

Paper/Forest Products

Pkgg/Paper Wrap-up, Daily – 1/18/24: FX, yields, market comments, & earnings

Industry Overview

Market Commentary: S/D queries, upcoming PPW pricing

It has been a pretty quiet, holiday-shortened week thus far. If there has been a small, common denominator we have had some investors doing deeper dives on the supply/demand in some of our paper/forest product areas. There has also been some inbound on the price update from Pulp & Paper Week for containerboard and boxboard, due this weekend (for the record, we expect some portion of the announced \$70/ton in linerboard to be implemented for January and \$60/ton, overall, over the course of 1Q.

Exhibit 3: Currency Matrix:

Summary of Currency forecasts

	US \$	Yr. Ago	% (*)	Last Week	% (*)	2024E	2025E
EUR-USD	1.08	1.07	1.7%	1.10	-1.2%	1.15	1.20
GBP-USD	1.27	1.20	5.2%	1.28	-0.7%	1.31	1.40

	US \$	Yr. Ago	% (**)	Last Week	% (**)	2024E	2025E
USD-CNY	7.20	6.95	3.5%	7.16	0.5%	6.90	6.70
USD-CAD	1.35	1.35	-0.2%	1.33	1.5%	1.30	1.30
USD-BRL	4.93	5.28	-6.6%	4.87	1.3%	4.75	5.00

Source: FactSet as of 1/17/24 intraday, BofA Global Research; (*) positive pcts reflect appreciation of currency v. USD; (**) Positive pcts reflect appreciation of USD v. currency

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Paper Excellence hikes market pulp, fluff

Fastmarkets RISI reported on January 17th that Paper Excellence Group is out with price increases for market pulp and fluff in January. According to RISI, prices will increase \$50/MT domestically and \$30/MT globally. The company's US list prices are now at \$1,400/MT for northern bleached softwood kraft (NBSK), \$1,310/MT for southern bleached softwood kraft (SBSK), and \$1,840/MT for fluff pulp. We have been forecasting pulp prices to peak in 1Q or 2Q before ultimately declining in the 2H of 2024 ([see our YA report here](#)).

December housing starts

The Commerce Department's December report shows US housing starts were up +7.6% y/y at 1.46mm. Sequentially, housing starts were down -4.3% from November. Recall, November saw a pickup of +10.8% from the prior month. Meantime, in December building permits rose +1.9% versus November. Our forecasts currently expect US housing starts to fall mid-single digits in 2024, but with very strong growth in single-family (SF) housing starts.

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Timestamp: 18 January 2024 04:42PM EST

18 January 2024

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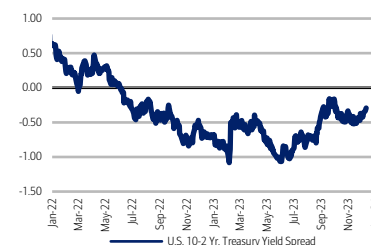
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Exhibit 1: US Treasury Yield Curve

Summary of U.S. 10-2 Yr. Yield Spread



Source: FactSet as of 1/17/24 10yr minus 2yr, BofA Global Research

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Exhibit 2: US Treasury Rates

Summary of w/w change

	Date	%	Last Week	%
US Treasury Rates				
US - 10 Year -	17-Jan-24	4.222	10-Jan-24	4.044
US - 2 Year -	17-Jan-24	4.388	10-Jan-24	4.358

Source: FactSet; BofA Global Research

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