



Weekly Virtual Steel Margin Report

Market Verdict:

Iron ore short-run neutral.

Macro Market Change and Money Movement:

China NDRC held a energy conference mentioning to ensure the release advanced coal capacity and maintain the basic usage on electricity. The financial market rehearsed an energy risk before it completely happens globally. However Asian, Europe and North America currently have no full plan to entirely exempt from the shortage of coal and natural gas. Financial market should be aware that the fast pick-up of energy prices contained pure speculation sentiments. Thus correction might not be very relative to a fundamental variable change.

IMF decrease the economic growth of the year 2021 from 6% to 5.9%, since many countries were facing an inflation risk. The September U.S. inflation rate was beyond expectation and became the highest since the year 2008. Many U.S. officials believed that Taper should begin from this November or December concerning the high inflation rate risk.

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:

Iron ore port inventories up for the second week after golden week since Tangshan port evacuation was impacted by environment protection. The physical trade at ports expected to fall compared to last few years in the last quarter since 0 crude steel growth rate target limited the marginal demand of iron ores. MySteel 64 steel mills import sintered ores inventories at 14.7 million tonnes, which was close to the lowest number historically. The CISA economist Wang Yingsheng indicated if Q4 daily crude steel average production was below or equal to 2.5 million tonnes, then 0 growth rate in crude steel on yearly basis should be achievable. The September crude steel production was 2.46 million tonnes on daily basis, which was right fit into this plan. Last week China major six northern ports arrivals at 11.76 million tonnes, up 1.855 million tonnes y-o-y.

DCE iron ore futures and SGX iron ore swap both corrected from the after Golden week sentiments. Spreads slight lower on Nov-Dec and Dec-Jan after priced-in the winter production curb. However both spreads and outright were believed stable in short-run since demand market was healthy in October and mills iron ore inventories were tight.

Coal Market:

Coal has experienced mining accidents, flood, infections at ports and potentially more stories related to global shortage. The push of physical coal price was because more national miners were guided by the government policy to maintain the supply. Thus spot coals suddenly vanished from the market when major trades were all in form of long-terms.

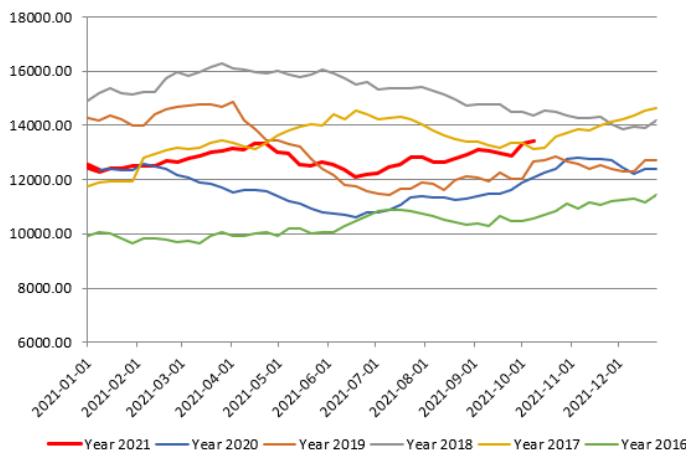


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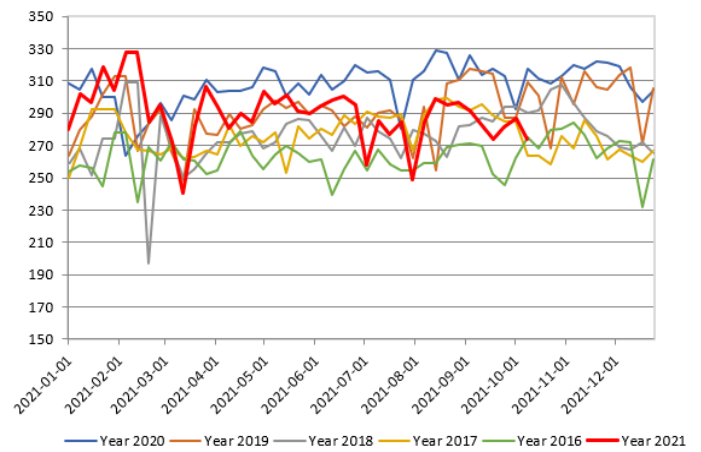
Iron Ore

