



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

In the first quarter, China's GDP grew by 18.3% year-on-year, and expected to achieve a high growth rate of about 8% in the second quarter. With the decline of low base effect by last year, China's economic growth may drop to 5-7% in the second half of the year. Consumption recovers slowly and investment failed expectations. On Friday, the reserve requirement rate was reduced by 0.5%, the first time this year, also unexpected by the market. However, the overall response of the secondary market after interest change was stable, and the stocks and commodities rebounded conservatively, China central bank PBOC claimed that the releasing funds was partially used to offset the maturity of MLF (Medium Lending Facility).

	Last	Previous	% Change
USDCNY	6.479	6.473	0.09%
Repo 7 Days	2.21	1.64	34.76%
Repo 1 Day	1.71	1.4	22.14%
Dollar Index	92.13	92.226	-0.10%
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

U.S. semi-annual monetary policy report on Friday, the Federal Reserve said that loose monetary and fiscal policies are still unable to make up for the current employment problem. If the upward pressure on prices does not abate or continues to be higher than 2% core inflation rate, the Federal Reserve may change its monetary policy.

Iron ore Market :

From January to June, China's import volume of iron ore and its concentrate increased by 2.6% year on year to 561 million tons. MySteel statistics indicated that the total amount of iron ore shipped from Australia to Brazil was 23.759 million tons, a decrease of 1.147 million tons w-o-w. Australia's total shipment was 16.235 million tons, a decrease of 1.865 million tons w-o-w. Australia delivered 12.77 million tons to China, a decrease of 2.811 million tons w-o-w. Brazil delivered 7.524 million tons, an increase of 718,000 tons on a w-o-w basis. The total global shipment volume was 30.027 million tons, a decrease of 1.759 million tons w-o-w. The total arrival of 45 ports in China was 22.76 million tons, a decrease of 2.367 million tons w-o-w. The total arrival of the six northern ports was 11.069 million tons, an increase of 453,000 tons on a w-o-w basis.

Virtual Steel Margin remained at 1,100-1,200 yuan/ton in the second week of July, returning to the high profit stage. Finished products reflect the balance between capacity gap and speculators repression. Ferrous products flashed back to the scenario of narrowing profits stage, which would mean steel makers potentially have more tolerance on the buying cost of raw materials. According to Mysteel's survey, the blast furnace operation rate of 247 steel plants in China was 78.26%, with an increase of 20.31% w-o-w, which returned to the normal level. There is still room to catch up with previous high level.

Steel Market:

The trading volume of construction steels returned to the level very close to previous years. The apparent consumption of construction materials generally returned to the seasonal normal areas over the previous few years. The import of steel in the first half of the year was similar to last year, while the export increased by 21.25% w-o-w. The output construction steels in the second half of the year should not exceed 216 million tons, based on last year H2. During the heating season, there is a high probability to strictly restrict production, and there is still a gap in the supply in the next half year of 2021.

