# RESEARCH PROJECT

Nov 2022

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i-Source Connects Responsible Buyers & Trusted Suppliers

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## FREIGHT RATE

- China to Italy
- Vietnam to Italy
- India to Italy

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- Non-ferrous metals: Copper Ingot, Aluminium Ingot, Zinc Ingot
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- Fabrics: Cotton, Polyester
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## FX RATE

- CNY/USD
- VND/USD
- THB/USD
- IDR/USD
- INR/USD

## HOT TOPIC IN RETIAL INDUSTRY

# Freight Rate

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# FREIGHT RATE

| ORIGIN | DESTINATION | ROUTE | ONLY VALID ON NOV-2022 | SHIPMENT TYPE/ CARGO |
|---|---|---|---|---|
| CHINA (SHANGHAI) | ITALY (GENOA) | DIRECT | **USD$4,044** | 40’ FCL |
| VIETNAM | ITALY | DIRECT | **USD$4,194** | 40’ FCL |
| MALAYSIA | ITALY | DIRECT | **USD$4,194** | 40’ FCL |
| IINDONESIA | ITALY | DIRECT | **USD$4,144** | 40’ FCL |
| INDIA | ITALY | DIRECT | **USD$2,880** | 40’ FCL |

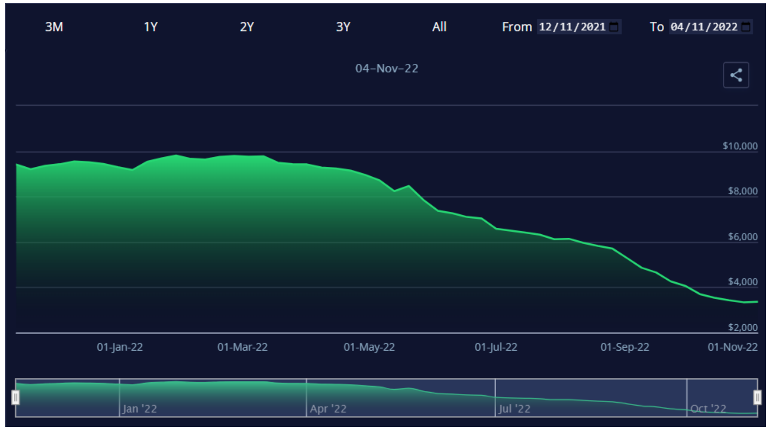
Remarks:

1) Freight rates have continued to fall as global trade volumes slow as a result of shrinking demand for goods, the latest data from S&P Global Market Intelligence showed.

2) Shipping rates are still falling, in another sign that a global recession may be coming.

3) Freight Rate Forecast models have also predicted the Baltic Dry Index — a barometer for the price of moving major raw materials by sea — is expected to fall about 20% to 30% for the year before recovering slightly in 2024.

** Above prices are comparing the same period.




FBX (Global Container Index)
Source: https://fbx.freightos.com/

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# Raw Materials

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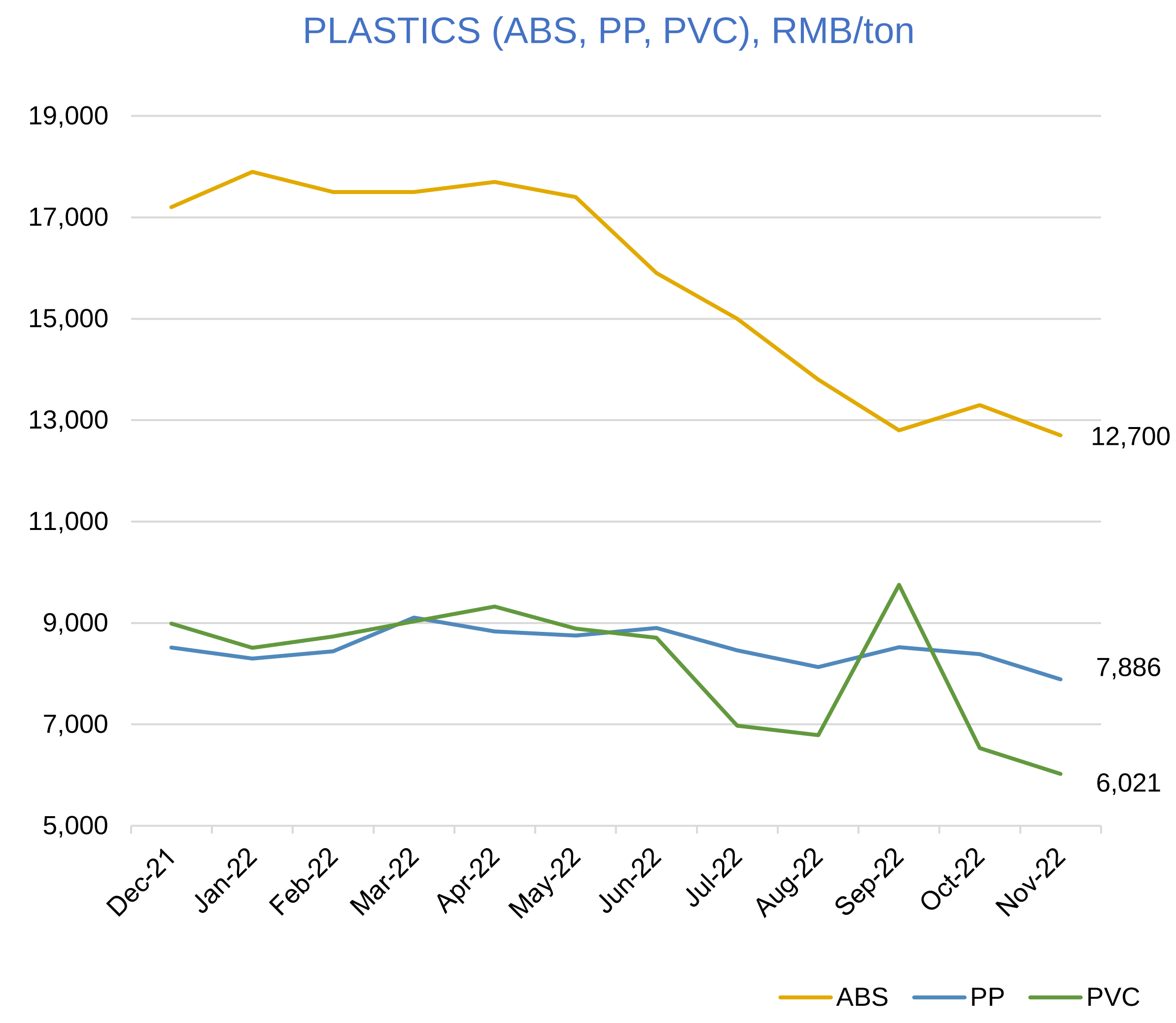
# RAW MATERIALS: PLASTIC




