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## Market Update — June 15th, 2018

Resin for Sale 14,833,456 lbs		Spot Range		TPE Index	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	4,497,956	\$ 0.570	\$ 0.670	\$ 0.540	\$ 0.580
HDPE - Inj	2,017,932	\$ 0.540	\$ 0.620	\$ 0.540	\$ 0.580
HDPE - Blow	1,715,208	\$ 0.580	\$ 0.640	\$ 0.570	\$ 0.610
PP Homo - Inj	1,598,828	\$ 0.650	\$ 0.750	\$ 0.660	\$ 0.700
LLDPE - Inj	1,522,208	\$ 0.630	\$ 0.700	\$ 0.630	\$ 0.670
LDPE - Film	1,308,668	\$ 0.630	\$ 0.690	\$ 0.630	\$ 0.670
PP Copo - Inj	1,012,828	\$ 0.650	\$ 0.840	\$ 0.690	\$ 0.730
LDPE - Inj	624,368	\$ 0.600	\$ 0.710	\$ 0.630	\$ 0.670
HMVPE - Film	535,460	\$ 0.660	\$ 0.700	\$ 0.620	\$ 0.660

Activity in the spot resin markets pulled back a bit as higher prices and recently receding monomer costs pushed resin buyers to the sidelines to observe. Railcar offers, both Polyethylene and Polypropylene, began to flow stronger towards the end of the week and there was decent accumulation. Resellers, also viewing quarter end ahead, started to seek outlets for their aged inventory. While the PP market is still essentially oversold with limited excess capacity, imports have been heavy and have impacted the (lack of) supply situation. This week's sharp decline in forward PGP levels will likely deflate importers' enthusiasm for new purchases. PE buyers are looking for producers to ease HD and LD contracts in June, matching the \$.03/lb decrease that many received for LL contracts in May.

The major energy markets were mixed this past week. August rolled to the front month for WTI Crude Oil and it held its moderate gains for most of the week, before giving it all up and more on Friday to settle down a net \$.82/bbl to \$64.85/bbl. Brent Oil has maintained its relative strength in recent weeks while WTI fell; however, this week the tables turned with Brent declining much more aggressively, shedding \$3.02/bbl to \$73.44/bbl, bringing its premium back down to under \$10/bbl. July Nat Gas futures have finally settled above \$3/mmBtu, ending its tight range seen the past several weeks; it settled up a strong \$.132/mmBtu to \$3.022/mmBtu. Ethane continued its winning ways, adding \$.005/gal to settle at \$.315/gal (\$.133/lb), its highest level in several years. Propane is still hovering at elevated levels and appears to be slowly coming back down, ending the week at \$.87/gal (\$.247/lb), a loss of \$.03/gal.

