



International Market Solutions Newsletter

A World of Experience for the Global Market

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Economic News

The number of US workers claiming unemployment benefits reached a 26-year high during the first weeks of December with new claims for state unemployment benefits jumping to 573,000. Some economists are now expecting the unemployment rate to exceed 7% before the end of the year.

The Federal Reserve cut its target interest rates to historic lows between zero and a quarter percentage point at its December meeting. Fed officials said the Central Bank will use every weapon from its arsenal to fight the current US recession. In addition, the Fed ramped up its efforts to buy as much as \$600 billion debt obligations issued by Fannie Mae, Freddie Mac, and other government-backed mortgage businesses helping 30-year mortgage rates drop to 5.25% from 6.64% last month.

US new house permits fell to a record low in November (616,000 annual rate). This rate is 15.6% below October and 48.1% below the same month last year.

US retail sales fell a better than expected 1.8% in November according to the Commerce Department. The fall was the fifth consecutive monthly decline. Sales at furniture outlets and clothing stores actually rose a modest 0.2% and 0.8% respectfully.

Company News

Invista has announced plans to significantly curtail its nylon production at its Waynesboro plant in Virginia due to deteriorating market conditions in the flooring business. The move follows similar actions at its PET facilities in Greer, South Carolina and Millhaven, Ontario.

DuPont has filed a lawsuit against **Invista** charging the company with misappropriating trade secrets and proprietary information relating to DuPont's nylon engineering resins business. As part to the agreement between DuPont and **Koch Industries**, Invista was not allowed to make nylon 66 engineering resins for several years. The suit seeks a permanent injunction against Invista from using DuPont technology to make nylon 66 resins. The legal action follows two lawsuits filed by Invista against DuPont during the past year claiming violations of safety and environment regulations at 14 plants DuPont sold to Invista in 2004 as well as misuse of trade secrets related to the use of adiponitrile in the production of nylon 66 (a lawsuit filed against both DuPont and **Rhodia**).

In news from one of our own, **Basofil Fibers** announced a new cooperation with **TNC Global** (TNC), giving TNC the right to sell Basofil fibers with a concentration on industrial applications for protective apparel, military, filtration, and spun yarn products, along with several other select end uses. TNC will coordinate marketing efforts in the Americas and Asia as well.

Economic Indicators

	Last Month	Previous Month	Last Year
Housing Starts (millions DOC)	895	954	1337
US Unemployment Rate	6.1	6.1	4.7
US Cons. Price Index (1982=100)	219.1	220.0	207.9
Textile Prod. Index (2002=100)	85.6	85.7	91.2

Fiber Dynamics

Acrylic

The acrylic fiber business in Asia is very poor with extrusion capacity utilization rates ranging from approximately 50% in China to as low as 33% in Taiwan. In North America, where all acrylic fiber is imported, imported acrylic staple and tow are down nearly 20% compared to the same period last year as the apparel (dress/sweater) and upholstery markets are well below last year levels. The European acrylic fiber business has also worsened considerably and plants are operating at 65% utilization rates.

Polyester

Although the polyester fiber business in Asia remains at very depressed levels, there was a slight upturn in buying at the end of November and the beginning of December. The entire polyester chain in China from paraxylene to fiber extrusion has shut down large chunks of capacity to control inventories. In North America, both polyester staple and filament producers report that essentially all business died during the last weeks of November. European polyester fiber producers report very poor business. Although global polyester raw material prices have fallen significantly since September, they may have found a bottom in November based on Asian paraxylene spot markets and contract offerings for December.

Nylon

Business conditions for nylon fibers in Asia mirror the poor situation of all other fibers. In China nylon extrusion is operating at utilization rates between 30-40%. Nylon 6 and 66 raw material costs, which started their decline a couple of months after polyester raw material began declining, are now in freefall. In North America, nylon fiber used for carpeting continues its two year continuous decline. The European market, while better than Asia and North America, also began to weaken in the fourth quarter.

Polypropylene

Sales of polypropylene fiber in Asia are also very depressed and extrusion utilization rate are similar to nylon (below 50%). Demand for polypropylene fibers in North America continues to be weak with the housing sector particularly hard hit. The polypropylene market for hygiene products is holding up reasonably well. European markets for the fiber are similar to the US as they are very poor in housing and automotive applications while reasonably good in hygiene markets.

Cotton

Global cotton prices have dropped 33% since August and now are in the low 40's c/lb in the US. Global stocks of cotton which were expected to decrease this planting season have actually increased 360,000 tons. Although the global price declines finally began to stabilize during the first weeks in December, one should note that currently the largest buyers of cotton are not mills or merchants but government agencies in China and India attempting to stabilize their markets.