| Date | ABS RMB/ton | PP RMB/ton | PVC RMB/ton |
|---|---|---|---|
| Dec-21 | 17,200 | 8,515 | 8,989 |
| Jan-22 | 17,900 | 8,300 | 8,506 |
| Feb-22 | 17,500 | 8,443 | 8,736 |
| Mar-22 | 17,500 | 9,103 | 9,034 |
| Apr-22 | 17,700 | 8,830 | 9,321 |
| May-22 | 17,400 | 8,754 | 8,886 |
| Jun-22 | 15,900 | 8,901 | 8,707 |
| Jul-22 | 15,000 | 8,460 | 6,972 |
| Aug-22 | 13,800 | 8,129 | 6,788 |
| Sep-22 | 12,800 | 8,523 | 9,754 |
| Oct-22 | 13,300 | 8,384 | 6,534 |
| Nov-22 | 12,700 | 7,886 | 6,021 |
| **YoY%** | **-26.2%** | **-7.4%** | **-33.0%** |

Source: ABS - http://www.buyplas.com | PP,PVC - http://www.stats.gov.cn

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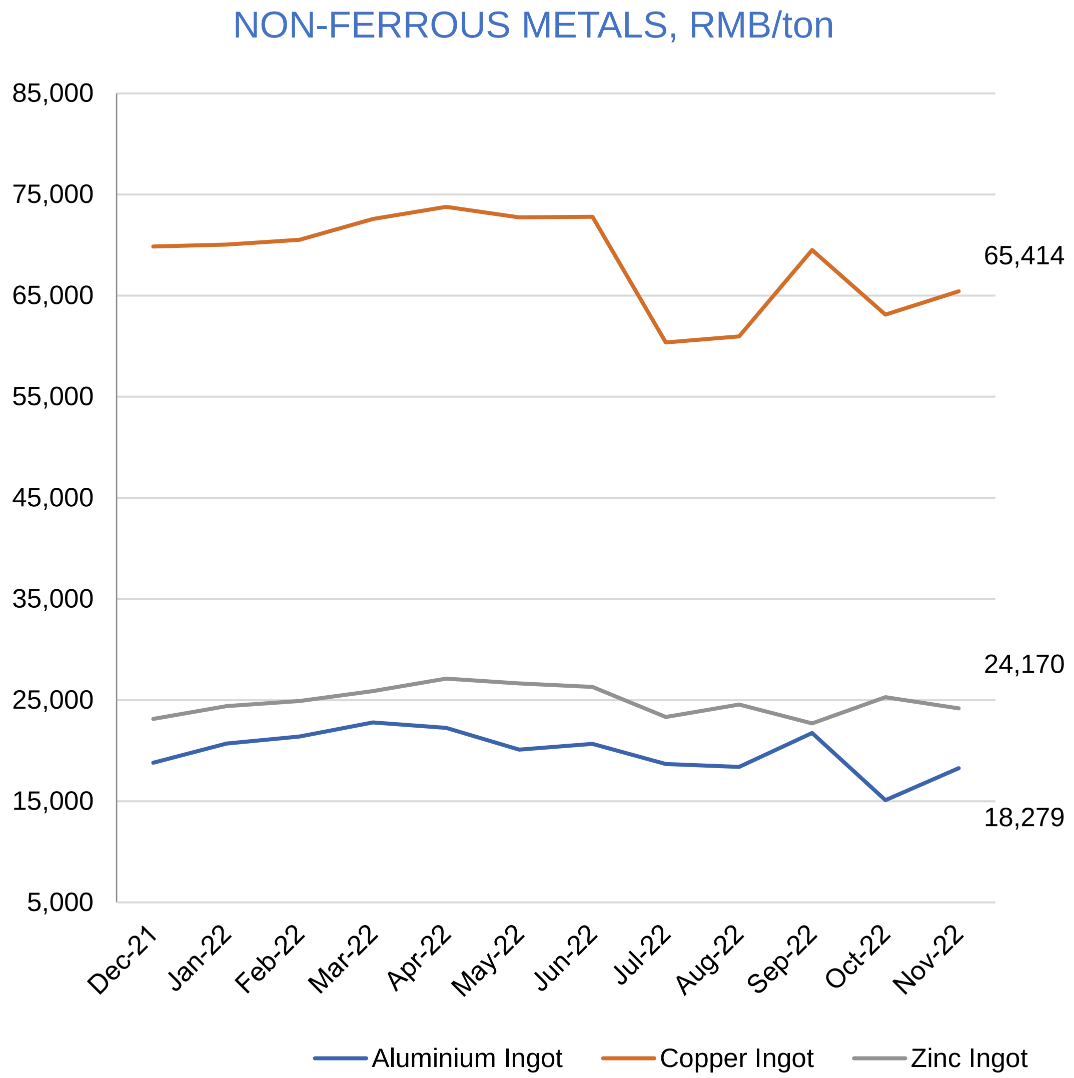
