

Weekly Market Pulp Insight

CHEMICAL MARKET PULP SERVICE

Sunday, October 31, 2004

MARKET DEVELOPMENTS

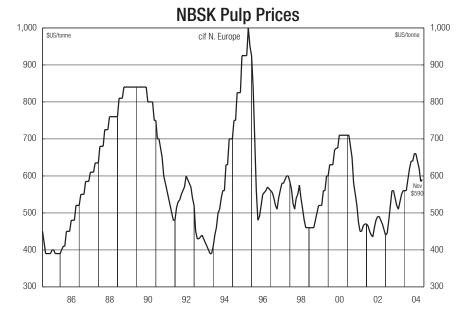
- The Hainan mill is not expected to start until well into Q1/05, due to wood procurement and equipment installation delays.
- The latest NBSK FOEX decline down \$3.94 to \$584.49 was the lowest in the last five weeks.
- Shipments to Western Europe were potentially stronger than consumption in October, allowing consumers to rebuild their stocks.
- Price-increase announcements are likely to set the stage going into London Pulp Week.
- The bottom line is that the market is trying to find a direction ahead of London Pulp Week and everyone is jockeying for position in advance.
- In the last week, as the Canadian dollar has surpassed US\$0.82, producers appear to be slowly regaining some market control; prices appear to have bottomed.

PULP PRICES

- The FOEX price continues to edge down, but the decline slowed in the last week on news that demand has improved. Is it enough to allow price increases to go through for NBSK and eucalyptus?
- The decline in the price of NBSK has reached \$77.19 since the end of June.
- The decline has particularly affected Canadian suppliers, whose dollar has risen to US\$0.82.
- Suppliers will not be able to lower the price any further, and market-related downtime is imminent if they do leading to a supply-side recovery, which in turn will spur demand.
- Our price forecast is likely to show the bottom for Canadian NBSK at \$580 in late October.

	U.S.		WESTERN EUROPE		CHINA	
	This Week	Last Week	This Week	Last Week	This Week	Last Week
CANADIAN NBSK	620	620	590–600	580	510	470–480
BRAZILIAN EUCALYPTUS	535	535	520	470–490	440–450(a)	440–450(a)

(a) expected



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