	Last	Previous	% Change
Platts 62% Fe	124.15	125.45	-1.04%
MB 65% Fe	148.1	148	0.07%
Capesize 5TC Index	44487	44484	0.01%
C3 Tubarao to Qingdao	44487	44484	0.01%
C5 West Australia to Qingdao	44487	44484	0.01%
Billet Spot Ex-Works Tangshan MT	5200	5330	-2.44%
SGX Front Month	122.11	124.65	-2.04%
DCE Major Month	727.5	749	-2.87%
China Port Inventory Unit 10,000 mt	13,898	13,419	3.57%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,335.80	1,320.80	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	263.70	310.40	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.**

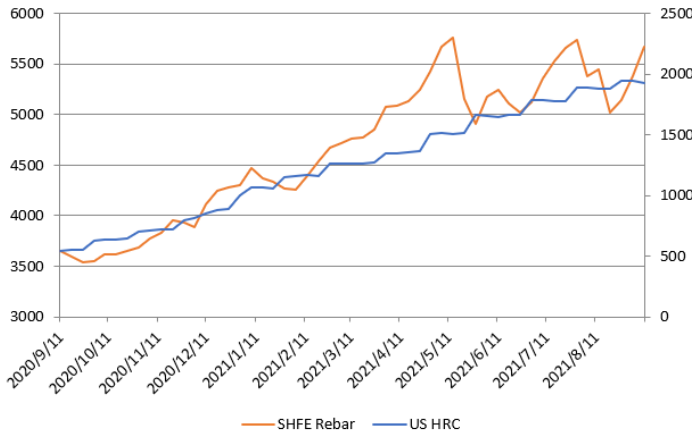


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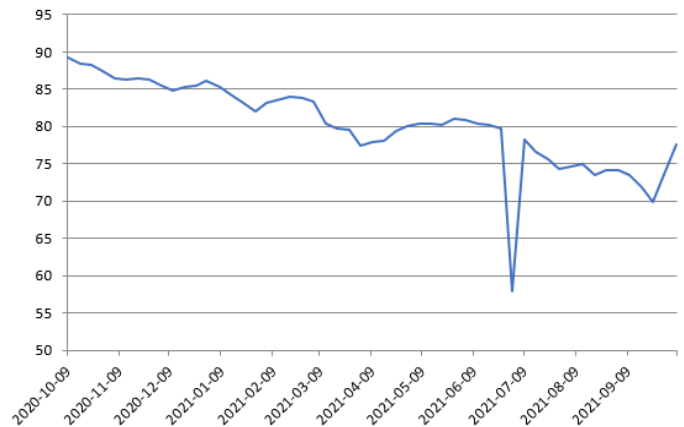
Steel

	Last	Previous	% Change
US HRC Front Month	1898	1882	0.85%
SHFE Rebar Major Month	5488	5765	-4.80%
China Hot Rolled Coil	5825	5885	-1.02%
China Monthly Steel consumption Unit 000's mt	79578.6	79248.6	0.42%
Five Major Steel Inventories Unit 10,000 mt	1763.23	1850.28	-4.70%
Construction Steel Total Inventory unit 10,000 mt	1073.03	1136.97	-5.62%
Crude Steel Production China Unit 000's mt	83239	86790	-4.09%
China Volume of Commodity Imports Unit 000's mt	1260	1060	18.87%
China Volume of Commodity exports Unit 000's mt	4920	5050	-2.57%

US HRC Vs SHFE Rebar

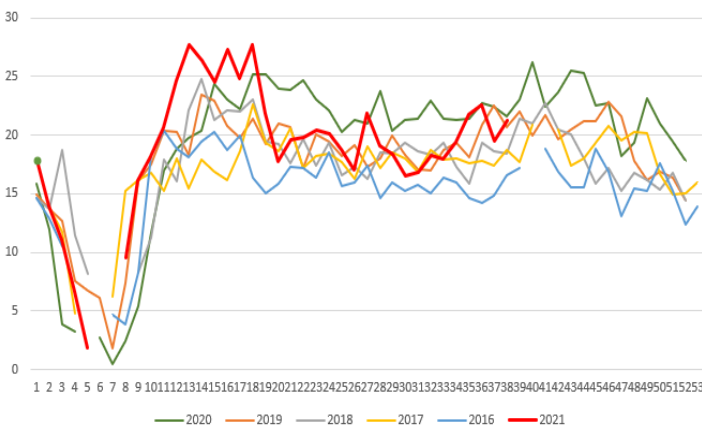


MySteel 247 mills BF Operation Rate in %



Sources from Bloomberg

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



Sources from MySteel

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Steel Indicator Analysis:

