



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

In the past two week, due to talks with relevant enterprises by multiple China departments and measures such as cracking down on "invisible stocks" of industrial products, the iron and steel industrial products experienced the biggest correction since February last year, when the epidemic was just discovered. In the United States, Biden's infrastructure bill will be greatly discounted as expected. However after the massive decrease by 25%, there is still no guarantee to pass both parties.

	Last	Previous	% Change
USDCNY	6.4371	6.4333	0.06%
Repo 7 Days	2.05	1.77	15.82%
Repo 1 Day	1.84	1.41	30.50%
Dollar Index	90.321	90.233	0.10%
China GDP Constant Price YOY %	18.3	6.5	NA
China PMI (Caixin)	51.9	50.6	NA
China Industrial Production MOM %	0.52	0.6	NA
Commercial Space Under Construction	10.5	11.2	NA
Commercial Space Completed	227.4	191.2	NA
Commercial Building Space Sold, YTD YOY%	48.1	63.8	NA
Residential Space Under Construction, YTD YOY%	10.9	11.6	NA
Residential Space Completed, YTD YOY%	20.7	27.1	NA
Residential Floor Space Sold, YTD YOY%	51.1	68.1	NA

China Prime Minister Li Keqiang currently showed up in Ningbo, a typical eastern city as the hub of commodity transit. The PM visited several manufacturing enterprises and focus on the strategies to counter against commodity price growth risk.

Iron ore Market :

The total escape funds are still the bubble crowding out effect after the introduction of commodity price control policies. In addition, the counter inflation trade has come to an end, nonferrous metals have temporarily returned to fundamental logic, and iron ore has returned to calm market. At present, the main support of raw materials are high steel mills margins. The profit for back months are still very high, virtual steel margin onshore were 33.92% lower compared with the mid-May, however still created the highest historically. If calculated by seaborne iron ore may average, the mills profit were massively decreased.

The production capacity shifted significantly to top steel mills after the few years of supply-side reform. This capacity shift will lead to the marginal capacity become less sensitive to the mills margin. For steel mills, it means more chances to sell steel at higher price or more time to export rather than produce later. As a result, the primary target for steel mills are take the high cost materials to guarantee the sales.

The total shipment of Australia and Brazil iron ore to was 26.402 million tons, increase of 3.819 million tons w-o-w. The total amount of global shipment was 33.324 million tons, an increase of 6.074 million tons w-o-w. China's 45 port arrivals totaled 24.566 million tons, a increase of 1.116 million tons w-o-w.

The risks are that it was hard to predict the market size contributed by macro capital and pure speculative funds. Because iron ore and cyber coins have absorbed too much inflation compared with other assets from the beginning of 2020.

Steel Market:

The billet correct much slower compared with finished steels, indicating the half-finished steels such as billet, high-grade scrap and pig iron have pricing power over the rest of ferrous chain during the carbon emission global background. Both apparent consumption for construction steels and HRC decreased slight over previous week.

Global steel market didn't stop grow to follow the growth of China steel market. Korean Hyundai Steel stopped production in May 10th, which account for 10% of rebar capacity of the whole country. Black sea FOB HRC current at \$1065, a massive increase compared with April average at \$945. The global flat steel market will marginally impact China HRC price as many areas capacity shortage.

