

Forestry & Paper

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Textiles Fibre Weekly Update

Key message: Cotton down 4% w/w, VSF and polyester mostly stable. Domestic DWP prices play further catch-up to imports. VSF operating rate drops to 68% and inventory days tick up to 24.

- **Key YTD moves:** Polyester +15%; HW DWP +44%; China-origin DWP +36%; medium-grade VSF +11% and high-end VSF +14%. In contrast, Lyocell is only up 1%.
- **VSF prices continue to stabilize, with new offers partially higher:** The VSF operating rate dropped to 68%. VSF inventory days declined to 24 days. The VSF/DWP spread weakened by 2% w/w and is down 10% YTD. The theoretical VSF loss for Chinese producers stable but still in the red at -RMB 702/t. Based on current sentiment (risk aversion from downstream segment), it is hard to see VSF prices improve.
- **Imported DWP prices stable, while domestic prices play more catch-up:** Domestic operating rates improved on the back of a Shandong-based plant resuming DWP production. Hunan Juntai has not switched DWP production yet, thus tightening supply somewhat.

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China Textiles – Key price and operating w/w changes

Price details (CNY/t)	31-Dec	11-Jun	18-Jun	YTD average	%/bps w/w chg.	YTD %/bps chg.
Polyester: PSF 1.4D *38mm	5 885	6 750	6 775	6 827	0.4%	15.1%
ZCE cotton contract	15 200	16 035	15 480	15 508	-3.5%	1.8%
Cottonseed	2 800	3 600	3 620	3 230	0.6%	29.3%
Cotton linter	2 670	3 950	3 950	3 413	0.0%	47.9%
High-quality cotton linter	3 790	5 400	5 400	4 711	0.0%	42.5%
Industry-grade refined cotton	7 890	9 750	9 850	9 116	1.0%	24.8%
Food-grade refined cotton	8 790	10 680	10 780	10 033	0.9%	22.6%
Hardwood DWP (USD)	730	1 054	1 054	1 016	0.0%	44.4%
China BHKP net (USD)	499	777	777	683	0.0%	55.7%
DWP/pulp spread (USD)	231	277	277	333	0.0%	19.9%
Softwood DWP (USD)	780	1 160	1 160	1 078	0.0%	48.7%
China-origin hardwood DWP	6 000	8 350	8 150	7 975	-2.4%	35.8%
China-origin hardwood DWP (USD)	917	1 305	1 262	1 230	-3.3%	37.6%
Hardwood DWP spread: origin less import (USD)	187	251	208	214	-17.2%	11.0%
Medium-grade VSF	11 500	12 800	12 800	14 175	0.0%	11.3%
USD/t	1 758	2 000	1 981	2 186	-0.9%	12.7%
Medium-grade VSF/HW DWP spread (USD/t)	1 028	946	927	1 170	-2.0%	-9.7%
High-end VSF	11 380	12 900	13 000	14 432	0.8%	14.2%
Lyocell fibre	15 920	16 300	16 100	16 520	-1.2%	1.1%
Bright filament yarn	35 400	35 000	34 800	35 848	-0.6%	-1.7%
Dull filament yarn	35 800	36 800	36 500	37 435	-0.8%	2.0%
Bright filament yarn	25 400	25 600	25 300	26 073	-1.2%	-0.4%
Rayon yarn: Ring-spun R30S	15 300	16 600	16 500	17 909	-0.6%	7.8%
Rayon yarn: OER10S	12 300	13 500	13 700	14 797	1.5%	11.4%
Rayon yarn: MVSR40S	17 200	17 300	17 300	19 251	0.0%	0.6%
VSF plant operation						
Operating rate (%)	77%	70%	68%	79%	(200)	(900)
Physical inventory days	13.0	23.0	24.0	16.5	4.3%	84.6%
VFY plant operation						
Operating rate (%)	85%	79%	79%	84%	-	(600)
Inventory days	110.5	104.0	104.5	102.1	0.5%	-5.4%
FX						
USD/RMB	6.54	6.40	6.46	6.48	0.9%	-1.3%

Source: CCF Group, Chronux Research

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