



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore short-term rebound.

Macro Market Change and Money Movement:

U.S. Federal last week maintained interest rate unchanged, which fell into expectation previously. Powell indicated U.S. GDP potentially create the fastest growth over the last 10 years and maintained in high level into the coming months.

China house market experienced 320 sets of policies related to house market control in the year 2021, which used to be only 30 sets in the year 2020. The new Delta Covid-19 cases generated some road transportation delay in many provinces, as well as port work suspension.

	Last	Previous	% Change
USDCNY	6.4614	6.4813	-0.31%
Repo 7 Days	2.2	2.07	6.28%
Repo 1 Day	2.15	1.9	13.16%
Dollar Index	92.174	92.912	-0.79%
China GDP Constant Price YOY %	7.9	18.3	NA
China PMI (Caixin)	50.3	51.3	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

Iron ore Market :

China last week iron ore 45 ports arrivals at 22.17 million tonnes, up 5.94 million tonnes w-o-w. Northern six ports arrivals at 11.46 million tonnes, up 1.72 million tonnes. Blast furnace steel making cost 4743 yuan/tonne, down 181 yuan/tonne. Steel margin 677 yuan/tonne, up 101 yuan/tonne. EAFs cost 4935 yuan/tonne, up 7 yuan/tonne w-o-w. EAFs steel margin 418 yuan/tonne, down 59 yuan/tonne. MySteel Australia and Brazil delivery to China 13.4 million tonnes, down 1.46 million tonnes w-o-w. Recently rumor saying Vale production guidance decrease was refuted, after Vale held official media press indicated production maintained at 315-335 million tonnes unchanged.

Steel Market:

China June construction steel net import 37,000 tonnes, the first net import month in H1 2021. China total net exported 2.01 million tonnes of construction steels, up 33.32% y-o-y. MySteel researched 247 steel mills blast furnace utilization rate 74.35%, down 1.3% w-o-w, down 16.8% y-o-y. Utilization rate 86.83%, down 1.21% w-o-w, down 7.67% y-o-y. Daily pig iron 2.31 million tonnes, down 32,200 tonnes w-o-w. The steel mills low utilization rate become a normal status under the policy of strict production control.

CISA principle researcher Jiang Li said China expected to invest 20 trillion yuan in the future 20 years, which would significantly increase the steel cost, which calculated into 500 yuan/tonne into steel making. Virtual rebar margin created second high of the year at 1453 yuan/tonne in the last day of July, however dropped into 1000 yuan/tonne area sharply in the first two days of August. The quick narrowing on steel margin was related to a government guidance to avoid over-cut in steel making and other normal industry operation, market read as a slight turning point on the previous harsh steel production restriction. Iron ore rebounded after this document spread out.

Coal Market:

China Coal Association: China will increase supply of coal in the second half of the year 2021, however some areas will still face the shortage. China Guizhou Province experience the electricity shortage, local steel mills started a periodic electricity cut, with daily impact of 3,300 steel production. Summer electricity short was major problems in southern China and expected to extend through entire August.

