



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

The Suez Cannel congestion triggered a global concern on the commodity supply, however the Cannel finally reopened. Ferrous market experienced a big spike over the week, on the back of Biden’s new stimulus of 3 trillion U.S. dollars including infrastructure projects. The whole market was bet on the housing and infrastructure growth on U.S. to boost economy and make changes on unemployment rates. However the allocation of this stimulus is yet clarified, considering each leader of U.S. mention about infrastructure during the first year of their new tenure. Metal and oil market expected to enter a short-run risk-off stage after the Cannel accident.

Major commodities’ rebound have exceeded the three-year growth after financial crisis in 2008. However some investment banks are still happy to promoting the theory of super inflation and super commodity cycle.

	Last	Previous	% Change
USDCNY	6.509	6.5085	0.0%
Repo 7 Days	2.18	2.15	1.4%
Repo 1 Day	1.85	1.8	2.8%
Dollar Index	91.919	91.679	0.3%
China GDP Constant Price YOY %	6.5	4.9	NA
China PMI (Caixin)	50.9	51.5	NA
China Industrial Production MOM %	0.69	0.66	NA
Commercial Space Under Construction	11	3.7	NA
Commercial Space Completed	135.3	912.2	NA
Commercial Building Space Sold, YTD YOY%	104.9	2.6	NA
Residential Space Under Construction, YTD YOY%	11.2	4.4	NA
Residential Space Completed, YTD YOY%	45.9	-3.1	NA
Residential Floor Space Sold, YTD YOY%	108.4	3.2	NA

Iron ore Market :

Sources from Bloomberg

MySteel Australia and Brazil iron ore delivery 28.08 million tonnes, up 5.14 million tonnes w-o-w. The increase majorly contributed by Australia, which up 4.945 million tonnes. Australia delivery to China also increased massively by 3.79 million tonnes. The Australia and Brazil delivery both expected to increase in Q2 as both countries are in better weather conditions as well as a well controlled of pandemic spread in commodity transportation.

The production curb expected to decrease pig iron production to below 2.3 million tonnes level, two-year low level was 2.24 million tonnes in mid march 2020. Iron ore port stocks at two-year high level. However futures steel margin has reached 974 yuan/tonne, which was the highest level in same period from previous five years. At the same time, Tangsong surveyed China northern steel margin also reached over 700 yuan/tonne. Billet was in shortage in Tangshan area. High margin was used to be a chief support factor for iron ore since steel profit always shift to iron ore miners from historical rules.

Iron ore physical trade premium has witnessed historical high level at \$8.1 on the PBF may basis. However partially due to the high April-May spread.

Steel Market:

Apart from fundamentals, most steel investors were just speculating on the sentiment of U.S. infrastructure spending plan which will potentially released with more details in Pittsburg in late today. Funds and non-industry money flow into market and exited to bring market to an irrational level.

Monday steel bank inventories indicated construction destock was slower than last week. However need to confirm with MySteel and Ganggu to see weather steel consumption get slower. The value of steel is consisted of a par value with an inflation added value, which has obviously bigger impact on price numbers than any supply or demand factor.

Coking Coal Market:

Australia export coals slight recovered after a big spike on ferrous sector in China. The overall trade interests were light on physical side under the big import limitation. Mongolia ports expected to see a normal operation with over 300 trucks per day in or after mid-April. The consistent sand-storm have resisted the Mongolia export.

