



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral.

Macro Market Change and Money Movement:

China US trade relations showed signs of developing in an optimistic direction. U.S. Treasury Secretary Yellen said tariffs on China had damaged the interests of U.S. consumers. China Foreign Ministry spokesman Zhao Lijian insisted that the trade war will only lose both sides. The National Development and Reform Commission will continue to strengthen the monitoring and forecasting of commodity prices in accordance with the plan of the executive meeting of the State Council, organize the subsequent national reserves such as copper, aluminum and zinc, and pay close attention to the abnormal fluctuation of market prices.

	Last	Previous	% Change
USDCNY	6.4791	6.479	0.00%
Repo 7 Days	2.15	2.21	-2.71%
Repo 1 Day	2.09	1.71	22.22%
Dollar Index	92.687	92.13	0.60%
China GDP Constant Price YOY %	7.9	18.3	NA
China PMI (Caixin)	51.3	52	NA
China Industrial Production MOM %	0.56	0.53	NA
Commercial Space Under Construction	10.2	10.1	NA
Commercial Space Completed	364.8	275.8	NA
Commercial Building Space Sold, YTD YOY%	27.7	36.3	NA
Residential Space Under Construction, YTD YOY%	10.5	10.5	NA
Residential Space Completed, YTD YOY%	27	18.5	NA
Residential Floor Space Sold, YTD YOY%	29.4	39	NA

National Bureau of statistics H1 2021: China's crude steel output was 563.33 million tons, up 11.8% y-o-y. The power generation of industries above designated size in China increased by 13.7% y-o-y.

Iron ore Market :

The big miners annual forecast fell in the expectation. Rio Tinto's delivery were generally reduced. However, due to the reduction of more than 50 million tons of crude steel in China in the second half of the year, the decline has little impact. BHP's Q2 output was 72.85 million tons, up 9% from Q1. In the first half of 2021, the output of iron ore was 140 million tons, a year-on-year decrease of 3%. BHP Billiton's iron ore production guidance volume of Pilbara business in fiscal year 2022 (July 2021 to June 2022) is 278-288 million tons (100% production and sales calculation), unchanged from the previous expectation. Rio Tinto's Pilbara iron ore output in the second quarter was 75.9 million tons, down 1% from previous quarter. In the first half of the year, the total output was 152.3 million tons, a year-on-year decrease of 5%. Rio Tinto expects the shipping standard this year to be at the lower limit of 325-340 million tons, lower than the previously expected central value. Vale's output in the second quarter was 75.69 million tons, a year-on-year increase of 12%. The annual target output in 2021 will remain unchanged, ranging from 315 million tons to 335 million tons.

There was a significant increase in iron ore arrivals last week, but the change of delivery was not significant. From July 12 to 18, China's 45 port arrivals totaled 24.97 million tons, up 2.21 million tons w-o-w ; The total arrival of the six northern ports was 11.49 million tons, an increase of 420, 000 tons on w-o-w. The total amount of iron ore shipped from Australia and Brazil was 23.28 million tons, a decrease of 484, 000 tons w-o-w. The total global shipment volume was 29.36 million tons, decrease of 669, 000 tons w-o-w.

Steel Market:

China Yunnan limited electricity usage. Thus steel mills started general maintenance. The utilization rate of steel rolling mills in Henan Province is less than 20% during yearly high temperature. In July, there are more extreme weather, including the heavy rain in the north, typhoon in coastal cities and the annual extreme temperature in mid China, which could keep impact steel output during July and early August.

The virtual steel margin kept at a both seasonal high and historical high level between 1000-1200 yuan/ton in July. If following the whole year 0 increase on steel capacity compared to the year 2020, H2 2021 need to see an extra 10% decrease on capacity. The mills utilization rate further declined, down 1.56% to 76.69% w-o-w. The second half of the year needs to be maintained at 2.725 million tons, which is more than 400, 000 tons lower than the daily average output in June. Thus, the low utilization rate of production capacity is normal in the next half of the year 2021.

Coal Market:

Recently, the Chinese authorities put forward a request to some areas that the coal usage days of the power plant should be raised to more than 7 days (including the resources in transit). According to the National Development and Reform Commission, in the first half of 2021, a total of 140 million tons of high-quality coal capacity will be increased. At present, the capacity of the coal mines that have completed capacity replacement and are in the process of approval is more than 40 million tons/year, and the coal mines under construction with a capacity of 70 million tons/year are being built and put into operation in succession. In the second half of the year, the new high-quality capacity will be nearly 110 million tons/year.

