



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

The U.S. Treasury Secretary Yellen talk with China PM Li Keqiang, mentioned many cooperation areas. Market consider this talk as an early signal to potentially end the trade war. U.S. stocks also keep rising steadily during the week since the economy recovery neutralised the interest rate increase risk. U.S. dollar index also hold up 90 level after a short-run tested 89 area. China reclaimed to stabilised forex instead of liberalizing interest rate.

	Last	Previous	% Change
USDCNY	6.3952	6.3685	0.42%
Repo 7 Days	2.25	2.3	-2.17%
Repo 1 Day	2.22	1.7	30.59%
Dollar Index	90.136	90.031	0.12%
China GDP Constant Price YOY %	18.3	6.5	NA
China PMI (Caixin)	52	51.9	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

Iron ore Market :

The billet price as stable, given the fact that both Tangshan and Xuzhou started several rounds of harsh production cut. Tangshan almost restrict three weeks out of a month on different level of production cut from May. Xuzhou would restrict 40,000 tonnes daily steel production from July to December. Iron ore corrected after hearing the concentrated production curb.

China customs data indicated for the first five months, iron ore import 471.77 million tonnes, up 6% y-o-y. Iron ore supply in H1 2021 expected to be much bigger than both year 2019 and year 2020. Iron ore port trades volume significantly recover calm during early this week, as well as the seaborne PBF premium softened from historical high \$9.75 to \$8.7 level. MySteel Brazil and Australia iron ore delivery increased by 1.295 million tonnes to 25.02 million tonnes last week. Brazil delivery increased significantly to 8.14 million tonnes last week, from an average of 7.5 million tonnes level in May. MB65 – Platts62% spread dropped from \$36 in May 24th to \$30 on Jun 7th.

Virtual steel mills margin narrowed from 1457 yuan/tonne to 784 yuan/tonne, almost decreased by 50%. However the current mills margin was still high at historical levels during the same period, mills currently not likely to consider a cost-saving strategy.

Steel Market:

U.S. mid-west major ex-factory HRC price once reached \$1785/tonne, approaching the past 50-year-high. However China steels started to retreat as the political cool down on commodity, as well as an expectation on the steel consumption decrease in the coming July, during the 100 China Party's Anniversary. Currently five typical steel apparent consumption was resilient from 11-12 million tonnes per week, however some physical traders said construction steel demand expect to fall first as southern rainy season come.

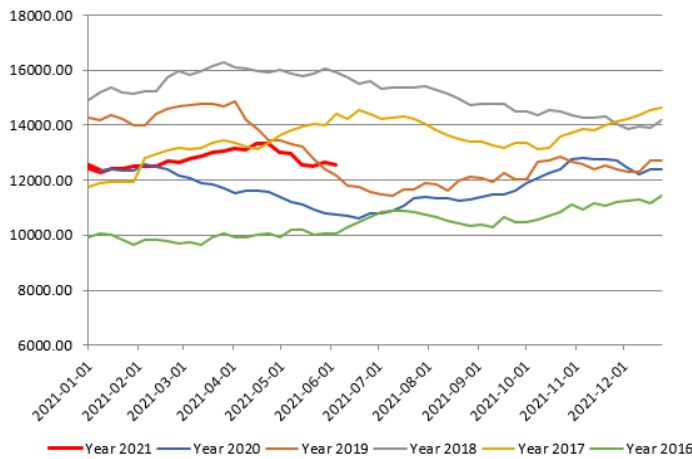


Weekly Virtual Steel Margin Report

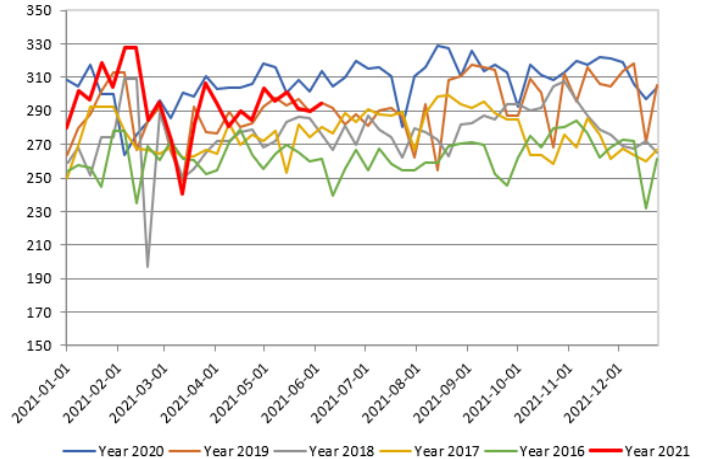
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	202.85	208.35	-2.64%
MB 65% Fe	233.1	238	-2.06%
Capesize 5TC Index	20458	20933	-2.27%
C3 Tubarao to Qingdao	21.945	22.555	-2.70%
C5 West Australia to Qingdao	9.573	9.641	-0.71%
Billet Spot Ex-Works Tangshan MT	5020	5000	0.40%
SGX Front Month	198.92	184.61	7.75%
DCE Major Month	1169.5	1050.5	11.33%
China Port Inventory Unit 10,000 mt	12,535	12,622	-0.69%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,198.10	1,184.90	1.11%
Brazil Iron Ore Weekly Export Unit 10,000 mt	275.40	152.80	80.24%

