



Weekly Ferrous Report

Macro

	Last	Previous	% Change
USDCNY	6.8238	6.7691	0.8%
Repo 7 Days	1	2.6	-61.5%
Repo 1 Day	0.67	2.12	-68.4%
Dollar Index	94.642	92.926	1.8%
China GDP Constant Price YOY %	3.2	-6.8	NA
China PMI (Caixin)	53.1	52.8	NA
China Industrial Production MOM %	1.02	0.98	NA
Commercial Space Under Construction	3.3	3	NA
Commercial Space Completed	371.1	332.5	NA
Commercial Building Space Sold, YTD YOY%	-3.3	-5.8	NA
Residential Space Under Construction, YTD YOY%	4.3	4.1	NA
Residential Space Completed, YTD YOY%	-9.7	-10.2	NA
Residential Floor Space Sold, YTD YOY%	-2.5	-5	NA

Ferrous Weekly Comment

Market Summary:

Iron ore short-run neutral.

Money Movement and Macro Market:

Ferrous sector start to correct after the China's financial leverage control on housing companies. Evergrande, as one of the biggest housing company also triggered some debt issues, but government also clarified and extend the deleveraging process to the year 2023. Short-run stress finally reach an end on housing side. However infrastructure only contributed small portion of steel consumption compared to housing sector.

In addition, the combination of qualified foreign investment venues RQFII and QFII, aiming to absorb more foreign investment on equity market, however most strategies are also against over-speculation and illegal financing on secondary market.

Steel Sector:

