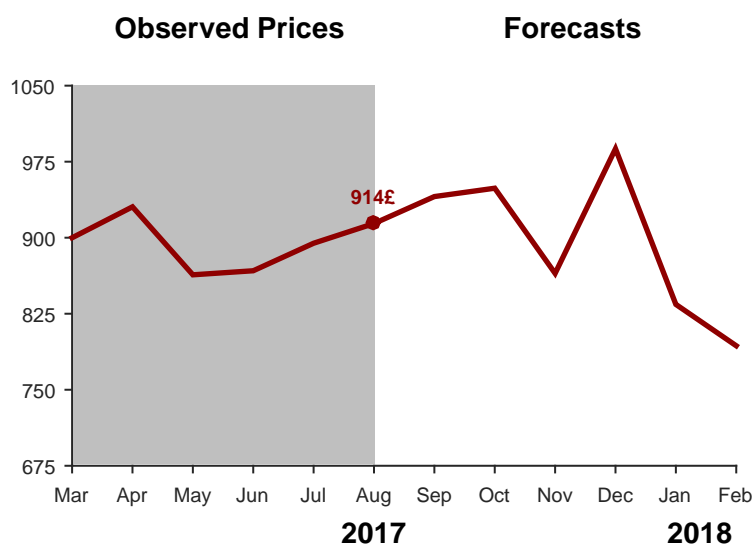


# Forecasting the Price of PET

<b>Commodity</b>	PET Bottlegde (Spot FD W Europe)
<b>Forecast Period</b>	September 2017 – February 2018
<b>Currency</b>	£
<b>Unit</b>	Metric Tonne
<b>Observations</b>	Monthly forecasts of the spot price in the first day of the month



## Forecasts



Month/Year	Forecast	Prob. of Raise
Sep. 2017	941£	57 %
Oct. 2017	949£	64 %
Nov. 2017	865£	47 %
Dec. 2017	988£	50 %
Jan. 2018	834£	49 %
Feb. 2018	793£	29 %

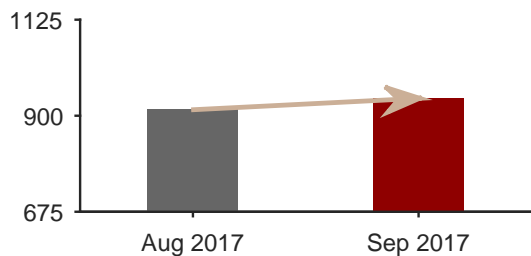
## Suggested Action for Procurement

Purchase Limit Month	Suggested Action
September 2017	Buy in August at 914£
October 2017	Buy in August at 914£
November 2017	Buy part of requirements
December 2017	Buy part of requirements
January 2018	Buy part of requirements
February 2018	Buy part of requirements

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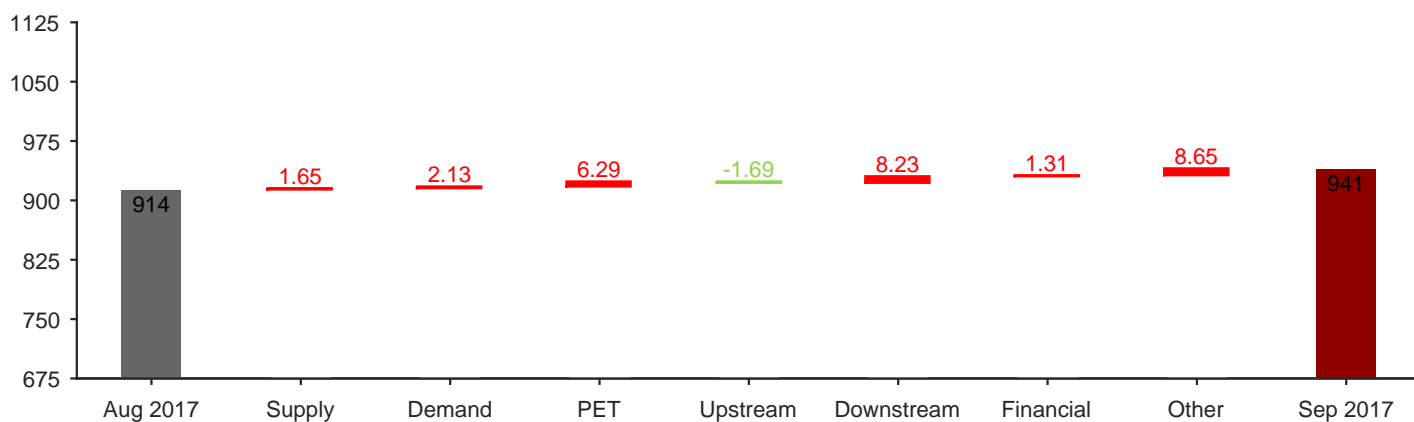
# Forecasting the Price of PET

