FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Seaborne market regained activities after the cyclone impact. However, the new Chinese department conference required a flat production control on crude steel production, which limited the expectation on marginal demand.

⇒ **Rebar 25mm Shanghai:** short-run **Neutral**. Market participants saw apparent stable consumption during the past four weeks. However, daily trading volume on construction steel recovered to seasonal average range from seasonal low area during the past 3-4 days.

⇒ **U.S. HRC Front Month:** short-run **Neutral**. The ease-up on tightening and lower interest rate supported the industrial profit and buying power over steel.

⇒ **Hard Coking Coal FOB Australia:** short-run **Neutral**. The prime coking coal market was resisted by ample similar sources for near laycans.

Prices Movement	17-Apr	10-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	120.00	119.65	0.29%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	4050	4080	0.74%	Neutral	-
U.S. HRC Front Month ($/MT)	1175.0	1166.0	0.78%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	269.0	288.0	6.60%	Neutral	-

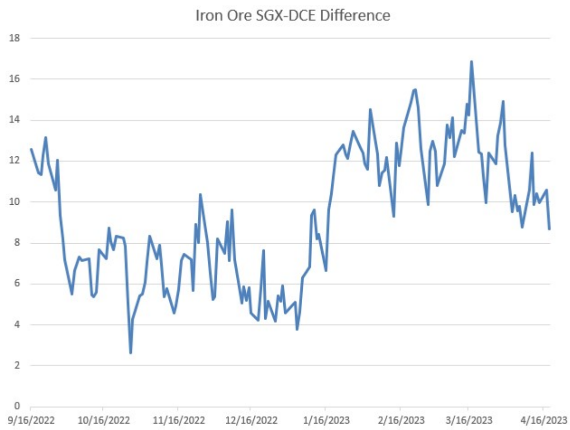
Market Review:

Iron ore Market :

Iron ore rebounded 0.29% during the report week as expected neutral sentiment. The current Chinese department conference required a flat control on steel production in 2023 on the base of 2022. The pig iron has to decrease at least 200,000 pig iron per day for the rest of 2023 to meet with this target. Iron ore H2 period would face significant pressure given a clear goal on production cut and a stable supply.

DCE iron ore approached delivery window on May contract, however, open interest doubled the same period in 2022. Theoretically, it is hard to expect an extremely high level on May contract as deliverable sources were allocated averagely in major ports. There is also sufficient supply from port areas in dynamic brands of iron ores. The previous cyclone impact caused a near 700 million tons of iron ore decreases from Australian side during past week. However, market sources indicated that the shortage could be filled-up gradually in the following 3-4 weeks.

Chinese port iron ore inventories dropped fast to a seasonal three-year low area. Steel mills iron ore inventories were maintained at seasonal low area from 90-91 million tons, since mills want to control all raw materials at demand to order mode. Virtual steel margin spiked from 212 yuan/ton to 384 yuan/ton during the past three weeks. On the physical side, steel margin recovered from negative to 150 yuan/ton during same period. SGX-DCE difference dropped even with a recovery of steel margin.



MB65-P62 remained at $14-16 from February to April. High grade and mid grade were in similar dynamics with both strong supply and demand.

SGX spread curve improved significantly from late February, with May-Jun23 almost tripling during the period.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Freight Investor Services 2023.

Market Review (Continued)

With FMG narrowed discounts for the past three months, all discount sales of iron ore strengthened. JMBF recovered from a discount of $3.8 to $3 during the past two weeks. There were growing trading activities after the cyclone impact last week, including many enquiries in mid-grade iron ore including MACF, JMBF, PBF and NHGF.

Net, Iron ore entered an equilibrium mode on balanced supply and demand.

Neutral

Downstream/Policies/Industry News:

U.S. Homebuilder confidence index NAHB in April rises to 45, last 44, est. 44. More buyers are looking at new homes, with 1/3 of housing inventory in new construction, compared with a 10% of historic norms. Last week, U.S. jobless claims climbed to 239,000, est. 232,000, last 228,000. The number increased for the first time over the previous three weeks.

China Q1 GDP amounted at 28.4997 trillion yuan, up 4.5% from Q1 2022, up 2.2% from Q4 2022. The added value of the primary industry is 1.1575 trillion yuan, a year-on-year increase of 3.7%. The added value of the secondary industry was 10.7947 trillion yuan, an increase of 3.3%. The added value of the tertiary industry reached 16.5475 trillion yuan, an increase of 5.4%. Also last week, China's NBS posted CPI in March growth rate at 0.7%, refreshed new low of a year and half. China's March PPI annual growth rate down 2.5% in March.

India's full electric vehicle sales surged to an all-time high in fiscal year 2023, up 150% compared to 2022, to 1.18 million units. Korea's automobile output and export hit record highs in March. Korea output in January to March totaled 1.1 million units, up 27% from 2022.

