

Macro

	Last	Previous	% Change
USDCNY	7.1372	7.1364	0.0%
Repo 7 Days	2.15	1.4	53.6%
Repo 1 Day	1.6	1.09	46.8%
Dollar Index	98.344	99.863	-1.5%
China GDP Constant Price YOY %	-6.8	6	NA
China PMI (Caixin)	50.7	49.4	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 consolidation, be aware of reversal at high level.

Ferrous Sector Money-flow:

DCE iron ore aggregated open interest high at 1.18 million lots in February 21st as well as creating periodic high, following a correction of 19.26%. The open interest high last week at 1.15 million lots. Long positions need to be aware of the similar correction happen for the second time of the year.

Downstream and Cement

The cement consumption from Jan—May down 2.56% comparing to last year. However may consumption up 2.48% m-o-m according to Mysteel survey. The infrastructure is leading factor to boost growth on cement and steels demand. Housing market is staying resilient.

Steel Sector:

Construction steels daily consumption traded at seasonally high level above 220,000 tonnes/day, however not seeing a marginal increase. Guangdong area is suffering from flood and big rain over the past two weeks and coming two weeks according to weather forecast. The impact on southern consumption might not be fast enough to be reflected on statistics, however may react in following week. Eastern areas also enter a rainy season, the construction activities potentially become weaker on month-on-month basis according to seasonally pattern over previous years. The supply and demand in June are both tend to decrease compared to April and May.

Iron Ore:

The last round of push was due to the rumor on Vale adjustment on annual production. However vale announced unchanged at its annual production target at 310–330 million tonnes. In addition, Itabira Mines are operating normally without and disruption. Tangshan pollution affect 35,000 tonnes of pig iron production daily.

Australia iron ore delivery is expected to fill the gap from Brazil export. However iron ore port inventories decreased to four year-low level and targeting below 100 million tonnes in next few weeks. However structurally PBF, Newman and JMBF have sufficient inventories, BRBF and IOCJ inventories are still short because of supply issues in Brazil. Unless the structure short of iron ore is balanced, otherwise iron ore price is at high sensitivity to external change.

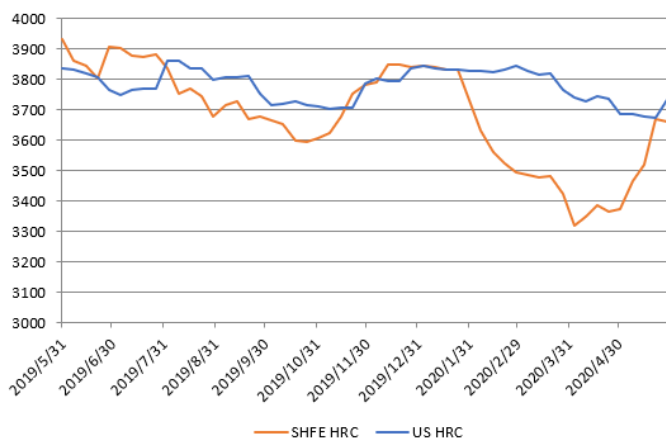
The northern steel margin is expected to narrow to 0 level because of the big shift on iron ore and slower rebound on rebar and HRC. The pig iron utilisation is also peaking at 91.38% previous week, both yearly high and seasonally high, estimated a pig iron production at 2.43 million tonnes daily. If steel margin keep running at break-even level, iron ore growth may slow down or leading the next correction among ferrous complex.

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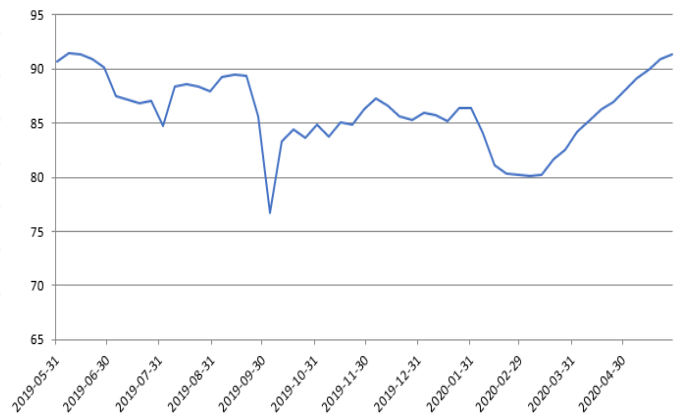
Steel

