Inside Coal

17 April 2020

Prices decline further

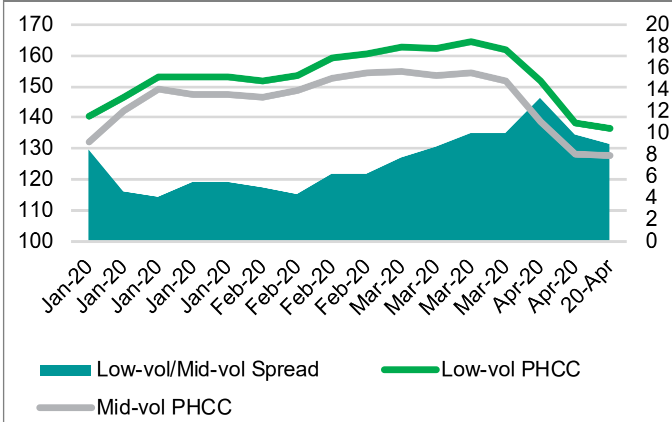
Asian metallurgical coal prices declined further on Friday. In China, a Panamax of Oaky North was done at $142.00/t CFR China late yesterday. A Peak Downs North trade was done at $131.00/t CFR China. An 80,000 t cargo of premium mid-vol was done at $130.00/t CFR China, and another 40,000 t of premium mid-vol was also done at $130.00/t CFR China. Market participants expect prices to fall below $130.00/t next week, as offers for premium mid- vol cargoes were heard at $130.00/t CFR China, and a firm bid was at around $125.00/t CFR China today. The spread between the premium low-vol (PLV) and premium mid-vol (PMV) categories was at $14.00/t today, narrowing from $15.15/t yesterday.

IHS Markit coking coal prices ($/t)

Daily markers	Basis	17-Apr	Change
MCC1 Australian low-vol PHCC	FOB	135.75	-1.00
MCC2 Australian mid-vol PHCC	FOB	126.00	-2.00
MCC3 Australian second-tier HCC	FOB	120.00	0.00
MCC4 China low-vol PHCC	CFR	144.00	-2.15
MCC5 China mid-vol PHCC	CFR	130.00	-1.00
MCC6 China second-tier HCC	CFR	128.70	0.00
Weekly markers	**Basis**	**17-Apr**	**Change**
Australian low-vol PCI	FOB	76.50	-1.50
Australian semi-soft coking coal	FOB	68.00	-2.00
MCC7 US East Coast high-vol B	FOB	108.00	-6.00
MCC8 US East Coast high-vol A	FOB	119.00	-1.50
MCC9 US East Coast mid -vol	FOB	120.00	-3.00
MCC10 US East Coast low-vol	FOB	122.50	-1.00
Coke weekly			
Rizhao coke	FOB	250.00	-5.00
ARA coke	CIF	218.00	0.00
Steam coal weekly			
NEX	FOB	59.55	-3.38

Source: IHS Markit © 2020 IHS Markit

IHS Markit Weekly Low-vol and Mid-vol PHCC FOB prices(US$/t)



Source: IHS Markit © 2020 IHS Markit

Robust Chinese buying boosts met coal market

The IHS Markit assessment for low-volatile coal (MCC1) was down $1.60/t on the week to $135.75/t FOB Australia, while mid-volatile coal (MCC4) was up $1.10/t on the week, to $144.00/t CFR China.

China

Buying activity has been robust as purchasers take advantage of seaborne material being more competitively priced than the domestic market.

Domestic coking coal prices for Q2 were firm at around RMB1,300/t ($160.80/t exclusive of 13% tax and port charges) for premium low-vol category, flat from Q1. Seaborne materials for the same quality was around $16.80/t cheaper as of Thursday.

In the premium low- vol (PLV) segment, one Peak Downs cargo was done at $148.00/t CFR China, up from a $143.90/t CFR China trade last week. One

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19th Annual European Coal Outlook Conference - Postponement Notice

In light of developing circumstances, we regret to announce that it is necessary to postpone the 19th Annual European Coal Outlook Conference, typically held in May in Nice, France. Our decision was made following guidance from health officials and in light of the rapid growth in global cases of COVID-19, as well as increasing travel restrictions and other circumstances. Our number one concern is the health and safety of delegates and speakers, our partners, our colleagues and vendors. IHS Markit is committed to advancing insight and dialogue among the global coal community and hope to hold the conference later this year. Additional information will be announced once new dates are confirmed.

