

Macro

	Last	Previous	% Change
USDCNY	6.5315	6.5781	-0.7%
Repo 7 Days	1.13	2.37	-52.3%
Repo 1 Day	1.1	0.82	34.1%
Dollar Index	90.701	91.79	-1.2%
China GDP Constant Price YOY %	4.9	3.2	NA
China PMI (Caixin)	54.9	53.6	NA
China Industrial Production MOM %	0.78	1.15	NA
Commercial Space Under Construction	3	3.1	NA
Commercial Space Completed	492.4	413.4	NA
Commercial Building Space Sold, YTD YOY%	0	-1.8	NA
Residential Space Under Construction, YTD YOY%	3.8	4	NA
Residential Space Completed, YTD YOY%	-7.9	-10.5	NA
Residential Floor Space Sold, YTD YOY%	0.8	-1	NA

Market Summary:

Iron ore neutral. Be aware of market reversal.

Macro:

Current equity market and commodity market started to diverge as Shanghai equity market started to correct from yearly-high, while industrial commodities were refreshing new highs again and again during November and December. The major driver was because market expected the weak dollars will extend through at least the Q1 on 2021, and also expected a medium level inflation in China during the year 2021. However the macro expectation can be a negative driver if some indicators and statistics become less than expectation.

Steel:

From Shanghai Futures Exchange statistics, HRC may contract started to have a premium of 260-270 yuan over SHFE rebar may contract, since market were speculating on the pig iron favoring flat steel rather than long steels. However this logic was more adaptable to Jan contract, as winter rebar demand should be less strong than HRC. Which is to say, SHFE HRC –Rebar may contract spread expected to narrow in first few months of the year 2021.

From early November, the weekly physical construction steel apparent consumption down 18.92% to 5.21 million tonnes last week by Mysteel data. During the same period, Bloomberg data also showed Beijing 25mm physical rebar price corrected over 5%. Shanghai 25mm rebar also went into correction phase from late November.

China steel mills indicated they were keep producing because financial iron ore costs were 1 month delay to current price. If steel price unchanged during December, mills will enter massively loss from mid-late December and have to cut some of production. Some northern mills producers were starting to hedge their potential physical loss by long the steel margin on futures. Rebar/iron ore Jan futures ratio went up by 0.11% from 4% last Friday, which was a good indicator proving futures steel margins were up.

From Bloomberg news which covered Japan and U.S. furnaces operation process, the global steel demand recovery expected to come more than 1 month slower than Chinese steel demand decrease. The interval period potentially become a correction window for steel price.

Iron ore:

DCE announced three times of market inspection and punishing illegal trading during the past 5 days, however only impact DCE iron ore January contract slightly. The long positions moved to iron ore May contract, rebar and coke during Monday. Port inventories slide down and expected to reach 123 million tonnes this week, which is almost flat to the year 2019. Daily evacuation remained seasonally high at 3.19 million tonnes. According to seasonally features, iron ore inventories would pick up significantly as daily evacuation drop fast. Daily pig iron at 2.45 million tonnes, however operation rate is decreasing over past 6 weeks. This divergence is caused by some small mills capacity shifted to bigger mills. However the total capacity of the country remain unchanged.

The market speculation were both apparently on futures and physical side. From exchange data indicated few brokers seats accumulated more than 40% of net long positions of top 20 brokers, this large position size occurred since August of the year 2020. Physical side premium and platform trades were higher with very light volume, however still help the spike of market.

