FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Both supply and demand recovered in March compared with February. However, iron ore potentially faces overstock if demand increases are proven slow.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. Market participants questioned the accuracy of the abnormally high apparent consumption last week.

⇒ **U.S. HRC Front Month** short-run **Neutral to Bullish**. Turkey's absence and Russia export decrease in the steel market tightened the supply market in Europe and CIS areas.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The market was in a new equilibrium with stable supply and demand.

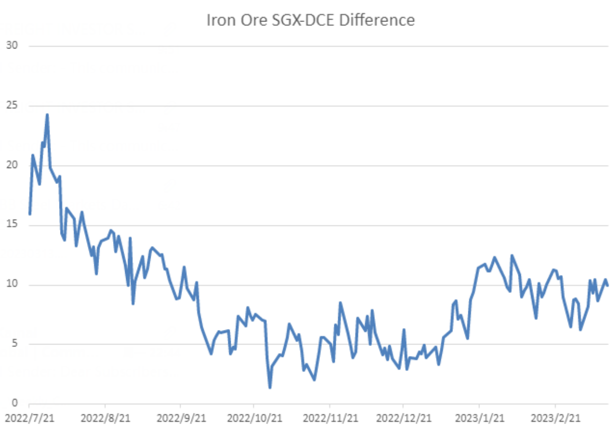
Prices Movement	13-Mar	6-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	132.35	125.35	5.58%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4520	4420	2.26%	Neutral to Bearish	↘
U.S. HRC Front Month ($/MT)	1055.0	1060.0	0.47%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	363.0	368.0	1.36%	Neutral	-

Market Review:

Iron ore Market :

Iron ore increased by 5.58% during the report week. However, the acceleration of the increase slowed significantly. On the fundamental side, iron ore demand saw a month-to-month rise by 3.42% at 2.36 million tons or 7.15% on the year. However, market participants believed that last year was a low basis due to the impact of the lockdown. Moreover, iron ore needs more aggressive signals on the demand side to persuade that this is a "better year". The major increase in iron ore was based on policy support and revealed an investment value which has tripled a fair market value—one of the biggest upward trends of iron ore last 5.5 months in 2021. Iron ore entered the fifth growth month in March. Iron ore was generally in both periodic high levels and risky time spot.

Housing stimulus support and liquidity both remained sufficient in the short run. However, the regulative departments also mentioned controlling the speculation sector of investment. The policies side related to construction and infrastructure largely fell into expectation. The index raised sharply late last week and early this week. Fixed physical trades became active, raising PBF premiums and narrowing YDF discounts, which traded at April Index+ $1.25 and –$1.05, respectively. There were also fixed trades in IOCJ, with a recent trade at $148.6. The narrower spread between IOCJ and BRBF could still attract buyers to shift interest from BRBF to IOCJ. The physical margin is expected to be eroded again, as well as the import margin, because of increased seaborne iron ore, compared with slow physical steel price.



There was news saying a control on the iron ore market, without mentioning the department. Previously, China NDRC, for the third time, mentioned the iron ore overpricing in the first quarter of 2023. The market still remembers the past concentrate regulation control in China in 2021, causing nearly half the loss in iron ore price.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Iron ore port stocks in China decreased from 4.53 million tons during the past two weeks to 137.7 million tons. However, iron ore was at a 10-month high by late February. Steel mill iron ore inventories were unchanged from February at 92.5 million tons, indicating the mills were still adopting an order-to-demand strategy. Port trades became active by seeing a 10% improvement in spot volume compared to February. Moreover, daily evacuation increased from 3 million tons to 3.1 million tons. Australia and Brazil's supply and arrivals both increased.

The SGX iron ore spread structure recovered slightly, following the uptick outright. The absolute spread level was still flat compared to the same time over 2016-2021 because the fundamentals were similar in the next few months. The market was not certain about the time length of the booming on-demand market. SGX-DCE difference recovered from $6 to $9 in March. However, the absolute level was considered low as the resistance of a low steel margin.

The supply in Brazil and Australia are expected to increase after the cyclone and floods weather went. Moreover, domestic iron ore miners in China expected to increase their production from Q2. The general increase in supply and high iron ore port stocks could become a long-run roof for iron ore prices.

Overall, both iron ore supply and demand recovered in March. However, the iron ore market was facing the risk that physical traders potentially need to clear some virtual stocks or physical stocks if seeing a slowdown in marginal demand, which could happen as early as some point in April.