Iron Ore Port Inventories(in 10,000 tonnes)



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



Sources from MySteel

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MB 65 - Platts 62(\$/mt)



Sources from Platts

Iron Ore Indicator Analysis:

- **MB65-P62 spread narrowed from historical high \$36 to \$30 during the previous two weeks, since Brazil delivery of iron ore pick up significantly from May to June.**
- **Iron ore port stocks were in general very stable currently.**

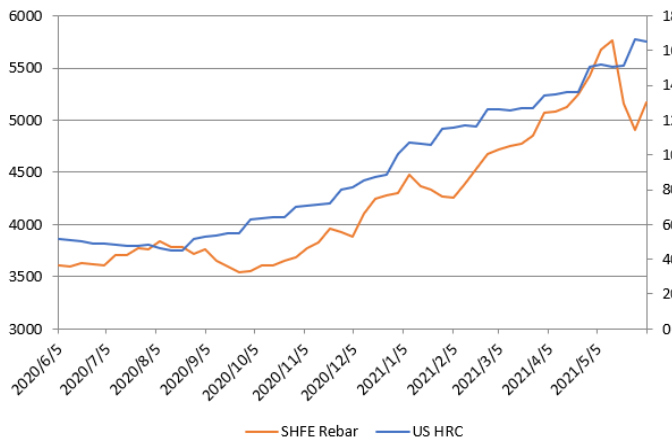


Weekly Virtual Steel Margin Report

Steel

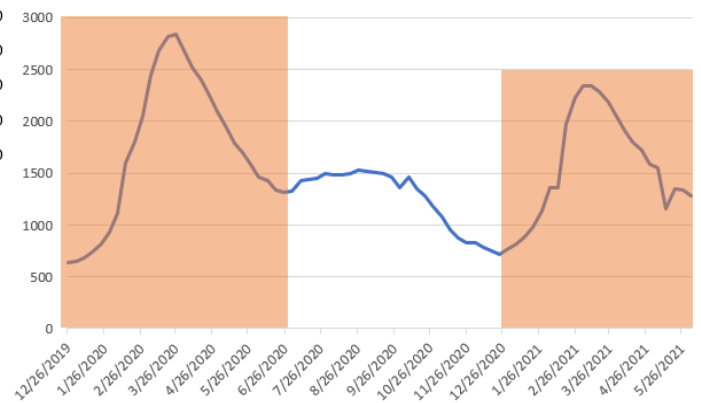
	Last	Previous	% Change
US HRC Front Month	1653	1665	-0.72%
SHFE Rebar Major Month	5175	4907	5.46%
China Hot Rolled Coil	5588	5453	2.48%
China Monthly Steel consumption Unit 000's mt	93785	91050	3.00%
Five Major Steel Inventories Unit 10,000 mt	2130.99	2269.37	-6.10%
Construction Steel Total Inventory unit 10,000 mt	1156.13	1554.71	-25.64%
Crude Steel Production China Unit 000's mt	97850	94020	4.07%
China Volume of Commodity Imports Unit 000's mt	1206	1170	3.08%
China Volume of Commodity exports Unit 000's mt	5271	7970	-33.86%

US HRC Vs SHFE Rebar



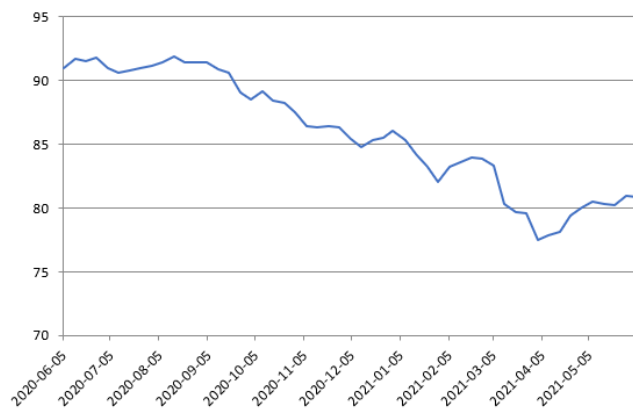
Sources from Bloomberg

Construction Steel Total Inventories (in 10,000 tonnes)



Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

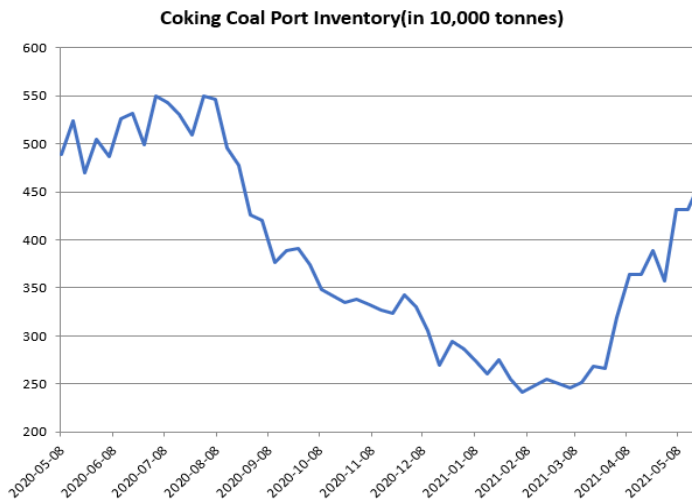
- **Five major steel stocks expected to enter a calm period after a 3 month of destock.**
- **Blast furnace utilisation rate climbed from the April low, however also hard to recover to 90% level since the harsh restriction country-wide.**



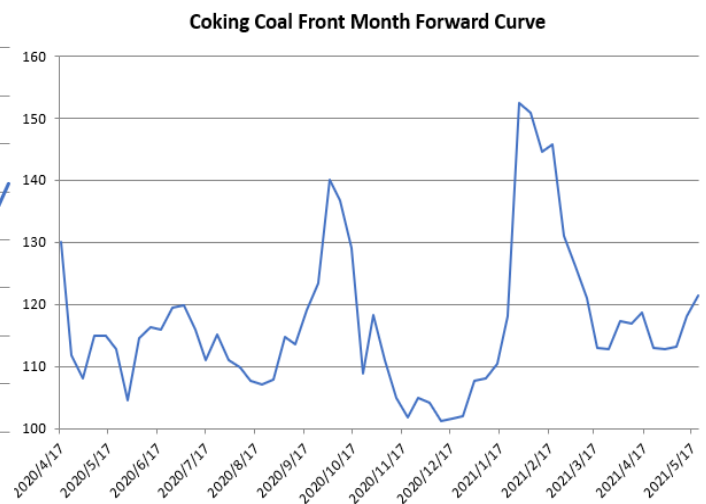
Weekly Virtual Steel Margin Report

Coking Coal

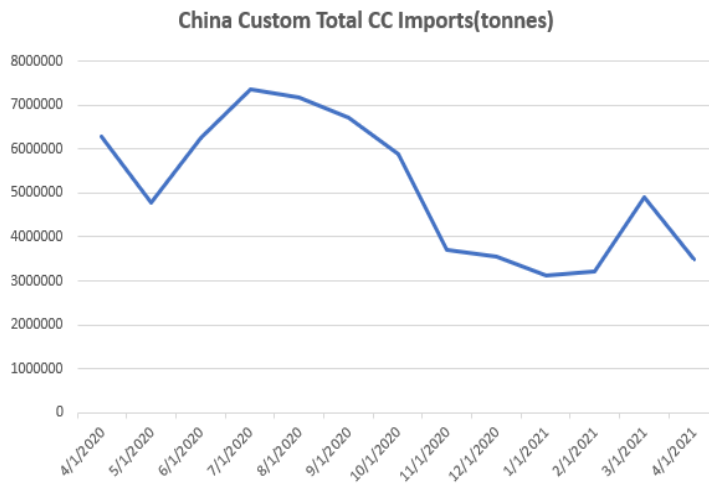
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	167	167	0.00%
Coking Coal Front Month	165.67	125.12	32.41%
DCE CC Major Month	1841	1787.5	2.99%
Coking Coal Port Inventory Unit 10,000mt	458	432	6.02%
China Custom total CC Import Unit mt	3,483,128.00	4,905,452.00	-28.99%



Sources from MySteel



Sources from Bloomberg



Sources from Bloomberg

Coking Coal Indicator Analysis:

- **Some physical traders said the northern ports recovered the import quota of coals, however current electric mills were stocking coals to prepare for a summer peak usage.**