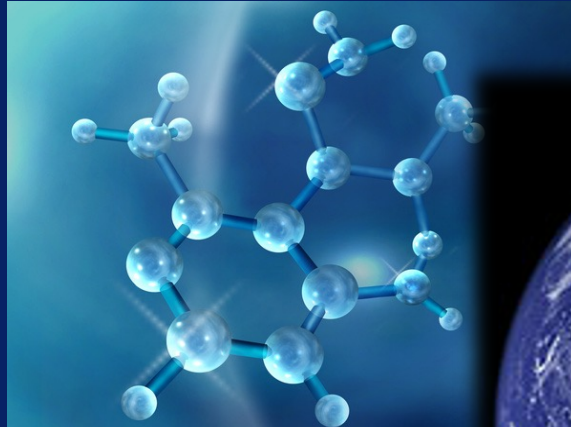


Brainfood for the Plastics Industry

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Market Update

Crude Oil

After establishing our neutral price outlook on crude oil in our last report, WTI crude oil prices are lower by about 7% from two weeks ago. The spot price today is around \$95/barrel.

Some reasons for the recent dip in crude pricing include a weaker than expected Chinese factory number along with increased supply from Libya. China's manufacturing purchasing managers' index (PMI) fell to 49 in July from 50.2 in June. A number below 50 signals economic contraction. Economists were hoping for this number to increase in July from June as a result of Covid lockdowns being lifted. From a supply standpoint, Libya is now pumping out 1.2 million barrels/day, a number not seen since April.

This week, OPEC (Organization of the Petroleum Exporting Countries) nations and their allies, will meet to discuss crude oil supply into the global market. Many industry analysts expect the nations to not increase supply any further than originally planned as recessionary risks remain in place and member nations do not want to create an over-supplied market. This continues to point to a relatively tight physical oil market yet the recessionary concerns remain in place.

As highlighted several times in our Brainfood reports, oil companies have been focusing on profits over increasing market share. With higher oil prices to start the 1st half of the year and incredible refinery margins as a result of higher gasoline prices, oil companies are recording record profits. ExxonMobil reported close to \$18 billion of 2nd Quarter 2022 earnings and Chevron reported \$11.4 billion for the same time period. This compares to 2nd quarter 2021 earnings of \$4.7 billion for Exxon and \$3.3 billion for Chevron.

Natural Gas

Natural gas prices are up 6% the past two weeks to a spot price of \$7.8/mmbtu.

Despite the much higher natural gas prices year on year, there is one thing helping to keep prices somewhat in check. Last year China became the world's top importer of LNG (liquified natural gas). However, this year imports are down about 20% compared to the year prior. Over the past several years, China has made a significant push to burn more natural gas as opposed to coal because gas has a reduced GHG impact than coal. If China were to see a need to replenish natural gas inventories in anticipation of a cold winter or renewed manufacturing activity, this would create a very strong bid in the global LNG market. Currently Europe is trying to absorb as much additional supply as it can, because if China starts buying more there may not be enough to go around.

Plastics Feedstocks (Naphtha, Ethane, and Propane)

- Naphtha prices (CIF Japan) are down about 5% the past two weeks to a spot price of \$735/mt. In March 2022, Naphtha prices hit a 9 year record high of approx. \$1,055/mt. Since naphtha is a global feedstock to plastic resin, this led to higher resin prices globally. Now the 30% drop in naphtha has led to significant drops in the price of plastic resin out of the Middle East and Asia.
- Propane prices are relatively unchanged around 111cpg (cents per gallon) in Mont Belvieu, TX.
- Despite the higher natural gas prices, ethane prices are lower by about 8% the past two weeks, trading around 59cpg in Mont Belvieu.

Ethylene

- Ethylene prices in the Enterprise system in Mont Belvieu, TX are flat at 25 cents per pound since our last report.

Propylene

- Physical PGP prices in Enterprise's system are assessed at 49.25cpp, up about 1.5cpp from the 47.75cpp price level from two weeks ago.
- BlueClover still expects physical PGP prices to break north of 50cpp in August.
- Since our last report physical PGP has been tight, marching higher each day. On Friday July 29, physical PGP traded at 49.75cpp, which was the highest price point in July. Prices have since retreated a little bit.
- According to a Texas filing, as reported by PetroChem Wire, the Enterprise PDH unit shut down for an unexpected outage on July 28. This may have helped prices rally the next day on Friday July 29.
- The PGP market appears slightly tight at the seams. Supply disruptions caused by unexpected outages or hurricanes could have a significant impact on price.
- Counter to this, demand for PGP derivatives, specifically PP, is clearly down year on year as retail products line the store shelves for longer.
- July contract PGP settled down 4cpp to a contract price of 47cpp. BlueClover was estimating down 3cpp.
- BlueClover's estimate for August contract PGP is an increase of between 3cpp and 5cpp.

Polypropylene

- Last week we wrote, "We have been seeing widespec Homopolymer in the mid 60s price range for railcars delivered." Prices at the end of July dropped into the upper 50s and low 60s depending on grades and quality. Given our view on PGP, BlueClover believes the end of July dip in pricing was the temporary low end of the pricing market.
- We expect PP prices to rally in the August-September time frame.

Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Aug 2</u>	<u>Price as of July 19</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	100.87	105.76	USD/barrel
WTI Crude	Cushing, OK	94.59	102.01	USD/barrel
Natural Gas	Henry Hub, LA	7.8	7.33	USD/MMBtu
Naphtha	C&F Japan	735	775	USD/mt
Ethane	Mont Belvieu, TX	59	64	Cents/Gal
Propane	Mont Belvieu, TX	111	113.875	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	24.5	25	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	49.25	47.75	Cents/Lb

* Sources – CME, Bloomberg

Inventory

HERO PRIME™		
Grade	Description	Location
	SOLD OUT	

Post Consumer PP Repro		
Melt	Description	Location
3	Black 3 melt HomoPP	Midwest
16	Grey 16 melt HomoPP	Midwest
22	Grey 22 melt HomoPP	Midwest



Instead of a chart for this report, I'd like to point everyone to an informative and detailed article by John Richardson of ICIS . The link to the article can be found [here](#) .

We have been writing about how the European gas crisis might have a big impact on petrochemicals specifically and global economies in general. John's article does a great job of laying out the picture and how it may impact Europe's need to import plastic resins.

When BASF says they may need to shut down their Ludwigshafen site, the petrochemical industry should pay attention. This site is the world's largest integrated chemical complex owned by a single company and accounts for around 4% of total German natural gas demand according to the article.

If natural gas supplies lower to critical levels and certain petrochemical production is shut in, BlueClover expect regions such as the Middle East, Asia, and North America to ship polyolefins to Europe. This may help to relieve the excess length that some of these regions have experienced over these summer months.



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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