



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore neutral to bullish.

Market Verdict:

Iron ore short-term neutral and oversold.

Macro Market Change and Money Movement:

U.S. dollar Index started to correct from three month at 93.57 area to below 93 area during yesterday, since the slight bearish outlook after Federal proposed to exit QE earlier than expected. At the same time, secondary market including global stocks and commodities suffered a round of correction last week. Major industry products including iron ore, rebar, copper and nickel suffered the fast round of correction.

However market started to price-in the QE story as well as looking forward to the recovery when hearing the Delta virus significantly decrease in major infected China cities. In fact the road and water transportation both started to recover from this weekends. The China NDRC for many times emphasized to maintain commodity supply, to adjust export and to inspect on commodity prices. The related meetings were in general a long-run controlling strategy, however it start to scare away some speculative positions or short-run traders.

	Last	Previous	% Change
USDCNY	6.5015	6.4774	0.37%
Repo 7 Days	2.1	2.1	0.00%
Repo 1 Day	2.06	1.8	14.44%
Dollar Index	93.496	92.518	1.06%
China GDP Constant Price YOY %	7.9	18.3	NA
China PMI (Caixin)	50.3	51.3	NA
China Industrial Production MOM %	0.3	0.56	NA
Commercial Space Under Construction	9	10.2	NA
Commercial Space Completed	417.8	364.8	NA
Commercial Building Space Sold, YTD YOY%	21.5	27.7	NA
Residential Space Under Construction, YTD YOY%	9.4	10.5	NA
Residential Space Completed, YTD YOY%	27.2	27	NA
Residential Floor Space Sold, YTD YOY%	22.7	29.4	NA

Iron ore Market :

Grupo Credro proposed to invest 1 billion reasis, totaled 1850 million U.S. dollars, on five new iron ore projects to increase iron ore annual capacity from 4 million tonnes to 15 million tonnes. The company planned to start at least one project in the following months. Rio Tinto's shipped volumes from Port Dampier and Cape Lambert were 6.12 million mt, a rise of 4.97% on week. BHP's shipments from Port Hedland were 5.31 million mt, up by 2.43% on week. Vale's exports dropped by 8.14% to 6.2 million mt from Brazilian ports in the week. Vale's exports dropped by 8.14% to 6.2 million mt from Brazilian ports in the week.

Virtual Steel margin corrected by 30% during the past 12 days, majorly contributed by the significant increase of coke and coal price. Iron ore however was rather humble during this period. The iron ore recover strong in short-run since mills would consider to used better quality iron ore and less coke as the new steel making structure to counter against high coke price.

Steel Market:

Steel mills utilization rate decrease in 1% per month averagely from the beginning of the year 2021. Due to more maintenance in south-eastern and west-eastern areas, the steel production expected to decrease in next few weeks as well.

Coal Market:

Major Mongolia port close from this Monday and last two weeks to chasing the original case of new Delta virus, which obviously caused a supply tension for prime coking coals. DCE coking coal contract reached limit-up on Monday and almost create a second limit-up in the night session. China started country wide miner inspection to ensure the mining safety last till end of September.

