FIS Ferrous Weekly Report

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8/3/2022

Market Review:

⇒ **Iron ore Fe62%** short-run **Neutral**. The current difference between SGX futures and DCE futures reached a new high, potentially attracting arbitragers into the market.

⇒ **U.S. HRC Front Month** short-run **Neutral to bullish**. HRC supply started to become slightly short in some of areas with the recovery of the automobile and infrastructure demand.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The downstream Chinese steel market was almost completely restarted after an ending of curbs and holiday shutdowns.

⇒ **Australia Export Hard Coking Coal** short-run **Neutral to bullish**. The war between Russia and Ukraine caused short-run coal buying interest as some countries worried about logistic disruption in future. Japan and Korea were both actively seeking offers from Australia, U.S. and India.

Prices movement	7-Mar	28-Feb	Changes %	Sentiment	
Iron Ore Fe62% ($/MT)	162.75	152.4	6.79%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	5030	4780	5.23%	Neutral	-
U.S. HRC Front Month ($/MT)	1080	1056	2.27%	Neutral to bullish	↗
Australia Export Hard Coking Coal($/MT)	615.0	457.0	34.57%	Neutral to bullish	↗

Iron ore Market :

Iron ore port stocks decreased by 1.79 million tons over the previous two weeks, the first two-week consecutive decrease since January 2021. The previous high of 160 million tons could became the high of the year as iron ore inventories are predicted to average at 145-155 million tons for the first half of 2022, as the increasing efficiency of port operations decrease stocks. The sufficient port inventories provide physical buyers with more options to counter against fast growing seaborne iron ore prices. Seaborne PBF and Newman Fines trades were light during the previous two months, as market find Yandi Fines and MACF as better substitutes. Major PBF trade was through port Renminbi based.

From the perspective of absolute price, SGX iron ore movements reflected more on crude oil related or currency related sentiment. SGX iron ore March and April grew more than 20% due to the Ukraine and Russian conflict that began on February 25th. Which is to say, further growth at this stage is likely to be more related to external factors like the conflict. The theoretical difference between SGX and DCE reached $40-45 in March. However this difference was $5-20 last May to this January. This difference could attract some arbitragers, as physical markets started to prefer Renminbi linked port iron ores the last two months.

CISA proposed a "Milestone" project before the Chinese annual political conference, mentioning increasing domestic iron ore resource exploitation, investing in foreign miners and increasing scrap metals usage. The Chinese Government Work Report also mentioned controlling commodity prices from irregular movements, after the iron ore trading fee on the DCE was doubled last week. The government control of iron ore does not seem to be relaxing since the Government's involvement in 2021.

MB65– P62 difference recovered from $25 in mid-February to $30, supported by the high grade ores and pellets supply problems from Ukraine. The structure supply issue expected to remain, thus the spread potentially widen over time.

Data Source: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Downstream/Policies/Breaking News:

Russia-Ukraine talk round three did not reach expected results, Russia threatened to disrupt Nord Stream I's gas supply to European countries in retaliation for potentially cutting off its oil exports. Global equity markets slumped yesterday. Chinese government's political conference started and emphasised commodity price stablisation and control. The Chinese Market Regulation Department started to investigate in the abnormal trading in physical and futures market.

American Steel announced to invest 60 million U.S. dollar into pig iron purchases as a strategic reserve for the company. Ukraine's biggest steel maker Metinvest invested 1 billion dollars to build modernised production lines, expecting to reduce carbon emission by 15% by 2030.

Global Steel Market:

North European HRC continued to increase last week driven by small trades. The market and mills stock were both high since buyers were making purchases in case of a disruption in imports. Argus daily NW EU HRC index has increased by €74.15/t from the first day of this month. German buyers were worrying about the automobile market impacted by the Eastern Europe war. Thus, they were maintaining at moderate stock levels. German HRC trade was reported at €1,040-,1,060/t. Italy offered around €1,100-1,150/t. The offer price was still on the rise for HRC in European market.

