

China Coal Daily

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China thermal coal import price hikes seen slowing

China's thermal coal importers were hesitant to accept further price rises this week, after they booked significant volumes for the winter in the past few weeks. They also see a risk of import price weakening in the wake of slowing Chinese intake in the next few weeks.

This saw prices for Australian material ease, as products still face 40-60 days of waiting periods at Chinese ports, while for Indonesian material, prices remained firm, but cautious sentiment among Chinese buyers was seen growing.

High-ash Australian material was estimated at \$65.2/t CFR today, basis 5,500 kc NAR, down from \$65.5/t CFR in the previous two days, but still higher compared with \$64.42/t CFR last Friday. The price level represents an increase of \$2.55/t from \$62.65/t CFR at end-September.

Low-rank Indonesian cargoes were estimated at approximately \$44.10/t CFR, basis 3,800 kc NAR, up from \$43.16/t CFR last Friday. FOB rates increased by a larger margin to \$35.30/t FOB, from \$34.00/t FOB last week.

This came after a number of sources forecast domestic prices will continue their downward trajectory after the peak demand season in January, as it appears increasingly unlikely that China will impose further import controls in the next few months.

Domestic prices slid further on Friday, with transactions estimated at RMB571/t (\$80.76/t) FOB Qinhuangdao (QHD), basis 5,500 kc NAR, down RMB1/t (\$0.14/t) from yesterday. Lower quality 5,000 kc material dropped by the same amount to RMB500/t (\$70.72/t) FOB.

Since 8 October when the current round of weakness set in, 5,500 kc NAR cargoes have dropped RMB16/t (\$2.26/t) from RMB587/t (\$83.03/t) FOB. Declines for 5,000 kc NAR material were RMB18/t (\$2.55/t), from RMB518/t (\$73.27/t) FOB on 8 October.

The differential for 5,500 kc NAR imports and domestic coal has now narrowed to RMB97/t (\$13.72/t), with domestic material arriving at Guangzhou at a total cost of RMB618/t (\$87.41/t) inclusive of freight, compared with costs for the same quality Australian coal at RMB521/t (\$73.69/t) inclusive of domestic tax. This is down RMB26/t (\$3.68/t) from RMB107/t (\$15.13/t) last week, which already shrank from RMB123/t (\$17.40/t) two weeks ago.

The significant price gap is projected to persist in order for imports to remain competitive on the Chinese market, as supply

Steam coal prices				
	Week ending	11-Oct	18-Oct	25-Oct
QHD FOB markers (\$/t)				
5,000kc NAR		73.09	72.21	70.95
or 4,700kc NAR		68.71	67.87	66.69
5,500kc NAR		82.65	81.78	80.83
5,800kc NAR		89.42	87.99	86.73
or 6,000kc NAR		92.50	91.03	89.72
QHD FOB markers (RMB/t)				
5,000kc NAR		517	510	502
or 4,700kc NAR		486	480	472
5,500kc NAR		585	578	572
5,800kc NAR		632	622	614
or 6,000kc NAR		654	644	635
South China CFR markers (\$/t)				
3,800kc NAR		42.30	43.16	43.93
4,700kc NAR		56.19	57.10	57.55
5,500kc NAR		63.08	64.42	65.68
6,000kc NAR		78.97	79.30	79.10

Note: FOB prices include domestic taxes

Note: CFR prices are exclusive of Chinese taxes

Source: IHS Markit, Xinhua Infolink

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Other regional key FOB prices (\$/t)				
	Oct-18	Sep-19	18-Oct	25-Oct
Steam coal				
Indonesian low rank (3,800kc NAR)*	37.99	32.40	34.31	43.93
Indonesian Sub-Bit (4,700kc NAR)*	53.14	47.13	48.81	57.55
Indonesian Bituminous (5,500kc NAR)	69.58	58.81	59.79	65.68
Australian High Ash (5,500kc NAR)	65.13	48.05	51.02	79.10
Coking coal				
Premium Australian	220.03	140.91	154.97	150.46

*IHS McCloskey Indonesian Sub-Bituminous FOB marker

Note: The Indonesian Sub-Bituminous FOB marker and corresponding South China CFR marker changed to a 4,700 kc NAR basis as of 6 May 2016.

