FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Both paper and physical market recovered in trading volume during report week. However, the buyers were not showing aggressive bids on the market. Rumors on Chinese regulative change apparently dragged down the performance of iron ore this week.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Market participants saw strengthened apparent consumption last week, however, physical price ticked up cautiously amid market participants with a neutral outlook.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The previous purchasing on steels 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**. After the market corrected for three weeks, buyers regained interests on the PLVs and high quality coking coals.

Prices Movement	3-Apr	27-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	122.40	121.65	0.62%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4210	4210	-	Neutral	-
U.S. HRC Front Month ($/MT)	1075.0	1060.0	1.42%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	300.0	321.0	7.00%	Neutral	-

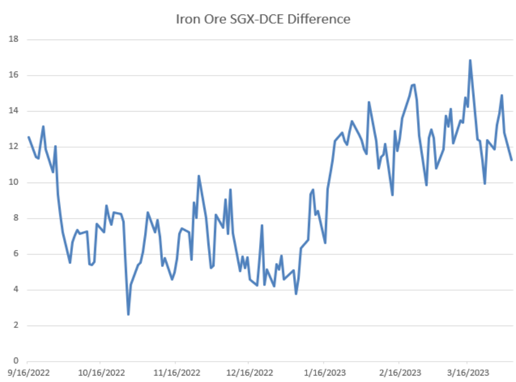
Market Review:

Iron ore Market :

Iron ore rebounded 0.62% during report week as expected. In general outlook neutral during report week. Iron ore saw an average of two laycans PBF traded during previous week in fixed or float prices. MACFs and NHGF were both popular on the seaborne market. However, the futures market pulled back on Monday following rumours related to Chinese commodity price controls, which potentially cools down the sentiment of the physical market as well.

DCE iron ore approached delivery period on May contract. Market participants expected a neutral price range on front months as futures value was close to physical value. Although China ports saw a decreasing trend, the stocks were averagely allocated in different ports in dynamic brands. Thus, less likely to see a structural shortage. In addition, supply of iron ore is expected to pick up in April and May with stable weather conditions in both Australia and Brazil. Chinese mills' iron ore inventories were maintained at a seasonal low from 90-91 million tons, since mills want to control all raw materials at demand to order mode. Steel mills physical margin became negative again last week because of the fast growing iron ore and stable steel price. Virtual steel margin remained unchanged at 212 yuan/ton.

The risk appetite shifted back to the commodity market after the bank-run news was digested by the investment market. However, market participants mentioned the ex-China Asian countries' demand on steel became soft compared to last year, including India and Vietnam. The housing market and auto-market remained muted for the last two weeks with no fresh news.



MB65-P62 maintained at $14-16 from February. High grade and mid grade were in similar dynamics with strong supply and demand. However, FMG narrowed discount from 6% to 5.5% on its flagship product FBF, which was the third consecutive month narrowing the discount. Market participants saw a decrease on cost-efficiency on low grade iron ore concentrates.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

SGX-DCE spread dropped from $15 in mid-March to $11. The spread has been largely maintained in the range $10–16 in 2023, improving significantly from last Q4 at $4–10 because of the import margin recovered.

Net, Iron ore facing a high-level reversal risk as heavy speculation purpose investments were crowded in front months in DCE market, which attracted attention of regulators in China.

Neutral

Downstream/Policies/Industry News:

Oil producing countries announced on 2 April that they would voluntarily reduce crude oil production from May to the end of 2023. Saudi Arabia announced a crude oil production cut by 500,000 barrels/ day. The United Arab Emirates announced a cut by 144,000 barrels. Kuwait announced a cut by 128,000 barrels. Iraq announced a cut by 211,000 barrels. Algeria announced a cut by 48,000 barrels. Kazakhstan announced a cut by 78,000 barrels. Oman announced a cut by 40,000 barrels.

The U.S. unemployment applications benefits climbed to 198,000 for the first time, an increase of 7,000 over the previous week, higher than the expected 195,000. Last week, the Federal Reserve raised its unemployment forecast for 2023 to 4.5% from the current 3.6%, which means that the market will lose more than 540,000 jobs.

U.S. Market Manufacturing PMI reached 49.3, a new high from October 2022, last 47.3. EU March CPI up 0.9% on the month and up 6.9% on the year, a new high from September 2022. China Manufacturing PMI in March fell by 0.7 to 51.9 , however, the index was the second highest over the past two years.

