

## Macro

	Last	Previous	% Change
USDCNY	7.0019	7.0665	-0.9%
Repo 7 Days	2	1.5	33.3%
Repo 1 Day	2.17	1.35	60.7%
Dollar Index	96.652	97.172	-0.5%
China GDP Constant Price YOY %	-6.8	6	NA
China PMI (Caixin)	51.2	50.7	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 neutral and be aware of high level risk.

#### Ferrous Sector Money-flow:

The previous weekly report gave 7 weeks of short-run consolidation from the end of May when seeing the open interest peak for DCE market. However market went strong by the first half of July. Open interest indicated most of the push was due to exit of short and re-enter as new long. Last year iron ore stay at high level for 1 month after created the high of open interest. This year iron ore stayed at high level for 1.5 month already and rebound in slight smaller range. Be aware of both short cycle and mid cycle are seeing a correction or consolidation since daily iron ore is facing the some exhaustion after wave 4.

#### Macro

China regulatory imposed multiple restrictions and punishments to prevent illegal leverage and financing in financial institutions from July 9th. China stock market respond and correct from the high. The policy bonus again might become marginal weaker after a round of speculation on both commodities and equities.

#### Steel Sector:

The apparent consumption of construction steels have rebounded from 4.99 million tonnes to 5.34 million tonnes. The consumption is in a decrease cycle, however 1-2 weekly bounce back is supporting a very short-run price resilience. The other indicator construction steel moving average reached 240,000 tonnes per day, big climbing compared to 210,000 tonnes a week before.

The current risk for long side is heavy rain and floods in China didn't impact steel production both from survey and production statistics. However many downstream constructions are forced to close down because of the disastrous weather.

#### Iron Ore and other Ferrous Products:

China coal import up 12.7% y-o-y in H1 2020 to 174 million tonnes. China iron ore import up 9.6% in H1 2020 to 547 million tonnes. Australia has some port overhaul in July, which expected to impact some deliveries. However port arrivals are expected to boom since Australia shipped many iron ores by the last month of fiscal year. If seeing pig iron ore daily production went down significantly from multiple year high level, iron ore consumption will see a turning on consumption.

Physical prime coke down 2 rounds by 100 yuan over the past two weeks. Market still expect more rounds of correction during this month. Scrap rebounded for months since the scrap arrivals were low at EAFs. However some traders expected more scraps coming to mills in late July.

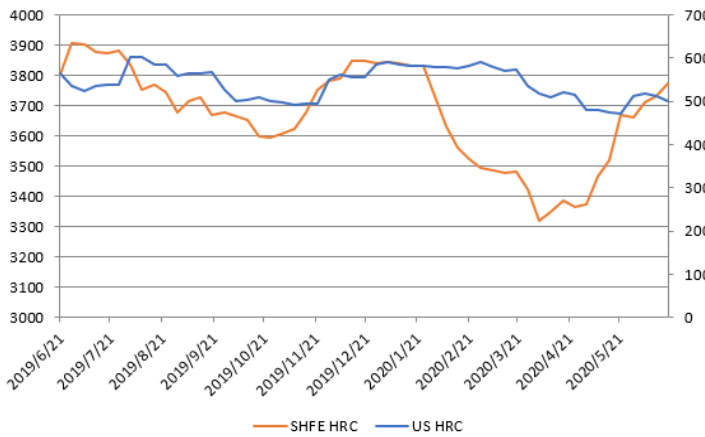
Iron ore is tight in major mid-grade brands, however current domestic produced iron ore is picking up. Billet margin is squeezed quickly and expected to 200 yuan over this week. Rebar/Iron Ore ratio reached historical low again at 4.47.