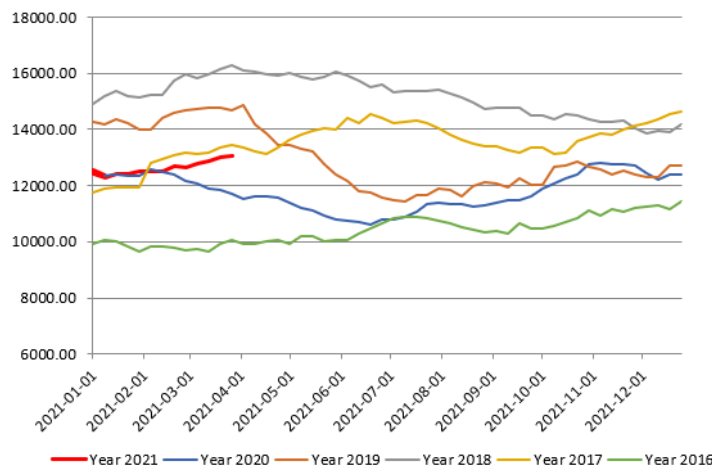


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Iron Ore

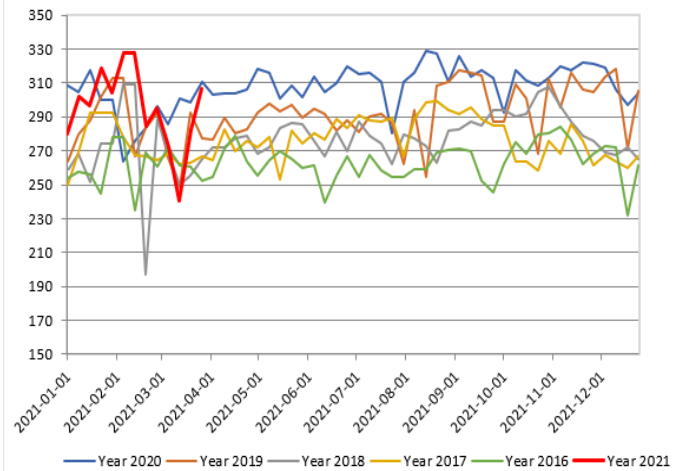
	Last	Previous	% Change
Platts 62% Fe	156.35	160.2	-2.4%
MB 65% Fe	184	187.5	-1.9%
Capesize 5TC Index	19751	19437	1.6%
C3 Tubarao to Qingdao	21.845	21.75	0.4%
C5 West Australia to Qingdao	9.4	9.327	0.8%
Billet Spot Ex-Works Tangshan MT	4490	4410	1.8%
SGX Front Month	154.21	159.97	-3.6%
DCE Major Month	1067.5	1072.5	-0.5%
China Port Inventory Unit 10,000 mt	13,021	12,880	1.1%
Australia Iron Ore Weekly Export Unit 10,000 mt	997.00	967.90	3.0%
Brazil Iron Ore Weekly Export Unit 10,000 mt	221.40	109.00	103.1%

Iron Ore Port Inventories(in 10,000 tonnes)



Sources from MySteel

Iron Ore Daily Port Evacuation(in 10,000 tonnes)



Sources from MySteel

MB 65 - Platts 62(\$/mt)



Sources from Platts

Iron Ore Indicator Analysis:

- **Iron ore port stocks increased to the two-year high level. Daily evacuation picked up fast as northern ports recover to normal operation after a series of restrictions.**
- **Platts 62% is becoming less cost-effective compared with a blend of high and low grade ores. However MB65% is always in great demand as low aluminum and high ferrous grade creating less pollution and better efficiency.**

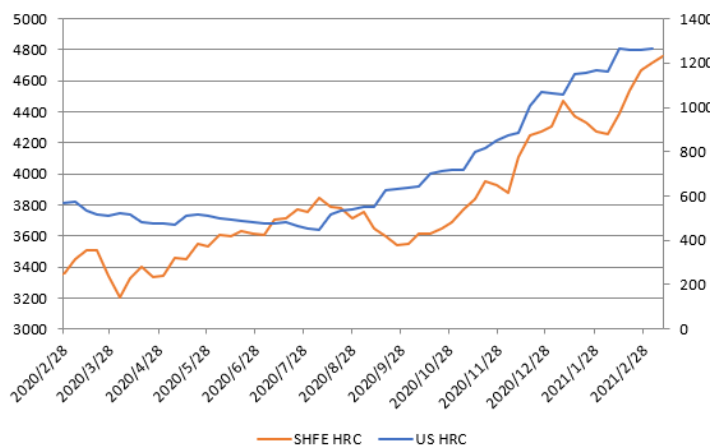


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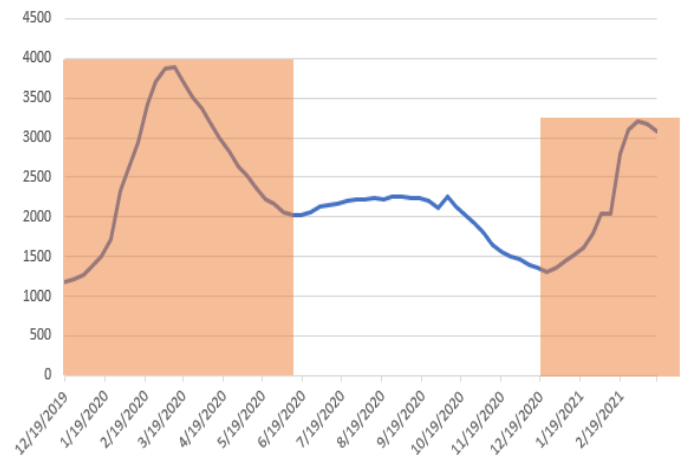
Steel

	Last	Previous	% Change
US HRC Front Month	1266	1258	0.6%
SHFE Rebar Major Month	4769	4757	0.3%
China Hot Rolled Coil	5005	4984	0.4%
China Monthly Steel consumption Unit 000's mt	86416.3	86306.3	0.1%
Five Major Steel Inventories Unit 10,000 mt	3086.21	3177.64	-2.9%
Construction Steel Total Inventory unit 10,000 mt	2282.11	2337.88	-2.4%
Crude Steel Production China Unit 000's mt	90236	91252	-1.1%
China Volume of Commodity Imports Unit 000's mt	1080	1310	-17.6%
China Volume of Commodity exports Unit 000's mt	4900	5240	-6.5%

