

Radchem Products, Inc.



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Market Report *by Bill Radostits*

In an effort to stop oil prices from falling any further and to push for an increase in oil prices, Russia and Saudi Arabia, the two largest crude oil exporters, said they would cap oil output at the levels they produced in January of 2016. Other countries including Kuwait, Qatar, and Venezuela agreed to do the same if other major producers would follow. All the OPEC members agreed to the freeze, but Iraq, Iran and a few other major producers are not going to agree to the cap. Their economies are suffering so badly, that they cannot afford to cut production. Crude Oil is trading in the high 20's per barrel, and there are no signs of it rising with global inventories being at a historical all time high.

Aliphatic and aromatic hydrocarbon solvents have dropped to the lowest levels we have seen in 8 years. Inventories are at record levels because of the significant drop in demand from the oil field drilling industry combined with several additional refinery start ups resulting in increased production in the Gulf. Total Specialties USA, Inc. has announced that their new refinery in Bayport, Texas is starting up March 1, 2016, and they are very excited to support Radchem in the Midwest with their full line of ultra-high purity specialty fluids. Calumet Refining has increased their production capacity on hydrocarbon solvents with production coming out of their San Antonio Refinery. The Toluene and Xylene markets are weaker with gasoline prices, and demand has dropped significantly in January and the first half of February. The market prices in the Gulf have dropped about \$.20/G since the beginning of the year. The refiners are building inventory for some planned shut downs of several reformer units in late March resulting in the need for Toluene and Xylene for octane demand. We are being told that prices for Toluene and Xylene could move up by as much as \$.30 per gallon in mid to late March.

The market for Aromatic 100, 150, and 200 decreased slightly in January because of lower alternative distillate fuel values and weaker demand. Flint Hills Resources came back from a 45 day turnaround at their Corpus Christi Refinery and they are producing ratable quantities of Aromatic 100. They reported some unfortunate news regarding their Aromatic 150 tower. After completing some repairs on the Aromatic 150 tower, they could not bring the product into specification and they ended up with very high moisture problems. They had to import parts from overseas that will not arrive until the last week of March. They expect Aromatic 150 production to resume the first week in April with availability of product in mid April.

Methanol prices in January moved lower by \$.20 per gallon. The barge market traded as low as \$.40 per gallon, and spot barge Methanol is now trading at less than half the value of contract prices. This is the lowest Methanol has traded since 2009. The spot market for Methanol in February has not changed, but contract prices did fall about \$.20 per gallon. Methanol prices are down because demand is low, inventories are high, and the low prices for crude oil has taken away demand for biodiesel. The second relocated Methanex plant in Geismar has added a lot of Methanol to domestic inventory.

Ineos Phenol has announced a \$.03 per pound increase on Acetone for March 1, 2016. At this point, we have not heard from any other producers of Acetone.

LPA 170 Characteristics *by Alan May*

LPA 170 solvent is a high purity VOV EXEMPT mixture of hydrotreated isoparaffins and naphthenics with very low aromatic content. LPA 170 is a clear, low odor liquid with high solvency. The unique manufacturing process to produce this solvent produces low levels of normal paraffins resulting in a higher solvent strength (31 KB) and a lower pour point (<94 F), than competitive low- aromatic solvents with equivalent boiling ranges. LPA 170 solvent is an excellent process solvent, particularly in the production of polymer emulsions and mining solvent extraction processes. Its higher flash point (172 F) and narrow boiling range (IBP 418 F; EP 446 F) allows LPA 170 to perform well in metal working lubricants, specialty coatings applications, and AG applications.

Global Oil Market - The oil market has been rebounding on reports that OPEC and non-OPEC producers are moving closer to a deal to address one of the biggest supply/demand imbalances since the 1990s. OPEC's Secretary-General Abdaala El-Badri is reaching out to its members and other major producers to reach global accord to scale back production. A broad agreement has been elusive as producers are pumping full bore to fill domestic budget gaps and maintain market share.

Until 2015 net supply growth came from non-OPEC countries. Because of innovations in fracking and horizontal drilling, the United States produces nine million barrels per day, making it the world third largest producer behind Saudi Arabia and Russia. (Read the Radchem December 2015 Newsletter).

If an accord is agreed upon, this will stabilize inventories and pricing globally. In turn, most products related to energy will become stable and normal economic conditions will direct pricing. The United States functions best when a barrel of oil is in the \$70-\$80 range. This is high enough to keep the energy industry well employed and yet low enough to for discretionary spending.

The two wild cards in this deck are Russia and Iran. At well over nine million barrels, Russia is clearly the largest non-OPEC producer and the country is the swing factor in production. Stung by economic sanctions, Russia relies on energy production to fund its domestic budget. The second joker is Iran. They are cash strapped from the years of being squeezed economically under sanctions. The question is, "Will these two producers agree to reducing production?"

Aromatic Market - I have been talking to my associates in Houston. They said producers and brokers of toluene and xylene are building inventory for the planned turnaround of MULTIPLE reformate units that are used to enhance octane (See July 2015 Radchem Newsletter). Last year three reformates went down for a lengthy period of time during the summer which caused a large spike in T&X pricing. Indications are that its turnaround may cause a larger impact on supply and pricing than last year. Predictions are a minimum of \$0.05 lb T&X increase during the turnaround starting in March. Stay tuned.

Diane Romcoe – New Customer Service Team Member

We are extremely pleased to announce a new addition to Radchem Products, Inc. Diane Romcoe has joined our Customer Service Team effective February 8, 2016 as a Customer Service Representative.

Diane has twenty nine years of customer service, inside sales, operations, and purchasing experience in the chemical industry. She is hard-working and highly motivated to take care of customers and is very skilled in problem solving and troubleshooting challenging situations. Diane has a wonderful personality and brings a sense of calming confidence to the group. She is looking forward to helping our customers, supporting our sales group, and working with us to continue to grow our business.

Please help us welcome Diane to our team!

CLJ16 - Crude Oil WTI (NYMEX)



HOH16 - ULSD NY Harbor (NYMEX)



RBH16 - Gasoline RBOB (NYMEX)

