

# BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 23.17 – Sep 2023



## Market Update

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

- All upstream polypropylene feedstocks are rocketing higher this past month continuing a trend that established itself in early July. Remember, because there was no Brainfood Report two weeks ago, all price changes are reflected over a 4 week period.
- Crude oil is up 10% the past four weeks with spot pricing for WTI crude at \$89.08/barrel. Crude oil prices are the highest they have been since November 2022. Traders are pointing to a more fundamentally tight supply/demand structure globally as the biggest reason for the price rally. Some of the leading global suppliers of crude, specifically Saudi Arabia and Russia, have announced production cuts through the end of the year. These nations have cut supply despite decent global demand. Like USA oil producers, foreign nations are going to be careful about oversupplying the market and having prices crash, like crude oil and other commodities historically have. Many nations are prioritizing profits and reduced market share over economic game theory.
- Naphtha prices (CIF Japan) are up almost 7% over the past four weeks to \$700/mt.
- Physical propane prices in Mont Belvieu, TX are up about 14% to a spot price of 76.25 cents per gallon (cpg) from 66.75cpg four weeks ago.

### Propylene

- Physical PGP is up 21% from a spot price of 31 cents per pound (cpp) four weeks ago to 37.5cpp today. Last week physical PGP traded as high as 41.5cpp on Wednesday Sept 6. The biggest reasons for spot PGP prices to rally is PDH production issues. It has been reported that both the Dow and Enterprise 1 PDH units were not at fully capacity. Additionally, the Atlantic hurricane season is becoming much more active. We highlighted the chance of this in our report from August 16<sup>th</sup>. While no major storms have impacted the major production zones of PGP and PP, the potential threat may be leading companies to hold higher inventories than typical. Lastly, the major upstream price rallies in crude oil, propane, and naphtha may be raising the tide on the PGP pricing market.
- BlueClover was estimating August contract PGP to settle at 34cpp. It only settled down 0.5cpp instead of 1cpp so the August contract PGP price was 34.5cpp.

## Propylene (Cont'd)

- We wrote in our report four weeks ago *“Our view of physical PGP pricing breaking below 30cpp becomes more unlikely by the day [we gave a few reasons why].. all that being said, BlueClover is not ready to abandon the view [and gave a few reasons why it could break lower than 30cpp in Sept or October]”*. Well we are officially ready to abandon the view that PGP will break below 30cpp in the next couple of months. That does not mean we are bullish PGP at today’s price levels. We respect that anything can happen in a tight market and prices may spike north of 40cpp again. However we do believe pricing will trend back into the lower 30s in October and November. What we are abandoning is a price below 30cpp. With so much upstream pricing pressure between crude oil, propane and naphtha, the chance for PGP to break below 30cpp was in July and August and it just couldn’t get there.
- With the recent volatility, September contract PGP is a going to be a difficult one to correctly guess. BlueClover is going to guess that Sept contract PGP settles at 39cpp, up 4.5cpp from the August contract PGP price.
- Currently the month to date calendar average for spot physical PGP is approx. 37cpp according to the PetroChem Wire.
- BlueClover will guess a contract PGP price of 38cpp for October, 36cpp for November, and 34cpp for December.

## Polypropylene

- Polypropylene remains snug in the market, particularly good quality widespec with good quality impact being the most difficult to source. Prices for PP have rallied in August as we reported on in our last report. Producers are looking to this spot jump in monomer as another lever to increase pricing on PP. The first lever back in August was improved PP demand as we reported.
- Many buyers who don’t follow the PGP market on a daily basis are hesitant to pay higher pricing. BlueClover’s advice would be to buy now if you have a need for September and/or possibly October shipment to your facility. If your procurement needs can wait a couple of months than it may be worth the gamble to hold off.

## Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Sep 12</u>	<u>Price as of Aug 15</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	92.21	84.63	USD/barrel
WTI Crude	Cushing, OK	89.08	80.72	USD/barrel
Natural Gas	Henry Hub, LA	2.74	2.70	USD/MMBtu
Naphtha	C&F Japan	700	655	USD/mt
Ethane	Mont Belvieu, TX	31.5	26.25	Cents/Gal
Propane	Mont Belvieu, TX	76.25	66.75	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	20.75	17.125	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	37.5	31	Cents/Lb

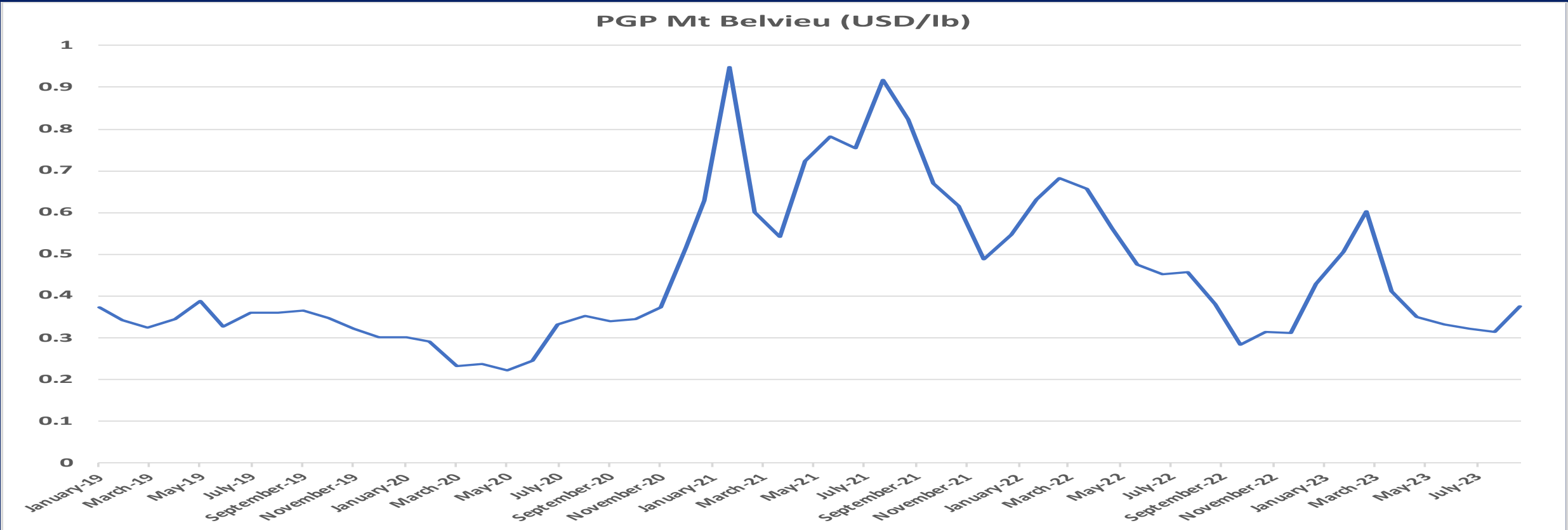
\* Sources – CME, Bloomberg

## Repro Inventory

*...The next report will include our revamped repro supply options..more to come.*



# Trader Toolbox - Historical Physical PGP Pricing



The above graph shows the historical physical PGP prices by monthly averages as reported by PetroChem Wire. We are experiencing a pop in September up to 37.5cpp, and two quick notes on this. 1) This price rally in September comes after 5 straight months of price decreases. 2) 37.5cpp is still a historically low price when compared to much of 2021 and 2022. It looks moderately expensive compared to 2019 but remember the WTI crude oil price averaged \$57/barrel in 2019 and today sits at \$90/barrel.

We make this points not because we think PGP prices should rally significantly and for an extended period, but a continuation of the current price spike is highly possible.



## 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.