

Macro

	Last	Previous	% Change
USDCNY	6.968	6.9752	-0.1%
Repo 7 Days	2.05	2.4	-14.6%
Repo 1 Day	2.06	1.82	13.2%
Dollar Index	93.435	93.349	0.1%
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 rolled from September contract to January during early half this week. September contract looks weaker than January contract by and after rolling. DCE Iron ore open interest grew from 855,000 lots to 1.02 million lots during August. This significant pick on open interest is rarely historically during rolling or pre-delivery month. Market expect some profit taking in August as a result.

Macro

Iron ore majorly only follow the rebound of China equity market, however become supportive when equity correct. The strong iron ore absorbed some speculative money. If calculated by rebar or the last year iron ore consumption, iron ore this year has more non-industrial based investors. These investors have increased the volatility of iron ore market.

Steel Sector:

Baosteel increase some HRC width by 250 yuan in September, which triggered a positive sentiments on physical steel spot market. Rebar is growing at much slower pace compared to iron ore. Steel margin is expected to narrow to zero, since iron ore always tend to exhaust steel margin before or by steel mills mark up steel price. On the other side iron ore may see a correction before steel margin close to zero if blast furnace agree to cut some production.

Flat glass futures have rebounded 59.41% since mid-April and increased 13.56% during August, the best performer of construction sector. Flat glass far month also reached limit-up today. However the flat glass is the last construction materials following rebar and cements in buildings. If flat glass finished this round of rebound, then whole ferrous sector will potentially see correction after that.

Iron Ore:

Iron ore port congestion caused by previous virus inspection in northern ports have led to a slight lower inventory on ports. Southern typhoon also impact some laycans. However half day impact with no official notice on delay for any ship.

DCE sent twice notice on regulate the irrational trade on iron ore product and will punish the illegal tradings. At the same time, DCE expand deliverable iron ore benchmarks as well as warehouses. However the actual impact on iron ore is limited since some benchmark iron ores are not the cheapest to delivery, as well as exchange designated warehouses covered rather smaller proportion of iron ores compared with port areas. Iron ore buyers are ignoring any risk notice at the moment.

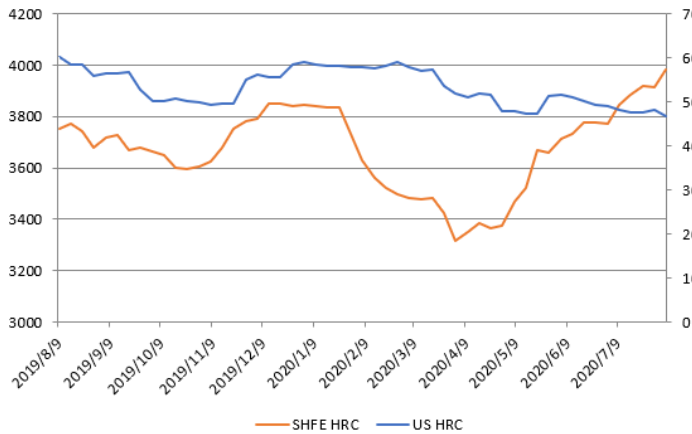
SGX iron ore second month reached \$116, last year high at \$118. Daily pig iron production at 2.52 million tonnes. The actual reversal of demand needs to confirmed by the decrease of pig iron production. However futures price always reach there once there is an expectation to trigger the collapse.

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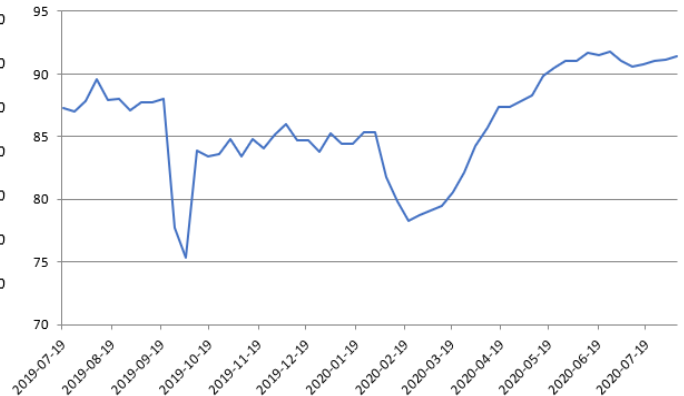
Steel