Source: IHS Markit

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Domestic coke (\$/t)				
	Year ago	Month ago	Week ago	25-Oct
Hebei Steel (CIF)	354.38	290.32	289.82	282.69

Note: Coke with 12% ash

Source: IHS Markit/Xinhua Infolink

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under domestic term contracts tends to meet all power plant demand in low demand months, according to market sources. China's coal demand normally starts to ease from February, before seasonal factors bring coastal consumption to less than 0.60 mt/d in May from about 0.80 mt/d in January.

Sentiment in China's mining regions remained weak, but prices were largely steady after the continued cuts in the past few days. Miners said that they saw no sales improvement after the price reductions, meaning further cuts look likely.

In consuming regions, ex-stock prices in Guangzhou dropped RMB10/t (\$1.41/t) to RMB670/t (\$94.77/t), basis 5,500 kc NAR, ending the flatness since mid-August. Prices in Ningbo eased RMB1/t (\$0.14/t) further to RMB617/t (\$87.27/t), same basis.

Stocks at QHD fell to 6.72 mt today, from 6.79 mt yesterday, and vessel queues rose to 25 from 20 yesterday. Vessels scheduled to arrive were also back to ten from five yesterday. Inventories at Huanghua climbed to 2.27 mt yesterday, from 2.22 mt the previous day, and vessel queues grew to 32 from 28 the previous day. The tonnage at Guangzhou in south China rose to 2.59 mt yesterday, from 2.53 mt the previous day.

Inventories at coastal power plants increased to 16.26 mt today, from 16.05 mt yesterday, but still enough for 26 days of consumption. Consumption remained unchanged at 0.63 mt yesterday, same as the previous day.

Domestic seaborne shipping freight rates firmed with the QHD to Guangzhou route in 50,000-60,000 t vessels up RMB1/t (\$0.14/t) to RMB46.7/t (\$6.61/t) yesterday, and costs for QHD to Shanghai in 40,000-50,000 t vessels increasing by the same amount to RMB35.8/t (\$5.06/t).

Chinese spot coke prices weaken

Spot coke prices on China's domestic market turned lower this week, having remained steady for the previous five weeks, as steel companies with healthy stocks controlled their intake, while traders reduced purchases as the outlook for the medium term turned more pessimistic.

In Shanxi's Linfen, coke with 12% ash changed hands at RMB1,800/t (\$254.60/t) ex-cokery on 24 October, while products with 12.5% ash traded at RMB1,700/t (\$240.46/t). Both were down RMB50/t (\$7.07/t) from a week earlier. In Luliang, coke with 13.5% ash was priced at RMB1,600/t (\$226.31/t), off RMB50/t (\$7.07/t) week on week, and in Taiyuan, 12% ash material dropped by the same amount to RMB1,800/t (\$254.60/t).

In major consuming regions, coke with 12.5% ash traded in Hebei's Tangshan at RMB1,860/t (\$263.08/t) CIF, while the same grade traded in Shandong's Rizhao at RMB2,070/t (\$292.79/t). Both declined RMB50/t (\$7.07/t) from a week earlier.

The weaker sentiment comes at a time of continued softness on the coking coal market, with lower sulphur premium material trading in Shanxi's Liulin at RMB1,439/t (\$203.54/t) ex-washery on 23 October, which slipped RMB23/t (\$3.25/t) from a week earlier, and declined RMB90/t (\$12.73/t) from a month earlier.

