FIS Ferrous Weekly Report

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Market Review:

⇒ **Iron ore Fe62%** short-run **neutral**. Brazil heavy rain caused a tailing dam accident, however this did have limited impact. Chinese major steel mills completed 95% of iron ore stocks before Chinese New Year.

⇒ **U.S. HRC Front Month** short-run **bearish**. HRC shortage in mid-western area in U.S. was generally relieved.

⇒ **Rebar 25mm Shanghai** short-run **neutral**. The major mills and downstream completed much of winter trading, which was a locked at contract price end of last year covering January and first half of February. Spot market was rather quiet and lacking significant price movements.

⇒ **Australia Export Hard Coking Coal** short-run **neutral**. Indonesia officials announced recovering coal export in 2 days after initial shock of ban.

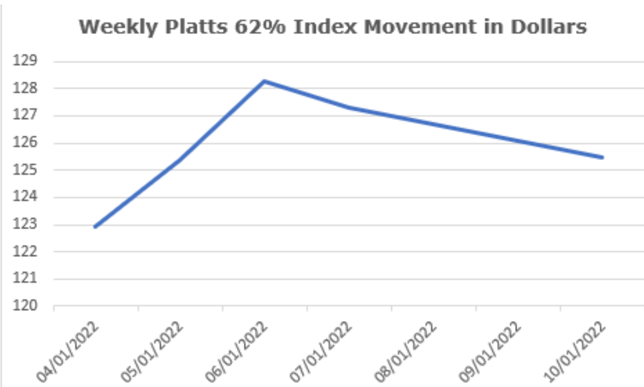
Prices movement	10-Jan	3-Jan	Changes %	Sentiment	
Iron Ore Fe62% (Dollar/MT)	123.2	110.2	11.8%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	4770	4760	0.21%	Neutral	-
U.S. HRC Front Month (Dollar/MT)	1406	1438	2.23%	Bearish	↓
Australia Export Hard Coking Coal (Dollar/MT)	378	357.75	5.67%	Neutral	-

Iron ore Market :

Brazil ANM suspended an iron ore projects in Pau Branco caused by a tailing dam incident which cut off a driveway to transport iron ore. The project annual capacity was 6 million tonnes, which approximately equal to half a million tonnes of iron ore if the repair and maintenance last 1 month. Vale didn't expect the temporary stoppage on some of mines would change its annual production target. SGX iron ore February contract increased by 3 dollars to $128.55, however this corrected as analysts calculated that it would only have a limited impact.

Top 10 China steel mills indicated that they had completed 95% of iron ore restocking before the Chinese New Year holiday. Port and seaborne trade will likely become light in the last two weeks of January before the holiday. According to Global Ports statistic, Brazil iron ore exports globally were 5,500,000 tonnes from December to early January, much lower than 7,200,000 tonnes during same period last year. Concerning the delivery laycans, Brazil iron ore potentially saw supply tightness in late February.

Australia iron ores sources majorly traded MACF and JMBF during the past week and early this week. SP10 concentrates were slight oversupplied in eastern and northern ports. It was hard to imagine much room for Australian iron ore prices, as more alternatives were emerging at ports in China, with inventories of 45 surveyed ports hit a five-year high at 156 million tonnes.



Data Source: Platts

MB65 – Platts62 spread was maintained at $25– 27, almost doubling from $14 in the last week of November last year. The winter production curbs in general supported the more efficient and less polluting concentrates including Fe65% and pellets. However this was mitigated somewhat by declining Brazilian delivery times.

Downstream Steel Market and Policies:

The U.S. infrastructure plan started to enter a "silent mode" as the market realised the execution difficulty and potential lag time from the investment stage to the completion stage. Chinese Ministry of Industry Information Technology department claimed the country would aim to increase capacity concentration ratio in top steel mills. It's also expected that 2022 would have a low growth rate target on crude steel production, with new capacity prohibited for steels and coke. However, some steel analysts from securities as well as mills believed that the growth in infrastructure and manufacturing would not be enough to fully offset the slowdown in property market in China.

Global Steel Market:

The Indian government finally decided not to impose antidumping duties on several hot-rolled and cold-rolled steel products originating from seven countries in Asia and Europe for another five years.

