

 www.ccfeci.net

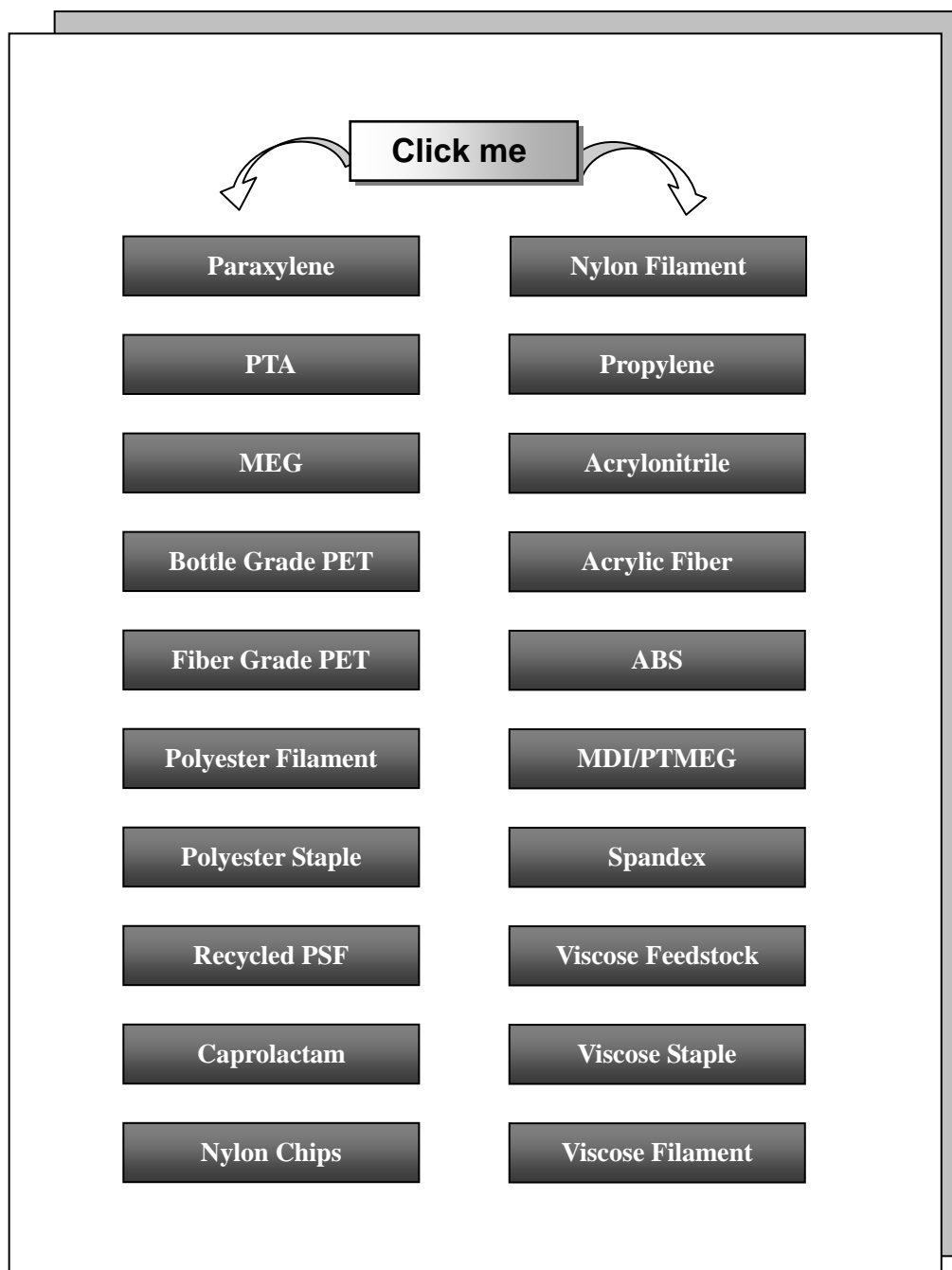
CHINA REPORT

Your First Window on
China Chemical Fiber Market

Issue Number 92
May 2010

- *Polyester*
- *Nylon*
- *Acrylic*
- *Spandex*
- *Viscose*

Catalogue of CCFEI China Report (Monthly)



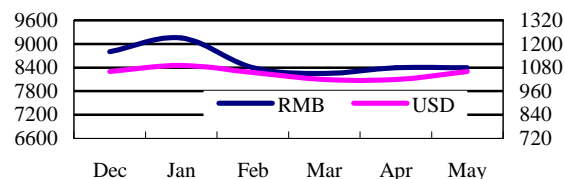
Information contained in this report is obtained from sources believed to be reliable, however no responsibility nor liability will be accepted by China Chemical & Fiber Economic Information Network (CCFEI) for commercial decisions claimed to have been based on the content of the report.

Reproduction of any part of this work by any process whatsoever without written permission of China Chemical & Fiber Economic Information Network (CCFEI) is strictly forbidden.

Paraxylyene

Contract Price (Yuan/ton or \$/ton)

	Month	Change	Price	One month before
RMB	May settled	→	8400	8400
	June listed	↓ 800	7600	8400
USD	May settled	↑ 40	1060	1020
	June listed	↓ 70-120	1000-1030	1100-1120

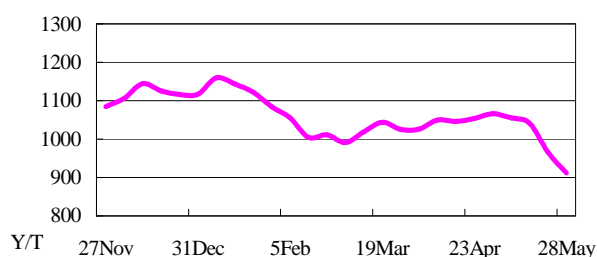


Exxon Mobil, Nippon Oil and Idemitsu Kosan settled May Asian PX contract price at \$1,060/ton, up \$40/ton from April, while Asian contract nominations for June of the three were pegged at \$1,030/ton (CFR, L/C 90 days), \$1,000/ton (CFR, L/C 90 days), \$1,020/ton (CFR, L/C 90 days) respectively, down by \$70-120/ton from May.

Sinopec issued its PX contract settlement for May at 8,400 yuan/ton, a rollover from April.

Spot Average Price (\$/ton)

Week	Date	USD
Week 1	03May-07May	1055
Week 2	10May-14May	1041
Week 3	17May-21May	965
Week 4	24May-28May	912
Week 5	—	—
Monthly	Ave. in May	993



PX spot market showed a downtrend in May.

In the first week, PX prices went down obviously. In H1 the week, PX market was relatively quiet, as PX contract nominations for May issuing supported spot market somewhat. An H2 June-loading cargo bids were revised up from \$1,055/ton FOB to \$1,060/ton, without response from market sources. From Wednesday, given a slump on crude oil and stock market, PX prices fell sharply. GS Caltex bought a H2 June cargo at \$1,050/ton CFR. Till late week, talks were at \$1035-1040/ton CFR.

In the second week, PX prices slightly increased then decreased. Earlier this week, SK Energy's bid for H1 June cargo was at \$1,036/ton CFR, and then was raised to \$1,040/ton CFR, but no one responded. Subsequently, a June cargo from Trammochem was traded at \$1,055/ton to Korea Daewoo. As downstream PTA and crude futures softened, PX market was on a downtrend from Thursday. A June cargo was heard traded at \$1,020/ton CFR (L/C 90 days).

In the third week, one offer for Asian cargo was at \$1,005/ton CFR earlier this week, but no one responded. Then, offers went down gradually. On Wednesday, a June cargo was traded at \$975/ton CFR. Afterwards, one cargo was concluded at \$950/ton CFR between Yuandong and Tricon Energy. Sentiment sustained on a downtrend. In late week, a June cargo and a July cargo were traded at \$920/ton CFR and around \$910/ton respectively.

In the fourth week, PX market showed on a recovery situation. Earlier this week, SK Energy raised bid for H2 June-delivered cargoes from \$915/ton CFR to \$920/ton CFR, but no one took it. On Tuesday, PX prices sharply declined, affected by Europe's stock market performance and other negative factors, with offers for June down to \$880-890/ton CFR. Afterwards, prices inched up slightly. By the end of the week, SK Energy raised bid for H1-July delivered cargoes from \$910/ton CFR to \$933/ton CFR, but no one responded. A cargo was heard traded at \$930/ton CFR. Then overall prices inched up to the same levels as in early week.

Monthly International PX Value Trend

Asia (CFR China, USD/ton)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
1020	1060	→	815	870	↗	51.00	52.75	↗

In European market: May PX contract price was settled at €870/ton, up €55/ton from April; spot market saw small price-falls. In US market, May contract price was settled at 52.75 cts/lb; spot prices dropped from \$1000-1005/ton in early month to \$905-910/ton FOB USG by the end of the month.

Statistics on PX Imports in China (kt, \$/ton)

Origin	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
South Korea	71.2	1043	89.1	1023	280.1	1062	287.3	805
Chinese Taiwan	45.2	1060	49.6	1035	120.0	1057	218.0	787
Japan	93.9	1039	86.2	1028	325.9	1063	393.8	796
Indonesia	45.5	1054	35.2	1020	136.0	1064	10.0	795
Iran	4.8	1115	38.7	1012	62.1	1021	138.6	744
Others	49.6	1045	94.0	1014	322.9	1068	160.2	728
Total	310.2	1048	392.8	1022	1246.9	1061	1207.8	782

Customs statistics showed that China's PX import volume was 392.8kt in April, up by 82.6kt from March. The average import price in April was at \$1,022/ton, down \$26/ton on month.

Chinese enterprises mainly purchased term goods. South Korea, Japan and Chinese Taiwan were the major sources for PX imports into Chinese Mainland in April, with volumes of 89.1kt, 86.2kt and 49.6kt respectively, accounting for 22.68%, 21.95% and 12.63%, and imports from the three accounted for 57.26% of the total. Import volume from any other country or region was below 40kt.

The combined import volume in January to April 2010 amounted to 1,246.9kt, up 39.1kt year on year. The average import price for the first four months was at \$1,061/ton, up \$279/ton or 35.68% year on year.

Operation Status of PX Producers

Global Plant Operation	1. Liaoyang Petrochemical shut its 450 kt/yr PX unit on 17 May for about 20 days.			
	2. Shanghai Petrochemical shut its 400 kt/yr PX unit in late April, with restarting date pending.			
	3. Chinese Taiwan CPC shut its 250 kt/yr No.2 PX unit in Kaohsiung on about 10 May for about 45 days.			
In China	Mar	Apr	May	Jun est.
Run rates	80%	78%	70%	→
Output (kt)	507.6	501.5	450.1	→

According to statistics, China's PTA production in April was about 1,067kt, which meant a demand of 693.5kt for PX. Based on operating rates of Chinese PX enterprises, April PX production should amount to 501.5kt. The total PX export volume in April was 20.2kt, total import volume hit 392.8kt, and the supply in April was 874.1kt. Thus the supply was larger than demand.

CCFEI Comment

Feedstock: Crude values have declined to below \$70/bbl, and naphtha and MX prices are dropping as well, thus PX can not get support from feed costs.

PX supply: Supply will reduce due to squeezed margin and cutbacks at some domestic PX plants in China recently.

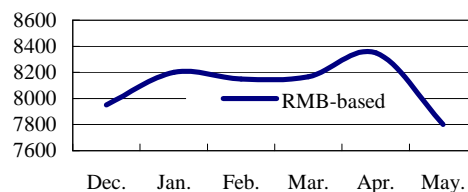
Downstream demand: Operating rates of domestic PTA units are pegged at a high position, meaning a large demand for PX.

To sum up, influenced by microeconomic market, upstream and downstream market, PX sentiment will go down in the short term.

PTA

Contract Price (yuan/ton, \$/ton)

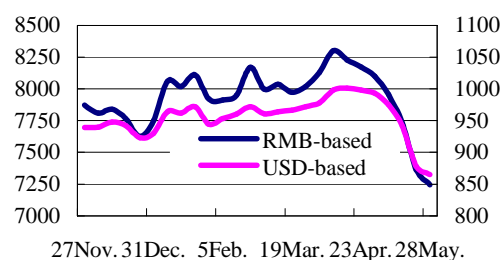
		Change	Range	Prev. Month
RMB	Settled for May	↓ 550	7800	8350
	Nominated for June	↑ 600	7800-7900	8400-8500
USD	Implemented for May	→	—	—
	Nominated for June	→	—	—



RMB-based contract market: Several domestic major suppliers settled PTA contract prices for May at 7,800 yuan/ton, down 550 yuan/ton from that for April, basically the same as players' expectation. Their contract nominations for June came out at 7,800-7,900 yuan/ton, up 600 yuan/ton from the nominations for May.

Weekly Average Spot Price (yuan/ton, \$/ton)

Week	Time	RMB-based	USD-based
Week 1	3May-7May	7955	975
Week 2	10May-14May	7728	941
Week 3	17May-21May	7364	878
Week 4	24May-28May	7244	865
Week 5	—	—	—
Monthly	Ave. in May	7573	915



USD-based spot market: PTA prices on a USD basis went down during May.

In early May, PTA market was relatively quiet as some traders were still on May Day holiday. Mainstream prices for Taiwan-origin cargoes were at \$980-985/ton. Later, PTA prices fell significantly and even lost \$50/ton in a single day, with sharp drops reported twice, following continuous drops of crude values and downtrend of macro environment. PTA market was once improved on the back of recovering PTA futures, but it was short-lived. In H2 May, mainstream talks for Taiwan-origin cargoes were firstly at around \$850-855/ton, but later went up to \$870-975/ton on the back of firming crude values and better macro environment. Some traders took the opportunity to raise offers to \$885-890/ton, and talks were mainly in the range of \$870-875/ton, but individual traders offered cargoes at only \$870/ton to offload stock due to pessimism toward the future market.

RMB-based spot market: The market basically took the similar trend to USD-based market.

Market players held a wait-and-see attitude in early May. Mainstream offers were at around 8,000-8,050 yuan/ton, and sellers were reluctant to sell at low prices. Later, however, spot prices saw obvious downtrend in line with sharp drops of PTA futures. In mid-May, PTA prices dropped sharply, losing 200-300 yuan/ton in a single day due to sustained pessimism in the market as the delivery date for 100,000 tons of PTA May futures is approaching. Afterwards, market sentiment picked up slightly as the settlement for May CP was about to be announced. In H2 May, mainstream talks went lower to 7,100-7,200 yuan/ton. By the end of May, as inquiries increased following a steep rebound in crude values, and traders were reluctant to offer materials at low level, mainstream talks picked up to 7,300-7,500 yuan/ton.

Monthly International PTA Value Trend

Asia (\$/ton, CFR)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
—	—	→	753-783	—	→	47.23-47.73	48.39-48.69	→

In Europe, the Euro/Dollar Exchange Rate had to be taken into consideration for pricing of contracts, as margins were thin for both producers and traders, although trade volume was passable.

In USA, affected by rescue package issued in Euro Zone, PTA market was weak and participants were pessimism toward the future market.

Statistics on PTA Imports in China (kt, \$/ton)

Origin	Mar. 2010		Apr. 2010		Jan.-Apr. 2010		Jan.-Apr. 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
S. Korea	178.8	940	174.7	955	668.9	946	752.1	691
Taiwan	223.2	957	219.8	966	822.8	958	576.6	692
Japan	18.2	949	17.2	956	79.7	945	83.3	709
Thailand	54.6	935	56.6	934	202.4	937	205.1	676
Others	2.1	942	5.8	969	16.1	915	101.7	663
Total	476.9	948	474	958	1,790	950	1,718.8	689
QTA/EPTA	90.3	904	123.2	914	384	912	405.5	657

According to Customs' statistics, China's import volume for terephthalic acid in April totaled 597.2 kt, up by 30 kt from March. The average price for imported terephthalic acid declared to the Customs was at \$949/ton, up by \$8/ton from previous month. China's import volume for PTA (tariff number: 29173611) in April totaled 474 kt, down by 2.9 kt from February. The average price for imported PTA was at \$958/ton, up by \$10/ton from previous month. China's import volume for QTA/EPTA (tariff number: 29173619) in April totaled 123.2 kt, up by 32.9 kt from March. The average price for imported QTA/EPTA was at \$914/ton, up by \$10/ton on the month.

By import volume into China, the first three countries and regions of the month are South Korea, Chinese Taiwan and Thailand. The volume from South Korea was 277.4 kt (with PTA 174.7 kt), occupying 46.45% of the total volume. The volumes from Chinese Taiwan and Thailand were 220.2 kt and 56.6 kt (with PTA 219.8 kt and 56.6 kt), amounting to 36.87% and 9.48% of total amount respectively.

Average cost of domestic stocks of PTA was around 8,238 yuan/ton in April when it was converted to RMB (by exchange rate of 6.83), up by 68 yuan/ton from March.

Stock Status and Operation of Chinese PTA Producers in China

Plant News	1. Liaoyang Petrochem restarted 270 kt/yr PTA unit in late April, and shut 530 kt/yr unit on 12 May.			
	2. Yisheng Dalian's 1,500 kt/yr PTA unit was shut for maintenance on 17 May and was restarted on 21 May.			
	3. FCFC Ningbo shut 600kt/yr PTA unit for maintenance on 25 April and restarted it in early May.			
	4. Fujian Jialong Petrochemical's 600kt/yr PTA unit was shut on 12 May and restarted on 19 May.			
	Mar.	Apr.	May.	Jun est.
Operating rate	75%	87%	85%	↗
Output (kt)	920.1	1,067	1,085	↗
Stock Status	Low	Low	Low	→

According to estimation made by CCFEI, China's productions of polyester filament, staple and fiber-grade chips in April amounted to about 1,280 kt, 251.3 kt and 352 kt respectively. Production of polyester not for fiber use was 283 kt. On these, PET melt was estimated to reach 1,814.3 kt, with demand for PTA at 1,542.2 kt. Import volume of PTA amounted to 597.2 kt in April, while export volume was almost zero. Domestic PTA production in April was 1,067 kt based on CCFEI's statistical data. Thus, PTA supply was at 1,664.2 kt, which was clearly higher than demand.

Jialong Petrochemical's PTA unit came on stream in April, thus its production was included in this month's statistics.

CCFEI Comment

Feedstock: Crude oil prices dropped to below \$70/bbl, with possibility of further drops. PX prices were also losing in a fast pace recently.

Supply: Running rates at domestic PTA units were basically stable recently. Supply will pick up in the short term, as Yuandong Petrochemical plans to shut its PTA units for maintenance by turns in June.

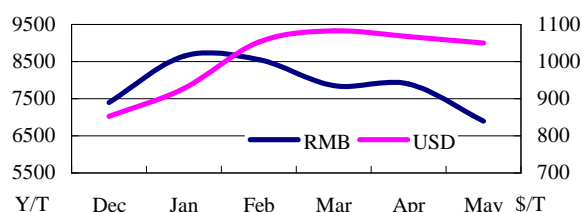
Demand: Sale/production ratios at downstream polyester sector were poor, with higher inventory, so their run rates are likely to trend downward, and demand for PTA will be lower.

To sum up, PTA market are much likely to remain weak in June with the coming of traditional off-season and poor upstream and macro economic environment.

