

SE News  
HD **Chinese** thermal **coal** buyers return to seaborne market with lower bids

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**Chinese** buyers of seaborne cargoes returned to the spot market Friday after the Lunar New Year break with sharply lower price expectations in view of rising port stocks and end-user stockpiles in **China**, market sources said.

Buyers on **China**'s eastern coast were more active than their counterparts in the north and south of the country, on the first day's trading after the week-long **Chinese** holiday, said market sources.

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"We won't start until next week," said a Beijing-based trader. "Utilities were only bidding Yuan 550-560/mt [CFR, including 17% VAT] before the holidays. They were not keen to restock for March."

Two buyers on **China**'s eastern coast were in the market for Australian, maximum 23% ash, 5,500 kcal/kg NAR product for delivery in late March and early April, with indicative bids at \$77.50-78/mt CFR Kemen and Liuheng, as heard through broker Marex Spectron.

The April-arrival cargo bid for delivery to Kemen port had risen from \$77/mt CFR earlier in the day.

Normalizing these prices to the south **China** port of Guangzhou would indicate buying interest at \$77-77.50/mt based on current freight rates of about \$10/mt on the eastern Australia to south **China** trading route.

Sellers were seeking \$78.75-80/mt for April-arrival 5,500 kcal/kg NAR cargoes, said the broker.

A Singapore-based **Chinese** trader was heard attempting to resell at least three Capesize cargoes of 5,500 kcal/kg NAR Australian thermal **coal** at \$80/mt CFR South **China** for April delivery.

"The price [of \$80/mt CFR] is too high," another Singapore-based trader said. "No one would buy at such a price."

Utilities pushing

A Fujian-based trader said he was not ready to take any new cargoes, as his utility customers were pushing down very hard on **purchase** prices.

"We haven't spoken with our utility customers yet. But they were bidding at less than Yuan 560/mt (\$92.mt) [CFR, including 17% VAT] before the holiday," he said.

The trader said his **company** did not currently expect to buy much thermal **coal** in March because of lower electricity demand in **China**.

Industrial production in **China** traditionally dips going into the **Chinese** New Year holiday, and **coal**-fired power generation has remained at low levels despite lower temperatures and snowfall in northern **China**, said local market sources.

Average stock levels at power plants on **China's** coast are reported to have grown to 40 days' burn, and for some plants their **coal** stocks are as high as 60 days' consumption, sources said.

It was a similar story at **China's** major **coal** ports, with Qinhuangdao port's stocks reportedly edging up to 8.09 **million** mt Friday, from 7.63 **million** mt last weekend.

For Fangcheng port, an important intake point for imported thermal **coal**, stocks had risen 500,000 mt since last week to more than 5 **million** mt, port sources said.

Qinhuangdao prices

In **China's** domestic thermal **coal** market, prices at Qinhuangdao port have continued to slide with 5,500 kcal/kg NAR product heard to trade at Yuan 560/mt FOB, and buying interest has dropped to as low as Yuan 550/mt, said traders in **China**.

"I would expect a drop of about Yuan 20/mt in domestic thermal **coal** prices before the market bottoms out," a Shandong-based trader said.

Meanwhile, in the FOB markets, some Indian interest was heard for mid-calorific value Australian **coal** at \$66.25/mt FOB Newcastle basis 5,500 kcal/kg NAR, higher than **Chinese** buyers whose bids were at \$66/mt FOB for March-loading and at \$65.50/mt for April shipments out of Newcastle, according to Marex Spectron.

Lower vessel freight and a desire on the part of Australian producers to diversify their customer base were said to be the motivation for Indian buying interest at Newcastle port.

At the close of Asian trade Friday, the Platts/Fenwei **China Coal** Index (CCI 1) for domestic thermal **coal** traded at Qinhuangdao port was assessed at Yuan 560/mt inclusive of VAT, down Yuan 4 from the last price assessment before the Lunar New Year break on January 29.

Platts assessed the price of FOB Qinhuangdao 5,500 kcal/kg NAR thermal **coal**, excluding VAT, for delivery in the next 7-45 days at Yuan 480/mt, stable on the day.

The CFR South **China** (CCI 8) price was assessed at \$77/mt basis 5,500 kcal/kg NAR, excluding **Chinese** VAT, \$1 lower than the last assessment on January 29.

Platts' price assessment for cargoes of 5,500 kcal/kg NAR imported thermal **coal** for arrival in south **China** ports in the next 15-60 days was at \$77.25/mt CFR Friday, steady day-on-day.

Typical 20% ash Newcastle 5,500 kcal/kg NAR **coal** for loading in the next 7-45 days was assessed at \$67.50/mt FOB, down 25 cents from the previous day.

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