

16/11/2021

Market Review:

- ⇒ **Iron ore Fe62%** short-run neutral. As demand wanned in Q4 under the nation-wide production curb, however supply also decreased from seaborne side as major miners control the delivery.
- ⇒ **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 China Shanxi** short-run bearish. Mongolia port increased the truck flow significantly from October and thus supply boost up in Q4 as well as next Q1.

Iron ore Market :

Iron ore inventories were gradually approaching the historical high around 160 million tonnes, which was in the March of 2018. However, market sources believed that the port inventories potentially reach 200 million tonnes in next Q1, because of the strategic building of the iron ore inventories could avoid periodic shortage caused by systemic risk after this market experienced a series of supply issues. Thus, current inventory increase was not a result from an oversupply.

Vale and BHP have announced earlier in September to decrease iron ore delivery in Q4 on year to year basis because of the decrease China demand in H2 2021. However mills seem to become more cautious on purchasing seaborne sources and control the iron ore useable days to an extreme low level. Iron ore 65-62 spread diminishing from \$23 last month to \$13 level, because the low furnace efficiency would not differentiate the high grade and low grade iron ores in a steel making process.

The unexpected new Dalian port pandemic cases started to increase fast over the last week. The port activities in Dalian yet to be impacted. Dalian port was close to other 3 major China northern ports and was the sixth largest iron ore import ports in China.

Steel Market:

Mysteel 247 crude steel utilization rate maintained at a stable and low level around 71% seasonally, the crude steel 0 growth target could be reached under such production level. Construction steel apparent consumption reached a stable level and expected to maintain stable for the rest of Q4 according to seasonal rules.

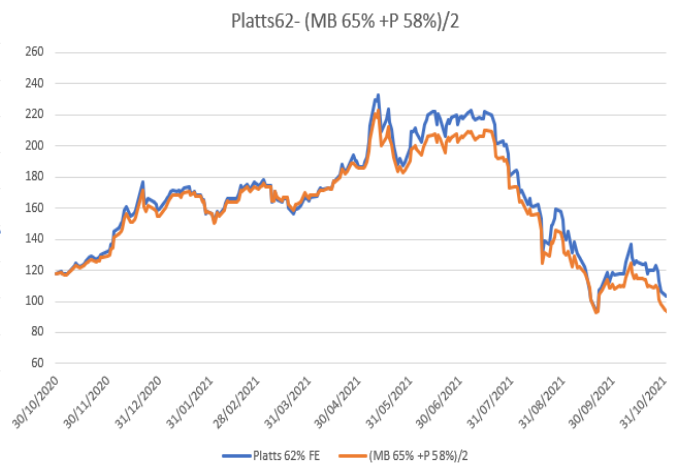
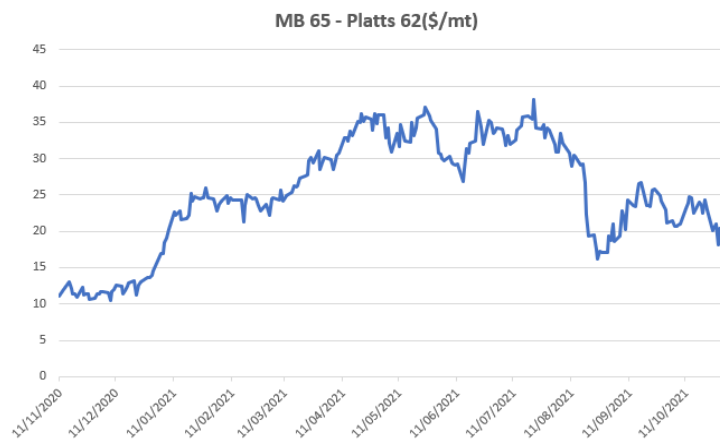
Virtual steel margin rebounded from 200 yuan level to 750 yuan level fast as the sharp fall on coking coals and coke. Steel mills started to request lower coke price, which would support the steel margin in current few weeks.

Coal Market:

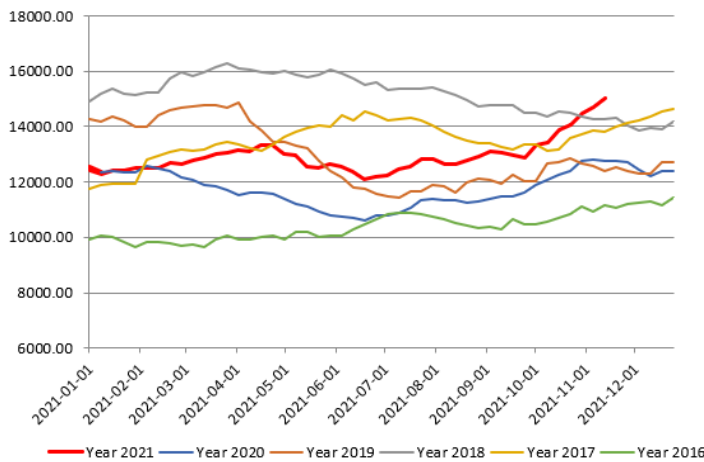
Australia Coking coal market seem to gather major support after some China customs started to allow clearance. However China domestic Shanxi coking coal was struggling out of dilemma, after series of price control fell to the ground. China Mongolia coking coal import increased significantly after the import tunnel adopted a closed management to decrease infected virus cases.

