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APRIL 2009

GENERAL ECONOMIC NEWS

- 20 Major cities saw home prices drop almost 19% in January as foreclosures pressure prices. February was a little better, declining only 18.6%.
- March had the second lowest level on record for housing constructions signaling the housing slump is far from over.
- New home sales continued to drop in March; however, there was a glimmer of light as prices did not drop as much as expected.
- The jobless rate rose 8.5% to 6.1m unemployed (*which is a 26yr high*). This is in addition to the number of laid off workers receiving unemployment benefits.
- Consumers have scaled back on driving and spending prompting states to consider raising prices and taxes on almost everything from tolls-cigars-cigarettes-alcohol-soda-clothes, etc.; all to help with their soaring budget deficits.
- Cost of goods expenses in March dropped 0.1% as declining food and fuel prices were the main catalyst.
- A bright spot came as the consumer confidence level report showed a more than expected jump of 39.2% in April due in part to mortgage rate drops and a slight gain in the stock market.
- Unfortunately any hopes that the recession was subsiding were diminished when the new released reports showed the economy shrank the first quarter 6.1%, (this being more than the expected 5%).
- The big news is the spreading of the swine flu virus which is jumping human to human and country to country with Mexico as the epicenter, with the US directly in the middle showing the second highest rate of infections.
- There is concern that the virus will hamper economic growth as travel and trade restrictions become more prevalent. China is currently leading a call to ban all pork from several US states despite any proof that the virus was a result of infected pigs.
- Chrysler announced that it has filed for chapter 11 bankruptcy protection. They also indicated that their merger with Italy's Fiat will take place as scheduled. They have also put their India expansion plans on hold but will proceed with a plant in China.

Contact your RTi partner to review your internal requirements and market conditions to develop a buying strategy.

	Ethylene Lb.	Ethane Gallon	PG Propylene Lb.	Benzene Gallon	Styrene Lb.
Feedstock Prices					
As of May 1, 2009					
Spot	\$0.225	\$0.375	\$0.295	\$1.88	\$0.41
Contract	\$0.32 <i>(Apr-May unsettled)</i>	N/A	\$0.29	\$1.90	\$0.43-\$0.46 <i>(Apr-May unsettled)</i>

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POLYETHYLENE

PRICE TRENDS—Polyethylene									
HDPE Injection		HDPE Blow Molding		HDPE HMW		LDPE		LLDPE Butene	
MAR	APRIL	MAR	APRIL	MAR	APRIL	MAR	APRIL	MAR	APRIL
Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat	Flat

MAR 2009	HDPE	LDPE	LLDPE
Operating Rates (%)	75-85	70-80's	80-90
Demand Rates	↓	↓	↓
Days Inventory @ Producer	22-28	50-53	40-46

SUPPLIER ACTIONS

- April pricing was flat as buyers resisted a \$0.05/lb increase attempt from producers.
- As a result of the failed price increase attempt in April, producers sent out a letter indicating they will raise prices \$0.03/lb May 1.
- May has a better chance of seeing a price concession rather than an increase.
- There is speculation that a \$0.03/lb decrease could be given in May.
- Contact your suppliers; do not wait for them to contact you. Being proactive can be the difference in obtaining price concessions.
- Feedstock's remain stable, demand remains weak, and exports have slowed providing positive conditions for price reductions.
- Chevron, Eastman and Dow have crackers down for turnarounds with no restart dates.
- Shell is in the process of restarting its Norco unit. Exxon's Beaumont facility was in the restart phase when flaring occurred. The unit is expected to be under repair until mid June.
- Lyondell/Basell continues to reorganize under chapter 11.

INTERNATIONAL

- Since the beginning of the year, prices in Asia have been trending up for both ethylene and PE. At times PE prices rose as much as \$70/mt USD.
- This rapid growth opened the export ARB to US producers. As a result, nearly 20%-25% of March sales were exports.
- This export opportunity remained strong the first week of April. However, since then the ARB window has quickly closed.
- Asian ethylene and PE prices have had a price correction downward the last couple of weeks, with further price erosion expected due to the perception that prices rose too high and too quickly. US traders are concerned about the impact the falling Asian prices may have on the material which is currently in transit.
- Europe producers were successful in implementing price increases in April and are currently trying to implement new increases for May.