Vietnamese bids for HRC netting to $720/tonne FOB China, however not accepted by China sellers who offer at $15- 20 higher.

The northwest European hot-rolled coil (HRC) market is delicately poised as activity finally ramps up after the holiday. Before Christmas, large European mills were able to secure substantial increases in their half-yearly deals with the automotive supply chain. Cold-rollers and tier suppliers confirm buying January-June HRC tonnages at around €1,000-1,050/t, up by around €500/t from what they paid in the same period last year, and also on the €800-900/t levels secured in the second half of 2021.

While the contract settlements appear bullish, cheaper imports and comparatively high stocks levels remain issues. Many were also concerned about staff shortages because of the Omicron strain of Covid -19. Argus' daily NW EU HRC index increased by €2.75/t today to €906/t. A service centre buying higher-grade material, such as S2355, received an offer from a large mill at €1,000/t base.

There are expectations that higher production costs will encourage EU mills to attempt to increase prices, but there are question marks whether the market would accept any rise, given lower import offers

China Steel Market:

The approaching Beijing Olympic Games and Chinese New Year increased some logistic difficulties in Beijing and Hebei province, steel prices inched up on the back of this sentiment during January. The Chinese five major types of steels apparent consumption rebounded from a six-year low of 8.23 million tonnes to 9.06 million tonnes, close to the average for the last six years for same period.

Coal Market:

We've entered a full bull spiral this week with supply issues lining in the global markets add fuel to a fire which was already burning hard. The main catalyst has been the Indonesia export ban which has had it rhetoric relaxed after the initial announcement. Physical FOB coking coal prices popped above $350 and the week's trading has simply taken offers off the table and allowed futures in Feb to head towards the $400 level. We are not there yet, and although the index did peak at 403 back in early November we didn't see a futures trade above 400.

Unfortunately the concern on when this imbalance can be addressed continues to be kicked along the curve, meaning offers are becoming more and more scarce. The outlook for the year was expected to me more balanced with improving supply within China as well as Australia but at the moment the market is telling us supply and demand will not be balanced any time soon

Official November U.S. coal exports fell 3.6% from October, and market sources expected that this trend would continue into December. After several governmental discussions in Indonesia, the officials said Indonesia potentially start to recover export coals in two days. However it take some time to recover to normal export volume.

Chinese inner Mongolia saw significant increased cases of Omicron, which could potentially impact some transportation on domestic coal trucks and import coals.

Sources: Argus, IHS Commodities at Sea, FIS

Technical view of the Ferrous Markets:

Ore

February futures - The trend remains technically bullish with price above all key moving supported by the RSI above 50. Price has traded to a high of USD 128.5, if we trade above USD 129.45, we have the potential to create a negative divergence, this is not a sell signal it is a warning that we could see a momentum slowdown. Downside moves below USD 115.03 would imply that the USD 115.03 Fibonacci support will be broken, if we hold above this level the futures remain technically bullish, below this level price will look to test the USD 107.60 fractal support. The recent upside move since the 29/12/21 has seen a small build in aggregate volume and open interest supporting a bullish move. Price is currently in a corrective phase but on lower volume, suggesting that market buyers are holding off rather than market sellers pushing price lower. Technically bullish but in the early stages of a corrective phase, upside moves have the potential to be limited due to the divergence above USD 129.45.

Steel

February futures – Price is below all key moving averages supported by the RSI below 50, the futures are making lower Lows and lower highs meaning the trend is bearish. Upside moves that fail at or below USD 1,312 remain vulnerable to further tests to the downside, above this level the technical has a neutral bias. only above USD 1,340 will price have made a higher high and be considered bullish. We are seeing a positive divergence with the stochastic; however, as we can see no significant pullback in price from the 02/12/21 suggesting this divergence should be ignored. Technically bearish and in trend with near-term support is at USD 1,245, USD 1,214, and USD 1,175.

