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HD **Met coal edges higher on demand from eastern China**

BY Kenneth Foo, Julien Hall, Edwin Yeo
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The Asia-Pacific metallurgical coal market was strengthened by a burst of spot liquidity Friday with at least four trades done in China.

Premium low-vol hard coking coal prices climbed 75 cents to $122.75/mt CFR China. This equates to $108.55/mt FOB Australia netting back with Panamax freight and $112.05/mt FOB using a Capesize calculation.

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Meanwhile, the HCC 64 mid-vol index increased 50 cents to $108.25/mt CFR China.

Eastern China steelmakers were restocking with renewed vim — nearly all of Friday's trades were done to end-users in the region. This was in contrast to other regions such as north and northeast China, for which procurement appetite was relatively tame.

Dwindling port stocks could also tip more buyers into the seaborne market, a Tianjin-based trader said, estimating current levels at Jingtang port at 2.4 million mt.

Despite the string of deals in the last two days, sources said underwhelming steel demand will continue to restrict trading activity for coal.

"The steel market is very weak, and banks are drawing on their loans and tightening cashflow," a mining source said, adding that customers were still mostly taking a "wait-and-see" attitude.

There was a reprieve in the precipitous declines of physical steel square billet in Tangshan, as prices gained for a second day by Yuan 10/mt ($1.63/mt) to Yuan 2,370/mt ex-stock Tangshan Friday, according to a large steelmaker in the region.

However, the slump in Chinese hot-rolled coil export prices persisted. Platts' assessment for Q235 5.5 mm HRC in Shanghai, which has a tight historical correlation to met coal prices, declined Yuan 10/mt to Yuan 2,965-2,980/mt with 17% VAT Friday. This pushed up this week's losses to Yuan 90/mt.

Two premium low-vol deals done Friday

There was active trading in the prime hard category, with two Australian low-vol 72% CSR and 10-11% ash cargoes transacted Friday. One was a 90,000 mt, October 1-10 laycan shipment and the other was a November-loading, 70,000 mt cargo.

Both deals — direct miner-to-mill sales — were reported concluded at $123/mt CFR China. "We are just restocking as per usual, and this purchase forms part of our needs for this quarter," one of the buyers said, adding that he was in the market for one more premium low-vol cargo this month.

A September laycan offer of $123/mt CFR China for the same coal was also reported. However, Platts excluded it in the day's assessment as it was not an open-market offer and was not market-representative.

An on-the-water Capesize of Canadian premium mid-vol HCC was heard traded mid-week at $115-116/mt CFR China.

The port-stocks market in Jingtang saw a price uptick Friday due to shorter supply of materials. A recently discharged premium mid-vol was heard offered at Yuan 930/mt ex-stock Jingtang which normalizes to roughly $124/mt CFR north China. Bid price indications however were closer to Yuan 900/mt ex-stock levels.

For non-prime HCC, a spot deal was done Thursday for Australian 58-61% CSR mid-vol HCC, 90,000 mt, mid-to-end October laycan, at $107-107.50/mt CFR north China.

Small volumes of 2,000 mt Australian 63-64% CSR and around 22-24% VM material traded in Jingtang at Yuan 820/mt ex-stock this week. However there were higher bid indications reported Friday, at above Yuan 820/mt ex-stock due to low availability of such coals.

In northeast China, one end-user said that current import prices were uncompetitive when compared to domestic materials. This was especially for second-tier coals. For example, locally sourced materials in the region were heard tradeable at around Yuan 830/mt delivered to plant, including six months' credit and 17% VAT.

This equates to about $99/mt CFR China, cash basis, and normalized to 10% total moisture for material with 63-64% CSR, around 9% ash, 20-21% VM, around 80 G-value, above 15 Y-value and around 0.3-0.4% sulfur.

Tighter supply for Oct tier-two PCI

In the second-tier PCI, a spot deal was done Friday involving a miner and a steelmaker for Australian 20-21% VM and 9-10% ash PCI at $93/mt CFR China. This was a 72,000 mt cargo, to be shipped in a Capesize vessel for an end-October to early-November laycan.

Supply for October laycan second-tier materials was tight with most existing offers only for prompter September ones.

"Second-tier PCI is easy to sell," one Australian supplier said, adding that this contrasted with top-tier materials which appeared more difficult to move.

Some supply for the latter was heard available with sell-side interest at $100/mt CFR for Australian 13-14% VM and 9-10% ash. Buy-side interest appeared to be lukewarm however, despite the thin spread of $6.25/mt between Platts' Friday Low Vol PCI and Low Vol 12 Ash PCI assessments. The last time the spread between these two segments was at this level was September 20 last year.

One end-user said that he would not consider paying more to get a higher-grade PCI because he was in pursuit of the cheapest material, in terms of absolute rather than relative cost.

Anshan Steel closes old coke ovens

Meanwhile in northeast China, Anshan Steel shut down six of its coke ovens on September 10 at its plant, due to old age and environmental concerns, sources said.

This effectively removes 1-2 million mt of coke production capacity from the state-owned steel giant's total coke output of 9 million mt/year. Sources said the company would naturally decrease its intake of seaborne coking materials as a result.

For now, the company is looking at procuring coke domestically from Shanxi province for ongoing steel production, while it considers whether to build new coke ovens.

Anshan Steel consumes around 14 million mt of coking coal annually, of which around 3.5 million-4 million mt is imported.

Kenneth Foo, Julien Hall, Edwin Yeo

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