

# FIS Ferrous Weekly Report

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### Market Review:

- ⇒ **Iron ore Fe62%** short-run **neutral**. Iron ore market seemed to be priced-in the macro stimulus on housing and construction sent cross weekends.
- ⇒ **U.S. HRC Front Month** short-run **neutral**. Major mills suspended and HRC local supply was in slight shortage.
- ⇒ **Rebar 20mm Shanghai** short-run **neutral**. The apparent consumption was close to five-year-low, and also winter supply was very regional and limited to downstream market.
- ⇒ **Australia Export Hard Coking Coal** short-run **neutral**. North Asian demand was resilient during the last month. China import quota limit during the last month also supported coal price.

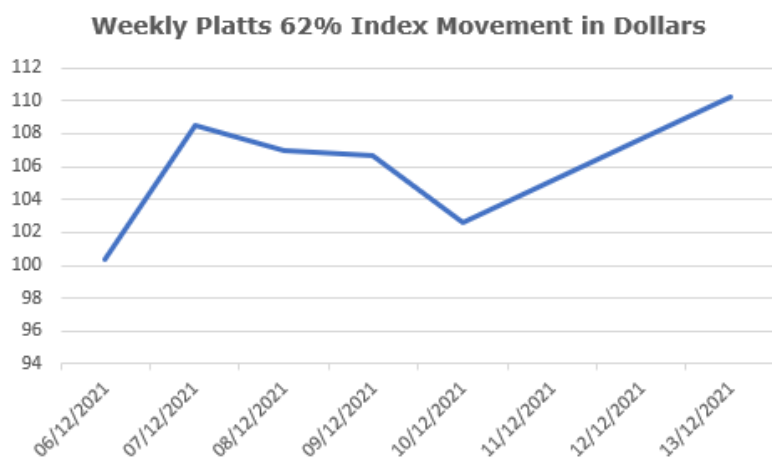
| Prices movement                             | 13-Dec | 6-Dec | Changes % | Sentiment |   |
|---|--------|-------|-----------|-----------|---|
| Iron Ore Fe62% (Dollar/MT)                  | 110.2  | 100.4 | 9.76%     | Neutral   | - |
| Rebar 20mm Shanghai (Yuan/MT)               | 4800   | 4780  | 0.42%     | Neutral   | - |
| U.S. HRC Front Month (Yuan/MT)              | 1607   | 1616  | -0.56%    | Neutral   | - |
| Australia Export Hard Coking Coal (Yuan/MT) | 341.0  | 339   | 0.59%     | Neutral   | - |

### Iron ore Market :

Chinese iron ore port inventories reached 155.32 million tons, up 28.48% from early June this year, creating five-year high over the same period according to Mysteel and Steelhome data. Iron ore inventories were expected to grow in next few months as strategic inventories are built in port areas in case of supply interruption or systematic risk. MB65 – Platts62 spread maintained a narrow range of \$14.5- \$18 during the last two months of the year 2021 since Brazil iron ore weekly delivery climbed from a seasonal low of 4.85 million tons to 8.27 million tons, which was a seasonal high according to global port data. During a similar period, Australian deliveries also reached a year high. The Omicron variant seemed to have limited impact on South African iron ore deliveries so far from observed data.

DCE iron ore and SGX iron ore started to be priced-in the RRR and political conference stimulus on construction areas. SGX spreads diverged with a better outlook for the late Q1 and Q2 contracts, however front months contracts were weak as the winter production restriction and potential landing of the emissions calculation policy around December loomed.

Steel mills started to produce concisely on the demand order. As a result, physical iron ore traders have less interest to stock up iron ores and taking time risk.



Data Source: Platts

## Market Review (Continued):

### Downstream Steel Market and Policies:

India's vehicle production hit a five-month-low in November, reducing 26.1% y-o-y to 1.7 million units, data from the Society of Indian Automobile Manufacturers, majorly caused by semiconductor chip shortage. China excavator sales in November fell by 36.6% y-o-y with domestic sales down 51.4%, created the seventh month of consecutive decline, data by the China Construction Machinery Association. The cross weekends China political conference brought optimistic voices to stabilise construction and infrastructure projects, beyond previous negative expectations in late November.

### Global Steel Market:

European hot-rolled coil (HRC) prices declined again Friday amid low liquidity. There was some purchasing interest in Italy at low levels, a large Italian buyer imported 20,000– 25,000 tons of HRC at €790/ton for April 1st clearance. Other European buyers were in wait-and-see mode.

