

FIS Ferrous Weekly Report

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Market Review:

- ⇒ **Iron ore Fe62%** short-run **neutral**. Major Chinese and north Asian steel mills expected to recover production after holiday and snowy weather from next week. However, iron ore growth before and post holiday was also related to speculative movement.
- ⇒ **U.S. HRC Front Month** short-run **neutral**. HRC supply and demand both decreased.
- ⇒ **Rebar 25mm Shanghai** short-run **neutral**. The production curbs for Chinese steel mills extended to mid-March due to Winter Olympic Games.
- ⇒ **Australia Export Hard Coking Coal** short-run **neutral**. Indonesian government required local miners to export only after completing guaranteed domestic quota, thus restricting global supply through the first half of 2022.

Prices movement	7-Feb	31-Jan	Changes %	Sentiment	
Iron Ore Fe62% (\$/MT)	149.4	141.75	7.82%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	4790	4730	1.27%	Bullish	↑
U.S. HRC Front Month (\$/MT)	1180	1180	-	Neutral	-
Australia Export Hard Coking Coal(\$/MT)	445	444.5	0.1%	Neutral	-

Iron ore Market :

New virus outbreaks spread in west Australia which impacted some iron ore mining processes, but without incurring any officially released details. China Nation Development of Reform Commission also published a statement to enhance market price controls and maintain iron ore and coal prices in a stable range.

China's 45 ports iron ore inventories stood at 157.26 million tonnes, up 4.16 million tonnes compared to the last day before Chinese New Year. Port inventories were approaching the historical high of 162.82 million tonnes created in late March 2018. The 45 port iron ore arrivals were at 21.84 million tonnes, down 2.25 million tonnes w-o-w. Supply shortages out of Brazil are expected to last throughout February on the Asian arrival side.

Seaborne trade remains quiet as business restarted in the first two days after the holiday. However, physical traders believed that market movements were becoming increasing significantly in the last few days, with no underlying physical actually trading, leaving the market open to value finding market movements. Industry sources indicated that PBF in mid-march laycans were tradeable around \$146.72– 150.67/mt after normalised. A bid for 170kt PBF was seen on GO at a premium of 50 cents/dmt loading March. Iron ore reflected a structural strong in some of the brands including Brazil sources and MACF, however PBF supply was sufficient.

Data Source: Platts, Fastmarket, FIS

Market Review (Continued)

Downstream/Policies/Breaking News:

The U.S. and Japan reached a truce to allow major steel shipments from the Asian nation to enter tariff-free for the first time since 2018. Previously Washington imposed a 25% levy on incoming steel imports from Japan which amounted to some 1.25 million metric tones annually.

Beijing delayed steel curbs to counter against unprecedented energy crisis. Beijing aims to strike a balance between the long-run carbon emissions agenda versus future industrial prospects.

Global Steel Market:

The Asian market was in a general freeze with Chinese New Year. Indian SAE1006 grade coils CFR Vietnam offered up from \$800/t to \$840-860/t, unfortunately no bids followed. Chinese steel export prices on HRC were flat, however traders remained bullish for post holiday since the Winter Olympic Games restricted flat steel production in Tangshan and will last until mid-March.

The Platts TSI U.S. HRC index was assessed at \$1,170/st EXW Indiana at Feb 4th, down \$70 from previous day, the drop was linked to a thinner market as well as a previous snow storm. The northern EU HRC has firmed this week following strong physical trading in an illiquid market. Argus recorded 50,000 tons of physical HRC trade from January to February, while this was 210,000 tons during last November to December.

China Steel Market:

Major state-owned and private steel mills are expected to recover next week, however the market was also concerned about new waves of covid infections. The utilisation rate in Tangshan should be lower than the previous two years because of the Winter Olympic Games. Tangshan billet was up 150 yuan during the first two days after holiday, indicating the temporary shortage of semi-finished steels because of the extension of production curb.

Shanghai 25mm rebar jump slightly from 4730 yuan to 4790 yuan over the holiday. Chinese rebar futures also remained slightly strong after holiday. Lack of inventories and consumption data since the holiday helped support levels, however in general its expected a new round of restocking of major steel types which is expected to last slight longer compared to last few years.

