

FIS Ferrous Weekly Report

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Market Review:

- ⇒ **Iron Ore Fe62%** short-run neutral to bullish. The correction has once closed to the big miner CFR cost on DCE value, in addition China housing market saw warming signals and expecting an interest rate cut before the end of year.
- ⇒ **Rebar 20mm Shanghai** short-run neutral to bullish. The new China policies related to financing for housing enterprises resolved some debt default risks which were close to maturity.
- ⇒ **Australia Export Hard Coking Coal** short-run neutral to bearish. Mongolia port increased the truck flow significantly from October and thus supply boost up in Q4 as well as next Q1 in China. In addition, the long-term contract pricing for the year 2022 was close to date.

Prices movement	22-Nov	15-Nov	Changes %	Predictions
Iron Ore Fe62% (Dollar/MT)	94.7	89.15	6.23%	Neutral to Bullish▲
Rebar 20mm Shanghai(Yuan/MT)	4750	4700	1.06%	Neutral to Bullish▲
Australia Export Hard Coking Coal (Yuan/MT)	361.0	372.0	2.96%	Neutral to Bearish▼

Iron ore Market :

The signals of China housing warming during the current two weeks have finally supported industrial commodities as well as equity markets. SGX Iron ore futures created a 18.84% weekly growth calculated from the morning high of the Tuesday. Steel mills started to production after a few weeks maintenance.

Iron ore inventories were close to the historical high of 162.82 million tonnes, in the March of 2018. However, market sources believed that the port inventories potentially reach 180 million tonnes by the end of year and 200 million tonnes in the first half of year 2022. The strategic building and diversify iron ore port stocks were becoming a strategy of the steel industry, which should not link to an oversupply problem. In particular China customs indicated that ports were all operating at a seasonal regular efficiency. In addition China major northern and eastern mills iron ore inventories useable days were at seasonally low around 6-7 days. In other words, mills have some room to consume the big port stocks if the useable days increase back to 13-14 days.

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 Vale also promised to try the best efforts to reach 400 million tonnes of annual capacity in the next year. 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.

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 slightly improved from 807.25 yuan to 865.93 yuan during the past tracking weekly period. This narrow movement contributed to a high correlation among the ferrous matrix. Billet price expected to maintain stronger versus steel price since low operation rate as well as emission control would support the sales on semi-finished steel products. High steel margin expected as a normal profit structure as high-end special steel demand expanded significantly during the past two years, as well as the improved steel qualifications in downstream market.

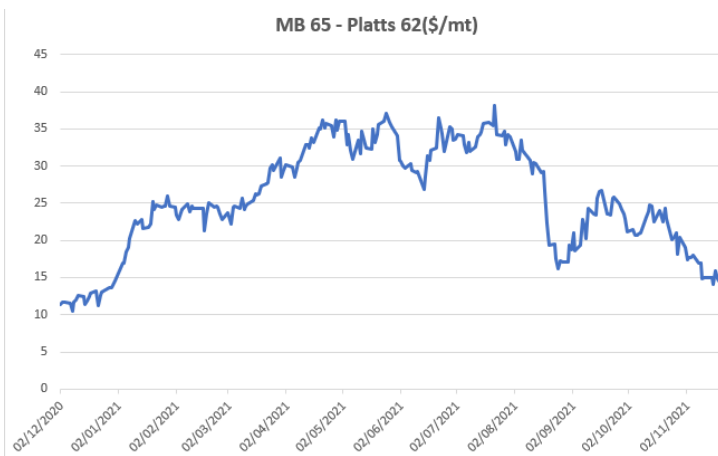
Coal Market:

Australia Coking coal market seem to gather temporary support after China customs started to clear the long-waiting ships. However Australian coking coals started to collapse as a lagging effect of China coal market correction. Mongolia and China border areas are currently trying to clear the coal inventories to guarantee the winter consumption.

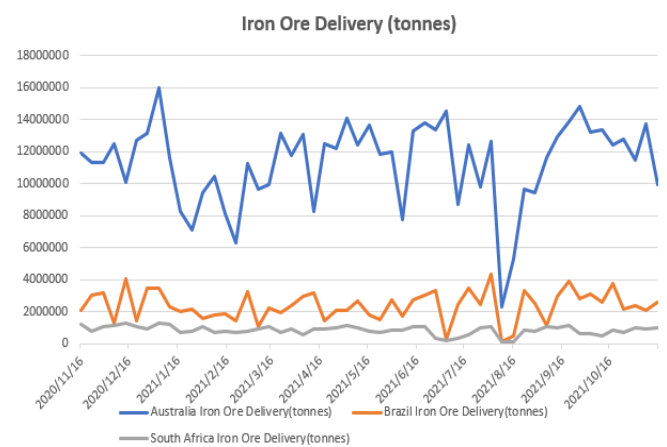
More China coal mining projects achieved greenlight to release more capacity to markets. Major traders and plants were started to prepare the long-term contracts discussion, which would give market a bigger impact in particular more percentage of coals are linked with long-term pricing after a series round of government control.