Senior Researcher: Hao Pei

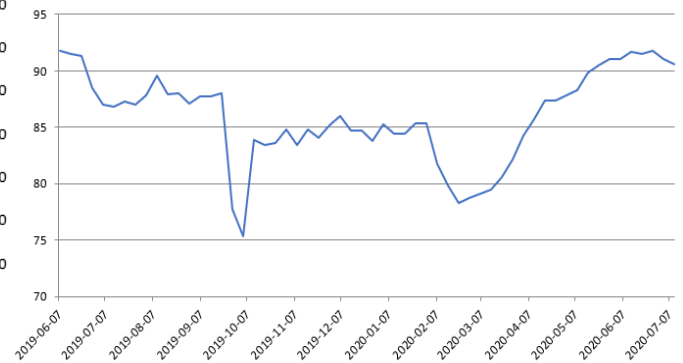
## Steel

	Last	Previous	% Change
US HRC Front Month	481	490	-1.8%
SHFE Rebar Major Month(May)	3703	3603	2.8%
China Hot Rolled Coil	3847	3771	2.0%
China Monthly Steel consumption Unit 000's mt	90443.8	89145.8	1.5%
Five Major Steel Inventories Unit 10,000 mt	0	2053.02	-100.0%
Construction Steel Total Inventory unit 10,000 mt	1360.73	1325.01	2.7%
Crude Steel Production China Unit 000's mt	92267	85033	8.5%
China Volume of Commodity Imports Unit 000's mt	1878	1280	46.7%
China Volume of Commodity exports Unit 000's mt	3701	4401	-15.9%

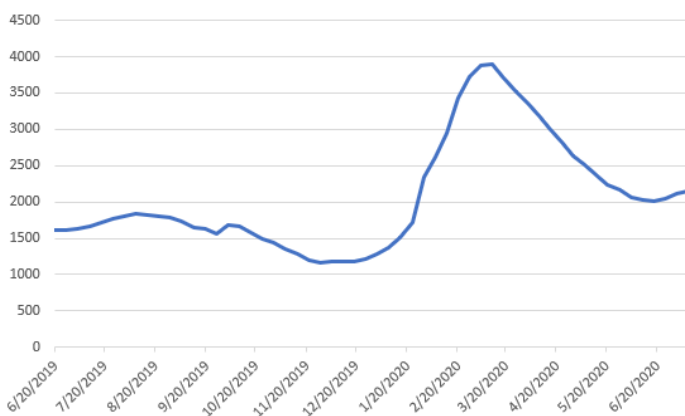
US HRC Vs SHFE HRC



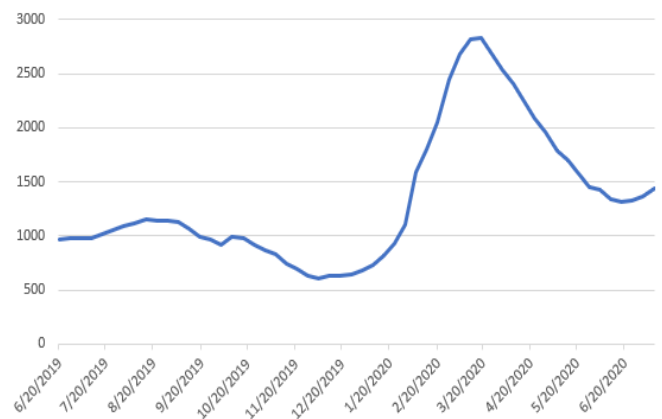
MySteel 247 mills BF Operation Rate in %