US HRC Vs SHFE HRC



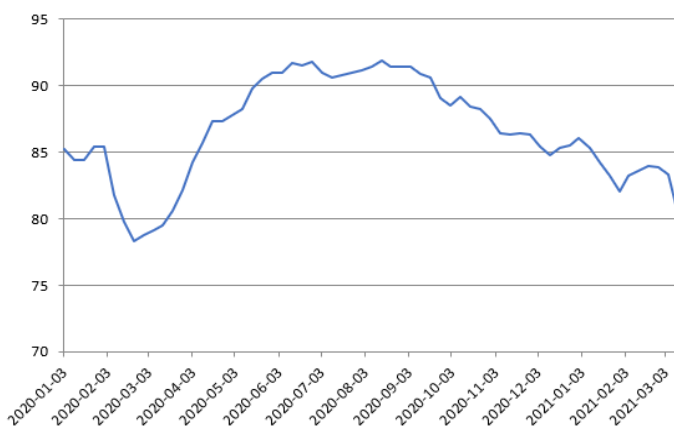
China Five Major Steel Inventories (in 10,000 tonnes)



Sources from Bloomberg

Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

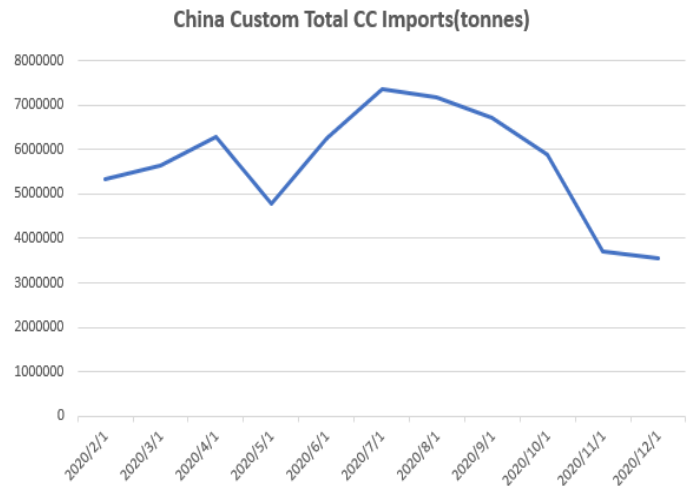
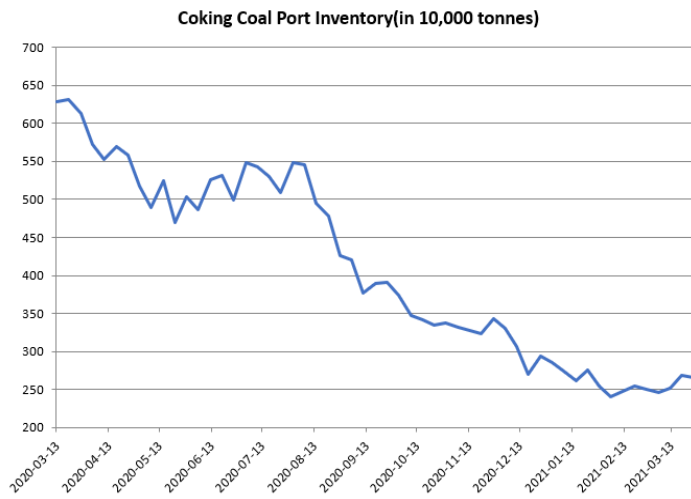
- **Five major types of steel inventories were 10% smaller than the high of last year. However the production also mentioned a zero to negative growth. A destock in line with last year would easily trigger a concern on steel shortage in Q2.**
- **US HRC continuously refreshed historical high under the background of U.S. infrastructure market investments. Shanghai HRC was high because higher price in export as well as the imported inflation.**



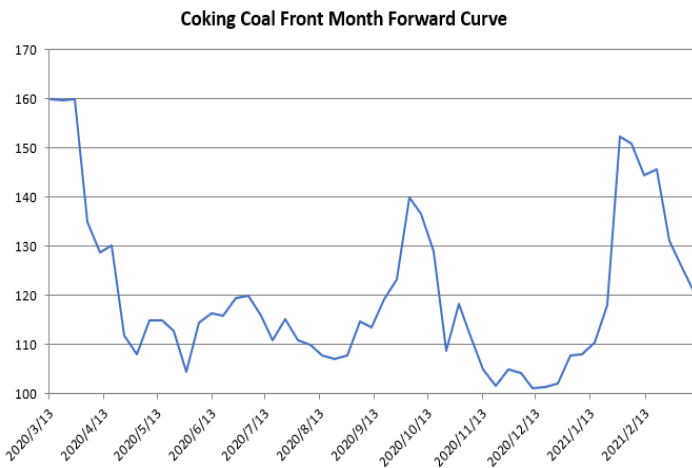
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Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	113.5	113.8	-0.3%
Coking Coal Front Month	113	121	-6.6%
DCE CC Major Month	1609.5	1532	5.1%
Coking Coal Port Inventory Unit 10,000mt	268.3	251.7	6.6%
China Custom total CC Import Unit mt	3,226,689.00	3,121,834.00	3.4%



Sources from MySteel



Sources from Bloomberg

Coking Coal Indicator Analysis:

- **Mongolia and Australia both decreased Asian trade flow of coking coal. However coke mills of China were close to zero margin calculated by DCE futures.**
- **Coking coal inventories at major ports were at historical low levels, short-run support coking coal prices.**