

## Macro

	Last	Previous	% Change
USDCNY	7.0184	6.9924	0.4%
Repo 7 Days	1.7	2.22	-23.4%
Repo 1 Day	1.8	2.31	-22.1%
Dollar Index	94.435	95.942	-1.6%
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 confirmed the roof area over previous week, short-run neutral to bearish.

### Ferrous Sector Money-flow:

Iron ore confirmed the roof area over previous week and all testing high ended with rejections. DCE sep iron ore roof area in 850.0—860.0. However current support on neckline level near 807.0 also provided few times of push up. Iron ore interest suffered a 25% loss from the open interest peak at May 29th. Absorbed by SHFE rebar, which open interest up 21.5% over the same period. The money flow indicated current investors believed iron ore trend is less valuable to bet compared to rebar.

### Macro and Downstream

China house renewal projects are covering houses built before and by the year 2020, last through the next five years. These projects have wider coverage compared to previous projects on low-rent houses. In addition, infrastructure investments are majorly contributed by water transportation, railroads and city transportation, which potentially work through the year.

The ferrous market were strongly related to equity because both marginal motivated by infrastructure. However investors will realise steel profits are not tightly related with prices.

### Steel Sector:

Rainy impact is marginally weaker since domestic water transportation is recovering. Physical steels are weak and the basis is narrowing at a negative area, which is to say the futures are overvalued at the moment. In particular approaching major delivery month, buyers need to pay some advanced warehouse cost if designated to Tianjin warehouse. So less buyers are willing to delivery rebar unless rebar futures are low enough compared with physical steel price.

Cement has corrected for previous month in southern areas, however physical rebar was slight strong at the same period. The expectation difference on cement and rebar could become a new factor to pull back steel prices, since in most circumstances the two variable should become closely correlated.

### Iron Ore and other Ferrous Products:

The port arrivals are 23.67 million tonnes for iron ore, decrease 1.88 million tonnes w-o-w, majorly contributed by the port overhaul in Australia. However Australia overhaul is almost finished and should have less impact in next few weeks. Brazil and Australia iron ore shipments reached 23.25 million tonnes, up 990,000 tonnes w-o-w. Port evacuation is expected to decrease and inventories at the same time grow.

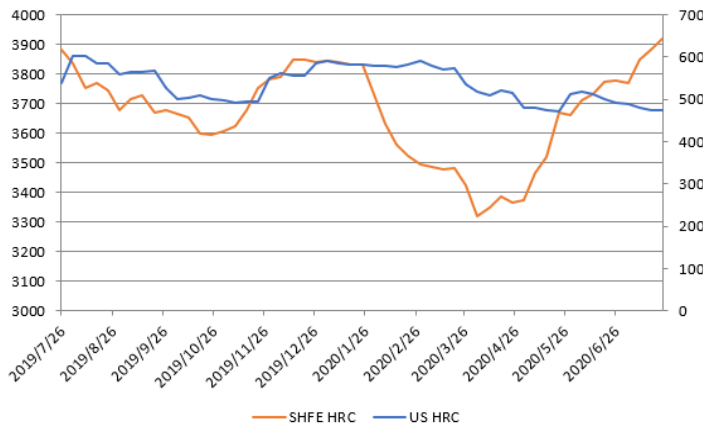
Hebei steel mills dropped to less than 100 yuan/tonnes. Steel/iron ore ratio dropped to 4.5. Both indicators are suggesting steel profits are to some extent oversold.

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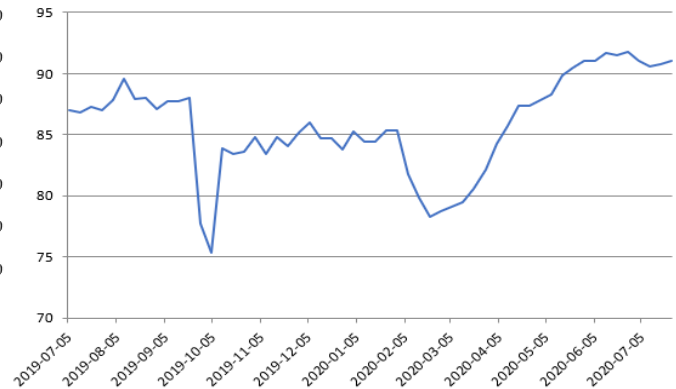
## Steel

