

EXPORTREPORT

January 2016

Report compiled by:

Paul Burrige, Head of Export and Regional Operations

Shipping

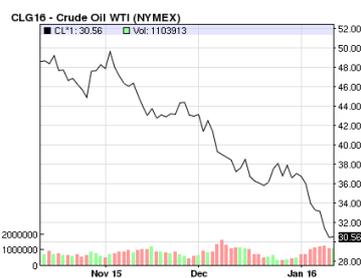
Bunker rates have continued a downward trend from last month, decreasing significantly from 389 index points to 342.



Source:

<http://www.worldbunkering.com/prices.asp>

Crude oil has also continued on a down trend into the new year, from USD 37 per barrel in December to USD 20 as of 14 January.



Source:

<http://www.nasdaq.com/markets/crude-oil.aspx>

The Handysize Index has also decreased significantly from 286 to 250, as of 11 January.



Source:

<http://www.pacificbasin.com/en/ir/industryinfo.php>

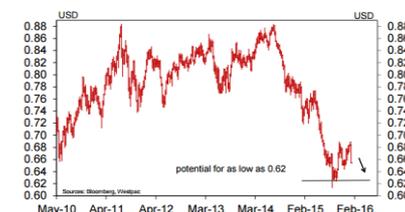
Although it is a very tough time for ship owners, it is positive (for forest owners) to see all shipping indicators continuing their downward slide. This has aided with further reductions in January/February shipping rates, and will assist with very low rates into Q1.

Exchange

Week ahead: The NZD/USD has eased from 0.670 in December to 0.648 at present.

The recent slide should continue throughout the week with Westpac targeting 0.6430 - the November low.

NZD/USD: expected to weaken further



3 months ahead: Westpac expect the NZD/USD to remain under downward pressure during the next few months, targeting sub-0.640. The main argument being that the Fed should raise US interest rates further this year but markets have priced little in. The labour market is looking strong and that should eventually result in wage inflation, in turn causing the Fed to tighten. After starting the tightening cycle in December, it could follow up in March, taking the policy rate to 0.625%. In contrast, the RBNZ should remain on hold at 2.5%, but with downside risks.

1 year ahead: Westpac's 1 year ahead forecast is 0.620, based partly on the OCR being cut by another 50bp to 2.0%, but the Fed rate to rise by 100bp to 1.375%.

Source:

https://wibiq.westpac.com.au/wibiqauthoring/uploads/file/New_Zealand/Strategy/2016/WFO11Jan16.pdf

Market Outlook

Positives:

While total log inventory at all Chinese ports increased to just over 3 million m³ (end Dec), this is still a healthy level.

Shipping rates remain very low, and will decrease further with falling bunker and time charter rates.

The NZD/USD exchange rate has eased into January, which should help to soften any CFR reductions in China.

Negatives:

CFR prices dropped to between USD110-115 in December, as customers moved towards cash collection (rather than log purchasing) heading into CNY. Prices are reported to have eased again into Jan, to USD105-110. However, as long as inventory does not rise too high over CNY, we may see some stability at this level.

With the reduction in CFR prices seen in late December, AWG prices fell in NZ by approx. NZD10-15, depending on port and grade. Although some stability may be seen in AWG pricing from Jan to Feb as FX and freight reductions counter current or slightly lower CFR prices.

Market Condition:

The total outgoing volume of the main Chinese ports increased to 45,000 m³/day in late December. However, this is expected to decrease again heading into the New Year celebrations.

The total China inventory volume is currently just above 3 mil m³, a 200,000m³ increase from mid-December.

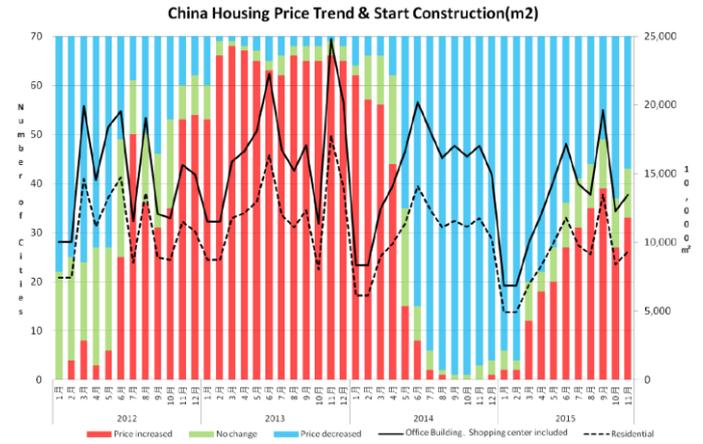
Sawmills are expected to close for CNY in late January, which will cause inventory to rise over the holiday period.

Inventory is likely to rise to just over 4 million m³ during CNY. It is expected that import volumes from North America will be reduced for Q1, which should help to minimize inventory buildup.

Many importers expect that Chinese domestic pricing will not change much before CNY as inventory is still at healthy level. Hopefully this will stabilize CFR prices.

Unfortunately the Chinese RMB has been weakening against USD, which does increase Chinese importer costs and decrease buying power.

China housing price and start trend data is showing an upswing, which is positive in the longer term. Indicated in red below:



Other News

First Vessel from Gisborne!

The Kaiti Hill sailed from Eastland Port on 21 December, marking Summit Forest's first shipment from the region.



This first vessel was a great success, and we thank all involved.

Our second shipment from Eastland will commence loading over the weekend.

China Port Inventory

