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The spot resin market's year-end transition was fairly benign; the vast majority of the month's business was booked during the third week of Dec – which made the month - and then much of the industry, including yours truly, took off the last / first week of the year for a vacation break. Sure, there were also some late resin deals to be done as some processors required material to tie them over during the holidays and some suppliers sought to sell off uncommitted inventories, if the price was right.

Producers' offers dwindled (as typical) as Dec 31 approached and prognosticators' calls for a Dec Polyethylene contract decrease were seemingly shrugged off, while a \$.06/lb Jan price increase was widely nominated and the struggle for pricing power was set in place for the early part of 2019. PGP monomer and Polypropylene resin contracts both cratered another \$.08/lb in Dec, bringing the 2 month decline to a massive \$.18/lb. However, spot PP availability has been sporadic and spot prices have not fallen nearly to the extent as contract, so those with inventory on hand have commanded and generally received most of the premiums they have sought.

A look back: 2018 was an exciting year at The Plastics Exchange, we completed a record number of spot resin transactions amid a high level of price volatility. The year began with the industry recovering from devastating Hurricane Harvey which had significantly disrupted monomer and resin supplies with plant shutdowns while delaying the startup of several new petrochemical complexes. PE prices initially peaked in the first quarter, recovered a bit into the summer and then resumed its nose dive through the 4th quarter.

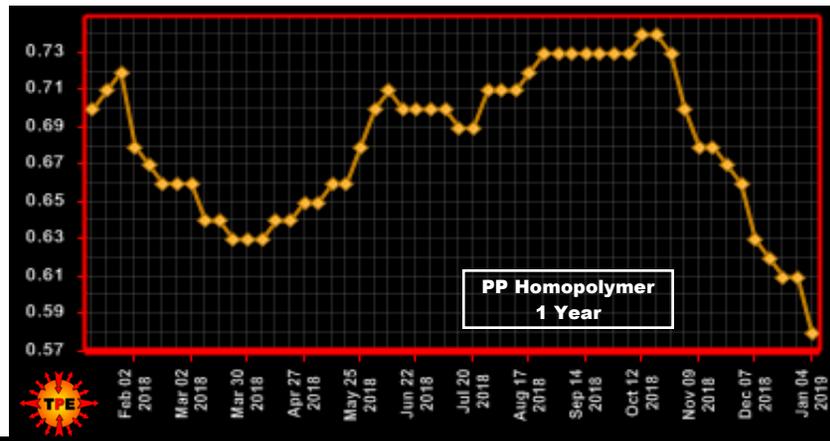
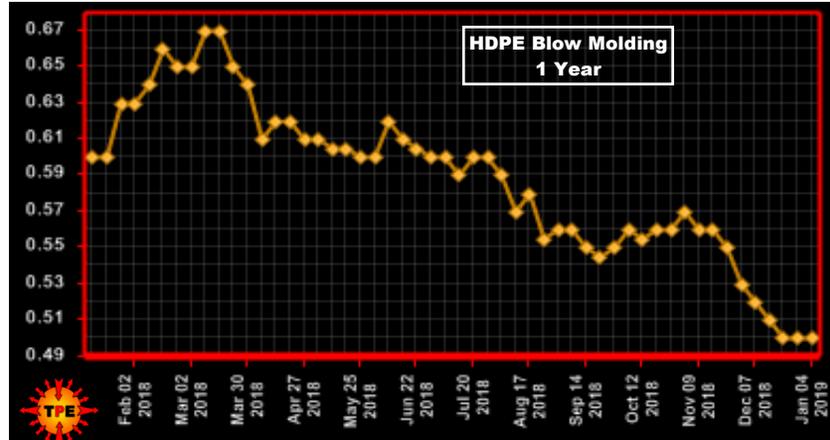
During 2018, PP prices often moved in contrast to PE; they were soft in the 1st quarter, rallied back during the 2nd and 3rd quarters before the major erosion set in towards year-end. Key market drivers included growing resin supply as several new PE plants came on-stream, wild swings in energy and feedstock costs including multi-year lows, trade wars / tariffs / sanctions, record Polyethylene exports, strong Polypropylene imports, and general logistics constraints within the plastics supply chain.

Spot and contract resin prices often deviated greatly and there was plenty of price movement amongst the commodity resins, leading to atypical premiums / discounts that developed between grades. In general, the need to export the vast majority of the new Polyethylene production in the face of Chinese tariffs and falling oil prices (which essentially reduced the costs / price of international Polyethylene that utilizes Crude Oil / Naphtha as a feedstock), required sharp discounts and consequently, we saw the Houston / export discount vs higher domestic prices grow to perhaps unprecedented levels.

