

Nickel & Stainless Steel Data Monthly



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China Nickel Apparent Consumption

Chinese Nickel Apparent Consumption Unit: tonne						
	2013.10	2014.8	2014.9	2014.10	Y-o-Y%	M-o-M%
Output of Ni Cathode & Utility	16,740	20,294	20,120	19,362	16%	-4%
Output of Jilin Ni Salts	750	1,472	1,660	1,739	132%	5%
Output of NPI	46,900	38,200	41,000	34,800	-26%	-15%
Output of Primary Nickel	64,390	59,966	62,780	55,901	-13%	-11%
Import	22,646	14,232	17,716	13,861	-39%	-22%
Supply	87,036	74,198	80,496	69,762	-20%	-13%
Export	1,105	17,325	9,942	8,164	639%	-18%
Apparent supply	85,931	56,873	70,554	61,598	-18%	-13%
LME 3-month price US\$/t	14,275	18,723	18,311	15,721	28%	-14%
Changjiang Spot price RMB/t	98,997	130,012	127,600	107,686	29%	-16%

Source: Antaike

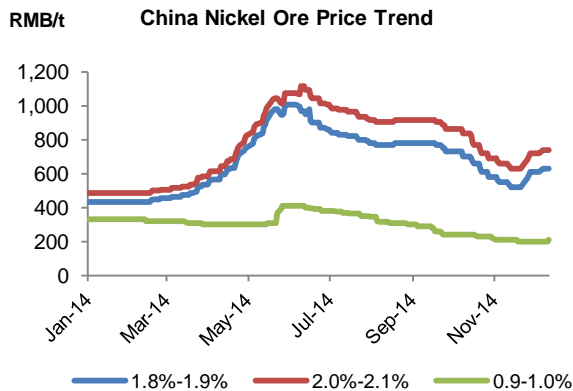
Note: The Ni output figure is revised by Antaike based on CNIA figure

Imports include refined nickel (99.95%-99.99%), other refined nickel, nickel powders and flakes and FeNi

Chinese nickel apparent supply decreased by 13% m-o-m and 18% y-o-y to 61.598kt in Oct.

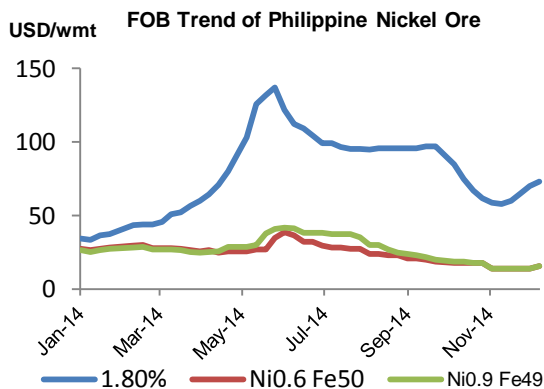
Chinese primary nickel output reached 55.9kt, down by 11% m-o-m and 13% y-o-y. Refined nickel output rose by 16% y-o-y but dropped by 4% m-o-m. Nickel salt output saw a 5% m-o-m growth.

Price Trend Analysis



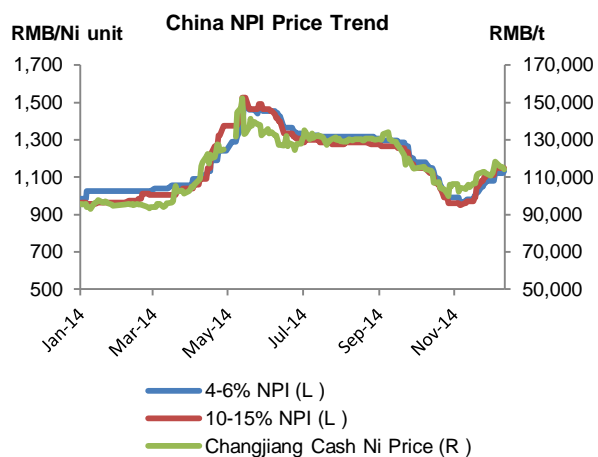
Source: Antaika

Nickel market entered a downward channel since late Sep and the prices never stopped decreasing in Oct. In Nov., the price continued to decline although there were better inquires on the market. Mid-high nickel ore showed a good trend of which, the grade above Ni1.5% lifted by 25-30yuan/wmt. In addition, low Ni and high in late Nov., which supported low grade Ni ore.



