



# Weekly Virtual Steel Margin Report

## Market Verdict:

Iron ore neutral.

## Macro Market Change and Money Movement:

China commodity price control and maintain supply strategy successfully resisted overspeculation on industrial commodities, which also helped to reduce some enterprises cost. However the strategy was not directly related to short-run sentiments of the market.

## Iron ore Market :

During the week of China party's 100 year anniversary, most of industrial activities suspended including blast furnace utilisation rate suddenly dropped to a two quarter low at 57.94%, by 21.74%. However both utilisation rate and pig iron production expected to recover to normal level in the coming few weeks.

Virtual Steel Mills margin rebounded to 830 yuan/tonne, up 44.85% from the 573 yuan/tonne. However northern steel mills blast furnace produced steel reached a negative profit area last week. This difference would potentially attract some physical traders to lock their profits on futures side by selling steel margins. However in long run, the restriction on steel production in H2 2021 would limit the usage of ferrous elements. Thus iron ore would become hard to create a big climb as last few times during the year.

Brazil iron ore June export 33.68 million tonnes of iron ore, created the biggest single month export over the last nine months, up 12.2% y-o-y, up 26.3% m-o-m. Australia may iron ore export 76.09 million tonnes, created the yearly high as well. Last week Brazil and Australia total delivery at 24.91 million tonnes, down 2.82 million tonnes. Australia and Brazil arrivals up 3.497 million tonnes at 25.12 million tonnes last week. Brazil and Australia delivery and arrivals expected to recover during July.

## Steel Market:

Construction steel daily trading volume at 170,000– 180,000 tonnes, down from 200,000 tonnes level in July. The weekly construction steels apparent consumption down 17.21% last week from early April. HRC apparent consumption down 9% during the same period.

Tangshan H2 environment protection related restriction was much smaller than expected, along with most of furnaces finished maintenance during June. The market expect mills to recover production at normal level in July.

	Last	Previous	% Change
USDCNY	6.473	6.4562	0.26%
Repo 7 Days	1.64	2	-18.00%
Repo 1 Day	1.4	1.4	0.00%
Dollar Index	92.226	91.851	0.41%
China GDP Constant Price YOY %	18.3	6.5	NA
China PMI (Caixin)	51.3	52	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

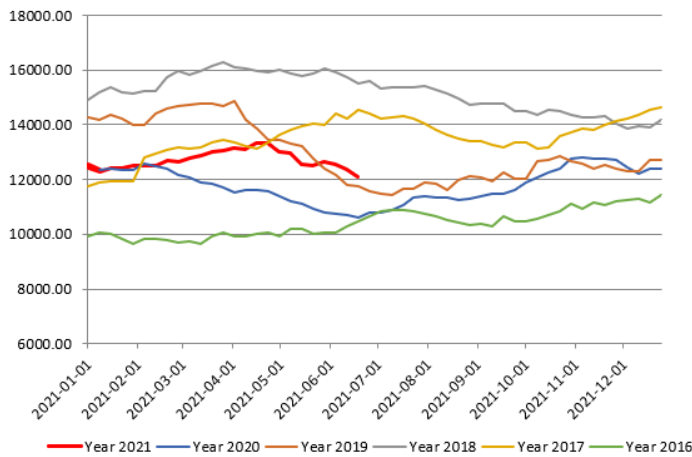


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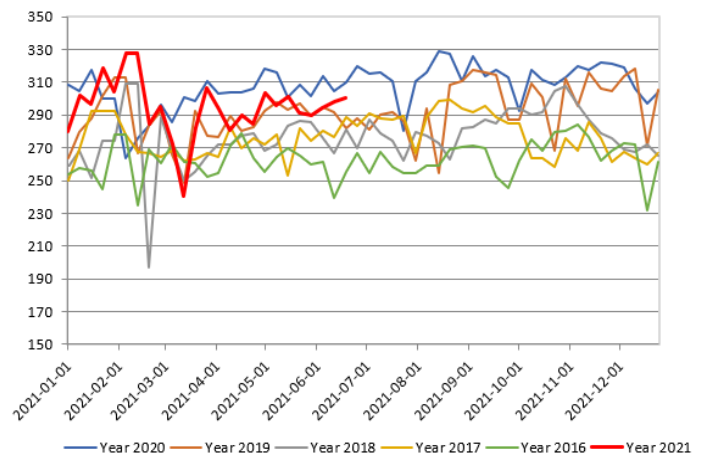
## Iron Ore

