

FIS Pulp Paper Futures Weekly Report

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Market News

Firstly – it was great to see so many of you at our drink’s reception in Barcelona on the 14th. It was a great networking event; the weather was kind, and the views were spectacular. It was a pleasure hosting, and we were delighted to see everyone enjoying themselves and networking. We look forward to seeing you all in London in November, if not before.

In terms of feedback from the week in Barcelona, the theme of the week was uncertainty. Hardwood markets still look tight, with Softwood beginning to show some signs of weakness. As mentioned by two of the large tissue makers at FIS’ modest soiree, inputs remain a source of financial stress for manufacturers – notably energy costs. Europe wide, this continues to be in the forefront of paper producer’s concerns going into winter and puts Europe at a disadvantage competitively vs. ROW.

Regarding conferences, my colleague Lina Liu attended the China Pulp Week in Hangzhou. An unclear market narrative coming from Europe heading toward Q4 was a topic of discussion, and market uncertainty continued to excite comment. The purchase by C&D Xiamen of the bulk of Illim’s pulp production raised eyebrows. Much of this deal appears to include SHFE deliverable product and may give the C&D a strong market position on the SHFE for certain expiries.

Chinese paper producers also potentially see export opportunities opening in the coming months, with European inputs potentially stressed from increased inputs (energy etc) and an opportunity to compete aggressively with their European counterparts. Equally reduced Chinese inventories and potential increase in demand may offer continued support to pulp price levels.

The freight market continues to soften, with vessel availability continuing to improve. Additionally, the medium- and longer-term outlook appear better, with considerable further capacity coming on stream over the course of the next 24 months. Freight rates continue to soften as this picture improves. Expect pulp delivery lead times to start to continue to improve going into Q4 ’22 and some of the supply chain inventory begin to unclog.

CNY continued to weaken against USD, standing at 7.16 Monday morning, creating further headaches for Chinese importers. Pulp stocks remain low with many Chinese consumers, but as last month’s list price cuts and subsequent response to them showed high levels of price sensitivity amongst Chinese mills. Given many vessels were already on the water last month, this makes a clear case for producers to take a more pro-active approach to hedging and risk management. Demand and price elasticity suggest that this would be prudent going forward, particularly if we begin to see rejections or defaults in current macro-economic environment.

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NOREXECO:	Softwood		Hardwood	Paper
	NBSK	NBSKSH	BHKP	Recycled
Sep-22	1493	891	1380	151
Oct-22	1485	891	1380	127
Nov-22	1480	874	1370	122
Dec-22	1463	847	1360	120
Jan-23	1430	830	1318	122
Feb-23	1395	818	1271	122
Q422	1476	871	1370	123
Q123	1400	819	1280	122
Q223	1310	796	1150	127
Q323	1240	786	1040	135
Q423	1200	795	990	135
Q124	1200	795	990	142
CAL23	1288	799	1115	130
CAL24	1200	795	1000	152

Source: NOREXECO

NOREXECO Pulp and Paper Futures