MEG

Contract Prices from Majors (yuan/ton, \$/ton)

Month		Up/down	Range	Pre. month
RMB	May Settled	↓ 1000	6,900	7,900
	June Nominated	↓ 1400	6,500	7,900
USD	May Settled	↓ 17	1,050	1,067
	June Nominated	↓ 80-90	960-970	1,050

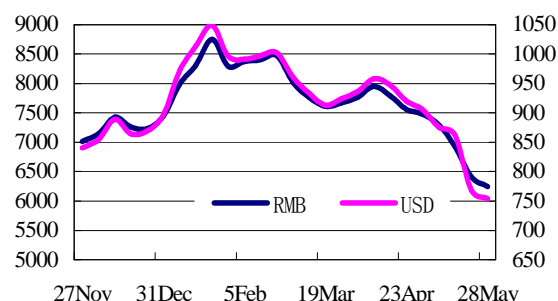


USD-based market: SABIC, SHELL and MEGlobal all nominated their Asian contract prices for June at \$960-970/ton (CFR, L/C 90 days), down by \$80-90/ton from May.

RMB-based market: Sinopec settled its May contract price at 6,900 yuan/ton, down by 1,000 yuan/ton from April; Sinopec nominated its contract price for June at 6,500 yuan/ton, down by 1,400 yuan/ton from May.

Average Spot Price (yuan/ton, \$/ton)

Week	Time	RMB-based	USD-based
Week 1	03May-07May	7,285	875
Week 2	10May-14May	6,922	832
Week 3	17May-21May	6,410	768
Week 4	24May-28May	6,242	754
Week 5	-	-	-
Monthly Ave.	May	6,715	807



USD-based market: Prices saw a straight down.

In early May, participants stepped on the sideline and MEG prices remained at \$890-895/ton as some traders were still on the May Day Holiday. Then MEG market saw a plummet due to three-day collapse of crude values and insufficient tanks at ports, with individual buying ideas pegging at around \$830-840/ton. Some traders covered short positions, thus drove talks slightly higher at around \$850, however, this round was just short-lived and was quickly lost into the toppling trend. Daily markdown was reported at \$30-40/ton. In mid-to-late May, offers were mostly seen at the either side of \$750/ton, with discussion prices lower. By the end of May, market prices recovered slightly from the bottom on the back of monthly settlement and rebound of crude values. Sellers held materials for higher prices, with mainstream talks were pegged at around \$760.

RMB-based market: It was basically similar with the USD-based one.

In early May, MEG market was quiet, with mainstream offers holding at around 7,350-7,450 yuan/ton. Then destocking activities increased and prices went down following sharp drops of crude values and weakening stock market. In mid May, MEG prices once picked up and stabilized at around 7,100 yuan/ton, but it fell back into even lower levels in less than one day. In mid-to-late May, mainstream discussions went down to 6,100-6,150 yuan/ton. Later, as contract settlement was about to be announced and inquires for low-end items increased, MEG prices picked up slightly with offers at around 6,400-6,500 yuan/ton.

Monthly International MEG Value Trend

Asia (\$/ton, CFR China)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
1,067	1,050	↘	870	856	↘	45.00-46.00	45.00-46.00	↘

In Europe, initial contract price for May was settled at €856/ton FD NWE, down by €14/ton from Apr. Spot market was in correction.

In US market, prices were in downtrend. By the month end, cargoes were traded at 38-39 cts/lb FOB USG.

Statistics on MEG Imports in China (kt, \$/ton)

Origin	Mar		Apr		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Saudi Arabia	226.3	970	253.4	924	902.8	914	741.4	492
Chinese Taiwan	139.3	991	112.8	939	428.3	954	354.1	489
South Korea	36.9	987	55.3	927	166.2	950	176.6	483
Canada	83.6	979	69.5	901	243.7	930	166.8	473
USA	60.4	939	31.3	940	111.4	926	7.7	485
Others	142.4	977	111.3	935	472.3	941	549.5	482
Total/Ave. Val.	688.8	975	633.7	927	2324.8	932	1996.2	486

According to statistics from China Customs, China's MEG imports in April totalled 633.7kt, down by 55.1kt from the month before; and the average price declared to China Customs was at \$927/ton, a decrease of \$48/ton from March's \$975/ton.

In April, 531.8kt of MEG was imported from other Asian countries or regions, down by 0.6kt from March and accounting for 83.92% of the total. Hereinto, volume from Saudi Arabia ranked the first at 253.4kt, up by 27.1kt from March's 226.3kt and accounting for 39.99% of the total; Taiwan and South Korea followed, with volumes of 112.8kt and 55.3kt respectively. As for deep-sea cargoes, import volume from Canada in April lost 14.1kt month on month to 69.5kt, taking up 10.97% of the total. Import volume from the US was 31.3kt in April, accounting for 49.4% of the total.

In April, the average cost (based on the USD versus RMB exchange rate 1: 6.83) for stocked MEG was around 7,995 yuan/ton, down by 405 yuan/ton from the average cost declared to China Customs in March.

Stock Level and Operation Status of MEG Producers

Plant News	1. CNOOC-Shell started a turnaround for its 320kt/yr MEG unit in H1 March. The shutdown is expected to last for two months.			
	2. BASF-YPC Co., Ltd is to close its 320kt/yr MEG unit in Nanjing for a 50-day turnaround and its upstream cracker will be shut at the same time for expansion from 600kt/yr to 740kt/yr.			
	3. Shanghai Petrochemical's 380 kt/yr MEG unit was shut for maintenance on 11 May, and restarted on 20 May.			
	4. Zhenhai RCC's 650 kt/yr MEG unit was shut for maintenance on early May and restarted on mid-to-late May.			
Domestic Operating Rate	Mar	Apr	May	Jun est.
Production (kt)	156.9	173.1	187.2	↗
Stock Level	A little high	A little high	High	→

According to assessment by CCFEI, the productions for PFY, PSF, fiber-grade PET chips and non-fiber grade ones in April respectively totalled 1,280kt, 251.3kt, 352kt and 283kt. Based on these, total production for polyester melt during the month reached 1,814.3kt, with demand for MEG at around 616.8kt. Import volume of MEG in April was 633.7kt and export volume was 0.2kt. Besides, according to CCFEI's statistics, domestic MEG production reached 173.1kt in April with supplies reaching 807 kt. So, supplies were remarkably larger than demand. (Zhenhai RCC will be included in statistic from this month)

CCFEI Comment

Upstream: Crude oil values fell down to around \$70/bbl or even lower, and feedstock ethylene value saw a downtrend, which could hardly be a support for the MEG value.

Supply: Supply is somewhat long due to insufficient tanks at ports recently.

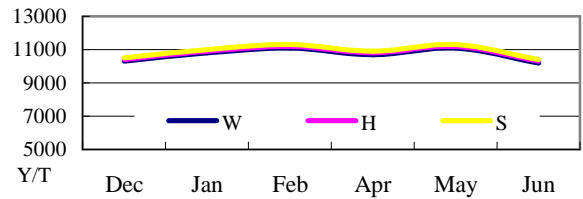
Demand: Due to poor sale/production ratios at downstream market, operating rates slipped down slightly and demand for MEG weakened.

To sum up, MEG price is likely to correct at a low level in the future.

BGPET Chip

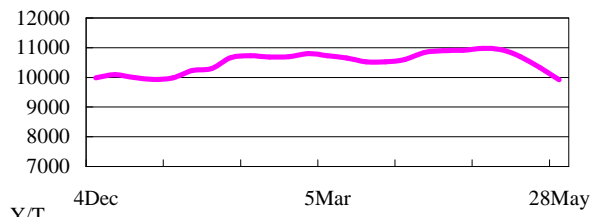
Nominations from Majors (yuan/ton)

Time	Specifications		
	Water BGPET (W)	Hot-filling BGPET (H)	Soft-drink BGPET (S)
Apr	10,700	10,800	10,900
May	11,100	11,200	11,300
Jun	10,200	10,300	10,400



Spot Price Water Bottle Grade (yuan/ton)

	Time	Price	On week
Week 1	3May-7May	10931	↓
Week 2	10May-14May	10700	↓
Week 3	17May-21May	10330	↓
Week 4	24May-28May	9919	↓
Monthly	Ave. in May	10470	↓



RMB-based market: Affected by macroeconomic, central prices for BGPET deeply plunged, with an accumulated drop of 9.4%.

After the Labor Day holiday, BGPET chip sentiment slightly slipped down as the government declared to raise required reserves. Mainstream firm negotiations for water-grade chips were at 10,900-11,000 yuan/ton (delivered in a short distance) with some low-end transactions at 10,900 yuan/ton (ex-works). Since 4 May, when stock prices in US market slumped on the back of Greece debt crisis, USD-based oil prices steeply gilded to around \$75/bbl by a daily drop of \$2, and PET prices declined across the board. Producers lowered their offers for water-grade chips to 10,700-10,800 yuan/ton (ex-works), with more and more traders selling at 10,700 yuan/ton (ex-works).

Later, players in feedstock market lost confidence, with MEG prices dropping a lot. Affected by this, central prices in BGPET market slipped down by 50 yuan each day to around 10,600 yuan/ton (ex-works), with big trades done at 10,400-10,500 yuan/ton (ex-works). On 18 May, crude oil prices in US dropped below \$70/bbl, and Shanghai Composite Index plunged below 2,600 points, which kept the slide as stock index futures ushered in trading days since 21 May. Bearish factors of macroeconomic drove firm negotiations for low-priced water-grade near 10,000-10,100 yuan/ton (ex-works). Downstream players mostly expected future prices to drop lower and withdrew to the sidelines, with most bids below 10,000 yuan/ton.

In late May, water-grade prices shed down to 9,600-9,650 yuan/ton (ex-works, delivered in a short distance). However, with oil largely rebounding to \$75/bbl, buying interest were attracted and some bulk deals were traded at around 9,800-9,900 yuan/ton (delivered in a short distance), with high-end talks for June contracts heard at 10,300 yuan/ton (delivered in a short distance).

USD-based Market: The market was lagging a little in a downward trend.

In early month, mainstream offers in export market remained at around \$1,320/ton (FOB CMP), with firm talks at \$1,310/ton (FOB CMP). But central prices later dropped near \$1,260-1,280/ton (FOB CMP) on the back of macroeconomic factors. Offers in Korea, however stayed higher at \$1,290-1,300/ton (FOB CMP), so overall exporting prices did not fall much as RMB-based ones did; there were just several mid-deals traded at \$1,240/ton (FOB CMP).

In late May, prices started to reflected the softened macroeconomic, and low-prices firm trades emerged, with some mid-deals changing hands at \$1,170-1,180/ton (FOB CMP). Negotiations for deals with small amounts declined to around \$1,220-1,230/ton (FOB CMP) by the month-end, and talk range of medium/bulk deals depends on exporting destinations

Monthly International BGPET Value Trend

Europe (€/ton, FD)			USA (cts/lb, DEL)		
Apr 2010	May 2010	Jun 2010 est.	Apr 2010	May 2010	Jun 2010 est.
1555-1770	1590-1830	↗	71.21-74.21	72.46-75.46	↗

This month, given plant turnarounds in earlier days, demand in Europe market was healthy, and central prices continued to largely increase. Most producers were still operating their plants at full rates. Meanwhile in the US market, prices also climbed up on good demand, and plants were on high-rate operations as well. Uptrend of Europe and US market is expected to sustain in the coming month.

Statistics on BGPET Exports in China (ton, \$/ton)

Destination	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Exp. Vol.	Ave. Val.	Exp. Vol.	Ave. Val.	Exp. Vol.	Ave. Val.	Exp. Vol.	Ave. Val.
Russia	8,862	1,268	12,727	1,248	26,251	1,238	21,588	919
Ukraine	9,443	1,229	18,480	1,256	34,097	1,231	18,085	929
Japan	12,533	1,281	11,413	1,298	39,027	1,247	33,051	911
USA	5,095	1,251	4,498	1,262	16,093	1,232	20,509	916
Croatia	3,276	1,304	2,415	1,258	6,762	1,275	80,39	917
Others	25,505	1,250	28,581	1,254	89,974	1,233	102,259	911
Total	64,714	1,258	78,114	1,259	212,204	1,236	203,531	914

China imported 1,838 tons of BGPET chips in April, up 12.6% from March. The average import price for April was at \$1,631/ton, down 5.6% from March. China's export volume in April was 78,114 tons, sharply up 20.7% from March. The average export price for April was at \$1,259/ton, up 7.9% from March. From above data we can see that, the export volume for BGPET chips is far larger than the import volume, with the net export volume of 76,276 tons, up 13,195 tons from March.

In April, among the destinations for China's exports, Ukraine ranked first, with the volume to Ukraine taking up 23.7% of China's total exports. Russia took the second place at 16.3%, and Japan seized the third position at 14.6%. The three countries imported 42,620 tons of BGPET chips from China, accounting for 54.6% of the total.

Stock and Operation Status of Chinese BGPET Producers

Plant News	1. On 5 May, two PET plants in Shanghai were closed for maintenance, which had the accumulated capacity of 500kt/yr, and mainly produce polyester chips and polyester staple fibers. After the maintenance, the associated BGPET facility would also be started.			
	2. A 200kt/yr BGPET plant in Jiangsu shut down on 5 May due to mechanical problems.			
	3. In mid May, a 150kt/yr PET chip plant that closed last year was restarted, and the unit was currently operating at 80% of the capacity. The facility mainly producers film-grade chips.			
	Mar 2010	Apr 2010	May 2010	Jun 2010 est.
Operating rate	79.4%	89.0%	89.1%	↗
Output (kt)	270	283	303	↗
Stock Level	Normal	Slightly low	Normal	→

Overall operating rates were at high levels with the support from good demand, despite a set of plant closed. With sentiment rebounding in month-end, major producers and traders in downstream purchased for make-up. By the end of the month, inventories rose to 15-17 days.

CCFEI Comment

Supply: Next month, a new facility in shanghai would be started and the plants idled in this month would also be restarted, so the overall supply is expected to be sufficient.

Demand: If bullish signs could be seen in macroeconomic, major converters, traders and speculators would purchase a lot.

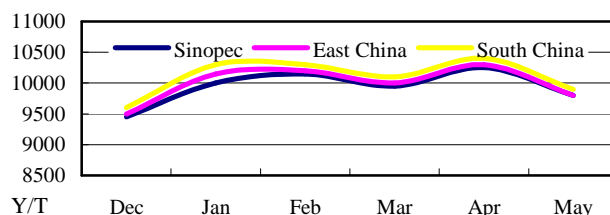
Cost: In June, trend of US oil prices would undoubtedly be the navigator for the whole PET market, and bearish factors had been digested in the month. With enormous aid sums, anxiety in Euro-based market got released, and the impacts of instability on prices would be less. As for the fundamentals, high inventories would continue to restrict the upward space of oil prices. However, with the driving season approaching, demand of gasoline could provide some support for the oil prices. The rebounding would sustain in early June, but whether the rebound could switch to uptrend remains to be seen. Likewise, participants in the feedstock market were also waiting to see a clear trend.

To sum up, market had already bottomed up when prices rebounding at May-end. However, with industry stepping into dull season in Jun.-Aug., it still needs time to make-up for the confidence lost. So, if the was no apparent bullish signs in macroeconomic market, sentiment would have little potential to move upwards. The future trend still depends on government's policies and directions of macroeconomic market.

FGPET Chip

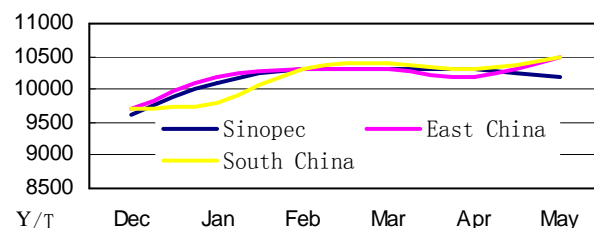
Settlements from Majors (yuan/ton)

Month	Sinopec		East China		South China	
	SD	Bright	SD	Bright	SD	Bright
Mar	9,950	10,000	10,000	10,050	10,100	10,150
Apr	10,250	10,300	10,300	10,350	10,400	10,450
May	9,800	9,850	9,800	9,850	9,900	9,950



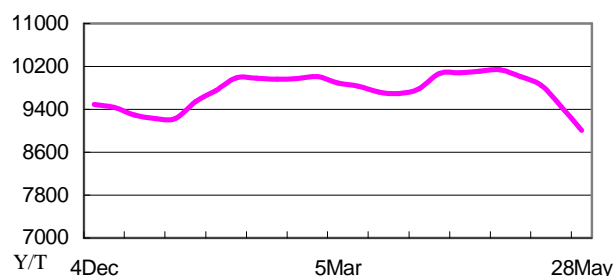
Nominations from Majors (yuan/ton)

Month	Sinopec		East China		South China	
	SD	Bright	SD	Bright	SD	Bright
Mar	10,300	10,400	10,300	10,300	10,400	10,400
Apr	10,300	10,400	10,200	10,300	10,300	10,300
May	10,200	10,300	10,500	10,600	10,500	10,600



Spot Average Price (yuan/ton)

Week	Time	SD	On Week
Week 1	3May-7May	10,006	↓
Week 2	10May-14May	9,850	↓
Week 3	17May-21May	9,440	↓
Week 4	24May-28May	9,005	↓
Monthly	Ave. in May	9,575	↓



Semi Dull PET Chips: PET-chip prices plunged in May, with prices down by 10% during the month.

During Labor Day, semi-dull PET-chip market in Jiangsu and Zhejiang stayed quiet, with mainstream negotiations at 10,050-10,100 yuan/ton (cash). Afterwards, some contract prices dropped below 10,000 yuan/ton mark due to poor macro conditions. Since 4 May, NYMEX crude futures had slumped significantly by \$2/bbl per day to around \$75/bbl, and polyester chain had crashed due to the Greek debt crisis. Atmosphere in feedstock market was dull. Especially for MEG, the plunge was incredible. In the following one week, PET offers plunged by 50 yuan/ton per day.

By the beginning of mid May, firm talks have fallen to 9,700-9,800 yuan/ton (cash). On 18 May, NYMEX crude futures slumped below \$70/bbl and the market kept at a down trend. Offers in semi-dull PET-chip market in Jiangsu and Zhejiang dropped significantly again with a decreasing range of 100 yuan/ton per day due to poor macro conditions. On 20 May, an initial deal was concluded below 9,000 yuan/ton (cash).

In late May, all settlement prices were reported, with semi-dull PET chips settled at 9,800 yuan/ton. And downstream plants started to build up stocks by purchasing around 100 tons. Since 26 May, crude futures had rebounded for two days to \$75/bbl and atmosphere had turned better obviously. Trading activities improved, with most trading prices rising to the same level as offers, at 9,200-9,300 yuan/ton (D/A 90 days).

Super Bright PET Chips: Sentiment of super bright PET chips was similar with that of semi-dull PET chips.

In early May, market negotiations were at 10,100-10,150 yuan/ton (cash). In mid May, offers decreased to 9,800-9,900 yuan/ton (cash), following the price trend of semi-dull PET chips, and later plunged to 9,400-9,500 yuan/ton (cash). In late May, trading prices continued to drop to 9,000 yuan/ton (D/A) and later rebounded to around 9,100-9,200 yuan/ton (D/A) with crude futures increasing.

CDP Chips: CDP chips market was also at the down trend.

Influenced by poor macro conditions, offers in CDP chips dropped from 11,100-11,200 yuan/ton (D/A) to 10,000-10,100 yuan/ton (D/A) at the end of May. Trading atmosphere was dull relative to last month and only a few deals were concluded in May-end when crude futures rebounded.

Statistics on FGPET Imports in China (ton, \$/ton)

Origin	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Iran	10,480	1,188	10,480	1,188	21,960	1,184	12,860	832
Taiwan	7,499	1,221	4,757	1,218	23,267	1,205	23,573	848
S Korea	2,797	1,497	3,120	1,446	10,864	1,426	8,090	1,072
USA	2,359	1,086	3,666	1,110	8,447	1,075	6,296	664
Japan	1,629	1,906	1,853	2,087	5,695	2,041	3,067	1,875
Others	2,895	1,233	3,253	1,384	10,805	1,311	4,040	1,581
Total	27,659	1,288	27,129	1,320	81,038	1,310	57,926	961

China's total import volume of PET chips in April dropped slightly to 27,129 tons from 27,659 tons in March 2010, down 530 tons on month. Average import price in April was at \$1,320/ton, up by \$32/ton on month.

