# FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The physical market regained support last Friday. However, the financial market was still cautious about risk assets.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Market participants saw a suddenly weaker apparent consumption data last week.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The previous purchasing of steel and scraps temporarily satisfied the demand market for the current months. Thus marginal growth of demand slowed down.

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

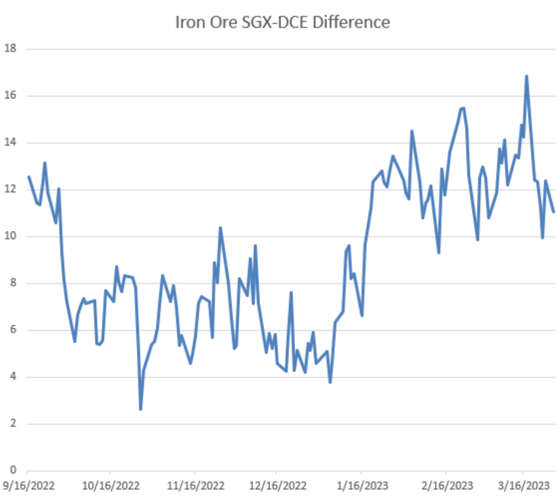
| Prices Movement | 27-Mar | 20-Mar | Changes % | Sentiment | |
|---|---|---|---|---|---|
| Iron Ore Fe62% CFR China($/MT) | 121.65 | 126.50 | 3.83% | Neutral | - |
| Rebar 25mm Shanghai (Yuan/MT) | 4210 | 4330 | 2.77% | Neutral | - |
| U.S. HRC Front Month ($/MT) | 1060.0 | 1055.0 | 0.47% | Neutral | - |
| Hard Coking Coal FOB Australia($/MT) | 321.0 | 341.0 | 5.87% | Neutral | - |

## Market Review:

### Iron ore Market :

Iron ore dropped by 3.83% during the report week, as expected. The iron ore financial market tanked last week. However, it was supported by the resilient demand in the physical market last Friday. Traders started to purchase float cargoes on an April or May basis, which supported the growth of mid-grade premiums. The middle week steel consumption fell unexpectedly from the high number of the previous two weeks, which once triggered a fast correction on ferrous products.

The commodity market entered a temporarily less sensitive period on the bank risk outspread after concentrated news came around the last few weeks. Risk appetite temporarily shifted back from hedging assets to liquidity assets. Metals, agricultures and petrol-chemicals saw a recovery on Monday.




Iron ore inventory at ports in China dropped for three weeks from the ten-month high of 142.23 million tons in late February to 136.05 million tons last week. The average stock level of the previous six years during the same period was 141.11 million tons. The increased evacuation on ports and daily trading volume indicated that iron ore physical trades had improved compared to last month. According to seasonality, iron ore destocking at ports is expected to continue till mid-June. However, steel mills said they would control the stock level at a low level to improve the cost. Iron ore stock at mills was stable at 92 million tons, which was 17% lower than in the same period last year. The physical steel margin at the blast furnace became negative again after the previous iron ore rebound. Virtual steel margin corrected from the year-high of 340 yuan to 212 yuan this Monday.

SGX-DCE spread suffered a 35% drop from mid-March to late March after some buying interest rolled to float basis or May laycans. The spread naturally looks higher because the benchmark month rolled from May23 to September23. MB65-P62 expanded as the cost-effectiveness of high grade increased during the construction season. At the same time, low grades became expensive as discounts narrowed for the previous few months.

***Data Sources: Bloomberg, Platts, Fastmarket, FIS***

## Market Review (Continued)

Fixed trades vanished as the market saw a periodic high on spot and front month laycans. Traders favoured float basis and believed the April index could become lower than March. PBF, NMHG and BRBF improved the premium compared with mid-March. However, it is difficult to increase the premium to a significantly higher range when the market participants were seeing a slightly lower price in April.

DCE is expected to finish rolling active month from May23 to September23 in the late half of this week.

Overall, iron ore re-entered into a balanced mode on supply and demand, regardless of any new stories on bank risk.

**Neutral**

### Downstream/Policies/Industry News:

IMF said that China would contribute one-third of economic growth in 2023, expecting the reopening of the country's economic activities and private consumption growth.

After the bank risks in multiple countries, major central banks worldwide are now openly considering ending their interest rate hikes ahead of schedule. The U.S. Federal Reserve has indicated to end interest rate hikes. The European Central Bank has stated that it will no longer provide policy guidance on interest rate hikes but will make separate decisions at each meeting. The Bank of England indicated that inflation was cooling down faster than predicted.

