FIS

Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to bearish**. Steel mills are expected to accelerate restocking as they experience seasonal low levels compared to the past few years. As a result, pig iron demand was slower than expected. However, the absolute level was high and squeezed the margin to a thin area again.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to bearish**. Steel mills saw limited sales on the spot and small orders on the book.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The recovered demand in both Europe and U.S. markets was indicated by the filled order books in March and April.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to bearish**. The active buying interests and trades on the PLV market support the index at a relatively stable level.

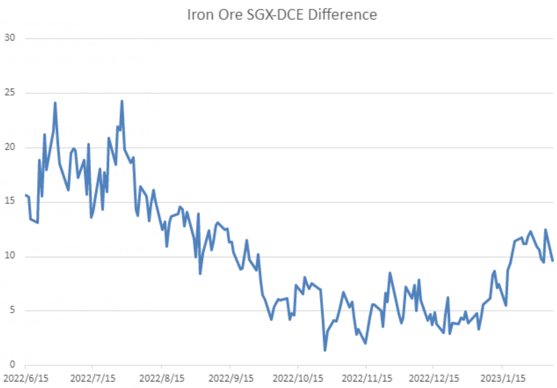
Prices Movement	6-Feb	30-Jan	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	124.05	129.80	4.43%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4140	4220	1.90%	Neutral to Bearish	↘
U.S. HRC Front Month ($/MT)	793.0	788.0	0.63%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	360.25	335.25	7.46%	Neutral to Bearish	↘

Market Review:

Iron ore Market :

Iron ore was corrected as expected last week by 4.43%. The absolute high index level and low steel margin created diverged views on the market. The secondary market saw significant pressure seeing limited interest in digesting the laycans. Importers were showing strong interest in low-grade fines considering the cost-effectiveness.

In China, there has been less news on the recovery of the downstream market, including new infrastructure projects. In India and Vietnam, the high cost forced most mills to run on a cost-effective strategy. As a result, the Chinese steel margin improved slightly from negative to 50 yuan/ ton in the northern. During the past two weeks, the virtual steel margin was resilient at 250-255 yuan/ton. SGX-DCE futures difference indicated a near-term narrowing from $12.5 to $9.6. Float sales showed the downside risk, unlike the fast-picked front futures, with unsold February laycans and low premiums in PBF and NHGF around $0.75. Import margin was corrected to negative 40– 50 yuan, which held back the motive for physical traders to import from front laycans of seaborne cargoes. However, port trades also dropped significantly in late January and February compared to pre-holiday or same time over the last few years.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

45 Chinese port iron ore inventories at 139.11 million tons, up 1.86 million tons weekly. However, Q1 and Q2 are expected to see a decreasing trend on the ports, with recovered construction season and lower shipments arranged compared to H2 2023. Chinese sample steel mills inventory at 92.2 million tons, which was 19-23% lower compared to the past three years during the same period. The Chinese mills are expected to enter a restocking phase seasonally. MySteel researched 45 Chinese ports' iron ore arrivals at 23.65 million tons, down 688,000 tons on the week. Six northern ports arrived at 10.98 million tons, down 2.869 million tons.

Market Review (Continued)

MySteel researched Australian and Brazilian iron ore deliveries at 24.549 million tons, up 2.966 million tons on the week.

The March-April 23 spread consolidated from the $0.6-0.85 area for the past three months since the market was postponing recovery expectations. In addition, strip tenders were sold in the market, which reduced the spot demand on the other side.

Overall, the high level faced gains taking effect in the short run, forcing market participants into watch-and-see mode after then.

Neutral to Bearish

Downstream/Policies/Industry News:

The U.S. economy generated nearly three times more non-farm jobs in January than analysts' expectations at 517,000. The stronger-than-expected report presented new challenges for the Federal Reserve, showing an easing sign over the previous meeting.

One of the most powerful earthquakes in Mid-East countries over the past few decades hit Turkey and Syria, which killed 3,400 people and left millions homeless on a cold night.