Neutral to Bearish

Downstream/Policies/Industry News:

Although the U.S. Federal Reserve announced an emergency bank financing program (BTFP) during weekends and the U.S. president Joe Biden vowed to increase surveillance in commercial banks, Silicon Valley Bank (SVB) closed with a 61.8% yesterday, concerning the spreading out risk to other banks. The S&P Bank Index dropped 7% on Monday.

European countries are increasing withdrawals from underground sites to offset France's four LNG terminal halt. The sudden halt was due to a national workers union strike.

Goldman Sachs economist indicated that the inflation rate in the U.K. would reach 1.8% by the end of 2023, which was predicted at 3.6% a few weeks ago.

The Bloomberg function of interest hike indicated that traders abandoned the 50 bps hike in March after the collapse of three U.S. lenders triggered financial turmoil. In addition, economists from Goldman Sachs said they no longer expect a hike even in March FOMC, citing a recent challenge in the banking system.

Global Steel Market:

The Platts North Europe HRC rebounded €847/t, keeping a refreshing 9-month-high during the past few weeks. Turkey's absence in the export market triggered scrap and steel spikes during the last 4-5 weeks. On the other hand, Russia's export decrease created a supply shortage of semi-finished steel products such as billets. U.S. integrated steelmaker Cleveland-Cliffs has increased its flat steel prices by $100/st, targeting a minimum HRC price of $1,200. U.S. platemaker, Nucor and SSAB increased rolled plat price by $50/st to $1,530/st. Amid surging steel prices, India is not considering re-imposing export duties on steel products. There was a rumour saying Turkey would import rebar from Malaysia and Egypt.

Two major northern China mills increased HRC products by 300 yuan/t for April deliveries on a March basis. Trading firms lifted SS400 HRC by $5 to $650 FOB. Vietnamese buyers could accept as high as $640 FOB China equivalent. SAE 1006 coils maintained unchanged at $710-720/t. Most Vietnamese buyers were waiting for the local mills' new offers to come out next week.

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

Market Review (Continued)

Global Steel Market (Continued):

Turkish deep-sea HMS 1/2 80:20 index reached $463, a 10-month high, because of the significant local demand for reconstruction after the earthquake. A Marmara mill booked a German deal at $451.5/mt CFR for HMS 75/25 1/2. A Benelux-origin deal was booked by Iskenderun mill, with 20,000mt HMS 1/2 80:20 at $460. Mills were expecting a $5 raise on the current market.

Overall, both flat steel and scrap are expected to maintain strength due to resilient demand and a foreseeable shortage in supply.

Neutral to Bullish

Chinese Steel Market:

Shanghai domestic 25mm rebar rebounded at 100 yuan/t during the report week at 4520 yuan/ton. The slow growth of the physical steel and fast growth of iron ore squeezed the margin back into a negative area.

Construction steel, including rebar and wire rods, reached a busy season level as in previous years during the same period, yet to meet an "overperforming" expectation. Northern mills held offers high in the international market for flat steels. The apparent weekly consumption for construction steels reached 4.86 million tons, compared with only 4.27 million tons last week, which was way higher than the expected 4.4-4.5 million tons. The risk is if the market saw a decrease in the data for this week, which would potentially mean that the last data was overestimated.

Overall, rebar price expected a slight correction in the short run after fully priced in the over-heat sentiment.

Neutral to Bearish

Coal Market:

The Australia FOB coking coal moved in the $5 as expected. The physical trade maintained a similar level, with tradeable sources around $360 for PMV and PLVs. In Australia, the NSW election will be held on 25th March. Voters weigh up higher power bills and concerns about climate change, potentially making it more difficult for new coal and gas projects to approve.

Miners were looking for bids for 70,000-80,000 mt of PMV with mid-April laycan, offering around $355 -360/mt, potentially dragging down the index slightly if traded in the lower bound. Indian buyers expected a lower price at the $330– 335/mt level.

For lower grades and quality coals, there are multiple sources in the Asian market, including Columbia, Indonesia, and Russia.