The World Bank released the April issue of the "Economic Semiannual Report of East Asia and the Pacific". The report predicted that the average growth rate of developing economies in East Asia and the Pacific will increase to 5.1% in 2023, up from 3.5% in 2022, while China's economic growth rate will reach 5.1% in 2023.

Global Steel Market:

In Europe, HRC prices averaged €842.83/mt ex-works Ruhr in March, up 8.5% from February. On 31 March, the index reached €855/mt. In the long-run, buyers are still facing potential delays from interruptions to planned restarts at some steel mills and decreasing imports of flat steel. Turkey's pig iron output fell 40.8% in February compared to previous year, after three of the largest mills were halted after the earthquake. Thus, the demand for alternatives boosted. Arcelor Mittal eyed delivery of HRCs delays as "unavoidable" after the fire incidents in blasts of Spain and France.

Chinese export prices for SS400 HRC from mills were flat at $660-670/t, while bids are at $630-640/t CFR. Mills likely to maintain the offers seeing strong demand in April. At the same time, offers were almost absent from other regions in Asia, as Japan and Taiwan were focusing on European markets. SAE1006 grade HRC were offered at $670/t CFR from China, unchanged from previous three weeks, with Vietnamese buyers only considering prices on or below $650/t CFR.

The Turkish scrap market remained largely unchanged on prices during last few days as the previous buying filled up the concerns of a materials shortage. A Turkish trader cited an indicative tradable value for Baltic–origin HMS 1/2 (80:20) at around $440-442/mt CFR Turkey. Another U.S. origin at $445-450/mt CFR for May shipment.

Net, both flat steels 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 remained unchanged at 4210 yuan/ton as expected. The early locked sales in May cargoes to some extent revealed the overbought sentiment of the domestic rebar market. The construction steel's apparent weekly consumption recovered from 4.53 million tons to 4.67 million tons, however, this is still lower than the high at 4.85 million tons three weeks ago. The market still sees a less than expected consumption in Q1 2023, which was only flat to the first quarter in 2022.

As mentioned in the previous two reports, we need to be aware that the blast furnace utilisation rate had approached the theoretical roof of industrial standard of 92%. It means that the marginal increase on pig iron should be limited. Thus, it is less likely to see an oversupply in April or May from blast furnace. However, EAFs production is expected to catch up in Q2 due to more scrap stocks and lower electricity prices.

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

Neutral

Coal Market:

The Australia FOB coking coal corrected $321.0 to $300.0 during the past week. However, the PMV and PLV price finally regained support on $300/mt level, after massive buying interest emerged for the front laycans. China demand become the major buying force around this price level. Several deals of Peak Down PLVs are concluded at $301—302/mt, mentioning more enquiries and interests. The market hasn't seen full laycan of PLVs traded for the previous few months. However, the buying interests for PMVs are low, market participants cited a potential to see wider spread between PLVs and PMVs.

In China's domestic market, a major steelmaker proposed a 100 yuan/mt cut across all grades of cola product for Q2 long-term contracts, without final confirmation from the miners side. Heibei province saw the first round of price cut by 50-100 yuan/mt on CSR 65 coke, which could be followed by 2-3 rounds of price cut in the following weeks.

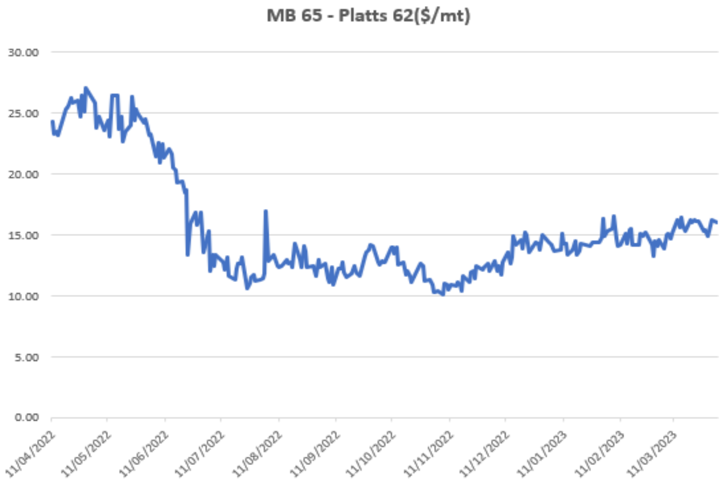
Net, Australia FOB potentially maintain neutral after a correction and an increase in buying interests for near laycans.