Source: Antaika

In early Nov., FOB and CIF prices for Ni0.6-0.8% generally revised down by US\$4. So far psychological prices of individual plants set CIF price of Ni0.9-1.1 at around US\$22. There were no changes in mid Nov. due to rainy season. Overall, Ni1.5% and Ni1.8% increased by US\$2 and US\$1-3 compared with Oct.

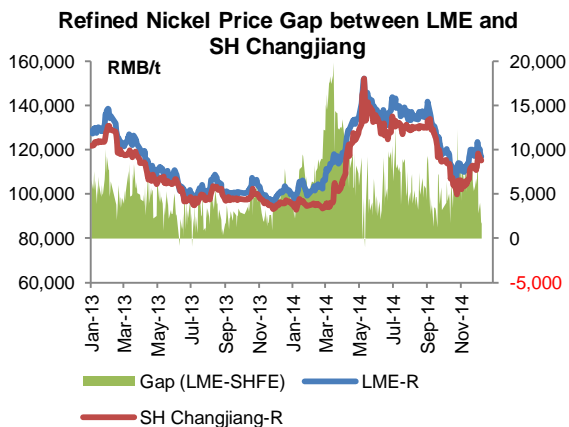


Source: Antaike

Jinchuan Group Co., Ltd. (JNMC) adjusted its refined nickel ex-factory price for 15 times in Nov. The price in late Nov. increased by 5,800yuan/t to 111,500yuan/t compared with last month.

JNMC's Offer of Nickel Ex-factory Price in Nov. 2014, RMB/t

Date	Price	change
Nov. 3	106,000	300
Nov. 4	102,500	-3,500
Nov. 6	103,800	1,300
Nov. 7	104,200	400
Nov. 12	104,800	600
Nov. 13	105,800	1,000
Nov. 14	104,300	-1,500
Nov. 17	106,500	2,200
Nov. 18	107,000	500
Nov. 20	111,400	4,400
Nov. 24	112,400	1,000
Nov. 25	113,000	600
Nov. 26	112,500	-500
Nov. 27	112,300	-200
Nov. 28	111,500	-800
m-o-m change		+5,800



Source: Antaika

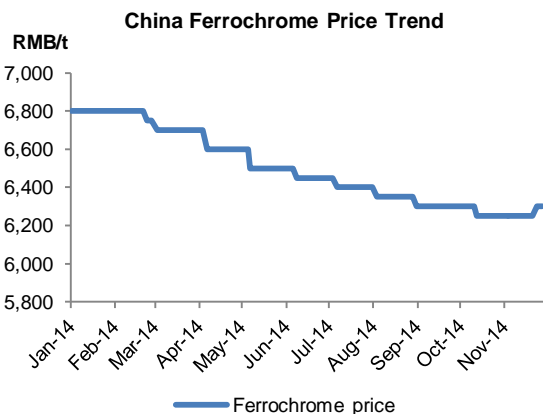
LME nickel 3-month prices stopped declining, and rebounded in middle and later November. After the prices declined rapidly in October, Chinese NPI producers, whose production accounts for 25% of global nickel supply, suffered financial loss, and were forced to cut down production for supporting prices. Meanwhile, some operations were suspended near Beijing during the term of APEC, which drew down supply too. Accordingly, the panic emotion was limited, and market participants were expecting better prices in the raining season of Philippines.

LME 3-month nickel price was averaged at US\$ 15,842/t in November, while that of cash-month price was US\$ 15,788/t, unchanged compared with the previous month and up by 15.2% y-o-y. The open interest was 208,457 lots by the end of November, up by 41% compared with 147,656 lots a year ago and down by 2,053 lots on monthly basis. The nickel inventory was 401,850 tonnes by the end of November, up by 59% y-o-y and 18,000 tonnes m-o-m.



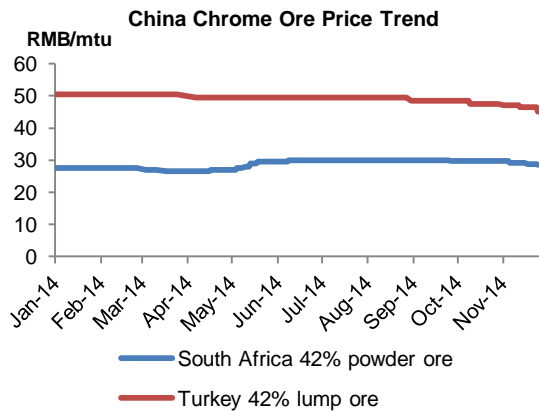
Source: Antaika

Chinese stainless steel prices overall showed an upward trend in Nov., price of 304 CR SS dropped to 15,450yuan/t. in early-Nov., and rebounded to 16,600yuan/t following nickel price. By the end of the month, the price slipped to 16,300yuan/t. We estimated a month ago that the HR SS price has been in the bottom. In that case, the HR SS price will rise, while CR SS price will decline leading to less gap between the two products. According to the real situation in November, the growth rate of HR SS price was higher than CR SS price. The CR SS. 304 coil price increased from 13,800yuan/t to 14,800yuan/t and the price gap shrank from 1,500-2,000 yuan/t to 1,300-1,700 yuan/t in Nov.



