

21/11/2021

**Market Review:**

**Iron ore Fe62%** short-run bearish. As demand waned in Q4 under the nation-wide production curb.

**Shanghai Rebar** short-run bearish. The marginal demand decrease after the major building season passed in October, as well as a weak investment sentiment in ferrous complex in a light season.

**Prime coking coal** short-run bearish. Mongolia port increased the truck flow significantly from October and thus supply boost up in Q4 as well as next Q1. In addition, north American coal sources import created a five-year-high during the same period.

**Macro Market Change and Money Movement:**

The industrial sectors globally corrected over the current three weeks, followed by the marginal supply loosen on China coal shortage. However the coal and energy shortage were not resolved in the rest of the world. Hot money shifted from ferrous to agricultural early this week since China Commerce Department appealed to reserve consumer staples, which was over-interpreted as political linked stories. Equity market dumped during the day and recovered some losses after rumor was refuted this afternoon.

China State Council published the carbonization scheme by the year 2030, non-fossil energy consumption expected to reach 25%. Thus encouraging the new energy industry and consumption. Controlling the new built projects in coal-based electricity, steel, aluminum, cements and petrol-chemical projects with high carbon emissions.

**Iron ore Market :**

China iron ore port inventories rebounded 19.89% from mid-June to 144.92 million tonnes, creating five-year high over the same period. Iron ore inventories were expected to grow in next few months as a strategic demand on port areas in case of delivery interruption or port closure due to pandemic or systemic issues. MB65 – Platts62 dropped from \$25 to \$20 for current week. Mills in general have no efficiency demand on production. As a result, benchmark iron ores such as 65% grade and major 62% brands from big miners were no different to alternative sources in current stage.

The outright iron ore in SGX for front months have some more room to correct as the demand shifted away from seaborne market. However spreads from Dec21 – May22 have limited room to go as they were almost reaching flat area.

**Steel Market:**

The apparent consumption has very tiny change compared to previous week. Construction steel trading volume were located at lower area at same period historically. Major indicators were suggesting steel market was in slower weakening demand. Shagang Group decrease rebar price by 600 yuan/tonne, Zenith decrease rebar price by 400 yuan/tonne. Steel price were weak also because of the mills normally offer discount in bigger sales to guarantee the orders completion.

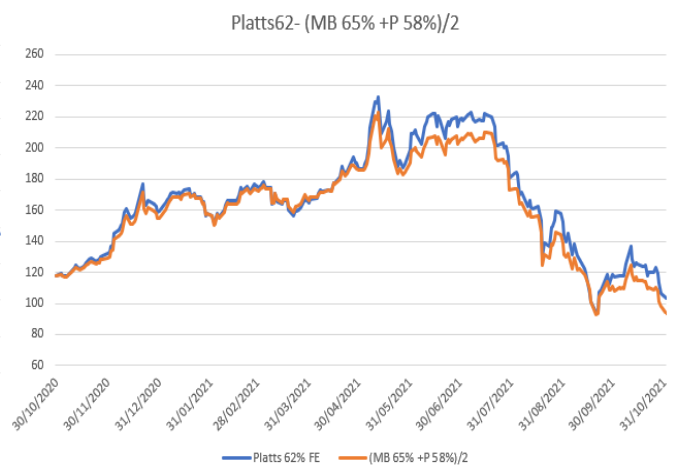
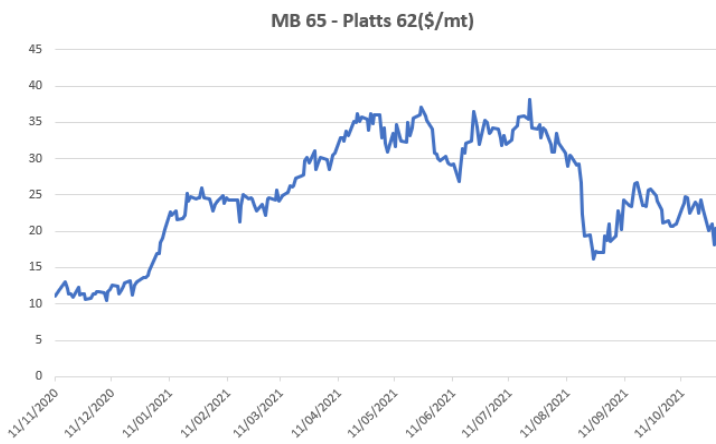
Daily pig iron at 2.11 million tonnes and steel production utilisation at 78% both reached a yearly low excluding before or after holiday time. The virtual steel margin dropped significantly from 1604 yuan/tonne in early October to 232 yuan/tonne by 85% since the sharp fall on steel price.

