FIS

Ferrous Weekly Report

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Happy Chinese Near Year to our readers and clients. This report will restart after the holiday, from the 8th February.

Market Review:

⇒ **Iron ore Fe62%** short-run **neutral**. China entered Lunar New Year mode, physical trades became cautious and light.

⇒ **U.S. HRC Front Month** short-run **neutral**. HRC marginal supply caught up with marginal demand.

⇒ **Rebar 25mm Shanghai** short-run **neutral**. Downstream end-users completed steel order purchases before mid-February.

⇒ **Australia Export Hard Coking Coal** short-run **neutral**. The current market was chased up by smaller size bids. On the other side, market was in the risk of entering correction phase with Asian Lunar New Year.

Prices movement	24-Jan	17-Jan	Changes %	Sentiment	
Iron Ore Fe62% ($/MT)	133.7	124	7.82%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	4730	4730	-	Neutral	-
U.S. HRC Front Month ($/MT)	1426	1406	1.4%	Neutral	-
Australia Export Hard Coking Coal($/MT)	444.5	411	8.15%	Neutral	-

Iron ore Market :

Iron ore outperformed the previous report prediction with a significant rebound. As the market went into a period of thin physical trading and Asian money-taking effect before Lunar New Year, we still maintain a conservative view of this rebound.

Three big miners published their annual production guidance. BHP FY2022 guidance production 278–288 million tonnes, unchanged from FY2021. Expecting a better demand market, Rio Tinto guidance production was 320—335 million tonnes, slightly higher than FY2021 at 319.7 million tonnes. Vale maintained the guidance production of 320—335 million tonnes, taking the rainfall and dam accident into account. In general, the three miners have a flat outlook on the iron ore demand compared with the year 2021. However, the World Steel Association previously expected Chinese steel making to decrease in the year 2022 and this drop to not be offset by production increases outside of China.

Chinese 45 iron ore port arrivals were at 22.04 million tonnes, down 3.025 tonnes from last week. Northern six ports iron ore arrivals 10.845 million tonnes, down 1.017 million tonnes from last week. Seaborne iron ore saw active procurement interests along with the lift in prices. At the same time, big Chinese steel mills completed iron ore stocking from late January to early February. Different from last week with scant bids on physical markets during the first two days this week in ports, as well as in trading windows, Chinese domestic sellers hoped to clear more stocks.

Australian iron ores sources majorly traded MACF from December to this January. As a result, PBF has some liquidity issues to clear inventories. The market was waiting for more correction room on PBF. JMBF ferrous grade and contents were unstable in particular this January, which decreased some interests from the mill side. Supported by strong market buying interest on discounted iron ores, BHP lowered MACF discount to 6.25%(last 7.75%), 17.5%(22%) and 13.75%(20.25%) for MACF, JMBF and Yandi Fines.

MB65 – Platts62 spread sticked on $30 level and didn't start to correct following seasonal rules, because of the continuous impact on lower Brazilian delivery.

Data Source: Platts, Fastmarket, FIS

Market Review (Continued)

Downstream/Policies/Breaking News:

Russian geopolitical tensions pressured global equities. Russian RTS index corrected by 10%. However major commodities recovered losses in the following trading day. Major commodity sectors including oil and metals suffered a loss on Monday, however they recovered partial losses on Tuesday morning.

China released a comprehensive energy consumption decrease paper, including unit production energy usage decrease by 13.5% in the year 2025 from 2020 levels, encouraging steel makers to shift from blast furnaces to EAFs, eliminating high pollution and high energy consumption projects.

Global Steel Market:

A northern China mill lifted offers for SS400 Hot-rolled sheet to $794/t FOB from $777/t. China mills were not interested to accept price lower than $790-800/t CFR Vietnam, or equal to $760-770 excluding freight cost CFR China. However Vietnam bids level were at least $40 lower than China offers.

Central and eastern European steelmaker indicated they sold €925/t delivered Ruhr to Germany buyer. The supply and demand was both tight currently in European market. In particular, supply was tighter on cold-rolled coil and hot-dipped galvanised steel products. The raising HRC price squeezed downstream profit further more.

China Steel Market:

Similar to previous the last few years we got the Lunar New Year effect. Five typical steel types apparent consumption started to drop from last week. However HRC apparent consumption looked very resilient compared to other types of steels, which was almost unchanged from previous week around 3.11– 3.12 million tonnes. Blast furnace operation rate recovered to 76.25% last week, compared with the low at 67.87% during the last week of December. However the utilisation rate was steel 5- 6% lower than previous years average number because of the strict pollution curbs.

