

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 23.09 – April 2023



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- Global polypropylene feedstock prices have been pretty flat the past two weeks.
- Crude Oil is only down about 5% to a spot price of \$77/barrel after rallying almost 11% the first two weeks of April. Today's crude oil price sits about 17% higher than the 2023 low price point of \$66/barrel from mid March.
- Naphtha prices (CIF Japan) are down small from \$679/mt to \$670/mt
- Propane prices are unchanged over the two weeks around 81 cents per gallon (cpg) in Mont Belvieu, TX..

Propylene

- On March 28th (physical PGP was around 55cpp) we estimated PGP prices would decrease into the 40s price range in April with a chance of getting into the upper 30s. This guess was correct. Two weeks ago on April 11th (physical PGP was around 42cpp) we expected physical PGP to decrease into the upper 30s in the 2nd half of April. This guess was incorrect against the timeline that we suggested.
- Physical PGP has been trading between 40cpp and 42cpp from April 12th until April 25th. There remains a need for physical pounds of propylene and there continues to be supply constraint issues from PDH units. The latest being Enterprise's PDH possibly needing to shut down for 3 days due to a nearby lightning strike according to the PetroChem Wire report.
- While BlueClover still expects physical PGP pricing to break below the 40cpp support level over the next 30 days, its important to remember that physical PGP traded as high as 82cpp in March. Spot physical pricing is off 50% from that March high price point.
- The physical PGP April calendar average is expected to settle around 41.5cpp, and we wrote in our last report that "we expect the April monthly calendar average for physical PGP to settle between 40 and 42cpp."
- The market consensus for the contract PGP price for April is a decrease of 10 to 13cpp which would put the April contract PGP price in the 45cpp to 48cpp price range. BlueClover is going to revise our estimate of April contract PGP from down 10cpp to down 12cpp, which would put April contract PGP at 46cpp.
- BlueClover is guessing that contract PGP for May will settle between 40 and 43cpp.

Polypropylene

- PP prices have been relatively stable the past two weeks.
- For widespec PP and export markets, PP prices dropped hard at the end of March (as PP producers anticipated the April polymer grade propylene decreases), but these products have either decreased just a little or remained flat in April depending on the grade. With physical PGP pricing holding stable around 40-42cpp, there simply is not that much room for widespec and exports to drop much further.
- Prime PP has been dropping in April as a result of the decrease in contract PGP. There are competitive offers for spot prime polypropylene in terms of spread over contract PGP as the market anticipates slightly lower PGP prices in May again.
- In the last week of April BlueClover has seen less PP supply being offered into the market compared to the end of March. This is a possible sign of the long market beginning to balance out. This balancing can still take several months which is why we think its greater than 50/50 that PP pricing will slightly decrease in May (maybe 1-3cpp for widespec and 3-6cpp for prime). That being said, we are mindful of how much prices have come off so far and therefore our conviction breakdown would be about 60% guess that prices trickle lower vs 40% guess that prices remain flat or start to increase.

Feedstock “Spot” Prices:

Product	Location	Price as of April 25	Price as of April 11	Unit
Brent Crude	North Sea, Europe	81.10	85.43	USD/barrel
WTI Crude	Cushing, OK	77.23	81.41	USD/barrel
Natural Gas	Henry Hub, LA	2.24	2.17	USD/MMBtu
Naphtha	C&F Japan	670	679	USD/mt
Ethane	Mont Belvieu, TX	21	21.375	Cents/Gal
Propane	Mont Belvieu, TX	80.5	81	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	19.625	22.5	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	41	42	Cents/Lb