	Last	Previous	% Change
US HRC Front Month	467	482	-3.1%
SHFE Rebar Major Month(May)	3771	3802	-0.8%
China Hot Rolled Coil	3983	3912	1.8%
China Monthly Steel consumption Unit 000's mt	90008.8	89758.8	0.3%
Five Major Steel Inventories Unit 10,000 mt	2222.36	2200.92	1.0%
Construction Steel Total Inventory unit 10,000 mt	1494.12	1476.32	1.2%
Crude Steel Production China Unit 000's mt	91579	92267	-0.7%
China Volume of Commodity Imports Unit 000's mt	2606	1880	38.6%
China Volume of Commodity exports Unit 000's mt	4176	3700	12.9%

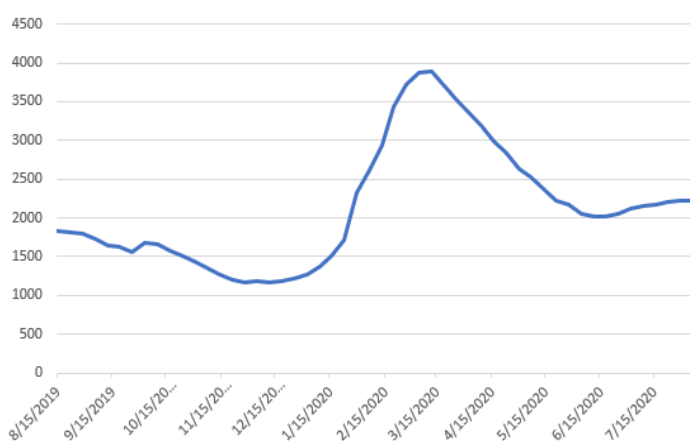
US HRC Vs SHFE HRC



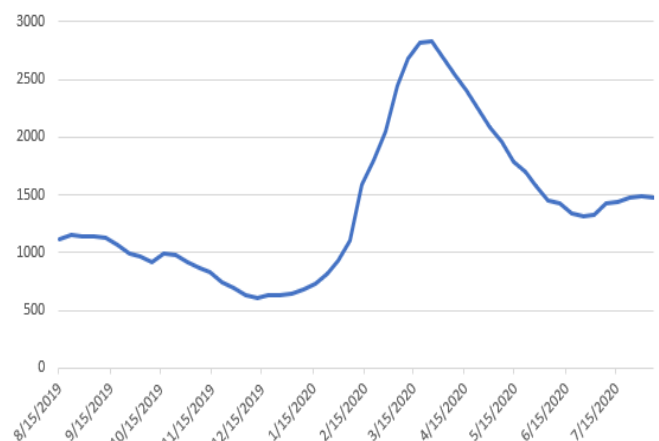
MySteel 247 mills BF Operation Rate in %