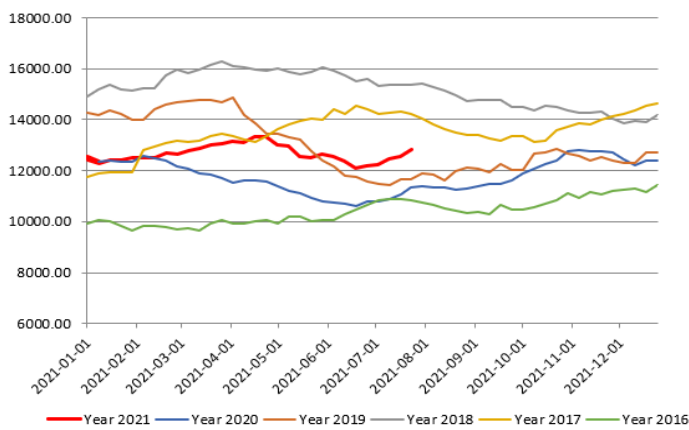


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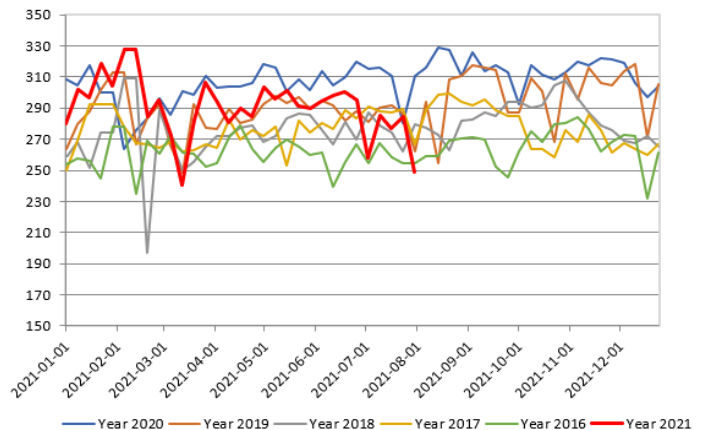
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	183.4	180.5	1.61%
MB 65% Fe	215.4	214.4	0.47%
Capesize 5TC Index	547	609	-10.18%
C3 Tubarao to Qingdao	35429	35713	-0.80%
C5 West Australia to Qingdao	28.875	28.875	0.00%
Billet Spot Ex-Works Tangshan MT	5220	5200	0.38%
SGX Front Month	176.80	197.33	-10.40%
DCE Major Month	1063	1126.5	-5.64%
China Port Inventory Unit 10,000 mt	12,813	12,848	-0.27%
Australia Iron Ore Weekly Export Unit 10,000 mt	983.00	1,245.20	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	245.90	350.70	NA

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.**

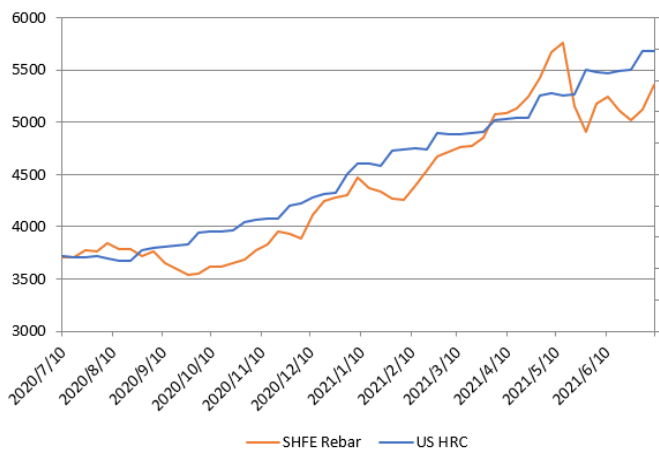


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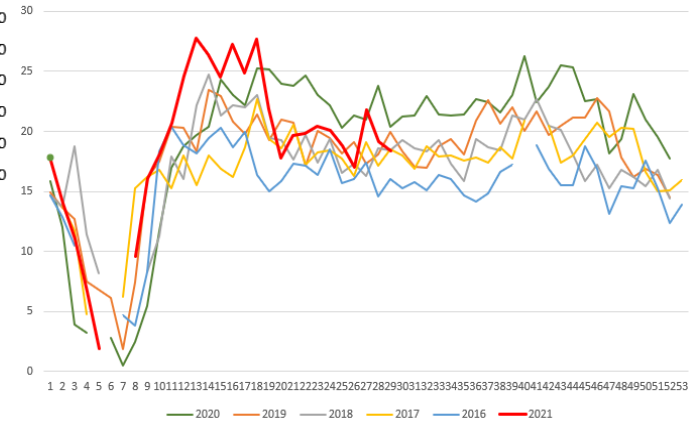
Steel