Coal Market:

The market slowly creaked back into life after Chinese New Year, with the front end of futures moving lower as the index remained flat and little to new physical offers were seen in the prompt months. Healthy steel margins continue to support the curve, particularly Q3-22 to Q1-23. Although there is an approximate \$100 discount from March to Q3. This appeared substantial but represented an average \$19 backwardation per month from March to September, and the index is already forecast to move lower by some \$40 over the next month.

Indonesia raised coal benchmark prices from \$158.5/t in January on the back of rising global demand for the fuel. According to a public announcement on January 31st, Indonesia Mining Resources lifted the export ban on coals. However it required coal mines to complete 100% of demand to domestic contracts prior to export. Regionally the announcement tightened base coal supplies in Asian markets including India, Japan and Korea. However China was expected to release more capacity, filling the supply gap.

Mongolia expected to recover port clearing to normal levels from next week. Australian prime coking coal retreated on weak restocking demand and giving back moves from before holiday. FOB coking coal was strong at \$445/mt, however CFR down \$2.5 at \$403//mt on February 7th.

In the coke segment, some steel makers in north China proposed a second round of 100 yuan/mt cuts on Feb 7th. Both coking coal and coke market in China were staying in the wait and see mode.

Technical view of the Ferrous Markets:

Iron Ore

March futures - The end of the Chinese New Year holiday has resulted in the futures trading above the USD 147.25 high, the technical is bullish and in trend. However, the new high has created a negative divergence with the RSI on both the intraday and daily technical. This is not a sell signal, but it is a warning that we have the potential to see a momentum slowdown, divergences can and do fail. Based on our intraday Elliott wave cycle using the Williams approach, we have a near term upside target at USD 150.41, upside moves above this level target level the USD 154.56 and USD 159.85 levels. Corrective moves lower that hold at or above the USD 139.69 level will support a bull argument, below this level the futures will have a neutral bias; only, below USD 135.00 is the technical considered bearish.

Steel

March Futures - the role in the March futures has created a disparity gap with the 55-period exponential moving average of around 24%, suggesting the futures could be overextended to the downside. The trend remains technically bearish with the Elliott wave cycle suggesting we are on an extended wave 3, meaning upside moves should be considered as countertrend at this point. Corrective moves higher that fail at or below USD 1,299 remain vulnerable to further test to the downside, above this level the technical will have a neutral bias. Technically bearish with price starting to look overextended to the downside, however our Elliott wave cycle would suggest that upside resistance levels if tested should hold, as this trend still has further room to the downside.

Coking Coal

March futures- like the February contract the March futures remain technically bullish and in trend. Elliott wave analysis continues to suggest that the current upside move is a bullish wave 3, indicating corrective moves lower should be considered as countertrend. We have seen a small technical pull-back meaning the shorter period moving averages have compressed, however, the longer period averages remain well spaced supporting a bull argument. Fibonacci support is at USD 339, USD 315, and USD 282; corrective moves lower that hold at or above the USD282 level will support a bull argument, below this level the technical will have a neutral bias.

FIS senior analyst, Edward Hutton



Chart source: Iron ore from Bloomberg

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	149.4	146.6	1.91%
MB 65% Fe (Dollar/mt)	179.5	178.3	0.67%
Capesize 5TC Index (Dollar/day)	9521	10302	-7.58%
C3 Tubarao to Qingdao (Dollar/day)	20.315	20.26	0.27%
C5 West Australia to Qingdao (Dollar/day)	6.986	7.164	-2.48%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4500	4500	0.00%
SGX Front Month (Dollar/mt)	145.05	146.07	-0.70%
DCE Major Month (Yuan/mt)	797.5	752.5	5.98%
China Port Inventory Unit (10,000mt)	15,726	15,310	2.72%
Australia Iron Ore Weekly Export (10,000mt)	1,064.30	1,310.00	NA
Brazil Iron Ore Weekly Export (10,000mt)	134.20	236.40	NA

