

Spot Market Prices

	FOB RCBT (USD/mt) *		FCA Witbank (ZAR/mt) **				
	6,000	5,500	27.50	25.50	24.00	22.50	21.00
05-Jun-20	55.00	46.75	600	480	430	400	370
12-Jun-20	53.00	44.00	580	450	410	390	370
19-Jun-20	52.30	44.00	585	455	415	395	370
26-Jun-20	51.50	43.25	575	450	410	390	365
A-grade Peas			825 - 925				
B-grade Peas			700 - 800				

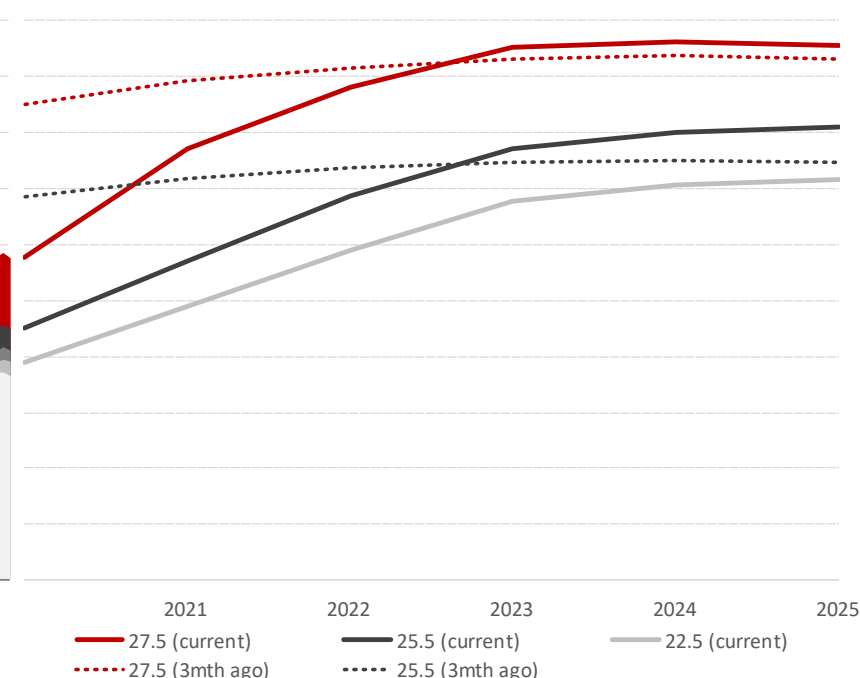
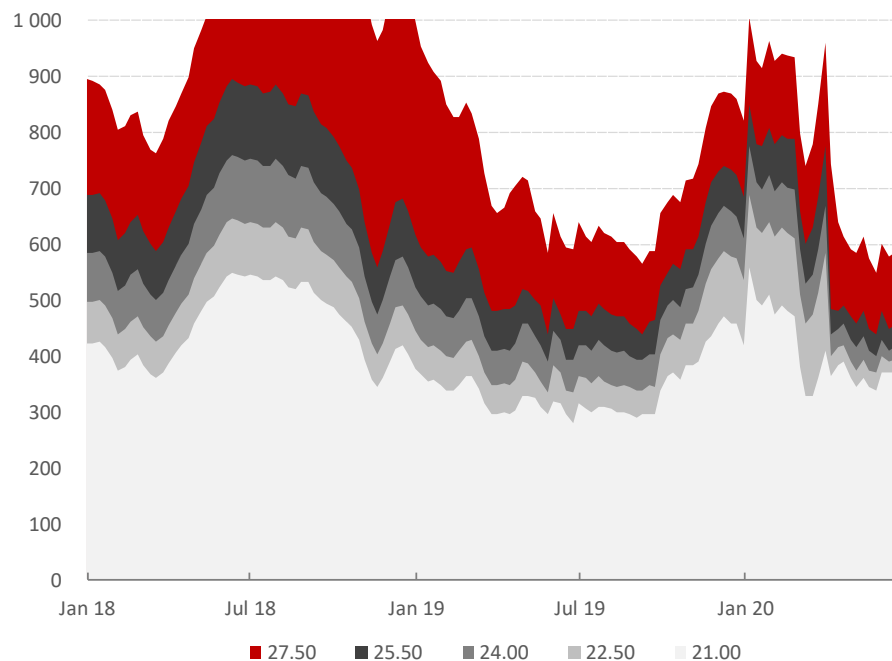
* CV typ (kcal/kg NAR)

