

Macro

	Last	Previous	% Change
USDCNY	6.6976	6.6947	0.0%
Repo 7 Days	2.19	1.8	21.7%
Repo 1 Day	2	1	100.0%
Dollar Index	93.682	93.057	0.7%
China GDP Constant Price YOY %	4.9	3.2	NA
China PMI (Caixin)	53	53.1	NA
China Industrial Production MOM %	1.18	1.03	NA
Commercial Space Under Construction	3.1	3.3	NA
Commercial Space Completed	413.4	371.1	NA
Commercial Building Space Sold, YTD YOY%	-1.8	-3.3	NA
Residential Space Under Construction, YTD YOY%	4	4.3	NA
Residential Space Completed, YTD YOY%	-10.5	-9.7	NA
Residential Floor Space Sold, YTD YOY%	-1	-2.5	NA

Ferrous Weekly Comment

Market Summary:

Iron ore short-run bearish.

Money Movement:

According to China commodity exchanges statistics, agricultural sector money inflow increase 14.99% compared to last day before golden weeks. Industrial sector increase 23.99%, most contributed by petro- chemical sector, up 38.3%. Ferrous sector up 16.88% over the same period, underperformed by other industrial sectors including non-ferrous and petro-chemicals. Within ferrous sector, iron ore money inflow is much smaller compared to coals and steels.

Steel Sector:

Tangsong Index researchers indicated production curb will tend to have smaller impact before November, and potentially become more harsh after November if Tangshan pollution levels increased. Five typical steel mills inventories are still 45% higher than previous four years average from mysteel data. Given the best case, it is still hard to reach or even close to previous years level by the end of year, since the last golden season for steel sales have past (in September and October). The steel daily trading volume dropped from 250,000 tonnes to 220,000 tonnes from early October to late October. SHFE rebar Jan contract is a typical contract reflect winter stock value. However mills tend to have some discount on winter stock to clear most of their inventories and keep liquidity before Chinese New Year. As a result, rebar Jan has limited room to speculate historically and seasonally.

Iron Ore:

Australia and Brazil iron ore delivery at 25 million tonnes last week, up 1.05 million tonnes w-o-w. Australia and Brazil iron ore delivery range from 22-25 million tonne from mid-May. China port arrivals also recovered to 22-25 million tonnes weekly, after port congestion slightly eased in Q3. However weekly evacuation around 22.05 million tonnes in September and October, which caused port stock raise. Port stock up 11.26 million tonnes to 122.86 million tonnes.

Daily pig iron production dropped from 2.53 million tonnes in mid-August to 2.47 million tonnes last week. Blast operation rate dropped from 91.9% to 88.41% over the same period.

From Bloomberg,

- ◆ Vale Q3 production 88.7 million tonnes, up 2.28% y-o-y. First nine months production 215 million tonnes, down 3.5 y-o-y.
- ◆ Rio Tinto iron ore Q3 production 86.4 million tonnes, down 1% y-o-y. Iron ore Q3 delivery 82.1 million tonnes, down 5% y-o-y.
- ◆ BHP Q3 production 74.15 million tonnes, up 7% y-o-y. First nine months in 2020 production 218 million tonnes, up 7% y-o-y.

In general, iron ore is short-run bearish since limited steel price restricted the margin room, as well as recovery delivery versus slower demand.

