

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.13 – June 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- WTI Crude Oil up 11% the past two weeks to a spot price of approx. \$82/barrel.
- Propane prices in Mont Belvieu, TX are up about 15% to almost 78 cents per gallon (cpg).
- Over the past two weeks Naphtha prices (CIF Japan) are up by 7% to \$690/mt.

Propylene/Polypropylene

- Physical PGP prices have jumped higher, increasing 14% the past two weeks to a spot price of 49cpp from 43.125cpp two weeks ago.
- In our last report we laid out the bull and bear case scenarios for PGP pricing and concluded that, *“... we do not think this bear market is finished yet. BlueClover is holding the same view from our last report. That is physical PGP pricing in June will be in the 36-39cpp range. Therefore, we are estimating the June contract PGP price in the 39-42cpp range.”*
- We have been wrong. Over the past two weeks physical PGP pricing has only gone up. BlueClover’s estimate for contract PGP is up 3cpp, a big shift from our previous estimate of down 4-7cpp.
- While one reason may be that crude oil and propane pricing are both up over 10% these past two weeks the resiliency of PGP pricing remains impressive.
 - Let’s put some numbers in perspective. The 4Q 22- 1Q 23 6 month average price for contract PGP was approx. 41cpp. The same time period this past winter (4Q 23 – 1Q 24) averaged 51cpp. Its not a function of increased feedstock costs because over these same time periods propane and crude oil were a little cheaper this past winter than the prior one.
 - Now we enter the spring and summer months and the tightness remains. Last year, May-Sept contract PGP price averaged 36.5cpp with not one of those 5 months over 40cpp. Right now in late June it appears the May-June contract PGP price will average 47.5cpp and the idea of going back to the 2023 numbers seem almost out of reach.

Market Update

Propylene (cont'd) / Polypropylene

- Here at BlueClover we are willing to chalk some of the PGP price tightness to inflation and unexpected PDH outages from time to time but a sustained 10cpp premium over last years numbers just still seems high to us. One of the biggest reasons we are skeptical is that we believe the overall demand for PP to be about the same between 2024 versus 2023. We were calling for contract PGP to reach the 39-42cpp range and bottom out there which is still a 4-6cpp premium to last years number.
- These past two weeks have shown that our timing is off, but we do not believe that the low for contract PGP has been set for the spring/summer 2024. We expect pricing to slide lower in July and August and for contract PGP to average between 42-44cpp during those months (up from 39-42cpp in our previous reports).
- PP demand increased in May which was to be expected as prices were on the lower end of their year to date range.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of June 20</u>	<u>Price as of June 4</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	85.42	77.97	USD/barrel
WTI Crude	Cushing, OK	81.87	73.70	USD/barrel
Natural Gas	Henry Hub, LA	2.79	2.69	USD/MMBtu
Naphtha	C&F Japan	690	646	USD/mt
Ethane	Mont Belvieu, TX	19.75	19.25	Cents/Gal
Propane	Mont Belvieu, TX	77.75	67.5	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	25.5	22	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	49	43.125	Cents/Lb

HERO GREEN™ - PP Recycled Grades

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