

FIS Ferrous Weekly Report

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Market Review:

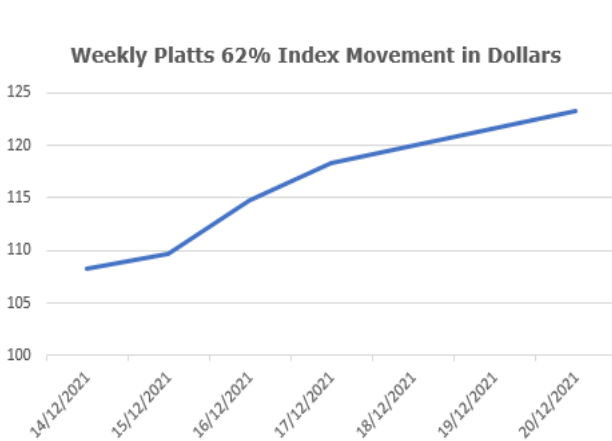
- ⇒ **Iron ore Fe62%** short-run **neutral**. After Chinese steel production restriction target completed, iron ore usage is expected to warm up in the Q1 of the year 2022. However short-run speculation potentially means an overbought signal on iron ore.
- ⇒ **U.S. HRC Front Month** short-run **neutral**. HRC, wire rods and many steel types were in shortage since major mill maintenance, as well as approaching Christmas week.
- ⇒ **Rebar 20mm Shanghai** short-run **neutral**. The apparent consumption was close to five-year-low, however supplies remain seasonal low as well.
- ⇒ **Australia Export Hard Coking Coal** short-run **neutral**. Mongolia major coking coal port recovers slightly on the clearance of trucks, however lower than expected.

| Prices movement | 20-Dec | 13-Dec | Changes % | Sentiment | |
|---|--------|--------|-----------|-----------|---|
| Iron Ore Fe62% (Dollar/MT) | 123.2 | 110.2 | 11.8% | Neutral | - |
| Rebar 20mm Shanghai (Yuan/MT) | 4890 | 4800 | 1.88% | Neutral | - |
| U.S. HRC Front Month (Yuan/MT) | 1647 | 1606 | 2.55% | Neutral | - |
| Australia Export Hard Coking Coal (Yuan/MT) | 341.5 | 341.0 | 0.15% | Neutral | - |

Iron ore Market :

According to Global Ports statistic, Brazil iron ore exports globally dropped from 6.06 million tonnes in late November to 4.56 million tonnes last week, approaching five-year-low. However, Brazil exports to China remain resilient at a seasonal average number at 3.34 million tonnes weekly. Australia iron ore also dropped sharply from 15.6 million tonnes to 13.72 million tonnes on a weekly basis during a similar period. Australia exports decrease was closely related to the general wanning demand in China and north Asia.

Chinese iron ore port inventories reached 156.96 million tons, up 29% from early June this year, creating a 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 a strategic inventories are built in port areas in case of supply interruption or systematic risk. 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

The buying interest for PBF remained weak due to the negative import margins. However interest on discounted sources remained strong. On the other side, sellers were unwilling to offer a deep discount in current weeks.

MB65 – Platts62 spread maintained a narrow range of \$14.5- \$18 during the last two months. 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 expected to land in next January.

Market Review (Continued):

Downstream Steel Market and Policies:

China's general steel production restriction target was reached for the year 2021, which left more room for restriction loosening at the beginning of the new year. In addition, China started to decrease 5 year Loan Prime Rate by 5 basis points to 3.8%. This rate was fixed for the previous 20 months. China held conference with Russia to enhance both fuel-based energy and renewable energy cooperation.

China Automobile Association expected automobile sales 26.1 million units, up 3.1% y-o-y. The year 2022 sales at 27.5 million units, up 5.4% y-o-y.

Global Steel Market:

U.S. wire rod prices refreshed new high at December 17th, domestic mills increased by \$30/st to \$1,330/st due to Liberty Steel's force majeure and operation halt from Dec 10th. U.S. wire rods increased by 128% since the September, 2020. The structural shortage on steels alternatively pushed up general steel prices in U.S.