A senior analyst of commodity research firm CRU mentioned a significant capital expenditure (CAPEX) cost of $22 billion in Guinea's Simandou iron ore project.

China Tariff Department of State Council announced an extension of the 0% coal import tax from April 1st to December 1st 2023.

Iran's crude and condensate exports had risen to the highest since 2018, when former U.S. President Donald Trump reimposed sanctions.

Ukraine's iron ore exports fell to 23.98 million mt in 2022 from 44.36 million mt in 2021.

U.S. weekly coal production was up 4.2% on the week to 11.9 million st in the week ended March 18th.

### Global Steel Market:

The Platts North Europe HRC rebounded €845/t, corrected slightly from the 9-month high at €850/t. Turkey steelmaker MMK proposed to restart EAF facilities from April 1st, with 2.3MTPA. The company received orders in April and May. The domestic sales of HRC in Izmir at $850/mt ex-factory, with other mills in Turkey sales at $870/mt. A blast furnace of ArcelorMittal in Luxemburg broke out a fire. The blast owned 4.5MTPA capacity and was halted.

Chinese mills and trading firms held offers unchanged during the report week at $640-680/t FOB China for SS400 HRC. However, seaborne buyers were silent and waiting for the correction over. Some Vietnamese have bids of $610–615/mt FOB China, which was an unacceptable level by sellers. Some trading firms lowered SAE1006 offers to Vietnam, yet to receive any response.

After a month-length massive scrap buying, Turkish imports gradually reached a balanced mode on the marginal market with current demand. The index price was flat from last week. The mill source indicated that U.K./Baltic origin HMS 1/2 80:20 trade concluded at $460/mt CFR Turkey but mentioned the seller might drop the price in the short term. A Turkish trader cited an indicative tradable value for US/Baltic–origin HMS 1/2 (80:20) around $450/mt CFR Turkey. Another U.S. origin HMS 1/2 85:15 at $446/mt CFR for May shipment.

Overall, flat steel and scrap entered an equilibrium on marginal supply and demand.

**Neutral**

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

## Market Review (Continued)

### Chinese Steel Market:

Shanghai domestic 25mm rebar corrected another 120 yuan/t during the report week at 4210 yuan/ton, a total down 310 yuan during the past two weeks, creating the fastest two-week fall from last October. To some extent, the early locked sales in May cargoes revealed the overbought sentiment of the domestic rebar market. In addition, the sudden drop in apparent consumption last week from a year-high level indicated that the data was either becoming weak or lacked accuracy. There is no proof of a fast pick-up in EAF production. However, the mill's side admitted that increasing production would help them regain revenue after the significant loss in Q1, mainly when scrap prices dropped massively and arrivals increased during the past two weeks. We still need to cite that the blast furnace utilisation rate roof was closed.

In summary, rebar price expected a recovery; however, there is little upside room in the mid-run.

**Neutral**

### Coal Market:

The Australia FOB coking coal has corrected $20 to $321 during the report week. In the FOB Australia market, an offer was heard of $320/mt for 25,000-50,000mt PMV Goonyella, with late April laycan. The offer included a seller's option for Riverside cargo at a 1% discount.

Atlantic met coal market continued to see weaker bids in the global market, including China. Australia's bid was gradually lower each day during the report week. The most current bid was heard for 40,000mt HCCA Branded coal with April laycan. Non-Australian origin materials filled up the previous shipment delay in some Australian ports. The second-Tier market started correction mode as a surplus was created by multiple suppliers.

The prices remain rangebound amid China's talk of the Q2 domestic coal long-term contract price.

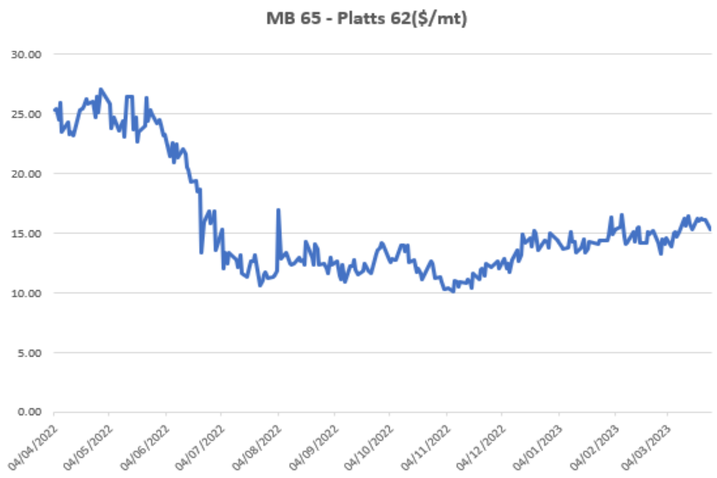
Overall, Australia FOB potentially maintains neutrality under an equilibrium mode on supply and demand.

