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Thermal Coal Price Surge Continues in China

A surge of electricity generation for heating remains underway in China, and combined with the ban on Australian imports this has continued to lead to a surge in domestic thermal coal prices. The price of benchmark Qinhuangdao 5,500 kcal thermal coal ended last week at approximately 858 yuan/ton. This is up week-on-week by 9% and is a historic level. As we have been discussing in our work since October, thermal coal shortages have long been expected for this winter and recent months have continued to witness local governments asking businesses and households to avoid unnecessary power usage at peak hours. Also we also discussed in a client note on Tuesday, the State Grid Corporation recently issued its first "blue notice" of 2021 advising that temperatures were expected to decrease in much of the country and warning of icing and snow events. As we also discussed on Thursday, power loads set all-time highs last week in nine different power grids. Overall, the ongoing surge in domestic thermal coal prices remains a positive issue for the seaborne coal market and dry bulk shipping market. There still are no signs of prices being set to decline in the near term. Chinese coal import prospects remain very bullish for the near term.

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