

Acrylonitrile and Derivatives

Monthly Report
17 December 2009
Report No. 244

ACRYLONITRILE

- ▶ Crude oil prices have trended down in the past few weeks but are now moving up. Naphtha prices have broadly tracked crude. US propylene contracts for December settled up 4.5 cents per pound. Asian spot propylene prices have moved higher this month. In Europe, the monthly propylene contract price for December settled at €750 per ton DEL, up €10. Ammonia prices have eased in Europe/USA. (Pages 3/4)
- ▶ Acrylonitrile demand has remained strong. Supply side issues in Europe, Japan and Korea, have led to a very tight market situation everywhere. Spot acrylonitrile prices have risen sharply everywhere. (Pages 6-8)
- ▶ The PCI Asia/Far East acrylonitrile import price range for December is \$1650-1800 per ton CFR. China domestic acrylonitrile prices have increased. US acrylonitrile export prices for December are in the range \$1600-1690 per ton FOB. In Europe, T1 prices for December are seen in the range \$1580-1700 per ton CFR. We assess that an increase of €30 per ton has been seen for T2 contracts for December. (Pages 6-8)
- ▶ INEOS Nitriles is running reactor four at Green Lake. In Mexico, the Morelos acrylonitrile plant is running well with domestic and export sales confirmed. Mitsubishi Chemical is to buy Mitsubishi Rayon. (Page 7)

ACRYLIC FIBRE

- ▶ Acrylic fibre demand remains very strong in Asia (particularly China). December acrylic fibre import prices to China are in the range \$2.30-2.45 per kg CFR. Prices elsewhere in the region are in the range \$2.25-2.30. China domestic prices have increased. (Pages 10/11)
- ▶ Acrylic fibre producers in Europe/Turkey continue to see good demand. Production remains strong. Prices in Europe for December are in the range €1.70-1.75 per kg DEL (\$2.49-2.56). US import prices for December are stable. Sellers will push for January. (Pages 10/11)
- ▶ For December, wool, cotton and Asian polyester staple prices have all moved higher. (Pages 2/11/12)

ABS/SAN

- ▶ ABS demand in China/Asia remains good. Production is also strong. The ABS price range in Asia for December is \$1500-1570 per ton CFR. Chinese domestic ABS prices have increased. (Pages 15/16)
- ▶ ABS demand in Europe remains strong but US demand has weakened. ABS prices are stable in Europe and down in the US. (Page 16)

SEASON'S GREETINGS

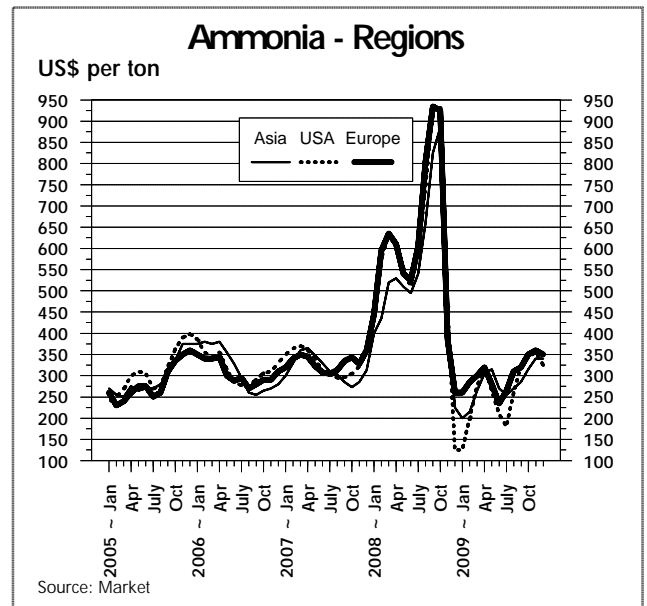
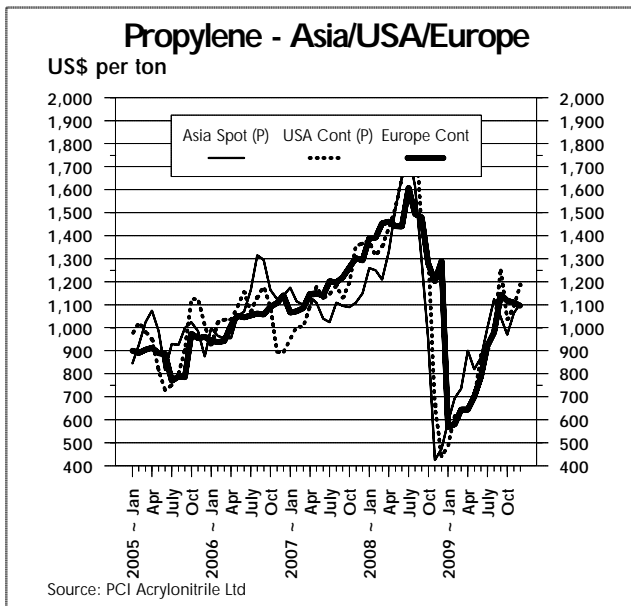
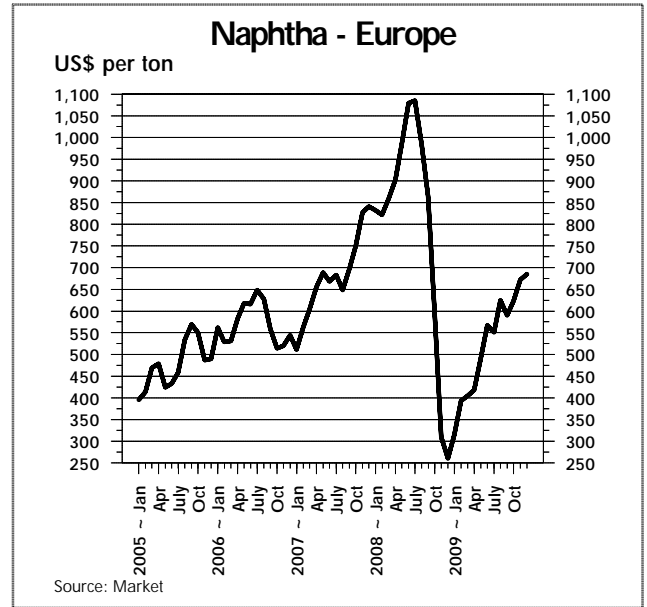
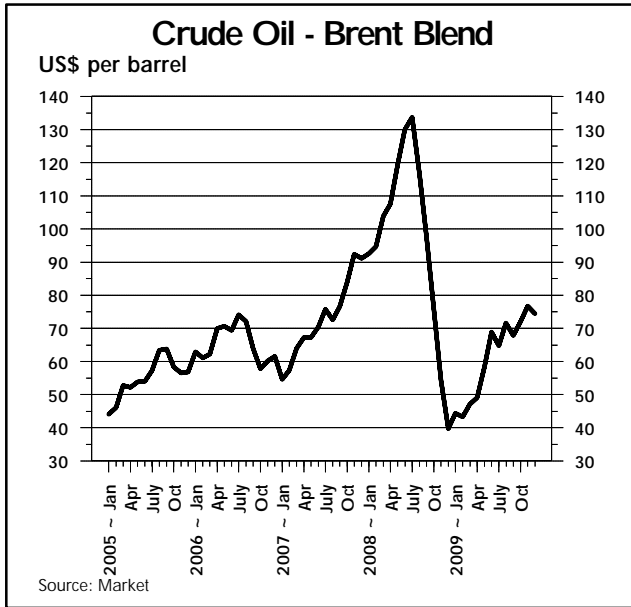
- ▶ Season's Greetings and Best Wishes for 2010 to all our friends around the world. Instead of sending greetings cards, PCI Acrylonitrile Ltd., has made a donation to a charity that helps fight child poverty in 42 countries.
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PRICES			Q2 2009	Q3 2009	Nov 2009	Dec 2009	US\$/ton
ASIA/FAR EAST							
Propylene (Polymer Grade)							
Far East Spot	\$/ton	CFR	800-980	950-1150	1050-1080	1090-1120	
Acrylonitrile							
Asia/Far East Imports (1)	\$/ton	CFR	1050-1260	1270-1530	1550-1620	1650-1800	
Butadiene							
Far East Spot	\$/ton	CFR	580-810	850-1750	1350-1420	1430-1600	
Styrene							
Far East Imports (2)	\$/ton	CFR	840-1040	1045-1170	1000-1060	1050-1150	
Acrylic Fibre							
Regional Imports	\$/kg	CFR	1.55-2.00	1.95-2.10	2.00-2.10	2.25-2.30	
China Imports	\$/kg	CFR	1.55-2.10	2.00-2.15	2.10-2.20	2.30-2.45	
ABS							
Far East Traded Natural	\$/ton	CFR	1300-1500	1390-1550	1440-1520	1500-1570	
UNITED STATES							
Propylene							
Contract Chemical Grade	cents/lb	DEL	27.5-38.5	39.5-55.5	48.0	52.5	1157
Contract Polymer Grade	cents/lb	DEL	29.0-40.0	41.0-57.0	49.5	54.0	1190
Acrylonitrile							
Domestic Contract	cents/lb	FOB	47.4-61.1	57.5-82.5	70.9-74.9	75.1-79.2	
Domestic Contract	\$/ton	FOB	1046-1348	1268-1818	1562-1651	1656-1745	
Export	\$/ton	FOB	900-1120	1150-1430	1450-1500	1600-1690	
Butadiene							
Domestic Contract	cents/lb	FOB	25-31	45-65	68	65	1433
Styrene							
Domestic Contract List	cents/lb	FOB	46.25-55.41	55.50-64.75	56.50-59.00	Not Fixed	
Acrylic Fibre							
USA Imports Staple/Tow	\$/kg	CFR	1.98-2.07	2.12-2.20	2.27-2.37	2.27-2.37	
USA Imports Staple/Tow	cents/lb	CFR	90-94	96-100	103-108	103-108	
ABS							
Injection Moulding Medium	cents/lb	DEL	85-95	85-100	103-108	98-103	2160-2270
WEST EUROPE							
Propylene (Polymer Grade)							
Contract Monthly	€/ton	DEL	527	704	740	750	1095
Spot	€/ton	DEL	400-570	600-810	680-710	720-750	1055-1095
Acrylonitrile							
T2 Contract Monthly	€/ton	DEL	1175-1370	1320-1615	1465-1590	1495-1620	2185-2370
T1 Import	€/ton	CFR	625-895	875-1045	980-1030	1080-1165	
T1 Import	\$/ton	CFR	850-1220	1250-1490	1470-1540	1580-1700	
Butadiene							
Contract Quarterly	€/ton	DEL	400	635	900	900	1315
Styrene							
T2 Contract Monthly	€/ton	DEL	720-796	886-958	813	846	1235
Acrylic Fibre							
3 denier tow	€/kg	DEL	1.45-1.65	1.60-1.75	1.70-1.75	1.70-1.75	
3 denier tow	\$/ton	DEL	1.97-2.25	2.28-2.50	2.54-2.62	2.49-2.56	
ABS							
General Purpose Natural	€/kg	DEL	1.30-1.40	1.45-1.57	1.56-1.61	1.56-1.61	2280-2355
Cotton 'A' Index (3)	cents/lb	Avg	59.87	64.18	70.05	75.15	
Wool Price EMI (4)	US\$/kg	Avg	5.96	6.64	7.91	8.06	
Polyester Staple Asia (5)	\$/kg	CFR	1.08-1.20	1.12-1.22	1.21-1.25	1.22-1.28	