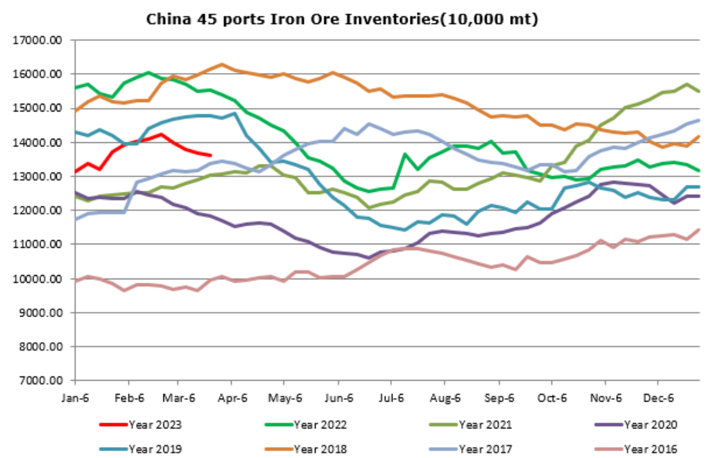
**Neutral**

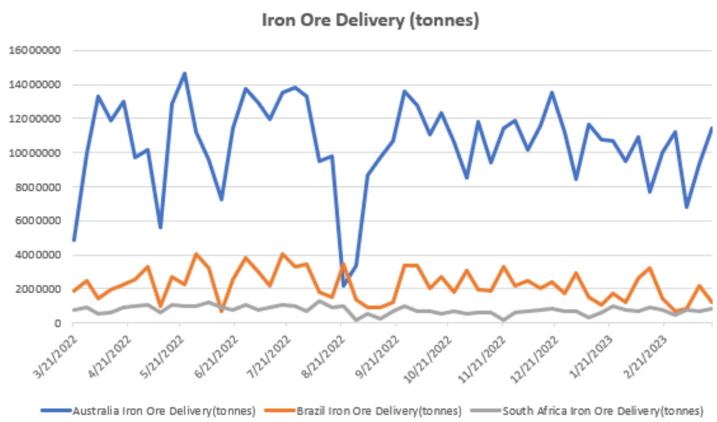
***Sources: Argus, IHS Commodities at Sea Service, FIS***

# Iron Ore

| | Last | Previous | % Change |
|---|---|---|---|
| **Platts 62% Fe (Dollar/mt)** | 121.65 | 126.5 | **-3.83%** |
| **MB 65% Fe (Dollar/mt)** | 136.9 | 142.7 | **-4.06%** |
| **Capesize 5TC Index (Dollar/day)** | 14888 | 16134 | **-7.72%** |
| **C3 Tubarao to Qingdao (Dollar/day)** | 20.233 | 20.622 | **-1.89%** |
| **C5 West Australia to Qingdao (Dollar/day)** | 8.41 | 9.095 | **-7.53%** |
| **Billet Spot Ex-Works Tangshan (Yuan/mt)** | 3860 | 4000 | **-3.50%** |
| **SGX Front Month (Dollar/mt)** | 119.68 | 130.79 | **-8.49%** |
| **DCE Major Month (Yuan/mt)** | 855 | 905.5 | **-5.58%** |
| **China Port Inventory Unit (10,000mt)** | 13,770.03 | 14,000.56 | **-1.65%** |
| **Australia Iron Ore Weekly Export (10,000mt)** | 1,142.30 | 932.50 | **22.50%** |
| **Brazil Iron Ore Weekly Export (10,000mt)** | 119.20 | 214.10 | **-44.33%** |




## 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.

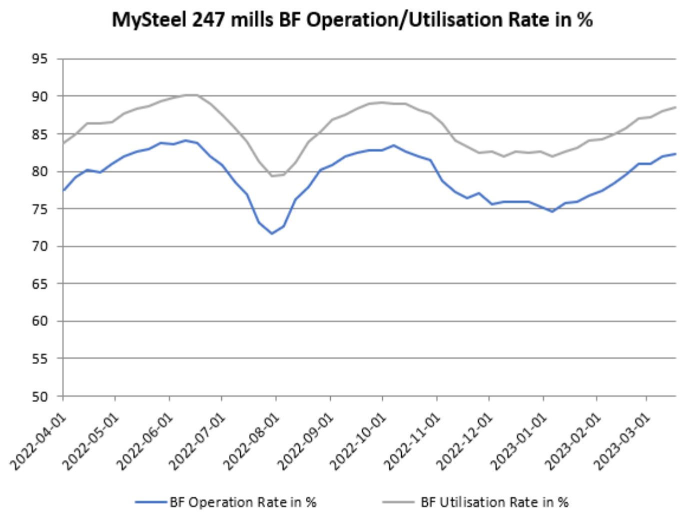
- The 65% and 62% iron ore corrected to the lower area as thin steel margin.

