FIS

Ferrous Weekly Report

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09/05/2023

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. Iron ore stablised after a month-length correction after Chinese and Singapore holiday, as risk appetite returned including a general improvement in equity and commodity market. Virtual steel margin increased significantly in previous two weeks.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. A drop on Chinese steel consumption symbolised the demand of steel market entering a weakening period, which normally could last 2-3 months according to historic experience.

⇒ **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 spot demand improved after three-month length correction, FOB Australia coking coal regained cost-efficiencies among premium brands.

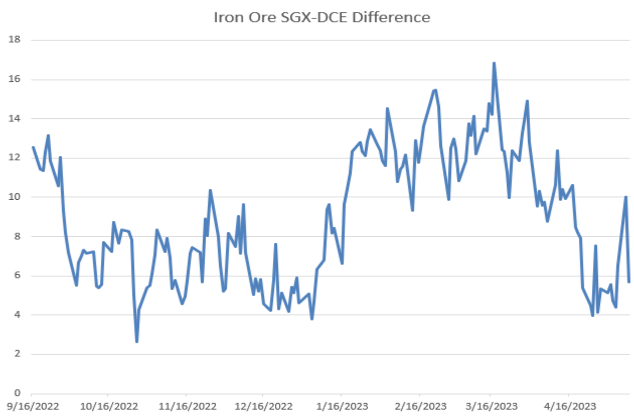
Prices Movement	8-May	28-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	109.95	106.50	3.24%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3780.0	3830.0	1.30%	Neutral to Bullish	↗
U.S. HRC Front Month ($/MT)	1105.0	1069.0	3.37%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	241.0	231.5	4.10%	Neutral to Bullish	↗

Market Review:

Iron ore Market :

Iron ore grounded up by 3.24% after a two-month-long correction by 21.68% previously. As expected from last report, iron ore was oversold. The market was following a general return on global assets including major equities and industrial commodities, after market heard the termination voices of interest hike from U.S. Federal officers. During similar period, China held an important conference mentioning some resolution on housing debts and commercial banks lower interest rates on Monday.

From fundamental perspective, iron ore demand entered a marginal decreasing period. Pig iron production started to decrease after reaching peak level 2.467 million tons/day three weeks ago. However, the price resilience was dependent on the balance relationship between supply and demand. Iron ore supply also expected a decrease in late April because of previous weather and accidents impact in Australia and Brazil. Looking ahead, miners expected to improve the shipments and some long-term sales in the last two months of a financial year (June 2022—June 2023). In the first week of May, 19 Australia and Brazil iron ore shipments at 26.15 million tons, up 365,000 tons on the week. 45 Chinese ports arrivals at 20.67 million tons, up 2.585 million tons on the week.



From the angle of valuation, DCE iron ore Jan24 contract once reached 640 yuan/ton or $78/mt, which broke the theoretical higher bound of mid-small iron ore miners. Thus, a breakdown on this level in long-run would mean a production suspension by some miners. Chinese market was sensitive to this level and market pushed back in fifteen minutes after witnessing this number. Virtual steel margin improved fast from 79 yuan/ton to 361 yuan/ton, which could support materials growth in short-run.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Active trades had been found after Chinese and Singapore holiday last week. The PBF/BRBF premium maintained strong across holiday. There were increasing fixed price enquires in trading window as well.

SGX Q124 was valued at higher level in particular compared with DCE contracts in the same contract month. Thus, spread curve potentially widened in long-run for far-month contracts.

MB65-P62 dropped below $14, as the Brazil supply is expected to increase in the next two months by the end of a fiscal year. Mid-grade regained popularity in seaborne market.

Net, Iron ore expected to maintain resilient in short-run.

Neutral to Bullish

Downstream/Policies/Industry News:

China April Manufacturing PMI fell from the boom and bust line in April at 49.2, because of the high base effect and lower demand in industrial area. U.S. Federal hiked interest rate by 25 bps as expected, to raise interest rate to 5.00%- 5.25% area.

