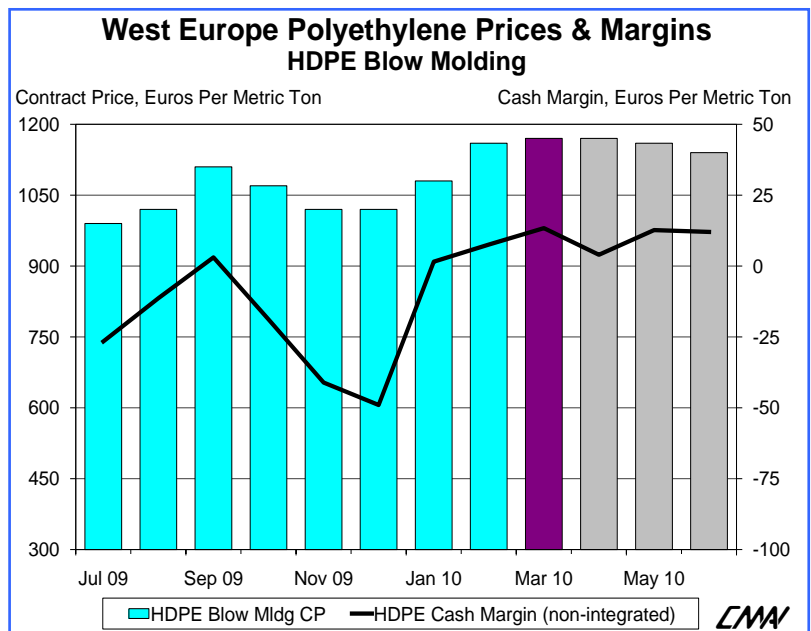


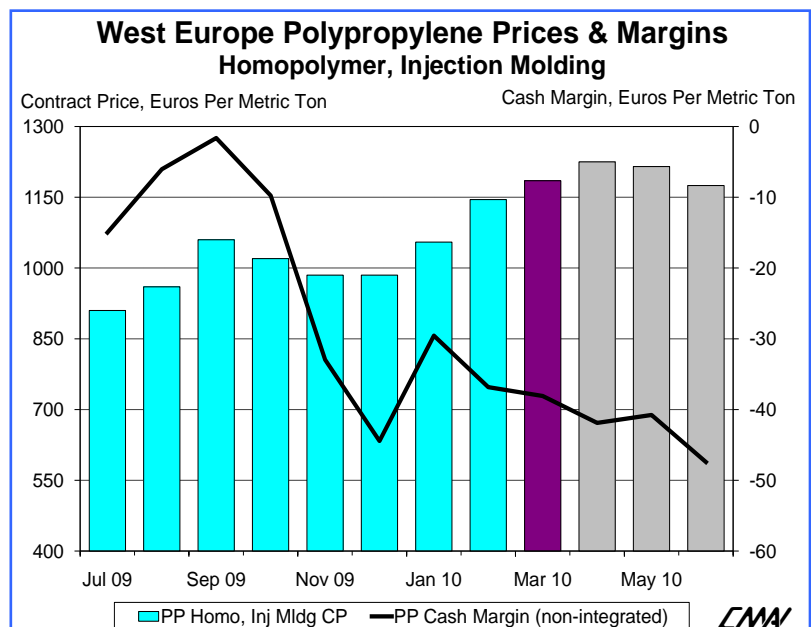
Polyethylene

Supply side constraints are driving the European market. LDPE and LLDPE inventories remain low. Producers are having no difficulty in pushing through price increases of €30 to €50 per metric ton for LDPE and LLDPE. The average increase for both resins, however, is around the €40 per metric ton for contract deliveries in March. Why are LDPE and LLDPE so short? Producers started the year with low inventories of both resin types. A combination of permanent plant closures (e.g. LyondellBasell in Carrington) and maintenance turnarounds (e.g. LyondellBasell in Aubette) as well as technical hiccups at several production sites have kept LDPE tight. In the case of LLDPE, lack of imports has played a central role. On the other hand, HDPE demand remains generally weaker and availability is not a problem. Sales into the pipe market are still extremely sluggish, whereas demand for small blow molded containers is showing more robust demand. Although rollovers have been reported, HDPE prices are exhibiting some upward movement in certain applications. In general, HDPE contract prices are only expected to gain €10 per metric ton compared to end February levels. Export business is quite brisk, but only outside of Asia. The Chinese market continues to decline as increased domestic PE production becomes more noticeable. In Europe, ethylene monomer is becoming longer. Further significant upward price movement is not expected for PE in the coming months.