POLYETHYLENE *continued*

INTERNATIONAL *continued*

- Buyers are firmly rejecting this attempt, citing soft demand domestically, reduced exports and soft demand at the finished goods level.
- The spot market has been more impacted by the demand factor and has seen prices lower in some resins. LLDPE spot prices did rise as a result of tight supplies.

SECONDARY MARKET

- April started out strong for the secondary market as exports were strong, and a pending increase was uncertain.
- As the month progressed activity became subdued as exports slowed and the pending increases lost all momentum.
- The end of April had traders looking for business as material had become readily available.

PRODUCER OPERATING RATES/INVENTORY

- Operating rates remain below normal levels and are between 70%-80%; well below normal levels.
- Due to increased exports and below normal operating rates, inventories at the producer levels were anticipated to drop.
- Instead of dropping there was a gain of almost 227mm/lbs. This was extremely rare and unfortunately is indicative of just how bad demand is domestically.

ETHYLENE/ETHANE

- Recently the crude oil rise to \$50/bbl has begun to impact ethane as it jumped up as high as \$0.39/gal.
- Fortunately the ethane increase had little effect on the spot ethylene price as it has remained under \$0.25/lb.
- If the ethane price continues to rise and the spot ethylene price falls, there is added concern that this could cause the ethylene producers to again reduce rates and idle units in an attempt to tighten the ethylene supplies, gain a price increase and restore lost margins.
- Contract ethylene has not settled and is holding at \$0.32/lb providing a \$0.09/lb delta with the spot price.

Contact your RTi partner to review your internal requirements and market conditions to develop a buying strategy.

For additional Polyethylene information please contact Robin Chesshier: rchesshier@resinpros.com

RTi Polyethylene/Ethylene Outlook and Suggestion Action Strategies

30 Days: Pursue at least a \$0.02/lb-\$0.03/lb decrease with your supplier. Current market conditions offer a good opportunity for success.

60/90 Days: A new variable to watch is the swine flu virus. This is currently causing trade and travel restrictions domestic and international. Which could send crude prices lower, and eliminate exports, causing inventories' to grow at both the producer and converter levels.

POLYPROPYLENE

PRICE TRENDS—Polypropylene			
Homopolymer		Copolymer	
MAR	APRIL	MAR	APRIL
Flat	↑	↑	↑

MAR 2009	Polypropylene
Operating Rates (%)	60–70
Demand Rates	Flat
Days Inventory @ Producer	33-36 (previous 30-33)

SUPPLIER ACTIONS

- Polypropylene suppliers had a \$0.03/lb price increase in play for April which did not receive any support.
- Propylene monomer settled flat at \$0.29/lb leading the way for polypropylene prices to also settle flat in April.
- At the end of March and early April Far East buyers began purchasing resin from the US allowing domestic producers to move excess material.
- This had a tightening affect on polypropylene supplies but not enough to offset the poor demand.
- By the end of April, propylene monomer has begun to act slightly bullish forcing PP producers to announce another round of price increases for May in the amount of \$0.03/lb.

INTERNATIONAL MARKET

- The big factor in the international markets was the separation in prices between the Far East and North America causing a short but significant export from the US to the Far East.
- The big surge was just about over by mid month, nevertheless it was enough to put a good size dent in domestic inventories.
- Late April rumors have some small cargoes appearing from the new Mid East capacity that was expected to hit the market at about this time.
- This is a development that should be watched closely as significant volumes from this region could have a global impact on the PP market.

SECONDARY MARKET

- The secondary market had been discounting to the contract market due to an oversupply situation.
- As producers started seeing demand coming from the Far East, it allowed them to move excess supplies and raise prices which were receiving support from Far East buyers.
- In the second half of April exports have tapered off but secondary market prices have held firm and in many cases now carry a premium to contract prices.
- While supplies remain tight, suppliers will stand firm on spot prices and hope that demand shows some type of rebound.

POLYPROPYLENE *continued*

PRODUCER OPERATING RATES/INVENTORY

- Polypropylene operating rates continue to run in the low to mid 70's.
- At this rate, the North American polypropylene market has about 4bb/lbs of excess capacity on a yearly basis.
- PP inventories have tightened over the past month. Much of this is due to the export surge that began in late March and continued into April.
- Polypropylene processors are not reporting any difficulty in meeting their requirements. Supply has tightened but it is ample.
- On average polypropylene inventories are down by about 350mm/lbs as compared to 1st QTR 2008.
- However, days of supply have remained at a comfortable 34 -36 days due to the lower levels of demand.

