

# April 2018 Market Report

## GLOBAL MACRO MARKET UPDATE

### Europe

The euro has lost ground against its major counterparts in the first quarter as recent economic data has indicated a slowdown in growth. Market participants are becoming wary that the euro zone economy is near the ceiling in its recovery in the medium term. The European Central Bank may have to move more slowly in tightening its monetary policy to support growth.

### UK

The British pound has posted relatively sharp gains in 2018 despite the lingering concerns over Brexit. Like the euro, sterling has retreated due to recent mixed economic indicators. The Bank of England governor Mark Carney has reiterated the view of gradual rate hikes over the next couple of years. While the Brexit negotiations will provide headwinds for the UK, the consensus is that Britain can avoid a hard landing when it leaves the European Union.



### USA

The US dollar has recovered against a basket of major counterparts on the back of improving economic activities and higher US yields. The Federal Reserve is on course to raise the interest rates at least two more times in 2018. The greenback had lost much ground in the first



quarter, however the increasing yield premium has attracted overseas funding into the currency. The U.S. economy has seen steady growth in recent months; the focus remains on whether there will be improvements in the coming months that would warrant additional rate increases

### China

The Chinese yuan has strengthened against the US dollar in the first quarter of 2018, however the currency strength has become a talking point in the recent US-China trade dispute. President Trump has accused the Chinese government of devaluing its currency to gain an unfair advantage in global trade. The yuan is expected to gain gradually against its counterparts.

### India

The rupee has weakened steadily in recent months due to higher crude oil prices and a widening trade deficit. The currency has also been hurt by high capital outflows from its capital markets. The outlook has worsened recently for the Indian economy - higher oil prices will continue to stress the economy and weaken the rupee in the near term.





## ESSENTIAL OILS AND EXTRACTS

### Aniseed Oil China Star

The availability of aniseed fruit and leaf oils remains tight; the extreme cold weather in the producing region during January and February caused substantial damage to the trees with many of the buds being destroyed altogether. This has meant a lower availability of raw material for oil production. Prices are expected to increase further at least in the short term.

### Buchu Oil

The situation in South Africa is critical; the continued extreme drought and bush fires has meant that very little material is available from the new crop, with prices dramatically up since 2017. Material will remain tight for the foreseeable future.

### Clove Leaf Oil Indonesian

The production of clove leaf oil in Indonesia has dropped substantially due to the heavy rainfall. This coupled with the high demand for oil along with its derivatives has meant that the price has jumped up dramatically over the last few months with limited availability.

### Davana Oil

The new crop is now finished and is said to be a normal one with good quality oil available. Prices have eased recently as there is good carryover from the previous crop.

### Eucalyptus Oil Globulus

The market remains extremely tight and prices from origin have continued to rise over the past few months. Towards the end of 2017 there was excessive pruning of the trees in light of the high prices; the production figures are well below that of previous years as it will take some time for the trees to recover and branches to grow back. We have also heard that the labour available during the farming season is still limited.

### Grapefruit Oil

The market situation remains dire with the figures forecasted by Florida continuing to drop each month, prices are still at record highs with no expectation of these coming down.

### Lemongrass Oil Indian

Lemongrass remains very short as limited rainfall has led to the plants drying up, and subsequently very little material is available for distillation. With synthetic citral remaining in short supply this has put additional pressure on the various sources of natural citral. Prices are expected to continue to rise.



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### Litsea Cubeba Oil/Citral Natural

Prices have remained fairly stable recently at the incredibly high levels that we reached at the end of 2017. The new oil will begin to be available from July so we are not expecting any improvement before this point.

### Lime Oil

Lime Oil distilled Mexican (key lime) and Lime CP Persian are in good supply with prices remaining stable.

### Orange Oil

Prices have eased slightly over the last few months due to the good crop forecast from Brazil. The figures from Florida are well below the usual levels however due to the bumper crop from Brazil this doesn't seem to be having a negative impact. Not much is expected to change before the new crop in the June.

### Peppermint Oil Indian

The sowing of mentha roots was completed in early February, and as prices rose to such a high level by the end of 2017, the planting has been plentiful. A good crop is expected in the summer however any relief is likely to be below expectations as the carryover from 2017 was extremely low, particularly for mentha arvensis.



## AROMA CHEMICALS

### Citral synthetic and derivatives

We have heard that citral and citronellol production has started in BASF's Malaysia factory which will ease some of the pressure for when production re-starts in Germany. Due to the huge demand however material is not expected to be readily available until later in the year

### 2-acetylpyrazine

Material remains in very short supply with the price still at incredibly high levels. We do not expect the price to come down soon as the factories are still being forced to upgrade their production facilities or close. In June the Shanghai Cooperation Organisation summit will take place in Qingdao and so it is likely that there will be further restrictions of pyrazine production in Shandong province.

### Levulinic Acid

Availability is still short with prices remaining at the levels we saw towards the end of 2017. We don't expect any relief while the production of the raw material is still restricted.

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# Talk to us

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Should you have any questions regarding the materials we have discussed in this report, or indeed if you just fancy a chat, we're always pleased to hear from you. You can contact us in the following ways:

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