



# Weekly Virtual Steel Margin Report

## Market Verdict:

Iron ore short-term rebound.

## Macro Market Change and Money Movement:

U.S. Atlantic Federal chairman indicated U.S. potentially start to decrease T-bond purchase from this October to December. New York Federal monthly investigation indicated that July inflation expectation maintained at 4.8%, the next three year expected inflation raised from 3.6% to 3.7%, which is the highest since the August of the year 2013.

The new Delta Covid-19 Virus caused a massive stoppage on both road and waterway transportation. However port operation gradually recovered.

	Last	Previous	% Change
USDCNY	6.4831	6.4614	0.34%
Repo 7 Days	2.15	2.2	-2.27%
Repo 1 Day	1.9	2.15	-11.63%
Dollar Index	92.8	92.174	0.68%
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 :

Platts62% Iron ore dropped from \$220 to \$170 level from July 19th. China six northern ports iron ore arrivals 11.19 million tonnes, up 3.86 million tonnes w-o-w. 45 ports iron ore arrivals 26.63 million tonnes, up 4.47 million tonnes. Australia and Brazil iron ore delivery 25.67 million tonnes, up 942,000 tonnes. Global iron ore delivery last week 32.15 million tonnes, up 893,000 tonnes. Both iron ore arrivals and delivery were warming during August, along with port operation recovering from the typhoons and new Virus panic, iron ore supply expected to increase in mid and late August.

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:

CISA revealed from several conferences that the crude steel production control is still major theme of the industry across the second half the year 2021. However mills and the pollution evaluation should exempt the high quality steel and avoid impact the real demand market. MySteel five typical steel apparent consumption dropped to 9.86 million tonnes, which was the lowest from the March. Construction steel apparent consumption fell from a five year high in March to a five year low in early August on year on year basis. Construction steel daily trading volume at 165,000 tonnes, which was also a five year low during the same period.

Virtual steel mill margin recovered to 1400 yuan/tonne level, which was both seasonal high as well as yearly high area. The Tangshan area surveyed steel production margin also reached 900 yuan/tonne. However if eliminating the cost on more ferro-alloys and environment related cost, this margin was at historical high area. The strong margin was a support to the iron ore. However the roof was the limited production level of steels.

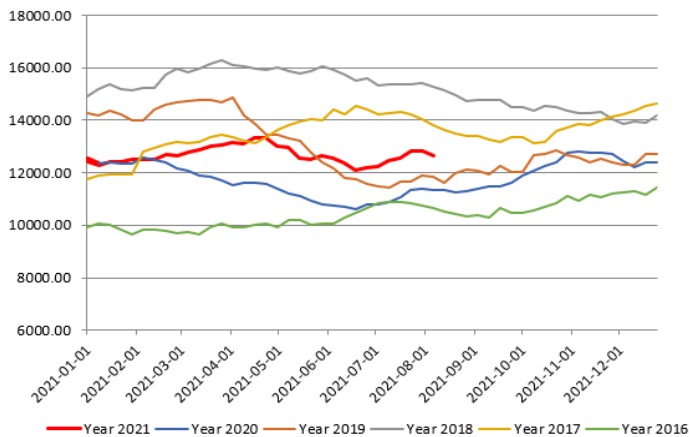


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## Iron Ore

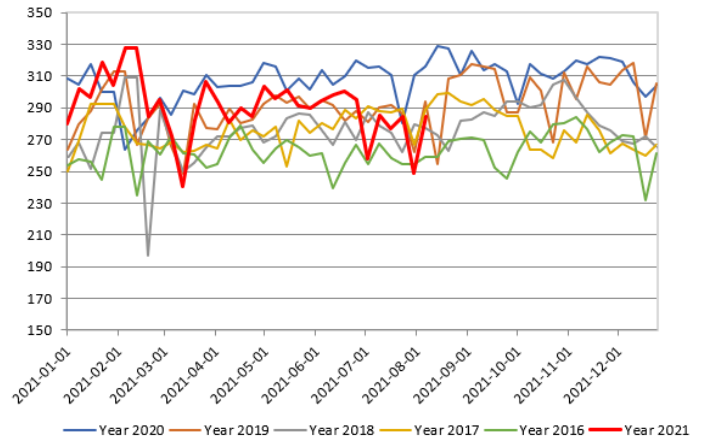
	Last	Previous	% Change
Platts 62% Fe	171.2	170.05	0.68%
MB 65% Fe	203.3	203.5	-0.10%
Capesize 5TC Index	36009	36150	-0.39%
C3 Tubarao to Qingdao	30.225	30.265	-0.13%
C5 West Australia to Qingdao	14.7	14.559	0.97%
Billet Spot Ex-Works Tangshan MT	5080	5220	-2.68%
SGX Front Month	167.87	176.80	-5.05%
DCE Major Month	892	1063	-16.09%
China Port Inventory Unit 10,000 mt	12,639	12,813	-1.36%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,264.20	983.00	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	436.00	245.90	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.**

