

Macro

	Last	Previous	% Change
USDCNY	6.8425	6.8654	-0.3%
Repo 7 Days	2.2	1.35	63.0%
Repo 1 Day	2	1.35	48.1%
Dollar Index	92.719	92.371	0.4%
China GDP Constant Price YOY %	3.2	-6.8	NA
China PMI (Caixin)	53.1	52.8	NA
China Industrial Production MOM %	0.98	1.3	NA
Commercial Space Under Construction	3	2.6	NA
Commercial Space Completed	332.5	290.3	NA
Commercial Building Space Sold, YTD YOY%	-5.8	-8.4	NA
Residential Space Under Construction, YTD YOY%	4.1	3.8	NA
Residential Space Completed, YTD YOY%	-10.2	-9.8	NA
Residential Floor Space Sold, YTD YOY%	-5	-7.6	NA

Ferrous Weekly Comment

Market Summary:

Iron ore short-run neutral to bearish, the reversal is approaching.

Money Movement and Macro Market:

U.S. equities corrected before and after weekends, Shanghai equity followed correcting slightly. China monetary policy will become marginal tight. China also control leverage ratio on housing companies. As a result, housing companies might decrease price to keep their sales and market in Q4.

Steel Sector:

Tangshan has enforce four emergent production cut over past five weeks. However weekly steel production and furnace utilisation rate are both running at historical high area, which also limit the growth of physical steel price. Construction steel trading volume was flat from last week.

Iron Ore:

Port first saw a significant decrease by 19 vessels to 169 vessels last week from this May, indicating port congestion potentially ease in next few weeks. In addition approaching September delivery, iron ore normally will rethink on the valuation on far month, when buyers will become more cautious. DCE iron ore Jan contract retrace within half day after broke 860 yuan area over past 5 weeks. Jan contract represent winter stock value. However winter stock steel price is always slight lower than early Q4 since most are either in long-term or spot pricing, both are lower than spot physical price.

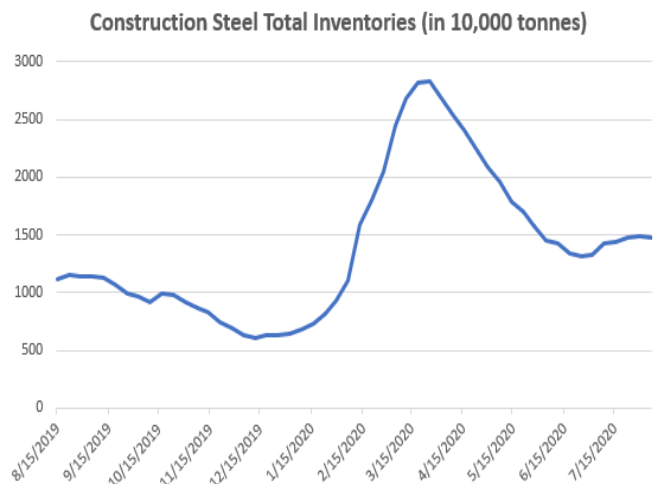
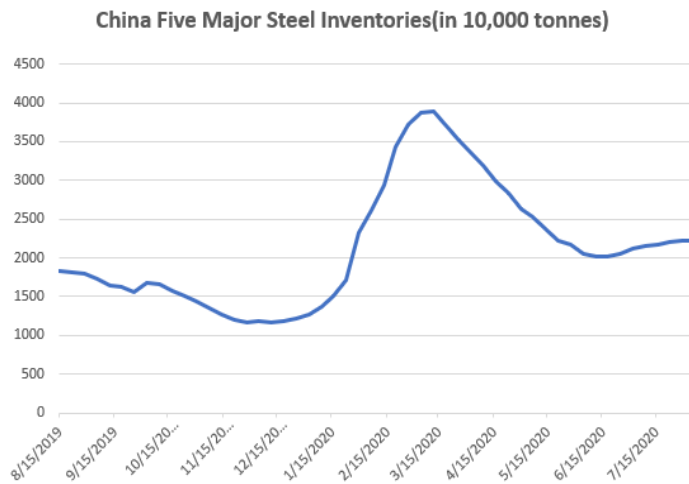
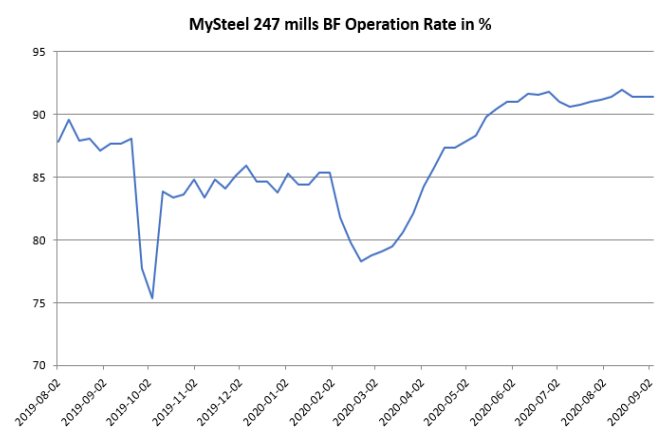
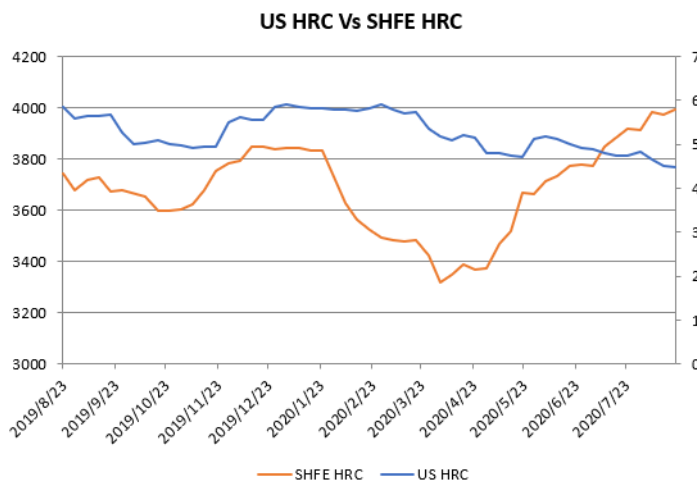
If iron ore keep growth faster than steel, then steel mills will enter massive loss nationally in two weeks. By that time, iron ore hedging positions on futures market will correct sharply to prevent deeper loss on physical market.

