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Market Update — May 15th, 2015

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The spot resin markets continued to transact at a heightened pace. There was a light to average flow of offers and prices for both Polyethylene and Polypropylene pressed higher. Most commodity PE grades jumped \$.02/lb, lending solid support to producers' \$.05/lb price increase nominated for May. At mid-month, spot prices indicate that at least half of the increase is already in the market. PP prices recovered a penny from the nickel break that occurred over the past month; PP contracts will see little change in May. Export markets, which had been hot, have started to cool; Asian demand is off while rising US prices are hampering other arbitrage opportunities.

The major energy markets were all higher and July rolled to the front month. WTI Crude Oil traded in a narrower \$3.43/bbl range; the July futures contract bounced off its low on Friday, squeezing out a \$.19/bbl gain to \$60.54/bbl. July Brent Oil added \$.65/bbl to end the week at \$66.81/bbl. Natural Gas was the strongest of the group and added to its recent gains; the July contract jumped \$.1422/mmBtu to close at \$3.07/mmBtu, the first weekly close above \$3/mmBtu in almost 3 months. Ethane was essentially flat at \$.1975/gal (\$.083/lb); Propane slid more than a cent to \$.48/gal (\$.136/lb).

Spot Ethylene transacted heavily again but saw very little price movement during the week. Aside from a minor operational issue or two, most Gulf crackers are fully operational. Ethylene for May delivery changed hands quite a number of times and for the third week in a row, almost exclusively at \$.36/lb, steady again. Ethylene's forward curve continues to flat-line; material for any month through the end of 2016 can be procured between \$.36-.37/lb.

The Polyethylene market was very busy, processors continued to scoop up cost-effective material while they negotiate the May price increase. This past week spot PE prices added another \$.02/lb, lifting prices a total of \$.06-.08/lb from the mid-March low. Spot prices have not only eliminated the discount it had held to contracts, but now also reflects \$.03/lb of the \$.05/lb increase. Producers will look to further the momentum and secure the entire nickel in May, and if unable, the balance next month. We would not be surprised to see an additional fresh price increase announced for June.

According to preliminary reports, which will likely see adjustments, domestic Polyethylene sales were astounding in April. At nearly 2.9 billion lbs, it was the most since May 2006 and a whopping one billion pounds more than Nov 2008, which was the weakest month along the way. Exports were also impressive, the 650 million lbs brought the last two-month total to 1.4 billion lbs, the best results since Dec 2013 / Jan 2014. Although reactors ran at a healthy 91.5%, it required an inventory draw of 266 million lbs to satisfy demand. During Mar/Apr, producers liquidated 380 million lbs of inventory, wiping out more than the previous four months of additions. Collective upstream PE inventories entered May at 3.55 billion lbs. Sure, some of the domestic demand was from processors building inventory ahead of the increase, but producers are also in a very comfortable position.

