FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. Iron ore corrected in early half of last week and recovered loss after then, following the risk appetite shift back to commodities as well as the acceleration in local debts issuance.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The apparent consumption remains resilient. Thus, current correction of spot price potentially to see rebound in the following days.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The lack of on-going construction projects as well as slowing down in auto-making created pressure for both long-steel and flat steel in Europe and U.S.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The supply of PLVs gradually decreased from late June laycan, however demand market was in a watch-and-see mode.

Prices Movement	29-May	22-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	104.45	104.85	0.38%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3560.0	3690.0	3.52%	Neutral to Bullish	↗
U.S. HRC Front Month ($/MT)	1099.0	1090.0	0.83%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	222.0	223.0	0.45%	Neutral	-

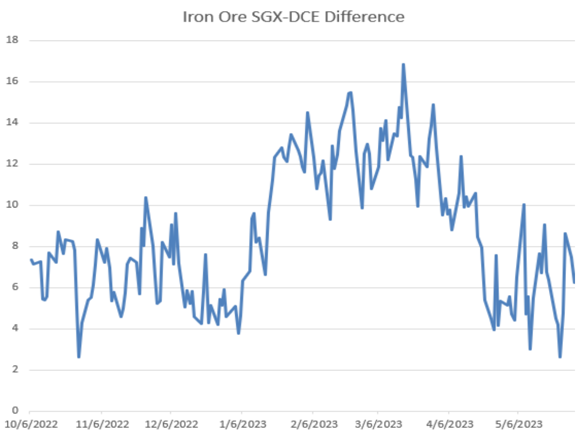
Market Review:

Iron ore Market :

Iron ore tested low during the week and recovered across the weekend, after the U.S. debt ceiling reached constructive progress between two parties and China's issuance of local debts at faster pace. Again, macro sentiments became the key driver to dominate iron or ferrous market in May. The previous panic outspread in investment market led a general correction in metals, oil, currencies, debt face value and equities market.

From a fundamental side, China pig iron daily production is expected to decrease below 2.3 million tons in June, marginal weakening demand was still creating pressure on iron ore market. Moreover, rainy season and high temperature weather has come into southern provinces in China, which potentially hamper the downstream operation.

Given the weaker housing data in China for the first five months, there were different versions of rumors to expect acceleration of specialized debts issuance in the coming months. From January to April, Chinese industrial profit above designated scale value added amount was 20.6% lower than same time over last year. However, the growth rate was 3.7% higher than January to March period. Analysts believed that the recovery on industrial profit would take longer time.



The market saw resilient PBF demand even when market was in the worst condition in early half of last week. The buyers would always like to pay at $1.5-1.85/mt as the premium of June Index linked PBF. Sellers were tight of cargoes on hand, indicating a tight supply. Tangshan concentrates were in a slight shortage mode starting from early May. The low discount and stable premium in fact increased the cost efficiency of high grade and low grade iron ores. Thus, buyers were actively asking for low grade and high grade cargoes at ports.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Virtual steel margin this week was 288 yuan, remaining largely unchanged from last week. The steel margin is expected to stay stuck in a low area during the year. However, mills indicated that they could dynamically control the cost and orders, to avoid a marginal loss conditions in last two years.

EAFs didn't significantly increase utilisation rate because of the high domestic scrap price. Thus, the pig iron demand remained at seasonal high level, which becomes a support indicator for iron ore.

The four biggest iron ore miners increased by 6.6 millions in the global shipment in Q1, however the annual increase was estimated below 10 million tons as the decrease in shipments for mid and small miners. However, the Chinese domestic output of iron ore expected to increase in 2023.

As expected, Jun-Jul23 spread remained strong during past report week, regardless of outright correction during the week. The steep spread curve indicated a strong front demand, due to the absolute Asian demand in Q2, as well as improved Chinese import margin.

MB65-P62 dropped to $12 –12.5 area, expected to recover as the steel margin recovery as well as better cost-efficiency found in high grade concentrates.

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

Neutral to Bullish

Downstream/Policies/Industry News:

The agreement was reached between U.S. president Joe Biden and Republicans to raise the limit on federal debt.

