

Macro

	Last	Previous	% Change
USDCNY	7.0842	7.0835	0.0%
Repo 7 Days	1.85	1.6	15.6%
Repo 1 Day	1.51	1.4	7.9%
Dollar Index	97.319	96.937	0.4%
China GDP Constant Price YOY %	-6.8	6	NA
China PMI (Caixin)	50.7	49.4	NA
China Industrial Production MOM %	1.53	2.2	NA
Commercial Space Under Construction	2.3	2.5	NA
Commercial Space Completed	236.9	192.9	NA
Commercial Building Space Sold, YTD YOY%	-12.3	-19.3	NA
Residential Space Under Construction, YTD YOY%	3.5	3.8	NA
Residential Space Completed, YTD YOY%	-10.9	-14.5	NA
Residential Floor Space Sold, YTD YOY%	-11.8	-18.7	NA

Ferrous Weekly Comment

Market Summary:

Iron ore consolidation, be aware of reversal at high level.

Ferrous Sector Money-flow:

China ferrous futures sector saw significant open interest evaporation on Monday. Iron ore open position has confirmed the periodic high in may 29th. That is to say, the return to the bull needs new buyers. The current market are majorly dominated by short-run money.

Downstream and Cement

China cement market inventory/ inventory capacity ratio up 3.92% w-o-w, indicating cement inventories are building up. Cement prices start to fall from the start of June. Cement consumption down indicated the construction on rebar potentially passed the peak of the year.

China central bank keep interest rate unchanged on Monday, previously forecast interest cut during this week. The liquidity released is smaller than matured. Approaching the end of H1, the market is concerning liquidity tight by mid-year.

China southern floods may cause some landslide and impact the construction activities. Typhoon also landed over weekends in Guangdong and Guangxi provinces. Eastern and western provinces are all covered by rainy weather. The light season of industrial activities potentially come because of the rains.

Steel Sector:

China construction steel daily trading volume moving average drop to 200,000 from 260,000 by the beginning of June. Five typical steel apparent consumption also dropped from 12 million tonnes per week to 11.25 million tonnes last week. The steel demand witnessed a high and now entered a decreasing phase seasonally.

Rebar basis (Difference of physical - futures) stayed in 0-50 yuan, low level according to historical numbers. Normally the narrow basis is coming with a big correction on rebar futures observed in the past 5 years. However the risk is rebar basis might keep in narrow range for few months.

Iron Ore:

The daily evacuation at 3.05 million tonnes would calculated to 21.35 million tonnes per week. The previous week port arrivals at 20.91 million tonnes. In addition, Australian delivery is decreased because of port overhaul in short-run, which may reflect on arrivals data in coming weeks. The next few weeks port inventories expected tight.