Export volume increased from 5,005 tons to 6,710 tons, up by 1,705 tons or 34.1%. Net import volume in April was 20,419 tons. Average export price in April was at \$1,573/ton, down by \$36/ton from \$1,609/ton in March 2010, \$253/ton higher than the average import price in April.

Of all import sources in April, combined import volume from South Korea, Chinese Taiwan, Iran, Japan and USA accounted for 88.0% of the total import volume, down by 1.5 percentage points from March 2010.

Stock and Operation Status of Chinese FGPET Producers

Plant News	1. On 5 May, two PET plants with total capacity of 500 kt/yr in Shanghai were shut down for maintenance, which mainly produced polyester chips and polyester staple fibers. After the maintenance, the associated BGPET facilities would also be started.			
	2. Wanwei, Anhui started 10-day maintenance on 8 May to joint a 20 kt/yr new CDP unit with utilities. By now, its total CDP chip capacity has amounted to 40 kt /yr.			
	3. On 16 May, Rongsheng fed 100 kt/yr full-dull PFY plant, with products available 20 May. At first only 4 POY lines were run, and the rest 5 lines would be operated later when the plant obtained stable operations.			
	Mar.	Apr.	May.	Jun. est.
Run Rate	64%	66%	62%	↘
Output (kt)	339	352	330	↘
Stock	A Little High	Normal	Normal	↘

Supply decreased on month due to maintenance of several major plants. Although downstream buying interest was low at first, most traders stocked material which was sufficient for around 2 weeks at the end of the month. Since margin of chip-spinning was relatively high this month, currently run rates rose slightly to about 80% in Xiaoshan, Shaoxing, Changshu and so on.

CCFEI Comment

As for feedstock, NYMEX crude futures undoubtedly direct the opening of June PET market. Poor macro conditions have been weakened diversely with big slumps of crude futures this month. Besides, the concern about Euro debt crisis has also relieved with a huge sum of aids. Hence, uncertainty in Euro will still hit prices, but the impact will be less. As for inventory of major producers, it remains limiting the increase of crude futures. However, with summer approaching, crude futures which are supported by rise in petrol consumption continue to rebound in early June. In view of unclear macro conditions, it is still waiting for confirmation if oil prices will surge inversely instead of rebound. At the same time, most feedstock market participants will also make a choice after the macro conditions and basic inventory turning for the better.

As for supply, offers for some PET products have turned to be flat after plunge in May, with most producers accumulating inventory. Therefore, more producers may cut production volume if PET market couldn't rebound due to poor macro conditions in June.

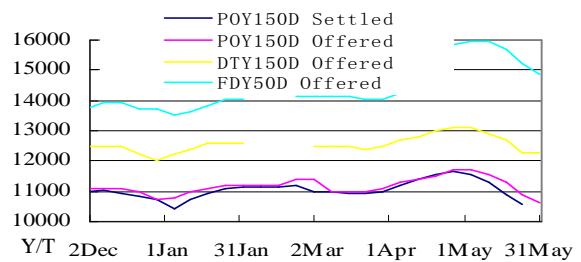
As for downstream demand, some traders and speculators will purchase if macro economy turns for the better in June.

To sum up, market has already bottomed up due to slight rebound at May-end. But it is still in need of time to achieve effective increase in wake of the May plunge, with textile industry stepping into traditional dull season of Jun-Aug. So it's more likely for the market to be flat than to rebound if no obvious satisfying macro conditions emerge. Players should still pay close attention to macro policies and financial market trends in the future.

Polyester Filament

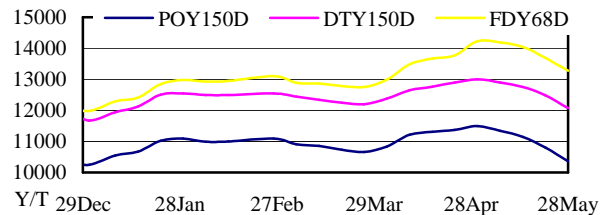
Contract Prices from Majors (yuan/ton)

Time	POY150D		FDY50D	DTY150D
	Settled	Listed	Listed	Listed
26Apr-30Apr	11650	11700	15800-15900	13100
3May-7May	11550	11700	15900-16000	13100
10May-14May	11300	11550	15900-16000	12900
17May-21May	10900	11300	15600-15800	12700
24May-28May	10550	10900	15200-15300	12300



Average Spot Price (yuan/ton)

Week	Time	POY150D	DTY 150D	FDY 68D
Week 1	3May-7May	11337	12900	14187
Week 2	10May-14May	11140	12750	14040
Week 3	17May-21May	10800	12480	13690
Week 4	24May-28May	10360	12070	13280
Monthly	Ave, in May	10909	12550	13799



Overall PFY market suffered continuous drops in May, with no improvement until the end of May.

In early May, PFY market suffered a sharp drop. During May Day Holiday, PFY sale/production ratios hovered at as low as 30-40% due to inconvenient delivery. Later, producers could still raise offers for hot specs. However, slumps came on the scene following outbreak of Greece's debt crisis and the softening external economic environment. Mainstream prices for direct-melt-spun POY 150D/48F fell to around 11,100-11,200 yuan/ton from 11,400-11,500 yuan/ton.

In mid May, PFY market suffered continuous drops. In early days, PFY market remained weak. On 11 May however, participants saw a tremendous boost in downstream buying activities stimulated by rebound of crude values and improved TA 1009. Sale/production ratios at POY producers even went up to 600-700%. However, this boost was just short-lived. Individual producers in Zhejiang took the lead in cutting offers for coarse denier POY as crude values once again fell back to low positions. Participants were pessimistic toward the future market. PFY prices lost around 100-300 yuan/ton on 15-16 May. Mainstream prices for direct-melt-spun POY150D/48 went down from 11,100-11,200 yuan/ton to 10,800 yuan/ton.

In late May, PFY market advanced in wake of a decline. Trading sentiment was thin in early days amid losing feedstock prices. On 22-23 May, prices for semi-dull chips fell to 9,000 yuan/ton mark. Some producers even cut offer for PFY by 200-500 yuan/ton. On 27 May, inquiries increased in afternoon session of PFY market due to monthly settlement (invoices needed) and regular short-covering. On 28 May, POY prices took the lead to go up, followed by FDY. Mainstream prices for direct-melt-spun POY 150D/48F fell to around 10,300-10,400 yuan/ton from 10800 yuan/ton.

PFY stocks were higher on month with POY at 7-12 days, FDY at 7-10 days, and DTY at 23-26 days.

Operation Status of Downstream Textile Sector

	Mar	Apr	May	Jun est.
Operating Rate	65%	75%	73%	↘
Fabric Stock	15 days	20 days	15 days	↗
Salable Products	Knit fabric; crepe fabric; chiffon fabric; Sunshine crepe fabric			

In May, downstream run rates of looms went down to around 73%. Run rates of large diameter circular knitting machine in Shaoxing declined sharply. June is a traditional off season for textile market where downstream textile mills must be more reluctant to produce. Daily fabric transaction volume in Textile City of China remained basically at 5-6 million meters, with higher levels at 6.5 million meters.

Thin fabrics will be highlighted in the summer market. Sales for crepe fabric and chiffon fabric were brisk.

Monthly International PFY Value Trend

West Europe (\$/ton, DEL)		USA (\$/ton, DEL)		Taiwan (\$/ton, DEL)	
167dt POY	167dt DTY	150D/48-132F POY	150D/48-132F DTY	230D POY	150D DTY
1582-1646	2152-2215	2205-2293	3042-3131	1514-1577	1789-1829

PFY market continued to be weak in West Europe, while PFY producers in North America were inclined to raise prices. PFY market in Chinese Taiwan saw increases both in trade volumes and prices.

Statistics on Exports of Chinese PFY (tons, \$/ton)

Destination	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
Turkey	10289	1699	10857	1769	10289	1699	10857	1769
India	1346	1727	808	1932	1346	1727	808	1932
South Korea	5826	1959	6190	1921	5826	1959	6190	1921
Pakistan	7331	1628	7182	1682	7331	1628	7182	1682
Brazil	2729	1675	2526	1886	2729	1675	2526	1886
Others	56056	1760	64485	1747	56056	1760	64485	1747
Total	83577	1752	92048	1761	83577	1752	92048	1761

China exported 92.0kt of PFY in April 2010, up 8.4kt or 10.05% on month. The average export price was at \$1,761/ton, up \$9/ton or 0.51% from March. China imported 13.9kt of PFY in April, down 1.3kt or 8.55% from March. The average price of imported PFY was at \$2,478/ton, up \$122/ton or 5.18% on month.

Exports to Turkey totaled 10.9kt in April, ranking the first, up 5.83% from March, and accounting for 11.85% of the total in April. Exports to Egypt totaled 9.2kt in the month, ranking the second, up 8.24% from March, and accounting for 10% of the total. Syria, Pakistan, Vietnam, South Korean and Iran followed them.

Stock and Operation Status of Chinese PFY Producers

Plant News	1. Jiangsu Shenghong's 100kt direct-melt-spinning full dull PFY plant was put into production on 16 May, with products available on 20 May. It mainly produces POY and FDY. Shengheng has started 4 lines at first and will start the remaining 5 lines when stable production is achieved. Its chip production is expected to dip to as low as 20-25mt/day by then.			
	Mar	Apr	May	Jun est.
Operating rate	76.5%	79%	79.5%	↘
Output (kt)	1240	1280	1290	↘
Stock Level	Slight high	Slight low	Medium to high	↘

In May, operating rates of PFY units remained the same as April, although trade volumes and prices declined, as cash flows of PFY market still remained healthy amid drops seen in feedstock market. Operating rates are expected to be lower as some producers are considering a turnaround or production reduction in June.

In May, overall sale/production ratios at PFY producers slipped sharply from April. The drops seen both in volumes and prices were striking contrast to the strong sale and production situations in April. PFY sale/production ratios were at 70-80% in most days of May and sharply beyond 100% in just a few days in mid-May and late-May. PFY sale/production ratios are expected to pick up in June.

CCFEI Comment

Feedstock: US Dollar is likely to be held up. Margins at PTA suppliers were healthy at around 1,000 yuan/ton, so operating rates of PTA producers showed no sign of declining and PTA supply was sufficient. For MEG, producers cut operating rates, shut down or delayed restart dates for their plants. However, tank shortage will still be the biggest obstacle to MEG producers that were trying to hold on prices by run cuts.

Supply: Availability will be lower in June as enthusiasm for production dropped sharply in May from April.

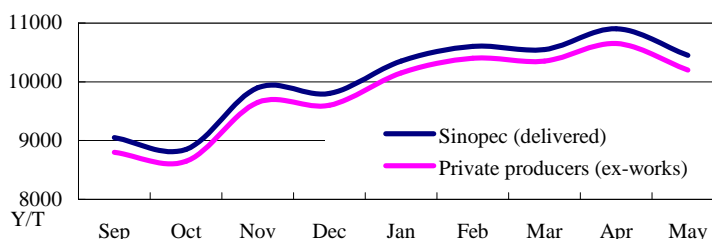
Demand: Downstream textile and draw texturing mills have extremely low feedstock inventories, but massive replenishments are not likely to happen in June, thus demand will be slightly higher in June.

To sum up, the strong rebounds seen in late May were not likely to be seen through June, but slight rebounds can be expected driven by periodic procurement of downstream players.

Polyester Staple

Contract Settlements and Nominations (yuan/ton)

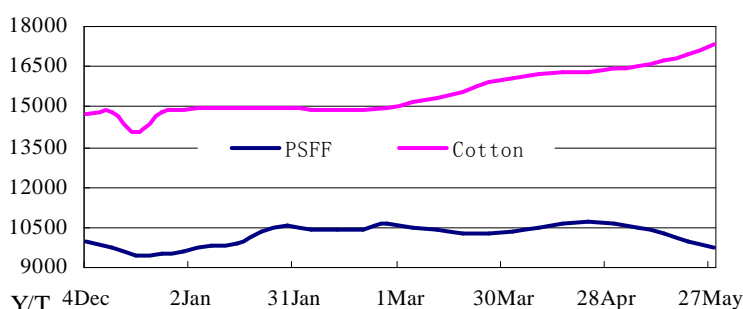
Month	Sinopec (Delivered)	Private producers (Ex-works)
Mar settled	10550	10350
Apr settled	10900	10650
May settled	10450	10200
Jun listed	10200	-



Sinopec nominated its June contract price for 1.4D PSF at 10,200 yuan/ton (delivered). PSF values went down steadily in May. The latest nomination for May was at 10,200 yuan/ton. Sinopec announced its settlement price for May at 10,450 yuan/ton on 25 May.

PSF and Cotton Prices in China (yuan/ton)

Week	Time	PSF 1.4D	Cotton 328
Week 1	3May-7May	10505	16509
Week 2	10May-14May	10300	16700
Week 3	17May-21May	9996	16976
Week 4	24May-28May	9724	17323
Week 5	--	--	--
Monthly	Ave. in May	10131	16877



Affected by dropping crude oil and PTA futures, PSF market went down in May.

Early May: In early May, pessimism commonly prevailed in PSF market, but offers mostly remained unchanged, and central trading prices slightly softened. With consecutively sharp slumps of global crude oil and PTA futures, sales were more difficult, with pessimistic atmosphere strengthened, so more materials at low prices sprang up. Mainstream ex-works offers for 1.4D PSF dropped to 10,300-10,500 yuan/ton in Jiangsu and Zhejiang, where realized prices were at 10,300-10,450 yuan/ton.

Mid May: Sentiment for PSF continued on a declining trend. In early and mid May, as crude oil and PTA futures rebounded, downstream players expanded purchase volume, thus, sale/production ratio of PSF exceeded 100% in two consecutive days. However, with another drop of crude oil and PTA futures, PSF prices fell to around 10,000 yuan/ton. Downstream purchase volume shrank, and wait-and-see stance became the choice for downstream players once a time. In Jiangsu and Zhejiang, mainstream ex-works offers for 1.4D PSF fell to 10,000-10,100 yuan/ton in Jiangsu and Zhejiang, while realized prices were mostly at around 10,000 yuan/ton.

Late May: Sentiment for PSF continued the declining trend. At the beginning, with consecutive steep falls of PTA futures, ex-work offers for PSF reduced for several days, to below 10,000 yuan/ton. With low market mood and wait-and-see stance, trades were done difficultly. Afterwards, downtrend slowed down somewhat. Due to high inventory, PSF producers had strong intention to sell, so prices edged down to about 9,500 yuan/ton. At the end of May, trading atmosphere inched up in PSF market, followed by great rise of crude oil and PTA futures, so sales volume increased with active buying interest in downstream. In Jiangsu and Zhejiang, mainstream ex-works offers for 1.4D PSF were at 9,700-9,850 yuan/ton, while realized prices were mostly at 9,650-9,750 yuan/ton.

Monthly International PSF Value Trend

Chinese Taiwan (DEL, \$/ton)			Europe (DEL, \$/ton)			USA (DEL, \$/ton)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
1506	1482	↗	1916	1804	↗	1918	1984	↗

North America: PSF sentiment turned good in April, in particular, demand for medium tenacity PSF was strong. However, demand from non-woven fabric sector did not have great changes, while demand from weaving sector was not so good, but sentiment was stable on the whole.

West Europe: Hygiene sector saw an improving seasonal demand for PSF and showed a good potential performance, though the prospect was unclear. However, purchases from automobile sector remained stable. Demand from geo-technical material industry was lower than that in the same period of past years.

Statistics on Exports of Chinese PSF (kt, \$/ton)

Destination	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
US	15.5	1063	12.5	1129	47.1	1060	30.2	890
Pakistan	6.2	1249	8.9	1252	26.6	1214	17.9	946
Vietnam	0.9	1314	2.8	1272	6.7	1245	2.5	956
Turkey	0.6	1056	1.7	1241	4.2	1170	6.3	1002
India	0.9	1064	1.7	1171	4.9	1116	2.1	933
Others	22.6	1269	19.4	1278	73.1	1248	44.5	1055
Total/Ave. Val.	46.7	1192	46.9	1228	162.5	1182	103.5	980

According to the statistics from China Customs, China's import volume for PSF in April 2010 was 12.7kt, down 2.30kt from the previous month, and the average import price was at \$1,550/ton, down \$44/ton from March 2010. China exported 46.9kt of PSF in April 2010, up 0.2kt from previous month, with the average export price at \$1,228/ton, up \$39/ton on month.

South Korea, Chinese Taiwan and Malaysia ranked the top three regions that exported PSF into China Mainland, and the top three export destinations of Chinese PSF were the United States, Pakistan and Vietnam.

Stock Level and Operation Status of Chinese PSF Producers

Plant News	1. Xianglu had no plan to restart 180kt/yr PSF unit, so did Liaoyang Petrochem with 60kt/yr unit and Heilongjiang Longdi with 70 kt/yr unit.			
	2. Jiangsu Jiangnan's two direct-spinning PSF units with a total capacity of 300kt/yr operated at about 50% capacities each.			
	3. Shandong Wanjie's one of melt-direct-spun PSF lines restarted, and the other two lines were still in outage.			
Month	Mar	Apr	May	Jun est.
Operating rate	49.1%	54.7%	54.7%	→
Output (kt)	225.8	251.3	251.3	→
Stock Level	Medium to low	Medium to low	Medium to low	↗

In May, PSF values stabilized and then went down. As liquidity was thin in the market on the whole, producers saw inventory increasing. At the end of May, as crude oil values saw a hike for two consecutive days, inventory released somewhat with good sales. By the end of May, inventory was at a normal level, with the number at 10-15 days. Producers carried out cutbacks to maintain stable prices, with run rates pegged at 50-60% in general.

CCFEI Comment

Feedstock: International crude oil values rebounded after consecutive slumps, and PTA and MEG markets made soft corrections after sharp slide. Capital market will have great impact on the market in the future.

Demand: Run rates kept at 70-80% at downstream mills, due to lack of workers. Demand was still strong and some producers had arranged production plans till late June. After large-volume purchases in late May, raw material inventories have been picked up somewhat.

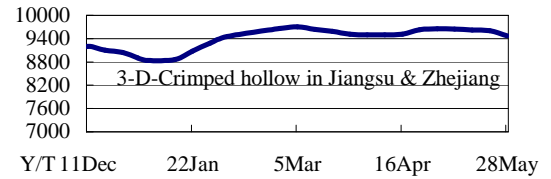
Supply: Run rates kept at 50-60% in PSF industry, but inventory basically remained at a normal level. Supply was ample.

Overall, PSF sentiment was still unsatisfactory. Whether PSF producers, participates or downstream producers, none has enough confidence. Currently, sentiment had fallen to the bottom. It is expected that PSF prices will slightly linger in June, within a limited up-and-down space.

