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CHINA REPORT

Your First Window on
China Chemical Fiber Market

Issue Number 109
October 2011

- Polyester
- Nylon
- Acrylic
- Spandex
- Viscose

China Chemical & Fiber Economic Information Network (CCFEI)

Catalogue of CCFEI China Report (Monthly)

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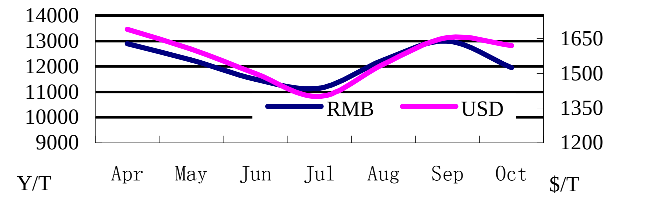
Paraxylene	Nylon Filament
PTA	Propylene
MEG	Acrylonitrile
Bottle Grade PET	Acrylic Fiber
Fiber Grade PET	ABS
Polyester Filament	MDI/PTMEG
Polyester Staple	Spandex
Recycled PSF	Viscose Feedstock
Caprolactam	Viscose Staple
Nylon Chips	Viscose Filament

Paraxylene

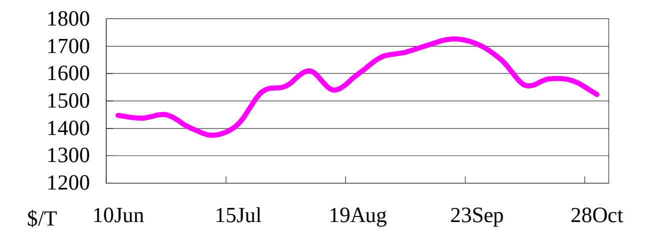
Contract Price (Yuan/ton or $/ton)				
Month		Change	Price	A month ago
RMB	Oct settled	↓1050	11950	13000
	Nov listed	↓400	12000	12400
USD	Oct settled	↓35	1620	1655
	Nov listed	↓170-210	1590	1760-1800



ExxonMobil, Idemitsu Kosan, JX Nippon Oil & Energy and S-oil all had difficulty in settling October Asian PX contract prices. Some downstream PTA producers talked with PX suppliers at $1,620/ton, down $35/ton from September settlement prices. Asian contract nominations for November came out in succession, with the numbers from Idemitsu Kosan and JX Nippon Oil & Energy at $1,590/ton, down $170-210/ton from October.

Sinopec issued its PX contract settlement for October at 11,950 yuan/ton, down 1,050 yuan/ton from September. Its contract nomination for November was fixed at 12,000 yuan/ton, 400 yuan/ton lower from revised nomination for October.

Spot Average Price ($/ton)		
Week	Date	USD
Week 1	3Oct-7Oct	1557
Week 2	8Oct-14Oct	1581
Week 3	17Oct-21Oct	1574
Week 4	24Oct-28Oct	1523
Week 5	—	—
Monthly	Ave. in Oct	1559



PX spot market showed rising-to-falling trend in October.

Week 1: Domestic market was relatively quiet owing to the weeklong National Day holiday. And prices declined notably due to a new round of panic caused by the crisis in Greece. One seller quoted a November cargo at $1,630/ton CFR on Monday, but the offer fell to $1,530/ton CFR by Wednesday, and buyers started to withdraw from the market. On Thursday, the new progress in European debt crisis together with the rise on stock market led to a rebound on PX market, boosting offers to $1,555-1,560/ton CFR.

Week 2: PX market continued to move up, with offers rising gradually while bids appearing actively. Bids for November hiked to $1,620/ton CFR, and offers touched $1,650/ton CFR. After that, more offers emerged, while the number of buyers reduced. On Thursday, the market showed some weakness, and bids and offers fell to $1,610-1, 615/ton CFR, with no deal heard done.

Week 3: Market prices moved down notably due to unstable crude oil and equity market and the concerns about continuous European debt crisis. Prices of November parcels fell to $1,500/ton CFR, and one parcel of December delivery changed hands at $1,470/ton CFR between SK Chemical and one trader. Some producers who were not able to conclude contracts in October had to sell goods in spot market, exerting further pressure upon the market.

Week 4: With Asian PTA market and equity market improving, PX market rebounded slightly following a decline. Bids for November rose gradually from $1,495/ton to $1,560/ton CFR, with offers touching $1,600/ton. Buyers and sellers had difficulty in sealing deals due to a price gap. The backwardation of H2 November to December on PX market was severe, reaching $36/ton on Thursday.

Monthly International PX Value Trend								
Asia (CFR China, USD/ton)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
1655	1620	↗	1190	1210	↗	82.5	80.0	↗

In European market, October PX contract price was settled at €1,210/ton, up by €20/ton from September. Spot values declined as buyers had purchased a great many feedstocks and production profits were high.

In US market, October contract price was fixed at 80 cts/lb. And spot values dipped in line with Asian market.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Korea	118.2	1479	129.3	1574	846.3	1517	574.5	991
Taiwan	27.8	1524	40.9	1638	367	1593	262.3	1020
Japan	116.7	1498	121.9	1602	845	1558	705	998
Indonesia	44.5	1485	55.1	1621	420.9	1583	302.2	1004
Thailand	50.5	1496	45.8	1549	293.6	1562	195.5	998
Others	102.7	1437	129	1584	891.6	1553	654.8	994
Total	460.4	1480	522	1591	3664.4	1554	2694.3	998

Customs statistics showed that China's PX import volume in September was 522kt, up by 61.6kt from August. The average import price in September was at $1,591/ton, up by $111/ton on month.

Chinese enterprises mainly imported term goods. South Korea, Japan and Indonesia are three major sources for PX imports into China in September, with volumes at 129.3kt, 121.9kt and 55.1kt respectively, accounting for 24.77%, 23.35% and 10.56%, and the combined import volume from the above three countries accounts for 58.68% of the total. Import volume from any other origin is all below 50kt.

The combined import volume in January-September 2011 amounts to 3,664.4kt, up 970.1kt year on year. The average import price for this period was at $1,554/ton, up by $556/ton or 55.71% year on year.

Operation Status of PX Producers

Plant Operation	
	1. CNOOF shut down 800kt/yr PX unit located in Huizhou, South China due to a fire breaking out in local site on 11 July.
	2. Zhenhai Refining & Chemical had maintenance shutdown on 650kt/yr PX unit during the National Day holiday, and has resumed operation since 16 Oct.
	3. Formosa Plastics shut down Mailiao-based No.3 aromatic unit in mid October. And the PX capacity will be expanded from 870kt/yr to 930kt/yr. The whole unit will restart in December.

In China	Aug	Sep	Oct	Nov est.
Run rates	58%	60%	55%	→
Output (kt)	372.4	385.2	353.1	→

According to CCFEI's statistics, China's PTA production in September is about 1,208kt, which reflects a demand of 785.2kt for PX. Based on operating rates of Chinese PX enterprises, PX production in September should amount to 385.2kt. The total PX export volume in September is 24.8kt, and total import volume hits 522kt. According to these data, the supply in China in September is 882.4kt, a little higher than demand.

CCFEI Comment

Feedstock: Crude values rebounded to $95/bbl, while naphtha and MX remained in weakness, so PX could only get limited support from feedstock costs.

PX supply: PX supply tightness will ease in the future as some PX enterprises in Japan and South Korea that have cutback or shutdown are resuming operation gradually.

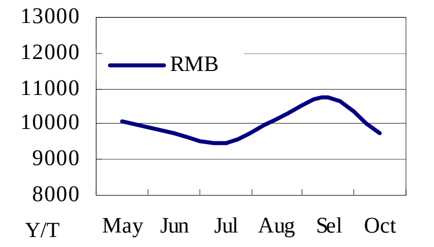
Downstream demand: As PTA units in China have resumed operation, and there are not too many cutback or shutdown plans in the future, the demand for PX will be kept stable.

To sum up, PX market is expected to make some correction at a high position amid slightly weak sentiment.

PTA

Contract Price (yuan/ton, $/ton)

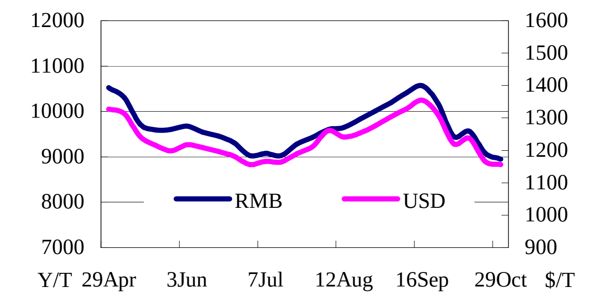
		Change	Range	Prev. Month
RMB	Settled for October	↓1,000	9,750	10,750
	Nominated for November	↓250-750	9,600-9,750	10,000-10,800
USD	Implemented for October	→	—	—
	Nominated for November	→	—	—



Most domestic PTA producers lowered their October contract nominations in line with the market downtrend. Specifically, Xianglu and Yuandong lowered theirs to 10,000 yuan/ton, BP Zhuhai to 10,200 yuan/ton, and Yisheng to 10,500 yuan/ton. At the month end, PTA producers mostly settled their October contracts at 9,750 yuan/ton, followed by the release of November nominations, among which were Xianglu and Yisheng's at 9,750 yuan/ton and Sinopec's at 9,600 yuan/ton.

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

Week	Time	RMB-based	USD-based
Week 1	—	—	—
Week 2	8Oct-14Oct	9,561	1,237
Week 3	17Oct-21Oct	9,084	1,166
Week 4	24Oct-28Oct	8,950	1,156
Week 5	—	—	—
Monthly	Ave. in October	9,198	1,186



USD-based market: PTA market showed a downward movement before a slightly rebound.

The market reopened after the National Day holiday in an uptrend, supported by rigid demand and the bullish sentiment. Tentative inquiries were rising. The ones for Taiwan-origin products went to $1,250-1,255/ton from $1,210/ton, and some even reached $1,270/ton. However, after only two days, the spot market started to show weakness as PTA futures slumped. Especially on the 20th, violent drop in the futures led to panic selling in the spot market, where the market prices slumped $70/ton in a single day. In the meantime, Korea-origin products were done at $1,100/ton, and Taiwan-origin products higher. After the sharp decrease, low end inquiries emerged, and prices started to rebound. Taiwan-origin products were offered up to $1,180/ton, and traded at $1,170/ton as high end. Korea-origin products were slightly lower. At the month end, buyers showed growing reluctance to follow up, and Korea-origin products were traded at $1,135-1,140/ton.

RMB-based spot market: The market movement was similar to that of USD-based market.

Upon the market reopening, the selling indications were raised several times on the back of certain rigid demand. Trades were heard done at 9,800 yuan/ton. However, the strengthened market soon took a quick downturn on slumping PTA futures. Especially on the 20 Oct, violent drop in the futures led to panic selling in the spot market, where the market prices slumped 600 yuan/ton on a single day. In the meantime, trades were done at 8,600-8,700 yuan/ton. Later, low end inquiries and a rebound in market prices started to appear, and offers were up to 9,100-9,200 yuan/ton. But in the end, buyers showered growing reluctance to follow up, and discussions went down to 8.900-9,000 yuan/ton as market weakened.

Monthly International PTA Value Trend

Asia ($/ton, CFR)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
—	—	→	1,012-1,022	—	↗	—	—	↗

In Europe, Downstream buyers were taking a wait-and-see stance amid ample supply, and showed no intention to build inventory before the year end. As a result, demand weakened for PET producers, who were now forced to cut production. PTA industry was caught in similar situation.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
S. Korea	140.0	1,204	186.3	1,286	1,357.5	1,303	1,548.3	905
Taiwan	252.5	1,204	262.7	1,294	2,088.5	1,314	1,954.1	918
Japan	4.3	1,158	5.1	1,258	81.7	1,332	144.3	917
Thailand	52.8	1,161	54.1	1,263	422.7	1,296	476.2	893
Others	13.7	1,174	6.1	1,266	51.0	1,235	39.3	904
Total	463.4	1,198	514.3	1,287	4,001.4	1,308	4,162.1	910
QTA/EPTA	109.8	1,176	110.9	1,247	847.5	1,276	918.9	870

According to Customs' statistics, China's import volume for terephthalic acid in September totaled 625.2 kt, up by 52.1 kt from August. The average price for imported terephthalic acid declared to the Customs was at $1,280/ton, up by $86/ton from previous month. China's import volume for PTA (tariff number: 29173611) in September totaled 514.3 kt, up by 50.9 kt from August. The average price for imported PTA was at $1,289/ton, up by $89/ton from previous month. China's import volume for QTA/EPTA (tariff number: 29173619) in September totaled 110.9 kt, up by 1.1 kt from August. The average price for imported QTA/EPTA was at $1,247/ton, up by $71/ton month on 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 is 291.7 kt, occupying 46.66% of the total. The volumes from Chinese Taiwan and Thailand are 262.8 kt and 54.3 kt (with PTA at 262.7 kt and 54.1 kt), accounting for 42.03% and 8.69% of the total respectively.

Average cost of domestic stocks of PTA was at around 10,318 yuan/ton in September (by exchange rate of 6.39), up by 624 yuan/ton from August.

Stock Status and Operation of Chinese PTA Producers in China

Plant News	1. OPSC (Oriental Petrochemical Shanghai Corporation) shut its 600 kt/yr PTA unit on 10 October for a turnaround, and was planned to restart it by month end. 2. Sinopec Luoyang shut its 325 kt/yr PTA unit at the end of August for turnaround, and then restarted it in mid October. 3. Sinopec Shanghai shut its 400 kt/yr PTA unit on 15 September for a month-long turnaround, and then restarted it in mid October.			
	Aug	Sep	Oct	Nov est.
Operating rate	88%	80%	88%	↗
Output (kt)	1,328.8	1,208.0	1,471.8	↗
Stock Status	Low	Low	Low	→

According to CCFEI assessment, China's productions of polyester filament, staple and fiber-grade chips in September amount to about 1,470 kt, 338.5 kt and 359 kt respectively. Production of polyester chip for non-fiber use is 310 kt. Thus, production of PET melt is estimated at 2,118.5 kt, with demand for PTA at 1,800.7 kt. Import volume of PTA in September amounts to 625.2 kt, while export volume is 0 kt. Domestic PTA production in September is 1,208 kt based on CCFEI's statistics. Thus, PTA supply is at 1,833.2 kt, which is slightly higher than demand. (The production data includes the part from the new 1,200 kt/yr unit of Sanfangxiang.)

CCFEI Comment

Feedstock: Crude oil was back to $95/bbl, and PX supply was expected to tighten in the future. Combined with the relatively high contract nominations for November, PTA market was considered well-supported, despite the weak correction it's been in amid unfavorable macroeconomic environment.

Supply: Supply is expected to remain tight due to a few shutdowns and relatively low inventory.

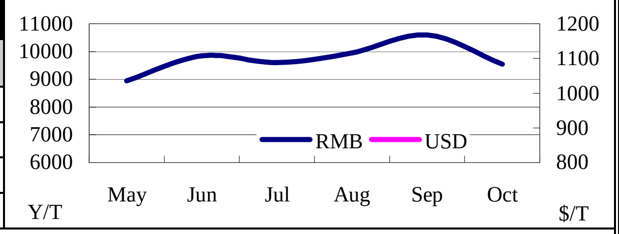
Demand: Downstream polyester producers saw a noticeable decline in sales/production ratio and increasing stock. In addition, many DTY and spun yarn producers stopped production during the week-long National Day holiday. As a result, weak demand was observed in PTA market.

To sum up, PTA market has been in weakness lately. However, a possible rebound is possible for the price decrease has been pretty sharp.

