FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. Iron ore once corrected, however, recovered loss early on in the week, following Chinese steel mills finished maintenance and recovered production.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The apparent consumption recovered above 10 million tons on the five typical steels.

⇒ **U.S. HRC Front Month** short-run **Neutral**. Turkey increased import tariff on some types of flat steels, which is expected to add pressure to low-price Asian sources.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. The ample supply of PLVs and PMVs created a current pressure on the pricing, however India and Japan's demand potentially support the current price.

Prices Movement	15-May	8-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	108.40	109.95	1.41%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3730.0	3780.0	1.32%	Neutral to Bullish	↗
U.S. HRC Front Month ($/MT)	1093.0	1105.0	1.09%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	236.75	241.0	1.76%	Neutral to Bullish	↗

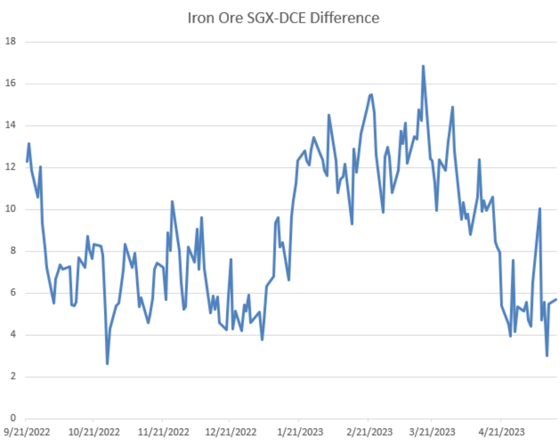
Market Review:

Iron ore Market :

Iron ore tanked last week and recovered most of the loss early on this week. We maintained that iron ore should be oversold in short-run. Some of steel mills lock price for finished rebars late last week, plus the improved secondary market trade in seaborne side, both contributed reversal signs of the current iron ore market. From macro side, Shanghai equities and major industrial commodities recovered loss on Monday, which brought positive sentiments to the current investment market.

The market saw a PBF traded with a premium of $1.7 based on IODEX June Average in secondary market. The tradeable value in primary market was ranged from $2.8—3/mt last two weeks, which decreased to $2.5 last Friday and this Monday. Newman Fines premium was from $0.14-0.15/mt last week. MACF discount was from $0.4-0.5/mt. There were increasing fixed trades from last Thursday. Other than major brands, IOC6 was popular through entire H1 due to the high cost-efficiencies and stable shipments.

The apparent consumption of Chinese steels improved significantly last week. Pig iron production per day decreased for the third week. Pig iron expected to enter a two-month length destock period following the seasonal rules. However, the sample EAFs production was 10% lower in both March and April. Thus, blast furnace capacity was expected to fill up the gap of EAFs production, which potentially meant a resilient demand of iron ore in May. Moreover, many mills finished maintenance and restarted production cycle from late last week. In long-run, pressure would come with more long-term deliveries as well as improved EAFs production with cheaper electricity price.



Virtual steel margin dropped from 361 yuan/ton to 315 yuan/ton, which still lied in the high level of the year. The relative strong margin would support iron ore and coke price theoretically.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

The SGX-DCE difference lied from $4.5– 7.5 90% of the time during the past four weeks. There was no expectation for the spread to jump out this area in the coming weeks.

As expected, Jun-Jul23 spread grew significantly from $1.85 to $2.70 during the past seven trading days. We are expecting a continuous growth in the coming 2-3 weeks on the spread curve, as the resilient spot demand on import sources. However, the curve potentially starts to weaken once market saw long-term contracts.

MB65-P62 recovered to $14.2, high grades import regained popularity because of a temporary shortage of Chinese domestic concentrates in Tangshan area.

Net, Iron ore expected to maintain a healthy rebound in short-run.

