



Elise Bennett, Conrad Haas, Brandon Koenig, Jaden Morgan, Gavin Odell, Brayden Perry

Security

ZST10 Comdty

View

Bullish on Price

Investment

Commodity Future – Chinese
Stainless Steel
Hedged with Currency Future

Thesis Points
and Risks

Learning
About China

Global Events

Technical
Analysis

Position
Overview

Thesis

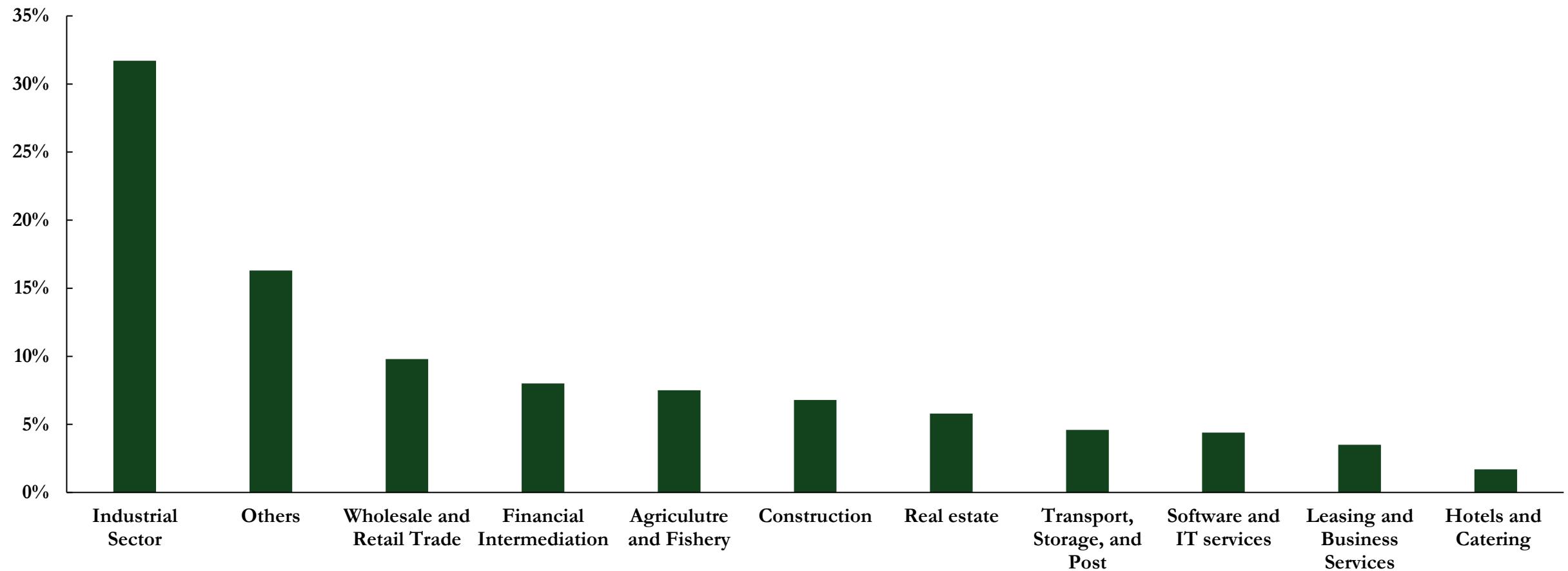
- 19.8% increase in export for Chinese stainless-steel YoY
- Strengthening ties between China and its allies
- Growing strength within the members in BRICS
- Action for the Chinese government to stimulate the economy

Thesis Risks

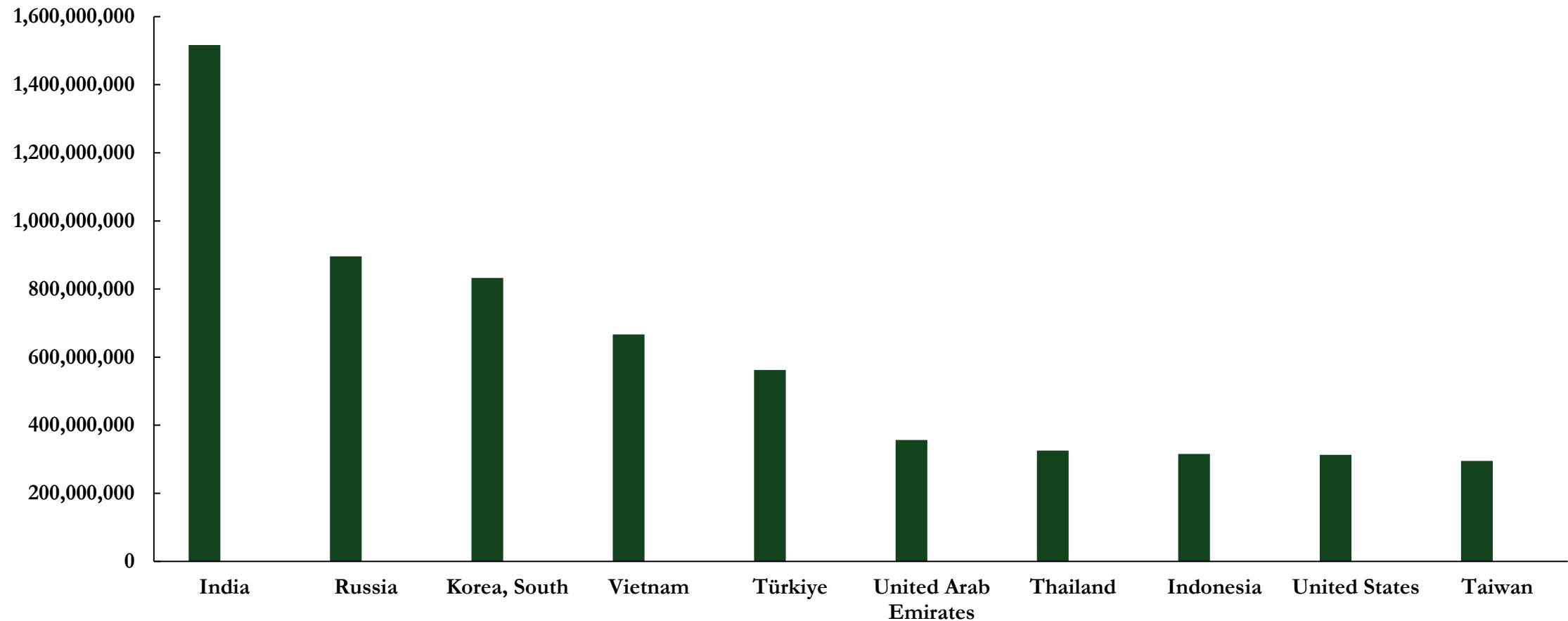
- Tariffs being levied on China by multiple other countries
- A four times increase in anti-dumping cases against Chinese steel YoY
- Chinese Economic Slowdown
- The Bai Lin Movement in Chinese Youth

China Macro News

GDP Breakdown



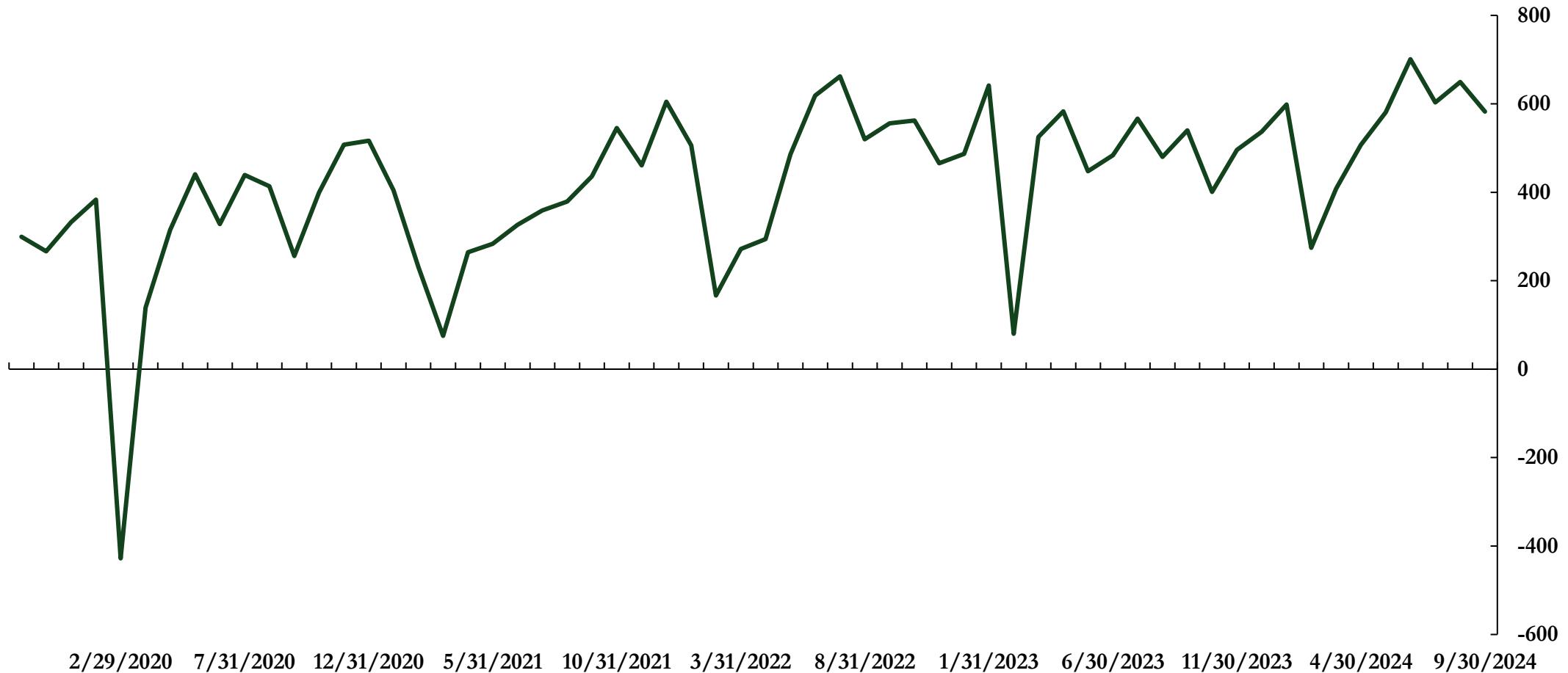
Top Importers of Chinese Stainless Steel (USD)