Ex-China furnaces start to recover production from July and August, import steels are decreasing significantly. However the second round of pandemic start to spread out in some European and East Asian big cities. SHFE rebar jan contract has corrected more than 8% during September, since both physical trading volume and apparent consumption is suggestion the last construction season has passed, and inventories potentially keep at 40%-50% higher level compared to previous 4-year average in Q4. Earlier in this June, construction steels were 46% higher than last four-year average, however September inventories were 55% higher than previous 4 year average.

The northern construction steels have started to flow in to eastern and southern market before winter comes.

Iron Ore:

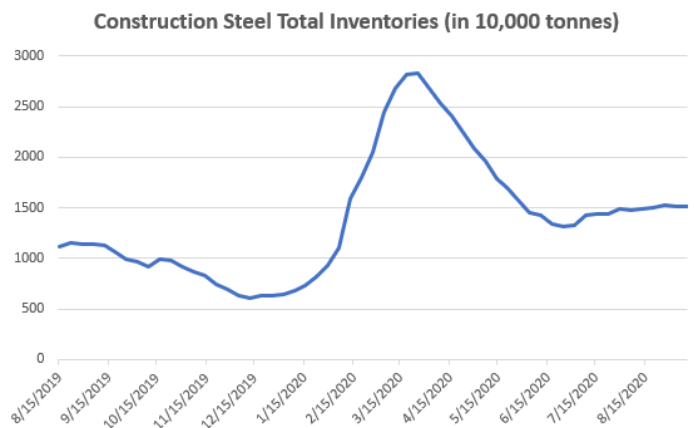
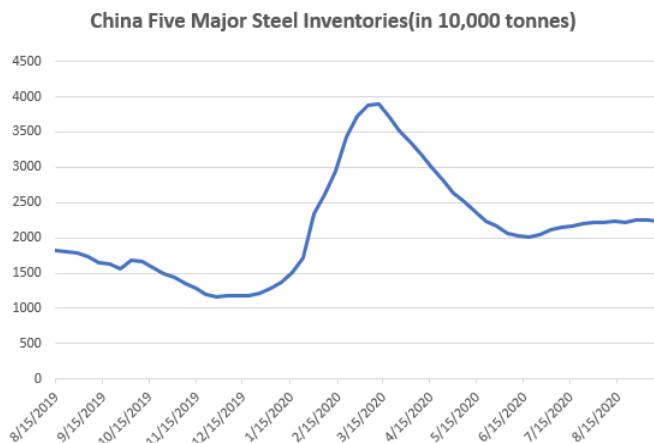
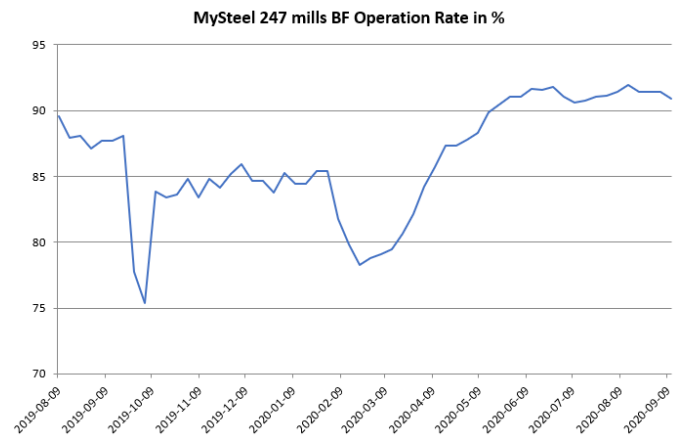
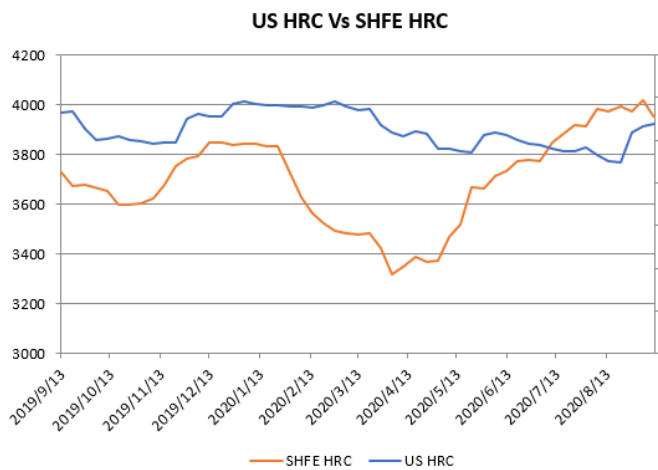
Iron ore daily pig iron production slightly moved lower from 2.5 million tonnes to 2.49 million tonnes, since Tangshan production curb. Northern ports area military parade before and during golden weeks will potentially slow down ships loading and road transportations. Thus evacuation expected lower and port inventories expected increase. Port inventories have increased 6 out of 7 weeks during August and September. Daily evacuation drop from 3.25 million tonnes to 3.13 million tonnes.