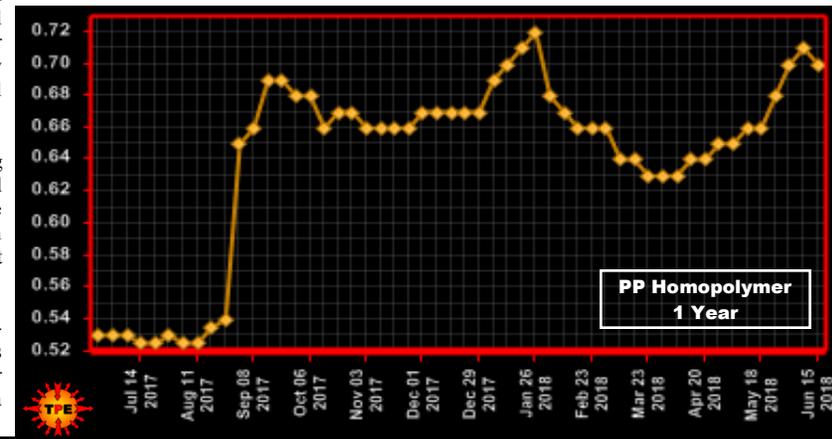
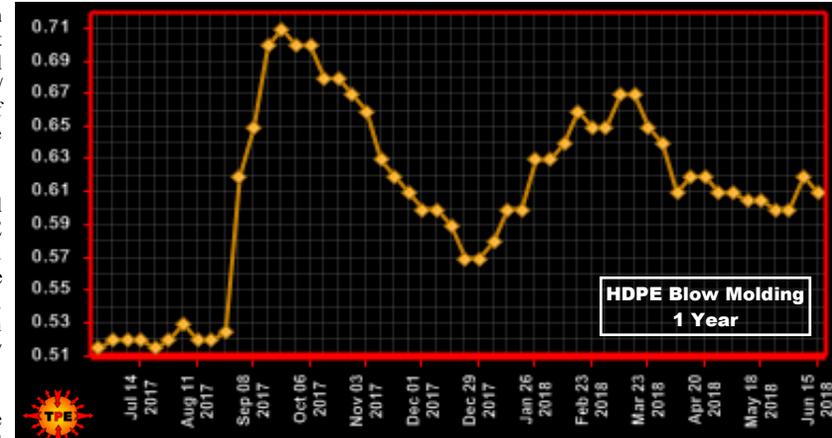
The monomer markets were again quite active this past week and a relatively high volume of material changed hands. Ethylene prices came under pressure towards the end of the week, with June trading at \$.14/lb before settling at \$.135/lb, down more than a cent. While there was indeed good prompt interest, it was the deferred months, which also slid, that saw the bulk of the action. Propylene prices topped out and then began to unravel, June PGP fell about \$.04/lb to \$.57/lb, while the forward months came under even more pressure. PGP for July delivery was marked Friday below \$.54/lb and that was the highest price for 2<sup>nd</sup> half of 2018 – Dec was actually marked a tad below \$.50/lb – that's quite a swing from even week ago levels. The spot PGP market had rallied fiercely in the beginning of June and was setting up for a contract increase of as much as \$.10/lb; however, this quick retracement will impact the magnitude of the increase and we are just halfway through the month.

Spot Polyethylene trading started the week slowly, but turned up the heat as the week wore on; all in all, transacted volumes could still be described as only average. Deal making became more difficult as asking prices for some PE grades had been inching higher. Buyers that needed material were forced to pay up, while others that did not feel pressure to procure were happy to sit on the sidelines not sensing any real threat of a long term bullish price trend. Our PE prices were generally flat with a slight uptick in HD for Injection and downtick in Blow Molding; LDPE for film remains snugly supplied. Producers have continued to absorb the vast majority of new PE production and add it to inventory for future (export) sale, rather than bleed it into the domestic market, which would negatively impact prices.

Collective upstream Polyethylene inventories have mushroomed to a record 4.8 billion lbs, a full 50% more than the 3.2 billion lbs at the end of October, which was the aftermath of the hurricane. PE Exports have been growing and actually surpassed 1 billion lbs in May, but export growth needs to accelerate quicker in order to move all the added production. In the meantime, PE reactors were throttled back to the low 90s% in May, but still generated another (small) build. North American PE processors have yet to truly feel the rewards in the form of lower prices that they were hoping for. After several failed attempts, some question the validity of the \$.03/lb contract increase that is still floating out there and call for an official rescind of the nomination.

After a very strong start to the month, which saw soaring monomer prices fuel short-term resin demand, PP trading slowed substantially this past week. PP prices had been climbing along with monomer and began to crimp demand from those that could afford to wait out the increases. There was the potential for another sharp PP contract increase for June, some of which has been relieved from the recently deflating PGP levels. Prices along the PP supply chain have been very volatile and this rally feels a lot like it did in the beginning of 2018 - runaway PGP prices created cost push PP price increases, which soon busted.

This past week, resellers continued to offer material at elevated prices, looking to get extra value from their inventories, but many processors took a moment to let the new higher price level sink in. By the end of the week, importers with uncommitted resin on the water became nervous and eased asking prices; the top could be in. PP prices never quite realized their potential during this current rally, so while monomer costs are subsiding, resin levels only eased a cent this past week. It will be very interesting to see how the markets play out these last 2 weeks of June.



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