**Coal Market:**

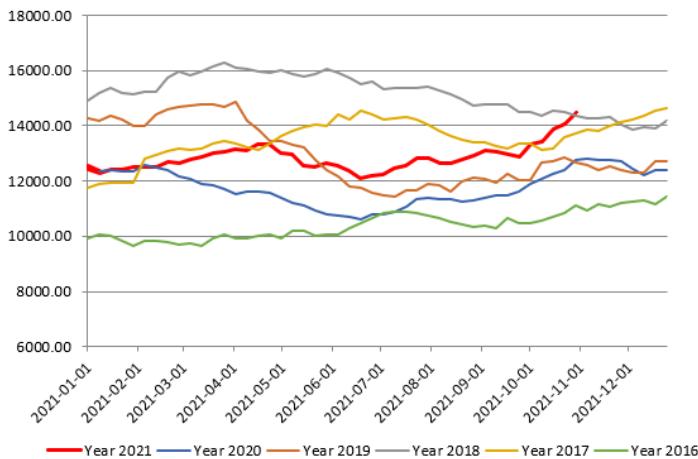
After the joint efforts of multiple China departments as well as the state-owned company took lead to offer stable coal prices, which pull back coal prices from a historical high to the level at this August. Mongolia ports export significantly increase. Market rumor said Australian coal expected to recover clearance in some China customs, however yet to confirm.

# Iron Ore

	Last	Previous	% Change
Platts 62% Fe	103.3	106.75	-3.23%
MB 65% Fe	122.4	127.1	-3.70%
Capesize 5TC Index	34845	36065	-3.38%
C3 Tubarao to Qingdao	28.095	28.075	0.07%
C5 West Australia to Qingdao	12.391	12.505	-0.91%
Billet Spot Ex-Works Tangshan MT	4900	4990	-1.80%
SGX Front Month	121.23	121.52	-0.24%
DCE Major Month	641.5	688.5	-6.83%
China Port Inventory Unit 10,000 mt	14,492	14,045	3.18%
Australia Iron Ore Weekly Export Unit 10,000 mt	1,277.80	1,238.50	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	216.10	379.20	NA



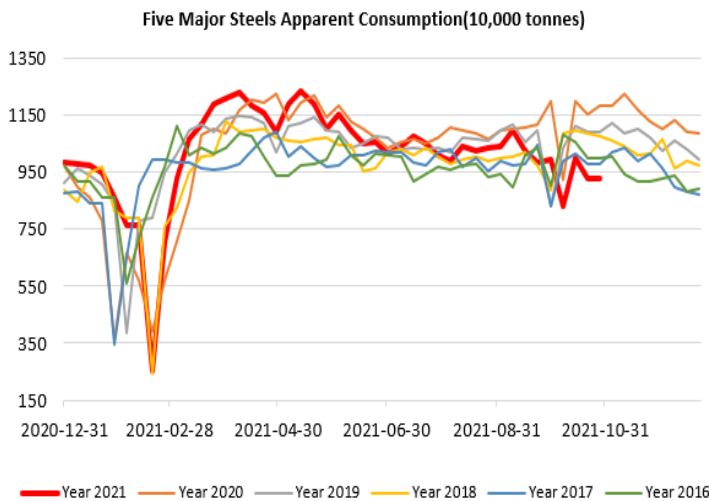
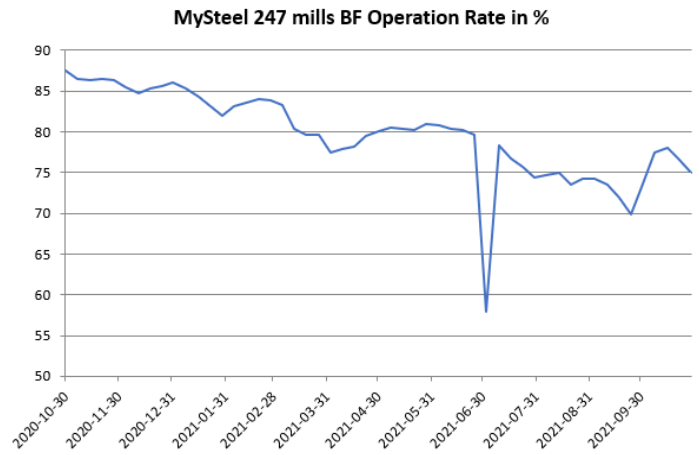
Iron Ore Port Inventories(in 10,000 tonnes)



- Iron ore port inventories expected to maintain an increase trend as China planning to build strategic inventories to counter against shortage caused by systematic risk.
- MB65 and Platts 62 were becoming less cost-efficient compared to 58% ores or other brands alternatives as steel margin drop significantly as well as mills running at very low utilisation rate.