Urgent action is needed over the next 24-month period to attract investment for low-carbon steel-making projects, concerning the climate targets cannot be met without reducing emissions.

The number of trucks hauling met coals from Mongolia to China is expected to rise in February, indicating improved coal supplies. Coal arrivals in China from Australia are expected in February H2.

India Federal of Finance Ministry increased CAPEX (Capital expenditures plan) for the steel sector by 21.5% on the year for the FY2023-2024 from 577.2 million rupees to 701.5 million rupees, in line with a potential boost in the infrastructure sector.

Global Steel Market:

The Platts North Europe HRC entered a recovery cycle from mid-November 2022 to Q1 2023, a near 33% rebound from the low. The downstream market saw investment back during the last two months of 2022. At the same time, oil, gas and related energy prices decreased, which helped to lower the overall cost. Although the Italian index was €755/t, large buyers were reluctant to accept offers above €750/t. In the north, producer reported sales finished around €765/t.

The largest flat steelmaker in North America, NLMK increased flat steel price by $50/short ton. The mill set HRC offers at $875/st after the rise. Service centres hope to drive an upward cycle which began in late 2022. Some market participants believed the current price was overvalued. The U.S. presidential administration allows more models of crossover vehicles to be eligible for an expanded EV tax credit.

Most market participants were weighing the market direction on the pace of demand recovery, seeing fast destocking over the past two weeks, in line with seasonal changes during the past two years. Chinese exported SS400 HRC were traded at €620-625/t CFR Vietnam. However, the mainstream export price was above €650/t CFR China. The tradeable level for the SAE1006 coil was concluded at $660-670/t CFR Vietnam.

In line with finished steels, Turkish deep-sea scrap prices increased to $427.5mt from $400/mt in mid-January. The early February trade for HMS 80:20 1/2 was reported at $417 for Benelux cargo. A recycler confirmed another deal from Marmara mill with 15,000 mt at $428. The strong earthquake in Turkey has yet to hear any actual damage to steel mills or manufacturers.

Overall, both scrap and finished steel are expected to maintain strong. However, the upside room was limited at this high price level.

Neutral

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar corrected back to pre-holiday price during the past week. The soft price on steels indicated a vague outlook for downstream, yet to see new infrastructure projects.

China's five major steel apparent consumption increased by 18%, creating the fastest weekly growth in 2023. The weekly consumption number, at 6.21 million tons, was close to the early February weekly average of 6.17 million tons during the past three years. Seasonally demand recovery was the trend in February and March. However, daily trading volume on construction steels was still muted for the entire month of January and early February. This is a leading indicator of the spot market on long steels.

In summary, rebar price potentially experiences a flat period or follows the direction of other ferrous products before major steel mills offer out.

Neutral to Bearish

Coal Market:

The Australia FOB market saw continuous fresh bookings on PLV around $350/mt, with plenty of bids at $340. There were a few PLV trades from the Peak Down area at $350.25/mt for March delivery. There were also transactions at the sellers' option for Saraji or BMA with similar laycans. Asian mills are expecting more tonnage. However, there was less chasing of high sentiment. Indian end-users were looking for second-tier coking coal to save costs. The sudden cyclone impact on Queensland port areas lifted PLV offers to $360/mt; however, some market participants believed it should be temporary.

A higher supply of Mongolian coal was seen in China after the reopening of the border, with significantly increased truck numbers. In addition, buyers were considering Mongolian coal for its low cost and flexible time compared to U.S./Canadian coal.