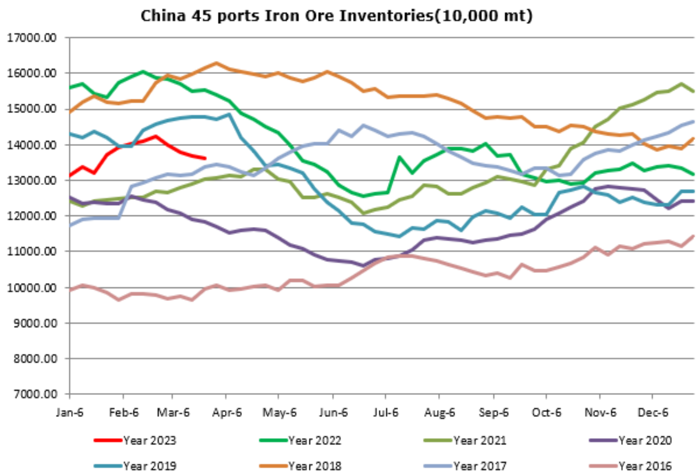
Neutral

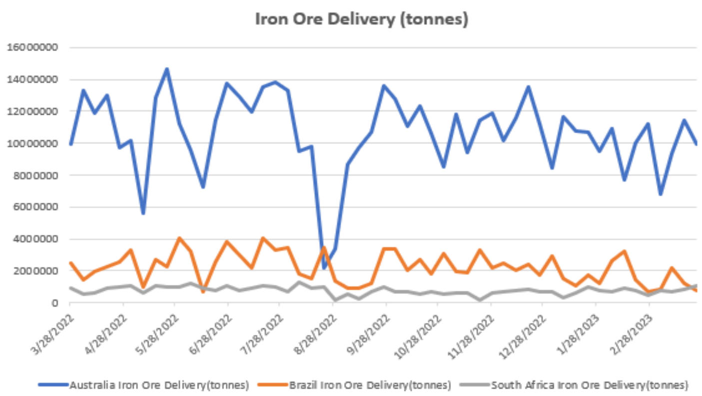
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	122.4	121.65	0.62%
MB 65% Fe (Dollar/mt)	138.4	136.9	1.10%
Capesize 5TC Index (Dollar/day)	14290	14888	-4.02%
C3 Tubarao to Qingdao (Dollar/day)	21.511	20.233	6.32%
C5 West Australia to Qingdao (Dollar/day)	8.175	8.41	-2.79%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3900	3860	1.04%
SGX Front Month (Dollar/mt)	125.32	119.68	4.71%
DCE Major Month (Yuan/mt)	909	855	6.32%
China Port Inventory Unit (10,000mt)	13,461.24	13,604.66	-1.05%
Australia Iron Ore Weekly Export (10,000mt)	992.00	1,142.30	-13.16%
Brazil Iron Ore Weekly Export (10,000mt)	77.80	119.20	-34.73%







Iron Ore Key Points

- Iron ore port inventories fell from a 10-month high area 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 remained stable as similar fundamentals on the two concentrates.

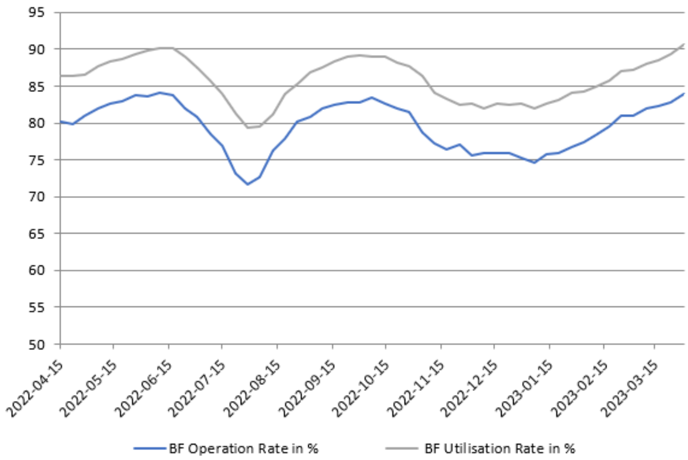
- The rate of pig iron production increase slowed. The utilisation rate left 2% to reach a theoretical roof.