PROPYLENE

- PGP contracts settled early again with a flat settlement at \$0.29/lb.
- For most of April the market, in general, continued to struggle for direction with supply constraints and soft demand.
- Refineries have been running below 85% for all of 2009.
- Steam crackers are favoring light feeds, limiting propylene yields.
- The crackers are also running below rate with several units still not producing at all.
- And probably the most stabilizing factor is that oil prices have been very calm, trading right around the \$50/bbl level.
- Spot PGP did trade several times this month at a below contract price of \$0.265/lb. But, the most recent trading price is at \$0.295 and this is representative of the momentum that seems to be building in the propylene market
- In the last couple weeks the constrained supply situation looks to be turning the market slightly bullish as propylene inventories have dropped over 400mm/bbl.
- Spot RGP prices are seeing this impact by increasing roughly \$0.03/lb over the same time period. Spot RGP recently traded at \$0.25875/lb.
- Nominations have surfaced for May PGP contracts for up \$0.02/lb. but no settlements have been heard at this point.
- We expect PGP will settle flat to up \$0.01 or \$0.02/lb. With the recent momentum that is building in this market and the very light cracker feed slate it appears that PGP has the ability to settle up \$0.01-\$0.03/lb.

For additional Polypropylene information contact Scott Newell: snewell@resinpros.com

RTI Propylene/Polypropylene Outlook and Suggested Action Strategies

30 DAY: The may Price increases have limited potential. Demand remains soft and rumors of Mid East PP hitting the market could impact future trends.

60-90 DAY: Based on recent economic trends and stable energy, prices are expected to remain fairly stable over the next couple months.

POLYSTYRENE

PRICE TRENDS—Polystyrene				
	Crystal		Impact	
	MAR	APRIL	MAR	APRIL
Molding	↗	↑	↗	↑
Extrusion	↗	↑	↗	↑

MAR 2009	Polystyrene
Operating Rates (%)	Low 70's
Demand Rates	Flat
Days Inventory @ Producer	Flat

SUPPLIER ACTIONS

- The \$0.02 PS TVA that was issued by some suppliers has been removed. The \$0.04 increase date has been adjusted to May 1st. Energy costs and SM increases are being cited as justification for the increase.
- PS producers have lowered inventory levels to 22-23 days which is more than 7 days of inventory lower than historical levels. Wide Spec availability has been effected by the reduced manufacturing rates and low inventory levels.
- PS imports are slowing as cost economics are shifting into N. America's favor.
- US PS demand was down between 14-16 % compared to the same quarter in 08. HIPS and GPPS are down close to 12% and EPS demand was down close to 30%.
- Distribution costs for GPPS is \$0.62/lb and HIPS is \$0.67/lb railcar.
- Prices to the Distribution channel also saw the \$0.02 TVA removed. Net cost to distribution is being raised \$0.04 May 1st.
- WS HIPS cars are being sold to brokers in the \$0.48-\$0.51 range, and are in very limited supply due to the low manufacturing rates.
- The price delta between HIPS and GPPS should continue to shrink down to a more historical level of \$0.03/lb as the result of very low butadiene costs.

INTERNATIONAL

- Asia PS prices climbed the beginning of this month based on feedstock increases. The increases seem to have peaked. Reports had imported PS prices up \$0.08-\$0.10/lb over the last 30 days. Asian prices are now dropping due to a lack of Asian demand.
- Asian EPS prices were trending higher based on similar increases in Styrene Monomer. Prices peaked and are now falling due to weak demand in Asia and for exports. EPS Asian operating rates remain around 80%.
- The cost to produce EPS in NA is currently the lowest in the world which is slowing import volumes as the delta between import and domestic prices narrows.

POLYSTYRENE *continued*

INTERNATIONAL

- European Styrene Monomer prices are very unstable resulting in weekly up and down swings. Demand for PS continues to be weak with operating rates near 70%.
- This month Nova announced that they have signed a licensing agreement with Supreme Petrochem Ltd. for EPS, which includes a supply agreement between the two companies. The plant is expected to be built near Mumbai.

