

Forestry & Paper

Textiles Fibre Update

Date: 29 November 2021

Key message: Cotton, VSF and DWP under further pressure. VSF inventory days up to 25.0, while the average operating improves to 72%. VSF/DWP spread is up 21% YTD and VSF theoretical profit is down to USD 28/t.

- **Most textiles came under pressure this week but refined cotton (-10%) and cotton linter (-24%) were hit the hardest:** The cottonseed price kept slipping as seed cotton harvesting was coming to an end and ginners started processing on large quantity.
- **VSF prices down 1-3% w/w:** The operating rate of VSF industry improved w/w from 69% to 72% as some Shandong-based VSF units ramped-up. Inventory days increased from 24.0 days to 25.0 and the VSF/DWP spread is down 3% w/w (+21% YTD). Theoretical VSF margin for Chinese producers came under pressure and is now c.USD 28/t. Spinners continue to hold off from new orders, where possible.
- **Domestic and imported hardwood DWP prices down 1% w/w in China:** DWP/pulp spread is currently USD 365/t. Trades for November are concluded with expectations for December trades to be lower.
- **Key YTD moves:** Cotton +43%; Polyester +21%; HW DWP +25%; China-origin DWP +17%; medium-grade VSF +20%; high-end VSF +25% and Lyocell -8%. Cotton is currently trading at a 55% premium to VSF (YTD average: 26%) and at a 200% premium to polyester (YTD average: 144%). VSF premium to polyester is currently 94% (YTD average: 96%).

Analyst

Sean Ungerer CA (SA), CFA
+27 82 319 3373

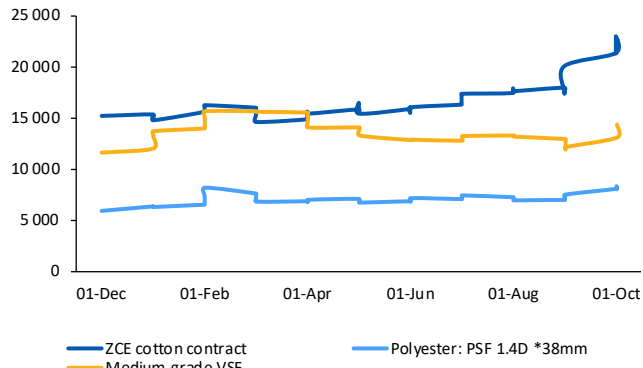
sean.ungerer@chronux.co.za

China Textiles – Key price and operating w/w changes

Price details (CNY/t)	%/bps w/w chg.	YTD %/bps chg.
ZCE cotton contract	-1.6%	40.8%
ICE nearby contract	-2.2%	
Polyester: PSF 1.4D *38mm	1.6%	21.1%
Cottonseed	-1.2%	18.2%
Cotton linter	-23.8%	79.8%
High-quality cotton linter	-26.2%	82.1%
Industry-grade refined cotton	-10.1%	80.0%
Food-grade refined cotton	-9.8%	67.2%
Hardwood DWP (USD)	-1.1%	25.3%
China BHKP net (USD)	-0.3%	20.0%
DWP/pulp spread (USD)	-2.2%	34.4%
Softwood DWP (USD)	-2.3%	37.8%
China-origin hardwood DWP	-0.7%	14.2%
China-origin hardwood DWP (USD)	-0.9%	16.5%
Hardwood DWP spread: origin less import (USD)	0.3%	-17.8%
Medium-grade VSF	-2.1%	20.0%
USD/t	-2.3%	22.5%
Medium-grade VSF/HW DWP spread (USD/t)	-3.1%	20.5%
High-end VSF	-0.7%	24.8%
Lyocell fibre	-0.4%	-7.8%
Bright filament yarn	0.4%	5.8%
Dull filament yarn	0.3%	8.0%
Bright filament yarn	0.4%	11.8%
Rayon yarn: Ring-spun R30S	-1.1%	21.2%
Rayon yarn: OER10S	-0.7%	9.8%
Rayon yarn: MVSR40S	-0.8%	12.5%
Competing fibre premiums		
Cotton premium to polyester	(986)	517
Cotton premium/(discount) to VSF	84	697
VSF premium to polyester	(747)	(563)
VSF plant operation		
Operating rate (%)	299	1 400
Physical inventory days	4.2%	92.3%
VSF theoretical profit (USD/t)	-44.1%	
VSF theoretical profit (yuan/t)	-44.0%	
FX		
USD/RMB	0.2%	-2.0%

