



Waiting for Superman

Editorial from TZMI's *TiO₂ Market Insight* - July edition
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In the American documentary *Waiting for Superman*, an educator reflects on his challenging childhood and the disappointment that results from the realisation that Superman is a fictional character and that no one is indeed powerful or knowledgeable enough to save him from his circumstances.

The metaphor certainly extends to the current TiO₂ market and attempts to reduce cyclical volatility that has defined this market for decades.

Chemours' (and others') strategy to reduce earnings volatility in a commodity market is meeting challenges that would be expected from such a venture. Nothing complicated and market shifting like this strategy was ever easy, and there is no Superman on the near-term horizon in the form of a significant demand uplift to make the transition easier. Increased production from Chinese producers (both chloride and sulfate), which is mostly making its way into the export market, has provided little air cover.

Customers are pushing back, shifting volume to Chemours' competitors that would appear to be a mixture of peer chloride producers and Chinese sulfate suppliers with higher quality product portfolios (most notably Lomon Billions and CHTi). In some cases, TZMI is aware of traditional chloride consumers switching formulations to include a greater sulfate TiO₂ mix in order to deal with the lack of available supply at a price deemed market competitive. It seems a new focus on using more sulfate TiO₂ products in traditionally chloride applications will continue. This is clearly a near, medium and long-term threat to a stabilisation strategy.

As of publication, Chemours reported Q2 2019 sales volumes off again – this time by 33% year-on-year in a market that is expected to be down by mid-single digits when the final figures come in. Chemours' loss of market share has not translated to a substantial movement in earnings rates as yet, although loss in earnings in absolute terms are substantial versus the prior year.

TZMI's discussions with the market yield varying levels of viewpoints on what the future holds. Overlay the new strategies with a trade dispute that shows no signs of softening – in fact, quite the opposite – and the future is very uncertain regarding evolving price scenarios. In the next issue of TZMI's *Pigment Price Forecast*, TZMI will provide a feature scenario with the two dimensions of analysis being trade war outcomes versus producer price strategies. A slimmed down version of this analysis will be provided in the next month's issue of *TiO₂ Market Insights* as a feature.

Pressure is rising for producers and consumers in the current market. Weak demand thus far has provided little relief for anyone in the value chain and is putting pressure on customers' and producers' bottom lines. Geopolitical issues have further increased the temperature, with leaders stubbornly dug into entrenched positions and lines in the sand becoming more concrete as time passes.

While TZMI's price forecast indicates price stability and a gentle increase in 2020, the external forces that will control the market, ultimately, could shift it in different directions. Three months ago, the macroeconomic environment was the biggest risk. Today, that risk exists and is overlaid with other external forces.