Notes: (1) - Main Port. Shipment basis. (2) Arrival Basis. (3) Source: Cotton Outlook. (4) Source: AWEX. (5) 1.5 denier.
T1 - Imported price subject to EC import duty. T2 - EC Production, no duty. * See text.

EXCHANGE RATES		Euro	UK £	Yen	Won	TWD	RMB	Baht	HK \$	Mex Peso	Turk Lira
16 December	1 US\$ =	0.684	0.615	98.11	1197	32.25	6.84	33.63	7.75	12.91	1.50
30 Day average	1 US\$ =	0.671	0.605	88.52	1163	32.19	6.84	33.39	7.75	12.92	1.51

FEEDSTOCKS/RAW MATERIALS



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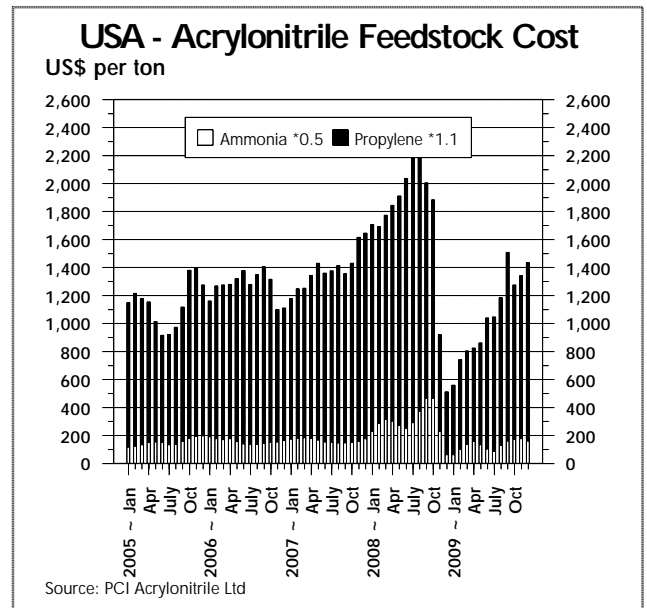
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FEEDSTOCKS/RAW MATERIALS

OIL/NAPHTHA/GAS

Crude oil prices have fluctuated in the past few weeks but the general trend has been down. Prices were at the lowest at the end of last week and have since started to increase again and quite sharply. On 16 December Brent crude closed trading at \$73.34 per barrel and WTI at \$72.64 per barrel. The OPEC Reference Basket Price for 16 December was \$72.17 per barrel (\$76.97 a month ago). Despite a more than adequate supply of crude oil this year, we have seen prices more than double from the lows in February to the highs in November. While fundamentals might have indicated otherwise, there clearly have been other factors at work!

While naphtha prices have broadly tracked the crude trend, in absolute terms, they have tended to be a little stronger. European naphtha averaged \$672 per ton for November while the December average to date is \$685 per ton (see chart page 3). The present price is \$666 per ton. In Asia, second half of January prices are heard at circa \$720 per ton CFR.

US natural gas prices have moved up sharply in the past 4 weeks. The Henry Hub spot price is now \$5.53 per MMBtu.

PROPYLENE - FAR EAST

As expected, spot propylene prices in this region have firmed up during the past 4 weeks. The higher prices have come more as a reaction to the higher crude and naphtha prices rather than the supply/demand situation which continues to look balanced. As has been the trend all year, where possible crackers are running light feedstocks and this reduces the ratio of propylene (and crude C4's) output to ethylene.

Spot propylene shipments during November were seen in the price range \$1050-1080 per ton CFR. Shipments during December have been seen in the range \$1090-1120 per ton CFR (49.4-50.8 cents per pound) for polymer grade material (46.4-47.8 cents chemical grade equivalent). With Asian naphtha prices hovering in the high \$600's and low \$700's for December/January, naphtha based propylene formulas are also moving higher.

PROPYLENE - UNITED STATES

US propylene contracts settled at an increase of 4.5 cents per pound for December. This takes chemical grade propylene for December to 52.5 cents per pound DEL (\$1157 per ton), and polymer grade propylene to 54.0 cents per pound DEL (\$1190 per ton). December nominations were at +6 and +7 cents.

The settlement was at the upper end of expectations and came as a blow to consumers. Refinery grade spot pricing moved up from around 44 cents in early November to end the month at 49 cents per pound. Prices are now seen in the range 47-48 cents per pound. There are few signals yet for January contracts, although the balanced market and the lower refinery grade numbers suggest a relatively stable situation. Cracker feed remains light and US refineries are understood to be operating at circa 80% of capacity.

US Chemical Grade Propylene Contract ~ (c/lb DEL)

	2006	2007	2008	2009
January	40.00	41.50	61.00	20.50
February	45.00	44.00	58.00	26.50
March	45.50	44.00	60.00	27.50
April	45.50	48.00	63.50	27.50
May	48.00	52.00	67.50	30.00
June	51.00	49.75	73.50	38.50
July	47.00	50.50	83.50	39.50
August	50.00	52.25	83.50	43.50
September	52.00	49.75	63.50	55.50
October	48.00	52.75	58.50	45.50
November	39.00	60.00	28.50	48.00
December	39.00	60.50	18.50	52.50

PROPYLENE - WEST EUROPE

The European propylene contract price for December settled at €750 per ton DEL, an increase of €10 from November (\$1095 per ton / 49.7 cents per pound at the present exchange rate). The settlement was made primarily on the basis of the higher naphtha values (late November/early December). Sellers wanted a bigger increase and consumers seemed happy with the level agreed, despite expecting a rollover. For December European propylene is some 8% below that seen in the US.

The market has remained pretty well balanced although it has tightened up in the past week or so due to a few unplanned problems. Spot propylene prices are moving up now and prices to date in December have been seen in the range €720-750 per ton DEL (\$1055-1095).

Early predictions suggest that January contracts could increase €30-50 per ton.

Europe Propylene ~ Contract Price (€/ton DEL)

	2005	2006	2007	2008	2009
Q1	685	785	820	945	(Av) 461
Q2	705	825	850	927	(Av) 527
Q3	640	830	878	1015	(Av) 704
Q4	810	865	888	953	(Av) 747

AMMONIA

Ammonia Import Prices (\$ per Metric Ton CFR)

	Asia/Far East	USA (Tampa)	Europe
2008			
Q2	480-560	510-610	505-640
Q3	490-920	585-931	580-970
Q4	200-920	125-931	200-950
2009			
Q1	180-300	125-275	250-320
Q2	260-330	210-318	230-330
Q3	240-300	180-325	250-340
Q4	300-350	325-355	340-370
October	300-330	345-345	340-360
November	330-350	355-355	350-370
December	330-350	325-325	340-360

ACRYLONITRILE**STATISTICS****China Acrylonitrile Net Imports (tons)**

	2006	2007	2008	2009
January	19,744	28,506	30,782	13,396
February	8,065	32,495	14,204	31,171
March	17,436	45,196	22,785	42,599
April	12,240	49,791	34,385	56,985
May	31,385	39,392	29,641	30,236
June	32,949	37,509	33,213	54,457
July	15,765	39,146	26,378	56,017
August	17,684	41,955	17,976	36,484
September	32,981	26,728	18,709	35,825
October	16,152	37,533	19,885	25,888
November	33,280	32,651	19,921	
December	28,939	22,646	11,373	
Jan ~ Oct	204,401	378,251	247,959	383,058
Jan ~ Dec	266,620	433,548	279,253	

China Acrylonitrile Trade (tons)

	Jan-Oct 2007	Jan-Oct 2008	Oct 2009	Jan-Oct 2009
Imports From:				
USA	97,215	62,823	3,001	118,849
Korea	111,117	76,557	10,356	97,057
Japan	61,973	34,655	7,603	81,808
Taiwan	93,149	74,640	4,928	51,974
Russia	12,692	4,194	0	16,972
Brazil	0	0	0	11,495
UK	0	0	0	3,057
India	0	0	0	1,846
Mexico	4,101	1,080	0	0
Total	380,247	253,949	25,888	383,058
Exports To:				
Korea	1,996	5,990	0	0
Total	1,996	5,990	0	0
Net Trade	(378,251)	(247,959)	(25,888)	(383,058)

In October 2009 China imported 25,888 tons of acrylonitrile and exported zero tons. The YTD net import balance of 383,058 tons compares to a net import of 247,959 tons in the same period of 2008, an increase of 135,099 tons (+55%). The following table shows Chinese trade for acrylonitrile and derivatives. [ABS, SAN and acrylic fibre imports are converted into acrylonitrile equivalent and then the net import of monomer is added].