Chinese Foreign Trade

- China's steel exports will soon hit an 8-year high before tariffs drag down industry
- China's cheap steel makes competitors think it is unfair competition leading to higher tariffs
 - Brazil: 25% tariff
 - Canada: 25% surtax
- China's steel exports will reach 109 million tons this year, before declining to 96 million tons in 2025

Chinese Trade Balance (Yuan)



Chinese Steel Use Breakdown

- China's domestic demand will be less than half of global demand
- China's Production fell 5.4% in September
- Beijing investigating steel mills

Sector	2010 (%)	2023 (%)
Machinery	20	30
Infrastructure	13	17
Building construction	42	24
Transport	12	9
Durable goods	7	8
Other	6	12

China's Housing Crisis

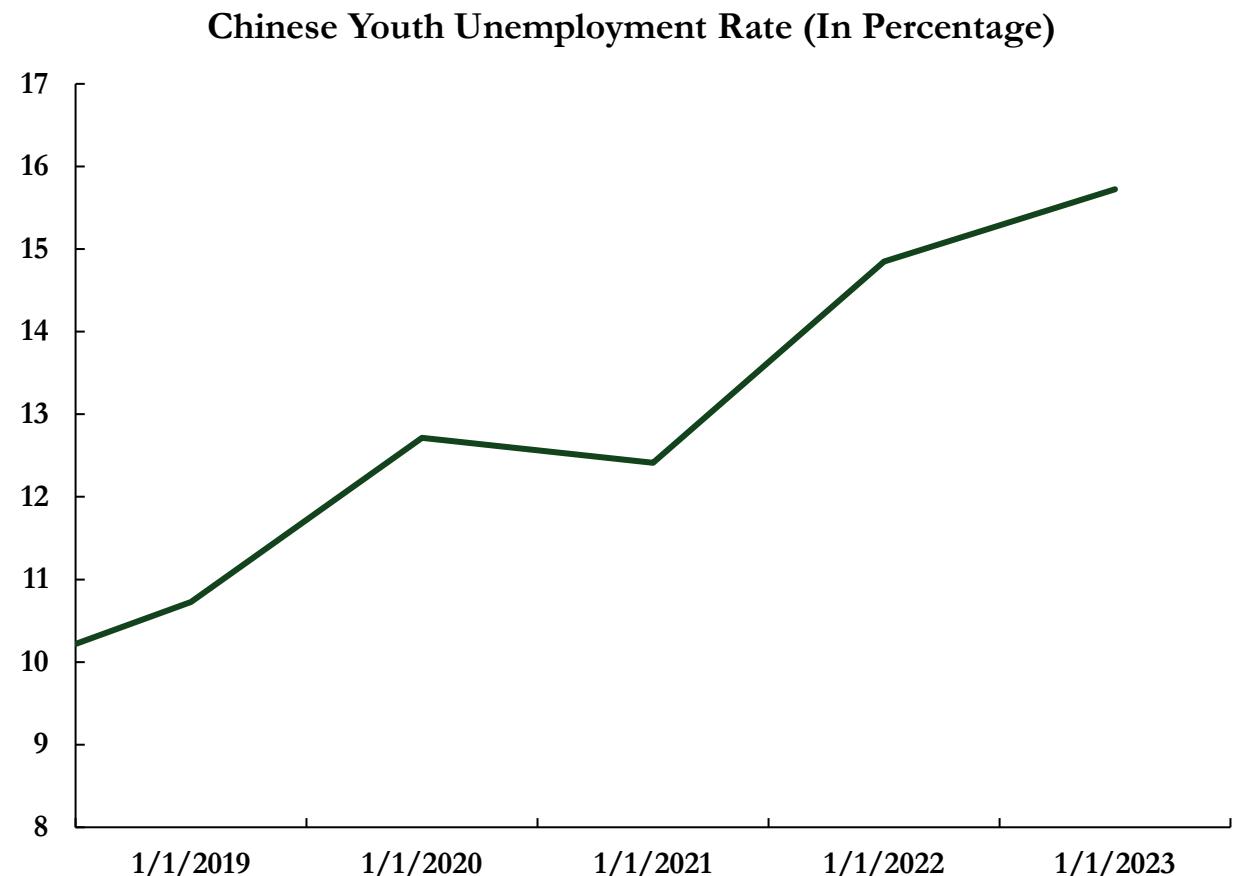
- Started in 2021 because of various Chinese property developers defaulting
- Local governments to buy back unused housing from developers to convert them into affordable housing
- Stimulus was given by the Chinese Central Bank of \$169.81 billion
- The reserve requirement was cut 50 bps
- 50 basis point cut on interest rates on mortgages and lowered minimum downpayment by 15%
- Further action by the Chinese communist party is possible

Chinese Manufacturing

- Manufacturing Purchasing Manager's Index (PMI) indicates the direction of economic trends in manufacturing
 - Based on monthly survey of supply chain managers across 19 industries
- Industry suffering largely due to population aging and shift towards services
- Currently at 49.3 (September) and was at 50.4 in August
 - > 50 indicates growth, < 50 indicates contraction

The Bai Lan Movement

- Translates to “let it rot”
- Prolific in younger Chinese citizens
- 996 work schedule – 9am to 9pm, 6 days a week
- Fueled by economic uncertainty revealed in 2020
- The death of the private tutoring sector



Chinese Foreign Policy

China's Economic Strategy

- China is one of the largest exporters in the world
- Top exports are:
 - Broadcasting equipment
 - Integrated circuits
 - Computers
 - Office machine parts
 - Semiconductor devices
- Top export destinations are:
 - United States
 - Japan
 - Germany
 - South Korea

China's Currency Peg

- A currency peg is a monetary policy that keeps the value of a currency low compared to other countries
- The Chinese yuan has had a currency peg since 1997
- To keep exports competitive, the target exchange rate is 1USD/7YUAN
- Was pegged to the dollar up until 2005
- It has managed its currency against a basket of currencies with weightings determined by levels of trading with its foreign partners

China's Currency Peg

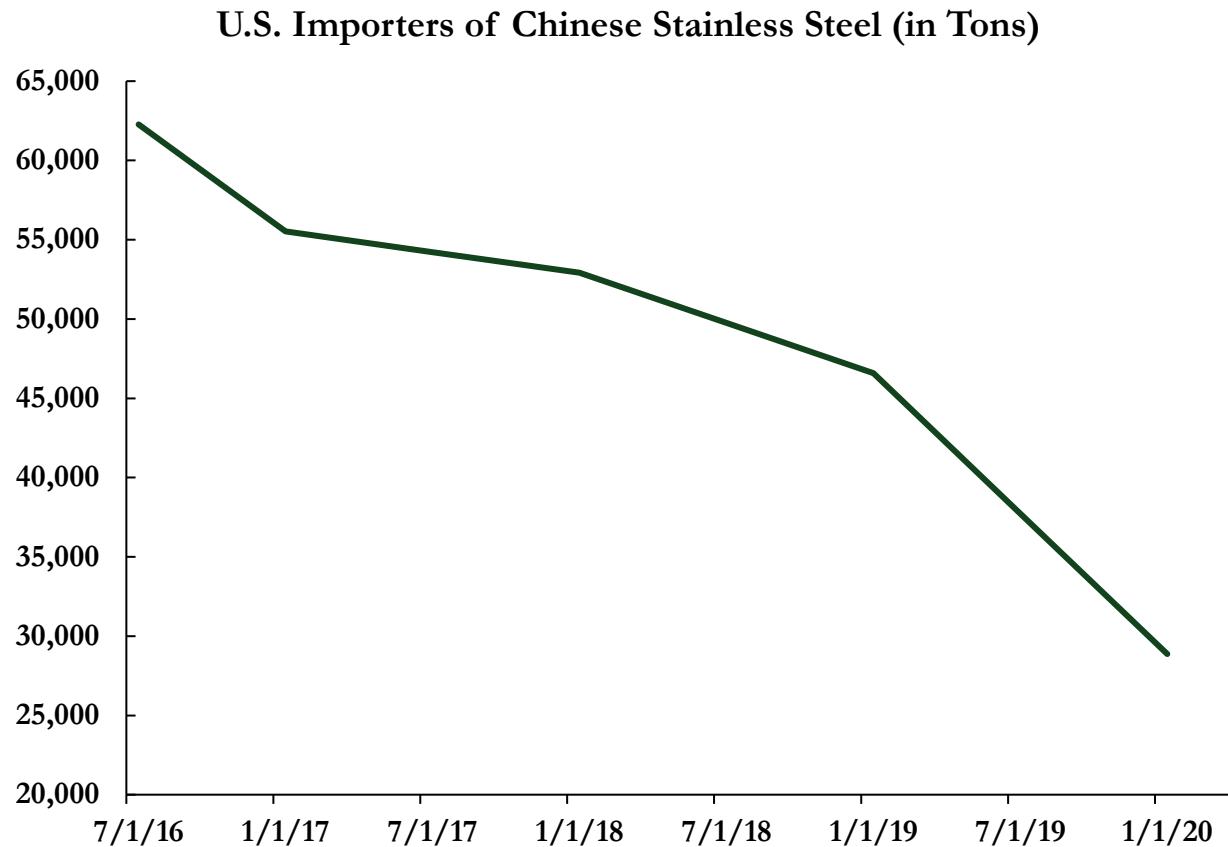
- This approach keeps the value of the yuan low compared to other countries
- Chinese exports are cheaper and, therefore, more attractive compared to those of other nations
- Exports are a major driver of any economy because they represent money flowing into a nation
- By exporting more goods, China's economy thrives

