



# Weekly Virtual Steel Margin Report

## Market Verdict:

Iron ore short-run recovered consolidation, however mid-run in the rebound tunnel.

## Macro Market Change and Money Movement:

The major story of China across Golden weeks was following the Shanxi Province flood, which caused over 60 coal miners stoppage. Thus coal and coal based chemical prices were surging over the past few days. However China changed the floating area of electricity from 10-15% to 20%, which priced-in the expectation of increase on electricity price. China Banking and Insurance Regulatory Commission sent notice that to ensure coal based electricity, coals, steel and metals liquidity demand, and prohibit banking and insurance investment illegal entrance into equity, bond and commodity market.

Liu He, China PM and the responsible person of major economy affairs, held a video conference with U.S. trade issues representative Katherine Tai. Market read as the conference would ease the tight trade relations between China and U.S. as an early signal, which included the economy development mode and industry policies. The secondary market did not respond significantly before and after the conference.

## Iron ore Market :

China 45 ports iron ore inventory up 976,400 tonnes, which was very close to the previous two years level as a normal stock after the biggest holiday of the year. However the ships waiting at ports reached 204, the yearly high, indicated the port congestion was severe. The winter production curb would bring back the demand of high grade ores and lumps demand in the next two months.

The Iron ore swaps spread was in a historical low area, however the 0 growth rate on crude steel making would decrease some speculative demand on iron ores before year-end. Which is to say, the Dec21 contract potentially become a weaker contract, and Jan22, Feb22 and Mar22 at least maintain stable or strong because they are not related to and restricted by the production restriction.

## Steel Market:

China Energy Bureau held conference during weekends to prohibit illegal close on normal operated steel mills and coal miners. Major southern EAFs and BF's recovered production. Thus physical steel price started to softened slightly. The virtual steel margin narrowed from 1748 yuan/tonne to 1470 yuan/tonne over the past three weeks since the quick surge of coal price.

Handan, the secondary biggest steel making city over the world, started to publish the winter air pollution and production cut policy by closing 20 blast furnaces below 1000m<sup>3</sup> volume and 20 converters furnace below 100 m<sup>3</sup>. The policy was closely related to the decrease of crude steel growth rate in the area because of the H2 production was beyond expectation. Market expect more areas to publish their winter production curbs policy in the following 1-2 weeks.

## Coal Market:

After the Shanxi Province flood, China Inner Mongolia province approved an increase of 98 million tonnes of coal miners per year. ShaanXi Province Yulin city maintained a mid to long term supply of 26.62 million tonnes of coals. ShanXi Province approved an increase of 28.68 million tonnes of coal annually. Henan Province started to build a National coal reserve with 20 million tonnes of coal production. The flood was gone last two days, major miners indicated that they could fill the gap of previous production loss caused by the flood. However the road transportation was yet recovered.

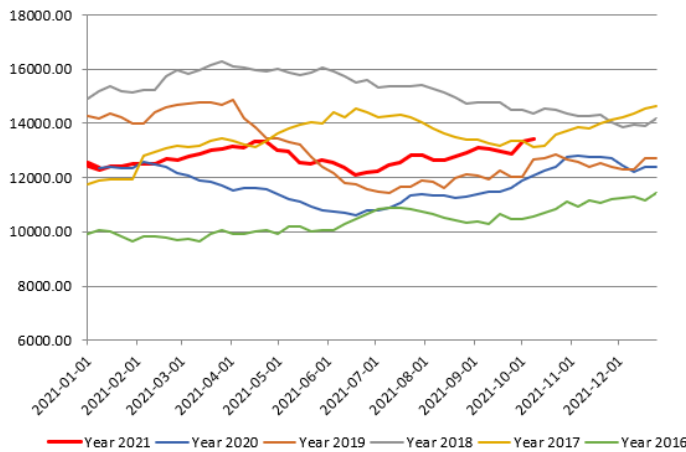


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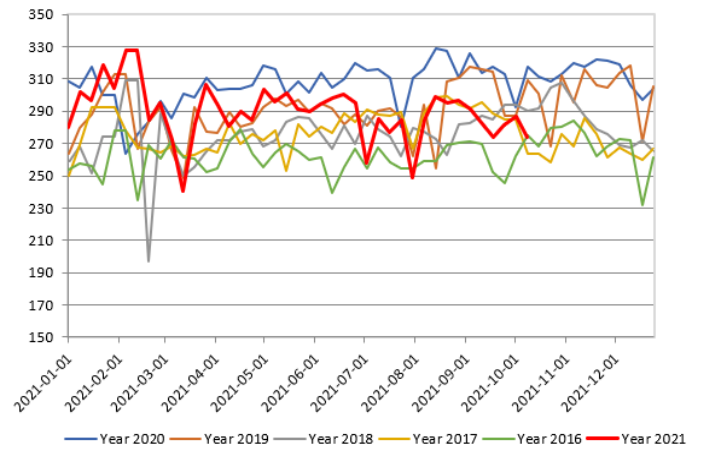
## Iron Ore