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



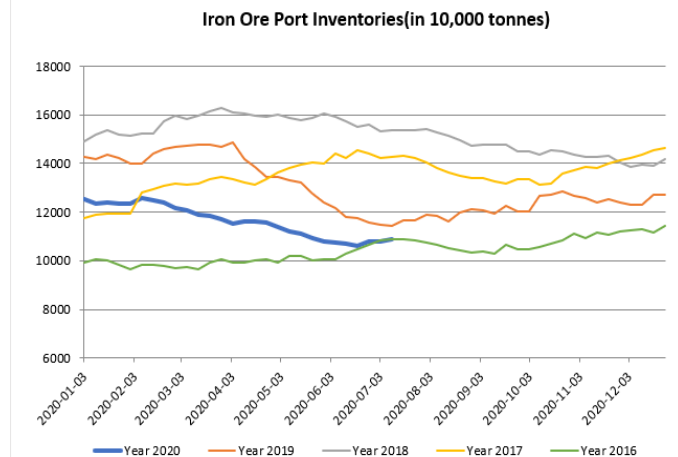
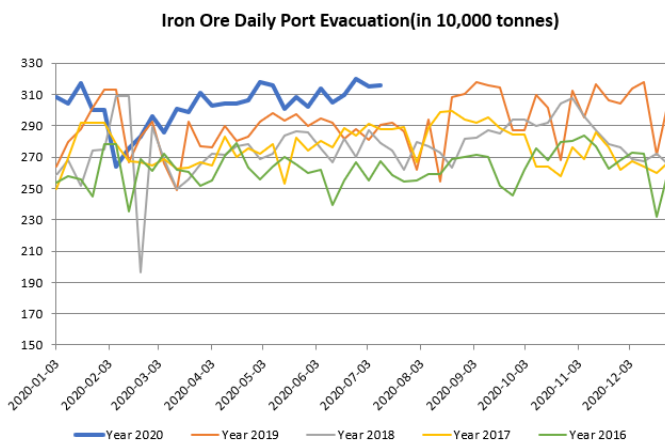
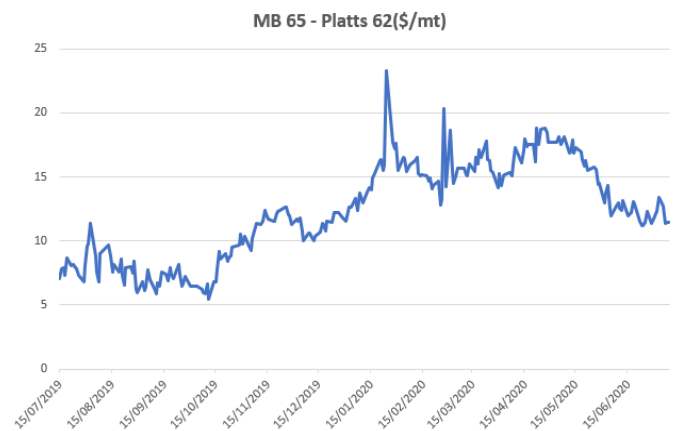
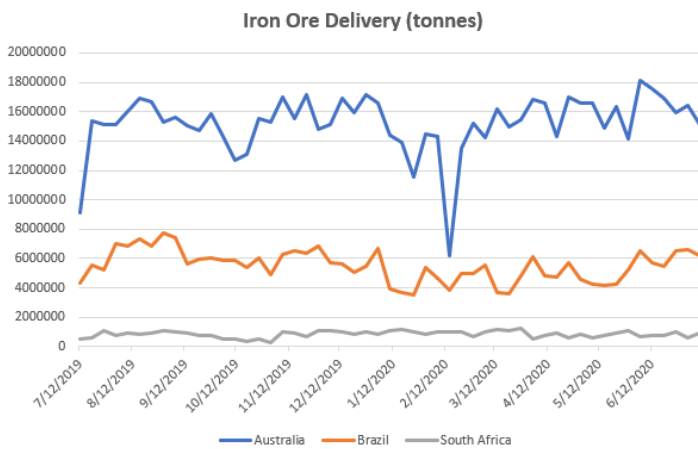
Construction Steel Total Inventories (in 10,000 tonnes)



- ◆ Five major steel inventories started to pick up quickly as consumption marginally come down.
- ◆ The blast furnace operating rate reached the peak and daily pig iron production reached a limit around 2.48 million tonnes.

