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Well, it's nice to have January behind us; I think many resin market participants would agree. While it was a good month for spot deal flow, and Jan is so far our best month of 2016 (ha!), at times it was difficult to put transactions together as pricing was very sensitive. Our trading margins were squeezed - we conscientiously helped suppliers limit their losses as they sold off old inventory, while still serving our faithful processors with deeply-discounted resin. The Houston resin market has been super active; Polyethylene prices have fluctuated to keep export outlets open, while optimizing producer netback. There is a log-jam again, packaging warehouses are full of material awaiting shipment.

The energy markets took a wild ride; similar to the previous week, Crude Oil and Natural Gas began under pressure before sharply reversing course. March WTI erased nearly \$3/bbl of losses and ended the week at \$33.62/bbl, a net gain of \$1.43/bbl. Brent Oil traded in a massive 20% range; the March futures contract ultimately settled Friday at \$34.74/bbl, up \$2.56/bbl. March Natural Gas also ended near the highs, adding \$.157/mmBtu to \$2.298/mmBtu. NGLs followed the energy markets, Ethane gained less than a cent to \$.1575/gal (\$.066/lb); Propane jumped a deuce to \$.355/gal (\$.10/lb).

Ethylene trading picked up a bit, there was a considerable amount of material that changed hands, but with very little price movement. The market remains well supplied as the vast majority of Gulf crackers are running at or near capacity. Ethylene is currently around \$.18/lb, which is just half the level of 6-7 months ago and down more than 75% since the last major peak (\$.765/lb) in Sept 2014. Despite the depressed prices, cracker margins are in the low teens, which are still very good in historic terms. Future Ethylene prices are also targeted near current levels, a small premium is provided over the next few months to account for cracker turnarounds and then prices slide a cumulative penny or so through the balance of 2016.

Spot Polyethylene trading was busy; supply was high and although there was pricing gyrations amongst grades, they averaged each other out to steady. HDPE resins have all been abundant, blow molding prices cratered the most, but might have found at least an interim bottom. LLDPE Butene has been the weakest of the film grades, higher quality resins like Hexene, Octene and Metallocene, while amply available, have developed sizable premiums. LDPE resins have remained fairly snug through it all, High Clarity has been holding its own, even gaining back a penny this week and Fractional melt is still outright difficult to source. PE contracts finally broke their 3-month steady streak, declining \$.03/lb in Jan. Some producers are again positioning for a price increase in Feb, but if another \$.02-.03/lb came out of contracts instead, we would not be surprised at all.

There was limited activity in the Propylene market; just a few transactions were seen at modestly cheaper levels. PGP for January delivery last changed hands at \$.28/lb, down a half-cent. As the month drew to a close, Jan contracts were finally settled down \$.005/lb to \$.315/lb. The decrease was within range, but perhaps it should have been a tad larger - maybe it will come in Feb. Heavier feedstocks, which yield higher quantities of Propylene vs light feeds, are now sometimes favored, fueling feelings of sustained over-supply for the foreseeable future. RGP slipped almost \$.02/lb down near \$.17/lb, maintaining very healthy splitter margins, which also encourage PGP production. All considering, the forward curve has taken on a decisive backwardated shape with PGP prices seen declining each month until they near \$.26/lb by the end of the 2016.

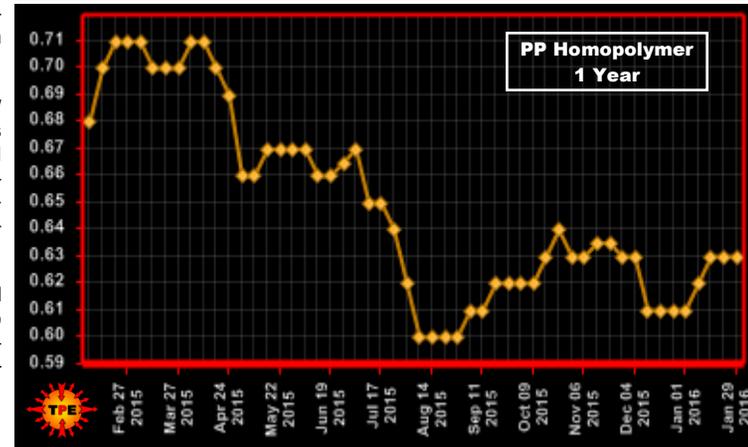
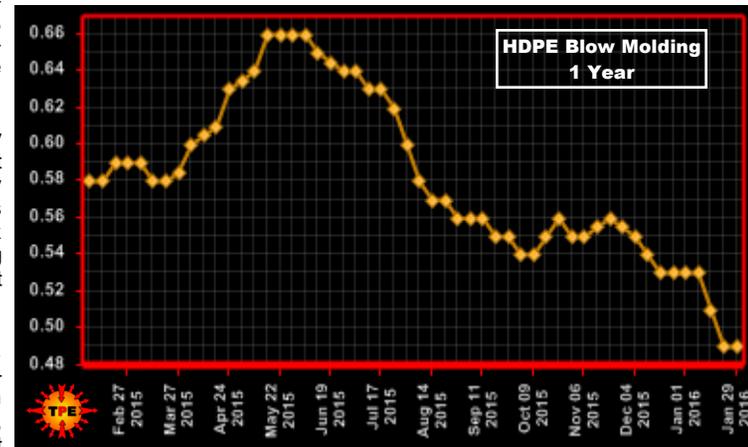
Spot Polypropylene trading was solid; offgrade prices were soft, while prime was firm. Jan PP contracts pressed \$.03/lb higher and producers will no doubt seek the \$.03/lb balance in Feb. While underlying domestic demand remains good and producers still have pricing power, these high levels are finally feeling fairly frothy. Processors, frustrated with rising PP prices in the face of falling energy and feedstock costs, have been out shopping for good spot opportunities and are actively exploring alternative sourcing options. US PP prices are well above those in most other regions, so imported resin has been flowing in. Low PP prices in Asia have cramped scrap PP exports, leaving a growing supply of regrind and reprocessed resin here in the States, available for less-critical applications.

The resin markets are clearly nervous - reeling in the aftermath of plunging energy and feedstock costs, concerned about the economic health in China and the rest of the world, with some major oil producing nations struggling to cope with reduced revenue, unbalanced budgets and eroding currency values. However, lower energy and raw material costs can also be a boon for the manufacturing sector in North America and abroad, encouraging capital investment which will ultimately aid demand growth.

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.

Market Update — January 29th, 2016

Total Offers 24,699,484 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	5,669,708	\$ 0.450	\$ 0.550	\$ 0.470	\$ 0.510
HDPE - Inj	4,580,200	\$ 0.495	\$ 0.540	\$ 0.470	\$ 0.510
HDPE - Blow Mold	4,127,820	\$ 0.470	\$ 0.530	\$ 0.450	\$ 0.490
LDPE - Film	3,903,176	\$ 0.500	\$ 0.620	\$ 0.500	\$ 0.540
HMWPE - Film	1,556,852	\$ 0.490	\$ 0.560	\$ 0.475	\$ 0.515
LLDPE - Inj	1,534,852	\$ 0.500	\$ 0.570	\$ 0.480	\$ 0.520
PP Homo - Inj	1,283,932	\$ 0.530	\$ 0.665	\$ 0.590	\$ 0.630
PP Copo - Inj	1,197,840	\$ 0.585	\$ 0.675	\$ 0.605	\$ 0.645
LDPE - Inj	845,104	\$ 0.500	\$ 0.590	\$ 0.500	\$ 0.540



Dominick Russo and Jason David — Editors

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Michael Greenberg
312.202.0002
@ResinGuru