. High volumes of LLDPE and LDPE, for both film and injection changed hands across our trading desk and pricing was firm, while HDPE interest remained lackluster and pricing stayed soft. PE buying was equally spread between processors and resellers with about half needed for immediate delivery and half ordered for February. Fresh producer railcar offers remained scarce which encouraged suppliers to hold their ground and generally achieve higher selling prices. LDPE film in particular has been tight as many railcars from at least two different producers slated for December shipment did not roll until January, while new LDPE production has also been delayed. When the New Year chimed in, the long PE down-cycle had at a minimum been disrupted, at least in the spot market. Rising spot prices have been shrinking their discount from contracts, but it remains to be seen if there is enough momentum to implement the current $.04/lb contract increase slated for January. In the meantime, rising Ethylene costs have impacted PE production margins, especially at the export floor price, so fresh Houston offers have also started coming in a couple / few cents higher.

Spot Polypropylene trading was a bit calmer than the previous week as demand chilled a bit, but it was also offset by fewer fresh offers, and those which showed, were priced 1-2 cents higher. Transactions were mostly challenged by buyer's unrealistic price expectations (ever heading lower), which is understandable given that the spot market has quickly gone from quite loose to relatively tight. CoPP availability appeared ample, but most of the railcars offered were less desirable low melts when considering better high-flow demand. A steady stream of HoPP buyers picked off both truckload and railcar quantities, mostly prime. The deeply discounted material that transacted in December is already mostly gone and despite relatively flat contract in Jan, spot prices seem to have several more cents of upside potential.

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