A restart of operations at Liberty Steel & Wire's Peoria, Illinois, wire rod mill has been halted due to power loss at the site caused by downed transformer units, sources told S&P Global Platts Dec 9th. This halt expected to last through the rest of December. U.S. wire rods have increased by \$700/st, or 125% from September 2020. Local buyers believed that current wire rods price was supported at \$1,300/st level since tight supply.

### China Steel Market:

The apparent consumption of five major types of steels at 9.84 million tons which were in line with previous week. The slower change on the consumption indicate a balance in supply and demand market during the end of year. Virtual steel margin retreated from 874 yuan/ton to 736 yuan/ton over the week, contributed by the quick growth of iron ore prices and resilient coal price.

China northern area steels sales to southern China were lower than last year, which means local demand was stronger compared to previous years.

In general steel market expected a neutral outlook in the last month of the year 2021.

### 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 less than half of the value.

Trade sources indicated 5500 kcal thermal coal long-term mid-price at 700 yuan/tonne, the news has a strong impact over China thermal coal futures, which stuck in 680– 720 yuan/tonne during most time of December.

Australian coking coal was supported by the concern of Australia rainy weather. In addition, Mongolia major coking coal export port, Ganqimaodu has reduced truck flow from 600 units to 100 units due to a new pandemic spread and control.

Supply tightness and a rallying market is the story of the last week in coking coal, and the month so far. Sellers are in no rush to shift Jan & Feb tonnes as heavy rains have hampered the usual acceleration in shipments that we tend to see in Q4. Year on year production is of course higher but for November IHS Markit reported a slight drop in met coal production. Futures are choppy. Buying interest has been strong but yesterday we saw Q1 trade at 285 and we were offered over and bids pulled.

*Sources: Argus, IHS Commodities at Sea, FIS*

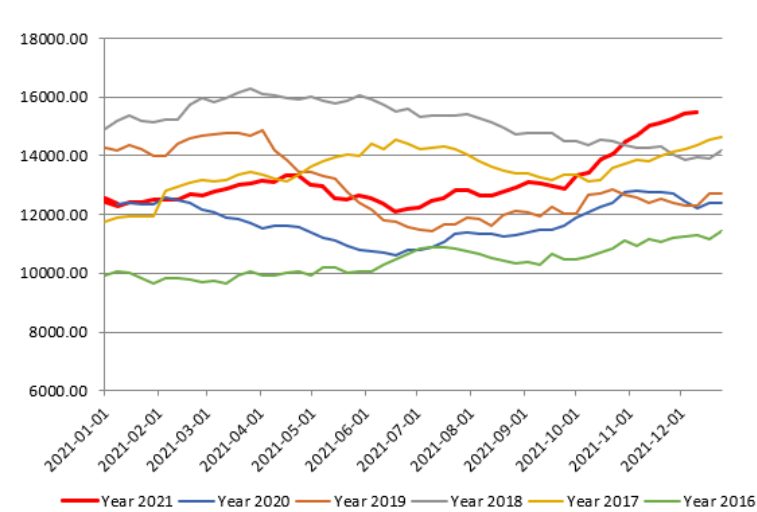
# Iron Ore

|   | Last     | Previous | % Change |
|---|----------|----------|----------|
| Platts 62% Fe (Dollar/mt)                   | 110.2    | 102.6    | 7.41%    |
| MB 65% Fe (Dollar/mt)                       | 129.7    | 122.5    | 5.88%    |
| Capesize 5TC Index (Dollar/day)             | 39127    | 40035    | -2.27%   |
| C3 Tubarao to Qingdao (Dollar/day)          | 26.82    | 27.25    | -1.58%   |
| C5 West Australia to Qingdao (Dollar/day)   | 13.555   | 13.732   | -1.29%   |
| Billet Spot Ex-Works Tangshan (Yuan/mt)     | 4310     | 4320     | -0.23%   |
| SGX Front Month (Dollar/mt)                 | 108.35   | 101.56   | 6.69%    |
| DCE Major Month (Yuan/mt)                   | 636.5    | 606      | 5.03%    |
| China Port Inventory Unit (10,000mt)        | 15,485   | 15,457   | 0.18%    |
| Australia Iron Ore Weekly Export (10,000mt) | 1,468.20 | 1,265.70 | NA       |
| Brazil Iron Ore Weekly Export (10,000mt)    | 288.60   | 406.70   | NA       |