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS

- May contract Benzene settled at \$1.90/gal. April contract Benzene settled at \$1.69/gal; up \$0.68 from the January low for 2009. The domestic Benzene market has strengthened in April and has affected domestic pricing. Spot benzene has traded between \$1.85-\$1.96/gal during the month.
- Ethylene has still not settled for March or April. February finalized at \$0.32/lb. Ethylene Spot prices are down \$0.085 from the February settlement to \$0.235/lb. An eventual settlement of approximately \$0.31 is projected for March.
- Butadiene has settled flat from last month with no change at \$0.25/lb. Pricing may move down again before hitting the bottom.
- Styrene Monomer (SM) prices continue to rise based on a strong export market. Contract for March settled between \$0.43-\$0.46/lb. Export activity has slowed due to a lack of cargo space and weaker demand. May prices are active in the \$0.40-\$0.42/lb range.
- SM spot prices have risen from a low in February of \$0.285/lb to prices as high as \$0.41 so far in April, (an increase of \$0.125/lb). Producers are looking for increases of \$0.05 to \$0.07.
- Projections show SM prices decreasing after peaking this month.
- World SM capacity is coming back on line that should ease the current demand on U.S. producers.

For additional Polystyrene information please contact Stacy Shelly: sshelly@resinpros.com

RTi Polystyrene/Benzene/Styrene Outlook and Suggested Action Strategies

30 Days: Styrene monomer increases, and the additional PS price increase announcement for \$0.04, are supporting upward price movement. Pre-buys for May business need to be explored. Purchase imports if you can take advantage of prices on inventory that is already on shore.

60-90 Days: Styrene Monomer (SM) and demand are the two main drivers to watch. Prices for SM are expected to soften as we move into summer. Styrene Monomer pricing will be the driver unless demand makes a huge recovery. SM Prices are expected to level out and possibly dip as we move into summer based on the capacity that has come back on line in April. Review your pricing strategy with RTi.

PVC

PRICE TRENDS—PVC			
Pipe		General Purpose	
MAR	APRIL	MAR	APRIL
Flat	Flat	Flat	Flat

MAR 2009	PVC
Operating Rates (%)	Below 75%
Demand Rates (%)	Mid 60's

SUPPLIER ACTIONS

- The lack of forward strength in ethylene prevented implementation of more than \$0.03 of the February \$0.05 PVC increase nomination with the remaining \$0.02 not gaining any traction in April, thus pending an ethylene settlement for March and April.
- An additional increase nomination of \$0.03 for April had been announced but has been moved to May with efforts by some suppliers to add this to the remaining \$0.02 from February, for a total of \$0.05 nominated for May. Early discussions are focused on the lack of demand and expectations for relatively flat ethylene settlements. Suppliers are pointing to rising chlorine pricing on tightening supplies from reduced run rates.
- Unemployment forecasts are now exceeding 9% and GDP growth as low as -1.3%.
- Automotive production is forecast at 7-9MM units for 2009, half of the volume 2 years ago.
- With GDP falling more than 6% in Q1 (*a full point more than expected*) along with continued inventory declines, there was little good news to look to other than an increase in consumer spending which is driving the financial markets higher.
- Housing inventories remain high and pricing is down more than 18% in major metro markets.

INTERNATIONAL

- NA export pricing has increased to \$0.28-\$0.29/lb; however, Asian pricing moved upward as well this month maintaining the opportunity for export, despite less than robust demand.
- European prices stayed flat in April with efforts to boost pricing by \$0.02-\$0.04/lb failing with ethylene settling flat into April. Pricing remains at levels near \$0.30 at the low end of the market.
- In Asia PVC pricing held at \$0.33/lb as production shutdowns for maintenance were supported by reduced chlorine supplies and improvement in construction season demand.
- Exports have shown more strength due in part to higher coal based PVC production costs in China. Energy subsidies supporting that industry in China have been reduced as well as increasing coal pricing, thus resulting in higher cost to produce.

PRODUCER OPERATING RATES/INVENTORIES/FEEDSTOCKS

- Spot pricing on ethylene remains nearly a dime below contract (in the low \$0.20's) indicating a longer market as more crackers come back on line with weak domestic demand. However, increasing ethane pricing will build pressure under ethylene, if not this month, then next month.