Coking Coal

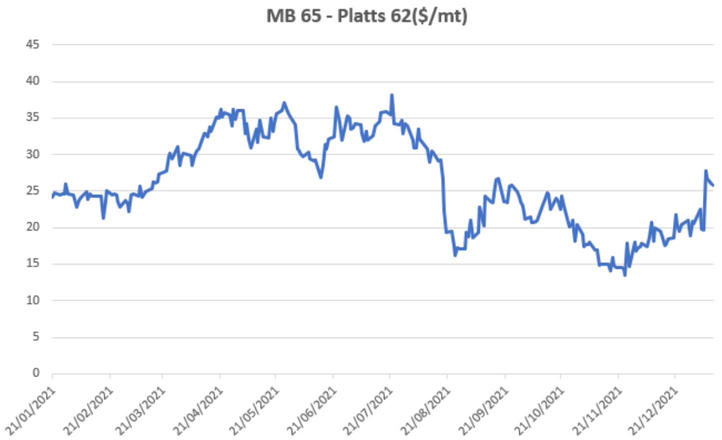
February futures - A very strong upside move last week was not technically related, it was based on the export ban; however, from a technical perspective upside moves like this are often unsustainable. A near USD 60.00 move last week means the trend has started to go parabolic, a key date to watch will be the 12/01/21 as price has the potential to open on the wrong side of the parabolic curve. The trend is technically bullish, but we do have a negative divergence with the RSI which warns of the potential for a momentum slow down; however, we feel focus should be on the parabolic trend rather than the divergence. The reality is that this market he's not being driven by a technical move, although we highlight the 12/01/21 as a key date to follow we are not blind to the fact that this move is about the Indonesian export ban meaning the technical should be treated with caution.

