

FIS Ferrous Weekly Report

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Market Review:

- ⇒ **Iron ore Fe62%** short-run Neutral to bullish. As the sudden China RRR, iron ore market recovers the lost value as a response, as well as the priced-in of Evergrande default.
- ⇒ **Rebar 20mm Shanghai** short-run neutral. The production curb met with the wanning demand market.
- ⇒ **Australia Export Hard Coking Coal** short-run neutral to bearish. short-run neutral. The increasing domestic miners supply flew into the traders market, however Mongolia export sources largely decreased as the concern of new round of pandemic.

| Prices movement | 6-Dec | 29-Nov | Changes % | Predictions |
|---|-------|--------|-----------|----------------------|
| Iron Ore Fe62% (Dollar/MT) | 100.4 | 99.95 | 0.45% | Neutral to Bullish ▲ |
| Rebar 20mm Shanghai(Yuan/MT) | 4780 | 4740 | 0.84% | Neutral |
| Australia Export Hard Coking Coal (Yuan/MT) | 339.0 | 315.5 | 7.45% | Neutral |

Iron ore Market :

China iron ore port inventories rebounded over 20% from mid-June, 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 a strategic demand on port areas in case of delivery interruption or port closure due to pandemic or systemic issues. MB65 – Platts62 maintained in the narrow range from \$14.5- \$18 during the last two months of the year 2021 since Brazil iron ore weekly delivery climbed from a seasonality low at 4.85 million tonnes to 8.27 million tonnes, which was a seasonality high according to global ports.

DCE iron ore and SGX iron ore outright rebounded fast hearing the signal of China RRR, previous reduction was in the middle of the year 2020. SGX spreads diverged as a better outlook on the late Q1 and Q2 contracts, however earlier contracts were weak as the winter production restriction and potential landing of the emission calculation policy around December.

Steel Market:

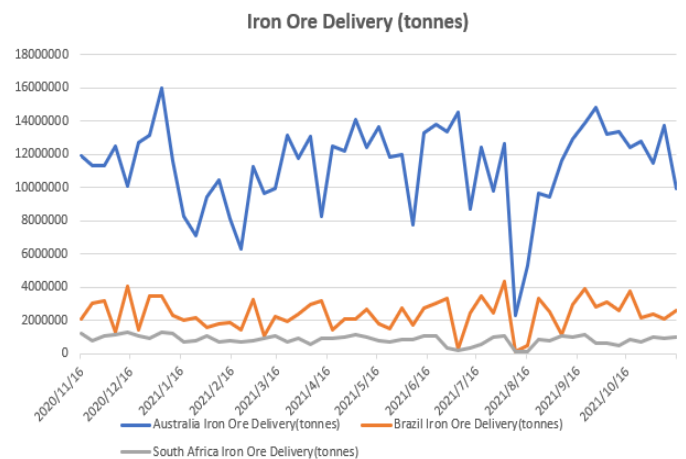
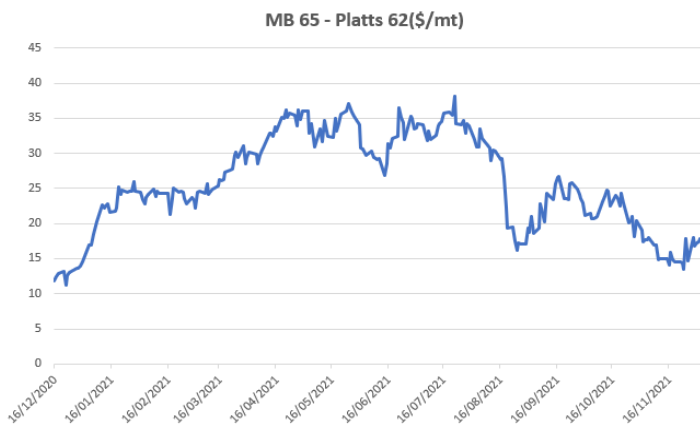
The apparent consumption of five major types of steels retreated to 800 yuan/tonne from 875 yuan/tonne. The narrow range of the virtual margin indicate a strong correlation of furnace materials and steels. The apparent consumption at 9.78 million tonnes last week create a three-year-low seasonally, which suggest the crude steel shortage was not an issue during year-end. Northern steels sales to southern China were lower than last year, which means local demand was stronger compared to previous years. As a result steel 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 the level at this August. Trade sources indicated 5500 kcal thermal coal mid-price at 700 yuan/tonne, the news has a strong impact over China thermal coal futures, which stuck in 690-700 yuan/tonne during most of times of the week. Coking coal also become very flat following thermal coal.

