FIS

Ferrous Weekly Report

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25/04/2023

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore corrected following the risk asset slump during the report week, as well as weak Chinese housing statistics.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Market saw a weaker than expected consumption data and trading volume in March and April compared to last year.

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

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

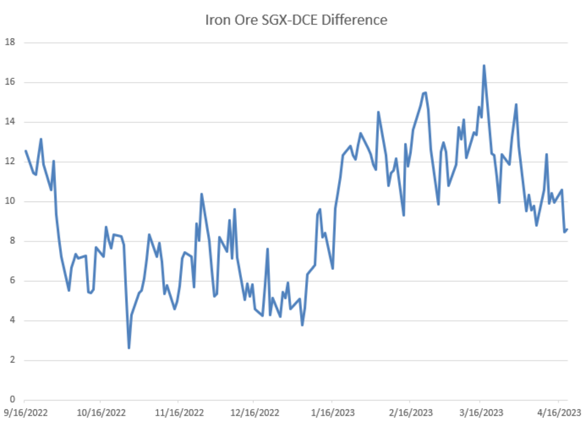
Prices Movement	24-Apr	17-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	106.80	120.00	11.00%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3860	4050	4.69%	Neutral	-
U.S. HRC Front Month ($/MT)	1177.0	1175.0	0.17%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	251.0	269.0	6.69%	Neutral to Bearish	↘

Market Review:

Iron ore Market :

Iron ore corrected massively by 11% during the report week. The correction was due to both fundamental changes as well as a chain effect in risk asset dump. Pig iron daily production in China is expected to reach the peak level from last week, which is to say, there should be very tiny marginal demand left for iron ore. China's newly built-houses declined by 19.2% in past quarter, which exceeded all market analysts' expectations. Moreover, Shanghai equity decreased by 3.48 during the past four trading days, while major commodities suffered huge corrections during report week, covering ferrous, petro-chemicals, and some agricultural products.

Several important statistics in China had a proven weaker industrial activities recovery. China's Machinery Excavators sales fell 26% in April year-on-year, which was normally believed as a leading indicator of manufacturing industry in China. China's newly-built housing areas declined by 19.2% in the first quarter 2023, which was significantly lower than expected. The completion areas are up 14.2% on the year. Previously, China's NDRC sent notice again to resist over-heat and mal-pricing in iron ore market.



During the past week, daily pig iron refreshed two-year high, when market participants considered as a peak level achieved. The high of daily pig iron production were 2.43 million tons in 2022, 2.44 million tons in 2021 and 2.48 million tons respectively. North-western Chinese provinces proactively reduce steel production by 30% from late April. CISA previously appealed major mills to cut production before seeing a clear drop on demand market. The turning point of iron ore demand reached.

Mills utilisation rate and operation rate both reached two-year-high accordingly. Iron ore inventories decreasing with fast daily evacuation, however, steel mills were willing to operate at low iron ore inventories levels.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Four major miners came up with stable annual guidance on the iron ore production and delivery. The sales growth of Rio, Vale, BHP and FMG were 16%, -10.6%,-0.97% and 4% in Q1 2023 respectively. The production growth for the four miners with same sequence were 11%, 5.8%, -0.77% and 4% respectively. Both sales and production were seeing a comprehensive improvement for top miners. Thus, market expected a positive arrivals data in Q2 as well.

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 dropped below $14, as the Brazil supply is expected to increase in the next two months without disturbance from extreme weather conditions. BHP narrowed discount of MACF from 4% to 3% and JMBF from 1.5% to 0% on the May term-contract iron ores, within the market expectation. However, physical traders indicated that the discount could potentially become wider in the coming months after the import margin eroded again.

After the tripled May-Jun23 and steeper curve during the past three months, the back-end spread started to narrow in particular as expected when traders rolled buying interests on physical to late months.

Net, Iron ore faced an oversold in short-run.

Neutral

Downstream/Policies/Industry News:

G7 environment and energy ministers have endorsed a target to reduce global greenhouse gas (GHG) emissions by 60% by 2035 based on 2019 levels, to spur an energy transition across all sectors.

Reuters learned from sources that the Chinese market interest rate pricing mechanism has held a meeting this month, urging banks to further lower deposit pricing levels.

