

## Paper/Forest Products

## Pkgg/Paper Wrap-up, Daily – 1/11/24: FX, yields, pulp. Market more risk on

Industry Overview

## Market comments: a bit more positive on econ. front

It was not as super busy a week of client inbounds but most of the calls seemed focused on economically sensitive names. Within products, containerboard and boxboard received most of the inbound and, within this grouping, Buy-rated WestRock (partly due to event-driven investor interest in its pending transaction with Smurfit Kappa [SKG; rated Buy by our colleague Joffrey Bellicha Meller]) and Graphic Packaging (on valuation). We also received some queries on U/P-rated International Paper and Avery Dennison. Candidly, we expected more Q&A given inflating recovered paper (RCP) costs but there were only a few emails on this after our notes from last week. Market commentary coming from the ICR (consumer) Conference this week suggested better end-of-year/early-2024 topline trends, with some interest on what the Red Sea shipping situation might mean for supply chains and, perhaps, anticipatory buying. This could make for better 4Q or 1Q volume trends, and we'll see if this plays out in 4Q earnings report guidance.

## Exhibit 2: Currency Matrix: Dollar generally strengthened

Summary of Currency forecasts

	US \$	Yr. Ago	% (*)	Last Week	% (*)	2024E	2025E
EUR-USD	1.10	1.07	2.8%	1.10	-0.7%	1.15	1.20
GBP-USD	1.27	1.20	5.9%	1.27	-0.1%	1.31	1.40

	US \$	Yr. Ago	% (**)	Last Week	% (**)	2024E	2025E
USD-CNY	7.17	6.95	3.2%	7.09	1.1%	6.90	6.70
USD-CAD	1.34	1.35	-1.2%	1.32	1.5%	1.30	1.30
USD-BRL	4.89	5.28	-7.4%	4.86	0.7%	4.75	5.00

Source: Source: FactSet as of 1/11/24 intraday, BofA Global Research; (\*) positive pcts reflect appreciation of currency v. USD; (\*\*) Positive pcts reflect appreciation of USD v. currency

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## More downtime at Chinese board mills: somewhat positive

Fastmarkets RISI reported that more Chinese paperboard producers have announced plans to take additional downtime during the Lunar New Year. We don't want to read too much into this but this could be deflationary for RCP while possible benefiting broader export markets for both containerboard and boxboard. According to RISI, approximately eleven Chinese producers are scheduled to take downtime in 1Q24 with the expected curtailment exceeding ~1.5mn tonnes.

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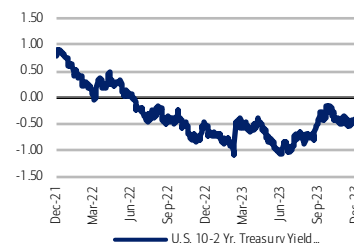
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## Exhibit 1: US Treasury Yield Curve

Summary of U.S. 10-2 Yr. Yield Spread - slight dis-inversion trend this week



Source: FactSet as of 1/4/24 10yr minus 2yr, BofA Global Research

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