Iron Ore

| | Last | Previous | % Change |
|---|----------|----------|----------|
| Platts 62% Fe | 89.15 | 89.75 | -0.67% |
| MB 65% Fe | 104.1 | 104.7 | -0.57% |
| Capesize 5TC Index | 31113 | 31811 | -2.19% |
| C3 Tubarao to Qingdao | 26.21 | 26.53 | -1.21% |
| C5 West Australia to Qingdao | 12.736 | 12.923 | -1.45% |
| Billet Spot Ex-Works Tangshan MT | 4130 | 4770 | -13.42% |
| SGX Front Month | 92.10 | 93.72 | -1.73% |
| DCE Major Month | 633 | 586.5 | 7.93% |
| China Port Inventory Unit 10,000 mt | 15,006 | 14,704 | 2.05% |
| Australia Iron Ore Weekly Export Unit 10,000 mt | 1,373.90 | 1,151.10 | NA |
| Brazil Iron Ore Weekly Export Unit 10,000 mt | 208.50 | 242.70 | NA |



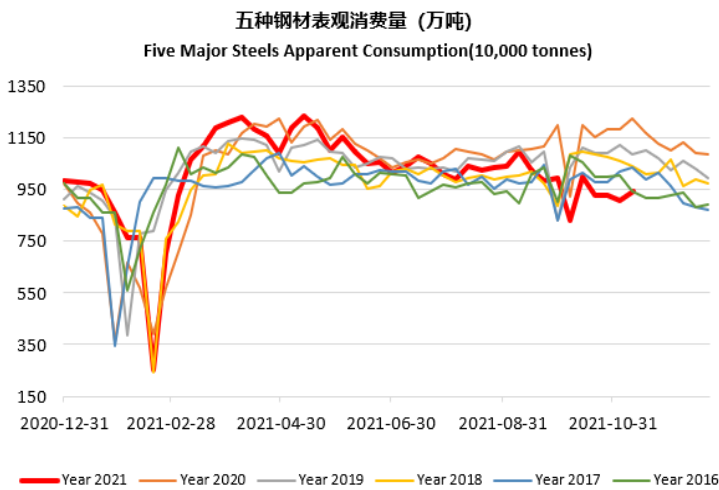
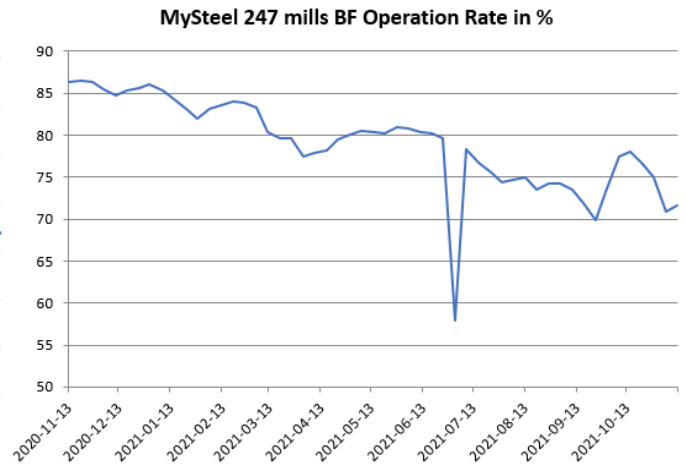
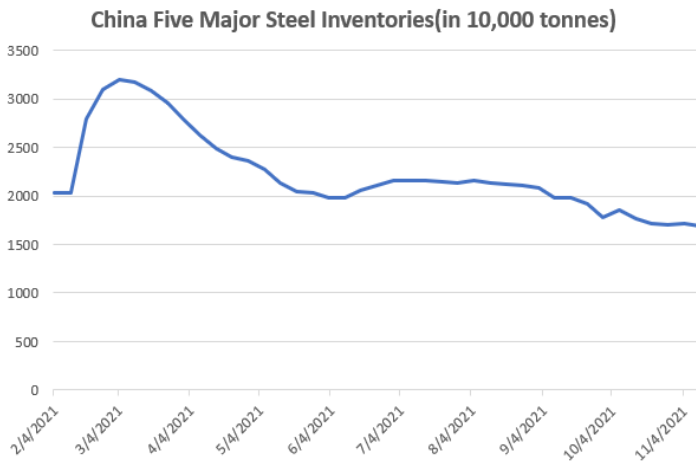
Iron Ore Port Inventories(in 10,000 tonnes)