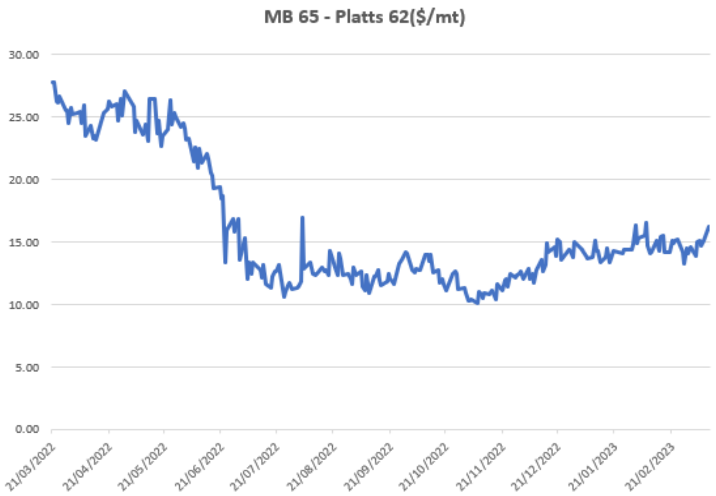
In summary, Australia's FOB might remain neutral under an equilibrium mode on supply and demand.

Neutral

Sources: Argus, IHS Commodities at Sea Service, FIS

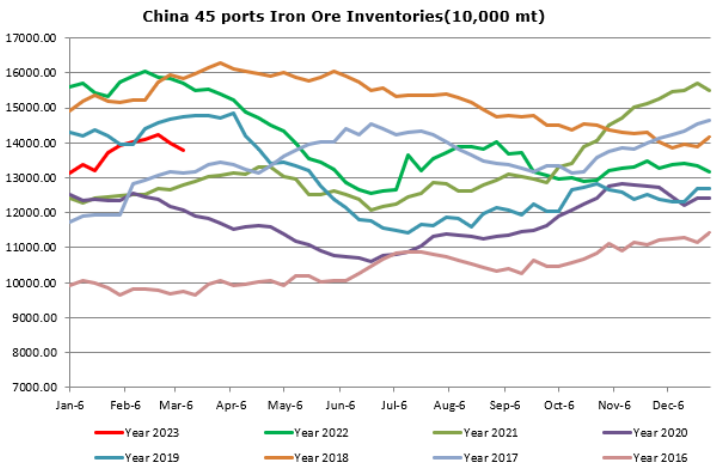
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	132.35	125.35	5.58%
MB 65% Fe (Dollar/mt)	148.6	139.2	6.75%
Capesize 5TC Index (Dollar/day)	15099	11026	36.94%
C3 Tubarao to Qingdao (Dollar/day)	20.156	19.033	5.90%
C5 West Australia to Qingdao (Dollar/day)	8.495	8.09	5.01%
Billet Spot Ex-Works Tangshan (Yuan/mt)	4030	3990	1.00%
SGX Front Month (Dollar/mt)	128.77	125.39	2.70%
DCE Major Month (Yuan/mt)	924.5	916.5	0.87%
China Port Inventory Unit (10,000mt)	13,770.03	14,000.56	-1.65%
Australia Iron Ore Weekly Export (10,000mt)	681.50	1,122.00	-39.26%
Brazil Iron Ore Weekly Export (10,000mt)	80.50	70.20	14.67%



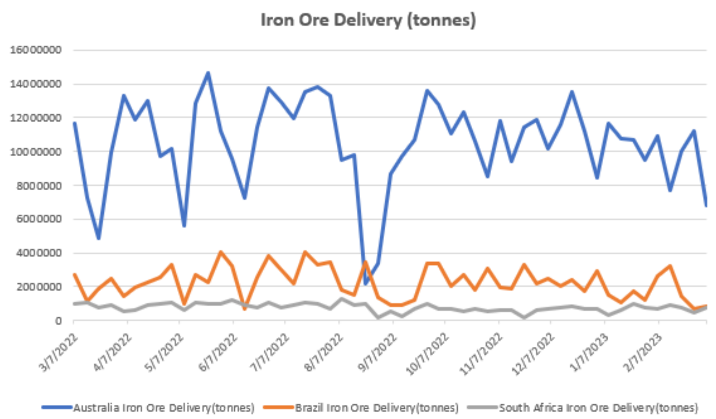
Iron Ore Key Points

– Iron ore port inventories fell from a 10-month high during the last two weeks. Port stocks potentially entered a declining period as evacuation picked up gradually. Stocks shifted from ports to mills and traders.



– The 65% and 62% iron ore corrected to the lower area as thin steel margin.

