

CCI Daily

An Indispensable Insight into the Chinese Coal Market

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Chinese thermal coal stays range-bound; demand bounces back

Chinese spot thermal coal market has moved in a narrowed range for nearly two weeks, with both sellers and buyers keeping the price wrestling but failing to tip the balance.

By September 7, the mainstream offer prices have been moving between 625-630 yuan/t for 5,500 Kcal/kg NAR coal at Bohai-rim ports since August 27; while 5,000 Kcal/kg NAR coal was mainly offered at 545-550 yuan/t, both on FOB basis with VAT.

A trader based in northern China's Jiangsu province reported many traders he knows offered 5,500 Kcal/kg NAR slack coal at 630-635 yuan/t, almost unchanged from previous days, but bid prices increased up to 627-630 yuan/t.

"Many end users are coming to us for purchases these days. It's clearly noticeable that demand has recovered," An Inner Mongolian trader said.

He considered it was a rather bad bargain at 542 yuan/t for Inner Mongolian 5,000 Kcal/kg NAR coal, which he offered at 545-550 yuan/t.

Another Jiangsu-based trader said he could take 5,500 Kcal/kg NAR cargoes at 630 yuan/t but his supplier was planning a price increase.

Noting 5,000 Kcal/kg NAR coal was mainly offered around 545 yuan/t in the market, he said demand had improved in recent days, but not so stable. "Less people are making inquiries today (September 7) compared to days ago," he said.

One Hebei-based trader reported good deals last week. He traded 5,500 Kcal/kg NAR coal at 625-630 yuan/t FOB and the 5,000 Kcal/kg grade at 545-550 yuan/t.

He also gave a glimpse at the market, saying 5,000 Kcal/kg cargoes were more volatile than the 5,500 Kcal/kg grade. Shanxi 5,000 Kcal/kg NAR coal with 1% sulfur was offered at 550 yuan/t.

Sentiment has picked up, yet traders are very cautious about a potential shift. A Tianjin-based said someone was offering 5,500 Kcal/kg NAR coal at 640 yuan/t, but trading prices actually reached 630 yuan/t at the highest.

A Zhejiang-based trader reported a small price increase in addition to rather good demand recently, but pointed out "the sustainability is still to be observed".

He forecast the 5,500 Kcal/kg NAR coal may not surpass 650 yuan/t, referring to 5,500 kcal/kg NAR coal.

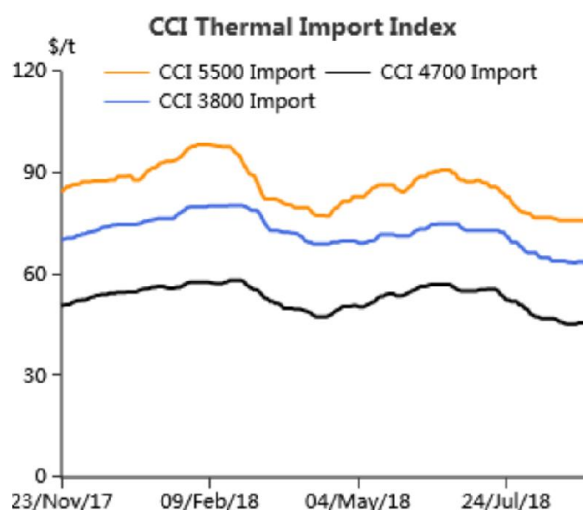
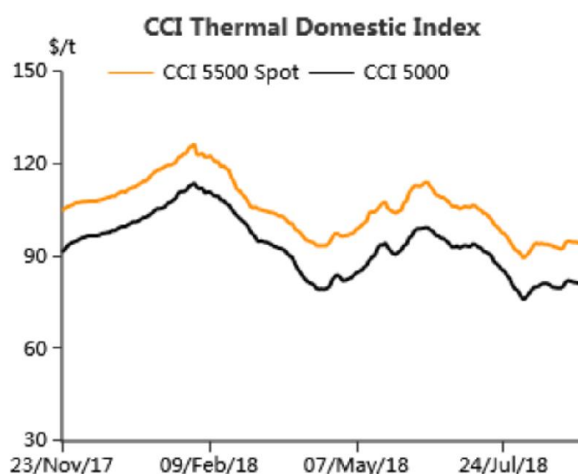
One trader bought a vessel of Shanxi 5,000 Kcal/kg NAR coal with 0.8% sulfur at 545 yuan/t, just after a trade of 5,500 Kcal/kg NAR coal at 625 yuan/t two days ago.