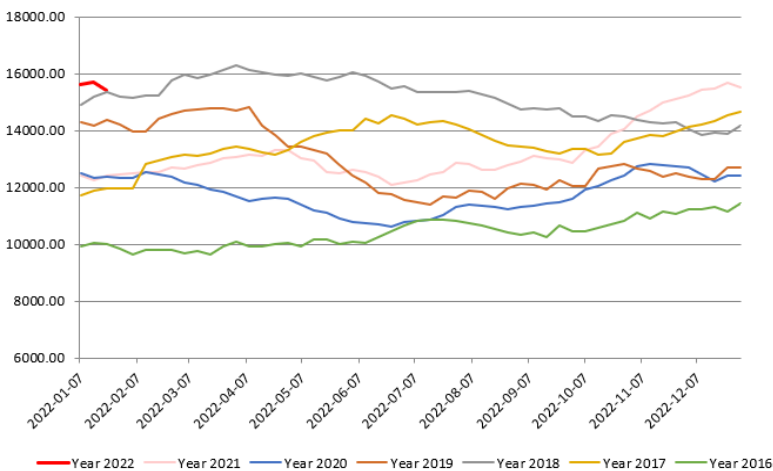
Iron Ore Key Points

- Iron ore port inventories refreshed seasonal highs and also expected to break the historic high in the first half of 2022.
- MB65/Platts 62 spread was fixed around \$30. The spread was supported by the low export from Brazil. However on the other side, the spread was also resisted by the interest shift to cost effective iron ores.

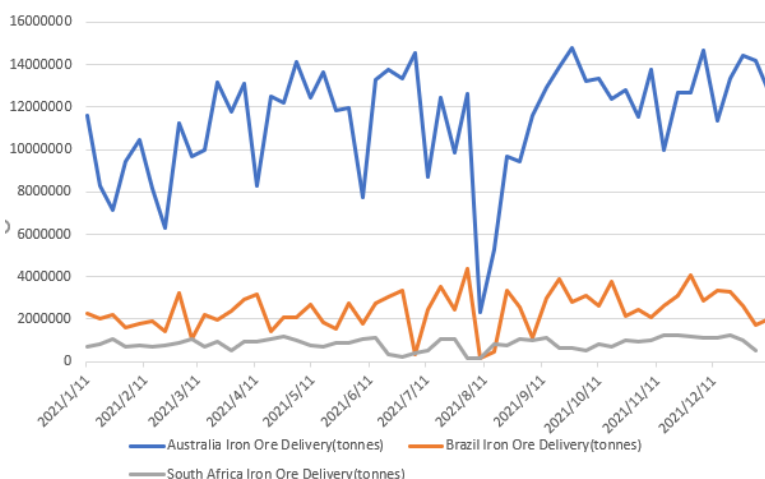
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



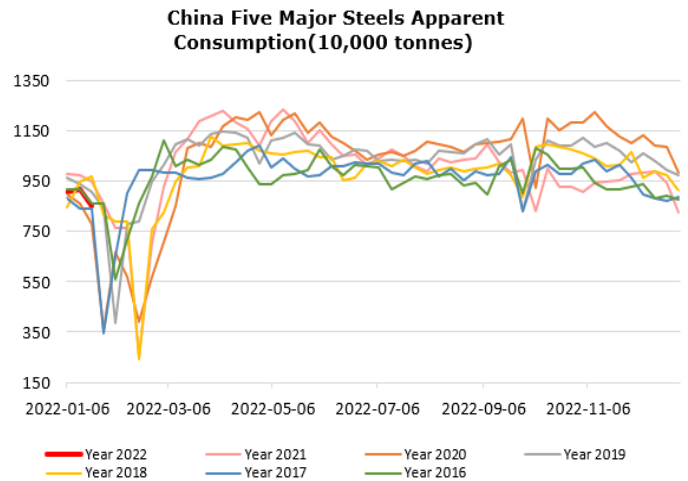
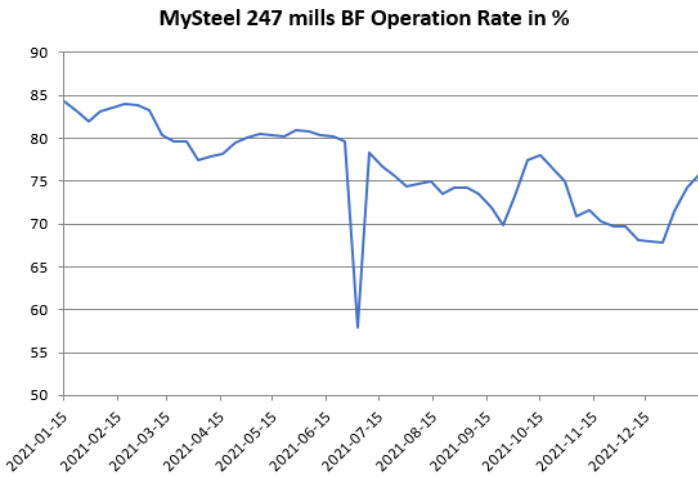
Iron Ore Delivery (tonnes)



