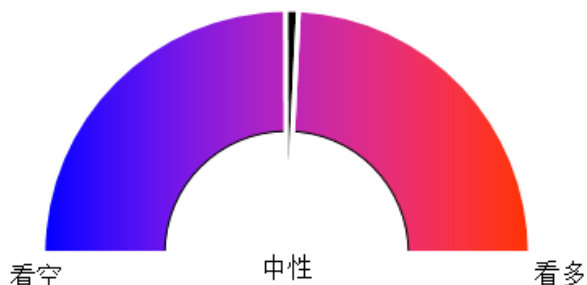


**High prices are expected to run strong RMB 12000-12800/ton**

Last week we were  
**Right**

Fig 3. Weekly Speedometer

|               | Last week | Impact on Price |
|---------------|-----------|-----------------|
| Macro economy | Up        | Up              |
| Cost          | Down      | Down            |
| Supply        | Down      | Up              |
| Demand        | Up        | Up              |
| Sentiment     | Up        | Up              |



## Alumina

Fig 1. Bauxite Price

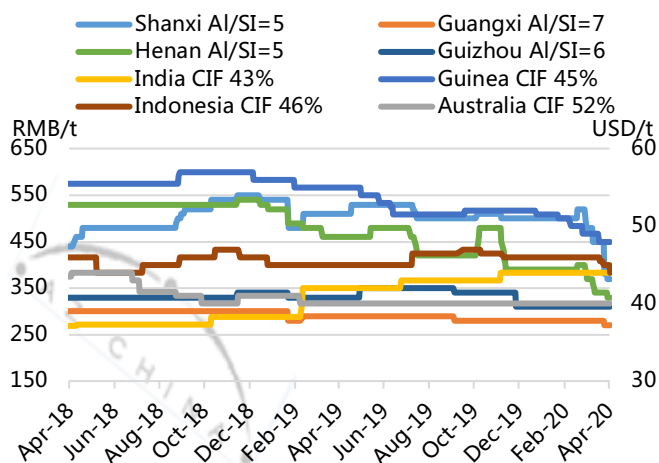
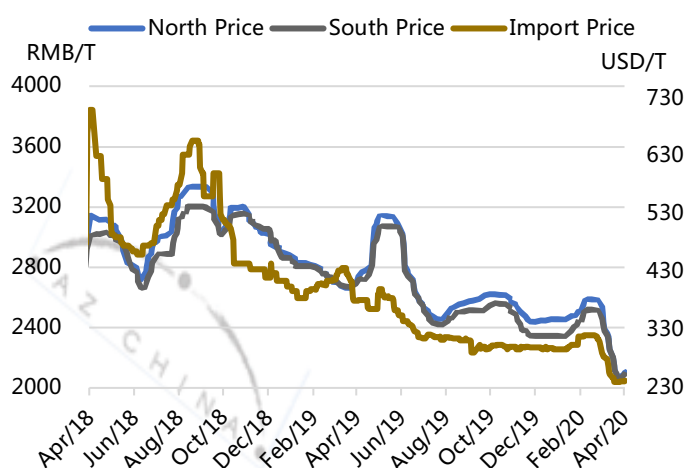


Fig 2. Alumina Price



## Market Review

The domestic ore market continued to be weak last week.

From the market performance, there is no obvious increase in the supply of ore in Shanxi. However, due to downstream pressure, the price of local resources is difficult to rise. The mainstream quotation fell slightly by 10 yuan / ton during the week. At present, the local ore supply can meet the needs of the downstream, and the short-term price increase is weak in the face of continued price reduction purchases by the alumina plant.

The mainstream quotation in Henan has dropped by 10 yuan / ton, and the price of some aluminum-silicon ores with a ratio of 3-4 has been reported to 280-290 yuan / ton. Recently, the market has exported more resources to Shanxi. The southern market has been operating steadily, some high-reported resources in Guizhou have fallen, and Guangxi has increased its efforts to crack down on private mining.

In terms of imports, there has been less arrivals of imported resources recently. The port stocks during the week totaled 26,290 Kt, a decrease of 410 Kt from the previous week. Due to the recent low prices of domestic alumina and domestic mines, the advantages of using imported resources have decreased. This week, Luoyang Xiangjiang Wanji, Chinalco Shanxi New Materials, and China Power Investment Shanxi all cut their production using imported ores.