In the first four months, China imported 385 million tons of iron ore, an increase of 8.6% y-o-y, and the average import price (the same below) was 781.4 yuan per ton, a decrease of 4.6%.

Turkey imposed tariffs effective from May 1st to 15% on some types of HRC from 9%, to protect the domestic blast furnace production. The local production once almost squeezed out after the earthquake, following high amount of cheap import sources from Asia. The current Turkey HRC ex-factory was $760/mt, while import resource was as low as $630/mt CFR.

Argus media indicated in a report that India's finished steel exports in April rose to the highest level in 13 months by 13% year-on-year to 855,000t. India' export rose after removal of export duties on steel products in mid-November 2022. EU became the top finished steel export destination for Indian steelmakers.

Arcelor Mittal Q1 steel production up 9.8% to 14.5 million tons from last Q4, however down 11% on the year. Vietnam Q1 steel production 6.69 million tons, down 20.9% on the year, sales 6.07 million tons, down 25.4% on the year.

Global Steel Market:

The steel supply became crowded in Europe and mid-east areas, because of the cheap Asian export. India's steel export boosted by 13% in April, contributed by the removal of export tariff. Asian HRC was sold as low as $630– 650 CFR, which was significantly competitive to domestic made steel in Europe and mid-east countries. Turkey imposed tariffs to 15% from 9% on some HRC types to protect the local mills capacity. Asian market capacities increased fast, which caused a big drop in steel prices and willingness to export the excess of output. Both Japan and India have offers lower than $650/mt CFR. However, importers were not urgent to buy.

In long run, India's Tata saw steel demand improving in 2023-2024. The company eyed an acceleration in the infrastructure sector, where Indian construction companies received full order books to complete the projects. In addition, passenger vehicle growth was expected to grow steadily.

China HRC for SS400 increased the negotiable room for buyers as the drop in domestic market. A 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.

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

Market Review (Continued)

Turkish scrap market dropped from $400 to $377.5 during last report week, because of little market activities seen before the in-coming presidential election. Moreover, the increased international finished steels crashed down the scrap value in past few weeks. Taiwan EAF steelmaker Feng Hsin maintained the collection price for HMS 1/2 80:20 at $375/mt, excluding VAT.

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

Neutral

Chinese Steel Market:

Shanghai domestic 25mm rebar dropped by 50 yuan/ton slightly to 3780 yuan/ton, physical market stablised because mills saw higher orders on book in May, expecting a 12% growth compared to April. However, the apparent consumption for the first time dropped to 9.2 million tons last week, after maintaining at strong level at 10 million tons for seven weeks.

Mills in northern provinces indicated a limited pressure on production cut. Some mills suggested that they would start to control output target from mid Q3. EAFs production expected to grow from May to September, given a cheaper electricity price as well as higher scrap inventories. Some mills still believed that the construction demand is late coming instead of weaker than 2022.

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

Neutral to Bullish

Coal Market:

The Australia FOB coking coal improved slightly by 4.1% during the report week to $241/mt. Healthy trading activities were noted with PMV June laycan traded at $240-241. There was also PMV traded at $245 for may laycan.

In the Chinese domestic market, the sixth rounds of price cut by 100 yuan/ton on prime coke was proposed by major mills. The six rounds of cut totaled 600 yuan/ton.

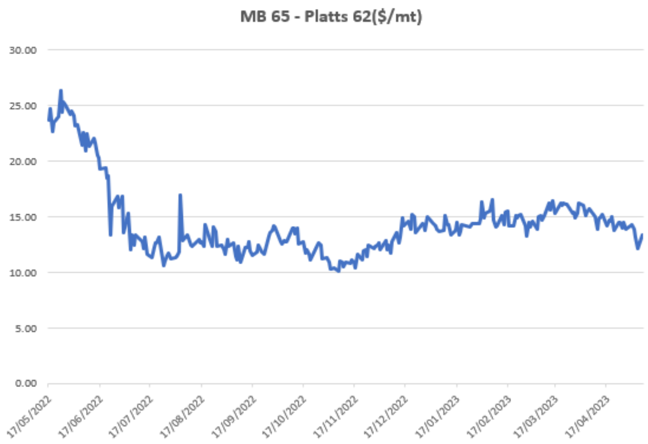
Net, Australia FOB potentially supported by strong buying interests.