China's daily pig iron and crude steel output at 2.476 million tons and 2.988 million tons in early April, up 1.02% and 1.25% respectively from late March. Tosyali Algerie, a subsidiary of the Turkey's largest steelmakers, signed a memorandum of understanding with Feraal to build a iron ore plant with 3.5 billion mt reserves, of which 1.7 billion mt are exploitable with a content of Fe 58.7% iron ore.

Global Steel Market:

The north Europe HRC forward curve softened last week due to the weaker sentiment of limited buying and strong Euro. August traded at €750-760/t on the CME contract last Friday, down massively from €785/t traded a day before. Traders in derivatives market saw the back curve overpriced after the appearance of competitive Asian offers. India has been the cheapest import source with recent deals concluded below €700/t into Italy for June shipment, indicated by Argus. At the same time, the strong Euro versus U.S. dollar made imports cheaper for European buyers.

Chinese domestic HRC price fell last week as a bigger production with no marginal increase in demand occurred in domestic areas. However, export SS400 FOB price for HRC maintained unchanged at $640 -660/t. Thus, trading firms believed export price could be dragged down given a few more weeks. Vietnam buyers were looking at $580-585/t CFR Vietnam.

Turkish scrap market dropped from $438 to $430 during last report week. There was an extremely low price source from Benelux-origin HMS 1/2 (80:20) booked by Marmara mill around $418/mt CFR Turkey for 16,000mt. However, agent largely put workable levels for U.S./Baltic-origin HMS 1/2 80:20 at $430– 435/mt CFR Turkey.

Net, both 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 dropped 30 yuan/ton slightly to 4050 yuan/ton as expected neutral sentiment. The apparent consumption for five typical steels in China remained stable at 10 million tons per week during the past four weeks, created a 3.8% growth during the same period of 2022, similar to same period in 2021. Daily construction steel trading volume picked up fast to seasonal high level of 210,000 tons during the past 3-4 days.

As mentioned in previous reports, we need to be aware that blast furnace utilisation rate was only 1% or less from the theoretical high at 92-92.5%, which meant the steel production potentially reached a maximum level. Thus, the marginal production of steels in the following months were largely reliant on the EAFs. Moreover, crude steel control in 2023 would limit the entire steel production in H2.

Net, rebar price is currently stable as a balanced supply and demand.

Neutral

Coal Market:

The Australia FOB coking coal corrected from $288.0 to $269.0 during the report week, after seeing ample front month supplies on PLVs and PMVs. The PLV cargo price had decreased twice on the offer side during past week, down $12. The HCCA Prime offer with May laycan was valued arround $265/mt. Another recent offer was heard at $272/mt FOB Australia for 75,000mt. The only bid interested on the cargo was $245/mt.

In China's domestic market, the third rounds of price cut by 100 yuan/ton on prime coke was proposed by major mills. The three rounds of cut totaled 300-330 yuan/ton.

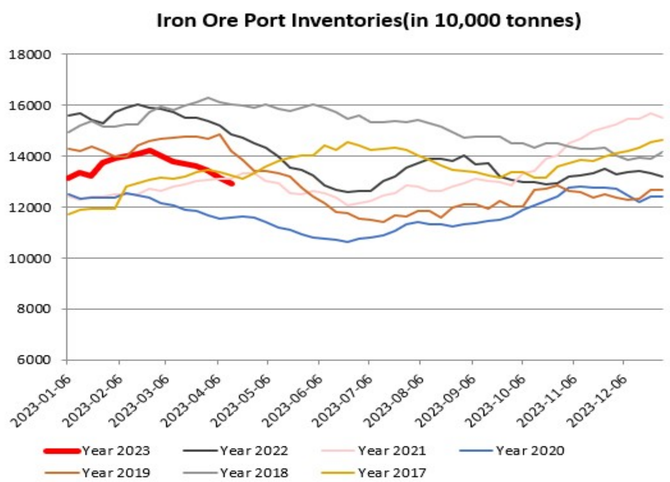
Net, Australia FOB potentially remains neutral after a correction.

