



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

The U.S. Federal mentioned interest rate increase route during late half of last week however suddenly reversed their view on late Monday. U.S. stocks ended the correction and picked up fast on Monday. U.S. dollar index recovered to \$92 level from the yearly low around \$89.5 level. LME copper also corrected 13% during June.

	Last	Previous	% Change
USDCNY	6.4531	6.3987	0.85%
Repo 7 Days	2.2	2.1	4.76%
Repo 1 Day	2.03	2	1.50%
Dollar Index	92.225	90.555	1.84%
China GDP Constant Price YOY %	18.3	6.5	NA
China PMI (Caixin)	52	51.9	NA
China Industrial Production MOM %	0.52	0.52	NA
Commercial Space Under Construction	10.1	10.5	NA
Commercial Space Completed	275.8	227.4	NA
Commercial Building Space Sold, YTD YOY%	36.3	48.1	NA
Residential Space Under Construction, YTD YOY%	10.5	10.9	NA
Residential Space Completed, YTD YOY%	18.5	20.7	NA
Residential Floor Space Sold, YTD YOY%	39	51.1	NA

Iron ore Market :

China National Development of Reform Commission and Market Regulation Department have jointly investigate in coal and iron ore commodities from last Friday and this Monday to later of June, to inspect in the speculation and maintain normal market order and supply. Ferrous sector started a new round of correction from last Friday.

MySteel Australia and Brazil delivery totaled 24.18 million tonnes, down 1.95 million tonnes w-o-w. The recycled iron and scrap imported from Jan to May in China reached 246,000 tonnes. Virtual steel mills margin narrowed from 1457 yuan/tonne to 500 yuan/tonne last Thursday, almost decreased by 66%. Billet margin in Tangshan decreased to 200 yuan/tonne heard by some mills. However the low margin was less likely to continue as steel capacity was concentrated in top steel mills from the past five years, and the environment protection cost increased significantly during the past three years.

Steel Market:

Shanghai Rebar physical corrected 2.3% during the past week, however futures corrected 5.4%. The futures correction divergence with physical was due to a recover on the overvalue of futures side. Rebar far contract futures once become flat or slight more than spot prices during Q2, which created a low risk arbitrage opportunity by long physical and short futures.

On mills side, daily pig iron production was 2.44 million tonnes, a very stable level last through the entire June because of different areas of blast or related maintenance in particular before China party's 100 anniversary. At the same time, rainy season in eastern and southern areas contributed to the lower downstream activities as well. Tangshan and Handan billet processing mills suspension impacted 88,000 tonnes of pig iron production on daily basis. MySteel data indicated construction steel demand entered a 3-year-low level. This demand decreased by 1.54 million tonnes over the past five weeks, which was also the fastest decrease during the same period historically.