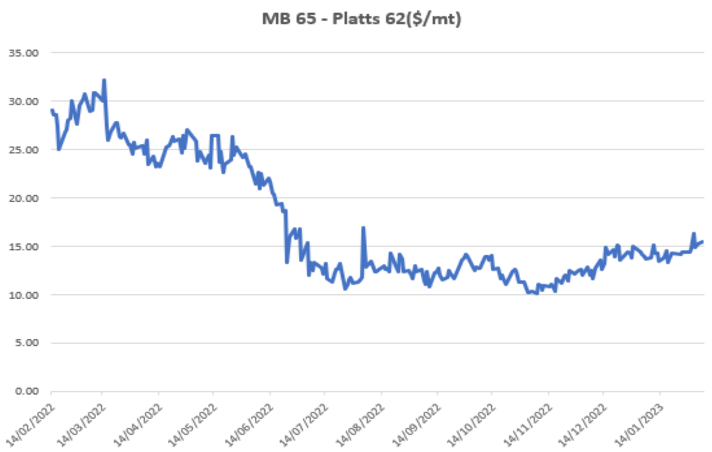
Australia's FOB is expected to reach a periodic high and face the correction risk.

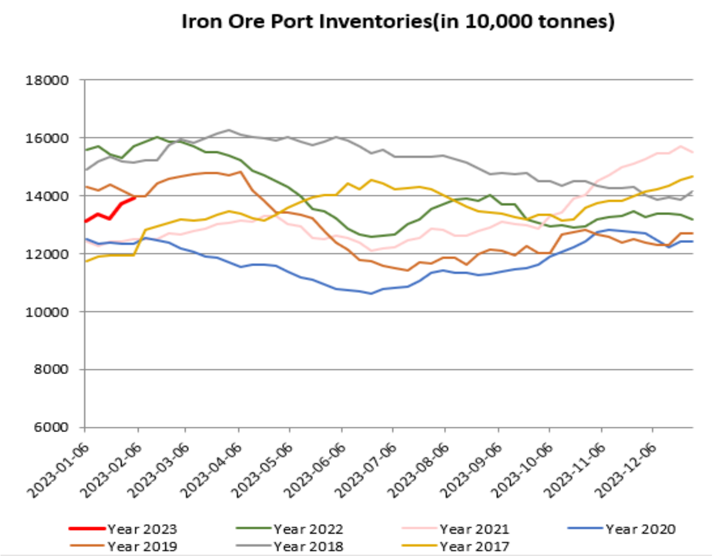
Neutral to Bearish

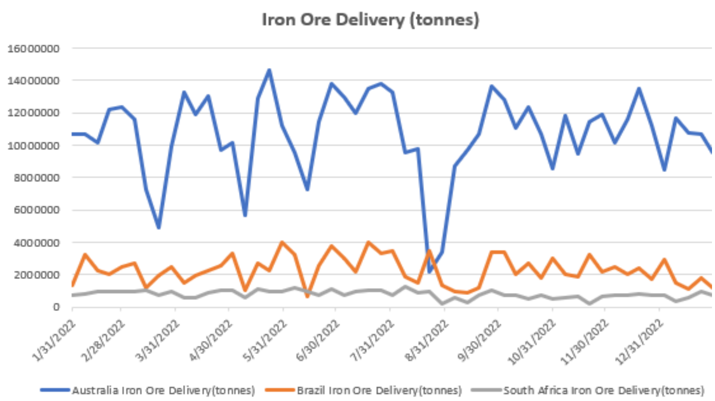
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	124.05	129.8	-4.43%
MB 65% Fe (Dollar/mt)	139.5	144.2	-3.26%
Capesize 5TC Index (Dollar/day)	3475	4418	-21.34%
C3 Tubarao to Qingdao (Dollar/day)	16	16.811	-4.82%
C5 West Australia to Qingdao (Dollar/day)	6.315	6.365	-0.79%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3870	3820	1.31%
SGX Front Month (Dollar/mt)	124.86	126.37	-1.19%
DCE Major Month (Yuan/mt)	846	856.5	-1.23%
China Port Inventory Unit (10,000mt)	13,911.29	13,725.83	1.35%
Australia Iron Ore Weekly Export (10,000mt)	951.40	1,068.90	-10.99%
Brazil Iron Ore Weekly Export (10,000mt)	117.90	175.60	-32.86%