Re-PSF

Hollow Re-PSF Value Trend (yuan/ton)

Variety (6-15D siliconized)	Trend	Value
3-D-crimp in Jiangsu & Zhejiang	↑ 17	9582
3-D-crimp in Guangdong (pre-duty)	↑ 48	8688
2-D-crimp whitened in Cixi	↑ 65	8700

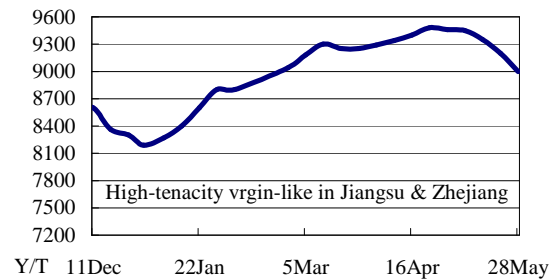


Affected by European debt crisis, sentiment for polyester fiber chain slumped sharply in May, which resulted in a decline on the sentiment of overall hollow re-PSF market. In H1 May, though sales were thin and inventory increased, due to firm prices of bottle flakes, most hollow re-PSF producers in Jiangsu and Zhejiang kept offers unchanged, with mainstream ex-works offers for siliconized items at 9,500-9,700 yuan/ton (with duty). After mid May, in the backdrop of polyester fiber, prices of bottle flakes started to decline, especially for hollow re-PSF, with siliconized items down to 9,200-9,500 yuan/ton (with duty). The numbers in Guangdong and Fujian decreased sharply from 8,700-8,900 yuan/ton (duty excluded) to 8,300-8,600 yuan/ton (duty excluded).

2-D hollow re-PSF market in Cixi operated along a similar trend as 3-D-hollow re-PSF market in May. Mainstream offers for siliconized and whitened items went south from 8,800-8,900 yuan/ton (with duty) in April to 8,600-8,800 yuan/ton (with duty), with offers for green items pegged at 7,600-8,000 yuan/ton (with duty).

Cotton-type Re-PSF Value Trend (yuan/ton)

Variety (in Jiangsu and Zhejiang)	Trend	Value
High-tenacity low-elongation virgin-like 1.5D	↓ 171	9239
High-pressure spun virgin-like 1.5D	↑ 6	8939
High quality raw white 1.5D	↓ 21	8339
High quality raw white 1.5D (SW China)	↑ 108	8688
Low quality raw white 1.5D	↓ 115	7825
Re-POY150D/96F	↓ 341	9984



Cotton-type re-PSF prices continued moving down, affected by virgin PSF in May. Major ex-works offers for high-tenacity low-elongation virgin-like re-PSF dropped to 8,900-9,100 yuan/ton (with duty, hereinafter the same), high-pressure spun virgin-like items to 8,600-8,900 yuan/ton, 1.5D raw white high-quality re-PSF to 8,200-8,300 yuan/ton and 1.5D black high-quality ones to 7,600-8,000 yuan/ton. Major ex-works offers for 1.5D raw white high-quality re-PSF in Southwest China softened to 8,500-8,700 yuan/ton.

As for re-PFY market, influenced by virgin PFY market, main ex-works offers for re-POY 150D reduced from 10,200-10,500 yuan/ton (with duty) last month to 9,300-9,600 yuan/ton (with duty) now.

Flakes Price Trend

	White, for 3-D-crimped	White, for virgin-like	White, for re-PFY	Green, for spinning
Average in May	7408 ↑	7075 ↓	7913 ↓	6329 ↑
Forecast for Jun	↘	↘	↘	→

Prices of bottle flakes still seemed firm in early May. In line with consecutively sliding virgin polyester, offers for bottle flakes for spinning re-PSF and re-PFY went down by 200-300 yuan/ton in general.

Offers for white flakes ready for spinning 3-D-crimped hollow re-PSF in Jiangsu and Zhejiang dropped from 7,300-7,500 yuan/ton (duty excluded, hereinafter the same) in April to 7,200-7,300 yuan/ton in May. And offers for white flakes used to spin high-quality re-PSF went down from 7,100-7,300 yuan/ton to 6,900-7,000 yuan/ton. Offers for green flakes stabilized at 6,200-6,400 yuan/ton. In Guangdong and Fujian, white flakes used to spin 3-D hollow re-PSF were quoted down to 6,900-7,000 yuan/ton, against 7,200-7,300 yuan/ton in April. In Southwest China, offers for white flakes ready for spinning fell from 6,600-6,800 yuan/ton to 6,500-6,700 yuan/ton.

Statistics on Imported PET Scraps and Wastes into China (kt, \$/ton)

Origin	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Japan	32.8	647	27.0	716	101.8	653	78.1	465
USA	14.1	613	14.7	692	53.3	628	41.0	468
Germany	7.4	586	6.90	662	30.6	576	15.1	413
Thailand	11.7	764	10.4	778	37.2	719	24.5	497
Taiwan	7.6	615	4.80	714	29.3	598	13.6	492
Others	78.9	623	81.0	683	260.8	628	156.5	451
Total	152.6	636	144.8	697	513.0	635	328.8	459

According to China Customs, China's import volume of PET scraps and wastes in April was 144.8 kt, down by 7.8 kt from March, and the average import price was at \$697/ton, up \$61/ton on month.

The statistics show that import volume declined in April, while average import prices moved up. Japan ranked the first in all countries and regions that imported flakes into China in April, followed by Hongkong, USA, Thailand, South Korea, Germany, Indonesia, Mexico, Taiwan and Peru. As for import price, the highest number came from Myanmar, followed by numbers from Paraguay, Venezuela, Suriname, Peru, Thailand, Indonesia, Brazil, Malaysia and Morocco. Top three Customs in China in April were Shanghai, Ningbo and Qingdao Customs in turn based on import volume, and PET scraps and wastes were mostly imported based on general trade and trade of processing with imported materials.

Operation Status of Chinese Re-PSF Producers

Plant Operation	Anhui Tianchang Chemical Fiber shut down its unit in late April, and restarted it on 2 May, involving a capacity of 40 ton/day.			
	Nantong Tianhong shut down its unit on 1 May, and restarted it on 10 May, involving a capacity of 30-40 ton/day.			
	Both Yangzhou Gaohai and Ruiyue shut down units on 1 May, and restarted on 4 May and 6 May respectively, involving a capacity of 40 ton/day each.			
	Hangzhou Jiani shut down its unit on 5 May, and restarted it on 11 May, involving a capacity of 60 ton/day.			
	Hangzhou Yongxing and Taifu had maintenance shutdown on 10 May and 17 May respectively, and both restarted units on 1 June, involving a capacity of 110 ton/day and 50 ton/day respectively.			
	Hangzhou Sanxing and Huachuang shut down units on 24 May and 28 May, and expected to restart in early June and in H1 June respectively, involving a capacity of 100 ton/day each.			
Domestic producer	Mar	Apr	May	June est.
Operating rate	65%	70%	65%	→

In line with a consecutive fall on virgin polyester market, sales atmosphere for re-PSF market slid down in May, so pressure from producers' inventory continued increasing and production reduction frequently appeared. In addition, during Labor Day holiday, many units shut down.

As for cotton-type re-PSF, the sale/production ratios stood at 70-80%, with stocks about 10-15 days and run rates at 50-70%. Hollow re-PSF plants saw sale/production ratios at 40-70%, stocks lowered to 20-25 days, and run rates at 70-80%. Re-PFY producers ran at 50% capacities, with difficult sales and production.

CCFEI Comment

Affected by European debt crisis, microeconomic situation was sluggish, so sentiment for virgin polyester fell down consecutively, which had impact on re-PSF market in May, with all varieties down at different degrees. Stocks further picked up, and overall market sentiment slid down.

From the view of cost, a fall of nearly 1,000 yuan/ton for PFY, PET chips and PSF squeezed margins of re-PSF, so prices of re-PSF slid down and producers strongly talked down prices of bottle flakes.

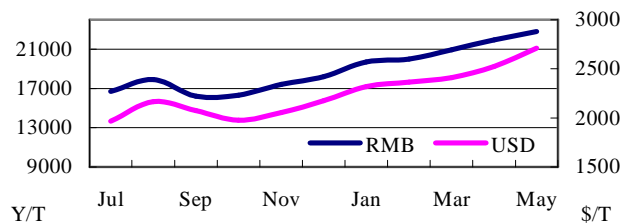
As for supply and demand, during Labor Day holiday, some units were shut down for turnaround. Besides, due to falls of prices and sale/production ratio and prompt increase of re-PSF inventory. Thus some producers cut down production or shut down units, resulting in production reduction.

Generally speaking, after sliding in May, bottle flake prices are no longer firm. With off-season of June coming, it is expected that offers for feedstock and re-PSF will further range bound, and more producers will cut production to protect prices or sell products at low prices. Much attention should be paid to microeconomics and polyester sentiment.

Caprolactam

Contract Price (yuan/ton, \$/ton)

Month		Change	Range	Prev. Month
RMB-based	May Settled	↑ 850	22800	21950
	Jun Listed	→	-	23100
USD-based	May Settled	↑ 175	2700-2720	2520-2550
	Jun Listed	→	-	2700-2750

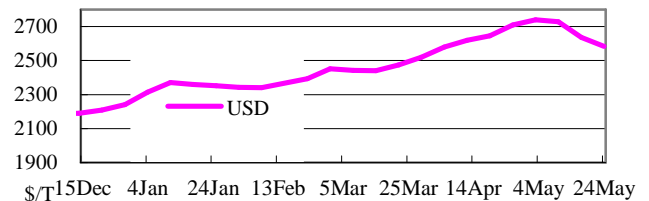


Asian caprolactam contract price for Ma was settled at \$2,700-2,720/ton (CFR China, L/C 90 days), rising by \$175/ton from April. Nominations for June have not been issued, expected to be flat or a bit lower from May.

Affected by macro-economic factor, spot CPL prices moved lower, while contract numbers remained firm. Sinopec announced settlement price for May contracts at 22,800 yuan/ton (D/A, solid, AA grade) in late May, an increase of 850 yuan/ton from April settlement. Sinopec has not issued list price for June yet.

Average Spot Price (yuan/ton, \$/ton)

Week	Time	RMB-based	USD-based
Week 1	3May-7May	23000	2740
Week 2	10May-14May	23200	2728
Week 3	17May-21May	22560	2636
Week 4	24May-28May	22020	2584
Monthly	Ave. in May	22695	2672



RMB-based spot market: CPL prices were in downtrend on falling feedstock values and softening demand.

Week 1: CPL market kept firm, with RMB-based mainstream trading prices at 23,000-23,200 yuan/ton, while trading became muted.

Week 2: Spot market went soft amid an adjustment of feedstock and wait-and-see stance at downstream players, so mainstream trading prices inched down to 23,000-23,100 yuan/ton, though domestic producers raised prices.

Week 3: Since a few traders offloaded materials at low price, spot values dropped from 22,800 yuan/ton early this week to 21,800-22,000 yuan/ton by the weekend.

Week 4: Feedstock prices stabilized and inquiring increased a little, but buyers were still cautious in taking offers. Mainstream values were at around 22,000 yuan/ton, while liquidity was modest.

USD-based spot market: Prices moved down, as market confidence was slashed by macro-economic environment.

Week 1: A few offers were at \$2,750-2,780/ton, while talks came to \$2,730-2,740/ton on lower buying interest.

Week 2: Spot cargoes were quoted at \$2,730-2,750/ton, with trading prices talked at \$2,700-2,730/ton. On the weekend, there were deals heard done at below \$2,700/ton.

Week 3: Offers were sparse, at \$2,680-2,700/ton early this week. Buying interest in the market was weak, but low-price supplies were rumored more available, heard at \$2,550-2,570/ton on the weekend, with firm deals limited.

Week 4: Market was weak, with mainstream offers for ex-East Europe cargoes at \$2,620-2,630/ton and buying ideas at \$2,550-2,580/ton. Trading was modest. Market sentiment improved a little on the weekend.

Monthly International CPL Value Trend

Asia (\$/ton, CFR)			Europe (€/ton, DEL)		
Apr.	May	Jun. est.	Apr.	May	Jun. est.
2530-2550	2700-2720	→	1800-1860	1800-1860	→

In Asia, May caprolactam contract prices moved higher. Settlement values on a CFR Korea/Taiwan basis reached \$2,700-2,720/ton, and CFR China prices were also at \$2,700-2,720/ton. As for nominations for June, some suppliers' nominations are expected to be a rollover or higher over May. In Europe, the contract prices for May were at eur 1,800-1,860/ton (DEL), flat to April. It's predicted that June contract prices in Europe will be revised down on falling feedstock values and shrinking demand from Asia.

Statistics on Caprolactam Imports in China (ton, \$/ton)

Origin	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Belarus	3068	2383	5736	2454	16080	2335	18530	1187
Poland	6400	2318	4275	2379	21375	2268	17900	1220
Russia	15477	2371	11772	2440	54362	2308	33099	1198
US	3806	2287	5610	2361	21574	2209	18490	1221
Mexico	4653	2375	2585	2427	15510	2289	11821	1245
Japan	11154	2375	7618	2468	31902	2365	18379	1290
Others	20737	2328	25251	2381	79064	2289	72876	1238
Total	65295	2349	62847	2409	240141	2297	191096	1228

In April 2010, China imported 62.8kt of caprolactam, decreasing by 3.83% from March, and the combined import volume in Jan-Apr 2010 was 240kt, growing by 25.7% from the same period of last year. The largest volume in the month was imported from Russia, amounting to 11,772 tons. Volume from Belgium was the second largest, at 8,290 tons, followed by that from Japan at 7,618 tons.

Average import price in April was \$2,409/ton, up 2.55% from March. The highest number for April was \$2,533/ton for ex-Thailand cargoes, followed by \$2,525/ton from India. That from Belgium was the lowest, at \$2,233/ton.

Inventory Volume and Operation of Caprolactam Producers

Plant Operation	1. Shijiazhuang Refining & Chemical restarted its new 100kt/yr CPL line in early May, and it is running normally now.		
	2. India's Fertilisers and Chemicals Travancore (FACT) delayed restarting its 50kt/yr CPL unit at Kochi to late May.		
	3. DSM Nanjing will shut down its 200kt/yr CPL unit at Nanjing, Jiangsu on 5 July for a three-week routine turnaround.		
Domestic producer	Mar.	Apr.	May est.
Operating rate	100.0%	93.0%	88.9%
Production (kt)	45	41	40

China imported 62.8 kt of caprolactam in April, and together with domestic production of 41 kt, China's apparent consumption volume was at about 103.8 kt, down 6.32% from March.

In May, estimated run rates of CPL units in China and abroad decreased, with low inventories at producers but higher inventories in the market. Downstream run rates slid slightly, of which, large-sized nylon chip units were at around 85%, and small-sized conventional spinning units were at around 70%, with average rate at around 80%; cord fabric plants were running at 80-90% capacities, with textile filament plants at 85%. Downstream demand weakened slightly.

CCFEI Comment

Supply: Tight supply will ease off in the future. In China, Shijiazhuang Refining & Chemical has finished turnaround on its new unit, with run rate expected to be ramped up. Outside China, Indian FACT will restart its CPL unit in late May. Therefore, supply shortage is expected to ease off in June.

Demand: Downstream demand has decreased. Presently polyamide polyplants are running at around 80% of full capacities, with high-speed spinning units at around 85% and conventional spinning units at 70%. Most fish-net yarn, staple fiber and monofilament plants as well as low-end spinning plants are running at lower rates. However, sales for these producers declined recently, and they are mainly delivering goods ordered previously. Textile filament plants are operating at around 85% capacities. Overall, downstream demand is passable, though lower compared with the month before.

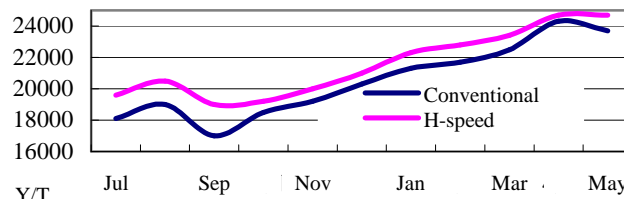
Cost: Crude oil and benzene values are under adjustment now. NYMEX crude values dropped below \$70/bbl during May, with Asian benzene values down through \$800/ton FOB Korea and European benzene to around \$900/ton FOB Rotterdam. The recent falls of feedstock have a big impact on CPL market.

To sum up, feedstock costs are lower, tight supply for CPL eases off somewhat, and downstream demand goes soft a little, but the inventory at producers is not high. Therefore, in a short period, CPL market is expected to keep stable or improve a little, while in the medium term, the market is likely to be stable-to-strong, and players should pay attention to the influence from macroeconomic market.

Nylon Chip

Average Price (yuan/ton, \$/ton)

Month		Up/down	Range	Prev. Month
Conventional	May	↓ 600	23700	24300
High-speed	May	→	24700	24700
	USD	↑ 10	2910	2900

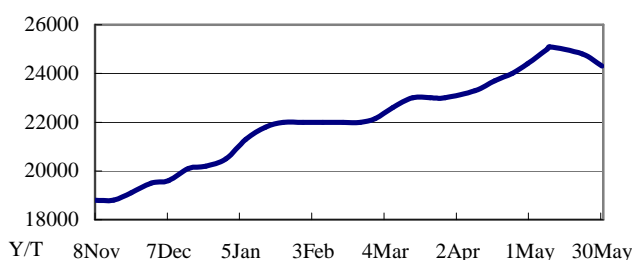


CPL prices retreated somewhat on worsening debt crisis in Europe and softening crude oil and benzene prices. So the impetus from feedstock cost for nylon-chip market at home and abroad decreased sharply, which forced nylon chip producers and traders to lower prices. In addition, demand also weakened slightly owing to low run rates and ample feedstock inventory at downstream converters. All these were not good for chip values to keep firm.

On the market, realized prices for Taiwan-origin high-speed spinning nylon chips were at \$3,000/ton in May, with most deals in small volume. However, market participants' expectation on lower prices increased due to the dip of feedstock and ample feedstock stock at converters. For homemade nylon chips, prices tended to retreat mainly because CPL values failed to hike further and nylon chip supply increased a little. Talks for high-speed spinning nylon chips were at 24,500-25,300 yuan/ton by the month end, with lower numbers at around 24,200 yuan/ton. Downstream nylon fiber producers were on the sidelines, but chip inventory was not high. As for conventional spinning nylon chips, the market prices plummeted, down to 23,200-23,500 yuan/ton by the month end, but some products were still high at 24,000-24,200 yuan/ton. Producers cut runs by small range, as inventory rose a little. As for imported cargoes, supplies from major traders increased slightly, while buying interest was low. As a result, prices dipped, with high-end numbers only at 23,000-23,500 yuan/ton by the month end. Converters adopted wait-and-see stance, and called for low prices.

Weekly Spot Average Price (yuan/ton)

Week	Time	Price
Week 1	1May-8May	25000
Week 2	9May-15May	25100
Week 3	16May-22May	24800
Week 4	23May-30May	24300
Monthly	Ave. in May	24800



With CPL market prices retreating to \$2,550-2,600/ton, cost pressure on chip producers eased off; and together with wait-and-see stance of downstream customers, nylon chip prices fell back. However, markdown of semi-dull chips was relatively small on not high inventory; bright chips saw a sharp fall, as demand came to standstill. As for conventional spinning nylon chips, prices in East China for homemade bright chips descended by 600 yuan/ton to 23,200-23,500 yuan/ton in May, and that for some Jiangsu-origin materials were high, at 24,000-24,200 yuan/ton, also down 600 yuan/ton. And with stock increasing, prices are likely to soften further. As for low-priced imports, prices slumped by 1,000 yuan/ton to 23,000-23,500 yuan/ton in May, and future market was considered to be bearish, as many downstream plants were in outage. Sinopec plants in Central and North China lowered ex-works prices by 800 yuan/ton to 23,000-23,200 yuan/ton due to slower liquidity. In run rate, most producers kept the rates at 90% in early May, but more of them cut runs to 60-70% by the month end. For high-speed spinning semi-dull chips, homemade materials were flat at 24,500-25,300 yuan/ton (D/A 90 days, self-lifting), with lower numbers at or below 24,200 yuan/ton. Demand declined, but producers' inventory was not high. For imports, buying interest on USD-based market cooled down, with prices from producers, who had no inventory, at \$3,000/ton by the month end. However, most converters had enough feedstock inventory, so their interest in buying raw materials at high price was low. Therefore, prices may drop. Run rate of some major semi-dull nylon-chip plants could stay at 80-90%.

