

Macro

	Last	Previous	% Change
USDCNY	6.5462	6.5315	0.2%
Repo 7 Days	2.2	1.13	94.7%
Repo 1 Day	1.6	1.1	45.5%
Dollar Index	90.976	90.701	0.3%
China GDP Constant Price YOY %	4.9	3.2	NA
China PMI (Caixin)	54.9	53.6	NA
China Industrial Production MOM %	1.03	0.78	NA
Commercial Space Under Construction	3.2	3	NA
Commercial Space Completed	591.7	492.4	NA
Commercial Building Space Sold, YTD YOY%	1.3	0	NA
Residential Space Under Construction, YTD YOY%	4	3.8	NA
Residential Space Completed, YTD YOY%	-5.8	-7.9	NA
Residential Floor Space Sold, YTD YOY%	1.9	0.8	NA

Market Summary:

Iron ore neutral.

Macro:

Commodity experienced a crazy season in Q4 and started to consolidate in mid-December. Since most areas in China will see a big drop of 6-8 degrees during this week. Industrial activities expected to decrease sharply from late half of December.

China National Development and Reform Committee held meeting over weekends to restrict spike of coal, created a purchase roof of 640 yuan/ton on thermal coal—any exceptions will subject to special investigation. Thermal coal Jan futures corrected more than 8.5% from this week. At the same time, CISA also discussed with mills and said iron ore prices are apart from fundamental logics. Both DCE and SGX increased iron ore trading margins. DCE also increased several new deliverable iron ore brands, to counter against market squeeze before physical delivery.

Steel:

According to China's National Bureau of Statistics, China finished 960 million tonnes of crude steel production during the first 11 months of the year 2020, which equaled the whole year production of the year 2020. Most of steel demand from November and December are driven by flat steels domestic and export demand such as Hot rolled coil and cold rolled coil. However the recovery of steel production in Japan and south-east Asian would also squeezed back some of steel export in next Q1.

Shanghai future exchange rebar January contract was flat and used to have premium to physical by end of last week and early this week. All ferrous product during the same period tend to have an either flat or premium to their physical product as well, which is usually a very unsustainable historically, along with the fast narrow between front and far contracts. However after the expansion and control on Jan contracts, most of Jan contract expected to have limited growth assuming the absence of market squeeze.

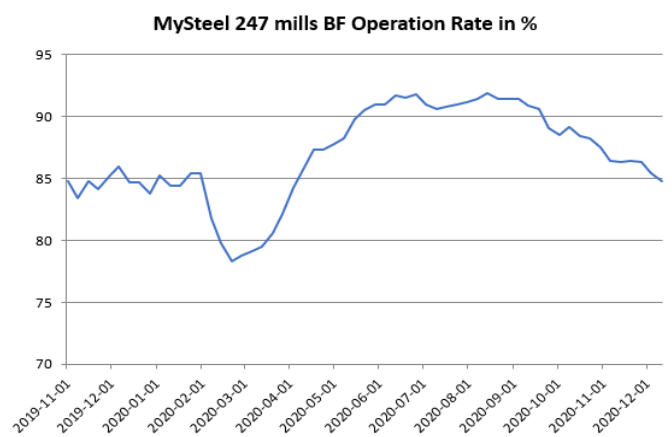
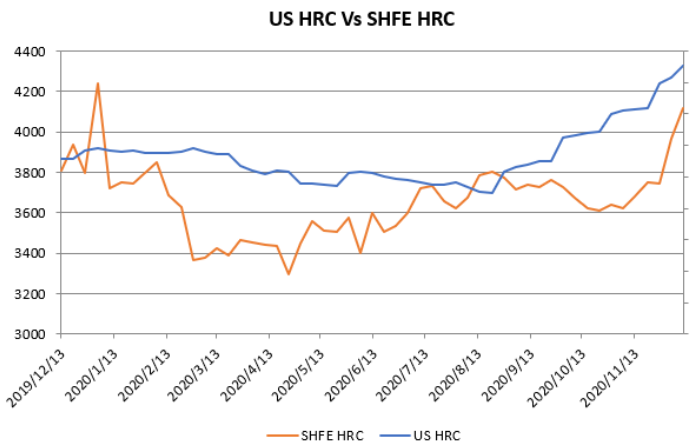
Iron ore:

MySteel data indicated Dec 7-13th Australia and Brazil iron ore delivery 22.72 million tonnes, down 1.11 million tonnes w-o-w, majorly affected by the cyclone last Friday affecting mining areas and previous port maintenance. Port arrival last week also increased 3.75 million tonnes to 24.12 million tonnes. Port stocks expected to increase if evacuation flat to decrease during the week. Daily pig iron production at 2.43 million tonnes decreased for third consecutive weeks according to Mysteel data. The marginal demand decrease is very significantly, however market reversal is waiting for a sharper decrease on demand.

