

January 4, 2019 | Volume 8: Issue 1

## Dec 31, 2018– Jan 4, 2019

**PVC RESIN:** Nov contract PVC prices quietly settled at a rollover over the holidays. This left the net transaction price (NTP) for pipe grade PVC at 43-45 cpp and for GP grade PVC at 47-50 cpp, railcar delivered. Dec prices have also been predicted to settle flat. However, many accounts were reported to be receiving year-end resets which would bring down their net pricing.

PVC producers had announced a 2 cpp price increase for Dec, which was met with derision from customers due to the historical lack of successful Dec price increases. The failure of the ill-fated effort was made official by Westlake this week, when it sent a letter to customers rolling the previously announced Dec 1, 2018 2 cpp price increase for all suspension grade PVC resins to Jan 1, 2019. This letter was not deemed to be a harbinger of a successful price hike, either, as Jan price increases are generally no more successful than Dec price increases. One competitor said it was mulling a Feb price hike of 3-4 cpp, another said it was waiting to see what everybody else does, and the third was mum on the subject.

Pipe converters would welcome a successful PVC resin price increase, as many believe they need the boost from a resin price hike to push pipe prices higher. However, some of them said that the best chance of success for resin price increases would be for 3 cpp each in Mar, Apr and May, when downstream demand will have picked up enough to lend them some support.

Westlake said on Wednesday that it had completed the previously announced acquisition of NAKAN, a global compounding solutions business headquartered in Reims, France, for \$265 million. NAKAN's products are used in a wide variety of applications, including in the automotive, building and construction, and medical industries. With this acquisition, Westlake's compounding business now has facilities worldwide in China, France, Germany, Italy, Japan, Mexico, Spain, the US and Vietnam, as well as a world-class research facility in France and several application laboratories.

**REGRIND/RECYCLE PVC:** Pipe PVC regrind from post-industrial and post-consumer sources was last done in Dec at 25 cpp delivered Southeast. Flexible PVC regrind from garden hose scrap was steady at the start of 2019 in the mid-to-high 30s cpp delivered east of the Mississippi. PVC regrind from medical-sector waste was also flat in the high 40s cpp, also delivered east of the Mississippi.

**ETHYLENE:** Jan NOVA spot ethylene prices traded at 19.375 cpp on Monday. On Wednesday, pricing began to slide with Jan pounds trading at 19 cpp, 18.875 cpp, 18.75 cpp and 18.25 cpp. On Thursday, Jan pounds traded at 18 cpp, 17.875 cpp, and twice at 17.75 cpp. In Louisiana, Feb Choctaw pounds traded on Wednesday at 19.375 cpp and Jan pounds traded on Thursday at 18.25 cpp. The Dec contract NTP settled this week at a rollover of Nov's 29.25 cpp. Not all participants had agreed to this number.

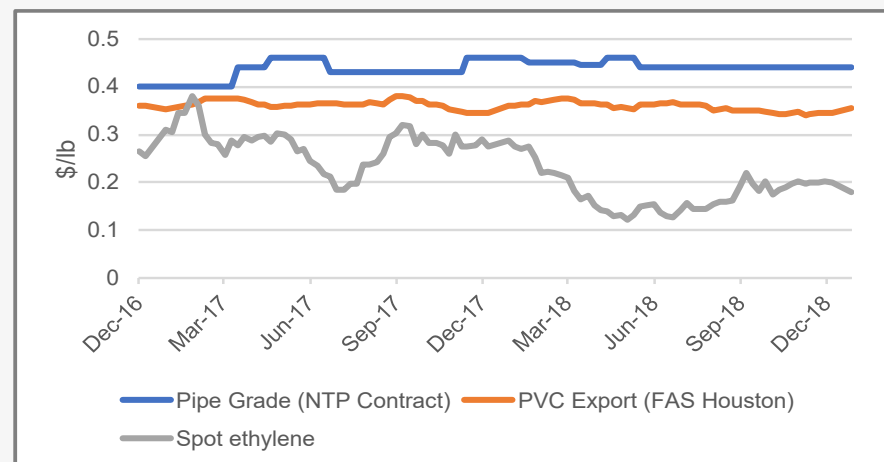
## Price Snapshot

### Domestic Contract

	(\$/lb)	Low	High	Midpoint	\$/mt
<b>NTP CONTRACT</b>					
Nov Pipe Grade		0.43	0.45	0.44	\$970
Nov GP Grade		0.47	0.50	0.485	\$1,069
<b>POSTED CONTRACT</b>					
Nov Pipe Grade		0.72	0.75	0.735	\$1,620
Nov GP Grade		0.77	0.78	0.775	\$1,709

### Spot Export

	(\$/mt)	Low	High	Midpoint	\$/lb
<b>FAS HOUSTON</b>					
1/4/2019		780	790	785	0.3561
12/14/2018		755	765	760	0.3447
12/7/2018		755	765	760	0.3447
11/30/2018		750	770	760	0.3447



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## PVC PIPE MARKETS

**SUMMARY:** The pipe market was extremely quiet this week, and converters who were around said demand was so low it was difficult to tell if prices had changed. The consensus was that demand should improve next week which will make it easier to tell just where prices are. Continued rain and snow across much of the South and East was keeping the ground saturated and this was impacting demand, as well. Converters said customers were not taking delivery of pipe because jobsites were too wet.