"Demand looks pretty good recently," he said. But he

Fenwei CCI Thermal Index on September 07, 2018

	Price (USD/t)	Price (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
CCI 5500 Composite*	83.6	571.0	-	-1.0
CCI 5500 Term*	81.0	553.0	-	-1.0
CCI 5500 Bulk*	87.6	598.0	-	0.0
CCI 5500 Spot*	92.1	629.0	2.0	2.0
CCI 5000*	79.8	545.0	3.0	5.0
CCI 5500 Import^	76.1	604.7	0.0	0.8
CCI 4700 Import^	63.3	503.0	0.0	-3.9
CCI 3800 Import^	46.2	367.1	1.6	4.0

1)* daily price; FOB Qinhuangdao; includes VAT at 16%. 2)^ CFR South China; the RMB value includes 16% VAT.



was not much optimistic for the future market.

"Utilities' coal consumption will decrease with the further drop of temperature," he added.

A second Zhejiang-based trader is also concerned about low burns at power plants, but reported miners and upstream traders were generally optimistic about the near future market, which he found it hard to predict the market trend.

One Hebei-based trader said deals were actually not many as thought. "Traders are trying to pushing up the prices at ports.

One buyer asked him for a deal of Shaanxi coal (NAR 5,000 kcal/kg, 0.6% sulfur) at 633 yuan/t FOB, but he disagreed. He also heard a deal of Shaanxi coal of the same CV and sulfur content at 633 yuan/t FOB, on a basis of bank's draft, about 2-3 yuan/t higher than cash payment.

He said prices have been solid at mines in northern production provinces and it would shore up the offer prices at ports.

On September 7, Fenwei CCI daily index for 5,500 Kcal/kg NAR coal was assessed at 629 yuan/t FOB with VAT, rising 2 yuan/t both from a day ago and a week ago; the index for 5,000 Kcal/kg NAR coal was at 545 yuan/t, up 3 yuan/t from the previous day and 5 yuan/t higher than a week earlier.

China import thermal coal prices steadily rise to track domestic upturn

Prices of import thermal coal offered to Chinese buyers continued to inch up late last week, aligning with recent upturns in China's domestic market.

The uptick seen in Indonesian coal was also supported by demand from Chinese utilities, traders said, adding they were still fazed as the government still slapped control on import volumes.

"The main driver is increased inquiry that pushes up prices of low-CV Indonesian coals," said a Shandong-based trader late last week, who won a tender from China Huaneng Group days ago.

He noted that it became hard for buyers to find suppliers for 3,800 Kcal/kg NAR fuel on Panamax basis at \$39/t FOB, and maybe \$39.5/t would just be acceptable to sellers, who have gained confidence partly from pickups in Chinese domestic market.

With prevailing offers at \$55/t FOB, Indonesian 4,700 Kcal/kg NAR hardly attracted any appetite from utilities in the world's top consumer of the fuel, added the trader.

Another Shandong-based trader also reported resilient offer prices for cargoes from Indonesia, around \$39-39.5/t FOB for 3,800 Kcal/kg NAR grade for Panamax shipment.

Offer prices for Capesize cargoes of Australian 5,500 Kcal/kg NAR were also firm at \$67-68/t FOB with current freight on route to southern China at \$12-13/t, he noted, adding low bidding prices didn't appeal to sellers though.