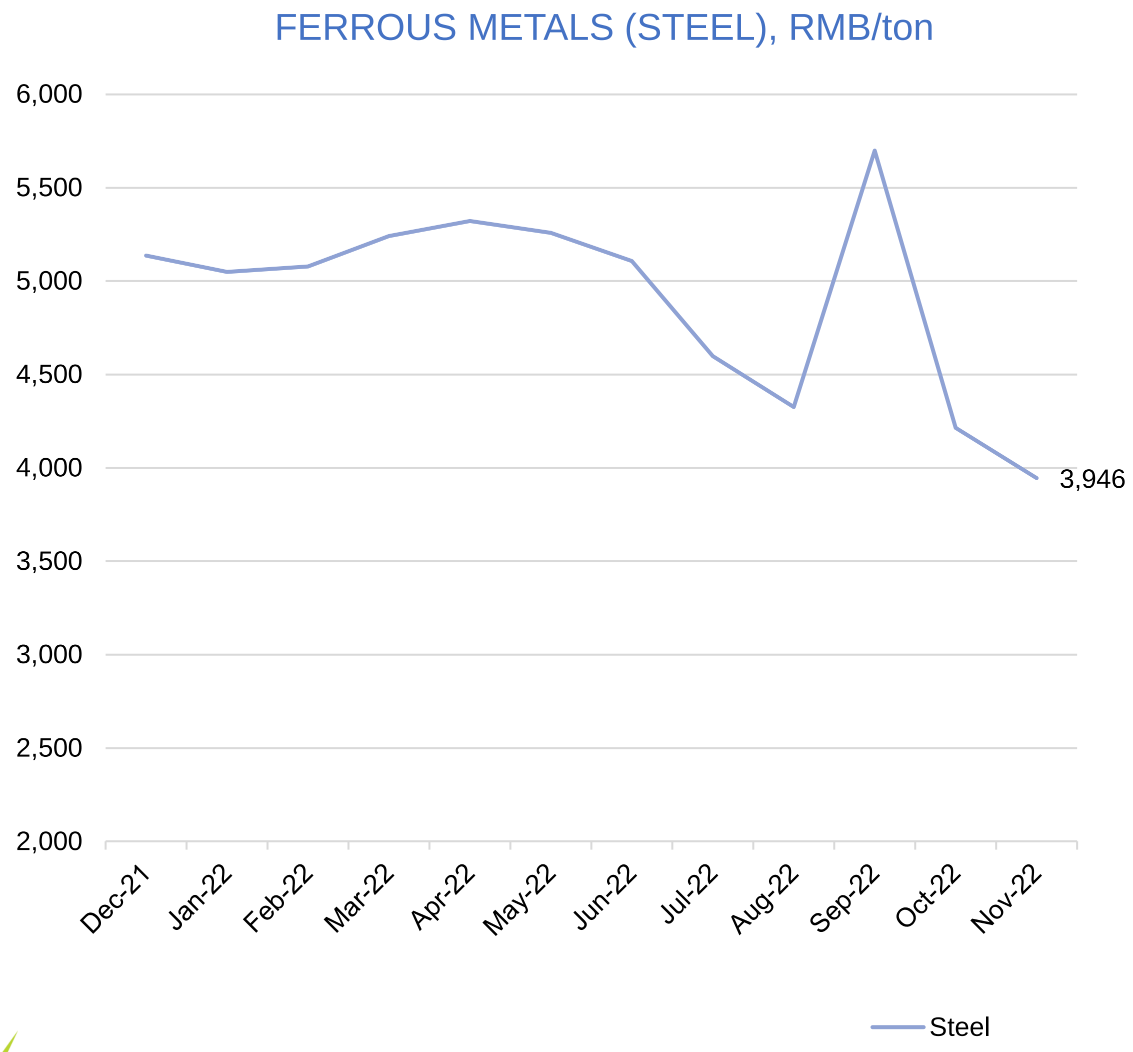
# RAW MATERIALS: NON-FERROUS METALS




| Date | Copper Ingot RMB/ton | Aluminium Ingot RMB/ton | Zinc Ingot RMB/ton |
|---|---|---|---|
| Dec-21 | 69,844 | 18,799 | 23,142 |
| Jan-22 | 70,034 | 20,694 | 24,414 |
| Feb-22 | 70,509 | 21,387 | 24,920 |
| Mar-22 | 72,585 | 22,802 | 25,890 |
| Apr-22 | 73,772 | 22,253 | 27,123 |
| May-22 | 72,726 | 20,110 | 26,658 |
| Jun-22 | 72,791 | 20,660 | 26,318 |
| Jul-22 | 60,383 | 18,695 | 23,323 |
| Aug-22 | 60,970 | 18,408 | 24,561 |
| Sep-22 | 69,503 | 21,761 | 22,698 |
| Oct-22 | 63,120 | 15,100 | 25,300 |
| Nov-22 | 65,414 | 18,279 | 24,170 |
| **YoY%** | **-6.3%** | **-2.8%** | **+4.4%** |