MEG

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

Month		Up/down	Range	Pre. month
RMB	Oct Settled	↓1050	9550	10600
	Nov Nominated	↓600	9400	10000
USD	Oct Settled	→	—	—
	Nov Nominated	↓20-60	1380-1400	1400-1460

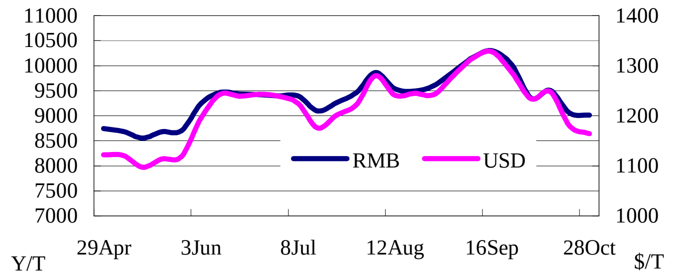


USD-based market: Sabic, Shell and MEGlobal settled their Asian contract nominations for November at $1,400/ton, $1,400/ton and $1,380/ton (CFR, L/C 90 days), down $20-60/ton from October.

RMB-based market: Sinopec settled its October contract settlement at 9,550 yuan/ton, down 1,050 yuan/ton from September, and pegged its November contract nomination at 9,400 yuan/ton, down 600 yuan/ton from October.

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

Week	Time	RMB-based	USD-based
Week 1	—	—	—
Week 2	8Oct -14Oct	9504	1248
Week 3	17Oct -21Oct	9050	1179
Week 4	24Oct -28Oct	9010	1164
Week 5	—	—	—
Monthly Ave.	Ave. in Oct	9188	1197



USD-based market: USD-based market had a small rally after a marginal fall in October.

Just after National Day holidays, the MEG market rose due to some consumers' replenishment and expectations for a good start after the holidays. Buyers tentatively bid higher from $1,235/ton. After that, several high-end offers were pegged at $1,280/ton and trades were done at $1,270-1,275/ton, but the rise only lasted for two days. The market weakened due to weak follow-up strength of buyers, more indications to sell at high levels and futures' fall. Prices plunged obviously especially on 20 October when PTA futures market saw a limit-down, and single-day losses totaled around $50/ton, with low-end talks down to $1,120-1,125/ton. After October 24, prices rebounded on less destocking because PTA futures almost touched limit-up and macroeconomic situation turned positive. High-end offers moved to $1,190/ton, with actual talks to $1,170-1,180/ton. However, as the follow-up strength of buyers obviously decreased at higher prices, mainstream talks were at $1,165-1,170/ton in late October.

RMB-based market: RMB-based market mirrored the trend on the USD-based market in October.

In early October, a few buyers bid at 9,350-9,400 yuan/ton, but most sellers were reluctant to sell, so prices slightly rose. Several sellers raised offers to 9,700 yuan/ton driven by bullish macroeconomic situation. Trading prices were also up to 9,650-9,700 yuan/ton, but the uptrend failed to sustain. With bearish futures market and more supplies from sellers, prices started to dip and the values dropped below 9,000 yuan/ton mark on 20 October when mainstream talks moved lower at 8,700 yuan/ton, a decline of 500 yuan/ton during the day. Later, a few inquiries appeared following the price dip and prices had small rallies in late October. High-end offers were at 9,200 yuan/ton, but buyers didn't follow up. Mainstream talks were at 9,000-9,100 yuan/ton amid weak sentiment.

Monthly International MEG Value Trend

Asia ($/ton, CFR China)			Europe (€/ton, FD)			USA (cts/lb, DEL)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
—	—	→	1105	1136	↘	57.0-58.0	60.0-61.0	→

In Europe, contract price for October was ultimately settled at €1,136/ton FD NEW, up €21/ton from September. Asian MEG market was weak, so market players held a bearish outlook for November sentiment.

In US, prices moved lower because RVs' demand peak season for antifreeze had ended.

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

Origin	August 2011		September 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Saudi Arabia	329.0	1221	303.2	1234	2528.9	1167	2090.3	825
Chinese Taiwan	88.8	1218	119.6	1264	829.5	1185	964.8	856
South Korea	29.1	1205	34.9	1252	280.0	1193	339.6	866
Canada	32.7	1204	34.4	1239	382.1	1161	459.5	841
Singapore	40.0	1201	68.7	1246	412.1	1171	417.3	822
Others	150.7	1220	140.6	1257	858.6	1190	820.1	859
Total/Ave. Val.	670.4	1218	701.4	1246	5291.2	1175	5091.6	840

According to statistics from China Customs, China's MEG imports in September 2011 totalled 701.4kt, up by 31kt on month; and the average price declared to China Customs was at $1,246/ton, an increase of $28/ton from $1,218/ton in August.

In September, 654.5kt of MEG was imported from other Asian countries or regions, up by 49.2kt from August and accounting for 93.31% of the total. Hereinto, the volume from Saudi Arabia ranked the first at 303.2kt, down by 25.8kt from August's 329kt and accounting for 43.23% of the total; Taiwan and Iran followed, with volumes of 119.6kt and 68.7kt respectively.

As for deep-sea cargoes, import volume from Canada in September increased by 1.7kt month on month to 34.4kt, taking up 4.9% of the total. Import volume from USA decreased by 19.9kt month on month to 12.4kt, taking up 1.77% of the total. Import volume from other countries was below 10kt in September.

In September, the average cost (based on the USD versus RMB exchange rate 6.39:1) for stocked MEG was around 9,978 yuan/ton, up by 191 yuan/ton from the average cost declared to China Customs in August.

Stock Level and Operation Status of MEG Producers

Plant News

1. CNPC Dushanzi Petrochemical restarted its 60kt/yr MEG unit on 10 October, which was shut in mid-August.
2. Taiwan's Nan Ya Plastics closed No.1 and No.2 MEG units for maintenance on September 8 and planned to restart it in end October. It closed 360kt/yr No.3 MEG unit on 8 October for one-month maintenance.
3. Honam Petrochemical closed its 250 kt/yr and 400 kt/yr MEG units at Daesan in early October for 45-day maintenance.
4. Shanghai Petrochemical shut down a 380 kt/yr MEG unit in mid-September for a one-month turnaround.
5. JUPC closed its 640 kt/yr No.2 MEG unit in Jubail in mid-September for 35-day maintenance.
6. Maoming Petrochemical is to shut down its 105kt/yr MEG unit in late October for 15-day maintenance.
7. CSPC is to restart 320kt/yr MEG unit on 9 October, which was closed for maintenance from 26 September.

Domestic	Aug	Sep	Oct	Nov est.
Operating Rate	80%	85%	88%	→
Production (kt)	244.2	259.5	268.6	→
Stock Level	High	High	High	→

According to the assessment by CCFEI, the output of PFY, PSF, fiber-grade PET chips and non-fiber grade ones in September respectively totalled 1,470kt, 338.5kt, 359.0kt and 310.0kt. Based on above data, MEG supply totalled 960.6kt in September; obviously higher than demand (some surplus supplies are to meet demand from antifreeze sector).

CCFEI Comment

Upstream: Crude value slightly rebounded to around $95/bbl. Meanwhile, ethylene prices showed a mild downtrend, which offered moderate cost support for MEG market.

Supply: Though news about maintenance shutdown was occasionally heard, supply will remain long on the whole in future because selling interest is high amid poor market sentiment on ample inventories at domestic tanks.

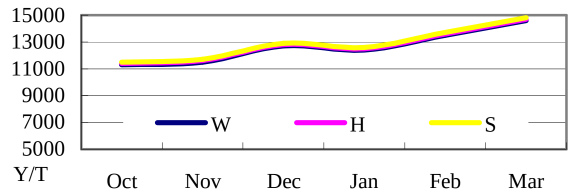
Demand: As inventories at downstream PET producers were piling up due to obviously weaker sale/production ratios, and many DTY makers and textile mills were closed during the long holidays, demand for MEG is weak in general.

To sum up, MEG market remains weak recently, but a mild rally will not be excluded in the near future due to recent slumps.

BGPET Chip

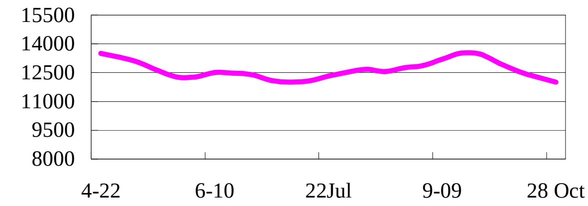
Nominations from Majors (yuan/ton)

Time	Specifications		
	Water BGPET (W)	Hot-filling BGPET (H)	Soft-drink BGPET (S)
Sep	—	—	—
Oct	—	—	—
Nov	—	—	—



Spot Price Water Bottle Grade (yuan/ton)

	Time	Price	On week
Week 1	10Oct-14Oct	12,570	↓
Week 2	17Oct-21Oct	12,280	↓
Week 3	24Oct-28Oct	12,010	↓
Week 4	—	—	—
Monthly	Ave. in Oct	12,287	↓



RMB-based BGPET chip market witnessed a downward trend in October.

External capital market was bearish during National Day holiday, so BGPET chip market was mixed on the first trading day after the holiday. In East China, central talks for water-bottle-grade chips fell to 12,400-12,500 yuan/ton ex-works, while in South China, the numbers were higher at 12,700-12,900 yuan/ton delivered. Later, with the return of traders and converters, trading sentiment turned brisk, with central values back to 12,500-12,700 yuan/ton (ex-works or delivered in a short distance). However, after trading volume expanded for two consecutive days, polyester resin sector softened given lukewarm feedstock sentiment and sluggish PFY market activities. Thus, central prices for water-bottle-grade chips dropped to the level in early this month. From Oct 18, the market turned more bearish, as external capital market got weakened; e.g. A-share market saw sharp declines and staple commodity market continued its downtrend, especially PTA futures, whose dominant contract TA1201 even closed 510 points lower at 7,988 yuan/ton on Oct 20. With outlook in the domestic PET resin market more bearish day by day, central prices for BGPET fell by 100 yuan/ton each day since Oct 19, and later, the prices were held at 11,800-11,900 yuan/ton (ex-works). In late October, with feedstock settlements coming soon and PTA futures surging up, buying sentiment was boosted, with distributors actively making replenishments. Mainstream offers for water bottle grade chips rose to 12,000-12,100 yuan/ton, with talks at around 12,100 yuan/ton and some lower at 11,900 yuan/ton, all on an ex-works basis. After that, as EU sealed a deal to fix its debt crisis, the market turned steady with players sidelined.

USD-based market saw a similar trend in September.

Early this month, mainstream offers for water bottle grade chips fell to $1,620-1,630/ton FOB CMP. The market then ranged bound in the rest trading days of the month. With high inventories in South Korea dragging prices down, bids declined even below $1,600/ton FOB CMP in mid-October. Since then, tracking the domestic BGPET chip market, talks in USD-based market went down by $10/ton each day. With Korea-origin products talked at below $1,500/ton FOB MP, export prices for China-made BGPET were in a wide range, with high-end offers pegged at $1,600/ton FOB CMP and low-end talks close to Korean levels. By the end of the month, as external market grew steady, central prices in USD-based market returned to $1,550-1,560/ton FOB CMP.

Monthly International BGPET Value Trend

Europe (€/ton, FD)			USA (cts/lb, DEL)		
Sep 2011	Oct 2011	Nov 2011 est.	Sep 2011	Oct 2011	Nov 2011 est.
1,910-2,170	1,970-2,170	↘	100-110	105-110	↘

BGPET chip market in Europe and the US ranged bound in October. Driven by slack season, the run rates in Europe were reduced to 70%, and the rates in the US fell to 80%. In November, prices in Europe and the US may witness a downward session; yet, the decreases might be limited on the back of strengthening Christmas-oriented demand.

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

Destination	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Ave. Val.	Exp. Vol.	Ave. Val.	Exp. Vol.	Ave. Val.
Russia	2,898	1,562	1,869	1,646	98,426	1,695	68,853	1,225
Ukraine	7,267	1,584	4,252	1,631	86,439	1,686	70,907	1,227
Japan	13,487	1,612	12,612	1,616	108,813	1,672	108,216	1,234
United States	12,855	1,626	8,098	1,713	72,378	1,701	38,601	1,216
Croatia	1,470	1,579	294	1,674	23,832	1,680	23,501	1,216
Others	37,068	1,576	32,756	1,639	358,723	1,701	236,933	1,210
Total	75,045	1,601	59,881	1,647	748,611	1,695	547,011	1,220

China imported 1,496 tons of BGPET chips in September, down by 22.3% from August. The average import price for September was at $2,080/ton, down 18.2% from August. China's export volume in September totaled 59,881 tons, down by 20.2% from August. The average export price for September was at $1,647/ton, down 2.9% from August. From above data we can see that China's export volume for BGPET is far larger than the import volume, with a net export volume of 58,385 tons, down 14,734 tons from August.

In September, among the destinations for China's exports, Japan ranks the first, with the volume taking up 21.1% of the total. The United States took the second place at 13.5%, and Ukraine the third at 7.1%.

Stock and Operation Status of Chinese BGPET Producers

Plant News	1. In end Sep, a new 550kt/yr chip unit in Shanghai started operation. It mainly produces semi-dull chips and bright chips after the startup. BGPET chips will be produced in future. 2. On the evening of 8 Oct, a 150kt/yr BGPET chip unit in Zhejiang was restarted, which was shut down for a turnaround from mid Sep. 3. After a scheduled turnaround since Oct 15, a Shanghai-based major BGPET chip producer resumed operation on Oct 29, involving a capacity of around 420 kt/yr.			
	Aug 2011	Sep 2011	Oct 2011	Nov 2011 est.
Operating rate	81.8%	73.5%	71.3%	↘
Output (kt)	345	310	301	↘
Stock Level	Low	Low	Normal	→

With several producers having turnarounds due to slack season, overall operating rates of BGPET industry further declined in October. The market saw two intensive procurements in early and late October. As a result, some producers kept inventories normal at two-week levels, while the other producers who cut production had stock of one-week production.

CCFEI Comment

Supply: Although some units will resume operation next month, other producers have put turnarounds on the agenda. The average run rate is expected to remain at a low level in November.

Demand: As several downstream producers plan to take turnarounds in November, buying intentions will get weak further. Export market may also appear sluggish, with traditional pre-Christmas inventory-building coming to an end in USD-based chip market.

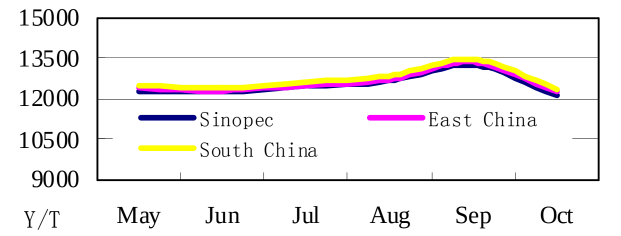
Cost: With EU debt crisis deal reached, downward pressure from the external market will gradually weaken. However, as upward momentum for polyester sector remains absent, worries towards downstream order-intakes still hamper the rebound for PTA. On the other hand, MEG market may do better, given more imports for two consecutive months. PET feedstock market is expected to follow PTA's downward trend in general.

To sum up, BGPET chip market may see some strength backed by replenishments in early Nov, yet in the long run, the market will be hard to enter upswing. Players should pay close attention to the changes in the capital market, as well as the recovery of downstream order-intakes.

FGPET Chip

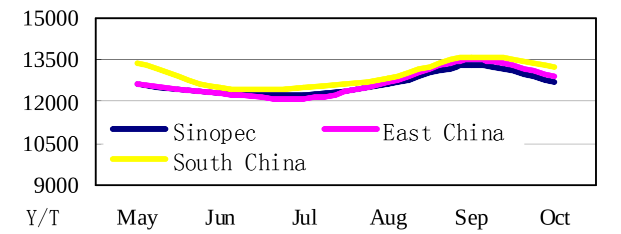
Settlements from Majors (yuan/ton)

Month	Sinopec		East China		South China	
	SD	Bright	SD	Bright	SD	Bright
Aug	12,650	12,500	12,700	12,600	12,850	12,700
Sep	13,250	13,200	13,350	13,300	13,450	13,400
Oct	12,100	12,050	12,250	12,200	12,350	12,300



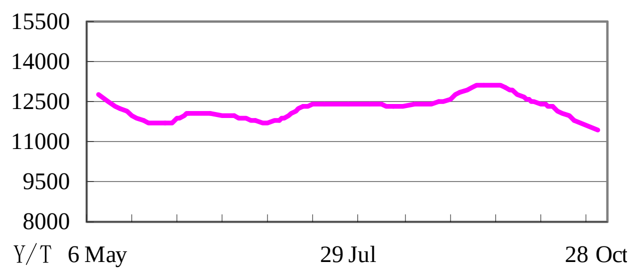
Nominations from Majors (yuan/ton)

Month	Sinopec		East China		South China	
	SD	Bright	SD	Bright	SD	Bright
Aug	12,600	12,500	12,700	12,500	12,850	12,850
Sep	13,300	13,300	13,500	13,500	13,600	13,600
Oct	12,700	12,700	12,900	12,900	13,250	13,250



Spot Average Price (yuan/ton)

Week	Time	SD	On Week
Week 1	10Oct-14Oct	12,290	↓
Week 2	17Oct -21Oct	11,820	↓
Week 3	24Oct -28Oct	11,410	↓
Week 4	-	-	-
Monthly	Ave. in Oct	11,840	↓



Semi Dull PET Chips: Central prices in SD chip market in Jiangsu and Zhejiang continually declined in October, down by 8% in total.

