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Planner Sunday Journal

August 20th

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Editorial

Steel market fell surprisingly strong last week across the world, with China suffering the most. The downtrend in steel products prices strengthened when the Chinese Central Government emphasized on the continuation of the battle to fight rising commodity prices and iron ore started to sky fall both in physical and futures market. Steel products surely lost the raw materials support as Turkish imported scrap also continued its declining trend, albeit at a lower rate than iron ore. The rise in the index of US Dollar acted as another pressuring factor on steel and commodities prices. But, we shall not forget that the high–demand season is upon us and with new protective policies from China and Russia, we soon might see an undersupply in global steel market.

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Market at a Glance

Item Date	Last Month (Avr)	Last Week (Avr)	August 20th	Change % (MoM)
Iron Ore CFR China	188.97	145.6	129	-46.4
Scrap CFR Turkey	475.7	454.2	452	-5.2
Billet FOB CIS	634.2	610	610	-3.9
Slab FOB CIS	850.22	794	790	-7.6
Rebar FOB Turkey	721.96	703	700	-3.1
HRC FOB CIS	945.04	894	890	-6.2
CRC FOB CIS	1203.6	1085	1050	-14.6

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Macro Economy

USD Index

The dollar index rose 1% to 93.5 in the third week of August, the most in two months and hovered around its highest level since November 2020 benefiting from safety buying as investors fretted that a surge in infections of the Delta variant could derail the global recovery while Federal Reserve officials started discussing a potential reduction in stimulus this year. Meantime, Dallas Fed President Robert Kaplan said on Friday he may need to adjust his view on when the Fed should start tapering its asset-purchase program if the delta variant persists and hurts economic progress. Many market participants now expect the Fed to announce some tapering timeline during the Jackson Hole Symposium next week, after last FOMC meeting showed Fed officials are likely to reduce stimulus this year. In recent data, US jobless claims fell last week for a fourth straight time to a new pandemic low, as employers boosted hiring to meet a surge in consumer demand.

Crude Oil

Oil prices skidded on Thursday for a sixth session, hitting lows not seen since May, as investors pulled back over concerns about weakened global demand as COVID-19 cases climb and on the back of a rise in the U.S. dollar.

The oil market rallied throughout the first half of 2021, but has lost about 15% since early July. The recent wave of coronavirus infections worldwide has sapped global travel and threatens economic activity, just as major oil producers are getting ready to increase supply.

Brent crude lost $1.78, or 2.6%, to settle at $66.45 a barrel, after touching $65.57, the lowest level since May 21. The most-active contract for U.S. West Intermediate (WTI) fell $1.71, or 2.6%, to $63.50 a barrel. It fell earlier to $62.41 a barrel, the lowest level since May 21.

Both benchmarks have declined for six days in a row, their longest losing streak since February 2020.

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Crypto Currencies

Have you known that Monroe (XMR) is one of the most popular cryptocurrencies which focuses on user privacy?

Different currencies have different characteristics, some of them are cheaper in buying and selling, some of them are faster. A remarkable and almost unique feature of Monroe, is its anonymity.

That is true! Thanks to highly advanced cryptography, it is impossible to obtain any information about the sender, receiver and the amount of currency sent to others. For this reason, Monroe has found a unique application as a means of payment on the Dark Web in the face of international sanctions in some countries or economic systems. However, there are also major reasons for having a private form of money that is not illegal.

Monroe History

In 2014, a group of seven manufacturers that make up the Bytecoin block chain introduced a new currency called Bitmonero in 2014 for secure, anonymous trading. The name eventually became Monero, as the word coin in international language.

Of the seven creators who first created Monero, five decided to keep their identities secret. Only two of these developers are known as Ricardo Spagni (original developer) and David Litapai.

Monroe's support team says privacy and security are their top priorities, then ease of use and performance are paramount, no matter how technically competent Monroe is.

In general, the overall goal of making the currency accurate and secure was to allow fast, cheap, and without fear of censorship payments.

Another area that Monroe sought to improve was its scalability. Simply put, scalability only means good network growth in terms of demand.

By definition, blockchain-based cryptocurrencies are limited in size. For example, Bitcoin has a 1 MB block size limit. This means that only 1 MB of data can be placed in each block that is extracted every 10 minutes on the Bitcoin network.

Unfortunately, when many users try to make a transaction using Bitcoin at the same time, the blockchain is filled with data from those transactions. Transactions that cannot be placed in a block will have to wait for an extractor to enter them.

Because miners prefer to consider transactions with the most attached costs, if the network is very busy, they encourage people to increase costs so that the increase in costs includes transactions and trades in these currencies.

This is what happened in the spring of 2017 to the Bitcoin block chain. Some transactions require a fee of more than $ 30 for verification!