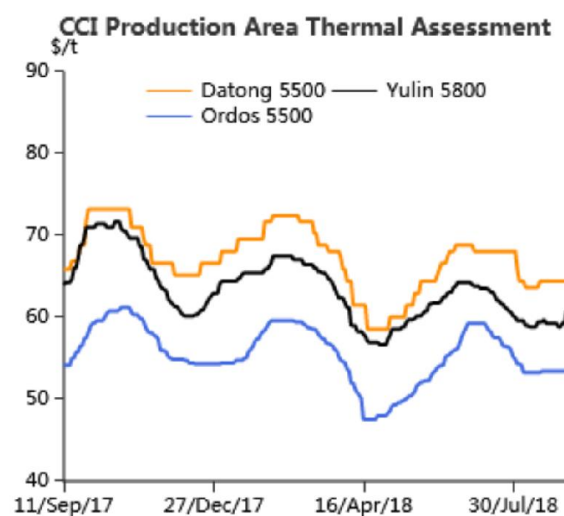
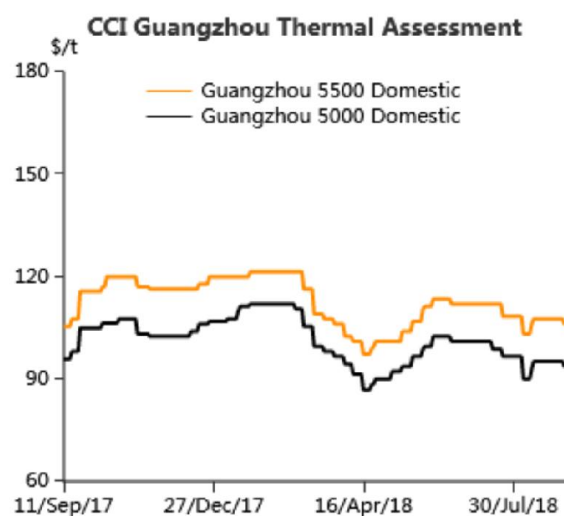
With Chinese import quota policy still in place, buyers had to shift to ports with quotas to declare customs clearance, said one Guangdong-based trader, who mainly engages in mid-CV Indonesian and Australian coals.

The trader said he heard some talks that the central

Fenwei CCI Thermal Assessment on September 07, 2018

	Price (USD/t)	Price (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
Guangzhou Port*				
Guangzhou 5500 Domestic	106.1	725.0	0.0	-10.0
Guangzhou 5000 Domestic	93.7	640.0	0.0	-10.0
Shanxi^				
Datong 5500	64.4	440.0	0.0	0.0
Shuozhou 5000	54.2	370.0	0.0	0.0
Changzhi 5800	102.5	700.0	0.0	10.0
Shaanxi^				
Yulin 5800	60.8	415.0	0.0	10.0
Yulin 6200	65.3	446.0	-2.0	1.0
Inner Mongolia^				
Ordos 5500	53.6	366.0	0.0	1.0
Ordos 5000	43.9	300.0	0.0	-3.0

1) * Ex-stock Guangzhou; includes VAT at 16%. 2) ^ Mine-mouth; includes 16% VAT.



government may ease curbs on imports in November, yet no further details is available now.

One utility source in China wanted to buy Indonesian 4,500 Kcal/kg NAR coal at 460 yuan/t CFR South China with VAT, a level that is relatively low, according to the trader.

Another utility source in the south considered 625 yuan/t a too high offer price for Panamax cargoes of Australian 5,500 Kcal/kg NAR to arrive in mid-October.

On a FOB basis, offer prices for Australian 5,500 Kcal/kg NAR cargoes were generally heard at \$68-69/t FOB, receiving sparse buying interest, said one eastern China-based trader.

"We have done fewer trades on import coal from Australia this year, mainly due to quota issues," said another trader in the east. "It was no easy job to find proper ports to unload the import material."

According to the trader, most foreign traders believed low-CV Indonesian coals could level off. He put offer price of 3,800 Kcal/kg NAR grade at \$38/t on Supramax basis.

On September 7, the Fenwei CCI Import 5500 index was assessed at \$76.1/t, CFR southern China ports, stable on the day while up \$0.1/t on the week.

On the same day, the Fenwei CCI Import index assessed Indonesian 3,800 Kcal/kg NAR coal at \$46.2/t, CFR southern China ports, up \$0.2/t from a day ago and \$0.5/t higher than a week ago; 4,700 Kcal/kg NAR Indonesian coal was assessed at \$63.3/t, flat from a day ago yet \$0.5/t lower than the week-ago level.

