

# BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.07 – Mar 2024



## Market Update

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

- WTI crude oil prices are up a little over 1% the past two weeks to a spot price of \$80.91/barrel. Crude oil prices have strengthened over the past three months and have reached price points not seen since Oct 2023. Reasons include continued supply cuts from OPEC+ members, better than expected oil demand from regions like China and continuing geopolitical risks in the Middle East.
- Naphtha prices (CIF Japan) are up a little over 1% the past two weeks to \$710/mt
- Physical propane prices in Mont Belvieu, TX are up almost 9% to 83.375 cents per gallon (cpg). Propane prices are bouncing around. They were lower by about 10% the first two weeks in March only to climb back up the last two.

### Propylene

- Physical PGP prices currently sit at 48cpp, down 10cpp from our report two weeks ago. Since our last report physical PGP prices have traded lower. The estimated monthly average for March physical PGP is approx 56cpp compared to the Feb physical PGP monthly average price of 53cpp.
- From our last report: *“We are digging our heels in and stating we expect physical PGP pricing to drop 13-16cpp over the April-May timeframe”*. To be a bit more specific we expect physical PGP pricing to drop 13-16cpp from the March average price (not just from the March high price of 60cpp) over the April-May time frame. So at a current price of 48cpp, physical prices have dropped 8cpp from the March PGP average.
- While we have seen some PGP price decreases intra-month in this 7 month PGP bull market, what’s happening now appears to be a true correction in which the bull market for PGP will reverse for several months. At 48cpp for physical PGP, the market is 12cpp below the 60cpp high price seen earlier this month. This is probably the biggest delta between the intra-month high price and intra-month low price within the past 7 months.
- We believe that its difficult for the PGP derivative market (of which PP makes up about 60-70% of PGP demand) to absorb PGP pricing north of 50cpp for several months in a row. Its possible if there are major supply issues from PDH units and/or consumer demand hits Covid type levels but it appears PGP supply from PDH units are improving and demand for durable goods is decent but not great.

## Market Update

### Propylene/ Polypropylene

- BlueClover correctly called March contract PGP settling at 58 cpp in our last report. We are still estimating April contract PGP in the 45-48cpp range and May contract PGP in the 42 –45cpp range. If May contract PGP settles in this range, it would reflect a 13-16cpp decrease from the March contract PGP price.
- Let's take a quick moment to highlight confidence levels in our predictions. Last week when we called for PGP pricing to drop 13-16cpp over the April-May time frame we would say our confidence that PGP pricing actually decreases by this amount is somewhere in the 30-40% range. If we broaden the prediction to just price direction and not how much delta, our confidence that directionally pricing would decrease in April-May was around 60%. So now that pricing is already off 8cpp our confidence levels go up, say 40-50% on our estimates for price delta and about 70% on price direction in April-May. What we would like to highlight is there is still plenty of room to be wrong. In fact we had been calling for this PGP price decreases in January and February that did not materialize.
- Most major indices pricing forecasts for PP do not show as steep a drop in April and May as BlueClover.
- It's a bit too soon to see this PGP price decrease impact PP pricing but should the trend in PGP continue we expect to see follow thru into the PP markets in future months. As we wrote in our last report, there was more room for PGP to fall versus PP. So April may be a month where PP producers gain a little bit of margin back between PGP and PP. For example if physical PGP pricing is down 10-12 cpp, spot physical PP may only be down 5-7cpp depending on the grade. From May forward the price movements in PP and should more closely match the price movements in PGP.
- So far in the 1<sup>st</sup> quarter 2024 there have been 3 PP Force Majeures. The market has worked thru these outages rather well but certain products like high izod copolymer cars have been difficult to source. These FMs may have actually helped to take some stress off the very tight PGP inventory market.