	Last	Previous	% Change
<b>US HRC Front Month</b>	475	475	<b>0.0%</b>
<b>SHFE Rebar Major Month(May)</b>	3769	3711	<b>1.6%</b>
<b>China Hot Rolled Coil</b>	3918	3882	<b>0.9%</b>
<b>China Monthly Steel consumption Unit 000's mt</b>	89758.8	89145.8	<b>0.7%</b>
<b>Five Major Steel Inventories Unit 10,000 mt</b>	2163.46	2148.38	<b>0.7%</b>
<b>Construction Steel Total Inventory unit 10,000 mt</b>	1445.57	1436.84	<b>0.6%</b>
<b>Crude Steel Production China Unit 000's mt</b>	91579	92267	<b>-0.7%</b>
<b>China Volume of Commodity Imports Unit 000's mt</b>	1880	1280	<b>46.9%</b>
<b>China Volume of Commodity exports Unit 000's mt</b>	3700	4401	<b>-15.9%</b>

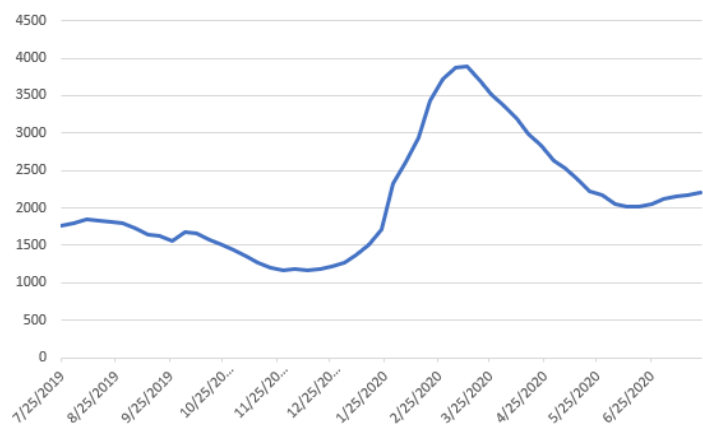
US HRC Vs SHFE HRC



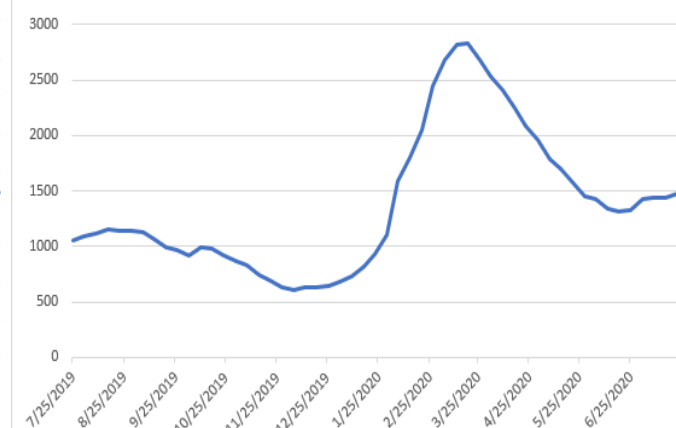
MySteel 247 mills BF Operation Rate in %