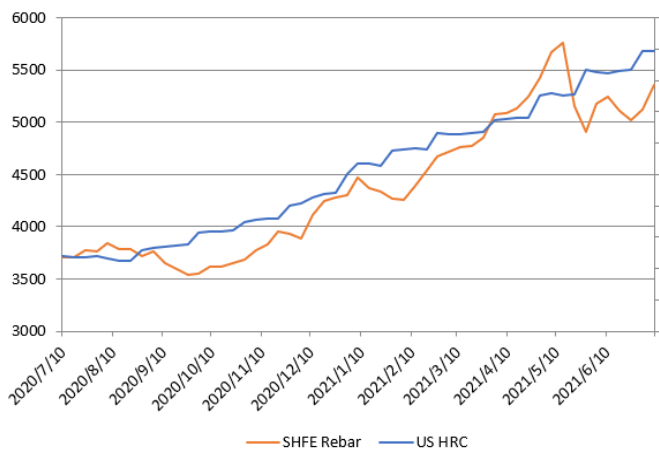


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## Steel

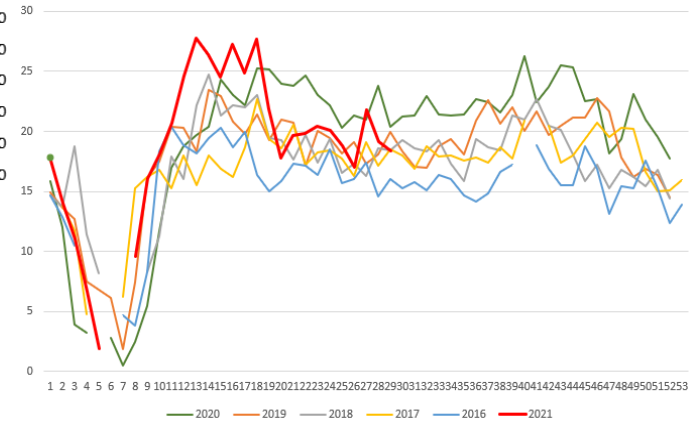
	Last	Previous	% Change
US HRC Front Month	1885	1888	-0.16%
SHFE Rebar Major Month	5378	5732	-6.18%
China Hot Rolled Coil	5755	5936	-3.05%
China Monthly Steel consumption Unit 000's mt	89260	88670	0.67%
Five Major Steel Inventories Unit 10,000 mt	2157.99	2137.01	0.98%
Construction Steel Total Inventory unit 10,000 mt	1403.67	1380.23	1.70%
Crude Steel Production China Unit 000's mt	93880	99450	-5.60%
China Volume of Commodity Imports Unit 000's mt	1049	1250	-16.08%
China Volume of Commodity exports Unit 000's mt	5669	6460	-12.24%

US HRC Vs SHFE Rebar



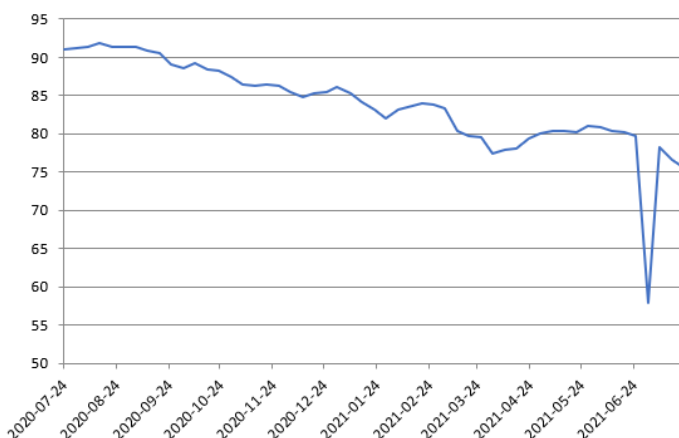
Sources from Bloomberg

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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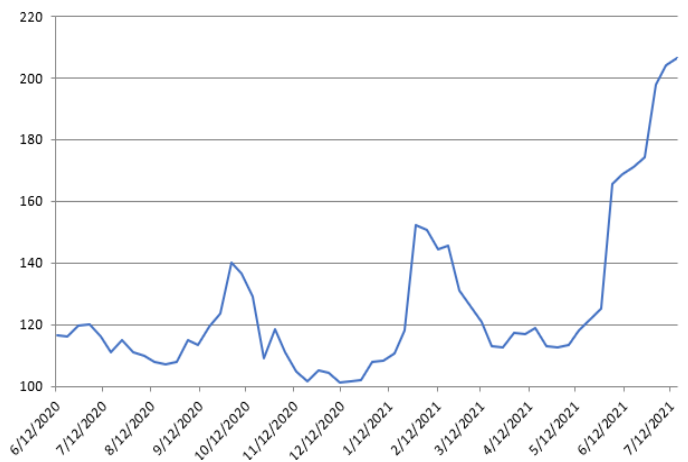
## Coking Coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal</b>	219.5	219.5	<b>0.00%</b>
<b>Coking Coal Front Month</b>	218.75	216.5	<b>1.04%</b>
<b>DCE CC Major Month</b>	2346	2292.5	<b>2.33%</b>
<b>Coking Coal Port Inventory Unit 10,000mt</b>	441	453	<b>-2.65%</b>
<b>China Custom total CC Import Unit mt</b>	4,134,210.00	3,411,925.00	<b>21.17%</b>

Coking Coal Port Inventory(in 10,000 tonnes)



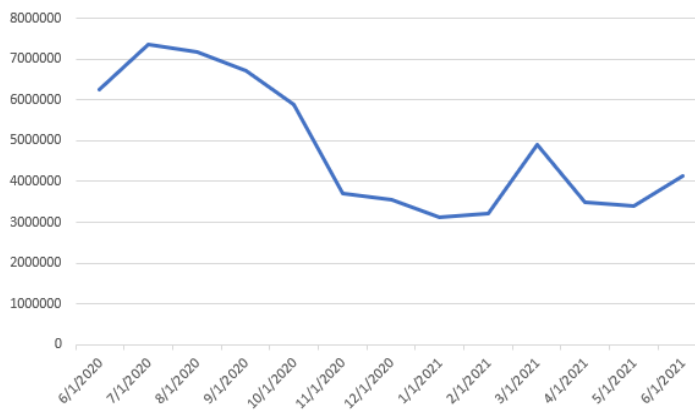
Coking Coal Front Month Forward Curve



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.**