Market shifted the preference to mid-grade iron ore because both low grade and high grade have rebounded significantly. However mills indicated they are more interested in Brazilian low aluminum iron ores to reach acid-base balance in some furnaces.

Senior Researcher: Hao Pei

Steel

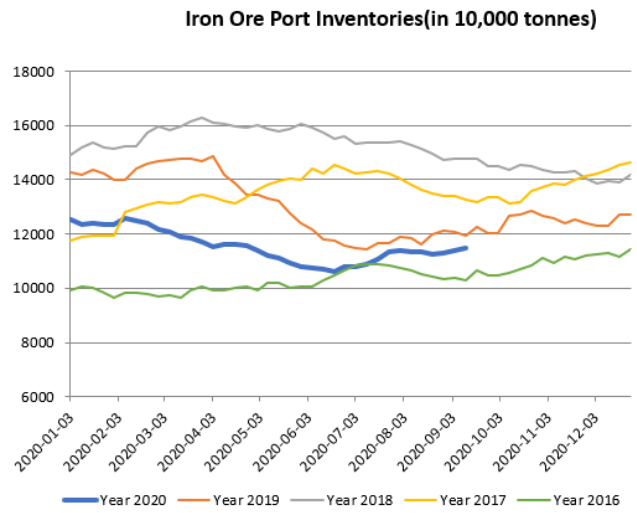
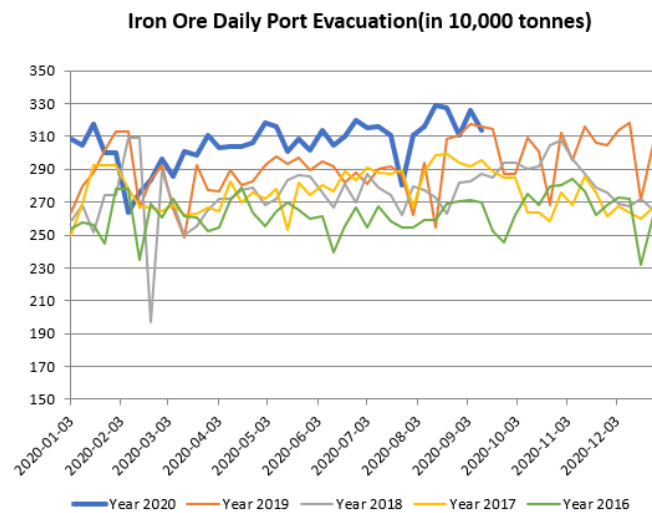
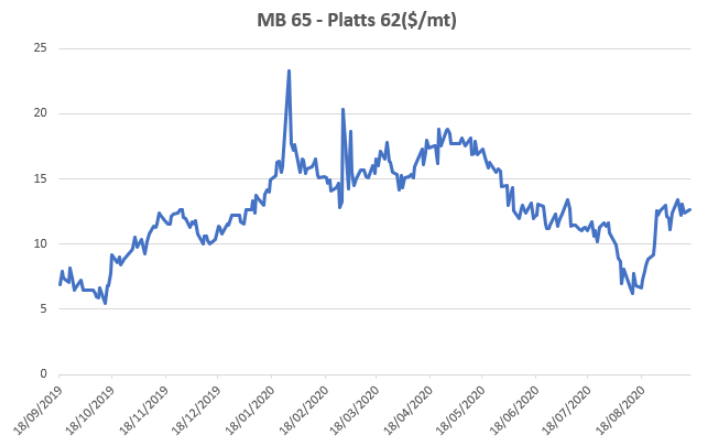
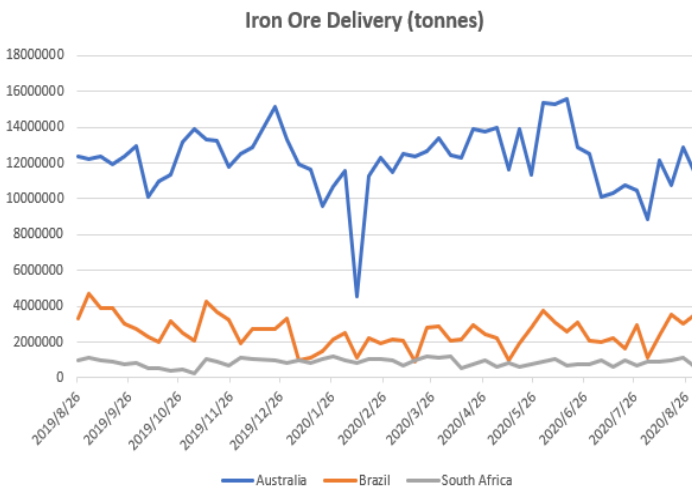
	Last	Previous	% Change
US HRC Front Month	550	549	0.2%
SHFE Rebar Major Month(May)	3537	3596	-1.6%
China Hot Rolled Coil	3880	3923	-1.1%
China Monthly Steel consumption Unit 000's mt	93404.7	91788.8	1.8%
Five Major Steel Inventories Unit 10,000 mt	2233.79	2242.26	-0.4%
Construction Steel Total Inventory unit 10,000 mt	1489.96	1508.59	-1.2%
Crude Steel Production China Unit 000's mt	94845	93359	1.6%
China Volume of Commodity Imports Unit 000's mt	2240	2610	-14.2%
China Volume of Commodity exports Unit 000's mt	3680	4180	-12.0%



- ◆ Five major steel types inventories are running at historical high level, expectation is obviously becoming higher than reality.
- ◆ The daily pig iron production is maintain at 2.5 million tonnes level for past eight weeks, a historical high level, indicating the iron ore demand is resilient.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe	117.05	116.05	0.9%
MB 65% Fe	128.5	128	0.4%
Capesize 5TC Index	23733	24178	-1.8%
C3 Tubarao to Qingdao	20.365	20.58	-1.0%
C5 West Australia to Qingdao	8.305	8.705	-4.6%
Billet Spot Ex-Works Tangshan MT	3320	3370	-1.5%
SGX Front Month(Jun)	113.19	121.01	-6.5%
DCE Major Month(Sep)	763	799	-4.5%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,197.30	1,344.00	-10.9%
Brazil Iron Ore Weekly Export Unit 10,000 mt	287.10	348.70	-17.7%