But Monroe is different. There is no limit to the preset block size. While this is possible for more transaction data in each block, there is one drawback; The fact is that spam can fill the chain of transactions and create large blocks.

Technical Analysis

As you can see in the price chart, by drawing the price action levels, the range can be seen well, and it seems that the price has come out of the range and has only another weak resistance range to climb.

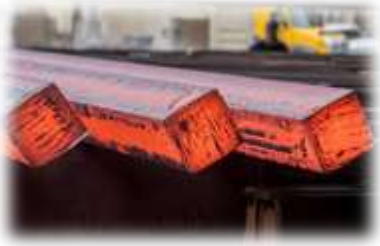
Financial Markets

Technical analysis of Swiss Franc against the Euro (EUR/CHF): According to the price chart in the daily time frame, it is observed that the currency pair has lost a lot of its value in recent days, and with the break of the downward channel and the end of the

pullback to this channel, loss of current support is likely. By falling to lower entering to the sell position is recommended.

Steel

- **Semi-Finished Products**



The Chinese domestic billet market fell significantly last week with Tangshan billet losing more than 200 RMB/Mt over a week to reach 4880 RMB/Mt by late Friday. The profitability of billet producers also plummeted by the same figure. Now, the profit of blast furnace billet producers in China is about 323 RMB/Mt, which is 210 RMB/Mt lower than last week level. The inventory of Tangshan billet rose for 8th consecutive week to reach 820,000 Mt, a number not seen since may, 2020. Participants believe that the fundamentals of billet market are weak and demand in downstream industry would not pick up soon. But, Planner has reasons to believe that we might see some recovery in demand starting from September and inventories might begin to be digested.

As always, Chinese weak market put pressure on other suppliers, namely CIS suppliers. Export offers in Black Sea fell by another 20 USD/Mt to 610 USD/Mt FOB against 630-635 USD/Mt a week earlier. Cheaper scrap and stronger USD also convinced buyers not to rush in purchasing and wait for more correction in the weeks ahead.

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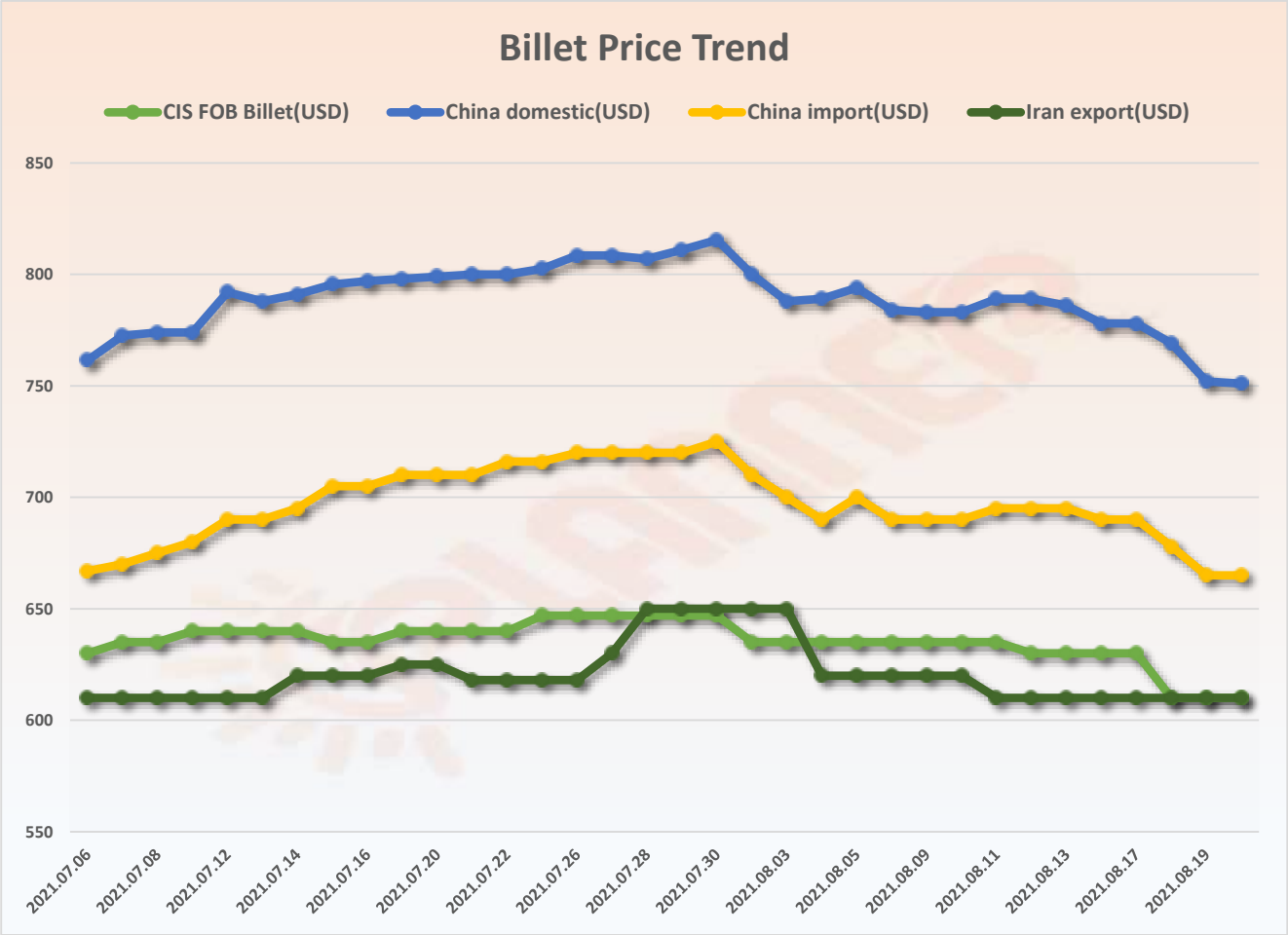
Iranian sellers remained silent in response to the drop of CIS and Chinese prices in hope for a clearer picture next week. Also, there has been a 6-day lock down in Iran since last Tuesday and businesses were somehow on compulsory holidays. Hence, no firm offers were heard from Iranian mills last week.

