



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

U.S. dollar index weakened to a two month low area from the high of the year during April, due to the Biden's tax raising plan which discouraged some confidence to boom U.S. economy. Thus ferrous and non-ferrous massively rebound to counter dollar depreciation risk. However 10-year-bond became stable as U.S. core inflation rate expected to reach 2.5% by the end of year from some investment bank analysts, which was much higher than Powell's target.

| | Last | Previous | % Change |
|--|--------|----------|----------|
| USDCNY | 6.5206 | 6.5526 | -0.49% |
| Repo 7 Days | 2.15 | 1.85 | 16.22% |
| Repo 1 Day | 1.6 | 1.8 | -11.11% |
| Dollar Index | 91.556 | 92.163 | -0.66% |
| China GDP Constant Price YOY % | 18.3 | 6.5 | NA |
| China PMI (Caixin) | 50.6 | 50.9 | NA |
| China Industrial Production MOM % | 0.6 | 0.69 | NA |
| Commercial Space Under Construction | 11.2 | 11 | NA |
| Commercial Space Completed | 191.2 | 135.3 | NA |
| Commercial Building Space Sold, YTD YOY% | 63.8 | 104.9 | NA |
| Residential Space Under Construction, YTD YOY% | 11.6 | 11.2 | NA |
| Residential Space Completed, YTD YOY% | 27.1 | 45.9 | NA |
| Residential Floor Space Sold, YTD YOY% | 68.1 | 108.4 | NA |

Iron ore Market :

China northern six ports indicated iron ore arrivals at 9.17 million tonnes, down 2.07 million tonnes w-o-w. Virtual steel margin on-shore rebounded from 987 yuan/tonne(a month low) to 1112 yaun/tonne during past seven days, high steel margin provided support to iron ore prices. Qingdao and Rizhao import iron ore margin has become negative 30 yuan/tonne because of the high seaborne iron ore prices.

Iron ore port inventories tend to stabilise on 133 million tonnes. Physical traders were cautious on buying iron ores since high price equal to a high potential risk, however some mills were aggressive on purchasing because the high margin.

Iron ore started to squeeze short before Labor Day holiday and by the May contract expiration.

Steel Market:

Tangshan billet supply recovered as the local open to more import orders, to fill the supply gap by the production curb. However Jiangsu Province potentially started a new round of production curb. EAFs utilisation rate reached 71.09%, 12% higher from last year indicated by MySteel. EAFs production massively increased significantly because of the high profit margin as well as carbon emission target. Five typical steels apparent consumption decreased for the second week, indicating consumption potentially weaker in following few weeks following seasonality rules. China construction steel April daily average trading volume at 265,300 tonnes per day, up 29.27% m-o-m, indicating the consumption during April entered a warm season.

Coking Coal Market:

China National Development of Reform Commission held a conference and adopted related measures to counter against fast raising coal price, including increase production and supply, decrease unreasonable demand, increase clean energy usage.

China physical coke market started the second round of price increase, after previous 8 rounds of decrease by 800 yuan/tonne. However DCE coke September contract has increased 670 yuan from March 22nd, to some extent have exhausted some buying sentiments already.

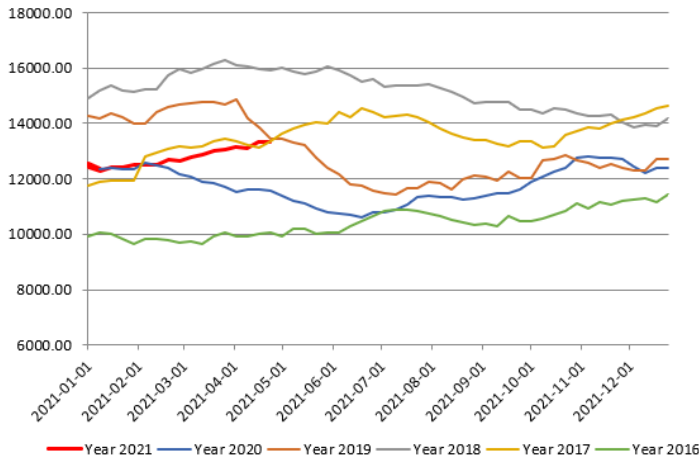


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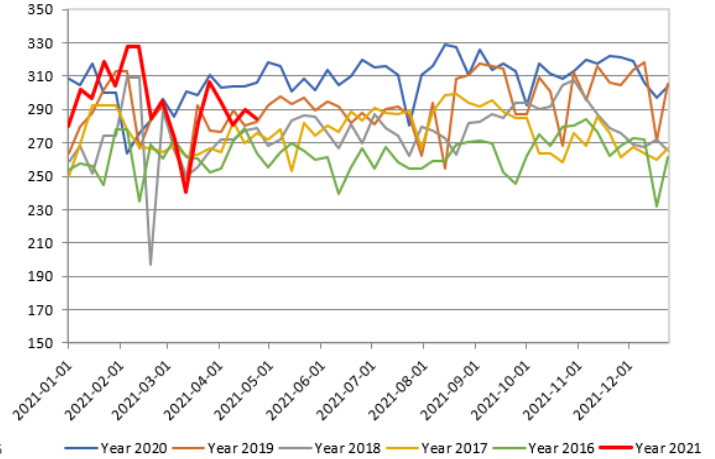
Iron Ore