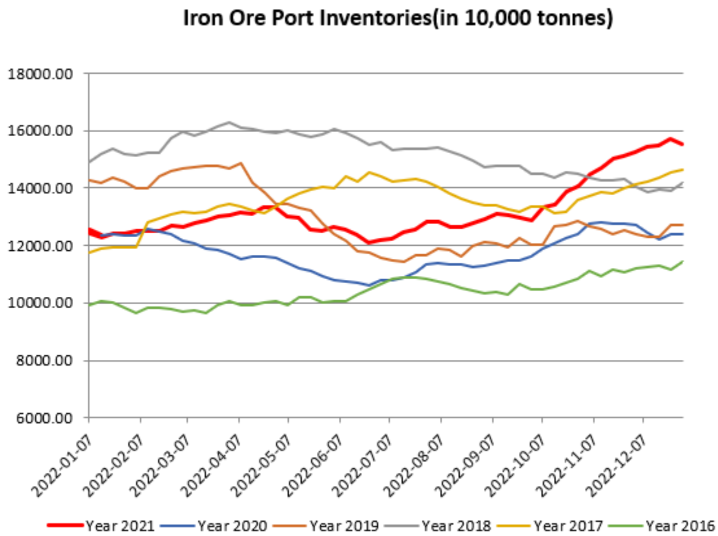
FIS senior analyst, Edward Hutton

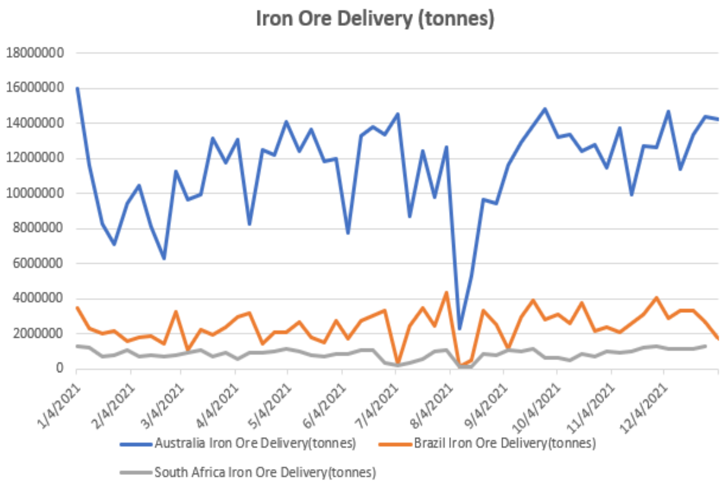
Graph source: Bloomberg

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	125.45	127.3	-1.45%
MB 65% Fe (Dollar/mt)	151.2	154	-1.82%
Capesize 5TC Index (Dollar/day)	21181	20167	5.03%
C3 Tubarao to Qingdao (Dollar/day)	22	21.965	0.16%
C5 West Australia to Qingdao (Dollar/day)	10.141	9.632	5.28%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4370	4270	2.34%
SGX Front Month (Dollar/mt)	127.23	120.74	5.38%
DCE Major Month (Yuan/mt)	714	674	5.93%
China Port Inventory Unit (10,000mt)	15,605	15,626	-0.13%
Australia Iron Ore Weekly Export (10,000mt)	1,421.50	1,441.10	NA
Brazil Iron Ore Weekly Export (10,000mt)	172.10	265.80	NA







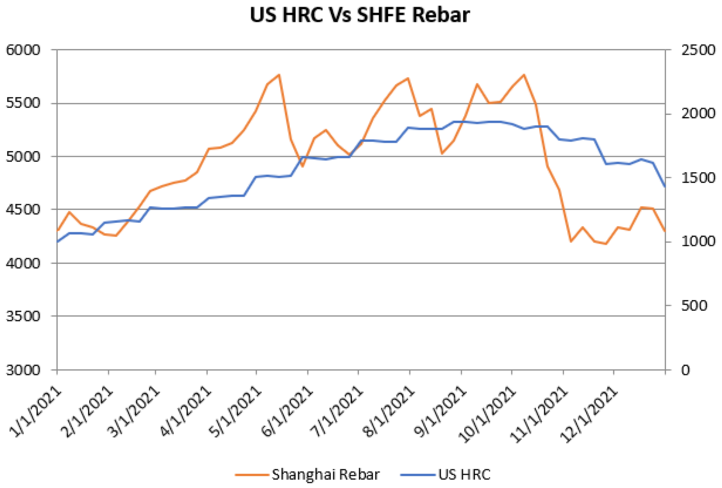
Iron Ore Key Points

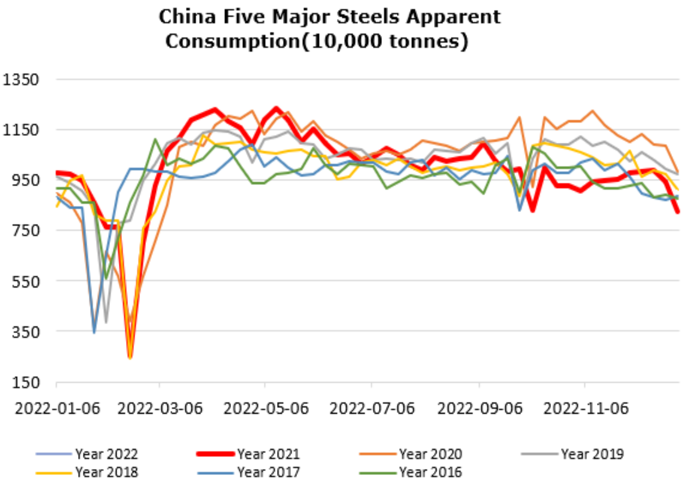
- Iron ore port inventories expected to continue their increase to 200 million tonnes before mid-2022 by some local sources. However from current port stocks, majority of increase was from low-grade iron ores.
- MB65/Platts 62 spread widened again to its highest since August 2021, since Fe65% ores arrivals in February are expected to be lower, caused by fewer shipments, as well as the current heavy rains.
- MySteel and CISA both expected January would also see a lower utilisation rate compared to usual season levels.