Source: http://www.stats.gov.cn

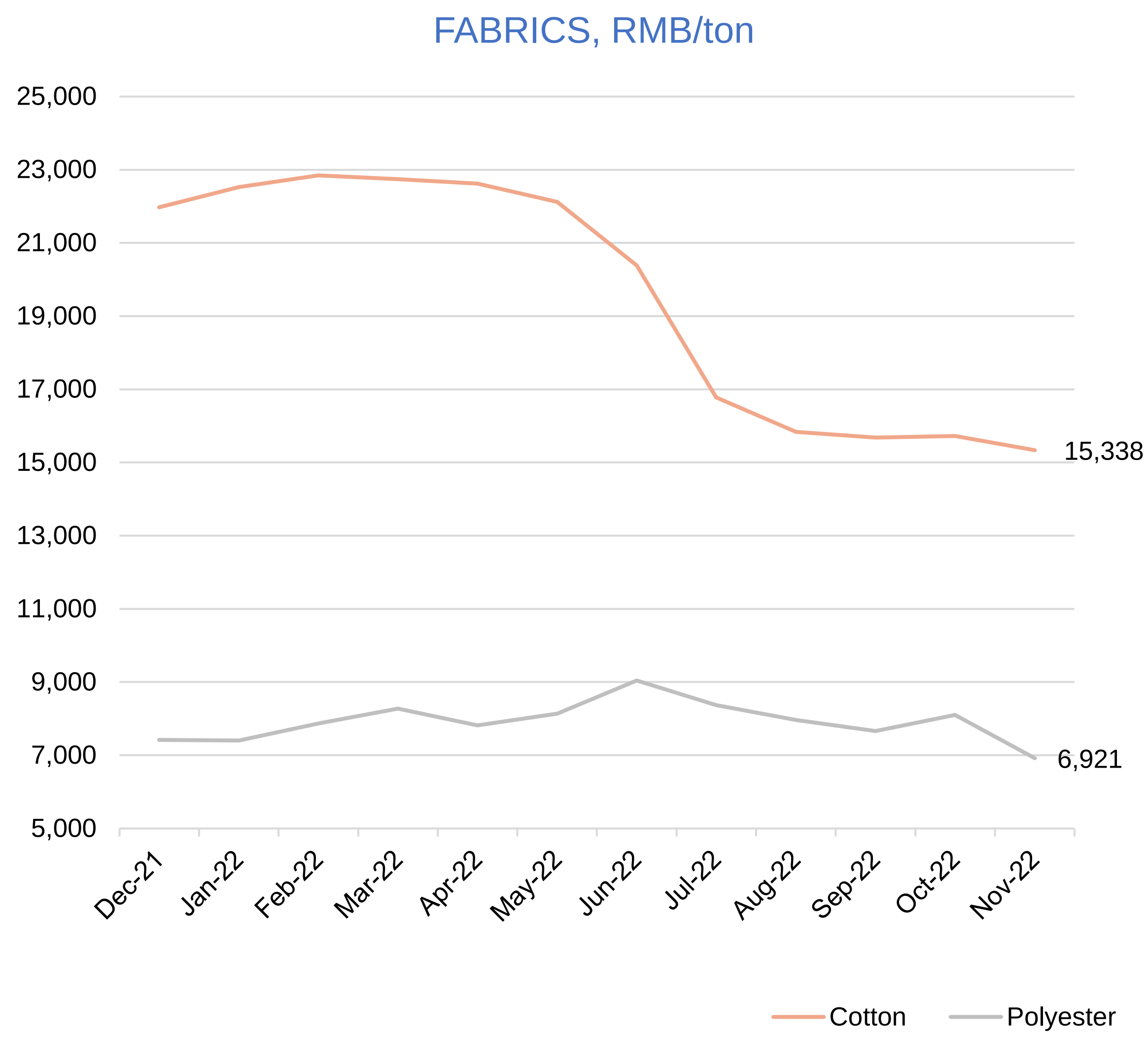
# RAW MATERIALS: FERROUS METALS




| Date | Steel, RMB/ton |
|---|---|
| Dec-21 | 5,136 |
| Jan-22 | 5,050 |
| Feb-22 | 5,079 |
| Mar-22 | 5,242 |
| Apr-22 | 5,322 |
| May-22 | 5,259 |
| Jun-22 | 5,108 |
| Jul-22 | 4,599 |
| Aug-22 | 4,325 |
| Sep-22 | 5,699 |
| Oct-22 | 4,215 |
| Nov-22 | 3,946 |
| **YoY%** | **-23.2%** |