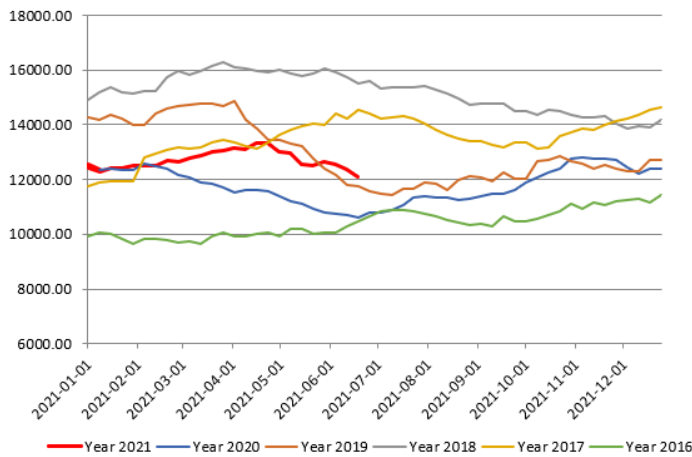


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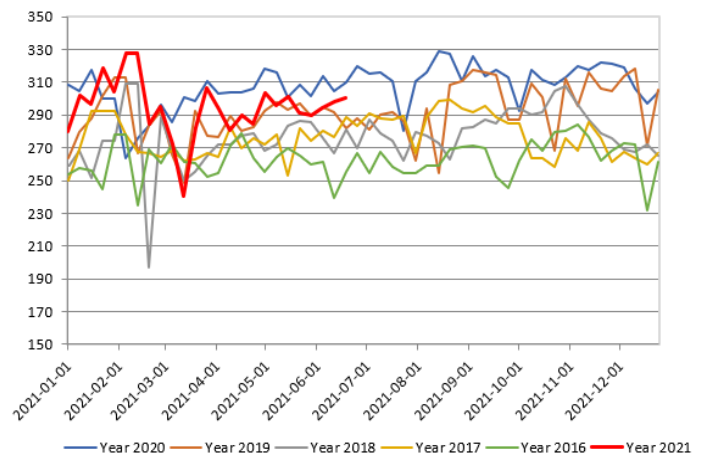
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	217.3	217.3	0.00%
MB 65% Fe	249.4	249.4	0.00%
Capesize 5TC Index	547	609	-10.18%
C3 Tubarao to Qingdao	29383	27752	5.88%
C5 West Australia to Qingdao	26.5	25.55	3.72%
Billet Spot Ex-Works Tangshan MT	4900	5060	-3.16%
SGX Front Month	206.81	210.15	-1.59%
DCE Major Month	1229	1214.5	1.19%
China Port Inventory Unit 10,000 mt	12,089	12,367	-2.25%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,328.00	775.60	71.22%
Brazil Iron Ore Weekly Export Unit 10,000 mt	275.40	177.10	55.51%

Iron Ore Port Inventories(in 10,000 tonnes)



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



Sources from MySteel

MB 65 - Platts 62(\$/mt)



Sources from Platts

Sources from MySteel

Iron Ore Indicator Analysis:

- **MB65-P62 spread recovered to above \$30 level as pelletising and high grade ores miners in China was closed after several accidents.**
- **Iron ore port stocks decreased gradually during May and June with increasing port evacuations. Due to resilient mills demand as well as a slight lag on Australia supply.**

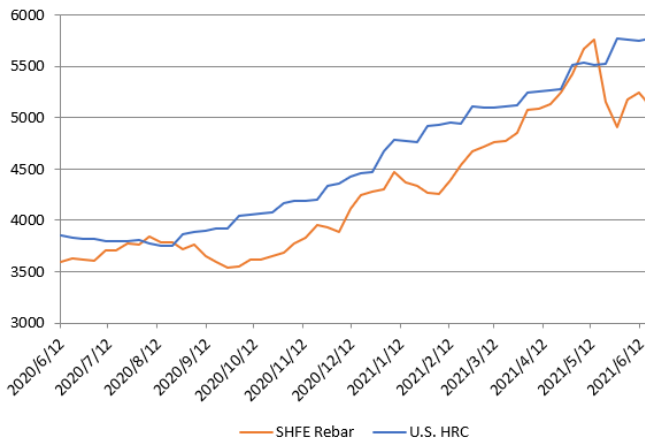


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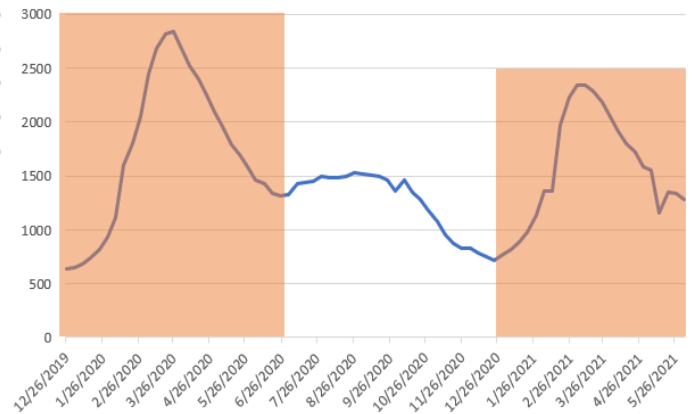
Steel

	Last	Previous	% Change
US HRC Front Month	1661	1647	0.85%
SHFE Rebar Major Month	5104	5245	-2.69%
China Hot Rolled Coil	5511	5589	-1.40%
China Monthly Steel consumption Unit 000's mt	93785	91050	3.00%
Five Major Steel Inventories Unit 10,000 mt	2053.89	1987.33	3.35%
Construction Steel Total Inventory unit 10,000 mt	1327.83	1280.97	3.66%
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