Mid-grade concentrates inventories potentially see a pick up after Australia finished port maintenance or port stock congestion solved. Mills increased lump furnace input from 10.15% in July to 12.68% last week. Yandi also become popular for both northern and southern clients, which lower the average production cost and had good efficiency during production. Moreover, Yandi inventories are sufficient in every major port. The fundamental reversal needs to see a utilisation drop to indicate iron ore demand actually come off.

Senior Researcher: Hao Pei

Steel

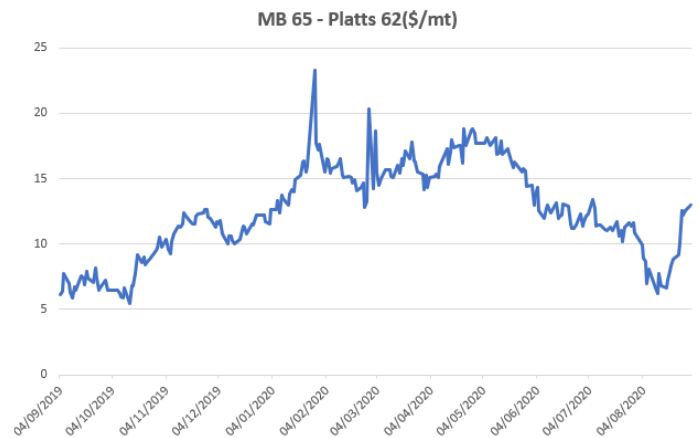
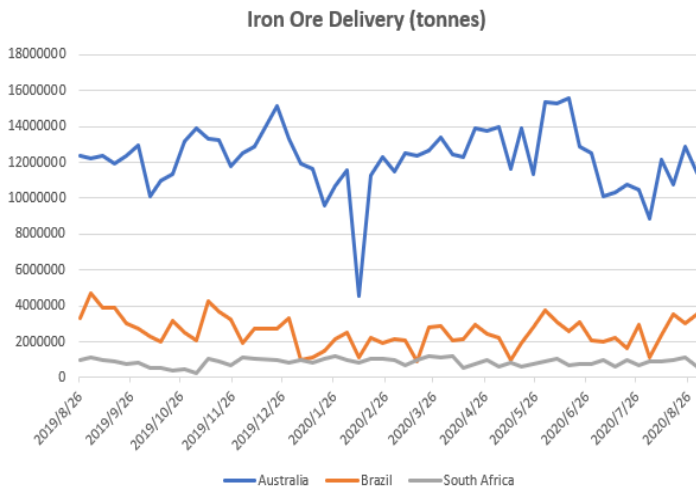
	Last	Previous	% Change
US HRC Front Month	532	518	2.7%
SHFE Rebar Major Month(May)	3765	3726	1.0%
China Hot Rolled Coil	4020	3972	1.2%
China Monthly Steel consumption Unit 000's mt	91920.8	91788.8	0.1%
Five Major Steel Inventories Unit 10,000 mt	2249.36	2225.28	1.1%
Construction Steel Total Inventory unit 10,000 mt	1523.27	1497.27	1.7%
Crude Steel Production China Unit 000's mt	93359	91579	1.9%
China Volume of Commodity Imports Unit 000's mt	2240	2610	-14.2%
China Volume of Commodity exports Unit 000's mt	3678	4180	-12.0%