Source: http://www.stats.gov.cn

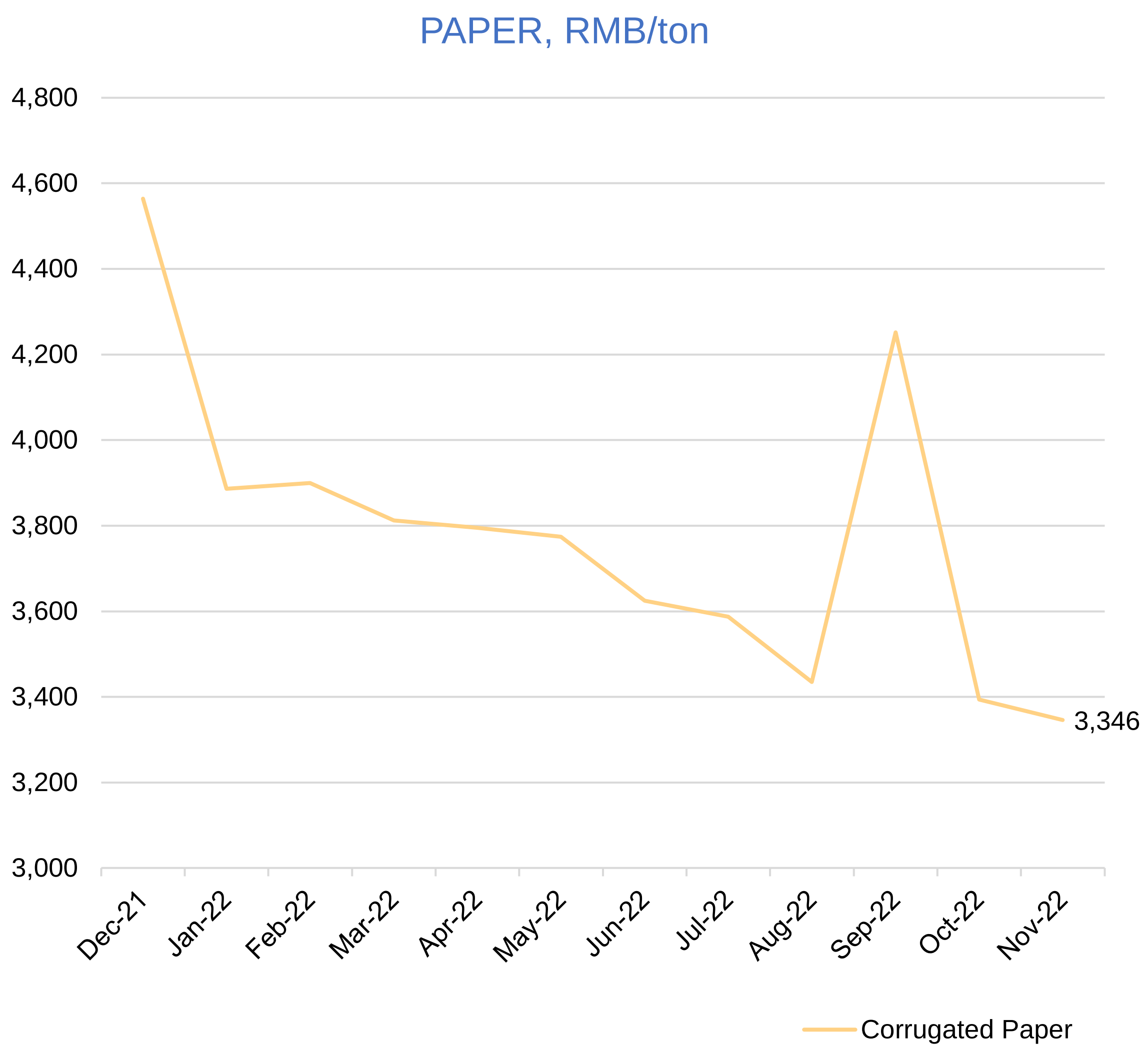
# RAW MATERIALS: FABRICS




| Date | Cotton, RMB/ton | Polyester, RMB/ton |
|---|---|---|
| Dec-21 | 21,970 | 7,419 |
| Jan-22 | 22,529 | 7,405 |
| Feb-22 | 22,843 | 7,867 |
| Mar-22 | 22,738 | 8,275 |
| Apr-22 | 22,618 | 7,820 |
| May-22 | 22,122 | 8,135 |
| Jun-22 | 20,388 | 9,042 |
| Jul-22 | 16,776 | 8,367 |
| Aug-22 | 15,839 | 7,963 |
| Sep-22 | 15,683 | 7,663 |
| Oct-22 | 15,721 | 8,100 |
| Nov-22 | 15,338 | 6,921 |
| **YoY%** | **-30.2%** | **-6.7%** |

Source: Cotton - http://www.china-cotton.org | Polyester - http://www.stats.gov.cn

# RAW MATERIALS: PAPER




| Date | Corrugated Paper, RMB/ton |
|---|---|
| Dec-21 | 4,564 |
| Jan-22 | 3,886 |
| Feb-22 | 3,900 |
| Mar-22 | 3,812 |
| Apr-22 | 3,795 |
| May-22 | 3,774 |
| Jun-22 | 3,625 |
| Jul-22 | 3,587 |
| Aug-22 | 3,435 |
| Sep-22 | 4,252 |
| Oct-22 | 3,394 |
| Nov-22 | 3,346 |
| **YoY%** | **-26.7%** |

