FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The fast increase during past two weeks exhausted the resilient consumption sentiment in advance. Market expected to return to a marginal decrease on demand side in mid-run.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The apparent consumption remains resilient. At the same time, some ex-factory price went up for mid-June delivered long steels.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The market expects increased volume approaching the H2 contractual talk period in Europe.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The pockets of demand once supported market to higher place, however, buyers withdrew from the market and wait for price-cut.

Prices Movement	12-Jun	5-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	**112.40**	**109.0**	**3.12%**	**Neutral to Bearish**	↘
Rebar 25mm Shanghai (Yuan/MT)	**3700.0**	**3680.0**	**0.54%**	**Neutral**	-
U.S. HRC Front Month ($/MT)	**930.0**	**945.0**	**1.59%**	**Neutral**	-
Hard Coking Coal FOB Australia($/MT)	**228.0**	**230.0**	**0.87%**	**Neutral**	-

Market Review:

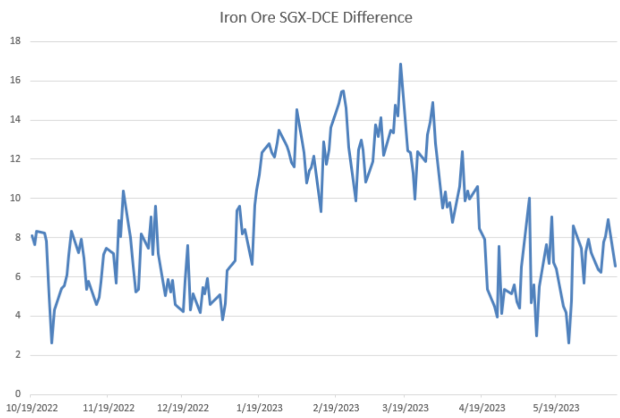
Iron ore Market :

Iron ore rebounded by 19.83% recently after a previous correction of 23.53% from late March to late May. The rebound was contributed by the risk-off on U.S. debt, stimulus on China housing and infrastructure, stable steel margin and re-boom of Indian demand.

Big commercial banks of China lowered deposits rates last week successively. At the same time, market expects more stimulus in housing, followed by Qingdao's lower down payment rate. The railway and port disruption in Brazil and fire accident in Canada have limited impact on the market.

From fundamental side, the seasonal demand on pig iron production on daily basis was in line with previous years. However, the EAFs production was at least 5-6% lower than same the period last year. Thus, the demand for blast furnace was still relatively strong in June. India iron ore import improved significantly from March to June, seeing a 30% or more increase on weekly shipments.

During the past three weeks, the market witnessed firm trading in PBF in secondary market. Thus, the premium of PBF was well supported. The premium was marked at $2.3 over June average in the secondary market, which was chased up from $1.8 last week. The positive production margin resisted the demand of MACF and low grade. Market source indicated that the discount for MACF widened from $2.1 to $3.6. Both JMBF and MACF saw a discount raise because of the increase in supply.



The virtual steel margin ranged from 260 yuan/ton to 309 yuan/ton during the past four weeks, which created a considerable range to purchase raw materials, because the purchase in 2022 and 2023 were generally less than 2021. The strong orderbooks in June led to higher ex-factory steel prices and stronger iron ore outlook in spot demand. However, many traders were suspecting the sustainability of this demand.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

SGX spread corrected slightly during past week. We are also expecting a decrease on spread curve in the coming weeks, as similar fundamental outlooks in June, July and August.

SGX-DCE spread were stuck in $6-8 range, however, the correction round of DCE led correction potentially widens this difference.

MB65-P62 dropped to $10.75 area, which was the lowest since November 2022. As the demand dropped on high grade compared with mid-grade in May and June. Moreover, Brazil shipments improved from mid-May significantly.

Net, Iron ore expected to see a small round of correction after an over-heat phase during past two weeks.