During National Day holiday in early October, with overseas capital markets still bearish, offers for SD chips in China dropped to 12,300-12,600 yuan/ton (cash or D/A), with talks down to 12,250-12,300 yuan/ton cash. After the holiday, trade volume expanded in the first two days on downstream players' short-covering, and the prices also tentatively moved up by 100 yuan/ton. However, PET chip market turned weak afterwards, given a lukewarm feedstock market and a relatively quiet downstream PFY market. Such situation lasted till mid October. From 18 October, capital market turned more bearish; e.g. A-share stock market saw sharp declines and staple commodity market continued its downtrend, especially PTA futures, whose dominant contract TA1201 even closed 510 points lower on 20 October at 7,988 yuan/ton, a limit-down of the day. SD chip prices then quickened its downward move on growing bearish outlook, and maximum markdown once reached 500 yuan per week. In late month, the market ended with sell-offs seen at 11,400 yuan/ton (D/A 180 days) amid poor trading activity. However, in late October, with the release of contract settlements drawing near, and PTA futures soaring on bullish stock market, downstream buyers started to bid. Trading prices rebounded slightly to 11,400-11,450 yuan/ton cash. Later, participants started to step aside again.

Super Bright PET Chips: Sentiment of super bright chip market was similar to that for SD chips.

Bright chip prices marginally declined to 12,150-12,200 yuan/ton cash after the holiday, as downstream buyers only purchased on a hand-to-mouth basis. In mid October, market prices slid in line with that for SD chips, with extremely low trading prices at 11,000 yuan/ton (cash) once heard in the market. But later, the prices for bright chips were basically at the similar levels to SD chips'. At month end, bright chips were mostly traded at 11,350-11,400 yuan/ton cash.

CDP Chips: CDP market had a similar movement as SD chip market in October.

In early October, trading prices for CDP chips moved lower at 13,600-13,700 yuan/ton (D/A 180 days). In mid October, central trading prices dropped below 13,000 yuan/ton (D/A 180 days) mark. And by the month end, trading prices further declined to around 12,800 yuan/ton (D/A)

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

Origin	Aug 2011		Sep 2011		Jan- Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Iran	0	0	0	0	4,954	1,580	38,415	1,152
Taiwan	7,062	1,568	5,680	1,586	32,599	1,573	43,038	1,220
S Korea	5,817	1,779	5,316	1,758	27,204	1,899	21,504	1,515
USA	2,495	1,281	2,928	1,300	23,712	1,356	21,820	1,098
Japan	1,924	2,262	1,564	2,057	15,392	2,119	13,594	2,102
Others	5,291	1,691	3,193	2,334	28,892	2,055	35,154	1,384
Total	22,489	1,687	18,681	1,701	132,753	1,756	173,525	1,349

China's PET chip import volume in September 2011 dropped by 3,808 tons to 18,681 tons from 22,489 tons in August. Average import price in September was at $1,701/ton, down by $14/ton from August. Export volume in September increased by 3,007 tons or 90.0% to 6,349 tons from 3,342 tons in August. That makes net import volume for September 12,332 tons. Average export value was $1,929/ton, down by $315/ton from $2,244/ton in August but at a premium of $228/ton to the import value in September.

Of all import sources in September, the materials from South Korea, Chinese Taiwan, Iran, Japan and USA account for 82.9% of the total import volume in China, up by 6.4% from August.

Stock and Operation Status of Chinese FGPET Producers

Plant News	1. At the end of September, A 550 kt/yr new polyester unit in Shanghai started operation. The unit mainly produces semi-dull and bright chips for now, and BGPET chip line will be matched in future.
	2. In early Oct, a 100kt/yr PET chip unit at Xiaoshan Rongsheng was restarted, which was shut in late September for a turnaround. This unit mainly produces SD chips, and spinning lines will be matched in future.
	3. In early October, A 150 kt/yr new polyester unit in Jiangsu started operation. The unit mainly produces super bright chips now.
	4. In late October, a Jiangsu-based PET resin producer shifted its production of 200 kt/yr unit from super bright to semi-dull. The unit started operation in late August.

	Aug	Sep	Oct	Nov est.
Run Rate	57%	58%	65%	↘
Output (kt)	344	359	384	↘
Stock	Negative	Normal	Normal	→

As several new units came on stream, operating rate of PET chip industry rose markedly. Trading expanded obviously in both early and late October. So, although prices continually declined during the month, by the month end, major producers could keep their inventory at a normal level, about 10 days of production. The run rate of chip-based spinning mills in Jiangsu and Zhejiang dropped slightly to 50-60% in October.

CCFEI Comment

As for feedstock, as an agreement was achieved to solve European debt crisis, external capital market may be less impacted by bearish factors. However, the whole polyester sector is still lack of effective support and concerns about terminal order-intakes remain as a crucial factor preventing PTA from entering rebounding path. In view of MEG market, however, the fundamental is quite unbalanced reflected by the import growth for two consecutive months. Thus, a bullish market in late Q4 could not be excluded. Generally speaking, it is expected that there may be some different trends about the PET feedstock, but overall, it will weaken slightly in line with PTA market performance.

As for supply, the availability expanded obviously in October, with major producers seeing increasing inventory. However, as the whole polyester resin market is hard to achieve a real rebound, it is expected that polyester producers will put run-cut on the agenda.

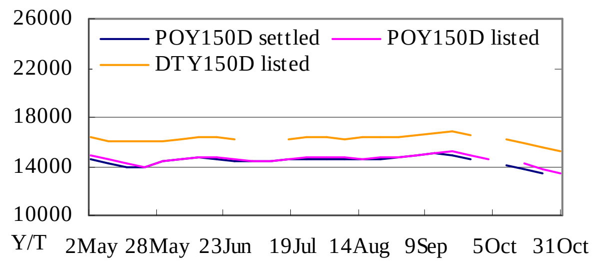
As for downstream demand, the terminal demand will remain weak in November on poor export order-intakes and sustained falls of PFY prices also squeeze profit margins of chip-based PFY producers that will have a reduced buying interest. It is expected that demand will continue to decrease in November.

To sum up, in the short run, sentiment of the market may rebound slightly on replenishment in early November and relatively firm external market. In the long run, however, whether the uptrend will continue remain uncertain as the whole sector has not seen essential improvements. Participants are still recommended to pay close attention to the capital market and the recovery of order-intakes in terminal market.

Polyester Filament

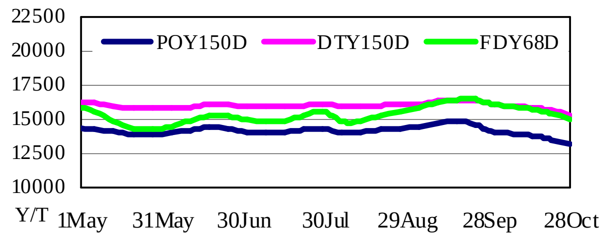
Contract Prices from Majors (yuan/ton)

Time	POY150D		FDY50D	DTY150D
	Settled	Listed	Listed	Listed
26Sep-30Sep	14,500	14,900	—	16,500
3Oct-7Oct	—	14,500	—	—
10Oct-14Oct	14,100	—	—	16,200
17Oct-21Oct	13,800	14,200	—	15,800
24Oct-28Oct	13,500	13,800	—	15,500



Average Spot Price (yuan/ton)

Week	Time	POY150D	DTY 150D	FDY 68D
Week 1	3Oct-7Oct	—	—	—
Week 2	10Oct-14Oct	13,770	15,820	15,700
Week 3	17Oct-21Oct	13,500	15,620	15,360
Week 4	24Oct-28Oct	13,100	15,260	14,980
Monthly average in Oct		13,457	15,567	15,347



In October, PFY sentiment weakened, with price falls amounting to 800-1,200 yuan/ton.

In first-half October, PFY prices waved within a narrow range. At the end of September, the market spotted sharp falls in prices, with low-level deals frequently heard done. Over the National Day holiday (1-7 Oct), some producers had a holiday break, while downstream machines were largely idled, dampening trading activities. Central yarn prices slumped, especially for POY 150D/144F. Meanwhile, the external market appeared bullish, which drove some producers to raise offers 6 Oct, expecting a brief recovery in demand after the holiday when weaving & knitting mills resumed operation. On 7-8 Oct, PFY trade was brisk. Around mid-month, given the unstable macroeconomic environment, players retreated to the sidelines, lacking confidence for the market. On 13-14 Oct, POY and FDY took the lead in heading down. Over H1 Oct, PFY numbers mostly shed 100-300 yuan/ton, with those for POY 150D/48F down to 13,600-13,700 yuan/ton from 13,800 yuan/ton.

In second-half October, PFY prices took a quick downslide, as Eurozone debt crisis worsened, while downstream users continued to struggle with poor demand, tight fund and bulging inventory. Shortly after mid-month, some rigid demand emerged, pushing PFY sale/output ratios to 100%, which helped to stabilize market sentiment. Before long, however, overseas financial markets plummeted, plus PX shedding $77/ton in a single day, leaving a slim chance for a rebound in the polyester sector. On 20 Oct, PTA futures dominant contract TA1201 even hit the limit down, closing at 7,988. With feedstock weakening, PFY producers had no choice but to give larger discounts in trade. Low-end realized prices for POY 150D/144F were heard at around 12,700 yuan/ton. Later, buying interest firmed up on the release of month-end settlements, rising stocks and futures. Some FDY makers tentatively raised prices but they gave up at last due to low-priced destocking activities of some other makers. Given bearish sentiment in downstream sectors, PFY prices extended weakness till the month-end, although EU summit reached a deal to tackle the debt crisis, and China's macroeconomic policies seemed to be loosening up. In H2 Oct, mainstream prices for POY 150D/48F sank to 13,000-13,200 yuan/ton from 13,600-13,700 yuan/ton.

PFY stocks in October increased slightly, with both POY and FDY at 9-13 days' worth, and DTY at 18-23 days' worth.

Operation Status of Downstream Textile Sector

	Aug	Sep	Oct	Nov est.
Operating Rate	70%	65%	62%	↗
Fabric Stock	23 days	28 days	32 days	↘
Well-sold	Polyester knitted fabric, warp-knitted suede nap and printed polyester pongee			

In October, run rates of weaving & knitting mills were lower on month. During the National Day holiday, more mills halted operation. Despite a slight recovery after the holiday, overall run rate dipped again around mid-month as users were discouraged in running their looms by limited orders and poor margins. By the end of October, run rates of warp-knitting mills, water-jet weaving mills and circular knitting mills were at 68%, 75% and 58% respectively. At present, fabric producers are faced with tight liquidity of fund caused by poor orders and high inventory. Unfavorable performance of the first and second phases at China Import and Export Fair seemed to indicate fewer orders for textiles and apparels from the US and European countries during the third phase. As a result, run rates of weaving & knitting mills may drop further in November.

For most of October, daily fabric transaction volume in Textile City of China fluctuated around 7.5 million meters. Comparatively speaking, medium-to-heavy-weight fabrics for autumn and winter use sold well, such as 118D knitted fabric, warp-knitted suede nap and printed polyester pongee.

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
2,462-2,531↑	2,736-3,010↑	3,153-3,219↓	4,167-4,255↓	1,692-1,758↓	1,991-2,090↓

In Taiwan, PFY sentiment was healthier than PSF. In North America, PFY demand was sluggish, while prices in West Europe remained under pressure, despite some incremental demand fueled by month-end replenishments.

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

Destination	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
Turkey	8,938	2,330	7,777	2,282	94,054	2,277	68,061	1,794
India	1,285	2,571	1,318	2,432	10,806	2,509	8,387	1,923
S. Korea	6,542	2,456	6,982	2,552	70,149	2,505	55,070	1,994
Pakistan	10,724	2,186	9,920	2,167	94,310	2,182	67,808	1,649
Brazil	2,754	2,236	1,997	2,384	41,799	2,228	23,776	1,821
Others	39,322	2,436	37,964	2,476	431,043	2,372	409,211	1,810
Total	69,565	2,380	65,958	2,411	742,162	2,342	632,313	1,809

China exported 66.0kt of PFY in September 2011, down 3.6kt or 5.17% on month. The average export price was at $2,411/ton, up $31/ton or 1.30% from August. In September, China imported 17.1kt of PFY, down 0.2kt or 1.16% on month. The average price of imported PFY was at $2,671/ton, an increase of $110/ton or 4.30% on month.

Exports to Pakistan totaled 9.9kt in September, down 7.48% from August, ranking the first and accounting for 15.01% of the total in September. Exports to Turkey amounted to 7.8kt, ranking the second of all and down 12.36% on month, and accounting for 11.82% of the total. South Korea, the US, Vietnam, Egypt, Germany, etc. followed.

Stock and Operation Status of Chinese PFY Producers

Plant News	1. A Xiaoshan-based 200 kt/yr PET chip unit took maintenance from 27 September to early-to-mid October. It mainly produces semi-dull chips.			
	2. A 100kt/yr direct-melt-spinning PFY unit in Ningbo took a turnaround between 2 October and mid-October. The unit mainly produces semi-dull POY.			
	3. A 100 kt/yr direct-melt-spinning PFY unit in Henan was shut for T/A from end-August to 15 October. This unit mainly produces semi-dull POY and FDY.			
	Aug	Sep	Oct	Nov est.
Run rate	77.5%	77%	76%	↘
Output (kt)	1,510	1,470	1,450	↘
Stock Level	Low	Medium	Medium-to-high	↗

In October, operating rate of PFY plants fell slightly to 76%. Around the National Day holiday, products were constantly sold at low prices amid sluggish sentiment. While cash flow was relatively smooth for most items, PFY producers were less willing to hold run rates as stocks were piling up on weak buying interest. After the holiday, some producers cut production, since the improvement in demand proved to be short-lived, and prices for certain specs of FDY were close to breakeven levels. Market sources generally believed PFY stocks would increase further as downstream users were unlikely to see a big increase in orders. If so, run rates of PFY plants will go even lower in November.

In October, overall sale/output performance for PFY turned slightly better, with the ratios at 80-100%. Buyers were lacking confidence, since demand remained weak from further downstream. Although China Import and Export Fair is still underway, market participants were already holding a pessimistic outlook on future orders. In November, PFY sale/output ratios will be hard to roll over from October level and PFY inventory will inevitably increase.

CCFEI Comment

Feedstock: PTA sellers were cautious in pushing up prices due to weak demand from end-users. MEG spot prices may firm up on tight supply, yet the rises will be limited as most buyers rely on contractual volumes. Therefore, PTA and MEG are expected to go in different directions, while the weakish PTA will likely take dominance.

Supply: With stocks piling up against weak demand, PFY producers are expected to cut production in future, so supply will decrease accordingly.