During Jan-Oct 2009, acrylonitrile and derivatives import activity to China was 172,506 tons above that seen in the same period of 2008 (+20%). Derivative imports alone showed an increase of 37,407 tons on acrylo basis (+6.3%).

China Imports - Acrylonitrile and Derivatives (tons)

	Jan-Oct 2007	Jan-Oct 2008	Jan-Oct 2009
ABS imports	1,802,585	1,712,108	1,781,459
SAN imports	172,746	171,200	176,877
Acrylic Fibre imports	250,093	134,221	153,853
Acrylonitrile equiv	731,421	598,337	635,744
Acrylonitrile net trade	378,251	247,959	383,058
Total	1,109,672	846,296	1,018,802

Japan Acrylonitrile Trade (Tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
Imports From:				
USA	23,787	22,705	798	2,486
Korea	1,915	7,697	748	1,474
Total	25,702	30,402	1,546	3,960
Exports To:				
China	53,118	26,426	13,313	78,358
Thailand	68,484	49,195	5,703	67,619
Taiwan	2,000	11,299	3,802	31,874
Korea	12,002	10,627	1,600	16,321
Malaysia	0	0	0	3,810
Total	135,604	97,547	24,418	197,982
Net Trade	109,902	67,145	22,872	194,022

Taiwan Acrylonitrile Trade (Tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
Imports From:				
USA	112,562	100,351	3,000	35,714
Japan	2,000	14,221	3,802	31,874
Korea	2,498	5,154	2,000	4,001
Total	117,060	119,726	8,802	71,589
Exports To:				
China	76,782	70,228	5,449	43,143
Korea	1,917	13,755	0	7,800
Iran	5,915	2,035	2,505	2,505
Malaysia	6,031	5,692	0	1,964
Thailand	9,631	8,645	0	639
Australia	353	521	38	451
India	2,007	411	13	26
Netherlands	1,947	0	0	0
Others	955	672	65	769
Total	105,538	101,959	8,070	57,297
Net Trade	(11,522)	(17,767)	(732)	(14,292)

Korea Acrylonitrile Trade (Tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
Imports From:				
USA	93,734	70,805	4,000	36,197
Japan	1,500	3,502	1,600	19,811
Taiwan	1,917	3,965	1,954	1,954
Netherlands	0	0	0	1,500
Mexico	0	2,210	0	0
Brazil	0	1,469	0	0
Total	97,151	81,951	7,554	59,462
Exports To:				
China	106,728	66,113	4,006	83,209
Thailand	20,738	28,568	2,450	20,066
Malaysia	0	4,000	0	8,001
India	1,001	2,052	0	5,148
Indonesia	4,513	5,174	597	4,900
Taiwan	2,498	4,439	2,000	2,000
Japan	3,616	7,698	750	1,478
Iran	5,920	0	960	960
Others	1,822	3,144	0	0
Total	146,836	121,188	10,763	125,762
Net Trade	49,685	39,237	3,209	66,300

Thailand Acrylonitrile Imports (Tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
Japan	88,654	54,426	10,041	67,481
Korea	18,500	32,267	3,485	21,428
USA	5,980	16,985	0	10,972
Russia	0	6,016	0	2,503
Malaysia	0	0	0	994
India	0	0	0	985
Taiwan	9,625	6,649	0	632
Total	122,759	116,343	13,526	104,995

Brazil Acrylonitrile Exports (Tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
China	0	0	0	14,115
India	8,917	8,699	0	11,324
UK	0	0	3,124	5,984
Netherlands	4,990	0	0	1,210
Argentina	1,178	931	0	629
Iran	3,148	7,346	0	0
USA	0	2,999	0	0
Korea	0	1,469	0	0
South Africa	500	1,049	0	0
Turkey	5,476	0	0	0
Portugal	2,624	0	0	0
Spain	2,549	0	0	0
Total	29,382	22,493	3,124	33,262

USA Acrylonitrile Exports (tons)

	Jan-Sept 2007	Jan-Sept 2008	Sept 2009	Jan-Sept 2009
Korea	235,352	222,920	6,400	139,650
Mexico	63,857	58,549	11,060	58,313
China	9,507	16,500	0	53,793
Taiwan	108,220	75,183	4,000	46,021
Turkey	62,528	24,590	0	26,800
Peru	26,847	28,922	0	20,121
Netherland	15,958	12,025	2,922	15,752
India	36,995	18,151	3,708	12,494
Portugal	7,967	5,018	0	4,414
Egypt	5,929	5,943	0	1,821
Canada	2,820	4,770	123	971
Japan	19,244	13,330	800	800
Argentina	0	0	0	314
Germany	1,932	0	5	22
Italy	30,142	2,989	0	0
Belgium	11,070	0	0	0
UK	3,000	0	0	0
Others	67	2	0	14
Total	641,435	488,892	29,018	381,300

In September 2009 Japan imported 1,546 tons of acrylonitrile and exported 24,418 tons. The YTD net export balance of 194,022 tons compares to a net export of 67,145 tons in the same period of 2008, an increase of 126,877 tons.

In September 2009 Taiwan imported 8,802 tons of acrylonitrile and exported 8,070 tons. The YTD net import balance of 14,292 tons compares to a net import of 17,767 tons in the same period of 2008, a decrease of 3,475 tons.

In September 2009 Korea imported 7,554 tons of acrylonitrile and exported 10,763 tons. The YTD net export

balance of 66,300 tons compares to a net export of 39,237 tons in the same period of 2008, an increase of 27,063 tons.

In September 2009 Thailand imported 13,526 tons of acrylonitrile. For YTD, Thailand imported 104,995 tons compared to a net import of 116,343 tons in the same period of 2008, down 11,348 tons (-10%).

In September 2009 Brazil exported 3,124 tons of acrylonitrile. The YTD net export of 33,262 tons compares to a net export of 22,493 tons in the same period of 2008, an increase of 10,769 tons (+48%).

According to official US customs statistics, acrylonitrile exports in September 2009 totalled 29,018 tons. The YTD total of 381,300 tons compares to 488,892 tons in the same period of 2008, a decrease of 107,592 tons (-22%).

UK Acrylonitrile Exports (Tons)

	Jan-Aug 2006	Jan-Aug 2007	Jan-Aug 2008	Jan-Aug 2009
Turkey	17,827	8,173	6,824	35,968
Spain	0	0	0	32,531
Belgium	36,481	46,153	40,683	18,262
Portugal	2,500	0	9,697	6,826
USA	0	0	0	4,656
Egypt	0	0	0	2,100
Netherlands	5,162	2,851	25,891	0
India	0	0	23,673	0
China	0	0	2,501	0
Iran	0	0	1,399	0
Brazil	0	2,599	0	0
Total	61,970	59,776	110,668	100,343

For YTD August 2009, the UK exported 100,343 tons of acrylonitrile compared to an export of 110,668 tons in the same period of 2008, a decrease of 10,325 tons (-9%).

ASIA/FAR EAST

Just before our last report (14 November), Asahi Kasei's acrylonitrile plant at Mizushima, Japan (capacity 300,000 tons) was shut down due to an unspecified technical problem. This situation coupled to good demand made an already tight market even tighter.

On 28 November more bad news on the supply side followed when Asahi Kasei's acrylonitrile plant at Ulsan, Korea (capacity 300,000 tons - operated by 100% owned subsidiary Tong Suh) was shut down due to a power plant outage at the Ulsan complex. The acrylonitrile plant was down for around one week. Asahi did not declare force majeure for either its Japan or Korean issue and instead worked with its customers to reschedule contract shipments. We estimate that overall it lost 15-20,000 tons of output and this has had a significant effect on the market balance with the Asahi acrylonitrile system now in short balance.

The overall acrylonitrile balance in the region is very tight indeed with a lack of spot material available and a number of customers receiving less contract material than they would like. Asahi has not announced an FECP for December shipments and has withdrawn from any spot acrylonitrile sales negotiations for December.

On the demand side we see no signal of any reduction for December. This is amazing everyone as it is so unusual (unprecedented) to see demand strong in December. All we

can say is that we all got it wrong and that nobody quite understands what is happening. The only explanation that we can point to is the strength in China, the gradual recovery elsewhere and the fact that the whole system continues to run with no/minimal inventory. Looking ahead to January, the acrylic fibre makers look like running well but we could well see a slowdown from the ABS sector.

For December we show the PCI price range for spot acrylonitrile import business as \$1650-1800 per ton CFR. This is a very significant increase from November and is a result of limited availability of spot product. The December range includes spot sales to China, Thailand and India. We understand that offers are now being made at \$1800-1850 per ton CFR. We have confirmed one January deal to China at \$1800 per ton CFR.

The continuing increase in acrylonitrile prices comes as further bad news for acrylic fibre and ABS makers who are not only under margin pressure but are having to keep increasing their product prices with the possibility, particularly in the case of acrylic fibre, of demand destruction.

In China, domestic prices have continued to increase strongly on the back of the market tightness. For December, we see prices in the range RMB 14600-15000 per ton ex works (\$2135-2190) including VAT, (\$1825-1870 ex VAT). Importers pay 3% import duty and 17% VAT and so the domestic price range becomes an import CFR equivalent of \$1770-1815. On this basis, recent import deals at \$1780 and \$1800 per ton are very much in line with the domestic market.

On 19 November 2009, there was an 'Announcement of Memorandum of Understanding for Management Integration' between Mitsubishi Chemical Holdings Corporation and Mitsubishi Rayon Co., Ltd.. Under the agreement, MRC will become a subsidiary of MCHC. Management Integration will be undertaken with MCHC acquiring all outstanding shares in MRC (excluding any treasury shares held by MRC) with the ultimate objective of making MRC a wholly owned subsidiary. The target date for this process is the beginning of February 2010 at the latest with planned completion by the end of March 2010, subject to the completion of all necessary procedures and responses pursuant to relevant laws in Japan and overseas. Please see www.mrc.co.jp/english/index.html for the full press release and full details.

UNITED STATES + MEXICO

US propylene contracts have increased by 4.5 cents per pound for December and the Tampa ammonia contract price decreased by \$30 to \$325 per ton CFR. For October the US acrylonitrile feedstock cost was \$1276, for November it was \$1342 and for December it is \$1436, an increase of \$94. (See chart page 3).