China's statistics indicated that the value added amount of industrial enterprises above designated scale decreased by 20.6% for the first four months in 2023, increased 3.7% from January to March period. The coal mining and washing industry decreased by 14.6%, the non-ferrous metal smelting and rolling processing industry decreased by 55.1%, and the ferrous metal smelting and rolling processing industry decreased by 99.4%. Analysts generally believed that the negative number would get narrower in the next two quarters.

The Indian Steel Association is forecasting a significant growth by 7.5% in steel demand in FY 2023-2024 to 128.85 million tons, driven by strong infrastructure development.

Brazil government announced a series of tax breaks to make low priced vehicles more accessible. The measures are expected to cut sticker price by 1.5% 10.8% for new vehicles. For 2024, the government intends to launch tax incentives to renew manufacturing facilities and promote more innovation in the automotive sectors.

The Minnesota Executive Council approved state mineral leases for more than 2,600 acres of iron ore at Cleveland Cliffs, produced about 29 million of ores and 7.8 million of iron bearing pellets annually.

Global Steel Market:

During the previous week, some European steelmakers were contemplating blast furnace stoppages in response to weak demand and falling prices. The Slovak Steelmaker U.S. Steel Kosice is looking to idle its blast furnace with 3.5 MTPA. Liberty Galati in Romania has taken its only blast furnace offline for maintenance. Argus northwest EU HRC index has fallen from €847/t to €716.75/t from April 11th to May 23rd.

Italian mills cut their selling price for rebar to €660/t ex-works in the domestic market from previous €690/t offers a week before. There was a lack of on-going construction projects, which caused a slow buying activity in Europe.

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

Market Review (Continued)

A north Chinese mill cut its offer by $10/t to $580/t FOB China for SS400 HRC. Japan also cut its SAE 1006 grade offer to $600/t, failed to induce Vietnam buyers. Vietnamese buyers were expecting a further fall.

Europe and U.S. steel price is expected to continue the downward trend as lack of construction projects and slow auto-making in late Q2.

Neutral

Chinese Steel Market:

Shanghai domestic 25mm rebar refreshed the biggest single week drop by 3.52% since March. The significant drop was due to the ex-factory price cut from eastern Chinese mills. The daily construction steel trading volume saw a 2.8% decrease in May compared with April. However the May average number was still 3.1% higher than same period last year. The apparent consumption in the first four weeks of May totaled 17.3 million tons, which was lower than 18.37 million tons in last May.

Although the daily pig iron production increased by 0.9% to 2.4152 million tons last week, the trend was following a downward direction after the end of construction season in Q2. The high number would indicate the same conclusion suggested by physical trades volume—marginal demand potentially entering a slow decreasing period instead of fast dropping in previous years.

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

Neutral to Bullish

Coal Market:

The Australia FOB coking coal index remained unchanged at $222-223 during most of last week. The bearish sentiment heard in the market that PHCC are priced as low as $200 from the buy side, however there was no deal completed during past week. After Chinese restock ended, Indian end-users entered a restock mode in May and June.

Chinese domestic physical coke market total cut 9 rounds by 800 yuan/ton. However, some market analysts for coal in China expect further few rounds of cut in the coming weeks.

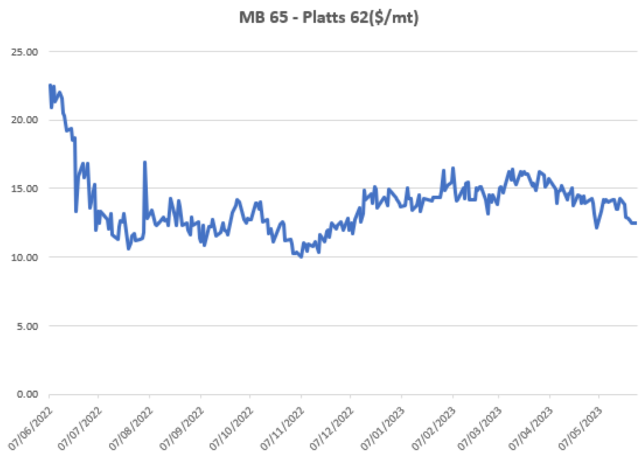
Net, Australia FOB potentially entering a stable mode to wait for a clear direction.