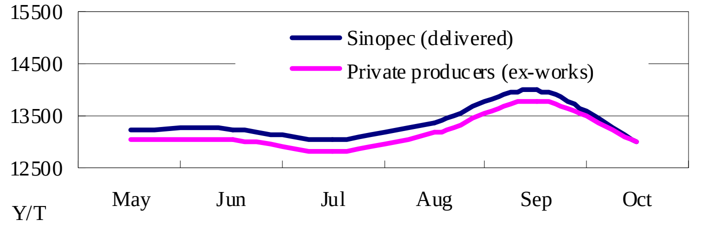
Demand: While China Import and Export Fair is still underway, it is almost certain that orders from the US and European countries will shrink. Even if downstream users continue to run the machines, only a small part of PFY can be digested. PFY demand will grow softer in November.

Although the EU summit has reached a deal to tackle the debt crisis, a number of obstacles are waiting ahead, and it remains to be seen what effects it can bring. By January 2012, large amounts of debts will be due for EU members, so it's difficult for overseas market to recover strength soon. In domestic environment, although Premier Wen said macro-economic policies would be adjusted on appropriate occasions, the outlook remains unclear. **To conclude,** given weak PTA sentiment as well as sluggish textile performance, PFY market will stay bearish in first half November.

Polyester Staple

Contract Settlements and Nominations (yuan/ton)

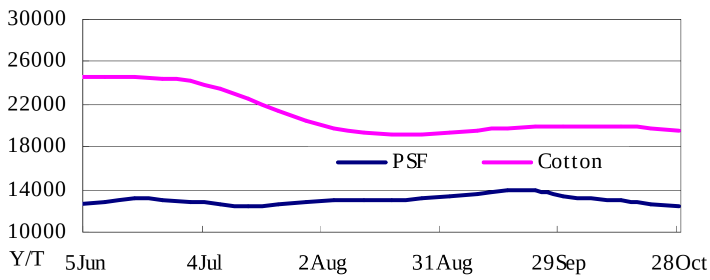
Month	Sinopec (Delivered)	Private producers (Ex-works)
Aug settled	13,400	13,180
Sep settled	14,000	13,800
Oct settled	13,000	13,000
Nov listed	13,000	-



Sinopec nominated its November contract price for 1.4D PSF at 13,000 yuan/ton (delivered). On 24 October, Sinopec announced its settlement price for October at 13,000 yuan/ton.

PSF and Cotton Prices in China (yuan/ton)

Week	Time	PSF 1.4D	Cotton 328
Week 1	3 Oct -7 Oct	-	-
Week 2	10 Oct -14 Oct	13,030	19,909
Week 3	17 Oct -21 Oct	12,700	19,707
Week 4	24 Oct -28 Oct	12,360	19,502
Monthly	Ave. in Oct	12,697	19,706



In October, PSF market saw a sustained fall in price. On the back of slow downstream demand, PSF prices lost by over 1,000 yuan/ton over the month.

Early Oct: During the National Day holidays, PSF prices were stalemated at first and then inched down. After the holiday, prices were widely spread as sellers were keen to sell and buyers were buying from hand to mouth. Liquidity was poor. Mainstream prices for 1.4D in Jiangsu and Zhejiang fell by 100-200 yuan/ton to 13,000-13,100 yuan/ton (ex-works).

Mid Oct: Pessimistic sentiment grew heavier and prices fell more significantly with large price range due to lower feedstock prices and sluggish downstream demand. Some sellers were hurry to sell at low prices amid bearish outlook. Mainstream prices for 1.4D in Jiangsu and Zhejiang fell to 12,500-12,600 yuan/ton (ex-works), down by around 500 yuan/ton on week.

Late Oct: PSF prices firmed at first on improved PTA futures, but tumbled down then due to poor performance in downstream. Mainstream prices for 1.4D in Jiangsu and Zhejiang fell to 12,100-12,200 yuan/ton (ex-works), down by around 400 yuan/ton.

Monthly International PSF Value Trend

Chinese Taiwan (DEL, $/ton)			Europe（DEL, $/ton）			USA（DEL,$/ton）		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
1,832	1,792	↘	2,572	2,496	↘	2,612	2,634	↘

North America: trades remained thin in PSF market in October due to weak PSF demand from all downstream sectors. Demand in weaving sector slightly better than knitting's; demand in carpeting sector remained weak, and that in nonwoven and filling sectors was lower than the level in the first half of 2011.

West Europe: PSF market stayed gloomy in Oct, with cautious buyers only making hand-to-mouth replenishments. Although feedstock costs were stable, PSF prices slumped on the back of weak demand from all downstream sectors. Persisting falls at cotton prices also weakened the advantages of PSF substitution.

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

Destination	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.	Exp. Vol.	Exp. Val.
US	5.8	1,621	10.1	1,637	97.3	1,757	81.8	1,206
Russian Fed.	10.6	1,403	9.2	1,429	119.5	1,391	114.0	1,086
Pakistan	6.5	1,602	5.1	1,534	40.5	1,573	17.4	1,277
Indonesia	0.1	1,674	3.1	1,680	47.6	1,836	9.5	1,199
India	2.0	1,487	2.6	1,560	41.0	1,643	12.3	1,129
Others	25.8	1,671	27.0	1,683	312.8	1,720	192.2	1,245
Total/Ave. Val.	50.8	1,594	57.2	1,615	658.7	1,660	427.2	1,192

According to the statistics from China Customs, China's import volume for PSF in September 2011 is 11.7 kt, flat to the previous month, and the average import price is at $1,974/ton, up $52/ton from August. China exported 57.2 kt of PSF in September, up 6.4 kt from previous month, with the average export price at $1,615/ton, up $21/ton on month.

South Korea, Chinese Taiwan and Malaysia rank the top three regions that exported PSF into China Mainland in September, and the top three export destinations of Chinese PSF are the US, the Russian Federation and Pakistan.

Stock Level and Operation Status of Chinese PSF Producers

Plant News

1. Two Henan-based PSF spinning units with a combined capacity of 250 kt/yr were restarted on 15 Oct following a T/A starting from 31 August. Of them, the unit at Luoyang Shihua is running with 70% capacity by the end of the month.

2. A Suzhou-based major PSF producer shut one after-processing line for its direct-melt-spinning PSF unit in early-to-mid Sep, and the daily output for PSF is at 650 tons now.

3. One 150kt/yr direct-melt-spinning PSF unit in Jiangyin, Jiangsu province was shut down on 31 Oct for maintenance; before that, its output was cut by 50% in early Oct. Another 250kt unit owned by the same company had its production cut by 200 tons/day in late October.

4. A PSF producer in Shandong slashed units' production by 200 tons/day, with only one direct-melt-spinning line operating.

Month	Aug	Sep	Oct	Nov est.
Operating rate	78.5%	74.2%	71.9%	↘
Output (kt)	358.1	338.5	327.9	↘
Stock Level	Low	Medium-to-low	Medium	→

As downstream polyester spun yarn market was in downward trend, and spun yarn producers were faced with limited budget and high inventories, PSF demand remained weak in most time of October, except late in the month when demand improved for a short while. Since National Day holiday, PSF producers had showed cutback actions in succession. The inventory of the industry still increased, to 10-15 days' worth by the end of the month.

CCFEI Comment

Feedstock: External macro environment improved, as EU reached a consensus on solving European debt crisis. Despite this, polyester sector remained sluggish due to the lack of demand from end-users. Without momentum for upward movement, polyester sector is expected to be relatively weak in November.

Demand: As liquidity of polyester spun yarn remained slow, and margins were negative, most spun yarn producers had productions cut and made hand-to-mouth replenishments. Demand for PSF is likely to be sluggish in November.

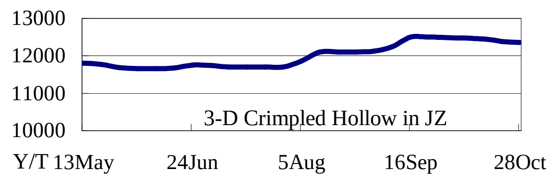
Supply: Due to weak downstream demand and bearish outlook, PSF producers started to cut run rates from early October. The overall supply for November may decrease but will be still amply on medium-to-low inventories.

To sum up, Although solution to European debt crisis eases the market to some extent, players may still be cautious with the existence of uncertainties. Given gloomy outlook for polyester resin and PSF markets, PSF prices may initially dip further in early November though current prices have been at the year low. If market sentiment remains poor next month, producers will likely cut run rates more significantly. It is expected that downward trend will be slow down, but when prices will stop falling depends on the whole chain and external macro-economic market.

Re-PSF

Hollow Re-PSF Value Trend (yuan/ton)

Variety (6-15D siliconized)	Trend	Value
3-D-crimped in Jiangsu & Zhejiang	-	12400
3-D-crimped in Guangdong (pre-VAT)	↓ 40	11300
2-D-crimped whitened in Cixi	↓ 108	11244



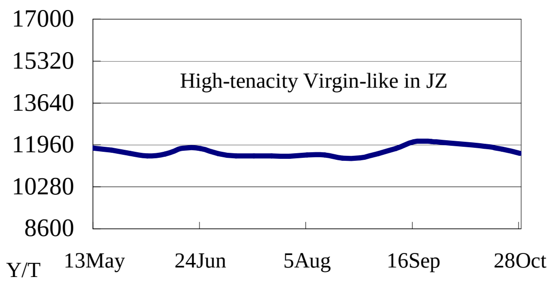
In October, re-PET fiber prices were in a downward. Early in the month, the market remained weak due to poor sales during National Day holidays, and then later in the month, the market was pulled down by softening PTA futures and sharp falls of virgin PET. In the second week, 3-dimensional-crimped hollow re-PSF prices in Jiangsu and Zhejiang inched down, with mainstream ex-works prices for siliconized ones down to 12,300-12,700 yuan/ton VAT included, and 12,100-12,400 yuan/ton in the third week. Sentiment hit the bottom at the month end on the support from rigid demand and low inventory of suppliers.

In export market, order-intakes were lukewarm in Jiangsu and Zhejiang during the month, while prices followed domestic sentiment and fell to $1,600-1,650/ton FOB. In Fujian and Guangdong, prices also softened, with offers for siliconized ones falling from 11,400-11,800 yuan/ton to 10,800-11,000 yuan/ton VAT excluded. Suppliers had little inventory.

2-D-crimped hollow re-PSF in Cixi, Zhejiang province also fell in October. Offers for whitened siliconized ones fell from 11,400-11,700 yuan/ton to 10,900-11,200 yuan/ton (VAT included). Suppliers saw high inventory due to poor sales.

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

Variety (in Jiangsu and Zhejiang)	Trend	Value
High-tenacity low-elongation virgin-like 1.5D	↓ 196	11782
High-pressure spun virgin-like 1.5D	↓ 311	11179
High quality raw white 1.5D	↓ 107	10758
High quality raw white 1.5D (SW China)	↓ 60	11500
Low quality raw white 1.5D	↓ 327	10333
Re-POY150D/96F	↓ 746	12297



In early October, cotton-type re-PSF prices dropped. High tenacity & low elongation virgin-like ones fell from 12,000-12,300 yuan/ton to 11,500-11,700 yuan/ton VAT-included. High-pressure-spun virgin-like fibers fell from 11,000-11,500 yuan/ton to 10,900-11,200 yuan/ton VAT included. 1.5D high-quality raw white regular fibers were offered at 10,600-10,800 yuan/ton VAT included, ex-works. In Southwest China, offers for 1.5D high-quality raw white regular fibers fell from 11,600-11,800 yuan/ton to 11,300-11,700 yuan/ton VAT included. As for filament, mainstream offers for re-POY 150D fell from 12,500-12,700 yuan/ton to 11,800-12,300 yuan/ton. Suppliers saw higher inventory and low sales/production ratio.

Flakes Price Trend

	White, for 3-D-crimped	White, for virgin-like	White, for re-PFY	Green, for spinning
Average in Oct	9162 ↓	8700 ↓	9317 ↓	8591 ↓
Forecast for Nov	→	→	→	→

Though flake supply decreased with the weather turning cold, prices were still pulled down by lower fiber prices. Early in the month, flake prices inched down, and then fell sharply by 100-300 yuan/ton in H2 October.

Offers for white flakes ready for spinning 3-D-crimped hollow re-PSF in Jiangsu and Zhejiang fell from 9,200-9,300 yuan/ton to 8,900-9,100 yuan/ton (VAT excluded). Offers for white flakes used to spin high-quality regular re-PSF fell from 8,900-9,000 yuan/ton to 8,600-8,700 yuan/ton (VAT excluded). Offers for green flakes fell from 8,600-8,700 yuan/ton to 8,400-8,600 yuan/ton. In Guangdong and Fujian, white flakes used to spin 3-D hollow re-PSF fell from 9,100-9,200 yuan/ton to 8,800-8,900 yuan/ton (VAT excluded). In Southwest China, offers for white flakes ready for spinning fell from 8,600-8,700 yuan/to 8,300-8,400 yuan/ton. Imported white flakes ready for spinning 3-D-crimpled re-PSF fell from $1,320-1,350/ton CFR SEA to $1,230-1,250/ton.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Japan	27.4	958	28.2	987	208.1	930	232.9	702
USA	17.6	865	18	870	120.7	856	129.7	674
Germany	10.2	906	5.6	920	60.2	864	61.6	625
Thailand	10.7	1187	11.9	1210	93.7	1145	97.7	776
Taiwan	4.3	977	4.7	994	32.4	930	53.4	658
Others	81.5	992	88.5	996	648.3	954	635.5	680
Total	151.7	979	156.9	993	1163.4	950	1210.9	688

According to China Customs, 156,900 tons of PET wastes, an increase of 5,200 tons from August, were imported in September 2011 at an average price of $993/ton, up by $14/ton from previous month.

The statistics show that import volume increased somewhat in September, and average import price moved up. Japan ranks the first in all the countries and regions that exported flakes into China Mainland, followed by the USA, Thailand, Indonesia, Mexico, Hongkong, Philippines, Germany, Malaysia and Vietnam. As for import price, the highest number is for materials from Thailand, followed by those from Indonesia, Vietnam, Sudan, Myanmar, Peru, Haiti, Malaysia, Paraguay and the Philippines. PET scraps and wastes are mainly imported in September by 'general trade' and 'trade of processing with imported materials'.

Operation Status of Chinese Re-PSF Producers

Plant Operation	1. Ningbo Dafa is to commission a 40kt/yr new line in November.			
	2. Cixi Jiangnan restarted its 80kt/yr capacity on 5 Oct after the turnaround during the National Day holiday of 1-7 Oct.			
	3. Cixi Yatai shut down its 100 tons/day capacity in the third week of Oct and restarted it on 25 Oct..			
Domestic producer	Aug	Sep	Oct	Nov est.
Operating rate	55%	60%	55%	→

With sentiment of chemical fiber market deteriorating in October, downstream buyers were buying from hand to mouth, and suppliers saw inventory rising, except for 3D-crimped-hollow fiber, which was supported by rigid demand. Inventory of cotton-type re-PSF remained at around 0-5 days, with suppliers' run rate at around 70-80% capacities. Hollow re-PSF producers saw inventory at about 20-30 days and operating rates at around 60-70%, while re-PFY producers also saw inventory of about 5-10 days, with run rates at around 50-60%.

CCFEI Comment

Recycled fiber market kept softening in October and went stable at end of the month.

Cost: As flake prices have already fallen by large range, and supply is shrinking with the weather turning cold, flake prices are likely to remain stable if there is no large-scale run-cut and substantial change external macro environment.

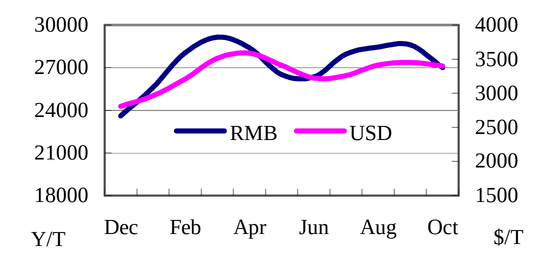
Supply/demand: Demand remains insipid in spite of the peak season, except for 3D-crimped-hollow ones. Inventory of 2D-crimped hollow, re-PFY and cotton-type staple fiber is high. Given downstream buying interest curbed by inflation and peak season soon to end, low-end prices may be more available.

Generally speaking, given signs of headways made with regard of debt crisis, external macro-economic environment may go stable. Though PTA futures market rebounded sharply following previous slumps, with no firm support from demand, virgin PET prices are likely to remain stable, and so are re-PET fibers on the support of flake prices and recovering demand.