Shanghai 25mm rebar remain unchanged at 4730 yuan/tonne. Export sources also became very solid and traded in 10 yuan range. The Physical market was frozen when the market entered January. However China HRC 3mm export price lowered from 4828 yuan/tonne to 4754 yuan by end of last week because of the thin liquidity.

The current virtual steel margin was approaching a seasonal high, however absolutely it is sitting in a neutral area in the five-year historical range.

Coal Market:

In the international market, tight supply continued to provide support to coking coal prices, spot demand appeared from India and Europe areas. No less than 3 physical trades with $410, $430 and $445 trading over the course of the week. A very high trade conclude on Jan 21st at $445/mt FOB Australia for 75,000mt HCCA, but India coke producer said this is a normal situation when market has accessible sources. On the other side, the marketing director of Indian trading company Iman Resources indicated India potentially start to seek alternative plan by importing more U.S. coals to balance the raising Australian coal prices.

In China, steel production curbs in preparation for Winter Oympics dampened demand of iron ore and coke market, in particular restocking was 100% completed for steel mills. Market participants were waiting for updates over annual steel production. Prompt laycans were more popular than any laycans after mid-February.

Mongolia reopened the coking coal export port Ganqimaodu last Thursday. Indonesia coal exports expected to recover to normal from this week after the ban at the start of the year.

A volatile but strong week in the coking coal futures market with liquidity picking up on both paper and physical. Futures have certainly felt a bit like they're due a pullback but you can't argue with these physical prices and with Feb trading at 440 today we could easily push higher.

Sources: Argus, IHS Commodities at Sea Service, FIS

Technical view of the Ferrous Markets:

Ore

February futures- The downside move last week held above our key support at USD 121.44 keeping the technical in bull territory. Our wave analysis had suggested that we had seen cycle completion; however, the upside move above USD 134. 15 indicated that we were witnessing some form of wave extension, meaning our initial analysis was incorrect. On the daily technical we re-evaluated and targeted USD 142.65 As a key resistance for the current bull wave. The futures traded to a high of USD 141.4 before retracing USD 7.00, the technical remains bullish above USD 128.96 and neutral bullish below this level. Only below USD 122.55 will the futures have made a lower low and be bearish. The intraday technical has pulled back on a negative divergence, however the RSI is above 50 with the stochastic in oversold territory, intraday momentum is warning the technical is vulnerable to a test to the upside, providing the RSI holds above 50. The Elliot wave cycle to the upside is unclear which opens the possibility that this upside move he is part of a larger corrective phase that is linked to the sell off from May 2021. We highlight this as the weekly RSI is at 49 whilst the weekly stochastic is overbought, if the RSI fails to go above and hold above 50, then we have the potential to see a higher time frame Corrective phase.

Steel

February futures- As noted last week we had a Fibonacci overlap between USD 1,214 and USD 1,212 Which also looked to be part of a bullish Gartley pattern. Technically little has changed price is only just trading below this support zone, meaning the Gartley pattern is still in play, this could still have bullish implications going forward. The trend is technically bearish with the daily RSI making a new low; however, the intraday RSI is in divergence warning that we have the potential to see a momentum slowdown. Technically bearish but not considered a technical sell at this point, as a bullish pattern is also supported by the intraday divergence.

Coking Coal

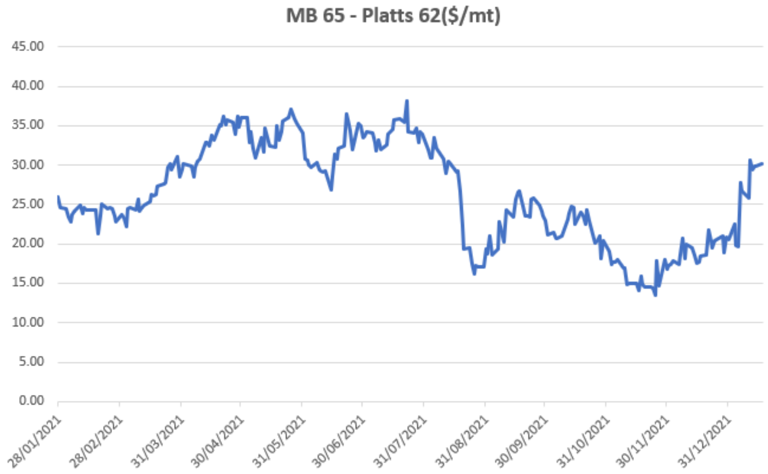
As noted last week the futures were technically bullish and in trend with the MACD making a new high, this supported a bull argument and suggested that downside moves should be considered as countertrend. We also noted that the longer period moving averages (30-60) had started to fan, suggesting the trend was stable. There has been no technical pullback with the futures continuing to move higher, resistance is unchanged at USD 468, USD 489, and USD 512. Elliot wave analysis would suggest we are on a bullish impulse wave 3 which supports downside moves being considered as countertrend. Fibonacci support is at USD 359, USD 334, and USD 300, corrective moves that hold at or above USD 300 will support a bull argument, below this level the market will have a neutral bias based on the depth of the pullback.