| | Last | Previous | % Change |
|---|--------|----------|----------|
| Platts 62% Fe | 191.45 | 185.1 | 3.43% |
| MB 65% Fe | 226.9 | 220.9 | 2.72% |
| Capesize 5TC Index | 35347 | 34762 | 1.68% |
| C3 Tubarao to Qingdao | 27.425 | 27.305 | 0.44% |
| C5 West Australia to Qingdao | 11.709 | 11.55 | 1.38% |
| Billet Spot Ex-Works Tangshan MT | 4960 | 4970 | -0.20% |
| SGX Front Month | 172.23 | 165.38 | 4.14% |
| DCE Major Month | 1051.5 | 988.5 | 6.37% |
| China Port Inventory Unit 10,000 mt | 13,320 | 13,315 | 0.04% |
| Australia Iron Ore Weekly Export Unit 10,000 mt | 829.50 | 1,310.30 | -36.69% |
| Brazil Iron Ore Weekly Export Unit 10,000 mt | 318.90 | 294.70 | 8.21% |

Iron Ore Port Inventories(in 10,000 tonnes)



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



Sources from MySteel

Sources from MySteel

MB 65 - Platts 62(\$/mt)



Sources from Platts

Iron Ore Indicator Analysis:

- Iron ore port stocks were at two-year high during April.
- 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.

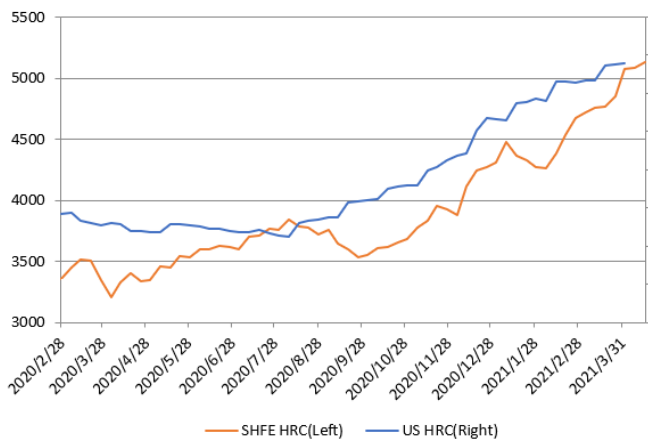


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Steel

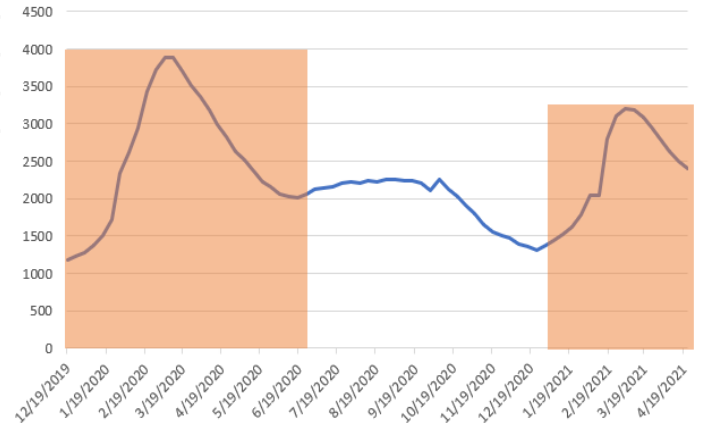
| | Last | Previous | % Change |
|--|-----------|-----------|----------|
| US HRC Front Month | 1359 | 1350 | 0.67% |
| SHFE Rebar Major Month | 5131 | 5086 | 0.88% |
| China Hot Rolled Coil | 5564 | 5597 | -0.59% |
| China Monthly Steel consumption Unit 000's mt | 76826.102 | 79226.102 | -3.03% |
| Five Major Steel Inventories Unit 10,000 mt | 2401.8 | 2495.07 | -3.74% |
| Construction Steel Total Inventory unit 10,000 mt | 1719.3 | 1805.48 | -4.77% |
| Crude Steel Production China Unit 000's mt | 83046 | 90236 | -7.97% |
| China Volume of Commodity Imports Unit 000's mt | 1320 | 1080 | 22.22% |
| China Volume of Commodity exports Unit 000's mt | 7540 | 4900 | 53.88% |

