

## Spot Market Prices

|                  | FOB RCBT (USD/mt)*  |              | FCA Witbank (ZAR/mt)** |            |            |            |            |
|------------------|---------------------|--------------|------------------------|------------|------------|------------|------------|
|                  | 6,000               | 5,500        | 26.91                  | 25.23      | 24.00      | 22.50      | 21.00      |
| 01-May-20        | 48.25               | 40.75        | 590                    | 470        | 430        | 390        | 360        |
| 08-May-20        | 49.30               | 42.30        | 585                    | 460        | 415        | 375        | 345        |
| 15-May-20        | 50.50               | 43.00        | 615                    | 480        | 435        | 395        | 360        |
| <b>22-May-20</b> | <b>49.75</b>        | <b>41.50</b> | <b>575</b>             | <b>450</b> | <b>410</b> | <b>375</b> | <b>345</b> |
|                  | <b>A-grade Peas</b> |              | <b>825 - 925</b>       |            |            |            |            |
|                  | <b>B-grade Peas</b> |              | <b>700 - 800</b>       |            |            |            |            |

\* CV typ (kcal/kg NAR)

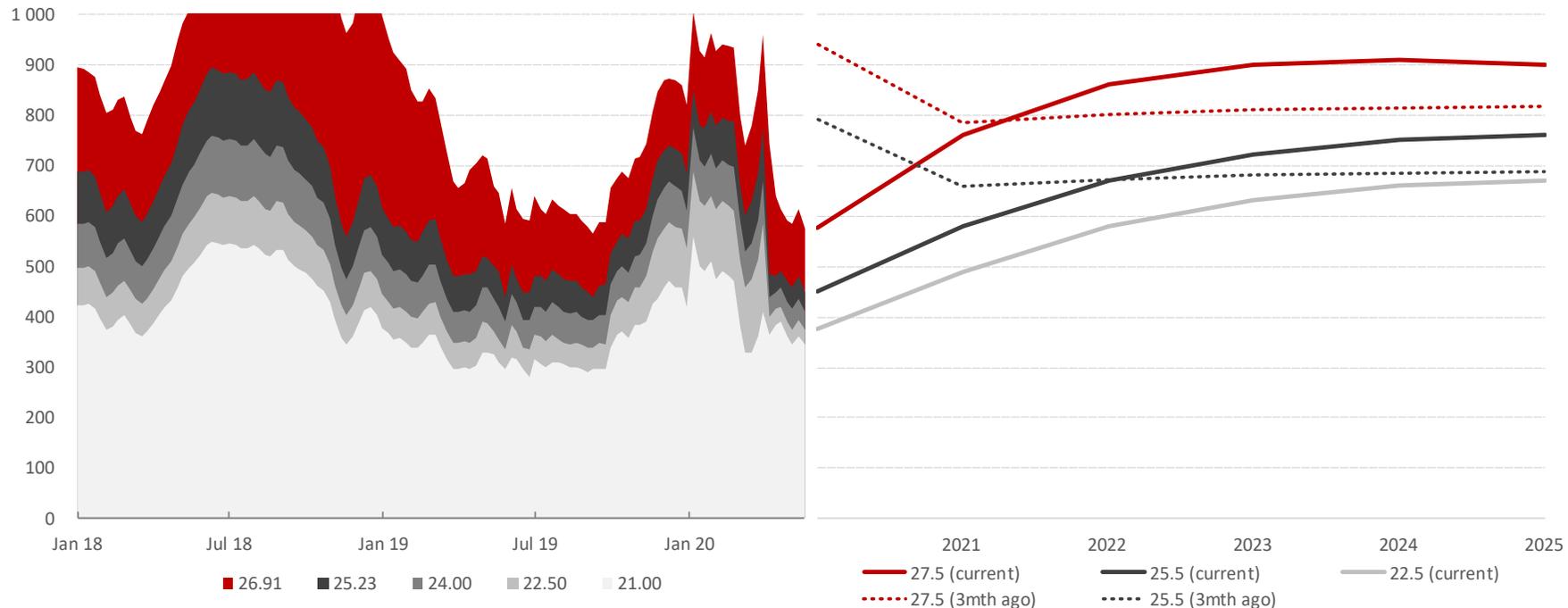
\*\* CV typ (MJ/kg GAD)