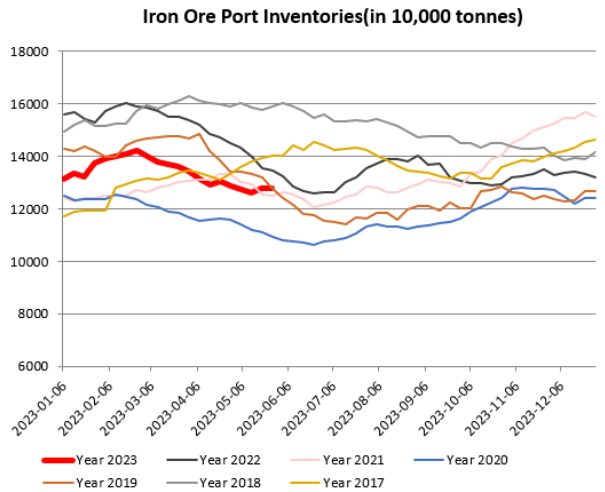
Neutral

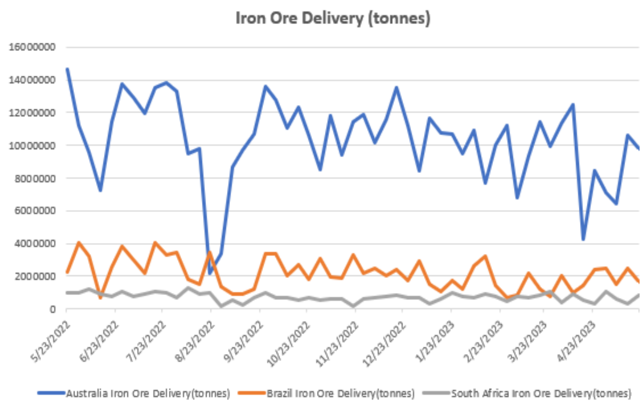
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	104.45	104.85	-0.38%
MB 65% Fe (Dollar/mt)	116.9	118.7	-1.52%
Capesize 5TC Index (Dollar/day)	13956	17459	-20.06%
C3 Tubarao to Qingdao (Dollar/day)	19.489	20.794	-6.28%
C5 West Australia to Qingdao (Dollar/day)	8.36	8.805	-5.05%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3300	3420	-3.51%
SGX Front Month (Dollar/mt)	100.58	105.38	-4.55%
DCE Major Month (Yuan/mt)	685.5	735.5	-6.80%
China Port Inventory Unit (10,000mt)	12,793.83	12,786.21	0.06%
Australia Iron Ore Weekly Export (10,000mt)	978.70	1,062.70	-7.90%
Brazil Iron Ore Weekly Export (10,000mt)	167.40	246.30	-32.03%