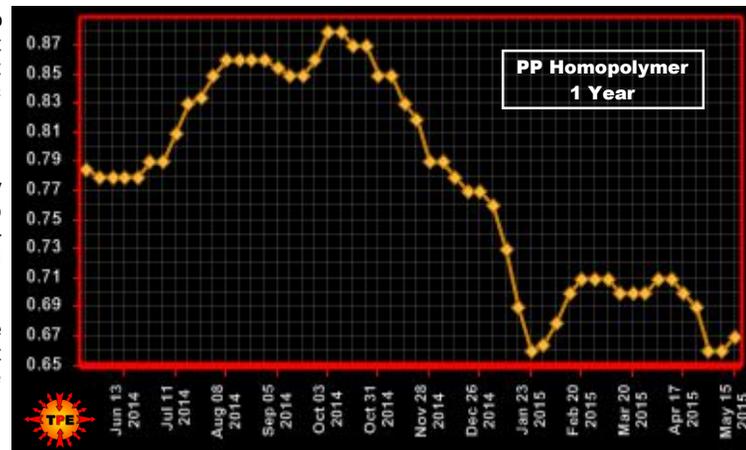
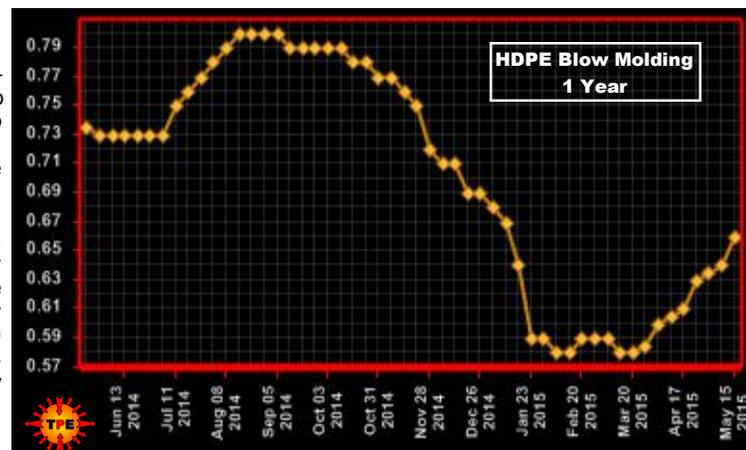
Spot Propylene was only slightly traded, but still edged a little higher on light volume. PGP for May delivery transacted just a few times and most recently at \$.405/lb, up a half-cent for the week. The market has recovered \$.02/lb from the cycle low, aiding a stronger (or less weak) contract settlement for May. Initial agreements have been put forth at \$.42/lb, down just \$.01/lb, although negotiations remain fluid. The PGP forward curve is basically flat through the balance of 2015 and then takes on a contango shape in 2016, rising steadily to reach \$.50/lb by Dec 2016. While it still appears steep, the 2016 curve has flattened somewhat. Spot RGP traded in the low \$.30s/lb.

Polypropylene activity was average at best, spot supplies are still relatively tight and prices remain elevated. However, prices did edge a penny higher this week influenced by firming monomer. For contract buyers, there are really no stellar spot deals to be had; demand is only seen from traditional spot buyers or those waiting for a late railcar to show up. Despite a 1-cent decrease appearing for PGP monomer, PP resin contracts could hold steady as producers continue to pursue a series of small margin gains. This endeavor is supported by the following supply / demand fundamentals.

Preliminary results show that in April, domestic Polypropylene sales were 1.4 billion lbs, 50 million lbs more than the trailing 12 month average and the most since July 2014. For the first time since March 2014, PP exports were just above 50 million lbs. Polypropylene reactors operated at nearly 90%, requiring a 70 million lb draw from collective producer inventories, beginning May with 1.48 billion lbs on hand, 20 million lbs below the 12 month average.

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.

Total Offers 15,845,588 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	3,625,980	\$ 0.650	\$ 0.750	\$ 0.640	\$ 0.680
HDPE - Inj	2,954,164	\$ 0.640	\$ 0.720	\$ 0.630	\$ 0.670
HDPE - Blow Mold	2,497,324	\$ 0.665	\$ 0.730	\$ 0.620	\$ 0.660
LDPE - Film	1,495,932	\$ 0.680	\$ 0.780	\$ 0.660	\$ 0.700
PP Homo - Inj	1,306,024	\$ 0.610	\$ 0.715	\$ 0.630	\$ 0.670
HMVPE - Film	1,071,840	\$ 0.605	\$ 0.740	\$ 0.650	\$ 0.690
LLDPE - Inj	1,058,208	\$ 0.660	\$ 0.750	\$ 0.640	\$ 0.680
LDPE - Inj	970,024	\$ 0.650	\$ 0.740	\$ 0.660	\$ 0.700
PP Copo - Inj	866,092	\$ 0.660	\$ 0.750	\$ 0.650	\$ 0.690



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