MARKET UPDATE

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Market Update - April 9, 2010

Summary

Spot resin trading was light this past week. Our commodity resin markets all started the week a penny higher, then held steady through Friday. Fresh resin offers were scarce and asking prices were raised, reflecting producers' efforts to maintain upward pressure on the spot market as they seek additional price increases for April contracts.

Polyethylene producers did secure their $.06/lb increase in March, bringing first quarter contract gains to $.18/lb. They have nominated another $.05/lb increase for April. Polypropylene producers implemented their $.05/lb March increase, for a first quarter total of $.15/lb. They have issued increase letters for April, ranging from the PGP monomer contract increase plus $.02/lb to simply $.11/lb or $.12/lb.

Spot resin supplies are relatively low, with very few Generic Prime railcars shown to the domestic market. There has been a fairly steady flow of offgrade material in recent weeks, but material has generally sold quickly and offers have not been able to accumulate.

In a well-balanced market, The Plastics Exchange spot trading floor typically has 20-25 million lbs of resin offered, with as much as 50 million lbs available in grossly oversupplied situations. By contrast, in this tightly supplied market, our trading floor has only averaged 10-15 million lbs of offers on any given day during the first quarter 2010.

The key US energy markets had a volatile week, but ended nearly steady. May Crude Oil futures made new contract (and 17 month) highs above $87/bbl before settling back to $84.92bbl, up $.45/bbl for the week. May Natural Gas futures extended their gains early in the week, rising above $4.30/mmBtu, but then fell back to $4.07/mmBtu, shedding less than $.02/mmBtu for the week. The Crude: Nat Gas price ratio sits at nearly 21:1, about 3.5X parity.

Continued strength in the front-end of the spot Ethylene market highlights the near-term shortage of monomer. April Ethylene traded $.01/lb higher this week moving up to $.74/lb. For the third time starting with March, the 2nd month contract has erased much of the discount it had held, as Ethylene for May delivery traded as high as $.69/lb, $.10/lb more than in the previous week. Now beginning with June, the forward curve is steeply backwardated.

The spot Propylene monomer market was quiet this past week; RGP was offered down to $.56/lb, nearly $.03/lb lower than the most recent sizable transaction. Spot PGP appeared to go un-traded, but April PGP contracts did settle $.07/lb higher to $.755/lb, but less than the $.11/lb initially nominated.

Here we go again…the fourth consecutive month of resin price increases.

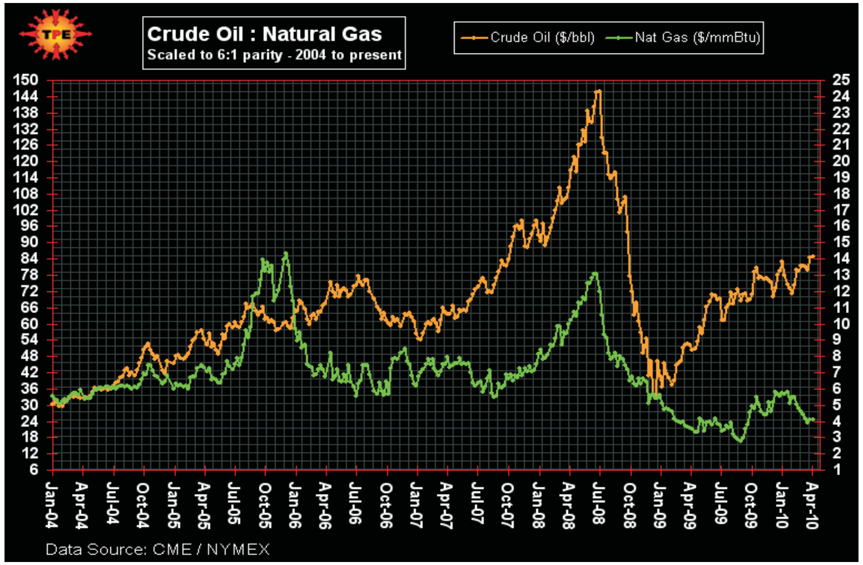
Michael Greenberg, CEO
The Plastics Exchange
312.202.0002

Chart values reflect our asking prices of generic prime railcars delivered USA.

Total Offers 13,616,648 lbs		Spot		Contract	
Resin	**Total lbs**	**Low**	**High**	**Bid**	**Offer**
PP Copolymer - Inj	3,486,000	$.780	$.910	$.840	$.880
GPPS	3,230,000	$.750	$.790	$.760	$.810
LDPE - Film	1,499,128	$.720	$.790	$.740	$.780
PP Homopolymer - Inj	1,407,748	$.765	$.870	$.820	$.860
HIPS	994,092	$.810	$.850	$.820	$.870
LLDPE - Film	885,472	$.680	$.800	$.690	$.730
HDPE - Blow Mold	799,736	$.655	$.705	$.670	$.710
HMWPE - Film	661,380	$.710	$.755	$.690	$.730
LDPE - Inj	261,000	$.710	$.740	$.720	$.760
HDPE - Inj	224,092	$.700	$.760	$.680	$.720
LLDPE - Inj	168,000	$.740	$.800	$.710	$.750

The above table shows the current resin markets on The Plastics Exchange. The contract market is for Generic Prime bulk railcars delivered to most US locations, or packaged in 25kg bags on pallets in a Houston area warehouse. The Spot market is a summary of current and live offers. Individual offers can be viewed and purchased on the website.