Current Global Events

2024 Election

Donald Trump

- Imposed tariffs on Chinese goods, including steel, during his presidency and will do it again if reelected
- Big focus on domestic production

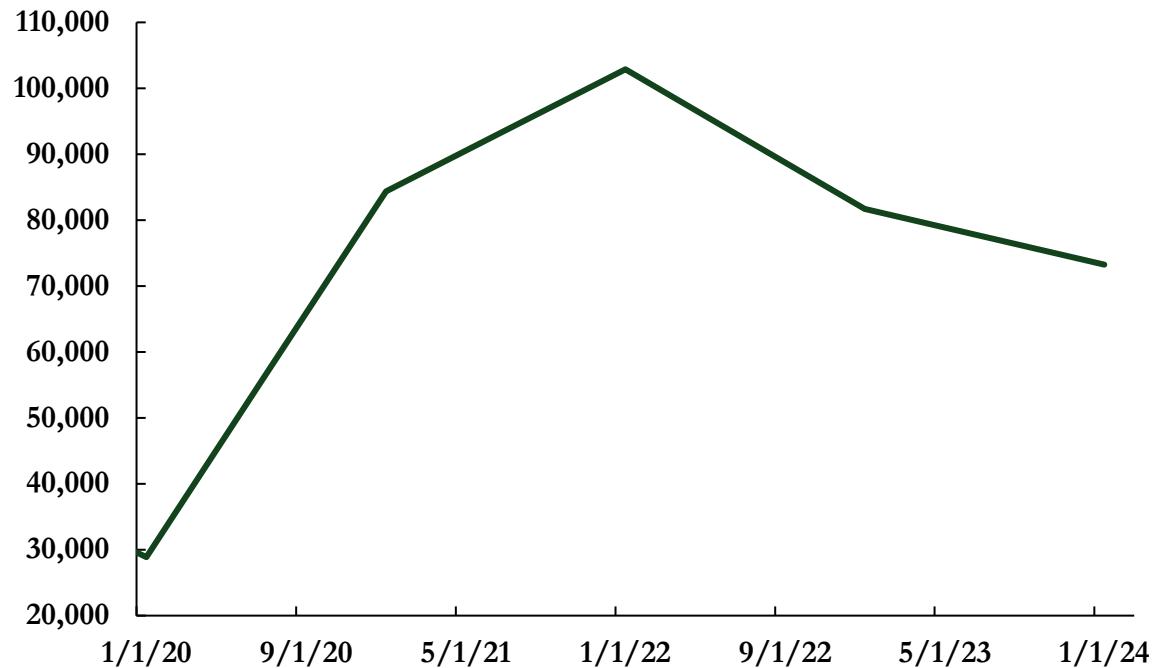


2024 Election Continued

Kamala Harris

- Likely continue Biden Administration tariffs, but more flexible with them
- Focus on environmentalism: steel production has a huge carbon footprint

U.S. Importers of Chinese Stainless Steel (in Tons)



BRICS

- Goal – come together to economically challenge G7 – U.S. + western allies
- Coalition of countries: Brazil, Russia, India, China, South America, Egypt, Ethiopia, Iran, United Arab Emirates, Saudi Arabia
- Notable stats:
 - 13 Countries added to BRICS Plus
 - Countries within BRICS account 36% on global GDP
 - Members of BRICS make up 47% of the global population
 - GDP growth of BRICS members is projected to be 4%, the G7's projected is 1.7%

BRICS – Kazan Summit 2024

- October 22nd-24th in Russia, 36 countries attending
- During the summit all the BRICS nations officially adopted the Kazan declaration
- Peace talks between China and India to decrease tensions over boarders
- Emphasis on using local currencies between members and not USD
- First BRICS summit to include both the old members and new members of BRICS

BRICS Top 3 Economies

Brazil

- Their current inflation rate is 4.42%
- The GDP increased to \$2.17 trillion in 2023
- In 2023 nearly 57% of steel imports were from China
- Brazil has implemented quotas and increased taxes on imported steel

Russia

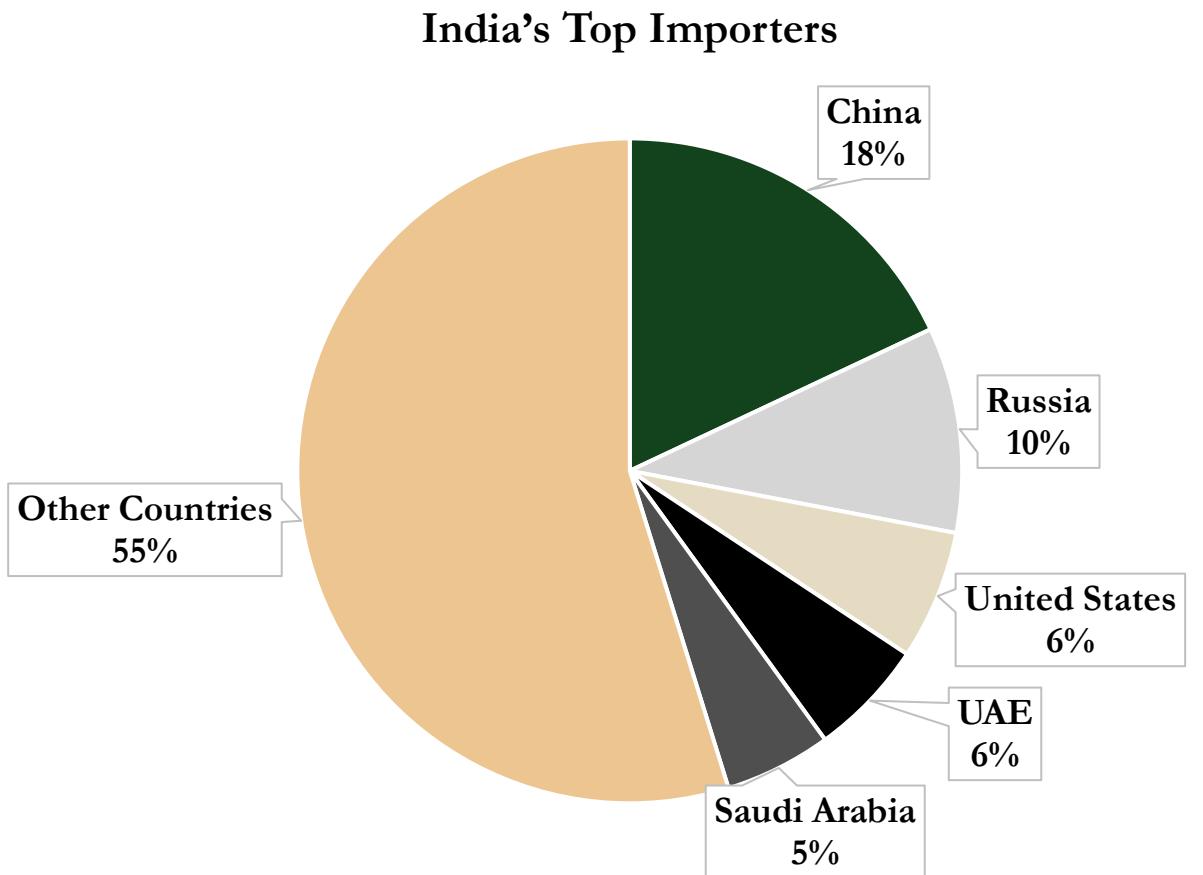
- Their CPI dropped to 8.6% in September
- The GDP decreased to \$2.02 trillion in 2023
- Western sanctions on Russia has pushed them closer with China
- Raw material shortage from Russia and Ukraine