Chinese SS400 HRC were traded at $850/t FOB last week between Chinese major mills and Turkey. There are many opportunities for China to export flat steels into Turkey and Europe, as the tight supply.

Chinese Steel Market:

The Chinese downstream market entered a warm season as the recovery of consumption. Although apparent consumption dropped slightly during the previous week, Shanghai spot 25mm rebar was still up 250 yuan/ton during last week as trading volumes recovered. Construction steel trade volume recovered from 130,000 ton/day level to 170,000 ton/day level from February to early March.

Shanghai Rebar futures however started to correct on Tuesday, squeezing out the inflation related bubble, as well as being dragged down by the weak Asian stock market.

Coal Market:

Coking coal futures rocketed up following thermal prices and soared approximately 33% on the April contract on Thursday alone, marking a week of an unprecedented nature indeed. At the end of the week Apr had jumped to over $600 briefly but was offered back at $600. Q2 traded several times at $525 which we marked $20 lower than Thursday highs, although it's all hypothetical at the moment as the moves up were so sharp.

Coking Coal TSI FOB PLV grew from $457 to $615 during the first five trading days of March, with entire market covered under the panic of supply shortage. Buyers were majorly pre-stocking coals everywhere over the globe. The concern on the gas disruption accelerated the coal price directly in European countries. Physical coal offers moved over $50/day from last week in Atlantic market.

Chinese coking coal market was easing as supply from Mongolia started to stabalise as peak covid-19 passed in the border area, however it was hard to find alternative import sources as Japan is also looking to import more coal as a strategic way to prevent energy disruption. The on-going Russia–Ukraine conflict resulted in supply disruptions, as Russia supplies some 37 million mt seaborne met coal (11% over the globe) in 2021. Some markets are looking ti replace Russian coals, however there was very limited alternative sources as the global shortage of coal continues. China and Indonesia are both struggling to fulfill their domestic demand. The biggest additional options are the U.S. and India, however both countries outlined that they could only export limited coal during next few months.

Sources: Argus, IHS Markit Commodities at Sea Service, FIS

Technical view of the Ferrous Markets:

Ore

April futures. The intraday technical had entered bullish territory last week but the daily technical remained bearish below USD 146.29 and neutral above, only above USD 157.25 was the daily technical bullish. With a lack of steel exports from Russia coupled with an expectation that we could see stimulus from the Chinese government, margins at mill rose, resulting in the futures trading above USD 157.25 taking the technical into bull territory. With the psychological footprint in the market changing, we noted on the daily reports that downside moves should be against the trend with further bull moves to come. Price is now pulling back on a negative divergence with the RSI (having traded higher), if we trade below USD 156.05 then we will be entering a higher timeframe corrective wave 4. However, downside moves that hold at or above the USD 144.78 level will support a longer-term bull argument, below this level the futures will have a neutral bias. If we hold above the USD 156.05 level, then we still have the potential to trade as high as 174.97 within this phase of the cycle. Technically bullish, corrective moves lower should be countertrend based on the current Elliott wave cycle.

Steel

April futures - A noted previously noted the futures were technically bearish but were not considered a technical sell due to a positive divergence with the RSI, the futures have moved higher and rolled into the April contract with price nearing the USD 1,144 resistance. We also highlighted that the Elliott wave cycle would suggest that this upside move should be considered as countertrend, corrective moves higher that fail at or below USD 1,288 remain vulnerable to further tests to the downside, only above USD 1,464 is the technical bullish. From a technical perspective we remain bearish in what looks to be an upside countertrend move; however, we remain conscious the war in Ukraine has the potential to increase the cost of steel production due to the current sanctions. This has the potential to change the psychological footprint of the futures in the long-term, making USD 1,288 the key resistance level to follow at this point.