Caprolactam

Contract Price (yuan/ton, $/ton)

Month		Change	Range	Prev. Month
RMB-based	October Settled	↓1800	26600-27000	28400-28800
	November Listed	↓	26200	27800-28400
USD-based	October Settled	↓50	3400	3450
	November Listed	↓175	3250-3300	3450

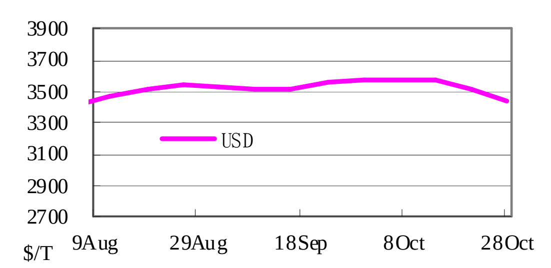


Asian caprolactam contract price for October was settled at $3,400/ton (CFR China, L/C 90 days), down by $50/ton from September. Nominations for November were not released so far, but a decrease is expected.

Sinopec announced settlement prices for October contracts in late October, at 27,000 yuan/ton (D/A, solid, AA grade) from Baling Petrochemcial, an decrease of 1800 yuan/ton from September settlement; at 27,000 yuan/ton from Shijiazhuang Chemical Fiber, down by 1700 yuan/ton from last month; at 26,600 yuan/ton from DSM Nanjing, decreasing by 1800 yuan/ton. List prices for November from Sinopec were at 26,200 yuan/ton (D/A, solid, AA grade).

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

Week	Time	RMB-based	USD-based
Week 1	-	-	-
Week 2	10Oct-14Oct	27470	3355
Week 3	17Oct-21Oct	26840	3230
Week 4	24Oct-28Oct	26060	3092
Week 5	-	-	-
Monthly	Ave. in Oct	26790	3226



RMB-based spot market: CPL prices slumped in October in line with falling feedstock and poor downstream demand.

Week 1: There was no transaction in the market because of National Day holiday.

Week 2: Offers for RMB-based spots were at 27,500-27,600 yuan/ton. Buyers were mostly sidelined, with a few bids at 26,700-26,800 yuan/ton on the weekend and mainly in small lots. Liquidity was slow in the market.

Week 3: Offers for CPL spots were at 26,500 yuan/ton on the weekend. Most buyers were taking wait-and-see stance. Talks for some small lots were at 26,200-26,300 yuan/ton, while buying intentions for large volumes were limited. Thus, transaction was scarce in the market.

Week 4: Spot prices dropped from 26,000-26,200 yuan/ton at the start of the week to 25,500-25,600 yuan/ton. Wait-and-see sentiment was strong in the market, and trades were done mostly in small volume.

USD-based spot market: USD-based CPL prices continued to slash as demand was poor amid pessimistic mood.

Week 1: There was no transaction in the market given National Day holiday in China.

Week 2: Sellers' sell ideas for USD-based CPL were at $3,300-3,350/ton, with offers heard at $3,250/ton on the weekend. Buying intentions were at low level, with those for bonded goods below $3,300/ton.

Week 3: Offers were at $3,100/ton, and there were deals done at $3,300/ton in midweek. Talks for bonded goods were at $3,100-3,150/ton.

Week 4: Offers decreased from $3,100/ton to $3,000/ton. Counter offers for forward goods were at $2,900-2,950/ton, and buying intentions for bonded goods were higher, at around $3,000/ton.

Monthly International CPL Value Trend

Asia ($/ton, CFR)			Europe (€/ton, DEL)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.
3450	3400	↓	2215-2380	2225-2290	↓

Asian caprolactam market saw a mild dip for October contract prices. The numbers were settled at around $3,400/ton in South Korea and Chinese Taiwan, on par with those in China mainland. Asian contract nominations for November decreased to $3,250-3,300/ton. In Europe, CPL contract values for October had some decline from September. It is expected that the CPL numbers in European market for November will decline further.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Belarus	2588	3545	6703	3469	42396	3257	33042	2442
Poland	3000	3225	0	0	23950	3221	37075	2391
Russia	9650	3353	12700	3498	96970	3260	97885	2399
US	6990	3229	5824	3372	43876	3146	56444	2392
Mexico	6721	3376	5170	3508	42535	3291	34968	2414
Japan	8466	3371	10386	3470	75871	3263	71920	2460
Others	13784	3323	17655	3370	134024	3282	153176	2409
Total	51200	3336	58438	3439	459622	3256	484510	2414

In September 2011, China imported 58.4kt of caprolactam, increasing by 14.1% from August. In January-September, China totally imported around 460kt, decreasing by 5.43% from the same period of last year. The largest import volume in September was from Russia, amounting to 12,700 tons. Volume from Japan was the second largest, at 10,386 tons, followed by that from Belarus at 6,703 tons.

Average import price in September was at $3,439/ton, up 3.09% from August. The highest number for September was $3,510/ton for the cargoes from South Korea, followed by $3,508/ton for ex-Mexico materials. The number from Belgian was at $3,314/ton, the lowest.

Inventory Volume and Operation of Caprolactam Producers

Plant Operation	1. South Korea's Capro Corp shut down its CPL Line 1 and Line 3 on 5 October for three-week maintenance. Their capacities are 60 kt/yr and 150 kt/yr respectively.		
	2. Japan's Sumitomo shut down its two CPL production lines at Niihama on 20 Oct, and planned to restart them at the end of November.		
	3. Baling Petrochemical shut down its two CPL production lines in Yueyang, Hunan, on 13 Oct for one-month maintenance, with a combined capacity of 200 kt/yr.		
	4. Japan's Ube Industries closed two CPL lines with a combined capacity of 90kt/yr for maintenance on 25 September. These two lines, located in Ube, Yamaguchi Prefecture, were planned to restart in early November. Japan's Ube Industries lifted the force majeure on its 85 kt/yr CPL unit in Spain and has been running the unit at full rates since 7 Oct. The company declared the majeure force for suppy from the unit on 19 July.		
Domestic producers	Aug	Sep	Oct est.
Operating rate	96.5%	95.3%	77.3 %
Production (kt)	48.5	46.9	38.0

China imported 58.4 kt of caprolactam in September, and together with domestic production of around 46.9 kt, China's apparent consumption in September is 105.3 kt, up 32.1% from August.

In October, run rates of CPL units at home and abroad were reduced, and producers generally saw increased inventory on lower demand from downstream converters that also had reduced operating rates. Run rates at PA chip producers were around 75%, at textile yarn makers around 75% and at cord fabric makers around 65% capacities. The converters could generally operate at break-even position, so demand for CPL is expected to be stable.

CCFEI Comment

Supply: CPL supply will increase. In Oct, Baling Petrochemical's nylon chip unit was under maintenance, and imports arriving in Oct should be a little lower compared with Sep. Looking forward, CPL availability will increase, resulting from the restarts of CPL units at China's Baling Petrochemical, South Korea's Capro, Japan's Ube and Sumitomo in Nov.

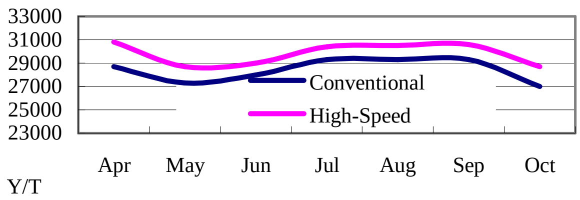
Demand: Textile yarn producers ran at the break even or meager profits and had healthy inventory, but they are pessimistic about market future on falling feedstock and weak demand. In non-textile yarn sector, demand for nylon finishing-net yarn and staple fiber was moderate, and operating rate of cord fabric producers were low amid indsipid market sentiemnt. Thus, demand for CPL will remain weak in future.

Cost: NYMEX crude futures rebounded after the dip for a time. Asian benzene decreased to $1,000/ton FOB Korea, and European benzene fell to $930/ton FOB Rotterdam. Feedstock market was disappointing. In future, benzene prices may rebound somewhat on marco economic uncertainties.

To sum up, feedstock market is weak; CPL availability will increase on the restarts of several CPL plants, and demand is poor, as nylon chips and yarn producers are facing heavy pressure. Coupled with uncertainty of macro economic policies, market participants are sidelined. Given all these impacts, CPL market will likely be soft in furture.

Nylon Chip

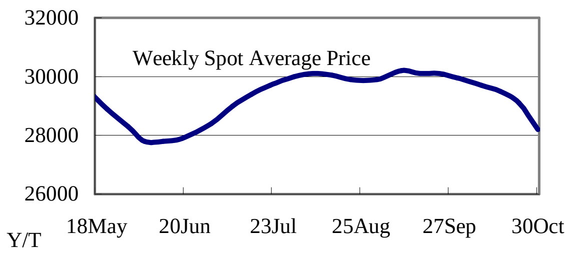
Average Price (yuan/ton, $/ton)					
Month		Up/down	Range	Prev. Month
Conventional	October	↓ 2300	27000	29300
High-speed	October	↓ 1900	28700	30600
	USD	↓ 270	3450	3720



In October, nylon chip prices from producers and traders began to drop as CPL market prices sharply slumped. Since downstream converters mostly held bearish outlook and bought on a hand-to-mouth basis, nylon chip prices sharply declined, by 2,000 yuan/ton on average through the month.

As for homemade nylon chips, dragged by falling CPL, talks for SD high-speed spinning chips largely dropped to 28,300-29,100 yuan/ton (D/A, self-lifting). Trading sentiment was soft on slight dip of operating rate at downstream nylon textile yarn makers that had low profit margins. In Taiwan, producers' offers for SD high-speed spinning chips were only at $3,400-3,500/ton in late October. Buying interest was weak given cautious players in downstream market. Mainstream talks for conventional spinning chips in East China dropped to 26,300-27,000 yuan/ton, with high-end numbers still at 27,200-27,500 yuan/ton; the slump of prices was because of lower demand from downstream fishing-net yarn, staple fiber and engineering plastics sectors. In plant operation, major chip producers mainly operated at 60-70% capacities, with some only at 40-50% capacities or even shut down for maintenance, thus, inventory level didn't move higher.

Weekly Spot Average Price (yuan/ton)		
Week	Time	Price
Week 1	1Oct-9Oct	29700
Week 2	10Oct-16Oct	29500
Week 3	17Oct-23Oct	29100
Week 4	24Oct-30Oct	28200
Monthly	Ave. in Oct	29125



CPL prices dropped from $3,350-3,400/ton early this month to $3,050/ton, with a drop of $300/ton over the month given low buying interest. With sharp slump of feedstock and lower cost pressure expected, nylon chip producers began to cut their offers.

Prices for domestic conventional spinning bright nylon chips dipped from the start of the month, and the downslide began to intensify late in the month given sharp decrease of feedstock, and the prices had fallen to 26,300-27,500 yuan/ton by the month end. Prices for monofilament grade and plastics grade were still high at 27,000-27,500 yuan/ton despite a decline of 2300 yuan/ton across the month. Demand in downstream fishing-net yarn and staple fiber market was modest. As for SD high-speed spinning nylon chips, prices sharply declined in line with dropping feedstock, yet the downslide range was narrower than that for conventional chips given better performance of nylon textile yarn sector. Mainstream prices dropped to 28,300-29,100 yuan/ton from last month's 30,300-30,900 yuan/ton D/A 90 days. Profit margins for nylon textile yarn production got improved despite lower prices. Therefore, nylon chip demand was expected to improve in the future. In plant operation, major chip producers generally operated at 60-70% capacities, with some high-speed spinning chip producers in Zhejiang higher at 80% capacities, above the average 70%, while some bright chip producers and cord fabric makers operated at 40-50% capacities due to pessimistic outlook.

Monthly International Nylon Chip Value Trend			
Taiwan ($/ton)			
Aug	Sep	Oct	Nov est.
3740	3720	3450	↓

In October, nylon chip prices from producers decreased to $3,400-3,500/ton on dropping CPL values, with trade volume gradually recovering. It is expected that chip prices at producers will rise little given weak feedstock market, and insipid performance of downstream textile nylon yarn will also weight on nylon chip prices.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Taiwan	30.84	3533	34.76	3665	206.2	3472	205.1	2648
Russia	4.67	3296	6.22	3441	41.5	3331	33.0	2468
Belgium	1.31	3470	1.94	3580	18.7	3171	20.7	2486
Germany	1.45	3301	1.27	3113	16.0	3087	26.2	3052
S. Korea	4.92	3616	4.34	3754	42.2	3540	41.5	2840
USA	5.20	3506	3.51	3530	34.4	3380	40.3	2749
Total	57.7	3546	61.6	3643	430.5	3454	424.2	2828

In Sep, China imported 61,567 tons of nylon 6 chips, 3,813 tons or 6.6% higher from Aug's 57,754 tons. Average import price in Sep was at $3,643/ton, up by $97/ton on month. Among them, materials from Taiwan totaled 34,762 tons, up by 3,918 tons or 12.7% on month, and accounting for 56.4% of the total import volume, a slightly increased proportion compared with that in Aug. The average import price for Taiwan-origin cargoes was at $3,643/ton, $110/ton higher from Aug's $3,533/ton. South Korea, Germany, the USA and Japan are also major exporters to China mainland. Import volume from Russia and Belgium increased, while that from Germany, the USA and S. Korea decreased.

Operation of Nylon Chip Producers in China

Plant News

In October, run rates of major cord fabric producers were at 60-80%. SD chip producers ran slightly higher, and bright chip or cord fabric-oriented chip producers generally operated at 40-50% capacities. Overall operating rate marginally dipped.

Zhejiang Mesbon's new 70kt/yr semi-dull nylon chip unit started up successfully in early October. Sinopec Baling Petrochemical started one-month maintenance for its 36 kt/yr nylon chip unit in mid October. Qingdao Conway Chemical Fiber shut down its 12kt/yr nylon chip unit for one-month maintenance. Jiangyin Qiangli Chemical Fiber plans to start up a new 30kt/yr nylon chip unit in November. Jiangsu Hongdou Group planned to restart its 12kt/yr bright chip unit next month.

	Jul	Aug	Sep	Oct est.
Output (kt)	88	94	102	↓

According to the statistics of CCFEI, China's nylon chip output in September is 102 kt, with run rates at 76%, better than expected. Import volume rose by 3.8 kt, yet export volume decreased by 0.6 kt. Apparent consumption increased by around 12.4 kt. China's nylon chip production in October is estimated to dip on sharp decrease of prices.

CCFEI Comment

As for costs, cost pressure at nylon chip producers obviously fell given dropping CPL, and nylon chip prices were pressed to dip. Looking forward, the downside potential of CPL demand will sustain, and as CPL prices remained low in late October given poor trading confidence, cost reduction for chips will continue in the short term. And thus chip producers' profit margins will get improved and they may enlarge the price-cut range, which will be unfavorable to nylon chip prices next month.

As for supply, since feedstock prices were lackluster, bearish outlook was strong among downstream players that only had a minimum replenishment. Thus, sale/production performance at nylon chip makers got little improved. Most nylon chip producers cut the operating rate in October given the high actual operating rate in September, especially for those who ran with a high rate previously. As for profit margin, as the drop range of nylon chip prices was smaller than upstream feedstock, cost pressure on nylon chip producers was easing. For nylon yarn, sales at both textile and industrial yarn sectors were lusterless, yet chip demand is inclined to get better in line with improved economics. So major chip producers will be less likely to cut run, with the average run rate at 60-70% capacities.

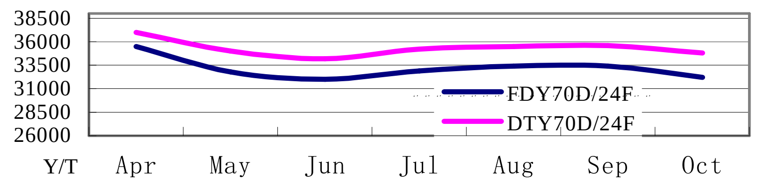
As for demand, textile market saw moderate liquidity and poor order intakes, which depressed upstream yarn market. For example, textile enterprises in Zhejiang and Jiangsu suffered tight circulating funds. Cautious replenishments for high-priced nylon filaments and tight monetary policies continued to subdue liquidity of nylon fiber products, and demand from nylon textile yarn and non-textile yarn sectors for chips was cautious on losses. Looking forward, macro-economic environment is expected to get improved, and market confidence may be a little better, which will benefit offtake volume and prices for nylon chips together with larger profit margins. Demand from staple fiber, fishing-net yarn and engineering plastics sectors is stable, and further improvement of demand is expected on the back of improved profit margins.