	Last	Previous	% Change
US HRC Front Month	513	472	8.7%
SHFE Rebar Major Month(May)	3533	3547	-0.4%
China Hot Rolled Coil	3661	3670	-0.2%
China Monthly Steel consumption Unit 000's mt	79723.3	73634.7	8.3%
Five Major Steel Inventories Unit 10,000 mt	2162.57	2228.75	-3.0%
Construction Steel Total Inventory unit 10,000 mt	0	1458.23	-100.0%
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%

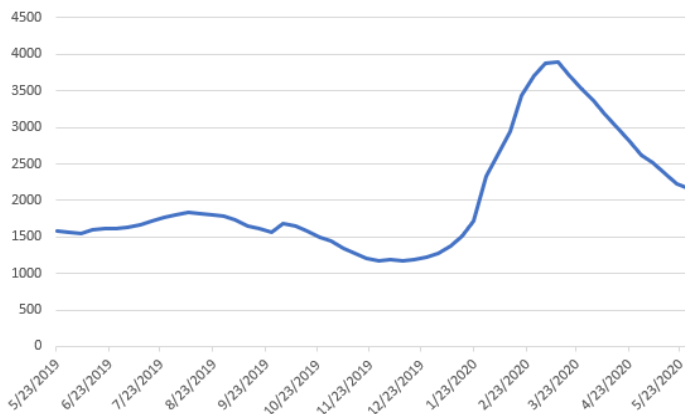
US HRC Vs SHFE HRC



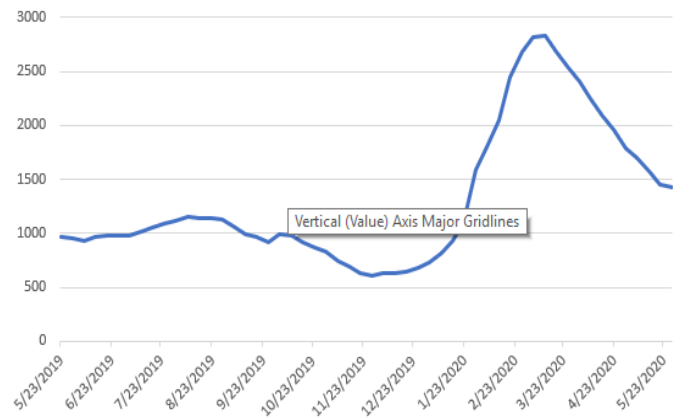
MySteel 247 mills BF Utilisation Rate in %



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



Construction Steel Total Inventories (in 10,000 tonnes)

