

Macro

	Last	Previous	% Change
USDCNY	7.1364	7.1019	0.5%
Repo 7 Days	1.4	1.15	21.7%
Repo 1 Day	1.09	0.86	26.7%
Dollar Index	99.863	100.402	-0.5%
China GDP Constant Price YOY %	-6.8	6	NA
China PMI (Caixin)	49.4	50.1	NA
China Industrial Production MOM %	2.27	33.04	NA
Commercial Space Under Construction	2.5	2.6	NA
Commercial Space Completed	192.9	155.6	NA
Commercial Building Space Sold, YTD YOY%	-19.3	-26.3	NA
Residential Space Under Construction, YTD YOY%	3.8	4.1	NA
Residential Space Completed, YTD YOY%	-14.5	-16.2	NA
Residential Floor Space Sold, YTD YOY%	-18.7	-25.9	NA

Ferrous Weekly Comment

Market Summary:

Iron ore reversal at high area and correction.

Ferrous Sector Money-flow:

DCE iron ore started to soften after reached a yearly-high open interests, indicating previous long are taking gains. Coke became leader of ferrous sector during previous week and early this week. However coke push normally impact half-trading day on ferrous sector. DCE September iron ore total contract value at 65 billion yuan, the peak in the year 2019 was 75 billion yuan. However iron ore also created pre-historical correction after peaking on both open interest and total contract value.

China Government Work Report and Conference:

Industrial market corrected because no marginal contribution to grow economy, however government focus on recover and stable strategy. None speculation on housing following past year policy. In addition, railroad infrastructure only increased 100 billion yuan compared to the year 2019. The rest of infrastructure sectors are silent. A potential decrease on low-rent and rundown houses.

Steel Sector:

Construction steels daily consumption still traded above 220,000- 230,000 tonnes level. In addition, steel destocking in better/equal to expectation speed. However statistics have yet to reflect the southern floods in Guangdong Province. The demand will be marginally crushed since Guangdong still facing a few weeks of rainy weather and flood according to forecast.

Blast furnace utilisation rate is reaching theoretical high, and the turning point of pig iron production is expected to come in early June. Iron ore usage is facing a roof. If EAFs production can't fill the gap of demand and blast furnace. Steel will become slight short and price potentially positive driven up.

Different types of steels start to decrease from last Friday including rebar, flat steels and scrap. Billet lock price several times indicate physical market is meeting with some uncertainties on high price area.

Iron Ore:

Mangga Cyclone confirmed a limited impact to Walcott port area from may 23-25th, which is weekends. Moreover no heavy rains on miners or major iron ore export ports. Port overhauls on Brazil and Australia called an end in May 25th. The delivery recovering is expected in June.

Market is still concerning Brazil iron ore export since Brazil has become the second severest countries impacted by virus. However Vale hasn't make any adjustment to its annual production or sales target.

Current iron ore tight balance would keep iron ore in a bigger volatility range instead of a directional trend. Please also see following as a fundamental change road map of iron ore:

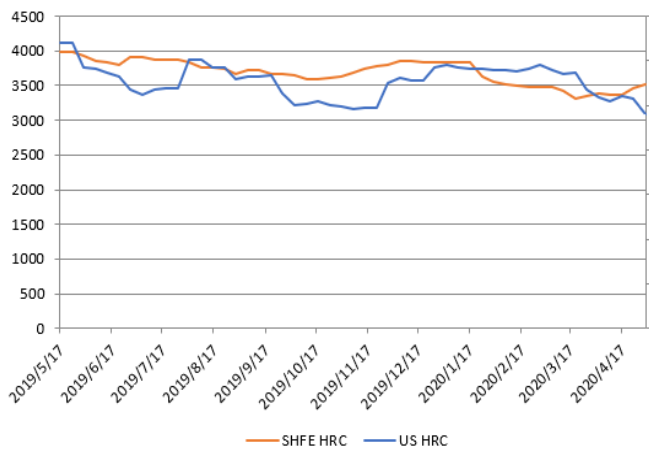
Iron ore delivery increase → Steel mills inventory slight up → Port inventory up → Port physical iron ore and DCE iron ore correction → Import profit squeezed → Seaborne iron ore and SGX iron ore correction deeper.