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



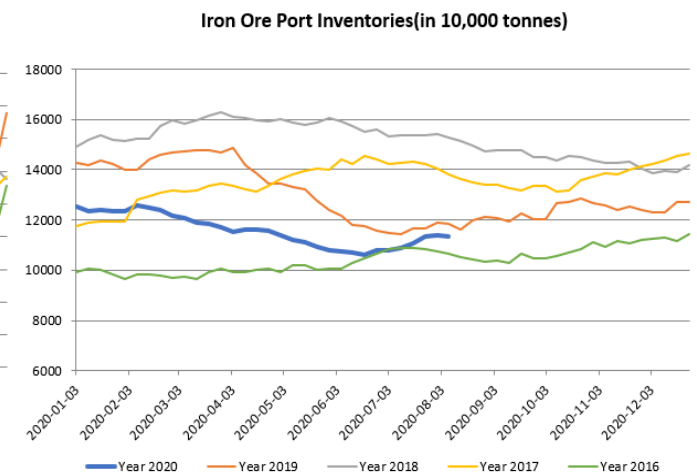
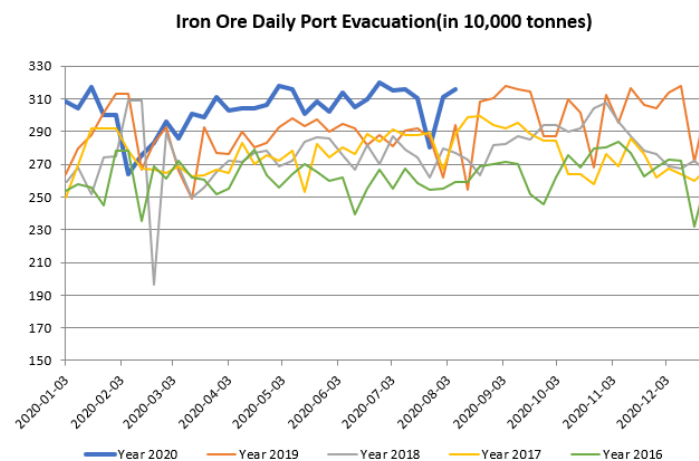
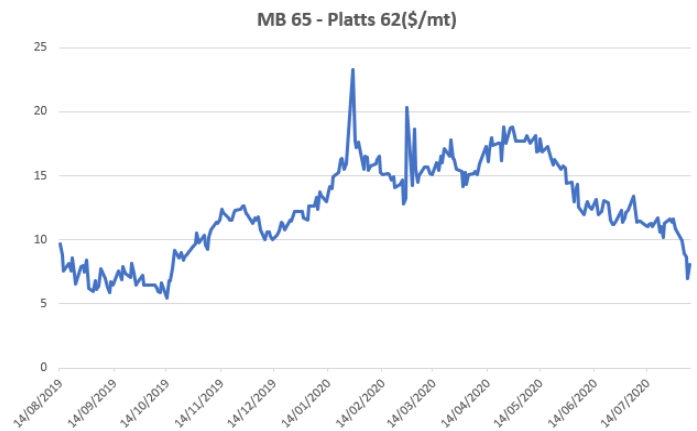
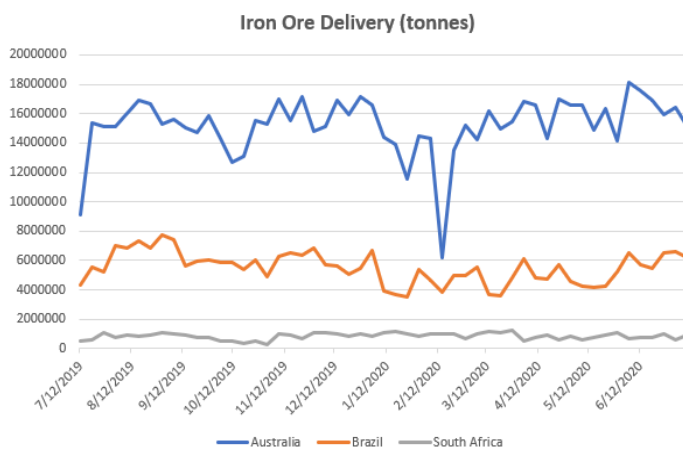
Construction Steel Total Inventories (in 10,000 tonnes)