Source: Antaika

Chinese high carbon ferrochrome price increased finally in Nov. The average ex-factory price in Inner Mongolia traded at 6,263yuan/t, up 13yuan/t compared with 6,250yuan/t in Oct.

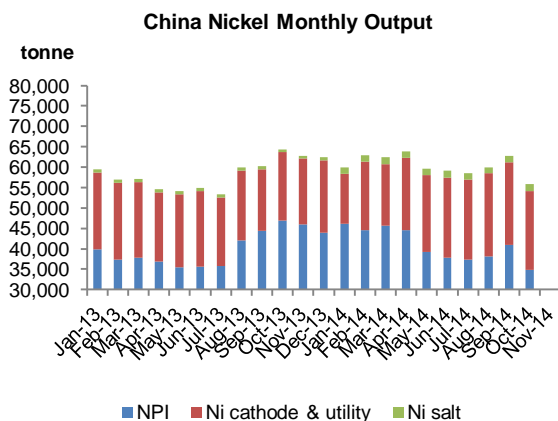


Source: Antaika

Foreign chrome price showed a downward tendency in Nov. Price of South Africa 42% powder ore was US\$158/t while price of Turkey 42% lump ore touched US\$256/t by the end of Nov. Chinese ferrochrome mills were less confidence for the future market leading to no operation room for traders which were in low activity for importing chrome ore.

Domestic chrome ore price operated more stable than foreign market. South Africa 42% powder ore was 29yuan/mtu, at average. Turkey 42% lump ore traded at 46.5yuan/mtu in Nov., down by 1yuan/mtu on monthly basis.

China Primary Nickel Supply



Source: Antaika

Domestic NPI output decreased by 15% m-o-m and 25.7% y-o-y to 34.8kt in Oct. In terms of products distribution, high grade NPI (Ni metal content hereinafter) declined by 18.8% m-o-m to 27.1kt, RKEF accounted for 57.9% to reach 15.7kt; mid grade NPI maintained unchanged at 1.5kt while low grade NPI at 6.3kt. Output of RKEF and traditional process all showed an obvious drop in production.

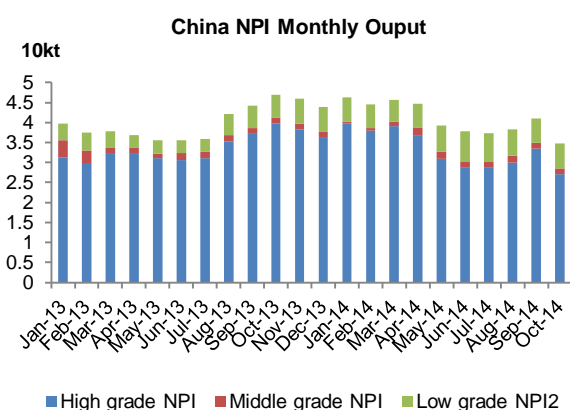
Output of traditional process decreased by 23% m-o-m to 11.3kt in Oct. affected by sharp down in the first week of the month due to Chinese National Day Holidays. Additional,

China Ni Cathode & Utility Output by Regions in Oct. 2014

Region (Unit: tonne)	Oct. 2014	Jan.-Oct. 2014	% Jan.-Oct. 14/13
Chinese Total	19,362	178,769	3.18
Gansu	13,200	120,385	1.52
Sichuan	1,100	11,798	43.41
Xinjiang	1,050	9,324	7.94
Guangxi	1,000	8,764	45.19
Jilin	607	4,352	42.56
Jiangxi	600	8,600	-40.47
Yunnan	266	1,956	18.46
Shaanxi	200	1,850	-239.62
Zhejiang	0	1,000	-
Vale (Ni utility)	1,339	10,740	-11.73

the production in Inner Mongolia suspended after October 25 for the purpose of ensuring good environment for APEC. We estimate the production would maintain the downtrend in Nov.