Swiss multinational giant commodity trading company Glencore decreased its copper, zinc and nickel production in the first quarter by 5-32% on the year, resulting from changes in portfolio and operation conditions.

ArcelorMittal Nippon Steel India has received acquisition approval from National Company Law Tribunal to buy steel processing company Indian Steel corporation.

Global Steel Market:

The north Europe HRC forward curve softened last week concerning the weak physical price and pockets of orders. The future market was in a clear backwardation structure, with May traded €50/t below the index at €834.25/t in last Friday. The Argus NW EU HRC index has fallen by €16.5/t from April 4th to April 21st.

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 finally started to fall by $15 during report week to $625/t, after an unchanged offer for months and correction of domestic steels. Although traders cut $10 to $595 CFR Vietnam, it is still $25-30 higher than the bids. The current Chinese offer on HRC SS400 was at least $15 higher than bids from other countries. Buyers were waiting for lower offers.

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

Market Review (Continued)

Turkish scrap market dropped from $430 to $412.5 during last report week, because of little market activities seen during Ramadan Bayram holiday and in-coming presidential election. Cheaper U.S. offers crashed down the E.U. scrap price. U.S./Baltic origin HMS 1/2 80:20 tradeable value was around $400/mt CFR Turkey. The acceptable offer for EU recycler with same grade was at $410– 415/mt.

Net, both flat steels and scrap entered an equilibrium on marginal supply and demand.

Chinese Steel Market:

Shanghai domestic 25mm rebar dropped by 190 yuan/ton slightly to 3860 yuan/ton, refreshed the biggest weekly drop in the year. The apparent consumption for five typical steels in China remained stable at 10 million tons level per week during the past five weeks, created a 3.7% growth during the same period of 2022, similar to same period in 2021. Daily construction steel trading volume however was 10% smaller than last year during same period.

In China, some North-western mills started to cut production by 30% from late April. Previously, south-eastern mills cut EAFs production by 50%. The proactive production control was considered to smooth production reduction through the year, instead of a sudden decrease in some months. However, the weak Chinese house built data has become a dragging factor on the demand side.

Net, rebar price currently entering a decreasing phase on both supply and demand.

Neutral

Coal Market:

The Australia FOB coking coal corrected by 6.9% during the report week to $250/mt. The buying interest was weakening day by day, in particular for PLV and PMV sources. However, there was PMV inquiries on H2 2023 at higher price at $260 –265/mt CFR China. Onwards, steelmakers of China planned to schedule maintenance in May. Spot liquidity was ample, with offer heard for FOB Australia coking coal HCCA Branded at $254/mt for 75,000mt. There were quite a few offers with full laycans.

In China’s domestic market, the fourth rounds of price cut by 100 yuan/ton on prime coke was proposed by major mills. The four rounds of cut totaled 400 yuan/ton.

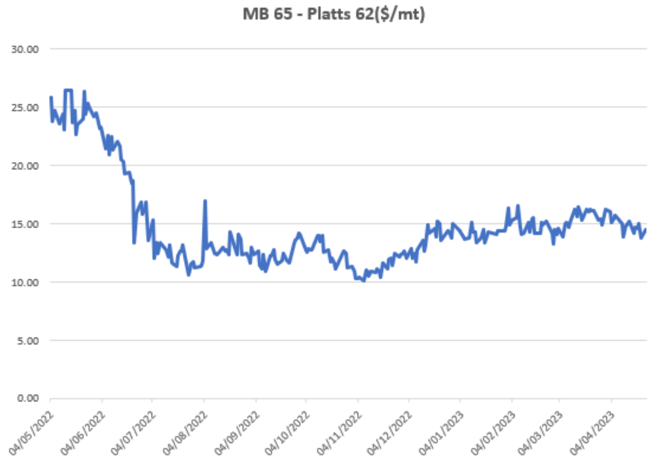
Net, Australia FOB potentially remain neutral to bearish with a bigger supply.

