

Aluminium P1020A CIF Quarterly MJP – Main Japanese Ports



Methodology and price
specifications – January 2019

Mission statement

Fastmarkets is a leading commodity price reporting agency (PRA) covering the metals, mining, minerals and forestry products industries. Our products include Our products include Fastmarkets MB, Fastmarkets AMM, Fastmarkets IM, Fastmarkets RISI, Fastmarkets FOEX and Random Lengths. For more than 100 years we have been providing commodities price reporting services for use by market participants in their day-to-day commercial activities. These services include assessments and indices of commodity prices as well as news, research and commentary on the underlying markets.

Our mission is to meet the market's data requirements honestly and independently, acting with integrity and care to ensure that the trust and confidence placed in the reliability of our pricing methodologies is maintained. We do not have a vested interest in the markets on which we report.

Introduction

Fastmarkets MB is the leading global provider of pricing intelligence for the non-ferrous metal, steel, steelmaking raw materials, industrial minerals, ferrous and non-ferrous scrap markets, producing price assessments since 1913.

Fastmarkets MB reporters are required to abide by a code of conduct and clear pricing procedures during their market reporting and pricing activities. Fastmarkets is completely independent and has no vested commercial interest in any of the markets it prices.

We are the world's largest dedicated metals price reporting team. We have offices in London, New York, Pittsburgh, Shanghai, Hong Kong, Sao Paulo, Melbourne, Singapore, Mumbai, CIS, Istanbul and five other US locations.

The aim of this document is to provide a clear overview of Fastmarkets MB's monthly MJP aluminium methodology and specifications for the prices it assesses.

If you have any questions, please contact Fastmarkets editorial director Alex Harrison at aharrison@fastmarkets.com.

Price discovery and methodology

The aim of this document is to provide a clear overview of Metal Bulletin's methodology and the specifications in relation to our Aluminium P1020A cif quarterly MJP main Japanese ports quarterly premium benchmark.

The quarterly Main Japanese Port (MJP) aluminium premium benchmark is negotiated each quarter between Japanese buyers (consumers and traders) and major overseas producers. Negotiations for a said quarter typically start at the end of the second month of the prior quarter, and typically conclude by the end of the prior quarter.

The quarterly benchmark can be a single figure or a range, and serves as reference for supply contracts across Asia for both primary aluminium ingots and products.

The main overseas producers involved in the quarterly negotiations are Rio Tinto, Alcoa, South32 and Rusal, while other suppliers typically follow the benchmark once agreed. The main Japanese consumers include UACJ, Lixil, Nippon Light Metal, Showa Denko, Kobelco and Sumitomo Chemicals. Major Sogo Shosha (trading houses) are also heavily involved in the quarterly negotiations.

Methodology rationale

Metal Bulletin's MJP quarterly premium is a deal-based reported price benchmark. It is not an assessed price and it follows a slightly different methodology to the bulk of Metal Bulletin's prices and indices.

Each quarter, during the price discovery process, the reporter's goal is to discover at what level and volume quarterly transactions have been concluded in bilateral negotiations between overseas producers and Japanese buyers.

To publish the quarterly MJP benchmark, Metal Bulletin requires the following conditions to be met:

- A minimum total quarterly transaction volume of 30,000 tonnes reported to Metal Bulletin.*
- Confirmed deals from at least one consumer.
- Confirmed deals with at least three producers.
- Confirmed deals from traders

* Metal Bulletin tries to ensure both the buy and sell side

of deals are reported to us and matched. However, the minimum threshold of 30,000 tonnes of transactions represent the total tonnage of deals reported to us and may include some duplicated business.

Exceptions

Should the MJP benchmark fail to be concluded by the 15th of the first month of the said quarter, Metal Bulletin will publish a benchmark based on the following principles:

- If transacted volumes of at least 30,000 tonnes have been reported but only one consumer has confirmed deals with less than three producers or if the reported business is only between traders and producers, Metal Bulletin will publish a benchmark based on deals and discard the contribution requirements.
- If less than 30,000 tonnes of deals have been reported but deals with at least three producers and by one consumer are confirmed, Metal Bulletin will publish a benchmark based on the confirmed deals and discard the minimum transacted volume requirement.
- If less than 30,000 tonnes of transacted volumes have been reported and less than three producers or one consumer have confirmed deals, Metal Bulletin will publish an assessed benchmark based on any deals reported as well as bids and offers, giving a weighted preference to reported transactions.

Force Majeure

In case of a force majeure declaration by one or more of the producers that results in that/those producer(s) not taking part in the quarterly MJP negotiations, Metal Bulletin reserves the right to lower the minimum requirement of confirmed deals with three producers to a minimum of two producers.