To summarize, cost pressure on nylon chip producers sharply declined in line with slumping CPL, so nylon chip prices are still expected to soften. However, with drooping run rates at nylon chip makers, demand will improve in line with lower prices, so supply/demand fundamental will be balanced. So it is expected that nylon chip prices will have slight decrease, yet offtake volume may slightly increase next month.

Nylon Filament

Average Price (yuan/ton)

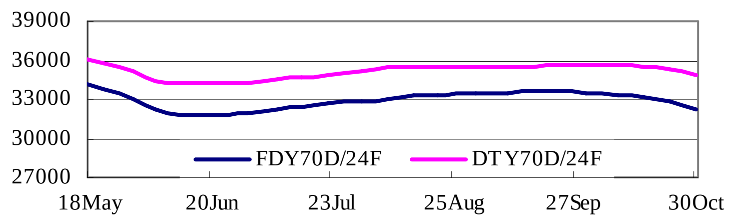
Month		Change	Price	Prev. Month
FDY70D/24F	Oct	↓1200	32200	33400
DTY70D/24F	Oct	↓800	34800	35600



Lower CPL and nylon chip prices eased cost pressure on nylon fiber producers, so prices for main nylon yarns had generally decreased. Meanwhile, thick wait-and-see stance of downstream textile enterprises also depressed nylon fiber market. In non-textile yarn market, prices also dropped due to softening feedstock, with lackluster demand for cord fabric and nylon staple fiber. As for inventory, nylon textile yarn makers cut the rates slightly to maintain inventory at moderate level, so sale/production situation gradually balanced. However, some producers still faced sales pressure resulting from the inventory level of 20-30 days. In non-textile yarn sector, inventory level was lean on low operating rates. As for the future, weakening nylon chip sentiment and no improvement of liquidity in nylon filament market will continue to weigh on nylon fiber prices.

Weekly Spot Price

Week	Time	FDY70/DTY70
Week 1	1Oct-9Oct	33300/35600
Week 2	10Oct-16Oct	33100/35400
Week 3	17Oct-23Oct	32800/35300
Week 4	24Oct-30Oct	32300/34800
Monthly	Ave. in Oct	32875/35275



FDY: In October, nylon FDY prices were weak, as demand from downstream weaving and knitting mills was lackluster for the lack of large-volume orders for fabrics and also because of tight financing in the whole textile industry. Meanwhile, soft feedstock also depressed fiber prices, resulting in cutbacks and offloading at most FDY makers. In future, FDY values will remain weak given low cost pressure, but downside potential will be limited as the producers only run at low rates. In Shengze and Jiaxing market, semi-dull FDY70D/24F was generally traded at 32,000-32,500 yuan/ton (D/A 180 days) by the month end, with low-end values at 31,800 yuan/ton. Pressure from sale/production situation eased slightly as run rates were cut from 70-80% to 50%. Full-dull yarn sector was also insipid, with mainstream full-dull FDY70D/24F at 32,800-33,000 yuan/ton (D/A 180 days), and fine-denier full-dull 40D/34F was offered at 35,000-36,000 yuan/ton, with lower numbers for firm deals.

DTY: In October, since demand from knitgoods sector softened slightly, coupled with weakening nylon chip and POY values, DTY prices continued to decrease, and the range widened. In the market, prices for high-end DTY70D/24F were at 35,500-36,000 yuan/ton (D/A 180 days) by the month end. Prices for mid-end materials were at 35,000 (D/A, 180 days), with cash-based prices lower at 33,800-34,000 yuan/ton, and low-quality DTY70D/24F was traded at 33,300-33,500 yuan/ton (cash). Fine-denier 30D/10F generally moved to 41,000-41,500 yuan/ton (D/A 180 days). Downstream, overall run rate of nylon-fed circular knitting and covering machines were stable at 50-60%, yet demand for nylon fibers was moderate given prudent purchases on tight funds for the whole industry.

In cord fabric sector, mainstream offers dropped to 34,500 yuan/ton, as feedstock declined and downstream tire makers purchased cautiously. Cord fabric producers kept run rates at 50-70%, with slightly improved margins given lower feedstock costs. For monofilament, mainstream prices for 30D were at 33,500-34,500 yuan/ton in October. Profit margins were better, but prices saw sign of decreases given soft feedstock sentiment. For nylon staple fiber, mainstream prices for 1.5D were at 29,500-30,000 yuan/ton given cautious buyers.

International Monthly Prices for Nylon Filament

Taiwan FDY70D/24F ($/ton)		
Aug 2011	Sep 2011	Oct 2011
4,140-4,210	4,110-4,210	4,040-4,180

Taiwan: Given weak demand from textile sector, run rates dropped to 70% in October.

Europe: Demand for nylon filament was insipid in general, including those from knitwear, warp-knitting, and weaving sectors. Besides, BCF demand from household carpet sector retreated, as buyers were inclined to use the products made from polypropylene fibers.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011		Jan-Sep 2010	
	Imp. Vol.	Ave. Vol.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.	Imp. Vol.	Ave. Val.
Taiwan	6,307	3,974	5,310	3,916	54,804	3,765	64,242	2,956
S. Korea	1,431	4,578	1,322	4,648	11,181	4,464	10,714	3,772
Malaysia	480	4,113	708	4,198	4,596	4,099	4,925	2,959
Thailand	164	4,589	249	4,412	2,307	3,936	1,523	3,162
Total	10,200	4,280	9,172	4,305	87,219	4,073	91,462	3,206

According to Customs Statistics, China mainland imported 9,172 tons of nylon 6 filament yarns in September, down by 1,028 tons on month, with an average price at $4,305/ton, up by $25/ton from $4,280/ton in August. Of them, 5,310 tons came from Chinese Taiwan, down by 997 tons on month and accounting for 58% of total import volume, with average import price at $3,917/ton, down by $58/ton from $3,974/ton of August. Meanwhile, 1,322 tons was from South Korea, 708 tons from Malaysia, and 249 tons from Thailand.

Nylon Filament Industrial News

Plant News	Yatai Chemical Fiber delayed the startup of the nylon filament line with 144 spinning positions to November due to weak demand. Quanzhou Tianyu will start up a fine-denier FDY line with 72 spinning positions in November. Yiwu Huading Nylon plans to add 40kt/yr nylon filament capacity, which is expected to be completed by the end of 2011. Changle Liheng plans to add 60kt/yr nylon filament capacity in 2011.

Domestic	Jul	Aug	Sep	Oct est.
Output (Kt)	103	118	124	↓

According to CCFEI statistics, China's nylon filament production in September is around 124kt, with operating rate at around 75% on average. Import volume decreased by 1kt, while export volume decreased by 1.6 kt, so apparent consumption increased by around 6.6 kt on month. It is expected that trading prices and volume will decrease significantly in October, and production will fall at the same time.

CCFEI Comment

In October, softening feedstock market aggravated the downtrend of nylon fibers. In textile yarn sector, downside space was limited, as the prices were not high in previous days, but due to weakening demand, the downtrend was expected to continue. In non-textile yarn sector, demand was lackluster, so the downward movement was more obvious. Looking forward, the factors affecting nylon yarn prices are as follows:

Cost: CPL and nylon chip prices slumped in October, while the downside space of nylon textile yarns was not as large as the feedstock's since the costs had been too high in previous days. However, in future, following the decreases of feedstock values, nylon fiber producers will enjoy better profit margins, so some of them are considering cutting the prices slightly to attract customers. As a result, prices for both nylon textile yarn and non-textile products may drop somewhat given lower feedstock costs.

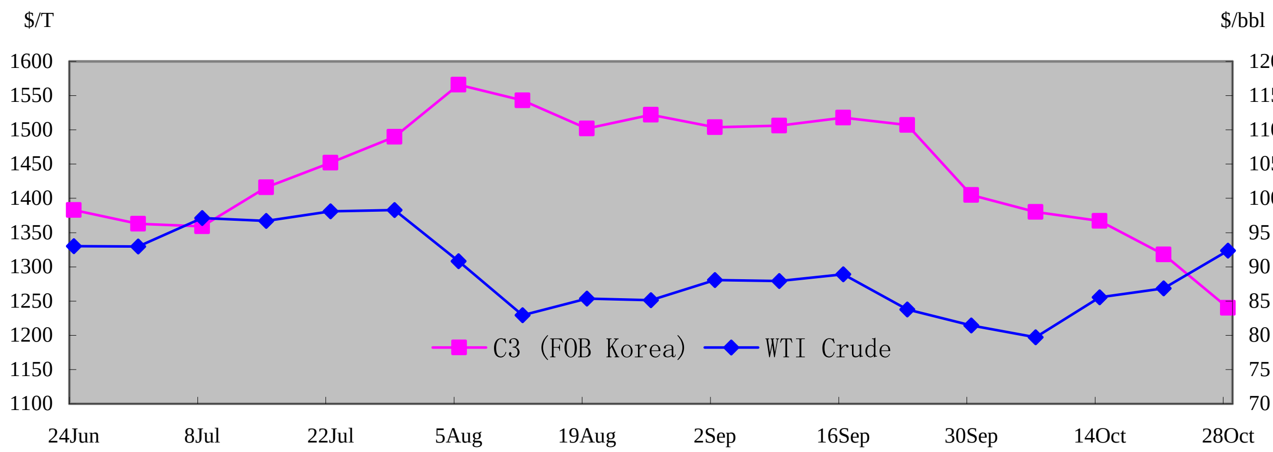
Supply: Nylon producers' operating rates were reduced to 50-60% in October, as demand from downstream sectors was lackluster on lack of order-intakes and enough circulating funds and also due to difficult destocking and high inventory at nylon producers caused by high run rates in September. However, due to lower feedstock values, cost pressure on yarn makers eased a lot, and the supply in November may thus roll over from October or improve slightly.

Demand: Buyers from textile sectors were cautious about purchasing nylon yarns, as they lacked order-intakes and only ran at 50-60% capacities. Meanwhile, softening feedstock and tight circulating funds made them unconfident about future sentiment. Demand from non-textile sectors was also lackluster. Cord fabric makers barely managed a balance between sales and production amid low run rates and insipid tire market. In future, though macro economic situation showed sign of recovery, demand will be more likely to stabilize on the back of tight budgets at downstream converters.

To sum up, as lower feedstock values left more room for nylon yarn prices to fall, it is expected that nylon yarn prices are likely to move down in November. As for the fundamental, run rates at nylon yarn producers will generally stabilize following the cutbacks in October, while downstream demand is expected to roll over restricted by tight funds, so sale/production situation will be barely balanced. In a nutshell, with weakening feedstock sentiment, balanced fundamental of nylon fiber market but lackluster demand outlook, it is expected that nylon fiber market will maintain the mild decrease in November.

Propylene

Price Trends of Propylene vs Crude Oil



Propylene Market Trend in October

Asia:

Week 1: With dim polypropylene sentiment, propylene values dropped by $15/ton on week. It is expected that new materials available will come from the plants in the Middle East. **Week 2**: Asian propylene closed $32 lower at $1,338/ton FOB Korea and $1,418/ton CFR China. Stop talks were thin amid thick wait-and-see stance. Selling ideas were at $1,450-1,480/ton CFR China, while buyers were cautious. **Week 3**: On weak demand and the restarts of several units, propylene prices dropped $98 week on week to close at $1,320/ton CFR China. **Week 4**: Due to weaker demand, some crackers ramped down the rates. In the week, propylene prices moved down by $40 to $1,200/ton FOB Korea.

Propylene values closed October at $1,199-1,201/ton FOB Korea.

Europe:

In October, European PGP spot market saw lackluster demand with wait-and-see stance, so spot values continued to decrease, and propylene producers idled more capacities. However, the fundamentals changed little. **In early October**, with the uncertainty of global economy, players were more cautious. Meanwhile, given volatile energy complex and poor downstream status, buyers slowed down their procurement. **In mid October**, Due to weak demand, oversupply situation continued in the market. Though run rates of crackers were cut to 70-80%, the expected balance was still far away due to downstream cutbacks, including polypropylene, carbonyl alcohol and acrylonitrile. Thus, purchasing for Nov and Dec volumes was insipid. **In late October**, since many producers stepped away from spot market, propylene supply in NWE decreased. Some traders cited limited volumes for export, while large-bulk availability was fully absent. Coupled with a rally of crude futures, propylene values saw a rebound.

PGP spot values closed October at €810-815/ton CIF NWE.

USA:

H1 October: Because of too many supplies and sluggish downstream demand, both spot and contract prices for propylene decreased sharply, with the assessment down 4 cts/lb to 43.75-44.25 cts/lb. Besides, prices for spot RGP generally hit the lowest point in 2011. **H2 October**: Strengthened energy sentiment and downstream demand boosted spot propylene prices up by 3.25 cts/lb, with RPG materials assessed at 48-48.5 cts/lb (delivered to Houston).

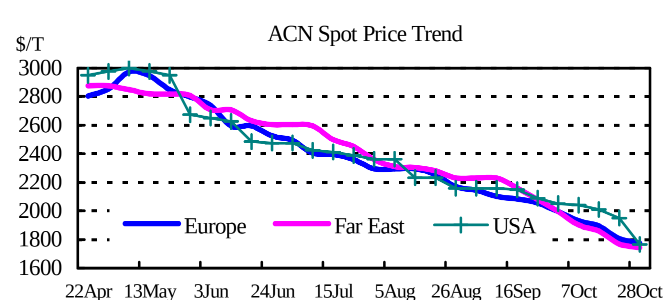
PGP spot values closed October at 58-58.5 cts/lb FOB USG.

International Propylene Monthly Price Trend

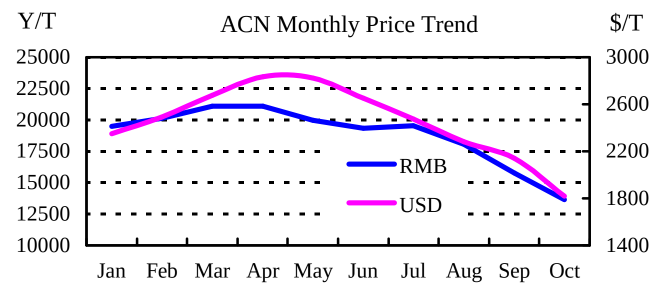
Asia (FOB Korea, $/ton)			Europe (CIF NWE, €/ton)			US (FOB, cts/lb)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
1488	1326	↓	886.5	803.3	↑	75.0	55.7	↑

Acrylonitrile

USD-based Weekly Spot Prices CFR FE ($/ton)		
Week	Time	Price
Week 1	3Oct-7Oct	1,903
Week 2	10Oct-14Oct	1,860
Week 3	17Oct-21Oct	1,768
Week 4	24Oct-31Oct	1,745
Monthly	Ave. in Oct	1,819



RMB-based Weekly Spot Prices (yuan/ton)		
Week	Time	Price
Week 1	3Oct-7Oct	closed
Week 2	10Oct-14Oct	14,480
Week 3	17Oct-21Oct	13,700
Week 4	24Oct-31Oct	12,800
Monthly	Ave. in Oct	13,660



Global ACN Market Trend in October

In Asia: Week 1, Asian ACN spot values dropped to $1,903/ton CFR FE Asia, down $92, and to $1,887/ton CFR SE Asia and $1,857/ton CFR South Asia, both down $102, due to mixed outlook and weak demand. **Week 2**, with oversupply situation across the world, the prices dropped $43 to $1,860/tn CFR FE. **Week 3**, continued weak demand and oversupply pushed spot values down $92/ton to $1,767-1,769/ton CFR FE. **Week 4**, due to weak demand and a large decrease of spot prices in China, import activities were frustrated, leading to a decline of $23 on spot values to $1,744-1,746/ton CFR FE.