Senior Researcher: Hao Pei

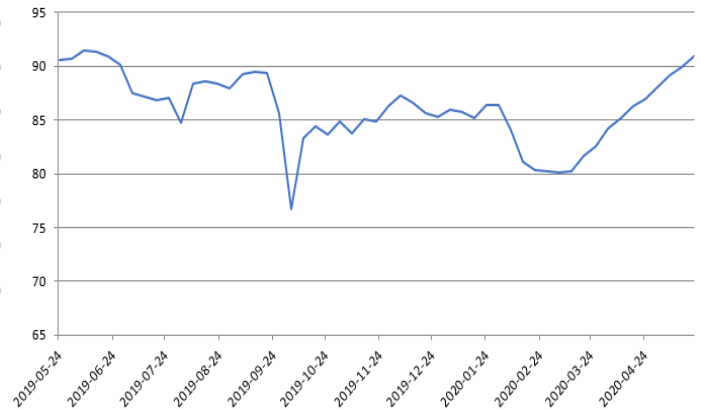
Steel

	Last	Previous	% Change
US HRC Front Month	472	474	-0.4%
SHFE Rebar Major Month(May)	3547	3453	2.7%
China Hot Rolled Coil	3670	3520	4.3%
China Monthly Steel consumption Unit 000's mt	79723.3	73634.7	8.3%
Five Major Steel Inventories Unit 10,000 mt	3877.95	3715.84	4.4%
Construction Steel Total Inventory unit 10,000 mt	2816.48	2681.75	5.0%
Crude Steel Production China Unit 000's mt	85033	78975	7.7%
China Volume of Commodity Imports Unit 000's mt	1010	1140	-11.4%
China Volume of Commodity exports Unit 000's mt	6320	6480	-2.5%

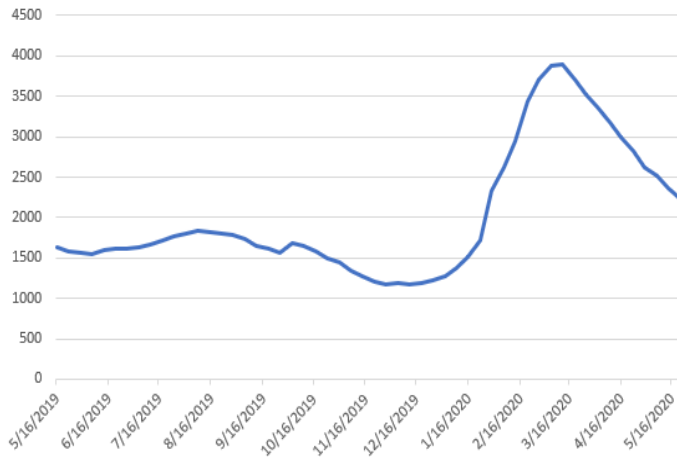
US HRC Vs SHFE HRC



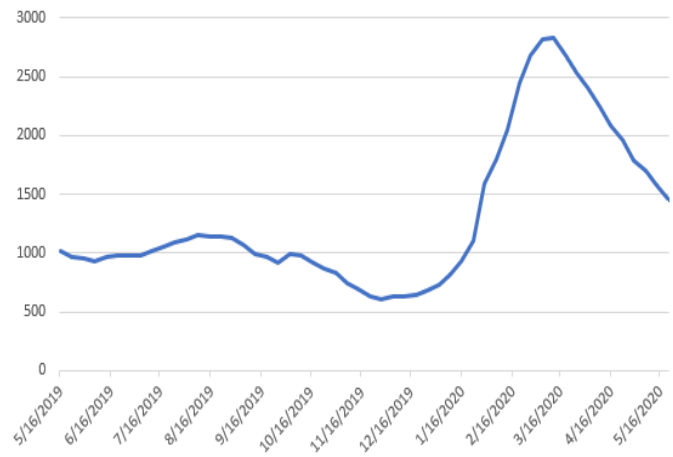
MySteel 247 mills BF Utilisation Rate in %



China Five Major Steel Inventories(in 10,000 tonnes)