Monthly International Nylon Chip Value Trend

Taiwan (\$/ton)

Mar	Apr	May	Jun. est.
2710	2900	3000	↓

Demand for nylon chips was slashed by retreated CPL prices, so price was hard to further hike. Moreover, weakening nylon fiber market due to cautious demand in terminal market also exerted downward pressure on chip prices. On the circumstances, chip prices from majors are expected to inch down further in June due to softening feedstock values.

Statistics on Nylon Chip Imports into China (kt, \$/ton)

Origin	Mar 2010		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Taiwan	27.50	2616	30.09	2681	105.5	2568	11104	1560
Russia	2.92	2345	5.83	2425	13.22	2332	16.70	1076
Belgium	1.71	2392	2.68	2360	9.45	2335	8.73	1536
Germany	3.00	3124	4.41	3044	12.87	2921	12.40	1941
S. Korea	5.58	2772	4.54	2842	17.78	2700	11.35	1687
USA	6.91	2464	6.20	2695	21.09	2473	21.84	1656
Total	55.10	2775	62.3	2809	204.6	2711	204.7	1630

In April, China imported 62,293 tons of nylon 6 chips, up by 7,189 tons or 13% from March. Average price for imported nylon 6 chips was at \$2,809/ton, up by \$34/ton from March. Among them, material from Chinese Taiwan totaled 30,088 tons, up by 2,586 tons or 9.4% on month, accounting for 48.3% of the total import volume, but the percent was less than that of last month. The average price for Taiwan-origin cargoes was at \$2,681/ton, \$65/ton higher from March's \$2,616/ton. South Korea, Germany, the USA and Japan are also major exporters to China. Import volumes from Russia, Germany and Belgium inched up this month, while that from South Korea and USA declined somewhat.

Operation of Nylon Chip Producers in China
Plant News

This month, feedstock prices declined, and buying interest slowed down. Major PA chip and nylon cord fabric producers kept run rates at 80-90%, with operating rate at some small-sized producers at 60-70%, down slightly month-on-month.

Many chip producers planned to expand capacity in 2010-2011, including Haiyang Chemical Fiber, Shandong Xiangyu, Shandong Shifeng, Yueyang Chemical Fiber, Wenzhou Huajian, Tianjin Haijing, Fujian Liheng, Fujian Jinjiang Technology, Shijiazhuang Chemical Fiber, Sanding Holding Group, and Mesbon Chemical Fiber. Hereinto, Haiyang Chemical Fiber's 23kt/yr unit started up successfully in May. The startup date of Shandong Xiangyu's 28ky/yr unit is uncertain. Meanwhile, units of Wenzhou Huajian, Shandong Shifeng and Yueyang Chemical Fiber may start operation in June or July.

	Feb	Mar	Apr	May
Output (kt)	96	105	107	↓

According to the statistics of CCFEI, China's nylon chip production in April was 107kt, with running rates at 90%. Import volume gained by 7.2kt and export volume decreased by 1.5kt on month. Apparent consumption increased by 10kt. China's nylon chip production in May is anticipated to be lower over April level due to much weaker production enthusiasm of nylon plants.

CCFEI Comment

As for costs, players in CPL market were more cautious on the dip of crude oil and benzene values, so CPL prices retreated, which slashed nylon chip market. By the month end, CPL market remained insipid, and prices slid to below \$2,600/ton. Further price dip for CPL is still possible, so cost pressure on nylon chip will ease off. Given the continuous decrease of feedstock prices, chip producers may lower prices or provide discounts to promote demand.

As for supply, as CPL market showed a sign of softening and there were ample feedstock inventories at converters that made hand-to-mouth purchase, nylon chip producers ran units with caution, though their profit margin improved a little. More producers kept operating at minimum rates to release stock pressure and hold on prices. Therefore, it is expected that overall operating rate at polymerizing mills will decrease next month.

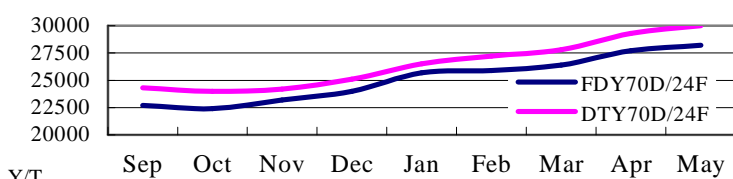
As for demand, market demand for nylon chips was weak due to slightly low demand on the terminal textile and tire markets. Operating rates of some nylon fiber producers were low due to meager margins, so they were cautious in buying high. Looking forward, the soft trend of feedstock, and abundant stock at downstream sectors may slash market demand for nylon chips in the short run. However, as the dip of nylon fiber price lagged behind nylon chip, fiber producers' profit margin will improve, which will promote their buying interest. Judging from the macro economy, increasing expectation of monetary squeeze and fluctuating economic environment at home and abroad will lead to an anticipation of poor demand. On the whole, with so many negative factors, the market will see lower demand in the short run.

To summarize, nylon chip market lost support from cost, as CPL prices at home and abroad had softened. So, market players are pessimistic. In addition, falling market demand and increasing inventory at some producers brought downward pressure on chip prices. It's expected that nylon chip market will see small-range softness next month.

Nylon Filament

Average Price (yuan/ton)

Month	Change	Price	Prev. Month	
FDY70D/24F	May	↑ 500	28200	27700
DTY70D/24F	May	↑ 700	30000	29300



As for costs, the falling CPL and nylon chip values hindered price hikes for nylon yarn, but yarn prices were still on the rise, with a month-on-month increase of 500-700 yuan/ton, given still high costs for stocked raw materials. However, textile mills mainly made hand-to-mouth purchase on moderate profit margin, so the slowdown of buy-rise interest also brought obstacle to nylon yarn market. Looking forward, with low-priced feedstock supplies increasing, nylon yarn producers will lose cost support, so they are more likely to provide discounts after profit margins improve.

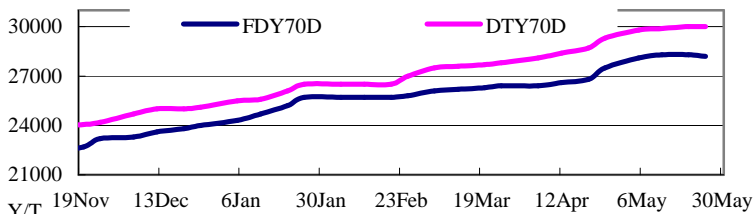
As for supply, though yarn producers' profit margins improved a little on better performance of nylon yarn prices than feedstock values in May, the production enthusiasm of yarn producers cooled down due to slow-down sale, with some small-sized producers obviously expected to cut run to control inventory.

As for demand, textile sector mainly made hand-to-mouth purchase, so demand for nylon yarn was modest.

To sum up, future market will further soften in line with weakening cost. However, healthy inventory on the back of producers' run cuts will provide certain support to nylon yarn prices.

Weekly Spot Price

Week	Time	FDY70/DTY70
Week 1	1May-8May	26100/27500
Week 2	9May-15May	26200/27600
Week 3	16May-22May	26300/27700
Week 4	23May-30May	26400/27800
Monthly	Ave. in May	26250/27650



FDY: Demand for woven fabrics was stable in May, with overall operating rate of weaving mills at around 60-70% capacity. So demand for FDY was stable. FDY producers continued to call for firm prices on still high cost pressure and meager profit margin. But prices may soften later in line with falling feedstock and slowdown of buying activity. In Shengze and Jiaying market, SD FDY 70D/24F was traded at 28,000-28,200 yuan/ton, with FD items at 29,000-29,500 yuan/ton, up around 500 yuan/ton. This month, prices from producers had showed signs of softening, as cost was expected to decline and reflow of funds was strongly required, though inventory pressure was not so high on the whole.

DTY: Knitgoods market saw demand declining during the month, with overall operating rate at 60-70% capacity. So demand for DTY was modest. However, in line with falling feedstock at the month end, DTY producers' prices started to stabilize following a surge. Mainstream high- and mid-end DTY70D/24F surged significantly to 30,500-31,000 yuan/ton in May. But prices went stable with cost pressure relief, though inventory was limited. Some low-end products were priced at 29,000-30,000 yuan/ton, with an obvious increase. Fine-denier 30D/10F was at 34,000-36,000 yuan/ton. Downstream, overall run rates of nylon-fed circular knitting and covering machines were kept at 50-70% and lace sector at 30%, and Yiwu mills ran slightly higher at 60-70% on better demand. However, run rate at small-sized mills decreased a little.

In cord fabric sector, mainstream prices were at 30,000-31,500 yuan/ton with normal demand. Producers ran at 80-90% with decent profit margins. Mainstream prices for monofilament 30D rose by 500 yuan/ton to 29,000-29,500 yuan/ton, and downstream demand was modest. For nylon staple, mainstream prices for 1.5D were stable at 25,500-26,000 yuan/ton. Producers were at break-even, and demand was weak.

International Monthly Prices for Nylon Filament

Taiwan FDY70D/24F (\$/ton)

Mar 2009	Apr 2010	May 2010
3140-3170	3270-3340	3300-3400

Europe FDY40D/12F (\$/ton)

Mar 2009	Apr 2010	May 2010
4680-4850	4970-5230	4830-5090

Taiwan Market: Still firm feedstock prices pushed nylon yarn value up, and producers were running at 90-100% capacity.

European Market: feedstock values remained on high position, and liquidity for nylon fiber was passable. Thereinto, hosiery manufacturers mainly built up inventory; demand from weft-knitting and underwear sectors was sound and that from warp-knitting sector was weak.

China Nylon Filament Import Statistics (Unit: ton, \$/ton)

Origin	Mar 2009		Apr 2010		Jan-Apr 2010		Jan-Apr 2009	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Taiwan	9215	2896	8183	2925	29721	2835	30165	2088
S. Korea	810	3849	920	3851	3635	3624	5376	2527
Malaysia	799	2727	713	3099	2639	2780	2491	1651
Thailand	276	2628	116	2812	575	2837	318	2957
Total	12222	3071	11072	3157	40706	3044	41117	2266

According to Customs Statistics, China imported 11,072 tons of nylon 6 filament yarn in April, down by 1,150 tons from last month, with an average price at \$3,157/ton, up by \$86/ton from March. Of them, 8,183 tons was from Taiwan, down 1,032 tons on month and accounting for 73.9% of total import volume, with average import price at \$2,925/ton, up \$29/ton from that of March; besides, 920 tons was from South Korea, 713 tons from Malaysia, and 116 tons from Thailand.

Nylon Filament Industrial News

Plant News	Changle Liheng ordered a 188-position nylon filament unit from Barmag and TMT, increasing its capacity to 100kt/yr.			
	Huading Nylon plans to start up a 576-position spinning line by the end of 2011, expanding its capacity to 120kt/yr.			
	Fujian Brother Textile plans to expand its nylon filament capacity by 80kt/yr from current 70kt/yr, with first-phase capacity at 45kt/yr in 2010.			
	Fujian Kaibang plans to start up a 30kt/yr nylon project by 2011. Ningbo Xinlun plans to expand FDY capacity by 20kt/yr in August, making its capacity up to 65kt/yr in 2010. Zhejiang Qianchao Nylon will newly add 30kt/yr nylon filament capacity, which is expected to start up in 2010.			
Domestic	Feb	Mar	Apr	May est.
Output (Kt)	107	120	128	→

Nylon filament production in April was around 128kt; operating rate of producers was at a high level of 85-90% capacity. Meanwhile, import volume slightly decreased by 1.1kt and export volume was unchanged, so apparent consumption in April increased by 9kt on month. Production in May is expected to stay high given a bit cautious demand.

CCFEI Comment

In May, nylon fiber prices kept rising on improving downstream demand, but the markup was narrowing on falling feedstock values. Thereinto, the markups of cord fabric and products in conventional-spinning sector lagged behind that of feedstock, while FDY and DTY sectors performed well. However, nylon fiber market is hard to improve further but likely to weaken owing to expected softness of feedstock market and the slowdown of downstream buying interest. Looking forward, the factors affecting nylon yarn price trend are as follows:

Cost: Softening crude oil and benzene slashed market sentiment of CPL and nylon chips, and then made nylon fiber prices weaker and weaker. Seen from current situation, given an expectation of lower prices for CPL and nylon chips caused by low demand, nylon yarn producers are likely to see gradually improving profit margins, so they will provide discount to stimulate converters to make replenishment.

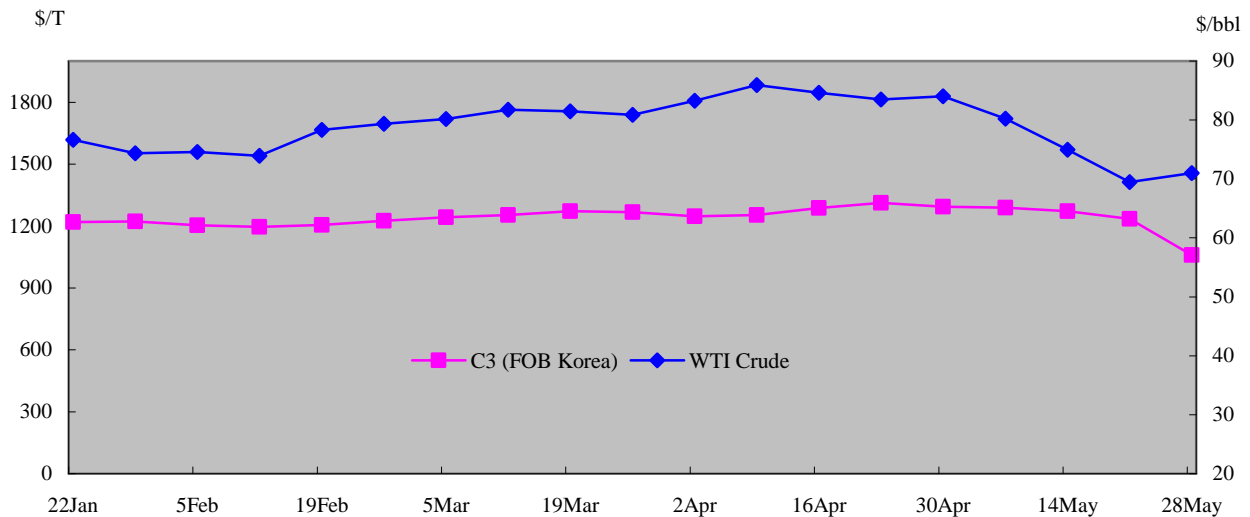
Supply: Economics of nylon yarn producers turn slightly better in line with a retreat of feedstock values, so some large-sized producers with not high inventory will keep running rates steady. However, nylon textile yarn inventory increased a little, as demand in textile sector declined in line with a dip of feedstock prices. As a result, some small-sized producers showed increasing concerns and cut runs. Cord fabric market performed well on the whole, while nylon staple, monofilament and etc. were still bearish, so small-sized producers already started trimming production this month. It is expected that supply will decrease a little in June after all producers cut back.

Demand: Downstream textile mills adopted wait-and-see stance, keeping operating rate stable and making hand-to-mouth purchase. Buying appetite of cord fabric, staple fiber and monofilament sectors was modest. Looking forward, demand is hard to improve in the short run attributing to ample feedstock at downstream consumers and softening feedstock values. From the macro-economic side, demand from textile and industrial sectors is unlikely to turn better in the short run in line with expected moderately tight monetary policy in China and unstable global economy.

To sum up, slight retreat of feedstock prices are wearing down expected strength of nylon yarn values, and affected by this, yarn producers may mull to provide discounts. Supply: producers are less likely to hold current run rates on increasing inventory. Demand: converters were cautious in purchasing. On the whole, price will soften from the high level next month after further hikes this month in line with an adjustment of feedstock and wait-and-see stance of consumers.

Propylene

Propylene Price Trend



Propylene Market Trend in May

Asia:

Week 1: Asian propylene values dropped by \$10/ton from previous week amid weak sentiment. **Week 2:** Asian propylene values declined by \$7.5-12.5/ton due to the debt crisis on euro zone, the severe anxiety in global financial market and the reduction on the demand for propylene spot cargoes caused by a sharp fluctuation on crude oil values. **Week 3:** Asian propylene values plunged by \$125/ton in line with a decline of \$75/ton for polypropylene values, and closed at \$1,285/ton (CFR China/NE Asia) on Friday. The reasons for the bearish market related to the global financial crisis, the slumps on crude oil values and the debt woe in Europe. **Week 4:** Asian propylene values reached the lowest point in the past four months, hitting \$1,025/ton (FOB Korea), with buyers on the sidelines.

Propylene value closed at \$1,019-1,021/ton (FOB Korea) in May.

Europe:

Spot PGP trading prices in Europe stopped declining and started to rebound owing to tight supplies caused by maintenance shutdowns. **In early May**, the drop on propylene spot prices slowed down somewhat, and producers indicated that the stocks and the price levels have reached a balance gradually. **In mid May**, supplies tightened slightly because of unscheduled shutdowns of several units in Germany, leading to a rebound on FD NWE based spot PGP values. **In late May**, spot trade was limited and prices moved down due to sluggish downstream demand and buyers' bearish anticipation on prices in the future.

PGP spot values closed at eur 975-985/ton (CIF NWE) in May.

USA:

H1 May: As spot values plunged sharply in past weeks, May contract prices slumped by 12 cts/lb, with PGP and CGP down to 63.50 cts/lb and 62 cts/lb respectively. **H2 May:** As downstream buying interest weakened, very few deals were signed, and spot values tended to weaken.

PGP spot values closed at 54.88-55.13 cts/lb (FOB USG) in May.

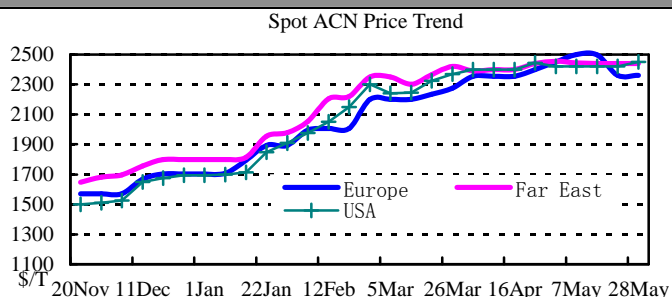
International Propylene Monthly Price Trend

Asia (FOB Korea, \$/ton)			Europe (CIF NWE, €/ton)			USA (FOB, cts/lb)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
1259	1214	↓	980	1005	↓	75.13	61.19	↓

Acrylonitrile

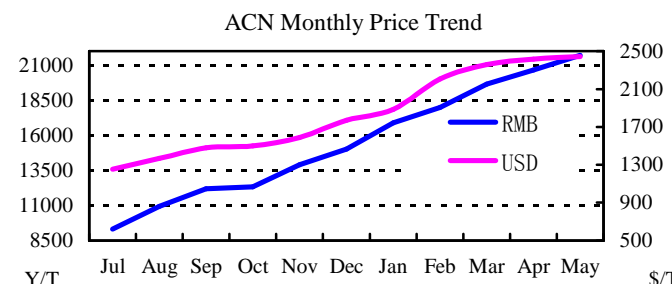
USD-based Spot Weekly Prices CFR FE (\$/ton)

Week	Time	Price
Week 1	3May-7May	2445
Week 2	10May-14May	2440
Week 3	17May-21May	2440
Week 4	24May-28May	2440
Monthly	Ave. in May	2441



RMB-based Spot Weekly Prices (yuan/ton)

Week	Time	Price
Week 1	3May-7May	21613
Week 2	10May-14May	21960
Week 3	17May-21May	21750
Week 4	24May-28May	21520
Monthly	Ave. in May	21711



Global ACN Market Trend in May

In Asia, in the first week of April, Asian ACN market prices dropped slightly. Prices in Far East, Southeast Asian and South Asian markets all fell by \$10/ton, to \$2,445/ton, \$2,445/ton and \$2,500/ton respectively. In the second week, ACN prices kept falling in line with price falls of propylene. Buyers thought that prices of ACN would maintain the downtrend until June or July, unwilling to give indications. In the third week, ACN continued falling steadily due to price drops of propylene and resistance of buyers. In the fourth week, ACN market remained stable in Far East. However, with lower prices of propylene and worries about European debt crisis, Southeast and South Asian markets lost support.