## Iron Ore

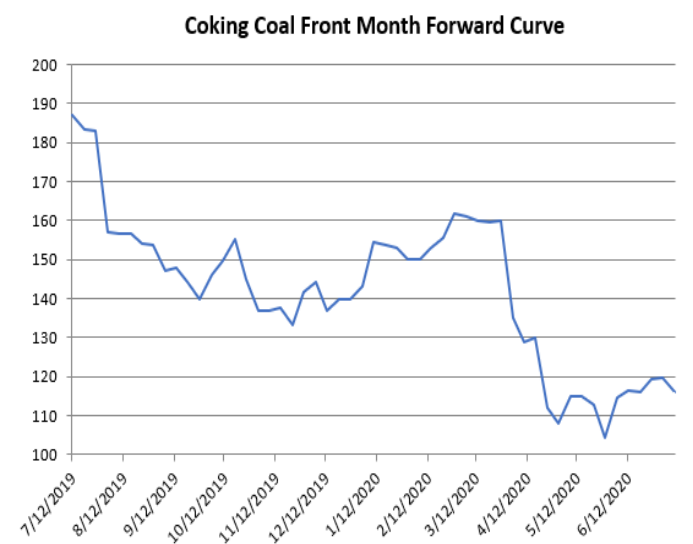
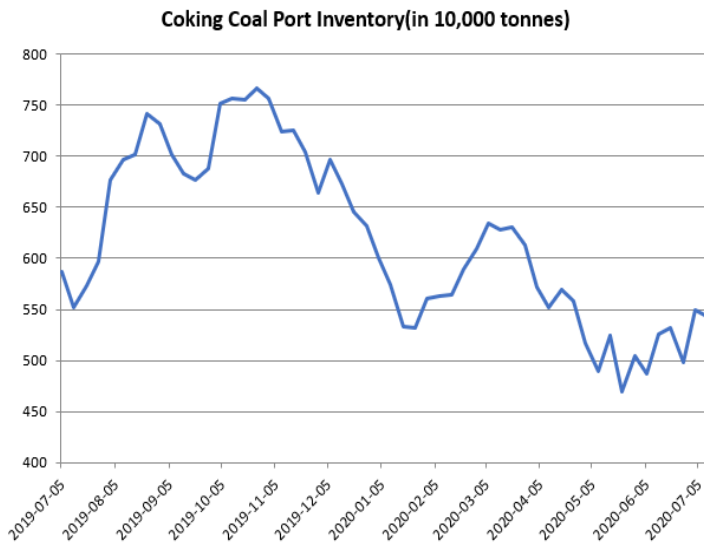
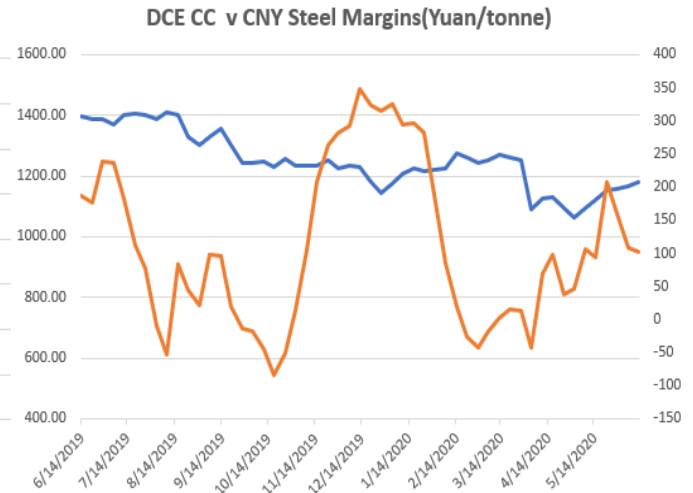
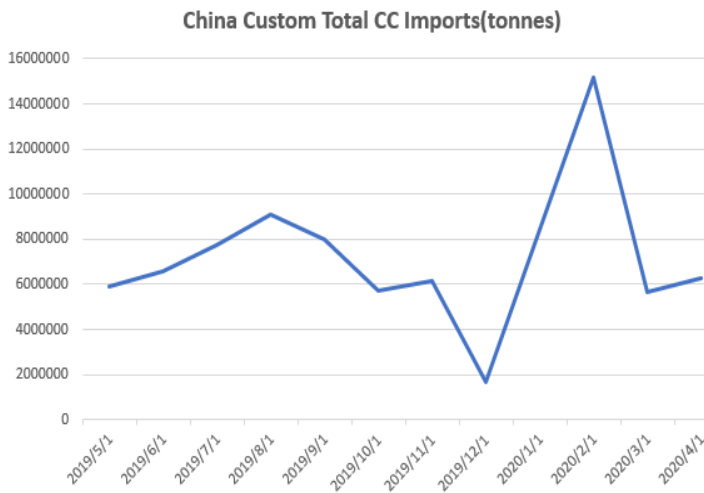
	Last	Previous	% Change
Platts 62% Fe	111.85	107.05	4.5%
MB 65% Fe	123	118.5	3.8%
Capesize 5TC Index	27644	28081	-1.6%
C3 Tubarao to Qingdao	19.085	19.06	0.1%
C5 West Australia to Qingdao	8.941	8.977	-0.4%
Billet Spot Ex-Works Tangshan MT	3390	3330	1.8%
SGX Front Month(Jun)	103.02	96.48	6.8%
DCE Major Month(Sep)	791	744	6.3%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,511.50	1,642.30	-8.0%
Brazil Iron Ore Weekly Export Unit 10,000 mt	622.10	661.10	-5.9%



- ◆ Iron ore port inventory start to pick up as evacuation is becoming smaller than port arrivals.

## Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	114.1	115.1	-0.9%
Coking Coal Front Month	115.93	119.86	-3.3%
DCE CC Major Month(May)	1204.5	1193	1.0%
Coking Coal Port Inventory Unit 10,000mt	543	549	-1.1%
China Custom total CC Import Unit mt	4,785,514.00	6,282,402.00	-23.8%



◆ Coking coal port inventories start to pick up and still tight since import quotas are restricted for Australian sources.