FIS senior analyst, Edward Hutton

Chart source: Iron Ore Bloomberg

Iron Ore

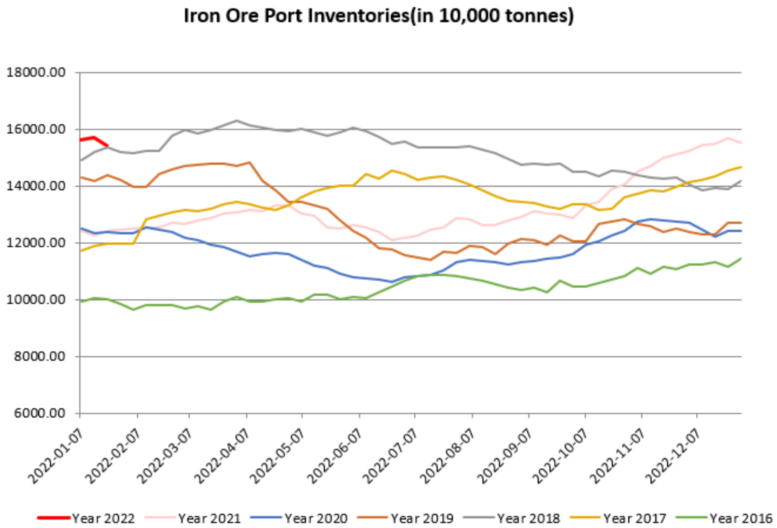
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	133.7	137.4	-2.69%
MB 65% Fe (Dollar/mt)	164.2	166.2	-1.20%
Capesize 5TC Index (Dollar/day)	6935	7390	-6.16%
C3 Tubarao to Qingdao (Dollar/day)	17.015	17.28	-1.53%
C5 West Australia to Qingdao (Dollar/day)	6.736	6.786	-0.74%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4480	4380	2.28%
SGX Front Month (Dollar/mt)	137.06	126.69	8.19%
DCE Major Month (Yuan/mt)	752.5	722	4.22%
China Port Inventory Unit (10,000mt)	15,436	15,697	-1.67%
Australia Iron Ore Weekly Export (10,000mt)	1,227.50	1,262.60	NA
Brazil Iron Ore Weekly Export (10,000mt)	121.90	203.60	NA

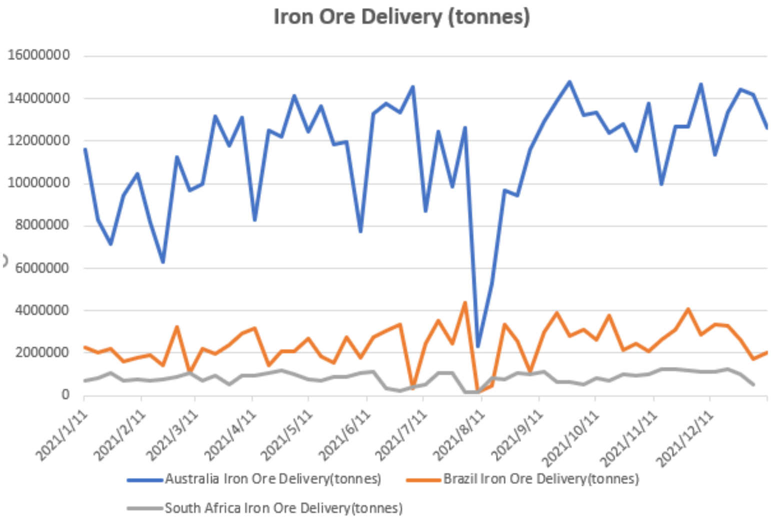


Iron Ore Key Points

- Iron ore port inventories expected to continue their increase to 200 million tonnes before mid-2022 by some local sources. However from current port stocks, majority of the increase was from low-grade iron ores.