Coal

April futures – As previously noted, we had an expectancy of higher prices based on the Elliott wave cycle, however the upside move came on the back of the Russian invasion of the Ukraine. The upside moves like many commodities has been parabolic; however, this has also pushed our momentum indicators to new highs, suggesting we are seeing a wave extension, meaning downside should be considered as countertrend at this point. Support is at USD 510, USD 482, and USD 443, corrective moves lower that hold at or above USD 443 will support a bull argument, below this level the futures will have a neutral bias. Near-term resistance is at USD 602, USD 624, and USD 646.

FIS senior analyst, Edward Hutton

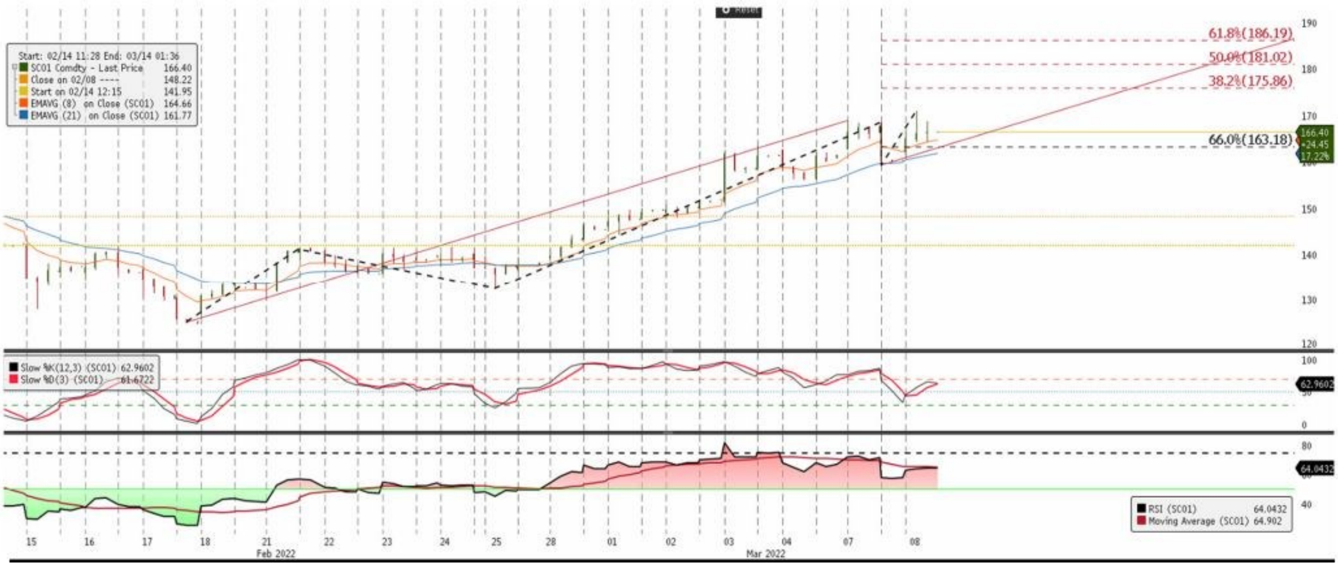
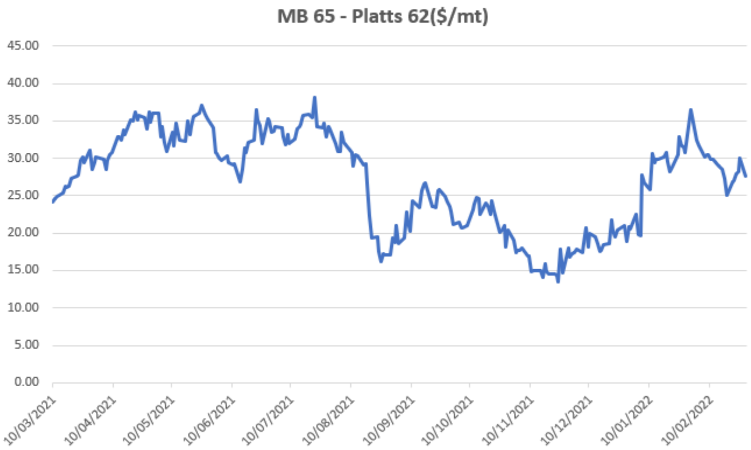
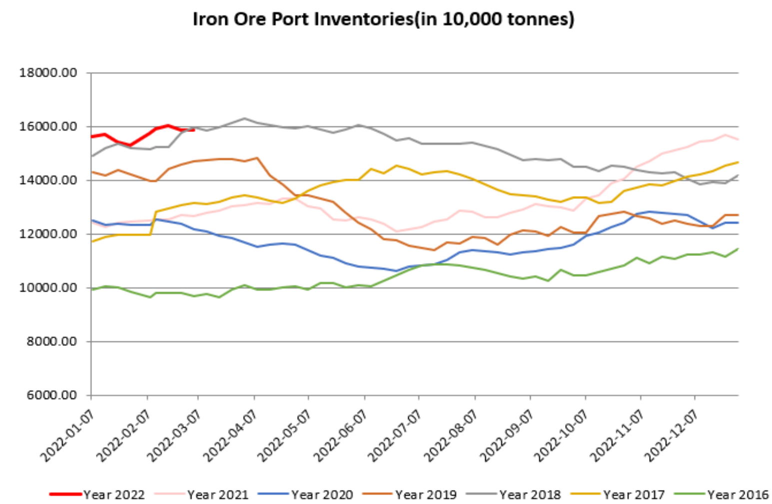