Neutral to Bullish

Downstream/Policies/Industry News:

Argus interviewed The International Rebar Exporters' Association surrounding how tepid global long steel demand provided little prospect of prices this year. The interview mentioned the Chinese steel demand shift from fixed investment to private consumption, which is expected to be less sustainable. The consumption growth is expected to be flat in North Africa and Gulf Council countries. European construction sector is hampered by the high interest rates and energy cost till the end of year.

Chinese April industrial value added amount above designated scale, up 5.6% year-on-year, up 1.7% month-to-month. China house developing investment down 6.2% year-on-year in the first four months in 2023. China imported 140 million tons of coals, up 88.8% on the year from January to April. China imported 178.77 million tons of crude oil, up 4.6% on the year.

India automobile sales and output rose in April by 19% to 1.71 million units, while production rose by 3.5% on the year to 1.96 million units. The growth was mainly contributed by the 32% sharp increase on the passenger vehicles.

Indian state-owned pellet producer KIOCL temporarily shut its 3.5 MTPA pellet plant in Mangolore from May 13th to carry out maintenance.

Global Steel Market:

In U.S., a service center implied tradeable value from multiple mills at $1,100-1,120/st ex-works.

Indian S235 HRC sales were concluded at around $635– 640/t CFR for June shipment last week, similar thickness S235 HRC was priced at $650 for late May shipment. SAE1006 was offered at $630-635 CFR mid east countries. Deals for a small quantity of Chinese SS400 and Q195 grades HRC were concluded at $544-545 CFR Vietnam on Thursday in small amount. However, Chinese offers were as high as $590 FOB. The wide spread between offers and bids left zero possibility for deals.

China HRC for SS400 increased the negotiable room for buyers as the drop in domestic market. An eastern Chinese mill sold $630/t FOB China to Oman. Indian buyers only willing to bid at $610. At the same time, Vietnamese buyers lowered their offers as well.

Turkish scrap index maintained steady during past report week, as market activities were paused before the presidential election. The current HMS 1/2 80:20 were largely clustered around $375/mt CFR.

Net, scrap price and steel price were both lowered by the cheap international steels.

Neutral

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar dropped by 50 yuan/ton slightly to 3730 yuan/ton, physical market stablised because mills saw higher orders on book in May, expected a 12% growth compared to April. The apparent consumption grew back from a three month-low to 10 million tons last week, which was similar to the number in most of the times in the past 3-4 months.

EAFs produced steel utilisation rate was 10% lower than previous year in March and April, which potentially needs the blast furnace to keep output higher in the rest of Q2 theoretically. However, the peak pig iron production was confirmed as a three-consecutive decrease on the output. Thus, the production of steels are potentially entering a "slow decreasing mode" in the coming 2 months.

In short-run, the previous maintenance in late April completed last week, while mills restarted operation. Some mills need 1 week length of useable stocks to proceed the normal production.

Net, rebar price currently entering a slower supply and slower demand phase.

Neutral to Bullish

Coal Market:

The Australia FOB coking coal weakened slightly during past week by 1.76%. The softened market was due to ample near laycan supply in PMV and PLV market. The most recent offer was heard at $235/mt for 75,000 mt of globalCOAL HCCA Prime coal with June laycan.

Chinese domestic physical coke market stablised after six rounds of decrease by 600 yuan/ton, in particular the extended suspension of cokeries in inner-Mongolia province. Indian market yet to see a demand growth in mid-run, as local washeries were operating at less than 50% capacity.

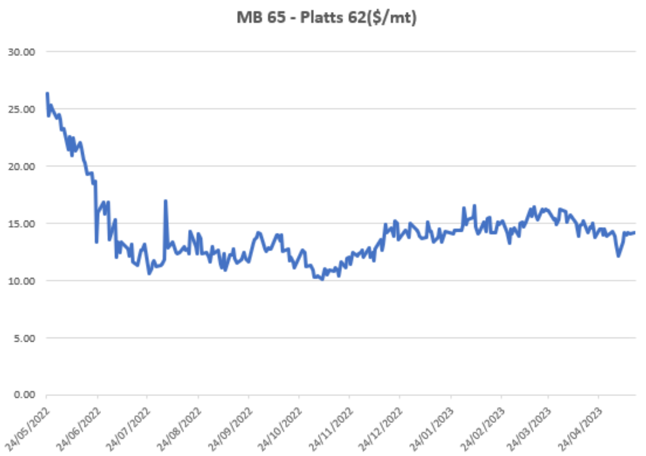
Net, Australia FOB potentially stablise after the current laycans booked.