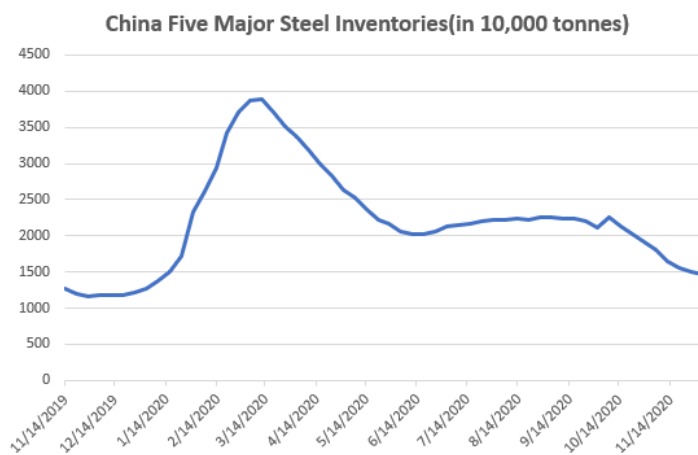
China steel mills financial cost started to suffer from the iron ore based on November index. However this loss expected to increase since iron ore expand faster in late November and early December. Northern China mills indicated that the foreseeable loss would force mills to increase the hedge ratio on iron ore, or leverage different structural strategies to prevent loss including long steel margin. At the same time, coke price from Shandong sources are planning for the tenth round of increase, in normal circumstances coke price increase 4-6 rounds. The big spike on coke also squeezed steel margins significantly and beyond expectation.

Steel

	Last	Previous	% Change
US HRC Front Month	852	815	4.5%
SHFE Rebar Major Month	4400	4258	3.3%
China Hot Rolled Coil	4514	4216	7.1%
China Monthly Steel consumption Unit 000's mt	89654.4	90092.4	-0.5%
Five Major Steel Inventories Unit 10,000 mt	1553.87	1646.28	-5.6%
Construction Steel Total Inventory unit 10,000 mt	870.36	952.81	-8.7%
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%

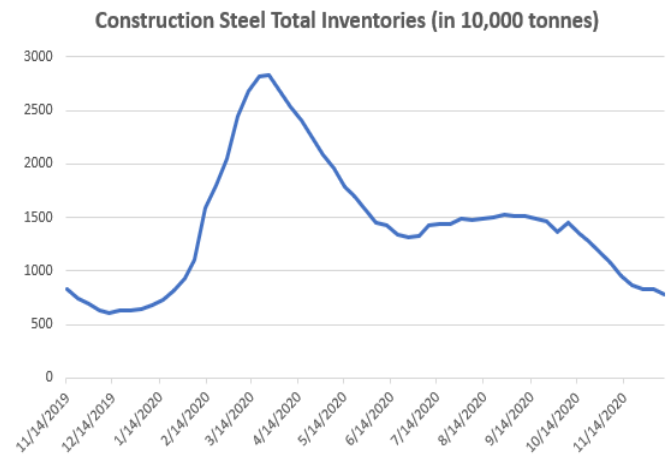


Sources from Bloomberg



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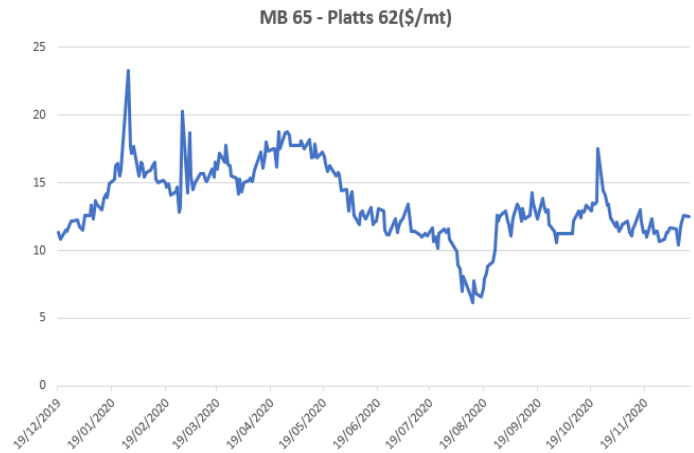
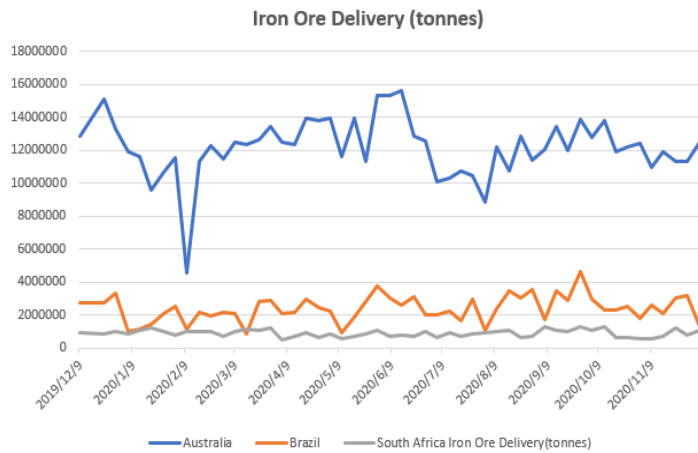