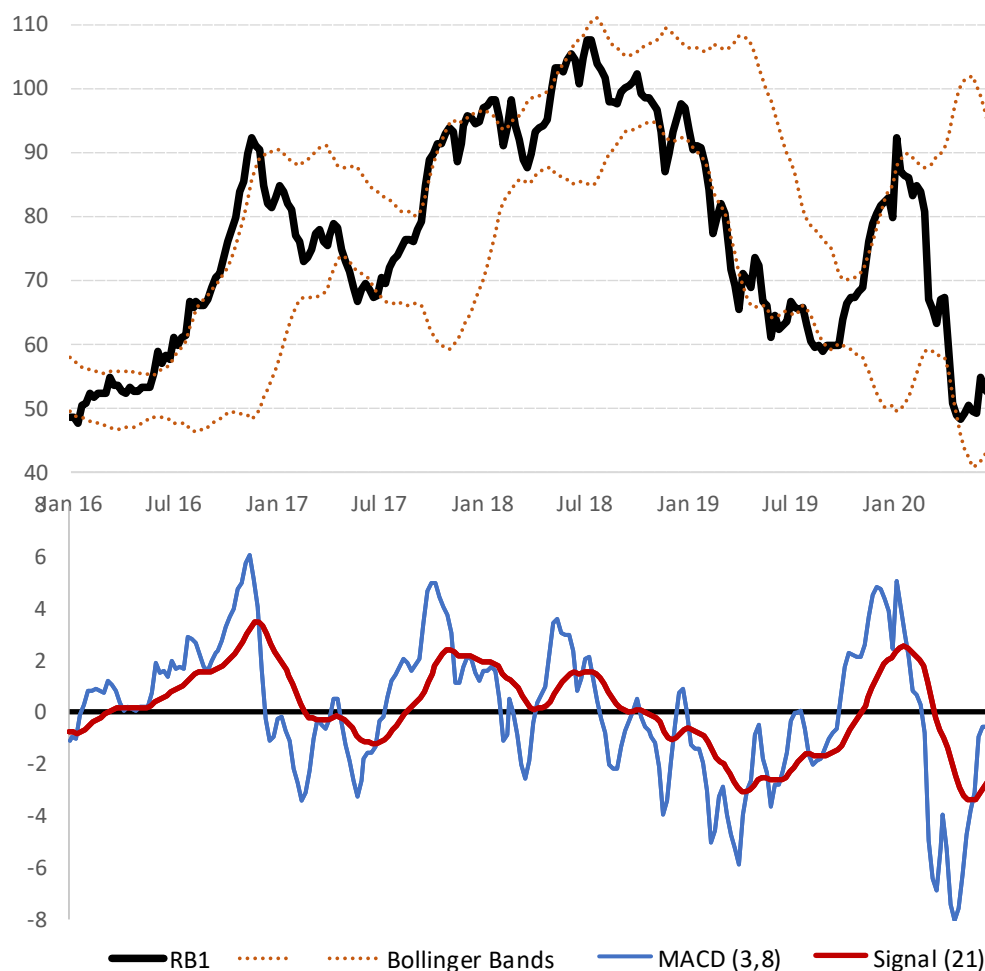
** CV typ (MJ/kg GAD)

Market Commentary

Physical RB1 had another tough week, with at least one cargo going through at around \$48/mt. Although Chinese utilities are restocking, they are having to use domestic coal as they lack import quotas from government. This is a trend that the Chinese government wants to see strengthening as it has spent significant cash building out the logistics infrastructure to supply coastal utilities. Filling the hole left by Chinese demand destruction is an almost impossible task, and will affect mainly Indonesian and Australian suppliers, who will now increasingly target RB1 export markets. Meanwhile, Indonesia's Coal Mining Association is asking mines to cut their output to prevent further falls in price, caused mainly by lack of demand from China and India. It remains to be seen whether this will be achieved. At least miners in South Africa can still supply Eskom on both a cost-plus and fixed price basis. However, Eskom CEO Andre de Ruyter said last week that there are several fixed price coal contracts of concern, with six expiring in the next few months. It is a great time to be renegotiating price, although producers may look to hold back supply for now. Or perhaps exports could even be saved by a weaker ZAR, which could still easily reach 20 to the USD by year end based on current vol.

Historical Pricing & Forward Curve





In both USD and ZAR terms, RB1 is in the doldrums. Although not as bad as Oct-15 prices where we saw RB1 FCA Witbank prices around the mid R400's, prices today at around R580 are just as dire. Even several opencast operations cannot mine and wash to an RB1 spec for that price.

Technically, price is showing a potential topping out on momentum, although this is surely only part of the chop to be expected when positive momentum (MACD) runs counter to negative trend (Signal). Like the wind blowing against the prevailing current in an ocean creates choppy wave conditions.

Trend continues to dig itself out of the hole, although positive price action is only really to be expected when trend looks like crossing into positive terrain again. We have some way to go still on that front.

We would thus expect range bound trading to continue around the mid-50's level for now. The market desperately needs some structural direction as overall global sentiment continues to drag it down.