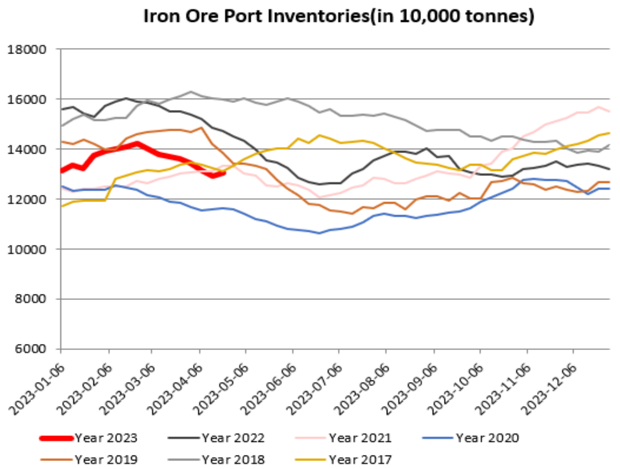
Neutral to Bearish

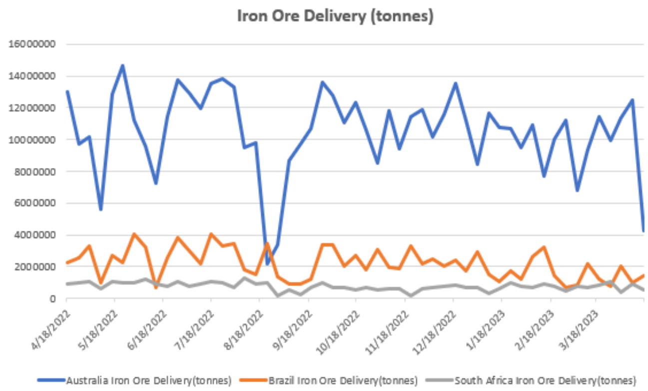
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	106.8	120	-11.00%
MB 65% Fe (Dollar/mt)	121.3	134.2	-9.61%
Capesize 5TC Index (Dollar/day)	16526	14939	10.62%
C3 Tubarao to Qingdao (Dollar/day)	21.678	21.911	-1.06%
C5 West Australia to Qingdao (Dollar/day)	8.475	8.085	4.82%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3660	3740	-2.14%
SGX Front Month (Dollar/mt)	108.08	116.52	-7.24%
DCE Major Month (Yuan/mt)	744.5	776	-4.06%
China Port Inventory Unit (10,000mt)	13,034.54	12,911.51	0.95%
Australia Iron Ore Weekly Export (10,000mt)	429.20	1,248.00	-65.61%
Brazil Iron Ore Weekly Export (10,000mt)	139.60	98.10	42.30%







Iron Ore Key Points

– Iron ore port inventories fell to a 3-year low range seasonally. Port stock is currently in a declining mode.

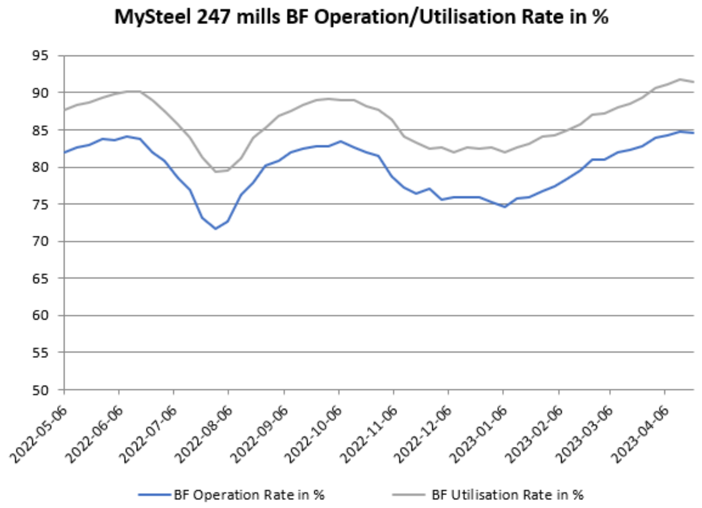
– The 65% and 62% iron ore narrowed below $14, because the increase of Brazil's shipments with stable weather conditions, as well as narrowed discount in some iron ore brands.

