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Spot resin trading activity slowed a bit; the flow of offers was lighter, but with effort, completed volumes were still solid. Crude Oil rallied further, supporting international Polyethylene markets, which in turn has raised the floor pricing in Houston. Producers continued to hold back domestic railcar offers, but material was available for the asking, albeit at higher numbers. Polypropylene supplies were spotty; market liquidity was provided by a smattering of domestic Offgrade materials along with Prime imports.

The **Polyethylene** market has really changed these past several weeks, it has gone from sloppy, grossly oversupplied and in virtual freefall, to disciplined, tightly supplied and ever-firming price-wise. The cracker turnaround season has played its fair share in this changing environment as restricted production has sent Ethylene costs quickly soaring more than a dime. For the first time in ages, lower resin prices and higher monomer costs actually created a serious margin squeeze on the low end of the Polyethylene market. As such, HDPE prices have recently seen the greatest recovery as month-ago export prices would simply be unprofitable today.

The spot PE market continued to tick higher, closing the gap held to premium priced contracts. All commodity PE resins added at least a cent, with \$.015/lb gains seen for HDPE film and blow molding grades. The market's upward momentum has gained traction, spurred along by rapidly rising energy and feedstock costs. Polyethylene producers have further flexed their price increase muscle, expressing firm intent to raise contracts by \$.05/lb in March. An additional \$.04/lb increase has begun to be floated for April, which should provide processors with added incentive to procure.

While the PE market has definitely bottomed and the ensuing upswing has begun, the March \$.05/lb increase is far from a forgone conclusion. Processors are just receiving their late-shipping Feb railcars, which capped off a 2 month \$.05/lb decrease and they are not so quick to give back their hard fought savings. Late month purchasing was robust, as producers were doling out material at deep discounts. Processors claim to be in a healthy inventory position and will resist the snap-back increase, while acknowledging that if the market stays its current course, they will likely pay more for their April contract purchases.

Spot **Polypropylene** trading is hard, yet rewarding work. The market has begun to develop a multi-pronged and fractured structure - smaller volumes and difficult sourcing, but our vast network of trading partners generally yields us the supply we need. Five straight quarters of margin enhancing price increases have created the convergence between the once higher spot market and contract prices. Interim cycles also generate small pockets of available offgrade railcars, that despite being well-priced, are sometimes still challenging to place.

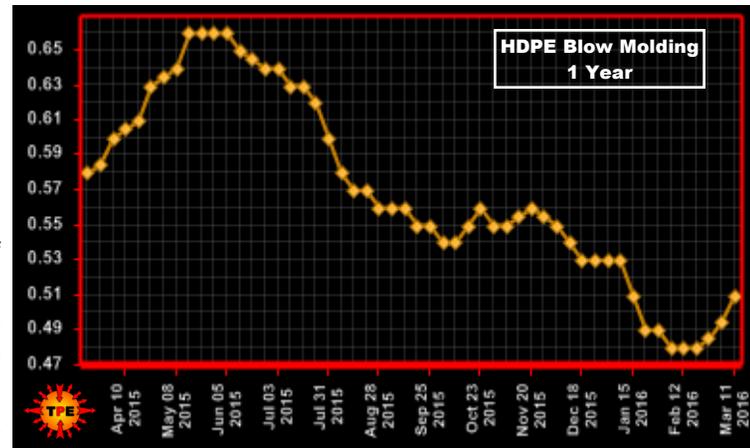
Polypropylene prices are on the rise, spot levels were up another penny this week and March contracts are poised to jump even more. Those processors that have yet to take the full \$.06/lb margin increase widely implemented in Jan/Feb (net +.04/lb considering PGP was down \$.02/lb), should see their balance go through. In addition, there will be a cost-push increase of \$.015-.02/lb based on the finalized higher settlement of PGP monomer contracts, which remains pending.

Production limitations have rendered direct Polypropylene railcar supplies insufficient to satisfy still-strong domestic demand. Market participants, particularly in the reseller community, have recognized that the supply deficiency will continue for an extended period of time, which has encouraged the relatively new practice of importing high volumes of Polypropylene. The first waves of imports were dealt with nervously and sold off quickly with minimal margins, but as more material arrived, and the quality proved excellent, prices slowly inched their way up to domestic levels. The imports are earning their place in the market; we are even getting specific requests like, "Hey, can you get me more of that 45 melt Random Clarified from Korea?"

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 — March 11th, 2016

Resin For Sale 18,429,900 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
PP Homo - Inj	3,678,808	\$ 0.555	\$ 0.650	\$ 0.580	\$ 0.620
PP Copo - Inj	2,819,404	\$ 0.585	\$ 0.710	\$ 0.600	\$ 0.640
HDPE - Blow Mold	2,676,140	\$ 0.480	\$ 0.560	\$ 0.465	\$ 0.505
LDPE - Film	2,640,784	\$ 0.520	\$ 0.610	\$ 0.520	\$ 0.560
LLDPE - Film	2,466,508	\$ 0.490	\$ 0.570	\$ 0.490	\$ 0.530
LLDPE - Inj	1,731,128	\$ 0.480	\$ 0.570	\$ 0.520	\$ 0.560
LDPE - Inj	889,196	\$ 0.495	\$ 0.590	\$ 0.530	\$ 0.570
HDPE - Inj	852,920	\$ 0.500	\$ 0.570	\$ 0.480	\$ 0.520
HMVPE - Film	675,012	\$ 0.480	\$ 0.535	\$ 0.480	\$ 0.520



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