In Europe, in the first week, all sources said supply of spot ACN was constantly tight in European market, with assessment reaching \$2,500/ton (CIF Med.). In the second week, ACN spot prices fell sharply from the high level of \$2,500/ton, after \$5/ton drop of ACN in Asia. In the third week, continued falling of propylene brought about a slump of ACN spot prices in line with the bear market in Asia. In the fourth week, ACN values stayed firm, with spot assessment at \$2,360/ton (CIF Med.), the same level as that of one week earlier.

In USA, in the first week, though buyers lowered their bids because of bearish sentiment, ACN prices stayed above \$2,400/ton on tight availability. In the second week, ACN prices fell into a dilemma when demand became stronger while feedstock prices were dropping. In the third week, as brisk demand offset decreasing feedstock, negotiations were heard flat from last week, at \$2,400-2,500/ton. In the fourth week, as demand continued to go upward, assessment of ACN climbed to over \$2,400/ton. Assessment for exports reached \$2,450/ton, up \$35/ton on week.

Price Range for ACN in China in May (yuan/ton, \$/ton)

Lianyungang (ex-tank)			East China (ex-works)			NE China (ex-works)			USD-based (CFR China)		
Early May	Mid May	Late May	Early May	Mid May	Late May	Early May	Mid May	Late May	Early May	Mid May	Late May
21800-22500	21800-22500	21200-21700	20800-21500	21500-21500	21000-21500	20400-21600	21000-21600	20600-21000	2450-2500	2400-2500	2400-2450

Monthly International ACN Value Trend

Asia (CFR, \$/ton)			Europe (CIF, \$/ton)			USA (FOB, \$/ton)		
Apr	May	Jun est.	Apr	May	Jun est.	Apr	May	Jun est.
2417	2441	↓	2383	2430	↓	2422	2428	↓

Statistics on ACN Imports in China (ton, \$/ton)

Origin	Feb 2010		Mar 2010		Apr 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Japan	2920	1535	9000	1758	--	--
S. Korea	4368	1702	7291	1935	7640	2331
Taiwan	5142	1659	8890	1901	9808	2133
USA	18378	1742	9437	1882	5546	2203
Russia	3811	1564	--	--	3851	1955
Brazil	--	--	--	--	2040	2035
Total/Ave. Val.	40243	1695	34619	1866	34015	2115

The average Customs price for imported ACN in April was at \$2,115/ton, up \$249/ton from \$1,866/ton of March. Average Customs price for imported ACN from January to April was at \$1,853/ton. Import volume for ACN in April decreased by around 600 tons to 34,015 tons compared with 34,619 tons of March.

Capacity and Operation Status of Chinese ACN Producers during May

Producer	Capacity (kt/yr)	Operation Status	Remarks
CNPC Jilin Chemical	212	Normal	No.1, No.2 units to take half-month turnaround in turn from 15 June; No.3 and No.4 units to start up Jun-Jul.
Shanghai Petrochemical	130	Normal	Turnaround from 3 August to 28 August 2009
Shanghai Secco	260	Around 95%	Running at low rates for production issues with loss of 2,000-3,000 tons, to take a turnaround in early June
Fushun Petrochemical	92	Normal	
Anqing Petrochemical	80	Normal	Took a seven-day turnaround on 16-24 Mar 2010
Daqing Petrochemical	80	Normal	Turnaround from late May to late June 2009
DRCC	80	Normal	Restarted in mid Oct 2009, products for captive use
Lanzhou Petrochemical	35	Normal	Captive use, delay the planned turnaround to July
Qilu Petrochemical	40	Normal	2-week T/A from 15 Sep 2009, restarted end Sep.

In May, domestic ACN producers kept operating rate stable at around 97-98%. Domestic output in the month was assessed at around 82,100 tons.

CCFEI Comment

Feedstock: Crude oil prices continued weakening in H1 May, down to \$68/bbl, but the values rebounded to \$73/bbl by the month end after hovering at \$68-70/bbl in H2. As for propylene, influenced by crude oil slumps and global economic downturn, prices of propylene in Asia inched down gradually in H1 May, but in H2, the downward pace quickened due to weak demand and growing concerns, with price down from \$1,290/ton FOB Korea in early May to \$1,015/ton FOB Korea by month end. In China, propylene market prices went downward with dropping crude values and weakening USD-based market. By the end of May, mainstream ex-works prices in Shandong ranged between 8,700-8,900 yuan/ton. With downstream demand remaining weak and inventory piling up caused by slow trading, there is still some room for domestic propylene market to drop. In June, feedstock cost of ACN is likely to fall as a result.

Supply: In May, run rates of domestic ACN producers were slightly lower than in April, but total output changed little. As some AF producers started turnaround, ACN supply in domestic market grew. A decrease in production is expected according to some producers' plans for maintenance in June. ACN import volume in April was around 34 kt, smaller than that in March. Supply in the spot market in May remained tight while June supply in Asia would possibly increase, but cargoes of June delivery to China would be limited due to few deals done. Globally, supply shortage still exists on turnarounds in Europe and strong demand in the US, and the tightness will continue around the world.

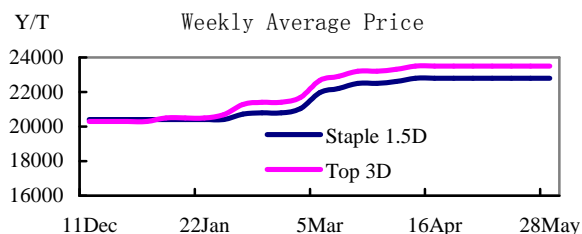
Demand: In May, operating rates at acrylic fiber units in China decreased greatly to around 57%. So demand for feedstock declined on a large scale. In ABS market, slump of crude values and feedstock cost brought the prices down further. Traders found it hard to liquidate stocks and the inventories at producers were increasing though operating rate was stable. Acrylamide sector's operation remained moderate, with few changes in demand for feedstock. In June, with more acrylic fiber producers taking turnaround, demand for ACN would fall enormously.

To sum up, given ACN supply/demand fundamental and costs, demand for ACN slowed down in May with weakening external conditions and lower upstream feedstock prices. Some traders wanted to avoid risk and some producers lowered ex-works prices, making spot prices falling constantly. Owing to global financial crisis, demand from acrylic fiber sector was weak while upstream propylene prices kept on dropping. Thus, there is still some room for prices of ACN to drop. However, as global shortage of ACN is still in place and USD-based ACN prices remain high, domestic market prices may fall moderately, but hardly to see a plunge in the future.

Acrylic Fiber

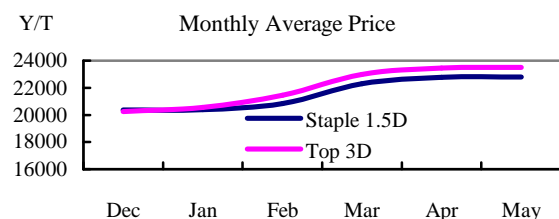
1.5D Staple Prices (yuan/ton)

Week	Time	Prices
Week 1	3May-7May	22800
Week 2	10May-14May	22800
Week 3	17May-21May	22800
Week 4	24May-28May	22800
Monthly	Ave. in May	22800



3D Top Prices (yuan/ton)

Week	Time	Prices
Week 1	3May-7May	23500
Week 2	10May-14May	23500
Week 3	17May-21May	23500
Week 4	24May-28May	23500
Monthly	Ave. in May	23500



Acrylic Fiber Market Sentiment in May

Week 1: In RMB-based market, downstream demand remained weak, so producers and traders suffered sluggish liquidity and increasing stocks. However, acrylic fiber prices had difficulty in trending down buoyed by strong acrylonitrile costs. Delivered prices for cotton-type acrylic staple in East China reached 22,700-23,400 yuan/ton. In USD-based market, prices still stayed high, and trades were limited due to large spread between offers from sellers' and bids from China's buyers. Meanwhile, affected by high values and tight supplies of feedstock, acrylic fiber producers operated at low rates. Reference offers for 30D tow were between \$2,950-3,000/ton in China currently.

Week 2: In RMB-based market, acrylic fiber sentiment remained in a stalemate. Some traders sold goods at reduced prices due to weak downstream demand, but the transaction still could hardly get improved, and users mostly stayed sidelined or made business with caution. Producers kept offers stable for the moment, with delivered prices for cotton-type acrylic staple at 22,700-23,400 yuan/ton in East China. In USD-based market, few buying interest emerged due to high USD-based prices, which left less arbitrage room to China's market. So traders did not accept offers actively. Meanwhile, some producers operated at low rates, so the supply was limited as well. Presently the trading values of 30D tow stood at \$2,950/ton, with discounts for some big orders.

Week 3: In RMB-based market, in line with sustained weak demand, some acrylic fiber producers in China started maintenance shutdown. So the slight price drop of acrylonitrile had little impact against short-term acrylic fiber market. Producers continued to hold stable offers, while some traders sold goods with discounts. In spite of this, the transaction was still poor. Delivered prices for cotton-type acrylic staple stood at 22,400-23,400 yuan/ton in East China. In USD-based market, transaction was flat, and most deals were based on small orders. Spot 3D tow was traded at \$2,950/ton. Some discounts were provided for big orders, but buying appetite remained low in China.

Week 4: In RMB-based market, acrylic fiber market kept on running steadily. Though upstream feedstock values continued to fluctuate downward from a high position, and downstream demand remained sluggish, trading prices in spot market could remain flat as some producers would put more efforts to cut runs so as to balance the supply/demand fundamentals. Producers held stable settlements for May and nominations for June, and trading values of cotton type acrylic staple reached 22,400-23,400 yuan/ton in East China this week. In USD-based market, prices still tended to go up amid tight supplies, and few discussions appeared on spot market. In view of weak demand, traders became more doubted. Thai Acrylic sold 3D tow at \$2,950/ton in small volume in China.

Reference Offers for May (yuan/ton)

Producer		1.5D Staple	3D Staple	High-shrinkage 3D (22%)	3D Tow	3D Top
Sinopec	Shanghai Petrochem	22700 (northern, Jinyang)	22450 (northern, Jinyang)	22550 (northern, Jinyang)	22700(northern, Jinyang)	23550
		22550 (southern)	22300 (southern)	22400 (southern)	22550 (southern)	
	Anqing PC	22400	22150	22250	22450	23400
	Qilu PC	22550	22200	22450	22450	23550
Jilin CF	Jilin Qifeng	23600	23400	23400	23600	24500
	JiMont	23600	23400	23400	23600	24500
Petro China	Daqing PC	22700	22400	22500	22600	23500

Acrylic Fiber Imports by Origin (ton)

Origin	Feb 2010	Mar 2010	Apr 2010	Total in 2010
Japan	3212	6216	6165	20348
Taiwan	2766	5644	4121	17215
South Korea	1667	1349	2325	8168
Thailand	631	608	150	2079
Turkey	2004	3479	374	7783
Belarus	862	1093	896	2851
Others	2239	2911	1970	9774
Total	13381	21299	16000	68217

Based on the figures from the Customs General Administration, China totally imported 16,000 tons of acrylic fiber in April, down by 5,299 tons or 24.88% from March's 21,299 tons, and down by 24.05% year on year.

By import origin in April, the top three countries and regions are Japan, Chinese Taiwan and South Korea, with their respective shares at 38.53%, 25.75% and 14.53%, which are followed by Belarus and Peru, with their shares at 5.60% and 5.18% respectively.

By import mode, general trade covered 6,708 tons in April, accounting for 41.92% of the total import volume. Processing trade covered 7,229 tons, accounting for 45.18% of the total imports.

China totally exported 923 tons of acrylic fiber in April, up 611 tons from March's 312 tons.

Acrylic Tow Imports by Origin (ton, \$/ton)

Origin	Mar 2010		Apr 2010		Total in 2010	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	631	2725	1558	2896	4798	2624
Japan	1566	2786	1252	3135	5203	2783
Taiwan	3663	2626	2334	2744	11239	2516
Belarus	1093	2219	895	2331	2851	2279
Others	4690	2528	1366	2576	11411	2462
Total	11644	2575	7405	2761	35501	2533

Acrylic Staple Imports by Origin (ton, \$/ton)

Origin	Mar 2010		Apr 2010		Total in 2010	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	652	2463	767	2740	3211	2482
Japan	4611	2902	4850	3010	15019	2871
Taiwan	1907	2494	1628	2699	5564	2493
Thailand	562	2264	150	2466	1883	2324
Others	1386	2598	725	2760	4935	2593
Total	9118	2700	8121	2890	30613	2683

Acrylic Top Imports by Origin (ton, \$/ton)

Origin	Mar 2010		Apr 2010		Total in 2010	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	65	2500	-	-	158	2500
Japan	39	4060	62	3772	126	3821
Taiwan	74	3068	159	2975	412	2837
Others	359	2641	254	2829	1407	2507
Total	537	2786	475	3002	2103	2650

Operation Status of Chinese Acrylic Fiber Producers

Producer	Capacity (kt/yr)	Plant Operation	Remark
Shanghai Petrochemical	150	Normal	Take a turnaround during 4-25 Dec 2009, with production loss of about 4000 tons.
Anqing Petrochemical	70	Normal	
Qilu Petrochemical	60	Normal	
Zhejiang Jinyong	60	Shutdown	Shutdown since Sep. 2008
Daqing Petrochemical	65	Normal	To have 20-day maintenance from 8 Jul. 2010
Daqing Refining & Chemical	30	Shutdown	Shutdown since Jan. 2008
Fushun Petrochemical	55	O/R at 50%	Cut runs to 50% from 1 Mar 2010
Jilin Qifeng	140	O/R at 60%	Acrylic fiber 80% capacity, carbon fiber 20%. Shut 2 lines of 8 lines from 21 Feb 2010. To have maintenance in early June.
JiMont	100	Maintenance	Shut 2 lines of 7 lines from 21 Feb 2010. Has 8-10-day maintenance from 28 May.
Hangzhou Bay Acrylic Fiber	60	Maintenance shutdown	Scheduled maintenance from 14 May to 25 May 2010, and to restart in early Jun.
Qinhuangdao Alight	55	Shutdown	Shutdown since May 2008
Ningbo Zhongxin Acrylic Fibers (former Ningbo Rayon Acrylic Fibers)	55	Maintenance shutdown	Idled since Apr 2009, restarted in late Feb in 2010. Shutdown to check electric circuit in mid May and to restart after the maintenance.

In May, operating rates of domestic acrylic fiber units decreased gradually, and the output reduced sharply. The details are as follows:

Week 1: The average run rate of the industry was around 69%.

Week 2: The average run rate of the industry was around 65%.

Week 3: The average run rate of the industry was around 57%.

Week 4: The average run rate of the industry was around 54%.

It is expected that domestic acrylic fiber production in May will decrease a lot from April.

Supply & Demand in China

Looking back into May, acrylic fiber market kept on ranging bound around a high position. As upstream acrylonitrile values tended to inch down from a high level, while downstream demand remained in lackluster, acrylic fiber market was still under pressure. However, as some producers expanded run cuts so as to reach a balance between production and sale, acrylic fiber prices in May didn't change too much, but transaction was poor.

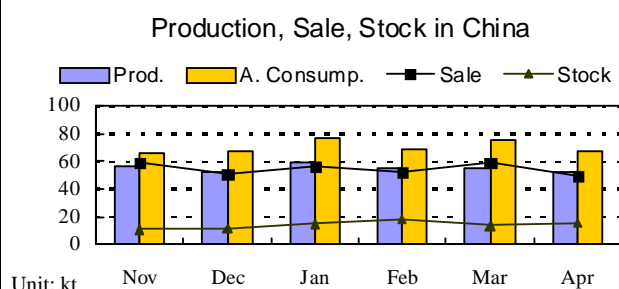
Production & Sale: In April, the run rates of domestic acrylic fiber units declined slightly, while the production kept stable. According to statistics, China's acrylic fiber production totaled 51.7 kt in April, down 3.5 kt from March, and down 9.93% year on year. Sales volume in April 2010 totaled 49.5 kt, down 17.09% from March's 59.7 kt, and down 19.38% year on year. Average sale/production ratio of AF industry was 95.66% in April 2010, down sharply from March's 125.71%.

Inventory: Though AF production changed little in April, the inventory of the industry increased greatly due to a significant drop of sale/production ratio. According to statistics, the inventory volume of the whole industry was around 15.8 kt by the end of April, a month-on-month growth of 16.61% and a year-on-year rise of 125.71%.

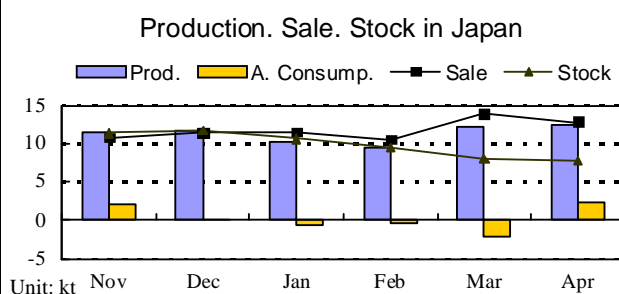
Apparent Consumption: In April, AF production in China changed little while import volume decreased significantly; meanwhile export volume rose a lot from the same period of last year, but the volume was relatively small. Based on these, apparent consumption decreased sharply to 66.8 kt in April, down 12.45% from March's 76.3 kt, and down 14.14% from 77.8 kt of April 2008.

Supply & Demand in China (kt)

	Feb	Mar	Apr	Total in 2010
Production	55.2	55.2	51.7	222
Import	13.4	21.3	16	68.2
Export	0.24	0.18	0.92	1.86
Apparent Consumption	68.4	76.3	66.8	288.4


Supply & Demand in Japan (kt)

	Feb	Mar	Apr	Total in 2010
Production	9.4	12.22	12.53	44.4
Import	0.08	0.115	0.213	0.46
Export	9.2	14.35	10.54	45.19
Apparent Consumption	0.28	-2.02	2.21	-0.284


CCFEI Comment

Upstream Raw Materials: Crude values breached \$70/bbl to \$68/bbl in first half of May and hovered around \$68-70/bbl for most of the time in late May. In end May the values rebounded significantly to \$73/bbl. Coupled with the influence from global financial market risks, Asian propylene prices went south gradually in H1 May, and plunged sharply in H2 May due to weak demand and the increasing concerns. The numbers declined from \$1,290/ton (FOB Korea) in early May to \$1,015/ton (FOB Korea) by the end of May. China's acrylonitrile sentiment was dragged down by continuously slumping propylene values. As downstream demand was in lackluster, while some traders were inclined to avoid risks, central trading values in spot market plunged from 22,300-22,500 yuan/ton in early May to 21,200-21,500 yuan/ton (self-lifting at ports). Spot prices in USD-based market continued to range bound around a high level amid tight supplies. Very few talks happened as players in China tried to avoid risks in operation. The feedstock costs of acrylic fiber softened somewhat, but were still able to provide strong support.

Downstream Acrylic Yarn: China's woolen yarn market showed a sign of slack season in May, leading to a continuous reduction on the actual demand for feedstocks. So the overall trading volume tended to shrink. Market prices were kept stable, while stocks at producers increased due to weakened sale of acrylic yarn, which would exert pressure upon prices. It's predicted that trade volume will keep on decreasing in June amid a narrow correction on prices.