In Luliang, hard coking coal with 0.7% sulphur eased about RMB20/t (\$2.83/t) to RMB1,380/t (\$195.19/t), while in Linfen, cuts of RMB20-30/t (\$2.83-\$4.24/t) were heard, bringing products with 0.5% sulphur to RMB1,460/t (\$206.51/t).

Coal stocks at ports (mt)				
	Last Year ave	Last Month	Previous day	25-Oct
QHD	6.14	5.74	6.79	6.72
Guangzhou	2.32	2.49	2.59	5.30
18-Oct				
Fangcheng	3.84	7.00	6.45	6.10

Source: IHS Markit

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Freight (\$/t)				
	Year ago	Month ago	Week ago	25-Oct
Domestic				
QHD to Guangzhou	6.74	5.71	5.69	6.11
QHD to Shanghai	5.40	4.41	4.61	5.13
Freights into China				
Indonesia	6.58	8.00	7.56	7.41
Russia	9.00	9.00	9.00	9.00
Australia	11.05	15.19	13.72	13.36

Note: QHD to Shanghai 40-50kt, QHD to GZ 60-70kt

Source: IHS Markit

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Mine-mouth coal stocks (mt)				
	Last Year	Last Month	Week ago	21-Oct
Major mines	14.90	14.78	14.75	14.79

Note: Major Chinese mines, with production sharing around 33% of China's total

Source: China National Coal Association

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Nationwide major power plants (mt)			
	Last Year	Last Month	10-Oct-19
Major power plants	70.96	82.45	88.50
Daily coal consumption	3.76	4.02	3.40
Days of burn	19	21	26

Note: Key power plants refer to those monitored by the State Grid

Source: IHS Markit/Xinhua Infolink

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Six major coastal power groups (mt)					
	Last Year	Last Month	Last week	24-Oct	Daily Change
Inventory	14.16	15.93	15.93	16.26	0.21
Daily coal consumption	0.67	0.66	0.62	0.63	-0.003
Days of burn	21	24	26	26	0

Note: Six coastal power groups include Zhejiang Electric Power, Yudean, Shanghai Electric Power, Huaneng, Guodian and Datang Source: IHS Markit/Xinhua Infolink

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North China ports (mt and number of vessels)						
25-Oct	QHD	Huanghua	Caofeidian	Tangshan	Tot. N.China ports	Daily Change
Stocks	6.72	2.22	4.60	2.02	15.55	(0.16)
Inbound	0.52	0.52	0.18	0.15	1.37	(0.06)
Outbound	0.58	0.59	0.21	0.15	1.54	0.08
Vessel Queue	25	33	7	3	68	7
Vessels Planned*	10	-	6	2	18	(1)

*Planned refers to vessels expected over the next 5 days

Source: Chinese port groups

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Steel prices were lower, with spot HRB400 rebar changing hands in Shanghai at RMB3,600/t (\$509.19/t) on Friday, compared with RMB3,780/t (\$534.65/t) at the end of September. Q235B plate traded at RMB3,710/t (\$524.75/t) today, down from RMB3,780/t (\$534.65/t).

The average operating rate of blast furnaces at 247 major steel mills was 76.77% today, up slightly from 76.54% a week ago, though below 80.14% a year ago. The rate for 230 major independent cokerries hit 74.01% today, off 1.06 percentage points week on week.

Shanxi Sept coal railings up 37% on month, off 6% on year

Shanxi railed 24.25 mt of coal to users outside the province in September, which jumped 37% from 17.70 mt in August, though was off 6% year on year, according to local statistics.

The month on month rise came amid increased purchases by power plants to ensure adequate supplies during the National Day celebrations in early October. Coal railings in January-September amounted to 206.41 mt, which was off 11% from the same period last year.

Shanxi's key state-owned mines railed 23.52 mt in September, growing 40% from 16.85 mt in August, but off 0.7% year on year, with January-September tonnage hitting 195.82 mt, which was down 7% on the year.

Deliveries by private mines were 0.74 mt, off 14% from 0.85 mt in August, and slumping 67% from a year earlier. Deliveries reached 10.61 mt in the first nine months, which dipped 51% from the same period last year.