## Impact Analysis: One Month Forecast



Our algorithm forecasts a higher price of PET in one month: it is expectable that the price increases 2.90% from 914£ to 941£ until the beginning of September.

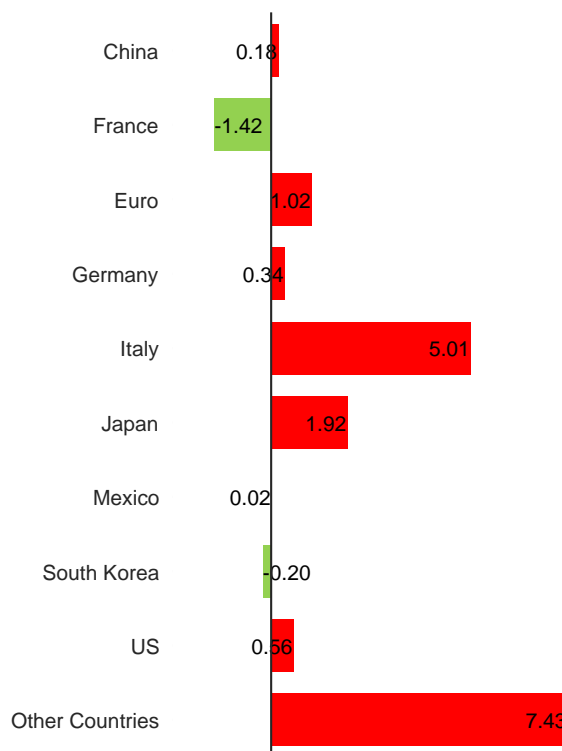
## Indices of Factors



### Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of PET
- Negative pressure of the index of variables representing the market upstream
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on Italy, Japan, and France

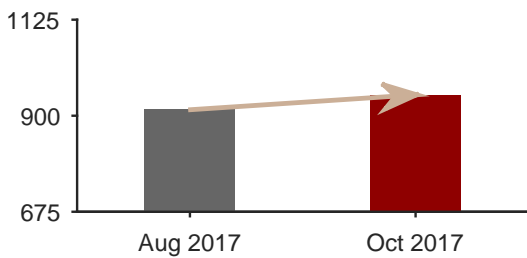
### Impact per Country



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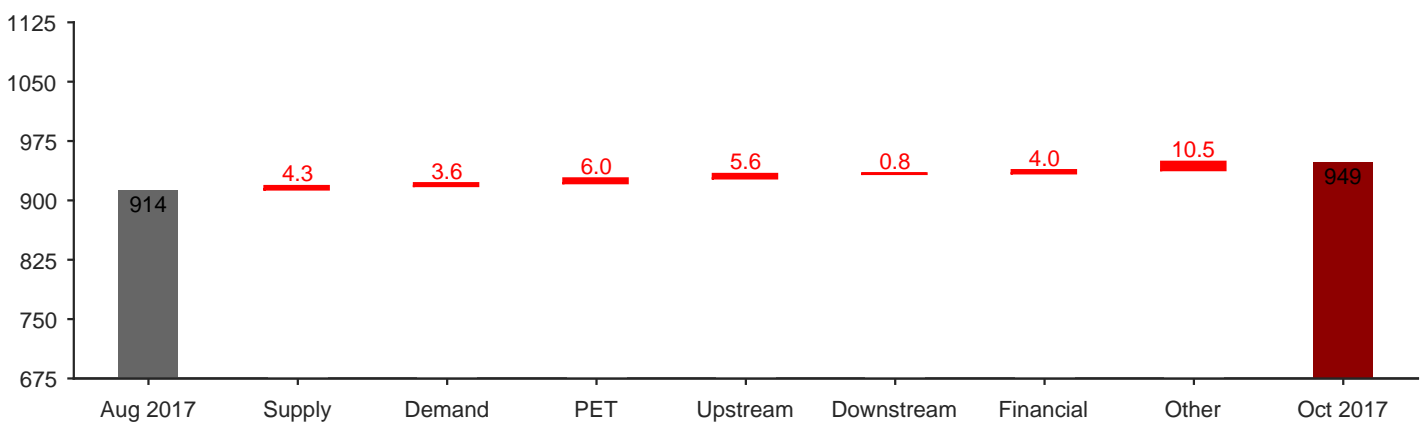
# Forecasting the Price of PET

