

Macro

	Last	Previous	% Change
USDCNY	6.9924	7.0019	-0.1%
Repo 7 Days	2.22	2	11.0%
Repo 1 Day	2.31	2.17	6.5%
Dollar Index	95.942	96.652	-0.7%
China GDP Constant Price YOY %	3.2	-6.8	NA
China PMI (Caixin)	51.2	50.7	NA
China Industrial Production MOM %	1.3	1.53	NA
Commercial Space Under Construction	2.6	2.3	NA
Commercial Space Completed	290.3	236.9	NA
Commercial Building Space Sold, YTD YOY%	-8.4	-12.3	NA
Residential Space Under Construction, YTD YOY%	3.8	3.5	NA
Residential Space Completed, YTD YOY%	-9.8	-10.9	NA
Residential Floor Space Sold, YTD YOY%	-7.6	-11.8	NA

Ferrous Weekly Comment

Market Summary:

Iron ore consolidation in high level.

Ferrous Sector Money-flow:

Iron ore finished wave 4 correction and rebounded, however technically need to see a breakthrough on 645.0 level to confirm market returning to bull. Iron ore aggregated open interest drop from May 29th 1.15 million lots to 939,000 lots on last Friday. However market absorbed money in ferrous sector again by Monday and Tuesday.

Macro and Downstream

China equity market rebounded by over 3%, however this time the link between equity and ferrous is disconnected, indicating ferrous will move back to its own fundamentals after a several weeks speculation. One-year loan prime rate unchanged at 3.85%, unchanged to consecutive three months, earlier expected this rate decrease.

China will renew 39,000 old residential communities including 7 million families. This construction mission will last through this year and next 5 years.

Steel Sector:

The rainy weather is approaching an end nationally before the end of July, however flood warning is still threatening mid-China areas, which caused many closures on the port and some road transportation on steels. Some traders believed that the stocking is also approaching an end because buying steels are always earlier than using steels. The resuming on downstream work is not a sign of steel buying unless users are running out of sources.

The current physical steel price is also with a discount to SHFE rebar price, which normally happens with a correction on both and indicate an overvalue on future prices. Daily average construction steel trading at 203,720 tonnes, down 17.8% w-o-w. Steel currently can hardly see any motivator.

Iron Ore and other Ferrous Products:

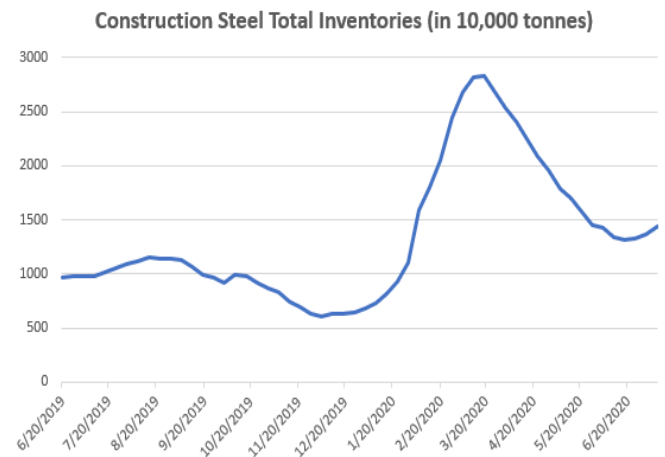
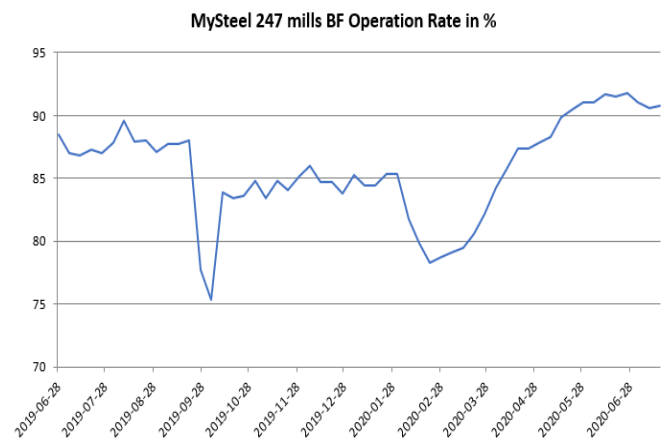
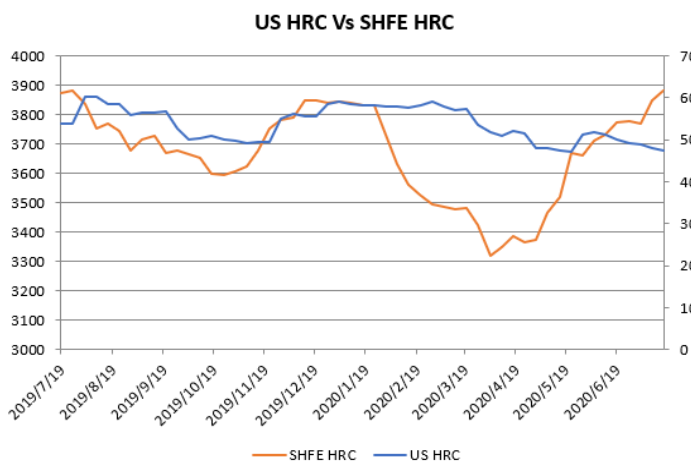
Brazil Minas Gerais state court declared null on previous decision requiring Vale to present 7.9 billion reais to ensure fine of assets as part of suit. Once triggered a correction of iron ore. In addition, Vale claimed annual iron ore fine production target unchanged. Pellets production down 5 million tonnes due to slower global demand. BHP also announced unchanged on annual production target. Earlier this week, many institutions think iron ore prices are can not hold through H2 after a supply spur in late Q3 and Q4.