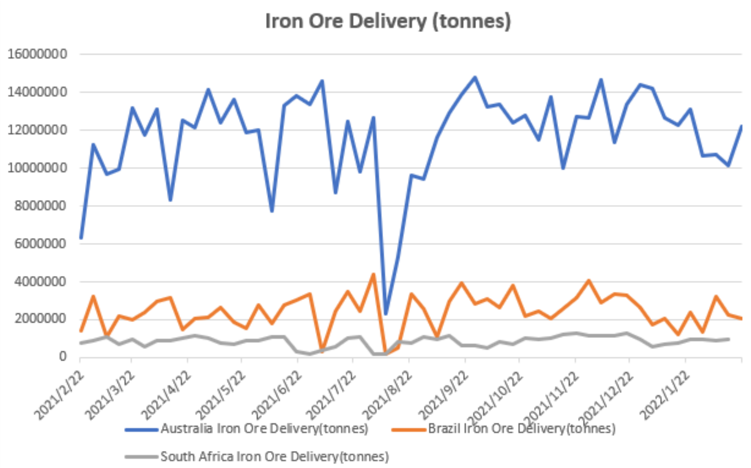
Chart source: Iron ore from Bloomberg

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	162.75	152.4	6.79%
MB 65% Fe (Dollar/mt)	191.7	183.1	4.70%
Capesize 5TC Index (Dollar/day)	14508	13560	6.99%
C3 Tubarao to Qingdao (Dollar/day)	26.03	23.64	10.11%
C5 West Australia to Qingdao (Dollar/day)	11.186	10.145	10.26%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4740	4550	4.18%
SGX Front Month (Dollar/mt)	156.83	136.74	14.69%
DCE Major Month (Yuan/mt)	812.5	687	18.27%
China Port Inventory Unit (10,000mt)	15,855	15,887	-0.20%
Australia Iron Ore Weekly Export (10,000mt)	1,234.40	1,221.20	NA
Brazil Iron Ore Weekly Export (10,000mt)	244.60	203.30	NA