## Impact Analysis: Two Months Forecast



Our algorithm forecasts a higher price of PET in two months: it is expectable that the price increases 3.80% from 914£ to 949£ until the beginning of October.

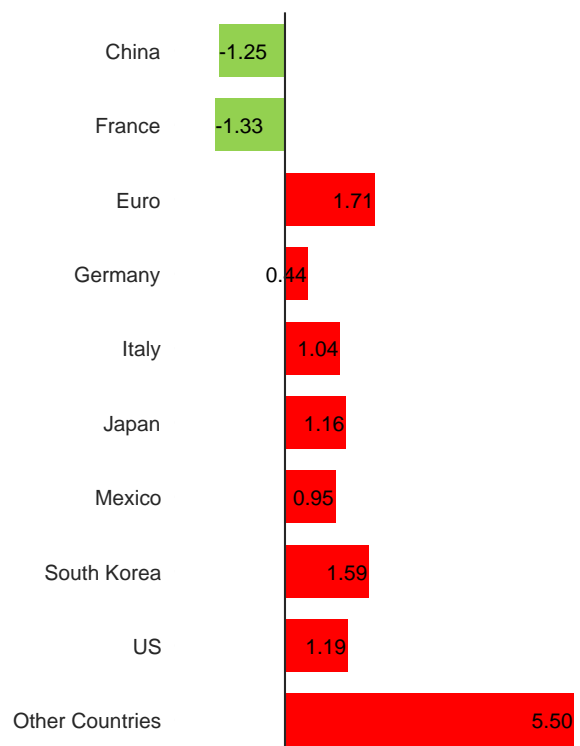
## Indices of Factors



### Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of PET
- Positive pressure of the index of variables representing the market upstream
- Slightly positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on Poland, UK, and Euro

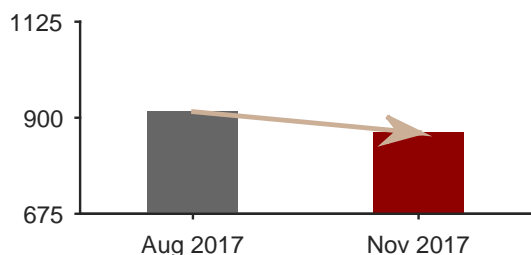
### Impact per Country



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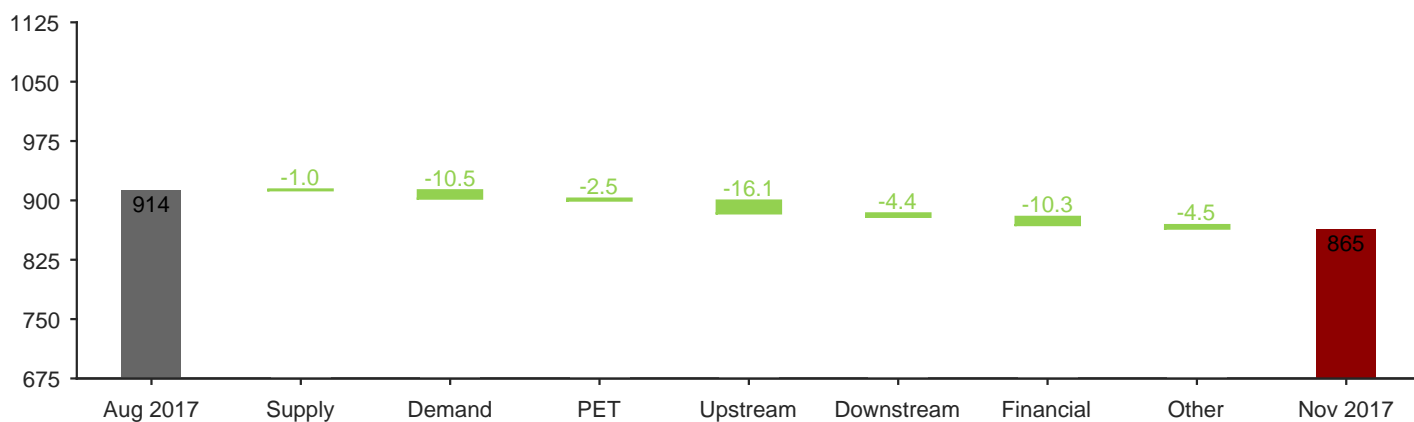
# Forecasting the Price of PET