Iron Ore

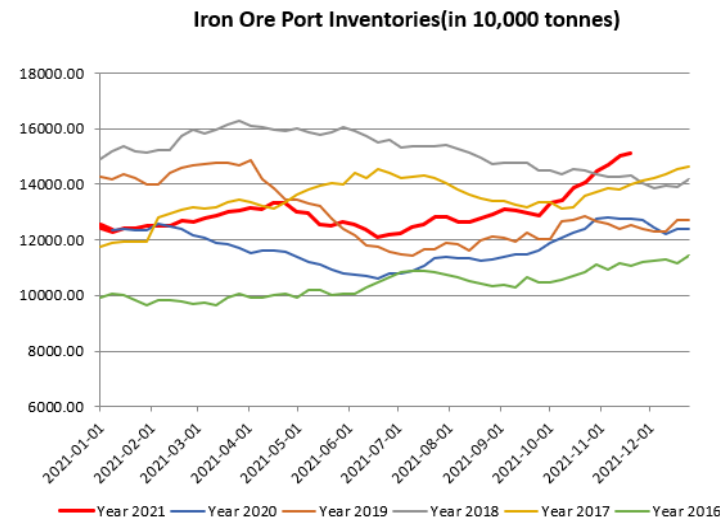
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	94.7	91.3	3.72%
MB 65% Fe (Dollar/mt)	109.2	105.9	3.12%
Capesize 5TC Index (Dollar/day)	32210	29938	7.59%
C3 Tubarao to Qingdao (Dollar/day)	26.81	26.085	2.78%
C5 West Australia to Qingdao (Dollar/day)	13.341	12.555	6.26%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4250	4130	2.91%
SGX Front Month (Dollar/mt)	92.64	92.10	0.59%
DCE Major Month (Yuan/mt)	527.5	633	-16.67%
China Port Inventory Unit 10,000 mt	15,106	15,006	0.67%
Australia Iron Ore Weekly Export Unit 10,000 mt	998.20	1,373.90	NA
Brazil Iron Ore Weekly Export Unit 10,000 mt	260.80	208.50	NA



Data Source: Platts, Fastmarkets



Data Source: Bloomberg



Data Source: MySteel, Bloomberg

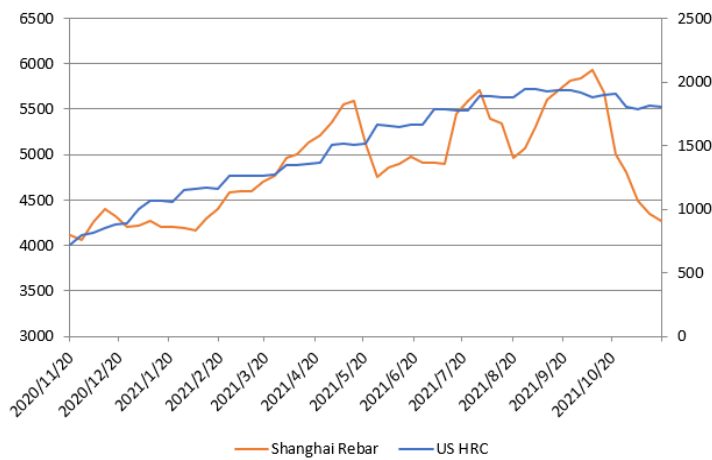
⇒ **Iron ore port inventories expected to maintain an increase trend as China planning to build strategic inventories to counter against shortage caused by systematic risk.**

⇒ **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

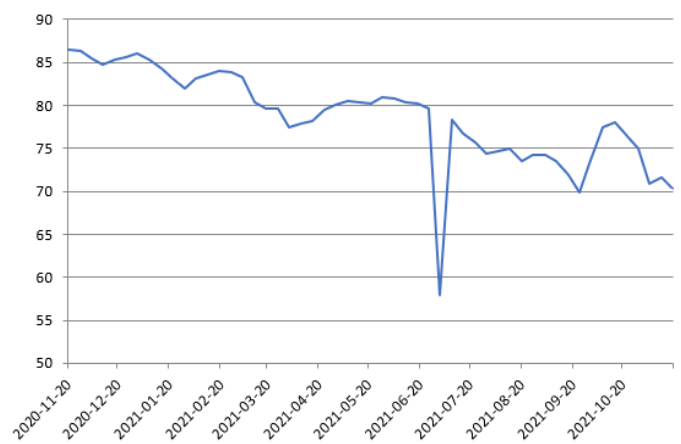
	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1800	1812	-0.66%
SHFE Rebar Major Month (Yuan/mt)	4274	4350	-1.75%
China Hot Rolled Coil (Yuan/mt)	4661	4950	-5.84%
China Monthly Steel Consumption Unit 000's mt	70380.4	70090.4	0.41%
Five Major Steel Inventories Unit 10,000 mt	1695.22	1721.51	-1.53%
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	1130	1260	-10.32%
China Volume of Commodity exports Unit 000's mt	4500	4920	-8.54%

