

CHINESE STAINLESS STEEL FUTURE

Currency Future - ZST8 Comdty

DMG

October 30th 2024

Investment Thesis

Our team plans to enter a commodity futures contract on Chinese stainless steel. We have a bullish outlook on the value of Chinese steel in the time frame of this 9 month play. Our outlook is supported by the economics of major importer's of Chinese steel, an increase in global demand, and action by the Chinese communist party to stimulate the economy.

Thesis Highlights

■ There is an increase in global demand YoY

The global demand for steel excluding China is expected to increase 3.5% within 2024 and 4.2% in 2025. The growth is driven emerging economies in the MENA and ASEAN regions as well as the rapid development of the Indian economy. The rapid development will continue to deepen the demand for steel globally and as the largest exporter of steel, China is in a position to take advantage.

■ Strengthening of the BRICS coalition

BRICS is a coalition of countries not economically allied with the U.S. or the G7 group. Including Brazil, Russia, India, China, South America, and 4 other newly added members, the goal of BRICS to work to support each other and compete with the G7. As the economic leader, China is able to strengthen trade agreements, as well as network with the 13 countries that are part of BRICS Plus.

■ Actions by the Chinese Communist Party to stimulate the economy

The Chinese Communist Party passed a stimulus package October 12th to help alleviate economic slumps in the housing and real estate sectors of the economy. The package allocated \$169.81 billion to local governments to alleviate debt stresses. Additionally China's central bank cut the seven-day policy rate by 20bps, reserve requirement by 50 bps and cutting the mortgage rate. These are all efforts to stabilize the Chinese economy, and if proven ineffective, further stimulus may be possible within the time frame of the play.

Thesis Risks

■ A significant increase in anti-dumping probes against China

The number of anti-dumping probes against Chinese exports quadrupled year over year to 24 in 2024. These probes and various tariffs were put in place by the U.S, Europe, Vietnam, Indonesia, and various other countries. The tariffs were put in place to protect local products such as EVs, solar cells, rare minerals, semiconductors, aluminum and steel.

■ The Bai Lin movement and a slowing of the Chinese Economy

Translating to "let it rot", disillusioned Chinese youths are giving up on participating in the economic and social expectations put upon them. Youth unemployment reached a high of 21% in July of 2024 before the Chinese central bank discontinued its measurement. This possess a significant risk to China with an aging population and dire need of participation of young professionals in the Chinese economy.

ZST8 Comdty Price



Bullish On Chinese Steel

Target Price Per Ton	\$2,060.50 (2.71%)
Current Price Per Ton	\$2,006.09

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Company Information

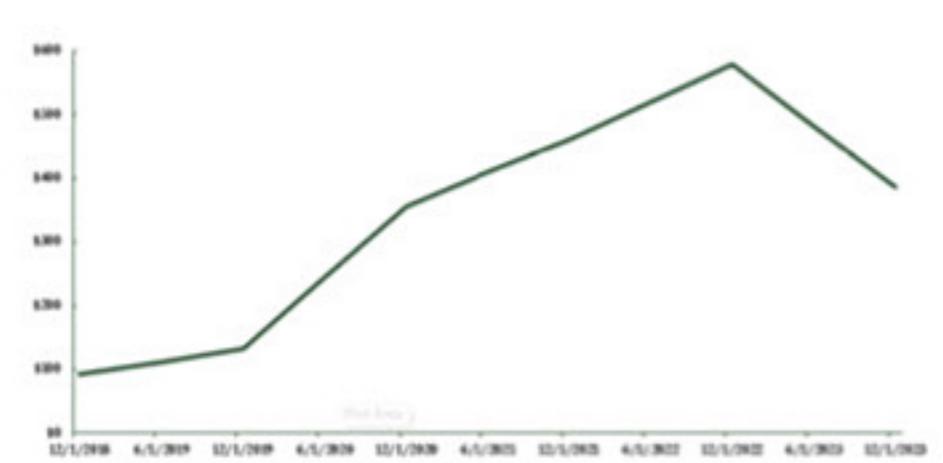
Security	Futures
Underlying	Chinese Stainless Steel
Contract Value	\$30,091.35
Contract Size	15 Metric Tons
Tick Value	\$3.51

China Steel Product Export Volume

(Thousands Tons)



China's Trade Balance (\$Billions)



Chinese Top 5 Importer of Stainless Steel (Percentage of total exports)