	Last	Previous	% Change
Platts 62% Fe	221.4	217.3	1.89%
MB 65% Fe	255.5	251.6	1.55%
Capesize 5TC Index	547	609	-10.18%
C3 Tubarao to Qingdao	27773	29106	-4.58%
C5 West Australia to Qingdao	25.33	25.81	-1.86%
Billet Spot Ex-Works Tangshan MT	4870	4860	0.21%
SGX Front Month	203.71	211.58	-3.72%
DCE Major Month	1161	1171.5	-0.90%
China Port Inventory Unit 10,000 mt	12,089	12,367	-2.25%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,336.90	1,378.80	-3.04%
Brazil Iron Ore Weekly Export Unit 10,000 mt	332.40	303.70	9.45%

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.**

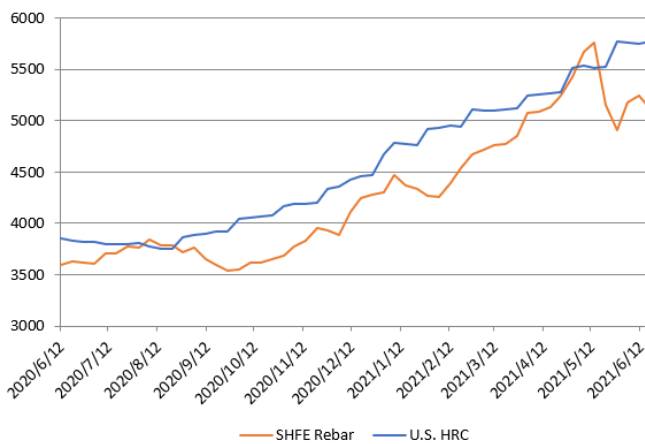


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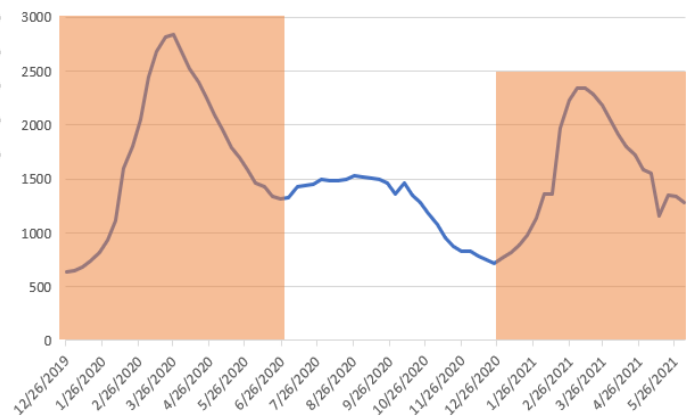
## Steel

	Last	Previous	% Change
<b>US HRC Front Month</b>	1789	1664	<b>7.51%</b>
<b>SHFE Rebar Major Month</b>	5115	5021	<b>1.87%</b>
<b>China Hot Rolled Coil</b>	5407	5365	<b>0.78%</b>
<b>China Monthly Steel consumption Unit 000's mt</b>	95390	91050	<b>4.77%</b>
<b>Five Major Steel Inventories Unit 10,000 mt</b>	0	2053.89	<b>-100.00%</b>
<b>Construction Steel Total Inventory unit 10,000 mt</b>	0	1327.83	<b>-100.00%</b>
<b>Crude Steel Production China Unit 000's mt</b>	99450	97850	<b>1.64%</b>
<b>China Volume of Commodity Imports Unit 000's mt</b>	1210	1170	<b>3.42%</b>
<b>China Volume of Commodity exports Unit 000's mt</b>	5270	7970	<b>-33.88%</b>

