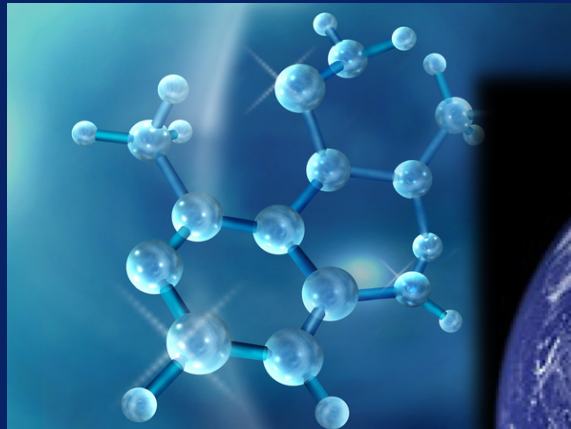


Brainfood for the Plastics Industry

Issue 22.10 – May 2022



Market Update

Crude Oil

Crude oil has remained rangebound between \$100 and \$110/barrel these past two weeks. As of Tuesday May 10, WTI prices are around \$100/barrel but were as high as \$109/barrel on Wed May 4th.

BlueClover has held a constructive (bullish) view of crude oil for several months now. Crude is indeed having a difficult time rallying past the headwinds of Chinese covid lockdowns in major cities (Ex. Shanghai) and a falling stock market signaling a possible recession. From a fundamental supply perspective crude oil remains relatively tight however predicting future demand is near impossible.

Last week the European Union took a step in possibly making crude oil markets even tighter, all be it over time. The Union announced a possible plan to ban imports of Russian crude oil by all types (pipeline, vessel) over the next six months and to ban all Russian produced refined products by the end of 2022. Some member nations that rely more on Russian crude would be given until the end of 2023 to comply. Many of these dependent nations, such as Hungary, want a longer time frame of 3-5 years to phase out Russian oil imports. The proposal needs all 27 member states to approve.

In 2021, Europe imported about 25% of its oil from Russia. Europe buys about \$450 million of Russian oil per day and about half of Russia's crude exports flow to Europe.

We commend the European Union for attempting this ban on Russian oil. For a region so dependent on this commodity from Russia, it will surely raise energy costs for its citizens but it's a sacrifice that is necessary in order to be independent of Russian energy supply.

Natural Gas

Natural Gas prices remain at multi year highs, with spot prices trading around \$7.30/mmbtu, up about 5% from two weeks ago.

Market Update

Plastics Feedstocks (Naphtha, Ethane, and Propane)

- Naphtha prices (CIF Japan) are up about 3% to \$895/mt
- Propane prices are unchanged over the past two weeks at 124cpg (cents per gallon) in Mont Belvieu, TX.
- Ethane prices are up 10% to 54.5cpg

Ethylene

- Ethylene prices in the Enterprise system in Mont Belvieu, TX are up slightly to around 29 cents per pound.

Propylene

- Physical PGP prices in Enterprise's system in Mont Belvieu, TX are 56cpp, which is 7cpp lower than two weeks ago. Physical prices at 56cpp are the lowest they have been so far in May.
- PGP prices had been rangebound between 61cpp and 68cpp for several months (March and April) but have recently broken out to the downside.
- The month to date average price for PGP is 59.083cpp but if prices remain near 56cpp for the balance of the month it will pull the monthly average price lower.
- BlueClover's estimate from our last report was for physical PGP to average 66cpp for May and for contract PGP in May to be flat. Clearly this is not the correct guess.
- BlueClover's revised estimate is for the May PGP physical to average 58cpp and for contract PGP to be down 8cpp, which would bring May contract PGP to 63cpp.
- With propane holding strong around \$1.20/gal, a 20cpp gross margin for PDH units would put physical PGP pricing a 54cpp. We guess that PDH margins will remain north of 20cpp, therefore PGP should stabilize in the mid 50s if propane prices can hold steady.

Polypropylene

- Producers have been able to successfully pass-through margin enhancement of approx. 6cpp in May. This is warranted as PP demand remains strong even if certain segments have less demand as compared to one year ago. PP supply has been an issue with several force majeure that we highlighted in previous reports.
- Its helpful for PP producers and consumers that the margin enhancement came in a month where contract PGP is projected to drop significantly.
- PP inventories fell by 62 mil lbs at the end of March from the end of Feb 2022 as reported by The American Chemistry Council. This showed how PP demand started to rebound in March after weaker Jan and Feb months. With two significant force majeure in April, we expect inventories to draw down again in April.

Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of May 10</u>	<u>Price as of April 26</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	103.32	105.68	USD/barrel
WTI Crude	Cushing, OK	100.36	102.29	USD/barrel
Natural Gas	Henry Hub, LA	7.29	6.97	USD/MMBtu
Naphtha	C&F Japan	895	870	USD/mt
Ethane	Mont Belvieu, TX	54.5	49.75	Cents/Gal
Propane	Mont Belvieu, TX	123.5	124	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	28.625	27	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	56	63.375	Cents/Lb

* Sources – CME, Bloomberg

Inventory

HERO PRIME™		
Grade	Description	Location
	SOLD OUT	

HERO FLEX™		
Grade	Description	Location
HG3040	30-40 melt Grey PCR CopolymerPP	Midwest



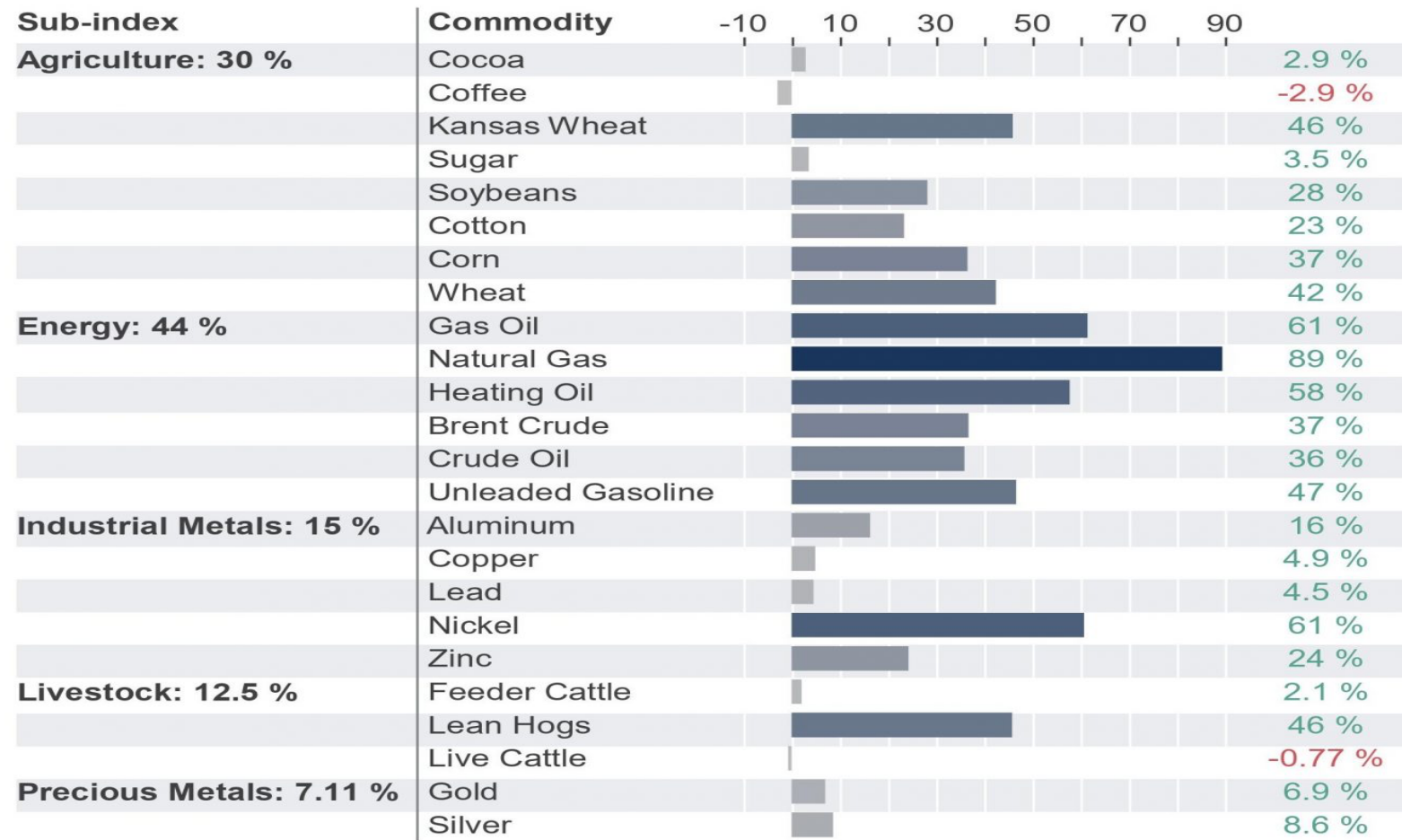
Commodity prices are up big year to date as a result of inflation, lack of producer reinvestment, and the Russia-Ukraine war.

It's interesting to see how much energy has outperformed the other commodity segments so far this year.

Within energy, natural gas prices have been skyrocketing to the surprise of many industry analysts who expected the natural gas market to be over-supplied and non-inflationary for years to come.

Fossil Fuels Lead Commodity Prices Charge

Price increases across the board averaging 30.8% year-to-date set to hurt both industry and consumers





Why BlueClover?

BlueClover is the informed sourcing solution— bridging the gap between upstream knowledge, resin procurement and price risk management.

- ❖ Trusting relationship with a professional distribution company that trades polypropylene across a wide range of qualities at a multitude of price points for both spot and contract business.
- ❖ Full access to our Price Risk Management Team.
 - ❖ Work closely with our price risk management team with decades of commodity trading experience to determine when fixed pricing programs make sense for your business.
 - ❖ Access to BlueClover’s internal research and analysis on pricing and industry economics.

Please visit our website [here](#) for more information.



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