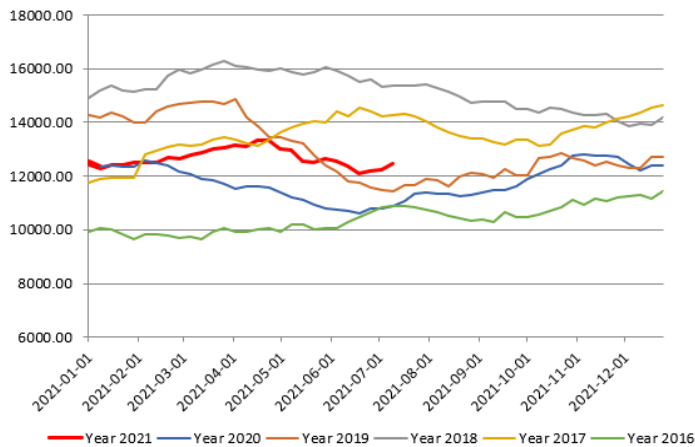


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Iron Ore

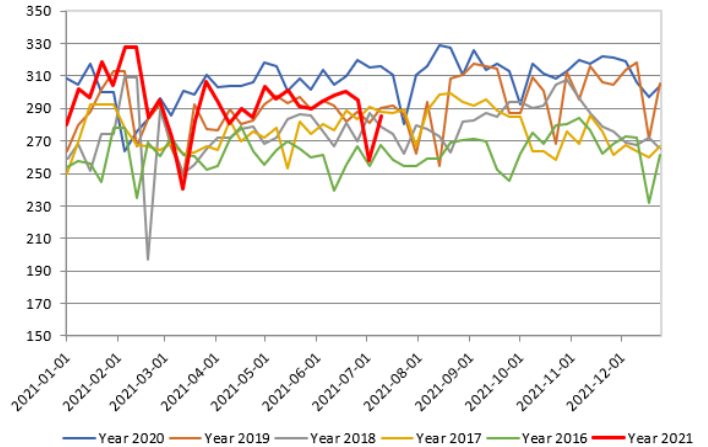
	Last	Previous	% Change
Platts 62% Fe	218.45	216.5	0.90%
MB 65% Fe	251	248.4	1.05%
Capesize 5TC Index	547	609	-10.18%
C3 Tubarao to Qingdao	31266	30972	0.95%
C5 West Australia to Qingdao	26.98	26.875	0.39%
Billet Spot Ex-Works Tangshan MT	5130	4870	5.34%
SGX Front Month	204.31	203.71	0.29%
DCE Major Month	1171.5	1161	0.90%
China Port Inventory Unit 10,000 mt	12,458	12,235	1.82%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,456.20	1,336.90	8.92%
Brazil Iron Ore Weekly Export Unit 10,000 mt	31.50	332.40	-90.52%

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:

- **MB65-P62 spread recovered to above \$30 level as pellitising 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.**

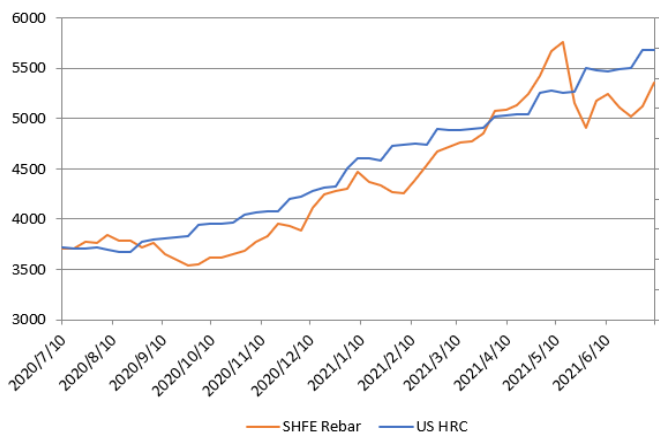


Weekly Virtual Steel Margin Report

Steel

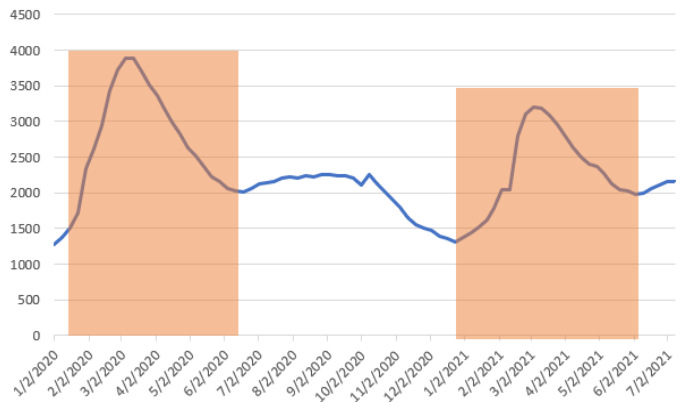
	Last	Previous	% Change
US HRC Front Month	1790	1789	0.06%
SHFE Rebar Major Month	5356	5115	4.71%
China Hot Rolled Coil	5628	5407	4.09%
China Monthly Steel consumption Unit 000's mt	94244	95390	-1.20%
Five Major Steel Inventories Unit 10,000 mt	0	2053.89	-100.00%
Construction Steel Total Inventory unit 10,000 mt	0	1327.83	-100.00%
Crude Steel Production China Unit 000's mt	99450	97850	1.64%
China Volume of Commodity Imports Unit 000's mt	1252	1210	3.47%
China Volume of Commodity exports Unit 000's mt	6458	5270	22.54%