In slab segment, some suppliers in the CIS started talking 790 USD/Mt with the buyers, but sources have informed Planner that even 770 USD/Mt is quite workable for firm inquiries.



Market Outlook: After committing to cut production this year, China's steel industry is currently facing tremendous pressure and needs to cut production significantly in the second half of the year to offset the massive increase in production earlier this year. It is believed that with rising demand in September and October, and lower supply from China, there is room for an increase in prices as we move towards the end of August.

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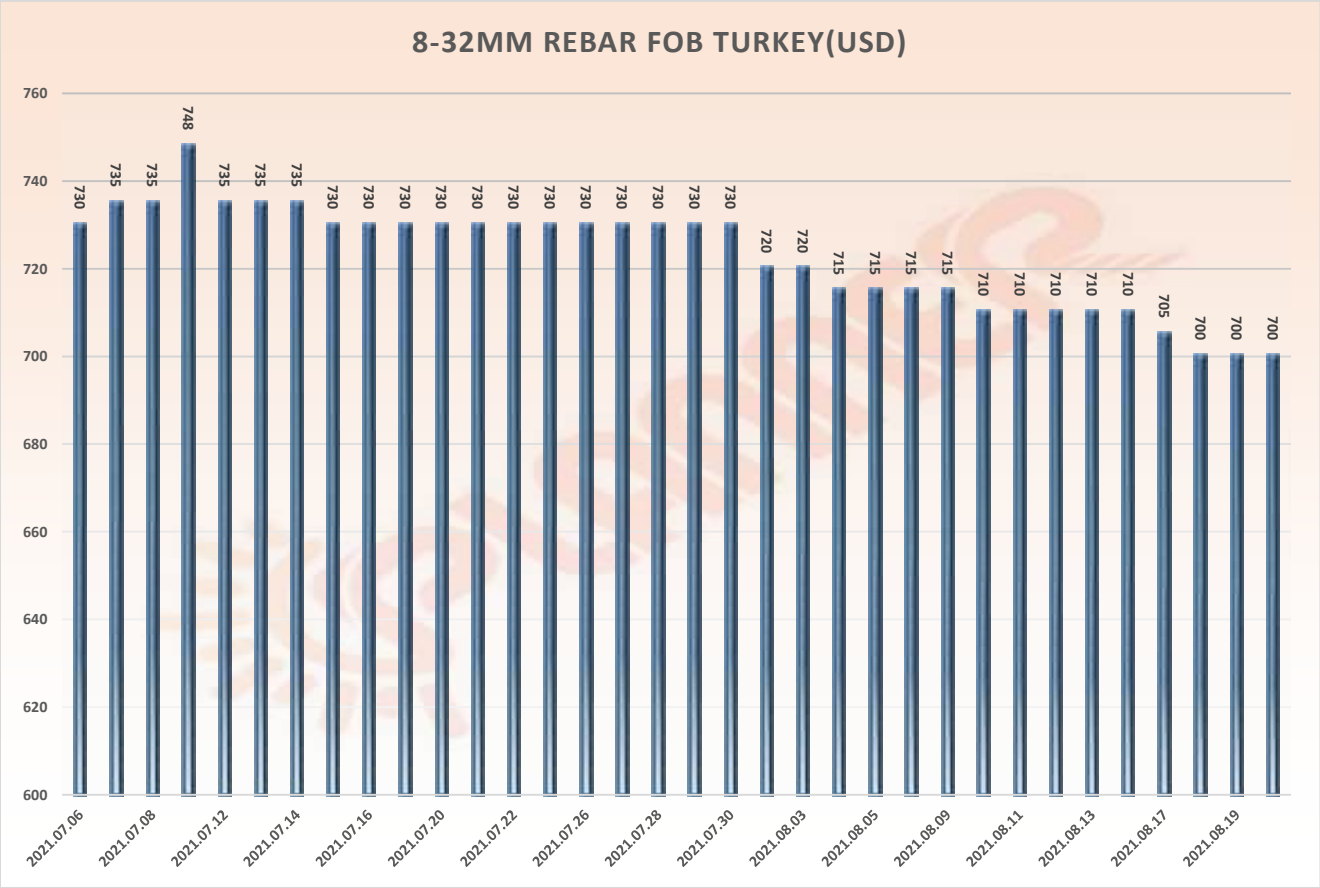
- **Finished long products**

