

# BlueClover

All Things PP

Brainfood for the Plastics Industry

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## Market Update

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

- The upstream energy and global PP feedstock markets have not moved much the past two weeks.
- Crude oil has been very stable in May thus far, trading in a \$3/barrel range this month. Current pricing of approx. \$77/barrel is off about 11% from its 2024 high of \$87/barrel in early April. Many oil analysts pointed to a reduced likelihood of a larger Middle East conflict as the main reason for the price pullback in April.
- Propane prices in Mont Belvieu, TX are unchanged around 70 cents per gallon (cpg).
- Naphtha prices (CIF Japan) are unchanged around \$670/mt.

### Propylene/Polypropylene

- Physical PGP prices currently sit at 43.5cpp, up almost 2cpp from two weeks ago. Late last week physical PGP prices had reached 44.5cpp which is a high for the month of May. The lowest price for PGP in May was 41.75cpp seen on Tuesday May 7th.
- So PGP prices are higher by 2-3 cpp since early May. BlueClover believes this recent uptick in PGP pricing is a result of a demand bump in PGP from PP production units that have returned or are returning from Force Majeure (see next page). Also, PGP inventories are at lower levels compared to historical years.
- Despite the move up in PGP pricing the past two weeks, BlueClover holds its conviction that PGP pricing will move lower in June for the following reasons: 1) supply for PGP is improving as more production comes back online from 1<sup>st</sup> quarter outages 2) With propane pricing at 70cpg in Mont Belvieu, there is room for some margin compression between propane and PGP. 3) demand for PGP derivatives such as polypropylene is stagnant as a result of lower consumer spending on goods in the economy. For example, Target just announced its sales fell 3% year over year with “continued soft trends in discretionary categories”.
- In our last report, we said PGP prices would fall to the upper 30s thru the end of May. This has not happened. We are revising the May contract PGP to 46cpp (up from 42-43cpp range in our last report). BlueClover is revising the physical PGP pricing in June to 36-39cpp from 34-36cpp in our last Brainfood. Therefore, we are estimating the June contract PGP price in the 39-41cpp range (up 2 cpp from last report). BlueClover expects contract PGP pricing to bottom out in June, be flat for July and then start to climb higher in August.

## Market Update

### Polypropylene

- Ineos has successfully returned from Force Majeure (“FM”) and Invista either has returned or is almost there. Braskem had a scheduled maintenance for its facility in Freeport that started in mid April and set to be back up and running in the 2<sup>nd</sup> half of May. Heartland Polymers has been running at reduced rates but is scheduled to be back up in June. By late June it appears that almost all PP units will be up and running.
- Despite the slight tick up in spot PGP, spot PP markets are flat over the past two weeks. Widespec HomoPP for railcars freight friendly is transacting in the 47-52cpp range depending on quality. Widespec Impact CoPP for railcars freight friendly is transacting in the 53-58cpp range depending on grade and quality.
- IF physical PGP pricing slides 4 to 7cpp lower from today’s pricing than BlueClover expects widespec PP pricing to match that move lower. Prime PP may not move lower by the same delta as producers have margin enhancement on the table for May and/or June.



## Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of May 21</u>	<u>Price as of May 7</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	81.95	82.63	USD/barrel
WTI Crude	Cushing, OK	77.60	77.91	USD/barrel
Natural Gas	Henry Hub, LA	2.68	2.20	USD/MMBtu
Naphtha	C&F Japan	676	670	USD/mt
Ethane	Mont Belvieu, TX	21.25	18.75	Cents/Gal
Propane	Mont Belvieu, TX	70.25	68.875	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	21.5	19.75	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	43.5	41.75	Cents/Lb

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