

Macro

	Last	Previous	% Change
USDCNY	6.9752	7.0184	-0.6%
Repo 7 Days	2.4	1.7	41.2%
Repo 1 Day	1.82	1.8	1.1%
Dollar Index	93.349	94.435	-1.1%
China GDP Constant Price YOY %	3.2	-6.8	NA
China PMI (Caixin)	52.8	51.2	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 consolidate in high level.

Ferrous Sector Money-flow:

Ferrous sector is rolling from September contract to January contract in coming two weeks. The rolling comparing to previous years look late, however also symbolised the next rebound for September contract is limited because of getting closed to physical value. In general money favored iron ore compared to the rest of commodities during first three quarters of the year.

Macro and Downstream

China central political conference stressed on "internal economic circulation", a new strategy to resolve the export problems by increasing domestic consumptions. Some traders felt some sentiments on infrastructure and housing stimulus because currently most of domestic consumptions are bind with the two sectors.

The trading pattern on ferrous is similar to equities and highly correlated with equities. Major money are attracted by the rewards of iron ores and thus stay in the iron ore market. The evaporation of positions could be a leading signals for ferrous products.

Steel Sector:

Steel rebound looks more mild in this round of rebound. Many mid-China recovered transportation after rainy season, the construction steel trading volume saw 300,000 tonnes on this Monday, which should be a reaction of previous demand. However market would become exciting when seeing a future expectation in most circumstances.

Most of ferrous commodities onshore have been more expensive compared to physicals. That is to say ferrous futures are all overvalued at the moment if physicals keep grow at slower rate. SHFE rebar has totaled 20.72 million tonnes of positions. DCE iron ore has totaled 98.29 million tonnes of positions. The iron ore/ rebar position ratio is 4.74. However this ratio on physical is only 0.4. The difference indicated iron ore speculative level is 11.86 higher than rebar.

Iron Ore:

It is no arguing that iron ore has reached a high valued area. In other words, the risk becomes much heavier compared with return. At the same time, we can hardly find some direct factors that are significantly bearish on iron ore market.

The marginal change of iron ore market is meaning the support factors for iron ore is becoming less significant. For instance, port stocks have entered an increasing cycle since mid-June. In short run, iron ore arrivals also up 1.61 million tonnes on China 45 ports. Given an unchanged evacuation, the port stock should see a slight raise this week as well. The second typhoon arrived in eastern China however only has 1-2 day impact on few ports. The major mid-grade is becoming much expensive compared to blended ores by high grade and low grade. However mid-grade port stocks are still tight at the moment.

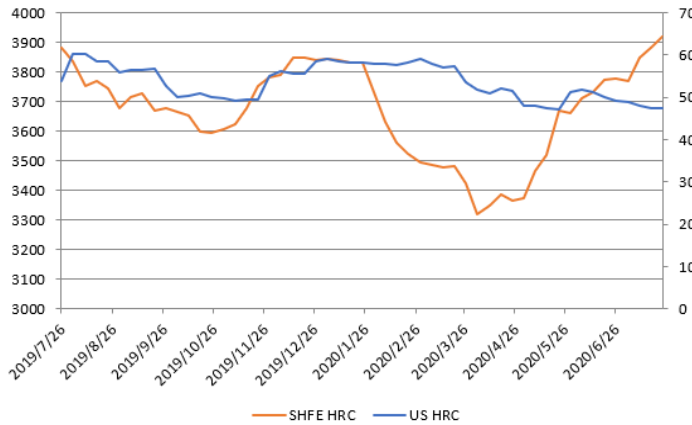
Observed from previous 5 years, iron ore always tend to exhaust the steel margin to zero. On the other side, steel market are more linked with a real demand market and transparent compared with ores. However a negative steel margin shouldn't last more than 1 month based on historical cases. Current Hebei mills rebar margin reached lower than 50 yuan area, closed to negative margin. Rebar/iron ore ratio has also created historical low at 4.34.

