

Rebound in Chinese Steel Prices; Surge in Chinese Equity Market

The latest data from the China Iron and Steel Association (CISA) shows that daily crude steel output at large and medium-sized mills averaged a record 2.14 million tons during June 21 - June 30. This is very robust volume that is up year-on-year by 5%, but it is unchanged from the previous ten days. Previously, steel output had been on a consistent climb since early April.

Also of note is that while steel prices in China finally fell two weeks ago (which marked the first decline in prices since late April), prices rebounded last week. For example, the average price of hot rolled coil ended last week at 3,975 yuan/ton (\$568), which is 75 yuan (2%) more than a week ago. It is likely that steel output in June was beginning to exceed demand, but the recent plateau in steel output has been supportive to steel prices this month. Overall, steel output remains robust and we remain very bullish for both steel output prospects and iron ore import prospects. We also remain very bullish for the Chinese economy at large, and still only can foresee a potential second wave of coronavirus as an impediment to growth this year. For now, there is still no sign of a strong second wave in China and economic growth prospects remain encouraging. The Chinese government this year has all but abandoned concerns over debt, and instead is largely focused on only stimulating the domestic economy. Recent days have

also seen a push to generate a bull market in the Chinese equity market, and equity prices did end up jumping by a large amount last week. The Shanghai Composite Index closed last week at 3,383.32 points, which marks a week-on-week increase of 230.51 points (7%).

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