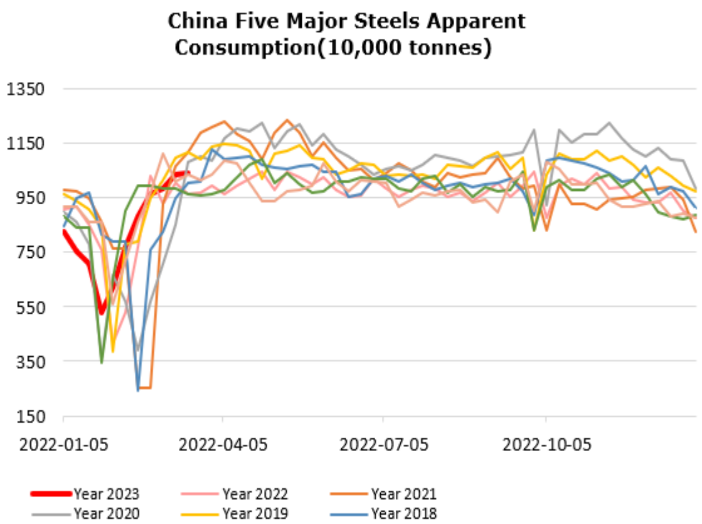
- The pig iron production increase slowed down. The utilisation rate left 2-3% to reach the theoretical roof.

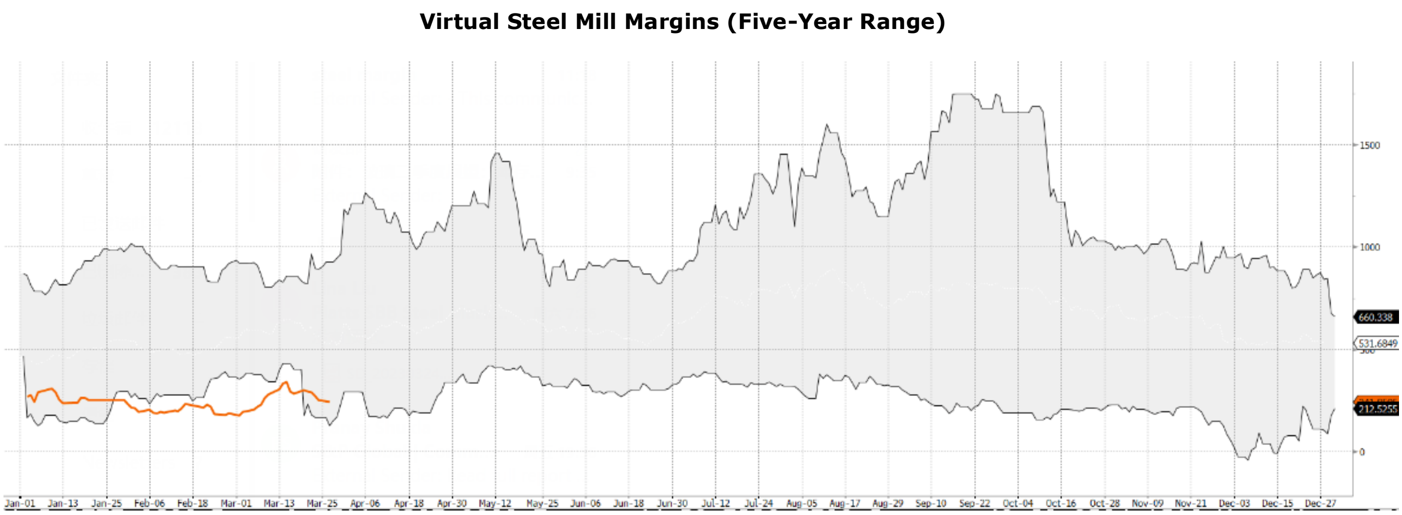
***Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS***