US HRC Vs SHFE HRC



Sources from Bloomberg

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



Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

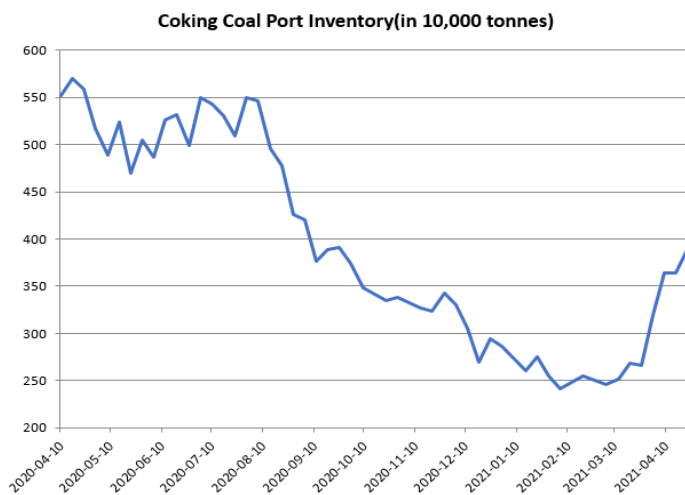
- Five major types of steel inventories entered a “destock” phase, with decrease stocks expected till late May following seasonally features.
- US HRC continuously refreshed historical high under the background of U.S. infrastructure market investments. Shanghai HRC was high because higher price in export as well as the imported inflation.



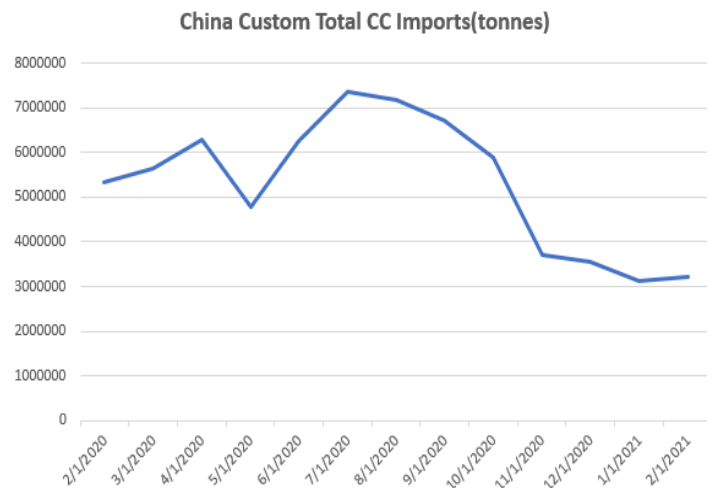
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Coking Coal

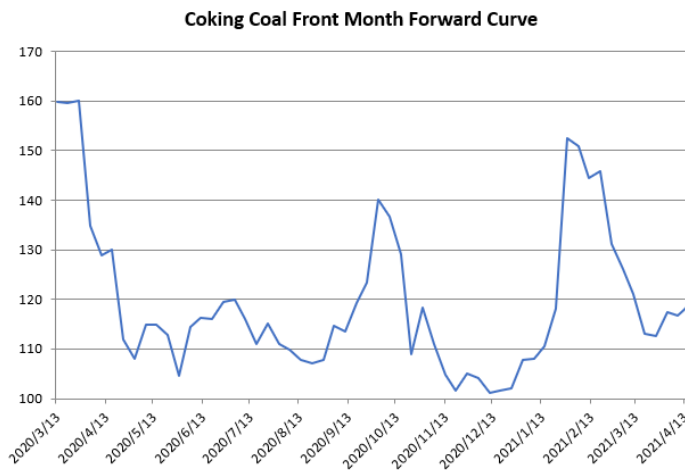
| | Last | Previous | % Change |
|---|--------------|--------------|---------------|
| TSI FOB Premium Hard Coking Coal | 109.5 | 109.75 | -0.23% |
| Coking Coal Front Month | 118.75 | 116.83 | 1.64% |
| DCE CC Major Month | 1646.5 | 1582.5 | 4.04% |
| Coking Coal Port Inventory Unit 10,000mt | 389 | 364.5 | 6.72% |
| China Custom total CC Import Unit mt | 3,226,689.00 | 3,121,834.00 | 3.36% |



Sources from MySteel



Sources from Bloomberg



Sources from Bloomberg

Coking Coal Indicator Analysis:

- North-western province offered up 100 yuan/tonne on physical coke price after a 800 yuan/tonne loss from this January. Some coke plants were preparing for the second round of increase.**