The ex-factory price of high grade NPI traded at 952yuan/nickel unit, at average in Nov. Mid-grade NPI was at 970yuan/nickel unit and low grade NPI dropped to 2,363yuan/t, down by 54-73yuan/t. With the price recovering after decline, steel mills will increase their tenders in December.



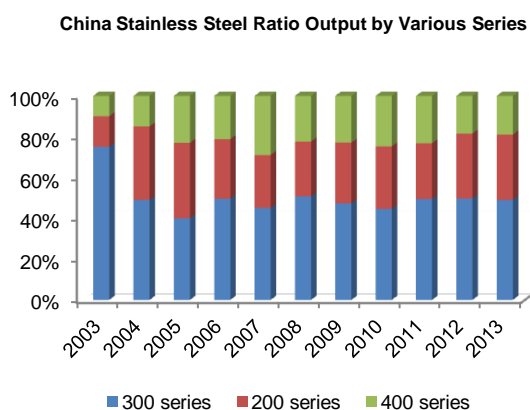
NPI bidding prices for Dec. by domestic major steel mills increase compared with Nov. POSCO lifted the price to 1,090yuan/nickel unit, and Baosteel added 100yuan to 1,050yuan/unit. Meanwhile, most other private steel mills basically keep 1,090-1,100yuan/nickel unit.

Source: Antaika

NPI Prices of China Main Steel Mills RMB/nickel unit

Still mills	Nov.	Dec.	m-o-m change
TISCO	930		
Baosteel	950	1,050	+100
Pohang	975	1,090	+115

China Primary Nickel Consumption



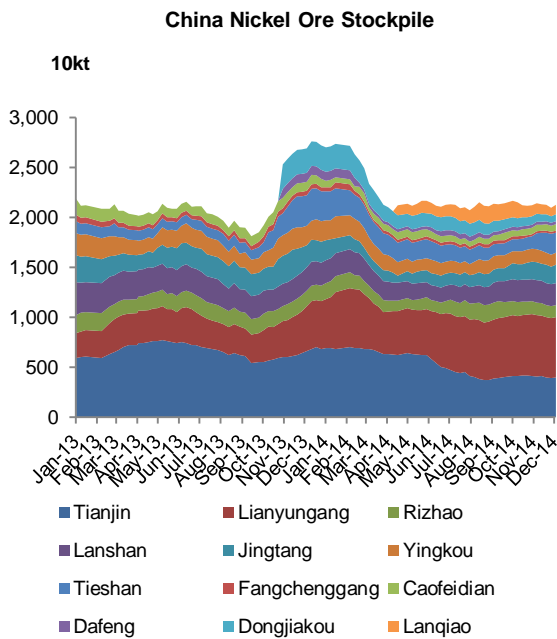
Source: Antaike

According to statistics from Antaike, Chinese crude stainless steel output reached 1.773Mt in Oct. 2014, down by 1.2% m-o-m. Of which, output of 400 series increased by 14% m-o-m to 388kt, accounting for 22%; 200 series output decreased by 6.9% m-o-m to 568kt, accounting for 32% while 300 series output fell by 3.4% m-o-m to 816kt, accounting for 46%.

Gross output of Chinese stainless steel changed little in October, but quite divided in different series. The growth rate of 400 series SS production reached 14% in November mainly because of cut down production in TISCO in September and resumed in October.

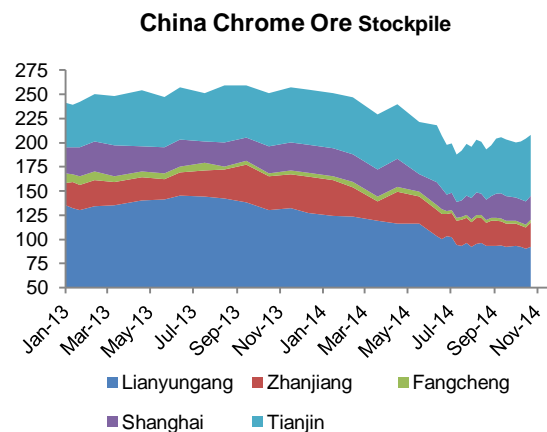
Some SS mills reduced production further in November due to tight cash flow, which would be less possible to release production in the next several months. Those SS mills with capacity below 100 ktpa faced risk of cash flow broken on deficit and tightened credit.