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PVC continued

PRODUCER OPERATING RATES/INVENTORIES/FEEDSTOCKS *continued*

- March and April ethylene pricing has yet to settle with expectations for a flat to down settlement.
- Ethylene increased only \$0.005/lb in February for a total of \$0.035/lb across Jan/Feb.
- Expectations for flat to declining PVC prices are tempered by the recent climb in ethane pricing and chlorine tightness due to the lack of co-product caustic demand, lending some uncertainty to the 2-3 month outlook for PVC pricing.
- Chlorine had been supported by a strong caustic market producing excess chlorine. The caustic market has weakened substantially which is putting pressure on chlorine supplies and pricing globally, as supplies are cut back.
- North American PVC production rates have improved as producers have supplied some export demand, seen some construction season benefit, and further capacity closures take effect. Capacity utilization is below 75%.
- The compounding market will see further consolidation this year.
- More PVC capacity rationalization is likely if historical Q2 construction demand does not show up to at least a modest degree.

For additional PVC information please contact Mark Kallman: mkallman@resinpros.com

RTi PVC Outlook and Suggested Action Strategies

30 Days: The remainder of the February nomination and the April nomination are being pushed as an increase of \$0.05 in May, but lacks the strength of demand or raw material cost increases. Modest demand improvement during the start of the construction season, tighter chlorine and higher ethane may push a further increase into the market later in the quarter, but pricing remains flat for now.

60 Days: As the recession continues, ethylene will remain long unless lower margins from consistently higher ethane feeds reduce production. In combination with chlorine, exports and reduced capacities, pricing will come under pressure to increase during this period and may warrant buying ahead.

90 Days: We are likely to see upward raw material price movement reestablished later in the year depending on how and when demand returns. We may find a firmer market later in the year supported by the government efforts to stimulate the economy.

PET

PRICE TRENDS—PET	
MAR	APRIL
↑	Flat
MAR 2009	PET
Operating Rates (%)	Mid 70's
Demand Rates (%)	Mid 70's

SUPPLIER ACTIONS

- April has been a quiet month, but we need to look at March and May. The price increase announcements for March, which had been \$0.05 to \$0.07 came in at ~\$0.02. While some producers held the higher number, they understand they are now high to the market. This is not a viable long term position with new capacity coming up (Indorama).
- An additional increase of \$0.04 has been announced for May 1. This is based on the strength of PX in Asia, which is up almost \$0.07/lb for spot.
- April is the type of month where buyers get disadvantaged. There were no announced movements, although “balancing” was going on between producers and their customers. In the end, there will not be \$0.07 between buyers. Much of this adjusting was happening during this month.
- Demand to capacity has been high. Part of this is good usage as store inventories had been low. Another part is poor mechanical operating rates at one producer. This kept capacity low and allowed producers to hold increases that were high to market, but it is still not a viable position, longer term, and will correct.
- The new capacity, Indorama’s 800,000 ton/year, is not yet up. Start up is now expected in June. A big plant can not start up without putting product into the market. There is not enough storage to keep it running. Expect material in the market within 1 – 2 weeks of the start.
- The price decrease I have been projecting is still coming. It may be July, but I still think June.

INTERNATIONAL

- Import activity is soft. PX pricing is currently balanced between Asia and the US. This does not happen often; when it does the Asian suppliers do not have as much cost advantage.
- With less advantage, the freight cost to get here makes the sale difficult. This advantage for Asia on PX will return again later this year.
- Currently Chinese are buying PX and keeping the price high. Most of this purchase is going into fiber production which in turn means garments for the US. I still think it is an over build of inventory. If so, PX price will fall when inventory gets too high.
- Asian imports will become an opportunity later in the third quarter.

PET continued

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS

- PX is high due to Chinese buying, yet more PX capacity is starting up. This will end the increases soon. By July there is ample raw material capacity for the next few years in MEG, PX, and PTA. The increases are now very short term. Raw material buyers for PET producers know this and may delay settlement anticipating the fall.

For additional PET information contact Michael Dewsbury: mdewsbury@resinpros.com

RTi PET Outlook

30 days: Prices are near the peak for the year. This raw material push will end soon. Keep inventories at normal levels for now, but keep talking with me. The turn will come quickly and you do not want to be sitting on high cost inventory.