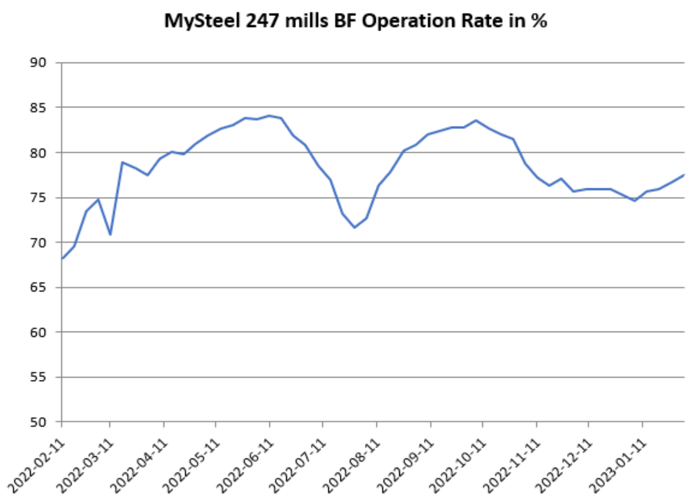
Iron Ore Key Points

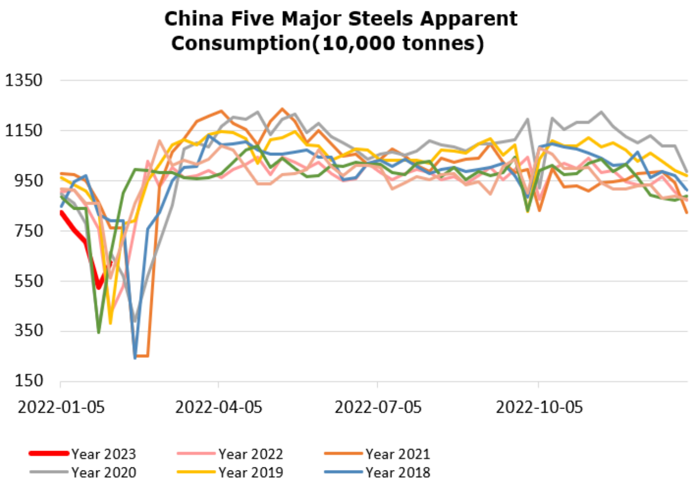
- Iron ore port inventories recovered and maintained a balanced mode in winter. However, port inventories are expected to decrease from late Q1 to reduced shipments and faster mill consumption.
- The 65% and 62% iron ore saw a slight recovery, followed by the steel margin rebound.
- The pig iron production is expected to recover gradually after the Chinese holiday, as no further mills maintenance or production cut was heard in February.