Wide ranges in prices might be the result of offgrade and /or export railcars on the low end and packaged prime truckloads on the high side. All offers are subject to prior sale and credit approval*All transactions are for actual delivery.



POLYETHYLENE

Polyethylene

Polyethylene trading was slow the first full week of April. Spot prices quickly moved $.01/lb higher on Monday, but stalled there for the rest of the week. The slight strength reflects a chance that Polyethylene producers could be successful pulling off another price increase for April contracts, which would be the fourth this year. PE contracts are already up $.18/lb, outpacing Ethylene NTP by $.055/lb for a sizable contract–to-contract margin gain during Q1'2010.

When Spot Ethylene prices were surging last month, Polyethylene producers nominated a $.05/lb price increase for April, seemingly to help secure the $.06/lb March increase and have another out there just in case spot monomer prices kept rising – which they have. After dipping a bit in the 2nd half of March, spot Ethylene has now traded as high as $.74/lb in April. What is perhaps more significant is that Ethylene for May delivery has reduced the sharp discount it had held to April, last trading outright at $.69/lb. This was a bit surprising since more than 90% of Ethylene capacity is back operating.

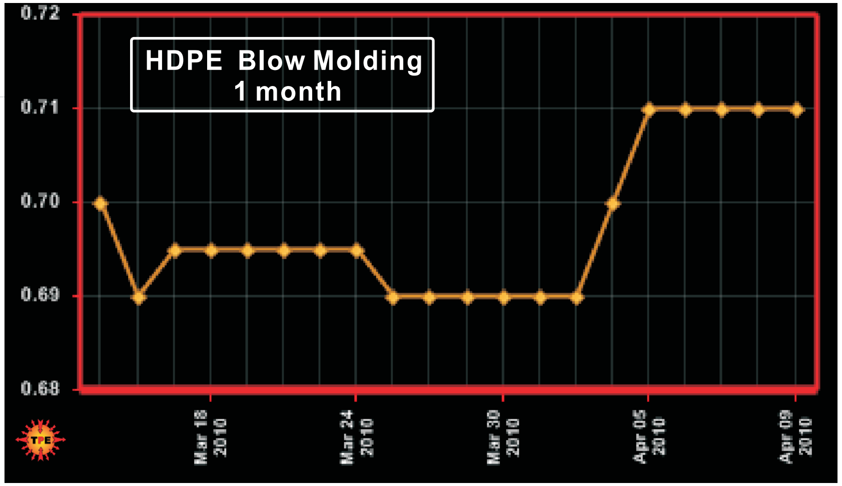
A few hundred million lbs of Ethylene could trade monthly in the spot market, although not all of it would be purchased by Polyethylene producers as there are other end-markets for Ethylene. While the price of spot Ethylene is more than just noteworthy, the vast majority of Ethylene used to make Polyethylene has a much lower cost.

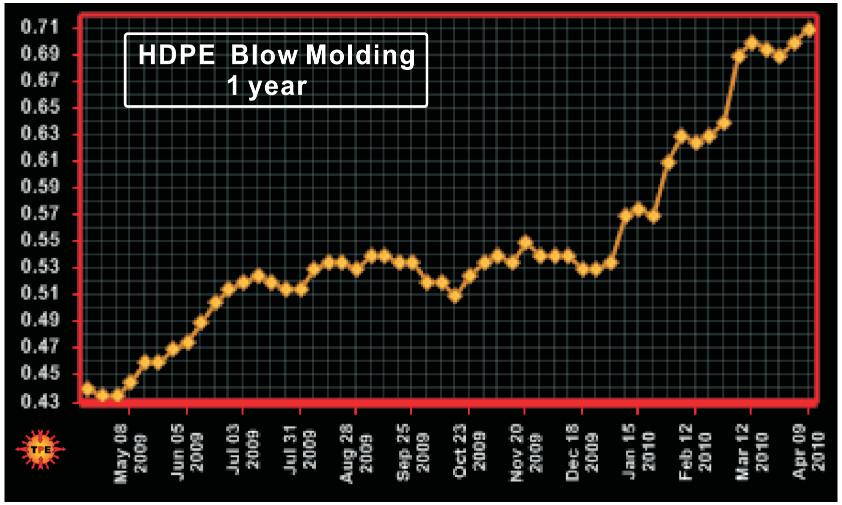
Those Polyethylene producers that are fully integrated back to the Natural Gas wellhead ($4/mmBtu) are enjoying phenomenal margins. Those that use Ethane ($.50/gal) to crack Ethylene are also seeing perhaps their best margins ever. Those PE producers that buy their monomer on contract utilize Ethylene NTP as a pricing component, which was $.555/lb in March, up $.03/lb, but $.02/lb lower than the $.05/lb increase initially discussed.