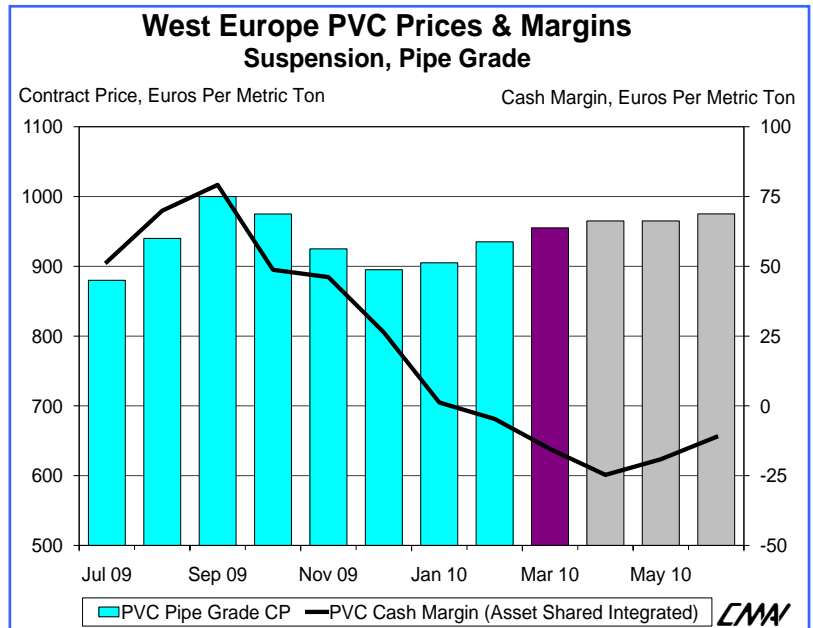
Polypropylene

Similarly to polyethylene, the polypropylene market is being primarily driven by lack of availability and not by a marked improvement in demand. February PP sales were slightly lower than in January and 6 percent lower than February 2009. Polypropylene sellers report some improvement in March, but nothing spectacular. The polypropylene market was already rather snug before the beginning of March due to limitations on the availability of propylene feedstock monomer. Another problem is that other propylene derivatives, like ACN, are driving spot prices for propylene rapidly upwards. Finally, there have been technical issues at LyondellBasell's PP plants in Carrington, UK after a scheduled maintenance turnaround and SABIC still maintains force majeure on PP co-polymers from its plant in Geleen, NL, although production is once again running normally. In the face of PP supply limitations and gradually improving resin demand, buyers have had to pay between €30 and €50 per metric ton more for March contract deliveries, although the average March increase for contract deliveries is expected to end up at €40 per metric ton for both homo and co-polymers, which is €5 per metric more than the €35 per metric ton February price hike incurred by propylene monomer. Propylene monomer is expected to remain tight in April, which will likely push the April propylene contract price upward by another €30 to €50 per metric ton. Expect PP producers to achieve resin price increases in the same order of magnitude next month.