	Last	Previous	% Change
Platts 62% Fe	136.95	125.05	9.52%
MB 65% Fe	160	146.1	9.51%
Capesize 5TC Index	82722	83865	-1.36%
C3 Tubarao to Qingdao	48.583	48.9	-0.65%
C5 West Australia to Qingdao	21.359	21.336	0.11%
Billet Spot Ex-Works Tangshan MT	5330	5210	2.30%
SGX Front Month	124.65	114.47	8.89%
DCE Major Month	749	727	3.03%
China Port Inventory Unit 10,000 mt	13,419	13,322	0.73%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,320.80	1,480.40	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	310.40	283.90	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. China winter production curb also intensify the demand of high grade ores.**
- **Iron ore port stocks and daily evacuation maintained stable.**

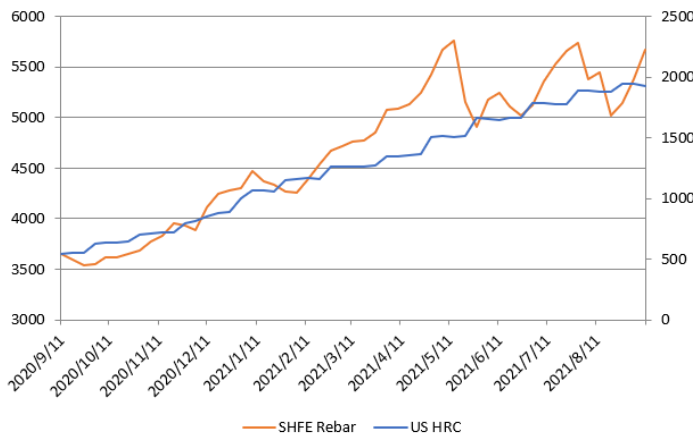


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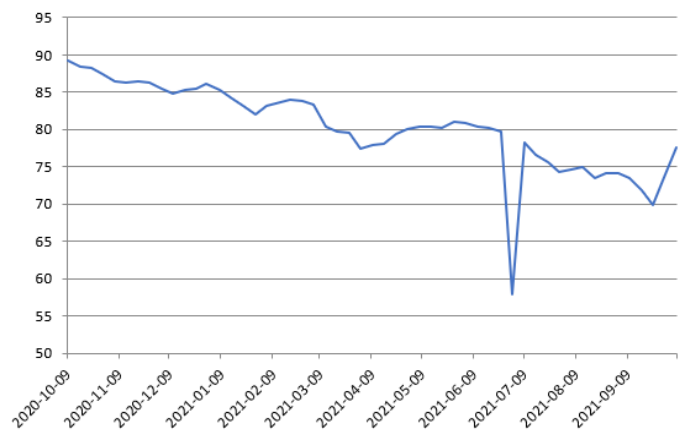
## Steel

	Last	Previous	% Change
<b>US HRC Front Month</b>	1882	1916	<b>-1.77%</b>
<b>SHFE Rebar Major Month</b>	5765	5649	<b>2.05%</b>
<b>China Hot Rolled Coil</b>	5885	5801	<b>1.45%</b>
<b>China Monthly Steel consumption Unit 000's mt</b>	79248.6	82170	<b>-3.56%</b>
<b>Five Major Steel Inventories Unit 10,000 mt</b>	1920.86	1986.45	<b>-3.30%</b>
<b>Construction Steel Total Inventory unit 10,000 mt</b>	1221.61	1318.89	<b>-7.38%</b>
<b>Crude Steel Production China Unit 000's mt</b>	83239	86790	<b>-4.09%</b>
<b>China Volume of Commodity Imports Unit 000's mt</b>	1060	1050	<b>0.95%</b>
<b>China Volume of Commodity exports Unit 000's mt</b>	5050	5670	<b>-10.93%</b>