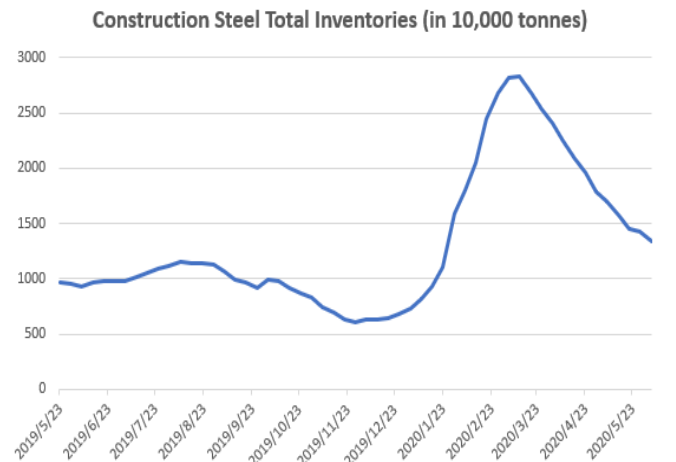
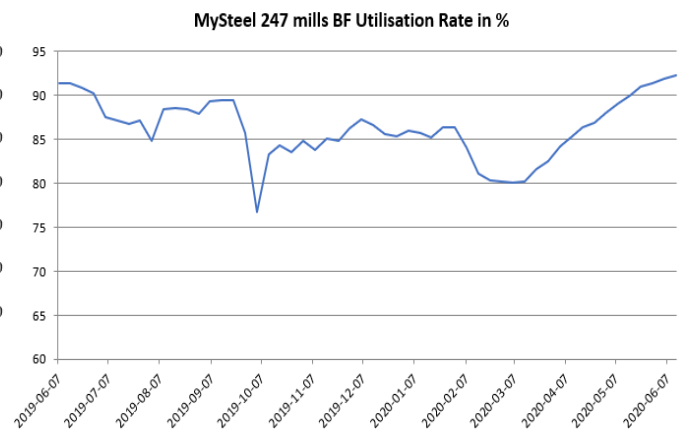
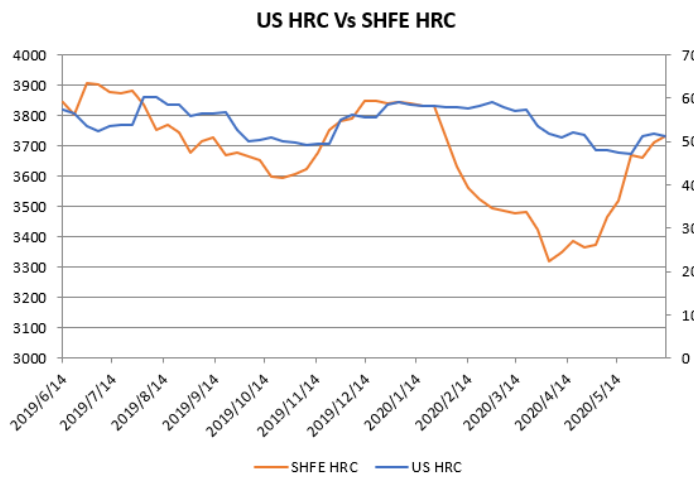
Both blast furnace utilisation rate and pig iron daily production has climbed to five year high. The may crude steel production and pig iron production also support iron ore usage at very high level.

On the valuation side, SHFE rebar/ DCE iron ore ratio reached 4.6 currently, which is five-year low. This ratio potentially widened as some might long this ratio as an alternative choice to long steel margin.