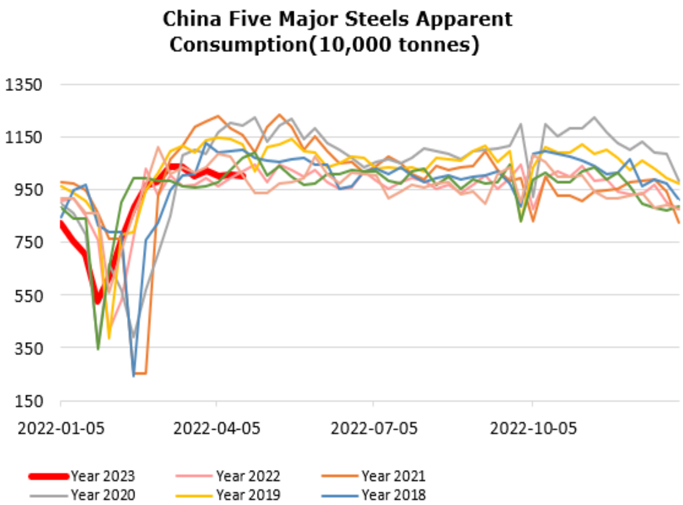
– The pig iron production potentially reached peak level. Some mills in China scheduled production cut.

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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1178	1175	0.26%
LME Rebar Front Month (Dollar/mt)	672	680	-1.18%
SHFE Rebar Major Month (Yuan/mt)	3853	3916	-1.61%
China Hot Rolled Coil (Yuan/mt)	4154	4228	-1.75%
Vitural Steel Mills Margin(Yuan/mt)	212	212	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)	95700	80100	19.48%
World Steel Association Steel Production Unit(1,000 mt)	142,400	145,300	-2.00%



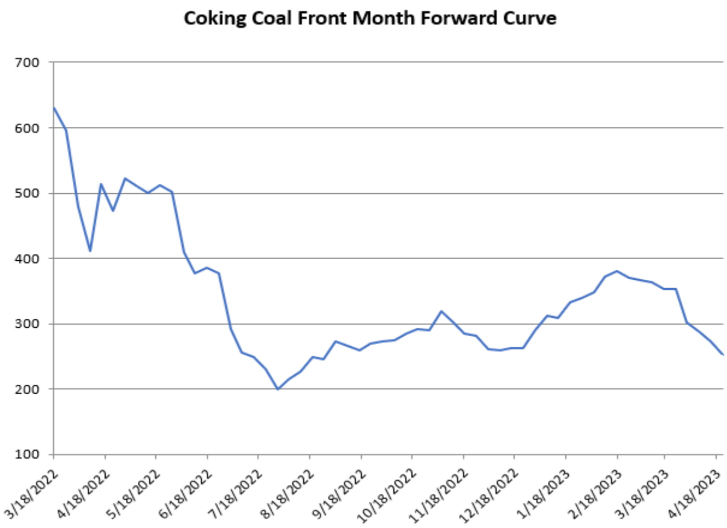


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins corrected from the year-high at 384 yuan/ton to 336 yuan/ton.
- The apparent consumption of typical steels remained steady at 10 million tons on weekly level.

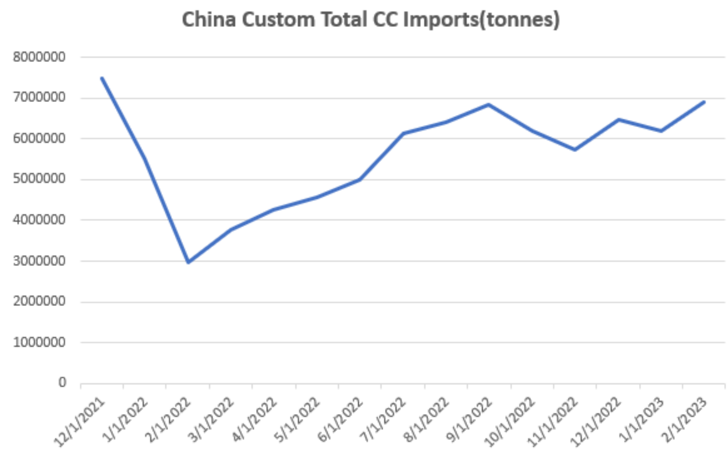
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	251	269	**-6.69%**
Coking Coal Front Month (Dollar/mt)	252	272.5	**-7.52%**
DCE CC Major Month (Yuan/mt)	1504.5	1562.5	**-3.71%**
Top Six Coal Exporter Weekly Shipment	19.33	21.54	**-10.26%**
China Custom total CC Import Unit mt	9,646,998	6,913,694	**39.53%**



Coal Key Points

- The sample supply of prime coking coals softened the offers on seaborne market.
- Chinese physical Coking coal spot has dropped 400 yuan/tons during past 4-5 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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