



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore short-run entered a oversold rebound tunnel.

Macro Market Change and Money Movement:

The major story of ferrous market come from China again over the past week, as major areas of China started massive electricity control. The primary target of the electricity control was to limit high pollution and energy consumption enterprises, and the sudden beginning in fact caused some difficulties on the industry operation, and then impact the production schedule.

Iron ore Market :

Iron ore delivery hadn't increase massively as expected in the mid-year of 2021. As a result, port inventories and steel mills inventories were neutral. High grade iron ore is still the best option considering the highest ever coal and coke prices, because high grade iron ore meaning the less usage on coals and coke.

The fast pick up on Oct21 and Nov21 iron ore swap was due to a merge to catch up the high September monthly average. The Oct21 and September average once created a \$30 last week, which means if a physical trader sells iron ore after Golden weeks, they technically have a arbitrage opportunity to gain \$30. The market quickly saw this chance and bring the difference to zero in 2-3 trading days.

Some Australia mid and small miners suspended operation because of the quick drop on iron ore prices, as well as the high freight cost.

Steel Market:

Virtual steel margin reached 1744 yuan/ton, refreshed the historical high, due to the weak iron ore price as well as the huge correction on coke by 16% over last two weeks. The blast furnace utilization rate reached 71.88%, a seasonal low. The bad news is that EAFs also suffering from electricity power rationing and running at very low production level.

Coal Market:

Qinghuangdao thermal coal flat price at 1560 yuan/tonne, a historical high. NDRC last week said that all long-term contracts of coals were allocated to difference coal miners. The responsible person of China coal trading center said as the air conditioners usage decrease, the coal consumption tend to decrease.

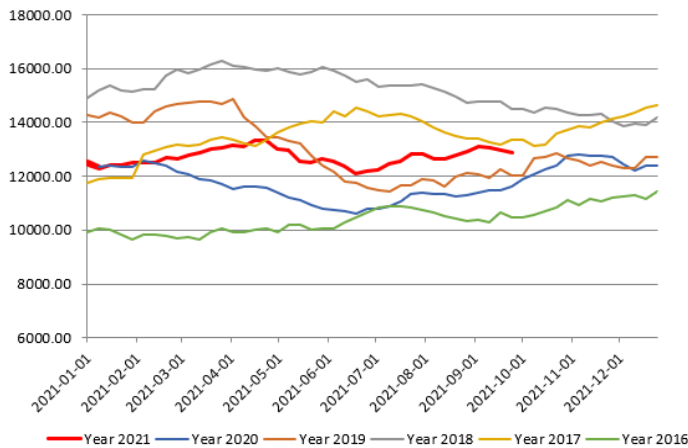


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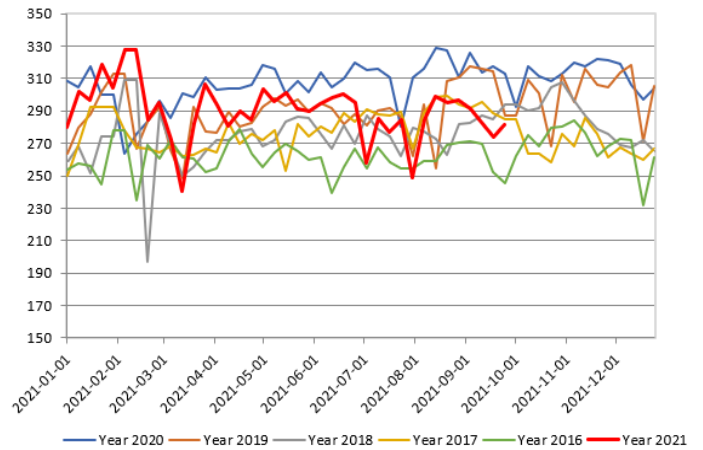
Iron Ore