As of the weekend, domestic mines (bare price to the factory) Henan Al / SI = 5.0 was 330 yuan / ton, Shanxi Al / SI = 5.0 was 370 yuan / ton, Guizhou Al / SI = 11 was 340 yuan / ton, Guangxi Al / SI = 13 was 270 yuan / ton. Imported Guinea ore is US \$ 48 / ton, Australia is US \$ 40 / ton,

and India is US \$ 44 / ton. On the whole, the weak demand market and the low price of sea freight continue to restrict domestic and foreign ore prices, and it is difficult to see a significant rebound in the short term.

Last week, domestic alumina stopped falling and rebounded slightly. Some companies limited sales, and the market mentality has improved compared with the previous period.

In terms of performance during the week, with the price rebounding slightly, small orders among northern traders and non-aluminum customers increased, and some buyers took the initiative to purchase premiums. The mainstream quotation was around 2250 yuan / ton. However, electrolytic aluminum is still not optimistic about the spot market, and there were no big spot transactions within the week. Factories still service long orders, and are cautious about the market outlook, because the cost is still upside down and they are not willing to make spot production.

Prices in the southern market have followed up in the north, while average prices in the north and south have remained flat. Guangxi, Guizhou and other places mainly produce long-term orders, and there is no spot transaction in the local market.

As of the weekend, the average price in the north was 2090 yuan / ton, up 16 yuan / ton from the previous week; the average price in the south was 2090 yuan / ton, up 27 yuan / ton from the previous week. In terms of imports, the Australian CIF price reported US \$ 241 / ton, up US \$ 1 / ton. No new goods arrived in Hong Kong this week, and some merchants regretted the sales mentality. The mainstream spot price at port was reported to 2240-2260 yuan / ton. However, the overseas market also lacks fundamental support and bears negative expectations. Overall, the price of alumina rose slightly for a short time but lacked the momentum to continue to rise. If there is no real positive stimulus, the short-term price may be weak or stable. Forecast this week is 2100-2150 yuan / ton.

#### Refinery Dynamic

##### Increased production:

Henan Zhongmei Aluminum Co., Ltd. resumed production and now has an operating capacity of 200Kt.

##### Production reduction:

Chinalco Shanxi New Materials Co., Ltd. reduced production by 400Kt, and now has a total operating capacity of 2000Kt.

CLP Shanxi Aluminum Industry Co., Ltd. reduced its production by 1,000Kt and now has an operating capacity of 1,800Kt.

Luoyang Xiangjiang Wanji Aluminum Co., Ltd. reduced its production by 400Kt and is now operating at 1,000Kt.

##### Total supply:

China's alumina production capacity has a total built capacity of 86650kt, a working capacity of 66500kt, and a working rate of 76.75%.

### Aluminium

Fig 3. LME Aluminum Price

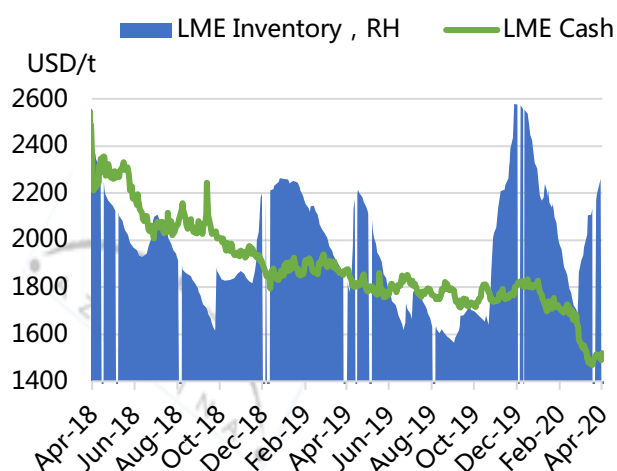
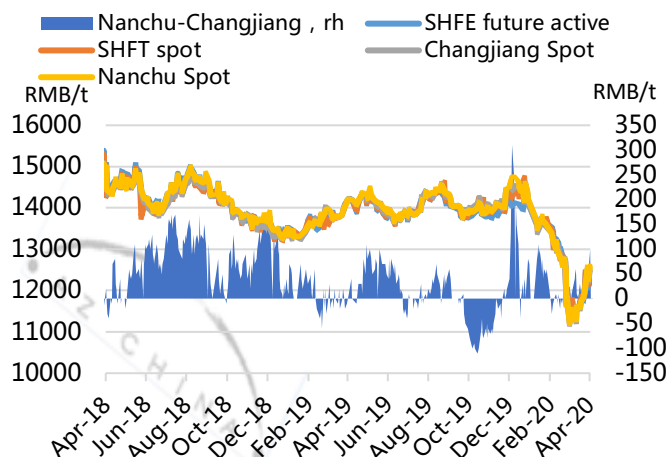