Shanxi coke prices buoyant upon continuous environmental checks

Most coke producers in northern China's Shanxi province finished the 6th round of coke price rise by 100-150 yuan/t (\$14.6-21.9/t), adding to a total 640 yuan/t increase in mainstream market since early August, as supplies were curbed amid continuous environmental inspections while demand kept surging from downstream steel makers.

Yet several steel makers in the province defied strongly against the latest coke price rise and even brooded over adjusting down purchasing prices.

One Yuncheng-based coke producer in Shanxi said that he cut down 30% production capacity and the left stocks could not support one day for sale. According to him, Quasi Grade I met coke with 13% ash, 0.7% sulfur and CSR 60 was offered at 2,550 yuan/t ex-washplant with VAT.

One Xiaoyi-based coke producer in Shanxi said that the price of Quasi Grade I met coke with 12.5% ash, 0.7% sulfur and CSR 65 was 2,700 yuan/t ex-washplant with VAT after a rise of 150 yuan/t.

"Steel makers showed great interest in purchasing, and that's why I lifted coke prices," he added. "Presently, our operating rate stayed at 90%, since environmental inspections remained strict."

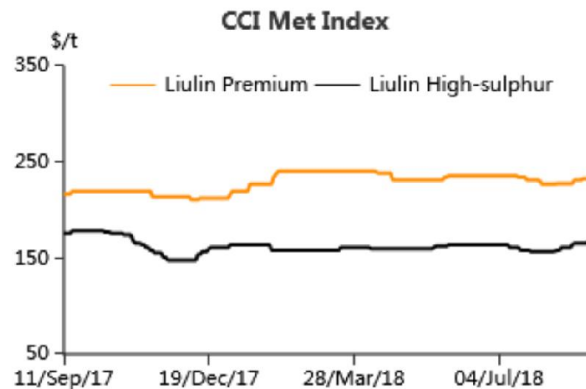
A steel maker from Jincheng in Shanxi said that he proposed a purchase price cut by 100 yuan/t to coke producers, yet he received no feedback so far.

"Coke stocks at steel mills could sustain the consumption for 6-7 days and I am still buying from outside

Fenwei CCI Met Index on September 07, 2018

	Price* (USD/t)	Price* (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
Liulin Low-sulphur	232.8	1590.0	0.0	0.0
Liulin High-sulphur	169.8	1160.0	0.0	10.0
Anze Primary Coking	246.0	1680.0	0.0	20.0
Lingshi Fat	155.2	1060.0	0.0	0.0
Puxian 1/3 Coking	194.7	1330.0	0.0	40.0
Changzhi PCI	125.9	860.0	0.0	0.0
Shandong Semi-soft	144.9	990.0	0.0	10.0

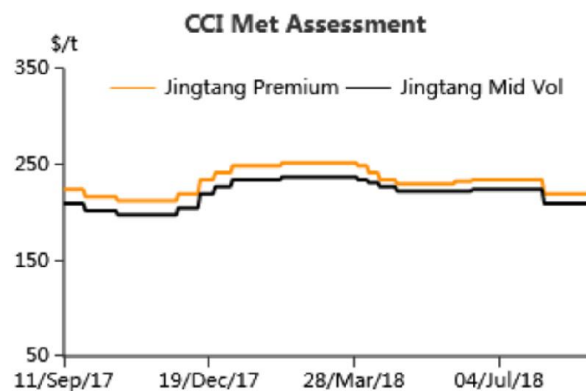
*EXW basis; includes VAT at 16%.



Fenwei CCI Met Assessment on September 07, 2018

	Basis	Price (USD/t)	Price (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
Met. Coal					
Tangshan Coking Coal	DDP	207.2	1415.0	0.0	10.0
Tangshan Fat	Ex-plant	216.0	1475.0	0.0	40.0
Jingtang Mid Vol	FOB	221.1	1510.0	30.0	80.0
Jingtang Premium	FOB	231.3	1580.0	30.0	80.0
Rizhao Import PCI	FOB	158.1	1080.0	0.0	-20.0
Ganqimaodu Premium	Ex-stock	162.5	1110.0	0.0	20.0
Ceke 1/3 Coking	Ex-stock	99.6	680.0	0.0	0.0
Met. Coke					
Jinzhong Grade II Met	Ex-plant	351.4	2400.0	30.0	90.0
Tangshan Grade II Met	DDP	380.7	2600.0	0.0	100.0
Tianjin Quasi Grade I Met	FOB	370.4	2530.0	0.0	-20.0
Rizhao Quasi Grade I Met	FOB	370.4	2530.0	0.0	-20.0

* includes VAT at 16%.



sources to shore up inventories," he added.