US HRC Vs SHFE Rebar

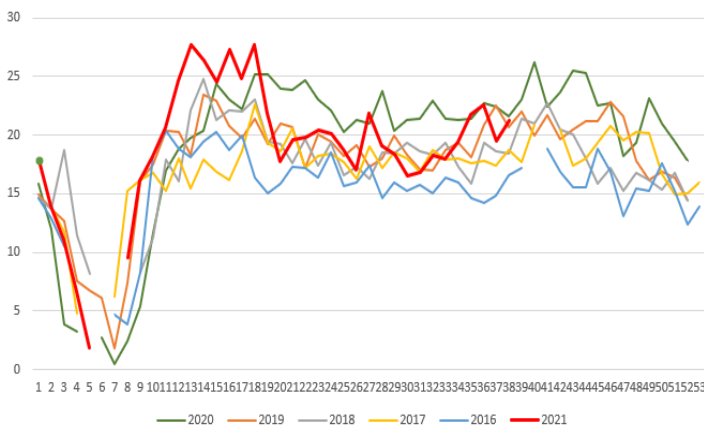


MySteel 247 mills BF Operation Rate in %



Sources from Bloomberg

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



Sources from MySteel

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### Steel Indicator Analysis:

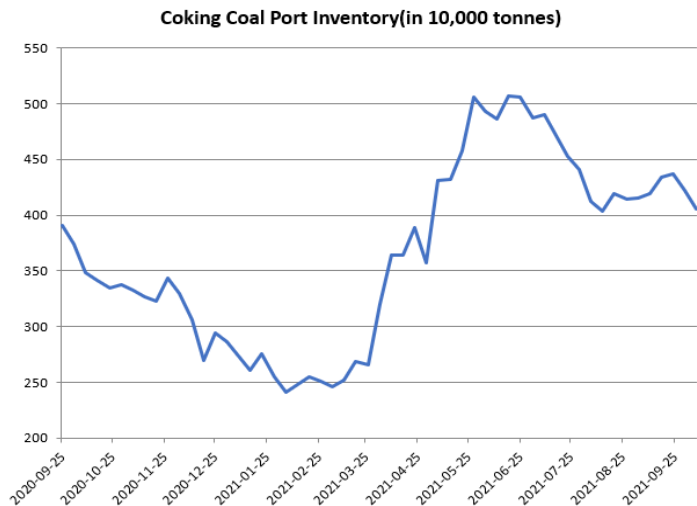
- **Construction steel physical trading volume rebounded following seasonal pattern.**
- **Blast furnace utilisation rate has a downward trend since the low production target would restrain the total production in the second half of the year 2021.**



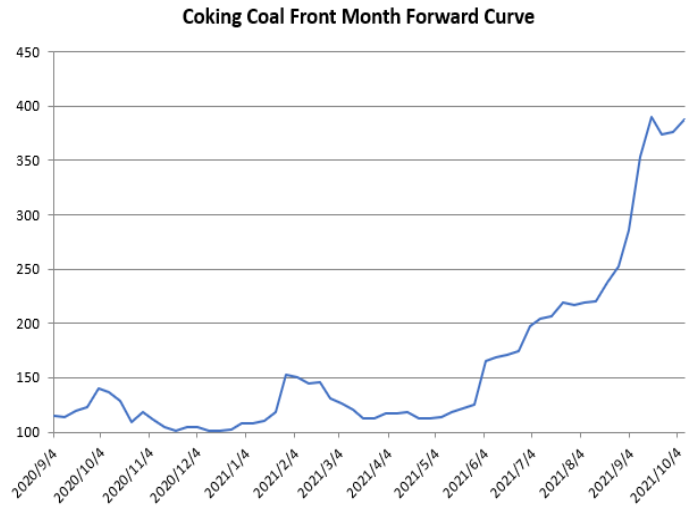
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## Coking Coal

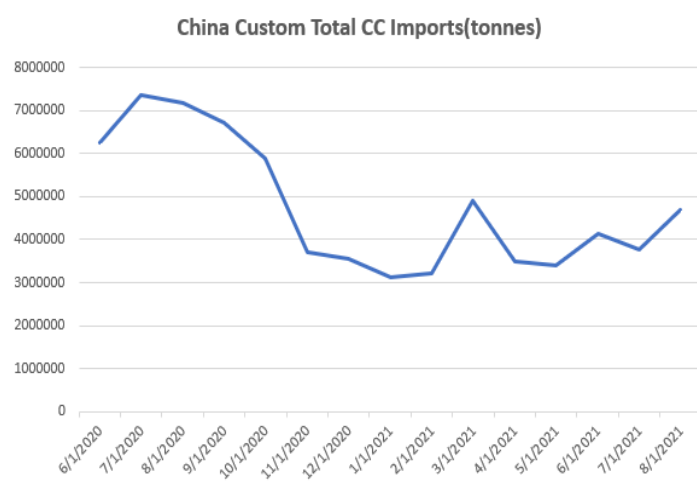
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	401	396	1.26%
Coking Coal Front Month	388	376	3.19%
DCE CC Major Month	3207	3139	2.17%
Coking Coal Port Inventory Unit 10,000mt	405	422	-4.03%
China Custom total CC Import Unit mt	4,682,831.00	3,771,291.00	24.17%



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.**