

# BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.12 – June 2024



## Market Update

### Plastics Feedstocks (Oil, Naphtha, Propane)

- The upstream energy and global PP feedstock markets have slid lower these past two weeks.
- Crude oil is lower by 5% the past two weeks and current pricing of approx. \$74/barrel is lower by 15% from its 2024 high of \$87/barrel in early April. One reason for the recent price pullback in oil is that OPEC nations have stated they may rollback their voluntary production cuts over the next 12 months. This could put an additional supply of 2 million barrels/day into the global market, a 6% production increase from these producing countries.
- Following crude oil, propane prices in Mont Belvieu, TX are down about 4% to 67.5 cents per gallon (cpg).
- Naphtha prices (CIF Japan) are also lower by 4% to \$646/mt.

### Propylene/Polypropylene

- Physical PGP prices have traded between 43 and 44cpp the past two weeks. The most recent price settlement for physical PGP in June is 43.125cpp. Physical PGP prices have been extremely flat over the past 3 weeks between 42 and 44cpp.
- May contract PGP settled at 46cpp, a 2cpp decrease from June and right in line with our expectation from two weeks ago. The PetroChem Wire May monthly average for physical PGP was 43.2cpp. The 2cpp decrease in contract PGP pricing was in line with market expectations given where physical PGP was transacting.
- Factors for PGP Price Increase: 1) Inventories of PGP remain low compared to historical averages 2) Lower PGP prices can lead to increased demand for PGP derivatives 3) North American PP reactors returning from force majeure/planned maintenance. 4) Slightly stronger than expected PP demand to end May and start June
- Factors for PGP Price Decrease: 1) Overall upstream/feedstock price complex is weakening (including propane which is a direct feedstock to PGP with 5 PDH units in North America) 2) Potential for PGP inventories to restock into a more balanced position with the Enterprise 1 PDH being set to return to service soon 3) Despite more PP units returning to service from FM, overall PP reactor operating rates remain extremely low (sub 80%). (We highlighted in our last report that the reason for lower operating rates from PP producers is because demand for discretionary durable goods is stagnant.)

## Market Update

### Propylene (cont'd) / Polypropylene

- While we can see both the bull and bear case for PGP pricing, BlueClover will continue to give the edge to the lower price environment as we do not think this bear market is finished yet. BlueClover is holding the same view from our last report. That is physical PGP pricing in June will be in the 36-39cpp range. Therefore, we are estimating the June contract PGP price in the 39-42cpp range. We believe this pricing view is lower than what many analysts are calling for. However, like other analysts BlueClover expects contract PGP pricing to bottom out in June, be flat or up small for July and then start to climb higher in August .
- Recap from last Brainfood.. “Ineos has successfully returned from Force Majeure (“FM”) and Invista either has returned or is almost there. Braskem had a scheduled maintenance for its facility in Freeport that started in mid April and set to be back up and running in the 2<sup>nd</sup> half of May. Heartland Polymers has been running at reduced rates but is scheduled to be back up in June. By late June it appears that almost all PP units will be up and running.”
- We mentioned the following as a bullish factor for PGP on the previous page. Demand for PP has picked up in the 2<sup>nd</sup> half of May and 1<sup>st</sup> half of June. After the large price decreases in PGP and PP, domestic buyers have been looking to restock inventories. While many procurement folks think pricing may still slide lower into June, they understand that after a 12cpp slide in PGP over 2 months it makes sense to be in the market buying. Also demand for PP into the export market has increased. Shipping freight rates out of Asia are increasing significantly which in turn is helping global trading companies pay higher prices for PP product from the USA. It’s important to also note that the supply of PP has been there to meet this demand but there are some signs of certain widespec PP needs that are harder to source.