US HRC Vs SHFE Rebar



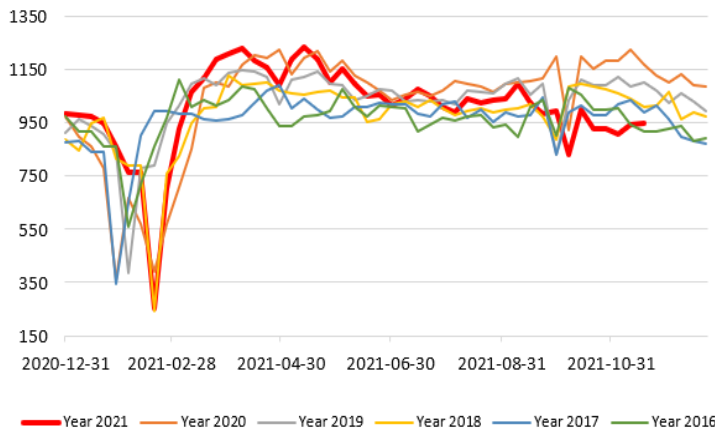
Data Source: Bloomberg

MySteel 247 mills BF Operation Rate in %



Data Source: MySteel

Five Major Steels Apparent Consumption(10,000 tonnes)



Data Source: MySteel

- ⇒ 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

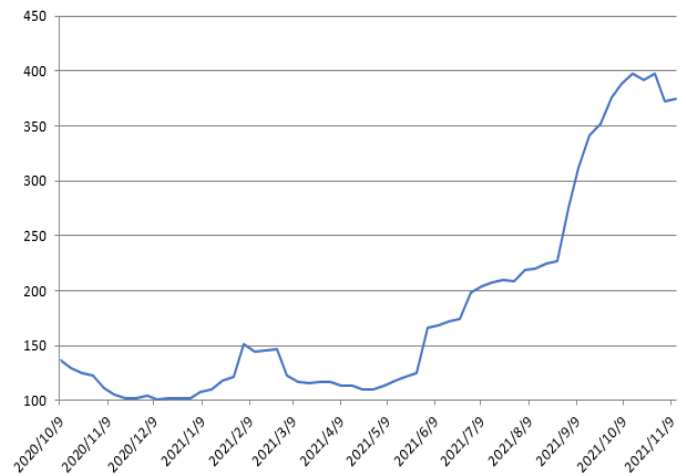
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal	361	364	-0.82%
Coking Coal Front Month	370.67	374.33	-0.98%
DCE CC Major Month	2416.5	3497.5	-30.91%
Coking Coal Port Inventory Unit 10,000mt	421	419	0.48%
China Custom total CC Import Unit mt	4,384,018.00	4,346,477.00	0.86%

Coking Coal Port Inventory(in 10,000 tonnes)



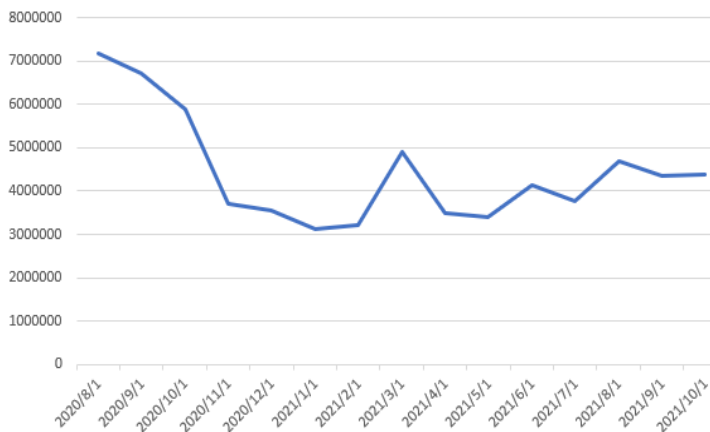
Data Source: MySteel

Coking Coal Front Month Forward Curve



Data Source: Bloomberg

China Custom Total CC Imports(tonnes)



Data Source: China National Bureau of Statistics

⇒ **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.**