On the basis of the propylene price increase and the ammonia price decrease, merchant domestic contract prices (formula based) for December are in the range 75.1-79.2 cents per pound FOB (\$1656-1745 per ton). [Note: a minority of US domestic contracts have formulas that include a US export market indicator with the cost plus element. Such contracts are not part of our range.]

Our price range for US spot export shipments for December is \$1600-1690 per ton FOB. Unlike recent months, this range is not notional and includes material from both the US and Mexico.

On the supply side, INEOS Nitriles has confirmed that it has successfully commissioned and is running its fourth reactor at Green Lake. In fact, with some propylene issues at Lima and the problems at Seal Sands, Green Lake has been running hard in recent weeks to keep the INEOS system properly supplied. For the time being, Ascend is only running for its own internal needs but it must be getting tempted by the numbers in the export market. Cytec continues to run at full operation. An update from Unigel confirms that the 60,000 tons per year acrylonitrile plant at Morelos in Mexico is running very well indeed with good specification product. Modest domestic and significant export shipments have already been made. The ACH plant has also started operation and the MMA unit at Cosoleacaque is taking the ACH.

Domestic demand for acrylonitrile in the US remains at a reasonable level. Demand from the ABS/SAN sector appears to have fallen back for seasonal reasons, while demand from adiponitrile (for nylon 66) remains very strong. Demand from acrylamide is reasonable while demand from the other derivatives remains lacklustre.

On the carbon fibre side, there will have been a sigh of relief among US carbon makers to finally see the Boeing 787 Dreamliner successfully take its first flight after a considerable delay. Each aircraft is understood to contain 35 tons of carbon composite material and already orders total circa 700 aircraft (this equates to circa 50,000 tons of carbon precursor).

WEST EUROPE + TURKEY

The acrylonitrile supply/demand balance in this region remains very tight indeed. On the demand side, all derivatives are doing well with little or no slowdown noted for December. In the case of ABS, demand is actually increasing.

Although there are no planned turnarounds happening at the present time, there have been a few 'glitches' that have not helped on the supply side. The INEOS Nitriles unit at Seal Sands is back at full strength following its unplanned outage starting on 8 November due to a utilities problem.

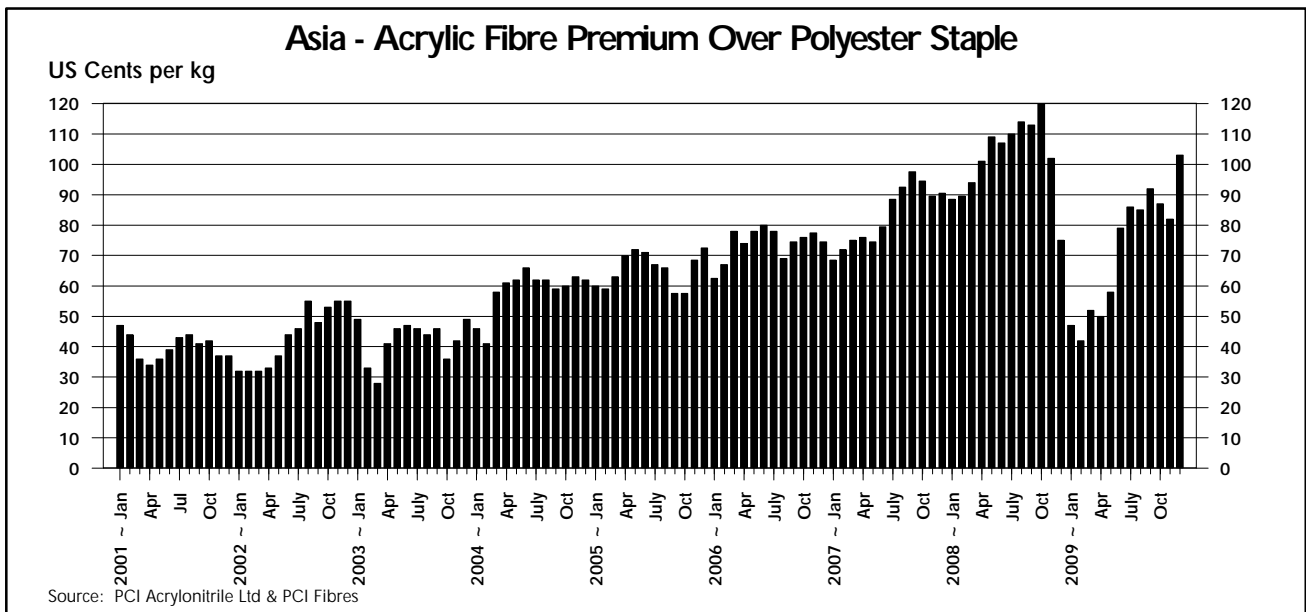
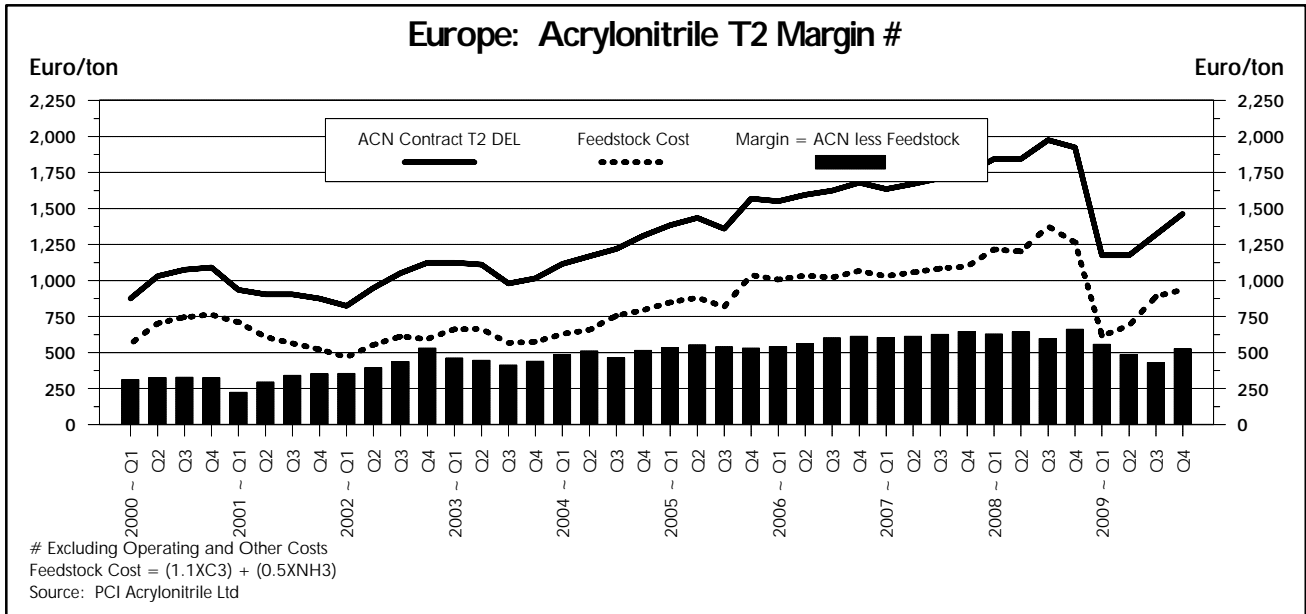
Both European producers have had to work with customers to manage the supply situation carefully and in a number of cases deliveries have had to be rescheduled. INEOS has shipped some material from the US to cover its European contract commitments.

BOTH INEOS and DSM have faced the situation of contract customers asking for higher volumes than originally ordered. This has added pressure to an already tight situation. In addition, the demand for spot product remains buoyant.

We understand that in Bulgaria, Lukoil's 45,000 tons acrylonitrile unit (and all other units in the complex) remains closed. New information suggests that no restart is likely before Q2 2010. In Russia, Lukoil is understood to be running well and good exports volumes are expected for Q1.

The PCI T1 price range for December is \$1580-1700 per ton CFR (actually \$1705). This is a wide range and the lower end was for a deal agreed late November for December shipment. We have also identified one deal for January shipment at \$1750 per ton CFR. Present offers are in the range \$1750-1800 per ton CFR.

Acrylonitrile T2 contracts are now mostly settled for December. The background to the negotiations was the €10 increase in the propylene contract price, the slight decrease in ammonia prices and the tight supply/demand situation. Our assessment is that overall an increase of €30 has been seen from November. Thus, the "nominal" T2 contract range for December is €1495-1620 per ton DEL (\$2185-2370). The "nominal" range is an indication of price but different sectors (with different volumes and logistics), pay different prices. For the bigger users, even the low of the "nominal" range is significantly higher than what is paid.