Fig 4. Chinese Aluminum Price



### Market Review

During the week, LME aluminum prices fluctuated at a low level, with an operating range of \$ 1479.5-1534 / ton. WTI May crude oil futures encountered the craziest sell-off in the history of crude oil futures, the settlement price once closed at -37.63 US dollars / barrel, the first negative value in history. Market panic increased, and LME aluminum fell to \$ 1479.5 / ton. Subsequently, boosted by Shanghai Aluminum's surge, LME aluminum shocks strengthened.

The trend of Shanghai Aluminum last week showed an "N" shape, with an operating range of 12005-12460 yuan / ton during the week. As of the last weekend, the spot aluminum price of Yangtze River was 12,480 yuan / ton, an increase of 480 yuan / ton from the previous Thursday, an increase of 4.00%; the average weekly price was 12,326 yuan / ton, an increase of 474 yuan / week Tons, an increase of 4.00%.

Southern spot aluminum price was 12,580 yuan / ton, an increase of 520 yuan / ton from the previous Thursday, an increase of 4.31%; weekly average price was 12,384 yuan / ton, an increase of 498 yuan / ton from the previous week, an increase of 4.19 %. Downstream consumption was good, social stocks fell unexpectedly, market supply was tight, and intermediaries received goods positively. The optimism of the market pushed Shanghai Aluminum up. Although the sharp drop in US crude oil dragged Shanghai Aluminum down during the period, it did not look right.

Emotions have too much influence. There are rumors in the market that a large corporation receiving large quantities of goods at high prices and long orders is also one of the reasons that pushed Shanghai Aluminum higher.

Fig 5. Futures inventory

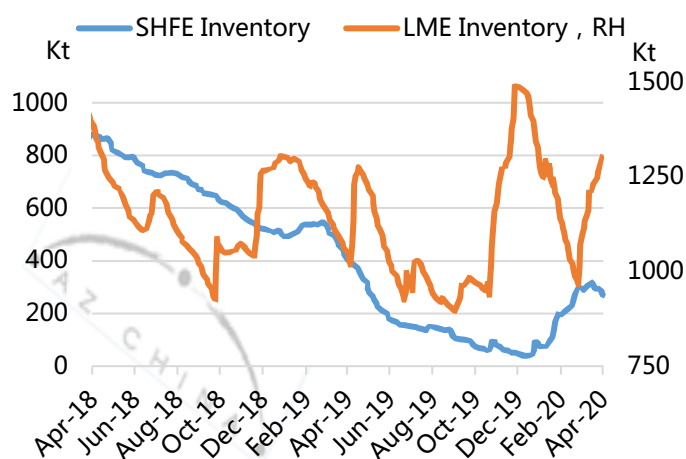
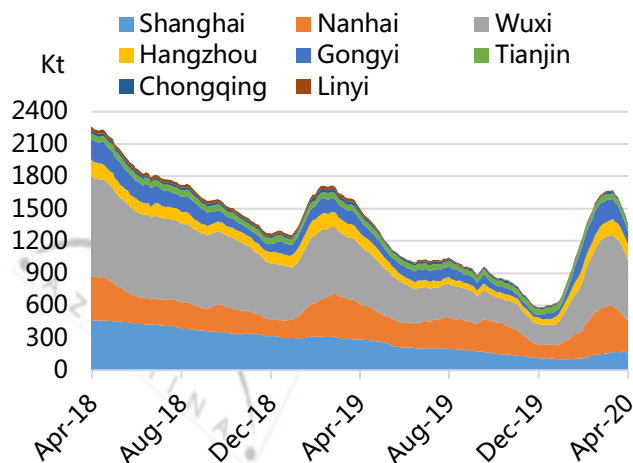