In Europe: Week 1, NWE ACN spot values shed $65/ton due to lower prices for energy complex and Asian ACN. Besides, demand retreated further given the week-long holiday in China. **Week 2**, NWE ACN spot prices dropped by $35/ton to $1,890-1,900/ton CIF Med on sidelined players amid still unfavorable fundamentals. **Week 3**, spots slipped by $90/ton to $1,800-1,810/ton CIF Med because of weak Asian sentiment and still sluggish demand. **Week 4,** with soft demand, local ACN producers ramped down the rates, and NWE spot prices closed $30/ton lower at $1,770-1,780/ton CIF Med.

In USA: Week 1, due to oversupply, US ACN spot export prices dropped $10 to $2,040/ton FOB USG, the lowest in 2011. **Week 2**, given poor demand from Asia and Europe, as well as weakening propylene, the prices decreased $30 to $2,000-2,020/ton FOB USG. **Week 3**, on weak demand, ACN spot export prices closed $60/ton lower at $1,940-1,960/ton FOB USG. **Week 4**, ACN spot export prices slumped $185/ton to close at $1,750-1,780/ton FOB USG due to soft demand and muted trading atmosphere.

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

Lianyungang (ex-tank)			East China (ex-works)			NE China (ex-works)			USD-based (CFR China)		
Early	Mid	Late	Early	Mid	Late	Early	Mid	Late	Early	Mid	Late
14,400-14,800	13,200-14,500	12,400-13,100	14,800-15,000	14,300-14,800	13,000-14,300	14,300-14,700	14,100-14,600	13,200-14,600	1,850-1,900	1,650-1,700	1,550-1,600

Monthly International ACN Value Trend

Asia (CFR, $/ton)			Europe (CIF, $/ton)			USA (FOB, $/ton)		
Sep	Oct	Nov est.	Sep	Oct	Nov est.	Sep	Oct	Nov est.
2,139	1,819	↓	2,076	1,851	↓	2,121	1,941	↓

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

Origin	Jul 2011		Aug 2011		Sep 2011	
	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.	Imp. Vol.	Imp. Val.
Japan	6,601	2,788	8,950	2,417	4,934	2,327
S. Korea	5,356	2,580	11,508	2,475	12,666	2,248
Taiwan	5,898	2,598	6,834	2,523	2,933	2,341
USA	10,625	2,540	10,277	2,512	28,365	2,398
Mexico	--	--	--	--	2,381	2,469
Russia	--	--	--	--	--	--
Brazil	--	--	--	--	--	--
Others	--	--	--	--	--	--
Total /Ave. Val.	28,480	2,617	37,570	2,480	51,279	2,354

Ave. import price for ACN into China in Sep 2011 was $2,354/ton, down by $126/ton from $2,480/ton of Aug. Ave. import price in Jan-Sep was $2,416/ton. ACN Imports in Sep totaled 51.28kt, up 13.71kt or 36.49% from 37.57kt in Aug.

Capacity and Operation Status of Chinese ACN Producers during October

Producer	Capt. (kt/yr)	Operation	Remarks
CNPC Jilin Chemical	452	No. 3 & 4 normal	Two lines down from 8 Oct 2011
Shanghai Petrochemical	130	Normal	Took turnaround from 15 Jun to 20 Jul in 2011
Shanghai Secco	260	Normal	Closed as pipeline was on fire on 8 Sep; restarted on 27Sep.
Fushun Petrochemical	92	Low	Run rates down to 60-70% from 15 Oct due to upstream TA
Anqing Petrochemical	80	Normal	130kt expansion project in progress, to start up Jun-Jul 2012
Daqing Petrochemical	80	Normal	Took a 3-day turnaround from 18 April, 2011
Daqing R & C	80	Normal	Captive use for polyacrylamide and acetonitrile production
Lanzhou Petrochemical	35	Normal	Captive use; shut down in early April for 20-day maintenance
Qilu Petrochemical	80	Normal	Fed up on 13 Jun after expansion; gradually up to full rate

In October, overall run rate rose to 84% with some units restarting. Monthly production increased to 90.65kt.

CCFEI Comment

Feedstock: In October, international energy complex and petrochemicals prices were volatile, but since an agreement was achieved to solve European debt crisis, crude futures rebounded to above $93/bbl at the end of month. However, due to the fluctuation during the month and weak downstream demand, Asian propylene prices dropped straightly to $1,200/ton FOB Korea at month end. Meanwhile, domestic values in China also declined. Sinopec East-China sales company announced propylene offers at 9,900 yuan/ton (truck, self-lifting) and 10,000 yuan/ton pipeline, down 1,000 yuan/ton on month.

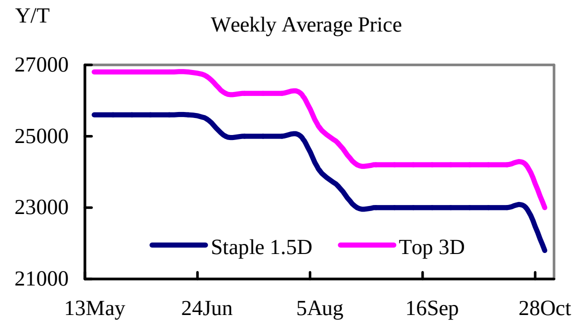
Supply: In October, overall operation of domestic ACN producers was stable. Northeast-based producers ran at low rates, so their inventory pressure eased somewhat, but supply in the northern area was still ample. In East China, availability was sufficient, and inventory level at ports was still high. With sluggish sales, traders offloaded goods at low prices for profit-taking. In September, ACN import volume in China totaled 51.28kt, up 36.49% from August. In October, due to high inventory level in East China, ACN values dropped, and buyers were cautious about bidding. It is expected that imports to arrive in November will decrease, but the volume arriving in October is still high. With less import availability and cutbacks in domestic market, oversupply situation may relieve somewhat in November, but spot availability will still be rich.

Demand: In October, downstream demand remained weak. AF sentiment was still softening amid pessimistic outlook. Though producers ran at 90% capacities, they mostly used feedstock made by themselves, leading to limited spot demand. ABS atmosphere was also soft. Weakening feedstock and soft demand had producers cut offers continuously, and producers still ran at low rates on poor sales. Acrylamide market saw lackluster spot trading, and due to softening feedstock, offers dropped amid cautious buyers. Producers generally ran at 50-60%. On the whole, ACN demand was weak in October. It is expected that some demand may appear after ACN sentiment stabilizes in November.

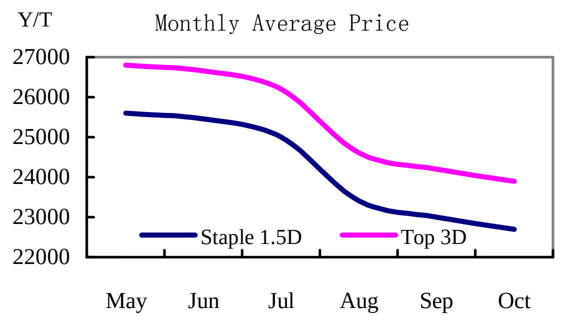
To summarize, given weak market confidence and softening USD-based sentiment, domestic ACN market saw a large slump in October, and producers mainly sold for profit-taking or ramped down the rates. It is expected that the market fundamental will gradually turn balanced in November, but a rebound is still far behind.

Acrylic Fiber

1.5D Staple Prices (yuan/ton)		
Week	Date	Prices
Week 1	3Oct-7Oct	23,000
Week 2	10Oct-14Oct	23,000
Week 3	17Oct-21Oct	23,000
Week 4	24Oct-28Oct	21,800
Monthly average in Oct		22,700



3D Top Prices (yuan/ton)		
Week	Date	Prices
Week 1	3Oct-7Oct	24,200
Week 2	10Oct-14Oct	24,200
Week 3	17Oct-21Oct	24,200
Week 4	24Oct-28Oct	23,000
Monthly average in Oct		23,900



Acrylic Fiber Market Sentiment in October

Week 1: Domestic Acrylic fiber market was closed during the week-long National Day holiday. As a result, offers remained stable and spot activity subdued. In the USD-based market, spot discussions and inquiries were thin during the holiday. 3D tow was mostly offered at $2.7-2.75/kg (L/C 90 days).

Week 2: Domestic acrylic fiber market was weak this week. Sales/productions ratio was passable after the holiday given several planned turnarounds. However, participants were more pessimistic on softening ACN and weakening USD-based AF values. Thus, spot activity was thin. Several majors in East China cut their mid-October offers and mainly carried out month-end settlements. AF prices are likely to decline. 1.5D staple was offered at 23,000-23,400 yuan/ton cash in East China. In USD-based market, bids and spot discussions for acrylic fiber were thin this week, as buyers were cautious with bearish expectation, given the softening ACN and weak demand in domestic market.

Week 3: Domestic acrylic fiber market was in weak correction this week. Activity in pot market appeared slow on growing bearish sentiment. Participants were mostly waiting for the release of contract settlements at the month end. 1.5D acrylic staple was offered at 23,000-23,400 yuan/ton in East China spot market. In USD-based market, spot discussions remained slow this week on growing bearish outlook and the softening feedstock. Regular products were offered at $2.7/kg (L/C 90 days, CFR CMP). However, the offers for November were under pressure on softening ACN and weak demand.

Week 4: Domestic acrylic fiber producers remained running at the rate of 90% capacity. Producers mostly lowered their settlements for October given the softening feedstock and the lower offers in USD-based market. Spot discussions were thin as downstream buyers were still purchasing in a hand-to mouth way because of a decrease expected for November offers, which were expected to be close to 20,000 yuan/ton. In USD-based market, acrylic fiber spot discussions were thin this week. Producers mostly lowered their November offers on softening feedstock and weakening sentiment in China domestic market, and their operating rates remained low on the whole. Taiwan's Tong-Hwa released its acrylic fiber offers for November, 15 cents/kg lower than October: 3D bright tow was offered at $2.61/kg, and anti-pilling tow at $2.71/kg, all on the L/C 90 days and delivered to Shanghai basis. South Korea's Taekwang offered its 3D tow for November at $2.62/kg. Japan-origin differentiated products were offered $100/ton lower than previous level. For example, flat staple was offered at $3,900/ton.

AF Settlements for October (yuan/ton)

Producer		1.5D Staple	3D Staple	High-shrinkage 3D (27%)	3D Tow	3D Top
Sinopec	Shanghai Petrochem	21,768 (northern, Jinyang)	21,618 (northern, Jinyang)	22,318 (northern, Jinyang)	21,668 (northern, Jinyang)	—
		21,618 (southern)	21,618 (southern)	22,318 (southern)	21,518 (southern)	
	Anqing PC	21,468	23,000	22,018	23,000	23,950
	Qilu PC	21,618	23,150	22,068	23,200	24,150
Jilin CF	Jilin Qifeng	21,500	21,400	21,900	21,900	22,900
	JiMont	21,500	21,400	21,900	21,900	22,900
Petro China	Daqing PC	21,600	21,400	21,500	21,600	22,300

Acrylic Fiber Imports by Origin (ton)

Origin	Jul 2011	Aug 2011	Sep 2011	Jan-Sep 2011
Japan	7,583	7,826	6,907	60,478
Chinese Taiwan	1,181	2,186	2,813	24,339
South Korea	1,704	2,437	1,813	17,824
Thailand	135	2,378	2,741	9,023
Turkey	241	313	431	8,038
Belarus	--	--	--	2,274
Others	735	888	719	19,902
Total	11,579	16,028	15,424	141,877

According to the Customs General Administration, China imported 15,424 tons of acrylic fiber in September 2011, down by 604 tons or 3.77% from August's 16,028 tons and up by 19.06% from 12,955 tons in September 2010.

By import origin, the top three by volume in September are Japan, Chinese Taiwan and Thailand, with their respective shares at 44.78%, 18.23% and 17.77%, followed by South Korea and Turkey, with their shares at 11.76% and 2.80% respectively.

By import mode, 'general trade' covered 9,584 tons in September, accounting for 62.13% of the total import volume. 'Processing trade' covered 4,477 tons, accounting for 29.03% of the total, while 'transit goods of warehouse in bonded area' covered 1,226 tons, with a share of 7.95%.

In September, China exported 89 tons of acrylic fiber, a decrease of 105 tons from 195 tons in August.

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	1,734	2,981	1,046	2,915	9,117	3,153
Japan	460	3,825	4,15	3,648	7,209	3,589
Chinese Taiwan	1,296	3,087	1,515	3,209	12,760	3,228
Belarus	--	--	--	--	2,274	2,692
Others	1,555	3,215	2,019	2,812	22,533	3,047
Total	5,044	3,157	4,993	3,023	53,893	3,166

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	658	3,402	723	3,437	8,347	3,414
Japan	7,209	4,223	6,374	4,234	52,427	4,064
Chinese Taiwan	808	3,174	1,278	3,160	10,908	3,222
Thailand	1,441	3,040	1,046	2,796	4,875	3,071
Others	550	4,076	660	4,453	8,656	3,629
Total	10,665	3,925	10,080	3,906	85,213	3,792

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

Origin	Aug 2011		Sep 2011		Jan-Sep 2011	
	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price	Imp. Volume	Imp. Price
South Korea	45	3,000	45	3,000	360	2,625
Japan	157	4,453	118	4,016	841	4,027
Chinese Taiwan	82	3,936	20	4,889	672	3,593
Others	34	4,300	168	3,171	898	3,776
Total	318	4,098	350	3,531	2,771	3,659

Operation Status of China's Acrylic Fiber Producers

Producer	Capacity (kt/yr)	Plant Operation	Remark
Shanghai Petrochemical	150	Normal	Shut down three units for T/A on Jul 11 and restarted at 23, 26 and 29 Jul respectively.
Anqing Petrochemical	70	Normal	No T/A plan for the moment.
Qilu Petrochemical	60	Normal	Shut on 18 May for T/A and restarted on 25 Jun.
Zhejiang Jinyong	60	Eliminated	Closed since Sep 2008.
Daqing Petrochemical	65	Normal	Shut during 13 Sep-27Sep for turnaround.
Daqing Refining & Chemical	30	Eliminated	Closed since Jan 2008.
Fushun Petrochemical	55	50%	Restart on 20Oct, running at 50% for now.
Jilin Qifeng	140	Normal	Start T/A on 12 Oct, brought back online on 21 Oct.
JiMont	100	85%	Start T/A on 12Oct, restart on 21Oct, running at a reduced rate now.
Hangzhou Bay Acrylic Fiber	60	Normal	Shut for T/A before 20 May and restarted at the end of May.
Qinhuangdao Alight	55	Eliminated	Closed since May 2008
Ningbo Zhongxin Acrylic Fibers	55	Normal	Ran at low rates in May and took a T/A in June and July, 2011.

In October, several domestic acrylic fiber units were shut for turnarounds, so domestic production for acrylic fiber might be reduced, but the average operating rate of the industry increased gradually to a relatively high level after the idled units began to restart. The details about the industry's operating rate are as follows:

Week 1: The average run rate of the industry was at around 85%.

Week 2: The average run rate of the industry was at around 60%.

Week 3: The average run rate of the industry was at around 85%.

Week 4: The average run rate of the industry was at around 90%.

Domestic AF production in October is thus expected to be similar to September.

[Note: Domestic AF capacity totals 755 kt/yr, excluding that of the eliminated ones.]

Supply & Demand in China

In October, domestic acrylic fiber market was mostly in weak correction. Although producers kept their offers stable, bearish sentiment remained on softening feedstock and the lower offers in USD-based market. As a result, buyers showed cautiousness in feedstock purchasing, which was mostly done in a hand-to-mouth way. November offers are expected to decline as spot activity remained subdued.

Production & Sale: The production in domestic AF industry was relatively reduced in September due to several turnarounds. According to statistics, China's acrylic fiber production totaled 52.94kt in September, down by 4.08kt from 57.02kt in August and down by 7.45% from 57.20kt in September 2010. About sales, AF market was stable in September, and sales/production ratio got slightly improved from August. The sales volume in domestic market reached 55.84kt, up by 3.77% from August's 53.81kt but down by 8.96kt or 13.83% from 64.8kt in September 2010. Average sale/production ratio of AF industry increased to 105.47% from 94.37% of August 2011.