US HRC Vs SHFE Rebar



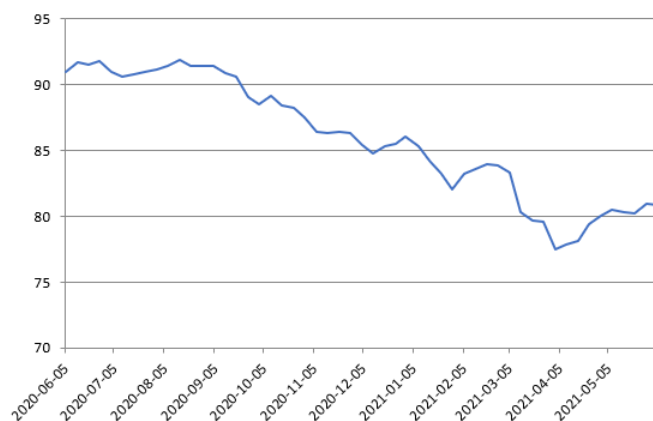
Construction Steel Total Inventories (in 10,000 tonnes)



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

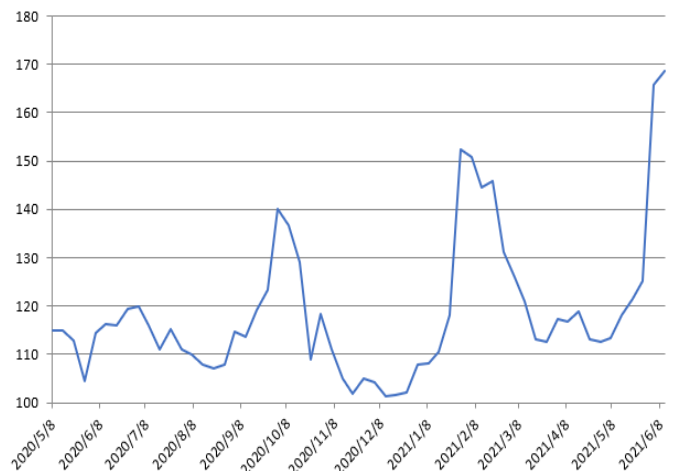
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	200	198.5	0.76%
Coking Coal Front Month	197.67	174.25	13.44%
DCE CC Major Month	1912	2055.5	-6.98%
Coking Coal Port Inventory Unit 10,000mt	458	432	6.02%
China Custom total CC Import Unit mt	3,411,925.00	3,483,128.00	-2.04%

Coking Coal Port Inventory(in 10,000 tonnes)



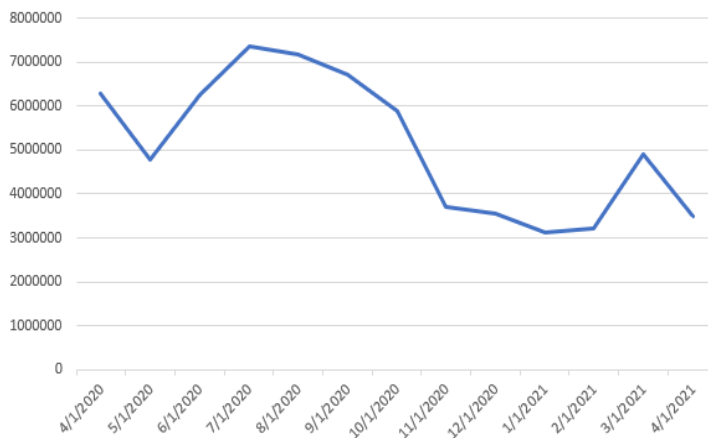
Sources from MySteel

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.**