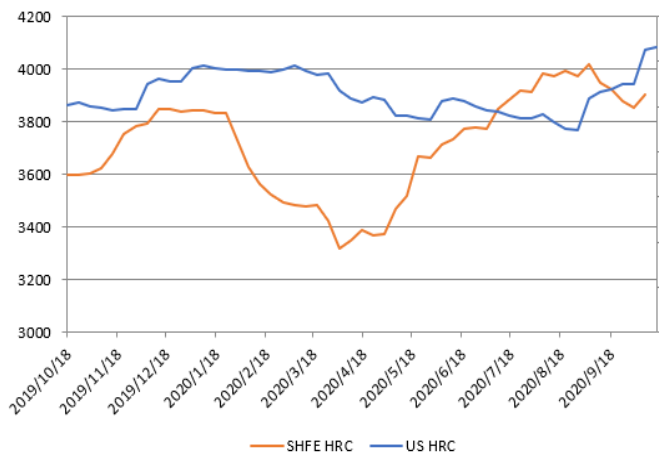


Weekly Ferrous Report

Steel

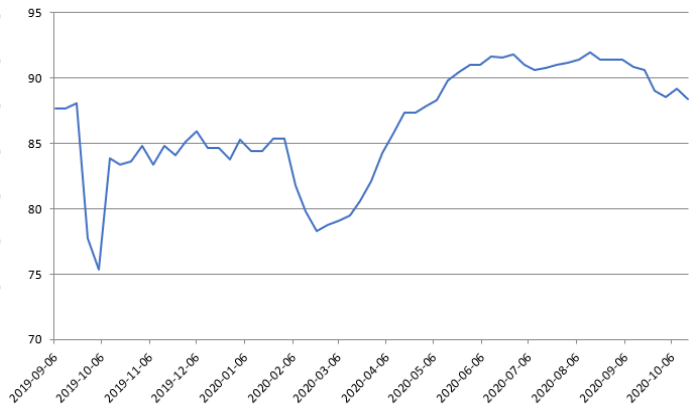
	Last	Previous	% Change
US HRC Front Month	639	633	0.9%
SHFE Rebar Major Month(May)	3613	3612	0.0%
China Hot Rolled Coil	3881	3902	-0.5%
China Monthly Steel consumption Unit 000's mt	93901.7	93404.7	0.5%
Five Major Steel Inventories Unit 10,000 mt	2233.79	2242.26	-0.4%
Construction Steel Total Inventory 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	2885	2240	28.8%
China Volume of Commodity exports Unit 000's mt	3828	3680	4.0%

US HRC Vs SHFE HRC



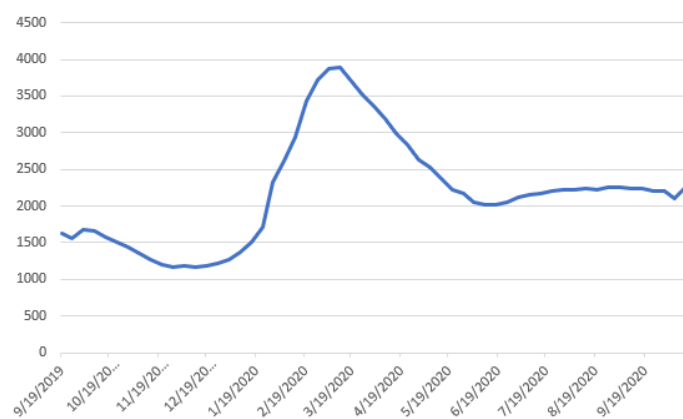
Source Retrieved from Bloomberg

MySteel 247 mills BF Operation Rate in %



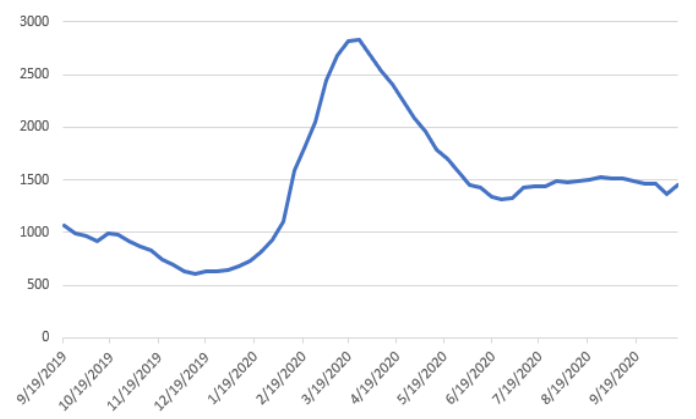
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China Five Major Steel Inventories(in 10,000 tonnes)



Source Retrieved from MySteel

Construction Steel Total Inventories (in 10,000 tonnes)