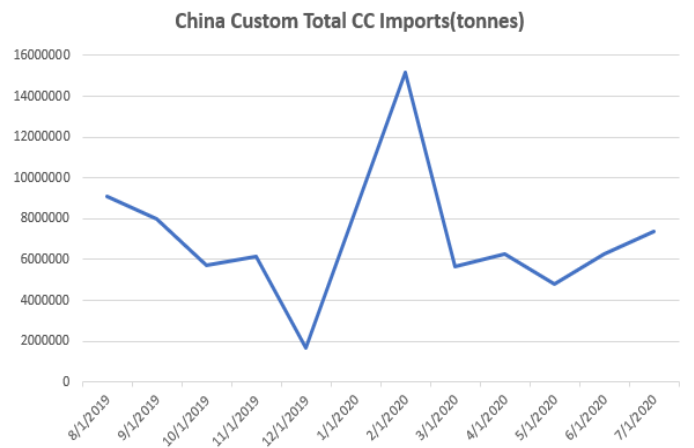
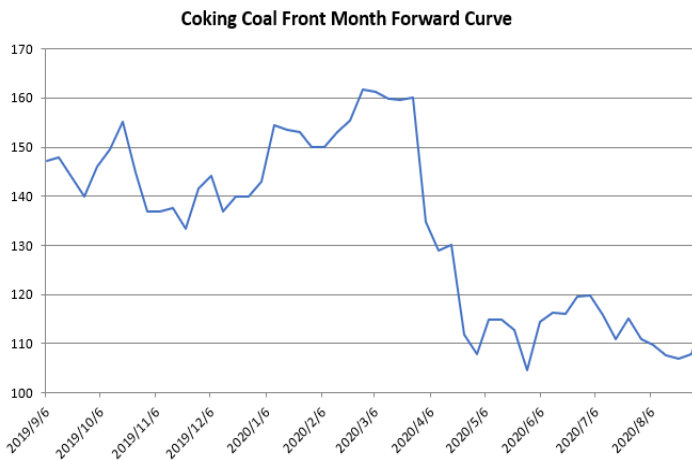
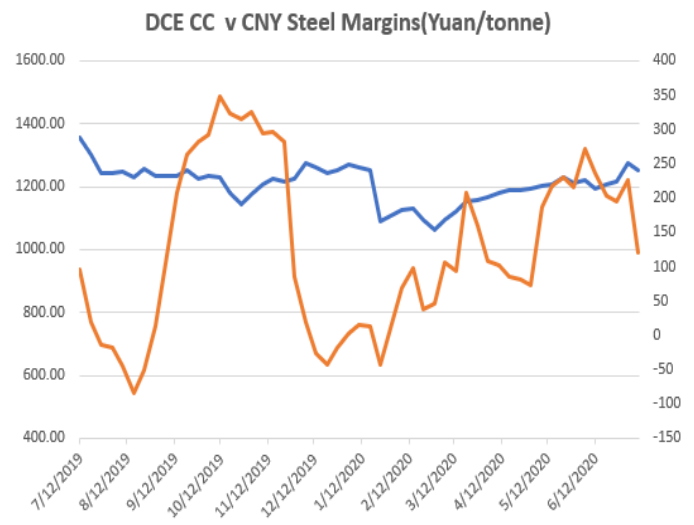
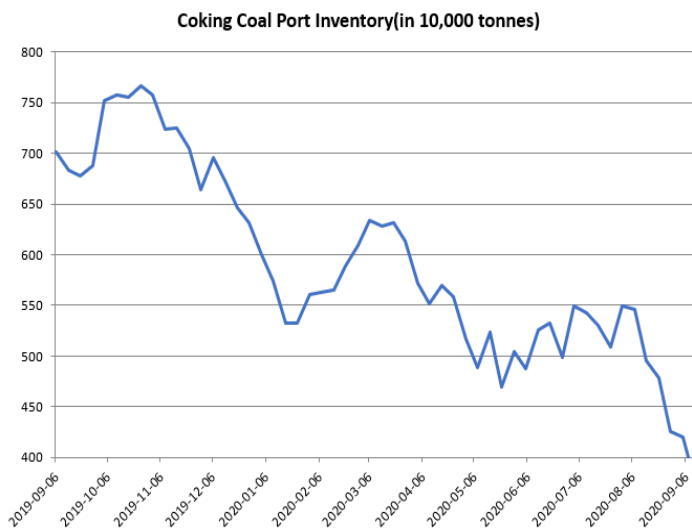
◆ Port inventories are increasing because port congestion eased and many port area stocks are count in the statistics.



Weekly Ferrous Report

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	137.4	137.4	0.0%
Coking Coal Front Month	123.39	119.14	3.6%
DCE CC Major Month(May)	1253	1269.5	-1.3%
Coking Coal Port Inventory Unit 10,000mt	391	389	0.5%
China Custom total CC Import Unit mt	7,171,781.00	7,367,674.00	-2.7%



◆ Coking coal port inventories are tanking.