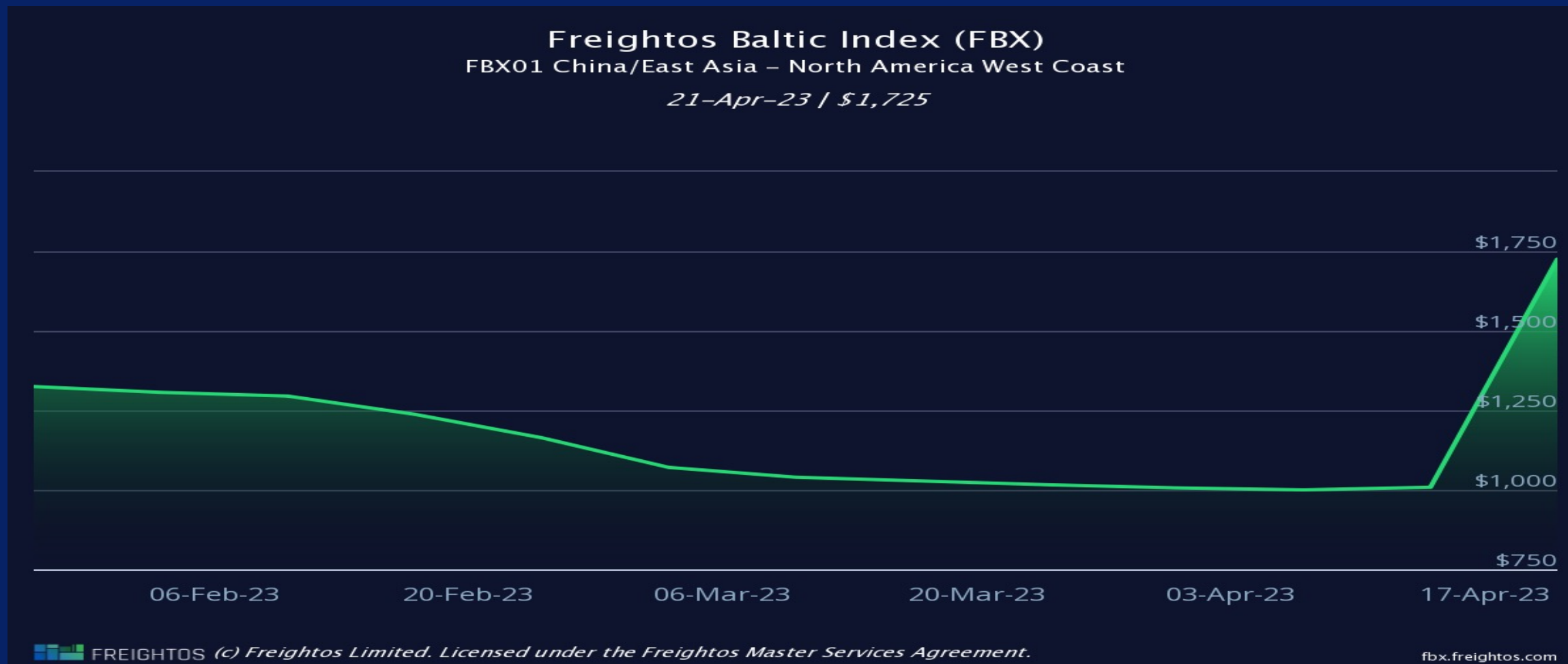
* Sources – CME, Bloomberg

Inventory

HERO GREEN™ (Post Consumer PP Repro)		
Grade	Description	Location
HG7BK1	7 melt HomoPP - Black	Midwest
HG3GR1	3 melt HomoPP - Grey	Midwest
HG16GR1	16 melt HomoPP - Grey	Midwest
HG22GR1	22 melt HomoPP - Grey (SOLD OUT)	Midwest
HG3GR3	3 melt CoPP 3.4 izod - Grey	Midwest
HG35GR3	35 melt CoPP 1.1 izod - Grey	Midwest
HERO GREEN™ (Post Consumer HDPE Repro)		
Grade	Description	Location
HG7GRPE	7 melt HDPE Grey - 0.94 - 0.954 density	Midwest



Trader Toolbox - Freight Rates out of China Increasing



The above graph from fbx.freightos.com displays an index price for container routes from China and East Asia to the North America West Coast over the past 3 months. We will use the above graph as a proxy for container freight rates out of China in general. Over the past several years, China has exported more and more polypropylene as a result of increased capacity from PDH units and coal to olefins. If container freight rates go up, this makes PP more expensive to import in regions such as Latin America which helps the North American PP producer with their export price.

We thought the 75% jump in container freight rates out of China was something to take note of.



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