## Impact Analysis: Three Months Forecast



Our algorithm forecasts a lower price of PET in three months: it is expectable that the price decreases 5.38% from 914£ to 865£ until the beginning of November.

## Indices of Factors



### Interpretation

- Slight increase of Supply: Negative pressure of the Supply index
- Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of PET
- Considerably negative pressure of the index of variables representing the market upstream**
- Negative pressure of the index of variables representing the market downstream
- Negative pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on Japan, China, and US

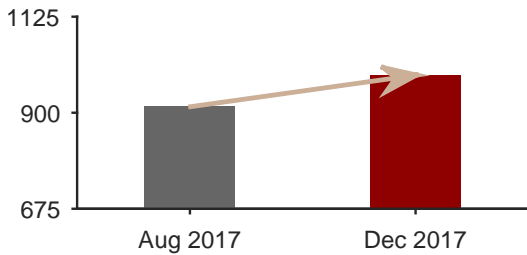
### Impact per Country



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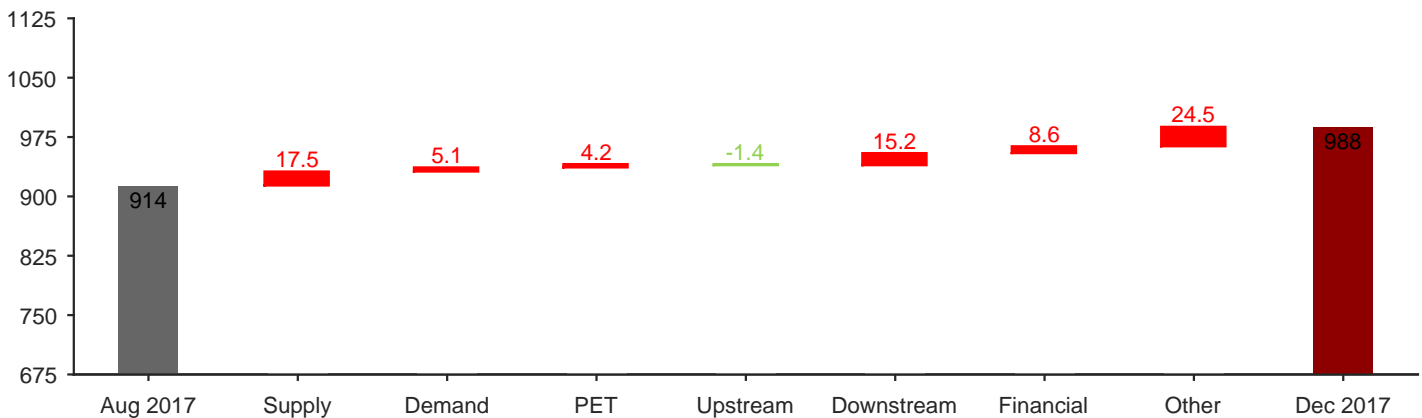
# Forecasting the Price of PET

## Impact Analysis: Four Months Forecast



Our algorithm forecasts a higher price of PET in four months: it is expectable that the price increases 8.06% from 914£ to 988£ until the beginning of December.

