Textile Beacon

GLOBAL POLYESTER PRICE FORECAST

SAMPLE-FEBRUARY 2017

POLYESTER IN ASIA

Price may remain subdued after flaring in January

Crude oil prices are likely to lose about US$1 a barrel in February as experts opine that there was still a possibility of oversupply and prices may draw support from an anticipated weaker US$, which will cap price gains.

Asian ethylene spot after galloping US$124 in December inched up US$5 in January, leaving no room for any further rise in February. Price may hover around the same levels but chances of narrowing gap between SE and NE is high. Paraxylene availability looks to be odd with Reliance taking some more time to come on line and there are some maintenance outages in February which will add to the desire for additional goods. Spot may soften in line with crude and naphtha parity. PTA margins will remain lamentably thin having not picked up as anticipated after New Year holidays. Trading will remain relatively sluggish. The Asia contract numbers for February MEG were posted up to a level of US$1,040-1,100 a ton CFR. In general, spot prices head up to higher levels as low inventories in storage tanks of coastal China will underpin market optimism. The February spot price range for polyester chip will narrow down given the US$140 rise in previous two months.

Following the increases in polyester filaments in December and in early January, prices will tend to stabilised in early February since will remain soft with lower downstream output. In order to stimulate the downstream market to prepare for stocking, some companies will adjust the prices down in the first two weeks. PSF prices will perform worse than filament, possibly due to recycled staple prices which move more slowly than virgin prices.

Trends in January

Ethylene prices hit a 4-month high in January while the difference between NE and SE widened again. Prices averaged US$1,013.75-1,015 a ton CFR SE Asia, up 3.2% from December. Paraxylene were at 18-month highs on regional supply constraints. CFR China averaged US$884-885 a ton, up 3.8%. MEG and PTA prices gained bullish outlook post-Lunar New Year and concerns of tighter supply in February. MEG averaged US$919-924 a ton FOB SE Asia, up 4.8% while PTA prices averaged US$650-652 a ton CFR China in January, up 3.8% from December. Polyester chip prices were up 1.7% amid insipid trading with offers for SD at US$1,115-1,130 a ton. PFY markets were quiet and prices remained stable to up amid thin spot trades. POY 75/72 were up US cents 3 at US$1.34-1.36 a kg in Shengze. PSF markets in China were calm as holiday atmosphere got strong. 1.4D PSF was at US$1.19-1.21 a kg, rolling over from December.

POLYESTER IN USA

Pricing to remain subdued in February

In US, ethylene spot will tend to soften in line with crude oil prices but will remain at 3-month high. For MEG, US exports have surged to China with the dramatic price recovery. The result was that almost all free MEG in US was loaded on ship at much higher than domestic prices. MEGlobal has increased its North American benchmark for MEG by US cents 3 to US cents 47 per pound (US$1,036 a ton) for February. There were several announced increases for January at US cents 5-9 from five producers.

For paraxylene, there was a large uplift compared to Asia in December as a consequence the settlement of January was seen as a reasonable jump but in line with Asian values. In February, paraxylene downstream PTA will be the key. While there are no suggestions of any supply issues for PTA and paraxylene but this will now be slightly different market in February with Indorama in the merchant seat for the first time after taking over the BP assets at Decatur, this will bring into question what will happen to formula pricing over the coming months. Polyester fibre chip pricing will remain stable to down after moving up sharply in January.

There is increased optimism in US textiles market, however the optimism is not turning into a significant uptick in orders. Certainly, volumes have improved, but business is at similar levels are still low. The optimism is partly the Trump effect and partly coming from indications of new investments. There is some improvement in polyester industrial filament with increase ordering for military end uses. Forecasts for 2017 are for a flattening of growth and maybe a small decline. PSF raw material expectations for February indicate that a further increase but market sentiment will be similar PFY.

Trends in January

In US, ethylene spot rose to a 3-month high as ExxonMobil begins Louisiana turnaround. Prices surged 29% on the month to average US cents 32.41-32.91 per pound FD USG. US paraxylene spot saw gains as Asia pulled US pricing 9% higher at US$845 a ton FOB USG. MEG spot climbed to a fresh 18-month high as February contracts were expected higher with continued pressure from rising Asian pricing. Spot was at US cents 39.75-

40.75 per pound FOB USG, up 26% on the month. Polyester fibre chip pricing moved up US cents 3.5-4.0 per pound in January. PFY Pricing has been calmer than in imports where Asian volatility caused real problems for many customers. Prices were generally up US cents 12-22c a kg in January, with FDY seeing some of the highest increases. PSF pricing was at an increase of US cents 3.5-4.0 per pound for market-driven pricing while raw material indexed was up US cents 2 based on a lagging month adjustment.