Prices in Chinese longs market plunged during last week as sentiments turned negative. The economic data released last week showed the manufacturing data has diverged from the expectations and have not satisfied the market predictions. The construction sector acted poorly last month and the Central Bank of China has limited the loans to only houses for residence, not speculative demand. These factors together, formed dark outlook for construction steel and the price of rebar in physical market plummeted by 115 RMB compared with last week to 5245 RMB/Mt. in futures market, the main rebar contract was closed at 5152 RMB/Mt on Friday, down 315 RMB/Mt from a week earlier.



Turkish suppliers had no other choice but to cut prices in order to sell some tonnages. Lower tags for scrap and stronger USD are among the main reasons why Turkish suppliers had to give discounts. The latest offers from sellers in Turkey are voiced around 690-700 USD/Mt FOB, with lower limit to be considered workable. Considering 450 USD/Mt for scrap, Turkish mills still have over 240 USD/Mt margin, which is quite desirable for them.

In wire rod market, Turkish sellers had to revise their prices by another 10-15 USD/Mt to 800-810 USD/Mt FOB, but still the demand lacks strength. Lower scrap, and the lack of demand in low season made buyers to wait more in order for further price fall.

Market Outlook: As stated last week, the prices of longs corrected downward without support from raw materials like iron ore and scrap, although, coking coal and met coke are still on rise. The futures market picked up at the latest trading hours of Friday, so, fluctuations and a small increase is not ruled out for the next week.

- **Finished flat products**

The HRC price in Chinese domestic market collapsed during last week, both in futures and physical market as economic data showed Chinese economy is diverging from the right path. The main contract of HRC in Shanghai Futures Exchange fell almost 180 RMB over the week to close at 5616 RMB/Mt on Friday, August 20th. In physical market, the average price of HRC 4.75 mm was 5674 RMB/Mt, down 90 RMB/Mt. The lack of clarities about whether the government would impose export tax on HRC, together with poor economic data has pushed the prices further down.

In CIS, quotes for European market are heard at 920 USD/Mt FOB, while in Southeast Asia, Russians and Ukrainians give aggressive discounts and quote at 890-900 USD/Mt CFR. Chinese cannot compete with Russians and prefer to stay out of export market for now.

Market Outlook: the recovery in demand might not be seen until September, although, some positive movements on Friday has given hope for the recovery of prices in the short term.

Raw Materials

- **Iron Ore**:

After committing to cut production this year, China's steel industry is currently facing tremendous