ACRYLIC FIBRE

STATISTICS

China Acrylic Fibre Imports (tons)

	2006	2007	2008	2009
January	19,853	20,394	13,080	3,434
February	28,657	20,286	12,831	8,286
March	43,266	36,941	20,449	17,027
April	38,379	36,453	19,153	21,066
May	23,745	28,456	13,713	19,393
June	31,978	24,542	13,398	21,736
July	28,157	25,728	14,513	19,982
August	33,523	24,339	11,671	16,255
September	26,704	19,425	9,022	16,245
October	20,310	13,529	6,391	10,429
November	18,349	15,207	6,167	
December	24,237	15,378	5,257	
Jan ~ Oct	294,572	250,093	134,221	153,853
Jan ~ Dec	337,158	280,678	145,645	

China Acrylic Fibre Imports (tons)

	Jan-Oct 2006	Jan-Oct 2007	Oct 2008	Jan-Oct 2009
Japan	131,725	110,559	59,220	53,651
Taiwan	74,341	62,062	28,090	43,067
Korea	21,445	23,445	23,048	16,061
Turkey	10,312	11,262	6,400	12,696
Mexico	1,266	884	439	6,469
Belarus	8,918	7,549	4,582	5,569
Thailand	19,086	13,344	3,604	5,145
Germany	3,422	5,707	4,609	4,078
India	2,207	1,972	629	3,331
Spain	8,472	3,986	1,727	2,100
Portugal	763	723	562	710
Peru	531	739	200	415
Russia	170	222	0	199
Italy	10,815	5,651	553	95
Uzbekistan	460	1,273	90	75
Indonesia	247	134	111	36
Others	392	581	357	156
Total	294,572	250,093	134,221	153,853

China Acrylic Fibre Imports Jan-Oct 2009 (tons)

	Acrylic Staple	Acrylic Tow	Acrylic Tops	Acrylic Total
Japan	40,806	11,913	932	53,651
Taiwan	16,426	25,874	767	43,067
Korea	6,730	8,764	567	16,061
Turkey	2,534	9,835	327	12,696
Mexico	1,814	4,456	199	6,469
Belarus	0	5,569	0	5,569
Thailand	3,337	1,740	68	5,145
Germany	1,166	2,912	0	4,078
India	890	1,811	630	3,331
Spain	0	2,100	0	2,100
Portugal	617	72	21	710
Peru	405	0	10	415
Russia	0	199	0	199
Italy	95	0	0	95
UK	7	73	2	82
Uzbekistan	75	0	0	75
Others	70	22	18	110
Total	74,972	75,340	3,541	153,853

In October 2009, China imported 10,429 tons of acrylic fibre (5,725 tons of staple, 4,261 tons of tow and 443 tons of tops). The YTD total of 153,853 tons is 19,632 tons ahead of that seen during the same period of 2008 (+15%).

Japan Acrylic Fibre Exports (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
China	118,118	102,464	53,481	48,440
Indonesia	10,552	12,997	13,883	10,818
Nigeria	3,730	4,422	7,367	5,144
Iran	19,020	23,736	17,979	5,030
USA	5,858	8,355	6,832	3,143
Hong Kong	5,357	3,915	3,128	2,245
UK	1,334	3,034	2,858	2,206
Thailand	6,003	3,924	3,149	2,133
India	2,398	1,587	2,781	2,049
South Korea	4,784	2,894	1,226	1,350
Bangladesh	292	130	823	1,291
Togo	718	1,581	1,550	1,226
Kenya	370	632	782	1,033
Senegal	424	674	810	765
Ghana	250	717	832	720
Ivory Coast	255	474	743	484
South Africa	168	284	399	421
Cameroon	148	107	263	374
Turkey	527	1,038	1,219	297
Italy	1,184	1,299	949	251
Egypt	253	442	138	193
Germany	348	604	554	192
Taiwan	439	341	429	162
Belarus	327	342	344	114
Spain	329	469	27	74
Ukraine	537	408	141	25
Others	1,442	2,121	2,578	1,554
Total	185,165	178,991	125,265	91,734

In September 2009, Japan exported 10,214 tons of acrylic fibre. The YTD total of 91,734 tons was 33,531 tons (-27%) lower than seen in the same period of 2008.

Korea Acrylic Fibre Exports (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
China	19,359	20,557	20,507	15,029
Pakistan	3,515	1,784	1,524	2,941
Indonesia	4,533	5,255	3,907	1,502
Bangladesh	463	537	1,553	679
Hong Kong	237	773	273	387
Iran	0	700	188	306
India	208	369	1,871	196
Japan	33	127	105	135
Myanmar	61	212	360	105
Saudi Arabia	0	0	0	47
Ecuador	16	33	58	33
Vietnam	79	47	24	12
Nepal	0	0	212	0
Mexico	11	19	40	0
Others	7	7	3	1
Total	28,522	30,420	30,625	21,373

In September 2009, Korea exported 3,785 tons of acrylic fibre. The YTD total of 21,373 tons was 9,252 (-30%) tons lower than seen in the same period of 2008.

Taiwan Acrylic Fibre Exports (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
China	56,057	47,739	20,578	40,012
Iran	11,322	20,515	10,976	15,410
Indonesia	14,804	12,210	10,445	8,169
Thailand	614	1,487	3,903	3,050
South Africa	2,026	2,376	1,614	2,098
Hong Kong	13,852	11,824	7,191	1,445
Singapore	795	528	529	661
Bangladesh	305	200	840	656
Japan	98	64	826	567
India	1,062	938	853	526
Pakistan	158	56	851	416
Italy	22	44	537	110
United States	0	111	216	98
Vietnam	1,630	1,607	124	65
South Korea	209	116	109	22
Others	309	366	612	416
Total	103,263	100,181	60,204	73,721

In September 2009, Taiwan exported 8,020 tons of acrylic fibre. The YTD total of 73,721 tons was 13,517 (+23%) higher than in the same period of 2008.

USA Acrylic Fibre Trade (Tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
Imports From:				
Turkey	9,561	10,441	9,373	8,453
Portugal	4,266	3,769	3,622	3,974
Japan	5,593	8,303	7,014	2,861
Mexico	6,240	5,214	3,812	2,383
Germany	9,690	4,309	3,269	2,026
Hungary	137	4	2,237	970
Spain	4,358	1,426	857	610
UK	8,109	1,979	1,670	597
Italy	1,056	2,827	1,754	347
Thailand	0	159	373	241
Taiwan	9	130	165	101
China	73	433	174	68
Belarus	117	216	118	22
Others	270	198	13	81
Total	49,479	39,408	34,451	22,734
Exports:				
Total	2,538	2,257	1,603	1,350
Net Trade	(46,941)	(37,151)	(32,848)	(21,384)

Indonesia Acrylic Fibre Imports (tons)

	Jan-Aug 2006	Jan-Aug 2007	Jan-Aug 2008	Jan-Aug 2009
Thailand	12,083	16,850	22,000	20,447
Japan	8,120	10,237	12,185	9,474
Taiwan	10,982	9,899	10,497	6,656
Germany	1,110	1,255	237	1,490
South Korea	3,337	5,104	3,742	1,019
China	7	3	1,633	815
Portugal	0	0	0	771
India	822	0	576	560
Spain	686	1,135	297	546
Italy	3,667	253	100	0
Others	970	121	202	356
Total	41,784	44,857	51,469	42,134

In August 2009, Indonesia imported 6,006 tons of acrylic fibre. The August YTD total of 42,134 tons was 9,335 (-18%) tons lower than seen in the same period of 2008.

Thailand Acrylic Fibre Trade (Tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
Imports From:				
Taiwan	929	1,374	3,926	2,899
Japan	5,528	4,023	3,129	2,109
China	21	0	1,136	343
Italy	604	376	0	1
Spain	2,984	1,288	433	0
Germany	55	43	0	0
Others	9	2	16	24
Total	10,130	7,106	8,640	5,376
Exports To:				
Indonesia	14,563	20,424	23,125	24,719
India	3,512	4,263	8,496	8,765
UAE	0	0	3,407	5,556
Bangladesh	3,054	3,547	3,373	5,435
Pakistan	2,140	1,418	103	4,846
China	17,263	12,784	3,160	4,816
Nepal	1,931	2,418	4,412	4,047
Vietnam	1,639	2,064	1,477	2,217
Philippines	2,725	2,603	2,222	1,992
South Africa	186	414	448	822
Iran	8,526	7,137	3,321	558
United States	20	328	294	266
Egypt	112	30	1,127	34
Others	1,269	594	727	1,085
Total	56,940	58,024	55,692	65,158
Net Trade	46,810	50,918	47,052	59,782

The Thailand trade balance of acrylic fibre YTD September 2009 was a net export of 59,782 tons compared to a net export of 47,052 tons in the same period of 2008, an increase of 12,730 tons (+27%).

ASIA/FAR EAST

Supported by strong demand, acrylic fibre production in this region remains buoyant. Acrylic fibre makers are generally producing at high operation rates in December, although in China, a lack of raw material continues to hold back output in some cases. In addition, we understand that SPC's 30,000 tons Jinyang unit will be down all of December and into January.

We mentioned in our last report that the acrylic fibre makers in this region were reporting robust sales well into December. Once again, all have been surprised with the level of demand and order books are now looking strong until at least the middle of January and to the end of January in a number of cases.

The strength of demand varies slightly with China very strong indeed and the other markets good, but not booming like China. A note of caution should be raised here however, because prices have risen sharply and now we hear of some non-China spinners showing a reluctance to pay higher numbers moving forwards. Time will tell however, as we have heard that before! We are also hearing the dreaded word 'polyester' again which is perhaps more of a concern.

The big question on everyone's lips right now is - where is all this acrylic fibre going? Nobody seems to have the answer to this question but clearly the pipeline at all levels remains pretty empty and final demand therefore must be pulling through fairly directly.

The strong demand coupled to higher acrylonitrile prices has led to a sharp increase in acrylic fibre prices this month. Acrylic fibre shipments for December are seen in the range \$2.30-2.45 per kg CFR for imports to China and in the range \$2.25-2.30 cents per kg CFR for shipments to other markets in the region. Prices have therefore increased by 20-25 cents per kg for the China and non-China markets alike. Prices to China however, are some 15 cents higher than those elsewhere. Some fibre makers confirm prices of \$2.50-2.55 per kg CFR to China for January (not far off the peak we saw in July 2008!).

In China, domestic acrylic fibre prices for December have increased strongly from last month. We see numbers in the range RMB 19500-21000 for staple and RMB 19100-19600 for tow (full range of RMB 19100-21000). The average exchange rate for the month was 6.84 to the \$ and so this is a full price range of \$2.79-3.07 per kg.

Importers pay 5% import duty and 17% VAT and so the import range of \$2.30-2.45 CFR becomes \$2.83-3.01 before inland freight is added. On this basis, domestic acrylic fibre prices have pulled slightly higher than imports but the import prices are still increasing as already mentioned.

Mitsubishi Rayon has announced that it is to withdraw from its SILPALON acrylic filament yarn business. SILPALON, an acrylic filament yarn (and the only one of its kind in the world), offers a rich lustre similar to silk, as well as high colour development. However, sales in Japan have decreased and falling textile prices have prompted manufacturers to switch to low-priced alternative fibres. Accordingly, sales volumes in the main export markets of South Korea and China have also continued to show a downward trend. PCI shows the capacity as 3,000 tons per year. Production will be halted on 31 March 2010 and sales will be discontinued on 30 June. Please see www.mrc.co.jp/english/index.html for the full press release.