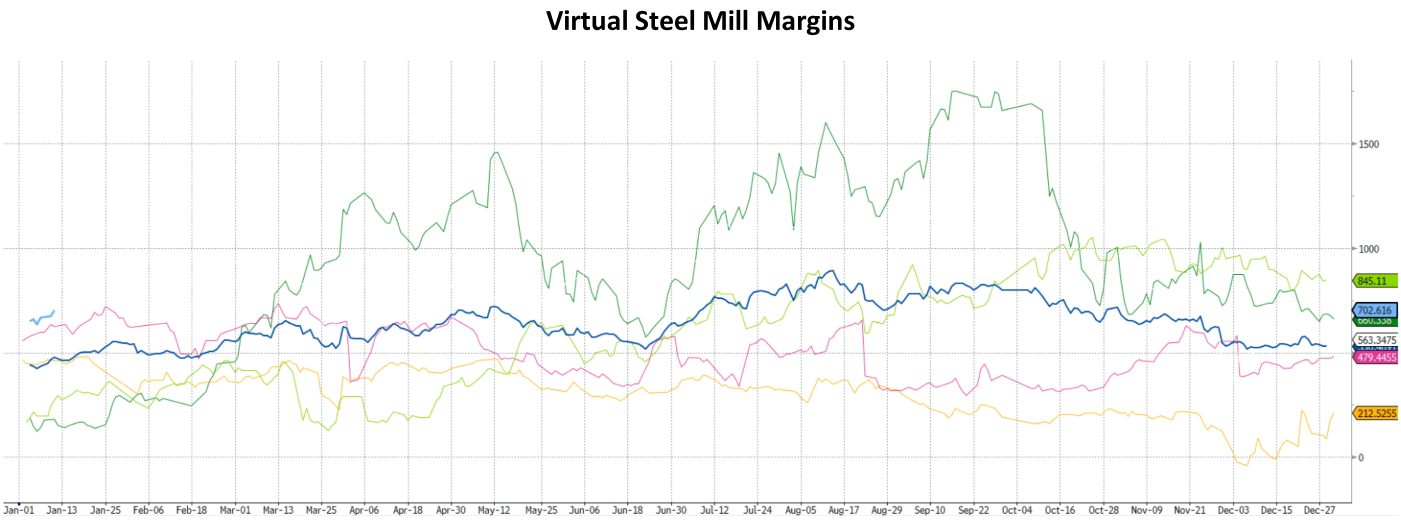
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1415	1435	-1.39%
LME Rebar Front Month (Dollar/mt)	728	722	0.83%
SHFE Rebar Major Month (Yuan/mt)	4488	4301	4.35%
China Hot Rolled Coil (Yuan/mt)	4784	4749	0.74%
Vitural Steel Mills Margin(Yuan/mt)	675	660	2.27%
China Five Major Steel Inventories Unit (10,000 mt)	1317.09	1377.55	-4.39%
Global Crude Steel Production Unit (1,000 mt)	69310	71580	-3.17%
World Steel Association Steel Production Unit(1,000 mt)	143,262	145,666	-1.65%