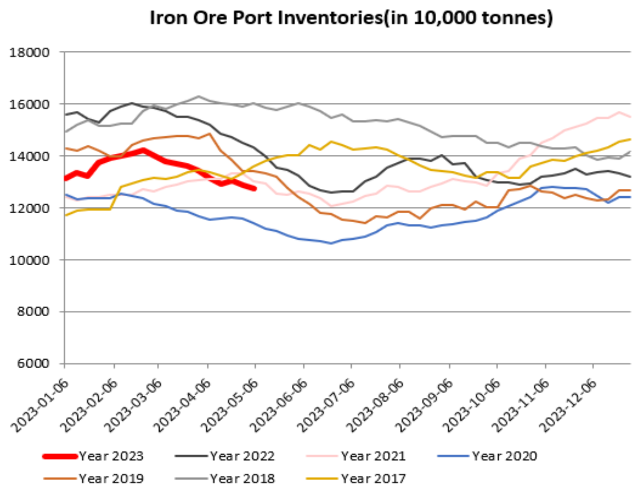
Neutral to Bullish

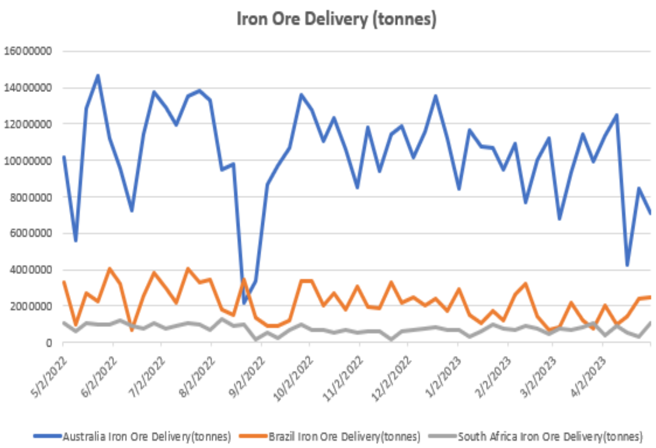
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	109.95	106.5	3.24%
MB 65% Fe (Dollar/mt)	123.3	120.4	2.41%
Capesize 5TC Index (Dollar/day)	19768	19080	3.61%
C3 Tubarao to Qingdao (Dollar/day)	22.319	22.728	-1.80%
C5 West Australia to Qingdao (Dollar/day)	8.91	9.043	-1.47%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3470	3490	-0.57%
SGX Front Month (Dollar/mt)	98.77	104.81	-5.76%
DCE Major Month (Yuan/mt)	687	850	-19.18%
China Port Inventory Unit (10,000mt)	12,736.28	12,886.99	-1.17%
Australia Iron Ore Weekly Export (10,000mt)	707.50	844.10	-16.18%
Brazil Iron Ore Weekly Export (10,000mt)	247.10	240.90	2.57%







