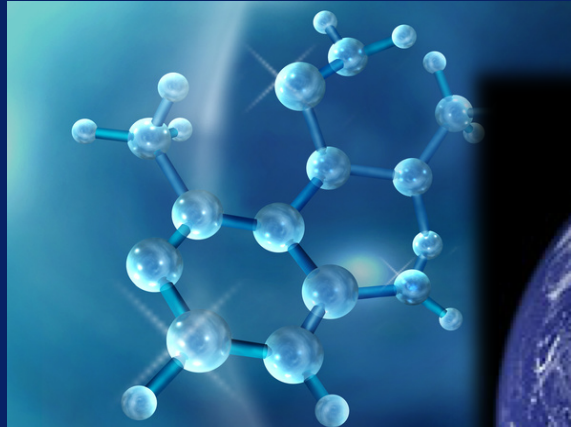


Brainfood for the Plastics Industry

Issue 22.13 – June 2022



Market Update

Crude Oil

WTI crude oil prices are basically unchanged when compared to levels from four weeks ago. Two weeks ago prices were about \$9/barrel higher but have since retreated about 8% to the \$110/barrel price point, which is where the market was in late May.

One month ago, we wrote the following *“BlueClover is changing its view on crude oil from bullish to neutral/bearish. We think pricing will head towards the \$85 - \$95/barrel range for the 2nd half of this year.”* As mentioned in the first paragraph above prices shot up in the 1st half of June but have since moved back down to unchanged from when BlueClover made this prediction on crude pricing.

Reasons for our bearish view include:

- Potential consumer behavior change as prices at the pump jump higher
- Global recessionary risks as central banks jack up interest rates to counter inflation
- the bullish long side commodity play is still very crowded

Countries are adding to crude oil inventories to keep the market balanced. On Tuesday June 14th the USA Department of Energy sold up to 45 million barrels of oil from the Strategic Petroleum Reserve. OPEC nations have recently announced they will increase supply by 648,000 barrels/day in July and August, which is 200,000 barrels/day more than the scheduled supply increases they had previously announced.

What gives us concern about our bearish prediction is that folks are still willing to spend money on the experience economy and less on the durable goods. Many people still plan to drive to see family or go on vacation as they feel this is “owed” to them after the long covid years. They will forgo purchases of certain household products and consumer goods in order to have an experience. This is driving gasoline demand despite record high prices. Gasoline inventories have declined for 5 straight weeks on strong consumer demand.

Natural Gas

Natural gas prices are down 23% this past month to a spot price of \$6.79/mmbtu.

Reasons for the drop in price are weather and exports not getting out. We have experienced very mild type temperatures in the Northeast for the past 7-10 days. Also, there has been an extended outage at the Freeport liquified natural gas export terminal.

Market Update

Plastics Feedstocks (Naphtha, Ethane, and Propane)

- Naphtha prices (CIF Japan) are down 10% this past month to a spot price of \$800/mt
- Propane prices are unchanged around 120cpg (cents per gallon) in Mont Belvieu, TX.
- Ethane prices are off about 3% to a spot price around 60cpg in Mont Belvieu, TX.

Ethylene

- Ethylene prices in the Enterprise system in Mont Belvieu, TX are down about 6% from one month ago to 27 cents per pound.

Propylene

- Physical PGP prices in Enterprise's system currently sit at 45cpp, down from 51cpp two weeks ago and 55cpp four weeks ago.
- The June month to date average price for PGP is around 48cpp.
- BlueClover's estimate for June contract PGP is down another 10cpp. This would take June contract PGP to 51cpp.
- At 55cpp BlueClover was bearish physical PGP due to the downward momentum and less demand for PGP derivatives. We had expected physical PGP pricing to drop below 50cpp and stabilize in the upper 40s. For the moment, price stability appears to be around 45cpp.
- Prices of PP dropped globally this past month as naphtha pricing fell by about 10%. This has had some impact on PGP derivative demand.
- BlueClover expects pricing to rally back to 50cpp to 55cpp over the July and August months, given the strong crude and propane pricing environment that remains in place.