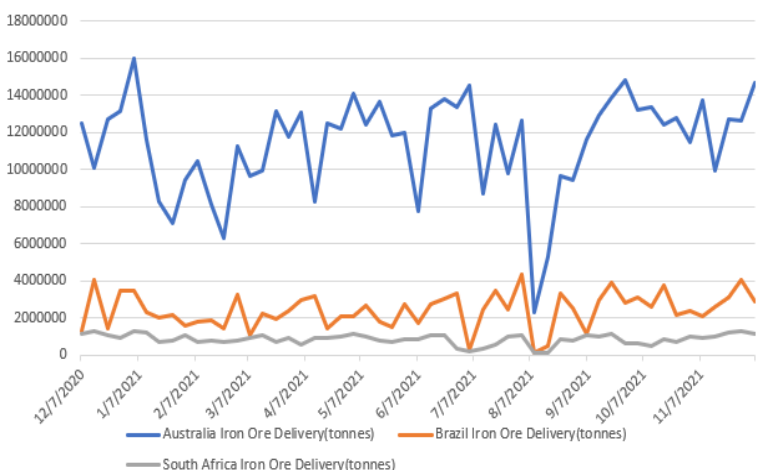
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



Iron Ore Delivery (tonnes)



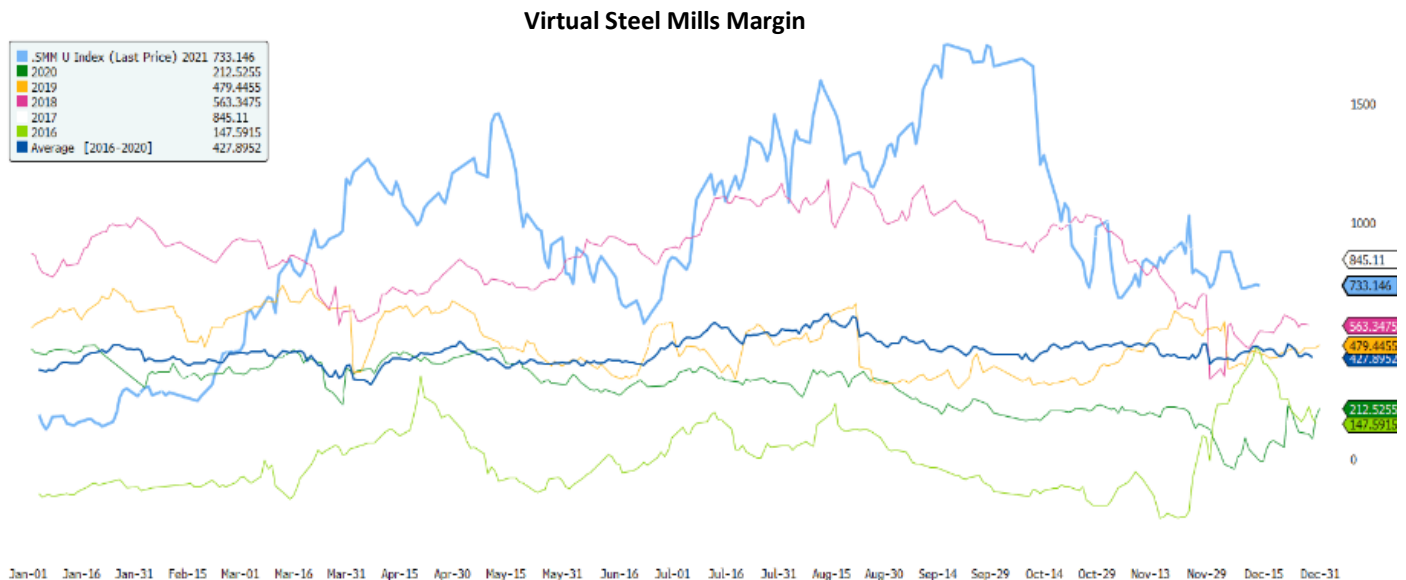
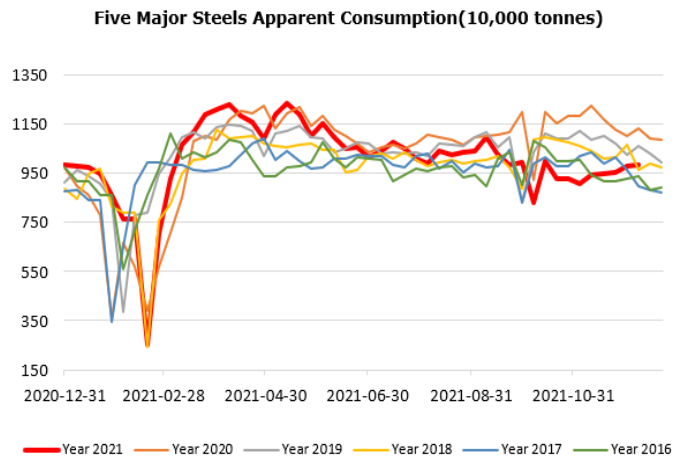
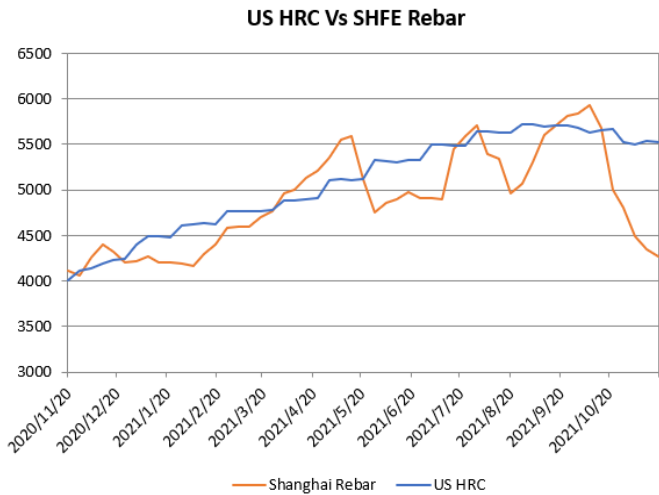
## Iron Ore Key Points

