



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

U.S. dollar index weakened to the lowest on Monday since February 25th. LME Copper and Iron ore both created historical high. If the U.S. dollar index recovered as in March, inflation-linked speculation potentially corrected. The current U.S. oil pipeline hack was mostly an impact in short-run in the secondary market.

Three China commodity exchanges carried out trading restrictions on speculators including increase margin, fees and limit-up. However historically the control normally impact during the day. China Security Regulatory

Commission said China commodities should increase pricing power. CISA also appealed regulatory interference to guide market to fundamentals and restrict iron ore price.

Iron ore Market :

Port stocks, arrivals and delivery become less relevant to iron ore market. Iron ore was more sensitive to steel margin, physical traders in Tangshan indicated the margin went beyond 1400 yuan/tonne, a historical high. Virtual margin on futures also reached 1419 yuan/tonne, a historical high as well.

PBF increase massively on ports, to match the front months seaborne price. Thus DCE major contract on September has less impact on port prices since far from delivery. Iron ore dipped down and recovered most of losses during the day, after a limit-up in previous trading day. DCE open interest decrease 17.45% from April 15th, indicating more traders started to prevent risks.

In long-run iron ore delivery potentially tight as a PBF delivery decrease on Rio Tinto, as well as a fail to reach delivery goal in Vale as last few quarters. Most new capacity would appear in the year 2022.

Steel Market:

Tangshan billet up 430 yuan/tonne cross weekends and this Monday, created the fastest increase during any-time historically. Baosteel increase June HRC price by 1000 tonne/tonne based on May price, however correct the offer to 300 tonne/tonne, potentially expect some restriction on overheated steel price. HRC still testing roof area and move toward U.S. mid-west level. The big push was due to the China party's 100 anniversary in July, while many mills and downstream need to rush on production in case the potential strict production curb in early July.

	Last	Previous	% Change
USDCNY	6.4333	6.4749	-0.64%
Repo 7 Days	1.77	2.3	-23.04%
Repo 1 Day	1.41	2.25	-37.33%
Dollar Index	90.233	91.28	-1.15%
China GDP Constant Price YOY %	18.3	6.5	NA
China PMI (Caixin)	51.9	50.6	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

Sources from Bloomberg

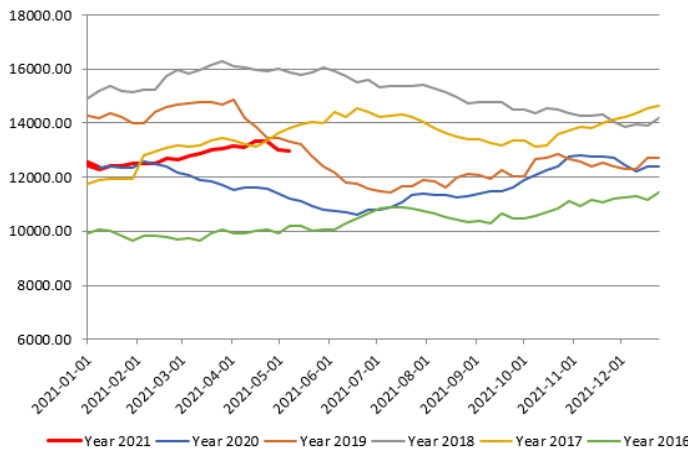


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Iron Ore

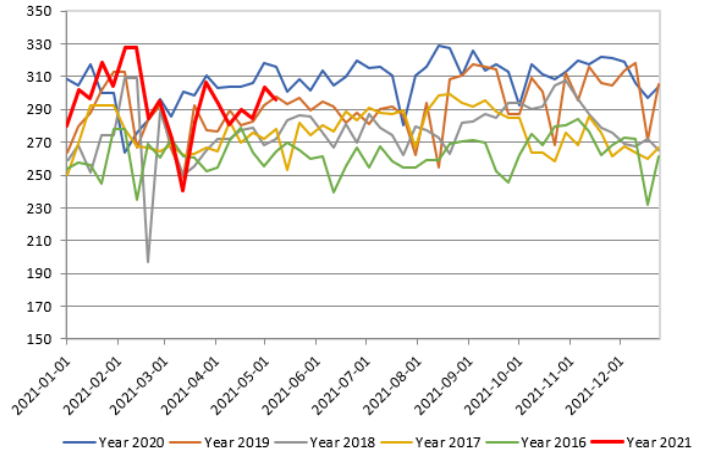
	Last	Previous	% Change
Platts 62% Fe	229.55	212.75	7.90%
MB 65% Fe	263	243.6	7.96%
Capesize 5TC Index	42370	41514	2.06%
C3 Tubarao to Qingdao	31.015	30.355	2.17%
C5 West Australia to Qingdao	14.986	14.427	3.87%
Billet Spot Ex-Works Tangshan MT	5500	4990	10.22%
SGX Front Month	205.16	184.05	11.47%
DCE Major Month	1205.5	1108.5	8.75%
China Port Inventory Unit 10,000 mt	12,958	13,027	-0.53%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,412.50	1,217.00	16.06%
Brazil Iron Ore Weekly Export Unit 10,000 mt	211.00	208.10	1.39%