Sources from MySteel

- ◆ 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.

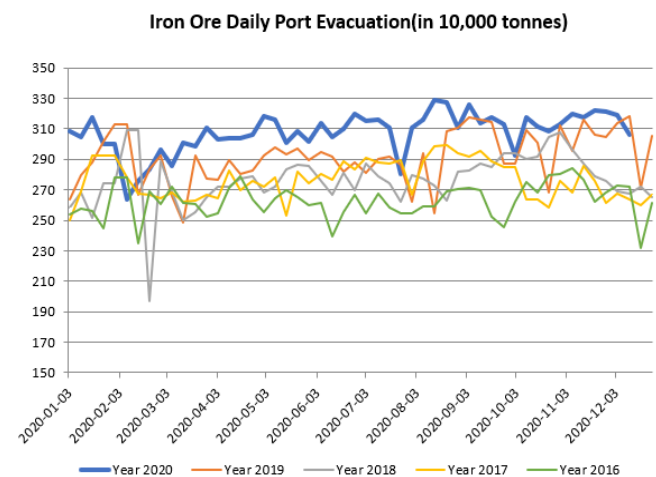
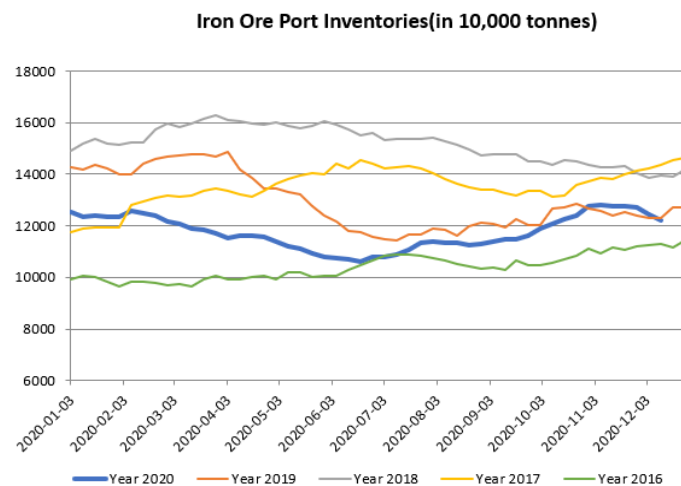
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	154.5	160.7	-3.9%
MB 65% Fe	167	173.3	-3.6%
Capesize 5TC Index	12282	11889	3.3%
C3 Tubarao to Qingdao	13.665	13.065	4.6%
C5 West Australia to Qingdao	6.909	6.991	-1.2%
Billet Spot Ex-Works Tangshan MT	3640	3600	1.1%
SGX Front Month	155.18	142.22	9.1%
DCE Major Month	1024.5	980	4.5%
China Port Inventory Unit 10,000 mt	12,203	12,447	-2.0%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,247.40	1,135.00	9.9%
Brazil Iron Ore Weekly Export Unit 10,000 mt	126.80	316.20	-59.9%