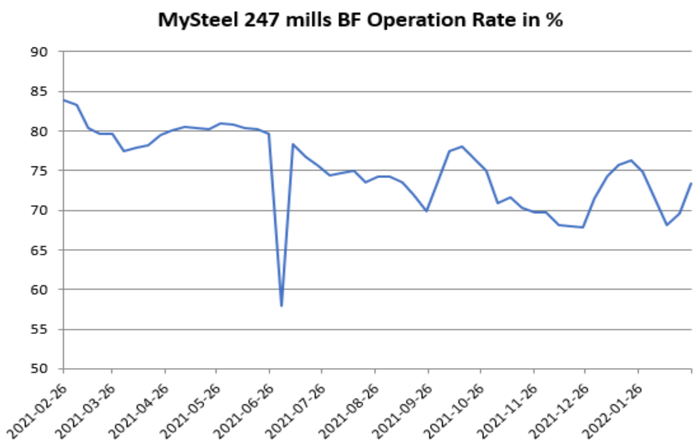
Iron Ore Key Points

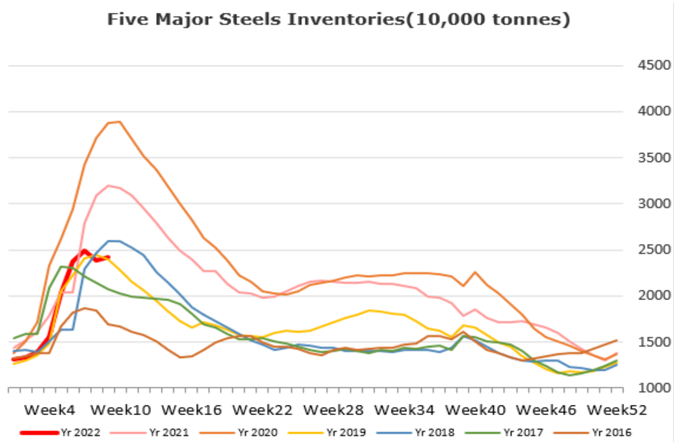
- Iron ore port inventories potentially slow down on the stocking since a more efficiency operation expected in the March related to new policies, as well as steel mills started to purchase materials for the new round of production.
- MB65/Platts 62 spread moved up to $30 from $25 as the niche market was more sensitive to potential demand disruption.

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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1175	1010	16.34%
LME Rebar Front Month (Dollar/mt)	728	722	0.83%
SHFE Rebar Major Month (Yuan/mt)	4881	4603	6.04%
China Hot Rolled Coil (Yuan/mt)	5165	4939	4.58%
Vitural Steel Mills Margin(Yuan/mt)	737	875	-15.77%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	81685	86190	-5.23%
World Steel Association Steel Production Unit(1,000 mt)	145,666	144,417	0.86%





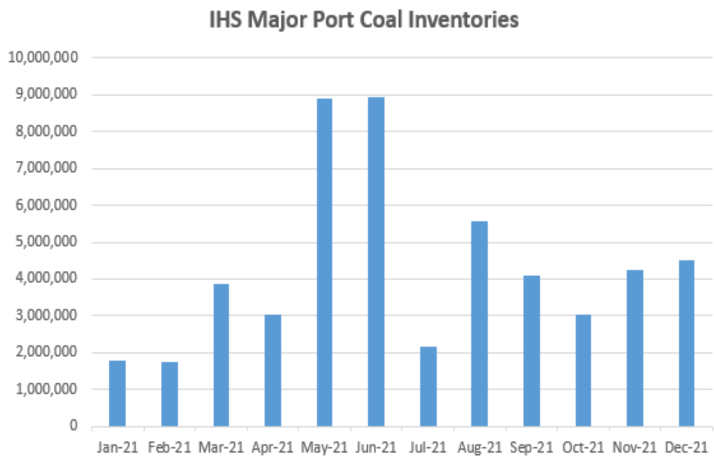
Virtual Steel Mill Margins (Five-Year Range)