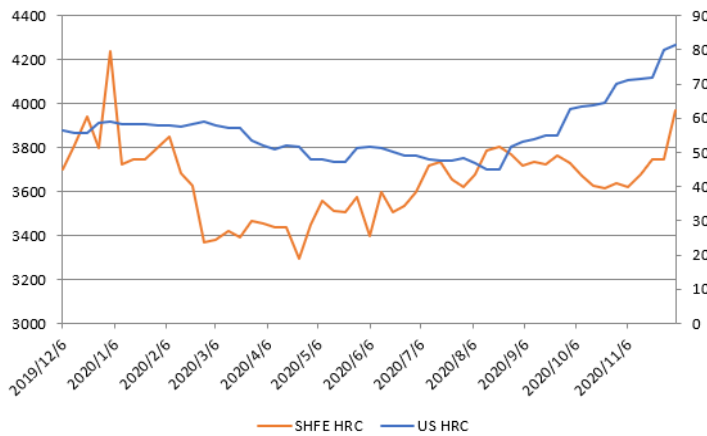


Weekly Ferrous Report

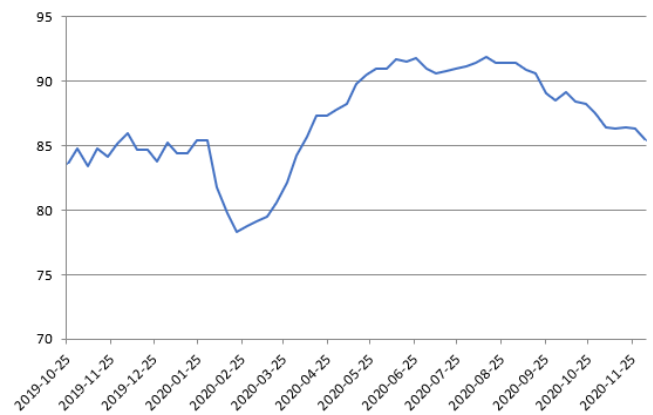
Steel

	Last	Previous	% Change
US HRC Front Month	815	798	2.1%
SHFE Rebar Major Month	4258	4060	4.9%
China Hot Rolled Coil	4216	4135	2.0%
China Monthly Steel consumption Unit 000's mt	89654.4	90092.4	-0.5%
Five Major Steel Inventories Unit 10,000 mt	1646.28	1801.22	-8.6%
Construction Steel Total Inventory unit 10,000 mt	952.81	1076.19	-11.5%
Crude Steel Production China Unit 000's mt	92202	92555	-0.4%
China Volume of Commodity Imports Unit 000's mt	1854	1930	-3.9%
China Volume of Commodity exports Unit 000's mt	4402	4040	9.0%

US HRC Vs SHFE HRC

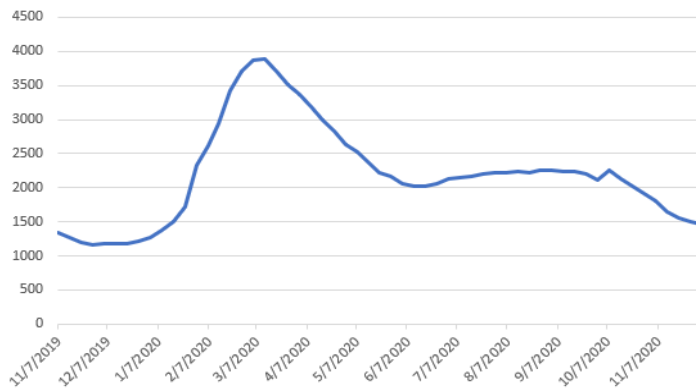


MySteel 247 mills BF Operation Rate in %



Sources from Bloomberg

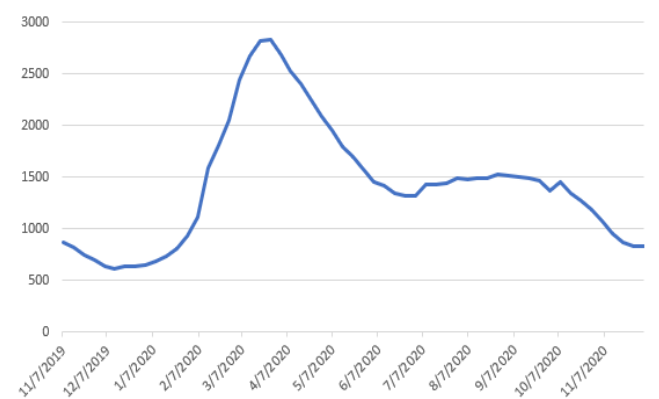
China Five Major Steel Inventories (in 10,000 tonnes)



Sources from MySteel

Sources from MySteel

Construction Steel Total Inventories (in 10,000 tonnes)



Sources from MySteel

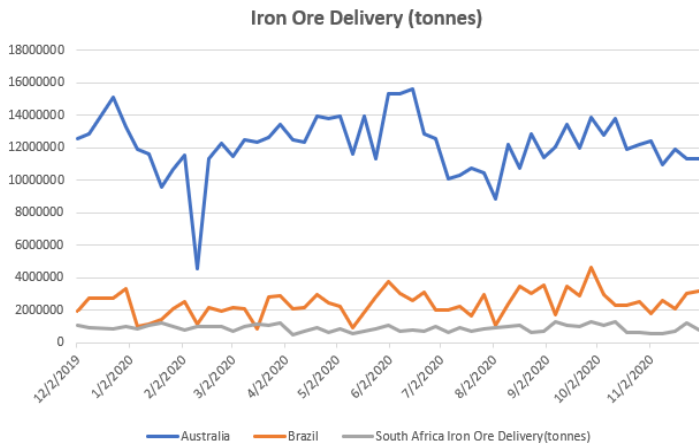
- ◆ Five major steel inventories decreased slower and expected to pick up on or after mid- December.
- ◆ The daily pig iron production is stable at 2.45 million tonnes level last three weeks.



