

## Forestry & Paper

Date: 24 March 2021

### Textiles Fibre Weekly Update

**Key message:** Polyester and cotton under pressure this week. DWP prices stable, but could see a bit more upside from current levels.

**Analyst**  
Sean Ungerer CA (SA), CFA  
+27 82 319 3373

[sean.ungerer@chronux.co.za](mailto:sean.ungerer@chronux.co.za)

- **Key YTD moves:** Polyester +21%; HW DWP +44%; China-origin DWP +43%; medium-grade VSF +36% and high-end VSF +39%.
- **Cotton market weakened w/w:** Cotton linter declined 3% w/w, while refined cotton was broadly stable but under some pressure.
- **VSF market stable:** Based on feedback from the yarn expo recently held in Shanghai, prices are likely to remain stable. Despite some VSF plants impacted by feedstock shortage, the VSF operating rate remains at 83% and VSF inventory days remains tight but slight uptick to at 13.0 days.
- **DWP market quiet, for now:** Sun Paper continues to produce DWP, and Hunan Juntai is still working on a conversion, planning to periodically produce paper pulp. It appears that domestic mills are likely to try raise prices further. Imports have been impacted by logistics; this has to some extent hampered new offers from being announced. Lyocell is now c. USD 1,400/t. In the context of tight DWP supply, further DWP price increases could be on the cards.

### China Textiles – Key price and operating w/w changes

Price details (CNY/t)	31-Dec	12-Mar	19-Mar	%/bps w/w chg.	YTD %/bps chg.
Polyester	5 885	7 400	7 100	-4.1%	20.6%
Cottonseed	2 800	3 210	3 200	-0.3%	14.3%
Cotton linter	2 670	3 750	3 650	-2.7%	36.7%
High-quality cotton linter	3 790	5 260	5 110	-2.9%	34.8%
Industry-grade refined cotton	7 890	10 000	9 950	-0.5%	26.1%
Food-grade refined cotton	8 790	10 900	10 850	-0.5%	23.4%
Hardwood DWP (USD)	730	1 050	1 050	0.0%	43.8%
China BHKP net (USD)	499	714	720	0.8%	44.3%
DWP/pulp spread (USD)	231	336	330	-1.7%	42.8%
Softwood DWP (USD)	780	1 110	1 150	3.6%	47.4%
China-origin hardwood DWP	6 000	8 600	8 600	0.0%	43.3%
China-origin hardwood DWP (USD)	917	1 321	1 317	-0.3%	43.6%
Hardwood DWP spread: origin less import (USD)	187	271	267	-1.5%	42.8%
Medium-grade VSF	11 500	15 600	15 600	0.0%	35.7%
USD/t	1 758	2 396	2 389	-0.3%	35.9%
Medium-grade VSF/HW DWP spread (USD/t)	1 028	1 346	1 339	-0.5%	30.3%
High-end VSF	11 380	15 810	15 810	0.0%	38.9%
High whiteness VSF	11 950	15 810	15 810	0.0%	32.3%
Bright filament yarn	35 400	36 200	36 300	0.3%	2.5%
Dull filament yarn	35 800	37 750	37 800	0.1%	5.6%
Bright filament yarn	25 400	26 400	26 500	0.4%	4.3%
Rayon yarn: Ring-spun R30S	15 300	19 600	19 550	-0.3%	27.8%
Rayon yarn: OER10S	12 300	16 300	16 300	0.0%	32.5%
Rayon yarn: MVSR40S	17 200	20 850	20 850	0.0%	21.2%
<b>VSF plant operation</b>					
Operating rate (%)	77%	83%	83%	-	600
Physical inventory days	13.0	12.0	13.0	8.3%	0.0%
<b>VFY plant operation</b>					
Operating rate (%)	85%	84%	84%	-	(100)
Inventory days	110.5	101.0	100.5	-0.5%	-9.0%
<b>FX</b>					
USD/RMB	6.54	6.51	6.53	0.3%	-0.2%

Source: CCF Group, Chronux Research

**Disclaimer:**

This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back-testing) contained in this information is no indication of future performance. This product may not be eligible for distribution in all jurisdictions and is directed at institutional investors who have professional experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not for retail investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.