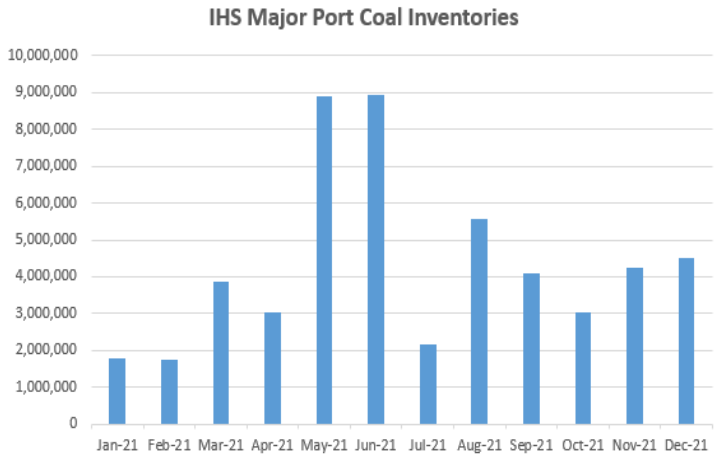


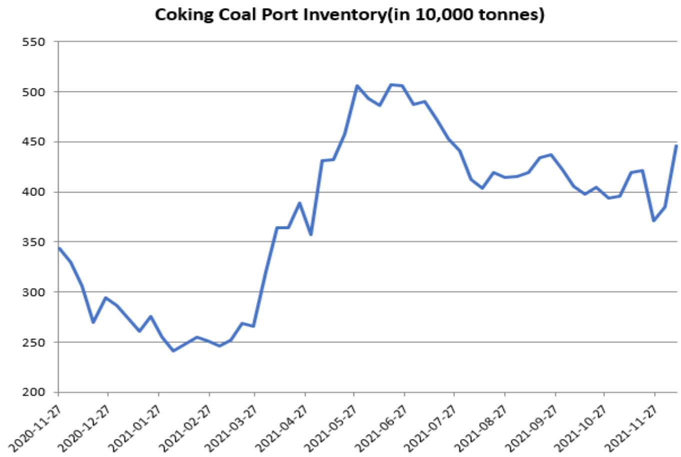
Data Sources: Bloomberg, MySteel, FIS

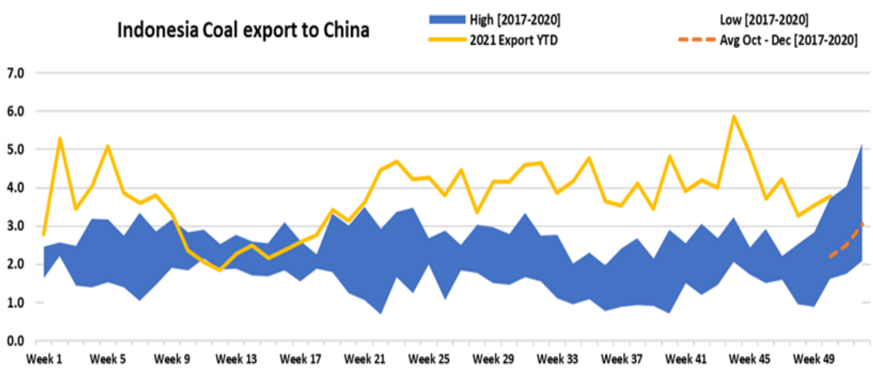
- Virtual steel margins started to boom to a seasonal high in the first month of 2022
- The consumption of the five major steels picked up to an average level of the previous five years as the inventory turnover increased with mills needing to produce more steel to fill the orders from winter stock buyers.
- Winter stock orders in mid-China and eastern China almost doubled from last year.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	378	371	1.89%
Coking Coal Front Month (Dollar/mt)	378.5	351.5	7.68%
DCE CC Major Month (Yuan/mt)	2266	2211.5	2.46%
IHS Major Coal Port Inventory (mt)	8,703,000	4,592,000	NA
China Custom total CC Import Unit mt	7,741,656	4,384,018	76.59%

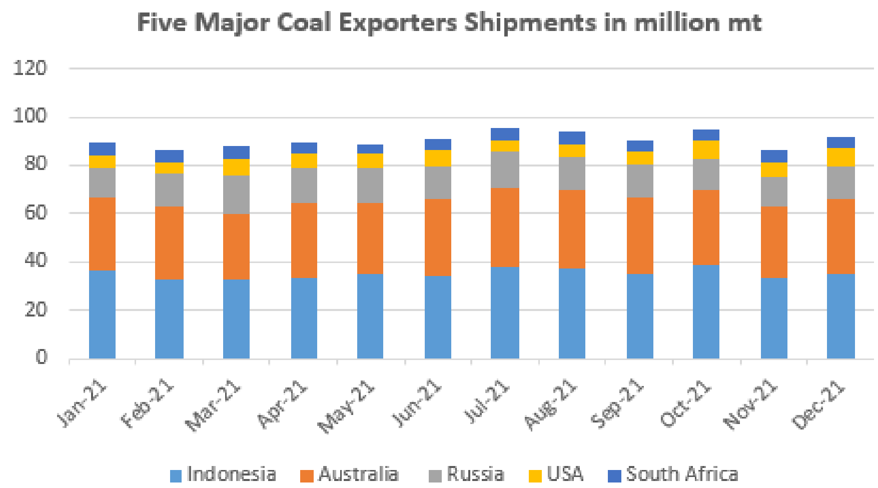






Coal Key Points

- Indonesian coal export were stable during first few weeks of year.
- The 1-2 week interruption of exports might see more reaction in late January and early February laycans.
- Indonesia and Australia were the biggest exporters of coals in the year 2021.



Data Sources: IHS, Bloomberg, FIS

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