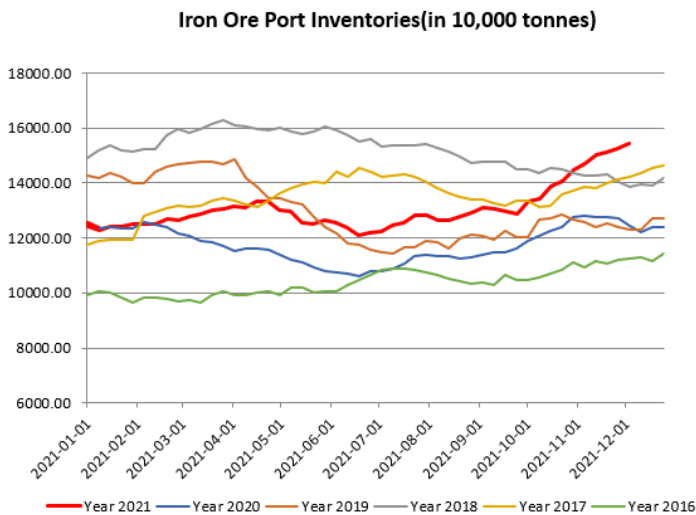
Iron Ore

| | Last | Previous | % Change |
|---|----------|----------|----------|
| Platts 62% Fe (Dollar/mt) | 100.4 | 98.5 | 1.93% |
| MB 65% Fe (Dollar/mt) | 117.8 | 116.3 | 1.29% |
| Capesize 5TC Index (Dollar/day) | 38970 | 38096 | 2.29% |
| C3 Tubarao to Qingdao (Dollar/day) | 29.12 | 29.14 | -0.07% |
| C5 West Australia to Qingdao (Dollar/day) | 13.495 | 13.036 | 3.52% |
| Billet Spot Ex-Works Tangshan (Yuan/mt) | 4320 | 4290 | 0.70% |
| SGX Front Month (Dollar/mt) | 101.56 | 95.87 | 5.94% |
| DCE Major Month (Yuan/mt) | 606 | 586.5 | 3.32% |
| China Port Inventory Unit (10,000mt) | 15,457 | 15,251 | 1.35% |
| Australia Iron Ore Weekly Export (10,000mt) | 1,265.70 | 1,269.60 | NA |
| Brazil Iron Ore Weekly Export (10,000mt) | 406.70 | 312.80 | NA |



Data Source: Platts, Fastmarkets

Data Source: Bloomberg



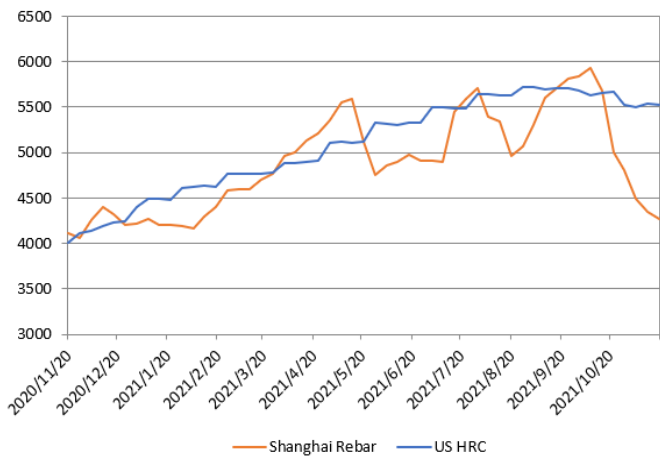
- ⇒ **Iron ore port inventories expected to maintain an increase trend as China planning to build strategic inventories to counter against shortage caused by systematic risk.**
- ⇒ **MB65 and Platts 62 were becoming less cost-efficient compared to 58% ores or other brands alternatives as steel margin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