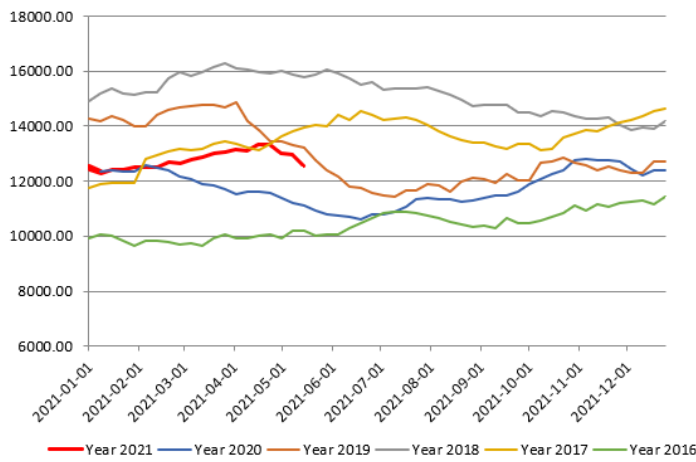


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Iron Ore

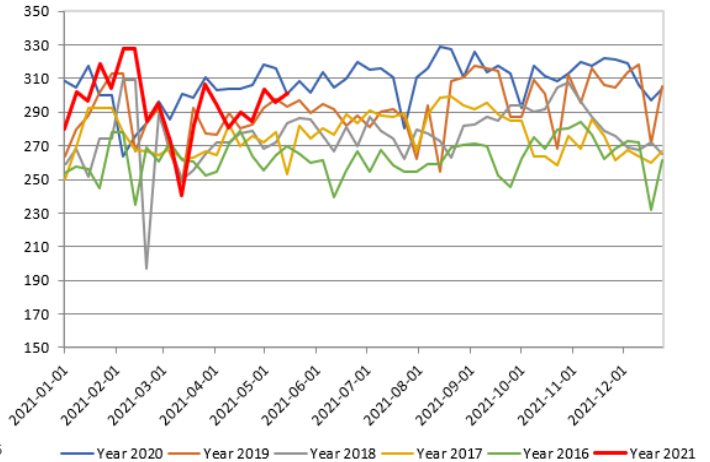
	Last	Previous	% Change
Platts 62% Fe	217	209.35	3.65%
MB 65% Fe	249.3	241.7	3.14%
Capesize 5TC Index	32702	34542	-5.33%
C3 Tubarao to Qingdao	26.239	26.89	-2.42%
C5 West Australia to Qingdao	11.655	12.173	-4.26%
Billet Spot Ex-Works Tangshan MT	5520	5500	0.36%
SGX Front Month	201.74	205.16	-1.67%
DCE Major Month	1186.5	1205.5	-1.58%
China Port Inventory Unit 10,000 mt	12,533	12,958	-3.28%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,242.80	1,412.50	-12.01%
Brazil Iron Ore Weekly Export Unit 10,000 mt	266.30	211.00	26.21%

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.

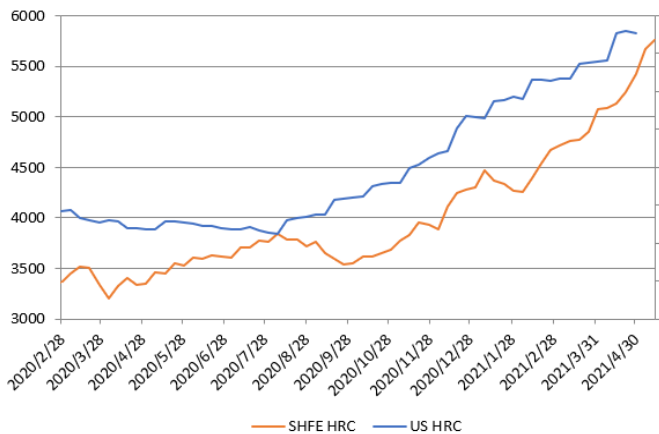


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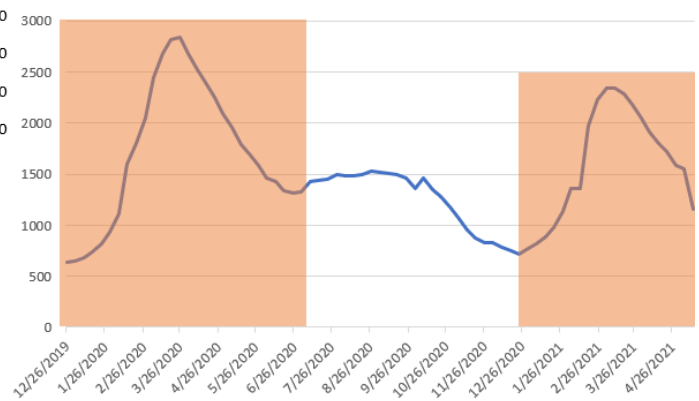
Steel

	Last	Previous	% Change
US HRC Front Month	1505	1519	-0.92%
SHFE Rebar Major Month	5761	5672	1.57%
China Hot Rolled Coil	6383	6010	6.21%
China Monthly Steel consumption Unit 000's mt	87221	87800	-0.66%
Five Major Steel Inventories Unit 10,000 mt	2130.99	2269.37	-6.10%
Construction Steel Total Inventory unit 10,000 mt	1156.13	1554.71	-25.64%
Crude Steel Production China Unit 000's mt	94020	83046	13.21%
China Volume of Commodity Imports Unit 000's mt	1174	1320	-11.06%
China Volume of Commodity exports Unit 000's mt	7973	7540	5.74%