Railings of steam coal stood at 16.53 mt in September, jumping 60% from 10.35 mt in August, but off 4% year on year. This has

brought railings to 135.07 mt in the first nine months, which was off 13% from the same period last year.

Railings of coking coal steadied month on month, at 3.31 mt, although were up 3% from a year earlier. Railings in the first nine months reached 29.53 mt, which gained 2% year on year.

Hebei, Shandong, Zhejiang, Jiangsu and Guangdong were the top five receiving provinces of coal from Shanxi in September, with their combined receipts hitting 16.71 mt, jumping 39% month on month, and accounting for 69% of Shanxi's total coal railings in the month.

China fixed asset investment in transport climbs 2%

China invested RMB2.29 trillion (\$323.9bn) in transport infrastructure in the first three quarters of this year, which was up 2.2% from the same period last year, the Ministry of Transport (MOT) said.

The year on year growth rate narrowed from a 4.8% rise in the first half, and was below the 4.5% investment growth in all types of infrastructure in the period.

Railway investment hit RMB554.6bn (\$78.44bn) in January-September, decreasing 3.1% year on year. Spending on highways and waterway projects reached RMB1.67 trillion (\$236.21bn), up 1.2% year on year.

Investment is expected to gather pace in the fourth quarter, after the government strengthened incentives in recent months. Last year saw total investment hit RMB3.18 trillion (\$449.78bn), which was up 2.2% year on year.

Daily domestic price estimates

		Last Year	Last Month	Last week	25-Oct	Daily Change
Mine-mouth prices RMB/t						
	NAR					
Shanxi Datong	5,500Kcal/30Vda/15Ad/1.0St	484	446	448	440	(3)
Inner Mongolia Dongsheng	5,200Kcal/35Vda/20Ad/0.6St	365	356	348	345	(1)
Inner Mongolia Ordos	4,500Kcal/29Vda/15Ad/1.2St	225	211	213	212	0
Shaanxi Shenmu	6,000Kcal/30Vda/15Ad/1.0St	432	420	422	409	(1)
Prices at ports (RMB/t)						
	NAR					
QHD (FOB)	5,500Kcal/25Vda/20Ad/1.0St	649	580	575	566	(1)
QHD (FOB)	5,000Kcal/25Vda/20Ad/1.0St	572	509	505	494	(1)
QHD (FOB)	4,500Kcal/25Vda/24Ad/0.8St	507	453	451	443	(1)
Huanghua (FOB)	5,500Kcal/25Vda/16Ad/0.5St	659	590	585	576	(1)
Huanghua (FOB)	5,000Kcal/25Vda/17Ad/0.5St	584	521	517	506	(1)
Huanghua (FOB)	4,500Kcal/25Vda/18Ad/0.6St	513	459	457	449	(1)
Caofeidian	5,500Kcal/25Vda/22Ad/0.8St	653	585	580	571	(1)
Caofeidian	5,000Kcal/25Vda/24Ad/0.8St	578	515	511	500	(1)
Caofeidian	4,500Kcal/25Vda/24Ad/0.8St	508	453	451	443	(1)
Guangzhou	5,500Kcal/28Vda/14Ad/0.6St	750	670	670	670	0
Guangzhou	5,000Kcal/27Vda/21Ad/0.8St	674	579	580	585	0