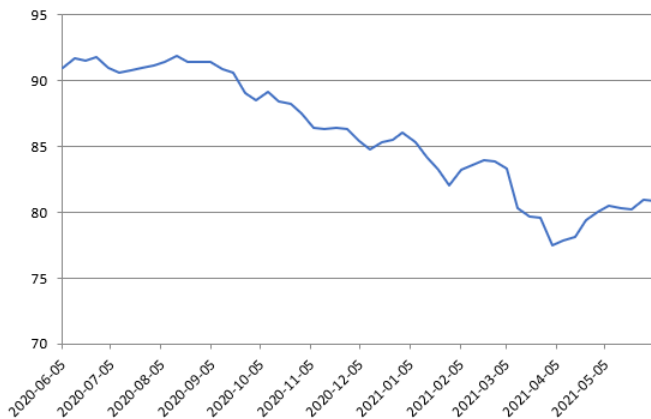
Construction Steel Total Inventories (in 10,000 tonnes)



Sources from Bloomberg

Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

- **Five major steel stocks reached a flat area and consumption kept going down for previous five weeks.**
- **Blast furnace utilisation rate reached a flat area in June during a nation wide furnace maintenance.**



Weekly Virtual Steel Margin Report

Coking Coal

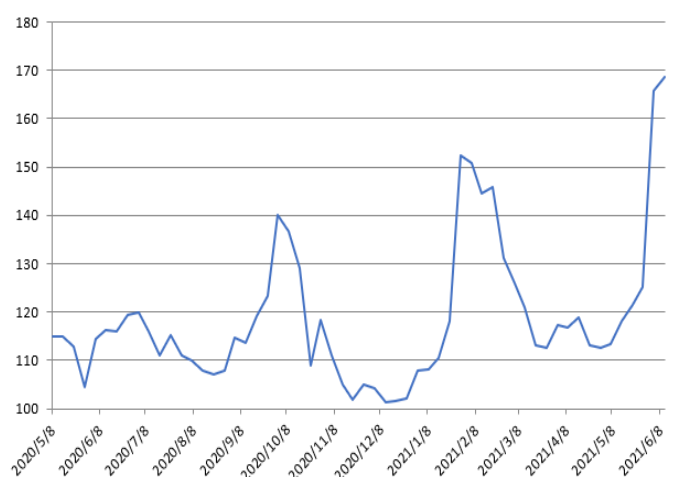
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	173	171.5	0.87%
Coking Coal Front Month	171.25	168.67	1.53%
DCE CC Major Month	2021.5	1930	4.74%
Coking Coal Port Inventory Unit 10,000mt	458	432	6.02%
China Custom total CC Import Unit mt	3,411,925.00	3,483,128.00	-2.04%

Coking Coal Port Inventory(in 10,000 tonnes)



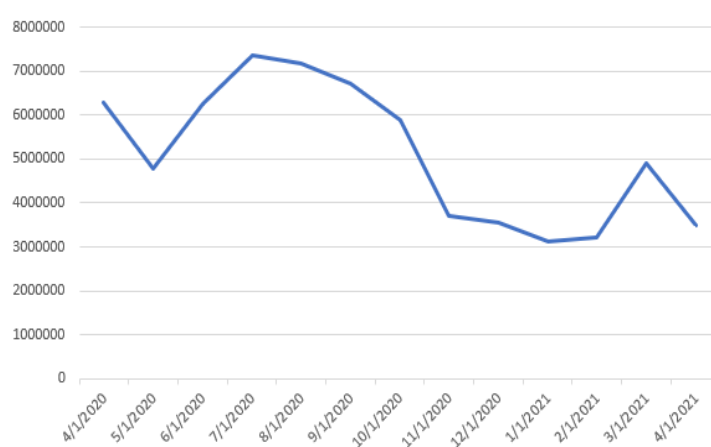
Sources from MySteel

Coking Coal Front Month Forward Curve



Sources from Bloomberg

China Custom Total CC Imports(tonnes)



Sources from Bloomberg

Coking Coal Indicator Analysis:

- **Major coal export port in Mongolia postponed the recovery date on port to mid-July. At the same time, several coal miner accidents triggered a western coal miners inspection.**