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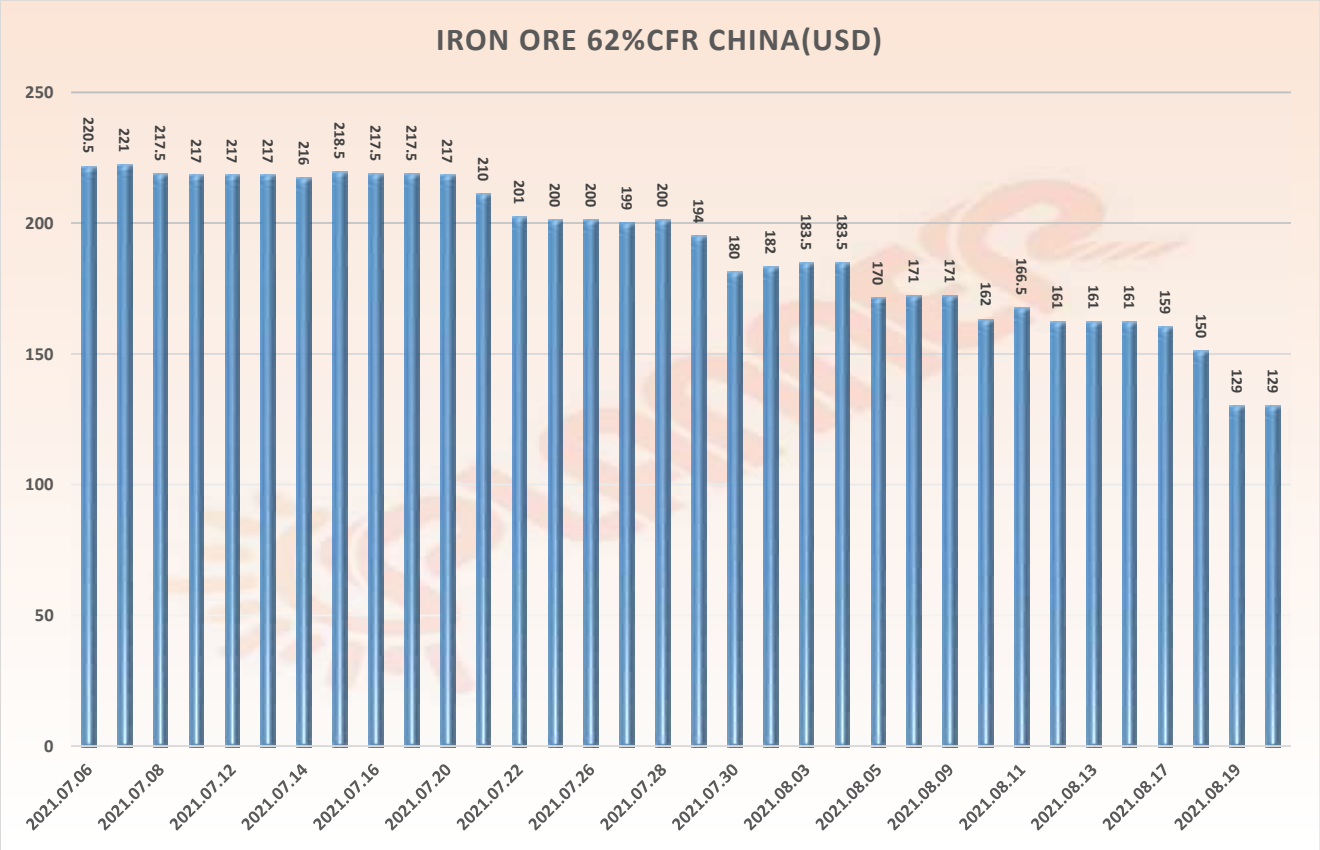
pressure and needs to cut production significantly in the second half of the year to offset the massive increase in production earlier this year. China's steel output surged in the first half of this year, far exceeding its goal of limiting output to the 2020 peak. Planner estimates in order to achieve this goal, steel producers must reduce production by about 10% in the second half of 2021 from the record level in the first half.

DCE's main iron ore contract price plummeted on Thursday. It gapped and fell below the 800 yuan/ton mark at the opening of the day, and closed down more than 7% to 762.50 yuan/ton in late trading, hitting a new low from October last year. In the past month, iron ore futures prices have plummeted by nearly 40%.

There are a number of factors why iron ore keeps falling: First, both global and Chinese demand for iron ore have peaked, and there is a high probability of a subsequent decline. Second, the supply of iron ore in China and abroad is basically stable, and the shortage of ore is gradually alleviating. Third, the current demand for steel has also begun to weaken, and the decline in demand for steel will also be transmitted to the raw materials. Fourth, the Fed's attitude towards raising the interest rates has recently risen, the U.S. dollar has strengthened, and the market expects that global currencies will tighten in the future, and the macro factors that push up the rise of commodities are also reversing.