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



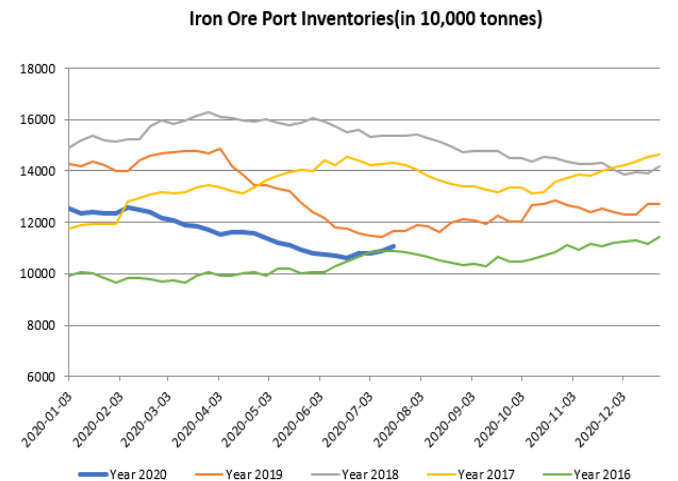
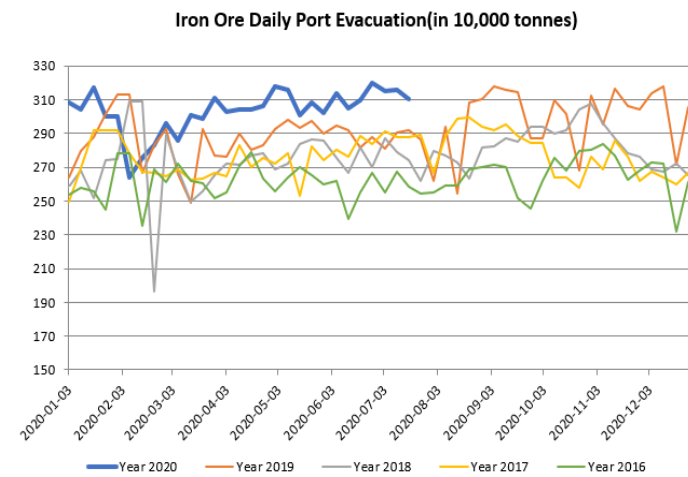
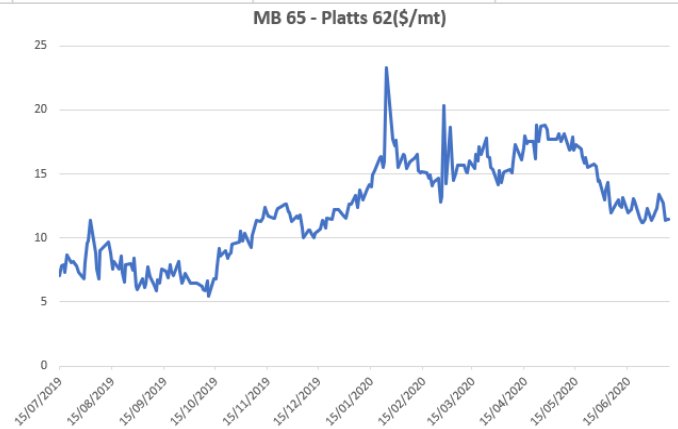
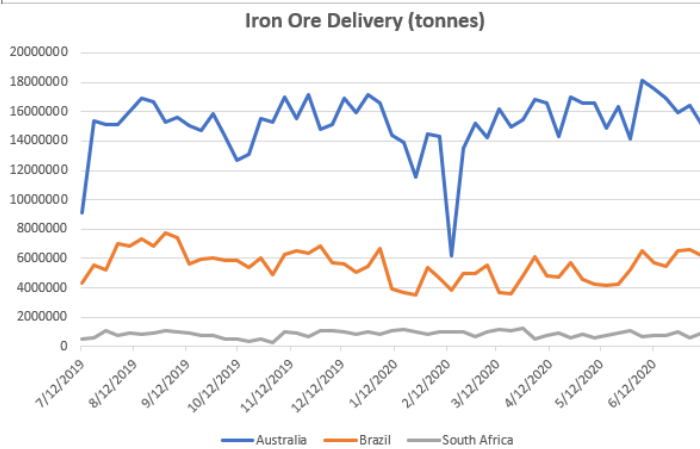
Construction Steel Total Inventories (in 10,000 tonnes)



- ◆ Five major steel inventories 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