A north China mills sold 2,000 mt SS400 HRC at \$785/t fob to south America last week, however market sources doubt the price represent only limited buyers with prompt needs. Vietnamese buyers show no interest in Chinese offers above \$795/t CFR Vietnam, although offer was much lower than previous \$834- 838/t. Asian HRC export market potentially continuous slide.

China Steel Market:

The apparent consumption of five major types of steels at 9.87 million tons which has been flat in the entirety of December, maintaining in the area of a four-year seasonal low. The slower change on the consumption indicates a balance in supply and demand in the market towards the end of year. Virtual steel margin retreated from 797 yuan/tonne area from mid-December to 725 yuan/tonne since a quick push on iron ore prices slightly dented margins.

Coal Market:

Australia estimated the country's metallurgical coal exports for years 2021- 2022 to rise 2.2% to 175 million mt, and for the years 2022-2023 to rise 3.4% to 181 million mt. However contract price estimated to rise 51.7% to \$197/mt in 2021 and rise to \$230/mt in 2022 before retreating to \$154 in the year 2023.

Australian coking coal only moved up 50 cents from mid-December. Platts revealed tradeable values were between \$341- 342 in line with index, for Australian premium low-vol Saraji assessed at parity at PLV. As the very neutral outlook supported by rainy season in Australia and also resisted by light Asian market demand. Chinese coking coal futures Jan-May would potentially converge approaching delivery window in January. Otherwise market would provide buyers a decent arbitrage room to buy delivery physical and sell in next may. However the spread between fixed CFR and FOB deals have a long way to converge. Late Q1 would indicate a new construction season in Asian countries, in particular major of them still stay in a loose monetary cycle with less lending pressure. Production curb in China also ended temporarily from late February next year. On the other side, major new coking coal capacity is expected to enter western Chinese market from Q2. However in mid-term Australian coking coal looks resilient, even as Mongolian and Russian sources were able to fill the demand gap in China reasonably well.

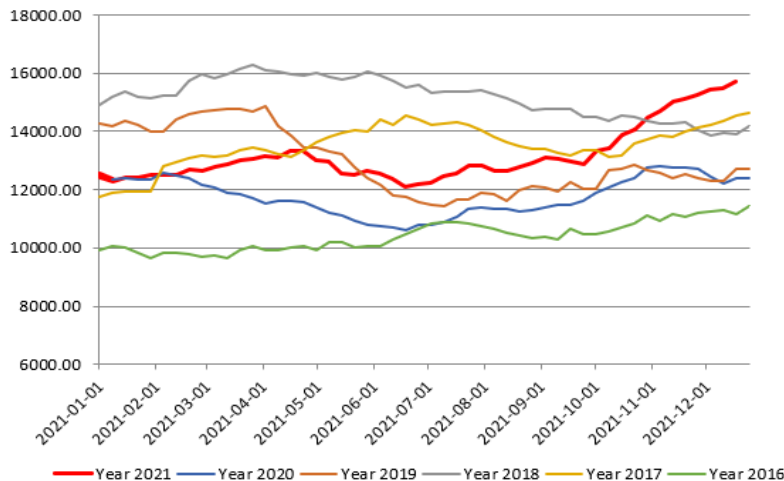
Iron Ore

| | Last | Previous | % Change |
|---|----------|----------|----------|
| Platts 62% Fe (Dollar/mt) | 123.2 | 110.2 | 11.80% |
| MB 65% Fe (Dollar/mt) | 141.8 | 129.7 | 9.33% |
| Capesize 5TC Index (Dollar/day) | 23283 | 22613 | 2.96% |
| C3 Tubarao to Qingdao (Dollar/day) | 22.255 | 22.07 | 0.84% |
| C5 West Australia to Qingdao (Dollar/day) | 9.727 | 9.023 | 7.80% |
| Billet Spot Ex-Works Tangshan (Yuan/mt) | 4400 | 4310 | 2.09% |
| SGX Front Month (Dollar/mt) | 119.88 | 108.35 | 10.64% |
| DCE Major Month (Yuan/mt) | 682.5 | 636.5 | 7.23% |
| China Port Inventory Unit (10,000mt) | 15,696 | 15,485 | 1.37% |
| Australia Iron Ore Weekly Export (10,000mt) | 1,136.60 | 1,468.20 | NA |
| Brazil Iron Ore Weekly Export (10,000mt) | 333.50 | 288.60 | NA |