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

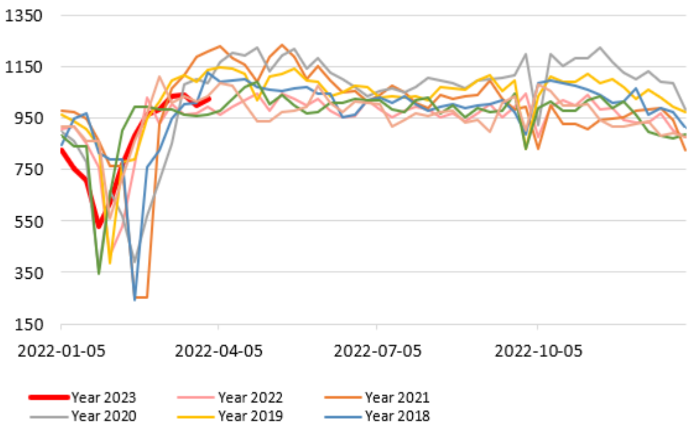
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1164	1057	**10.12%**
LME Rebar Front Month (Dollar/mt)	726.93	723	**0.61%**
SHFE Rebar Major Month (Yuan/mt)	4175	4085	**2.20%**
China Hot Rolled Coil (Yuan/mt)	4389	4332	**1.32%**
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)	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)



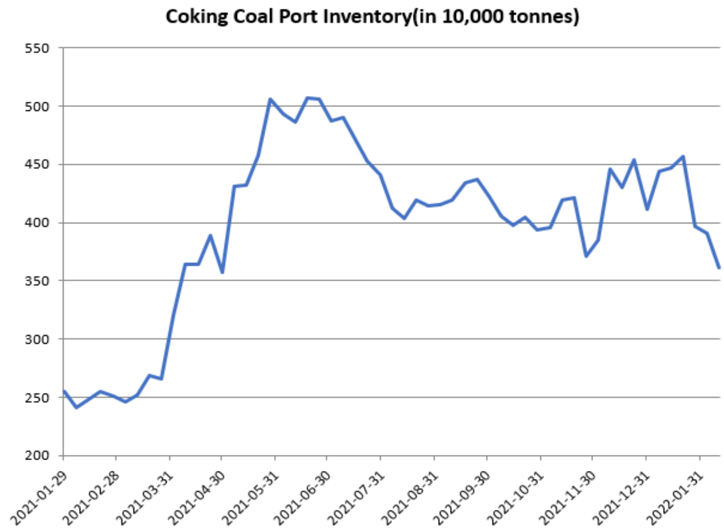
Virtual Steel Mill Margins (Five-Year Range)

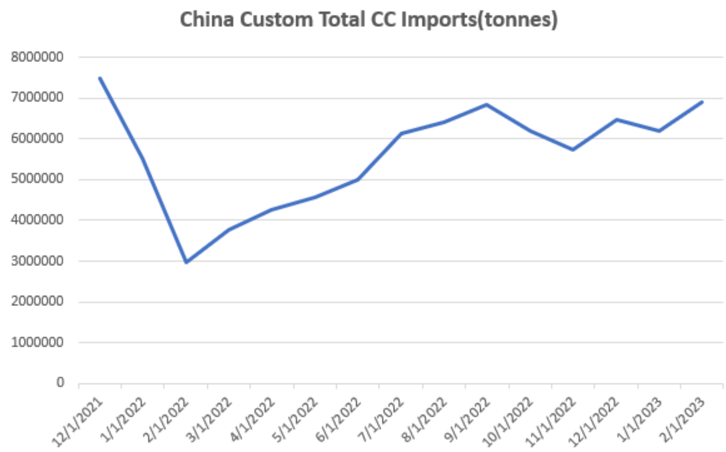
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins corrected from 340 yuan/ton in mid-March to 212 yuan/ton in late March. Physical margin dropped to negative again.
- The apparent consumption of construction steels recovered last week.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	300	321	**-6.54%**
Coking Coal Front Month (Dollar/mt)	302.33	354	**-14.60%**
DCE CC Major Month (Yuan/mt)	1849	1835	**0.76%**
Top Six Coal Exporter Weekly Shipment	19.33	21.54	**-10.26%**
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.
- Indonesia and Russia export boosted from February to March, which created a surplus on second tier coal market and thermal coal market.
- Chinese Q2 long-term contract price expected to drop. Coking coal spot has dropped 100 yuan/ ton already. CSR 65 coke was cut by 50– 100 yuan/ton.

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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