India

- India's CPI rose to 5.49% in September
- The GDP increased to \$3.73 trillion in 2023
- India will impose anti dumping tariffs ranging from 12 per cent to 30 per cent
- Cheap Chinese stainless steel has put pressure on Indian steel manufactures

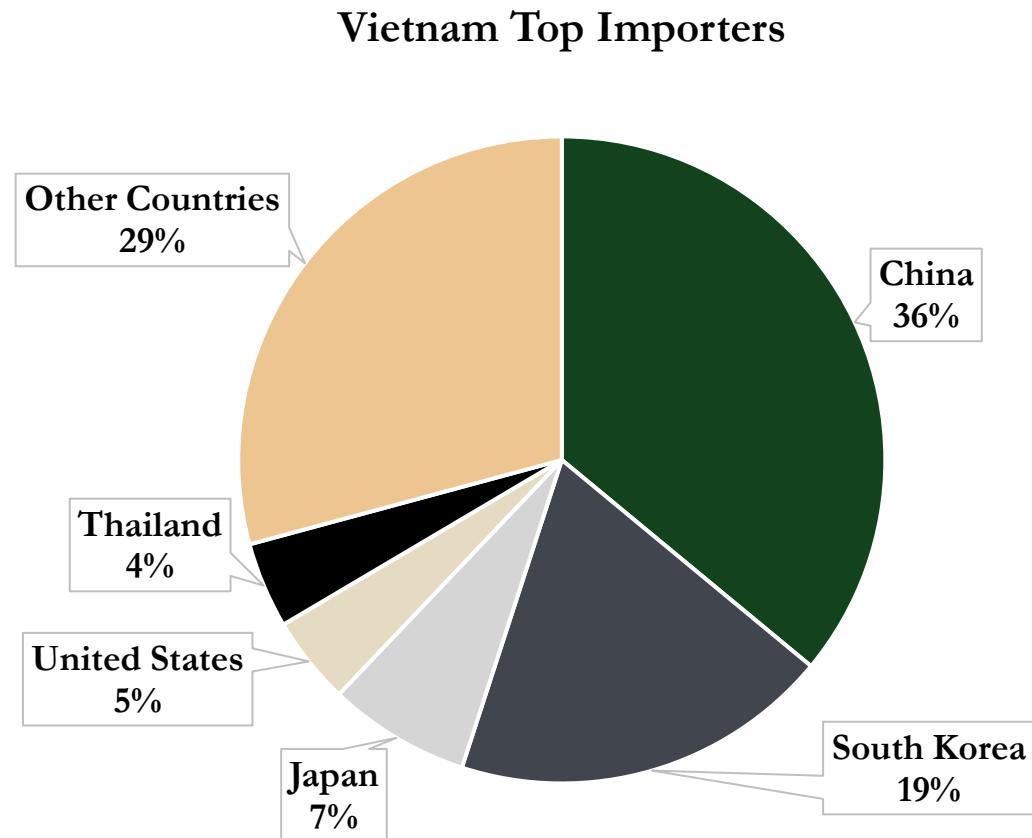
India and China's Relationship

- India will impose anti dumping tariffs ranging from 12 % to 30 %
- India is trying to safeguard and boost their local steel industry
- India has a high demand for steel
- India is currently China's top exporter of stainless steel



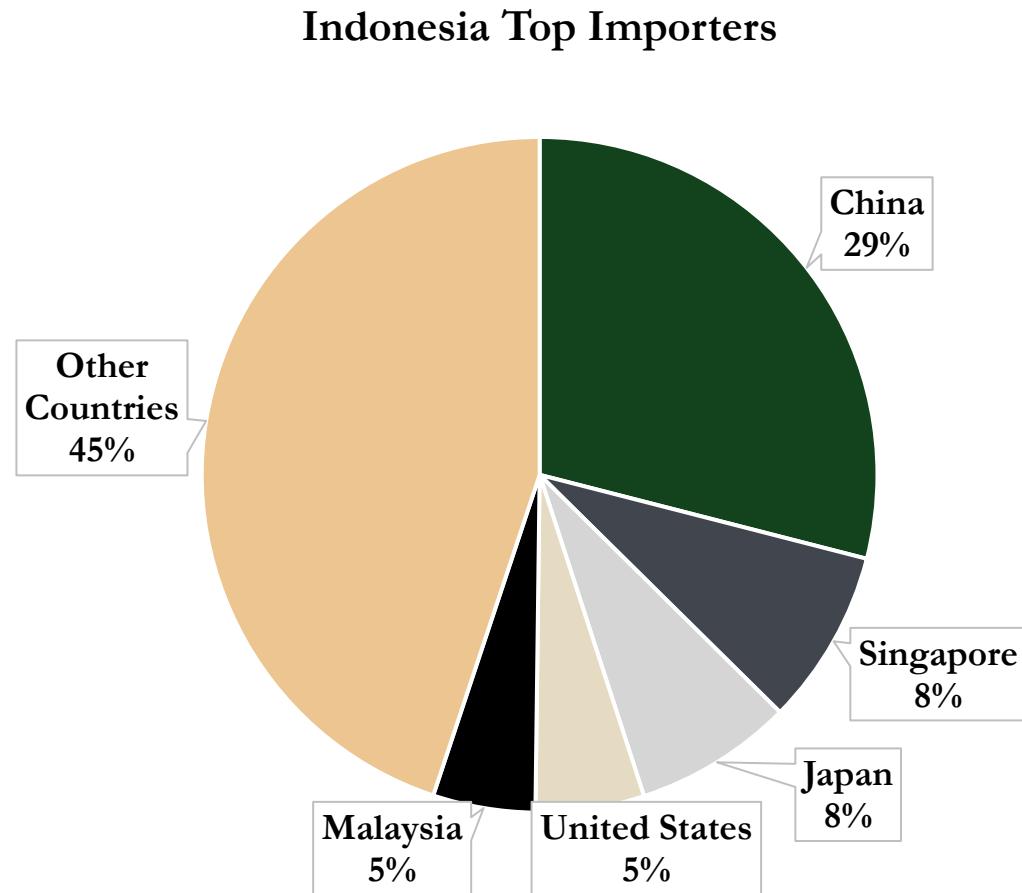
Vietnam and China's Relationship

- Vietnam will impose anti dumping tariffs of between 4.43% and 25.22%
- Imported Chinese steel is flooding the Vietnam domestic market
- Vietnam currently has extensive infrastructure projects
- Vietnam is currently China's second top exporter of stainless steel



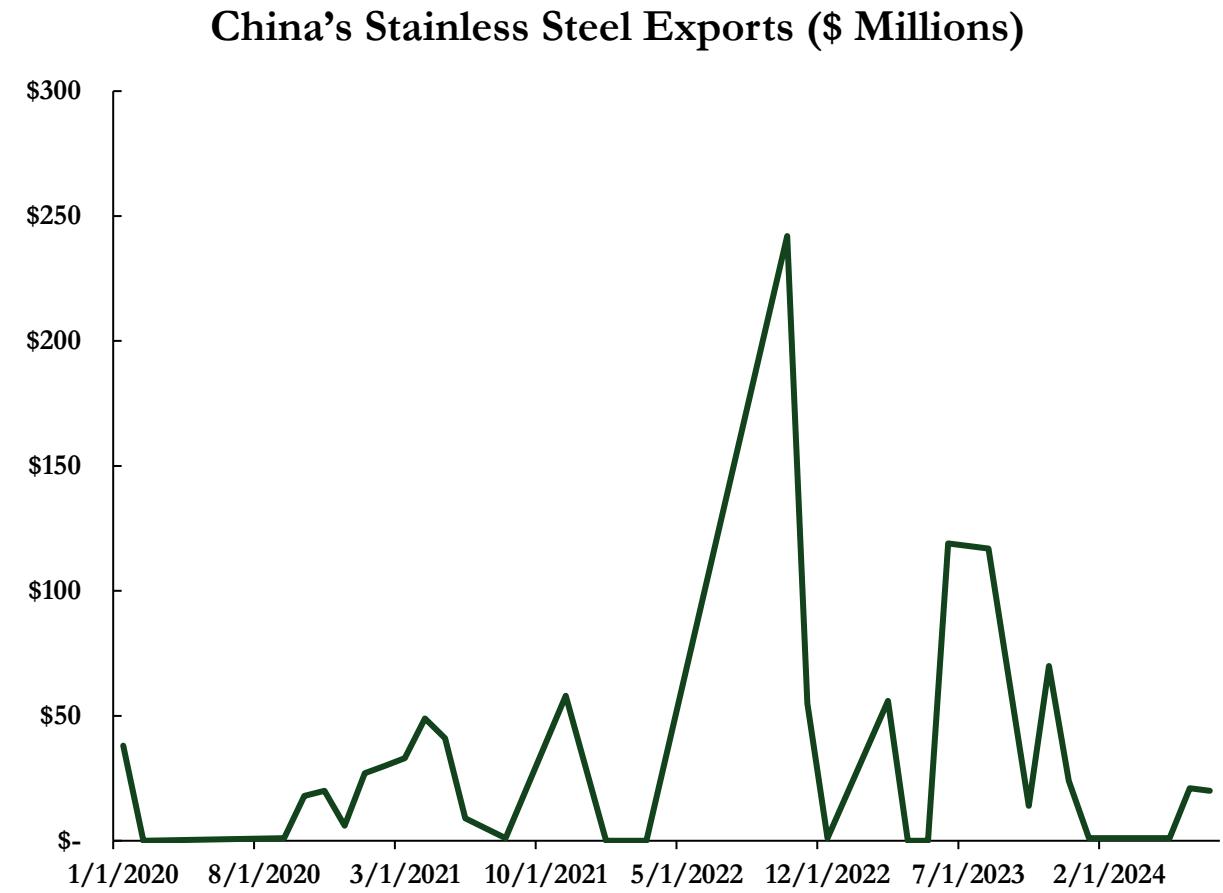
Indonesia and China's Relationship

- Indonesia extended anti dumping import tariffs of up to 20%
- Steelmakers blame imports from China for plummeting sales
- Imports of stainless steel have flooded the domestic market
- Indonesia is currently China's seventh top exporter of stainless steel



