

# US outlook'14: Coatings could boost MMA; epoxy set to struggle

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The US spring coatings season can't arrive fast enough for the US methyl methacrylate (MMA) and epoxy resins markets, but is likely only to save one.

While the US MMA market continues to receive a boost from plastics applications and balanced supply, the US epoxy resin market remains excessively long.

Sources said they expect the US epoxy resin market to struggle for most of 2014 as global weakness transforms the US into the major battleground.

"This is the only place anyone is buying," a US buyer said. "The US producers have to fight off Asian and European sellers."

US epoxy resin prices faced continual downward pressure in the second half of 2013 as Asian sellers looked to move material into the region and gain market share.

US producers were slow to respond but closed the gap against overseas sellers to 5-6 cents/lb (\$110-132/tonne) by the end of the year, after it had peaked around 12-15 cents/lb in the summer.

The aggressive selling by importers, as well as softer-than-projected demand during the key spring and summer coatings seasons, left the US epoxy resin market long for most of 2013.

"It's going to take something out of the ordinary for supply to tighten up again," another US buyer said. "The domestic demand isn't going to do it."

The long supply and increased competition led one US producer, Dow Chemical, to announce it will attempt to sell or spin off its commodity epoxy resin business.

Other producers did not make similar announcements, but said margin levels have become dangerously low.

Meanwhile, in the first half of 2014, MMA contract prices will likely be pressured upward on raw materials and anticipated stronger demand, especially later in the first half when the spring paint and coatings season will be under way, weather permitting.

Already, a price hike for January was proposed at 7 cents/lb, with others heard likely. The initiative surfaced with an effective date of 1 January, driven by anticipated higher costs of acetone and other raw materials, a seller said.

A quarterly price-hike initiative also surfaced, but that segment has few remaining customers and constitutes only a small percentage of contract volumes.

Demand continued to be described as relatively stable and balanced with supply, despite the seasonal slowdown in the major coatings end-market.

But concerns about feedstock acetone supply are growing, as co-product phenol production rates continue to average 65-70%, but could drift lower on lacklustre domestic demand and little hope for renewed near-term interest in exports.

In the downstream polymethyl methacrylate (PMMA) market, the remodelling sector appears likely to strengthen, but homebuilding will drive demand notably, according to recent survey results.

US new-home construction increased by nearly 23% in November from October, according to the Commerce Department, reflecting the strongest growth in housing development since the 2008-2009 recession.

The differing projections for epoxy resins and MMA also reflect their key feedstocks, as the more phenol-based epoxy resin market has struggled while the acetone-based MMA market has shown more strength.

Major US epoxy resin producers include Dow Chemical, Huntsman and Momentive. Major US MMA producers include Dow Chemical, Evonik and Lucite.

SOURCE *Icis News*