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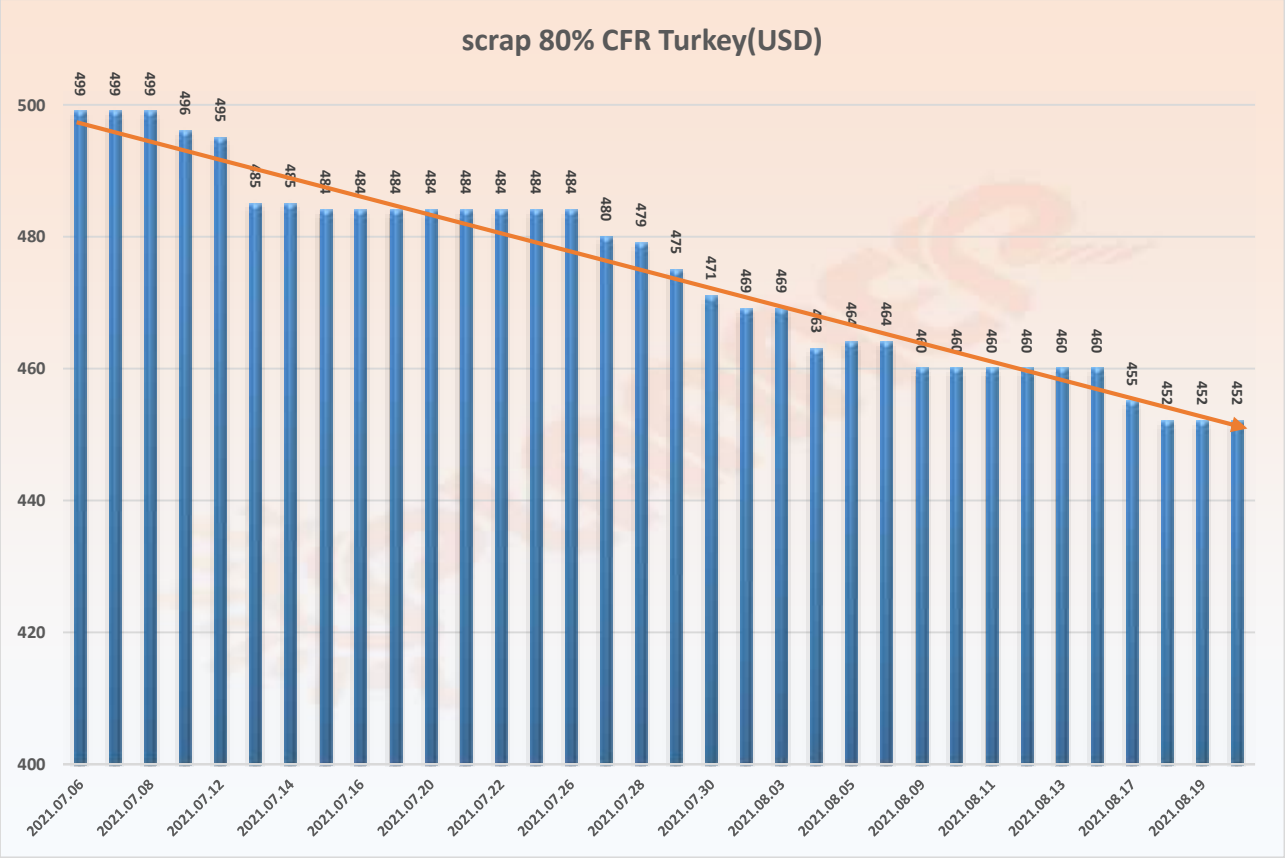
- **Scrap**

The increase in the number of cargoes at Turkish ports and more expensive USD, convinced the buyers to bargain more with the sellers. Hence, they could lower the deal prices by another 10 USD to 452 USD/Mt CFR Turkey. As the sentiments worsen in Turkish rebar export market, in order to maintain their margin, Turkish mills had to buy scrap at cheaper prices. Sellers are hesitant to give further discount right now and are waiting for a more transparent picture in order to make new deals. We might see some support at 450 USD/Mt level for the next week.

Market Outlook: Planner expects that iron ore will fluctuate within a narrow range in the short term and probably corrects more in the medium term. For scrap, there is a gap between the supplier's and buyer's ideas and sellers are insisting on 450 USD/Mt CFR level. It is expected that prices will go back and forth in this level in the short term.



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2021/08/20					
planner-group.com	Commodity	Origin	Currency, Delivery term	Price	Daily change
	Iron Ore, 62%	Australia	$/t, CFR China	129	0
	Ferrous scrap HMS I/II 80:20	USA	$/t, CFR Turkey	452	0
	Coking coal	Australia	$/t, FOB	226	+3
	Coking coal	-	$/t, CFR China	370	+3
	Billet Q235	China	CNY/t, EXW	4,880	0
	Billet Q235	China	$/t, EXW	751	-1
	Slab	China	CNY/t, EXW	5300	-55
t.me/plannerinfo	Slab	China	$/t, EXW	816	-9
	Imported Billet BOF/3SP 150mm	-	CFR China	685	0
	Billet	CIS	$/t, FOB	610	0
	Slab	CIS	$/t, FOB	790	0
	HRC	CIS	$/t, FOB	890	0
	Rebar	Turkey	$/t, FOB	700	0
	Billet	Iran	$/t, FOB	610	0
	Slab	Iran	$/t, FOB	705	0
	Rebar	Iran	$/t, EXW	655	0
Transactions of construction steel(rebar, wire rod and bar-in-coil) in 237 Trading house of china					
Yesterday's trading volume (tons)				166834	
Today's trading volume (tons)				233271	

Shipping Market

- **Capesize**

The week had a quiet start due to Singapore's National Day on Monday (9 August). By the end of the week both 5TC and BCI reached a new high since mid-May, at 4,766 and $39,526 respectively. The Atlantic appeared to be more active towards the weekend with C3 Brazil to China run jumping from $30,195 at one point to $32,025 on Friday. An early September stem from Tubarao to Qingdao was fixed at $32,500 and a second half September stem from Sudeste to Qingdao was fixed at $33,000. Brazilian activity also added support to C9 rate to record $58,250 on a standard Baltic type from

the Continent back to the Far East. On the Pacific side, C5 west Australia to Qingdao went below $14,000 in mid of the week but climbed back to $14,677, whilst the related time charter route was marked at $45,513 by close of the week.