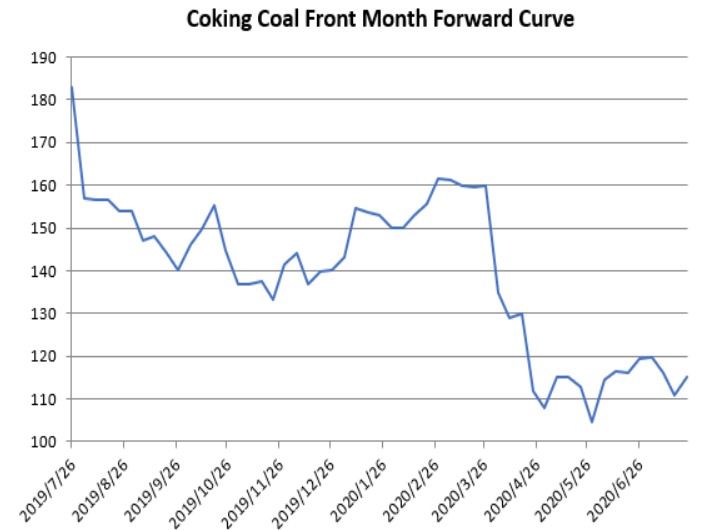
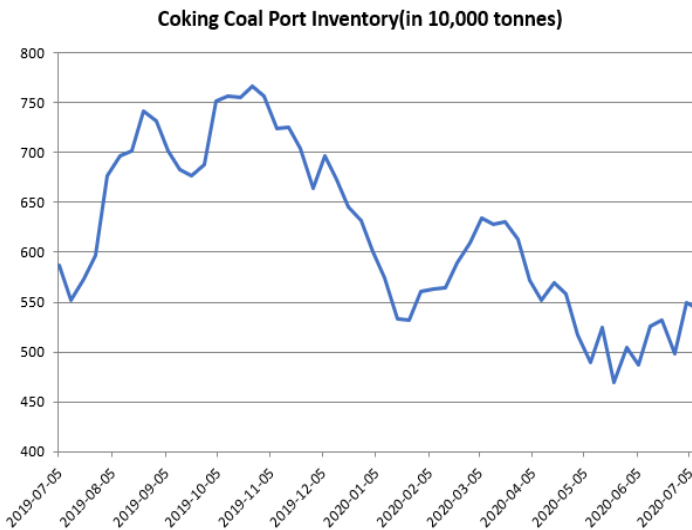
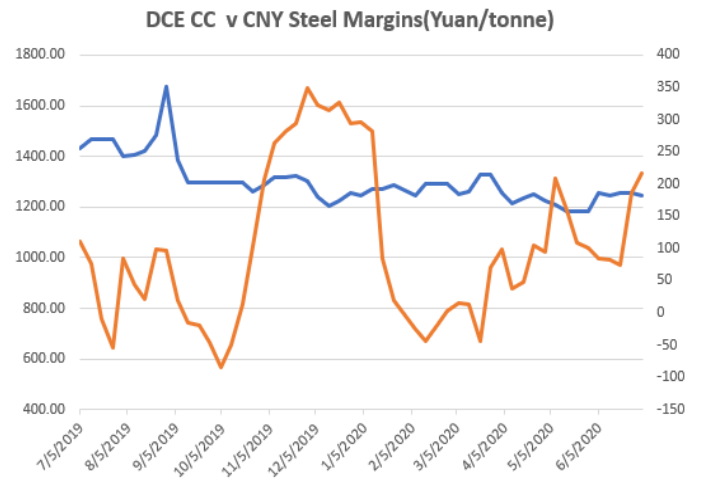
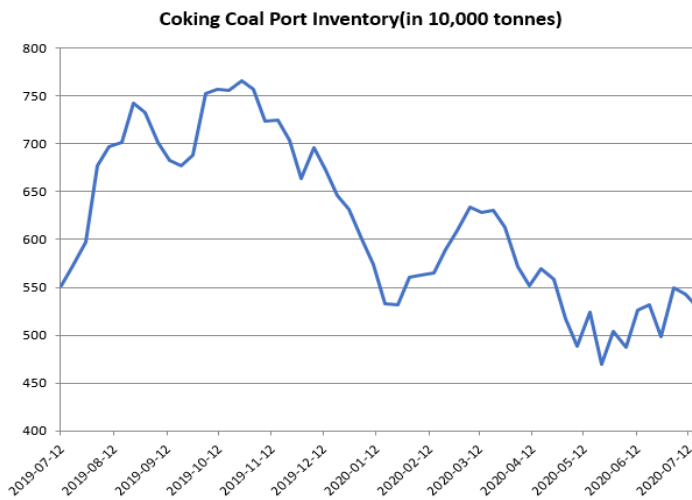
	Last	Previous	% Change
Platts 62% Fe	107.8	109.55	-1.6%
MB 65% Fe	119.4	120.8	-1.2%
Capesize 5TC Index	17014	17284	-1.6%
C3 Tubarao to Qingdao	15.94	15.795	0.9%
C5 West Australia to Qingdao	5.995	6.009	-0.2%
Billet Spot Ex-Works Tangshan MT	3390	3400	-0.3%
SGX Front Month(Jun)	106.27	107.03	-0.7%
DCE Major Month(Sep)	831	819.5	1.4%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,077.60	1,030.90	4.5%
Brazil Iron Ore Weekly Export Unit 10,000 mt	167.30	224.90	-25.6%



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

# Coking Coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal</b>	107.3	106.7	0.6%
<b>Coking Coal Front Month</b>	115.07	110.93	3.7%
<b>DCE CC Major Month(May)</b>	1228.5	1208.5	1.7%
<b>Coking Coal Port Inventory Unit 10,000mt</b>	509	530	-4.0%
<b>China Custom total CC Import Unit mt</b>	6,255,913.00	4,785,514.00	30.7%



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