IHS Markit Coking coal spot trades 13 Apr-17 Apr

Brand	Price (US$)	Size	Laycan	Trade flow
PMV	130 CFR	80,000t	May	Trader to Trader
GLV	130 CFR	160,000t	May	Trader to End user
GLV	132.5 CFR	80,000t	May	Trader to End user
Oaky North	140 CFR	160,000t	May	Trader to End user
Peak Downs North	134.2 CFR	80,000t	May	Trader to End user
Coppabella PCI	78.2 FOB	75,000t	May	Miner to End user
Peak Downs	148 CFR	80,000t	May	Trader to End user
Goonyella C	133 CFR	80,000t	May	Trader to Trader
Oaky North	142 CFR	80,000t	May	Trader to End user
PMV	130 CFR	80,000t	May	Trade to End user
Peak Downs North	131 CFR	80,000t	May	Trader to Trader
PMV	130 CFR	40,000t	May	Trader to Trader

Note:PMV means seller's brand options within the Mid-vol brands.

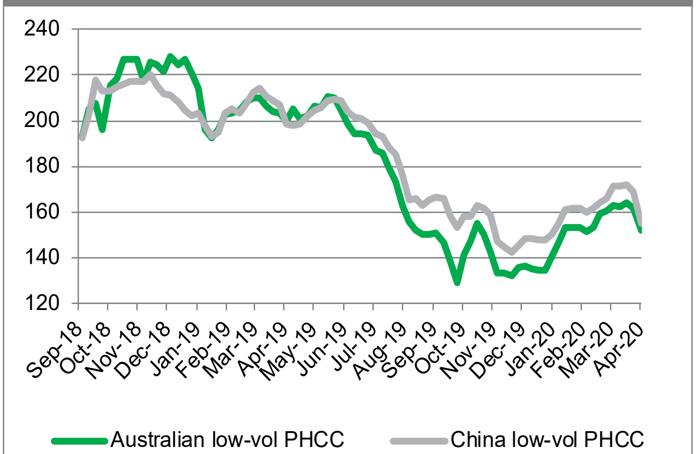
Source: IHS Markit

IHS Markit Coking Coal Relativities

Brand	Spread to MCC1 Low-vol FOB (US$)	Spread to MCC4 Low-vol CFR (US$)
Saraji	0	0
Peak Downs	1	1
German Creek	-3	-3
Oaky North	-2	-2
	Spread to MCC2 Mid-vol FOB (US$)	**Spread to MCC5 Mid-vol CFR (US$)**
Peak Downs North	0	0
Moranbah North	1.5	0.5
Riverside	-1	-0.5
GLV	-1	-1
Goonyella	2	1
Illawarra	2.5	0.5
Goonyella C		-1
Branded	1	
Unbranded	-1	
	Spread to MCC3 Second-tier FOB (US$)	
Lake Vermont	0	
Carborough Downs	-1	
Middlemount	-9	
Daunia	-2	

Source: IHS Markit

IHS Markit weekly coking coal prices (US$/t)



Source: IHS Markit

Oaky North trade was reported at $142.00/t CFR China and another trade for the same brand done at $140.00/t CFR China.

In the premium mid-vol (PMV) segment, around seven trades were reported between $130.00/t CFR China to $134.20/t CFR China, including a variety of brands like Peak Downs North, Goonyella C and Glencore Low-Vol (GLV).

The spread between the premium low-vol (PLV) and premium mid-vol (PMV) categories widened to $14.00/t as of Friday.

Some coke producers proposed to increase domestic coke prices by RMB50/t ($7.14/t) this week but this has not been accepted by most steel mills. Coke with 12.5% ash on a Delivered Duty Paid (DDP) North China basis was at RMB1,650/t ($205.00/t exclusive of 13% tax and port charges).

