

Post Golden Week and Q4 Outlook

ABOUT GOLDEN WEEK CELEBRATION in CHINA

Every year, China celebrates a week-long holidays for its National Day holidays or Golden Week for the Oct 1-7 period.



Recovery from Covid - 19

China seems to make a V-shaped recovery, as some market experts predict China, as the only country to reach pre-Covid 19 economic level by the end of 2020.

Main drivers for Post Golden Week rebound

Strong Vehicles sales expected



Beijing Motor Show was held from late Sep to early Oct 2020 to boost auto sales, which jumped by 9% in Aug and is expected to hike in Sep as well.

Better property market



China's next five year plan may lower the bar for granting 'hukou' or residence permits, which accelerate urban redevelopment.

Strong push from infrastructure projects



The approval of RMB 474 billion for infrastructure projects in August was almost a four year high and may spill over effect into 2021.

Expanding manufacturing sector



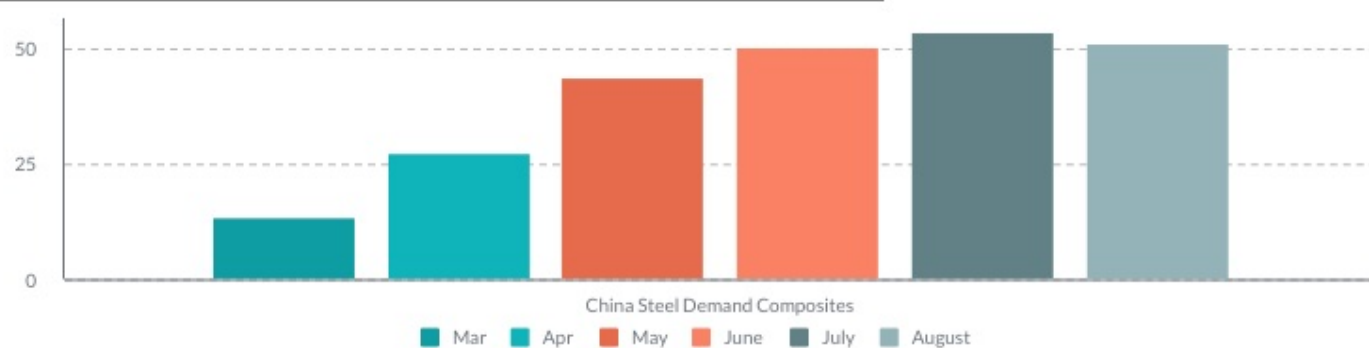
China PMIs displayed a V-Shape recovery from the covid blip of Mar-Apr to 51 and 51.5 points in Aug-Sep in expansion mode.

Slowing Steel demand toward year-end



Slowing steel momentum

Despite the many demand drivers, Bloomberg expects China's steel demand to slow down toward end-2020.



According to Bloomberg's China steel-demand heat map, the composite has peaked in July at 53.8 readings, then slowed in August with the readings of 51.2.

Factors for Slowdown

Second Wave of Covid Outbreak



The second coronavirus outbreak in China, if happens, will reverse the V-Shape recovery and contract steel demand sharply.



Govt stimulus falls short of market expectations

The current steel rally is driven by stimulus measures, introduced by Beijing policymakers.

Thus, any reversal measures like restricting developers' debt growth may cool steel demand growth.



Normalization after pent-up demand

The recent steel demand rally reflects a pent-up demand spurt from March low, and a period of normalization is expected.