60 days: Prices will be trending down during this period. Buy at the end.

90 days: Indorama will be up, demand will be softening, and price will be coming down. Asian raw materials will be coming down and import opportunities should reappear.

ABS

PRICE TRENDS—ABS	
MAR	APRIL
Flat to ↓	Flat to ↓

SUPPLIER ACTIONS

- In April we are seeing ABS prices flat to down. This is a trend that was similar to what we saw during the prior two months. Even though ABS prices have dropped \$0.50/lb (in some cases since Sept 09) the ABS producers have good gross ABS margins now due to lower feedstock costs. However, their sales are down due to very soft demand globally, which reduces their net margins significantly.
- In April we saw continued instances of the domestic ABS suppliers reducing prices at large accounts in response to competitive offers from other ABS suppliers.
- Using current estimates cost to produce ABS dropped \$0.50/lb during Q4 08 and an additional \$0.08/lb in January. The cost to produce ABS went down about \$0.37/lb from Jan 08 through Jan 09. In Q1 09 cost to produce ABS increased about \$0.05/lb and another \$0.01/lb increase occurred in April.
- With feedstock costs trending up, Ineos ABS has announced an ABS price increase of \$0.04/lb on all grades. SABIC has announced \$0.05/lb to the pipe and sheet markets only. Both are effective 5/18/09. The outcome of these increases is in doubt at this time but they may help stop the price slide in the short term.

INTERNATIONAL

- On a global basis 2009 ABS demand is even softer than it was in 2008, which was softer compared to recent years. ABS demand has improved in Asia since February; however, this may be short term due to prebuying in advance of feedstock related ABS price increases.
- Volume commodity ABS prices in Asia increased to the mid \$0.60's/lb in early April. This was due mainly to the increase in ABS feedstock costs and some pickup in demand. However, recently these prices have dropped slightly and it appears we are past the short term peak for ABS price in Asia.
- After significant Far East ABS capacity increases during 2007/2008 it appears that capacity increases will be minimal during 2009. Producers are currently managing inventory due to the recent lack of ABS demand.
- Producers who started up new capacity in the Far East during 2007/2008 include LG, Formosa, Chi Mei, and Grand Pacific.

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS

- Global ABS capacity utilization rates are in the low 60%. Producers are attempting to run to order to reduce inventory but it is a difficult task with such poor demand.

ABS continued

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS continued

- May contract benzene settled at \$1.90/gal; this is \$2.56 less than the 2008 peak but it is up from the January low price of \$1.01. Spot benzene prices are now about \$1.88 and crude oil is currently about \$51/bbl. Benzene prices went up as a result of previous on purpose benzene capacity reductions and previously higher benzene prices in Asia.
- After contract styrene dropped \$0.43/lb over November/December it fell only \$0.0075/lb in January and increased \$0.055/lb in February/March. The February/March increase was due to benzene and ethylene increases as well strong export demand due to styrene units being down overseas. April spot styrene prices are up also. Acrylonitrile prices went down about \$0.67/lb from November to January but increased in February and March due to rising propylene prices. Butadiene dropped \$0.03/lb in March and flattened in April for a total drop of \$0.97/lb from November through April.

For additional ABS information contact Greg Smith: gsmith@resinpros.com

RTi ABS Outlook and Suggested Action Strategies

30 Days: There is global oversupply of ABS. If you can create competition in your business, you may be able to secure lower pricing in April/May but in most cases the general market is flat now. Soft demand appears to be offsetting the effect of higher feedstock costs. Review your ABS purchase strategy with RTi as feedstock costs, your price level, and level of supplier competition are key factors in establishing your best price and resin strategy/action plan moving forward.

60 and Days: Watch crude oil/benzene/styrene/ABS feedstock prices closely as these feedstock costs may be higher by this time, although the current trends do not support a significant increase. ABS supply/demand will still favor the buyer. Review your purchase strategy with RTi.