Senior Researcher: Hao Pei

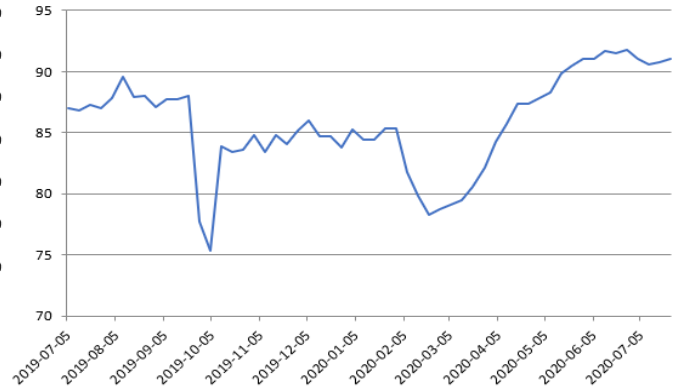
Steel

	Last	Previous	% Change
US HRC Front Month	482	475	1.5%
SHFE Rebar Major Month(May)	3802	3788	0.4%
China Hot Rolled Coil	3912	3918	-0.2%
China Monthly Steel consumption Unit 000's mt	89758.8	89145.8	0.7%
Five Major Steel Inventories Unit 10,000 mt	0	2163.46	-100.0%
Construction Steel Total Inventory unit 10,000 mt	0	1445.57	-100.0%
Crude Steel Production China Unit 000's mt	91579	92267	-0.7%
China Volume of Commodity Imports Unit 000's mt	1880	1280	46.9%
China Volume of Commodity exports Unit 000's mt	3700	4401	-15.9%

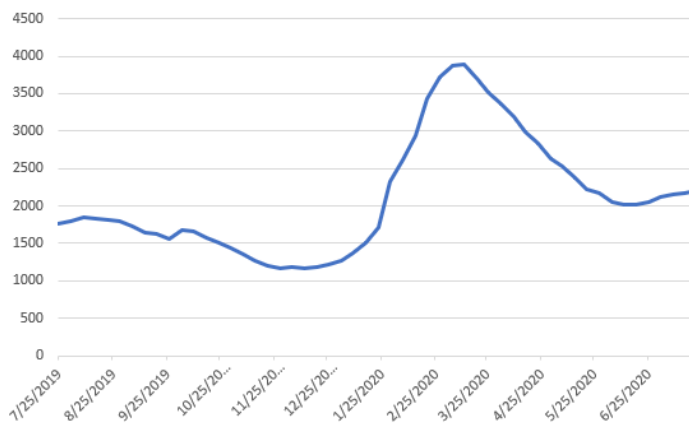
US HRC Vs SHFE HRC



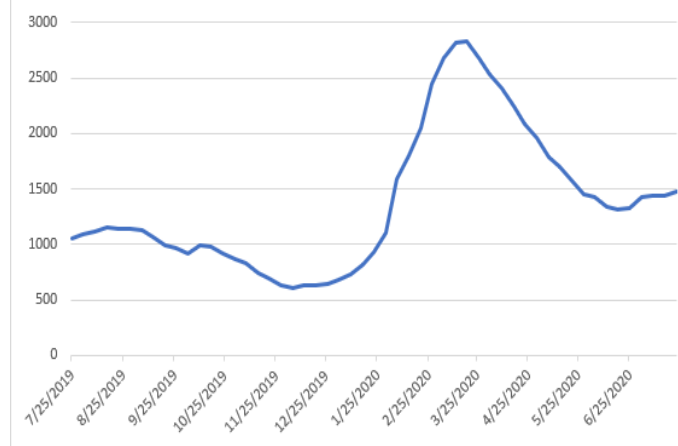
MySteel 247 mills BF Operation Rate in %