- MB65/Platts 62 spread held resilient at $30, since Fe65% ores arrivals in February are expected to be lower, caused by fewer shipments, as well as the bad weather and accidents. However Australia sources were sufficient at Asian ports.

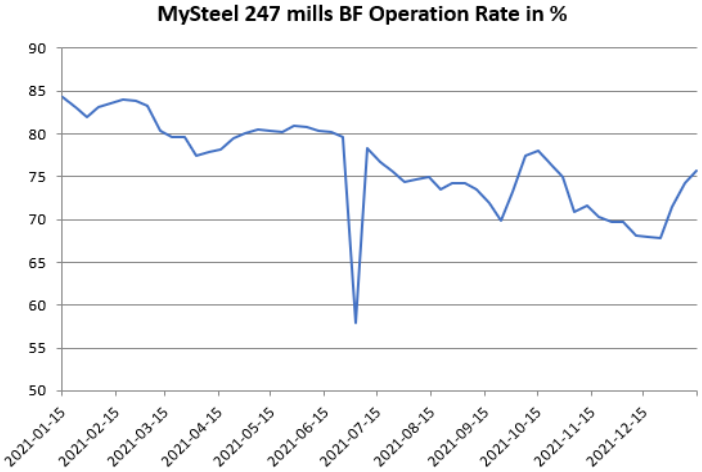


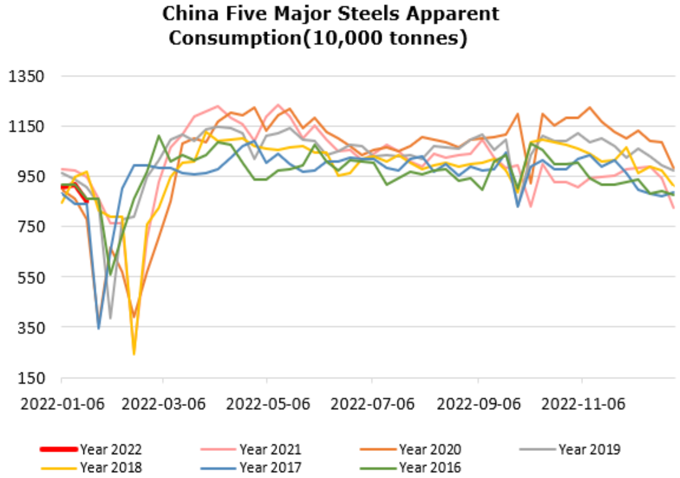


Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1425	1437	-0.84%
LME Rebar Front Month (Dollar/mt)	728	722	0.83%
SHFE Rebar Major Month (Yuan/mt)	4717	4648	1.48%
China Hot Rolled Coil (Yuan/mt)	4844	4837	0.14%
Vitural Steel Mills Margin(Yuan/mt)	737	875	-15.77%
China Five Major Steel Inventories Unit (10,000 mt)	1396.05	1337.1	4.41%
Global Crude Steel Production Unit (1,000 mt)	69310	71580	-3.17%
World Steel Association Steel Production Unit(1,000 mt)	145,666	144,417	0.86%





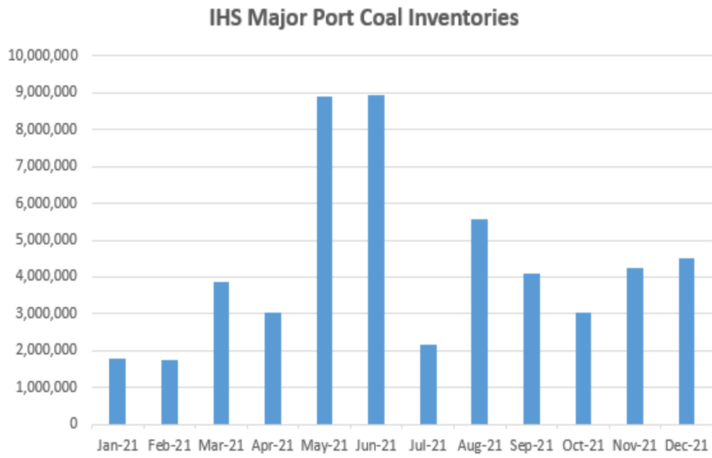
Virtual Steel Mill Margins (Five-Year Range)