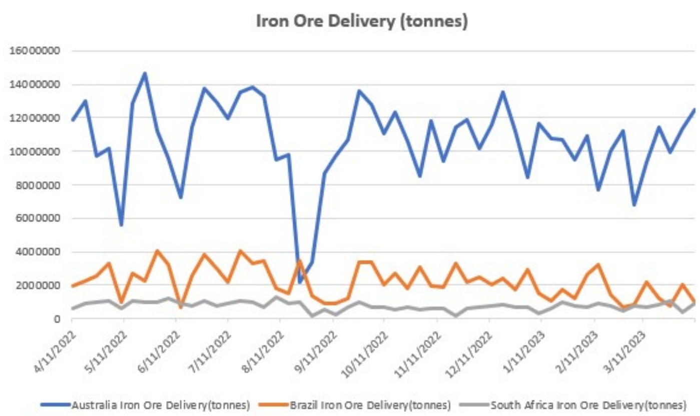
Neutral

Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	120	119.65	0.29%
MB 65% Fe (Dollar/mt)	134.2	134.6	-0.30%
Capesize 5TC Index (Dollar/day)	14939	16928	-11.75%
C3 Tubarao to Qingdao (Dollar/day)	21.911	22.822	-3.99%
C5 West Australia to Qingdao (Dollar/day)	8.085	8.585	-5.82%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3740	3800	-1.58%
SGX Front Month (Dollar/mt)	116.52	116.00	0.45%
DCE Major Month (Yuan/mt)	776	791.5	-1.96%
China Port Inventory Unit (10,000mt)	12,911.51	13,152.98	-1.84%
Australia Iron Ore Weekly Export (10,000mt)	1,248.00	1,132.30	10.22%
Brazil Iron Ore Weekly Export (10,000mt)	98.10	204.30	-51.98%





Iron Ore Key Points

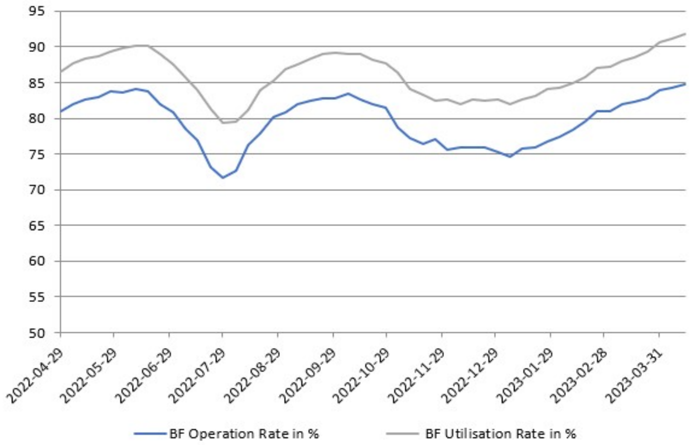
- Iron ore port inventories fell to a 3-year low range seasonally. Port stock is currently in a declining mode.
- The 65% and 62% iron ore remained stable at $14-16 for the past three months as similar fundamentals on the two concentrates.
- The pig iron production increase slowed down. The utilisation rate left 1% to reach theoretical roof.

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

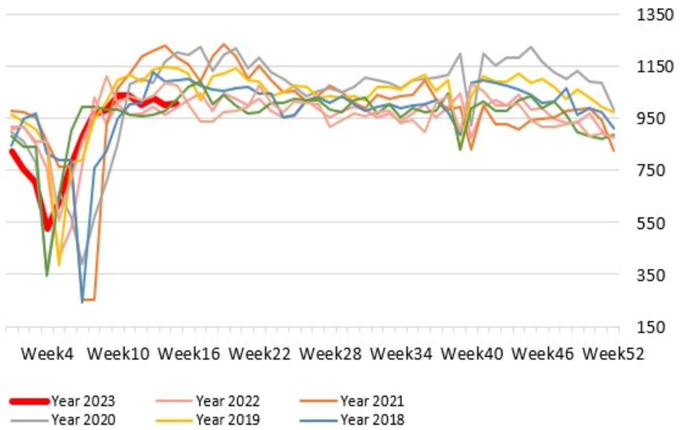
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1175	1166	0.77%
LME Rebar Front Month (Dollar/mt)	680	674	0.89%
SHFE Rebar Major Month (Yuan/mt)	3916	3983	-1.68%
China Hot Rolled Coil (Yuan/mt)	4228	4286	-1.35%
Vitural Steel Mills Margin(Yuan/mt)	397	281	41.28%
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%