Neutral to Bearish

Downstream/Policies/Industry News:

China May CPI up 0.2% on the year, up 0.1% on the month. China May PPI down 4.6% on the year, down 1% on the month. PBOC expected CPI returning to 1% in late 2023. Five major Chinese commercial banks lowered rate from 10-15bps effective from June 8th.

Global Manufacturing PMI at 48.3%, down 0.3% on the month, created three consecutive drops, and lower than 50% for the past eight months. The number refreshed new low since June 2020.

World Bank increased the global economy growth rate from 1.7% to 2.1% in 2023, while decreasing the growth rate from 2.7% to 2.4% in 2024.

The market was waiting for the U.S. FOMC decision for July. Australia increased interest rate by 25 bps to 4.1%. Canada unexpectedly increased 25 bps interest rate to 4.75%. The ECB indicated that it is essential to take practical measurements to resist inflation rate at 2%.

India produced 11.25 million mt of crude steel in May, up by 4.9% on the year and 1.8% on the month. Consumption of finished steel in May at 10.36 million mt, up 7.8% on the year. POSCO had announced that it planned to fire up a 2.5 million mt/year EAF at Gwangyang in 2026.

Canadian iron ore producer Champion Iron expected delays in sales because of the wildfire disruptions to the railway connecting the operations to the port.

North American automotive production estimated an additional 80,000 vehicles could be produced this year to 16.65 million units, reported by AutoForecast Solutions.

Global Steel Market:

The front month contract of Argus NW HRC dropped from the high at $930.0/t in mid April to $737/mt in June 9th. However, the CME North Europe HRC contract has traded more volume in H1 than the first nine month in 2022, already at an equivalent of 616,000t. Looking forward, the new round of contractual talks for July-December are likely to boost the market volume again if mills rolling over from H1 to H2.

In Asian market, Chinese sellers lowered price to $520– 540/t for SS400 HRC. The market held unchanged for $565—585/t CFR Vietnam for SAE 1006 grade coil. However, large mills were reluctant to take orders below $570/t.

Europe and U.S. steel price expected to stabilise as the contractual talk period expected to proceed with bigger size of market volume.

Neutral

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar up 20 yuan during the report week. After Zenith Group and Shasteel Group both increased ex-factory rebar and wire-rods price by 150 yuan/ton in June delivery. Eastern Chinese rebar price climbed from the year-low at 3510 yuan/ton to 3700 yuan/ton. The market was generally confident about the June market with filled order books.

Concerning the liquidity, mills wanted to secure some prices at current level and maintain a low inventory and big flow instead of high price. The daily trading volume at 140,000 for construction steels was 30% less than the high in May, indicating the marginal demand is on a decreasing trend.

Net, rebar price currently supported by strong orderbooks.

Neutral

Coal Market:

The Australia FOB coking coal index remained almost unchanged at $228 during the report week. The resilient demand from Indian end-users became the major reason to support FOB coking coal market. In general, the spot trade was light and there is a lack of clue on the current direction.

Indian tender consistently emerged on the market for PMVs. The rest of ex-China and ex-India demand were not sustainable. In China's domestic market, steel mills are still planning for more price cuts on physical coke, which dragged down the interests of imports in premium coals.

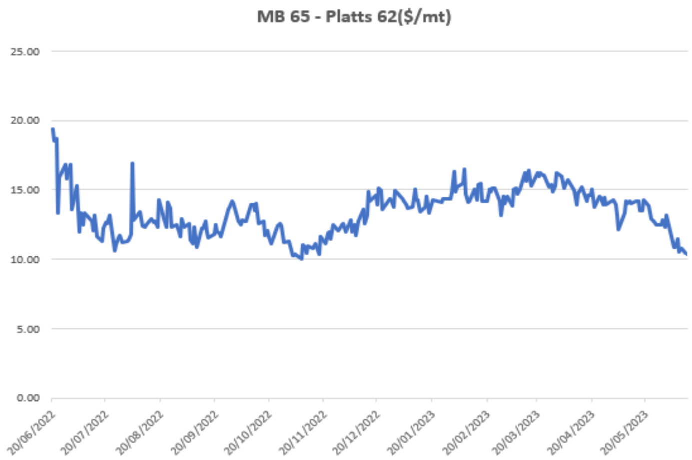
Net, Australia FOB potentially entering a stabilised mode to wait for a clear direction.

