

## Forestry & Paper

### Textiles Fibre Weekly Update

Date: 24 May 2021

**Key message:** Cotton jumps 6%, polyester down 1%, while VSF & DWP remains stable. Viscose industry forum next week likely to determine direction of DWP prices.

- **Key YTD moves:** Polyester +14%; HW DWP +51%; China-origin DWP +43%; medium-grade VSF +20% and high-end VSF +25%. In contrast, Lyocell is only up 4%.
- **VSF prices stable this week but imported forward cargoes traded around 12,000 yuan/t:** The VSF operating rate climbed to 80% as a Sichuan-based VSF facility was running harder. VSF inventory days ticked up slightly to 23 days as spinners took delivery at a slower pace. The VSF/DWP spread is only up 1% YTD. The theoretical VSF loss for Chinese producers narrowed to RMB 170/t this week.
- **DWP prices stable, with new offers in line with April:** In the domestic market, Chinese operating rates were stable; however, inventories are ticking up on the back of slower sales recently causing Sun Paper and Hunan Juntai to convert to paper pulp. The viscose industry forum takes place next week, will be key determinant if there is any pricing pressure on DWP, which appears more likely now in view of VSF fundamentals.

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

Price details (CNY/t)	31-Dec	14-May	21-May	%/bps w/w chg.	YTD %/bps chg.
Polyester: PSF 1.4D *38mm	5 885	6 750	6 690	-0.9%	13.7%
ZCE cotton contract	15 200	15 500	16 470	6.3%	8.4%
Cottonseed	2 800	3 450	3 410	-1.2%	21.8%
Cotton linter	2 670	3 850	3 800	-1.3%	42.3%
High-quality cotton linter	3 790	5 220	5 150	-1.3%	35.9%
Industry-grade refined cotton	7 890	9 620	9 600	-0.2%	21.7%
Food-grade refined cotton	8 790	10 570	10 550	-0.2%	20.0%
Hardwood DWP (USD)	730	1 100	1 100	0.0%	50.7%
China BHKP net (USD)	499	779	779	0.1%	56.2%
DWP/pulp spread (USD)	231	321	321	-0.1%	38.8%
Softwood DWP (USD)	780	1 170	1 170	0.0%	50.0%
China-origin hardwood DWP	6 000	8 580	8 580	0.0%	43.0%
China-origin hardwood DWP (USD)	917	1 330	1 330	0.0%	45.1%
Hardwood DWP spread: origin less import (USD)	187	230	230	0.0%	23.1%
Medium-grade VSF	11 500	13 810	13 800	-0.1%	20.0%
USD/t	1 758	2 141	2 140	-0.1%	21.7%
Medium-grade VSF/HW DWP spread (USD/t)	1 028	1 041	1 040	-0.1%	1.2%
High-end VSF	11 380	14 200	14 200	0.0%	24.8%
Lyocell fibre	15 920	16 600	16 500	-0.6%	3.6%
Bright filament yarn	35 400	35 700	35 450	-0.7%	0.1%
Dull filament yarn	35 800	37 350	37 300	-0.1%	4.2%
Bright filament yarn	25 400	26 000	25 900	-0.4%	2.0%
Rayon yarn: Ring-spun R30S	15 300	17 600	17 600	0.0%	15.0%
Rayon yarn: OER10S	12 300	14 500	14 500	0.0%	17.9%
Rayon yarn: MVS40S	17 200	18 350	18 050	-1.6%	4.9%
<b>VSF plant operation</b>					
Operating rate (%)	77%	79%	80%	100	300
Physical inventory days	13.0	22.5	23.0	2.2%	76.9%
<b>VFY plant operation</b>					
Operating rate (%)	85%	82%	82%	-	(300)
Inventory days	110.5	102.0	102.5	0.5%	-7.2%
<b>FX</b>					
USD/RMB	6.54	6.45	6.45	0.0%	-1.4%

Source: CCF Group, Chronux Research

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