

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 23.18 – Sep 2023



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- A mixed bag over the past two weeks with the more upstream pricing of crude oil nudging slightly higher, naphtha flat and the more midstream product of propane moving slightly lower in price.
- Crude oil is only up 1.6%. WTI crude oil is trading around \$90.53/barrel at the time of writing. In our last report we highlighted how international crude suppliers are taking a page out of USA oil producers and prioritizing profits over market share by cutting production despite large profits. Well, the USA producers have not been shutting production, rather they have been choosing to expand at much slower pace than in previous oil price booms. What's important here is that slow production growth is still growth and this month its expected that USA oil production will reach 13 million barrels per day which will be the highest monthly production since Nov 2019. The disciplined approach by USA oil producers to carefully increase production is helping to offset the global supply cut decisions made by Saudi Arabia and others.
- Naphtha prices (CIF Japan) are pretty much unchanged with recent pricing at \$705/mt as compared to \$700/mt two weeks ago.
- Physical propane prices in Mont Belvieu, TX are down about 7.5% to a spot price of 70.5 cents per gallon (cpg) from 76.25cpg two weeks ago. This 5.75cpg decrease in propane has a 1.6cpp decrease in PDH feedstock costs.

Propylene

- Physical PGP remains elevated compared to July and August pricing. Spot PGP pricing is only up a little over 2% at 38.375cpp from 37.5cpp two weeks ago. As a reminder physical PGP traded as high as 41.5cpp on Wednesday Sept 6 because of PDH issues at Dow and Enterprise 1.
- September contract PGP settled at 39cpp, up 4.5cpp from the prior month. In our last report on Sept 13, BlueClover correctly guessed that the contract PGP price would be up 4.5cpp in September. Three cheers for us!

Propylene (Cont'd)

- Two weeks ago we abandoned our view that PGP pricing will break below 30cpp in the September and October timeframe. We feel that as of now there is too much pricing pressures from upstream feedstocks (crude oil, naphtha and propane). Also demand for PP has significantly picked up in the August and September time periods. As a reminder we are not bullish PGP pricing at today's price levels. We respect that anything can happen in a tight market and prices may spike north of 40cpp again. One change from our last report is that we believe PGP prices may remain in the 30s and possibly low 40s for much of October. However we do believe pricing will trend back into the mid to low 30s in November and December.
- BlueClover is revising our contract PGP price guestimates as follows: 41cpp for October (up from 38cpp two weeks ago), 35cpp for November (down from 36cpp), and 34cpp for December (same number as two weeks ago)

Polypropylene

- Polypropylene pricing remains in an uptrend. Prices for widespec and prime PP continue to climb higher as demand has improved and less material is available.
- Polypropylene demand has been very strong. The preliminary total demand for PP in August 2023 as reported by the American Chemistry Council is the highest its been since July 2021. In our opinion demand for PP took a big step up in August as convertors felt there was asymmetrical risk, and many purchased after prices had fallen for almost 5 straight months versus risking waiting it out any longer.
- Simultaneous to the stronger demand, there have been some production issues among PP suppliers. P66 had production issues last month. So far in September there have been production issues for Ineos at their California plant and Braskem at their Pennsylvania plant. In October, Formosa's PP capacity at Point Comfort will be running at reduced operating rates for scheduled maintenance.

Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Sep 26</u>	<u>Price as of Sep 12</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	94.03	92.21	USD/barrel
WTI Crude	Cushing, OK	90.53	89.08	USD/barrel
Natural Gas	Henry Hub, LA	2.61	2.74	USD/MMBtu
Naphtha	C&F Japan	705	700	USD/mt
Ethane	Mont Belvieu, TX	27.75	31.5	Cents/Gal
Propane	Mont Belvieu, TX	70.5	76.25	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	22	20.75	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	38.375	37.5	Cents/Lb



Repro Supply Options

HERO GREEN™ (Post Consumer PP)		
Repro Grade	Repro Description	Location
HG08BK3	8 melt 1.5 izod Black	Available upon request
HG20BK3	20 melt 2 izod Black	Available upon request
HG20NA3	20 melt 2 izod Natural	Available upon request
HG25BK3	20-35 melt 1.5 izod plus Black	Available upon request
HG10BK1	8-10 melt Black HomoPP	Available upon request
Regrind Grade	Regrind Description	Location
HG8RG10	8 melt 10 izod Black Regrind	Available upon request
HG20RG2	10-30 melt 1.5 izod Plus Black or Mixed Color	Available upon request
HERO GREEN™ (Post Consumer HDPE Repro)		
Grade	Description	Location
HG6GRPE	6 melt HDPE Grey - 0.94 - 0.954 density	Available upon request

Trader Toolbox - Oil inventories in Cushing, OK at low levels



The oil inventories at Cushing, OK, a major physical trading hub for West Texas Intermediate crude oil, has seen inventories fall for 6 straight weeks. Inventories have not been this low since July 2022.

The current level sits at around 23 million barrels which is close to the 20-22 million barrels that analysts believe necessary to maintain the system. In other words, the well is almost close to “empty” and a need for spot barrels may end up shooting prices even higher in the short term.



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