



# International Market Solutions Newsletter

A World of Experience for the Global Market

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## Economic News

In an unprecedented move the US Federal Reserve lowered interest rates 75 basis points between its December and January regularly scheduled meetings and then followed that adjustment with a 50 basis point reduction in its regularly scheduled January meeting. Responding to US economic slowdown concerns, the Fed has now lowered interest rates 2.25% since August 2007.

The Bank of England cut interest rates by 25 basis points as its February meeting following up on a 25 basis point cut in December. The European Central Bank has chosen to keep rates steady.

US Federal Reserve data showed that US Textile Mill output dropped 12.1% in 2007, the largest drop since data focused on textile output started being collected in 1972. ♦

## Company News

Solutia has filed suit against the banks that were arranging a \$2 billion bankruptcy exit financing. The loans, which had been arranged in October of last year, would allow Solutia to replace its current source of working capital and emerge from bankruptcy by the end of March. The banks reported they were unsuccessful in syndicating the exit financing following the recent collapse of the credit markets.

Propex Inc., the Chattanooga, Tennessee based producer of polypropylene fibers as well as concrete, furnishing, industrial, and geotextile fabrics, has filed Chapter 11 of the US Bankruptcy Code. In a separate announcement the Company said it have received court approval for a \$60 million credit facility it had arranged to provide sufficient liquidity to operate its business while it reorganizes. The Chapter 11 filing only affects the company's US operations excluding its Latin American and European businesses.

Milliken has announced the appointment of Dr. Joe Sailey to become President and CEO of the textile giant in May following the retirement of Dr. Ashley Allen, the current President and CEO of Milliken & Company. Mr. Roger Milliken will continue as the Chairman of the Board for the Company. ♦

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## Leading Indicators

	Latest Month	Previous Month	Last Year
S & P 500	1378.6	1468.3	1438.2
U.S. Unemployment Rate	4.9	5.0	4.5
U.S. Cons. Price Index (1982=100)	207.3	210.1	201.6
Textile Prod. Index (2002=100)	82.4	82.5	89.8



## **Fiber Dynamics**

### **Acrylic**

China demand for Acrylic fiber has failed to recover heading into the Chinese New Year Holiday with inventories high and declining prices. In West Europe, volumes for acrylic fiber are also reported as poor. The US acrylic fiber business is marginally better than expected with strength in the hosiery and upholstery markets compensating for the seasonally weak sweater and fabric market.

### **Polyester**

Chinese polyester staple markets entered the Holiday period on a very poor note with slow sales volumes and declining pricing. The US and European markets were best described as fair to poor. Many polyester staple customers are holding purchases waiting on fiber prices to drop as Monoethylene glycol (MEG) prices fall from the near record levels they set in December due to production issues at a large Sabcic plant in the Middle East. Paraxylene (PX) pricing may be working against a fiber price decrease as its price increased last month and PX producers say they will work for more increases this month. Polyester filament markets, while stronger than staple are still less than the expectations of most producers in all regions of the world.

### **Nylon**

Global nylon volumes are still largely driven by the US flooring market which remains at very distressed levels. Textile markets in Taiwan and China are reported as poor before entering the Holiday. US industrial markets and the hosiery sector in Europe are some of the bright spots in the global nylon business. Although ingredient price pressures remain for both Nylon 6 and 66, there have only been a few reports of isolated fiber increases in recent months as the overall poor volumes of the business have had a moderating effect on ingredient increases.

### **Polypropylene**

China polypropylene fiber demand was better than the other fibers albeit below levels most producers had expected entering the Chinese New Year. Prices have been steady in China based on resin pricing. The US polypropylene fiber business is steady at low levels with good businesses like the hygiene and wipes being balanced by the very poor conditions in the carpet, automotive and geotextile markets. European markets are described as strong but concerned about rising polymer costs.

### **Cotton**

Global cotton prices have cooled recently following a spectacular run-up of the last couple of months. The increases had been driven more by the futures markets (in sympathy with the increases in other agricultural commodities) than actual supply demand dynamics. The poor global mill demand finally impacted the pricing about the middle of January causing prices to reverse the last several weeks. ♦