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 slight decrease as Australia and Brazil delivery have decreased over the previous three weeks.
- PBF float price was stable from \$6-6.5, a retreat from the high at \$8, and less fixed price traded.

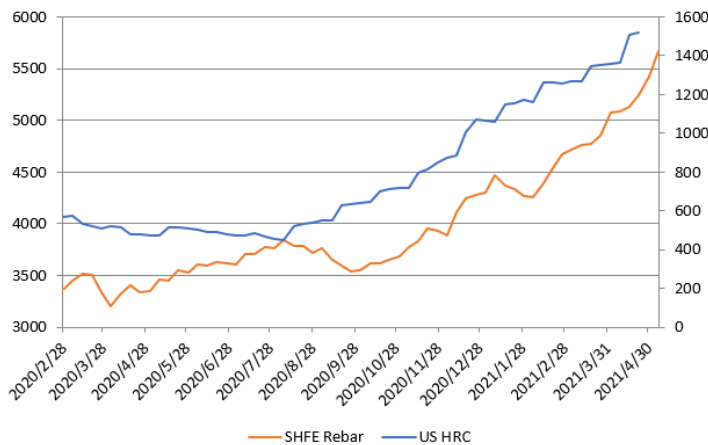


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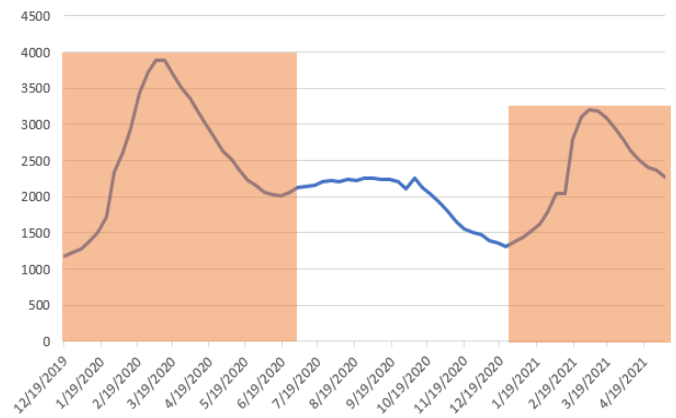
Steel

	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



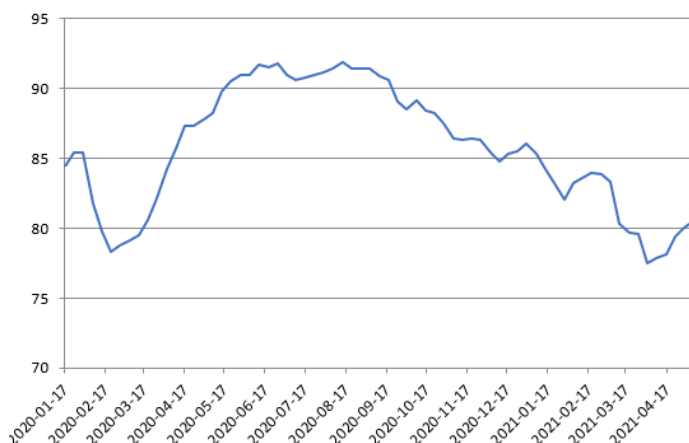
China Five Major Steel Inventories (in 10,000 tonnes)