After the 6th round of coke price rise rippled through to more areas from Hebei and Shandong provinces, mainstream steel makers based in Shandong raised the purchase price of water quenching coke by 100 yuan/t to 2,640 yuan/t for supplies within the province and 2,650 yuan/t for those from outside; while the price of dry quenching coke was 2,840 yuan/t for both supplies in and out of the province, also up 100 yuan/t.

One Handan-based coke producer in Hebei said that he was confident about the 6th coke price rise, citing enough support from steel makers' buying intention and adding that his coke stocks could sustain for 12 days.

On September 7, Fenwei assessed the price of Luliang Quasi Grade I met coke at 2,500 yuan/t ex-washplant with VAT, increasing 100 yuan/t on the week and 532 yuan/t on the month.

Tangshan Quasi Grade I met coke was assessed at 2,710 yuan/t, rising 100 yuan/t on the week and 550 yuan/t on the month.

The index of Rizhao Quasi Grade I met coke was assessed at 2,530 yuan/t, decreasing 200 yuan/t on the week yet up 250 yuan/t on the month.

China coking coal market runs high amid active replenishment demand

China's coking coal market kept its upward trend and amid active restocking demand from downstream users, with miners trying to further lift coking coal prices.

In Luliang, a major coking coal production area in central-western Shanxi, local mines lifted offer price for high-sulfur primary coking coal with 2% sulfur, GRI 85 to over 1,000 yuan/t on the back of continued tight supply.

One Luliang-based miner offered primary high-sulfur coking coal with 1.7% sulfur and 12.5% ash at 1,050 yuan/t, while the other one offered the coking coal with 2% sulfur and GRI85 at more than 1,000 yuan/t, both on ex-washplant with VAT.

A Taiyuan-based coke producer said prices for coking coals other than primary coking coal stayed flat despite the rise of operating rates at coke plants in the vicinity areas.

Tougher environmental measures as well as restrictions placed on coal trucks, some mines were forced to cut or cease production. In general, environmental inspections had less impact on coal mines than coke plants.

One Luliang-based miner said since the coal sheds were banned, washing plants in the city got no place to store coal and had to stop production. The miner presently sells 2,000-3,000 tonnes of coal each day.

Meanwhile, prices for blending coking coal went up, including gas coal produced in Shandong, Shaanxi and meagre lean coal produced in Changzhi.

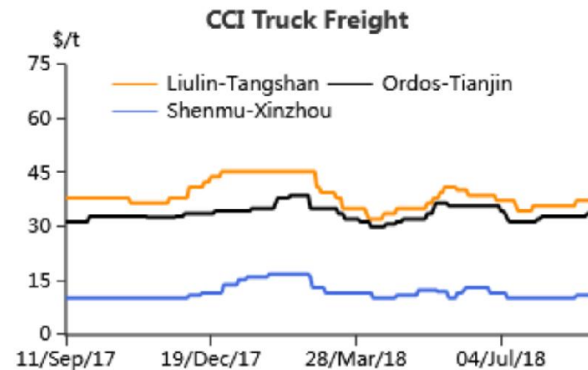
One Shandong-based miner offered premium 1/3 coking coal with ash 8%-8.5% at 1,150 yuan/t, ex-washplant with VAT.

"Mines in the city did not adjust up selling prices too much and some reported fine sales thanks to active purchase from end users," said he.