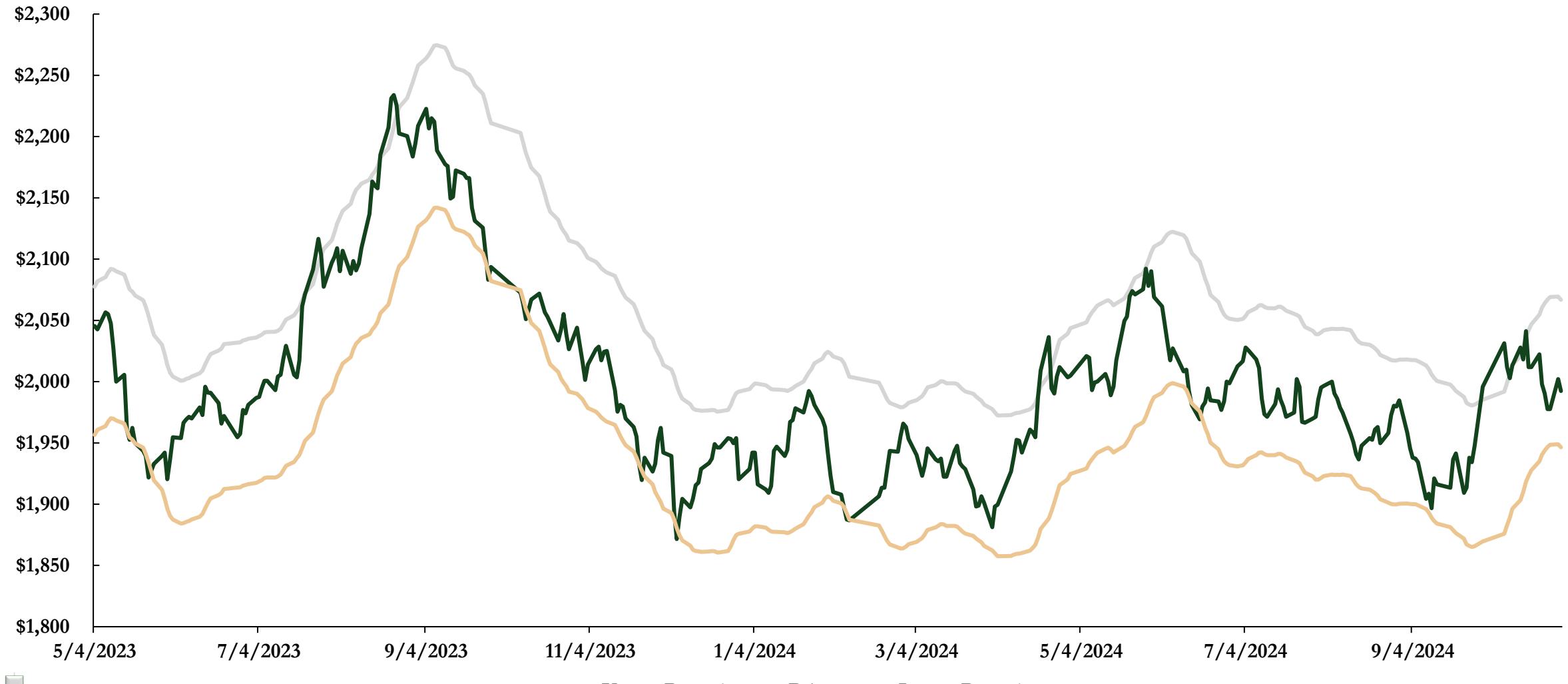
Ukraine-Russian War

- The war has brought Russia and China closer together economically
- Increased demand for stainless steel from China
- Raw material shortage from Russia and Ukraine
- Increased energy cost