NYLON

PRICE TRENDS—Nylon			
6		6/6	
MAR	APRIL	MAR	APRIL
Flat	Flat	Flat to Down	Flat to Down

SUPPLIER ACTIONS

PA 66

- With benzene settling up \$0.21 in May , propylene flat and butadiene flat, costs for both PA 66 production routes are increasing in April and May by roughly \$0.03/lb.
- Producers remain under pressure for further decreases in line with the total declines in raw material cost offset; some by fixed costs spread across fewer lbs produced.
- However, less efficient production is the first to be shut down yielding greater efficiencies on those assets still operating.
- Producers have responded with some decreases in April, especially for buyers able to demonstrate true competition and who had yet to achieve more than \$0.20/lb in decreases year to date.
- The raw material cost by the butadiene route is more than \$0.42 below the September peak and more than \$0.22 below costs 1 year ago.
- The raw material cost by the acrylonitrile route is more than \$0.47 below the September peak and more than \$0.27 lower than 1 year ago.
- Resin producers are taking steps to minimize cost and maximize efficiency with announcements of changes to stock and made to order products, along with lead times and employee furloughs.
- Domestic auto sales improved in March to an annualized rate of more than 9MM units while China set another record in car sales in March.
- However, domestic retail sales declined in March against a forecast of a modest increase.
- Solutia has sold their PA 66 business to SK Capital Partners. SK has management expertise drawn from Allied Signal/Honeywell and sees this business as one they can transform into an improving economy.
- The US economy contracted more than 6% in Q1 vs predictions of 5%. Although contracting at a slower pace than Q4 of last year, significant economic downsizing continues.
- Home prices are reported more than 18% down from a year ago across major metro markets with unsold housing inventories decreasing, but still very high.

PA 6

- With benzene up \$0.21/gal in May, raw material costs have increased by \$0.025/lb.
- Raw material costs remain at levels more than \$0.27/lb less than they were a year ago.
- PA 6 pricing has seen additional decreases by some producers to the distribution channels reflecting what had already been achieved for direct buyers.

NYLON

SUPPLIER ACTIONS *continued*

- The overall delta between PA 6 and PA 66 remains larger than historical fueling speculation on further adjustments in PA 66 pricing or risk losing volume in some compounded materials applications.
- PA 6 pricing is down as much as 35% since the peak in September.
- With the increase in benzene pricing and further global caprolactam outages, the likelihood of a PA 6 increase nomination later in the quarter is increasing.
- Producers continue to look for demand as key fibers markets remain weak.

INTERNATIONAL

- US exports of nylon remain more than 50% below Q1 of last year.
- European pricing for PA 6 is down more than \$0.12/lb across February and March, turning flat into April. PA 66 pricing has experienced declines as demand and competition has forced prices to move closer to raw material cost decreases.
- Asian demand for Nylon 6 has improved due to increases in textile and automotive as the China stimulus programs takes hold. Pricing has been flat to up as uncertainty continues about the ongoing strength of demand.
- PA 66 pricing in Asia is flat to down with resistance to further decreases is met with weak demand despite improvements in auto sales due to stimulus programs.

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS

- May contract benzene settled at \$1.90/gal; still \$2.56 less than the 2008 peak September contract price but up significantly from the January low price of \$1.01.
- Spot benzene prices have been trading around \$1.90/gal while crude oil has pulled back below \$50/bbl. As well, spot benzene prices are up as a result of benzene capacity reductions due to low/negative margins, exports via styrene monomer and higher benzene prices in Asia.
- Benzene pricing has strengthened on strong styrene monomer exports to Europe due to outages, octane value through cumene to gasoline and most importantly restricted production due to low margins.
- Margins have improved indicating a return of some benzene capacity with improved supplies expected in the next 2-6 weeks.
- Invista has restarted from their force majeure incident the middle of last month without effect on the market.
- Caprolactam pricing has dropped more than \$0.38/lb from peak levels in September with prices increasing in April on higher benzene and ammonia.
- A recent fire in Russia affecting roughly 4% of global caprolactam capacity is being closely watched for its effect on supplies in Asia and Europe and the impact on PA 6 pricing.

For additional Nylon information please contact Mark Kallman: mkallman@resinpros.com

NYLON continued

RTi Nylon Outlook and Suggested Action Strategies

30 Days: Despite higher benzene prices in April and May, pressure for margin giveback from PA 66 producers will continue as raw material pricing remains low relative to this time last year. Supply remains unaffected due to low demand. PA 6 will likely be flat in May with the potential for increase nominations later in the quarter. Competition is delivering the best results in the declining market. Buy as needed for PA 66 and slightly ahead on PA 6.