China domestic coke started the third round of correction, and total down 150 yuan over current two weeks. Shanxi Coals lowered prices because drivers are reluctant to transport coals in heavy rains. However South32 reported metallurgical coal production for fourth quarter production 1.52 million tonnes, lower than estimated 1.65 million tonnes. Scrap arrivals picked up and expected a reversal from roof area to a correction, when Shanghai 8mm heavy scrap has returned to the high of the year at 2670 yuan. Scrap arrivals in China also saw a climbing indicate the busiest season is gone.

Iron ore major mid-grade brands are traded much less past few days, port rmb trades were active at the same time. Rebar profit correct below 200 yuan area, a three year low. Tangshan closed massive sintering machines during this week, which could limit down iron ore usage. The iron ore arrivals increased 2.11 million tonnes, however evacuation might become slight lower. Thus iron ore port stocks are expected to increase this week. Iron ore port stock rebounded 4% from the low saw in mid-June. Daily pig iron at 2.48 million tonnes are still sitting in seasonally or yearly high level. The consumption drop will need to see a significant drop on daily pig iron consumption. Otherwise demand is still resilient.

Steel

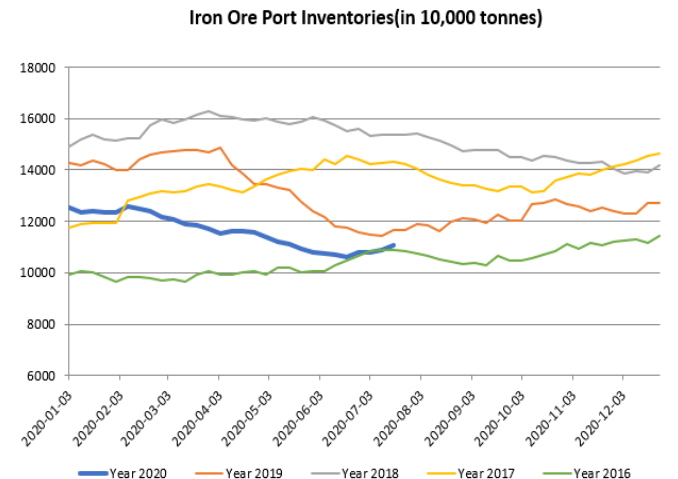
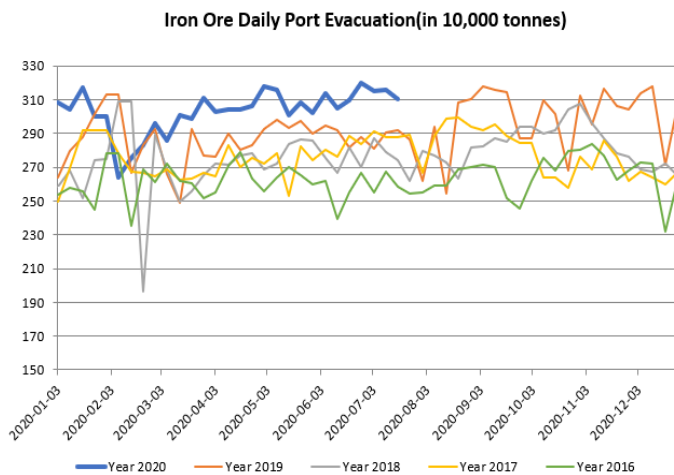
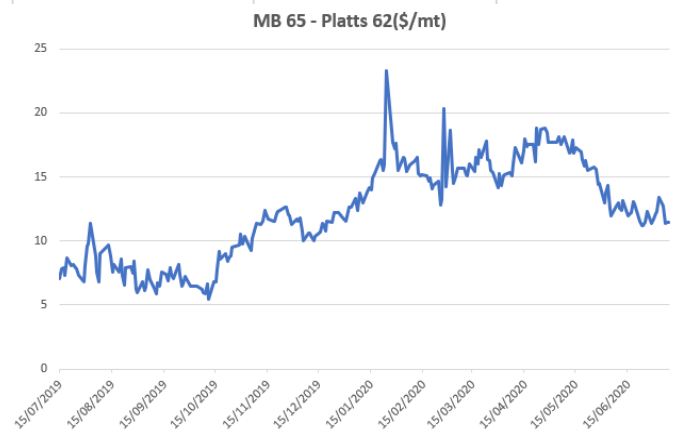
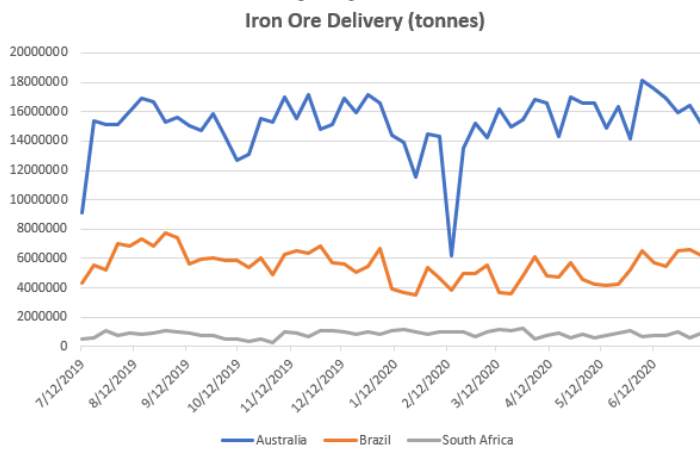
	Last	Previous	% Change
US HRC Front Month	475	481	-1.2%
SHFE Rebar Major Month(May)	3675	3620	1.5%
China Hot Rolled Coil	3882	3847	0.9%
China Monthly Steel consumption Unit 000's mt	90443.8	89145.8	1.5%
Five Major Steel Inventories Unit 10,000 mt	2148.38	2123.13	1.2%
Construction Steel Total Inventory unit 10,000 mt	1436.84	1424.93	0.8%
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%



- ◆ Five major steel inventories gradually picked up as marginal apparent consumption become weaker.
- ◆ The blast furnace operating rate reached the peak and daily pig iron production reached a theoretical top at 2.47—2.48 million tonnes.