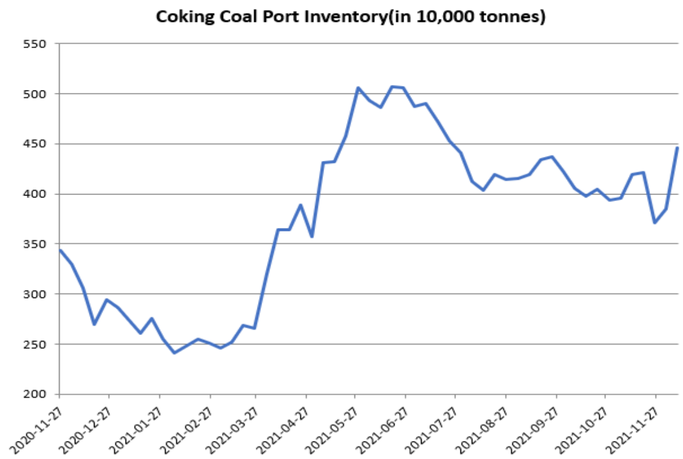
Data Sources: Bloomberg, MySteel, FIS

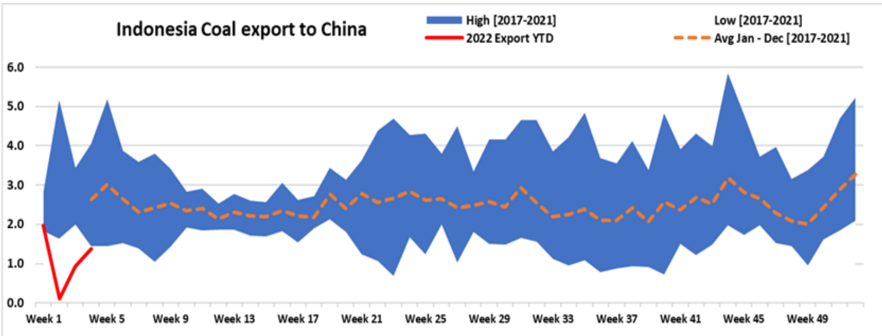
- Virtual steel margins maintained in at seasonal highs. However absolute level was neutral.
- The consumption of the five major steels started to retreat following seasonal rules.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	444.5	444	0.11%
Coking Coal Front Month (Dollar/mt)	408.33	394	3.64%
DCE CC Major Month (Yuan/mt)	2253	2290	-1.62%
IHS Major Coal Port Inventory (mt)	7,292,000	5,849,000	NA
China Custom total CC Import Unit mt	7,487,956	7,741,656	-3.28%

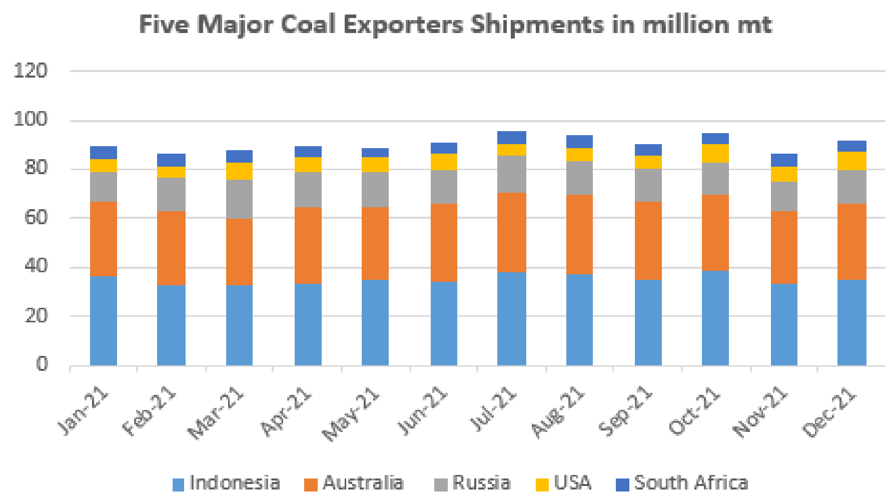






Coal Key Points

- Mongolia recovered coking coal clearance in Ganqimaodu Port in late last week.
- The fourth round of offer up from coke plants in Shanxi China was rejected by major steel mills.



Data Sources: IHS, Bloomberg, FIS

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