- **Panamax**

A positive week in general with gains in both the Atlantic and Asian basins. A 82,000-dwt open in Kosichang being fixed basis Delivery DOP via East Coast south America to Singapore-Japan range for an intended cargo of grains at $34,000. On the Continent a 83,000-dwt was rumored to have been fixed for a Baltic to China cargo at around $50,000. In Asia, we see a firm market due to congestion and lack of tonnage, where a 85,000-dwt open China was fixed for a trip via Australia to China with Bauxite at $34,800. Period has been active with a 82,000-dwt open China prompt fixing six to eight months with worldwide redelivery at $29,000 and a 82, 000-dwt open between December 2021 and April 2022 being fixed for two years at $18,250 with worldwide redelivery and a 81,000-dwt open Japan fixed for 11 to 13 months redelivery worldwide at $28,000.

- **Ultramax/Supramax**

With the flow of tonnage being affected by new quarantine measures in China, tight supply has led to rates pushing up certainly in the Asian sector whilst demand remained strong from other areas. Period activity evident with a 56,000-dwt open Indian Ocean fixing in the low-mid $30,000s for eight to ten months trading. From the Atlantic despite many being away for summer holidays rates held. From South America a 53,000-dwt fixing a trip to Chittagong at $30,000 plus $1.4 million ballast bonus. Elsewhere a 52,000-dwt open west Africa was heard fixed for a trip to the Black Sea at $30,000. From Asia for NoPac rounds a 63,000-dwt was fixed delivery South Korea for a round voyage redelivery south east Asia at $32,500. Whilst further south a 56,000-dwt open Thailand was fixed for a trip via Indonesia to China at $40,000. Activity remained from the Indian Ocean with a 61,000-dwt open Arabian Gulf fixing a trip to west coast India at $53,000.

- **Handysize**

Due to congestion and quarantine regulations in China, we have seen the Asia markets make strong moves due to a lack of tonnage with a 38,000-dwt open in South Korea fixing a steel cargo via Japan to Thailand at $40,000 and another 38,000-dwt in South Korea fixing a trip via West Coast Australia to China with a cargo of spodumene at $40,000. The Black Sea rates have also improved with a 40,000-dwt fixing a cargo of concentrates to the Far East at $48,000 and a 38,000-dwt open at Canakkale fixing a trip to East Coast Mexico at $39,000. In South America, activity has been limited of late but a 32,000-dwt open in South Brazil fixed a trip to the Continent at $31,250. This period

has been less active but a 34,000-dwt open in Turkey was fixed for a minimum three months to a maximum 13 January 2022 with Atlantic redelivery at $32,750.

Steel Industry Admired Producers

8) Beijing Jianlong Heavy Industry Group Co. Ltd

Beijing Jianlong Heavy Industry Group Co., Ltd (hereinafter called as Jianlong Group), established in 1999. More than 20 years ago, when Jianlong was founded, it was only a small steel plant with more than 1,000 people and less than 100,000 tons of annual steel production. Today, Jianlong has developed into a large enterprise group integrating steel, resources, shipbuilding, electromechanical and other new industries. Its affiliated enterprises are all over the country and the number of employees is more than 60,000. Jianlong Group Chairman of board is Mr.Zhang Zhixiang and It's headquarter is in Beijing. At present, the company has a mining and beneficiation capacity of 44.3 million tons of ore (iron, copper, molybdenum, vanadium, phosphate, etc.), a smelting and rolling capacity of 40 million tons of crude steel, a shipbuilding capacity of 1.5 million tons of dead weight, a manufacturing capacity of 15 million kW explosion-proof motors and wind turbines, a smelting capacity of 15,000 tons of Vanadium pentoxide, and a production capacity of 3.6 million tons of coke. It is producing all kinds of plate, construction products, sections and pipes that are widely used in wind power, automobile, railway, shipbuilding, construction machinery, electric power, petroleum, boiler, military industry and other fields.

Based on the latest information released by WSA, the crude steel production of Jianlong Group was 31.19 M/t and 36.47 M/t in 2012 and 2020 respectively so this company was in eighth level among top steel makers in the world in these two years. In the future, the Group will target 50 million tons of wholly owned and controlled steel and 50 million tons of iron and steel capacity, transform existing management mode with industrial 4.0 concept, realize high interconnection between internal and external and accurate service of customers, build "comprehensive service provider of

construction industry" and high-end, professional and high-quality industrial steel supplier, achieve high quality development.