If a major consumer declares force majeure and sits out of the negotiations, Metal Bulletin may use confirmed deals reported by traders instead.

Data collection

Metal Bulletin reporters aim to talk to a broad sample of market participants involved in the buying and selling of that specific commodity and location, with a good representation of both sides of the market, including producers and consumers, as well as traders.

Data is collected from market participants directly involved in quarterly business primarily by telephone, but also during face-to-face meetings and by email, digital messenger systems or direct submission. All input data

received is held confidentially and stored in a secure network.

Metal Bulletin encourages organisations to submit all their pricing data, especially all the concluded transactions.

Metal Bulletin welcomes organisations to submit transaction data from authorised back office functions.

Notes on acceptable data

For this price, Metal Bulletin will only accept transactions for the P1020A aluminium market and will exclude any data received for value-added products such as billet or foundry.

Metal Bulletin will only accept main Japanese port transactions and exclude any deals based on minor Japanese ports.

Criteria for discarding pricing data

Metal Bulletin will use its expert judgment to exclude outlying or unrepresentative numbers, and discount or discard prices that it believes may otherwise be questionable and/or unreliable.

When required, for instance, when a transaction appears questionable or outside the range reported by other market participants, Metal Bulletin may seek to confirm information on deals either by requesting a signed copy of the contract or other materials as evidence of claimed deals, or by checking the deal information with the counterparty. If no evidence of the deal is provided, Metal Bulletin may discard the data from the pricing process.

Procedure to ensure consistency in the price discovery procedures

All Metal Bulletin prices are set by a first reporter who covers that specific market, peer reviewed by a second reporter, and always signed-off and approved by a senior reporter or editor prior to publication. This peer review process is in place to make sure that pricing procedures and methodologies are correctly and consistently applied and to ensure integrity and quality of the published prices.

Price reporters are formally trained in the price discovery process and must abide by a written Code of Conduct and Pricing Procedures.

Publication of the price

At the end of the pricing session, the first reporter will review all the information received and set a price, to reflect where business has transacted. Prices are reviewed by a second reporter, and approved and published by a senior reporter or editor.

Methodology and price specification review process

Metal Bulletin continually develops and revises its methodologies in consultation with industry participants, aiming to adopt product specifications and trading terms and conditions that actually reflect and are representative of typical working practices in the industry.

Changes to the methodology and/or price specification are implemented following a consultation process which starts with Metal Bulletin posting on its website an advance pricing notice providing clear details and a timeframe for the change proposed. The objective of the consultation process is to give market participants sufficient time and opportunity to provide feedback and views about the change proposed.

For more details on the formal review of the methodology and the consultation process to propose changes to the methodology, refer to Metal Bulletin Methodology Review and Change Consultation Process available on Metal Bulletin's website.

The evolution of pricing

Metal Bulletin develops and adjusts its pricing mechanisms in response to changing market conditions. The evolution of long-term contracts to index-linked pricing often occurs as industry players seek to link their pricing to market fundamentals and spot market activity. This trend has been seen clearly in the aluminium market. While Metal Bulletin does not seek to drive the direction of the markets it covers, it aims to identify opportunities where spot market activity can be captured, and greater transparency provided through new price assessments.

The development of a pricing mechanism is a process, and as liquidity increases, the sophistication of the pricing methodology can be increased.

Corrections policy

Publication of price errors can occasionally happen for reasons that may include technical, input errors or incorrect application of the methodology.

To minimise as much as possible the inconvenience to our subscribers, Metal Bulletin aims to investigate each error immediately as it becomes aware of it and to publish a correction promptly on its website through a pricing notice with an explanation of the reason for the correction.

Metal Bulletin will publish a correction of a price only where it has established that undeniably there has been an error. Metal Bulletin's prices are produced based on the best data available at the time of the assessment. It will not retroactively change a price based on new information or additional submission of data received after a respective pricing session has closed.

Become a contributor to the price discovery process

Metal Bulletin Group continually seeks to increase the number of market sources willing to take part in the price discovery process. The main condition Metal Bulletin Group requires from contributors is for them to be active participants in the spot market.

Metal Bulletin Group's Data Submitter Policy provides guidelines defining the high level of data quality and integrity that Metal Bulletin Group expects. Market participants that wish to provide pricing data and be part of the price discovery process should first read the Data Submitter Policy available on the website.

All data sources are subject to review before data submitted is fully taken into account in the pricing process. The aim is to make sure that submitters are trustworthy and have sufficient visibility and understanding of the market to be able to provide viable price data.