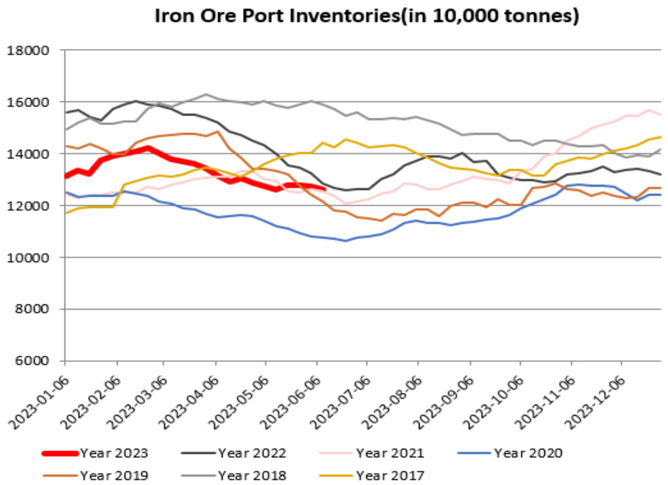
Neutral

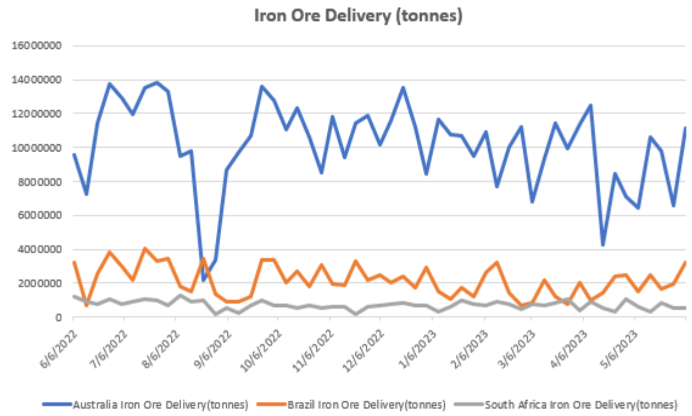
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	112.4	109	3.12%
MB 65% Fe (Dollar/mt)	122.8	119.9	2.42%
Capesize 5TC Index (Dollar/day)	12702	9766	30.06%
C3 Tubarao to Qingdao (Dollar/day)	19.861	18.278	8.66%
C5 West Australia to Qingdao (Dollar/day)	8.64	7.995	8.07%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3540	3390	4.42%
SGX Front Month (Dollar/mt)	112.59	103.90	8.36%
DCE Major Month (Yuan/mt)	800	743	7.67%
China Port Inventory Unit (10,000mt)	12,622.26	12,752.54	-1.02%
Australia Iron Ore Weekly Export (10,000mt)	1,112.00	657.00	69.25%
Brazil Iron Ore Weekly Export (10,000mt)	319.60	198.10	61.33%







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 $10, however, it is expected to recover the loss in the next few weeks as the cost-efficiency of 65% improved.