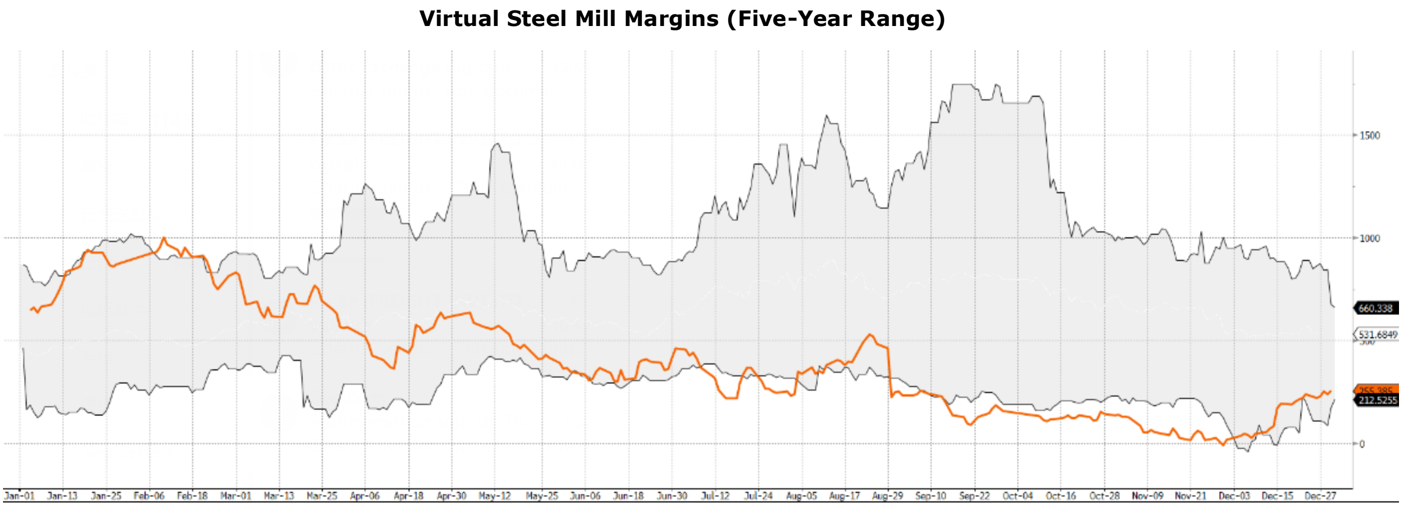
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	797	775	2.84%
LME Rebar Front Month (Dollar/mt)	711	690	3.04%
SHFE Rebar Major Month (Yuan/mt)	4031	4176	-3.47%
China Hot Rolled Coil (Yuan/mt)	4174	4195	-0.50%
Vitural Steel Mills Margin(Yuan/mt)	255	255	0.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	77900	74500	4.56%
World Steel Association Steel Production Unit(1,000 mt)	140,700	139,100	1.15%





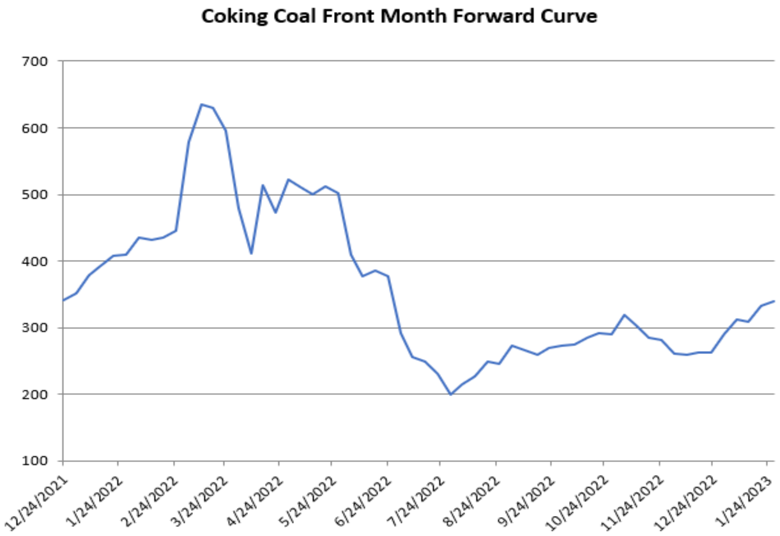


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins recovered steadily from 0 areas in early December to 260 yuan/ton this January and February. The physical margin is also followed by the virtual margin from the negative to the positive area.
- The five weekly types of steel consumption started recovery mode, and the pace of consumption essentially directed the market sentiment in the next few weeks.