FOB

Spot demand ex China continues to be muted as most steel mills operate with reduced capacity across most regions.

Market sources said coking coal demand is likely to stay reduced over the next few months as inventories of both raw materials and finished products remain high.

With many mills already having deferred shipments, spot buying in the near-term appears unlikely, market sources said.

Indian steel demand is also lacklustre as the nationwide lockdown is extended until 3 May. However, the government has issued a staged restart of essential industries and sources suggest many mills could be looking to ramp up production in the next few weeks.

"But it'll still take time, because mills have enough coke and coking coal stockpiles and we've enough port stocks too," said a trading source.

USA

Weak Atlantic freight rates are providing some support to FOB prices and they are stable this week in the absence of any firm tender activity in the market.

Domestic demand for finished steel is worsening, with the latest domestic steel utilisation rates for the week ending 11 April dropping to 56.1%, from 81.3% last year and lower than 68.50% for the previous week, according to the American Iron and Steel Institute.

Europe

New business is very thin, and deferrals of existing contract shipments remain a priority for steel producers while the COVID-19 lockdown is in place.

Weekly freight rates

Coking coal	Vessel size	16-Apr	9-Apr
Hay Point/DBCT-Jingtang (China)	Panamax	8.67	8.95
Hay Point/DBCT-Jingtang (China)	Cape	5.22	5.32
Hay Point/DBCT-Dhamra (India EC)	Panamax	9.33	9.63
Hay Point/DBCT-Jaigarh (India WC)	Panamax	10.31	10.65
Hay Point/DBCT-Kashima (Japan EC)	Cape	4.71	4.81
Hay Point/DBCT-Kawasaki (Japan WC)	Cape	4.75	4.84
Hay Point/DBCT-Danjing (South Korea)	Cape	5.91	6.01
Hay Point/DBCT-Gwangyang (South Korea)	Cape	5.59	5.70
Hay Point/DBCT-Rotterdam	Panamax	12.5	13.18
Hay Point/DBCT-Rotterdam	Cape	5.85	5.38
Hampton Roads-Jingtang (China)	Panamax	22.69	23.23
Hampton Roads-Rotterdam	Cape	6.94	6.13
Roberts Bank-Gwangyang (South Korea)	Cape	6.51	6.66
Roberts Bank-Danjing (South Korea)	Cape	6.89	7.03

Source: IHS Markit (Rates are calculated voyage rates.)

However, lockdown measures are expected to be slowly lifted in parts of Europe, raising hopes that steel output and spot demand will increase.

Iron ore inventory at Rotterdam dropped to 2.70 mt on Monday, from 2.90 mt in the previous week. Steel producers are using up more inventory while they defer cargoes.

In Turkey, Kardemir is the latest steel producer that is planning to bring forward various maintenance and repair activities that were scheduled for later in the year due to falling demand for steel. The company did not specify when the maintenance would take place. Erdemir announced it was planning maintenance at its site in April and May.

Briefs

Mozambique coking coal in rare trade into China

Chinese buyers are understood to have scooped up two Panamaxes of coking coal from Mozambique, in what appears to be the first inflow from the African country into China since 2014.

A vessel carrying around 75,000 t of metallurgical coal from port Nacala, Mozambique is heading to China, according to IHS Markit Commodities at Sea data.

The other cargo is from the same loading port and was discharged at the Yingkou port in northeastern China around early March.

Market participants said the specification for the supplies were most likely second-tier coking coal with 64 CSR, 10.5% ash and 26% volatile matter.

China implemented tighter restrictions on trace elements in coal in 2015, halting most of the supplies from South Africa and Mozambique that were not able to meet the requirements. It appears these latest cargoes meet those

Briefs (continued)

minimum requirements.

"The coking coal price has softened from the end of last year, so I am not surprised that coking coal from Mozambique is being offered to China, especially if they can make the product fluorine content below 200 mg/kg. The specs are not very attractive compared with the Australia second-tier coking coal, so the price must be cheap enough to buy," a source said.

China's coal output hits five-year high

China's coal production grew 10% on the year in March, to 337 mt, marking the highest monthly level in five years, according to a National Bureau of Statistics of China data set which covers output since 2015.