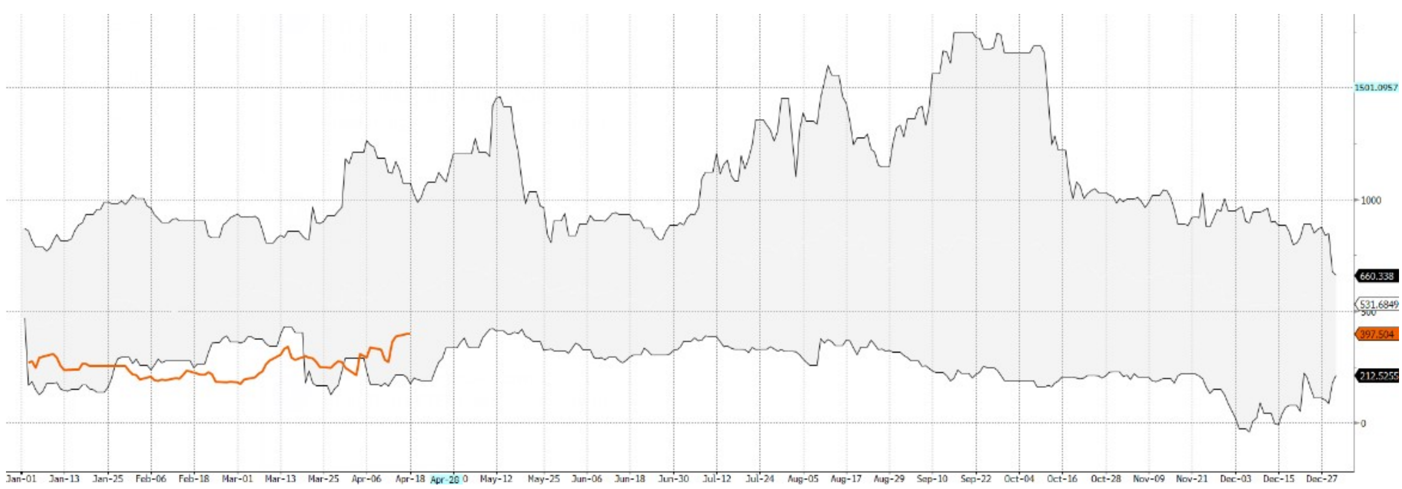
MySteel 247 mills BF Operation/Utilisation Rate in %



China Five Major Steels Apparent Consumption(10,000 tonnes)



Virtual Steel Mill Margins (Five-Year Range)

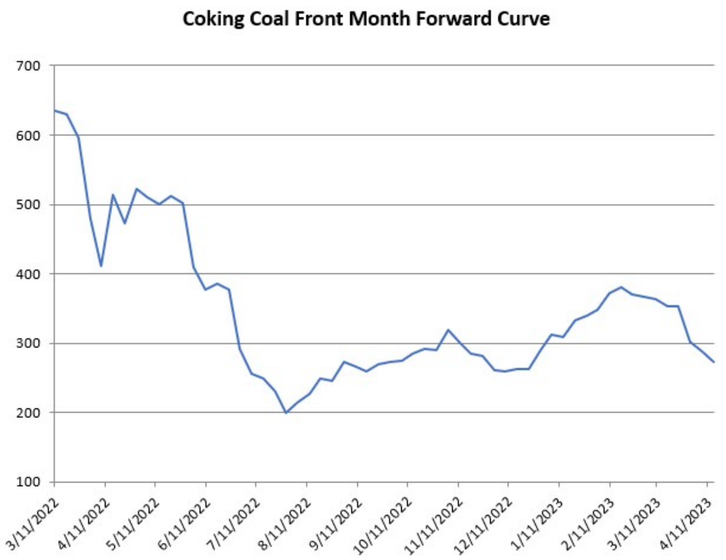


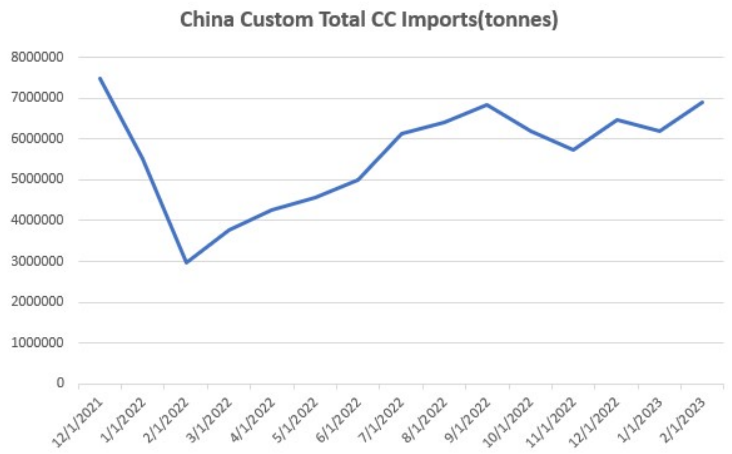
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins recovered fast from 212 yuan/ton to 384 yuan/ton, a year-high.
- The apparent consumption of typical steels remained steady at 10 million tons on weekly level.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	269	288	**-6.60%**
Coking Coal Front Month (Dollar/mt)	272.5	289	**-5.71%**
DCE CC Major Month (Yuan/mt)	1562.5	1761	**-11.27%**
Top Six Coal Exporter Weekly Shipment	17.99	23.15	**-22.29%**
China Custom total CC Import Unit mt	6,913,694	6,196,516	**11.57%**





Coal Key Points

- The PLV and PMV spread potentially widened because of the international buyers are preferring PLVs and showing huge volume of interests. The sample supply of prime coking coals softened the offers on seaborne market.

- Chinese Q2 long-term contract price dropped. Coking coal spot has dropped 300 yuan/tons during past four weeks.

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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