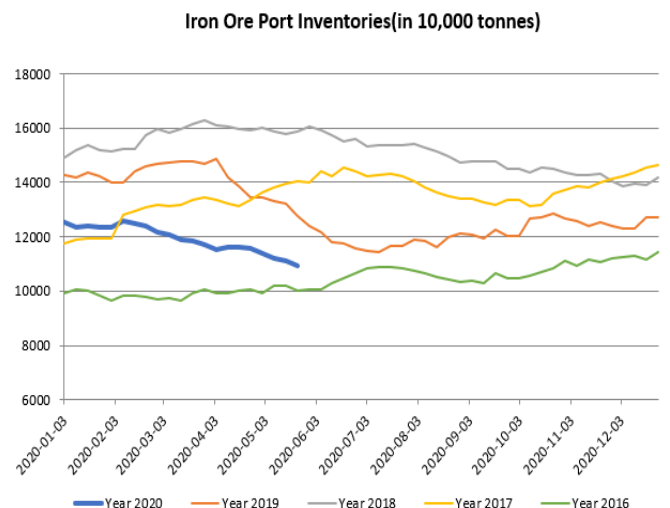
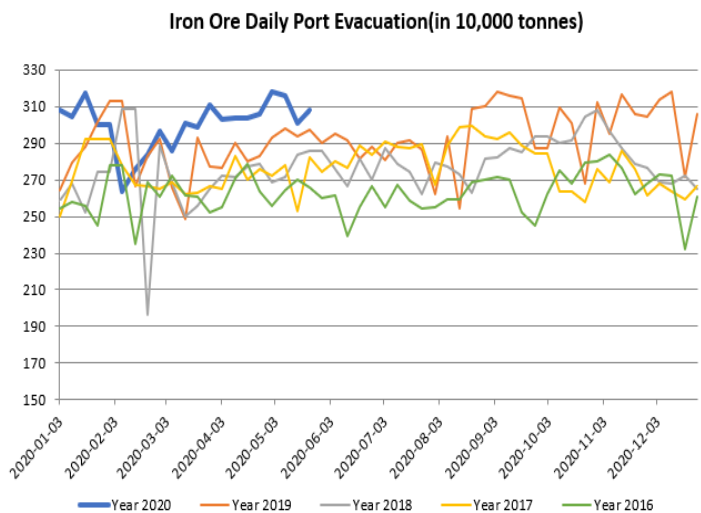
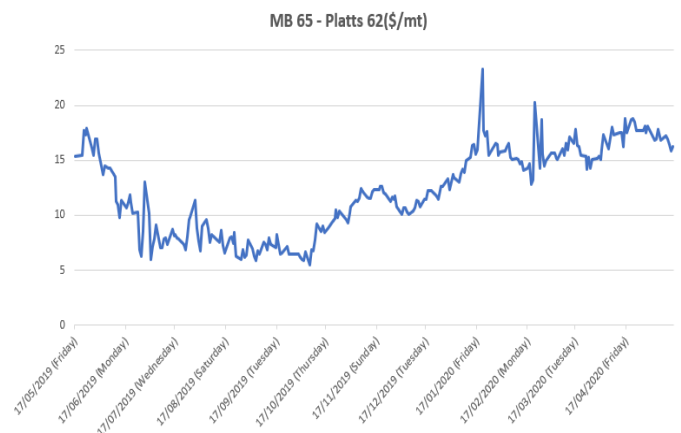
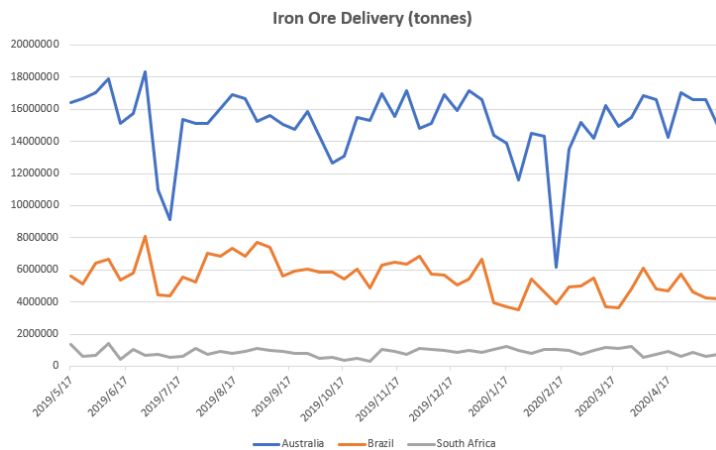
Construction Steel Total Inventories (in 10,000 tonnes)



- ◆ Five major steel inventories are decreasing beyond expectation.
- ◆ The blast furnace utilisation rate are reaching high comparing to last year, which indicate iron ore usage might see a roof area and decrease in early June.