Source: http://www.stats.gov.cn

# FX Rate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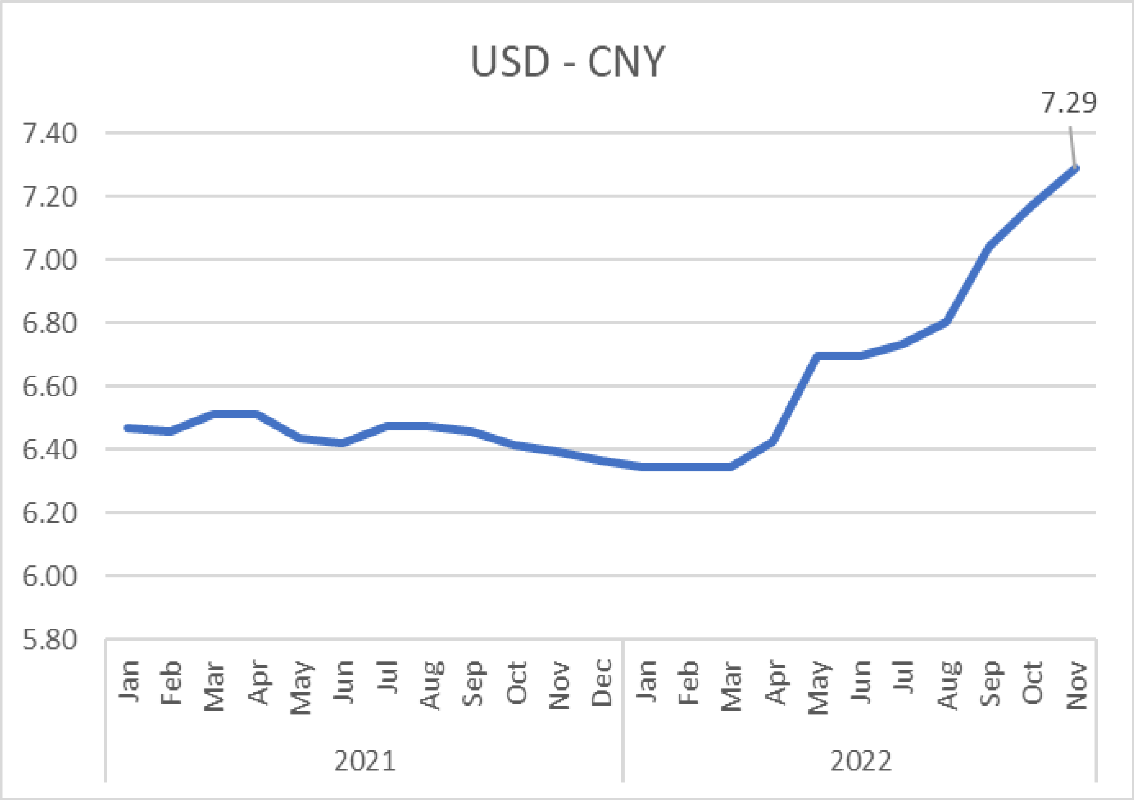
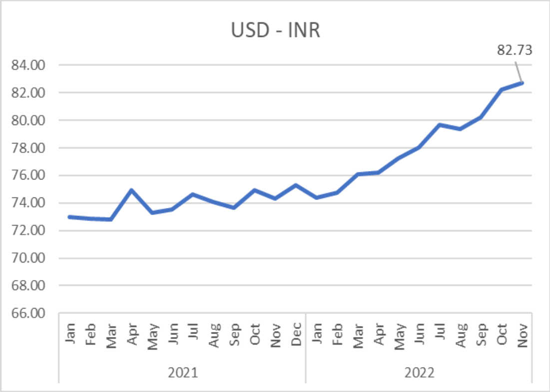
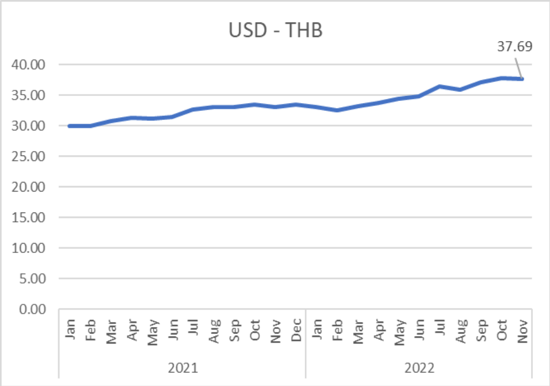
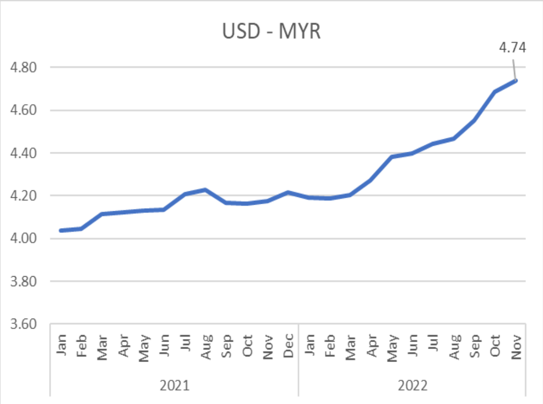
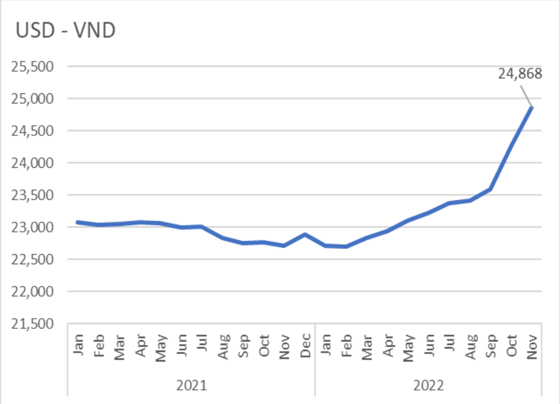
# FX Rate