Data Source: MySteel, Bloomberg

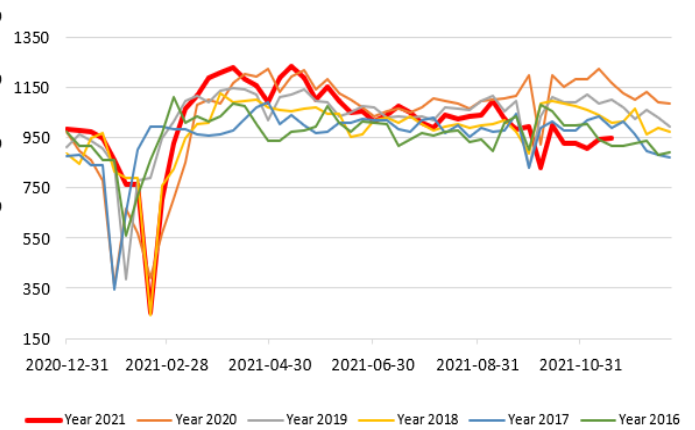
Steel

| | Last | Previous | % Change |
|---|---------|----------|----------|
| US HRC Front Month (Dollar/mt) | 1615 | 1605 | 0.62% |
| LME Rebar Front Month (Dollar/mt) | 728 | 722 | 0.83% |
| SHFE Rebar Major Month (Yuan/mt) | 4331 | 4184 | 3.51% |
| China Hot Rolled Coil (Yuan/mt) | 4779 | 4780 | -0.02% |
| Vitural Steel Mills Margin(Yuan/mt) | 875 | 723 | 21.02% |
| 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% |

US HRC Vs SHFE Rebar



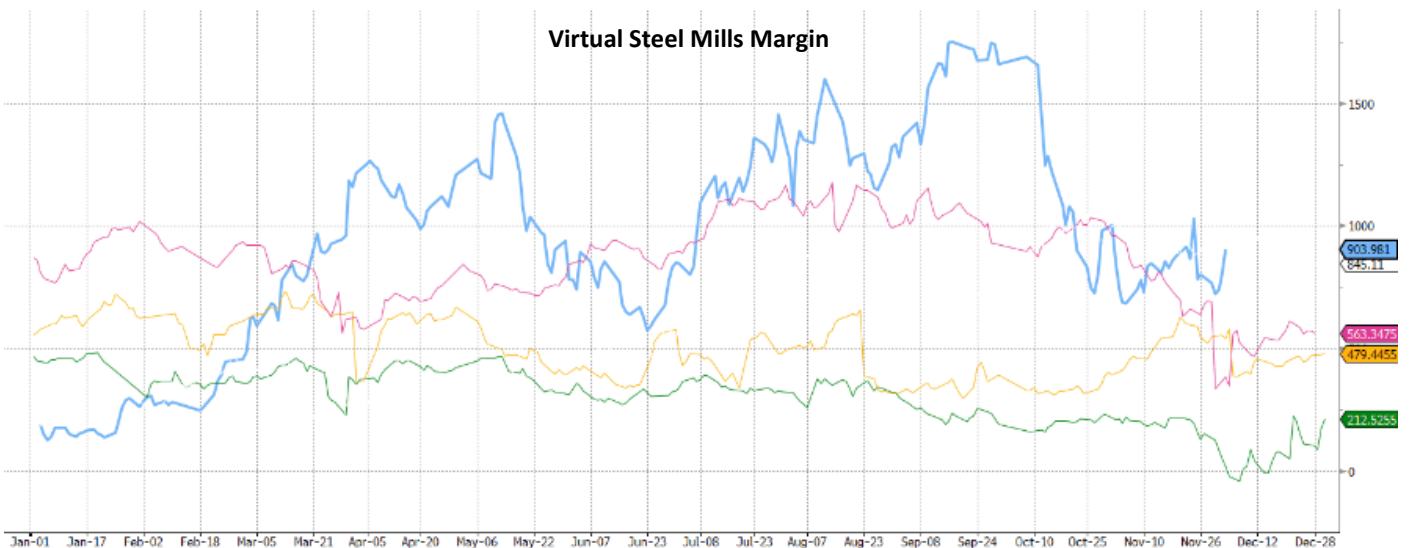
Five Major Steels Apparent Consumption(10,000 tonnes)