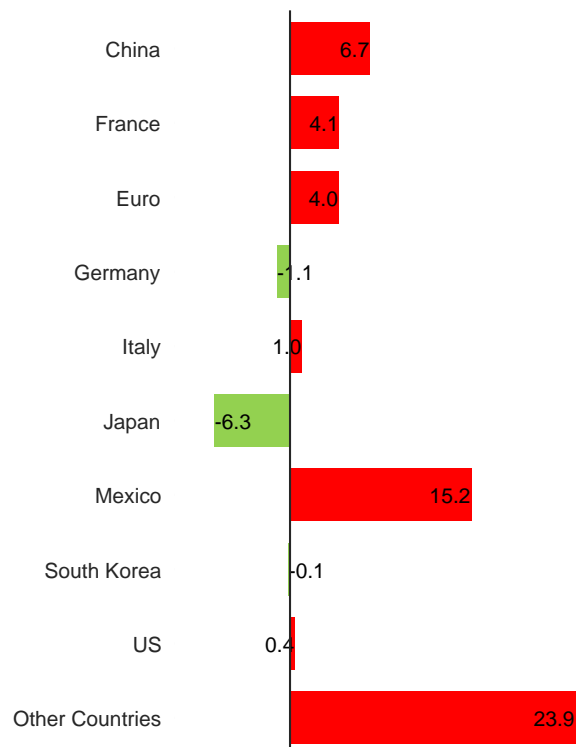
## Indices of Factors



### Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of PET
- Slightly negative pressure of the index of variables representing the market upstream
- Positive pressure of the index of variables representing the market downstream
- Positive pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on Mexico, China, and Japan

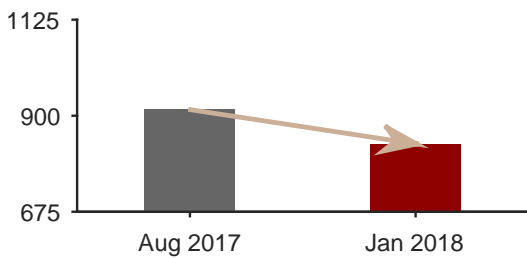
### Impact per Country



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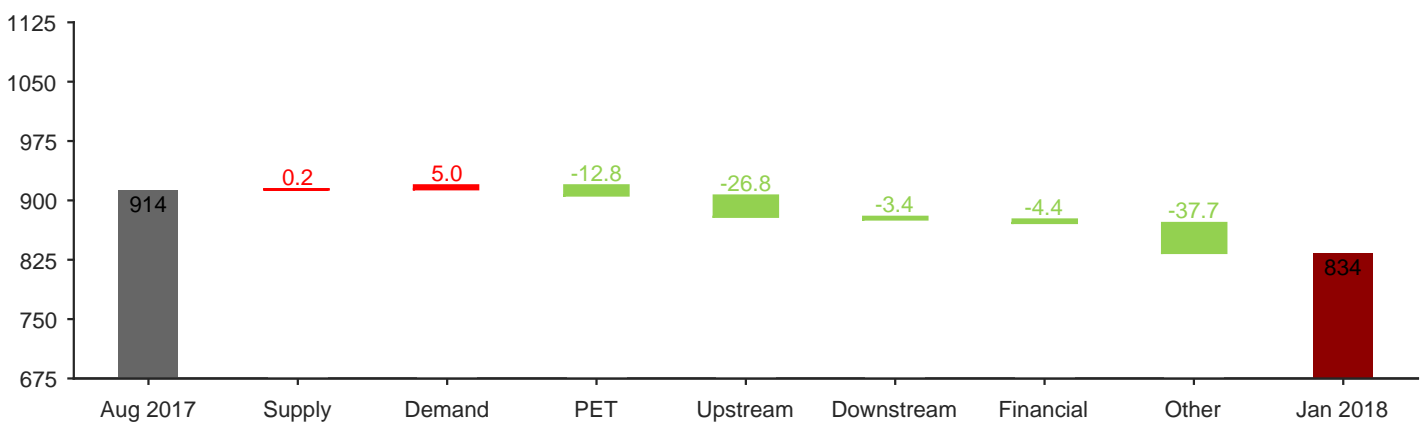
# Forecasting the Price of PET

## Impact Analysis: Five Months Forecast



Our algorithm forecasts a lower price of PET in five months: it is expectable that the price decreases 8.73% from 914£ to 834£ until the beginning of January.

