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The spot resin markets awoke with a vengeance and our trading desk was extremely active. Sellers were more aggressive and material availability, both fresh railcars and in warehouses, improved significantly. The export arbitrage is shut off, so surplus resin becomes more visible in the domestic market when sellers seek to liquidate. Consequently, resin prices were steady to mostly lower; however, spot buyers, who had been silent, were ready on the sidelines with orders. It all converged to make for a very high volume week transaction-wise.

The major US energy markets were mildly mixed in volatile trading. Crude Oil futures saw strength early in the week, rising above \$95/bbl, but the recovery rally fizzled and the October futures contract only eked out a \$.14/bbl gain, ending the week at \$92.41/bbl. Nov Brent Oil futures bounced off 2-year lows, adding \$1.24/bb to settle Friday at \$98.35/bbl. October Natural Gas futures rallied through Wednesday, trading as high as \$4.04/mmBtu, but the market fell from there, giving back all the gains and then some, heading into the weekend at \$3.837/mmBtu, a net \$.03/mmBtu loss. Spot Ethane picked up a half-cent to \$.24/gal (\$.101/lb). Propane gave back a tad of its recent gains, but remained near \$1.08/gal (\$.306/lb).

Spot Ethylene prices continued to rise: they jumped a couple cents to begin the week and moved steadily higher from there. Issues at ExxonMobil's Baytown complex persist, the unplanned outage further stoked already tight supply conditions, as Williams and CPChem still have crackers offline for maintenance. Ethylene for September delivery eventually reached \$.765/lb; it was more than a nickel gain. The bulk of the recent rally has been seen in the front months, so the backwardated shape of the curve has steepened even more. The prompt premium has expanded to \$.08/lb vs Ethylene for delivery this December. As sharp as that seems, Ethylene for delivery in December 2015, is only \$.525/lb, representing a staggering \$.24/lb discount to the current inflated level.

Polyethylene trading was active, prices mostly eased as material offerings swelled, although some grades such as HDPE high flow for injection and LDPE Clarity for film are still super scarce. Sellers were quick to raise prices early in the month, but seemed a little anxious by the lack of orders and began to discount spot prices of amply supplied resins to stimulate customer demand. Processors, some of whom have been drawing down their heavy inventories to avoid paying the \$.03/lb increase for September contract purchases, took notice and placed orders. Other buyers were procuring resin to fill in supply gaps due to delays in railcars shipments. Spot Ethylene prices have risen more than \$.08/lb in the last 2 weeks, at \$.765/lb, even monomer, let alone resin is well above the level needed to ship meaningful quantities of spot Polyethylene offshore. PE Operating rates have already been reduced due to production outages, now other reactors could potentially be throttled back for economic reasons, which could add to the already interesting supply/demand dynamics.

Spot Propylene trading was fairly brisk. Several deals tied to indices or contract prices, were done, but few outright transactions were seen, making price discovery a little challenging. Still, the market tone was supported by bids which indicated higher prompt prices. By the end of the week, PGP for October sold at \$.74/lb, which was up about \$.04/lb. If this level holds, it would point to higher contract prices for next month. Sept PGP had rolled flat at \$.725/lb and we typically see contract prices settle around \$.025/lb over spot. Forward PGP markets allow for a \$.015/lb discount by Dec 2014, while PGP for Dec 2015 is currently shown much lower - around \$.65/lb.

Spot Polypropylene activity continued to improve and average prices held steady. There was an increased flow of offgrade railcars available at a steep discount to prime; most of these offers were sold to happy buyers. While the bottom of the market seems to have cleaned up, some offgrade lots, both Homopolymer and Copolymer, remain and are priced at a real deal compared to Prime - those processors that have a need can contact our trading desk. Stronger spot monomer markets currently point to higher PP contracts in Oct, also producers are looking for an increase, generally \$.02-.04/lb beyond the change in PGP contracts.

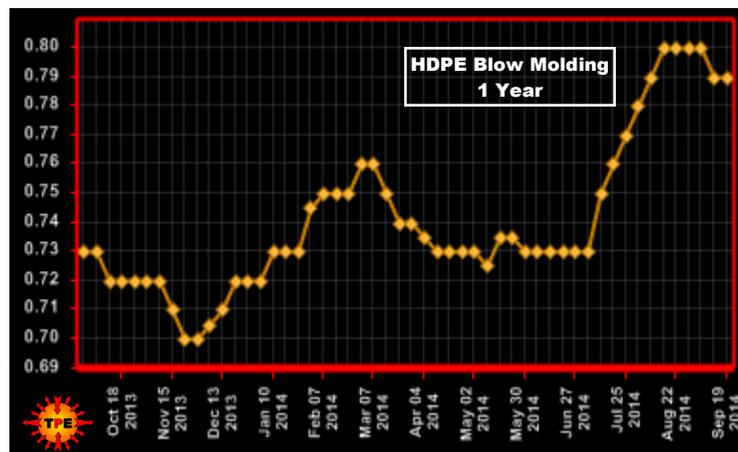
Preliminary results show that domestic Polypropylene demand in August was 1.34 billion lbs, about 90 million lbs below July, but still a shade above the trailing 12 month average. PP exports were about average at 45 million lbs. PP reactors ran at a healthy 91.8% rate, contributing to a 34 million lb inventory build; collectively, producers entered September with 1.46 billion lbs on hand a smidge below average.

Spot resin trading was much better, the high volume of transactions made up for a very slow first half of September - phew! PE producers should have success implementing their \$.03/lb increase this month; PP contracts were mostly flat. After the sharp summer resin rally exhausted, spot market sentiment for both Polyethylene and Polypropylene had turned a bit negative; however, monomer markets were very strong this past week and if sustained, could turn the mood back to bullish. With spot Ethylene running up into the mid-\$.70s/lb, it would not be surprising to see an additional price increase nomination emerge. PP contracts were flat in Sept, but strong spot PGP could lead contracts higher again in Oct. On the other hand, if monomer and resin production issues were to quickly resolve, the market would be vulnerable to downside risk as the export floor is well below current levels.

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 — September 19, 2014

Total Offers 17,093,024 lbs		Spot		Contract	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	2,955,128	\$ 0.820	\$ 0.910	\$ 0.820	\$ 0.860
LLDPE - Film	2,685,428	\$ 0.800	\$ 0.850	\$ 0.780	\$ 0.820
HDPE - Blow Mold	2,680,968	\$ 0.750	\$ 0.830	\$ 0.750	\$ 0.790
HDPE - Inj	2,112,232	\$ 0.775	\$ 0.830	\$ 0.750	\$ 0.790
HMWPE - Film	1,570,484	\$ 0.800	\$ 0.860	\$ 0.780	\$ 0.820
PP Copo - Inj	1,512,184	\$ 0.790	\$ 0.880	\$ 0.820	\$ 0.860
PP Homo - Inj	1,346,828	\$ 0.770	\$ 0.860	\$ 0.810	\$ 0.850
LLDPE - Inj	1,115,932	\$ 0.800	\$ 0.850	\$ 0.780	\$ 0.820
LDPE - Inj	1,113,840	\$ 0.770	\$ 0.850	\$ 0.800	\$ 0.840



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MARKET UPDATE
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