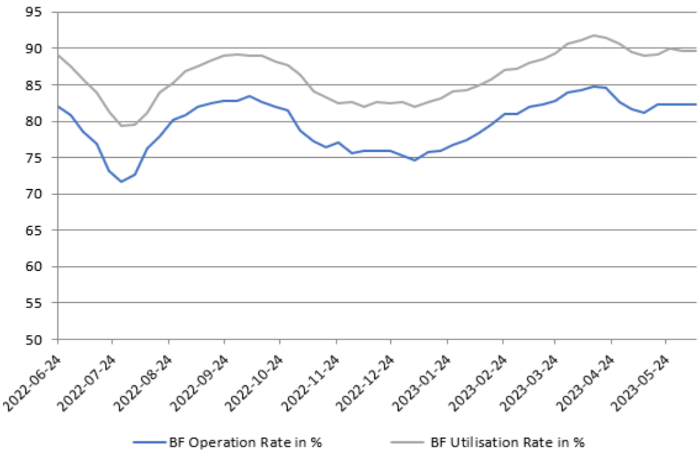
- The pig iron production followed a descending phase from late May to late June.

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

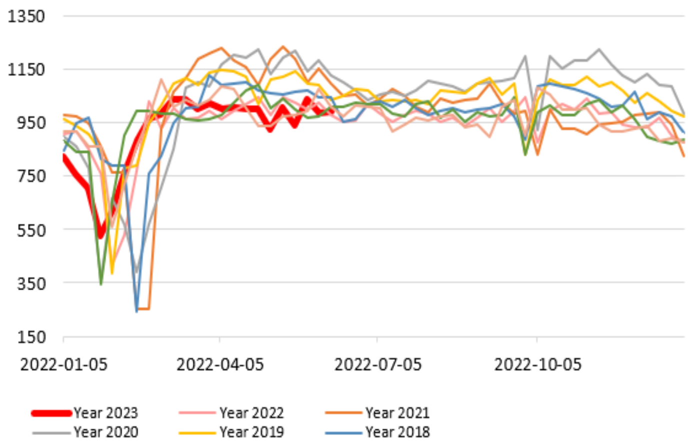
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	928	940	**-1.28%**
LME Rebar Front Month (Dollar/mt)	615.5	611	**0.82%**
SHFE Rebar Major Month (Yuan/mt)	3691	3563	**3.59%**
China Hot Rolled Coil (Yuan/mt)	3837	3737	**2.68%**
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)	92600	95700	**-3.24%**
World Steel Association Steel Production Unit(1,000 mt)	165,100	142,400	**15.94%**

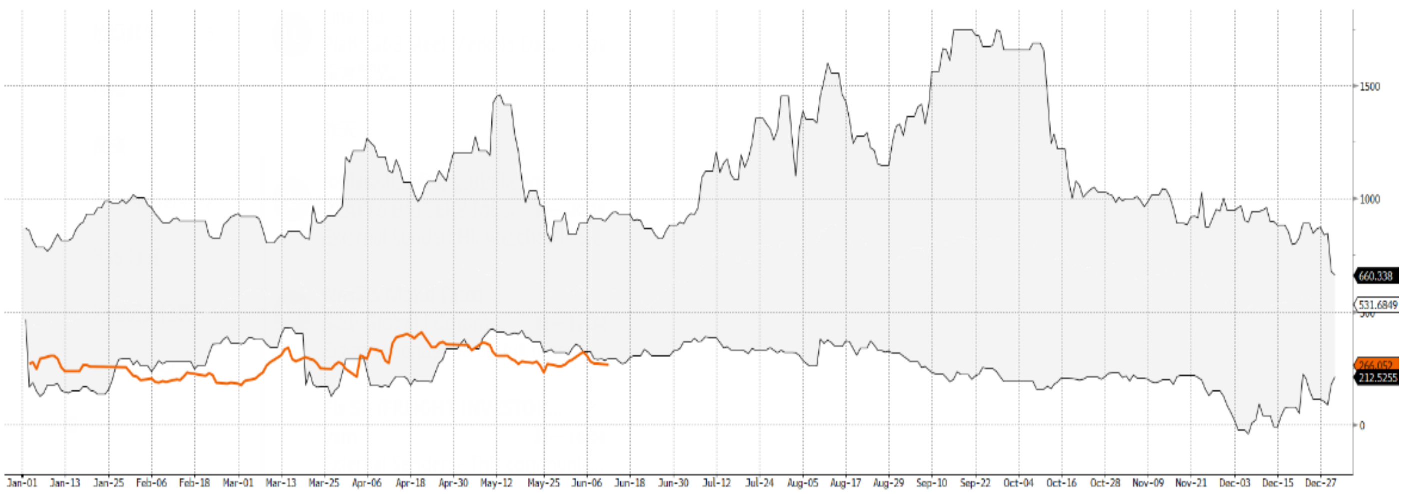
MySteel 247 mills BF Operation/Utilisation Rate in %