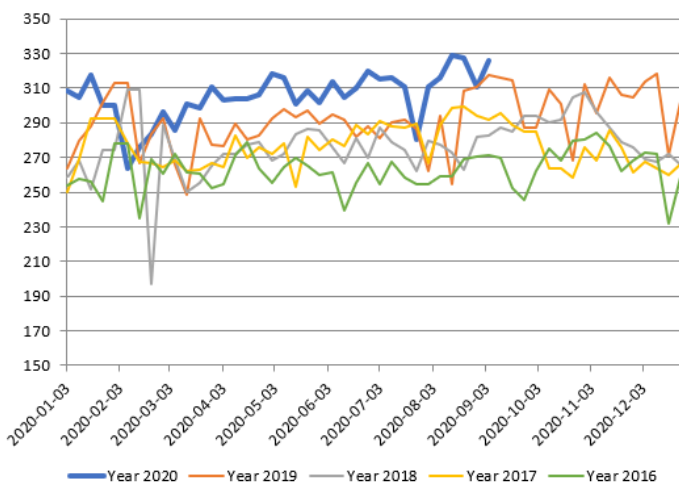
- ◆ Five major steel inventories gradually picked up as marginal apparent consumption become weaker.
- ◆ The daily pig iron production reached historical high at 2.53 million tonnes, which is related to steel capacity switch from mid-small mills to high blast.

Iron Ore

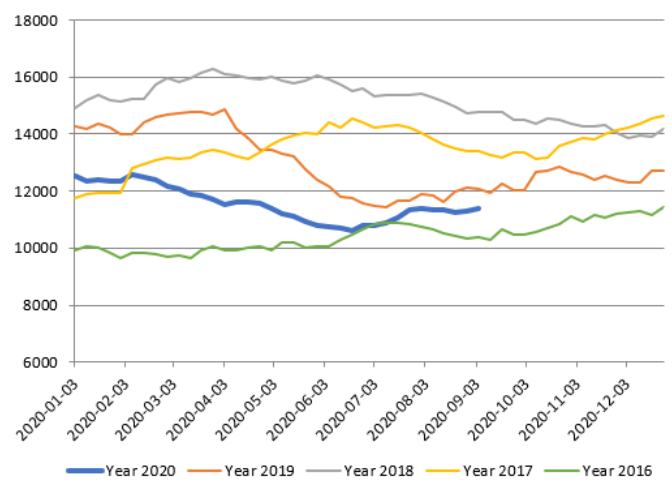
	Last	Previous	% Change
Platts 62% Fe	129.9	128.7	0.9%
MB 65% Fe	143.3	141.1	1.6%
Capesize 5TC Index	16102	16252	-0.9%
C3 Tubarao to Qingdao	16.46	16.51	-0.3%
C5 West Australia to Qingdao	7.055	7.145	-1.3%
Billet Spot Ex-Works Tangshan MT	3480	3450	0.9%
SGX Front Month(Jun)	127.41	122.48	4.0%
DCE Major Month(Sep)	941.5	918.5	2.5%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,141.70	1,286.80	-11.3%
Brazil Iron Ore Weekly Export Unit 10,000 mt	352.40	303.60	16.1%



Iron Ore Daily Port Evacuation(in 10,000 tonnes)