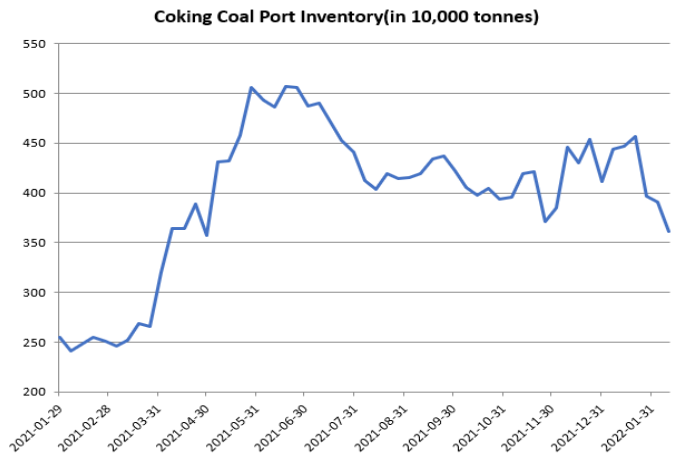
Data Sources: Bloomberg, MySteel, FIS

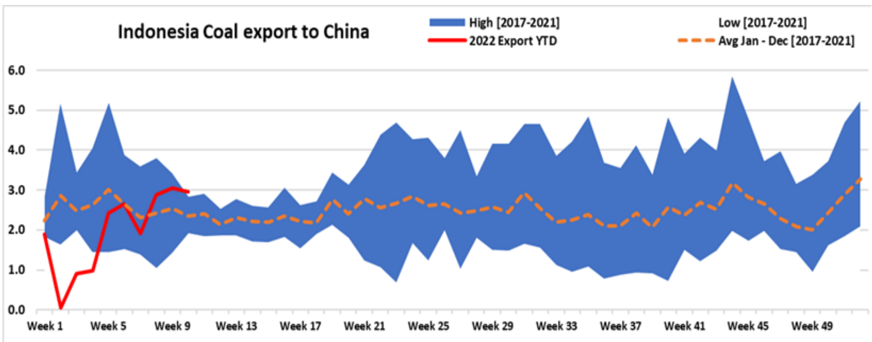
- Virtual steel mill margins maintained in at seasonal highs. However absolute levels were neutral.
- The consumption of the five types of major steels doubled to over 10 million tons over the previous two weeks, and expected to reach the peak close to May.

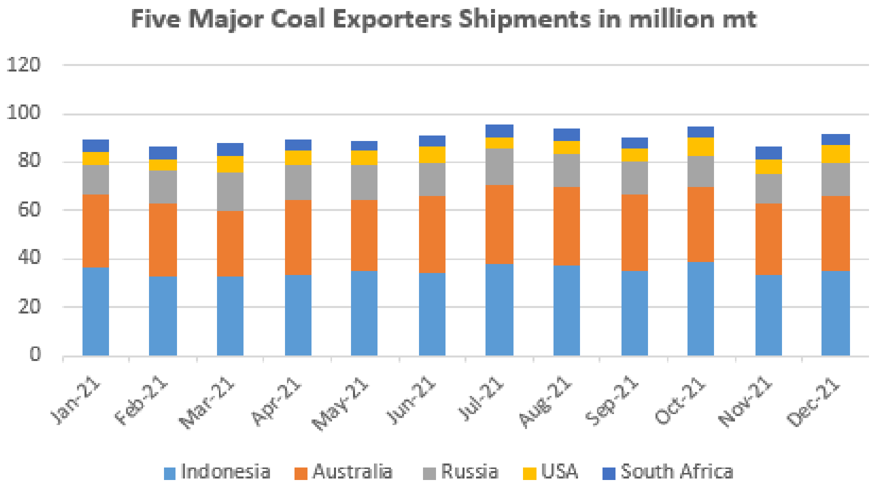
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	615	559.5	9.92%
Coking Coal Front Month (Dollar/mt)	578.33	445	29.96%
DCE CC Major Month (Yuan/mt)	2886	2585	11.64%
IHS Major Coal Port Inventory (mt)	2,913,000	3,415,000	NA
China Custom total CC Import Unit mt	7,487,956	7,741,656	-3.28%









Data Sources: IHS Markit Commodities at Sea Service, Bloomberg, FIS

Coal Key Points

- China and Japan are both looking for alternative sources other than Australia in case of a shortage on premium low coal.
- European countries are still in a tight supply mode on coal market, in particular concerning the stoppage on Nord Stream I and Russia coals export disruption.

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