China Primary Nickel Inventory

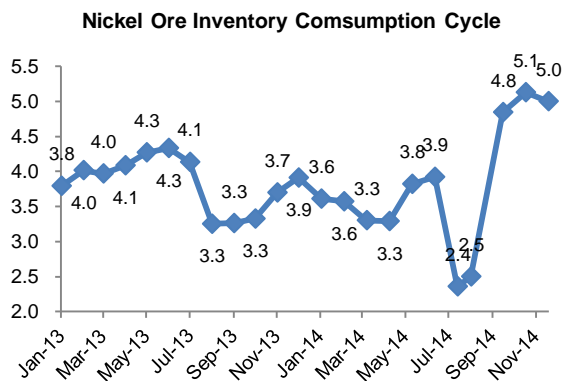


Source: Antaike

Based on the statistics, the total nickel ore inventory in Chinese 12 ports increased by 250kt to 21.3 Mt on November 21 compared with the end of October.



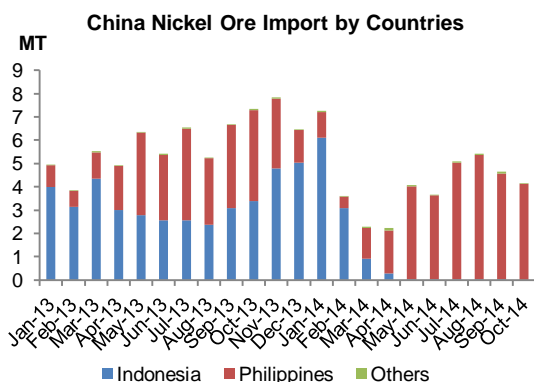
Chinese chrome ore stockpiles at ports stayed at 2.16Mt by the end of Nov., down by 60kt compared with 2.22Mt in late Oct. So far stocks at Lianyungang dropped by 50kt to 850kt. The stocks at Zhanjiang increased by 20kt to 240kt. Stocks at Shanghai increased by 20 kt to 220kt. Stocks at Tianjin moved up 10kt to 660kt. The operation room for importers was limited, and the market was more open viewed.



Source: Antaike

Nickel ore inventory consumption cycle extended to 5 months in November compared with that in October. The consumption cycle prolonged to Nov. due to production reduction of NPI plants, and the consumption cycle will be extended to Feb., 2015.

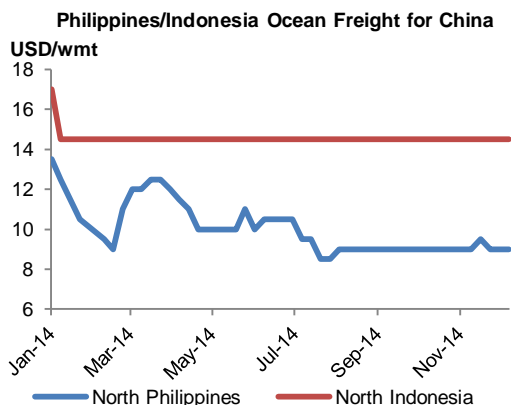
Important Ni Product Import and Export



Source: Antaike

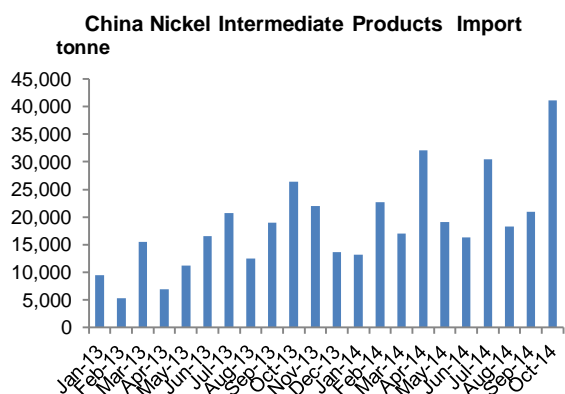
The data from China Customs showed China imported 4.15Mt nickel ore in Oct., down by 10.56% m-o-m compared with Sep. and 43.54% y-o-y compared with the same period of last year. Imports from Indonesia dropped to zero in Oct. against 3.43 Mt in the same month of 2013; that from Philippines dropped by 8.85% m-o-m but rose by 6.74% y-o-y to 4.12Mt in Oct.

The companies prepared stocks 1-2 months ahead compared with the previous year due to rainy season expectation in Philippines. Antaike estimates the imports in Nov. will have an obvious decrease. The growth rate of nickel ore stockpiles at ports will slow down.