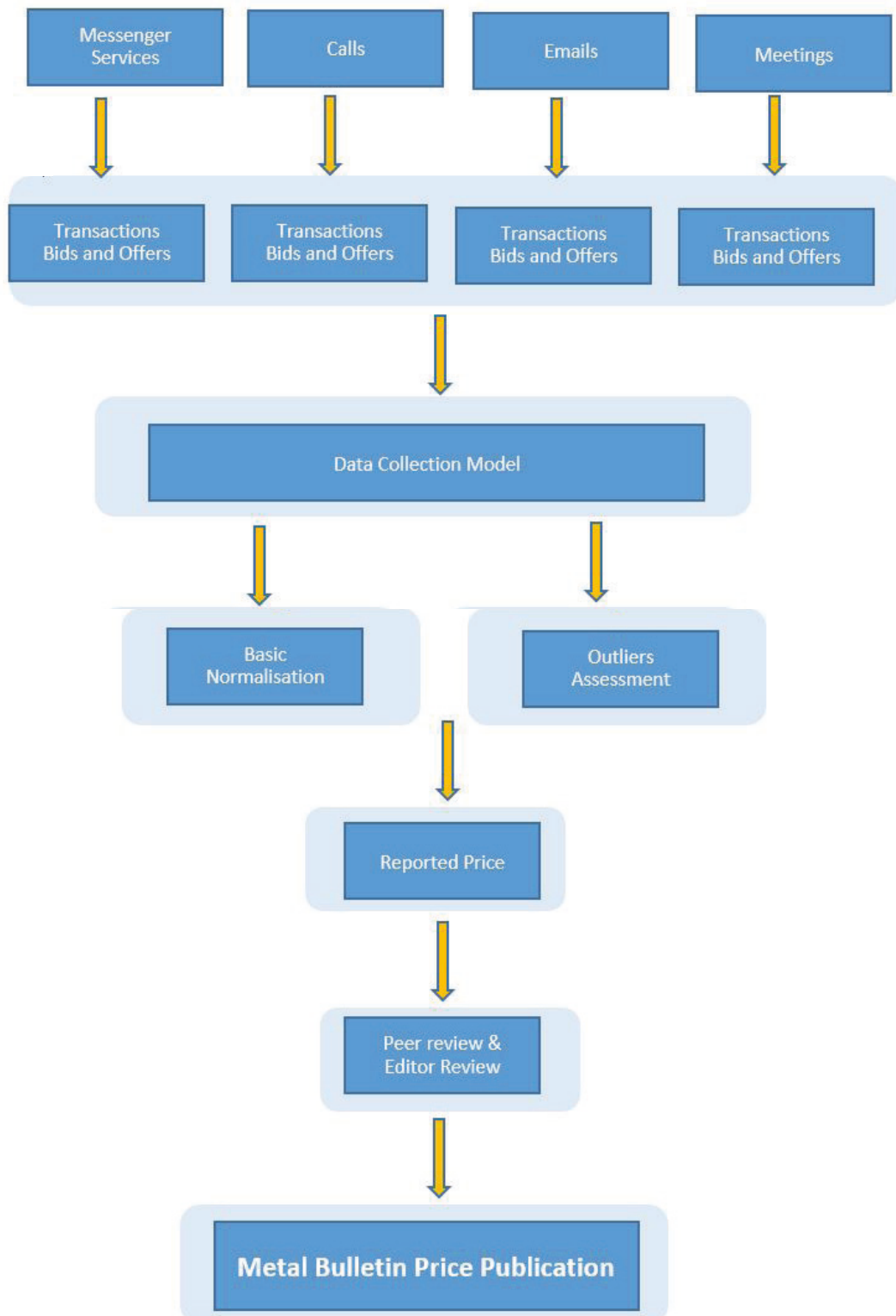
To become a contributor, or if you have questions or comments about the methodology and price specifications, please contact the Metal Bulletin Group aluminium team.

Specification

JAPAN

| | |
|---------------------------------|---|
| Reported single number or range | Aluminium P1020A cif quarterly main Japanese ports (MJP) |
| Grade | P1020A or 99.7 % minimum Al purity (Si 0.10% max, Fe 0.20% max) in line with LME specifications |
| Quantity: | Min 100 tonnes |
| Location: | CIF main Japanese ports at Yokohama, Nagoya and Osaka, premium on top of LME cash prices |
| Timing: | Within the quarter |
| Unit: | USD/tonne |
| Form: | Ingot, T-bar, sow |
| Payment terms: | Cash against documents (2 days after bill of lading date) |
| Publication: | Quarterly |
| Notes: | Assessed by the Fastmarkets MB bureau in Singapore |

Price discovery process



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