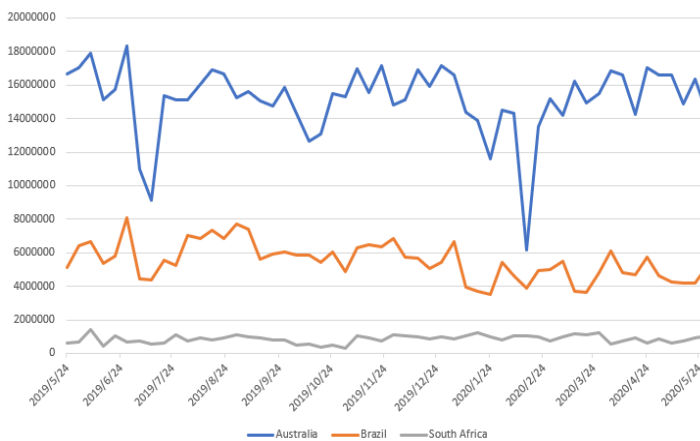


- ◆ Five major steel inventories are decreasing slower since southern China were seeing heavy rain and flood and eastern areas also enter a rainy season in June and early July.
- ◆ The blast furnace utilisation rate are reaching high comparing to last year, which indicate iron ore usage might see a roof area and decrease in early June.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe	100.5	100.9	-0.4%
MB 65% Fe	115	115.3	-0.3%
Capesize 5TC Index	3369	3228	4.4%
C3 Tubarao to Qingdao	80.9	8.025	908.1%
C5 West Australia to Qingdao	4.123	4.018	2.6%
Billet Spot Ex-Works Tangshan MT	3300	3300	0.0%
SGX Front Month(Jun)	97.20	94.80	2.5%
DCE Major Month(Sep)	729	723	0.8%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,416.90	1,637.40	-13.5%
Brazil Iron Ore Weekly Export Unit 10,000 mt	525.00	422.30	24.3%

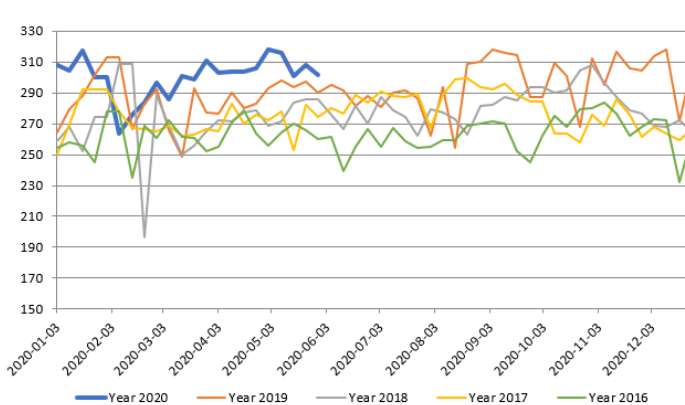
Iron Ore Delivery (tonnes)



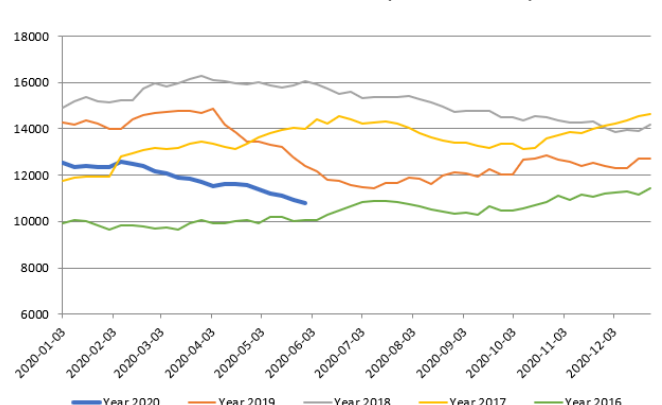
MB 65 - Platts 62(\$/mt)



Iron Ore Daily Port Evacuation(in 10,000 tonnes)