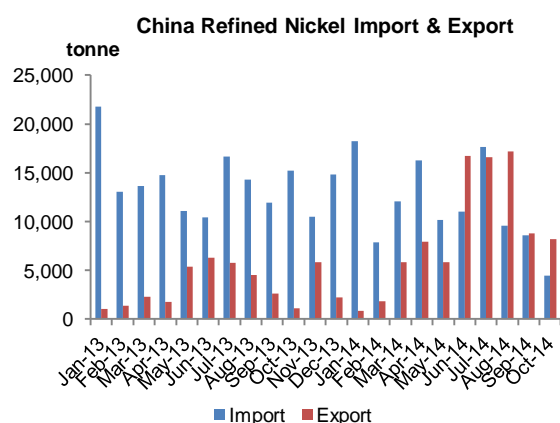
Source: Antaike

Nickel ore ocean freight for China stayed stable in Nov. Philippines (Zambales) ocean freight to Lianyungang was US\$8 and that to Tianjin was US\$8.5. Philippines (Surigao) ocean freight to Lianyungang was US\$9 and that to Tianjin was US\$9.5.



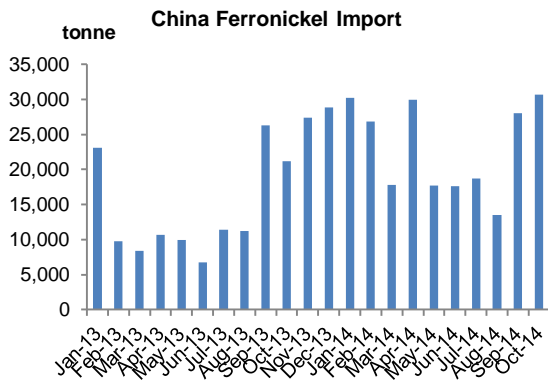
Source: Antaike

Chinese nickel intermediate products imports totaled 41,089t in Oct., up by 48.93% m-o-m and 61.16% y-o-y.



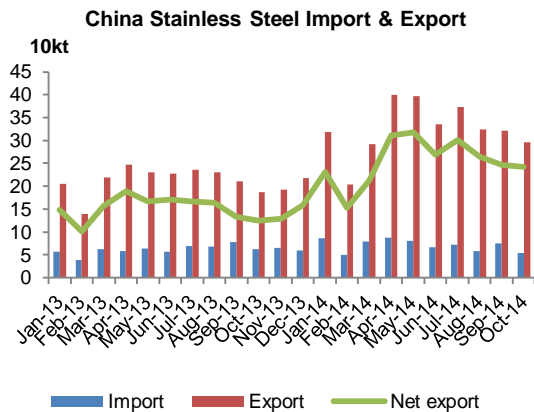
Source: Antaike

China imported 4,455t refined nickel in Oct., down by 48% m-o-m and 70% y-o-y. Meanwhile, the nickel plate export maintained unchanged at 8,164 tonnes in Oct. compared with Sep., but lower than that in Aug.



Source: Antaike

Chinese ferronickel imports in Oct. increased by 9.6% m-o-m and increased by 45% y-o-y to 30,714 t. TISCO imported 17,825 t in the month, equaling to 40kt of homemade ferronickel; Zhangjiagang Pohang imported 920 t and Tsingshan imported 4,291t.

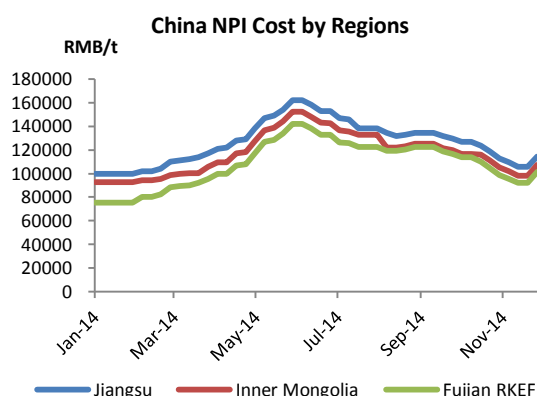


Source: Antaike

China totally exported 296kt stainless steel materials in Oct., down by 7.8% m-o-m but up by 58% y-o-y. The imports fell by 27.5% m-o-m and 13.2%y-o-y to 54.4kt in Oct.

In Oct., China imported 2,650t waste stainless steel, sharply down compared with 7,916t in Sep.. From Jan. to Oct., the accumulative imports reached 18.4kt.