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Steel

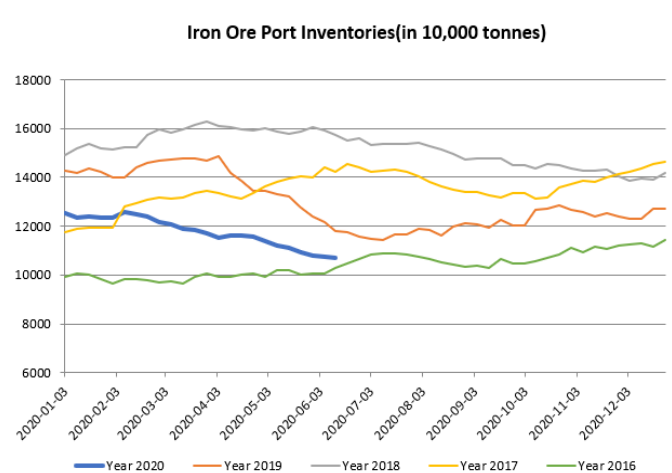
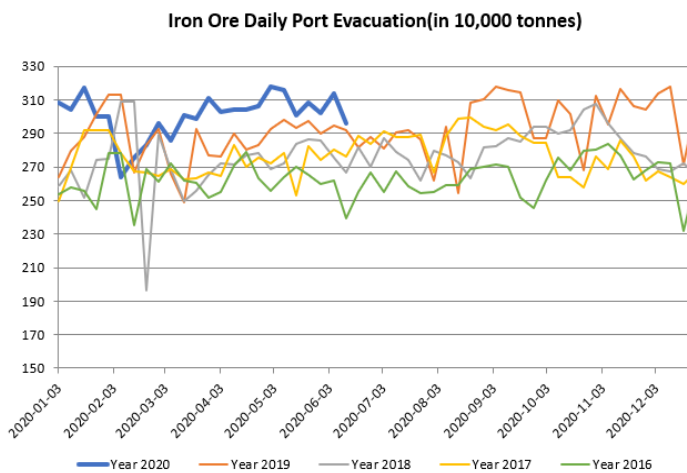
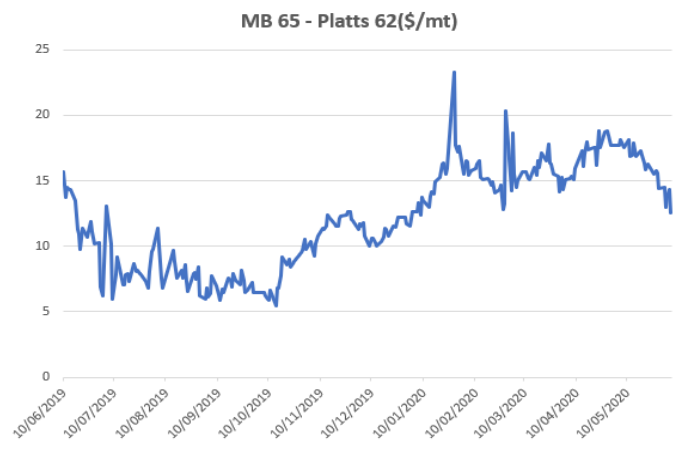
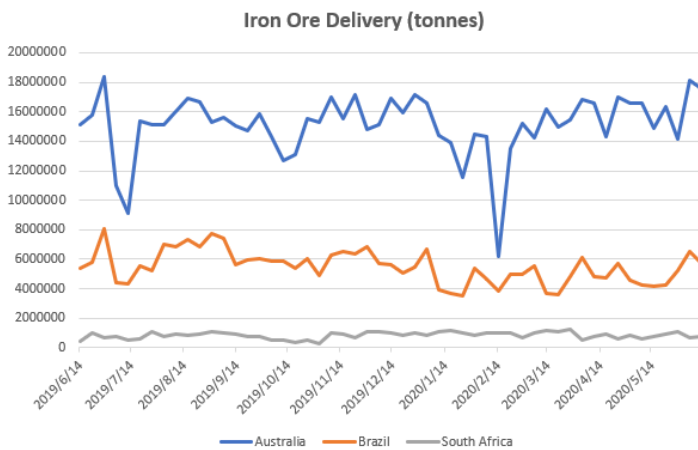
	Last	Previous	% Change
US HRC Front Month	511	517	-1.2%
SHFE Rebar Major Month(May)	3597	3603	-0.2%
China Hot Rolled Coil	3733	3712	0.6%
China Monthly Steel consumption Unit 000's mt	81912.3	79723.3	2.7%
Five Major Steel Inventories Unit 10,000 mt	2021.92	2055.39	-1.6%
Construction Steel Total Inventory unit 10,000 mt	1319.29	1340.68	-1.6%
Crude Steel Production China Unit 000's mt	85033	78975	7.7%
China Volume of Commodity Imports Unit 000's mt	1280	1010	26.7%
China Volume of Commodity exports Unit 000's mt	4401	6320	-30.4%



- ◆ Five major steel inventories are decreasing faster since production pick up is slower than resilient apparent consumption. However national rainy season in China is lasting through June and early July.
- ◆ The blast furnace operating rate reached the peak and flat from last week. Utilisation rate is growing slower.