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



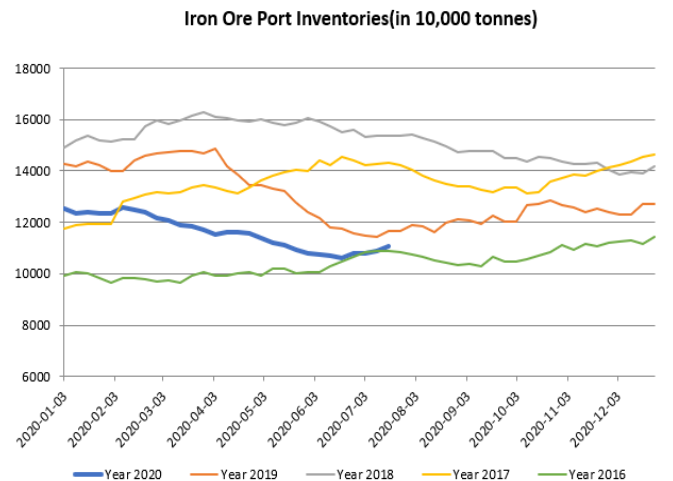
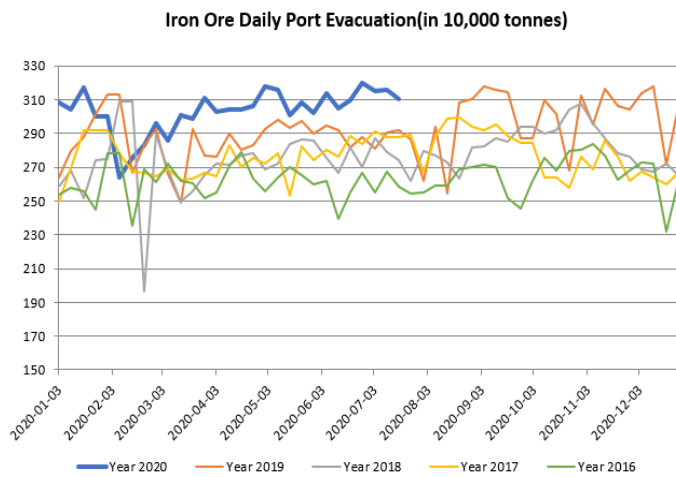
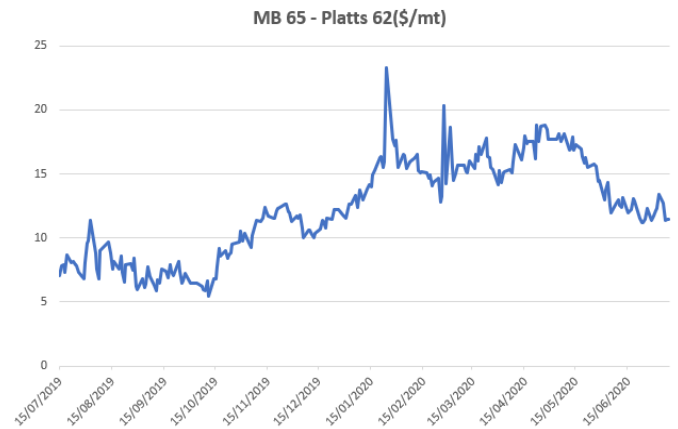
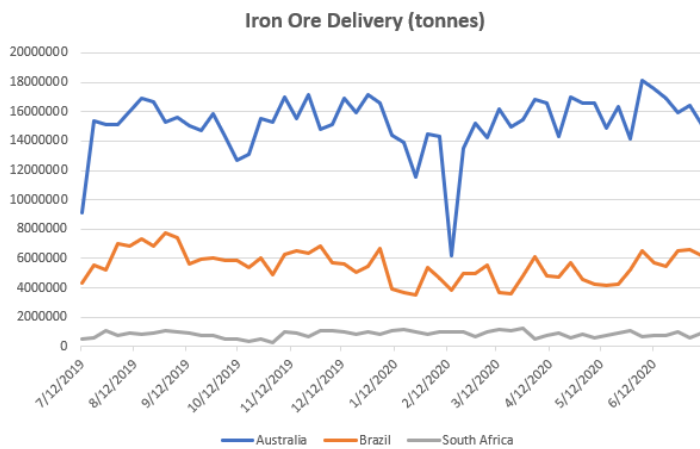
Construction Steel Total Inventories (in 10,000 tonnes)



- ◆ Five major steel inventories 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