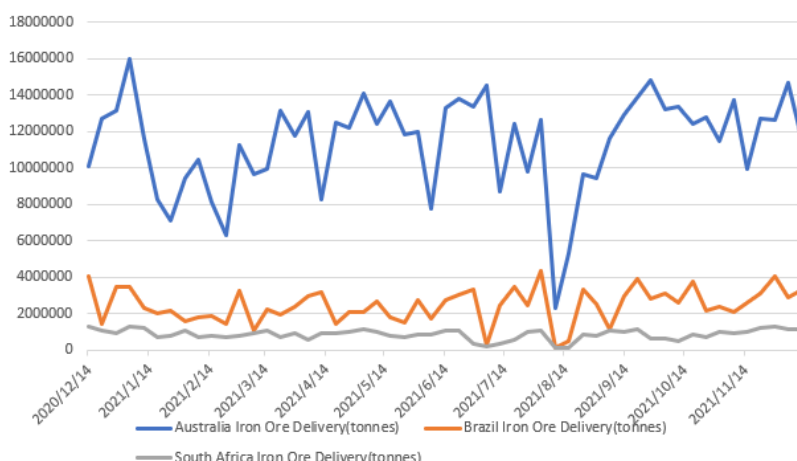
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



Iron Ore Delivery (tonnes)



