



China Sourcing Update

July 11, 2019

Prices of Chemical Textile Materials

1. Price indices of polyester rise in June

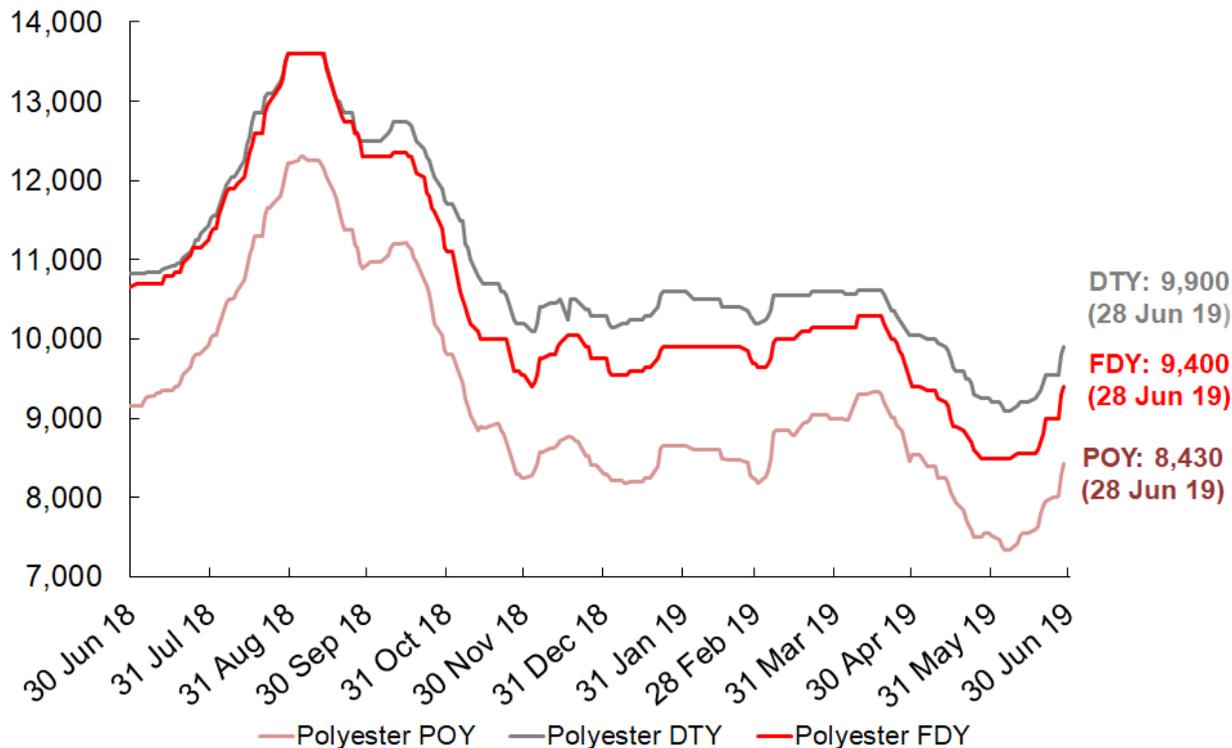
The price indices of polyester¹ rose in June, after two months of decline in April and May. The price index of polyester DTY, for example, rose from 9,200 on 31 May to 9,900 on 28 June (see exhibit 1).

In our view, the prices of polyester rebounded in June for two reasons. First, the price of PTA, a major upstream material for polyester, recorded strong increase in June. Second, inventory levels of polyester producers and textile mills have returned to reasonable levels after months of destocking.

Looking ahead, we predict that polyester prices will stabilise, as the downstream demand is unlikely to regain momentum in the near future.

¹ The indices are compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 1: Price indices of polyester, June 2018 to June 2019



