

BlueClover

All Things PP

Brainfood for the Plastics Industry

Issue 24.16 – July 2024



Market Update

Plastics Feedstocks (Oil, Naphtha, Propane)

- The past four weeks has seen all upstream energy prices decrease. Since our last report two weeks ago, WTI crude oil is down 6% to a spot price of \$77.10/barrel, propane is down 3% to a spot price of 75.5 cents per gallon (cpg) in Mont Belvieu, TX, and Naphtha CIF Japan is down 7% to \$650/mt.
- Despite the escalating conflicts in the Middle East, analysts are pointing to a sluggish Chinese economy and decreasing Chinese crude oil imports as the biggest driver for lower crude prices. Crude oil prices are the lowest they have been since early June. The hurricane season has been quiet since Beryl made landfall in Texas on July 8th. Currently there is one system in the Atlantic that has a 60% chance of formation into a tropical storm over the next 7 days.

Propylene/Polypropylene

- The physical PGP market has started to take its cue from the broader upstream market. Physical PGP prices are down about 7% the past two weeks to a spot price of 49cpp from 52.5cpp two weeks ago. July ended with weaker bids and more competitive offers. Yesterday physical pounds for prompt August delivery traded at 48.5cpp. The PGP market appears to be in a downward correction after the rally from a June low of 43.25cpp to a July high of 53cpp.
- BlueClover expects all PDH units to be up and running at this time after some disruptions from Hurricane Beryl. This should help increase supplies from very low inventory levels. Offsetting this additional supply is relatively stronger PGP demand from PP derivative units that operated around 80% for the month of June.
- In our last report BlueClover expected July contract PGP to be up 6cpp given the continued tightness in PGP at that point in the middle of July. July finished with PGP softening a touch and contract PGP went up 5cpp to a price of 53cpp. The 5cpp increase for July makes sense given that July physical PGP monthly calendar average is expected to settle around 50.5cpp.
- In our last report "BlueClover is estimating August contract PGP pricing at 52cpp...BlueClover anticipates contract PGP prices to average 46cpp in the Sep-Dec timeframe with one or two months in that stretch seeing contract PGP pricing in the 42-44cpp range. We continue to hold our view that the contract PGP low price has yet to be set for the 2024 calendar year; we just had to push the timeline out."

Market Update

Propylene/Polypropylene (cont'd)

- BlueClover will leave our balance of the year guesses for contract PGP at the end of the prior page unchanged. We considered taking the guesstimate for Aug contract PGP down to 51cpp but for a 1cpp difference we will leave it be for now. Where BlueClover differs from most others in the industry is thinking that the contract PGP could settle at or below 44cpp in one month before the end of the year. We feel from our research and conversations that most others feel there is a chance that contract PGP can get back to the 46-48cpp range but will not fall lower than that.
- In PP operating news, Invista is still working its way back from force majeure and Ineos declared FM on impact copolymers. Braskem PP in Freeport, TX is back up from a turnaround and Formosa's new 550 mil pound PP line in Point Comfort is due to start up in the 2nd half of this year.
- The increased PP pricing throughout the month of July has reduced exports of PP because prices in other exporting regions like China have been dropping.
- Certain grades of widespec copolymer namely 10 plus melt and 2 plus izod went from being very tight to extremely tight throughout the month of July. These products remain difficult to source in the spot market.
- PP prices remain close to their end of 1Q 2024 high prices for both prime and widespec. If PGP supply can improve and we have a quiet hurricane season for the next 4-6 weeks we will see PP pricing slide lower in August with PGP.



Feedstock “Spot” Prices:

<u>Product</u>	<u>Location</u>	<u>Price as of July 31</u>	<u>Price as of July 17</u>	<u>Unit</u>
Brent Crude	North Sea, Europe	80.70	84.66	USD/barrel
WTI Crude	Cushing, OK	77.10	81.98	USD/barrel
Natural Gas	Henry Hub, LA	2.04	2.13	USD/MMBtu
Naphtha	C&F Japan	650	700	USD/mt
Ethane	Mont Belvieu, TX	12	16.625	Cents/Gal
Propane	Mont Belvieu, TX	75.5	78	Cents/Gal
Ethylene (Enterprise system)	Mont Belvieu, TX	27.25	28.125	Cents/Lb
PG Propylene (Enterprise)	Mont Belvieu, TX	49	52.5	Cents/Lb

HERO GREEN™ - PP Recycled Grades

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