Supply: Output of acrylic fiber is expected to reduce in May as the run rates of domestic acrylic fiber producers were lowered gradually. Although downstream demand was poor, the supply and demand were kept balanced owing to successive maintenance. It's predicted that the stocks in May will be lower on month. USD-based prices tended to go north continuously, while China's traders were cautious of taking orders as they were inclined to avoid risks. So few talks happened in the market. Generally speaking, the supply volume from domestic plants and the import volume both reduced in May. It's predicted that the supply volume in June will decline sharply.

Demand: Downstream demand was muted in May as acrylic yarn producers saw sluggish sale and increasing stocks. It's predicted that the slack season for the sale of acrylic fiber will continue in June, while an improved domestic demand will probably emerge in H2 2010.

CCFEI Comment: Although feedstock values fell in May, coupled with muted downstream demand, acrylic fiber producers still kept offers stable. Given shrinking profit margins and increasing sales pressure, the producers had maintenance to avoid risks, and the move led to a balance between supply and demand and played an active role in stabilizing spot market prices. With upstream sentiment going down continuously, the costs of acrylic fiber will return to a reasonable position. It's predicted that acrylic fibers will enter into a rational correction, with market fluctuating in a narrow range.

ABS

Chinese ABS Production in May 2010 (Unit: kt/yr)

Producer	Capacity	Major Grade	Stock	Run Rate	Remark
LG Yongxing	500	121H	Low	100%	
Zhenjiang Chimei	450	707K, 757K	Low	60-70%	One line running at 100 kt/yr new unit
Jilin Petrochem	190	0215A	Low	100%	100 kt/yr new unit running at low rate, not for commercial operation yet
Zhenjiang GPPC	250	D180, D190	Low	Circa 80%	
FCFC Ningbo	250	15A1, 12A1	Low	80-90%	
Daqing Petrochem	100	750A	Low	Normal	
Gaoqiao Petrochem	200		Normal	90%	Three lines in normal operation
Panjin Ethylene	50	CH510	Low	90%	Resume operation on 3 Feb
Changzhou Shinho	70	AC800, AC810	Normal	80%	Turnaround, 14 -19 April 2009
Lanzhou Petrochem	50	301	Low	40%	New line closed, old one runs normally

Run rates of ABS units in East China were between 80-95%, with rates in Northeast China at 80-90% in May.

ABS Market Situation in May 2010

Asia:

Week 1: Asian ABS surged by 0.77% or \$15/ton to \$1,965/ton (CFR China/SE Asia), buoyed by rising feedstock values. The sustained price rise in Far East market reflected an increase on feedstock butadiene and styrene values.

Week 2: CFR China/SE Asia based Asian ABS prices started to go down, in line with softening feedstock values.

Week 3: Asian ABS moved down continuously due to price decline of styrene, weak demand for prompt vargoes.

Week 4: Asian ABS prices were in the face of downward pressure caused by declining styrene and butadiene values. As a result, the demand got sluggish, with prices falling by \$45/ton to \$1,900/ton (CFR China/SE Asia).

Europe:

H1 May: Three major feedstocks of ABS saw slower price rises while ABS values surged continuously due to tight supply. There were insufficient imports from Asia on the back of the depreciation of euro.

H2 May: ABS assessments hiked by euro20/ton (\$24.60/ton) in Europe. Both buyers and sellers confirmed that the main reasons were the price rises for feedstocks and the tight supply of butadiene. However, producers said the contract nominations for May ABS with an increase of euro 200/ton were not accepted in the market. May contract prices only surged by euro 60/ton to euro 1,710-1,720/ton (FD NWE).

And ABS prices closed at \$1,955-1,965/ton (CFR NWE) in May.

America:

Overall demand in American ABS market kept strong in May. In mid May, ABS prices inched down slightly due to abundant spot supplies, including the additional cargoes arriving at main ports, but ABS prices remained stable at above \$1/lb. In late May, the spot supplies were still tight as the demand went out of their expectation. One producer even turned down the requirements from some buyers as it had no more spot supplies available. Some producers planned to explain to buyers that the demand in American market has gone far beyond their production capability.

And inj grade ABS closed at 115-117 cts/lb (delivered, rail) in the USA in May.

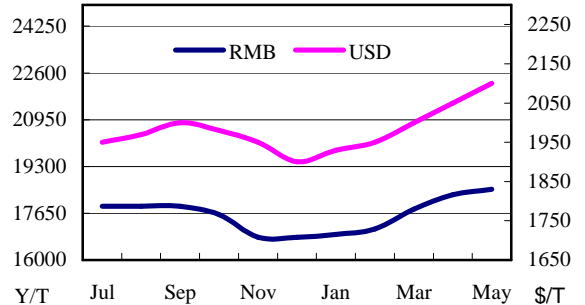
Apparent Demand for ABS in China (Unit: ton)

	Nov. 2009	Dec. 2009	Jan. 2010	Feb. 2010	Mar. 2010	Apr. 2010
Production	103075	120903	109529	105383	112044	101845
Import Volume	174580	211908	167638	125499	190897	193294
Export Volume	—	—	—	—	—	—
Apparent Demand	—	—	—	—	—	—

Pure MDI

Contract Price (yuan/ton, \$/ton)

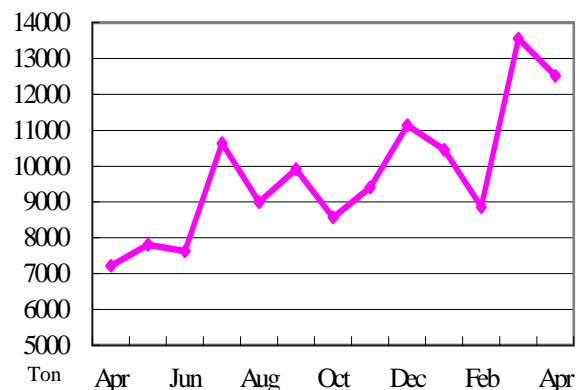
Month		Change	Range	Prev. Month
RMB	May Settled	↘	17600-18600	18000-18700
	Jun Listed	↘	18800-19700	19000-19900
USD	May Settled	↗	2000-2200	2000-2150
	Jun Listed	↘	2050-2250	2150-2350



In May, mainstream trading prices for pure MDI inched up by 200 yuan/ton in East China, while prices in South and North China remained flat from April, with higher offers from suppliers followed by traders, but met by weak demand from major downstream sectors. Late in the month, trade volume withered due to demand fall on lower downstream run rates. Spot offers were untouched but market confidence was damaged. PU slurry market entered off season while demand from TPU and spandex sectors was limited in spite of good performance. Most sellers insisted on their earlier offers as they bought at high prices, while some sellers began to offer small parcels at lower prices. Prices then slumped by some 500 yuan/ton at month end due to combined impacts from debt crisis in Eurozone, crude oil collapse and softening aniline. Realized values were even lower. Many suppliers cut run rate but that helped little.

Import & Export in April (Ton, \$)

	Imp. Vol.	Imp. Val.	Exp. Vol.	Exp. Val.
Japan	6390	12904066	174	441940
S. Korea	3088	6140924	127	250662
USA	637	1245884	0	0
Others	2403	5265527	3803	6833554



According to China Customs, in Apr 2010 China totally imported 12,517 tons of pure MDI, down by 1,033 tons on month, while the export volume is 4,104 tons, down by 397 tons on month.

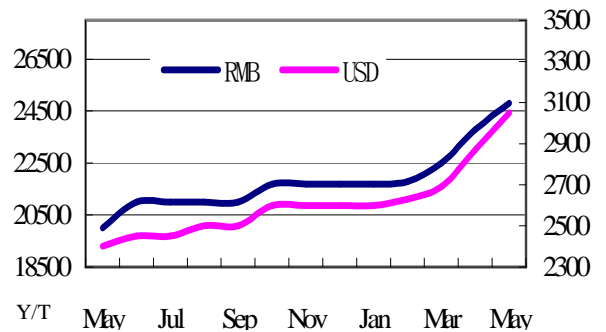
BASF had got its Chongqing MDI project approved by Chinese Ministry of Environmental Protection and the project construction was expected to be started within the year. The 400kt/yr project will be completed in 2013 and start commercial operation in 2014, with annual output value of CNY50 billion.

According to sources of KMCI, the company's two MDI lines was restarted on 3 May but with reduced run rate due to insufficient feedstock supply. The two lines, with a combined capacity of 140kt/yr, were shut down on 20 Mar for scheduled maintenance. Exact run rates of the two lines were unavailable yet.

PTMEG

Contract Price (yuan/ton, \$/ton)

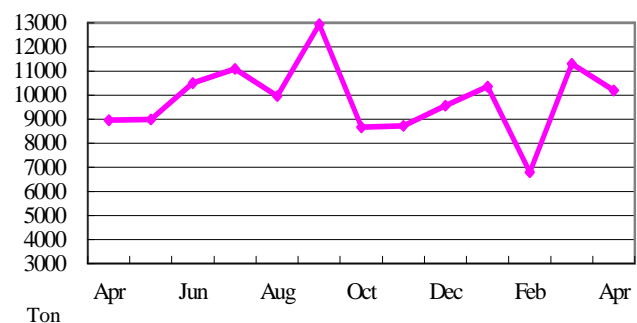
Month		Change	Range	Prev. Month
RMB	May Settled	↑	24000-25500	23000-25000
	Jun Listed	↑	25500-27000	24800-26000
USD	May Settled	↑	3000-3150	2750-2900
	Jun Listed	↑	3200-3350	3000-3150



During May, contract prices for PTMEG rose as a whole as suppliers made coordinate work to push offers higher, though with prices spreading between 24,000-25,500 yuan/ton. Some long term contracts were even below that level. During the month, BDO and THF prices continued to gain while PTMEG prices remained below BDO. Late in the month though PTMEG suppliers were keen to raise offers, it could hardly be achieved as sales of spandex began to soften. Suppliers are expected to go on with their attempt to pass through BDO gains.

Imports in April (Ton, \$)

	Imp. Volume	Imp. Value
Japan	1596	4305778
Taiwan	6537	18054423
S. Korea	912	2546592
Others	1154	2369231



With new spandex capacities on stream recently and some idled lines to back on stream, demand for PTMEG is to go on rising, while most Chinese suppliers were running on low run rates due to limited BDO availability.

CCFEI Comment

Pure MDI:

In June, offers from suppliers may fall but still far above current market price level, and traders are expected to cut purchasing if prices go up. Though direct-supply may decrease as suppliers cut run rates, the impact may not be felt until the second half of June as there is large volume held by traders. As pure MDI could not be stored for long, some traders may sell off their volume in June and pose pressure on prices, while demand will see little chance to improve if not decrease, with average run rates of PU slurry and PU resin sectors between 50-60% and that of TPU sector between 70-80%, which may fall even lower in June. What's more, aniline is likely to soften. Therefore, in June, spot prices for pure MDI could hardly go up. Mainstream trading prices may fall to 17,000-17,500 yuan/ton with lower values available.

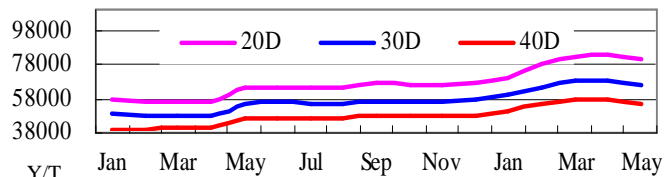
PTMEG:

In May, mainstream prices for PTMEG were between 24,000-25,500 yuan/ton. BDO supply is expected to tighten further with outages in one major in Europe and one in Taiwan, as well as two in China. With higher BDO cost in store, PTMEG is talked higher in spite of resistance of buyers. Offers to spandex producers were heard touching \$3,300/ton. In June, it is well likely that prices will firm up with suppliers keen to raise offers.

Spandex

Offers from Producers (yuan/kg)

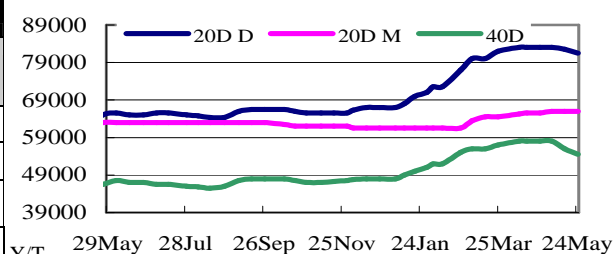
	20D	30D	40D	70D
High	84-87	68-70	58-61	58-61
Medium	79-83	65-67	54-56	55-57
Low	72-75	62-64	51-53	53-54



In early May, most suppliers maintained stable offers given stable operation of downstream majors. Mainstream trading prices for 20D were between 81,000-85,000 yuan/ton, while 40D was mainly sold between 57,000-58,000 yuan/ton, with high-end at 60,000 yuan/ton. In mid of the month, with more discounts from distributors, more supplies from newly started capacities and lower offers from a few suppliers, mainstream price level descended. In late May, prices for certain tight items held high, with 20D at 82,000-85,000 yuan/ton and 40D between 56,000-58,000 yuan/ton, but there was stronger calls for price drop from traders and end-users. Inventory rose due to cautious buying, and price spread in spot market widened. Mainstream prices went stable-to-soft with heavier wait-and-see tone in downstream.

Weekly Spot Average (yuan/ton)

Week	Time	20D	40D	20D (M)
Week 1	4May-7May	83000	57000	65500
Week 2	10May-14May	83000	56200	65500
Week 3	17May-21May	82600	55700	66000
Week 4	24May-28May	81700	54900	66000



By the end of May, most downstream mills kept running at high rates, with stable demand for spandex. However, buying interest showed signs of softening due to unstable prices for cotton yarn and polyester fiber and unsatisfactory margins. Sell-off of some distributors and low offers from new capacities encouraged downstream players to talk prices down.

Export Market

According to China Customs, China totally exported 3,260,446 tons of spandex yarn in May, down by 506 tons on month, hereinto, export volume in tariff No. 54024410 totaled 3,108,078 tons, and that in tariff No. 54024900 amounted to 152,368 tons (including some non-spandex items). And meanwhile, China imported 1,933,286 tons of spandex yarn, up by about 341 tons on month, hereinto, import volume in tariff No. 54024410 totaled 1,526,174 tons, and that in tariff No. 54024900 amounted to 407,112 tons (including some non-spandex items).

In export market, mainstream offers for 20D and 40D were pegged at \$10-10.8/kg and \$6.8-7.5/kg respectively, while trading values were at \$8.3-9.4/kg and \$6.3-6.8/kg for each on a FOB basis. Buying interest softened somewhat as sentiment in China market entered downward path, while demand from regular customers remained firm, especially those in Brazil, Turkey and Egypt. Some major exporters continued to report healthy sales with some already having most Jul volumes contracted. Certain fine denier yarns were still in limited availability.

Statistics on Imp. & Exp. Of Spandex (54024410) in China (Ton)

	Imp. Vol. Feb	Imp. Vol. Mar	Imp. Jan-Mar	Exp. Vol. Feb	Exp. Vol. Mar	Exp. Jan-Mar
S. Korea	185	304	980	327	226	1145
Turkey	—	—	—	465	399	1691
Hongkong	—	—	—	323	253	1092
Brazil	—	—	—	337	286	1015
USA	54	58	200	137	196	605
Italy	—	—	—	67	149	400
Others	1004	1163	3692	1891	1599	6127
Total	1242	1526	4872	3548	3108	12074

Operation Status of Spandex Producers & Converters

1. Zhejiang Yadi had started construction of its 10kt/yr differentiated spandex fiber project in early May. The unit is expected to be commissioned in April 2011.
2. Hyosung completed expansion to its 7kt/yr unit and retrofit to its 1kt/yr unit in Guangdong in early April ahead of schedule. The two units started to yield products in early May and were expected to supply the market in mid of the month. The company's unit in Zhuhai is still in the progress of retrofit.
3. Huahai Group started the commissioning for its 4kt/yr 5th-phase project in H2 May. The unit was expected to be fed at the end of May.
4. Zhejiang Shei Yung Hsin Spandex was to restart its 6kt/yr 4th-phase project. The unit was expected to start test run in late May and supply the market in H2 Jun.

	Circular-knitting	Covering	Core-spinning	Warp-knitting	Lace
Operating rate (%)	70%	74%	78%	75%	35%
Circular-knitting	In Xiaoshan and Shaoxing, operating rates fell to 60-70%, while run rate in Ningbo and Changshu fell to 60%. In Guangdong operating rate also fell to 60% due to unstable feedstock costs and rising inventory of end-users, and spandex buying interest was cautious.				
Covering	In Yiwu and Zhuji, operating rate was at 70-80% with some mid- and small-size mills running with 70% capacity. In Xiaoshan and Shaoxing, operating rate of AJ-covered yarn mills was at 60%, and in Zhangjiagang AJ-covered yarn mills ran with 45% capacity, while mechanically covered yarn mills operated with 85% capacity. Doubling machines were running with 55% capacity.				
Core-spinning	In Zhangjiagang, operating rate of some major mills reached 95% but overall running rate fell to 80% at the end of the month. In Shandong, operating rate was at 60% and mills in Changzhou were operating with 60-70% capacity.				
Warp-knitting & Lace	In Jinjiang, Fujian, operating rate was at around 70-80%. Operating rate of lace mills in Changle fell to 40% while mesh-fabric mills were operating with stable rates. In Haining, run rate of warp-knitting machines was at around 70-80% with higher proportion of non-elastic items. In Chaozhou & Shantou, run rate of warp-knitting machines was at 70-80%, and that of lace machines was at around 30-40%.				

CCFEI Comment

Cost: Pure MDI held firm with direct-supply while spot sentiment showed signs of softening on high inventory of distributors and softening demand from non-spandex sectors. PTMEG prices are expected to remain high in June given pressure from limited BDO availability.

Demand: With off-season approaching in end-user market, downstream operating rate started to fall at some mid- and small-size mills, and there were low offers from new capacities being under commissioning. Most distributors, as well as some major suppliers then started to give discounts on expectation of softening market, imposing further pressure on market sentiment. In the near future, demand is expected to be stable-to-soft amid cautious buying.

Supply: Though major end-users saw little impact in May, many other end-users were receiving fewer orders, and buying interest for spandex fell. Demand from distributors also fell as they would prefer to stay short. However, spandex suppliers are expected to maintain stable operation on good margins, and supply is expected to expand.

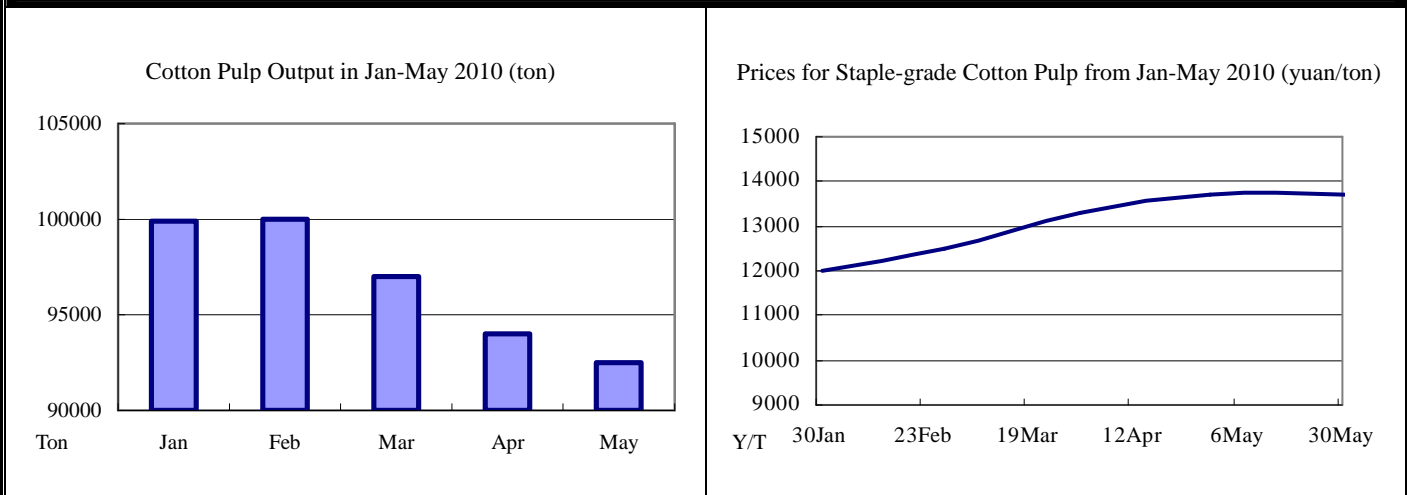
To sum up, with combined influence from firming feedstock costs, unstable prices of cotton yarn and polyester yarn, approaching off-season and debt crisis in Europe, spandex demand is expected to keep softening while mainstream prices may be stable-to-soft with inventory of suppliers at normal level.

