

The US cyclohexane contract list and transaction price in December increased by 17.325 c/gal from November as a result of the 21 c/gal increase in the contract benzene price. The benzene/cyclohexane price differential decreased by 0.2-0.6 c/gal due to movements in the natural gas price used as a hydrogen surrogate in most large US cyclohexane contracts. The net of changes in the benzene and natural gas price results in a December cyclohexane transaction price of \$1.49-\$1.55/gal.

The US cyclohexane price in January is expected to increase significantly with the anticipated large increase in the contract benzene price. Current natural gas pricing is also showing strength. Assuming this trend continues through the end of December, the benzene/cyclohexane differential will also increase.

The demand for cyclohexane has fallen in December, partly due to year-end inventory activity and partly due to a slowing in underlying demand. At the same time, supplies have improved. All producers report normal operations. All product allocation programs have now been discontinued.

As in the US market, European producers also report some slowing in demand. Much of this slowing is related to year-end inventory adjustment activity. Producers are optimistic that regional demand will improve in January. In addition, export activity to the US market is expected to increase next year. The Chevron Phillips plant in Saudi Arabia is currently in turnaround. European supplies could tighten in Q1 if restart of this unit is delayed.

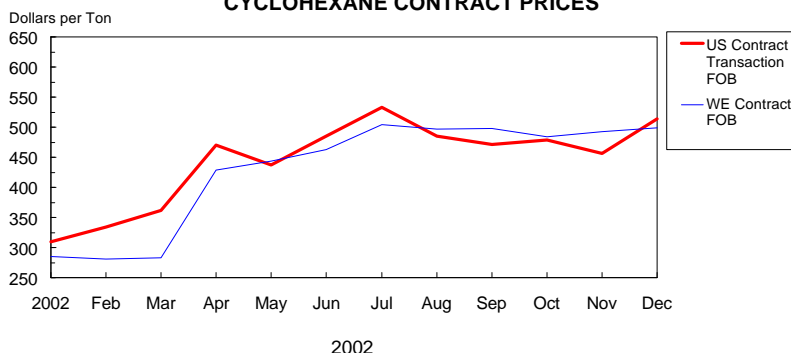
The Asian cyclohexane market remains balanced. High benzene prices have made cyclohexane export activity to Europe or the US economically unattractive

		Nov-02	Dec 02			Dec 02
US PRICES		c/gallon	c/gallon			\$/ton
Cyclohexane	Contract List*	138	155	FOB		524
Cyclohexane	Transaction**	132-138	149-155	FOB		504-524
EUROPEAN PRICES		€/ton	€/ton			\$/ton
Cyclohexane	Contract	492.5	492.5	FOB		497

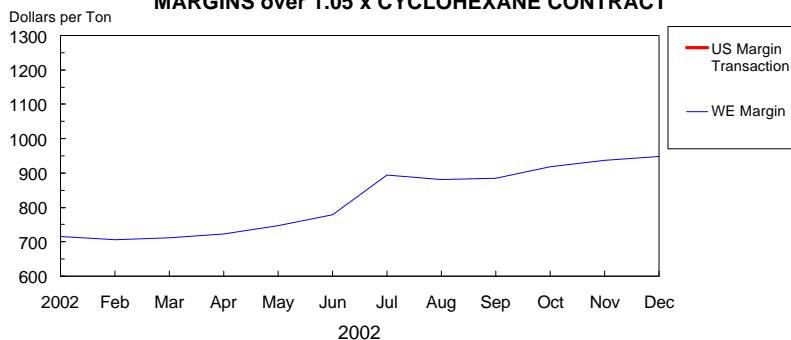
* list price; not applied to large contracts

** actual net price to large users

**US and WEST EUROPEAN
CYCLOHEXANE CONTRACT PRICES**



**US and WEST EUROPEAN CAPROLACTAM
MARGINS over 1.05 x CYCLOHEXANE CONTRACT**



**US and WE CONTRACT CYCLOHEXANE
MARGINS above 0.935 x BENZENE CONTRACT**

