

Forestry & Paper

Textiles Fibre Update

Date: 23 November 2021

Key message: Cotton in the green, but polyester and VSF down again this week. VSF inventory days now up to 24.0, while the average operating jumps to 69%. VSF/DWP spread is up 24% YTD.

- **Key YTD moves:** Cotton +43%; Polyester +19%; HW DWP +27%; China-origin DWP +15%; medium-grade VSF +23%; high-end VSF +26% and Lyocell -7%. Cotton is currently trading at a 54% premium to VSF (YTD average: 25%) and at a 210% premium to polyester (YTD average: 142%). VSF premium to polyester is currently 101% (YTD average: 96%).
- **VSF prices down 1% w/w:** The VSF market was bearish as spinners held higher feedstock inventory, with fresh procurement limited. The operating rate of VSF industry improved w/w from 60% to 69% as the run rate of Xinjiang-based VSF units improved. Inventory days increased from 23.0 days to 24.0 and the VSF/DWP spread is down 2% w/w and is up 24% YTD. Theoretical VSF margin for Chinese producers more than doubled w/w to USD 50/t, supported by lower processing costs. Currently, CCF view end-user demand as dreary with ST bearish expectations. However, large-scale VSF plants supported by ample pre-sales likely to provide support to prices.
- **Slight pressure on DWP prices in China (import DWP down 1% vs. domestic DWP down 0.7%):** However, CCF noted a great divergence in the south hemisphere as the higher price of FSC certified pulp stayed at USD 960/t. DWP/pulp spread is currently USD 373/t, and Hunan Juntai continued with DWP production this past week.

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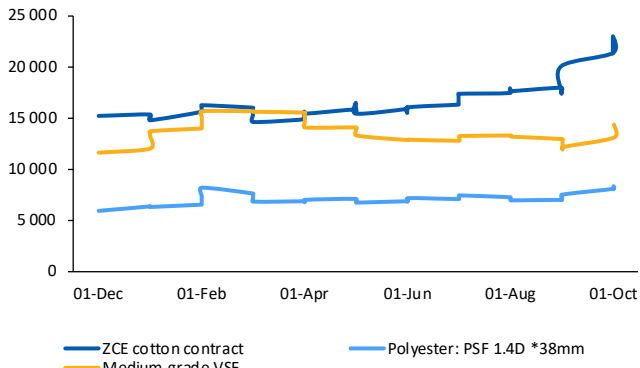
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China Textiles – Key price and operating w/w changes

Price details (CNY/t)	%/bps w/w chg.	YTD %/bps chg.
ZCE cotton contract	1.8%	43.1%
ICE nearby contract	1.3%	
Polyester: PSF 1.4D *38mm	-2.5%	19.1%
Cottonseed	-4.3%	19.6%
Cotton linter	-0.8%	136.0%
High-quality cotton linter	-1.1%	146.7%
Industry-grade refined cotton	-1.3%	100.3%
Food-grade refined cotton	-1.2%	85.4%
Hardwood DWP (USD)	-1.1%	26.7%
China BHKP net (USD)	-0.5%	20.3%
DWP/pulp spread (USD)	-1.9%	37.5%
Softwood DWP (USD)	0.0%	41.0%
China-origin hardwood DWP	-0.7%	15.0%
China-origin hardwood DWP (USD)	-0.7%	17.6%
Hardwood DWP spread: origin less import (USD)	1.4%	-18.1%
Medium-grade VSF USD/t	-1.4%	22.6%
Medium-grade VSF/HW DWP spread (USD/t)	-1.6%	24.4%
High-end VSF	-1.0%	25.7%
Lyocell fibre	0.3%	-7.4%
Bright filament yarn	0.5%	5.4%
Dull filament yarn	0.7%	7.7%
Bright filament yarn	0.7%	11.4%
Rayon yarn: Ring-spun R30S	-1.1%	22.5%
Rayon yarn: OER10S	-3.2%	10.6%
Rayon yarn: MVSR40S	-2.0%	13.4%
Competing fibre premiums		
Cotton premium to polyester	1 297	1 502
Cotton premium/(discount) to VSF	477	612
VSF premium to polyester	224	183
VSF plant operation		
Operating rate (%)	899	1 100
Physical inventory days	4.3%	84.6%
VSF theoretical profit (USD/t)	139.3%	
VSF theoretical profit (yuan/t)	139.3%	
FX		
USD/RMB	0.0%	-2.2%