Production Cost



Source: Antaike

Based on 1.8% nickel ore prices of 490yuan/t, NPI production cost in Jiangsu reached US\$14,572/t (1,055yuan/nickel unit); the cost in Inner Mongolia exceeded US\$13,558/t (983yuan/nickel unit); the cost in Shandong attained US\$12,937/t (930yuan/nickel unit). According to current raw material prices and steel mills' RMB 1,050yuan/nickel unit bidding prices, we estimate all NPI plants adopted previous high cost raw materials, and operated in losses. (Note: the cost mentioned above excludes finance charges, depreciation and other cash cost).

The high grade NPI production declined seriously, and the resumption was limited. After mid-November, NPI mills lifted quotation and were reluctant to sell, leading to a small range decline of NPI inventory at the end of November.

200 series non-integration steel mills saw higher profit after production reduction, and the economic return of integration steel mills was even better. The current mainstream producers are integration steel mills.

300 series steel mills' profit is resuming, and the production was in downtrend in Jun.-Oct. after touched a highest level in May. So, the profit is better, and the steel mills will keep purchasing and production.

China Newly-built NPI projects

The Dunfeng Taizhou Project is commissioned, but is still at low rate operation in early period. Only a 33,000 KVA furnace is producing now.

Outlook

Fundamentals:

Capital background: Discount rate gradually fell down, and then rebounded slightly, showed domestic abundant funds. However, small and middle sized companies confronted with fund pressure due to banks' strict credit policy to steel industry. The main source of funds was pallet companies.

1. Shipments of high grade nickel ore from Philippines sharply declined in Nov., less than 60% of earlier stage. Shipments will decrease gradually due to rainy season and weak market.

2. NPI production decreases rapidly, implying reductions of raw materials' supply and production.

3. NPI inventory declined by 13kt in Nov. against Oct. due to reluctant in sales.

4. 300 series stainless steel production regain profit facing relative high finished products inventory and low raw material inventory.

5. Profits of stainless steel exports kept stable; exporters are active.

In conclusion, nickel ore import in Oct. was in downtrend. Nickel consumption cycle will be prolonged due to production reduction at NPI plants. In accordance with 431kt NPI inventory in hands of major NPI companies and pallet companies in late Nov., the inventory can be sold for 1.4 months. The NPI mills reduced production in Nov., and will be hard to resume in Dec. If the mills would like to sell NPI, they would be able to clean up their inventory after December.

High finished stainless steel products inventory is still seen, but SS mills' profit has resumed in a range. The press of oversupply was eased after Nov., and the SS market entered a seller's market.

Nickel price will be driven up by climbing NPI prices, and may create a new high position in December. The monthly average price will be at US\$ 16,500/t in the month.

News

Xinyuan Nickel shut down temporarily According to a source from Jiangsu Xinyuan Nickel Co., Ltd. (Xinyuan Nickel), it shut down as maintenance for nearly one month and would resume production in Dec. So far there were no spot goods.

Xinyuan Nickel, located in Yancheng City, Jiangsu Province, owns 2 sets of 33,000KVA electric furnaces mainly used for production high grade NPI (Ni10-15%) and its monthly output reaches 4.5kt.

Baotong Nickel slightly cutback production Jiangsu Baotong Nickel Co., Ltd. (Baotong Nickel) recently stopped production of partial of electric furnaces thus the monthly output was cut back to 16kt. Due to low NPI prices, Baotong had no plan to sell NPI.

Baotong Nickel, located in Lianyungang City, Jiangsu Province, is specialized in producing stainless steel and NPI. It has high grade NPI full capacity of 27kt per month.

Domestic crude stainless steel output increased by 17.44% y-o-y in Q1-Q3 Recently Stainless Steel Council of China Special Steel Enterprises Association published output, import & export and apparent consumption data of Chinese crude stainless steel in Q1-Q3.

1. Crude stainless steel output rose by 17.44% y-o-y to 16.0221Mt. Of which, Cr-Ni (300 series) increased by 19.64% y-o-y to 8.2349Mt, accounting for 51.4% of total; Cr (400 series) grew by 17.88% y-o-y to 3.4141Mt, accounting for 21.31%; Cr-Mn (200 series) went up 13.19% y-o-y to 4.3731Mt, accounting for 27.29%.
2. Stainless steel imports reached 647kt, up by 15.93% y-o-y while the exports rose by 52.83% y-o-y to 2.9613Mt.
3. Stainless steel apparent consumption increased by 10.71% y-o-y to 11.7851Mt. Its self-sufficiency rate of domestic stainless steel material is 94.51%.

China exports 232kt of stainless steel flat products in Oct. China exported 232kt of stainless steel flat products in Oct, a consecutive 3-month decline, and export to South Korea and Taiwan increased to some extent, but Italy and Vietnam declined.