	Last	Previous	% Change
US HRC Front Month	1888	1780	6.07%
SHFE Rebar Major Month	5732	5662	1.24%
China Hot Rolled Coil	5936	5804	2.27%
China Monthly Steel consumption Unit 000's mt	88670	95390	-7.04%
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	93880	99450	-5.60%
China Volume of Commodity Imports Unit 000's mt	1250	1210	3.31%
China Volume of Commodity exports Unit 000's mt	6460	5270	22.58%

US HRC Vs SHFE Rebar



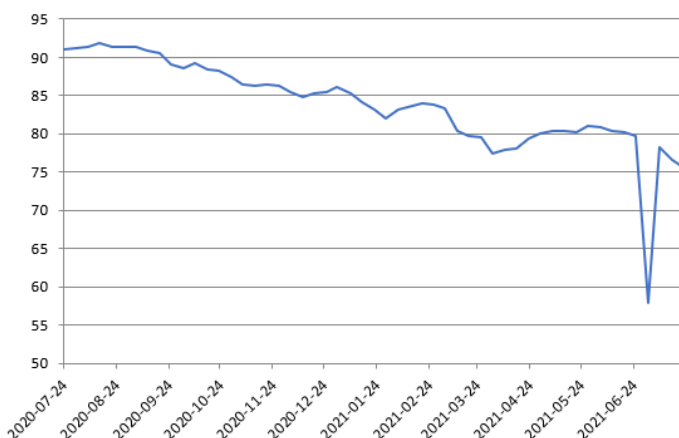
Construction Steel Trading Volume Moving Average (in 10,000 tonnes)



Sources from Bloomberg

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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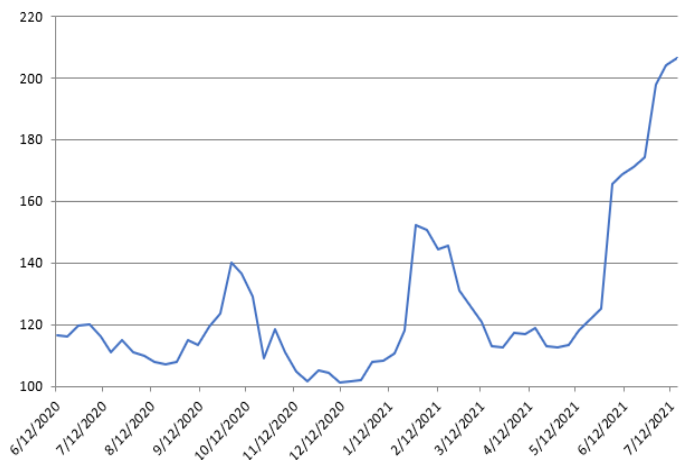
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	215.5	215.5	0.00%
Coking Coal Front Month	216.5	219.5	-1.37%
DCE CC Major Month	2292.5	2097.5	9.30%
Coking Coal Port Inventory Unit 10,000mt	441	453	-2.65%
China Custom total CC Import Unit mt	4,134,210.00	3,411,925.00	21.17%

Coking Coal Port Inventory(in 10,000 tonnes)



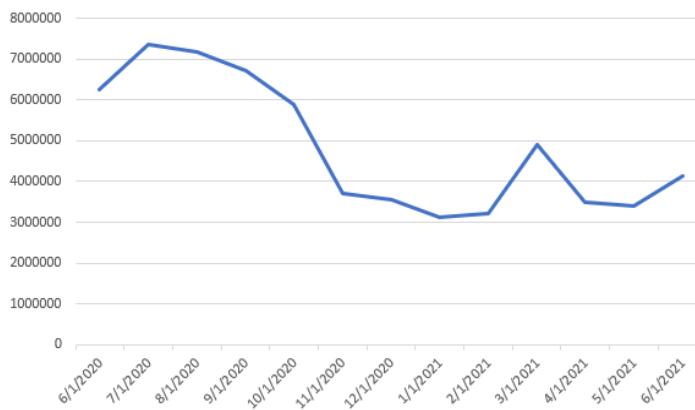
Coking Coal Front Month Forward Curve



Sources from MySteel

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 released national reserve of coal to trading market, which decreased the shortage of coal.**