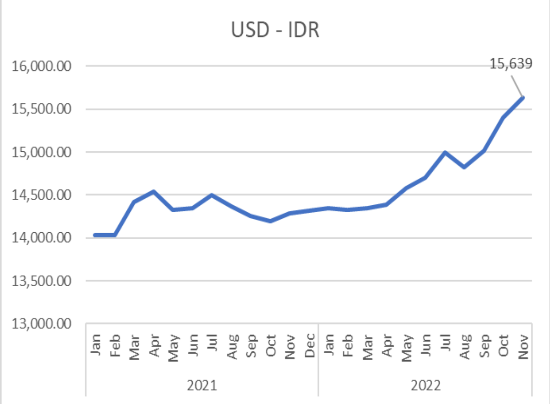
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# FX Rate

| Date | USD - CNY | USD - VND | USD – THB | USD - IDR | USD – INR | USD - MYR |
|---|---|---|---|---|---|---|
| Dec-2021 | 6.36 | 22891 | 33.53 | 14311 | 75.31 | 4.21 |
| Jan-2022 | 6.35 | 22709 | 33.09 | 14347 | 74.35 | 4.19 |
| Feb-2022 | 6.34 | 22697 | 32.58 | 14331 | 74.77 | 4.19 |
| Mar-2022 | 6.34 | 22837 | 33.20 | 14341 | 76.10 | 4.20 |
| Apr-2022 | 6.43 | 22949 | 33.79 | 14383 | 76.19 | 4.27 |
| May-2022 | 6.69 | 23100 | 34.48 | 14576 | 77.22 | 4.38 |
| Jun-2022 | 6.70 | 23233 | 34.87 | 14706 | 78.03 | 4.40 |
| Jul-2022 | 6.74 | 23379 | 36.49 | 14995 | 79.67 | 4.44 |
| Aug-2022 | 6.80 | 23411 | 35.93 | 14822 | 79.37 | 4.47 |
| Sep-2021 | 7.04 | 23598 | 37.08 | 15017 | 80.19 | 4.55 |
| Oct-2022 | 7.17 | 24270 | 37.88 | 15403 | 82.22 | 4.69 |
| Nov-2022 | 7.29 | 24868 | 37.69 | 15639 | 82.73 | 4.74 |
| YoY, % | +14.6% | +8.6% | +12.4% | +9.3% | +9.9% | +12.6% |



Source: https://www.bloomberg.com

# Hot Topic in Retail Industry

# Eurozone inflation reached 10% in September

**The September reading for inflation is ugly across the board with all broad categories experiencing accelerating inflation. This seals the deal on another 75 basis point hike from the European Central Bank in October.**

Eurozone inflation moved into double digits as the ongoing energy crisis continues to push prices up across the board. Monthly increases were also worse than expected and while energy prices have a large impact here, food and core inflation also went up. While an increase was expected due to Germany reversing the nine euro public transport ticket measure from this summer, this jump was more broad-based than expected and will provide extra fuel for ECB hawks as we head into the October meeting.

While the ECB sees more demand-driven inflation at the moment, weaker consumer spending makes this limited at best. Perhaps in sectors still profiting from post-pandemic catchup demand this could be the case, but tourism-driven services in France actually saw weaker inflation than expected in September. To us, most of the higher core inflation reading is still coming from second-round effects from the energy crisis, which is supported by the fact that businesses more dependent on energy have indicated they will increase prices in the months ahead.

The differences in inflation between countries are becoming more significant as measures at the national level are starting to complicate the overall picture. As mentioned, Germany's public transport measure pushed inflation up in September, but France saw a declining inflation rate mainly due to government measures aimed at improving purchasing power. Expect government intervention to intensify on the back of still soaring inflation rates, and as long as this is not coordinated in Brussels, expect a continued muddied overall picture in the eurozone.

The divergence between countries would normally complicate the picture for the ECB, but with current high inflation rates the trajectory is clear: the ECB is set to hike drastically at the coming meetings to get to neutral and possibly beyond quickly. First stop is the October meeting where another 75 basis point hike is now the most likely outcome.

# Europe now has so much natural gas

**Europe has more natural gas than it knows what to do with.**

So much, in fact, that spot prices briefly went negative earlier this week.
For months, officials have warned of an energy crisis this winter as Russia — once the region's biggest supplier of natural gas — slashed supplies in retaliation for sanctions Europe imposed over its invasion of Ukraine.

Now, EU gas storage facilities are close to full, tankers carrying liquefied natural gas (LNG) are lining up at ports, unable to unload their cargoes, and prices are tumbling.