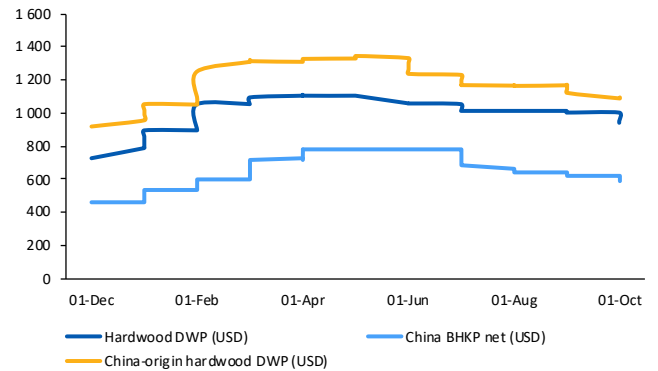
Source: CCF Group, Chronux Research

Textile prices 2021 YTD performance (CNY/t)



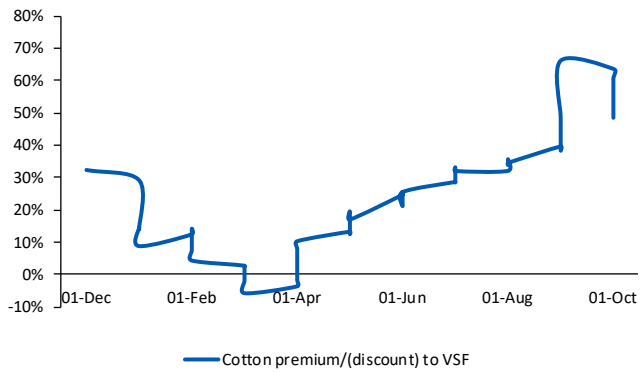
Source: CCF, Chronux Research

Hardwood pulp and DWP price (USD/t)



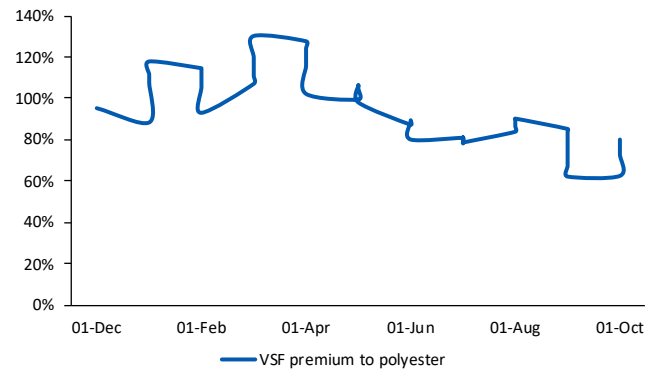
Source: CCF, Chronux Research

Cotton premium/(discount) to VSF (%)



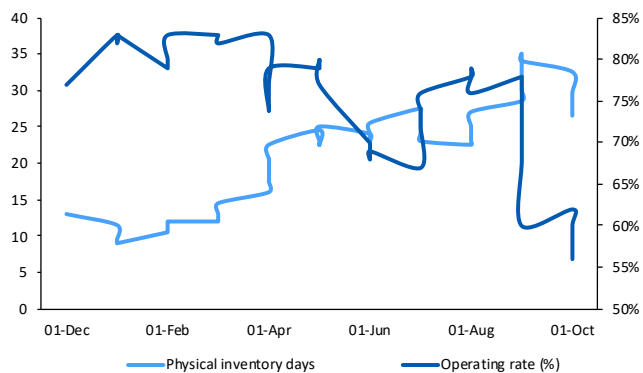
Source: CCF, Chronux Research

VSF premium/(discount) to polyester (%)



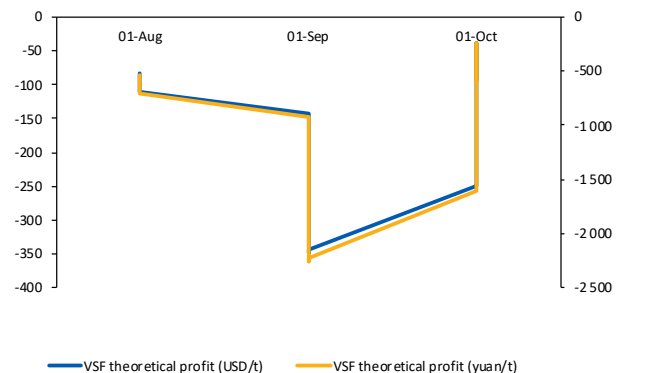
Source: CCF, Chronux Research

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



Source: CCF, Chronux Research

China VSF theoretical profit



Source: CCF, Chronux Research

Disclaimer:

This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back-testing) contained in this information is no indication of future performance. This product may not be eligible for distribution in all jurisdictions and is directed at institutional investors who have professional experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not for retail investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.