- 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.
- Australia iron ore weekly delivery recovered significantly to yearly high level.
- Due to the shipments from top suppliers are on rise, iron ore stockpiles across various Chinese ports increased 0.4% w-o-w to 156 million tons for the week ended Dec. 10, data reported by China Steelhome.
- The blast furnace capacity utilization rate among the steel mills remained at the lowest levels since March 2018 which continue dampening the market sentiment, Mysteel surveyed over 247 Chinese steel mills said the weekly utilization rate during 3-9 December dropped further to 74.12%, down 0.67% W-O-W.

Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

# Steel

|   | Last    | Previous | % Change |
|---|---------|----------|----------|
| US HRC Front Month (Dollar/mt)                          | 1606    | 1615     | -0.56%   |
| LME Rebar Front Month (Dollar/mt)                       | 728     | 722      | 0.83%    |
| SHFE Rebar Major Month (Yuan/mt)                        | 4307    | 4331     | -0.55%   |
| China Hot Rolled Coil (Yuan/mt)                         | 4763    | 4779     | -0.33%   |
| Vitural Steel Mills Margin(Yuan/mt)                     | 737     | 875      | -15.77%  |
| China Five Major Steel Inventories Unit (10,000 mt)     | 1695.22 | 1721.51  | -1.53%   |
| Global Crude Steel Production Unit (1,000 mt)           | 71580   | 73750    | -2.94%   |
| World Steel Association Steel Production Unit(1,000 mt) | 145,666 | 144,417  | 0.86%    |



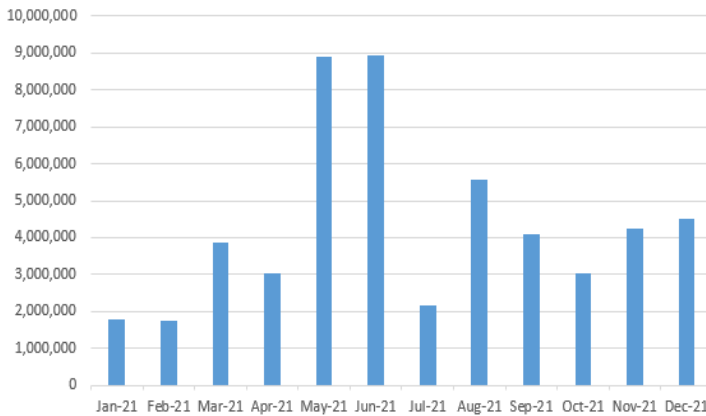
Data Sources: Bloomberg, MySteel, FIS

- The consumption of the five major steels started to become resilient from late November, however the absolute number was still in the four-year seasonal low area.
- Shanghai benchmark steel prices, including rebar and HRC, become less correlated to U.S. steel markets as China decreased its export volume versus domestic sales, as the crude steel output controls kicked in.
- Virtual steel margins stabilised between 700–850 yuan/ton, a seasonal high. However the margin included some operational cost and environment protection costs. As a result, actual steel margins were similar to the previous few years and are following seasonal features.