Coal producers were able to ramp up supplies even as the pandemic delivered a blow to the country's economic growth.

Meanwhile, the quarterly gross domestic product shrank 6.8% from a year earlier, the first contraction since at least 1992, when China began reporting GDP on a quarterly basis.

The sharp rebound in supplies was reflective of government pressure to ensure ample coal supplies, even though the recovery in demand was heavily lagging.

Crude steel production was down 1.7% on the year to 78.98 mt, or 2.55 mt/d, and dropped from 2.58 mt/d in January-February after producers curbed output amid high inventory.

Australian vessel queues ease to two-month low

Australia's vessels queues dropped to a two-month low this week, with fewer maintenance shutdowns and an easing of demand.

The number of vessels at ports fell to 67 as of 16 April, from 78 in the week prior.

Hay Point Coal Terminal's ship queue numbers are approaching normal levels, down by a further four vessels to 15, despite a heavy maintenance schedule.

Berth 3 will reopen today (17 April) after four days of maintenance with Berth 2 scheduled to be closed between 23-26 April, also for maintenance.

At the Wiggins Island Coal Export Terminal at Gladstone the loading stream will be shut down for 36 hours from 30 April.

At other terminals, minimal maintenance has been scheduled in the short term.

Meanwhile, the Dalrymple Bay Coal Terminal (DBCT) ship queue increased by three to 20 vessels, about the level for the most efficient operation of the terminal.

The number of vessels expected to arrive at DBCT before the end of the month is 13. The average wait time for loading is 14 days with the longest delay at 29 days.

Australian vessel queues and delays

Port	Queue (16 April)	Queue (9 April)	Avg. delay (16 April)	Avg. delay (9 April)
Abbot Point	6	7	13	9
Dalrymple Bay	20	17	14	12
Hay Point	15	19	21	28
Gladstone	6	11	19	5
Wiggins Is	2	4	13	0
Brisbane	0	0	0	0
Port Kembla	1	1	7	7
Newcastle				
PWCS	6	9	2	4
NCIG	11	10	6	6

Source: IHS Markit vessel-tracking software

Index publication notice: Week ending 8 May 2020

Please be advised that due to national holidays in Singapore and the United Kingdom on Thursday, 7 May and Friday, 8 May, respectively, the Asian thermal coal markers for that week will be produced on Wednesday, 6 May, in line with the methodology.

The Indonesian, Indian, Chinese, East Russian and Australian markers will be produced on 6 May. The McCloskey Fax will be first published on 7 May with only the thermal coal markers.

Asian daily and weekly coking coal markers will be published on 8 May in accordance with the methodology in Inside Coal and in a republished McCloskey Fax.

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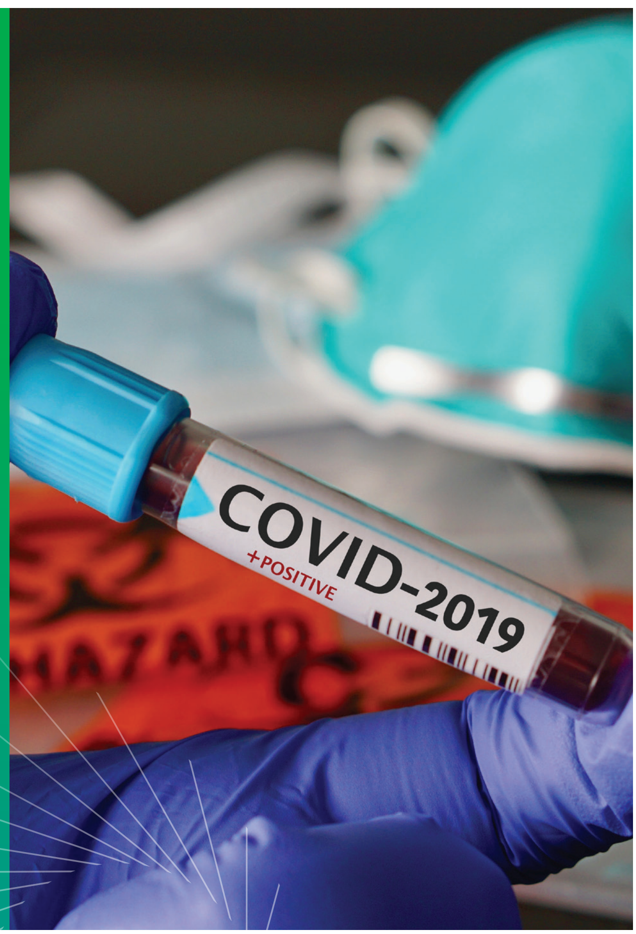