Iron Ore

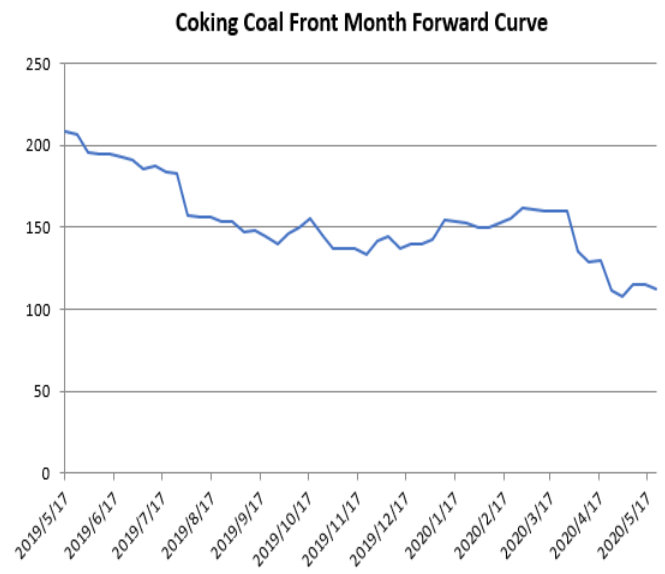
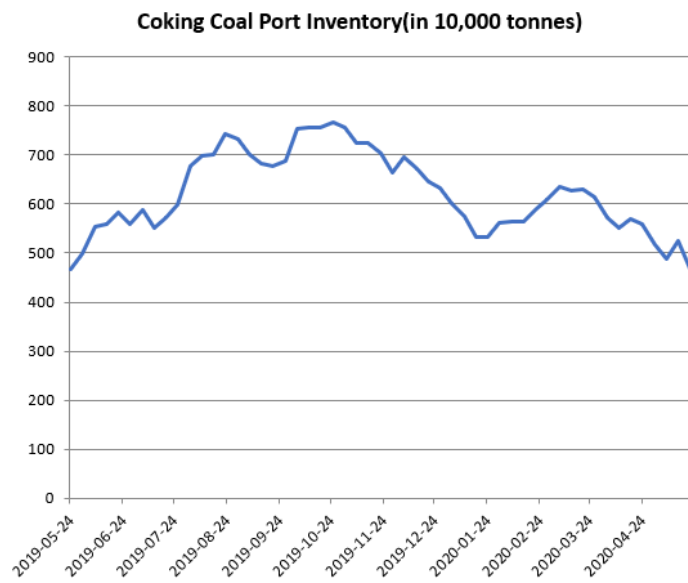
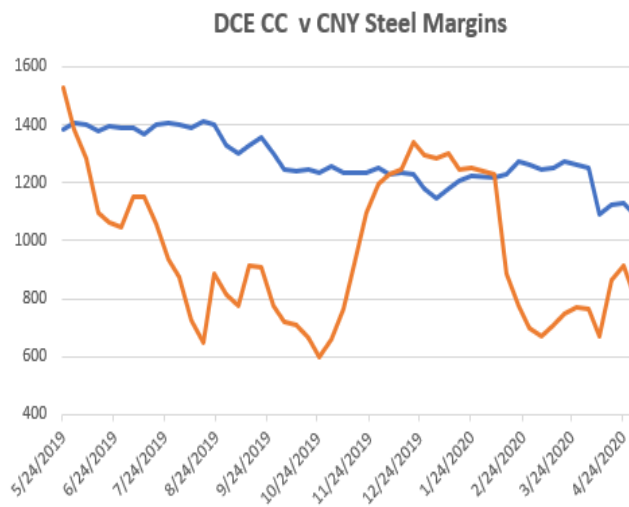
	Last	Previous	% Change
Platts 62% Fe	96.85	97.95	-1.1%
MB 65% Fe	113.1	113.8	-0.6%
Platts 58% Fe	81.9	80.1	2.2%
Capesize 5TC Index	2082	2893	-28.0%
C3 Tubarao to Qingdao	6.765	7.13	-5.1%
C5 West Australia to Qingdao	3.568	3.605	-1.0%
Billet Spot Ex-Works Tangshan MT	3300	3300	0.0%
SGX Front Month(Jun)	94.80	90.54	4.7%
DCE Major Month(Sep)	723	656	10.2%
China Port Inventory Unit 10,000 mt	11,189	11,398	-1.8%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,637.40	1,486.00	10.2%
Brazil Iron Ore Weekly Export Unit 10,000 mt	422.30	419.40	0.7%



- ◆ Brazil iron ore shipments are not recovering as expected previously. However both Brazil and Australia overhaul called and end by 25th.
- ◆ Iron ore port evacuation start to fall, however still good enough to consume port inventories. Iron ore port inventories are reaching the low of previous year level.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	115.2	115.2	0.0%
Coking Coal Front Month	112.79	114.99	-1.9%
DCE CC Major Month(May)	1152	1122	2.7%
Coking Coal Port Inventory Unit 10,000mt	634	609	4.1%
China Custom total CC Import Unit mt	5,637,057.00	15,161,639.00	-62.8%



◆ Coking coal port inventories reached the same level of same period last year.