FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. After a round of fast correction hit by macro change, the re-entrance into risk-off mode potentially supports iron ore this week.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The trading volume became low and mills started to decrease ex-factory price. However, price had potentially priced-in the bearish factors last week.

⇒ **U.S. HRC Front Month** short-run **Neutral**. The market is expected to be supported by resilient demand and orders.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral.** The Indian end-users resilient demand support the current market. In addition, the low Chinese met coal inventories and increasing physical coke price potentially support the prime coal import price.

Prices Movement	26-Jun	19-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	109.45	115.15	4.95%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3690.0	3820.0	3.40%	Neutral	-
U.S. HRC Front Month ($/MT)	910.0	927.0	1.83%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	236.0	230.0	2.61%	Neutral	-

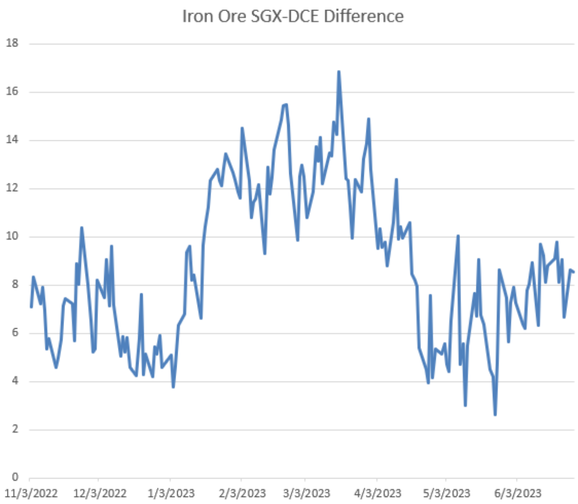
Market Review:

Iron ore Market :

Iron ore corrected by 4.95% as expected from last report. The half-week-length Chinese Dragon Boat Festival left an extreme quiet physical market in most of ferrous products. However, the late crash on the index was majorly linked to the sudden reversal on U.S. Federal's hawkish interest rate decision as well as disappointment from limited Chinese Loan Prime Rate cut.

Following the sentiment from last week, the high-low blend cost efficiency has potentially started to overweigh PBF. The difference between PBF and (MB65-P62)/2 expanded from $1 to $3 in the past three weeks, which successfully attracted investors to replace major brands by the blend of high grade and low grade. Such alteration is believed to last for weeks. Thus, we saw a recovery on MB 65—P62 difference from $9 to $12.

The SGX-DCE difference ranged from $6—$10 during the past five weeks, indicating some arbitraging activities in the market. From physical angle, importers were sourcing both ports and seaborne cargoes to control overall cost when import margin was low and even negative sometimes.



There was 90,000mt NHGF offer from Chinese trading firm at $109.6/dmt with July laycan. Previously, BHP sold NHGF at $109.1/dmt. Market participants expect growing volume of MACF and JMBF in the coming weeks as better cost-efficiency after BHP widen discounts.

Australian iron ore producer Grange Resources is facing industrial action at its 2.6mn t/yr Port Latta iron ore pellet and concentrate facility in Tasmania. There is yet to be any details on the impact.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

The virtual steel margin was 266 yuan/ton last week, which was almost similar to previous five weeks. The margin level remained in low bound of seasonal charts over last five-years, since the low stock strategies and less physical trades decreased the risk-tolerance when price moved to extreme level.

Bloomberg indicated that the world's biggest iron ore miners including Rio Tinto, Vale, BHP, FMG and Roy Hill will combined to ship 308.9 million tons of iron ore in Q2 2023, up 3.5% q/q and 1.2% y/y.

Tangshan started a new round of production cut on rolling mills because of the weather pollution.

Net, the demand market entered a decreasing trend in June and July, however, the short-run risk-off has potentially become a support factor on the iron ore market.