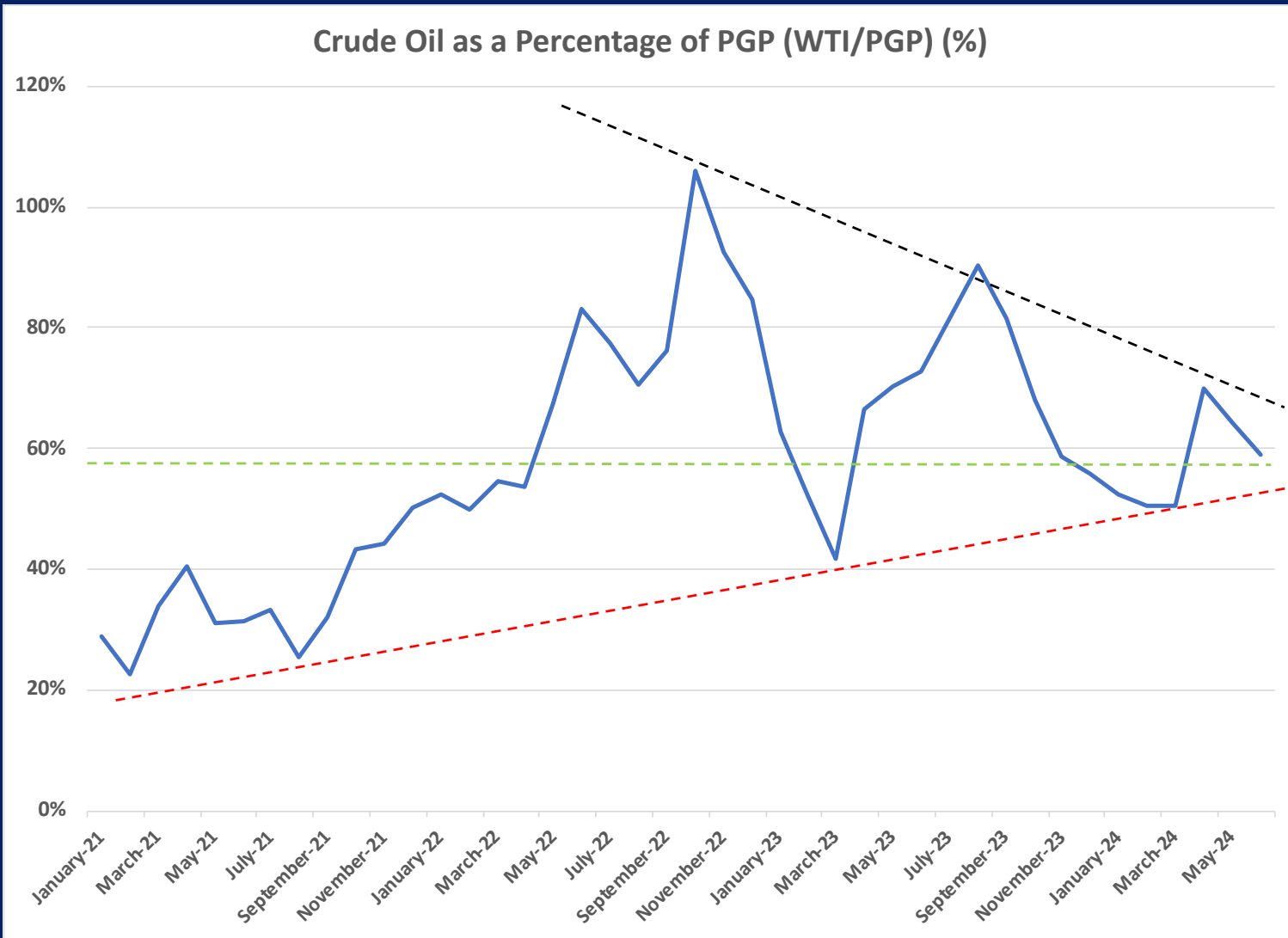
## Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of June 4</u>	<u>Price as of May 21</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	77.97	81.95	USD/barrel
WTI Crude	Cushing, OK	73.70	77.60	USD/barrel
Natural Gas	Henry Hub, LA	2.69	2.68	USD/MMBtu
Naphtha	C&F Japan	646	676	USD/mt
Ethane	Mont Belvieu, TX	19.25	21.25	Cents/Gal
Propane	Mont Belvieu, TX	67.5	70.25	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	22	21.5	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	43.125	43.5	Cents/Lb

## HERO GREEN™ - PP Recycled Grades

Please click the link [here](#) to see the full line card.

# TRADER TOOLBOX – PGP PRICE CHART COLLIDING



This chart (going back to Jan 2021) shows the % relationship between PGP and Crude Oil. The % value is WTI Crude Oil in \$/lb divided by PGP in \$/lb. When this % is low, PGP is very expensive relative to WTI crude oil. When this % is high, PGP is very cheap relative to WTI crude oil.

The average from Jan 2021 to today is 58% (the green line) which is where current pricing sits today. To the folks at BlueClover, the biggest takeaways are the conflicting stories.

The descending black line paints a picture that PGP pricing has been tighter than probably expected since Oct 2022 (the past 19 months). The ascending red line tells a longer story that PGP pricing has been decreasing relative to WTI crude oil starting from the commodity inflation year of 2021.

Its going to be fun to see which line might win out in the coming quarters?



## Disclaimer

The information contained in this newsletter is for informational purposes only and it is not intended to be, nor should it be construed or used as, business, financial, legal, tax or investment advice or an offer to sell, or a solicitation of an offer to buy, any product or service. This newsletter does not consider the business objectives or financial circumstances of any specific person who may receive it. The information in this newsletter was prepared by Blue Clover and has been obtained from public sources believed to be reliable. Blue Clover makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of Blue Clover and are subject to change without notice.

Any projections, forecasts and estimates contained in this newsletter are necessarily speculative in nature and are based upon certain assumptions. In addition, matters described are subject to known (and unknown) risks, uncertainties and other unpredictable factors, many of which are beyond Blue Clover's control. No representations or warranties are made as to the accuracy of such forward-looking statements. It can be expected that some or all such forward-looking assumptions will not materialize or will vary significantly from actual results. Accordingly, any projections are only estimates and actual results will differ and may vary substantially from the projections or estimates shown. Blue Clover has no obligation to update, modify or amend this newsletter or to otherwise notify a reader thereof if any matter stated herein, or any opinion, project on, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Past performance is not indicative of future success and there is no guarantee that any business or investment strategy will be successful.