## Feedstock “Spot” Prices:

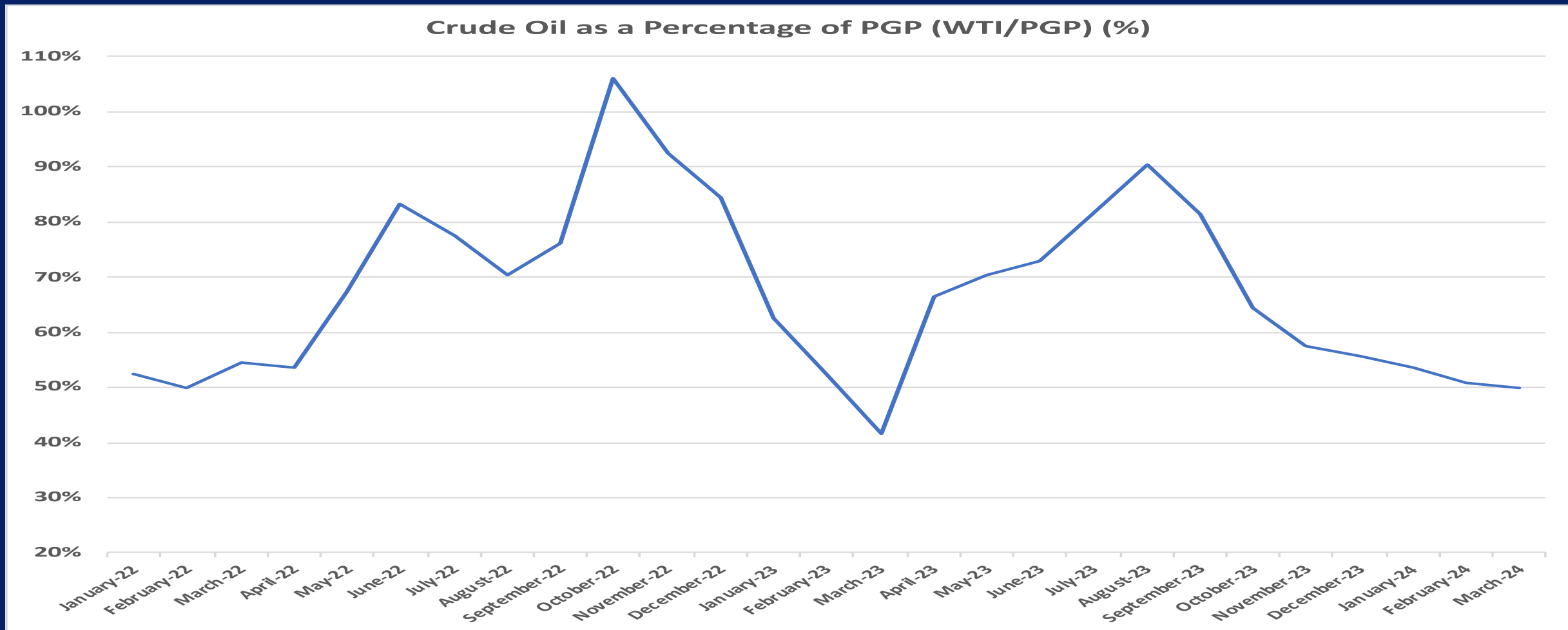
<u>Product</u>	<u>Location</u>	<u>Price as of Mar 26</u>	<u>Price as of Mar 13</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	85.72	83.85	USD/barrel
WTI Crude	Cushing, OK	80.91	79.56	USD/barrel
Natural Gas	Henry Hub, LA	1.62	1.68	USD/MMBtu
Naphtha	C&F Japan	710	700	USD/mt
Ethane	Mont Belvieu, TX	18.375	18.125	Cents/Gal
Propane	Mont Belvieu, TX	83.375	76.5	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	19	18.75	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	48	58	Cents/Lb



## HERO GREEN™ - PP Recycled Grades

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

# Trader Toolbox – PGP is expensive relative to Crude Oil



The above chart highlights WTI in \$/lb divided by PGP in \$/lb from Jan '22 thru March '24. It's typically below 100% because PGP is usually more expensive than WTI in \$/lb. The March '24 PGP value in this chart is 56cpp which is the physical PGP average for the month.

As you can see this relationship rarely goes lower than 50% except for March 2023 when it hit 42%. The fact that PGP became very expensive relative to crude oil was one of our reasons for calling for a price drop in PGP. The average for this two plus year chart is 67% which would put physical PGP at around 42cpp if WTI held steady at \$80/barrel.



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