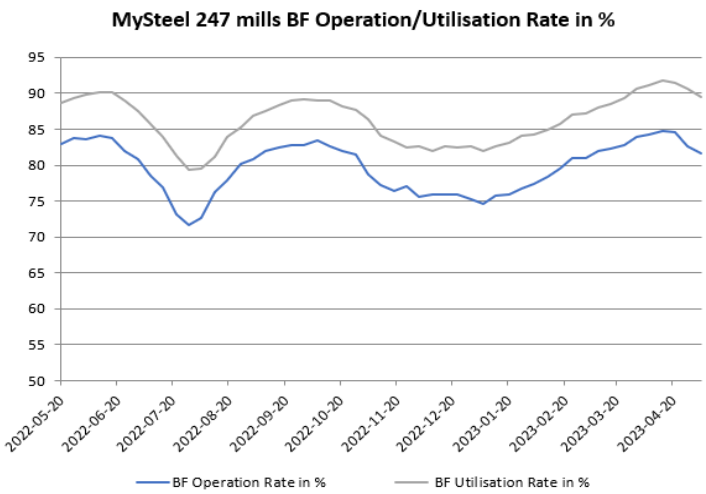
Iron Ore Key Points

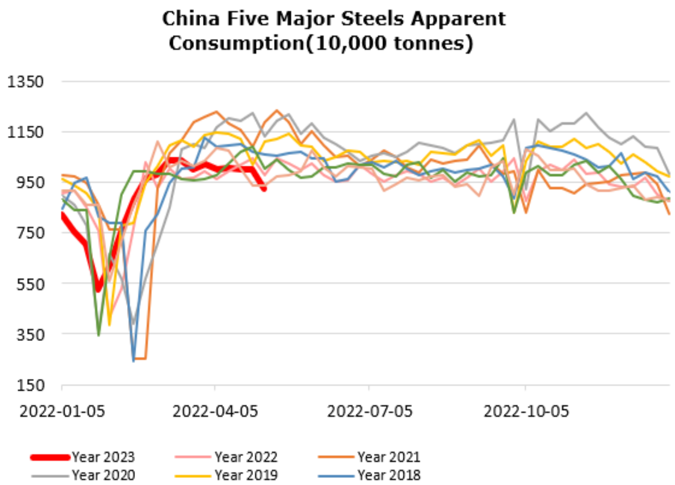
- Iron ore port inventories fell to a 3-year low range seasonally. Port stock was currently in a declining mode.
- The 65% and 62% iron ore narrowed below $14, because the increase of Brazil shipments with stable weather condition, as well as narrowed discount in some iron ore brands.
- The pig iron production followed a descending phase in May and June.

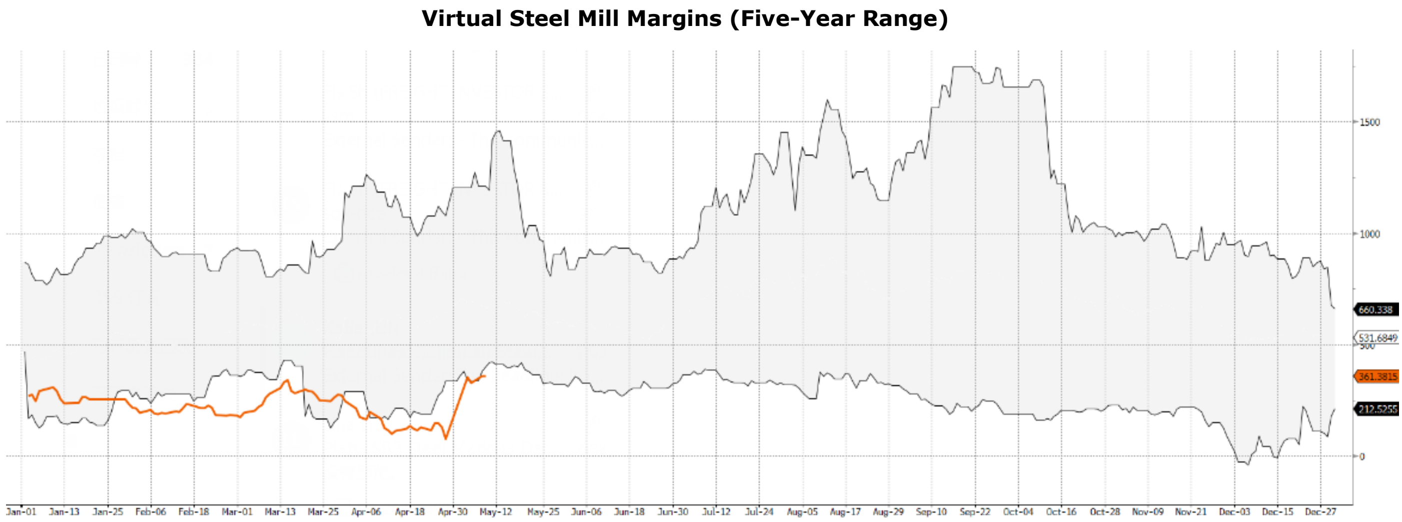
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1101	1069	2.99%
LME Rebar Front Month (Dollar/mt)	615	675	-8.95%
SHFE Rebar Major Month (Yuan/mt)	3583	3683	-2.72%
China Hot Rolled Coil (Yuan/mt)	3935	3968	-0.83%
Vitural Steel Mills Margin(Yuan/mt)	361	75	381.33%
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%