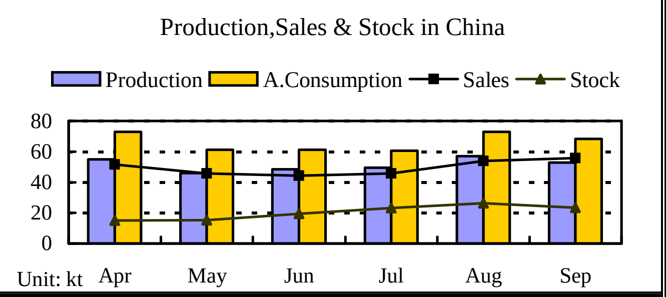
Inventory: According to statistics, the inventory of the whole AF industry in China was at around 23.45kt by the end of September 2011, down by 2.9kt from 26.35kt of August 2011 but up by 5.15kt from 18.3kt of September 2010.

Apparent Consumption: In September 2011, AF production and import volume in China decreased slightly, while export volume declined significantly from last September. Based on these numbers, apparent consumption in September totaled 68.27 kt, down by 4.59 kt on month from 72.86kt in August and down by 2.61% on year from 70.1kt.

(Note: Sales volume, production and inventory of Ningbo Zhongxi Acrylic Fibers Company were not accounted for in this section.)

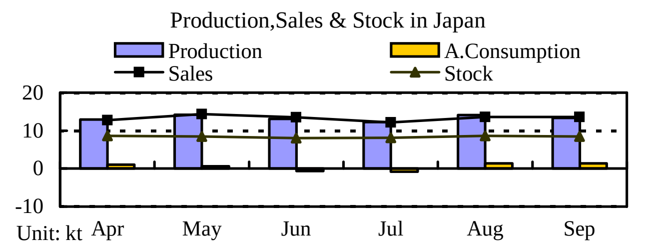
Supply & Demand in China (kt)

	Jul	Aug	Sep	Jan-Sep 2011
Production	49.46	57.02	52.94	481.36
Import	11.58	16.03	15.42	141.88
Export	0.44	0.19	0.09	3.28
Apparent Consumption	60.60	72.86	68.27	619.96



Supply & Demand in Japan (kt)

	Jul	Aug	Sep	Jan-Sep 2011
Production	12.26	14.07	13.36	115.94
Import	0.108	0.119	0.109	0.918
Export	13.17	12.80	12.09	112.96
Apparent Consumption	-0.802	1.389	1.38	3.898



CCFEI Comment

Upstream Raw Materials: Energy complex and petrochemical commodity markets were in continuous volatility in October. Crude oil strengthened upon the Europe's agreement in tackling the debt crisis, rising from $75/bbl in early October to above $93/bbl by the month end. But Asian propylene softened during the month on weak downstream demand, declining from $1,500/ton FOB Korea early October to $1,200/ton FOB Korea by the month end. As a result, domestic ACN was trending down in October; and meantime panic selling happened frequently on lack of confidence. Spot trading prices at East China ports slid from 14,600-14,800 yuan/ton before the holiday to 12,300-12,400 yuan/ton by the month end, with a decrease of 2,300 yuan/ton. In USD-based market, spot ACN prices were softening as well on weak demand and the sharp decrease in domestic market. CFR China deep sea cargos for November were offered lower at $1,550-1,600/ton, down by nearly $250/ton from the end of September.

Downstream Acrylic Yarn: The trading activity in downstream yarn market improved in October as the healthy sales in domestic sweater market boosted the demand for woolen yarn. However, the resulting increasing yarn demand was mainly for wool-acrylic blended yarn, wool-angora yarn and cashmere-like yarn. 100% acrylic yarn market was still gloomy, and most pure acrylic yarn producers cut their production given piling inventories. In November, with the bearish outlook easing in line with prices stabilizing, buying interest might have increased. But as the high season for domestic sale is passing away and export-oriented production has not started yet, yarn trading is expected to subdue in the short term.

Supply: Some domestic acrylic fiber producers had turnarounds in October, thus cutting the total output of the industry. But poor sales of tow and top products led to slow destocking despite low stock at staple fiber produces. With the restarts of some staple fiber units with dry-spinning process, supplies increased in late October. In USD-based market, spot discussions remained thin, and offers kept declining on softening feedstock and weak demand. But this did not lead to more imports as buyers remained cautious. All in all, supply in domestic acrylic fiber market was stable in October; the T/As balanced the sales and production, but the stock of certain products remained high due to weak demand. It is estimated that the total supply of acrylic fiber will be ample in November as no turnaround plans are heard.

Demand: Downstream demand for domestic acrylic fiber market remained thin in October as buyers only made necessary feedstock purchase. Although producers had kept their offers stable, buyers with bearish outlook mostly stepped outside as the market was still poorly supported. Meantime in the downstream, as 100% acrylic yarn market was weak with relatively high inventory, demand for acrylic fiber was limited. In November, the bearish outlook may ease off in line with lower offers from producers, supporting buying interest and market confidence. However, the market remains lack of the support from macroeconomic environment. So it is estimated that acrylic fiber demand will be stable in November.

CCFEI Comment: The average sales/production ratio of domestic acrylic fiber industry was moderate in October. Although downstream market remained weak, overall inventory of the industry was at normal level due to several run cuts and turnarounds. The bearish sentiment in acrylic fiber market was mostly due to pessimistic outlook brought by softening feedstock values and lower offers in USD-based market, but the pessimism may ease off after domestic producers lower their November offers. It is estimated that the market confidence will somewhat restore in November. But the trading activity is not likely to improve significantly for the lack of the support.

ABS

China ABS Production Status in Oct 2011 (Unit: kt/yr)

Producer	Capacity	Major Grade	Stock	Run Rate	Remark
LG Yongxing	700	121H	Low	50-60%	Shutdown on 19 Sep, and Restart 4 days later
Zhenjiang Chimei	450	707K, 757K	Low	50%	Cut runs from Jul
Jilin Petrochem	190	0215A	Normal	100%	
Zhenjiang GPPC	250	D180, D190	Low	60%	Some units on T/A from early Aug
FCFC Ningbo	300	15A1, 12A1	Low	60-70%	Restart after a repair on a fire 16 Aug
Daqing Petrochem	100	750A	Normal	80%	One-month T/A from early Jul
Gaoqiao Petrochem	200		Low	60%	One line down for T/A till end May
Panjin Ethylene	50	CH510	Low	TA	Shutdown on 19 Oct
Changzhou Shinho	70	AC800, AC810	Normal	100%	Maintenance during 14-19 Apr, 2009
Lanzhou Petrochem	50	301	Low	40%	New line closed, old one in operation
Tianjin Dagu	400	DGMJ47	Low	30-40%	Two-month T/A from 10 Jul, 2011

In Oct, run rates of ABS units in East China were at around 50-70%, and major units in Northeast China mostly ran at 80-100% capacities. Overall run rate was still low.

ABS Market Situation in Oct 2011

Asia:

Week 1: With lower feedstock costs and weak trading sentiment, Asian ABS prices dropped by $60 on week to $1,990/ton CFR China and $2,000/ton CFR SE Asia. Talks were limited due to the week-long holiday in China.

Week 2: Due to soft macro economic situation and tight monetary policies in China, feedstock prices dropped and market demand was weak. So, ABS prices moved down $41/ton to $1,949/ton CFR China and $1,969/ton CFR SEA.

Week 3: ABS prices fell in line with lower feedstock costs, with CFR China mark at $1,910/ton and CFR SEA mark at $1,930/ton. Upstream, styrene prices dropped $40 to $1,320/ton CFR China; ACN prices decreased $92 to $1,768/ton CFR FE Asia; and butadiene prices declined $310 to $2,250/ton CFR China.

Week 4: ABS prices moved down $40 week on week to close at $1,860/ton CFR China and $1,880/ton CFR SEA, mainly due to softening feedstock.

Europe:

H1 Oct: With weak demand and softening feedstock values, some ABS producers mulled down the prices at least by €30/ton, and some other producers cited a decrease of €65 from September. Butadiene spot values were at €1,590-1,600/ton FD NWE, much lower than October contract of €2,100/ton and down €300 from September.

H2 Oct: Due to poor demand and softening Asian market, European ABS values dropped over €70/ton in October. Unfavorable economic prospect and more fierce competition in export market led to lower ABS values, together with softening feedstock. Thus, most converters turned pessimistic. Players also pointed out that the exacerbating economic situation made the downside space of October contract discussion much larger than expected.

And ABS prices closed October at $1,955-1,965/ton CFR NWE.

The US:

In Oct, US ABS prices dropped 1 cent to 131 cts/lb due to sluggish demand and softening feedstock early in the month. Though small-scale home appliance makers saw stable sales, automobile and construction sectors showed less interest. However, overall price trend of US ABS was stable in general.

And inj grade ABS closed Oct at 130-132 cts/lb (delivered, rail) in the USA.

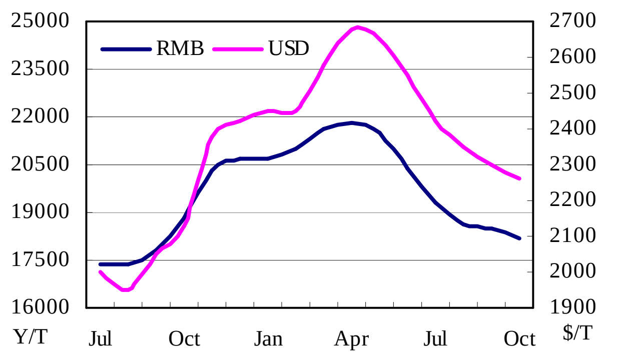
Apparent Demand for ABS in China (Unit: ton, $/ton)

	Apr. 2011	May. 2011	Jun. 2011	Jul. 2011	Aug. 2011	Sep. 2011
Production	149,000	130,000	129,000	114,000	113,000	97,000
Import Volume	166,593	158,712	138,830	158,233	160,565	147,188
Av. Import Value	2,239	2,268	2,270	2,240	2,291	2,307

Pure MDI

Contract Price (yuan/ton, $/ton)

	Month	Change	Range	Prev. Month
RMB	Oct Settled	↓	17400-19000	18000-19000
	Nov Listed	↓	18000-19000	18000-20200
USD	Oct Settled	↓	2150-2300	2250-2300
	Nov Listed	↓	2150-2300	2250-2350



In Oct, trade volume shrunk remarkably as performance of major downstream sectors deteriorated, with run rate of TPU and PU slurry producers down to 60%, PU resin producers cutting run rate to 50% and spandex producers running with 80% capacity. Most spandex suppliers had plans to cut operation in Nov.

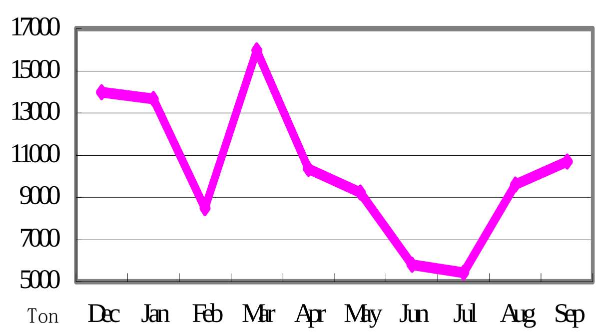
Offers fell in October on lukewarm demand. Major suppliers lowered Oct offer to $2,150/ton, pulling mainstream sentiment down. With low-price materials entering the spot market, traders also began to offer lower, though at slow pace as they had little inventory pressure. On the whole, prices were stable-to-soft.

By the end of the month, mainstream trading values in East China were between 17,400-18,000 yuan/ton cash, with NPU materials at high-end. Prices for small-lot deals or the ones on a D/A basis were higher from the levels. In South China, trading values stayed at 17,600-18,300 yuan/ton, and the numbers in North China were at 17,600-18,000 yuan/ton, with NPU materials at high-end.

In overseas markets, prices in Europe were between Eur1,800-1,850/ton ($2,466-2,534/ton) DEL, down by Eur50 from September. In North America, prices were between 106-114 cents/lb ($2,337-2,513/ton) DEL, down by 7-10 cents/lb on month.

Import & Export in Sep (Ton, $)

	Imp. Vol.	Imp. Val.	Exp. Vol.	Exp. Val.
Japan	5727	12607517	110	327485
S. Korea	3272	7400798	49	118861
USA	240	595242	0	0
Others	1468	3628212	2777	6212830



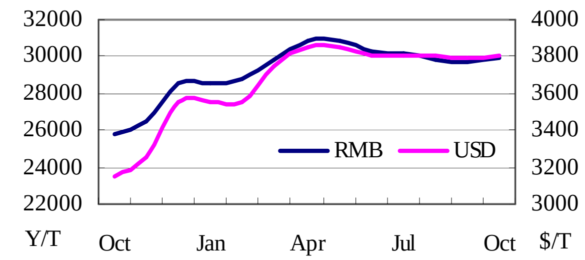
Yantai Wanhua is to shut down its No. 2 MDI unit in Ningbo for a 45-day turnaround and retrofit, starting from 15 Nov and ending on 31 Dec.

NPU started turnaround for its 200kt/yr MDI capacity in Japan from mid Sep, with the capacity shut down during most time of October.

PTMEG

Contract Price (yuan/ton, $/ton)

Month		Change	Range	Prev. Month
RMB	Oct Settled	↗	29000-34500	29000-34500
	Nov Listed	→	30000-34500	30000-34500
USD	Oct Settled	↗	3750-4300	3750-4300
	Nov Listed	→	3800-4400	3800-4400

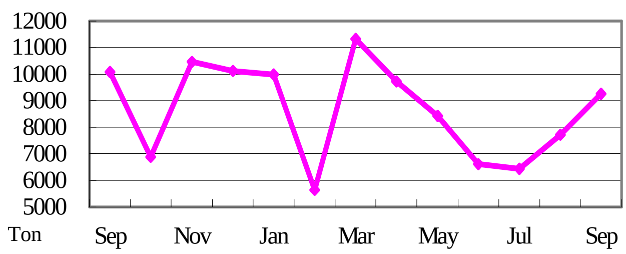


In Oct, PTMEG prices widely spread in the range of 29,000-34,500 yuan/ton with spandex sector. Sales volume increased early in the month with spandex sector ramping up run rate, while firming BDO kept pushing behind. Some suppliers thus offered $100/ton or 500 yuan/ton higher, and some deals were concluded at after-hike level. After the National Day holidays of the first week in Oct, liquidity began to shrunk following weakened sales of spandex market and softening signs took by BDO.

In non-spandex sector, sales were lusterless during Oct even in a peak season. Most suppliers could only live on contract deals. Market outlook went even more bearish at the end of the month with peak season ending. At month end, homemade MW-2000 PTMEG was offered at 31,000-32,000 yuan/ton, with realized values negotiable. Import offers were firm but with limited liquidity.

Imports in Sep (Ton, $)

	Imp. Volume	Imp. Value
Japan	217	1013263
Taiwan	8550	32670159
S. Korea	453	1925624
Others	36	252179



One major supplier in Zhejiang was mulling on a 30kt/yr PTMEG and BDO project for captive use in order to expand margin.

According to a source from BASF, the explosion took place in its Ludwigshafen plant had no impact on BASF's BDO and PTMEG production.

CCFEI Comment

Pure MDI: Though Wanhua has lowered its offer for Nov, the offer is still higher than market mainstream values. On the other hand, given Wanhua's maintenance and BASF's plan of rum-cut in Nov, suppliers' inventory will decrease in Nov and Dec, and suppliers may try to make up for their margin, which was badly hurt in poly-MDI sector. In November, spot prices are likely to fall by 300-500 yuan/ton.

PTMEG: With the peak season ending and BDO prices softening, as well as withering demand from spandex sector, buyers put more efforts for talking prices down. It is heard that some major buyers have already achieved a cut of around $50/ton in their contracts. In November, offer prices may hold stable on the whole, with trading center moving down.