Fig 6. Spot inventory



### Inventory view

During the week, aluminum inventories fell internally and externally. At the end of the week, domestic aluminum inventories decreased by 27,406 tons to 266,689 tons, a decrease of 9.3%. LME Aluminum's inventory increased by 36,575 tons to 1,298,125 tons, an increase of 2.90%.

The domestic social inventory was 1357Kt, a decrease of 137Kt from the previous Thursday, a decrease of 9.17%. The major movements are mainly from Nanhai, Wuxi and Gongyi. The market demand is strong, and social stocks are rapidly deteriorating, which boosts market optimism. According to the statistics of AZ China, as of last Thursday, the inventory of electrolytic aluminum enterprises was 296.8Kt, a decrease of 41.3Kt from the previous week.

### Smelters dynamic

#### Increase in production:

None

#### Reduction of production:

Chongqing Qineng Electric Aluminum's maintenance scale has expanded, and its current operating capacity is 295Kt.

Liaoning Zhongwang continued to stop pots, and its current operating capacity is about 350Kt.

#### Total supply situation:

The effective production capacity of electrolytic aluminum in China is 45,174Kt, the operating capacity is 35,859Kt, and the capacity operation rate is 79.4%.

### Outlook

On the supply side, the industry's operating capacity declined slightly. Liaoning Zhongwang is stopping. With the recovery of aluminum prices and the decline in raw material prices, corporate profitability has improved significantly compared to before. Entering May, Yunnan Yixin, Yunnan Wenshan, Sichuan Guangyuan Linfeng and other companies plan to start production. In terms of inventory, with the recovery of aluminum prices, the market does not buy up or down, whether it is social stocks or factory stocks.

In terms of consumption, the market continued to maintain good demand in the previous week, and social inventories fell sharply by 137Kt, and the rate of inventory reduction exceeded that of the previous week. Spot aluminum prices are relatively low, and companies are rushing to order pre-orders and follow-up orders, and market demand is strong.

In terms of cost, alumina prices stabilized slightly during the week, but the average weekly price was slightly lower than the previous week. The real-time complete cost reduction of electrolytic aluminum has been narrowed, the profit level has been repaired, and the proportion of

companies that have lost cash costs is less than 7%. As the price of raw materials stabilizes and recovers, costs will bottom out.

On the macro level, US crude oil prices fell, and market risk aversion increased. The impact of the epidemic on the global economy is serious, and the macro aspect is still not optimistic.

Taken together, the current aluminum market is booming, social inventories continue to exceed expectations, and the market is more optimistic. AZ China predicts that aluminum prices are expected to run at a high level this week. The range will be 12000-12800 yuan / ton, and for LME aluminum 1450-1550 US dollars / ton.

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#### News

- According to the National Bureau of Statistics, in March 2020, China's output of ten nonferrous metals was 4830Kt, an increase of 1.6% year-on-year; the total output in January-March was 14170Kt, an increase of 2.1% year-on-year. Among them, the output of primary aluminum in March was 2970Kt, an increase of 2.3% year-on-year; the total output in January-March was 8840Kt, an increase of 2.7% year-on-year. According to statistics from the Bureau of Statistics, the average daily output of primary aluminum in March was about 95,800 tons, down 1.7% from 97,450 tons in the first two months of this year, the lowest average daily output level since October last year.
  - The data released by IAI on Monday showed that the global primary aluminum production increased to 5477Kt in March, and February was revised to 5145Kt.
  - In March 2020, the prosperity index of China's aluminum smelting industry was 19.9, down 2.8 points from the previous month; the leading synthesis index was 47.5, down 2.0 points from the previous month. The monitoring results of the model show that the industry prosperity index in March has dropped to the lower part of the "cold" range, while the leading synthetic index still continues its downward trend.
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## Aluminium Weekly Alert

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