Polypropylene

- We have been seeing widespec Homopolymer in the mid 70s price range for railcars delivered. This number was in the mid 80s a couple of months ago.
- Previous reports have highlighted consumers spending more on the experience economy and less on elastic household items (such as lawn furniture. Many of the household items saw large increases in demand during the first two years of Covid but this has since fallen off.
- One signal of this is that the American Chemistry Council reported a 3% drop in total domestic sales of PP in April 2022 from April 2021.

Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of June 21</u>	<u>Price as of May 24</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	114.51	113.55	USD/barrel
WTI Crude	Cushing, OK	110.57	110.20	USD/barrel
Natural Gas	Henry Hub, LA	6.79	8.77	USD/MMBtu
Naphtha	C&F Japan	800	895	USD/mt
Ethane	Mont Belvieu, TX	59.875	62.125	Cents/Gal
Propane	Mont Belvieu, TX	119.625	120.5	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	26.875	28.625	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	45	55	Cents/Lb

* Sources – CME, Bloomberg

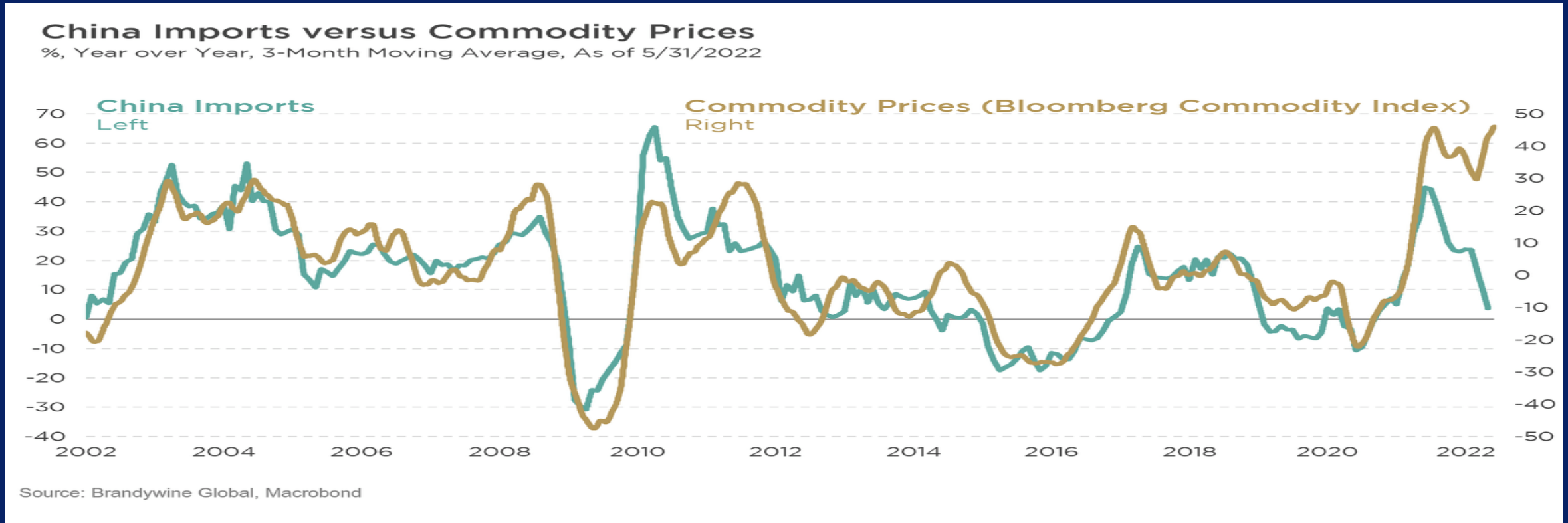
Inventory

HERO PRIME™		
Grade	Description	Location
	SOLD OUT	

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



Trader Toolbox – Commodity markets continue to perform despite China lockdowns



It is interesting to see the above 20 year chart. For the first time in decades commodity prices outperformed in a time of significant declines in Chinese imports. This shows that Chinese demand is not the driving factor for higher prices.

With the Chinese economy so important to global commodity prices, either their lockdowns will drag down commodity prices in the future or their reopening might help to give commodities another leg up in pricing..



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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