60 -90 Days: PA 66 reductions will continue as margin gains are worked down. Demand improvement appears unlikely for PA 6 or PA 66 until late in the year, keeping pricing lower. The start of the planting season and summer gasoline production is supporting higher ammonia and benzene prices limited by relatively low oil pricing and weak demand due to the recession.

POLYCARBONATE

PRICE TRENDS—Polycarbonate	
MAR	APRIL
Flat to ↓	Flat to ↓

SUPPLIER ACTIONS

- Dow announced a \$0.07/lb PC price increase effective 5/1/09. The RTi bullet dated 4/9/09 provides more detail. Due to soft demand we have not seen this increase being supported by other PC producers, so it appears to be a non issue now.
- We have seen the domestic PC suppliers drop prices to maintain or regain market share. The PC producers have increased margin to work with if they so desire.
- SABIC shutdown their Burkeville, AL PC plant for at least 4 months starting in March. It could be longer if PC market demand does not pick up.
- We also have heard the other two domestic PC producers have reduced operating rates; in one case by shutting down a line and in the other case by throttling back production rates.
- The Q1 09 cost to produce PC is \$0.32/lb below Q1 08 cost to produce PC. Our projected Q2 09 cost to produce is \$0.31/lb less than Q2 08 cost to produce PC. The last time we saw costs to produce this low was during 2002.
- PC Producer gross margins have dropped but are still relatively good. However, net margins are not good since sales are so soft due to continued poor demand

INTERNATIONAL

- Average Asian PC prices have increased but they continue to be lower than NA prices and this has led to lower priced North American and European offers from Asian producers.
- Asian PC suppliers continue to be interested in growing their sales to North America and Europe. This is mainly due to higher North American and European prices and the business slowdown in Asia this year.
- Global PC capacity additions increased about 10% per year in 2005-2008.
- We hear Kazanorgsyntez started up their new 60,000 MT plant in Russia in Q1 09.
- Several producers had announced new capacity additions during 2009-2011 in Asia. However, we have seen most of these get delayed and or put off due to soft global PC demand and the need for PC producers to better match supply to demand.
- PC demand in Asia continues to be relatively soft so far in 2009. Teijin announced that they will be consolidating some of their PC businesses in Asia.

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS

- Global PC capacity utilization rates are now well under the 70% range.

POLYCARBONATE *continued*

PRODUCER OPERATING RATES/INVENTORY/FEEDSTOCKS *continued*

- May contract benzene settled at \$1.90/gal; this is \$2.56 less than the 2008 peak but it is up from the January low price of \$1.01. Spot benzene prices are now about \$1.88 and crude oil is currently about \$51/bbl. Benzene prices went up as a result of previous on purpose benzene capacity reductions and previously higher benzene prices in Asia.
- Refinery Grade Propylene (RGP) dropped \$0.41/lb from Q3 08 to Q4 08. With contract benzene average of \$2.30 in Q4 08 we estimate that cost to produce PC dropped almost \$0.30/lb during Q4 08. RGP prices moved up in Jan/Feb, but Q1 09 average dropped further to \$0.20/lb. Benzene averaged \$1.22/gal in Q1 09 so cost to produce PC dropped another \$0.10/lb during Q1 09.
- Benzene and RGP are rising in April and Q2 09 and we currently estimate that the cost to produce PC will rise about \$0.07/lb during Q2 09.
- We estimate that the cost to produce PC will rise about \$0.07/lb during Q2 09.

For additional Polycarbonate information contact Greg Smith: gsmith@resinpros.com

RTi Polycarbonate Outlook and Suggested Action Strategies

30 Days: So far in 2009 you should have secured much lower PC pricing. More decreases may be available but the amount depends on where your price is now and the level of supplier competition in your business. Very soft demand and overcapacity persists. Review your PC purchase strategy with RTi as feedstock costs, your price level, and level of supplier competition are key factors in establishing your resin strategy and action plan.

60 and 90 Days: PC prices will likely have bottomed out by this time since feedstock costs will likely be up. Soft demand and overcapacity may keep PC prices from rising. Watch crude oil/benzene/propylene/PC feedstock prices closely. Review your purchase strategy with RTi.

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