- ◆ 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

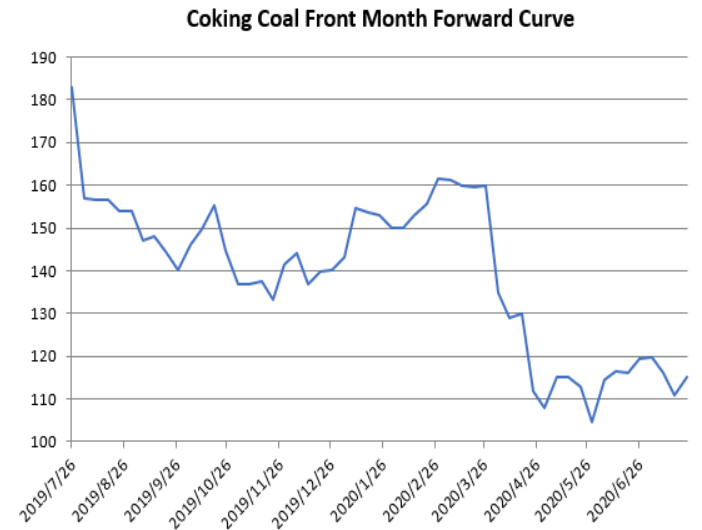
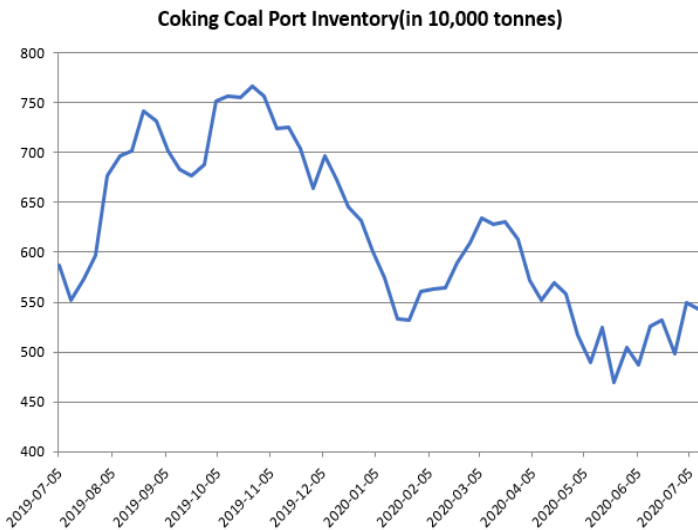
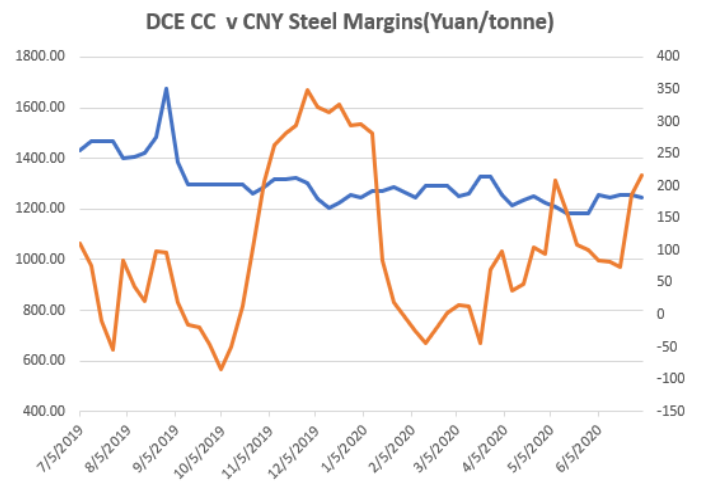
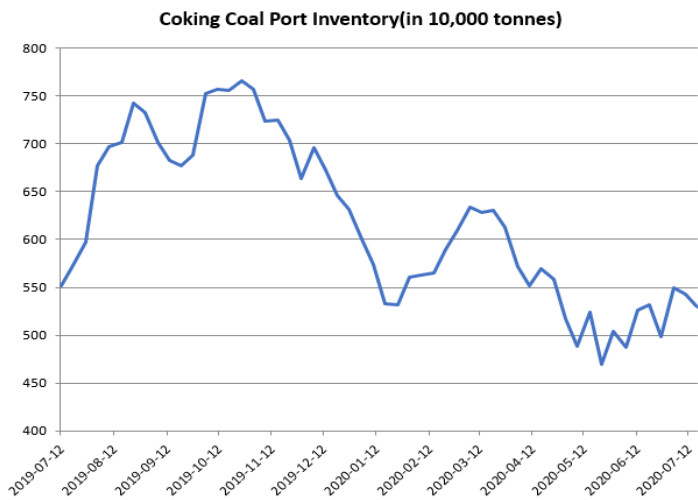
	Last	Previous	% Change
Platts 62% Fe	118.85	121.4	-2.1%
MB 65% Fe	126.9	128.4	-1.2%
Capesize 5TC Index	19697	19912	-1.1%
C3 Tubarao to Qingdao	16.795	16.935	-0.8%
C5 West Australia to Qingdao	8.45	8.523	-0.9%
Billet Spot Ex-Works Tangshan MT	3420	3400	0.6%
SGX Front Month(Jun)	117.89	108.05	9.1%
DCE Major Month(Sep)	889	879	1.1%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	886.40	1,047.50	-15.4%
Brazil Iron Ore Weekly Export Unit 10,000 mt	109.80	295.80	-62.9%



- ◆ 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	107.5	107.6	-0.1%
Coking Coal Front Month	109.86	111.8	-1.7%
DCE CC Major Month(May)	1300	1286.5	1.0%
Coking Coal Port Inventory Unit 10,000mt	546	549	-0.5%
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.