



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore over the past week corrected as previous expectation. DCE iron ore correct by 13.4% and SGX iron ore corrected by 14.4% from last Monday to this Monday closing.

Iron ore short-run rebound with limited room.

Macro Market Change and Money Movement:

China Reform Commission noted in a conference to complete and optimize market mechanism, increase commodity inventories and reserves, and prevent high pollution and energy consumption. China Monetary Committee, Liu Shijin said China macro economy expect to enter a normal status, commodity fundamentals were not changing too much and thus prices increase should be a short-run volatile.

China August CAIXIN Manufacturing PMI decreased to 49.2, first time fall into contraction area since last May, indicating the mid-small capital enterprises were struggling and survival. Most countries August Manufacturing PMI slowed down. U.S. Manufacturing PMI 61.2, lower than expected 62.5, the lowest since April. European Manufacturing PMI 61.5, created the lowest since this February.

China Customs(Jan – Aug): Steel export 48.1 million tonnes, up 31.6% y-o-y. Steel import 9.46 million tonnes, down 22.4% y-o-y. Iron ore import 746.45 million tonnes, down 1.7% y-o-y. Coal import 197.69 million tonnes, down 10.3% y-o-y.

Iron ore Market :

CISA indicated multiple departments were researching to increase iron ore supply to 100 million tonnes in the fourteenth five-year plan period. MySteel Australia and Brazil total delivery 25.66 million tonnes, down 495,000 tonnes w-o-w. Australia deliver 17.97 million tonnes, down 500,000 tonnes w-o-w. Brazil delivery 7.68 million tonnes, up 5,000 tonnes w-o-w. China 45 ports total iron ore arrivals at 22.88 million tonnes, down 201,000 tonnes w-o-w. In general iron ore delivery and arrivals haven't change significantly over the past week. Guinea Coup did not impact the new Simandou iron ore projects exploration announced by the local army.

Daily pig iron production at 2.27 – 2.28 million tonnes, indicated the current production level were fitted into the 0 crude steel growth rate plan by the end of year.

Steel Market:

Construction steel consumption maintained from 4.87-4.91 million tonnes at weekly level throughout entire August and early September. Virtual steel margin stabilised from 1,300 -1,400 yuan/tonne. The real rebar margin the eastern China at 450 yuan/tonne. EAFs margin at 200 yuan/tonne. The huge difference between virtual steel margin and real steel margin was because physical coke and coal had increased faster than futures contract. In addition, futures major contract in DCE was a far contract.

Coal Market:

Major China northern ports coking coal inventories fell by 11.8% at 4.13 million tonnes in August compared with July average. Mongolia closed coal export port again due to two new Covid-19 cases confirmed at port areas. However China earlier this week has worked with Mongolia to decrease injections during transportation. China decided to increase Q4 import to 6.5 million tonnes, previously three quarters total import was 3.5 million tonnes.