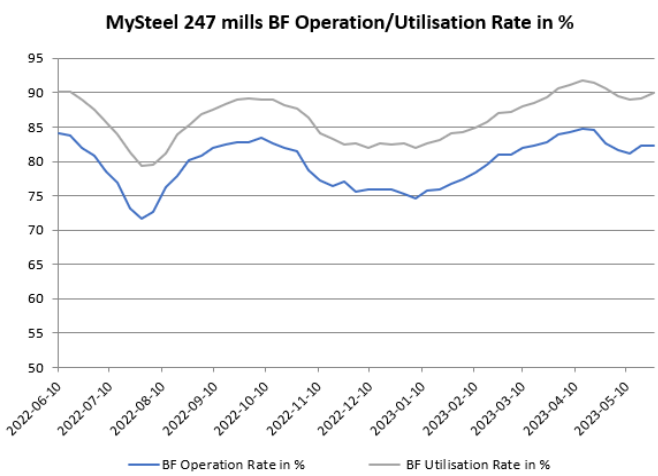
Iron Ore Key Points

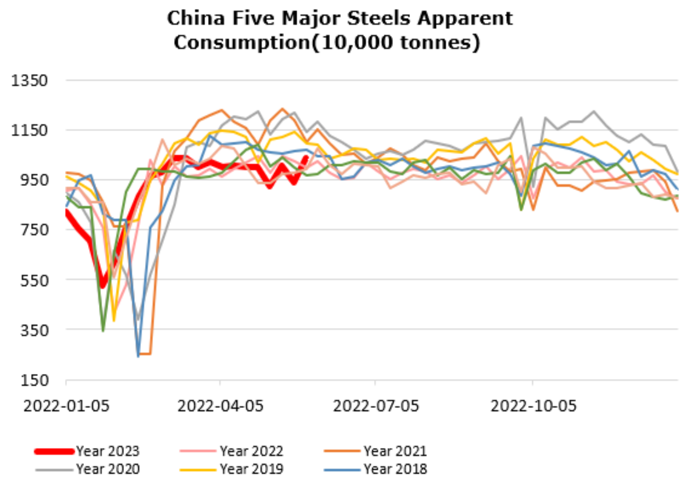
- Chinese iron ore port inventories potentially entering a slow decreasing mode as the consumption of ores entered a light season from late May to August.
- The 65% and 62% iron ore dropped to $12, however, it is expected to recover the loss in the next few weeks.
- The pig iron production followed a descending phase from late May to late June.

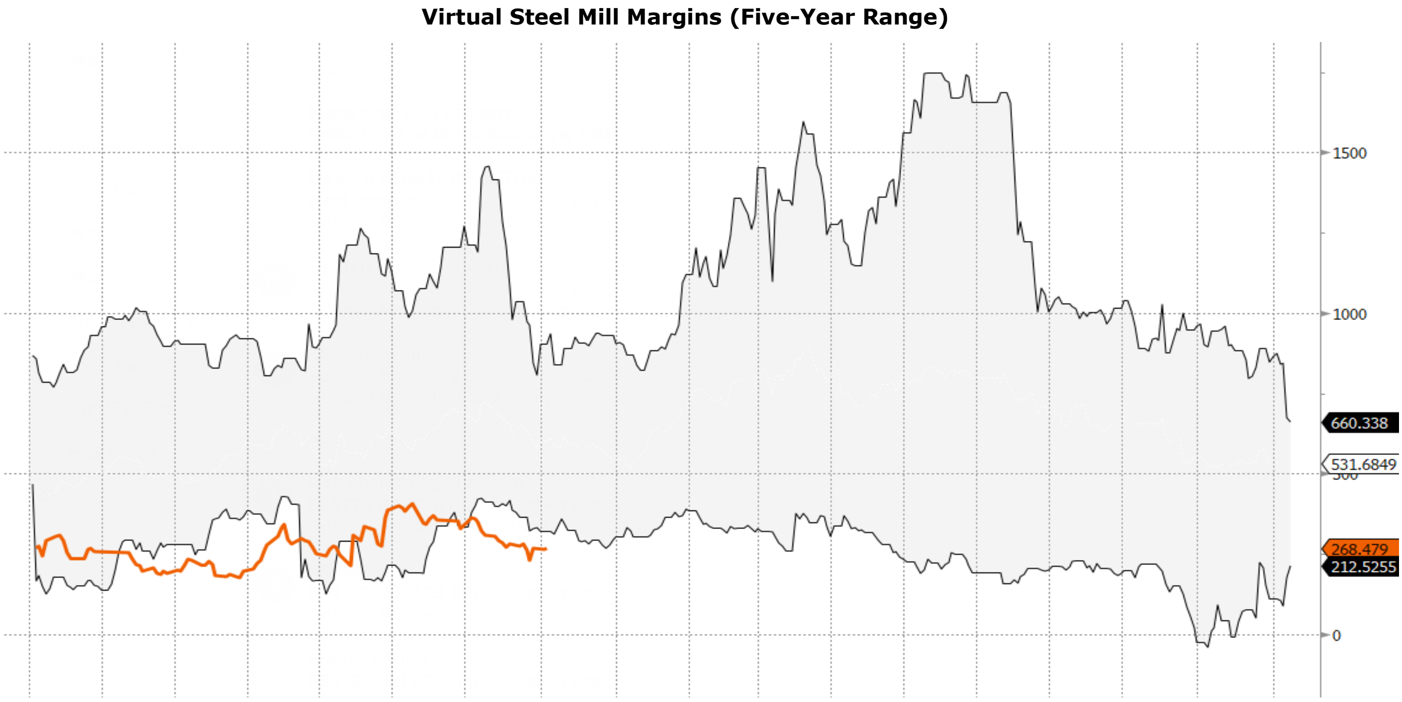
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1099	1094	0.46%
LME Rebar Front Month (Dollar/mt)	625	615	1.71%
SHFE Rebar Major Month (Yuan/mt)	3447	3655	-5.69%
China Hot Rolled Coil (Yuan/mt)	3699	3830	-3.42%
Vitural Steel Mills Margin(Yuan/mt)	268.5	269	-0.19%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	92600	95700	-3.24%
World Steel Association Steel Production Unit(1,000 mt)	165,100	142,400	15.94%