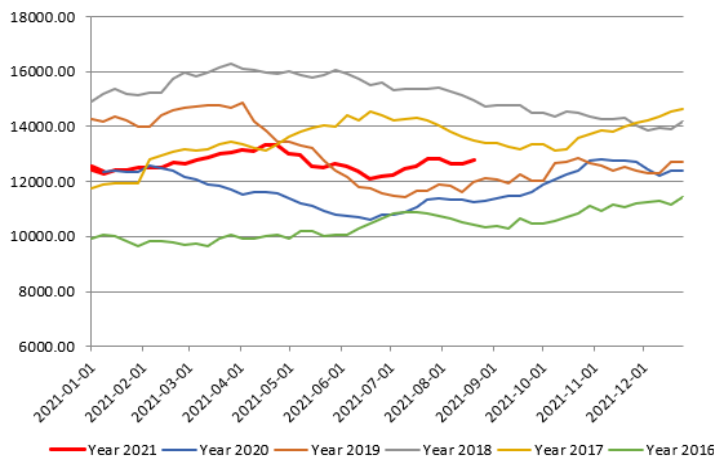


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Iron Ore

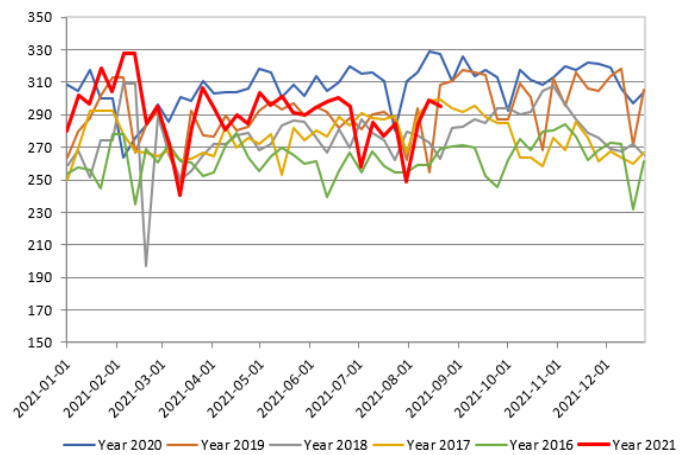
	Last	Previous	% Change
Platts 62% Fe	136.5	139.1	-1.87%
MB 65% Fe	156	158.5	-1.58%
Capesize 5TC Index	50708	49731	1.96%
C3 Tubarao to Qingdao	36.4	36.125	0.76%
C5 West Australia to Qingdao	16	15.823	1.12%
Billet Spot Ex-Works Tangshan MT	4910	5090	-3.54%
SGX Front Month	138.63	159.35	-13.00%
DCE Major Month	765	831.5	-8.00%
China Port Inventory Unit 10,000 mt	12,796	12,628	1.33%
Australia Iron Ore Weekly Export Unit 10,000 mt	527.70	232.00	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	48.60	17.10	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 dumped since steel making decrease disappointed high grade and prime iron ores expectation.**
- **Iron ore port stocks gradually pick up, however the long-term run was to build both inventories on ports as well as in mills and traders to avoid the shortage of iron ore in future.**

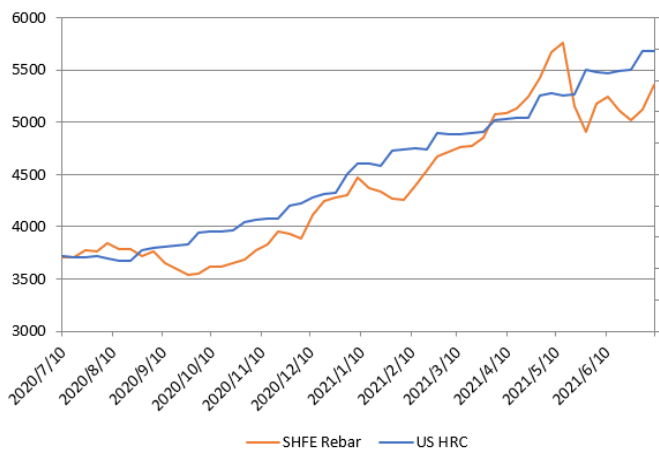


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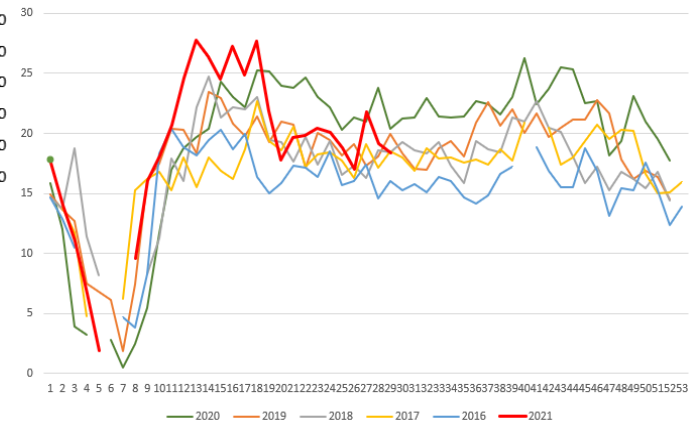
Steel