PVC

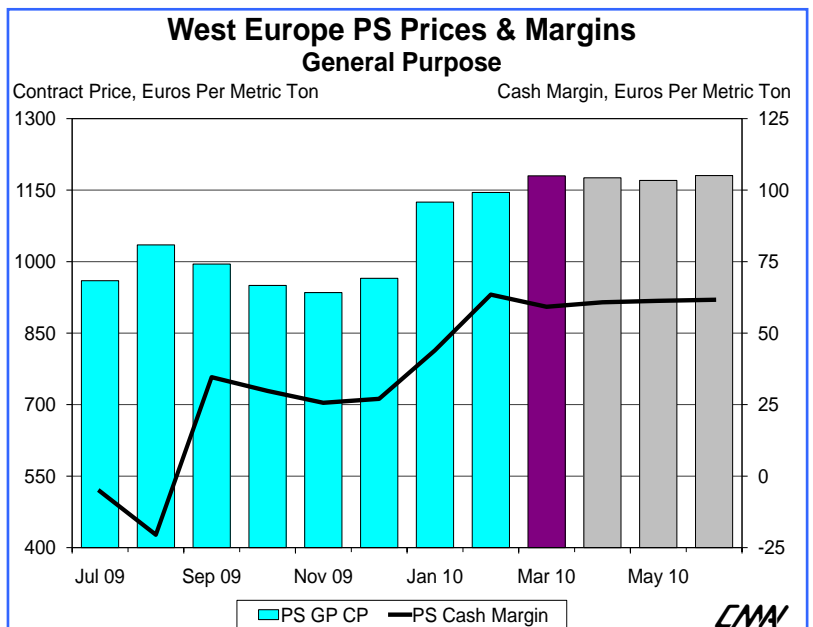
Producer sales improved marginally in February compared to January and will likely show a further small improvement in March. Producers held inventories grew by roughly 5 percent in February, but are still low. Demand has reportedly picked up in Southern Europe, but in the North, where winter temperatures still reign, the market remains very quiet. Export business is looking increasingly attractive with prices into Turkey at approximately US\$1100 per metric ton CFR. After largely recouping the higher costs incurred by ethylene monomer price hikes in January and February, PVC producers, with the notable exception of one Benelux-based producer, were determined in March to recover some of the cash margin lost in the last several months (see adjacent graph). They entered the market in March requesting customers to accept upward price adjustments of around €50 per metric ton and, in the case of one large German producer, a whopping €100 per metric ton. Logically, with price increase demands ranging from rollover to plus €100 per metric ton in a weak market environment, converters focused on the lower end of the scale in their price negotiations. Currently at mid month, one supplier is still very firm in requiring a €50 per metric ton price improvement, while others have resigned themselves to lower numbers. March PVC contract reference prices are looking to move ahead at best by €20 to €30 per metric ton. Beyond March, PVC prices will either remain rather stable or increase moderately depending to a large extent on ethylene price developments.



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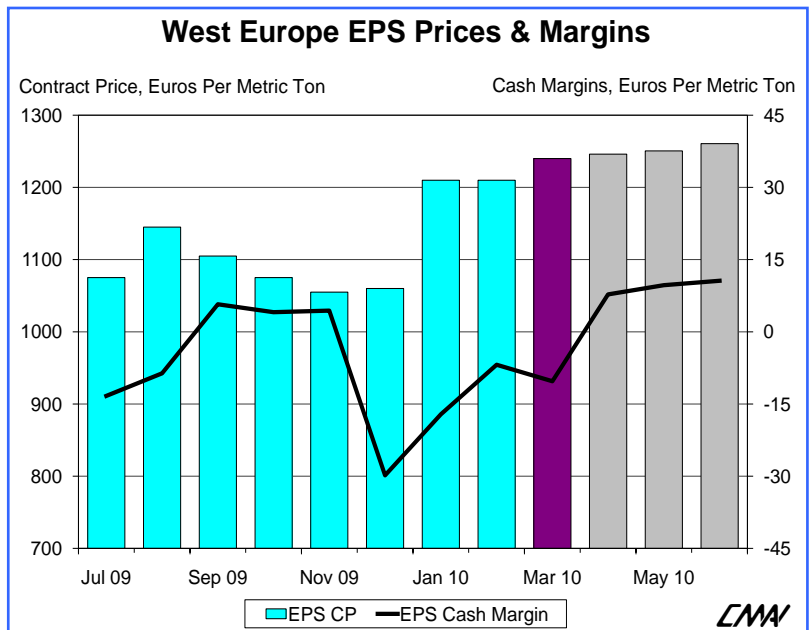
PS

Domestic demand is still on the low side across Europe. The off-take from the packaging segment has not recovered. Cold weather still impacts negatively the demand for XPS in construction applications. Demand in February was 10 percent below the same period last year, some market participants are talking about an ongoing new wave of substitutions by PET as polystyrene seems to be overpriced. Producers kept inventories purposely low in January and reduced their output to match the lower market demand. The average industrial operating rate has been reduced to 82 percent. The styrene monomer market situation remains unchanged in Europe with force majeure on styrene still in place at Moerdijk and other plant production problems affecting supply. The Shell Moerdijk cracker, which is upstream of the styrene plants at this location, has now resumed full operations, but it will take time before the styrene plants are fully back on-line and meeting contractual volumes. The spot market has responded to these market conditions by refusing to move down below \$1300 per metric ton for March material as positions continue to be covered where shortages arise. The CMAI PS price index is increasing by €40 per metric ton in March to a range of €170 to €210 per metric ton. Spot deals have been reported as low as €130 per metric ton. For April, CMAI expects PS resin prices to remain stable at end March levels.