US HRC Vs SHFE HRC



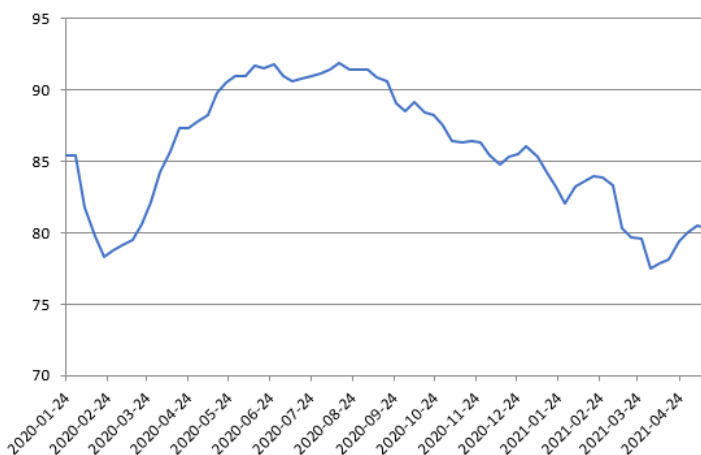
Construction Steel Total Inventories (in 10,000 tonnes)



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.**



Weekly Virtual Steel Margin Report

Coking Coal

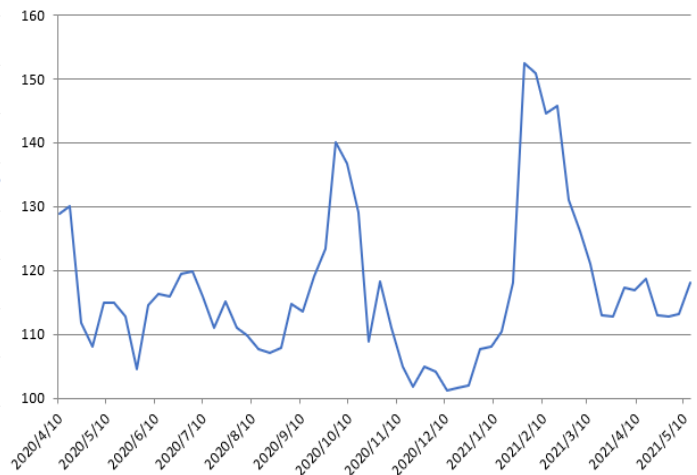
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	117	116	0.86%
Coking Coal Front Month	118	113.25	4.19%
DCE CC Major Month	1944	1909.5	1.81%
Coking Coal Port Inventory Unit 10,000mt	458	432	6.02%
China Custom total CC Import Unit mt	4,905,452.00	3,226,689.00	52.03%

Coking Coal Port Inventory(in 10,000 tonnes)



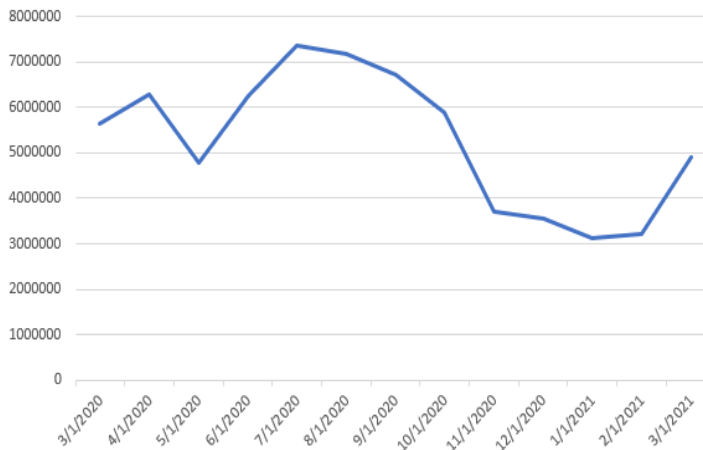
Sources from MySteel

Coking Coal Front Month Forward Curve



Sources from Bloomberg

China Custom Total CC Imports(tonnes)



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.**