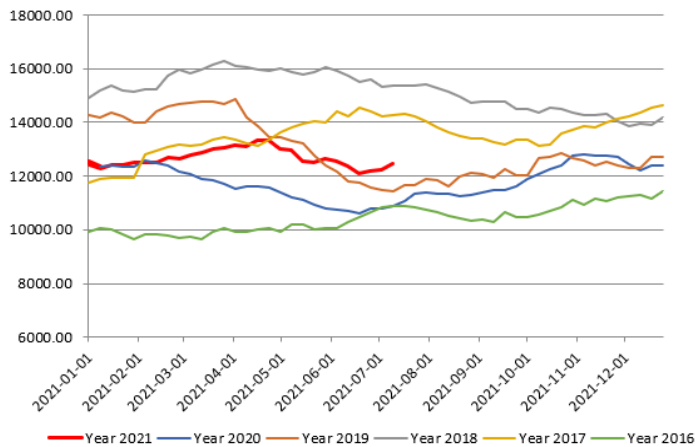


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Iron Ore

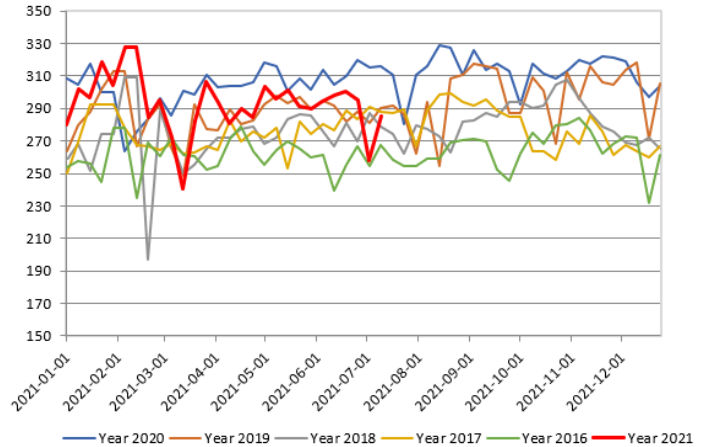
	Last	Previous	% Change
Platts 62% Fe	220.05	221.1	-0.47%
MB 65% Fe	255.9	256.8	-0.35%
Capesize 5TC Index	547	609	-10.18%
C3 Tubarao to Qingdao	29139	28542	2.09%
C5 West Australia to Qingdao	25.5	24.985	2.06%
Billet Spot Ex-Works Tangshan MT	5180	5130	0.97%
SGX Front Month	213.95	204.31	4.72%
DCE Major Month	1243.5	1171.5	6.15%
China Port Inventory Unit 10,000 mt	12,551	12,458	0.75%
Australia Iron Ore Weekly Export Unit 10,000 mt	872.20	1,456.20	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	245.80	31.50	NA

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 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.**

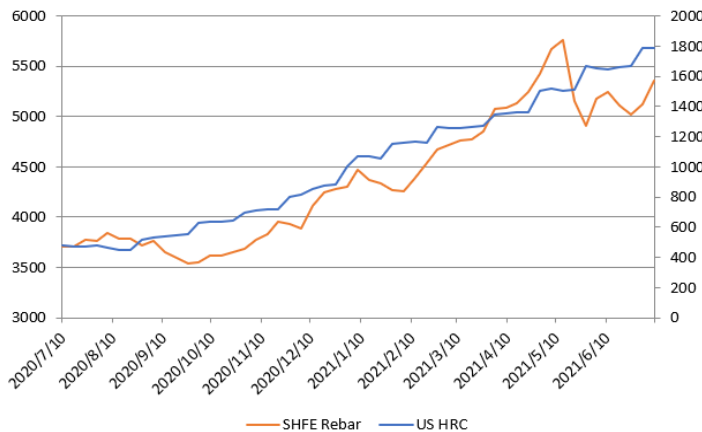


Weekly Virtual Steel Margin Report

Steel

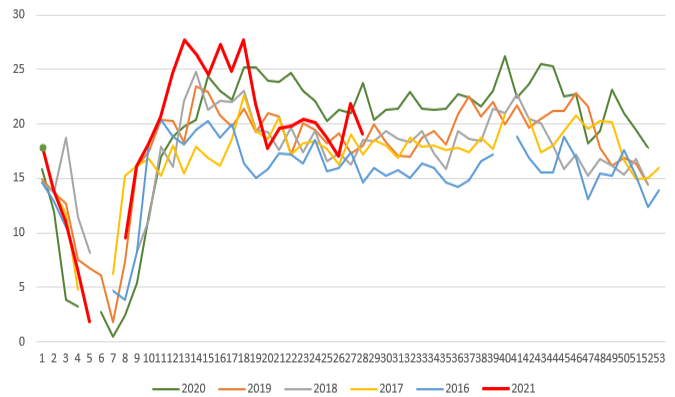
	Last	Previous	% Change
US HRC Front Month	1780	1790	-0.56%
SHFE Rebar Major Month	5525	5356	3.16%
China Hot Rolled Coil	5804	5628	3.13%
China Monthly Steel consumption Unit 000's mt	94242	95390	-1.20%
Five Major Steel Inventories Unit 10,000 mt	2156.77	2165.67	-0.41%
Construction Steel Total Inventory unit 10,000 mt	1402.49	1407.98	-0.39%
Crude Steel Production China Unit 000's mt	99450	97850	1.64%
China Volume of Commodity Imports Unit 000's mt	1250	1210	3.31%
China Volume of Commodity exports Unit 000's mt	6458	5270	22.54%