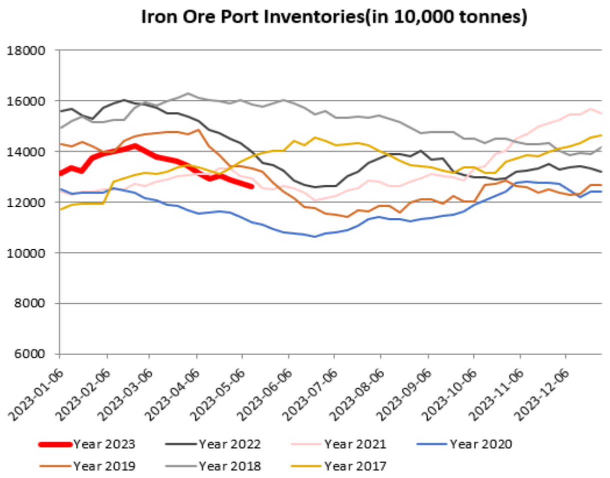
Neutral to Bullish

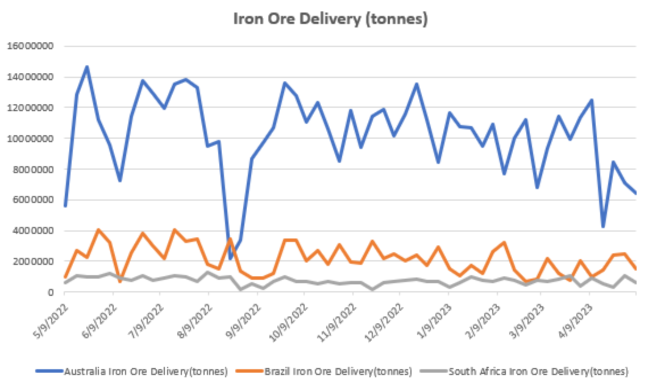
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	108.4	109.95	-1.41%
MB 65% Fe (Dollar/mt)	122.6	123.3	-0.57%
Capesize 5TC Index (Dollar/day)	19777	19768	0.05%
C3 Tubarao to Qingdao (Dollar/day)	21.856	22.319	-2.07%
C5 West Australia to Qingdao (Dollar/day)	8.86	8.91	-0.56%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3400	3470	-2.02%
SGX Front Month (Dollar/mt)	99.45	98.77	0.69%
DCE Major Month (Yuan/mt)	696	687	1.31%
China Port Inventory Unit (10,000mt)	12,600.06	12,736.28	-1.07%
Australia Iron Ore Weekly Export (10,000mt)	645.20	707.50	-8.81%
Brazil Iron Ore Weekly Export (10,000mt)	146.80	247.10	-40.59%







