

# BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.08 – April 2024



## Market Update

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

- WTI crude oil prices continue to move higher, climbing 5% the past two weeks. Crude oil prices are up 21% from the start of the 2024 year. Why prices are rising? We wrote last week, *“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.”* One example of a Middle East conflict is that Iran is threatening to close the Strait of Hormuz, of which 1/5 of the world’s oil consumption passes thru daily. While these factors all contribute to higher prices, its important to take note that USA remains dominant as the world’s largest crude oil producer. In 2023, USA crude oil production averaged 12.9 million barrels/day, beating the previous record in 2019 of 12.3 million barrels/day. The USA continues to grow its oil production while Saudi Arabia and Russia cut back in an attempt to stabilize prices.
- Naphtha prices (CIF Japan) are unchanged around \$700/mt
- Physical propane prices in Mont Belvieu, TX are unchanged around 83 cents per gallon (cpg).

### Propylene

- Physical PGP prices currently sit at 43cpp, down 5cpp from our report two weeks ago and down 15cpp from our report four weeks ago. The current estimated monthly average for April physical PGP is approx 43cpp but this assumes physical PGP remains at 43cpp for the rest of the month.
- 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”.* At current pricing of 43cpp physical PGP prices have already dropped 13cpp from the March average price of 56cpp. And its only April 10. So for now we will give ourselves a pat on the back however the prior months we had some egg on our face...a broken clock is right twice a day right??
- So where does it go from here. We wrote in our last report *“what’s happening now appears to be a true correction in which the bull market for PGP will reverse for several months.”* BlueClover estimates that physical PGP pricing will continue to trend lower over the next couple of months. Supply for PGP has improved from the 1<sup>st</sup> quarter, derivative demand for PP is subdued as a result of some PP units not running, flat(ish) domestic PP demand, and low export volumes.

## Market Update

### Propylene/ Polypropylene

- BlueClover anticipates physical PGP pricing to trend towards the upper 30s thru the end of May and then into the 35-37cpp range in June. Last report we wrote *“We are still estimating April contract PGP in the 45-48cpp range and May contract PGP in the 42 –45cpp range.”* More specifically BlueClover is estimating April contract PGP at 48cpp, the May contract PGP in the 42-43cpp range and the June contract PGP price in the 39-41cpp range.
- What BlueClover expected to happen with regards to margins between PGP and widespec PP is happening. Customers are pointing to the large price drops in PGP as reason for PP to be down the same delta. However producers are pointing to the fact that widespec PP prices did not go up by the same delta when physical PGP prices were rallying in the 1<sup>st</sup> quarter. What’s left is a market where widespec PP is falling, but only about 6-8cpp for now versus a 13cpp decrease in PGP.
- Along the same line, several PP producers have announced margin expansions between contract PGP and contract PP for their prime grades.
- In a sign of some demand improvement, US Durable Goods orders were up 1.4% in February on a month to month percentage change. In a year over year comparison new orders for manufactured durable goods is up 2.6%. This is a positive sign for what was expected to be a hard landing for manufacturing in the USA as interest rates rose.

## Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of April 10</u>	<u>Price as of Mar 26</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	89.37	85.72	USD/barrel
WTI Crude	Cushing, OK	85.08	80.91	USD/barrel
Natural Gas	Henry Hub, LA	1.88	1.62	USD/MMBtu
Naphtha	C&F Japan	700	710	USD/mt
Ethane	Mont Belvieu, TX	19.5	18.375	Cents/Gal
Propane	Mont Belvieu, TX	82.625	83.375	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	19.5	19	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	43	48	Cents/Lb



## HERO GREEN™ - PP Recycled Grades

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



## 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.