China Five Major Steels Apparent Consumption(10,000 tonnes)



Virtual Steel Mill Margins (Five-Year Range)

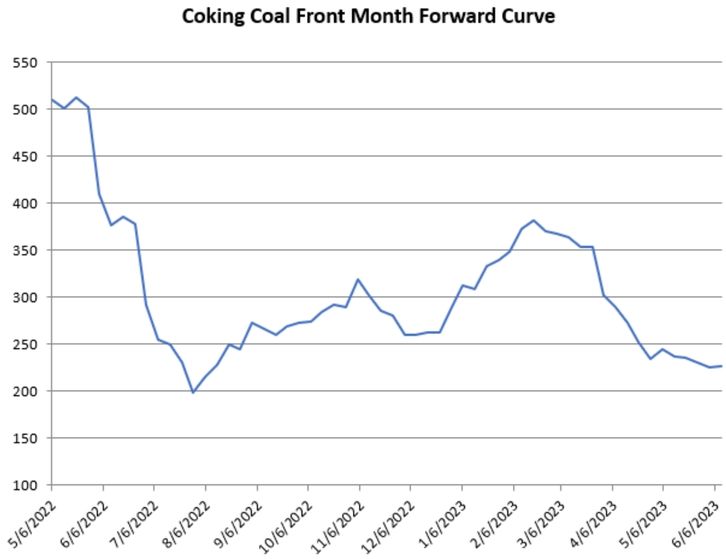


Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins dropped to 266 yuan/ton from 309 yuan/ton from the previous week. Mills of China expected to maintain stable to small margin across 2023.
- The apparent consumption remained largely unchanged from last week below 10 million tons.

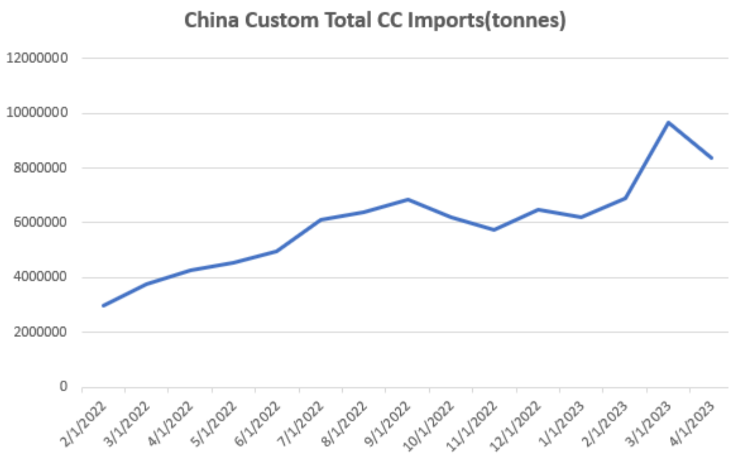
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	228	230	-0.87%
Coking Coal Front Month (Dollar/mt)	226.5	225.5	0.44%
DCE CC Major Month (Yuan/mt)	1280	1258	1.75%
Top Six Coal Exporter Weekly Shipment	15.78	23.56	-33.02%
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 is expected to support the demand market in June.
- Chinese mills are considering further cut on coke price, however, coke plants are resisting further decrease.



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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