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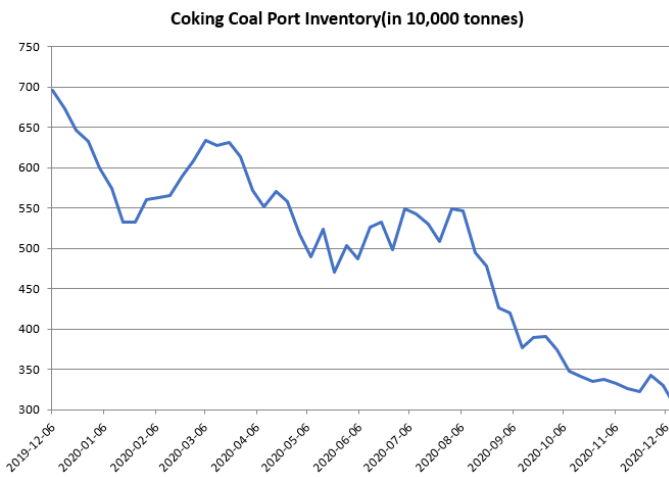
- ◆ Port evacuation at 3.19 million tonnes/day is a seasonally high.
- ◆ Port inventories expected to return growth from mid-late December.



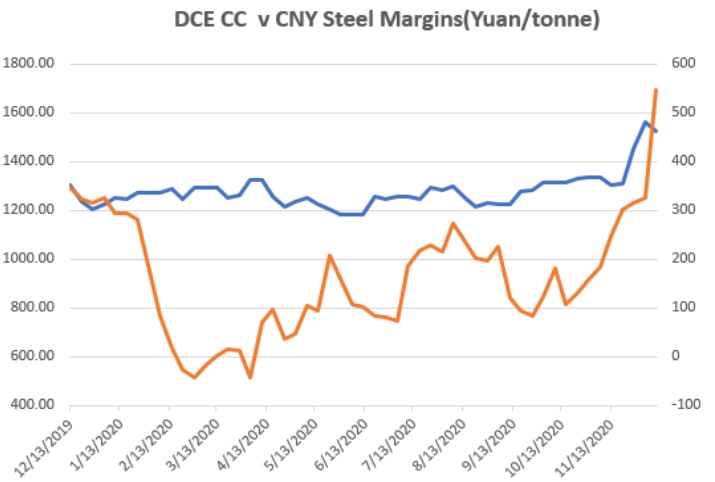
Weekly Ferrous Report

Coking Coal

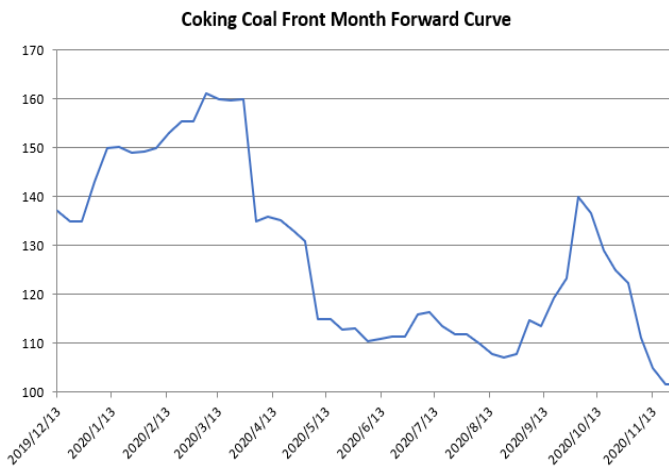
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	101.2	101.1	0.1%
Coking Coal Front Month	101.21	104.14	-2.8%
DCE CC Major Month	1525	1564	-2.5%
Coking Coal Port Inventory Unit 10,000mt	306	330	-7.3%
China Custom total CC Import Unit mt	5,897,010.00	6,718,058.00	-12.2%



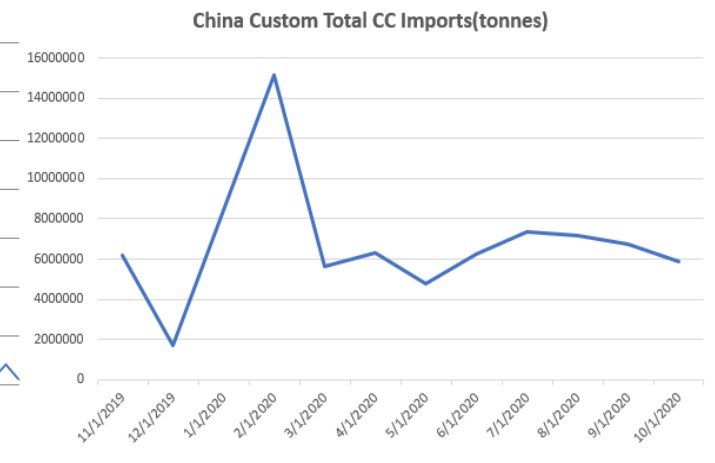
Sources from MySteel



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