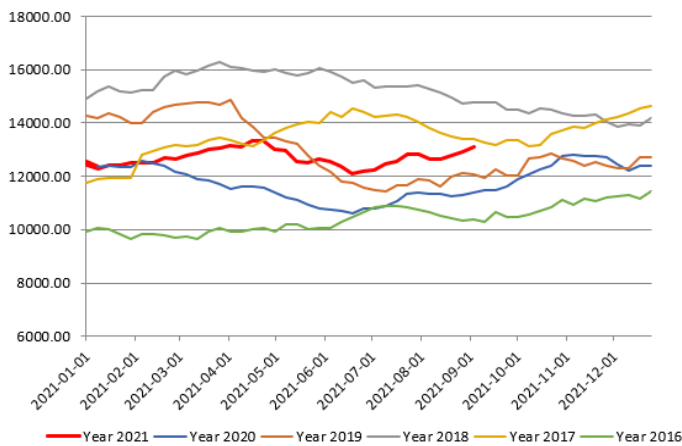


Weekly Virtual Steel Margin Report

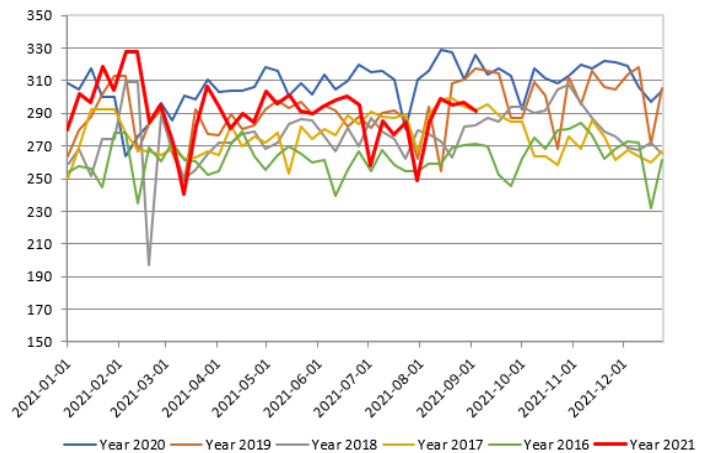
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	131.5	145.05	-9.34%
MB 65% Fe	150.9	163.6	-7.76%
Capesize 5TC Index	44465	46647	-4.68%
C3 Tubarao to Qingdao	32.15	33.165	-3.06%
C5 West Australia to Qingdao	12.823	13.668	-6.18%
Billet Spot Ex-Works Tangshan MT	5080	4950	2.63%
SGX Front Month	142.98	157.63	-9.29%
DCE Major Month	774.5	829.5	-6.63%
China Port Inventory Unit 10,000 mt	13,099	12,921	1.38%
Australia Iron Ore Weekly Export Unit 10,000 mt	945.60	965.00	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	256.40	336.60	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:

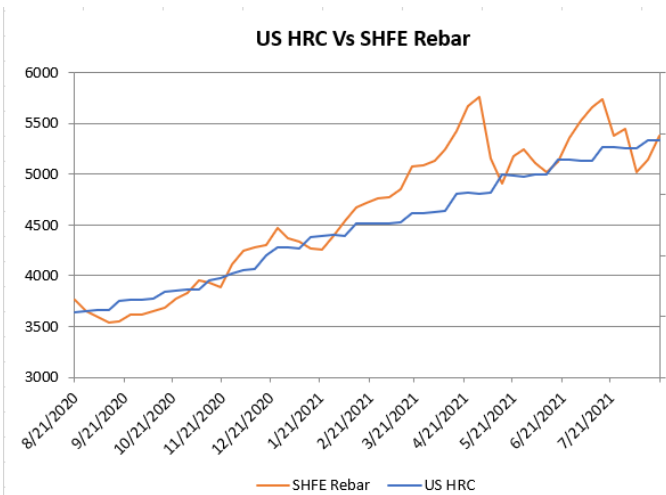
- **MB65-P62 spread dumped since steel making decrease disappointed high grade and prime iron ores expectation.**
- **Iron ore port stocks gradually pick up, however the long-term run was to build both inventories on ports as well as in mills and traders to avoid the shortage of iron ore in future.**