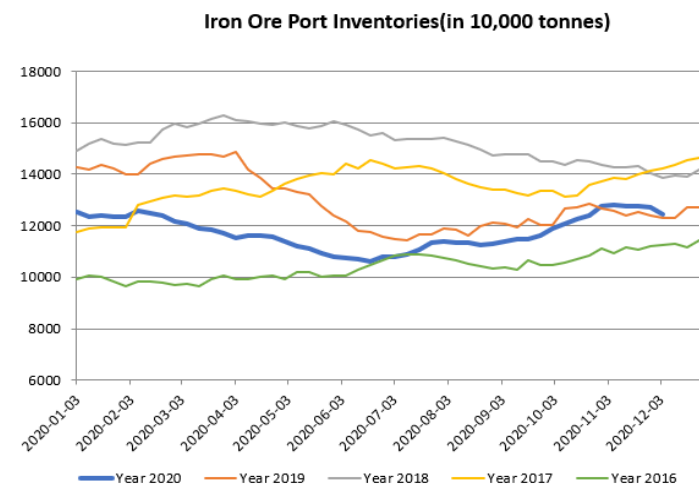
Weekly Ferrous Report

Iron Ore

	Last	Previous	% Change
Platts 62% Fe	147.55	145.3	1.5%
MB 65% Fe	159.1	157	1.3%
Capesize 5TC Index	11766	12606	-6.7%
C3 Tubarao to Qingdao	11.795	12.36	-4.6%
C5 West Australia to Qingdao	7.295	7.795	-6.4%
Billet Spot Ex-Works Tangshan MT	3600	3590	0.3%
SGX Front Month	142.22	124.40	14.3%
DCE Major Month	980	930.5	5.3%
China Port Inventory Unit 10,000 mt	12,447	12,718	-2.1%
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%

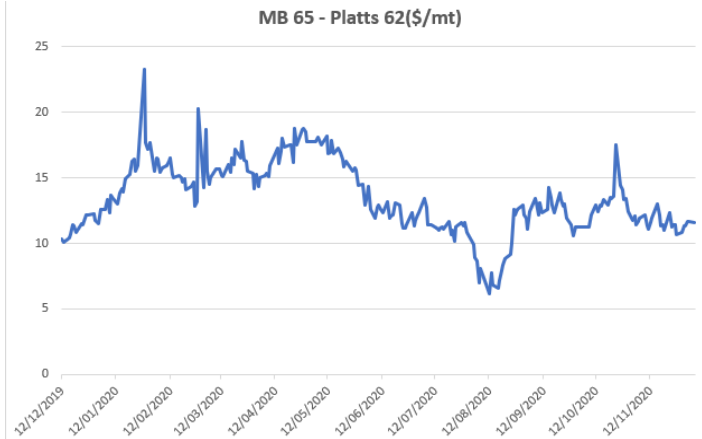


Sources from Bloomberg

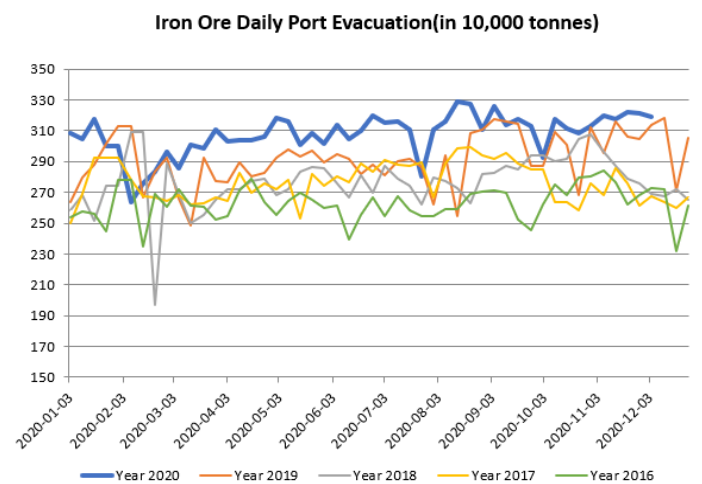


Sources from MySteel

- ◆ Port evacuation at 3.19 million tonnes/day is a seasonally high.
- ◆ Port inventories expected to return growth from mid-late December.