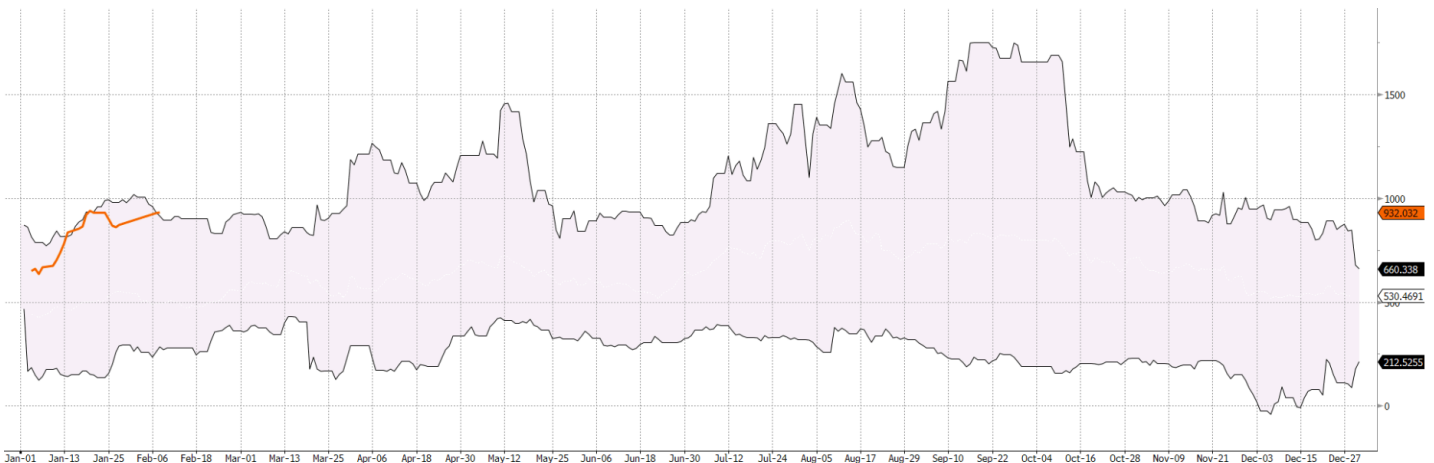
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1190	1170	1.71%
LME Rebar Front Month (Dollar/mt)	728	722	0.83%
SHFE Rebar Major Month (Yuan/mt)	4764	4717	1.00%
China Hot Rolled Coil (Yuan/mt)	4875	4844	0.64%
Vitural Steel Mills Margin(Yuan/mt)	871	931	-6.44%
China Five Major Steel Inventories Unit (10,000 mt)	1396.05	1337.1	4.41%
Global Crude Steel Production Unit (1,000 mt)	86190	69310	24.35%
World Steel Association Steel Production Unit(1,000 mt)	145,666	144,417	0.86%



Virtual Steel Mill Margins (Five-Year Range)