Data Source: Bloomberg

Data Source: MySteel

Virtual Steel Mills Margin



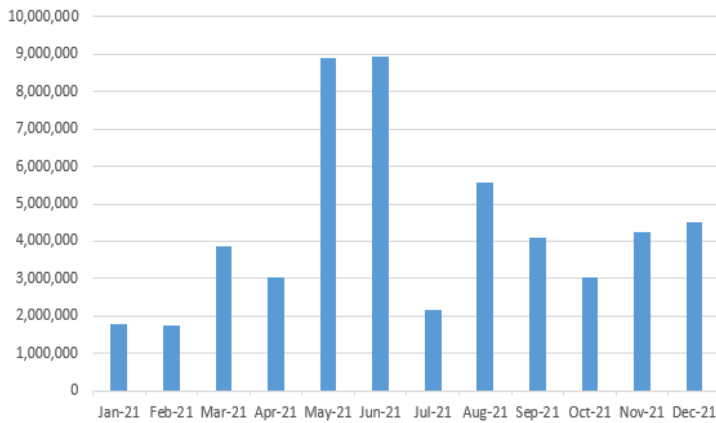
Data Source: Bloomberg, FIS

- ⇒ 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.
- ⇒ Shanghai benchmark steel prices including rebar and HRC were become less related to U.S. steel market as China decrease the export volume versus domestic sales, as the crude steel output control.

Coking Coal

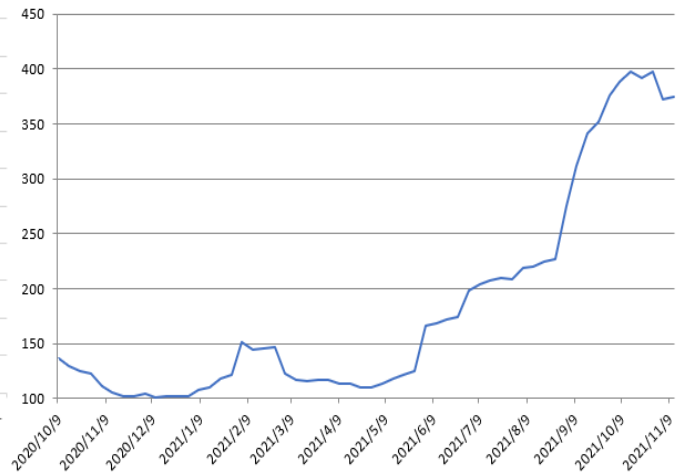
| | Last | Previous | % Change |
|--|-----------|-----------|----------|
| TSI FOB Premium Hard Coking Coal (Dollar/mt) | 339 | 317.5 | 6.77% |
| Coking Coal Front Month (Dollar/mt) | 316 | 295.5 | 6.94% |
| DCE CC Major Month (Yuan/mt) | 1905.5 | 2092 | -8.91% |
| IHS Major Coal Port Inventory (mt) | 4,511,000 | 2,951,000 | NA |
| China Custom total CC Import Unit mt | 4,384,018 | 4,346,477 | 0.86% |

IHS Major Port Coal Inventories



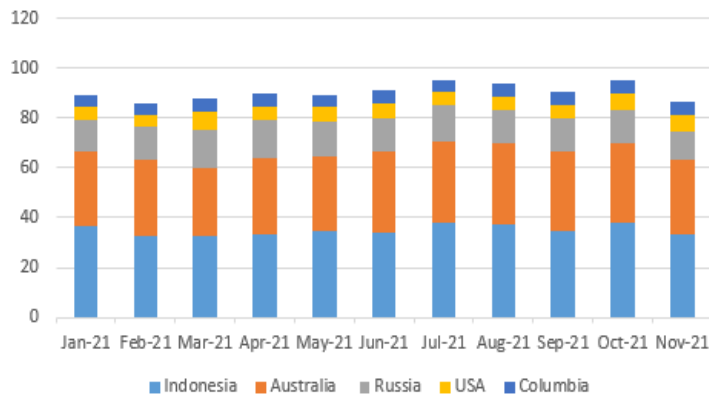
Data Source: IHS

Coking Coal Front Month Forward Curve



Data Source: Bloomberg

Five Major Coal Exporters Shipments in million mt



Data Source: IHS

⇒ **Coking coal major port inventories slightly recovered in the last two months of Q4.**

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