UNITED STATES + MEXICO

The USA trade balance for acrylic fibre for YTD September 2009 was a net import of 21,384 tons compared to a net import of 32,848 tons in the same period of 2008, a decrease of 11,464 tons (-35%). If we exclude imports that we largely assume to be carbon precursor (Japan, Hungary and UK), then the decrease is 4,971 tons (-23%).

US spinners appear to be having the late season surge that they expected a while ago. US retailers look to be low on stock for December and January and have therefore now placed last minute orders close to home. This is having an immediate effect on activity at spinning. For December, spinners see a good hand knitting yarn market and also a better situation in apparel (mainly socks and sweaters).

Following the price increases in October and November, acrylic fibre import prices to the US have been unchanged for December, although sellers are now signalling some pretty hefty increases for January (circa 15 cents per kg). The

December range for US imports is \$2.27-2.37 per kg CFR duty unpaid (103-108 cents per pound). This range holds for regular ecru staple and tow with sources mainly Europe, Turkey and Mexico. With import duty of 3.7% on staple and 6.8% on tow, this puts duty paid prices at \$2.36-2.45 per kg for staple and \$2.42-2.53 per kg for tow.

WEST EUROPE + TURKEY

All acrylic fibre producers in this region have full order books for December and some have already sold material well into January. As a result of this, and as has been seen in previous months, acrylic fibre production rates remain high. Our estimate remains that capacity in the region (657,000 tons) is operating at circa 90% for December.

The key question now is how will demand develop in the coming months and will producers be able to maintain production rates? Considering that the level of demand in Europe is unspectacular and the level of demand in Turkey is only good, the driver for the makers here has been the strong export markets of Africa/Middle East and Asia. Most are reasonably confident that demand will continue to be seen at a good level but there is some expectation of some slowdown at Chinese New Year time (February 13-19).

The acrylic fibre price range for December remains unchanged in the range €1.70-1.75 per kg DEL for regular 3 denier tow. This gives a dollar range of \$2.49-2.56 per kg DEL with the present exchange rate (the dollar not quite as weak against the Euro as it was last month).

For Jan-Oct 2009, exports from Belarus, Germany, Italy, Portugal, Russia, Spain, Turkey, UK and Uzbekistan to China totalled 25,604 tons compared to 18,540 tons in the same period of 2008, an increase of 7,064 tons (+38%).

COTTON

The rise in cotton prices continued through late November and into December. By 15 December the Cotlook A Index had reached 78 cents per pound. Production estimates for this season, 2009/2010, continue to be downgraded, while estimates of consumption are rising, particularly for Asia. The announcement in China of a large volume of import quotas, of at least 2.9 million tons in 2010, served notice of a considerable tightening in international cotton markets in the first half of the year.

Domestic prices in China, India and Pakistan have also increased strongly in the last month. It appears that the rising discrepancy between China's domestic prices and international ones prompted the release of the statement regarding cotton import quotas for 2010. High Chinese cotton prices have meant that spinners there are losing competitiveness resulting, according to trade reports, in a sharp increase in cotton yarn imports as well as in the polyester content of blended yarns.

China's cotton yarn imports in the 10 months to October were up 21% with those from Pakistan, its largest supplier, up 40% to 300,000 tons. Imports from other major suppliers, such as Taiwan, India, and Vietnam were also up sharply, by 81%, 30% and 172% respectively.

The recent increases in fibre prices are welcomed by the cotton producers and might lead to higher production next

season. These increases however, need to be sustained for a longer period of time before they have a significant impact on planting intentions. In addition, given the weakness of the US\$, these price increases are smaller in countries with strong currencies.

The current outlook for the cotton market is for continued strength given that demand from the Asian economies is recovering and the Northern Hemisphere harvest is over in the next month or so. The smaller Southern Hemisphere harvest then takes place but significant quantities will not be available again until late 2010 when the new Northern Hemisphere harvest comes in. While the spinners are concerned that their yarn prices are not yet reflecting cotton prices, they are attempting to cover their needs for the coming months by diving into the market whenever there is any dip in pricing. This is putting a floor on any price-dips and creating the conditions for an extended period of higher cotton prices.

WOOL

Wool prices in Australia are back up to October levels, reaching A\$8.72 per kg clean (US\$7.99) on 11 December. Small auction volumes and the need to purchase and ship before the mid-December break at auction have helped to maintain prices. Although the outlook for wool supply is still one of very low volumes for the remainder of the season into 2011, buyers are having problems absorbing and passing on price increases. This is particularly the case for China, the largest buyer of Australian wool, when seeing the high prices in US\$ terms.

Australian wool exports for the first four months of the season (July-October 2009) highlight the importance of China for the Australian industry. China was the destination for 82% of wool exports (greasy equivalent) in 19 micron and finer, the destination for 66% in the 20-23 micron range, 65% in the 24-27 micron range, and 86% in 28 micron and broader. India was the second largest destination in each of these micron ranges.

Recently released forecasts for Australian production put greasy wool at 330,000 tons this season, 9% below last season. Sheep numbers are now expected to start rising

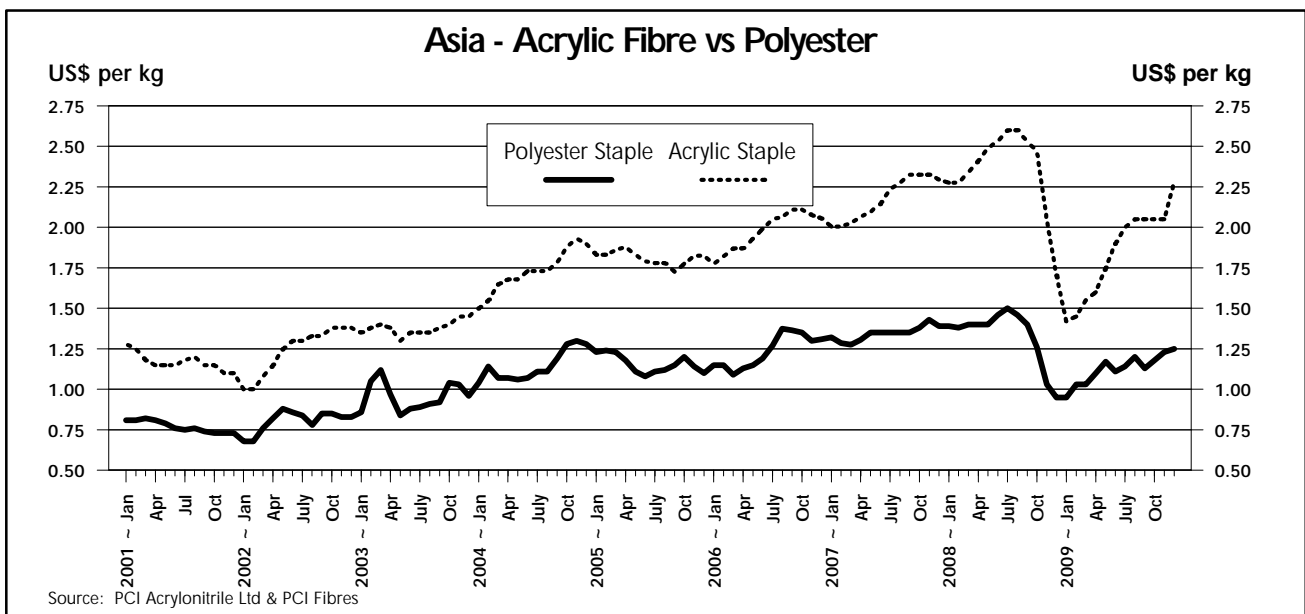
slowly, the result of improving wool prices over the last year and very high mutton and lamb prices, currently at parity with beef (in Australia). Rising sheep numbers are however, dependent on rainfall. Low rainfall in the wool producing regions this coming year would mean the farmers finding it hard to resist current meat prices, and consequently sheep turnoff could prove higher than estimated.

POLYESTER MARKETS

Polyester staple volumes in China are somewhat depressed, at least when compared with the boom conditions of recent months. Even where price-increases have been established quite readily, there have been signs that volumes are not so robust. In November, 1.4 denier spinning fibre in China rose on average by RMB 1000 to RMB 9600-9800, with business even done up at RMB 10000. For December however, even though feedstocks still appear to be strengthening, staple prices have hardly moved, being in the slightly wider range of RMB 9500-9900, which in itself might reflect more uncertainty as to market direction. In the export trade China is offering 1.4 denier spinning fibre at \$1.20-1.24 per kg FOB, with the bottom of the range accepted without difficulty. Elsewhere in the region CFR prices Asian port are just a little firmer, with possibly a greater spread at \$1.22-1.28 per kg CFR.

Pricing moves for polyester staple in the USA have followed raw material increases, with producers trying to catch up with the November increases. Generally there has been an increase of 3 cents per pound applied for December and there are signs of an additional 3 cents for January.

Pricing within the European market for polyester staple remains essentially unchanged, although the dollar values of some lower-priced offers are gradually increasing and may eventually show through in slightly higher Euro prices. The recent increase in Asian pricing has so far only marginally affected Europe, but the influence would be felt more strongly if Asian prices were to hold up.



BUTADIENE

Asia/Far East ~ Despite the new butadiene capacity in the region and buyers reluctant to pay prices of more than \$1500 per ton CFR, spot prices have risen steadily in the past few weeks on the back of solid demand, a few supply side issues and escalating naphtha costs. Spot prices have now hit \$1600 per ton and offers for January cargoes are now being made at \$1650-1700 per ton CFR.

On the demand side, SBR makers are now planning production cuts where possible due to the higher butadiene prices. ABS production remains strong. The higher spot prices are now leading to the possibility of butadiene from the US and Europe being moved to Asia for January. Freight rates are understood to be circa \$350 and so it could work. In January, Tianjin Petrochemical (j/v of Sinopec and SABIC) will start up a new 150,000 tons butadiene extraction unit .