# Steel

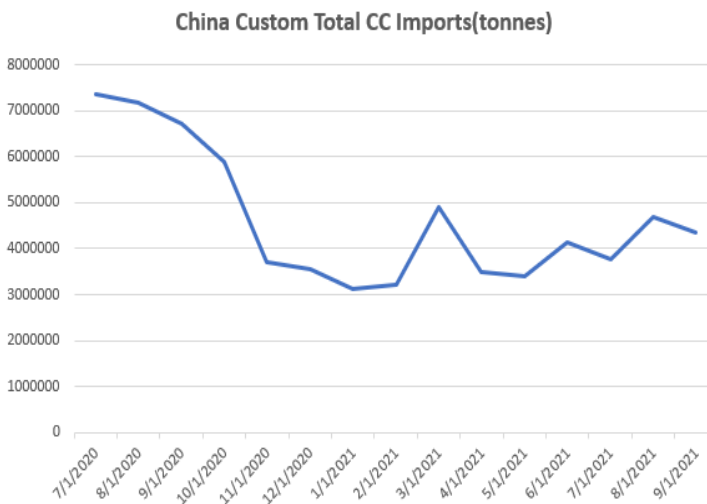
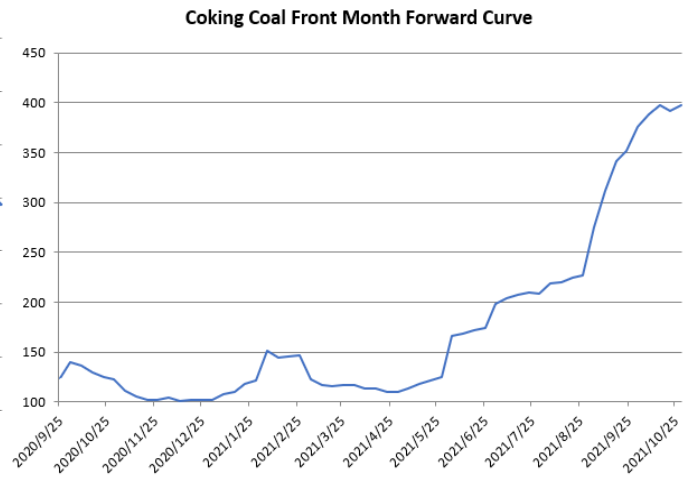
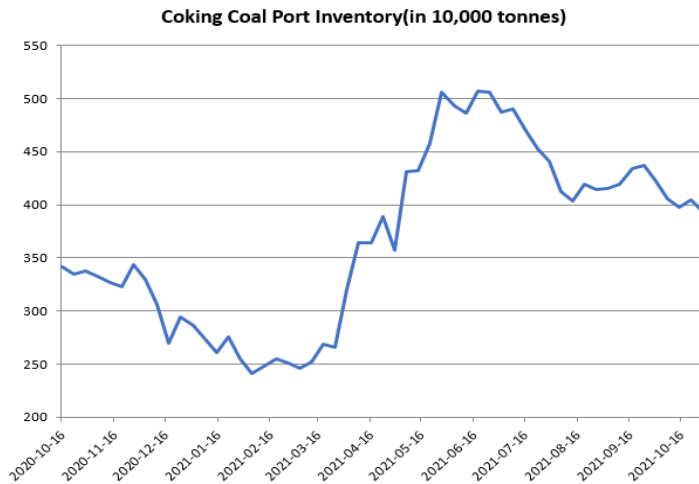
	Last	Previous	% Change
US HRC Front Month	1803	1904	-5.30%
SHFE Rebar Major Month	4806	5009	-4.05%
China Hot Rolled Coil	5432	5664	-4.10%
China Monthly Steel consumption Unit 000's mt	70090.4	79248.6	-11.56%
Five Major Steel Inventories Unit 10,000 mt	1709.08	1716.17	-0.41%
Construction Steel Total Inventory unit 10,000 mt	1038.53	1042.96	-0.42%
Crude Steel Production China Unit 000's mt	73750	83239	-11.40%
China Volume of Commodity Imports Unit 000's mt	1260	1060	18.87%
China Volume of Commodity exports Unit 000's mt	4920	5050	-2.57%



- Five major steel consumption remain low areas in ex-holiday times, as well as a six-year-low, indicating a wanned demand market in Q4.
- Steel utilisation rate running at low area of the year however reach a balance level.

# Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	403	402.5	0.12%
Coking Coal Front Month	398.01	392	1.53%
DCE CC Major Month	3608	3618	-0.28%
Coking Coal Port Inventory Unit 10,000mt	414	419	-1.19%
China Custom total CC Import Unit mt	4,346,477.00	4,682,831.00	-7.18%



- **Coking coal forward and Index still remain around historical high area since ex-China countries were still under the panic of electricity and coal shortage. In addition, market were trading the potential of China customs open for Australian coal clearance.**

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