Neutral

Downstream/Policies/Industry News:

Rio Tinto restarted deliveries of iron ore to its 140 million ton/year Dampier port following a train derailment on June 17th.

The U.S. agreed to grant around 70% market access to Indian steel and aluminum under Section 232 tariffs. It is unclear the detail type of products will receive access.

According to Argus Media, most of north American automakers are moving to summer shutdown schedule, including GM, Stellantis, Nissan, Toyota, Honda, Hyundai, BMW, Daimler and Ford.

World crude steel production dropped by 5.1% to 161.6 million tons in May, dragged by weakness in Asia and Europe. Canadian integrated steelmaker Algoma Steel expected to boost shipments by 4.2% in Q2 on the year to 550,000- 560,000 st.

U.S. PMI in June at 53.0, refreshed three month low, however, maintained above 50 for five consecutive months.

China Passenger Vehicles Association predicted June sales of passenger vehicles at 1.83 million units, down 5.9% on the year, up 5% on the month, most of growth should be contributed by EVs.

Global Steel Market:

The active month contract of Argus NW HRC dropped by $14 to $726 after being stabilised at $740 level for two weeks. The market was waiting for the new round of contractual talks for July-December, expected to increase market volume significantly if mills rolling over from H1 to H2.

The strong U.S. dollar versus weak Chinese yuan softened the offer of FOB Chinese HRC from $560 a week earlier to $540 this week. Vietnamese steel mills are facing inventories stockpile as crowded arrivals of flat steels in May and June. The market was quiet during China's Dragon Boat Festival last week.

The financing concerns rose as Turkey almost doubled interest rate from 8.5% to 16%, after U.S. announced hawkish monetary outlook in the last FOMC. Turkish Lira obviously depreciated after the huge increase on the interest rate. Local steel mills find it extremely hard to finance from banks, who are not willing to sell dollars. Although index stayed rather flat during last few trading days, traders were worrying about cash crunch, which could bring down scrap and rebar prices.

Net, the market expected to be supported by resilient demand.

Neutral

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar was up 120 yuan two weeks before and gave back the growth by a correction of 130 yuan/ton. As expected, the construction steels maintained a neutral sentiment.

Construction steel daily trading volume reached 135,800 tons last week, lower than 156,700 tons in May. The light season potentially increased resistance on the price. 11 Chinese steel mills lowered ex-factory price of rebar last week.

Net, Chinese domestic steel expected to maintain a neutral outlook in late June, price correction potentially met with support by the recent Tangshan pollution curb on rolling mills.

Neutral

Coal Market:

The Australia FOB coking coal index rose to $236, after stuck in $230 level for few weeks. The current bid in FOB Australia market was heard at $233-235/mt for July loading globalCOAL Branded coal. The tight supply in July cargo enabled supplier to hold offer at firm or strong level.

Chinese met coal stocks at mills down 20,000mt to 7.25 million tons on the week, down 1.52 million tons on the year. Port stocks at 2.19 million tons, down 40,000mt on the week. The met coal inventories are decreasing fast currently in China.

Alpha Metallurgical Resources confirmed that one of its mines in West Virginia suffered a temporary halt the last six days.

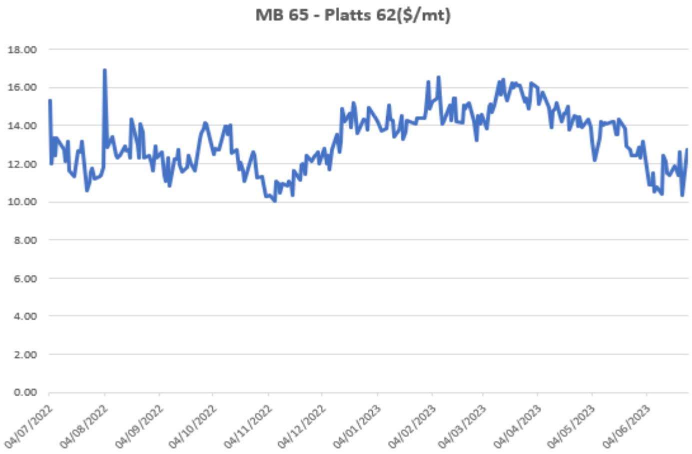
Net, Australia FOB potentially entered a stabilised mode to wait for a clear direction.