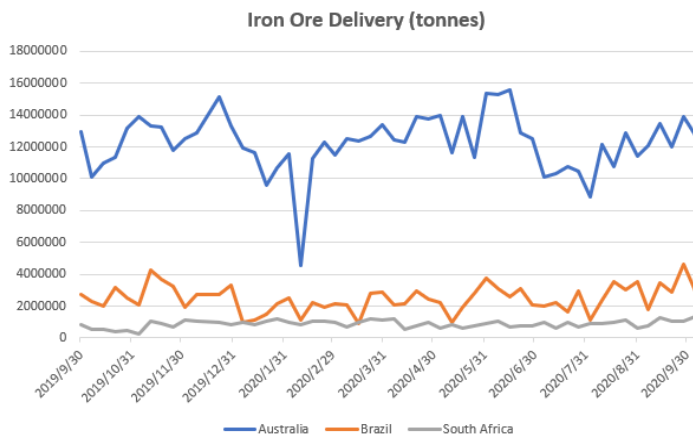


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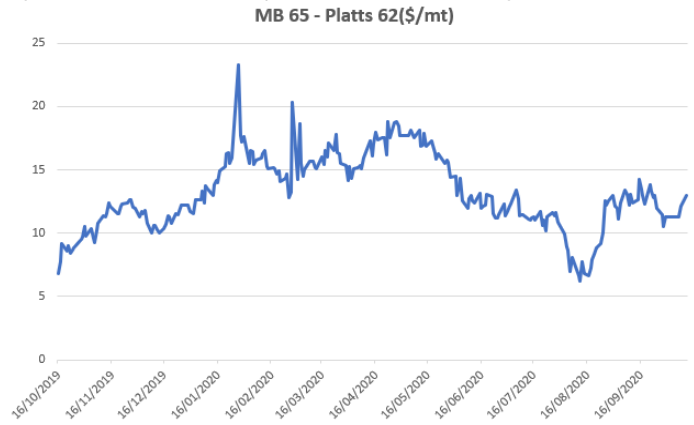
- ◆ Five major steel types inventories are running at historical high level, expectation is obviously becoming higher than reality.
- ◆ The daily pig iron production is maintain at 2.5 million tonnes level for past eight weeks, a historical high level, indicating the iron ore demand is resilient.

Iron Ore

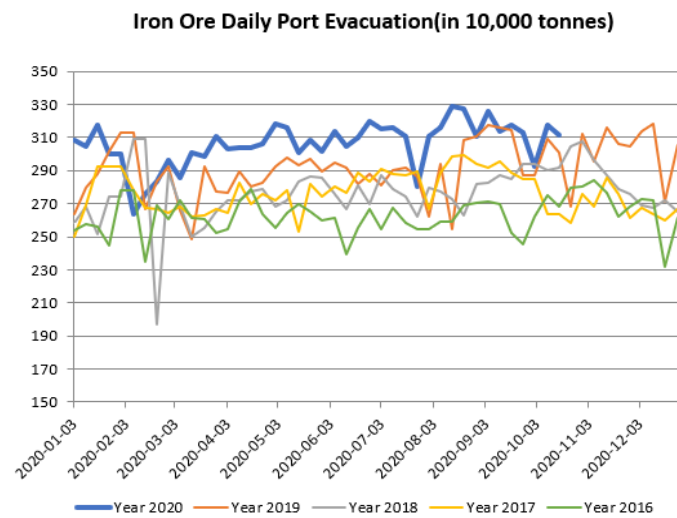
	Last	Previous	% Change
Platts 62% Fe	119.4	119.05	0.3%
MB 65% Fe	132.3	132.4	-0.1%
Capesize 5TC Index	18402	19952	-7.8%
C3 Tubarao to Qingdao	16.04	16.53	-3.0%
C5 West Australia to Qingdao	7.255	7.668	-5.4%
Billet Spot Ex-Works Tangshan MT	3400	3400	0.0%
SGX Front Month(Jun)	114.94	121.08	-5.1%
DCE Major Month(Sep)	784	822	-4.6%
China Port Inventory Unit 10,000 mt	10,785	10,926	-1.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,382.20	1,276.50	8.3%
Brazil Iron Ore Weekly Export Unit 10,000 mt	235.00	294.20	-20.1%



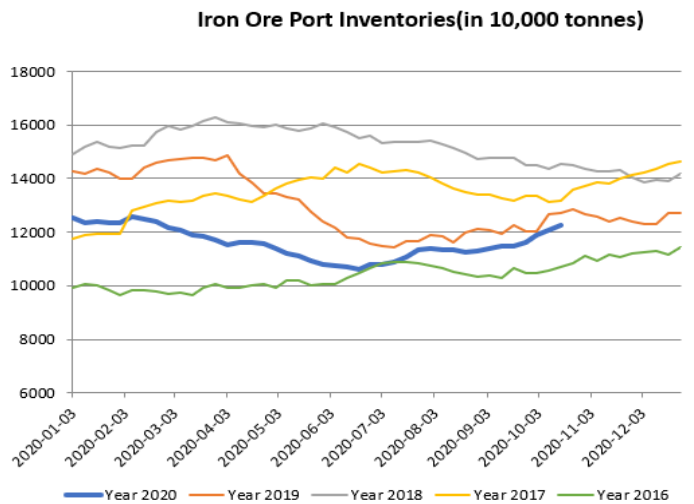
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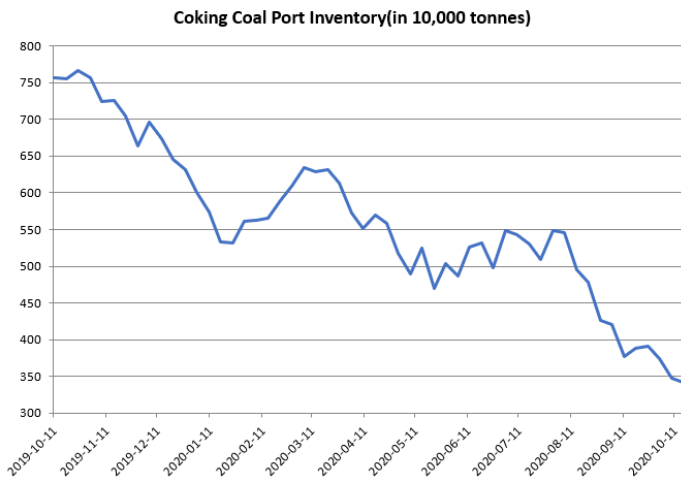