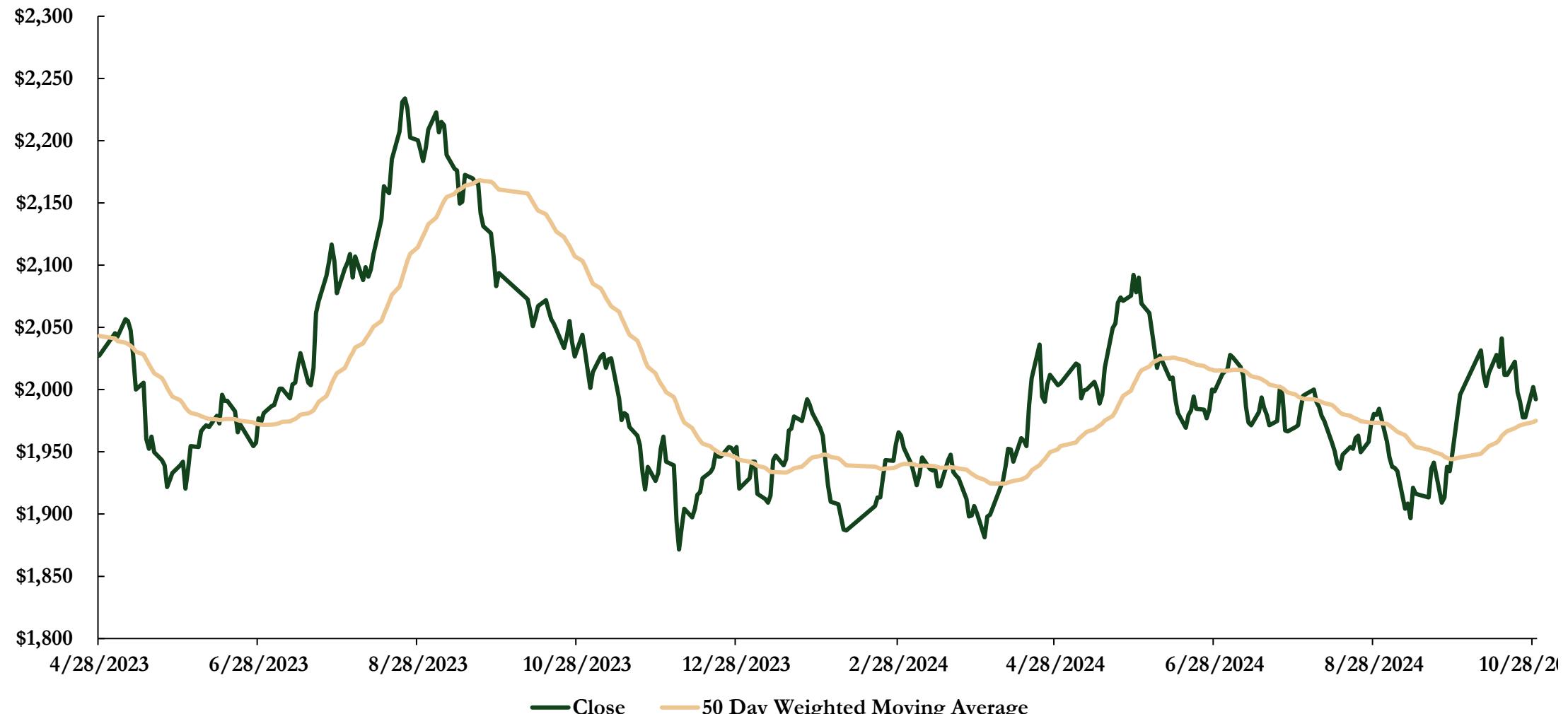


Technical Indicators

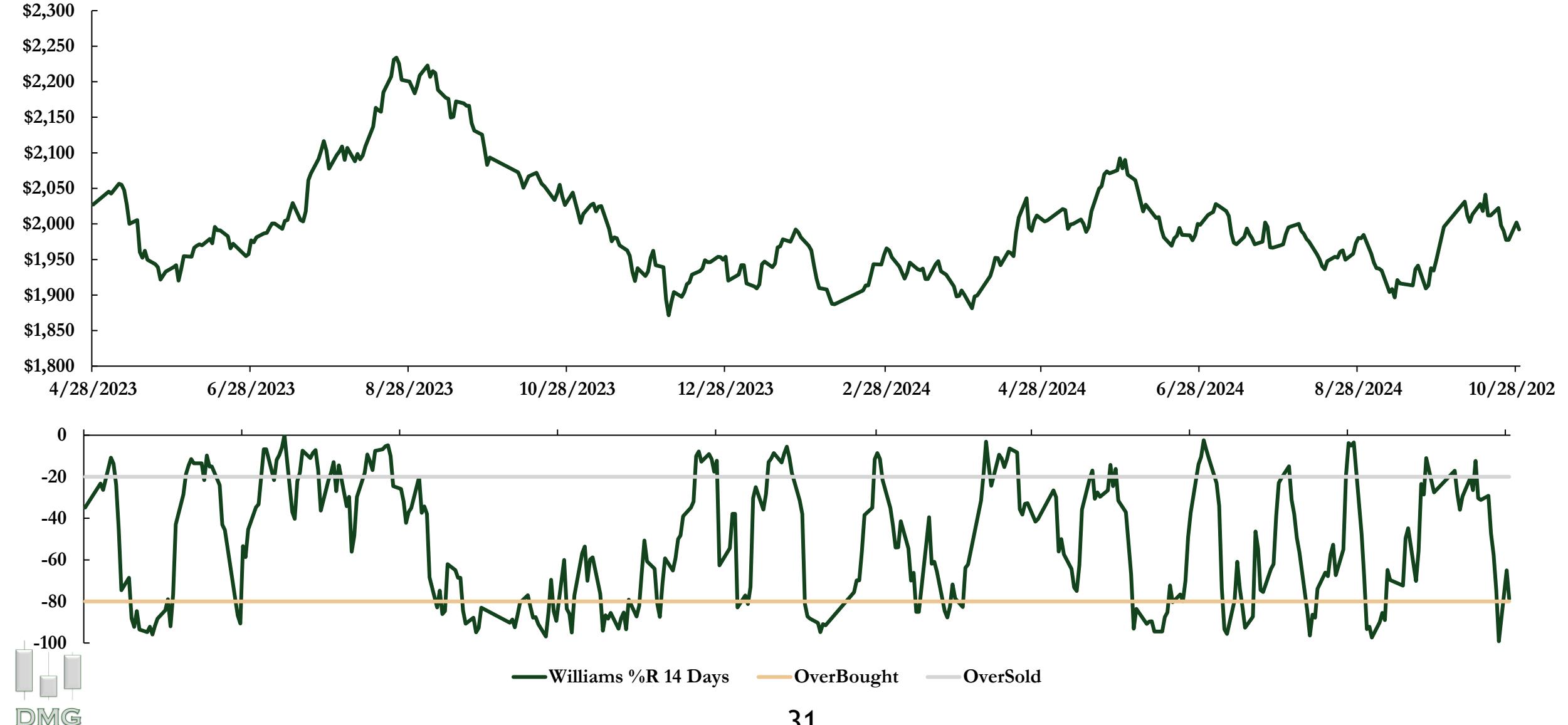
Bollinger Bands



Weighted Moving Average



William %R Oscillator



Position Overview

Commodity Futures

- Futures contracts are exchange-traded agreements between parties to have a sale of an underlying asset at an agreed-upon price and date
- These are used for hedging and speculation of commodities
- The buyer of the contract is taking on the obligation to buy the commodity when the futures contract expires
- The seller of the futures contract is taking on the obligation to provide the commodity at the expiration date
- Seller's must deal with storage costs
- Commodities are food goods, metals, minerals, and energy produce

Chinese Stainless Steel Position

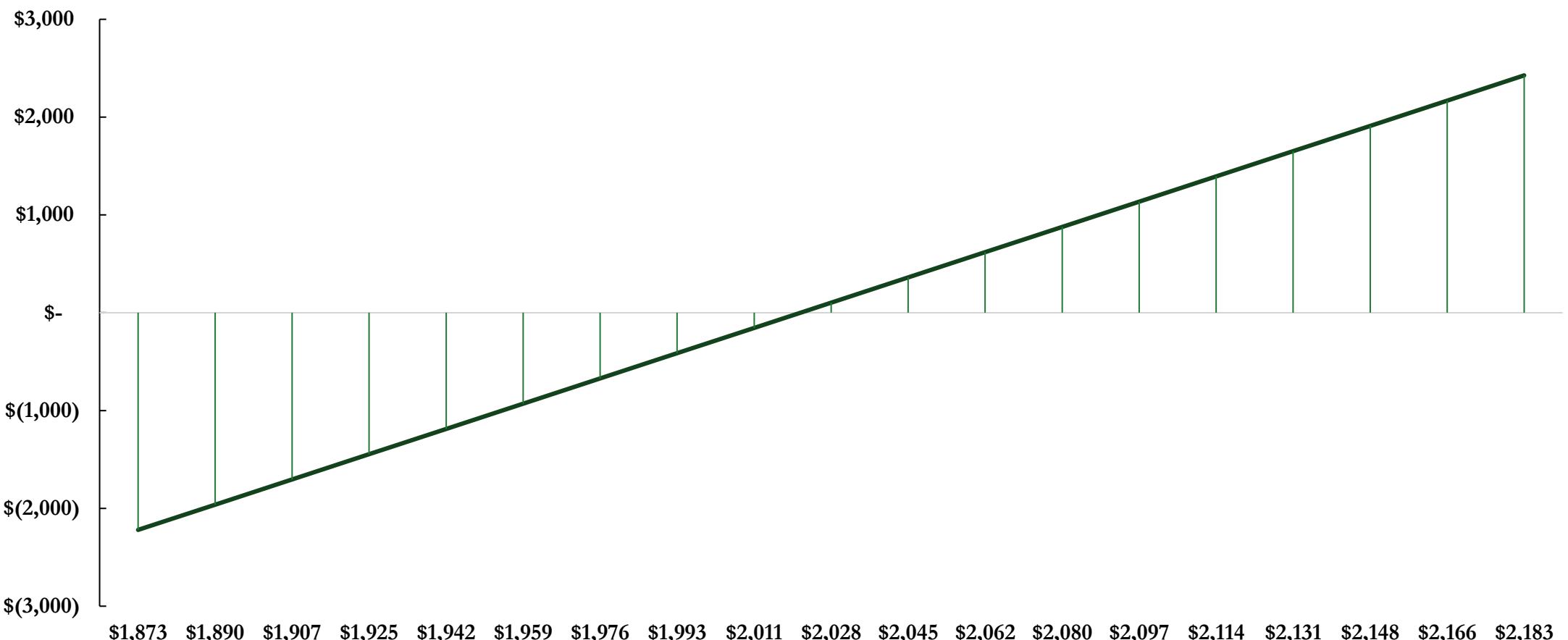
ZST10 – Chinese Stainless Steel

- Available only on the Shanghai Exchange
- Number of contracts - 3
- Contract Unit – 5 metric tons
 - Priced in dollars per metric ton
- Price Per Metric Ton – \$2,021.00
- Total Position Value – \$30,315

