

## Forestry & Paper

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### Textiles Fibre Update

**Key message:** Hardwood DWP drops 5% w/w to USD 950/t, while VSF price is up 10% w/w. This means the VSF/DWP spread is now up 23% YTD.

- **Key YTD moves:** Cotton +50%; Polyester +40%; HW DWP +30%\*; China-origin DWP +17%; medium-grade VSF +24%\*; high-end VSF +21%\* and Lyocell -8%.
- **VSF prices jumps 10% w/w, with potentially more on the cards:** Market activity has improved seeing a rebound in VSF prices as spinners are active to take delivery of VSF on the back of an increasingly bullish sentiment due to worries around supply caused by energy restrictions. The run rate of Jiangsu based units resumed after production was limited, but some lines in Northeast China were shut for maintenance, so the operating rate of VSF industry stabilized around 60% from 62%. Despite this, inventory days decreased from 32.5 to 29.5 days. The VSF/DWP spread is up by 24% w/w and is now up 23% YTD. The theoretical VSF loss for Chinese producers is just in the red at -USD 37/t but is set to improve.
- **Imported hardwood DWP now USD 950/t following the National Day holiday:** The DWP/pulp spread has also contracted to USD 350/t. Due to lower VSF operating rates, DWP consumption has been lower. However, with VSF prices having recovered, this remains supportive of DWP fundamentals.

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

Price details (CNY/t)	31-Dec	30-Sep	08-Oct	15-Oct	YTD average	%/bps w/w chg.	YTD %/bps chg.
ZCE cotton contract	15 200	20 005	21 255	22 855	16 540	7.5%	50.4%
Polyester: PSF 1.4D *38mm	5 885	7 415	7 982	8 225	6 983	3.1%	39.8%
Cottonseed	2 800	3 680	3 700	3 700	3 413	0.0%	32.1%
Cotton linter	2 670	5 520	5 540	6 050	4 180	9.2%	126.6%
High-quality cotton linter	3 790	7 580	7 650	8 430	5 758	10.2%	122.4%
Industry-grade refined cotton	7 890	14 400	14 400	14 500	10 978	0.7%	83.8%
Food-grade refined cotton	8 790	14 900	14 900	15 000	11 753	0.7%	70.6%
Hardwood DWP (USD)	730	1 000	1 000	950	1 013	-5.0%	30.1%
China BHKP net (USD)	461	620	622	600	672	-3.6%	30.0%
DWP/pulp spread (USD)	269	380	378	350	341	-7.3%	30.4%
Softwood DWP (USD)	780	1 125	1 125	1 125	1 112	0.0%	44.2%
China-origin hardwood DWP	6 000	7 250	7 000	7 000	7 794	0.0%	16.7%
China-origin hardwood DWP (USD)	917	1 121	1 087	1 087	1 203	0.0%	18.5%
Hardwood DWP spread: origin less import (USD)	187	121	87	137	189	57.5%	-26.7%
Medium-grade VSF	11 500	12 050	13 000	14 250	13 623	9.6%	23.9%
USD/t	1 758	1 862	2 019	2 213	2 102	9.6%	25.9%
Medium-grade VSF/HW DWP spread (USD/t)	1 028	862	1 019	1 263	1 088	24.0%	22.9%
High-end VSF	11 380	12 050	12 800	13 800	13 787	7.8%	21.3%
Lyocell fibre	15 920	14 600	14 600	14 600	15 511	0.0%	-8.3%
Bright filament yarn	35 400	36 000	36 000	36 250	35 588	0.7%	2.4%
Dull filament yarn	35 800	37 300	37 300	37 550	37 067	0.7%	4.9%
Bright filament yarn	25 400	26 800	26 900	27 100	25 952	0.7%	6.7%
Rayon yarn: Ring-spun R30S	15 300	17 450	18 000	19 250	17 734	6.9%	25.8%
Rayon yarn: OER10S	12 300	12 900	14 000	14 700	14 281	5.0%	19.5%
Rayon yarn: MVSR40S	17 200	18 000	19 100	20 350	18 774	6.5%	18.3%
<b>VSF plant operation</b>							
Operating rate (%)	77%	60%	62%	60%	76%	(201)	(1 700)
Physical inventory days	13.0	34.0	32.5	29.5	21.2	-9.2%	126.9%
VSF theoretical profit (USD/t)		(344)	(248)	(37)		85.1%	
VSF theoretical profit (yuan/t)		(2 223)	(1 600)	(239)		85.1%	
<b>FX</b>							
USD/RMB	6.54	6.47	6.44	6.44	6.48	0.0%	-1.6%

Source: CCF Group, Chronux Research

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