- ⇒ 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

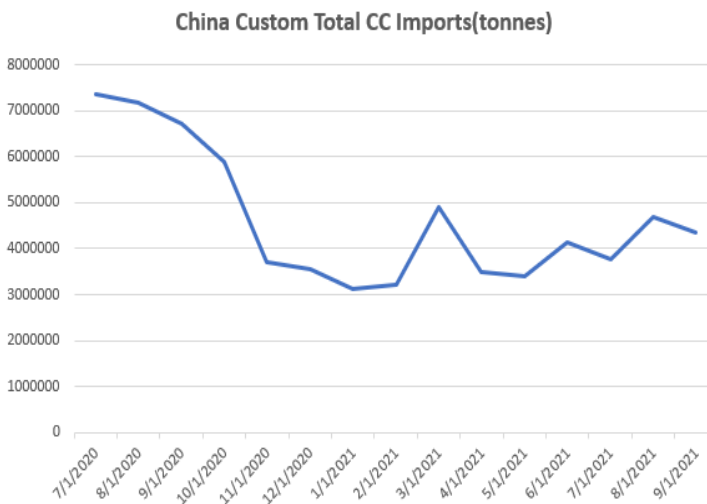
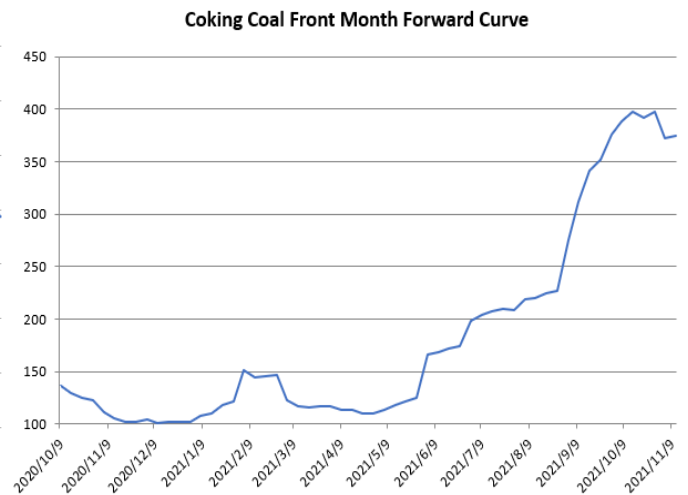
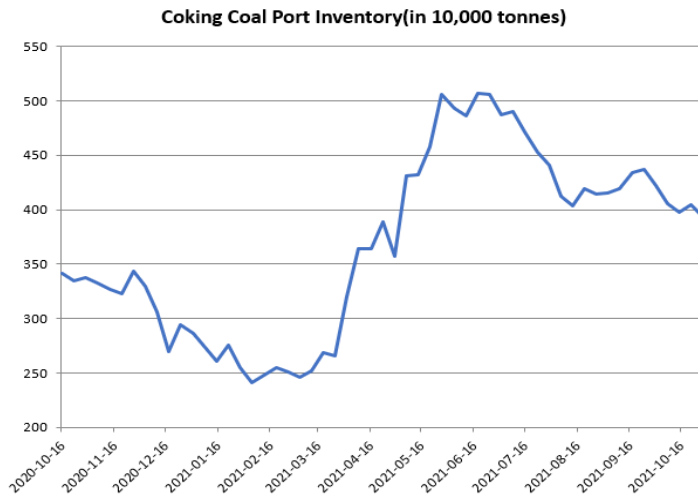
| | Last | Previous | % Change |
|---|---------|----------|----------|
| US HRC Front Month | 1812 | 1790 | 1.23% |
| SHFE Rebar Major Month | 4350 | 4490 | -3.12% |
| China Hot Rolled Coil | 4950 | 5087 | -2.69% |
| China Monthly Steel consumption Unit 000's mt | 70380.4 | 70090.4 | 0.41% |
| Five Major Steel Inventories Unit 10,000 mt | 1695.22 | 1721.51 | -1.53% |
| Construction Steel Total Inventory unit 10,000 mt | 1024.57 | 1048.35 | -2.27% |
| Crude Steel Production China Unit 000's mt | 73750 | 83239 | -11.40% |
| China Volume of Commodity Imports Unit 000's mt | 1127 | 1260 | -10.56% |
| China Volume of Commodity exports Unit 000's mt | 4497 | 4920 | -8.60% |



- ⇒ **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 | 398.5 | 399 | -0.13% |
| Coking Coal Front Month | 374.33 | 371.83 | 0.67% |
| DCE CC Major Month | 3497.5 | 3400 | 2.87% |
| Coking Coal Port Inventory Unit 10,000mt | 394 | 404 | -2.48% |
| 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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