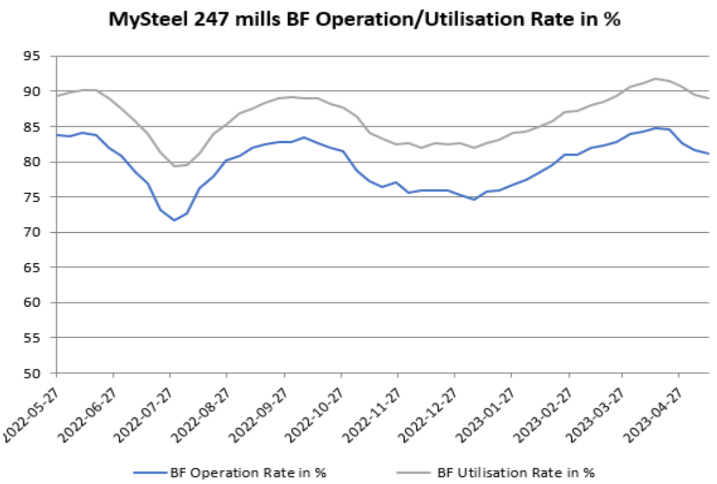
Iron Ore Key Points

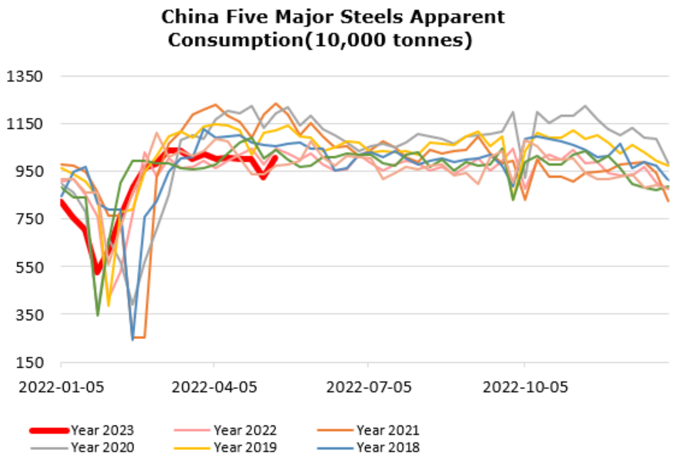
- Chinese iron ore port inventories had decreased by 11.41% from the high in late February.
- The 65% and 62% iron ore recovered back on $14, supported by the decrease of Brazil shipment.
- The pig iron production followed a descending phase in May and June.

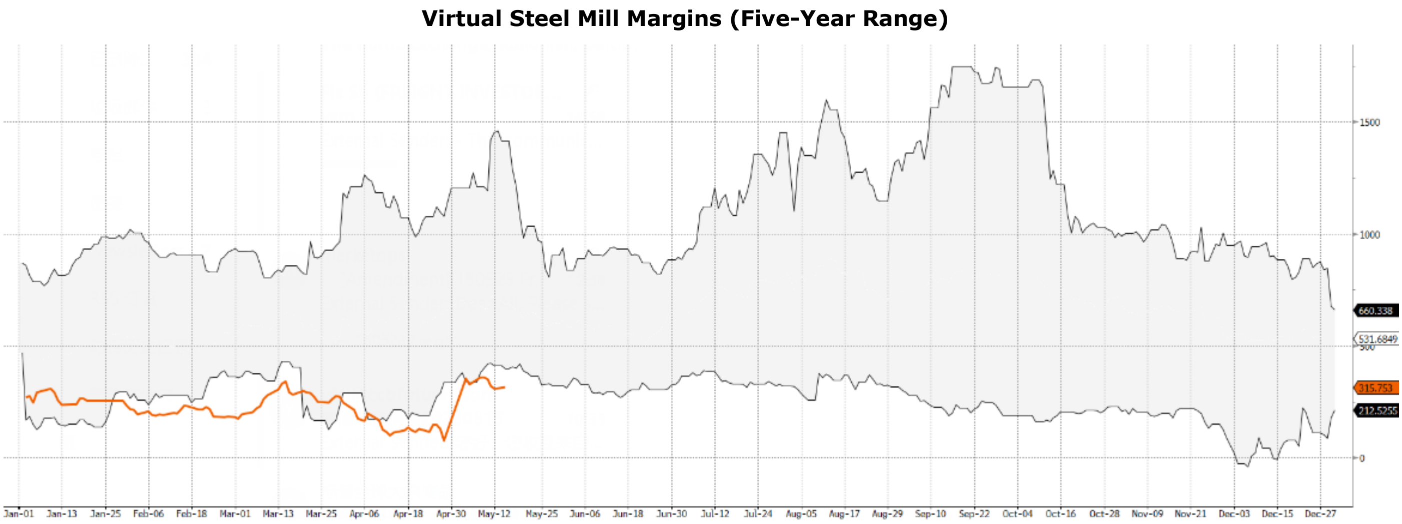
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1096	1101	**-0.45%**
LME Rebar Front Month (Dollar/mt)	621	615	**0.98%**
SHFE Rebar Major Month (Yuan/mt)	3595	3583	**0.33%**
China Hot Rolled Coil (Yuan/mt)	3795	3935	**-3.56%**
Vitural Steel Mills Margin(Yuan/mt)	315	361	**-12.74%**
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)	165,100	142,400	**15.94%**





