

## Forestry & Paper

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### Textiles Fibre Update

**Key message:** VSF and cotton in the green, while polyester is in the red. VSF operating rate improved to 78% and inventory days down to 22.5. DWP prices likely to remain stable.

- **Key YTD moves:** Cotton +15%; Polyester +22%; HW DWP +38%; China-origin DWP +26%; medium-grade VSF +15% and high-end VSF +16%. In contrast, Lyocell is down 5%.
- **VSF prices tick up slightly this week:** The VSF operating rate improved to 78% as units in Southeast China came back from maintenance. VSF inventory days dropped slightly again this week to 22.5 as spinners appeared less eager to build up stocks. The VSF/DWP spread improved w/w and is now flat YTD. The theoretical VSF loss for Chinese producers is still in the red at -RMB 121/t as production costs increased further (caustic soda and sulphuric acid). VSF has been gaining traction; however could be put on hold now with a resurgence of COVID in China.
- **DWP prices remain stable:** The Chinese market was stable this week. With the DWP/pulp spread at c.USD 317/t, this is likely to encourage further DWP price stability, while local producers favour DWP production. Hunan Juntai and Sun Paper were both producing DWP, while Chenming Huanggang is still testing to produce DWP.

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

Price details (CNY/t)	31-Dec	30-Jul	06-Aug	YTD average	%/bps w/w chg.	YTD %/bps chg.
ZCE cotton contract	15 200	17 335	17 410	15 804	0.4%	14.5%
Polyester: PSF 1.4D *38mm	5 885	7 350	7 170	6 898	-2.4%	21.8%
Cottonseed	2 800	3 630	3 620	3 317	-0.3%	29.3%
Cotton linter	2 670	5 350	5 400	3 730	0.9%	102.2%
High-quality cotton linter	3 790	7 350	7 400	5 140	0.7%	95.3%
Industry-grade refined cotton	7 890	14 500	15 000	9 799	3.4%	90.1%
Food-grade refined cotton	8 790	15 000	15 500	10 664	3.3%	76.3%
Hardwood DWP (USD)	730	1 010	1 010	1 017	0.0%	38.4%
China BHKP net (USD)	499	667	693	693	4.0%	39.0%
DWP/pulp spread (USD)	231	343	317	324	-7.8%	37.0%
Softwood DWP (USD)	780	1 170	1 170	1 097	0.0%	50.0%
China-origin hardwood DWP	6 000	7 560	7 550	7 921	-0.1%	25.8%
China-origin hardwood DWP (USD)	917	1 168	1 165	1 222	-0.3%	27.1%
Hardwood DWP spread: origin less import (USD)	187	158	155	204	-2.1%	-17.0%
Medium-grade VSF	11 500	13 150	13 200	13 886	0.4%	14.8%
USD/t	1 758	2 032	2 037	2 141	0.2%	15.9%
Medium-grade VSF/HW DWP spread (USD/t)	1 028	1 022	1 027	1 124	0.4%	0.0%
High-end VSF	11 380	13 120	13 200	14 111	0.6%	16.0%
Lyocell fibre	15 920	15 200	15 150	15 971	-0.3%	-4.8%
Bright filament yarn	35 400	34 800	34 900	35 563	0.3%	-1.4%
Dull filament yarn	35 800	36 100	36 300	37 095	0.6%	1.4%
Bright filament yarn	25 400	25 200	25 400	25 839	0.8%	0.0%
Rayon yarn: Ring-spun R30S	15 300	17 800	17 900	17 726	0.6%	17.0%
Rayon yarn: OER10S	12 300	13 800	13 900	14 527	0.7%	13.0%
Rayon yarn: MVS40S	17 200	18 500	18 700	18 957	1.1%	8.7%
<b>VSF plant operation</b>						
Operating rate (%)	77%	76%	78%	78%	200	100
Physical inventory days	13.0	23.0	22.5	18.4	-2.2%	73.1%
<b>VFY plant operation</b>						
Operating rate (%)	85%	70%	70%	81%	-	(1 500)
Inventory days	110.5	107.0	106.5	103.1	-0.5%	-3.6%
<b>FX</b>						
USD/RMB	6.54	6.47	6.48	6.48	-0.2%	-1.0%

Source: CCF Group, Chronux Research

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