Global Coal News & Analysis

McCloskey Coal Report:
Comprehensive news and analysis of the global coal markets covering coal prices, seaborne trade and discussing supply and demand issues with immediate and longer term implications.

Fax:
Weekly digest of global prices and news in bite-sized form. All your weekly pricing data and market moving information in one place.

Newswire:
Real-time breaking coal market news and pricing wherever you are, delivered 24 hours a day.

North American Coal Market News & Analysis

Coal & Energy Price Report
Coal & Energy Price Report is the go-to daily publication for industry professionals. It features Commentary by Jim Thompson, critical news and insight about the U.S. domestic markets, and analysis of the U.S.' participation in international markets. The publication is included in IHS Markit's Energy's North American Coal suite.

U.S. Coal Review
Published weekly, U.S. Coal Review is focused on the U.S. utility market but has complete coverage of current coal developments including comprehensive price coverage and production trends. The publication also features weekly analysis and insight from IHS Markit's experts. The publication is included in IHS Markit's Energy's North American Coal suite.

Coal Price Data and Indexes

IHS Markit coal price markers form a key component of the API indices, which serve as the settlement price in 90% of the world's coal derivative contracts. With its legacy of playing a key role in developing steam coal indexation, McCloskey first published the NW European marker in 1991.

Available as an add on to our other products, the full set of steam, coking and petcoke prices – along with vital coal market data, news and analysis can be accessed through our online platform Connect™.

Chinese Coal Market News & Analysis

The service, which comprises analytical reports and daily intelligence updates, brings together IHS Markit's tradition of excellence in covering seaborne markets with Xinhua Infolink's knowledge and insight of the Chinese market. Recent coverage has been at the heart of the policy, regulation, implementation and effect of China's goal of reducing domestic production capacity. This intelligence is augmented with data sets of key indicators.

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Coal Capability

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Global Steam Coal Service

The service is a one-stop shop for forward-looking analysis on the international steam coal market. At its core is a supply/demand and price forecast service. Outlooks are updated quarterly and backed up with in-depth commentary and a comprehensive data-base. The service also focuses on the inter-relationships between steam coal and other fuels, particularly natural gas as well as petcoke.

APAC and African Coal Market News and Analysis

Australian Coal Report
In-depth weekly coverage of Australian coal markets focusing on market moving events. Infrastructure is a key focus and includes port performance, vessel queues and freight. Australian coal statistics and published monthly in Excel covering exports and other data.

Indian Coal Report
Monthly update on developments in the Indian coal, power and steel markets, including coal production and prices. Key shipping routes to India (Cape, Mini Cape, Supermax) are assessed and priced. Data includes monthly coal imports.

Coalfax
Weekly summary of events impacting international coal markets focusing on Australia and wider Asia. Includes prices, tenders, stocks, shipping and the NEX Index, a key indicator of the spot price of thermal coal ex-Newcastle.

South African Coal Report
The interplay between domestic power demand and exports is a focus. Covers corporate news and wider African coal markets and includes an infrastructure focus on Richards Bay coal terminal, loading rates, rail, capacity, vessel queues, and freight.

Metallurgical Coal Market Insight, News and Analysis

The Metallurgical Coal Quarterly
forecasts metallurgical coal fundamentals and price out ten years. It is the critical decision making tool for metallurgical coal market players, and those in its related commodities.

Inside Coal
Daily news and analysis of the biggest events in the international metallurgical coal market. Complete coverage of prices, deep insight from met coal specialists, and supply/demand analysis.

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