



# Weekly Ferrous Report

## Macro

	Last	Previous	% Change
<b>USDCNY</b>	6.5781	6.563	0.2%
<b>Repo 7 Days</b>	2.37	2.2	7.7%
<b>Repo 1 Day</b>	0.82	1.93	-57.5%
<b>Dollar Index</b>	91.79	92.392	-0.7%
<b>China GDP Constant Price YOY %</b>	4.9	3.2	NA
<b>China PMI (Caixin)</b>	54.9	53.6	NA
<b>China Industrial Production MOM %</b>	0.78	1.15	NA
<b>Commercial Space Under Construction</b>	3	3.1	NA
<b>Commercial Space Completed</b>	492.4	413.4	NA
<b>Commercial Building Space Sold, YTD YOY%</b>	0	-1.8	NA
<b>Residential Space Under Construction, YTD YOY%</b>	3.8	4	NA
<b>Residential Space Completed, YTD YOY%</b>	-7.9	-10.5	NA
<b>Residential Floor Space Sold, YTD YOY%</b>	0.8	-1	NA

## Ferrous Weekly Comment

### Market Summary:

Iron ore spiked over current two weeks and over-performed expectation from last report. Thus short-run iron ore remain neutral and traders should be aware of a reversal during December.

### Rolling:

Last major contract iron ore September 2020 reached 568,000 lots of open interest 1 month before delivery month. Last Jan contract reached 564,000 lots a month before delivery. Jan 2021 reached 516,000 lots, slight lower than previous major contract and same contract last year. Rolling expected to be finished by end of this week or early next week. Current Jan contract has already been pegged with deliverable physical sources value. Jan contract historically had lower probability to experience market squeeze.

### Macro:

China released 800 billion yuan as Mid-term Lending Facility at 2.95%(last 2.95%). November matured 600 billion yuan. The operation was to hedge the liquidity risk by year-end. Metals and equity market picked up on the back of the news and pulled back. Shanghai equity reached 3456(yearly high 3458) and corrected back shortly on Monday. Previously Shanghai equity tested 3456-3458 area three times over the year and all ended with rejection.

The third quarter China Monetary Report indicated central bank will control the monetary supply and keep macro leverage ratio stable.

### Steel:

From 5 day moving average of construction steel trading volume chart collected by MySteel, steel trades reached last year level and expected to fall in the following weeks according to seasonal features. However Chinese New Year was 1 week later than the year 2019, which would potentially stretched the demand market. In addition, the demand was in general later compared to last year.

Early this week, many eastern local steel mills had decreased the planning sales target on December rebar and wire rods. Physical traders said they would try to sign some new orders instead of hold inventories on hand and wait for price growth.

### Iron Ore:

Major news: Vale resumption on a miner with 400-500 mtpa, limited impact if stretched over the whole year in 2021. PDM ships accident in this Monday, Vale also indicated there was no actual impact to shipping and delivery. Iron ore spiked during the market and corrected.

Iron ore MySteel port inventory started to fall for consecutive four weeks, given the high evacuation at 3.2 million tonnes a day in average in November, which was a historical single month high. MySteel daily pig iron production at 2.45- 2.46 million tonnes, which was also a high level historically in November. The iron ore demand is undoubtedly resilient compared to previous years over same period.

According to China meteorology channel, the weather is a risk factor to current iron ore market as most of northern China entered winter and mills demand shift to eastern and southern areas. In addition, northern areas also started furnace maintenance. By and after the rolling, iron ore might experience a correction.