Sources from Bloomberg

Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

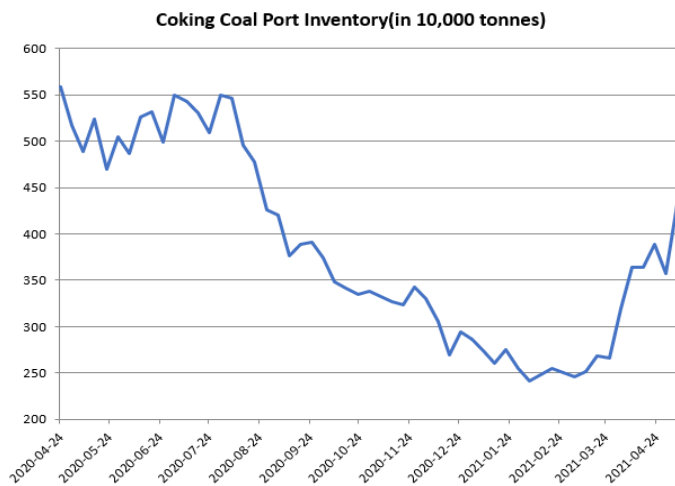
- **Five major types of steel inventories entered a “destock” phase, with decrease stocks expected till late May following seasonally features.**
- **US HRC continuously refreshed historical high under the background of U.S. infrastructure market investments. Shanghai HRC was high because higher price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



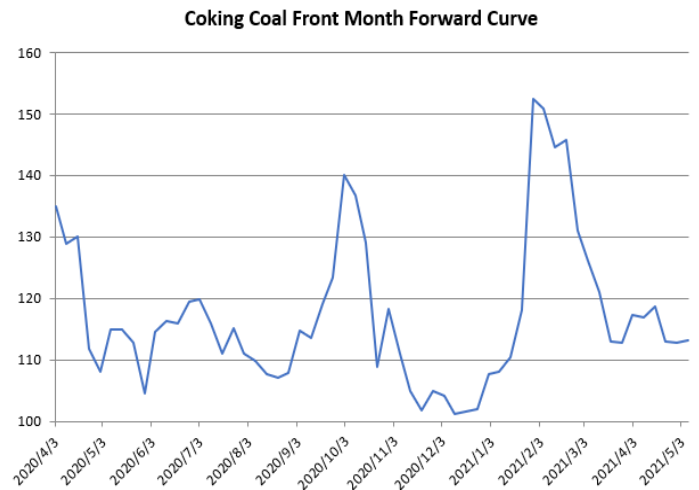
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Coking Coal

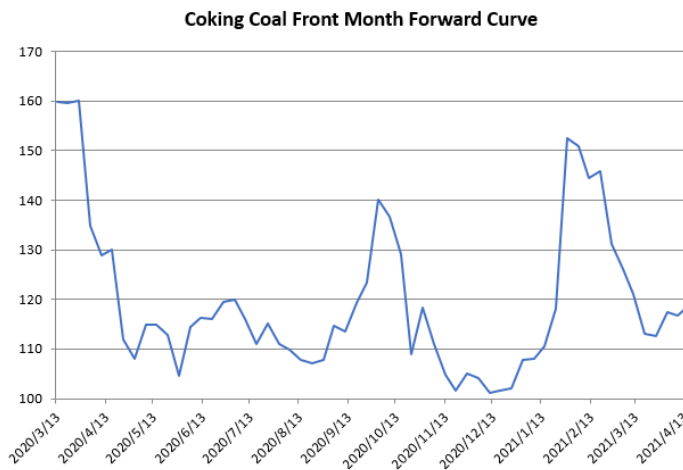
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	109	109	0.00%
Coking Coal Front Month	113.25	112.67	0.51%
DCE CC Major Month	1909.5	1770.5	7.85%
Coking Coal Port Inventory Unit 10,000mt	431	357	20.73%
China Custom total CC Import Unit mt	4,905,452.00	3,226,689.00	52.03%



Sources from MySteel



Sources from Bloomberg



Sources from Bloomberg

Coking Coal Indicator Analysis:

- Coking coal port inventories started to pick up significantly as Russia exports to China increased to historical high in April and early May. At the same time, Canada and Indonesian sources flow into China eastern ports to fill the short by Mongolia export decrease.**
- China and Australia tension increased the speculation on coal market including thermal coals and Prime coking coals. However the truth is, China has decreased massively since the year 2019, real impact on export decrease was very limited.**