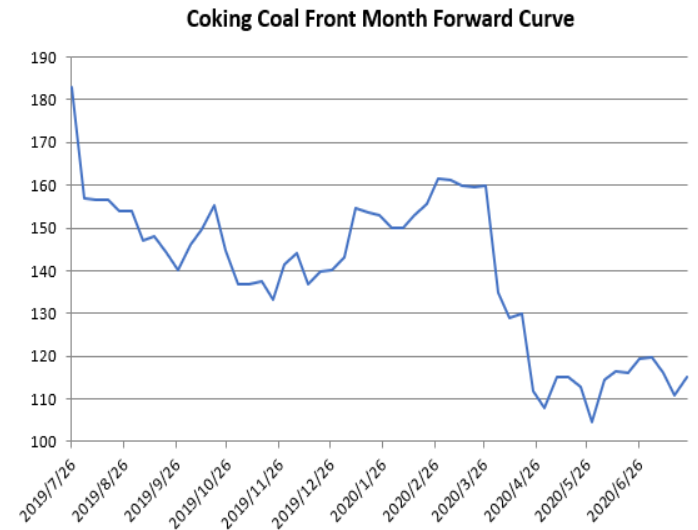
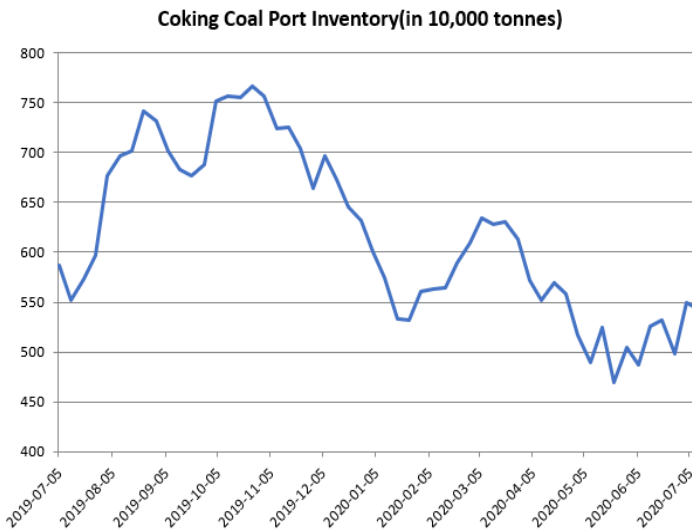
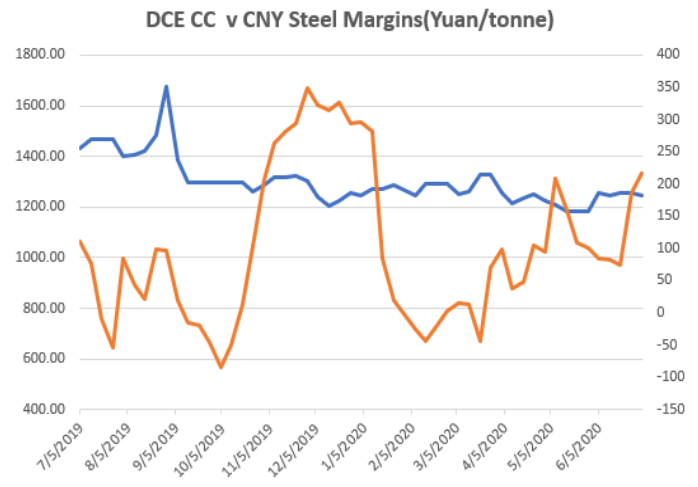
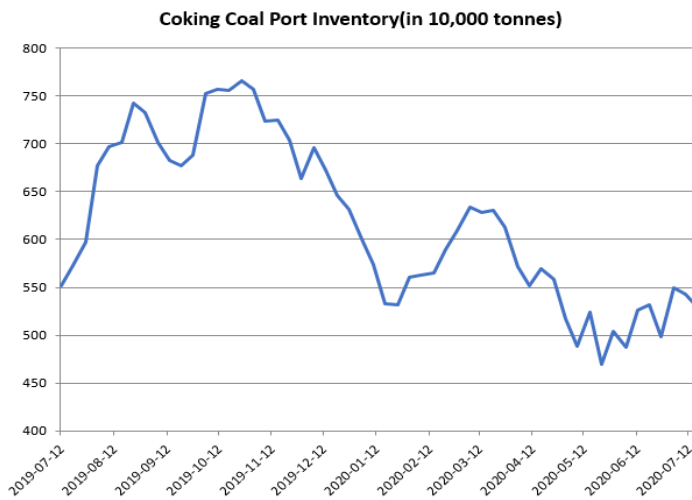
	Last	Previous	% Change
Platts 62% Fe	116.35	111.45	4.4%
MB 65% Fe	126.3	122.3	3.3%
Capesize 5TC Index	19051	18296	4.1%
C3 Tubarao to Qingdao	17.83	17.47	2.1%
C5 West Australia to Qingdao	7.609	7.155	6.3%
Billet Spot Ex-Works Tangshan MT	3400	3390	0.3%
SGX Front Month(Jun)	108.05	107.78	0.3%
DCE Major Month(Sep)	879	870	1.0%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,047.50	1,077.60	-2.8%
Brazil Iron Ore Weekly Export Unit 10,000 mt	295.80	167.30	76.8%



- ◆ 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	111.8	111.93	-0.1%
DCE CC Major Month(May)	1286.5	1297	-0.8%
Coking Coal Port Inventory Unit 10,000mt	549	509	7.9%
China Custom total CC Import Unit mt	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.