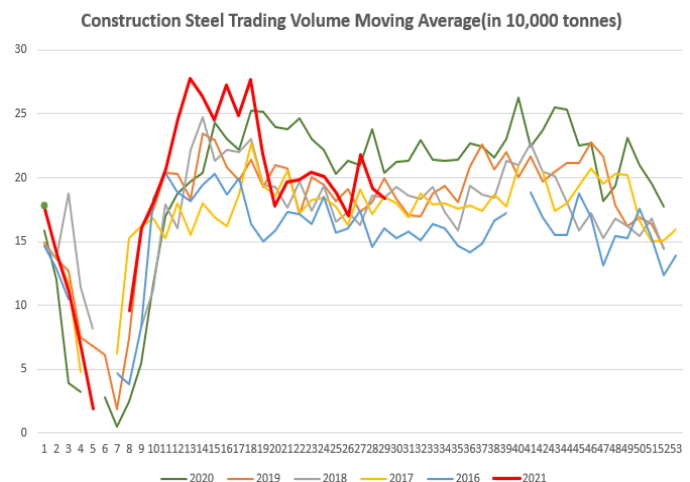
Weekly Virtual Steel Margin Report

Steel

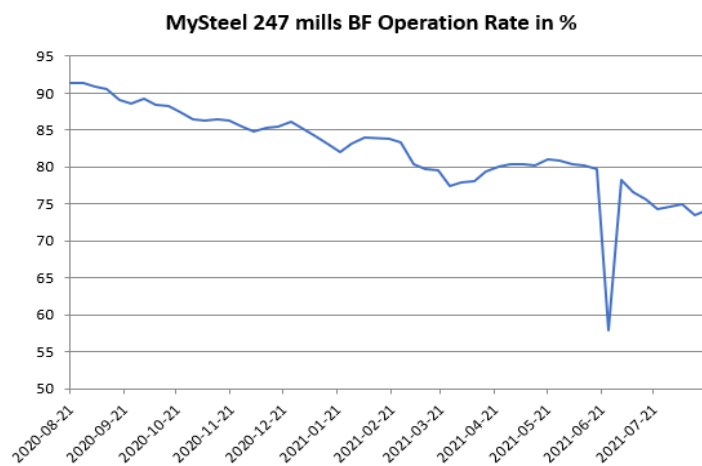
	Last	Previous	% Change
US HRC Front Month	1941	1941	0.00%
SHFE Rebar Major Month	5381	5148	4.53%
China Hot Rolled Coil	5763	5649	2.02%
China Monthly Steel consumption Unit 000's mt	82800	82170	0.77%
Five Major Steel Inventories Unit 10,000 mt	2156.77	2165.67	-0.41%
Construction Steel Total Inventory unit 10,000 mt	1402.49	1407.98	-0.39%
Crude Steel Production China Unit 000's mt	86790	93880	-7.55%
China Volume of Commodity Imports Unit 000's mt	1063	1050	1.24%
China Volume of Commodity exports Unit 000's mt	5053	5670	-10.88%



Sources from Bloomberg



Sources from MySteel



Sources from MySteel

Steel Indicator Analysis:

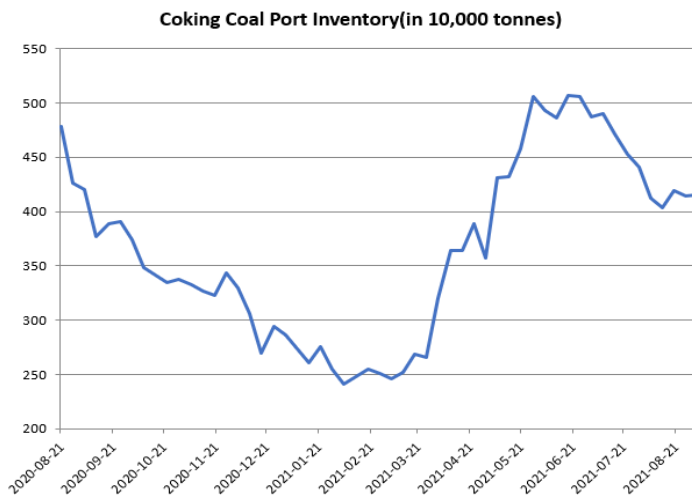
- **Construction steel physical trading volume dropped to a two year low level seasonally.**
- **Blast furnace utilisation rate has a downward trend since the low production target would restrain the total production in the second half of the year 2021.**



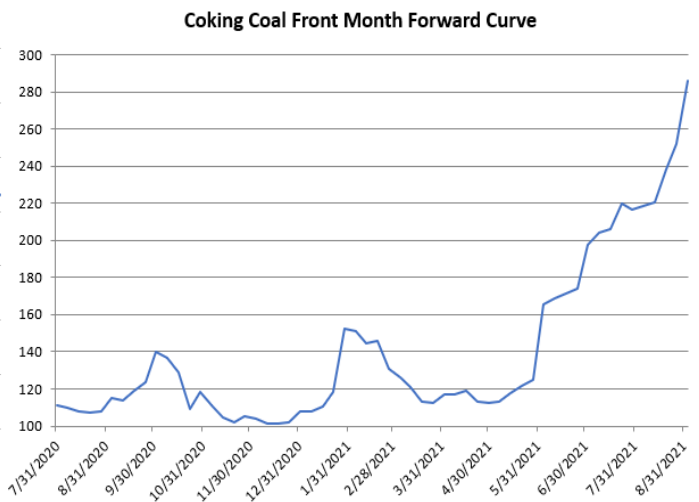
Weekly Virtual Steel Margin Report

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	279	269	3.72%
Coking Coal Front Month	285.67	252.17	13.28%
DCE CC Major Month	2617	2492	5.02%
Coking Coal Port Inventory Unit 10,000mt	415	414	0.24%
China Custom total CC Import Unit mt	3,771,291.00	4,134,210.00	-8.78%



Sources from MySteel



Sources from Bloomberg



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.**