### Scrap and Coal:

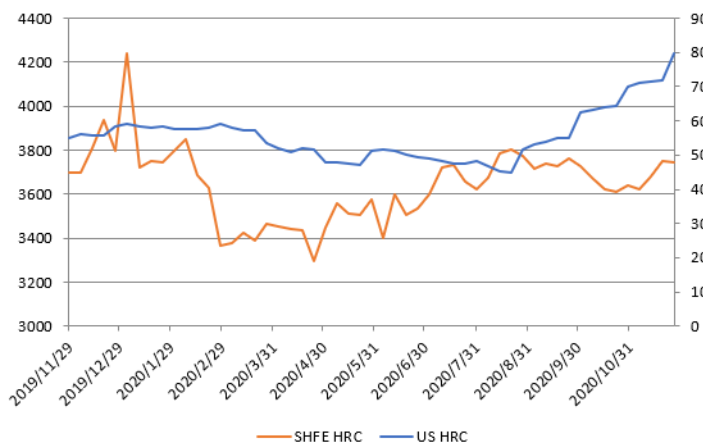
China approved the benchmark of DRI and HBI in Nov 29th, expected to carry out in late December. Market also expect related import on DRI and HBI will start next year. DRI and HBI are renewable ferrous, which also generate less pollution and increase steel making efficiency.

Hebei and Shanxi traders indicated China prime coke started the 8th round of price increase. The previous eight rounds of increase total around 400- 500 yuan. Mongolia news indicated coal export trucks resumed operation, however still slower than normal condition. Bloomberg news said China and Indonesia signed a 1.467 billion dollars coal contract totaled 28.72 million tonnes of coals. From China Port Authorities, China also increased import quota of 20 million tonnes on coal, however most are used by electricity grids and plants. The new quota expected to impact physical trading market in mid or late December.

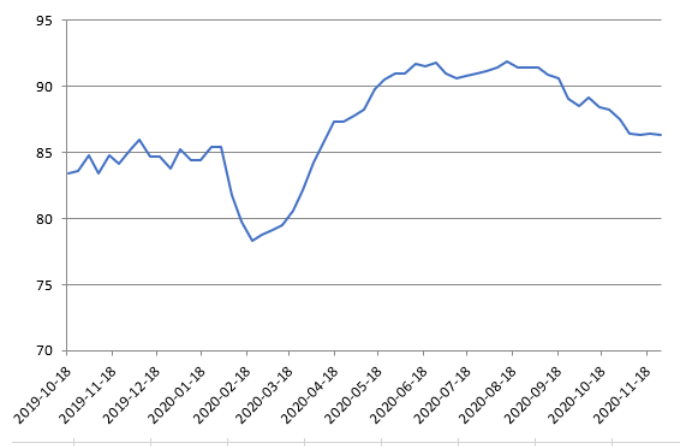
## Steel

	Last	Previous	% Change
<b>US HRC Front Month</b>	798	718	<b>11.1%</b>
<b>SHFE Rebar Major Month</b>	4060	4119	<b>-1.4%</b>
<b>China Hot Rolled Coil</b>	4135	4084	<b>1.2%</b>
<b>China Monthly Steel consumption Unit 000's mt</b>	90092.4	91605.4	<b>-1.7%</b>
<b>Five Major Steel Inventories Unit 10,000 mt</b>	1801.22	1915.67	<b>-6.0%</b>
<b>Construction Steel Total Inventory unit 10,000 mt</b>	1076.19	1181.79	<b>-8.9%</b>
<b>Crude Steel Production China Unit 000's mt</b>	92202	92555	<b>-0.4%</b>
<b>China Volume of Commodity Imports Unit 000's mt</b>	1930	2880	<b>-33.0%</b>
<b>China Volume of Commodity exports Unit 000's mt</b>	4040	3830	<b>5.5%</b>

US HRC Vs SHFE HRC



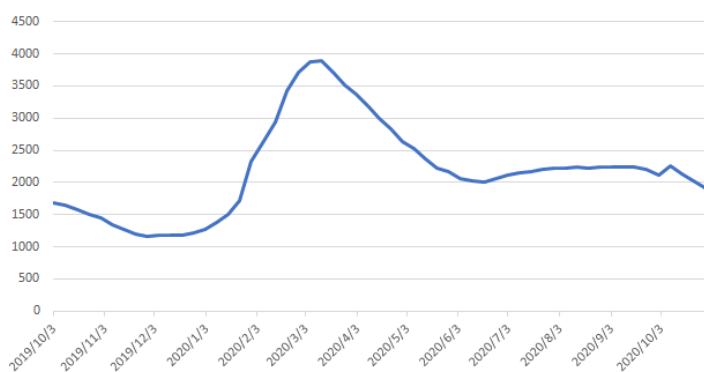
MySteel 247 mills BF Operation Rate in %