Market Contract Information

- Open Interest – 52
- Total Volume – 7
- YTD Price: - **-0.138%**

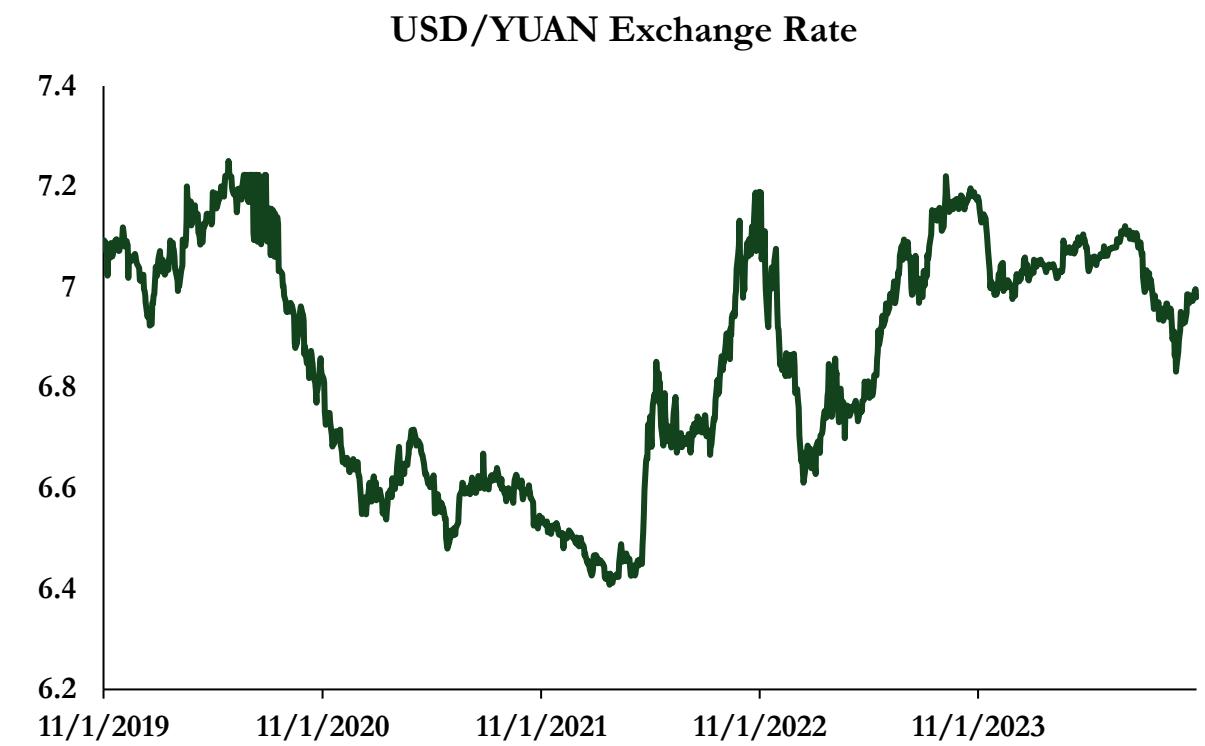
Position Profit & Loss



Hedging Currency Risk

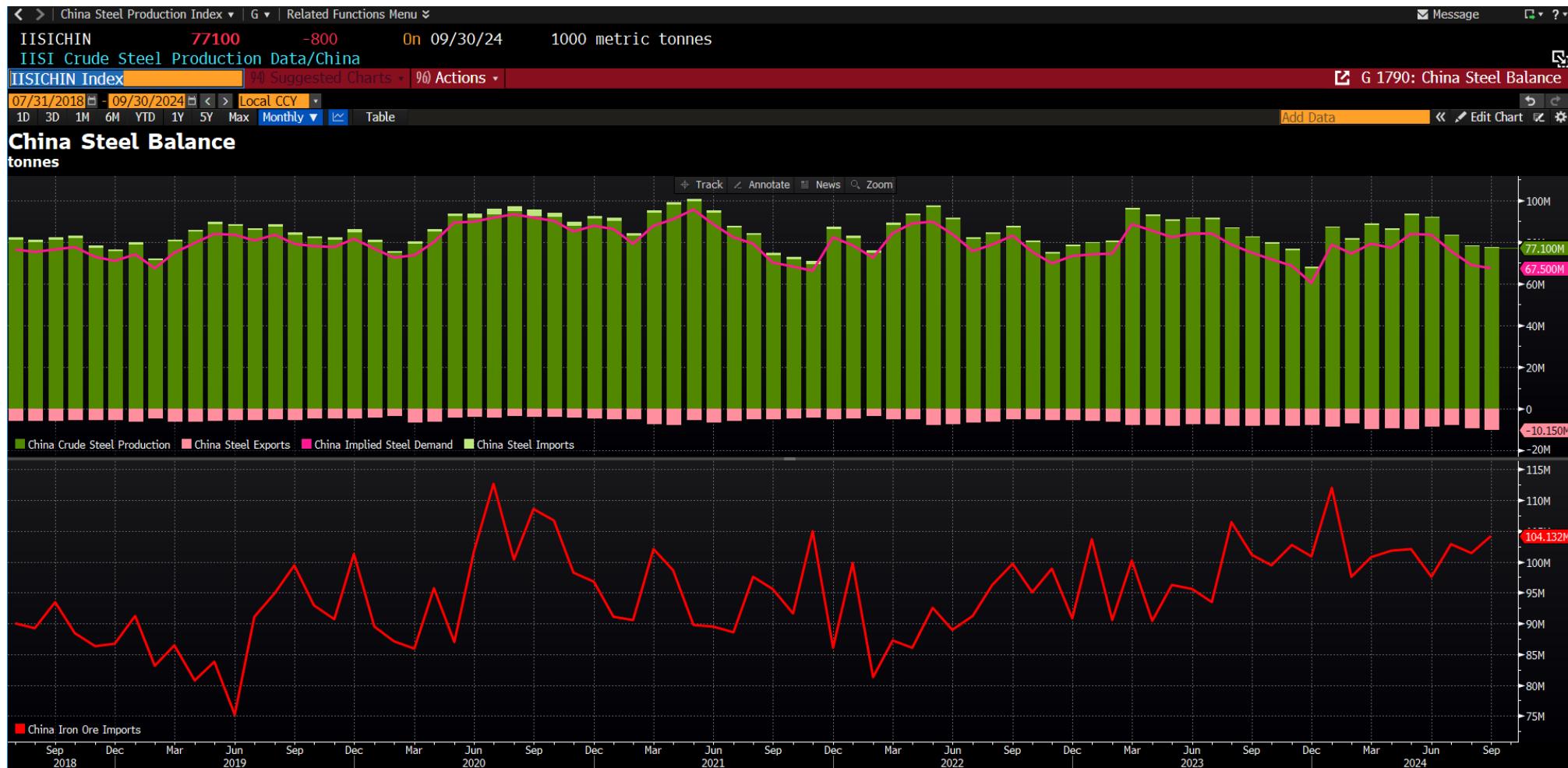
CCN+9M – Forward

- Number of contracts – 30,938
- At a futures price of 6.979 USD to YUAN exchange rate
- This will allow us to lock our exchange rate so avoid currency risk when we receive YUAN



Appendix

China Crude Steel Production



Open Interest and Volume



Commodity Curve Analysis

Generic 10th 'ZST' futur Comdty | CCRV | Related Functions Menu

ZST10 14430 -20 13885 / 14850 1x1 Prev 14450
At 9:09d Vol 1 0p 14430 Hi 14430 Lo 14430 OpenInt 52

ZST10 Comdty Actions Export Commodity Curve Analysis

Live 1D 1W 1M 6M 1Y 5Y Custom Historical Spot View Chart Add Curve Curves/Dates

China Stainless Steel CRC CNY/MT Physical Future : Fair Value : Liv..

Tenor	Ticker	Period	Fair Value
1M	ZSTX4 COMB Comdty	11/2024	13620
2M	ZSTZ4 COMB Comdty	12/2024	13590
3M	ZSTF5 COMB Comdty	01/2025	13705
4M	ZSTG5 COMB Comdty	02/2025	13815
5M	ZSTH5 COMB Comdty	03/2025	13965
6M	ZSTJ5 COMB Comdty	04/2025	14075
7M	ZSTK5 COMB Comdty	05/2025	14095
8M	ZSTM5 COMB Comdty	06/2025	14200
9M	ZSTN5 COMB Comdty	07/2025	14325
10M	ZSTQ5 COMB Comdty	08/2025	14385
11M	ZSTU5 COMB Comdty	09/2025	14430
1Y	ZSTV5 COMB Comdty	10/2025	14555