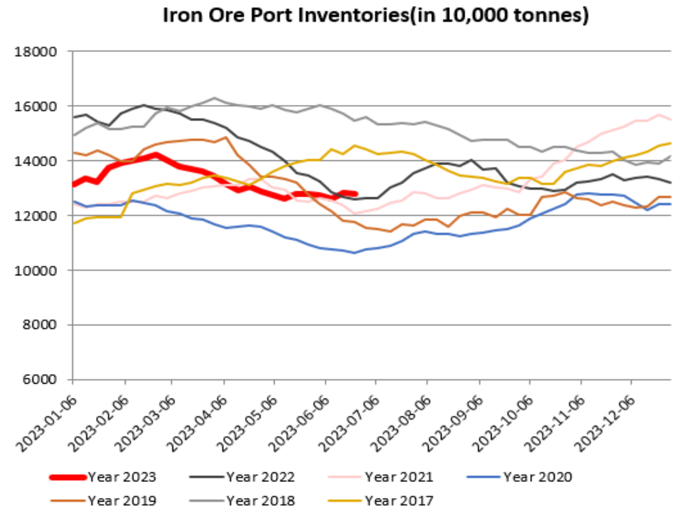
Neutral

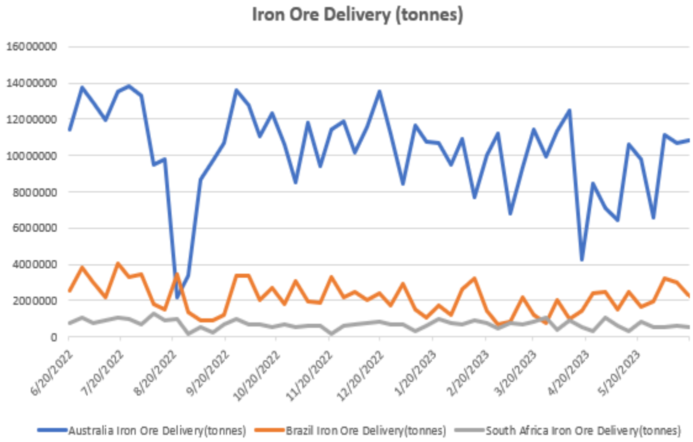
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	109.45	115.15	-4.95%
MB 65% Fe (Dollar/mt)	122.2	127	-3.78%
Capesize 5TC Index (Dollar/day)	17209	12375	39.06%
C3 Tubarao to Qingdao (Dollar/day)	21.694	20.322	6.75%
C5 West Australia to Qingdao (Dollar/day)	8.645	8.06	7.26%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3520	3610	-2.49%
SGX Front Month (Dollar/mt)	109.19	113.51	-3.81%
DCE Major Month (Yuan/mt)	800.5	810.5	-1.23%
China Port Inventory Unit (10,000mt)	12,792.98	12,849.94	-0.44%
Australia Iron Ore Weekly Export (10,000mt)	1,084.90	1,069.80	1.41%
Brazil Iron Ore Weekly Export (10,000mt)	222.70	302.30	-26.33%







Iron Ore Key Points

– Chinese iron ore port inventories stabilised as demand market gradually entered a light season mode.