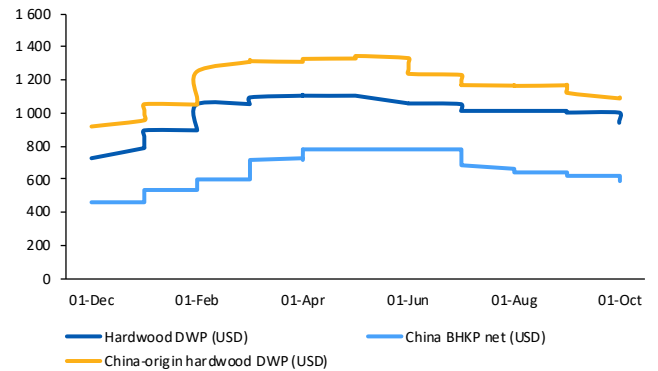
Source: CCF Group, Chronux Research

Textile prices 2021 YTD performance (CNY/t)



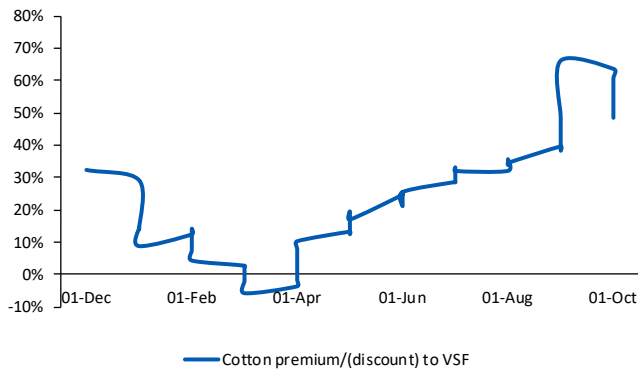
Source: CCF, Chronux Research

Hardwood pulp and DWP price (USD/t)



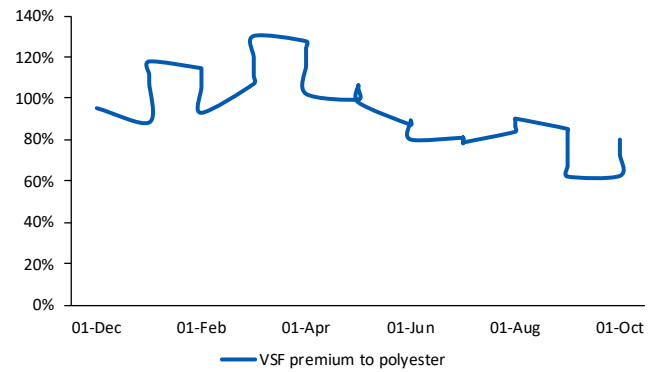
Source: CCF, Chronux Research

Cotton premium/(discount) to VSF (%)



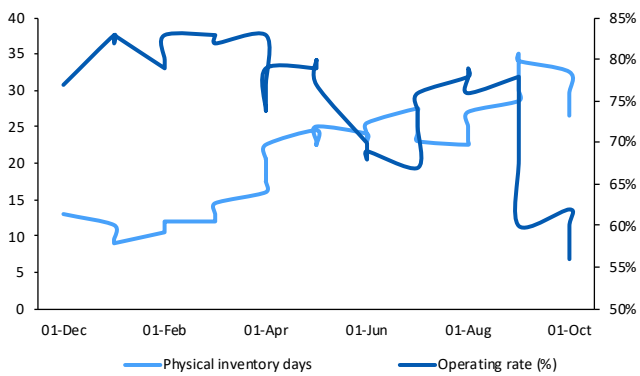
Source: CCF, Chronux Research

VSF premium/(discount) to polyester (%)



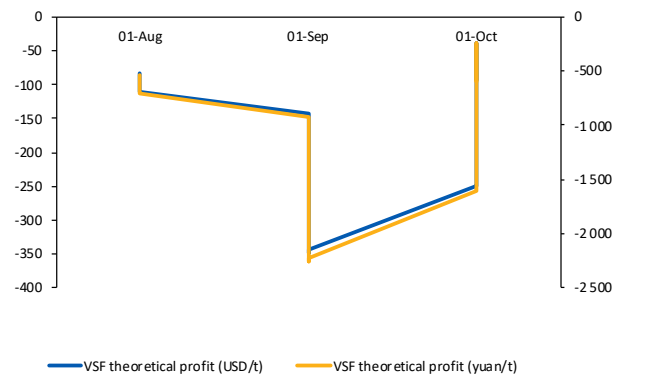
Source: CCF, Chronux Research

China VSF inventory days (#) and op. rates (%)



Source: CCF, Chronux Research

China VSF theoretical profit



Source: CCF, Chronux Research

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