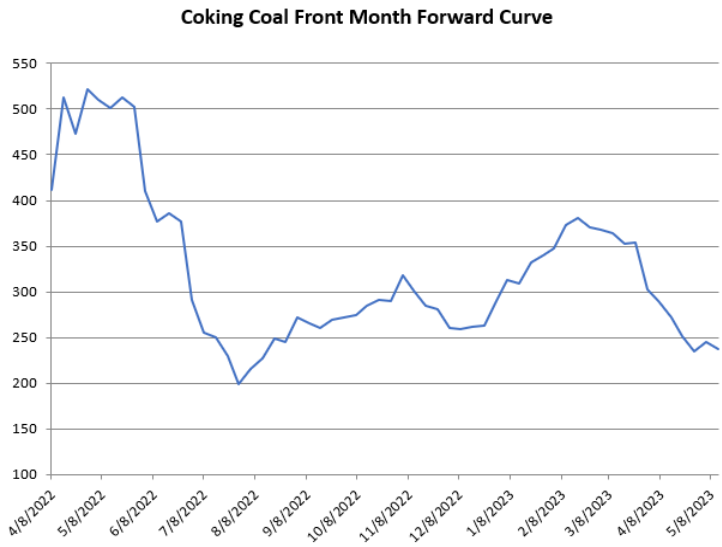


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins dropped from 361 yuan/ton to 315 yuan/ton, which stayed at high level of the year in May.
- The apparent consumption recovered from 9.23 million tons to 10 million tons during past week.

Coking Coal

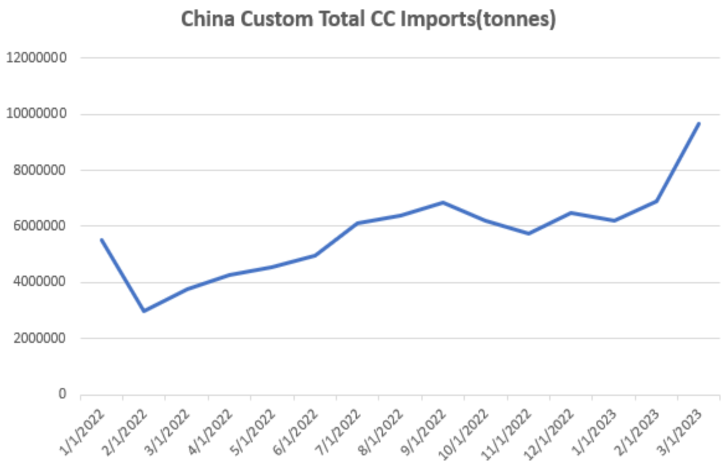
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	236.75	241	-1.76%
Coking Coal Front Month (Dollar/mt)	237.17	244.67	-3.07%
DCE CC Major Month (Yuan/mt)	1344	1323	1.59%
Top Six Coal Exporter Weekly Shipment	17.15	19.84	-13.56%
China Custom total CC Import Unit mt	9,646,998	6,913,694	39.53%



Coal Key Points

- The FOB Australia coking coal softened as ample supply on nearby laycans.

- Chinese physical premium coke stablised last week after dropping 600 yuan/tons during the past two months.



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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