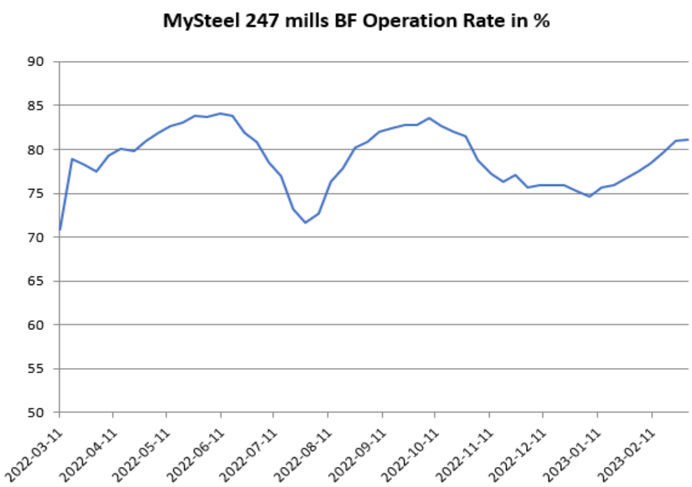
– Pig iron production increased by 7% during the same period in January and February compared to last year.

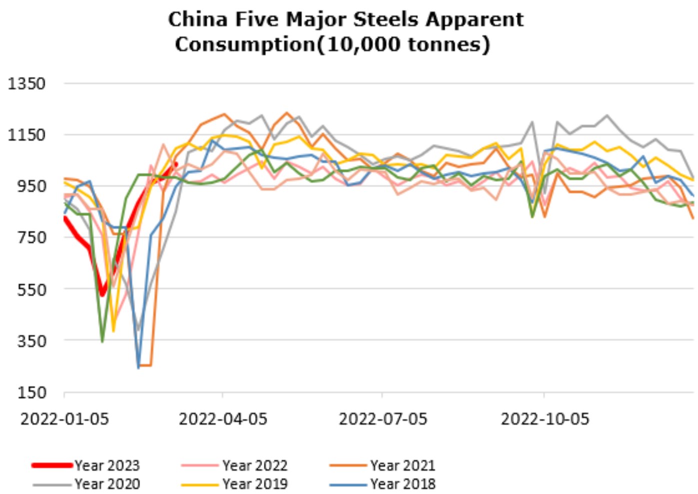


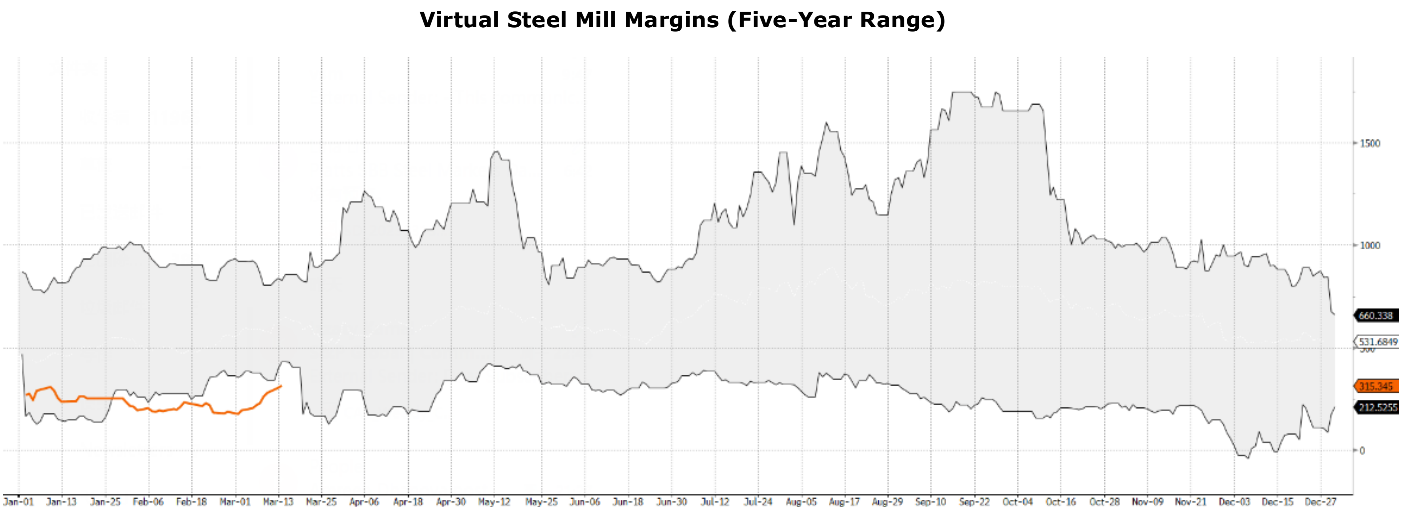
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1056	1050	**0.57%**
LME Rebar Front Month (Dollar/mt)	754	742	**1.69%**
SHFE Rebar Major Month (Yuan/mt)	4328	4249	**1.86%**
China Hot Rolled Coil (Yuan/mt)	4494	4423	**1.61%**
Vitural Steel Mills Margin(Yuan/mt)	315	200	**57.50%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	79500	77900	**2.05%**
World Steel Association Steel Production Unit(1,000 mt)	145,300	140,700	**3.27%**