US HRC Vs SHFE Rebar



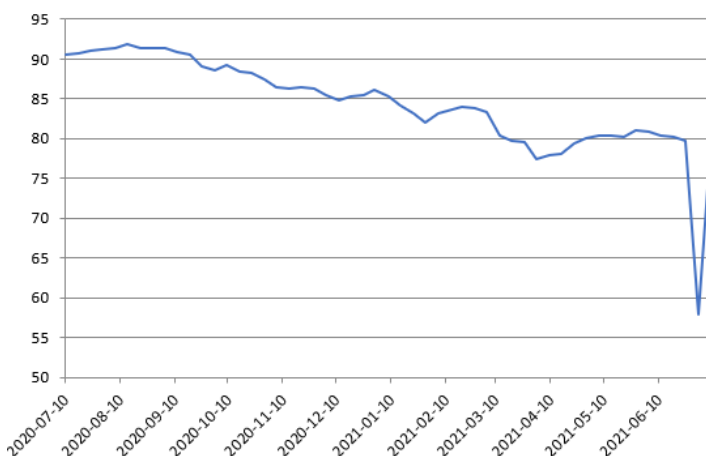
Sources from Bloomberg

China Five Major Steel 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 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

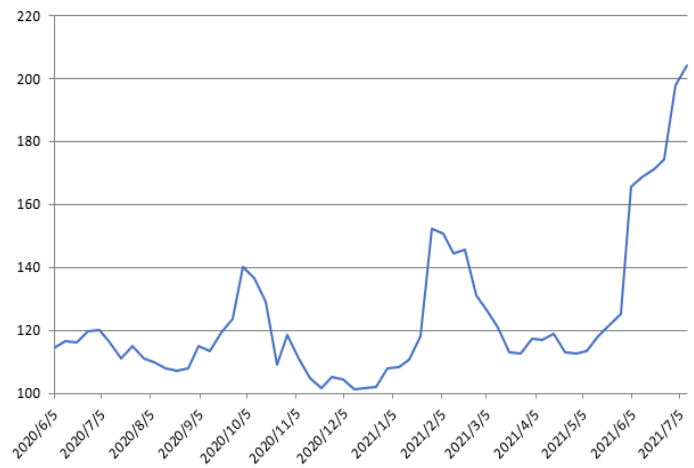
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	210	206	1.94%
Coking Coal Front Month	204	197.67	3.20%
DCE CC Major Month	1846	1912	-3.45%
Coking Coal Port Inventory Unit 10,000mt	490	487	0.62%
China Custom total CC Import Unit mt	3,411,925.00	3,483,128.00	-2.04%

Coking Coal Port Inventory(in 10,000 tonnes)



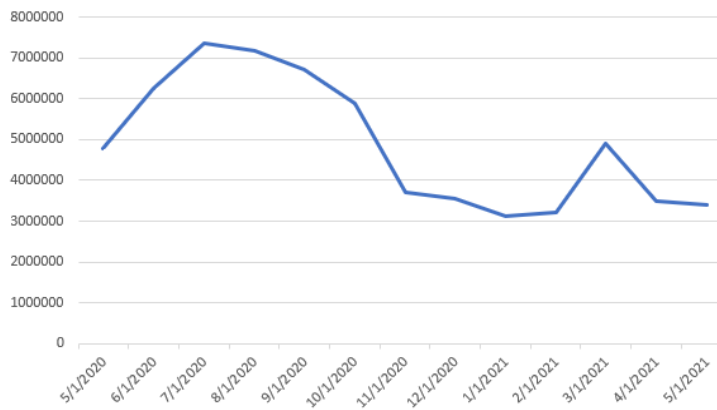
Sources from MySteel

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.**