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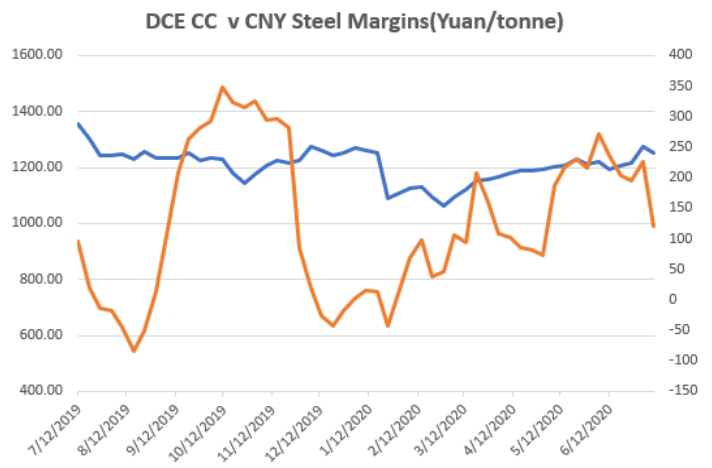
◆ Port inventories are increasing because port congestion eased and many port area stocks are count in the statistics.

Coking Coal

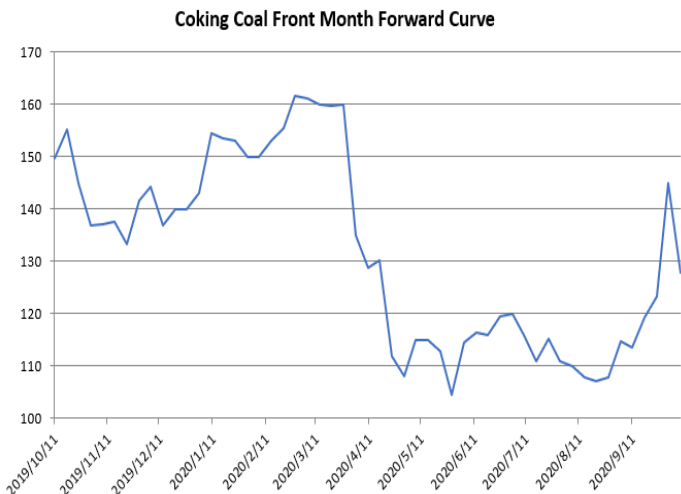
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	134.4	134.4	0.0%
Coking Coal Front Month	114	127.86	-10.8%
DCE CC Major Month(May)	1332.5	1312.5	1.5%
Coking Coal Port Inventory Unit 10,000mt	342	348	-1.7%
China Custom total CC Import Unit mt	7,171,781.00	7,367,674.00	-2.7%



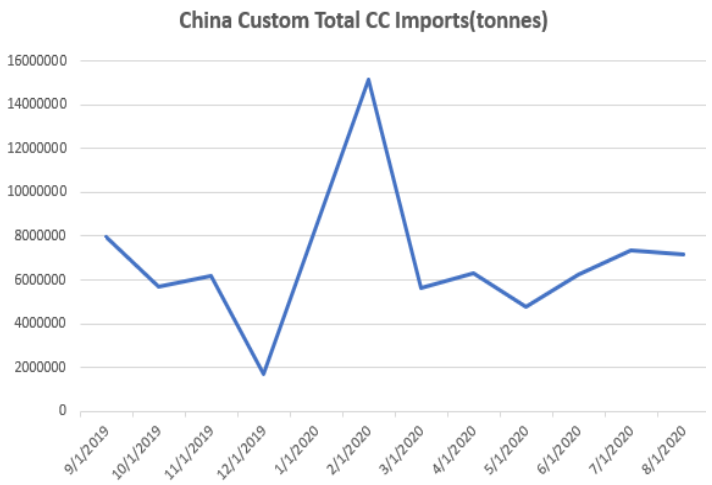
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◆ Coking coal port inventories are tanking.