POLYESTER IN EUROPE

Polyester raw material may remain stable in February

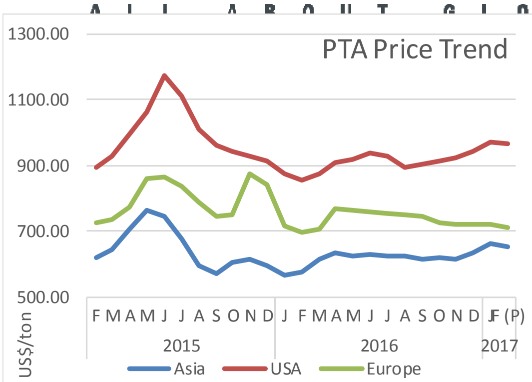
The February ethylene contract price was settled at Euro1,020 a ton (US$1,091 a ton) FD NWE, up Euro35 on January number. However, spot is likely to roll over given the Euro 86 jump in January. MEG contract price for February was settled at Euro1,034 a ton up Euro119, driven by the rise in spot in January and continued strength in the Asian market. Spot in February will continue to remain buoyed by both upstream feedstock prices and downstream polyester markets, but may tend to roll over during the month.

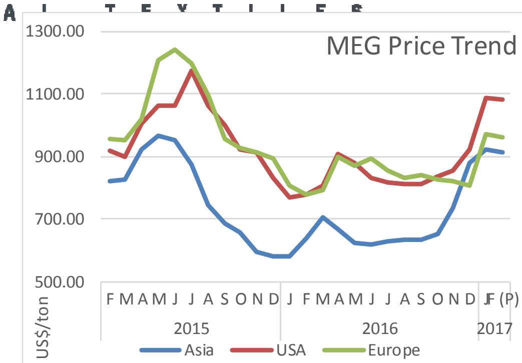
European PTA contract CP firmed up Euro30 to Euro720 a ton, reflecting a higher initial settlement in feedstock paraxylene contract price for February. There are no suggestions of either paraxylene or PTA supply issues for February but PTA will have to be imported at high levels in 2017. The issue is where it will come from hanging over Korean supply. Spot is likely to protracted in the current environment. PTA was finally settled in January up Euro45-70 a ton depending on agreements of the revised spreads for 2017. Negotiations for PET chip will be tough in February with new PTA pricing and in many instances the January price range was not settled.

PSF business will remain good but prices will remain subdued after a spurt across the board in January, with exception of rPET prices which will be more or less stable. Europe depends largely on imported PSF, and so in addition to the higher domestic raw material costs it will also accommodate large price increases from China. PFY price increases will slow down in February, with imports maintaining the momentum because Chinese sources form over 40% of the EU import supply.

Trends in January

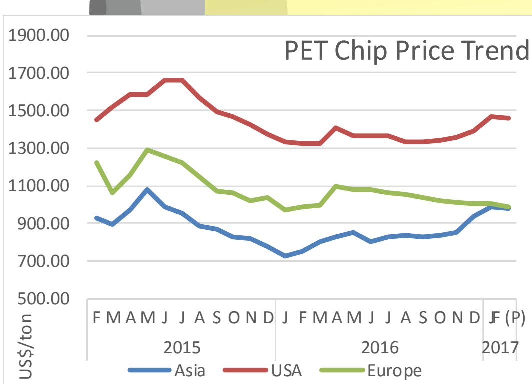
Ethylene spot climbed in Europe amid marginal tightening material as producers built inventory due to maintenance. Spot rose 11% to average Euro888-892 a ton FD NWE. Paraxylene spot gained 4.6% to US$790.75 a ton FOB Rotterdam as fundamentals held firm on supply-demand mismatch. MEG spot prices jumped 41% as bullish ethylene contributed to the increase. Spot was at Euro660 a ton NWE FCA. PTA January net contract price was assessed up, largely tracking the firmer initial settlement of the January paraxylene, at Euro675-709 a ton FD NWE, up 5.5% on the month. Polyester chips were not settled. PSF business was good and there are no real issues passing through raw material price increases which customers are expecting based on recent news of rises for PTA and MEG. Higher US$ -based raw materials and the weaker Euro pushed domestic PFY prices up Euro 5 a kg, especially as high priced Chinese imports made in Q4 have started arriving.