Sources from Platts



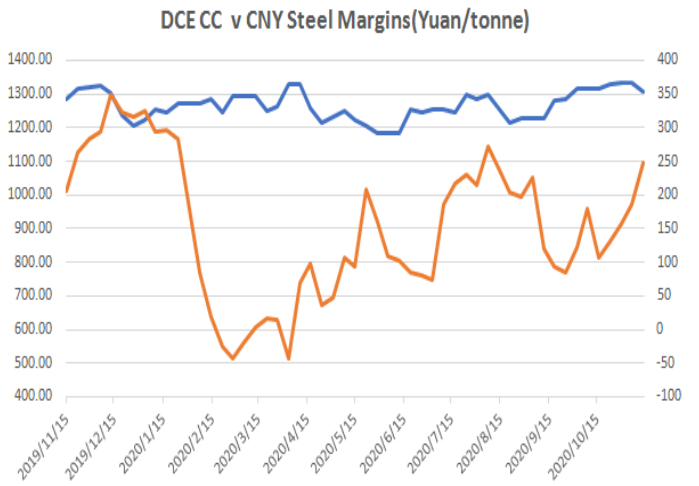
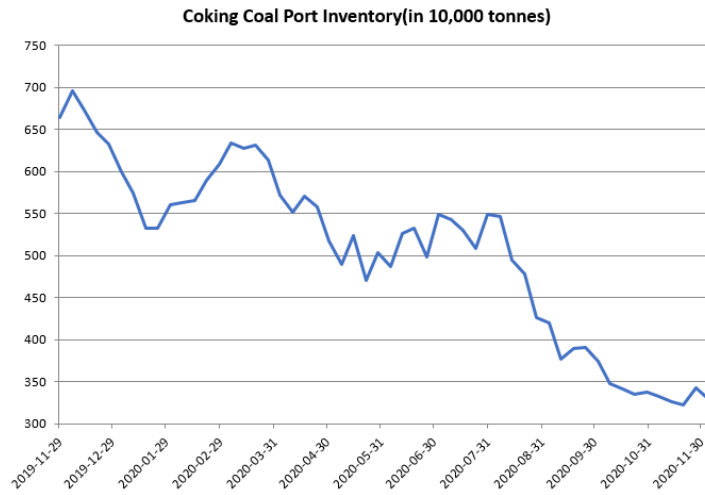
Sources from MySteel



Weekly Ferrous Report

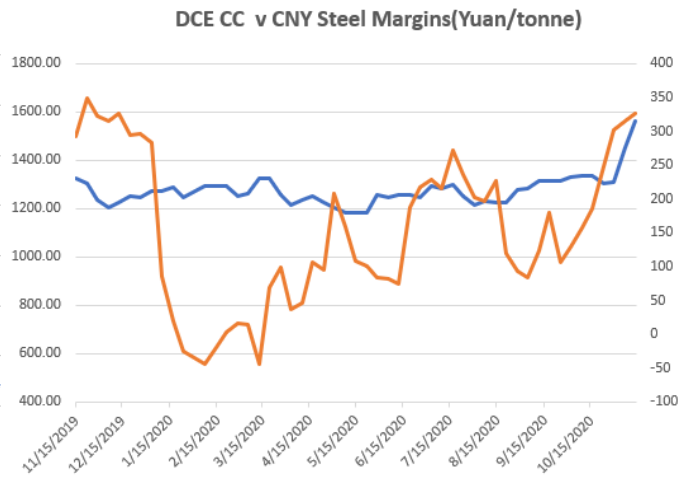
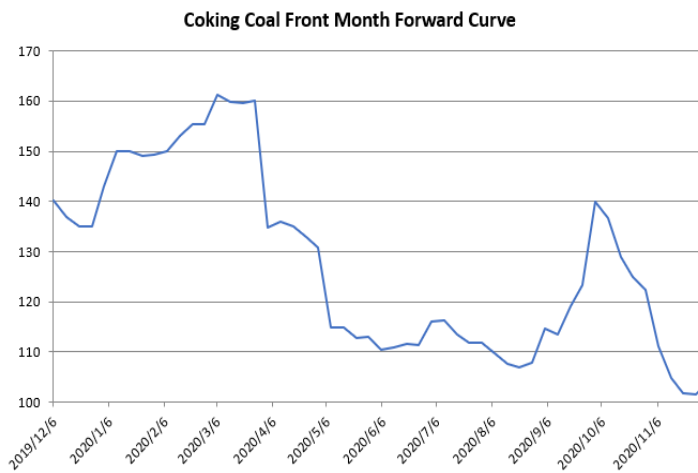
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	103	103.6	-0.6%
Coking Coal Front Month	104.86	111.07	-5.6%
DCE CC Major Month	1306	1334.5	-2.1%
Coking Coal Port Inventory Unit 10,000mt	335	342	-2.0%
China Custom total CC Import Unit mt	6,718,058.00	7,171,781.00	-6.3%



Sources from MySteel

Sources from Bloomberg



Sources from Bloomberg

Sources from Bloomberg

- ◆ Australian coking coal expected to recover early next year when quota become sufficient as expecting cooling on China and Australia trade tension.