The price of benchmark European natural gas futures has dropped 20% since last Thursday, and by more than 70% since hitting a record high in late August. On Monday, Dutch gas spot prices for delivery within an hour — which reflect real time European market conditions — dipped below €0, according to data from the Intercontinental Exchange.

Prices turned negative because of an "oversupplied grid," Tomas Marzec-Manser, head of gas analytics at the Independent Commodity Intelligence Services (ICIS), told CNN Business.

It is a hugely surprising turn of events for Europe, where households and businesses have been clobbered by eye-watering rises in the price of one of its most important energy sources over the past year.

*To be continuous…*

# Europe now has so much natural gas

## Higher prices next year

Despite the recent slump, at around €100 ($100) per megawatt hour European natural gas futures are still 126% above where they were last October, when economies started to reopen from their pandemic lockdowns and demand spiked.

Prices could rise sharply again in December and January as the weather turns colder, providing an incentive for some of those tankers to wait offshore a while longer before coming into port to unload, said Booth.

And despite the fact that Russia’s share of Europe’s total gas imports has fallen from 40% to just 9%, the region could be in a difficult spot next summer as it tries to replenish its stores ahead of the following winter.
Prices are expected to hit €150 ($150) per megawatt hour by the end of 2023, said Bill Weatherburn, a commodities economist at Capital Economics.

“Filling storage ahead of next winter will require the EU to import even more LNG because there is a need to replace lost Russian gas imports for an entire year,” he told CNN Business.

# Inactive box ship levels hit two-year high

Inactive tonnage as a percentage of the overall container fleet is now at its highest level in two years, according to Alphaliner, the latest in a wide-ranging series of data points highlighting the sector's swift change in fortunes.
The proportion of inactive tonnage still remains very low historically, Alphaliner pointed out in its latest weekly report, but has shown consecutive monthly growth since August.

Liner CEOs are still digesting the latest forecasts from the International Monetary Fund (IMF), which is now projecting that a third of the global economy will contract in 2022 or 2023, with the US, EU, and Chinese economies forecast to continue to stall.

"In short, the worst is yet to come, and for many people 2023 will feel like a recession," the IMF warned.
"The demand side outlook continues to weaken on war risk, skyrocketing energy costs, political instability and general inflation, all of which are now impacting overall consumer spending and thus trade volumes," the latest ocean freight market report from DHL stated.

Discussing the fast deterioration of the cargo environment, Alphaliner reported that carriers are trying hard to stem this volume contraction and the freight rate collapse by blanking sailings, removing capacity, shutting down or merging services and reducing speed, but this has been so far insufficient to reverse the trend.

*To be continuous…*

# Inactive box ship levels hit two-year high

*News released on Oct 2022*

“Reports of ships sailing at only 70-80% capacity on main trade routes are showing the extent of the problem and point to further unavoidable capacity reductions further down the road,” Alphaliner reported in its latest weekly report.
“Based on the current weak fundamentals, geopolitical instability and poor macroeconomics, the market will remain bearish until at least early 2023, with an unprecedented cost of living crisis slowly pushing the world into a global recession,” Alphaliner suggested.

According to Judah Levine, head of research at Freightos, ocean spot rates have continued their decline on the major ex-Asia lanes this week on falling demand, but port congestion on the US east coast and at many major European hubs may be slowing the speed of the rate fall on those lanes somewhat despite falling volumes.

Asset values are sliding too, albeit not as precipitously as charter rates. The 4,400 teu segment has seen values slip to around $50m for 10-year old ships and to $45m for 15-year old vessels, according to a new container shipping report from Jefferies. These are down from theirs peaks above $90m in early 2022, but remain well-above the $10m to $15m average value during the 10 years prior to 2021.

“We see asset prices beginning to reflect a more normal earnings environment in 2023 as current charters expire and owners weigh scrapping decisions,” analysts at Jefferies noted.
Scrapping will need to accelerate to handle the record volume of new tonnage entering the sector from next year.
New capacity delivery, which has been below 5% each year since 2019, will smash records in the coming two years.
“This new wave of new capacity delivery could not have come at a worse time as the shipment volume has started to soften since mid 2022,” a new report from Linerlytica warned.

# Commodity prices movement

## METALS

- September average price of LME aluminium went down by -8%. Aluminium prices fell to 18-month lows, down 50% since a record high of $4,073.50/mt when the market tried to price in disruptions to Russian supplies due to the war in Ukraine. In China, trading prices of aluminium and copper quite stable

- Most European steel products went down by -4% (except for steel wire rod). MEPS predicts that flat product prices will increase modestly, in the near term. Elevated energy costs are leading to the extremely weak financial positions of the mills. However, adequate stock levels, slowing end-user demand and deteriorating market sentiment are expected to constrain any upturn in prices.

## POLYMERS

- Average prices European polymers went further down by -5%. Demand from downstream consumer segments was low. Fundamental recession concerns and rising energy prices are clearly being seen as stumbling blocks. PVC prices continued their downward trend in September 2022, falling for the 5th month in succession. Despite this, the price level remains high: still +15.6%
-
- USD appreciated against RMB by +3.3% in September (12% YTD), thanks to the U.S. Federal Reserve's rapid tightening of monetary policy. The People's Bank of China (PBOC) has been easing interest rates to revive growth in an economy ravaged by Covid lockdowns, while the US Federal Reserve is moving aggressively in the opposite direction as it tries to control inflation.

# Thank You!

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