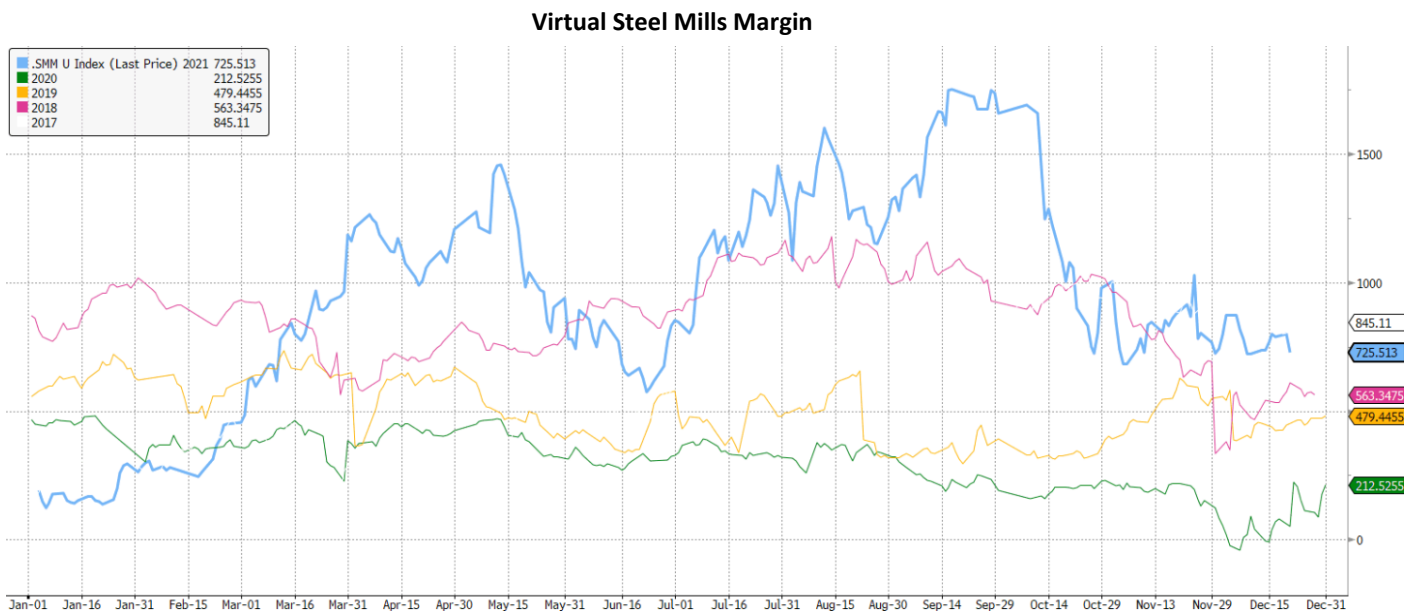
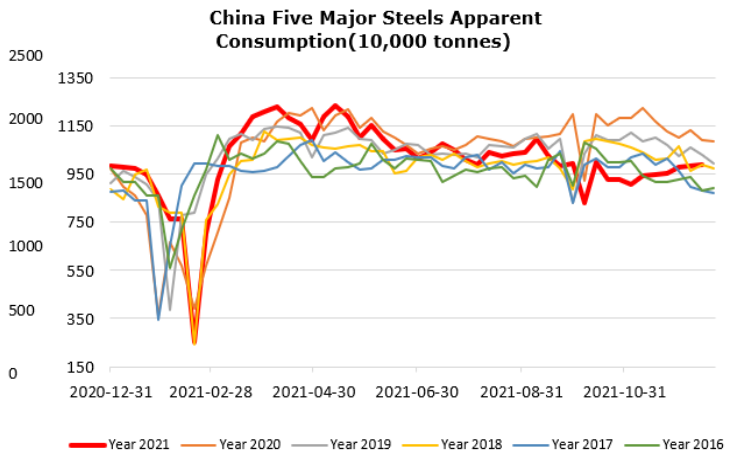
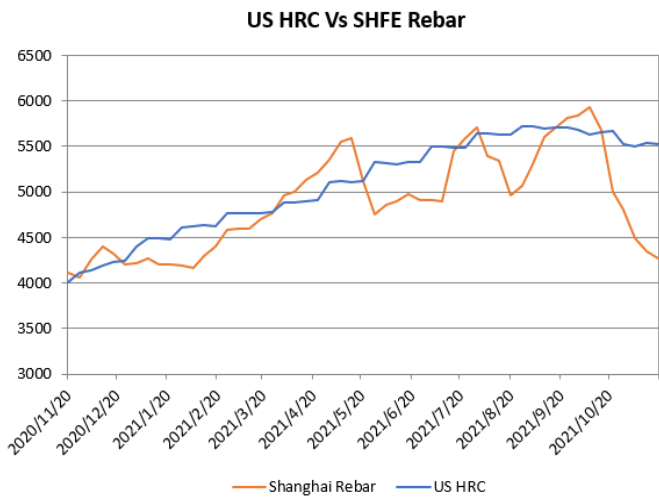
Iron Ore Key Points

- Iron ore port inventories expected to maintain an increasing trend as China plans to build strategic reserves 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 delivery started to drop again while Brazil delivery also didn't reach the expected growth during the last few days of the year.
- The blast furnace capacity utilization rate among steel mills remained at the lowest levels since March 2018. MySteel and CISA both expected the next January would also see lowest utilisation rate seasonally.

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

Steel

| | Last | Previous | % Change |
|---|---------|----------|----------|
| US HRC Front Month (Dollar/mt) | 1647 | 1606 | 2.55% |
| LME Rebar Front Month (Dollar/mt) | 728 | 722 | 0.83% |
| SHFE Rebar Major Month (Yuan/mt) | 4521 | 4307 | 4.97% |
| China Hot Rolled Coil (Yuan/mt) | 4835 | 4763 | 1.51% |
| Vitural Steel Mills Margin(Yuan/mt) | 725 | 737 | -1.63% |
| China Five Major Steel Inventories Unit (10,000 mt) | 1351.41 | 1430.43 | -5.52% |
| 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% |



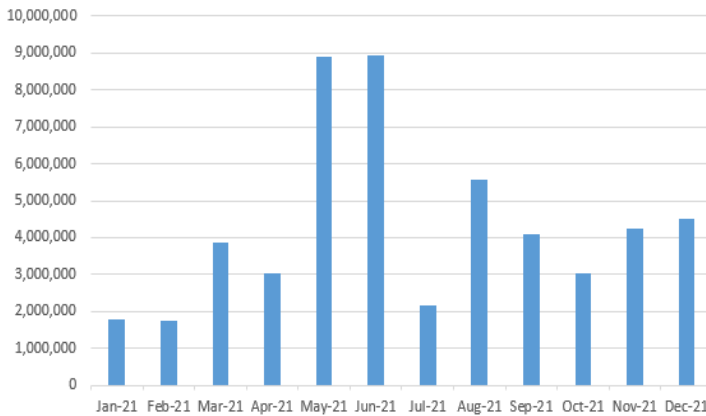
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel margins started to retreat slightly as the last round of push on iron ore. However the margin still stayed in the five-year seasonally high area.
- 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.