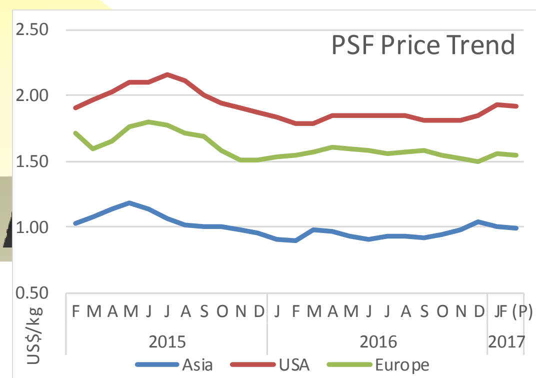


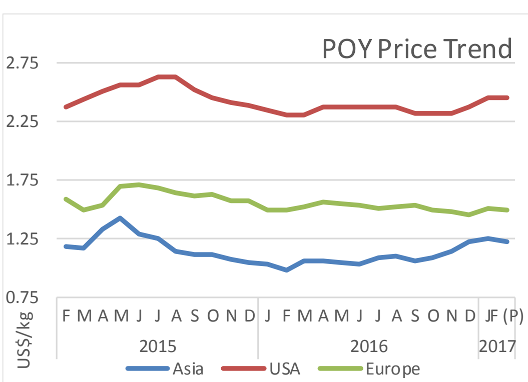


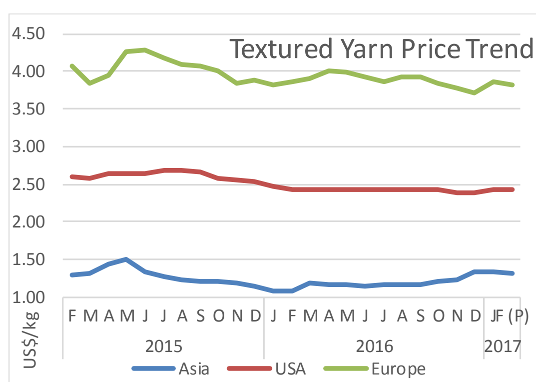
Global Polyester Price Forecast

Product / Specs	Market	Unit	Jan-17	Feb-17	% YoY	Jun-17	% YoY	Dec-17	% YoY
			Actual	Forecast		Most likely		Tentative	
Naphtha	Japan CFR	US$/ton	516	507	57.5	517	22.1	591	23.0
Naphtha	US Gulf	US$/bb	54.08	53.03	60.6	54.03	11.4	62.10	15.6
Naphtha	Rotterdam	US$/bb	50.26	49.37	52.7	50.83	14.7	59.37	16.6
Ethylene	Korea FOB	US$/ton	1,145	1,142	23.1	1,165	8.6	1,244	9.1
Ethylene	US Gulf	US$/ton	720	709	61.3	728	32.9	835	49.3
Ethylene	Europe Delivered	US$/ton	890	888	19.5	902	-0.8	953	18.5
Paraxylene	Korea FOB	US$/ton	864	852	18.5	861	8.2	944	13.4
PTA	Korea/Taiwan FOB	US$/ton	662	652	12.6	649	3.1	693	9.2
PTA	US Delivered	US$/ton	972	965	12.5	976	4.3	1,042	10.4
PTA	Europe Delivered	US$/ton	721	710	1.6	700	-8.1	724	0.4
MEG	Korea/Taiwan FOB	US$/ton	922	914	42.4	926	49.1	1,001	13.6
MEG	US FOB	US$/ton	1,089	1,083	39.0	1,101	32.0	1,182	27.9
MEG	Europe FOB	US$/ton	970	963	23.9	978	9.5	1,056	30.8
PET Chip SD	Taiwan FOB	US$/ton	989	976	30.2	981	21.7	1,058	12.4
PET Chip	US Delivered	US$/ton	1,471	1,463	10.6	1,480	8.2	1,567	12.8
PET Chip	Europe Delivered	US$/ton	1,002	991	0.6	1,003	-7.5	1,091	8.9
PSF 1.4D/38mm	Korea/Taiwan FOB	US$/kg	1.01	1.00	11.4	1.01	11.3	1.06	2.8
PSF 1.2/1.5D SF	US Delivered	US$/kg	1.93	1.92	7.7	1.94	5.0	2.04	10.0
PSF 1.7dtex SF	Europe Delivered	US$/kg	1.56	1.55	-0.1	1.56	-1.6	1.63	8.9
POY 75D	FE Asia (C&F)	US$/kg	1.25	1.23	26.2	1.22	17.4	1.27	3.5
POY 70D	US Delivered	US$/kg	2.46	2.45	6.5	2.49	4.9	2.60	9.6
POY 167 dtex	Europe Delivered	US$/kg	1.51	1.50	0.0	1.51	-1.8	1.58	9.1
Textured Yarn 150/48	FE Asia (C&F)	US$/kg	1.33	1.32	21.4	1.32	14.6	1.39	3.7
Textured Yarn 150D	US Delivered	US$/kg	1.11	1.10	0.2	1.11	1.2	1.16	6.5
Textured Yarn 167 dtex	Europe Delivered	US$/kg	1.75	1.74	-0.8	1.73	-2.9	1.80	6.8









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Global Polyester Price Forecast	24,000	365	350
Global Nylon Price Forecast	24,000	365	350
Global Acrylic Price Forecast	24,000	365	350
Global Cotton Price Forecast	24,000	365	350
Global Fibres - Annual report	40,000	600	580
Global Polyesters - Annual report	25,000	380	365
Global Nylons - Annual report	20,000	305	290
Global Acrylics - Annual report	20,000	305	290
Global Cotton - Annual report	20,000	305	290