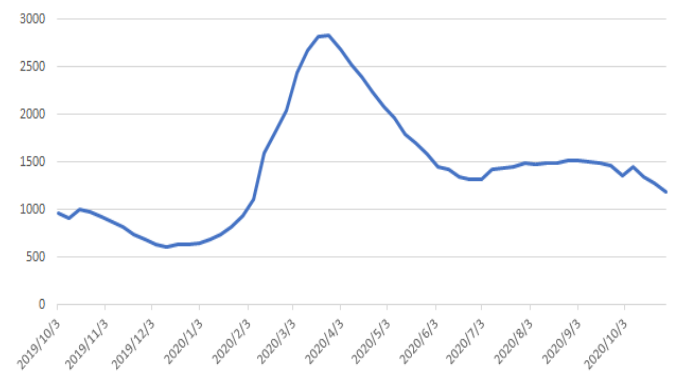
Sources from Bloomberg

Sources from MySteel

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



Construction Steel Total Inventories (in 10,000 tonnes)



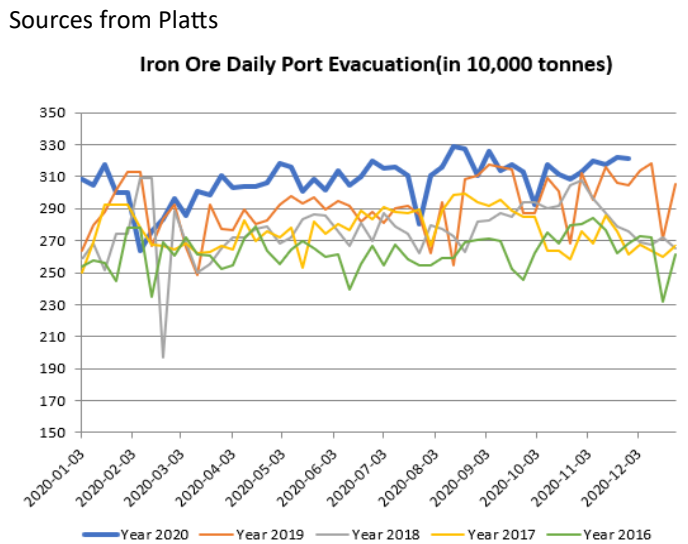
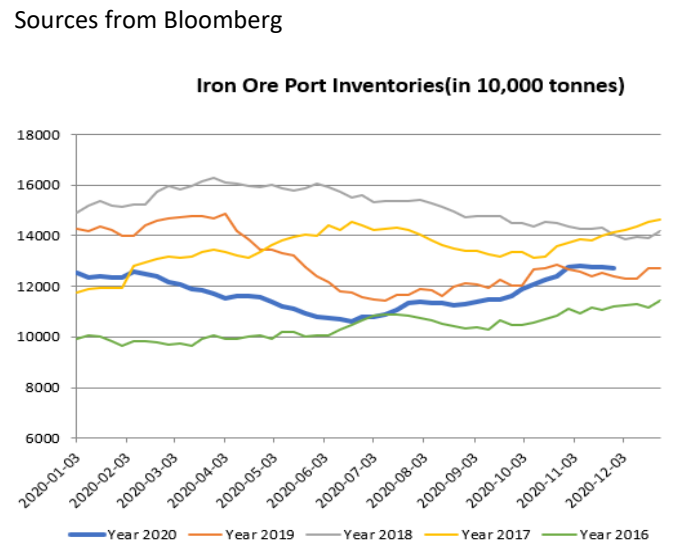
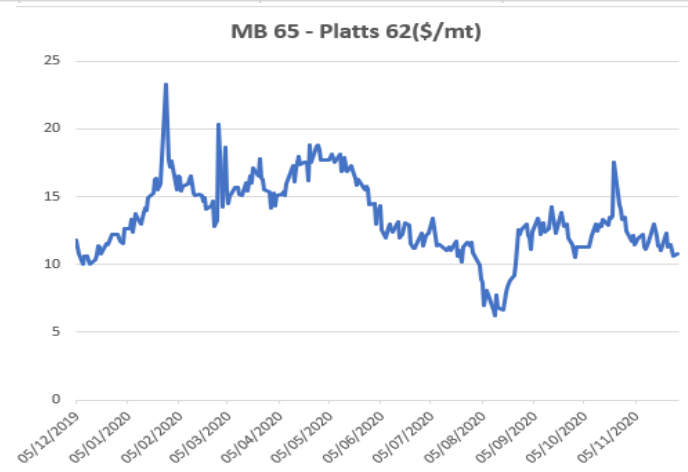
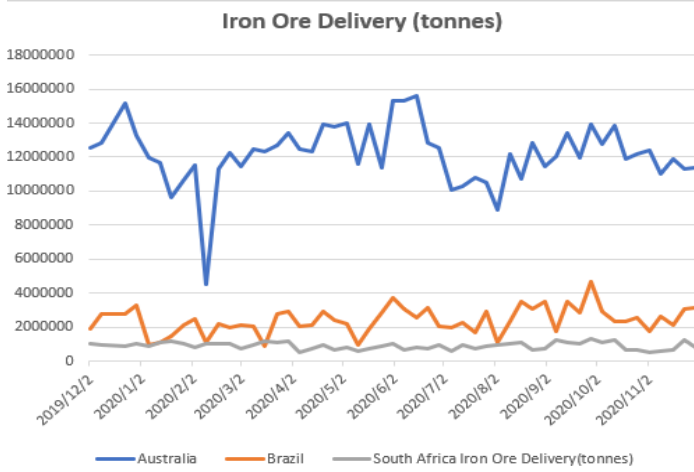
Sources from MySteel