**MUNICIPAL PIPE:** Most business east of the Rockies was being done at Blocks 78-80 this week. Some deals were reported as low as Block 76 and others were reported as high as Block 82. The question was how much business was being done at each end of the range. Converters said they'd like to be selling at Blocks 80-84 in the Midwest but weren't sure exactly where the market is. The expectation was that business activity will perk up next week, which will make it easier to get a handle on where market pricing really is.

**PLUMBING PIPE:** With little business being done this week, the assumption was that prices were steady. Most converters were setting prices off of the Jul 1 price sheet at \$1.95/ft in the East and Central regions, with discounts of 29-35% (\$1.27-1.38/ft). Prices were higher in the North and the bigger discounts were found in more southerly markets, with the lowest prices seen in South Florida. It was thought that at least one converter in the Midwest was still pricing pipe off of the Oct 1 sheets at \$1.79/ft in the East and Central regions, less a discount of 25% (\$1.34/ft), but with business so scant it was difficult to tell for sure.

**CONDUIT PIPE:** The failure of the Dec PVC resin price increase sealed the fate of the Dec conduit price increase. The new price sheets had sought to raise prices to \$161.28/100 ft in the East and Central regions and \$164.80/100 ft in the West. Converters in the East had complained bitterly about the large number of accounts that were given price protection at the old numbers, saying the increase never really had a chance.

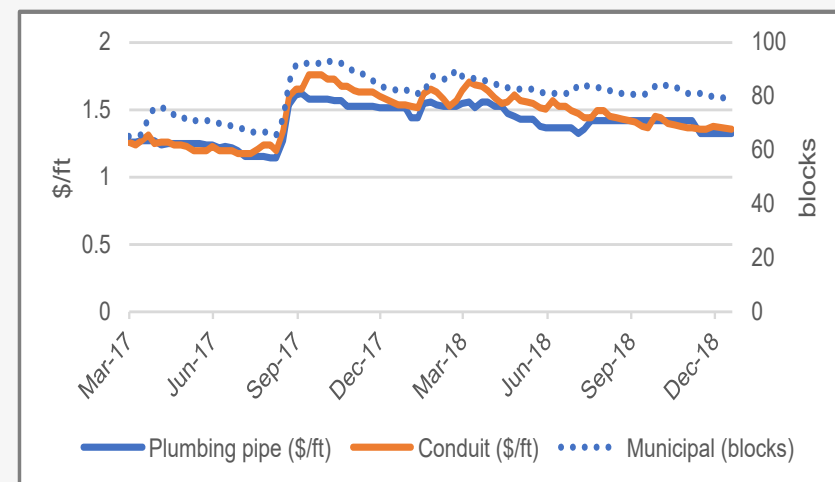
In the East, the market had dropped back to the price-protected level of \$135-137/100 ft. Prices slipped in the other regions, as well. Pricing in Texas and the South Central region was heard at \$143-147/100 ft, but most business was put at the lower end of the range. Prices in the North Central region were at \$144-146/100 ft. In California and the Southwest, pricing was put at \$142-145/100 ft, while pricing in the Pacific Northwest was at \$146-148/100 ft. A PVC fittings price increase of 7% has been announced effective Feb 25. In mid-Dec, Thomas & Betts issued a price increase letter instituting a price increase of 2-10% on a range of products that includes its fittings, effective Jan 14.