A Changzhi-based trader, which mainly buys meagre lean coal or lean coal produced by Lu'an Group, said the

Fenwei CCI Truck Freight on September 07, 2018

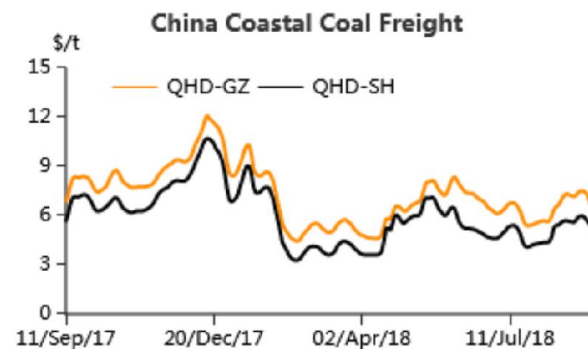
	Price* (USD/t)	Price* (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
Ordos-Tianjin	35.1	240.0	0.0	10.0
Ordos-Huanghua	35.9	245.0	0.0	5.0
Liulin-Tangshan	37.3	255.0	0.0	0.0
Shenmu-Xinzhou	11.7	80.0	0.0	5.0



China Coastal Coal Freight on September 07, 2018

	Vessel Size (1,000DWT)	Freight (USD/t)	Freight (RMB/t)	DoD (RMB/t)	WoW (RMB/t)
QHD-GZ	50-60	7.2	45.0	0.5	3.5
QHD-SH	40-50	5.6	36.5	0.4	1.4
HH-SH	30-40	6.1	40.3	0.3	1.3

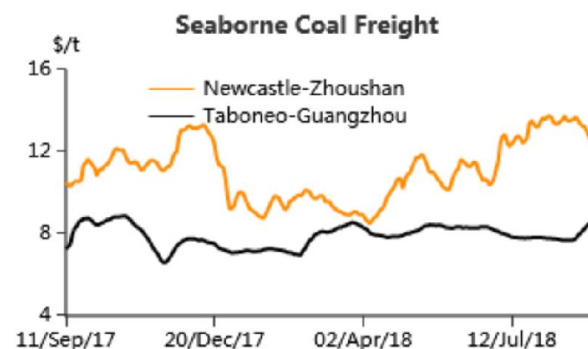
Source: Shanghai Shipping Exchange



Seaborne Coal Freight on September 07, 2018

	Vessel Size (1,000DWT)	Freight (USD/t)	DoD (USD/t)	WoW (USD/t)
Newcastle-Zhoushan	130	12.2	-0.5	0.1
Taboneo-Guangzhou	50	8.6	0.1	0.0
Hay Point-Zhoushan	85	11.2	-0.0	0.1

Source: Shanghai Shipping Exchange



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price for raw coal increased by 20 yuan/t while that for washed coal rose by 30 yuan/t, resulted from brisk demand from steel firms and coke plants.

One Changzhi-based miner said the September monthly rail contract price for meagre lean coal increased by 49 yuan/t to 974 yuan/t while that for washed coal went up by 49 yuan/t as well, both on ex-washplant with VAT, and prices for private users increased by 30 yuan/t with price discounts cancelled.

As for import coal market, customs clearance became a lot better last week for import coal from Mongolia. On September 6, 1,355 coal trucks loaded with low-sulfur primary coking coal went through Ganqimaodu border crossing.

Domestic supply shortage also helped support Australian coking coal sold at northern Chinese ports. Offer prices for Quasi Tier I coking coal and certain Tier II coking

coal went all up to 1,580 yuan/t and 1,500 yuan/t, on ex-stock with VAT.

Mongolian and Chinese governments have discussed over coal shipments at Ganqimaodu border crossing. If the daily number of trucks passing through the border crossing doesn't exceed 1,200, the Mongolian government will not mandate truckers to ship coal from Mongolian mines to Chinese coal yards and from Mongolian coal yards to Chinese coal yards.

Trucks passing through Ganqimaodu increased in recent days, reaching 1,356 trucks on September 6 from 1,104 trucks a day earlier, thanks to eased customs control.

On September 7, Fenwei assessed CCI index for Liulin low-sulfur primary coking coal at 1,590 yuan/t, unchanged on the week; the CCI index for Liulin high-sulfur primary coking coal was assessed at 1,150 yuan/t, stable on the week. The index for Lingshi fat coal was assessed at 1,060 yuan/t, unchanged from a week ago.

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