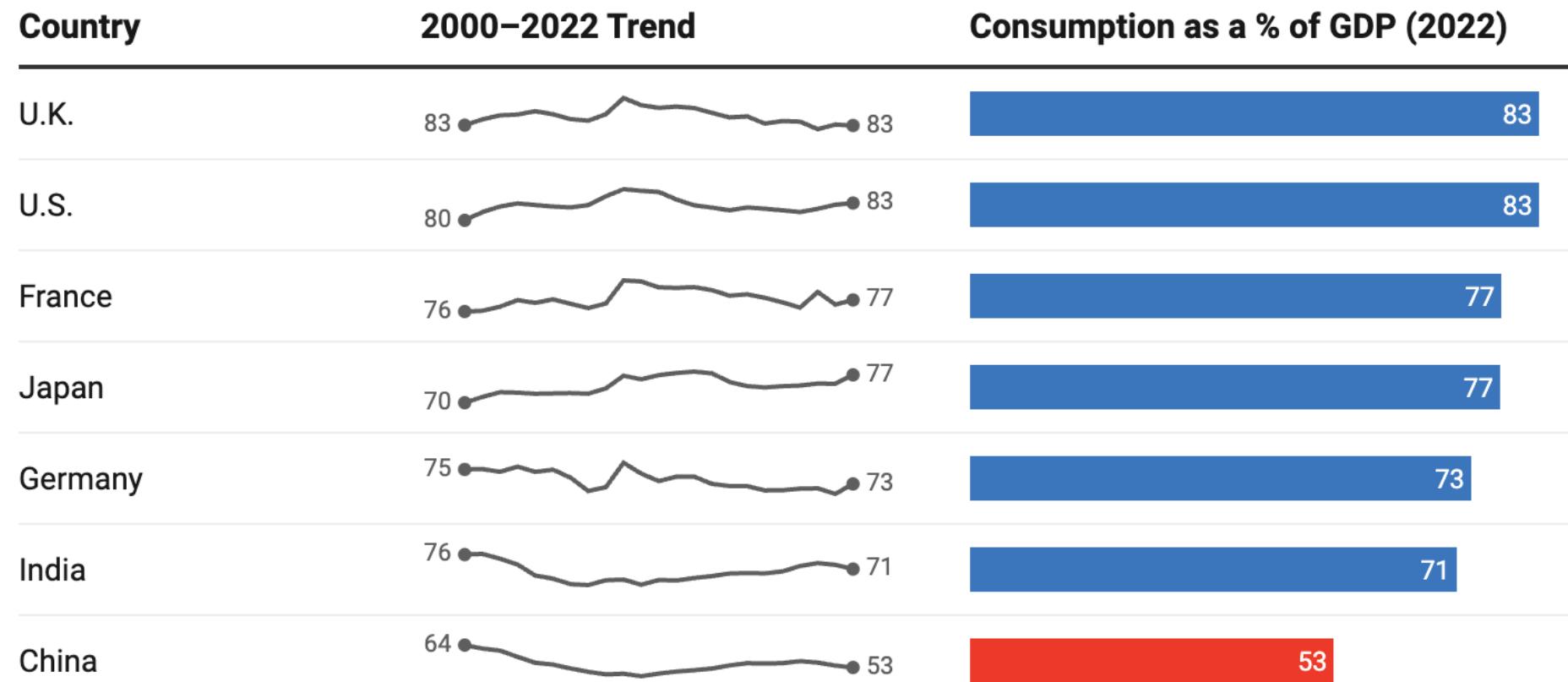
Commodity Curve Analysis



Price Line Chart



Consumption of as a Percentage of GDP²²²



Source: CSIS China Power Project; World Bank

The Shanghai Exchange

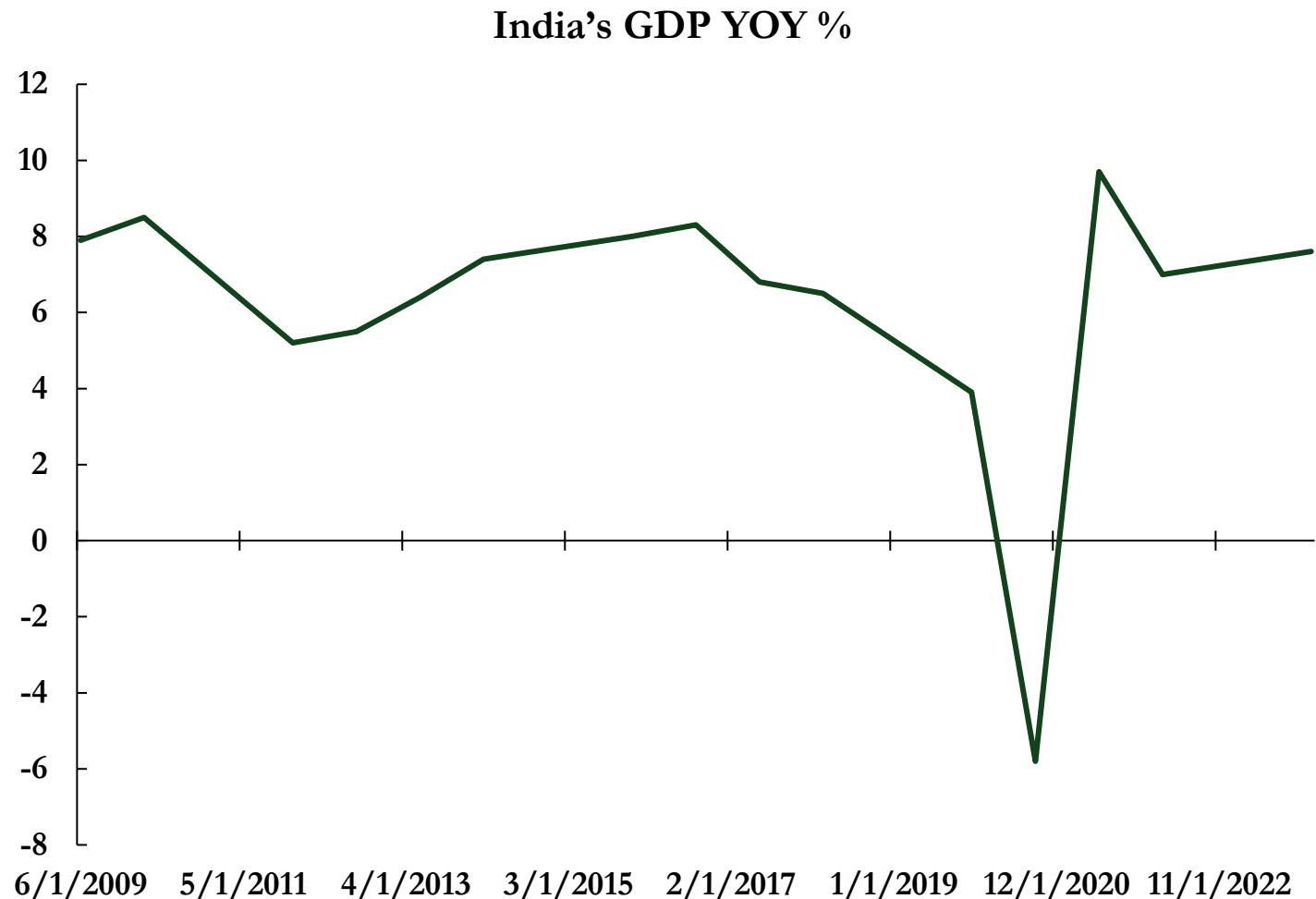
- Originated in 1891, closed in 1941, it was reestablished in 1990
- 4th largest exchange by market capitalization: \$6.41 Trillion
- Foreign investors are required to follow the QFII/RQFII programs
- To qualify you must be an institutional trader
- Have \$500 million of assets under management
- Register with the state administration of Foreign Exchange to convert foreign currency
- Regular reports regarding investment activities, fund performance, and compliance

Types of Steel Produced in China

- Flat (coils, other flat products)
- Long (bars, wires, tubes)
- Stainless
- Galvanized
- Hot-rolled
- Cold-rolled

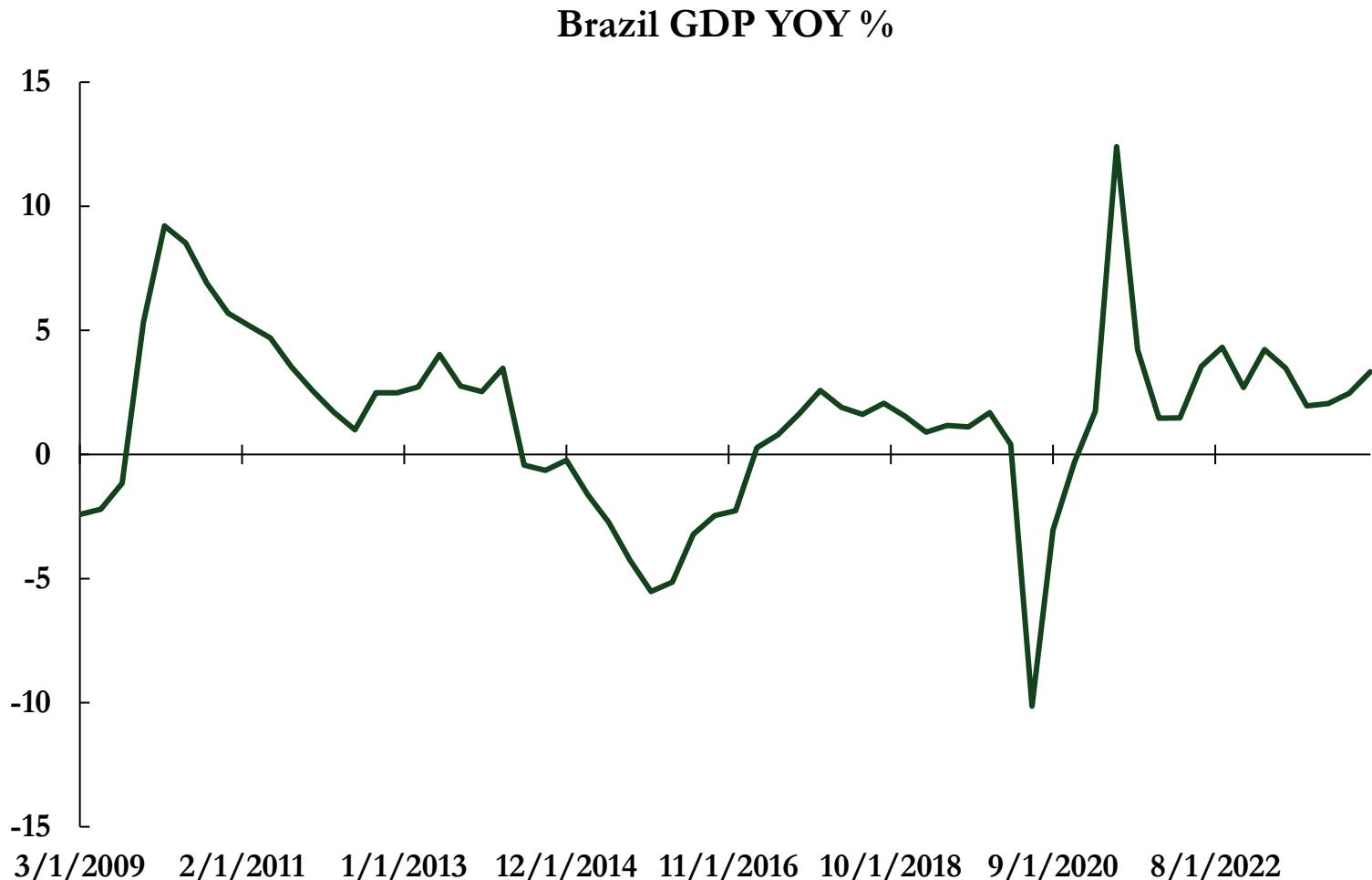
India's Economy

- India's CPI rose to 5.49% in September
- Unemployment rate was at 7.8% in september
- Exports have increased by 0.5% from the previous year to \$34.6 billion
- Imports have increased by 1.6% from the previous year to \$55.4 billion



Brazil's Economy

- Brazil has an unemployment rate of 6.7%
- Their current inflation rate is 4.42%
- Imports are up 13% to \$24.25 Billion
- Exports are down 6.5% to \$29.08 Billion



Russia's Economy

- Russia's unemployment rate is 2.6%
- Their CPI rose to 8.6% in September
- Imports have increased to \$25,194 million
- Exports have decreased to \$33,692 Million