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- ◆ Five major steel inventories decreased approaching the fastest on weekly basis, indicating demand of steel is picking up.
- ◆ The daily pig iron production is stable at 2.45 million tonnes level last three weeks.

## Iron Ore

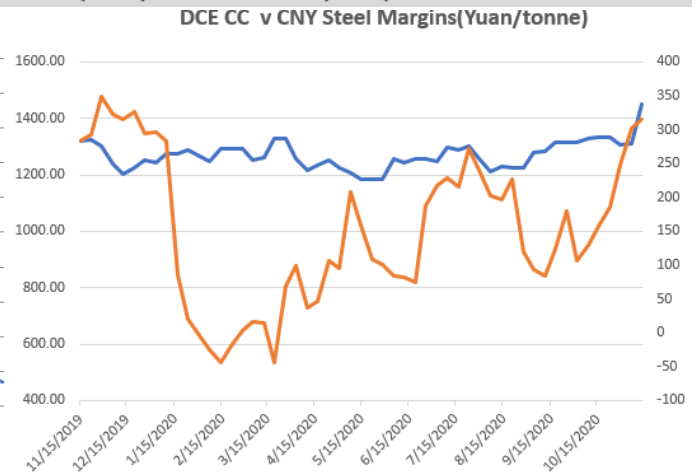
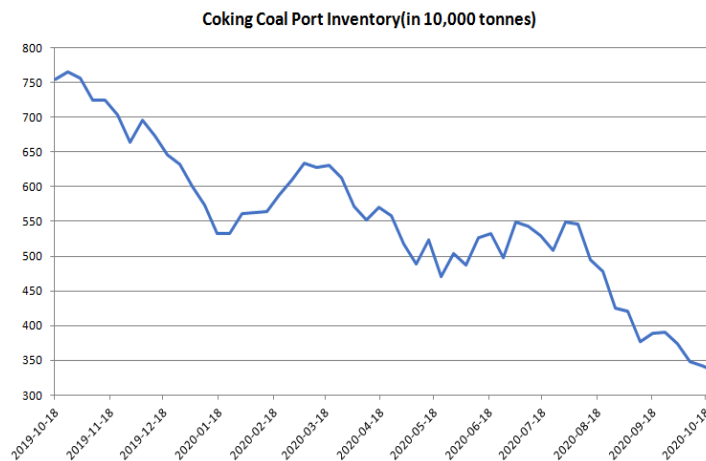
	Last	Previous	% Change
Platts 62% Fe	132.3	130.95	1.0%
MB 65% Fe	143.1	141.6	1.1%
Capesize 5TC Index	12621	12712	-0.7%
C3 Tubarao to Qingdao	13.735	13.815	-0.6%
C5 West Australia to Qingdao	7.009	7.118	-1.5%
Billet Spot Ex-Works Tangshan MT	3590	3620	-0.8%
SGX Front Month	124.40	124.17	0.2%
DCE Major Month	930.5	913	1.9%
China Port Inventory Unit 10,000 mt	12,718	12,751	-0.3%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,135.00	1,130.20	0.4%
Brazil Iron Ore Weekly Export Unit 10,000 mt	316.20	307.20	2.9%