US HRC Vs SHFE Rebar



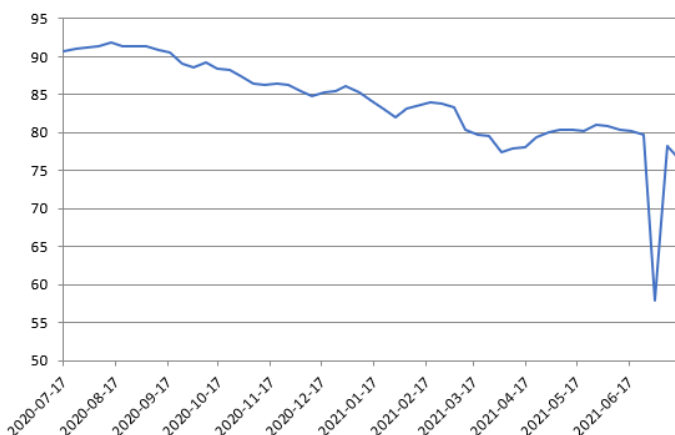
Sources from Bloomberg

Construction Steel Trading Volume Moving Average (in 10,000 tonnes)



Sources from MySteel

MySteel 247 mills BF Operation Rate in %



Sources from MySteel

Steel Indicator Analysis:

- Construction steel physical trading volume dropped to a two year low level seasonally.
- Blast furnace utilisation rate has a downward trend since the low production target would restrain the total production in the second half of the year 2021.



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Coking Coal

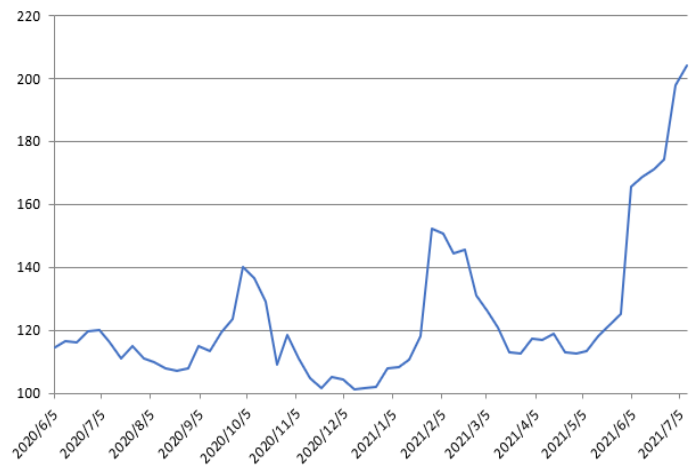
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	211.5	211.5	0.00%
Coking Coal Front Month	206.33	204	1.14%
DCE CC Major Month	2029	1846	9.91%
Coking Coal Port Inventory Unit 10,000mt	490	487	0.62%
China Custom total CC Import Unit mt	3,411,925.00	3,483,128.00	-2.04%

Coking Coal Port Inventory(in 10,000 tonnes)



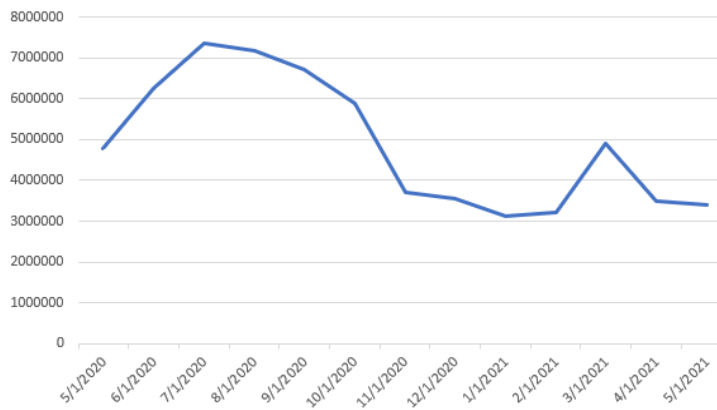
Sources from MySteel

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 recovered normal operation. China also re-released national reserve of coal to trading market, which decreased the shortage of coal.**