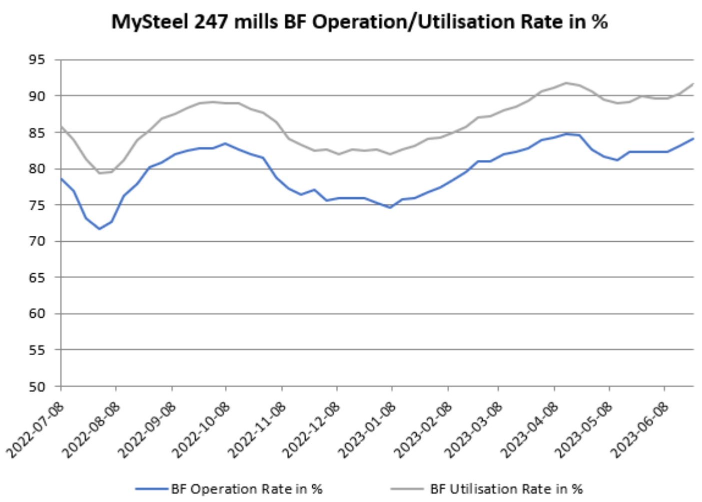
– The 65% and 62% iron ore recovered above $12 as expected, due to the better cost efficiency by blending high grade and low grade compared to some major brands of mid-grade concentrates.

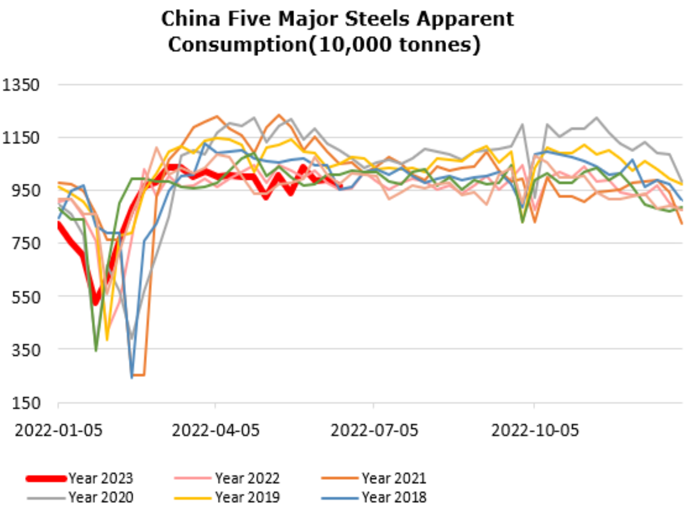
– The pig iron production followed a descending phase from late May to late July.

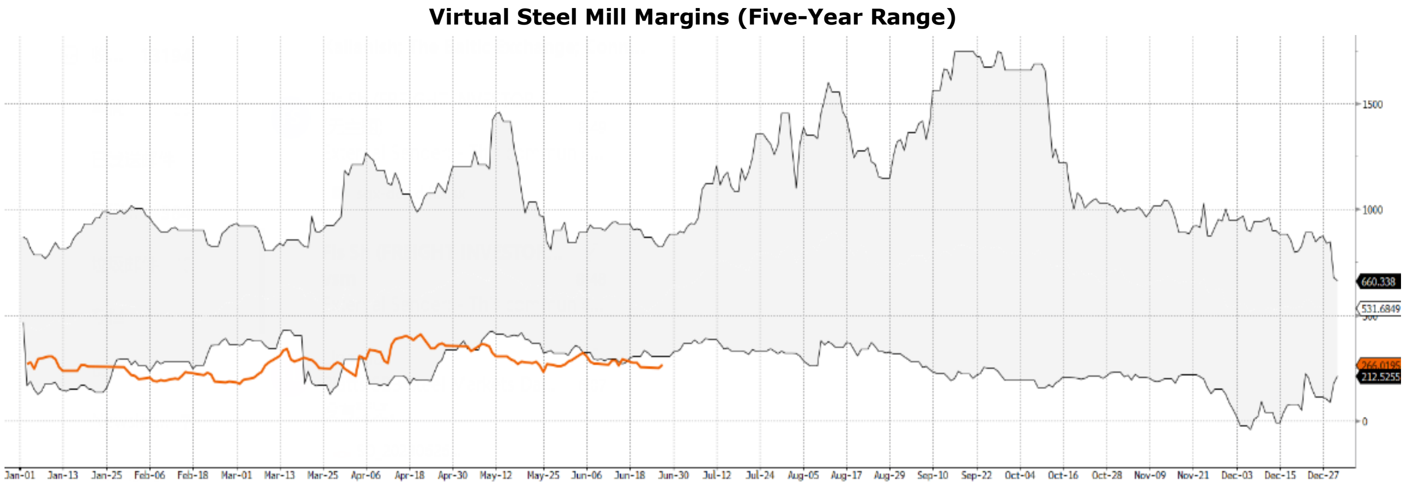
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	910	927	-1.83%
LME Rebar Front Month (Dollar/mt)	613.5	620	-1.05%
SHFE Rebar Major Month (Yuan/mt)	3713	3780	-1.77%
China Hot Rolled Coil (Yuan/mt)	3873	3891	-0.46%
Vitural Steel Mills Margin(Yuan/mt)	366	360	1.67%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	90100	92600	-2.70%
World Steel Association Steel Production Unit(1,000 mt)	161,600	161,400	0.12%