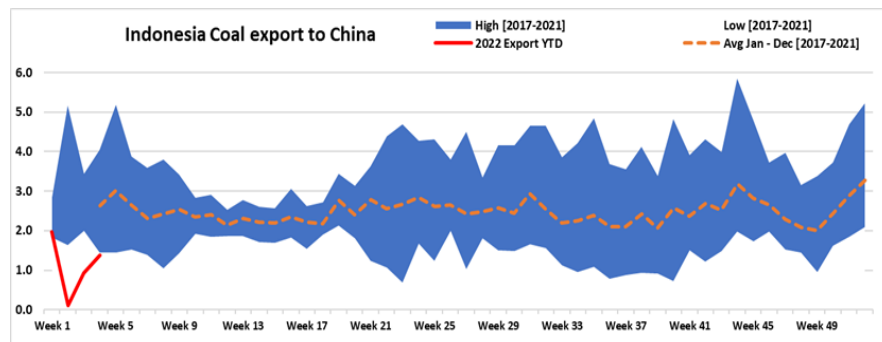
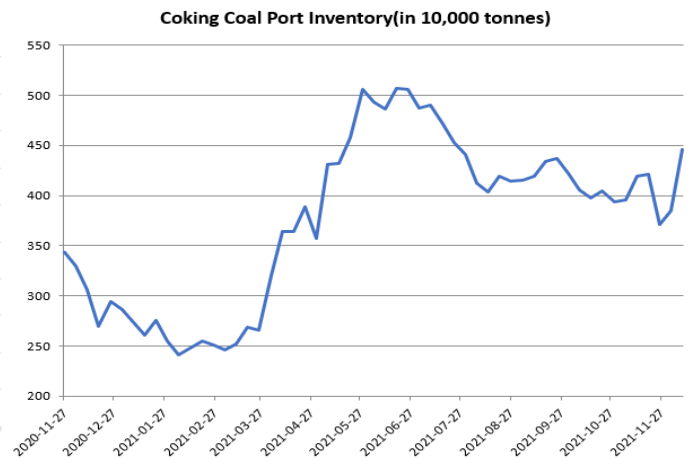
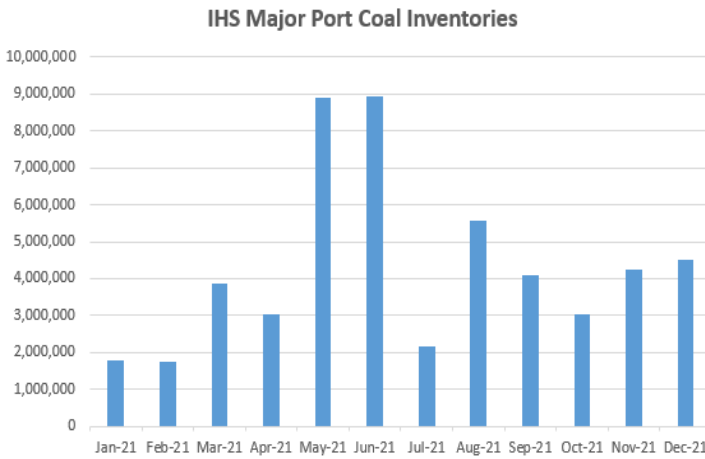


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins maintained in at seasonal highs. However absolute levels were neutral.
- The consumption of the five major steels started to retreat.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	445	444.75	0.06%
Coking Coal Front Month (Dollar/mt)	434.67	409.17	6.23%
DCE CC Major Month (Yuan/mt)	2267	2253	0.62%
IHS Major Coal Port Inventory (mt)	4,788,000	4,100,500	NA
China Custom total CC Import Unit mt	7,487,956	7,741,656	-3.28%

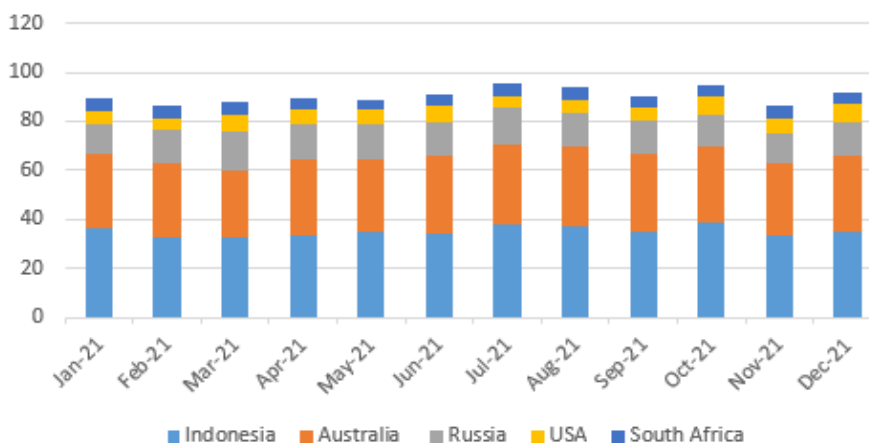


Coal Key Points

Mongolia ports expected to recover coal exports in next week to normal level. Indonesia export ban lifted, however statistic recovery will be delayed to March.

China steel mills started the second round of decrease on China prime coke.

Five Major Coal Exporters Shipments in million mt



Data Sources: HIS Commodities at Sea Service, Bloomberg, FIS

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