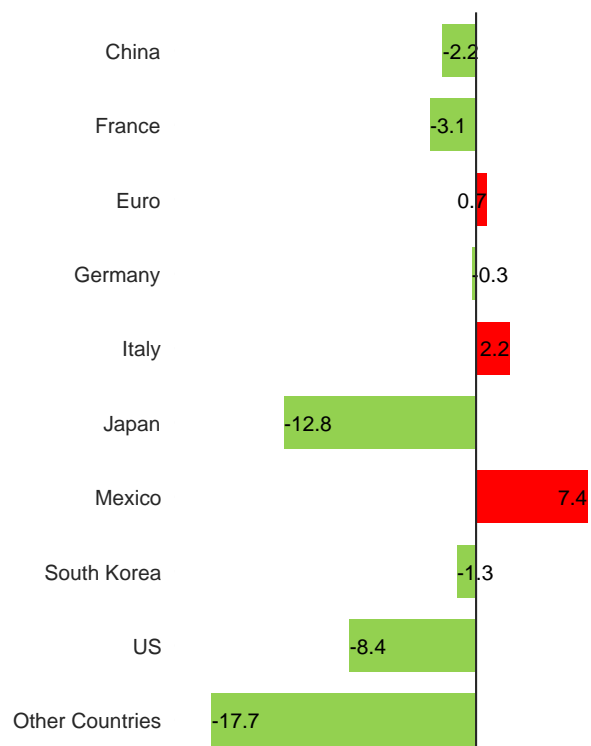
## Indices of Factors



### Interpretation

- Slight decrease of Supply: Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Negative pressure of the index of PET
- **Considerably negative pressure of the index of variables representing the market upstream**
- Negative pressure of the index of variables representing the market downstream
- Negative pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on Japan, Taiwan, and US

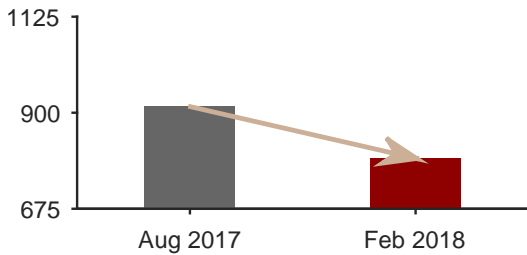
### Impact per Country



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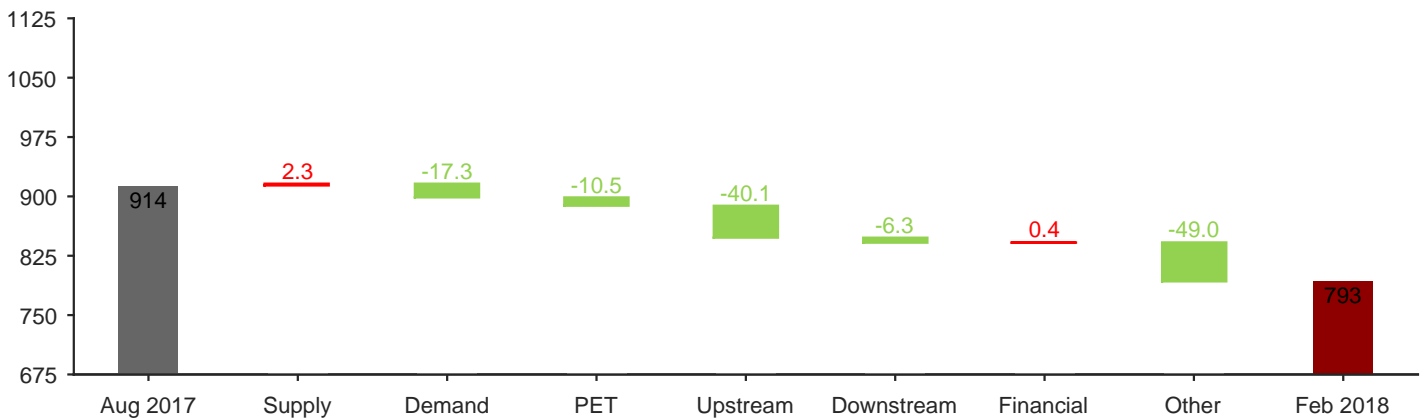
# Forecasting the Price of PET

## Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of PET in six months: it is expectable that the price decreases 13.19% from 914£ to 793£ until the beginning of February.