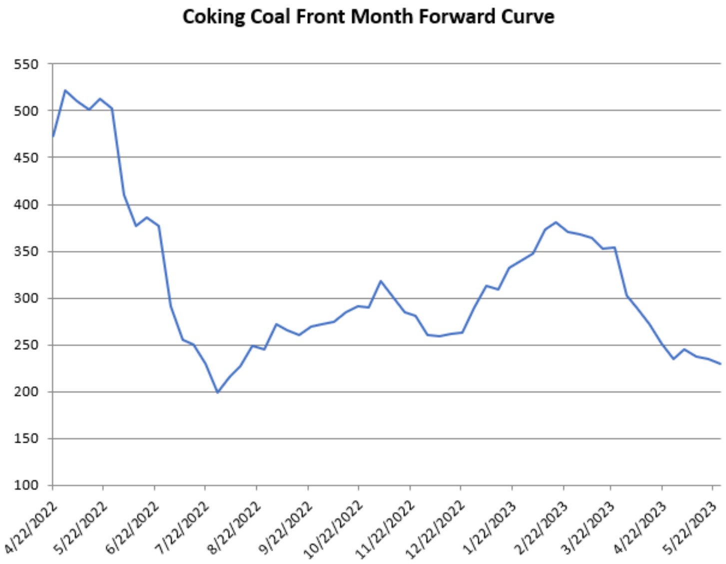




- Virtual steel mill margins largely remained unchanged at 268.5 yuan/ton area from the previous week. Mills of China expected to maintain a stable small margin across 2023.
- The apparent consumption recovered from 9.23 million tons to 10 million tons during past week.

Coking Coal

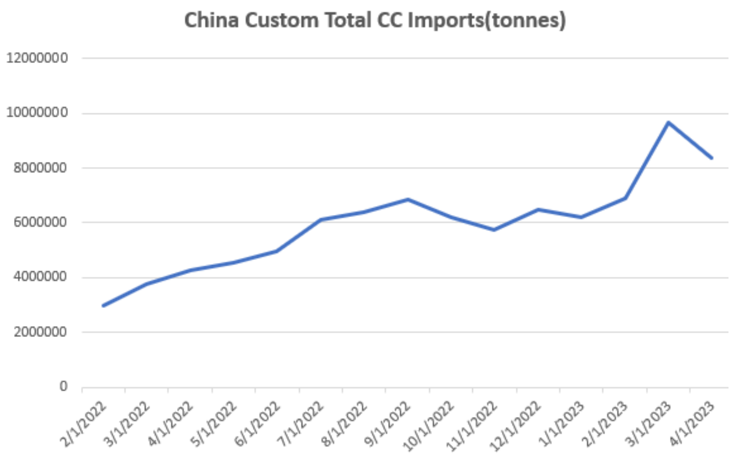
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	222	223	-0.45%
Coking Coal Front Month (Dollar/mt)	230	235	-2.13%
DCE CC Major Month (Yuan/mt)	1241	1364	-9.02%
Top Six Coal Exporter Weekly Shipment	19.23	19.53	-1.54%
China Custom total CC Import Unit mt	8,386,554	9,646,998	-13.07%



Coal Key Points

– The FOB Australia coking coal softened as ample supply on nearby laycans, however the Indian restock expected to support the demand market in June.

– Chinese physical premium coke corrected for nine rounds. However market participants were waiting for further cut in the following 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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