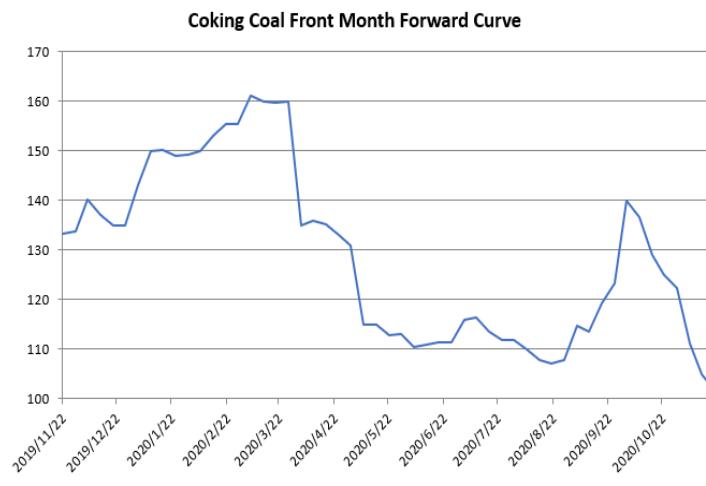
◆ Port evacuation is stable around 3.15-3.17 million tonnes in November. Port stocks also reached a stable level with slowing pick up trend.

## Coking Coal

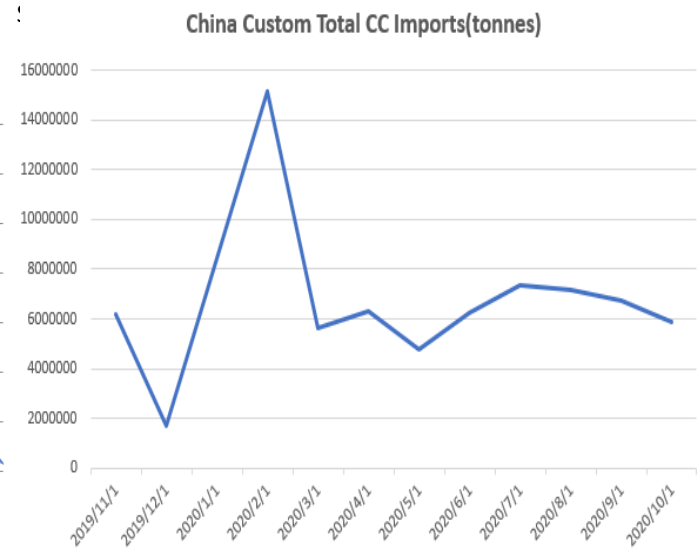
	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal</b>	100.8	100.8	<b>0.0%</b>
<b>Coking Coal Front Month</b>	101.61	101.71	<b>-0.1%</b>
<b>DCE CC Major Month</b>	1450.5	1310	<b>10.7%</b>
<b>Coking Coal Port Inventory Unit 10,000mt</b>	335	342	<b>-2.0%</b>
<b>China Custom total CC Import Unit mt</b>	5,897,010.00	6,718,058.00	<b>-12.2%</b>



Sources from MySteel



Sources from Bloomberg



Sources from Bloomberg

- ◆ Coking coal corrected as China unofficial ban on Australia coals. However as the agreement of RECP, coking coal tend to recover and bounce back as the ban is potentially cancel next year.