## PVC PIPE PRICES

Municipal Pipe (Blocks)	Low	High	Midpoint
1/4/2019	78	80	79
12/14/2018	80	80	80
12/7/2018	80	80	80
11/30/2018	80	82	81

Plumbing Pipe (East \$/ft)	Low	High	Midpoint
1/4/2019	1.27	1.38	1.325
12/14/2018	1.27	1.38	1.325
12/7/2018	1.27	1.38	1.325
11/30/2018	1.27	1.38	1.325

Conduit Pipe (East \$/100 ft)	Low	High	Midpoint
1/4/2019	135	137	136
12/14/2018	135	140	137.5
12/7/2018	135	137	136
11/30/2018	135	137	136



## INTERNATIONAL SNAPSHOT

**ASIA:** A plant explosion at Xinjiang Xinzhi Energy Chemicals Co in China on Dec 26 that killed three people has caused the government to tighten up controls on carbide PVC manufacturers, traders said. This follows an explosion at a ChemChina plant that killed 23 people last Nov. This has reduced production and tightened up supply even though the market is far from strong. Domestic prices were rising and this should enable FPC Taiwan to raise prices for Feb sales. FPC had raised prices by \$20/mt for Jan to \$880/mt CIF. Asian PVC was selling into China this week at \$880-890/mt CIF and new spot offers were seen at \$900/mt CIF, though no deals were seen done at this higher level. US PVC was heard done at \$850/mt CIF (\$790-795/mt or 35.8-36.0 cpp FAS Houston), but this could not be confirmed.

PVC sales into India were steady throughout the Christmas-New Year holiday period. Prices were at \$930-940/mt CIF for Taiwanese PVC and \$890/mt CIF for Russian PVC. No new offers were seen from the US.

**EASTERN MED:** The Egyptian market was flat at \$895/mt FCA Alexandria from domestic producers. US imports were offered at \$835-860/mt CIF with LC 180 days and deals have been concluded throughout this range (\$780-805/mt or 35.4- 36.5 cpp FAS Houston).

The PVC market in Turkey was quiet. Buyers were hopeful that prices and availability from Europe will be better in Jan, but traders were doubtful that they will. Prices were notionally at \$880-900/mt CIF for K67 grade and \$920-930/mt CIF for specialty grades. US PVC was offered at \$850/mt CIF (\$805/mt or 36.5 cpp FAS Houston), but the last deal seen done was last week at \$835/mt CIF (\$790/mt or 35.8 cpp FAS Houston). Payment terms were not revealed so the netback could actually be lower if all of the finance charges were taken into account.

**EUROPE:** Dec contract prices settled down €35-40/mt, as expected, and a further €10-20/mt decline was expected for Jan contract prices. Market players were still on holiday this week so no real business will be done until next week.

**US GULF:** Dec export sales were concluded at \$755-765/mt (34.2-34.7 cpp) FAS Houston. Jan deals had been expected to increase in price by \$20-30/mt, so long as pricing in the international market did not collapse. Jan export prices did indeed rise, and were put this week at \$780-790/mt (35.4-35.8 cpp FAS Houston). However, not much activity has been seen yet.

**MEXICO:** Mexichem's Jan domestic prices were set lower at \$830-850/mt (37.6-38.6 cpp) for pipe grade and \$920-940/mt (41.7-42.6 cpp) for GP grade, delivered and with payment terms. Export prices for Jan lifting were put at \$740-760/mt (33.6-34.5 cpp) FOB Altamira. Demand remained low as the holiday season extended through this week.

## TRANSPORTATION INDUSTRY UPDATE

### Turnover Rate at Large Truckload Carriers Falls in Third Quarter Drop Erases Yearlong Increase in Churn Rate

The turnover rate at large truckload carriers dropped 11 percentage points in 3Q 2018, reversing two quarters worth of increases in the annualized churn rate, according to economists at the American Trucking Associations.

The turnover rate fell 11 percentage points to 87%, which is the lowest point since 1Q 2017, when it was 74%, the ATA said on Thursday in an announcement. The churn rate had been as high as 98% -- 10 points higher than at the end of 2017, according to the data.

Large pay increases that fleets have been offering appear to be working and drivers are remaining with their current carrier, the ATA said.

There was a softening of freight markets in 3Q 2018 from the incredibly strong pace it had set earlier in the year. Historically, softer freight volumes lead to lower driver turnover.

In 3Q 2018, ATA said the turnover rate at small carriers (fleets with less than \$30 million in annual revenue) remained unchanged at 72%, and the churn rate at less-than-truckload carriers fell four percentage points to 10%.

IMPLIED VS. ACTUAL COMMODITY PRICES						
	CRUDE (\$/bbl)	NATGAS (\$/mmBtu)	ETHANE (\$/gal)	ETHYLENE (\$/lb)	VCM (\$/lb)	PVC (\$/lb)
CRUDE (\$/bbl)	47.09	8.083	0.53750	0.22683	0.15316	0.18816
NATGAS (\$/mmBtu)	17.16	2.945	0.19584	0.08265	0.09116	0.12616
ETHANE (\$/gal)	28.03	4.812	0.32000	0.13504	0.11369	0.14869
ETHYLENE (\$/lb)	37.11	6.370	0.42358	0.17875	0.13249	0.16749
PVC (\$/lb)	79.42	13.632	0.90650	0.38254	0.40500	0.44000