Weekly Review of Iran Domestic Market

Due to the high prevalence of the COVID-19 in the country and the six-day general lockdown imposed by the government during the last week, the steel market, which is going through turbulent and disturbed condition, remained silent for several days. However, an increase of 3000 IRR indicated for the rebar price at physical market on Saturday, compared to the price of the previous week.

Last week, a report was published by the Iranian Steel Producers Association on the export of steel and steel products during the first four months of the current year, which showed that apart from the decline on the export of billet, bloom and CRC, exports of other steel segments and products have had a positive growth. Considering the amount of steel produced last year, the growth of exports during the first 4 months of this year, seems normal and desirable. But given the obstacles and problems that currently exist in the country's steel industry, will this trend continue? It is clear that in order to maintain export growth, fundamental measures and changes must be made. curbing the numerous and new directives, especially in the IME market, preventing mandatory pricing, providing expert approvals and regulations and stability in decisions made, controlling inflation and stability in market prices, employing specialized and qualified forces in related fields and Other areas are among the factors influencing market regulation and planning for production and ultimately exports.

On the other hand, since the beginning of this summer, the frequent power outages of industrial units has shown its negative impact on the amount of industrial production. The growth of industrial production, which was more than 7% in June, has plummeted to 2.5% in summer. Power outages in industries have reduced the production and export capacity of some industrial units, and the decline in exports has curbed importing of currency to the country and ultimately led to an increase of dollar exchange rate. In addition to the issue of power outages, factors such as delays in the JCPOA talks and the occupation of Afghanistan by Taliban have also contributed to the dollar exchange rate rising. Finally, all the mentioned factors have caused inflation and increase of different steel segments and steel products prices in the domestic market. The boost of more than 25% in the prices of steel products in the last quarter has dampened the demand for these commodities, which has naturally affected the related downstream industries as well.

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Top Experts View

Planner Sunday Journal guest of this week is Dr. Mazinani, a well-known analyst of global steel and raw material industry. You will read the first part of this highly valued interview below:

PSJ:

We appreciate your time, as you know, China is producing over one billion tons of steel and is the main player of global steel industry. There are some worries that China use international regulations to control steel market especially recent actions that are announced based on pollution and carbon control, is China serious? How do you apprise these actions and global steel prices trend accordingly?

Dr. Mazinani:

Up to China president speech in UN 2020, never Chinese were giving a clear answer about their commitment to pollution control, after Mr. Xi Jinping which was after Mr. Trump's, he announced that China will reduce its carbon and greenhouse gases emissions to zero before 2050, such a point from world biggest greenhouse gases emission producer was estimated by lots of global analysts as a geopolitical show than a serious intention.

Considering China as a unique economy with positive GDP in 2021 (2.3 percent) and a huge demand for steel accompanied by enhanced demand of other parts of the world, led to a 12% rise in China steel production over the first half of 2021 compared to that of 2020, while World Steel Association had foreseen estimated demand rise of 3 percent in China, and 5.8 percent demand rise in other part of the world. Considering all these factors, epidemic and vaccination issues worldwide, China produced about 99.5 million tons of steel in May 2021 and it only slowed down to 93.8 million tons in June which was a big rise. Especially when we know that steel is one of most popular industries in China and about 10 to 20 percent of greenhouse gases is from steel plants. China has to control this and government started to put up some limitation for steel producers, for Example Hebei, world's biggest steel producer province announced that

it has plans to become a producer of green steel before 2023 or even limits that was targeting same level of steel production as the previous year which is not realistic and when government has not much of control on private section or there is a good margin, it will be hard to control the production. Optimistically, we can expect about 5 percent more production compare to 2020.

Chinese government is unable to cut production as long as demand is high and they found out soon and started to curb speculations by control future market. Some tactics to slow down construction while sending negative feeling to global markets and may be able to change the trend, we know GPD for China at present time has less importance compare to being a good host of Winter Olympic games in 2022 or even to safe its country from new variants of Covid19.

Finally, I do believe we will be experiencing down trend in steel and raw materials prices and any further price rise is most probably impossible.

PSJ:

In last one year, there is an unusual gap between flat and long steel in market. Do you think it is normal? What is the reason and till when we will have this gap?

Dr. Mazinani

In 2021, beside huge demand for steel, we have seen two incidents for flat steel. First one is shortage in CIS Flat supply and it was followed by an extra high demand in North America and Europe which raised the prices and made a big and unusual gap between long steel and flats, for example market of HRC traded at $500-800/Mt in US before pandemic, but HRC price rose by 219pc since January 2020 to about $1900/Mt now.

As we see in most part of Asia this gap is melting but in EU and America as most producers has sold out till September and on, I do not expect any big changes but most probably from fourth quarter of 2021 this gap will start to move toward balancing and we will see more logical difference between longs and flat steel in 2022.

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