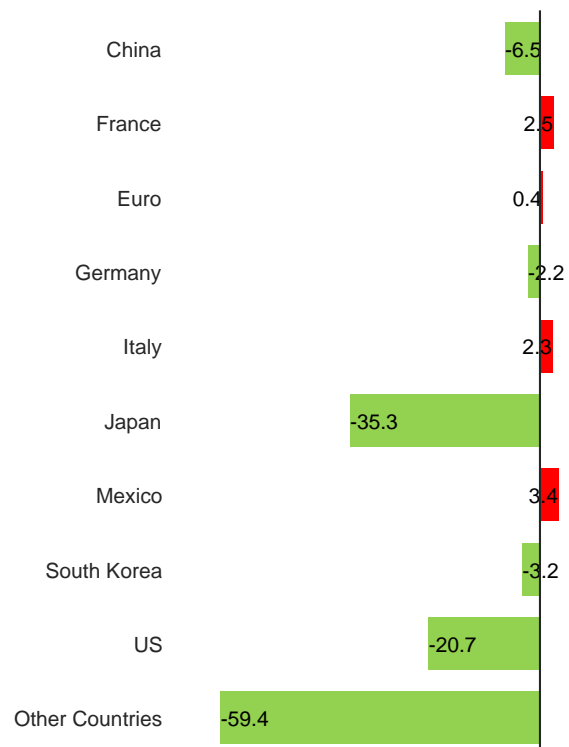
## Indices of Factors



### Interpretation

- Slight decrease of Supply: Positive pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of PET
- **Considerably negative pressure of the index of variables representing the market upstream**
- Negative pressure of the index of variables representing the market downstream
- Slightly positive pressure of the financial index
- **Considerably negative pressure of other commodities and other factors**
- Focus on Japan, US, and Thailand

### Impact per Country



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# Forecasting the Price of PET

## APPENDIX – Technical Explanation of the Impact Analysis

In this appendix, we explain the impact analysis of the factors that most contribute for our forecasts.

This Impact Analysis is conducted individually for **each time horizon**, allowing for a distinction between the indices of variables that contribute for our forecasts at short and medium run.

For each time horizon, our analysis has **two components**: first, we present the impact of variables grouped by **indices of factors**; second we present the impact of variables grouped by **indices of countries**.

### Indices of Factors

**Indices of factors** are indices of the weighted contributions of the variables grouped in those factors.

**Supply Index**: composed of macroeconomic variables of the producing and exporting countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, an increase in wages implies higher production costs which should (in linear, general, and ceteris paribus terms) generate an incentive to increase prices;

**Demand index**: composed of macroeconomic variables of the consuming and importing countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, a decrease in a consumer confidence index should (in linear, general, and ceteris paribus terms) increase savings and decrease demand, leading to lower prices;

**PET Index**: composed of variables related to PET. It includes variables such as the price of PET in different regions of the world and exports, imports, and producer prices of PET in some countries. For example, an increase in the price of PET in other region may imply an increase in the price of PET in Europe due to arbitrage movements;

**Upstream index**: composed of variables related to Ethylene, MEG, PTA, and Para-xylene. It includes variables such as the price and exports, imports, and producer prices of the inputs in some countries. For example, an increase in the price of Ethylene should (in linear, general, and ceteris paribus terms) generate an increase in the price of PET;



# Forecasting the Price of PET

## APPENDIX – Technical Explanation of the Impact Analysis (II)

**Downstream index:** composed of variables related to downstream industries, such as Packaging. It includes variables such as the exports, imports, and producer prices of the Plastic Industry in some countries. For example, an increase in the demand of Plastic should (in linear, general, and ceteris paribus terms) generate an increase in the price of PET;

**Financial Variables Index:** composed of financial market variables. It includes the share price of companies that produce PET. It also includes financial indices related to this sector. For example, a positive change in the share price of a producer of PET should (in linear, general, and ceteris paribus terms) imply an increase in expected profitability of the firm. This may signal an expectation of increase in the price of PET;

**Other Variables Index:** composed of variables related to other polymers and other commodities, such as Oil. It includes the price, exports, and imports of these commodities. For example, a positive change in the price of a substitute commodity, should (in linear, general, and ceteris paribus terms) imply an increase of demand of PET, and thus, of the price of PET.

## Indices of Countries

**Indices of Countries:** are indices of the weighted contributions of the macroeconomic variables of each country. The countries we present are the most relevant countries in the production, consumption, and international commerce of PET.

## Interpretation Warning

It is important to note that the contribution of individual variables and indices of variables is not linear. The interaction between variables and between variables of different factors may not be neglectable, which means that the importance of each variable and indices of variables is determined together with the importance of all other variables.

Furthermore, the analysis of changes in variables is not linear. This means that the same variable with the same change in different moments of time may have different impacts given its previous evolution. For example, the algorithm contrasts the change in a variable with its expected change. A positive change but inferior to the expected change may originate an effect of price correction.