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber declines in June

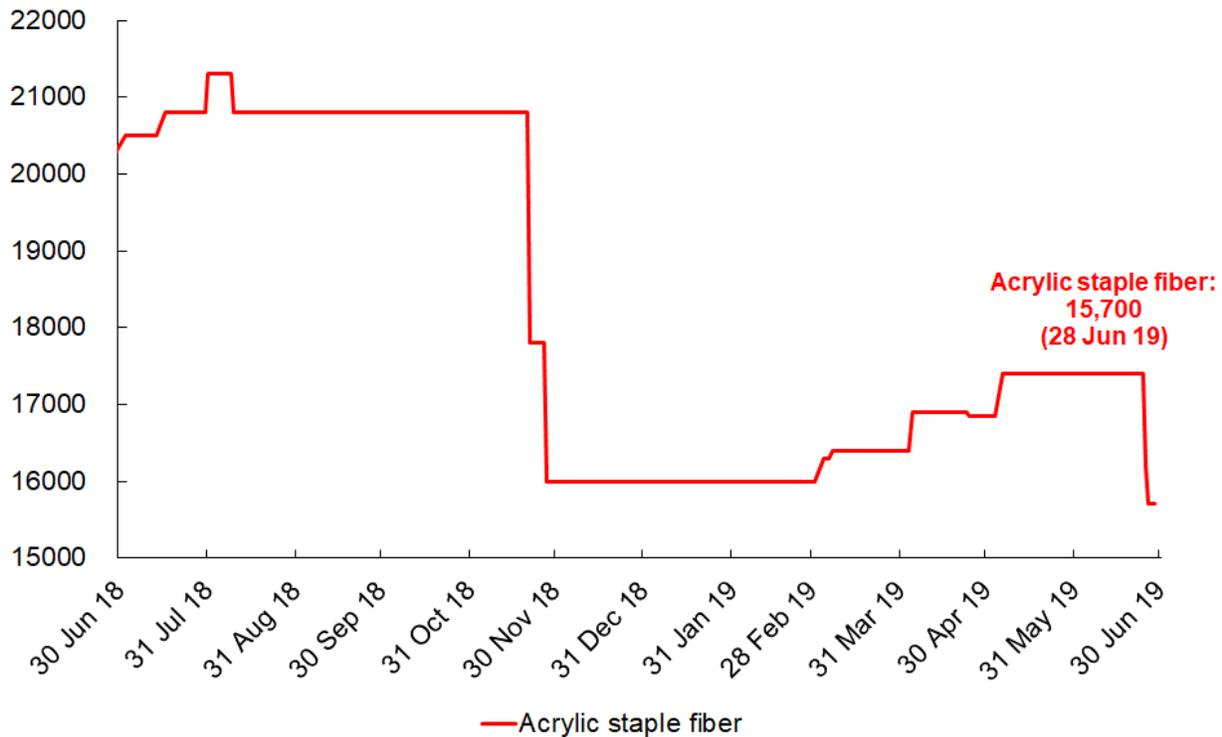
The price index of acrylic staple fiber² declined in the last week of the month. After staying at 17,400 from 6 May to 24 June, the price index dropped to 15,700 on 28 June (see exhibit 2).

The main reason for the decline in the prices of acrylic staple fiber in June was that the prices of acrylonitrile, a major upstream material of acrylic staple fiber, retreated during the month.

Looking ahead, we expect the prices of acrylic staple fiber to remain weak in the near term, as the prices of acrylonitrile are expected to drop further amid increased supply.

² The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 2: Price index of acrylic staple fiber, June 2018 to June 2019



Source: China Chemical & Fiber Economic Information Network

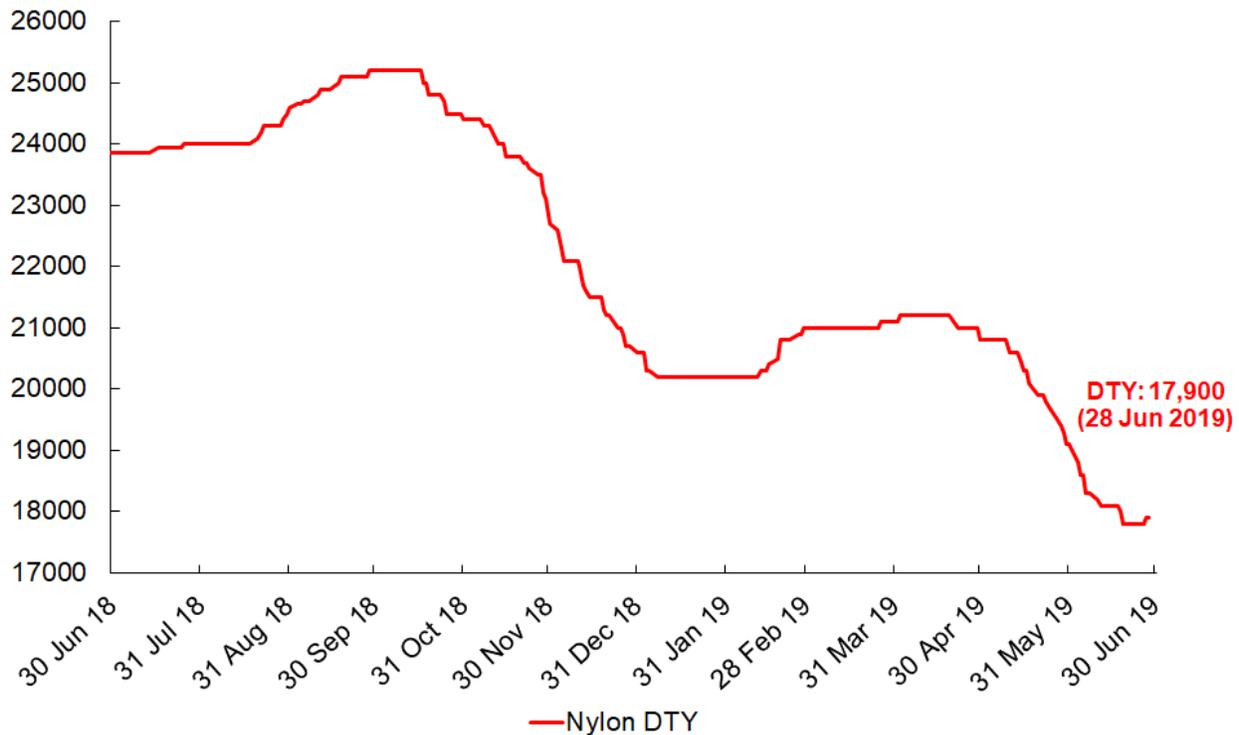
3. Price index of nylon continues to fall in June