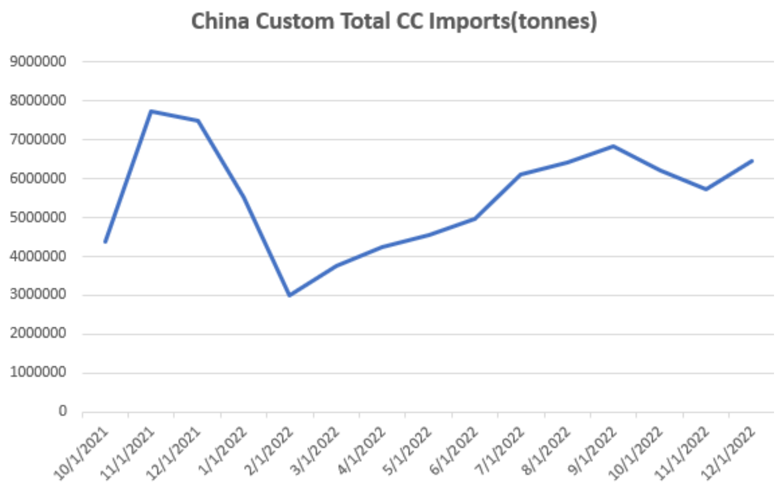
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	360.25	335.25	7.46%
Coking Coal Front Month (Dollar/mt)	348	339.25	2.58%
DCE CC Major Month (Yuan/mt)	1802.5	1894	-4.83%
Top Six Coal Exporter Weekly Shipment	17.75	17.33	2.42%
China Custom total CC Import Unit mt	6,464,859	5,732,165	12.78%



Coal Key Points

- The Queensland cyclone potentially impacts the port deliveries of PLVs.
- Mongolia hauls more coal trucks compared to last Q4, and physical traders in China started to think about replacing U.S./ Canadian coal with Mongolian coal.



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

FIS Ferrous Fact Sheet

Australia HCCLV Peak Downs: An important hard and low volatility coking coal benchmark brand in Australia with prime quality and higher price.

Backwardation Market: when futures prices are lower than the underlying physical prices or front months are higher than deferred months contracts.

Contango Market: when futures prices are higher than the underlying physical prices or front months are lower than deferred months contracts.

Cost Saving Strategy: refers to steel mills focusing on lower variable costs to maintain profit margin.

Ferrous Industry Chain: Upstream materials included iron ores concentrates/lumps/pellets, scrap/pig iron/HBI/DRI, Coking coal, semi-soft coals or other coals, Ferroalloys, and different furnace or EAF materials. Midstream commonly refers to semi-finished steels, including crude steels, or finished steels, structured steels, flat steels, HRC/CRC, rebar, etc. Downstream meant the end-users of steels, including housing, infrastructure, auto-making, energy market, shipbuilding, housing appliances, containers, and mechanics.

Flat Steel: Finished steels are categorised by wide-belt and narrow belts—normal flat steel including hot-rolled steel or cold-rolled steel. Downstream markets are auto making, electrical appliances and thin and flat steel-using industries. Flat steels are the most active international trading steel type.

Iron Ore Lump: Natural bulks iron ore. Lumps are directly added to a blast furnace, which has premiums to iron ore concentrates.

Iron Ore Pellets: Semi-processed iron ore to make concentrates into pellets after sintering. Pellets are acidic, which adjusts the acidity and alkalinity of a blast furnace. Pellets have premium to iron ore concentrates.

Long Steel: Finished steel, including wire rods and rebar, is generally related to the housing building market.

More or Less Clause: Trade Terms. In iron ore seaborne trading, the weight could differ from loading to arrival ports because of increased moisture rates. For example, some customs accept a 10% maximum moisture rate on some brands of iron ore. In steel trading by trucks or trains, there is usually a certain percentage of weight difference tolerance between quality test and contract.

Rebar 25mm Shanghai: The most volatile physical steel product traded in China and the major exported brand. SGX's rebar contract was highly correlated to this physical brand.

Steelmaking Process: The process typically included the BF-Converter process and EAF process. The U.S. and West Europe are using EAFs. Pig iron/scrap is a significant input for EAFs. China, Japan, and India are using BF-Converter majorly. The materials include iron ores, cokes, and coking coals.

SGX—DCE Difference: The SGX settlement price minus the DCE value after normalised by VAT, ferrous grade, and foreign exchange.

Virtual Steel Margin: Calculating the futures steel margins by a complex of rebar, iron ore and coking coal to represent the leading indicator of physical steel margin.

Written by **Hao Pei**,
FIS Senior Research Analyst

Edited by **Mopani Mkandawire**,
FIS Content Manager
News@freightinvestor.com, +44 207 090 1120