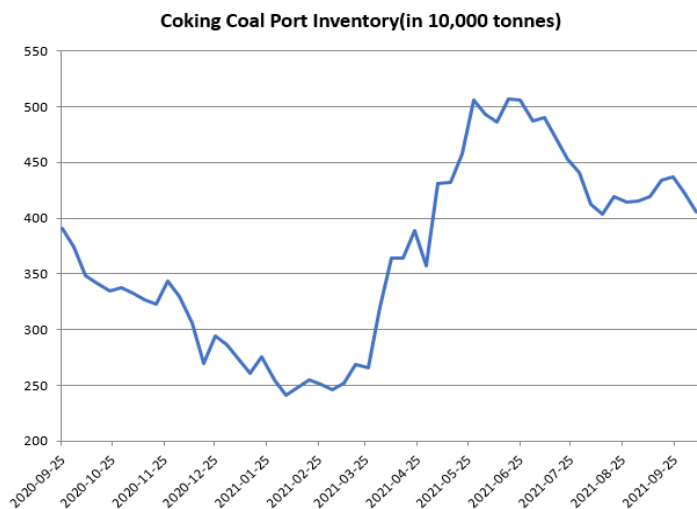
- Construction steel physical trading volume rebounded following seasonal pattern.
- Blast furnace utilisation rate has a downward trend since the low production target would restrain the total production in the second half of the year 2021.



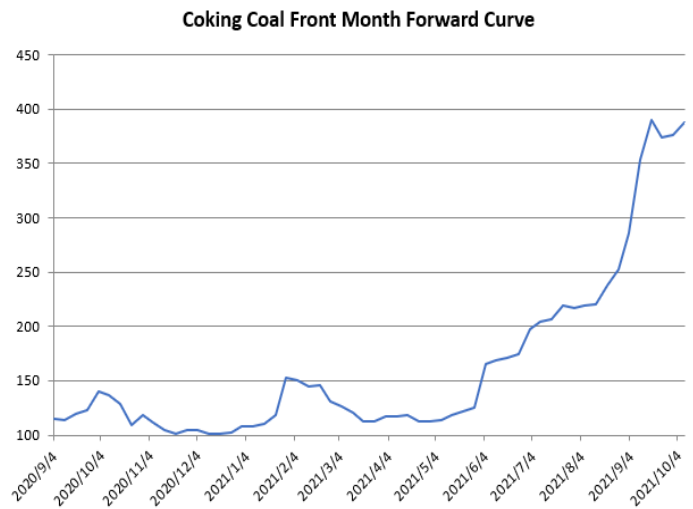
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Coking Coal

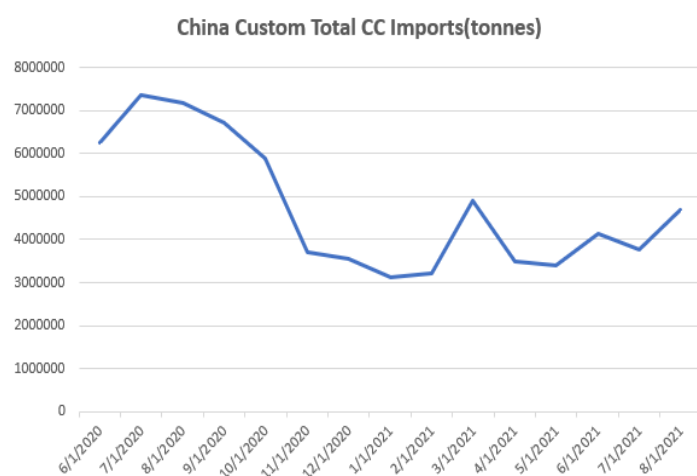
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	399	399	0.00%
Coking Coal Front Month	397	388	2.32%
DCE CC Major Month	3551	3207	10.73%
Coking Coal Port Inventory Unit 10,000mt	414	419	-1.19%
China Custom total CC Import Unit mt	4,682,831.00	3,771,291.00	24.17%



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.**