Note: Inclusive of domestic taxes

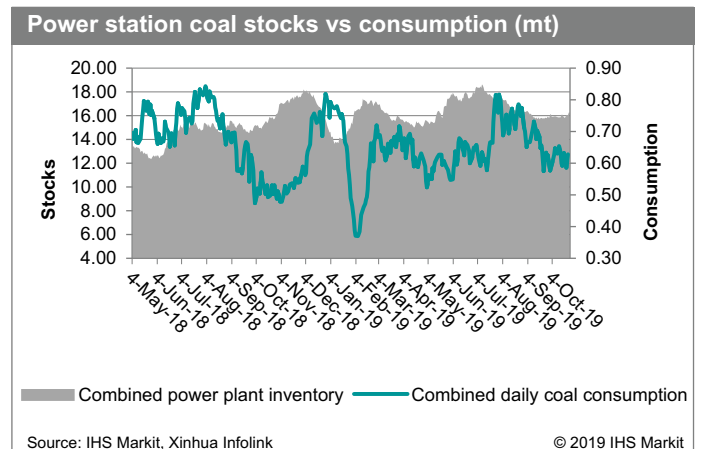
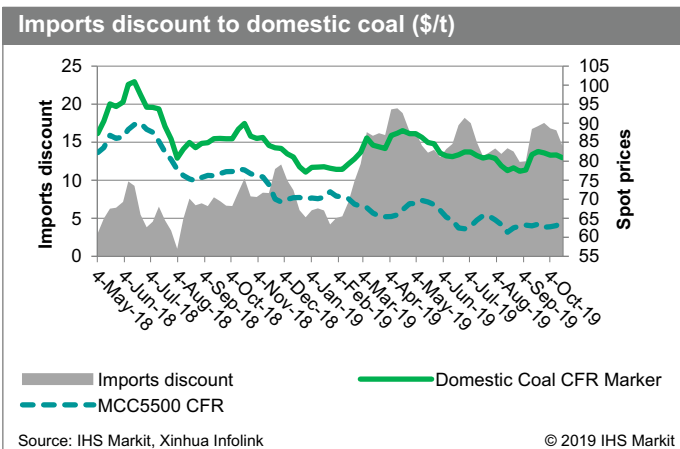
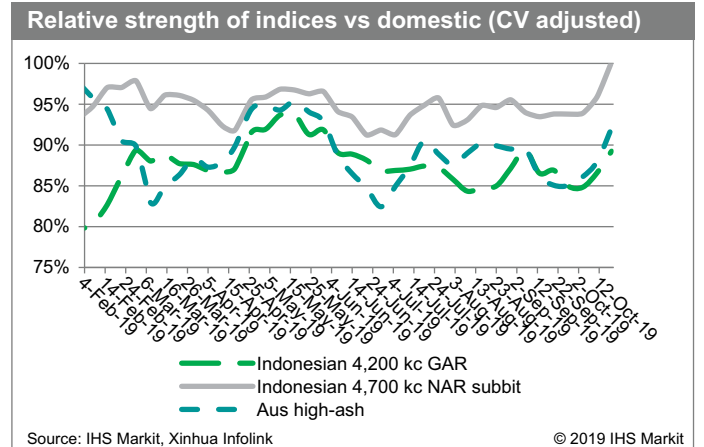
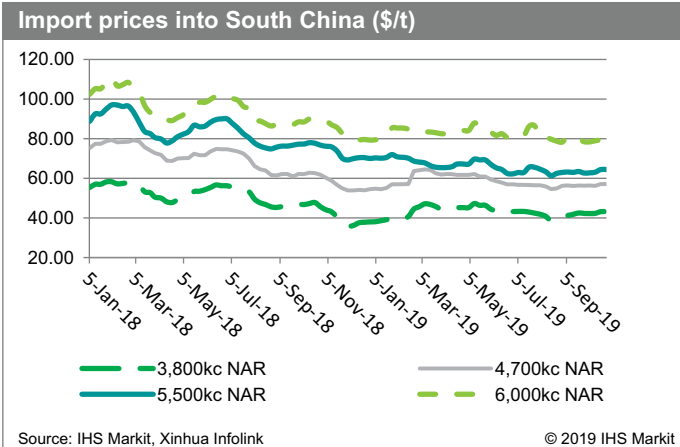
Vda = Volatile matter

Ad = ash

St = sulphur

Source: IHS Markit/Xinhua Infolink

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