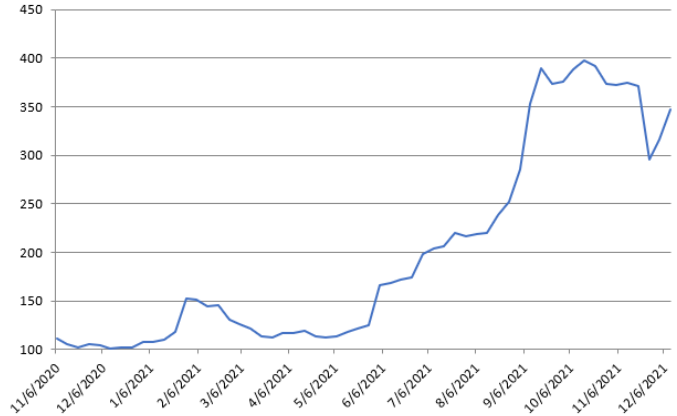
Coking Coal

| | 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% |

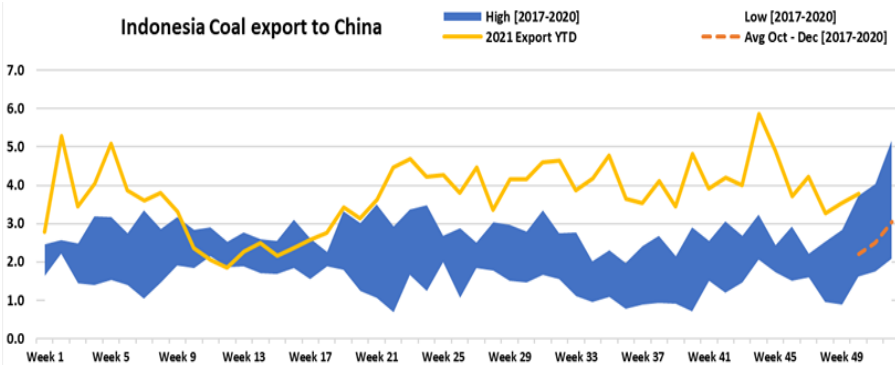
IHS Major Port Coal Inventories



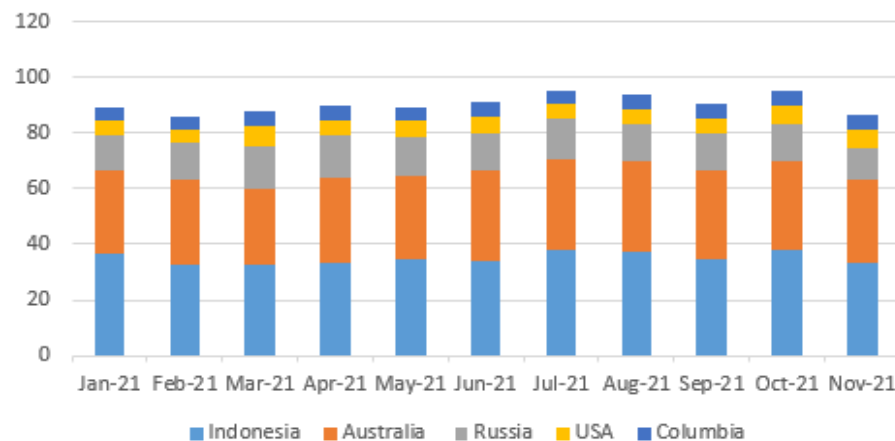
Coking Coal Front Month Forward Curve



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