Iron Ore

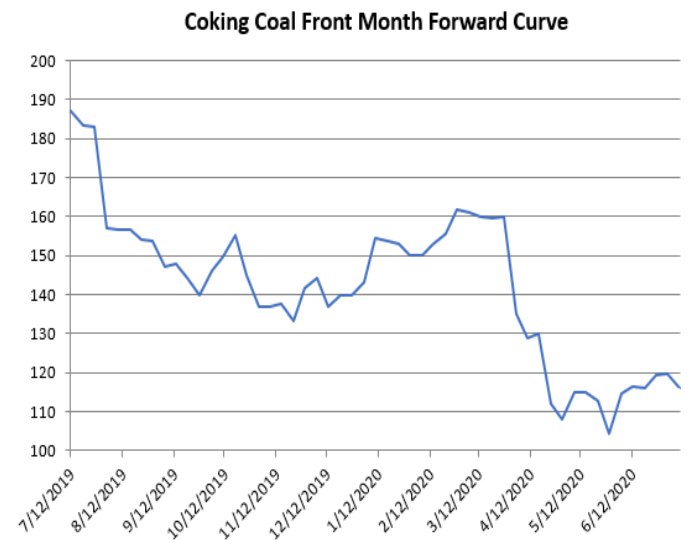
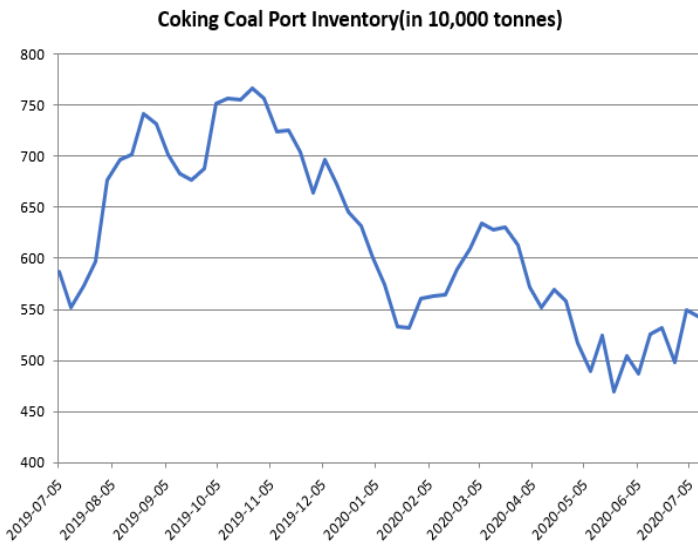
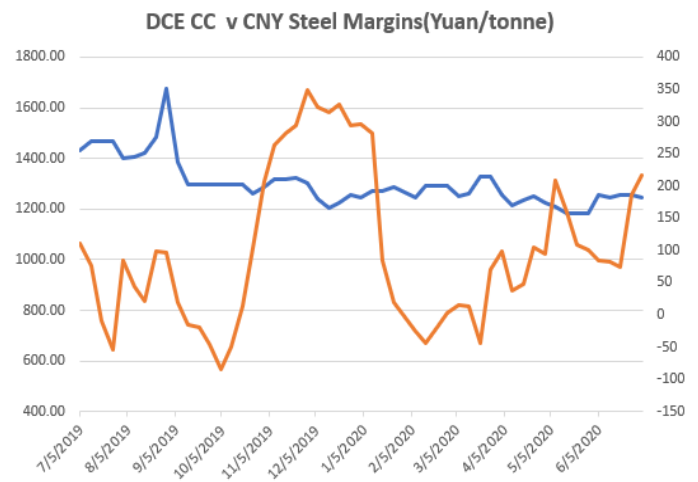
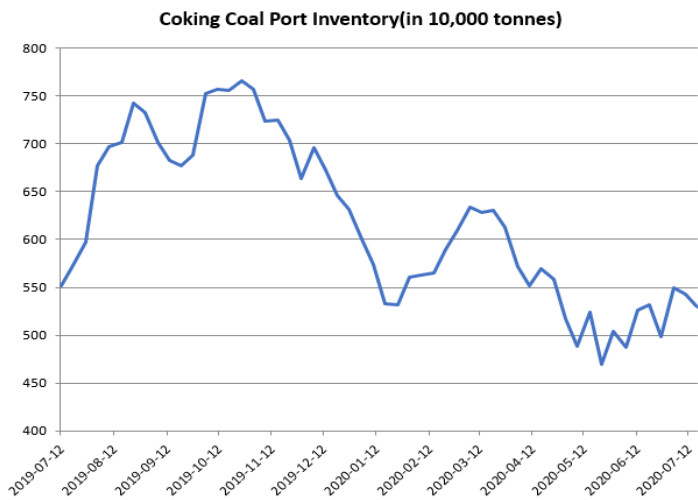
	Last	Previous	% Change
Platts 62% Fe	109.5	110.45	-0.9%
MB 65% Fe	121.2	121.5	-0.2%
Capesize 5TC Index	24469	25085	-2.5%
C3 Tubarao to Qingdao	18.13	18.295	-0.9%
C5 West Australia to Qingdao	7.941	8.132	-2.3%
Billet Spot Ex-Works Tangshan MT	3400	3390	0.3%
SGX Front Month(Jun)	107.99	105.08	2.8%
DCE Major Month(Sep)	869.5	827.5	5.1%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,561.60	1,511.50	3.3%
Brazil Iron Ore Weekly Export Unit 10,000 mt	536.60	622.10	-13.7%



- ◆ 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	107.3	106.7	0.6%
Coking Coal Front Month	113.57	116.29	-2.3%
DCE CC Major Month(May)	1246.5	1255.5	-0.7%
Coking Coal Port Inventory Unit 10,000mt	530	543	-2.4%
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.