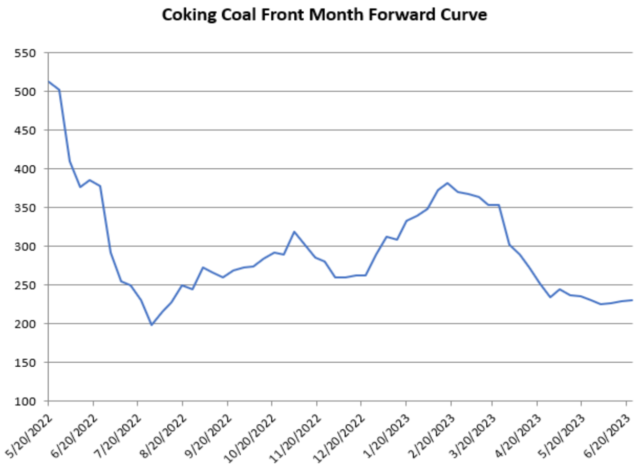


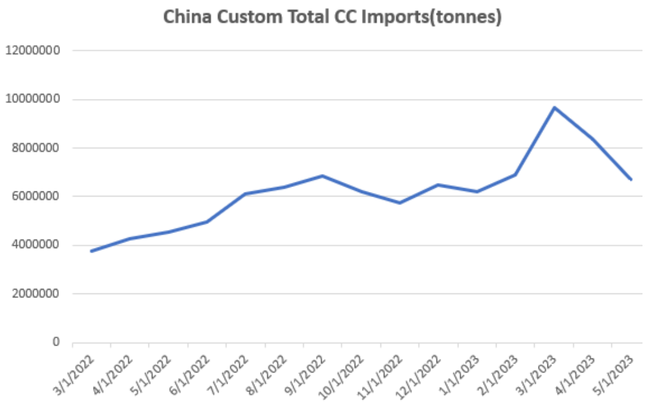
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins were 266 yuan/ton, which was almost flat in the past five weeks.
- 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)	236	230	**2.61%**
Coking Coal Front Month (Dollar/mt)	230	229.67	**0.14%**
DCE CC Major Month (Yuan/mt)	1357	1389.5	**-2.34%**
Top Six Coal Exporter Weekly Shipment	19.23	19.53	**-1.54%**
China Custom total CC Import Unit mt	6,724,634	8,386,554	**-19.82%**





Coal Key Points

- The FOB Australia coking coal is supported by resilient demand from Indian market.
- Cokery plant in China is planning the first round of increase after a consecutive 10 rounds of price cut during past 3 months.
- China Shanxi coal transportation accident triggered a month-length safety inspection in all mines operated in the province.

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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