Spot prices for butadiene in the Asian region during November (arrival basis) were \$1350-1420 per ton CFR. For December shipments prices have been seen in the range \$1430-1600 per ton CFR (64.9-72.6 cents per pound). In Korea, the domestic contract price for butadiene has been settled at \$1346 per ton DEL for December (down \$66 from the November price of \$1412).

USA ~ In the USA, nominations for December butadiene contracts were made at rollover, -2, -2.5 and -3 cents per pound. The market settled at minus 3 cents and so the December butadiene contract price is at 65 cents per pound DEL (\$1433 per ton). The decrease is the first since March. US butadiene contract prices however, remain significantly higher than European contract prices.

The supply/demand situation shows a slightly long market for the second month in a row as a result of lower demand and increased production. Spot prices are now well below contract levels and there is the possibility that significant quantities of US butadiene will move to Asia this month. US crackers continue to run light feed. While it is too early for January nominations to be made, at this point in time most expect that January contracts will decrease again.

West Europe ~ The Q4 butadiene quarterly contract price is €900 per ton DEL, (\$1315 or 59.6 cents per pound at the present €/ \$ exchange rate). The December monthly contract price settlement has been made at €930 per ton DEL (\$1360 / 61.7 cents per pound), a decrease of €30 from November. The average of the monthly contract settlements for Q4 is €972 per ton, which is likely to make buyers using the system unhappy as this is the second quarter running where the monthly average is higher than the quarterly price.

The market is described as balanced to tight and this is the result of reasonable demand coupled to a few supply side issues (notably Dow and SABIC). Despite this there is talk that some European product could find its way to Asia.

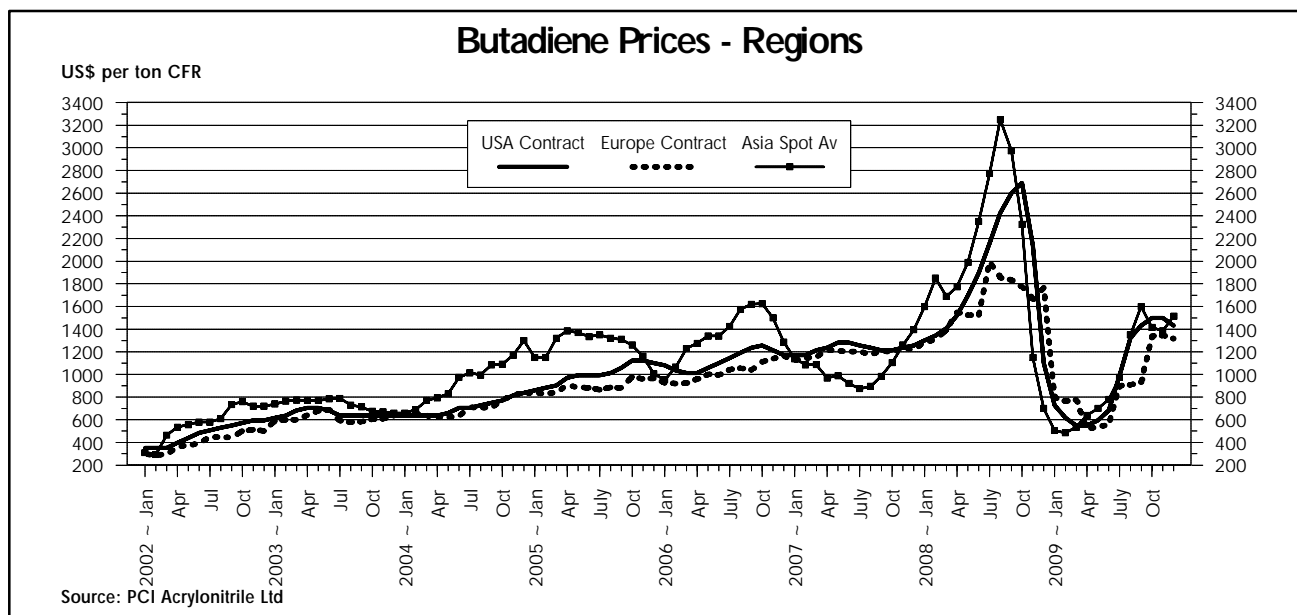
Q1 butadiene quarterly negotiations have started. Sellers are understood to be looking for a significant increase based on the Q4 number, the market balance and the higher feedstock position.

Butadiene Prices USA (cents/lb FOB)

	2006	2007	2008	2009
January	49	53	59	33
February	47	53	61	28
March	46	55	64	25
April	46	56	69	25
May	48	58	77	27
June	50	58	86	31
July	52	57	98	45
August	54	56	110	60
September	56	55	118	65
October	57	55	122	68
November	55	56	97	68
December	53	57	50	65

Europe Butadiene - Contract Price (€/ton DEL)

	2005	2006	2007	2008	2009
Q1	638	770	870	890	600
Q2	702	785	895	980	400
Q3	720	820	872	1260	635
Q4	815	890	845	1320	900



ABS**ASIA/FAR EAST - STATISTICS**

In October 2009, China imported 163,878 tons of ABS. The YTD total of 1,781,459 tons was 69,351 tons higher than in the same period of 2008 (+4%).

China ABS Imports (tons)

	2006	2007	2008	2009
January	132,329	153,449	173,677	106,399
February	132,973	130,590	132,563	158,159
March	160,576	175,180	178,196	189,518
April	186,079	193,722	194,471	184,063
May	170,393	181,436	189,185	168,030
June	173,425	184,916	191,620	198,464
July	171,168	197,981	177,749	205,605
August	193,373	204,092	161,444	205,971
September	188,113	199,599	165,637	201,372
October	166,248	181,620	147,566	163,878
November	170,023	196,469	116,786	
December	170,044	173,696	122,967	
Jan ~ Oct	1,674,677	1,802,585	1,712,108	1,781,459
Jan ~ Dec	2,014,744	2,172,750	1,951,121	

China ABS Imports (tons)

Origin	Jan-Oct 2006	Jan-Oct 2007	Jan-Oct 2008	Jan-Oct 2009
Taiwan	746,242	854,939	800,421	822,883
Korea	574,485	600,551	559,163	608,948
Japan	107,852	116,351	121,478	75,055
Malaysia	89,955	93,425	98,075	121,753
Thailand	74,126	68,115	62,339	77,957
Belgium	26,548	13,513	14,897	7,709
USA	15,149	19,001	16,880	10,600
Iran	14,108	4,032	3,222	10,824
Netherlands	2,629	1,822	2,157	5,972
Hong Kong	2,964	1,865	1,404	1,960
Germany	1,912	2,330	1,701	1,447
UK	695	623	1,446	967
France	786	1,068	447	33
Indonesia	825	312	154	27
Vietnam	49	11	97	1,087
Spain	355	272	217	308
Italy	247	419	66	216
Mexico	185	32	20	196
Others	15,565	23,904	27,924	33,517
Total	1,674,677	1,802,585	1,712,108	1,781,459

China SAN Imports (tons)

Origin	Jan-Oct 2006	Jan-Oct 2007	Jan-Oct 2008	Jan-Oct 2009
Korea	55,877	60,466	63,515	63,351
Taiwan	36,142	40,335	41,608	47,056
Japan	31,151	42,382	39,380	32,057
Thailand	14,552	20,058	20,232	19,853
Germany	2,742	3,493	2,252	4,527
USA	597	1,466	845	2,691
Malaysia	1,310	1,132	657	1,095
Spain	3	2	824	626
Mexico	0	0	0	307
Netherlands	66	79	281	196
Hong Kong	100	195	102	48
France	321	254	0	0
Others	2,299	2,884	1,504	5,070
Total	145,160	172,746	171,200	176,877

In October 2009, China imported 14,604 tons of SAN. The YTD total of 176,877 tons was 5,677 tons higher than in the same period of 2008 (+3.3%).

China SAN Imports (tons)

	2006	2007	2008	2009
January	15,077	16,203	19,334	12,496
February	11,849	13,053	15,197	14,635
March	15,248	17,154	15,811	17,314
April	17,664	19,165	19,908	20,322
May	15,049	17,960	18,581	18,238
June	15,537	17,444	17,534	20,385
July	13,394	19,437	16,393	20,056
August	14,225	18,177	18,723	19,002
September	14,214	16,888	15,193	19,825
October	12,903	17,265	14,526	14,604
November	15,161	19,377	11,354	
December	19,010	18,251	12,567	
Jan ~ Oct	145,160	172,746	171,200	176,877
Jan ~ Dec	179,331	210,374	195,121	

Korea ABS Exports (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
China	320,901	328,519	344,220	423,472
Hong Kong	228,720	238,814	191,406	161,643
Mexico	18,000	24,305	33,664	29,470
India	8,629	12,821	16,492	27,731
Turkey	9,896	19,292	20,066	23,831
Malaysia	18,085	24,583	21,975	23,288
Thailand	18,283	22,515	27,253	20,579
Indonesia	12,582	15,474	18,232	20,031
Vietnam	7,851	11,744	11,441	17,759
USA	20,678	16,175	16,336	15,978
Iran	8,600	13,534	10,902	15,335
Brazil	15,644	16,003	24,627	13,714
Japan	8,413	7,144	11,439	12,121
Hungary	2,306	6,242	6,461	11,753
Italy	13,092	19,995	17,263	11,320
Russia	8,880	11,818	14,788	11,207
Germany	6,958	7,764	10,609	10,427
Netherlands	1,945	2,990	5,218	7,911
Slovakia	8,282	14,224	13,318	7,599
Egypt	5,213	8,836	11,125	7,279
Poland	2,083	4,735	6,227	5,741
Spain	4,043	8,369	7,953	5,592
Singapore	11,584	8,490	7,074	5,134
Australia	5,874	7,713	7,367	4,907
Philippines	3,036	4,084	3,852	4,181
UK	5,300	5,538	5,261	4,169
Pakistan	2,842	3,156	2,899	3,687
Canada	6,065	7,097	4,470	3,631
South Africa	2,840	3,482	3,774	2,206
Syria	716	1,335	1,333	2,173
Belgium	5,201	5,047	3,417	2,169
France	2,107	3,370	3,770	2,030
Sweden	2,803	3,310	3,328	2,010
Denmark	3,268	3,550	848	1,764
Czech Rep	2,177	2,667	3,130	1,726
Ukraine	1,145	1,819	2,225	1,373
Taiwan	2,796	5,280	1,355	1,344
New Zealand	2,040	1,863	1,546	959
Israel	1,505	1,712	1,860	933
Others	16,624	17,086	15,758	16,447
Total	827,007	922,495	914,282	944,624