EPS

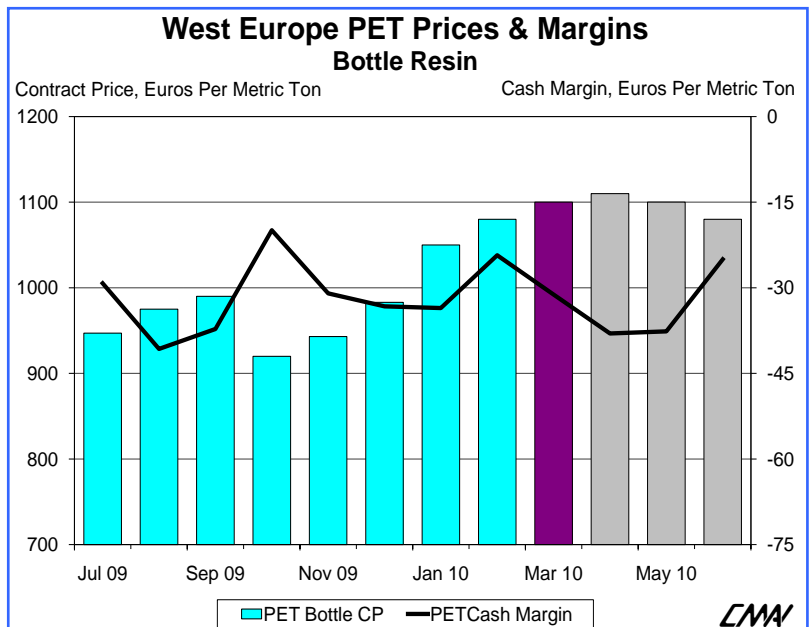
Domestic demand in Europe is still depressed by cold weather, which is adversely affecting renovation activities. Other building activities report poor off-take, as well. The packaging segment reports moderate demand from the consumer goods segment. Availability has improved and EPS producers have considerable inventories, but operating rates have been reduced to prevent pressure on the market price due to high stock levels. One leading supplier will take out a production line due to maintenance activities in April. The March FCA contract price for styrene monomer settled last week with an increase of €7 to arrive at €1047 per ton. With both FD contract partners also settling at the same price, the CMAI styrene contract price for March moved to €1047 per ton. Therefore the CMAI Average Acquisition price, including major contract mechanisms, is estimated at €50 per ton for March, which is an increase of €6 per ton over the February price.



EPS suppliers tried to bring up prices by €50 to €70 per metric ton to regain some of the margin lost in the last months. Buyers are pushing for minor increases and the consent seems to be in most negotiations an increase between €20 and €40 per metric ton. The CMAI EPS price level is currently settling in the range of €210 to €260 per metric ton, up €30 from the February level. CMAI is forecasting for April EPS prices to remain stable as only marginal changes in feedstock costs are expected.

PET

Domestic demand is reported as being normal for the time of the year. Sales into the CSD and water segments are increasing. European supply remains tight as some units are down for commercial reasons and at least one production line for maintenance reasons. The effective industrial operating rate is close to 90 percent. Importers are taking their share of the market in March as volumes from Middle East are increasing. The paraxylene market in Europe is relatively snug at the moment. There has been an initial agreement for the March contract price at €795 per ton which is €5 per ton lower than February. The PTA market in Europe continues to enjoy buoyant demand from PET producers and consumption by fiber producers is reasonably good as well. The MEG March contract price settled early in the month at €899 per ton DDP, an increase of €59 per metric ton over the February contract price.



Several MEG units are taking March shutdowns, so supplies remain tight. Though Middle Eastern units are running normally again, there is no rebound yet in imports from that region. The PET contract market price is settling at a level of €1085 to €1125 per metric ton, which represents an increase of €25 per metric ton from the end of February. Spot prices have been lifted to a level of €1050 to €1070 per metric ton. CMAI forecasts an April price level for the PET contract market of €1090 to €1140 per metric ton.