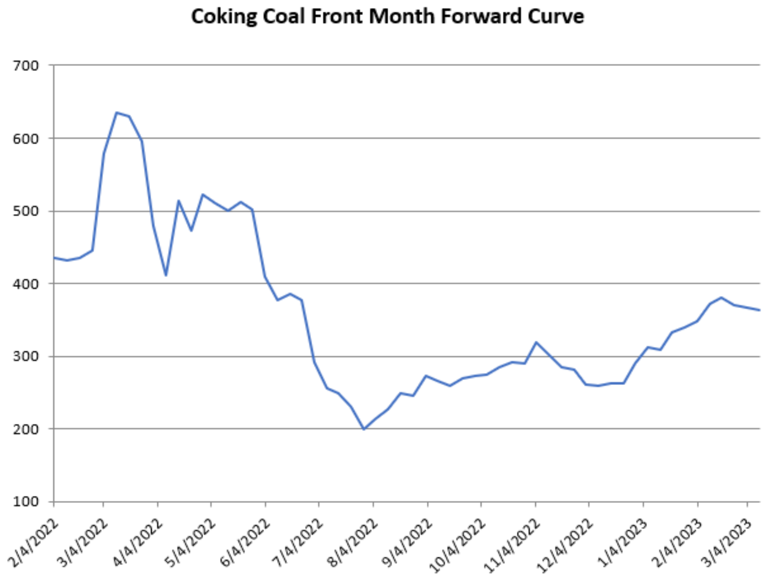
Data Sources: Bloomberg, MySteel, FIS

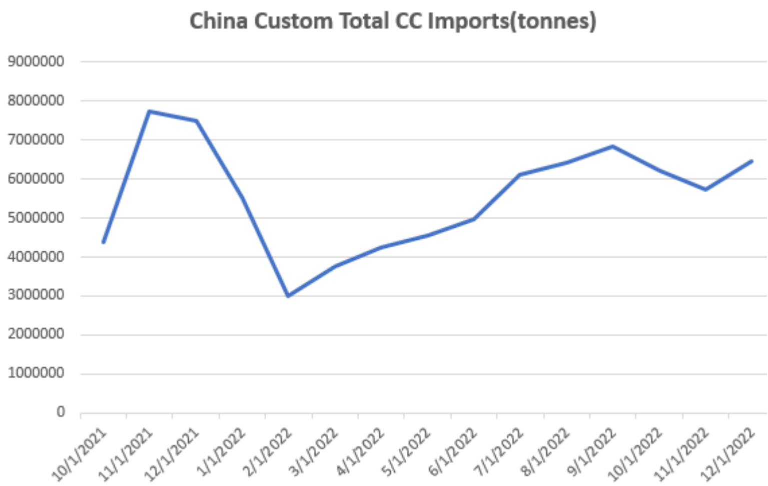
– Virtual steel mill margins recovered for the first time breaking the 200-220 yuan/t range, reaching the 315 yuan/t level as the improvement on rebar futures.

– The apparent consumption of construction steels suddenly climbed last week, which triggered a fast growth in ex-work rebar prices in many mills.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	363	368	**-1.36%**
Coking Coal Front Month (Dollar/mt)	364	367.5	**-0.95%**
DCE CC Major Month (Yuan/mt)	1987.5	2002.5	**-0.75%**
Top Six Coal Exporter Weekly Shipment	16.42	22.24	**-26.17%**
China Custom total CC Import Unit mt	6,464,859	5,732,165	**12.78%**





Coal Key Points

- The supply eased on PLVs and PMVs. However, demand is present from Asian buyers.
- Mongolia hauls more coal trucks compared to last Q4. China, India, and Europe are all looking for high-quality blends as demand grows.
- Chinese Inner Mongolia province coal miner accident led to an extensive safety inspection over all miners, which would lower overall utilisation rate in the province.

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.

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