# Steel

| | Last | Previous | % Change |
|---|---|---|---|
| **US HRC Front Month (Dollar/mt)** | 1057 | 1056 | **0.09%** |
| **LME Rebar Front Month (Dollar/mt)** | 722.5 | 730 | **-1.03%** |
| **SHFE Rebar Major Month (Yuan/mt)** | 4085 | 4234 | **-3.52%** |
| **China Hot Rolled Coil (Yuan/mt)** | 4332 | 4404 | **-1.63%** |
| **Vitural Steel Mills Margin(Yuan/mt)** | 212 | 292 | **-27.40%** |
| **China Five Major Steel Inventories Unit (10,000 mt)** | 2489.64 | 2371.33 | **4.99%** |
| **Global Crude Steel Production Unit (1,000 mt)** | 80100 | 79500 | **0.75%** |
| **World Steel Association Steel Production Unit(1,000 mt)** | 142,400 | 145,300 | **-2.00%** |



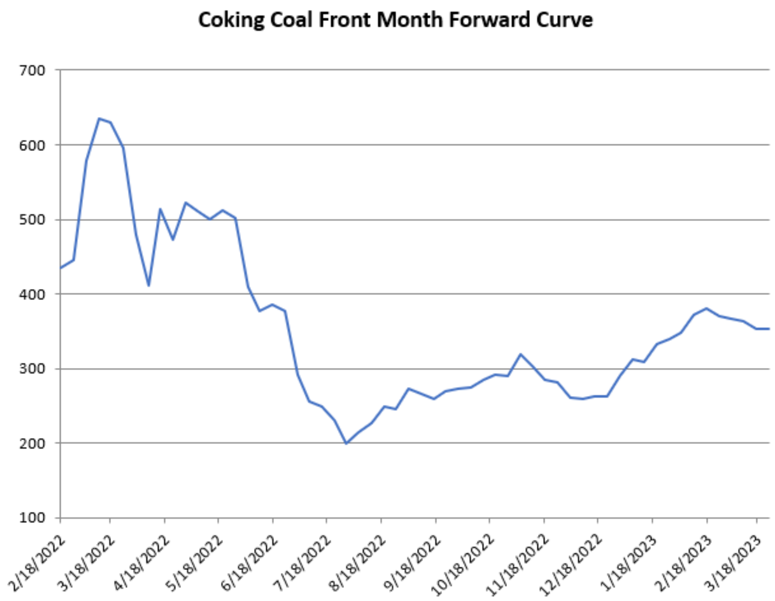



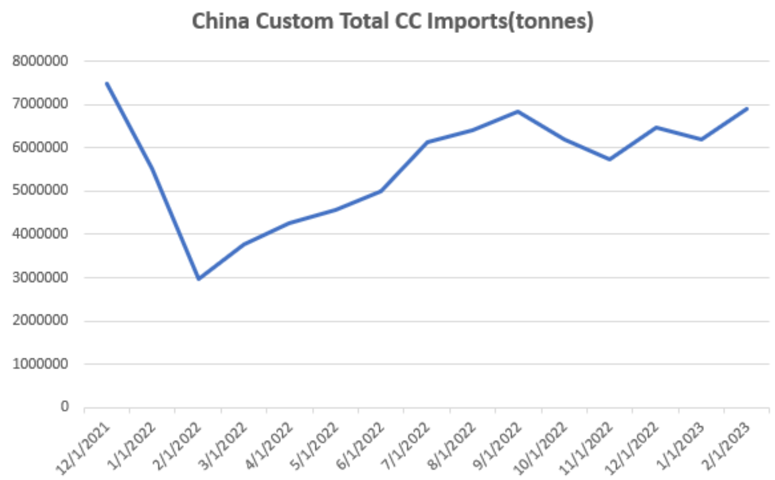

***Data Sources: Bloomberg, MySteel, FIS***

- Virtual steel mill margins corrected from 340 yuan/ton in mid-March to 212 yuan/ton in late March. The physical margin dropped to negative again.
- The apparent consumption of construction steel unexpected drop significantly last week after creating consecutive strong numbers during the previous two weeks.

# Coking Coal

| | Last | Previous | % Change |
|---|---|---|---|
| **TSI FOB Premium Hard Coking Coal (Dollar/mt)** | 321 | 341 | -5.87% |
| **Coking Coal Front Month (Dollar/mt)** | 354 | 353 | 0.28% |
| **DCE CC Major Month (Yuan/mt)** | 1835 | 1874 | -2.08% |
| **Top Six Coal Exporter Weekly Shipment** | 18.89 | 21.42 | -11.81% |
| **China Custom total CC Import Unit mt** | 6,913,694 | 6,196,516 | 11.57% |




## Coal Key Points

- The supply of PMVs and PLVs in Australia FOB market reached equilibrium currently.
- Indonesia and Russia export boosted from February to March, creating a surplus in the second-tier coal and thermal coal markets.
- China is currently in Q2 long-term contract price talks.

***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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