Viscose Feedstock

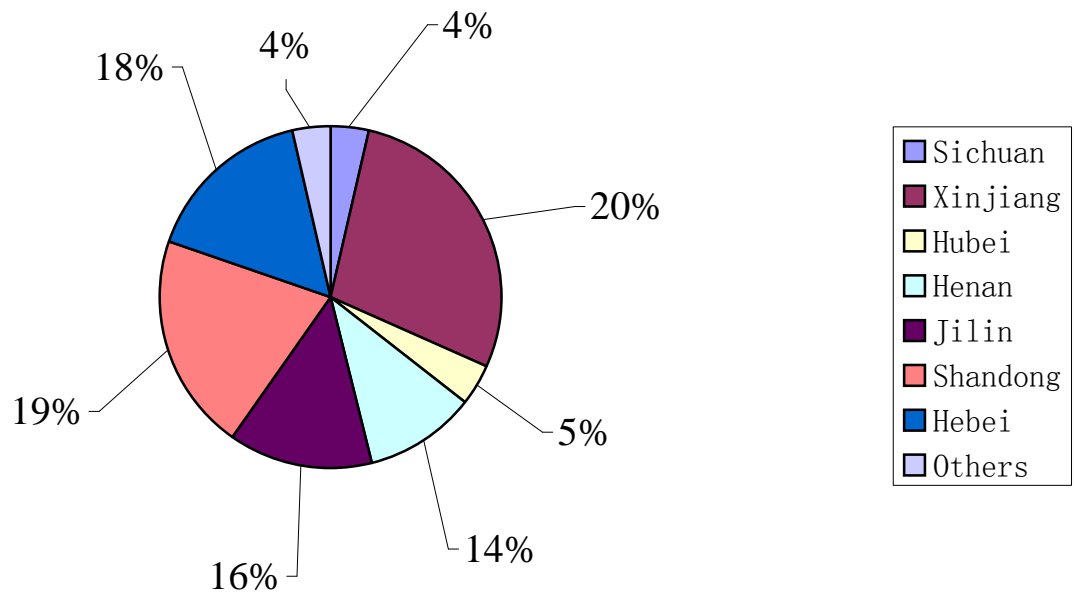
Market Price for Chinese Viscose Feedstock (yuan/ton)

Time	Cotton Linter (Shandong)	Cotton Pulp (Staple Grade)	Cotton Pulp (Filament Grade)	Wood Pulp (\$/ton)
3May-9May	8,300	13,500	14,100	1,600
10May-16May	8,240	13,600	14,400	1,600
17May-23May	8,100	13,700	14,600	1,600
24May-30May	8,080	13,700	14,600	1,600
Ave. in May	8,180	13,625	14,425	1,600

Output and Prices for Cotton Pulp in China



Pie Chart for Cotton Pulp Production Shares in China by Province in May



Statistics on Imports of Cotton Linter to China (ton, \$/ton)

Origin	Mar		Apr		Jan-Apr 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
India	7,498	776	5,536	803	20,710	759
U.S.	2,894	583	3,482	628	10,060	583
Uzbekistan	2,615	723	3,289	740	14,247	622
Turkey	1,798	660	2,728	689	10,762	670
Turkmenistan	4,732	607	1,806	631	14,808	584
Others	—	—	—	—	—	—
Total/Ave. Val.	27,749	661	20,577	716	94,461	643

Based on the data from China's Customs, cotton linter imports to China in April 2010 totaled 20,577 tons, with average import price at \$716/ton, up by \$55/ton from March. The top three countries that exported cotton linter to China in April were in order of India, U.S. and Uzbekistan, with average prices at \$803/ton, \$628/ton and \$740/ton separately.

TFN: 14042000

Statistics on Imports of Dissolving-grade Wood Pulp (ton, \$/ ton)

Origin	Mar		Apr		Jan-Apr 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Brazil	36,881	1,244	22,364	1,452	116,566	1,266
Indonesia	9,391	976	13,916	1,458	31,053	1,267
U.S.	7,699	1,507	12,859	1,481	44,662	1,459
Canada	20,102	1,305	8,568	1,379	49,132	1,282
Sweden	9,586	1,225	6,511	1,202	25,790	1,196
Others	—	—	—	—	—	—
Total/Ave. Val.	100,092	1,217	75,646	1,391	317,692	1,260

Based on the data from China's Customs, dissolving-grade wood pulp imports to China in April 2010 totaled 75,646 tons, with average import price at \$1,391/ton, up by \$174/ton from March. The top three exporters to China in April were in order of Brazil, Indonesia and U.S., with their export volumes of 22,364 tons, 13,916 tons and 12,856 tons respectively, and average export prices at \$1,252/ton, \$1,458/ton and \$1,481/ton separately.

TFN: 47020000

CCFEI Comment

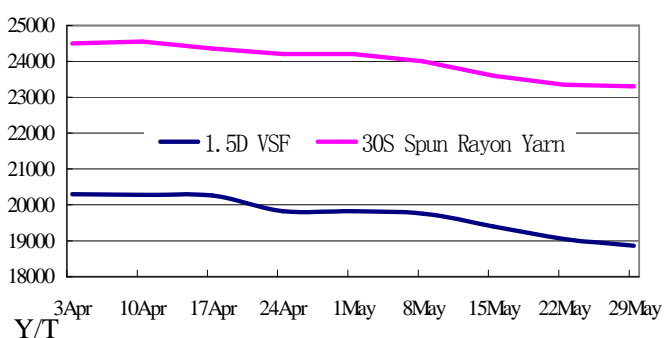
This month, cotton linter sentiment was generally stable, with market inventory at all-time low level. Most producers had closed their plants, and traders also saw tight supply. Mainstream trading prices in Xiajin, Shandong, were at 7,800-8,200 yuan/ton. With linter at low quality and low quantity, purchase would come to an end, which made cost for pulp production a little higher.

On the pulp conference held in Zhengzhou, Henan Province, participants were eager to raise offers, with nominations issued at 14,300-14,400 yuan/ton. Due to environmental factors, most cotton pulp producers in Xinjiang operated plants at reduced rates, but buying interest was not high as well. Mainstream trading prices were stable at 13,400-13,700 yuan/ton. Wood pulp market was steady this month, and prices stayed firm, with offers still at \$1,600-1,750/ton. Some traders even stopped offering due to tight supply, and fiber makers also purchased with caution. So, overall trading atmosphere cooled down.

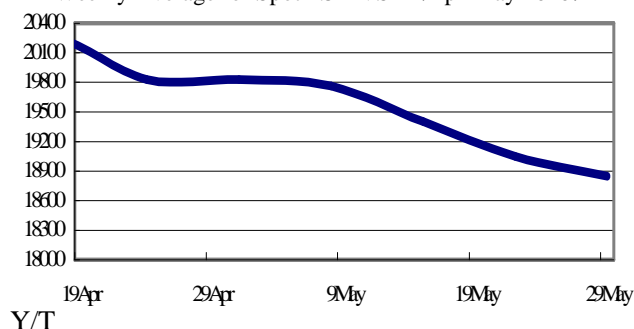
Viscose Staple

Average Price (yuan/ton)					Weekly Average for Spot 1.5D VSF (yuan/ton)		
	Month	Change	Mainstream	Prev. Month		Time	Mainstream
1.5D VSF	Settled for Apr	↓	19,830	20,100	Week 1	3May-9May	19,760
					Week 2	10May-16May	19,400
					Week 3	17May-23May	19,050
	Settled for May	↓	18,830	19,830	Week 4	24May-30May	18,850
					Monthly	Ave. in May	19,355

VSF Price (Apr-May 2010)



Weekly Average for Spot 1.5D VSF (Apr-May 2010)



Market Description & Industrial News

Market Description

Differing from last month, VSF sentiment directly stepped into the downward channel, and most producers lowered their offers and also gave certain discounts. Low-priced products flooded into the market, but downstream buyers, who prefer buying when prices rising, started to withdraw to the sidelines or purchase with less offtake volume and more caution. So, overall trading sentiment was muted, with mainstream talks of 1.5D goods down to 18,850 yuan/ton at May-end, from 19,700 yuan/ton at the beginning. Softened sales made inventory pressure heavier, and most producers operated in red ink, so some of them started to take shutdowns or run-cuts. On the conference held on 25 May, participants warmly received the output-cut strategy. There would be more shutdown and run-cuts seen next month.

Market prices for spun rayon yarn slipped down in line with weakened feedstock, with orders and sales muted, though a little better than those of VSF. Mainstream values for 30s weaving yarn declined to 23,000-23,300 yuan/ton from 24,200-24,400 yuan/ton at the beginning of May.

Industrial News

On 17 May, India issued the final definitive determination on imposing anti-dumping duty on "Viscose Staple Fiber excluding Bamboo Fiber" from China and Indonesia. The Customs tariff number of related products is 55041000. No export company of China responded to the lawsuit in this case.

Tangshan Sanyou has started up pilot plant that produces differentiated viscose staple fiber, with the capacity of 5kt/yr.

Lenzing and Kelheim declared to jointly promote the marketing for special viscose fiber "Viloft".

Baoding Swan will restart the reconstructed solvent-based cellulose staple fiber plant that has been idled for 7 years.

Statistics on Imports of VSF into China (tons, \$/ton)

Origin	Mar		Apr		Jan-Apr 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Indonesia	1,122	2,308	1,885	2,288	4,326	2,235
Austria	1,400	2,907	1,060	2,951	5,312	3,087
Taiwan	248	2,092	454	2,619	1,510	2,434
Japan	132	3,817	240	3,330	551	3,513
Germany	145	3,673	171	3,542	440	3,536
Others	—	—	—	—	—	—
Total/Ave. Val.	3,449	2,706	3,940	2,633	12,969	2,733

Based on the data from China's Customs, VSF imports into China in April 2010 totaled 3,940 tons, with average import price at \$2,633/ton, down by \$73/ton from March. The top three exporters in April were in order of Indonesia, Austria and Taiwan, with export volumes into China of 1,885 tons, 1,060 tons and 454 tons respectively, and average export prices at \$2,288/ton, \$2,951/ton and \$2,619/ton separately.

Note: Above data is under the tariff number of 55041090

Statistics on Exports of Chinese VSF (tons, \$/ton)

Destination	Mar		Apr		Jan-Apr 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
Turkey	2,789	2,479	5,758	2,505	14,390	2,428
USA	1,611	2,401	2,906	2,772	6,392	2,750
Taiwan	181	2,263	336	2,341	942	2,257
S. Korea	300	2,313	317	2,450	1,296	2,443
Egypt	244	2,379	309	2,459	1,233	2,372
Others	—	—	—	—	—	—
Total/Ave. Val.	7,444	2,479	11,094	2,572	31,316	2,482

Based on the data from China's Customs, VSF exports from China in April 2010 totaled 11,094 tons. Average export price for March was at \$2,572/ton, up by \$93/ton from March. The top three importers in April were in order of Turkey, United States and Taiwan, with import volumes of 5,758 tons, 2,906 tons and 336 tons respectively, and average prices at \$2,505/ton, \$2,772/ton and \$2,341/ton separately.

Note: Above data is under the tariff number of 55041090

CCFEI Comment

During this month, VSF dropped by nearly 1,000 yuan/ton, and producers, who suffered different extent of losses, started to carry out shutdowns or run-cuts. Meanwhile, the news that there were more orders for spun rayon yarn in late May also brought favorable factor.

Therefore, June market is likely to be stabilized by output cuts, and prices might level off in the middle of the month. Cautious purchase of yarn producers had already lasted for a month, and many of them saw feed stock extremely low. So, when downstream starts inventory build-up, and sales become smooth, VSF sentiment will be driven up in the future.

Viscose Filament Yarn

Mainstream Market Price for VFY in Linping, Zhejiang (yuan/ton)

Time	Bright 120D	Bright 150D	Bright 300D	Weekly Average for Spot VFY (Mar-May 2010)
3May-9May	36,500	35,000	29,500	
10May-16May	36,500	35,000	29,500	
17May-23May	36,500	35,000	29,500	
24May-30May	36,500	35,000	29,500	
Ave. in May	36,500	35,000	29,500	

This month, upward trend of offers for viscose filament yarn sustained, but realized trading prices lagged behind to some extent. On the industry conference in Linping, participants suggested raising prices of all filament products by 500 yuan/ton, and all producers followed. However, downstream players were found hard to accept the hike, so sales in domestic market were muted. High prices had already reached buyers' limit, but export market was still bullish, which also partially released the pressure on domestic market.

Mainstream trading prices for first-class and second-class bright VFY 120D were separately at around 37,000-38,000 yuan/ton and 35,000-36,500 yuan/ton, while those for third-class ones at 34,500-35,000 yuan/ton. Trading prices for second-class bright 150D were at around 34,000-35,500 yuan/ton.

Mainstream trading prices for bright 300D were at 26,500-28,000 yuan/ton with high end at 30,000 yuan/ton.

Mainstream prices for filament above 500D were stable at 29,000 yuan/ton or so.

Statistics on Imports of VFY to China (ton, \$/ton)

Origin	Mar		Apr		Jan-Apr 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
China Mainland	610	2,925	764	2,943	2,274	3,133
Taiwan	9.9	6,229	131	4,166	37	4,431
Japan	18	23,922	121	16,309	23	16,980
Germany	—	—	9.9	6,207	23	6,996
S. Korea	1.5	4,823	6.8	10,503	46	4,009
Others	—	—	—	—	—	—
Total/Ave. Val.	648	3,247	817	3,333	2,456	3,447

Based on the data from China Customs, VFY imports to China in April 2010 totaled 817 tons, with average import price at \$3,333/ton, up by \$86/ton from March. The top three exporters to China in April were in order of China Mainland, Taiwan, and Japan with export volumes of 764 tons, 131 tons and 121 tons respectively, and average prices at \$2,943/ton, \$4,166/ton and \$16,309/ton separately.

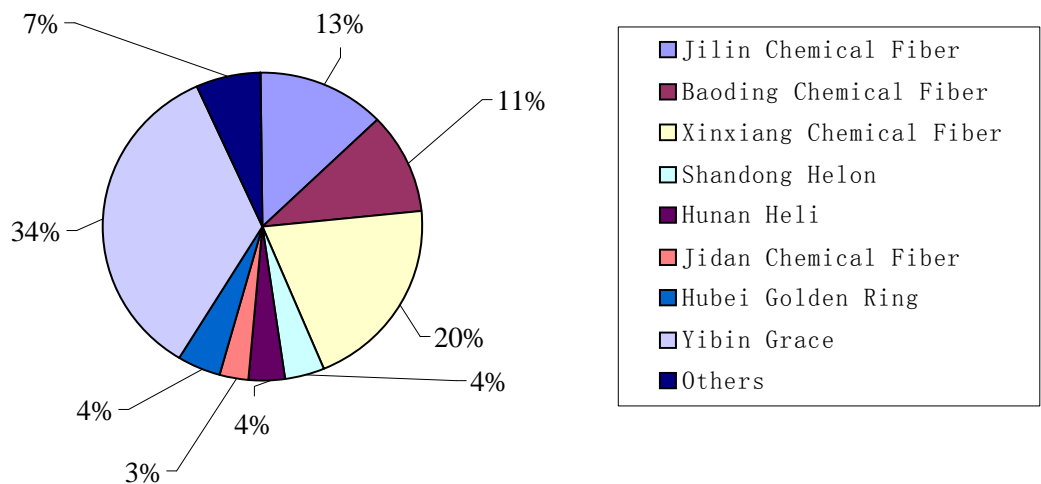
TFN: 54031000, 54033190, 54033290, 54034100

Statistics on Exports of Chinese VFY (ton, \$/ton)

Destination	Mar		Apr		Jan-Apr 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
Pakistan	1,825	4,462	2,154	4,223	5,745	4,234
India	1,712	4,688	2,138	5,017	6,522	4,819
S. Korea	1,417	4,561	1,193	4,498	4,483	4,539
Turkey	1,047	4,323	511	4,401	2,479	4,368
Hongkong	370	4,157	375	4,195	1,088	4,248
Others	—	—	—	—	—	—
Total/Ave. Val.	8,624	4,462	8,610	4,544	28,677	4,505

Based on the data from China Customs, VFY exports from China in April 2010 totaled 8,610 tons, with average export price at \$4,544/ton, up by \$82/ton from March. The top three importers from China in April were in order of Pakistan, India and S. Korea, with import volumes of 2,145 tons, 2,138 tons and 1,193 tons respectively, and average prices at \$4,223/ton, \$5,017/ton and \$4,498/ton separately.

TFN: 54033100, 54033200

Pie Chart for VFY Production Distribution by Producer in May

CCFEI Comment

In May, VFY market performed stable to firm. According to current situation, the common target of VFY industry in 2010, e.g. turning loss into gain, seems difficult to achieve. The price-hike was harder to pass through, as downstream had less power to take offers. Although bullish export market helped release the pressure on domestic market, the export volume was still unsatisfactory. So, prices of viscose filament are expected to level off in June.

China Chemical & Fiber Economic Information Network (CCFEI)

<http://www.ccfeci.net>

China Chemical & Fiber Economic Information Network (CCFEI) is a company integrating the services of information, consulting and conferences, focusing on chemical fibers, chemicals and plastics.

Moved to Shanghai in 2002, CCFEI started to run on information, consulting and conference. CCFEI is one of the most experienced companies in information collection from chemical fiber area, and its info history could be traced back to 1989.

- Subscribed members from 50 countries and regions worldwide
- Market research center of China Chemical Fiber Association
- Leading professionals on Chinese chemical fiber markets
- More than 10-year industrial consulting experience

Click www.ccfeci.net and you will find:

Items

- Express —— Real-time rolling publication
- Price Lists —— 2~5 P.M. each day
- Daily Dispatch —— 3~5 P.M. each day
- Weekly Summary —— Monday, Tuesday
- Import & Export Statistics —— 20th~25th each month

Services

- Market dynamics, plant operations, industrial news, macro policies
- Advertisements on www.ccfeci.net
- Email services for reports daily, weekly and monthly
- Trading Zone for buying leads, selling leads, E-shop, company directory

Other services include:

Database & Clients Consultation

- Capacity
- Prices
- Sales & Inventory

Annual Forums

- China International Acrylonitrile & Acrylic Fiber Forum
- China International Recycled Polyester Forum
- China International Polyester & Intermediates Forum
- China International Polyamide & Intermediates Forum



Visit our website at www.ccfEI.net

China Chemical & Fiber Economic Information Network (CCFEI)

7F, Building No.2, 988 Pingliang Rd., Shanghai, 200082, China

E-mail: service@cnfiber.com

Fax: +86-21-55218105

Tel: +86-21-51534433

Direct: +86-21-65890700