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Several Notable Developments in China

Several notable developments occurred in China last week. Coastal coal freight rates enjoyed a significant jump on Wednesday which continued into Thursday. China also released its March steel production data, which showed that production came close to setting a record. Also of note last week was data showing that China's coal production has fallen on a year-on-year basis so far this year. Chinese hydropower production has recently contracted on a year-on-year basis as well. These are developments that will affect coal import demand as we approach the summer months.

One fairly large surprise last week was China's central bank lowering the reserve requirement ratio. It appears that the Chinese government remains focused on maintaining strong economic growth. China did throw another curve ball last week in the grain market, however, by enacting what is effectively a ban on US sorghum imports. The soybean import tariff has not yet actually been enacted, but new sorghum restrictions are in place – and, for now, it is expected that US sorghum cargoes will be re-routed to other Asian buyers. The next few weeks will be very interesting in seeing how the ongoing US-China trade war develops. So far, both sides show no sign of stepping down.

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