

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.03 – Jan 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- Since our last report two weeks ago, oil, naphtha and propane pricing are all higher.
- WTI crude oil prices are up about 5% to \$76.61/barrel compared to two weeks ago. This is on top of a 3% price rally over the prior two-week period. Oil prices have risen this month on better-than-expected USA economic growth, disruptions to USA crude oil supply from the winter storms, and increasing tensions in the Middle East resulting from the USA-Iran conflict.
- Naphtha prices (CIF Japan) are up 6% the past two weeks to a spot price of \$690/mt.
- Physical propane prices in Mont Belvieu, TX are up 8% the past two weeks to a spot price of 88 cents per gallon (cpg). Propane prices were 68.75cpg on Jan 2nd so in January prices have risen 28% mainly due to freezing temperatures across much of the country.

Propylene

- Physical PGP prices are trading at 50cpp, up small from 49.5cpp two weeks ago. Physical PGP prices were around 43.75cpp to start the month of January and have climbed higher throughout the month. Two weeks ago, in the midst of the winter freeze in the Gulf Coast, physical PGP traded as high as 52cpp on Jan 18th. From there prices retreated to about 47cpp on Jan 23th in what appeared to be a trend of “thawing” prices after the freeze has subsided. However, towards the end of last week and to start this week prices have rallied back to 50cpp with many buyers still looking for product. The supply side tightness in the PGP market has not subsided yet.
- Two weeks ago we wrote the following regarding the freezing temperatures in the Gulf Coast, *“We anticipate this to be a non-event but some producers may choose to do a planned plant shut-down as opposed to rolling the dice with the cold weather.”* Well, we were wrong. These temps had more of an impact than we expected on overall petrochemical production and compounded the PGP supply issues in an already snug market.

Market Update

Propylene (cont'd)

- Last report we were expecting the possibility of this near-term supply tightness in PGP when we wrote ... *“BlueClover will hold its view that physical PGP prices push into the mid to upper 30s in the next 3-5 weeks **but respect the fact that prices may push higher into the low 50s over the next few days/week.**”* Prices did indeed push into the low 50s and have stayed there a tad longer than we expected. We are revising our future price guesses higher. We now expect physical PGP prices to push into the low to mid 40s over the next 2 to 4 weeks. If we kept the same view as our last report the prior sentence would read “we expect pricing to fall into the mid to upper 30s in the next 1 to 3 weeks” and that just seems like too much of a stretch at this point.
- January contract PGP settled at 51cpp, an increase of 3cpp from December. We were estimating up 2cpp in our last report. BlueClover’s guess for contract PGP in February is in the 46-49cpp range (up from 40-43cpp in our last report) and March is in the 41-43cpp range (up from 38-41cpp in our last report). So while we are increasing the prices (Feb an increase of 6cpp and March only an increase of 3cpp), we are still holding a directional view that pricing will slide lower from here. We’ve been wrong before, we can easily be wrong again.

Polypropylene

- The fundamental data for PP in December looked bleak. PP operating rates averaged below 80% for 3 out of the past 4 months with December being the lowest operating rate in the 2nd half of the year. Days of supply based off December inventories (which have had 3 consecutive months of increases) and the December domestic demand (which has had 4 straight months of decreases) are up to 45 days. This is the highest days of supply since October 2022 when contract PGP price that month was 32cpp.
- The current conversations around higher PGP prices, better than expected USA GDP growth, and some customers needing to restock PP inventories has led to higher prices for PP throughout January and even higher when compared to December. This trend may continue into early and mid February for PP pricing and availability. After that, there should be a return to a longer market and perhaps some lower pricing.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of Jan 31</u>	<u>Price as of Jan 16</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	82.07	78.64	USD/barrel
WTI Crude	Cushing, OK	76.61	72.84	USD/barrel
Natural Gas	Henry Hub, LA	2.14	2.98	USD/MMBtu
Naphtha	C&F Japan	690	651	USD/mt
Ethane	Mont Belvieu, TX	19.75	23.75	Cents/Gal
Propane	Mont Belvieu, TX	88	81.25	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	19.5	19.25	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	50	49.5	Cents/Lb

HERO GREEN™ - PP Recycled Grades

Please click the link [here](#) to see the full line card.

Trader Toolbox – Apologies – No Trader Toolbox this week



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.