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Market Update — January 4th, 2019

Resin for Sale 14,490,744 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Copo - Inj	2,801,932	\$ 0.520	\$ 0.660	\$ 0.560	\$ 0.600
PP Homo - Inj	2,691,680	\$ 0.500	\$ 0.640	\$ 0.540	\$ 0.580
HDPE - Inj	2,605,472	\$ 0.490	\$ 0.550	\$ 0.470	\$ 0.510
LDPE - Film	1,465,472	\$ 0.490	\$ 0.580	\$ 0.450	\$ 0.490
HDPE - Blow	1,228,736	\$ 0.470	\$ 0.580	\$ 0.460	\$ 0.500
LLDPE - Film	1,190,484	\$ 0.470	\$ 0.500	\$ 0.450	\$ 0.490
LLDPE - Inj	1,190,484	\$ 0.520	\$ 0.600	\$ 0.500	\$ 0.540
HMWPE - Film	705,472	\$ 0.490	\$ 0.580	\$ 0.480	\$ 0.520
LDPE - Inj	611,012	\$ 0.510	\$ 0.590	\$ 0.500	\$ 0.540



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The energy markets whipped around in 2018, WTI Crude Oil prices traded within a huge \$31.70/bbl range. The prompt futures contract began the year at \$60.37/bbl, reached a high of \$76.31/bbl on 10/3, and ended the year at \$45.41/bbl, just off the lows, for a net loss of \$14.96/bbl. Natural Gas futures took an even wilder ride, moving around in a huge 87% range. The market began the year at \$3.056/mmBtu, made a low of \$2.552/mmBtu on 2/12, peaked at \$4.72/mmBtu on 11/19, and sailed into 2019 at \$2.94/mmBtu, a net loss of just \$.116/mmBtu.

Ethane prices entered 2018 at \$.245/gal (\$.103/lb) reached an interim high of \$.56/gal (\$.236/lb) on 10/1, and closed the year at \$.295/gal (\$.125/lb), up a net \$.05/gal (\$.021/lb). Propane prices entered 2018 at \$.985/gal (\$.28/lb) reached an interim high of \$1.10/gal (\$.312/lb) on 10/1, and closed the year at \$.65/gal (\$.184/lb), down a net \$.335/gal (\$.095/lb).

Spot Ethylene had a \$.155/lb range, it began in Jan at \$.28/lb, peaked fractionally higher just a few days later, made a low of \$.125/lb in the middle of May, and closed the year at \$.195/lb, down a net \$.085/lb. Spot PGP saw several cycles, it started the year at \$.53/lb and peaked at \$.68/lb a couple weeks later. The market fell below \$.43/lb at the beginning of April before running up past \$.60/lb in June. PGP fell from there, ending the year at \$.395/lb, down a net \$.135/lb.

HDPE for Blow Mold had a \$.17/lb range during the year. It started at \$.57/lb, rallied a dime to \$.67/lb by March 15, and closed the year at \$.50/lb, down a net \$.07/lb. HDPE for Injection had a \$.11/lb range - the market stood at \$.56/lb in the beginning of Jan, peaked at \$.62/lb when Feb began, and closed the year out at \$.51/lb, down a net \$.05/lb. LLDPE Butene for Film saw a \$.15/lb range during 2018. It began at \$.57/lb, quickly peaked at \$.63/lb on Jan 24, and closed the year at \$.48/lb, down a net \$.09/lb. LDPE for Film had a very wide \$.20/lb range during 2018. It started at \$.58/lb, peaked at \$.70/lb on March 5th, and closed the year at \$.50/lb, down a net \$.08/lb.

Commodity grade Polypropylene Homopolymer traded in a \$.13/lb range during the year. It started at \$.67/lb and began to slide before recovering to peak at \$.74/lb on Oct 12; it closed the year at \$.61/lb, down a net \$.06/lb. CoPP essentially followed suit, with a premium expansion over HoPP occurring mid-year which eased back when the PP market came un-done in the fourth quarter.

2018 was quite a year, please accept our best wishes for a Happy, Healthy, Prosperous and Peaceful 2019.

Sincerely,

The Plastics Exchange - Michael, Dominick, Fred, Jason, Robert, Thao, Gordy and Damon

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