| | Last | Previous | % Change |
|---|----------|----------|----------|
| Platts 62% Fe | 110.15 | 108.9 | 1.15% |
| MB 65% Fe | 135.9 | 134.6 | 0.97% |
| Capesize 5TC Index | 61309 | 61683 | -0.61% |
| C3 Tubarao to Qingdao | 38.485 | 38.41 | 0.20% |
| C5 West Australia to Qingdao | 19.082 | 20.145 | -5.28% |
| Billet Spot Ex-Works Tangshan MT | 5170 | 5210 | -0.77% |
| SGX Front Month | 111.04 | 101.73 | 9.15% |
| DCE Major Month | 679 | 644.5 | 5.35% |
| China Port Inventory Unit 10,000 mt | 12,857 | 12,976 | -0.91% |
| Australia Iron Ore Weekly Export Unit 10,000 mt | 1,390.80 | 1,293.20 | NA |
| Brazil Iron Ore Weekly Export Unit 10,000 mt | 390.50 | 296.90 | 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 rebounded as the retreat of iron ore prices during the past two months as well as pick up on Brazil export.**
- **Iron ore port stocks and daily evacuation maintained stable.**

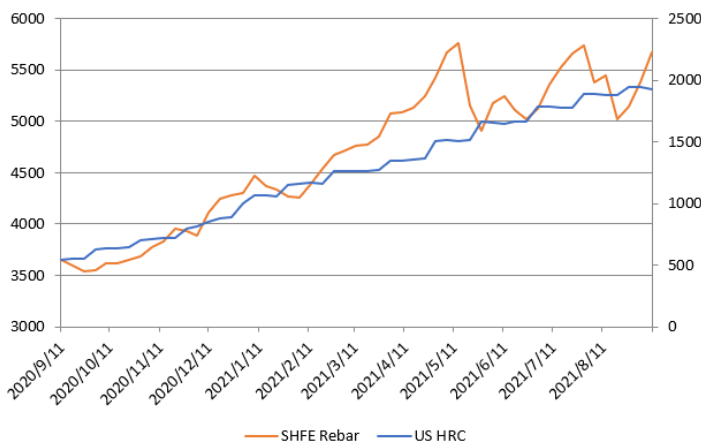


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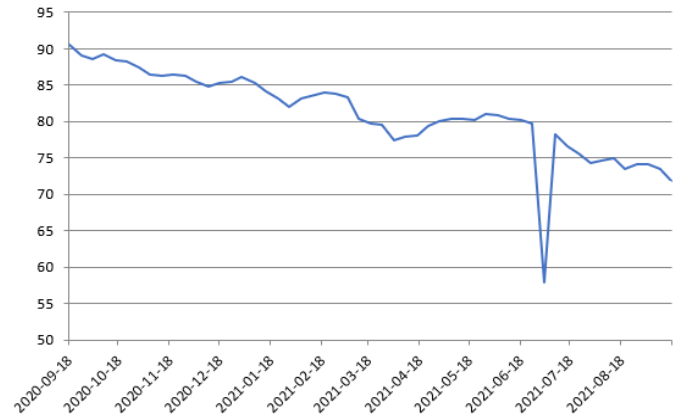
Steel

| | Last | Previous | % Change |
|--|---------|----------|----------------|
| US HRC Front Month | 1933 | 1936 | -0.15% |
| SHFE Rebar Major Month | 5511 | 5495 | 0.29% |
| China Hot Rolled Coil | 5765 | 5779 | -0.24% |
| China Monthly Steel consumption Unit 000's mt | 79248.6 | 82170 | -3.56% |
| Five Major Steel Inventories Unit 10,000 mt | 1920.86 | 1986.45 | -3.30% |
| Construction Steel Total Inventory unit 10,000 mt | 1221.61 | 1318.89 | -7.38% |
| Crude Steel Production China Unit 000's mt | 83239 | 86790 | -4.09% |
| China Volume of Commodity Imports Unit 000's mt | 1060 | 1050 | 0.95% |
| China Volume of Commodity exports Unit 000's mt | 5050 | 5670 | -10.93% |