	Last	Previous	% Change
US HRC Front Month	1880	1880	0.00%
SHFE Rebar Major Month	5024	5442	-7.68%
China Hot Rolled Coil	5632	5738	-1.85%
China Monthly Steel consumption Unit 000's mt	89260	88670	0.67%
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	1050	1250	-16.00%
China Volume of Commodity exports Unit 000's mt	5670	6460	-12.23%

US HRC Vs SHFE Rebar



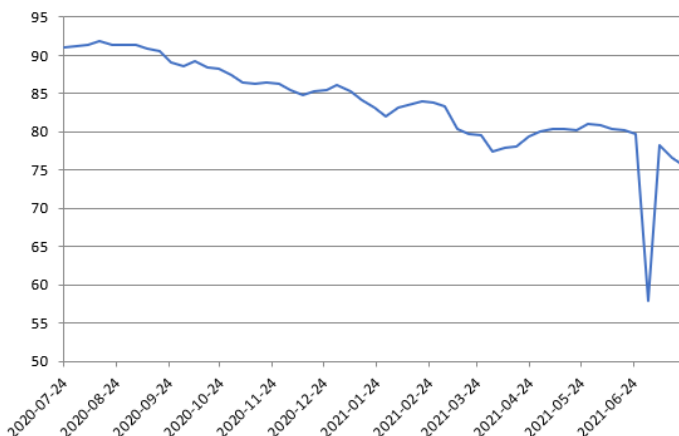
Construction Steel Trading Volume Moving Average (in 10,000 tonnes)



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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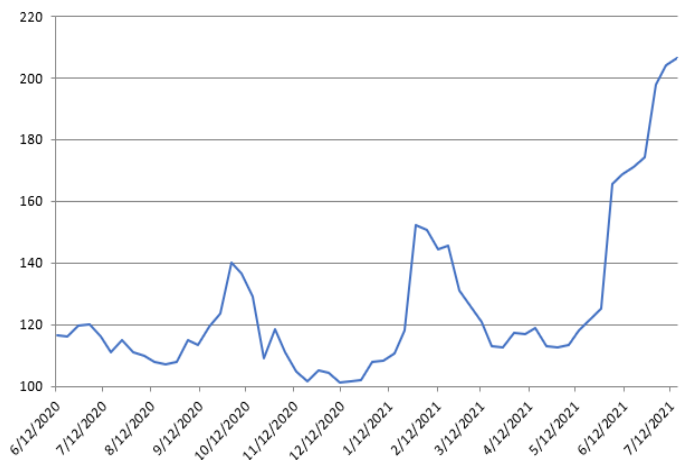
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	230	229	0.44%
Coking Coal Front Month	238	220.17	8.10%
DCE CC Major Month	2242	2198.5	1.98%
Coking Coal Port Inventory Unit 10,000mt	441	453	-2.65%
China Custom total CC Import Unit mt	3,771,291.00	4,134,210.00	-8.78%

Coking Coal Port Inventory(in 10,000 tonnes)



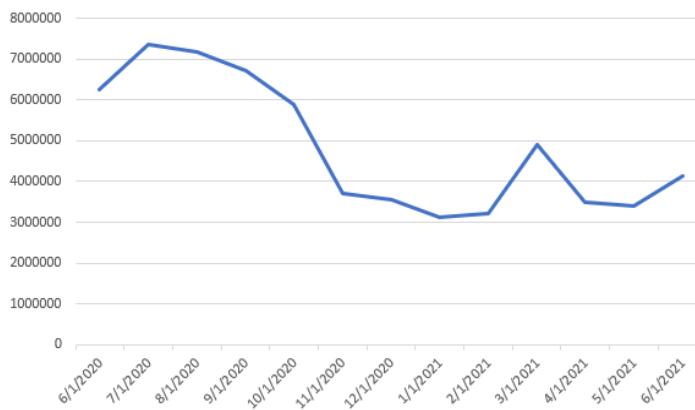
Coking Coal Front Month Forward Curve



Sources from MySteel

Sources from Bloomberg

China Custom Total CC Imports(tonnes)



Sources from Bloomberg

Coking Coal Indicator Analysis:

- Mongolia coking port export port closed again because of a round of screening Delta COVID cases. At the same time, China started country-wide safety inspection.**