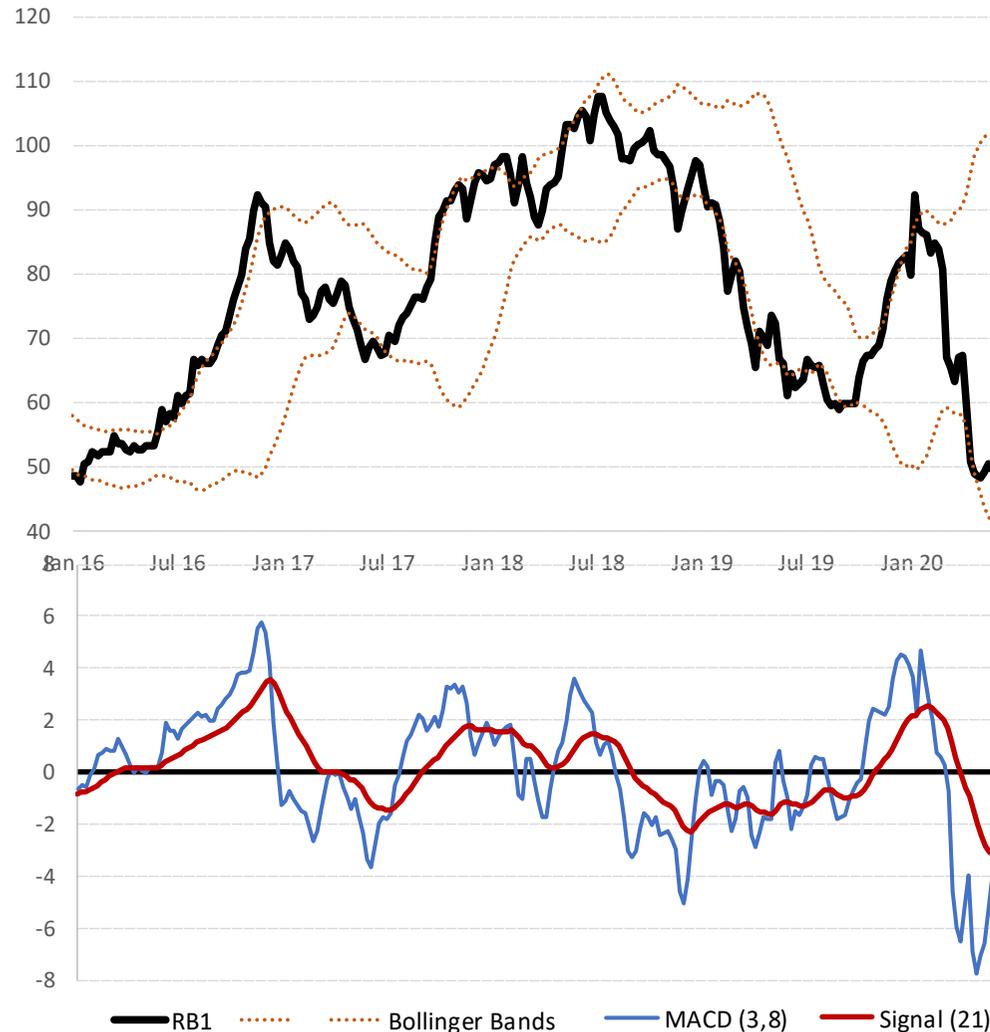
## Market Commentary

Coal prices enjoyed a moderately volatile yet upbeat week, at least for API#4, although the RB1 discount widened a little. Rand strength also means that domestic prices are lower. The wider energy complex stabilised with oil prices moving higher, although natgas is still suffering from oversupply. Australian producers are concerned about China mandating state-owned power plants to favour domestic coal versus Australian imports, in escalating trade tensions between the two countries. Chinese domestic prices moved higher, allowing FOB Newcastle to follow close behind. Spot RCBT paper is trading slightly above Newcastle as buying interest firms up, although in a move seen to favour domestic Indian coal production (with ash typically above 40%), India's Ministry of Environment has done away with the requirement for utilities to only use washed coal.

The price pain for local producers is starting to be felt with mines such as Kangra being placed on care and maintenance, although this is partly as a response to Covid-19 production constraints as well. From 1<sup>st</sup> June most mining operations can get back to normal production rates although strict health measures need to be in place.

## Historical Pricing & Forward Curve





It was a mixed week for price action as expected and the coming week looks to be more of the same, although perhaps with slightly more volatility as upwards momentum should cross over the more bearish signal line.

However, this puts the bulls into a difficult position as momentum also starts risking running out of steam. More likely though is a long, slow climb to get out of the current price hole. Both signal and momentum are still at historically low levels and, just like an elastic band returning to its normal position, the market still needs time to properly recover as well.

The bulls should thus still be in the driving seat, but the road is expected to be very bumpy over the next few weeks as the market tries to find its feet. The \$50 level appears to be acting as a magnet for RB1.