Exporters said that Oct data was the reflection of Jul and Aug markets when nickel and stainless steel prices declined and demand was slim on summer vacation in Europe, and they also predicted Nov

export data wouldn't increase significantly since there were 7 days holiday in China during Oct.

Baosteel Desheng completes maintenance

Baosteel Desheng Stainless Steel Co., Ltd. (Baosteel Desheng) completed maintenance for 4 sets of 33,000KVA smelting electric furnaces. So far one of the furnaces has resumed production. These four furnaces are used for high grade NPI production.

Baosteel Desheng, as a subsidiary of Baosteel Stainless Steel Co., Ltd., is located in Fuzhou City, Fujian Province. It is mainly engaged in producing nickel alloy and further producing stainless steel strip.

Statistics

Imports and Exports of Ni Products in Oct. 2014

Commodity	Quantity in Oct. 2014	Quantity in Jan.-Oct. 2014	Y-o-Y Jan.-Oct.	Value in Oct. 2014	Value in Jan.-Oct. 2014	Y-o-Y Jan.-Oct.
Import	t	t	%	USD	USD	%
Nickel mattes	45,153	270,918	40.63%	148,941,813	1,024,747,746	-1.38%
Refined Nickel	4,455	115,877	-18.88%	78,419,768	1,983,445,414	-13.62%
Ni semis	1,202	12,456	5.45%	35,789,225	393,329,402	-11.22%
Other products	181	1,802	5.68%	13,124,990	123,338,138	5.35%
Export	t	t	%	USD	USD	%
Nickel mattes	6,440	9,210	-	9,731,295	19,200,163	-
Refined Nickel	8,164	89,735	178.87%	154,761,735	1,627,622,221	188.26%
Ni semis	380	3,735	4.97%	10,814,699	98,276,749	-18.26%
Other products	50	540	-0.20%	2,479,160	26,625,698	8.00%

Note: 1. Figures are provided by China Customs.

2. All Imports/exports of commodity are in physical weight.

Ferrochrome Bidding Prices of Baosteel, TISCO and JISCO Unit: RMB/t

Date	Baosteel	TISCO	JISCO
Jan., 2014	6,850	6,650	6,750
Feb., 2014	6,850	6,650	6,750
Mar., 2014	6,800	6,600	6,700
Apr., 2014	6,700	6,500	6,600
May., 2014	6,650	6,400	6,500
Jun., 2014	6,600	6,350	6,550
Jul., 2014	6,550	6,300	6,550
Aug., 2014	6,550	6,300	6,550
Sep., 2014	6,450	6,200	6,450
Oct., 2014	6,400	6,150	6,400
Nov. 2014	6,400	6,150	6,400
Dec. 2014	6,450	6,200	6,450

Source: Antaike

Note: 50% chrome content and payment by cash to the factory

Chinese Nickel Ore Stockpile at 12 Main Portsides in 2014 Unit: 10kt

Date	Tianjin	Lianyungang	Yingkou	Rizhao	Lanshan	Tieshan	Fangcheng	Jingtang	Caofeidian	Dafeng	Dongjiakou	Lanqiao	Total
Aug. 29	370	575	135	175	180	130	35	130	55	40	115	175	2,115
Sep. 5	370	585	135	170	180	125	35	130	55	40	110	175	2,110
Sep. 12	385	590	135	170	200	120	35	130	55	35	110	170	2,135
Sep. 19	390	600	130	170	200	115	35	130	55	35	105	165	2,130
Sep. 28	400	600	130	150	210	120	30	130	75	35	100	160	2,140
Oct. 10	410	610	120	140	220	120	30	160	60	35	95	165	2,165
Oct. 17	410	600	130	140	220	120	30	160	55	35	90	160	2,150
Oct. 24	415	605	130	135	220	125	30	155	65	30	90	120	2,120
Oct. 31	415	610	130	130	220	125	20	170	65	30	85	115	2,115
Nov. 7	410	620	130	130	220	125	20	175	65	30	85	110	2,120
Nov. 14	405	615	130	125	225	160	20	180	65	30	80	105	2,140
Nov. 21	410	605	130	125	225	180	20	170	60	30	75	100	2,130
Nov. 28	395	605	120	120	220	200	20	185	65	30	70	95	2,125
Dec. 5	390	600	120	120	220	210	20	175	60	30	65	85	2,095
Dec. 12	395	605	120	120	220	200	20	185	65	30	70	95	2,125