Iron Ore

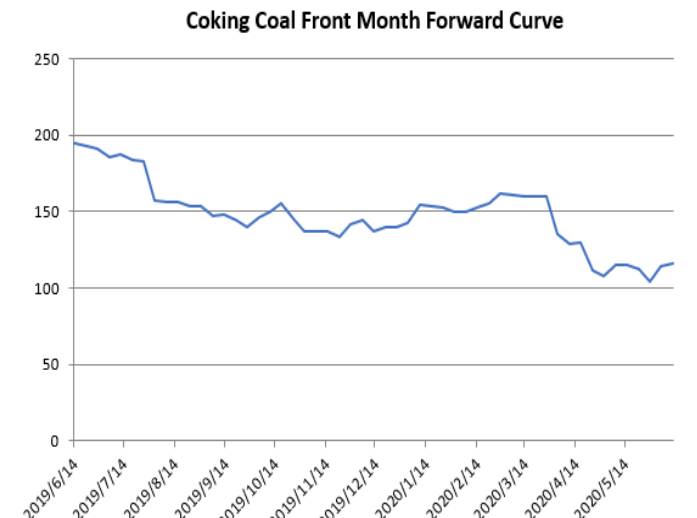
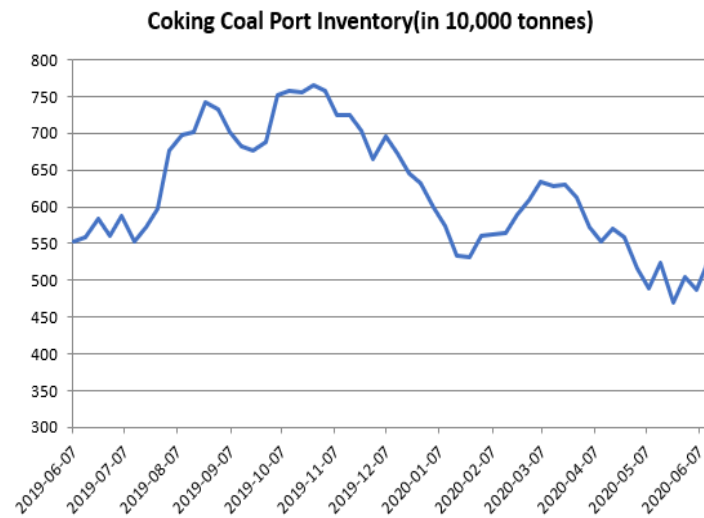
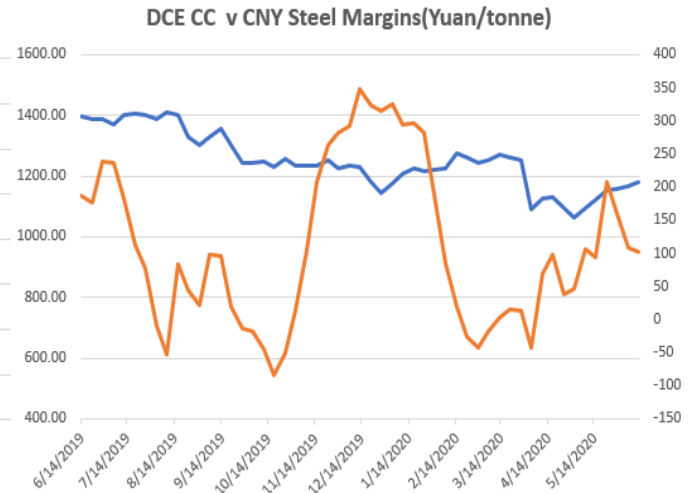
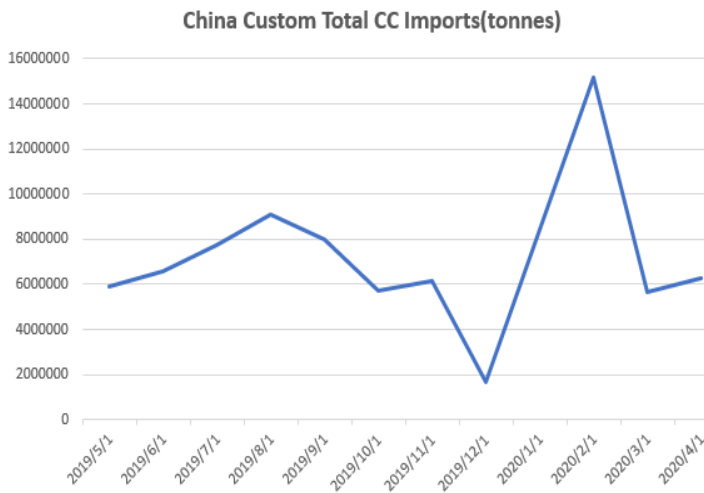
	Last	Previous	% Change
Platts 62% Fe	105.35	103.95	1.3%
MB 65% Fe	117.7	116.5	1.0%
Capesize 5TC Index	43994	43993	0.0%
C3 Tubarao to Qingdao	43994	43993	0.0%
C5 West Australia to Qingdao	43994	43993	0.0%
Billet Spot Ex-Works Tangshan MT	3320	3310	0.3%
SGX Front Month(Jun)	102.15	97.49	4.8%
DCE Major Month(Sep)	762.5	742	2.8%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,754.60	1,809.60	-3.0%
Brazil Iron Ore Weekly Export Unit 10,000 mt	573.00	650.40	-11.9%



- ◆ Brazil iron ore shipments are picking up first two weeks of June. However it will take 35 days more to reflect on ports.
- ◆ Iron ore port inventory start to move slower since port demand and supply look balanced at the beginning of June.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	0	109	-100.0%
Coking Coal Front Month	116.36	114.46	1.7%
DCE CC Major Month(May)	1182	1166.5	1.3%
Coking Coal Port Inventory Unit 10,000mt	487	504	-3.4%
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.