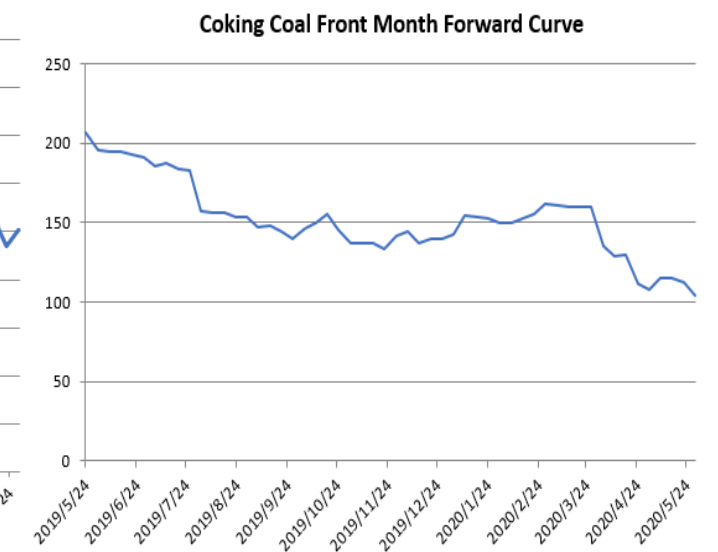
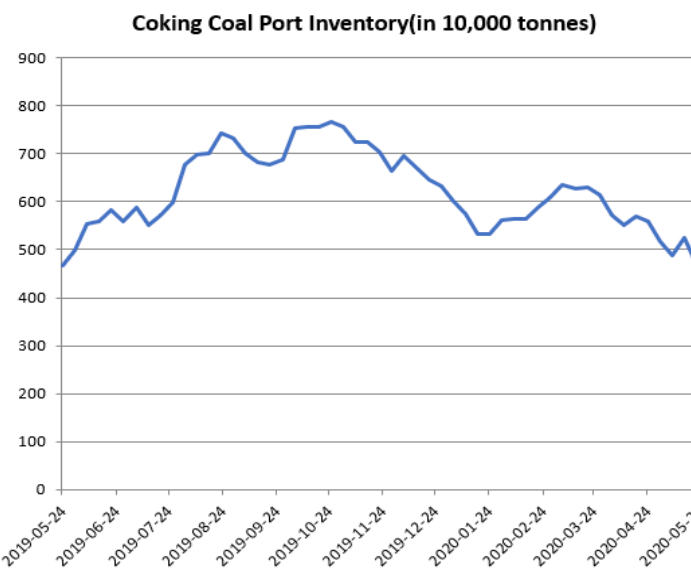
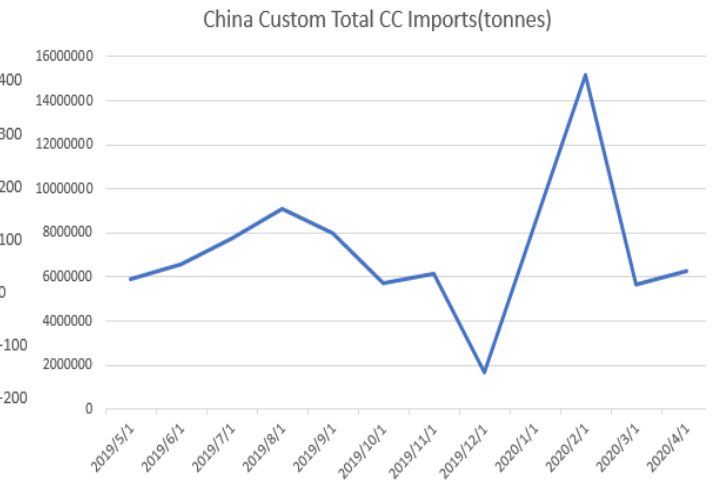
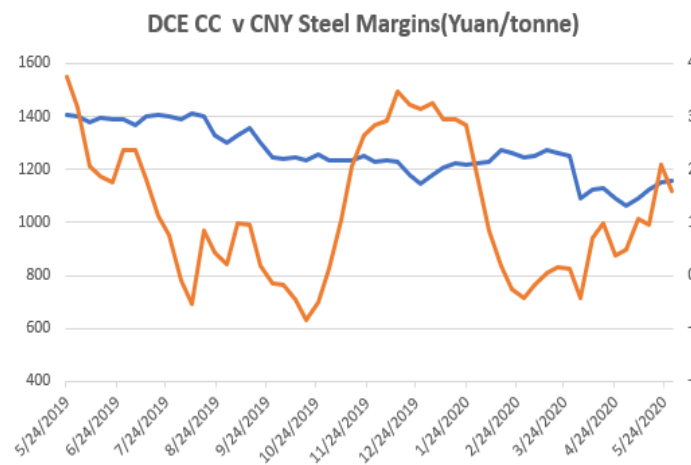
Iron Ore Port Inventories(in 10,000 tonnes)



- ◆ 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	111	111	0.0%
Coking Coal Front Month	104.5	112.79	-7.3%
DCE CC Major Month(May)	1159.5	1152	0.7%
Coking Coal Port Inventory Unit 10,000mt	470	524	-10.3%
China Custom total CC Import Unit mt	6,282,402.00	5,637,057.00	11.4%



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