US HRC Vs SHFE Rebar

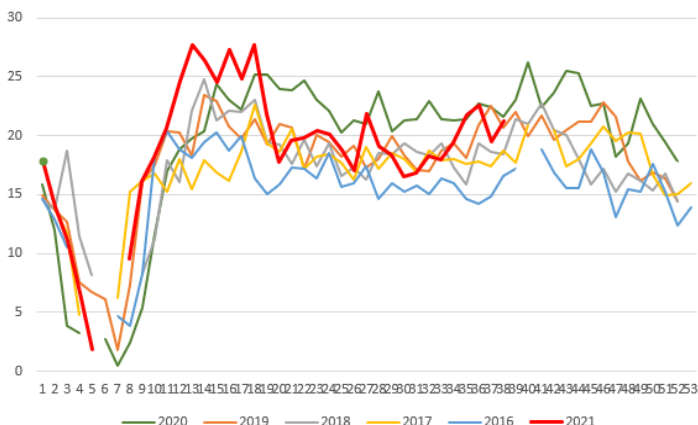


MySteel 247 mills BF Operation Rate in %



Sources from Bloomberg

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



Sources from MySteel

Sources from MySteel

Steel Indicator Analysis:

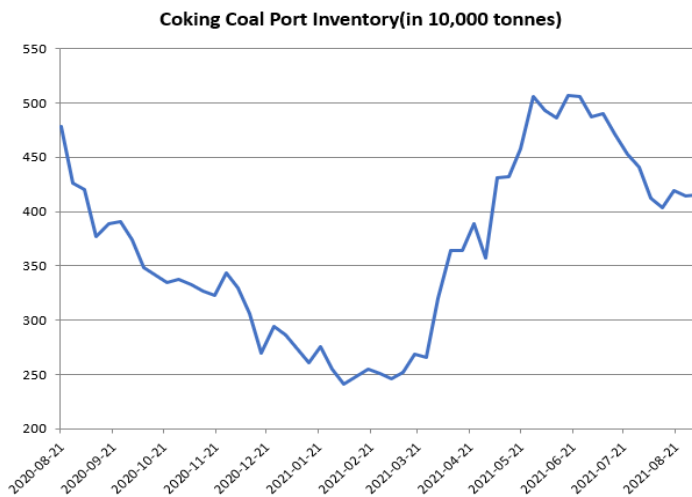
- **Construction steel physical trading volume rebounded following seasonal pattern.**
- **Blast furnace utilisation rate has a downward trend since the low production target would restrain the total production in the second half of the year 2021.**



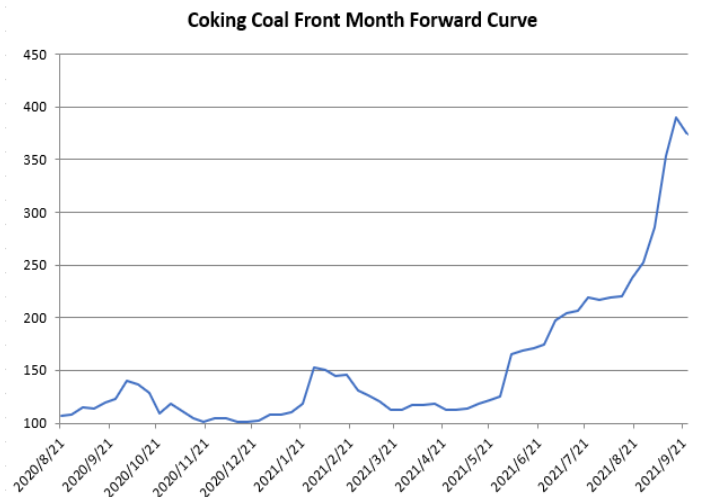
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Coking Coal

| | Last | Previous | % Change |
|--|--------------|--------------|----------|
| TSI FOB Premium Hard Coking Coal | 402 | 408.5 | -1.59% |
| Coking Coal Front Month | 373.33 | 389.67 | -4.19% |
| DCE CC Major Month | 2859.5 | 2687 | 6.42% |
| Coking Coal Port Inventory Unit 10,000mt | 414 | 419 | -1.19% |
| China Custom total CC Import Unit mt | 4,682,831.00 | 3,771,291.00 | 24.17% |



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.**