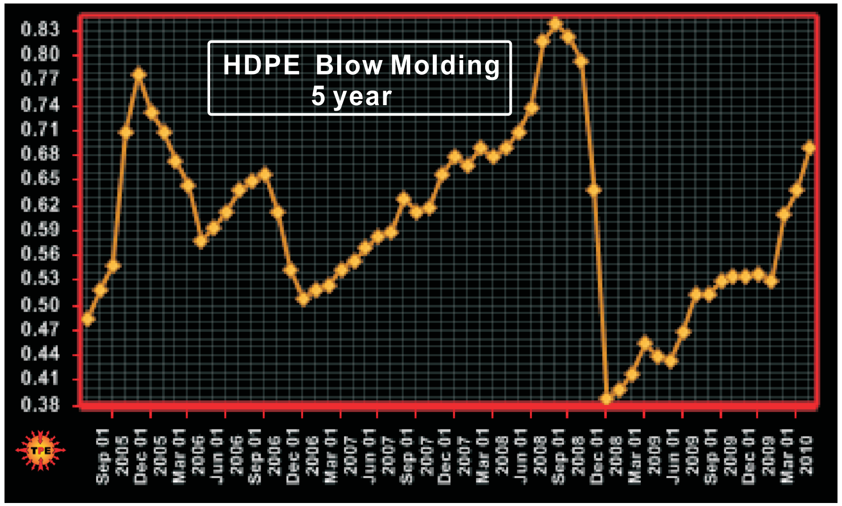
In fact, since spot Polyethylene prices are generally in the high $.60s/lb - low $.70s/lb, it might be understandable for a PE producer to sell their extra Ethylene into the spot market rather than produce surplus resin. At times this seems to be the case and would contribute to the thin spot resin supply seen.

The high price of domestic resin has attracted the attention of international Polyethylene producers, particularly those from the Middle East and Asia with new capacity. Although their prices currently appear attractive, most US traders and processors have shied away from these purchases given the lead time for the material to arrive and, to a lesser extent, the unfamiliarity of these new sources. Even though the spot Ethylene market has sustained these high levels longer than many anticipated, some still feel that the end of the rally is near.

It will be interesting to see if the Polyethylene market has enough momentum to move even higher in April. Processors are getting frustrated with the increases and some are intent to work off remaining inventories before committing to another nickel increase. In the meantime, there is not a lot of resin around.







Polypropylene

Spot Polypropylene prices added another $.01/lb, building on the strong $.03/lb gain achieved in the previous week. Polypropylene contract prices have been locked in step with PGP contracts, which were nominated to increase $.11/lb for April. After taking a total of $.15/lb of increases during the first quarter of 2010, PP buyers were facing the steepest increase of the year in April. However, a slightly softer spot monomer market helped Propylene buyers negotiate a somewhat relaxed increase, although April PGP contracts still settled a whopping $.07/lb higher at $.755/lb.

With the April increase priced into new contract resin purchases, Polypropylene prices are nearing the all-time highs seen in the aftermath of the 2008 hurricanes. At that time, the Force Majeure conditions were well-known and the consumer was not necessarily aware that the economy was in recession. This time around feels very different as consumer demand is still suffering while the economy tries to recover. As such, many processors have had difficulty passing their rising resin costs downstream to their customers; some have faced reduced sales while others have lost product lines altogether.

The high price of US Polypropylene has damaged domestic demand and shut off the high volume export market. Without a solid outlet to sell surplus resin, Polypropylene producers, facing high feedstock costs, need to be cautious with production levels to keep burdensome inventories from developing. Consequently, overall Polypropylene supplies are limited, but spot material is available if one is willing to pay the price.

Railcar offers for Generic Prime Polypropylene remain scarce, but the resin could be made available in the mid-high $.80s/lb. On the other hand, the strong flow of widespec PP railcars continues; however, material still priced in the $.70s/lb is becoming difficult to find. The high price of PP has also discouraged domestic resellers from maintaining surplus inventories, so spot truckloads carry a premium.

April PGP contracts settled $.07/lb higher, which was $.04/lb less than initially nominated. What seems like a small win, will actually translate to the largest Polypropylene price increase for the year. Some PP producers are seeking as much as an $.11/lb -.12/lb increase, while a growing number of PP producers are looking to expand their contract margins by $.02/lb over the PGP increase, so PP buyers should expect their April contracts to rise by a minimum $.07/lb.