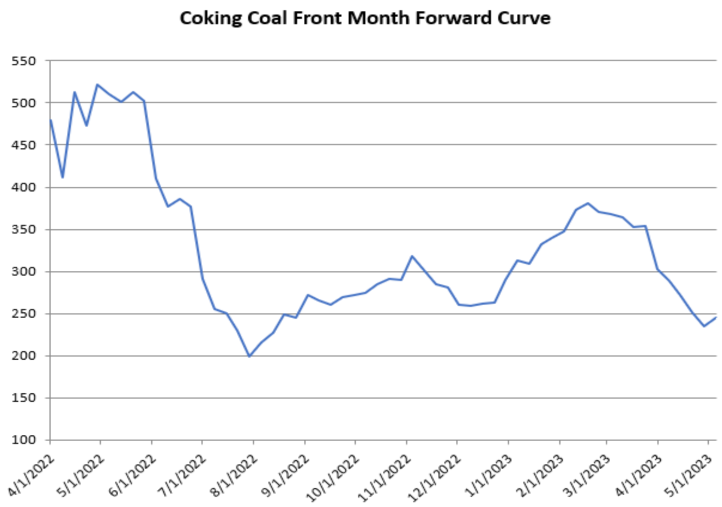


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins improved fast from 79 yuan/ton pre-holiday to 361 yuan/ton level.
- The apparent consumption dropped to 9.23 million tons last week from 10 million tons, which maintained 7 weeks previously.

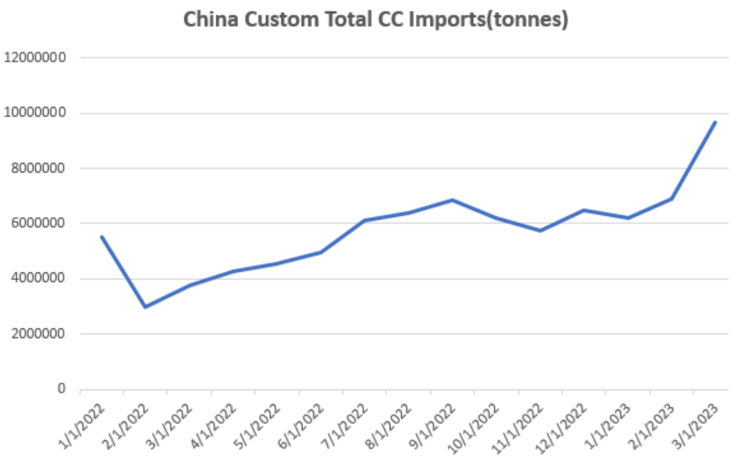
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	241	231.5	4.10%
Coking Coal Front Month (Dollar/mt)	244.67	234.67	4.26%
DCE CC Major Month (Yuan/mt)	1323	1324	-0.08%
Top Six Coal Exporter Weekly Shipment	15.78	23.56	-33.02%
China Custom total CC Import Unit mt	9,646,998	6,913,694	39.53%



Coal Key Points

- The FOB Australia coking coal regained popularity after a huge correction during past three months, which improved the cost-efficiencies among premium coals.
- Chinese physical premium coke has dropped 600 yuan/tons during 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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