Taiwan ABS Exports (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
China	314,715	352,628	382,591	422,292
Hong Kong	407,410	422,389	359,912	341,044
USA	27,510	24,931	20,183	13,815
Vietnam	7,079	9,999	10,586	12,225
Brazil	2,304	4,618	8,606	8,705
Germany	3,925	5,590	7,856	8,290
Malaysia	8,484	8,942	9,718	8,026
Japan	6,415	5,589	5,457	7,004
Netherlands	10,354	10,141	9,502	6,716
Thailand	6,035	6,434	7,076	5,537
Pakistan	3,374	4,498	2,792	4,199
Indonesia	1,775	3,228	4,449	3,289
Syria	2,048	2,397	2,069	2,969
Turkey	3,184	3,630	2,743	2,941
Spain	4,058	4,708	3,894	2,721
South Africa	2,813	3,163	3,084	2,668
Philippines	2,649	2,694	2,164	2,083
Italy	3,017	3,640	3,558	2,078
Portugal	1,249	1,874	1,844	1,883
Sweden	3,332	2,803	2,633	1,778
UK	3,877	3,478	3,039	1,765
India	753	793	1,006	1,428
Singapore	2,653	1,779	2,007	1,367
Canada	1,360	932	800	1,243
Australia	2,083	1,831	1,501	1,224
Israel	1,345	1,518	1,622	1,204
Argentina	744	901	888	1,036
UAE	666	412	585	1,017
France	1,243	1,862	1,595	959
Egypt	803	1,871	1,697	945
Belgium	1,416	1,401	1,194	810
Mexico	2,810	1,799	1,339	791
Colombia	933	863	946	774
Poland	510	736	772	556
Austria	800	850	429	540
Denmark	3,888	5,470	2,016	0
Others	5,567	6,633	6,253	5,415
Total	853,181	917,025	878,406	881,337

Japan ABS Trade (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
Hong Kong	59,898	56,785	53,437	32,225
China	43,173	48,062	49,829	27,350
Thailand	10,118	10,357	17,390	5,401
Malaysia	6,551	8,724	9,234	3,849
Indonesia	6,331	7,844	7,225	5,757
USA	3,569	3,921	4,794	2,654
Vietnam	3,100	4,917	4,359	2,487
Singapore	3,052	2,005	1,725	1,439
Belgium	1,800	1,782	2,809	1,584
Korea	1,892	1,808	2,051	993
Taiwan	2,529	1,709	1,586	767
Netherlands	1,478	1,844	1,691	249
Philippines	1,394	1,325	1,321	561
Mexico	1,242	835	906	542
Spain	1,010	857	1,025	104
India	254	273	964	97
Germany	627	266	391	288
Canada	539	172	177	192
Italy	496	310	42	47
Egypt	42	27	212	394
UK	171	264	92	71
Others	714	660	786	566
Total	149,980	154,747	162,046	87,617

USA ABS Trade (tons)

	Jan-Sept 2006	Jan-Sept 2007	Jan-Sept 2008	Jan-Sept 2009
Imports From:				
Mexico	39,881	34,757	31,940	29,980
Korea	19,003	13,374	12,156	15,620
Taiwan	28,171	21,386	17,176	12,801
Thailand	5,282	3,674	3,066	3,180
Japan	6,508	7,810	7,745	3,011
India	968	60	57	1,878
Germany	3,989	3,515	1,946	1,120
Canada	3,272	669	1,074	890
Malaysia	2,101	1,748	1,429	786
Netherlands	639	468	337	274
Belgium	1,070	3,239	5,316	0
Others	1,387	933	714	468
Total	112,271	91,633	82,956	70,008
Exports To:				
Canada	43,015	41,162	33,253	22,347
Mexico	22,502	21,372	23,217	18,184
China	6,420	10,207	9,684	6,848
Germany	240	984	1,007	1,533
Hong Kong	2,073	4,093	1,492	1,344
Singapore	2,052	1,290	1,555	1,230
Netherlands	1,717	2,376	2,397	895
Belgium	2,700	2,263	1,064	504
Brazil	1,018	1,186	686	358
Taiwan	767	1,309	432	144
Others	2,438	3,349	3,494	2,636
Total	84,942	89,591	78,281	56,023
Net Trade	(27,329)	(2,042)	(4,675)	(13,985)

In September 2009, Korea exported 113,002 tons of ABS. The YTD total of 944,624 tons was 30,342 tons higher than in the same period of 2008 (+3.3%).

In September 2009, Taiwan exported 79,151 tons of ABS. The YTD total of 881,337 tons was 2,931 tons higher than in the same period of 2008 (+0.3%).

In September 2009, Japan exported 11,958 tons of ABS. The YTD total of 87,617 tons was 74,429 tons less than in the same period of 2008 (-46%).

ASIA/FAR EAST - THE MARKET

In October 2009, China imported 163,878 tons of ABS. The YTD total of 1,781,459 tons was 69,351 tons higher than in the same period of 2008 (+4%). Unfortunately we do not have good ABS production statistics for China but we believe that domestic production has increased substantially this year meaning that ABS consumption in China has shown very strong growth. This is an impressive performance and has been stimulated by the strength in the domestic economy.

Present ABS activity in the region and China in particular remains good. We understand that activity in China continues to be driven across the board by the manufacture of home appliances and electronic goods for sales before the Chinese New Year holiday in mid-February.

The Chinese automotive sector is also running at high utilisation with vehicle sales showing growth every month. For the first 10 months of 2009, 10.9 million vehicles were sold, an increase of 38% compared to the same period of 2008. Similar or higher growth is forecast for 2010.

For December we show the ABS price range in this region as \$1500-1570 per ton CFR. Prices have been increased on the back of escalating raw materials (A, B and S) and producers have had no option but to raise prices as despite the strong market, ABS margins are poor. In recent days, offer prices have been revised upwards again and are now in the range \$1600-1650 per ton CFR.

In China, domestic ABS prices have moved higher again. We see December prices in the range RMB 13200-13500 per ton (\$1930-1975 per ton). Importers pay 6.5% import duty and 17% VAT and so the import range of \$1500-1570 CFR becomes \$1870-1955 before inland freight is added. Imports and domestic prices are therefore in the same ballpark.

We understand that Chi Mei has commissioned its new 100,000 tons ABS line at Zhenjiang, Jiangsu in China. This takes the ABS capacity to 350,000 tons with the SAN capacity at 100,000 tons.

NORTH AMERICA

US customs statistics for September YTD 2009 show a net ABS import of 13,985 tons compared with a net import of 4,675 tons in the same period of 2008, an increase of 9,310 tons.

ABS demand in the USA was seen to be improving in October/November but looks now to have backed off, presumably for seasonal reasons. ABS production in response has also been seen to ease back a little from rates seen earlier in the quarter.

US vehicle sales in November continued to show some strength. The recovery in production looks slow however, as statistics from the North American automotive industry show:

- US vehicle production YTD mid-December 2009 is down by 3.06 million units or 36% compared to YTD 2008.
- Canadian vehicle production YTD mid-December 2009 is down by 614,000 units or 30% compared to YTD 2008.
- Mexican vehicle production YTD mid-December 2009 is down by 632,000 units or 30% compared to YTD 2008.
- Total North American vehicle production YTD mid-December 2009 is down by 4.31 million units or 34% compared YTD 2008.

For December we show the domestic ABS price range (for medium impact injection moulding grade) as 98-103 cents per pound DEL (\$2160-2270 per ton). This is a reduction from November. ABS sellers have mixed opinions about where prices will go next. One seller has announced a January increase of 7 cents per pound but the others have not followed this initiative to date.

ABS Raw Material Prices USA c/lb FOB

	Q2 2009	Q3 2009	Nov 2009	Dec 2009
A	47.4-61.1	57.5-82.5	70.9-74.9	75.1-79.2
B	25-31	45-65	68	65
S	46.25-55.41	55.50-64.75	56.50-59.00	Not Fixed

WEST EUROPE

Once again, ABS demand in Europe has ended up ahead of both expectation and forecasts. Anecdotal evidence suggests that demand in November increased by circa 20% compared to October. We understand that the strong demand has continued into December and strength is seen right across the range of end-uses.

In total however, it looks as if 2009 demand will be behind 2008 by around 20% and this was due to the appalling demand in Q1.

In response to the strong demand, ABS producers are generally running at high operation rates. One producer however, is taking some maintenance in December/January (a logical time when demand is usually subdued) and is therefore somewhat frustrated at the turn of events.

For December we show the benchmark domestic ABS price range (for GP Natural product), as €1.56-1.61 per kg DEL (\$2280-2355 per ton with present exchange rates). This is unchanged from November, despite buyers pushing for lower numbers. The producers have been able to hold prices due to the market balance. Raw materials are trending up and margins remain poor. We expect ABS producers to try to push prices in Q1.

News from the automotive sector shows new vehicle registrations for YTD October 2009 down by 5% compared to last year. In volume terms this is a reduction of 646,000 units.

ABS Raw Material Prices Europe ~ €/ton DEL

	Q2 2009	Q3 2009	Q4 2009
A	1175-1370	1320-1615 (Dec)	1495-1620
B	400	635	900
S	720-796	886-958	(Dec) 846

PUBLICATION DATES - 2010

Month	Date	Month	Date
January	21	July	22
February	18	August	26
March	25	September	23
April	22	October	21
May	26	November	18
June	24	December	16

DIARY DATE

PCI Acrylonitrile Ltd will co-sponsor of "The 7th China International Acrylonitrile & Acrylic Fibre Forum" to be held on 18/19 March 2010 in Shanghai, China and organised by CCFEI. Further details will follow. Anyone that would like to make a presentation at the conference should contact Simon Garmston.