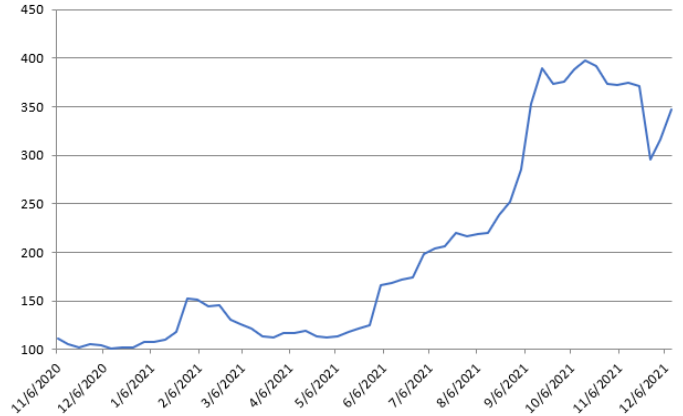
# Coking Coal

|  | Last      | Previous  | % Change |
|--|-----------|-----------|----------|
| TSI FOB Premium Hard Coking Coal (Dollar/mt) | 341       | 341       | 0.00%    |
| Coking Coal Front Month (Dollar/mt)          | 346.67    | 316       | 9.71%    |
| DCE CC Major Month (Yuan/mt)                 | 2000      | 1905.5    | 4.96%    |
| IHS Major Coal Port Inventory (mt)           | 3,415,000 | 4,511,000 | NA       |
| China Custom total CC Import Unit mt         | 4,384,018 | 4,346,477 | 0.86%    |

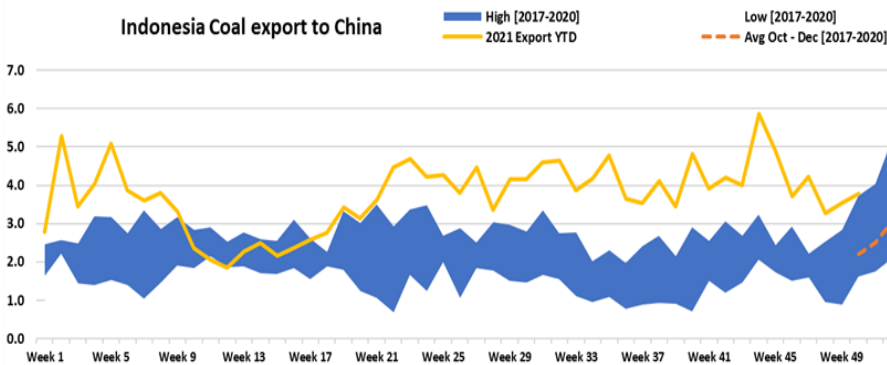
IHS Major Port Coal Inventories



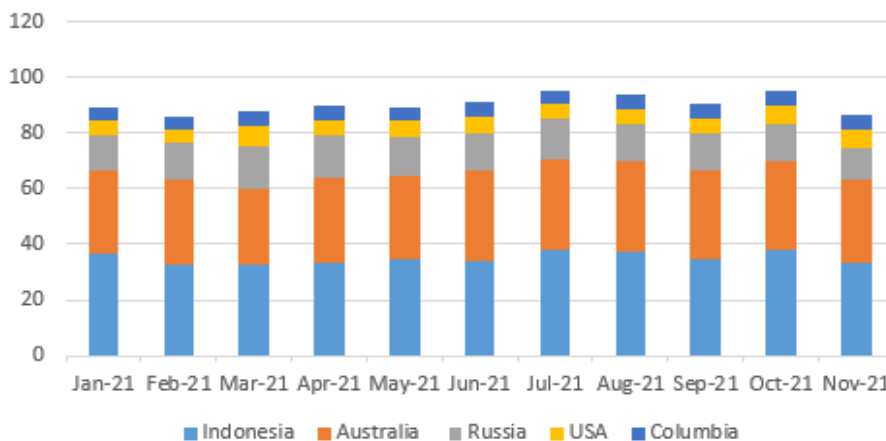
Coking Coal Front Month Forward Curve



Indonesia Coal export to China



Five Major Coal Exporters Shipments in million mt



## Coal Key Points

- Coking coal major port inventories slightly recovered in the last two months of Q4.
- Indonesian coal export to China slightly climbed up to previous few years range. This export number tend to increase during the last two months.
- Australian coking coal shipments in Nov were down 1.4% m/m (to 13.9 Mil mt) but up y/y by 3%.
- Australian met coal shipments estimated at 18.3 Mil mt for December.

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Data Sources: IHS, Bloomberg, FIS