The price index of nylon³ dropped from 19,100 on 31 May to 17,800 on 19 June, the lowest level since November 2016, and closed at 17,900 on 28 June (see exhibit 3). The drop in the prices of nylon in June was attributed to sluggish downstream demand due to uncertainties arising from China-US trade tensions, as well as the decline in the prices of caprolactam, a major input material of nylon.

Going forward, we expect that nylon prices will stabilise, as the price of crude oil, which is a raw material for caprolactam, rebounds and the outlook of China-US trade relations improves.

³ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 3: Price index of nylon, June 2018 to June 2019



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose fluctuates within a narrow range in June

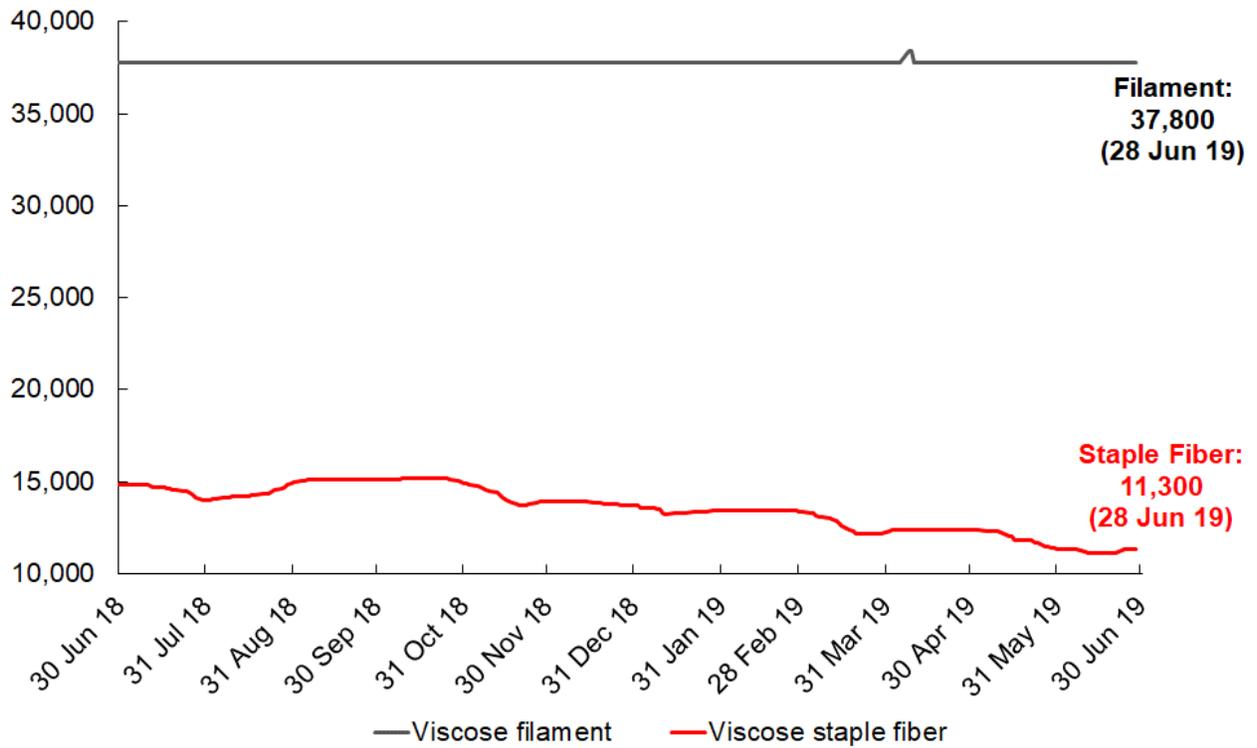
The price index of viscose staple fiber⁴ fluctuated within a narrow range and closed at 11,300 on 28 June, the same level as at 31 May (see exhibit 4).

In our opinion, the prices of viscose staple fiber stabilised mainly because of two reasons. First, inventory levels at downstream rayon yarn mills have reached low levels after months of destocking. Second, supply of viscose staple fiber shrank temporarily as viscose manufacturers underwent machinery maintenance.

Looking ahead, we predict that the prices of viscose staple fiber will continue to stay near the current low levels, as downstream demand remains weak.

⁴ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 4: Price indices of viscose, June 2018 to June 2019



Source: China Chemical & Fiber Economic Information Network

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