

SE News
HD **Bid and offer prices diverge in CFR China thermal coal cargo market**

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Buying interest in China's seaborne cargo market Tuesday for imported thermal coal weakened further in Asia trade, with bids heard as low as \$71.50/mt CFR for August arrival cargoes, market sources said.

Offer prices for Australian high-ash cargoes for delivery to southern China ports in July and August were heard to rise to as high as \$73/mt CFR in Asia trade, as Capesize vessel freight climbed back to \$11.50-12/mt on the east coast Australia to south China coal route.

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Purchase prices for late June-arrival 5,500 kcal/kg NAR imported material from some utilities in southern China have dropped to as low as Yuan 510/mt including 17% VAT, or \$70.90/mt CFR minus VAT, according to a Beijing-based trader.

"Utilities are following the future price of domestic thermal coal. It's unprofitable for us," said the trader.

At ports in north China, spot cargoes of domestic 5,500 kcal/kg NAR coal were heard to trade at Yuan 520-525/mt FOB, and though stable from the preceding day, Chinese traders talked of their expectation that large coal producer Shenhua would shortly reinstate more price discounts.

Stocks at Shenhua's Huanghua port have increased to 2.3 million mt, and are not far off the 3 million mt level hit in March when the Chinese coal producer first engaged in its recent round of price cutting.

A Hebei-based trader was now offering some 20,000 mt of 5,500 kcal/kg NAR domestic coal at Yuan 520/mt FOB Qinhuangdao port.

"I do not think people will take domestic 5,500 kcal/kg NAR thermal coal at a price higher than Yuan 515/mt FOB Qinhuangdao port," a Zhejiang-based trader said. "It is totally a buyers' market now."

Credit issues affecting liquidity

Credit issues continue to plague some Chinese traders, and were sapping market liquidity.

"It is getting increasingly difficult to open letters of credit from local banks now," said a Liaoning-based trader. "Capital chains of some private trading companies are very vulnerable now."

A large supplier of Australian coal was heard to offer a July-loading Capesize cargo of 5,500 kcal/kg NAR material at \$62/mt FOB.

"I think the price may be even talked down towards \$61/mt FOB," a Guangdong-based trader said. "Anyway, most Chinese bids will be no higher than \$71/mt CFR."

High-ash Australian 5,500 kcal/kg NAR coal for loading at Newcastle port in July was bid at \$60.50/mt FOB, and on a delivered CFR South China cargo basis this coal was bid at \$71.50/mt for August arrival through globalCOAL.

A Shandong-based trader noted his **company** was considering taking a couple of August-delivered cargoes of 5,500 kcal/kg NAR Australian **coal** at about \$71.50/mt CFR.

At the close of Asia trade, the Platts/Fenwei **China Coal** Index (CCI 1) for domestic thermal **coal** traded at Qinhuangdao port was assessed at Yuan 522/mt inclusive of VAT, stable from Monday.

The CFR South **China** (CCI 8) price was assessed at \$71.70/mt basis 5,500 kcal/kg NAR, excluding **Chinese** VAT, 10 cents lower than a day earlier.

Platts assessed the FOB price of Newcastle 5,500 kcal/kg NAR thermal **coal** with typical ash of 20% at \$62.80/mt, down 20 cents on day. The ash differential per 1% ash was assessed at \$0.53/mt, down 1 cent from Monday.

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