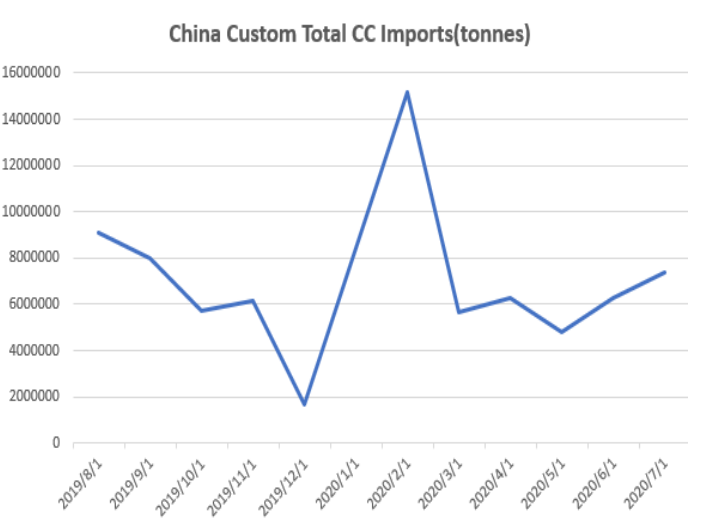
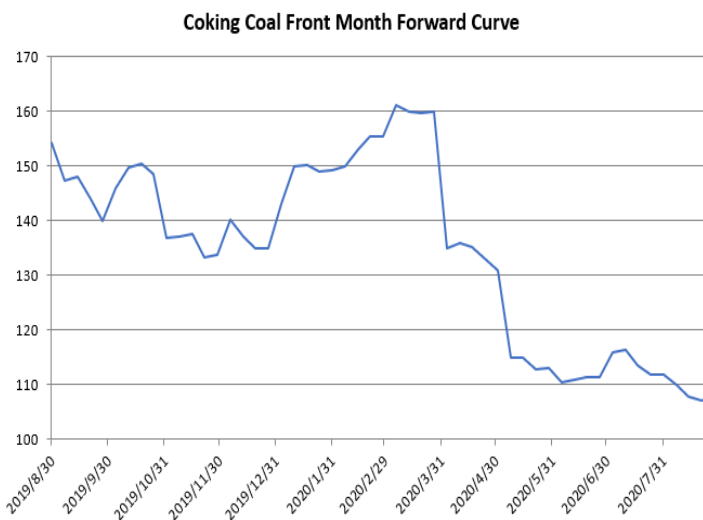
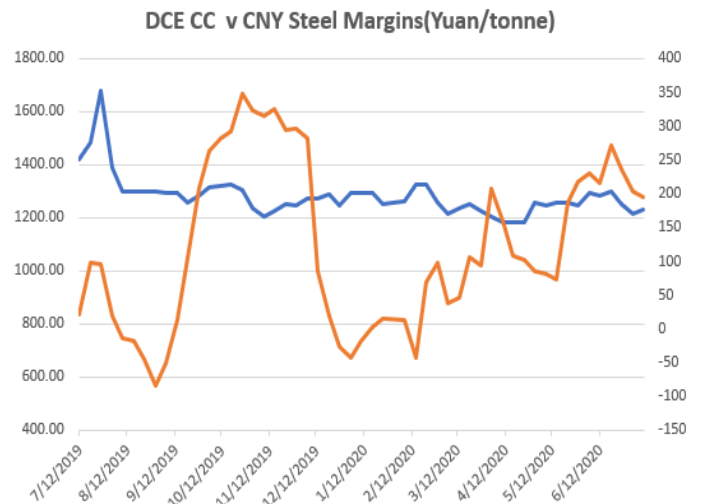
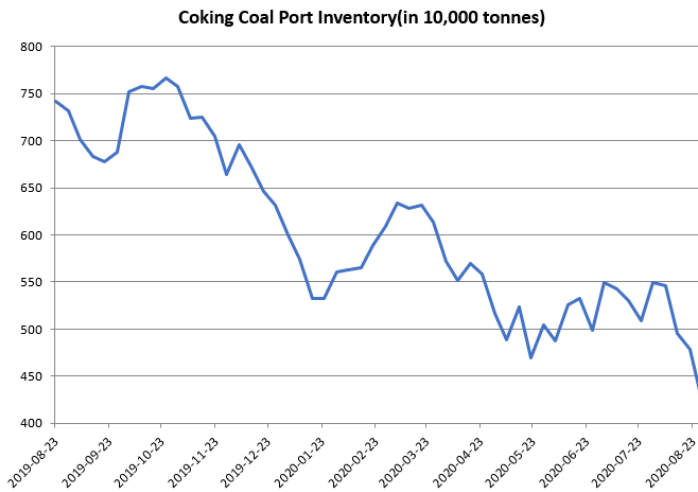
Iron Ore Port Inventories(in 10,000 tonnes)



- ◆ Port evacuation bounced up because operation reached normal. However port congestion prevent more arrivals from loading on ports.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	107	107	0.0%
Coking Coal Front Month	114.75	107.86	6.4%
DCE CC Major Month(May)	1226.5	1229.5	-0.2%
Coking Coal Port Inventory Unit 10,000mt	426	478	-10.9%
China Custom total CC Import Unit mt	7,367,674.00	6,255,913.00	17.8%



◆ Coking coal port inventories are tanking.