FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore rebounded on the expectation of Chinese property stimulus, however, potentially starting to give back some gains facing marginal decreasing demand.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The weak daily trading volume resisted the growth of long steels, however, strong orders supported the expectation in late July and early August.

⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The market recovered slightly.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral.** The market was supported by increasing demand from China and Japan. However, resisted by amply supply of PHCC in August and September.

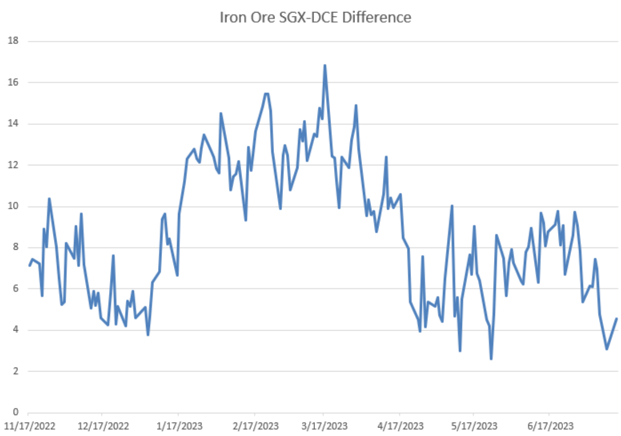
Prices Movement	17-Jul	10-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	115.05	105.4	9.16%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3690	3700.0	0.27%	Neutral	-
HRC NW EU Active Futures ($/MT)	728.12	719.87	1.15%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	231.0	229.0	0.87%	Neutral	-

Market Review:

Iron ore Market :

Iron ore rebounded by 9.16% last week. Iron ore futures have seen some correction early this week, which potentially pulls back index on physical side in the next few days. The lack of deflationary risks in China shared by PBOC conference, appreciation of domestic currencies, depreciated US dollar, expectations on late July stimulus after government mid-year conference in China and property debt resolution, supported the strong movement on iron ore last week. However, the reality is, iron ore still sees higher shipments in Q3 and Q4. In addition, virtual steel margin reached one-year-low as well as seasonal low at 147 yuan/ton. Both became negative indicators of the current iron ore price. Iron ore is overvalued at current value around $110—115/mt.

The derailment in Pilbara mining area in Australia is expected to have limited impact, Mysteel estimated 600,000 mt shipment delay. Some physical traders indicated the temporary shortage could be filled up in the coming 4-5 weeks. Thus, the primary market saw some sales of PBF in September at premium of $3.15-3.45. There were two laycans PBFs traded on August Index plus a premium of $2.4 and $2.45 on Monday this week. However, the cost-efficiency of PBFs have decreased compared to discount concentrates. On the basis of July, MACF discount narrowed from $3.5 to $1.3 in the first two weeks of July. PBF premium only raised from $1.1 to $1.4 during the same period.



The average construction daily trade number in China was 150,500 tons in June, 2.78% lower than June average. However, market saw a demand drop from orders. Thus, the trade number could decrease on the current basis in the next 2-3 weeks. High temperature and heavy rains caused some delay on downstream works in July.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

The virtual steel margin dropped from the high of 298 yuan/ton on July 4th to 147 yuan/ton on July 17th. The fast drop was contributed by the fast pick up on iron ore and cokes. The fast correction would become a leading indicator for the narrow in physical steel margin. By then, iron ore price would see resistance.

The MB65-P62 monthly average in July was $13.79, improved from $11.7 in June, due to the market preference shift from mid-grade to high grade for the cost-efficiency in high grade.

EAFs utilisation rate picked up 20% in the first week of July, which potentially squeezes out some blast furnace output in July, in particular during Tangshan curb. Some market participants were doubtful about the sustainability because of the domestic heavy scrap price being maintained at three month high level currently.

Net, the market trades potentially starting to take gain effects, which could cause a round of correction, similar to the drop in early July.

Neutral to Bearish

Downstream/Policies/Industry News:

China National Bureau of Statistics: crude steel output in June totaled 91.11 million tons, up 0.4% on the year. H1 2023 totaled 535.64 million tons, up 1.3% on the year. China H1 property investment down 7.9% on the year. Above designated scale industrial enterprises value added amount up 3.8% in H1 on the year, up 4.4% for June on the month. China Q2 GDP up 6.3% on the year, est. 7.3%.

China June social financing amount in June at 4.22 trillion yuan, 2.67 trillion yuan higher than May. M2 balance up 11.3% on the year.

U.S. CPI in June up 3% on the year, 0.2% on the month, refreshed a twelve month consecutive drop. Core CPI up 4.8% on the year, up 0.2% on the month. Jobless claims in U.S. in the week started from July 8th reaching 237,000, down 12,000 from last week, weaker than what economists estimated at 250,000.

Indian automobile production slipped by 2.7% from a year earlier to 2.02 million units, however, sales rose by 6.2% to 1.71 million units in June.

Global Steel Market:

The active month contract of Argus NW HRC improved from $719 to $728. Turkey imported 1.69 million tons of billets from January to May in 2023, up 22.4% on the year. The export volume during same period reached 408,430 tons, down 32.8% on the year. Vietnam H1 steel imports at 4.77 million tons, down 14.4% on the year. EU HRC imports increased by 30% in May m-o-m to 1.1 million tons, up 42% on the year. The biggest suppliers were India and Vietnam.

Major Chinese mill hold offers slightly down from $550 to $540, however, largely unchanged from last week. Seaborne buyers were waiting for the correction given a sluggish demand and uncertainty. On the other side, the July orderbooks were almost filled for Chinese and Japanese mills, who were expecting a price rise for August delivery. Mysteel estimated the HRC apparent consumption in July down 2% on the month, 8% higher on the year.

Turkish deepsea ferrous scrap trade from EU-origin decreased at least by $10 during the report week, seeing a $364 CFR trade with 10,000mt of HMS 80:20. The traders expected lower price from Europe-origin. However, tradeable values for U.S. continued to stay at firm levels at $372– 373/mt CFR.

Net, the flat steel market saw some recovery sentiments.

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar down 60 yuan during the report week, almost offset previous weeks growth by 70 yuan. The apparent consumption of construction steels remained resilient, up 4.56% on the year. However, HRC apparent consumption dropped by 3.12% in July.

EAFs utilisation rate picked up more than 20% in July on the year. Some market participants were worried that the increasing output on EAFs could squeeze out BFs production, during Tangshan's production curb and extreme weather in July in China.

Net, Chinese domestic steel expected to maintain a neutral outlook in the coming week.

Neutral

Coal Market:

The Australia FOB coking coal index corrected slightly from $233 to $231 during the report week. The PMV sentiment was improving in the seaborne market, seeing August laycan and buyers. However, the amply PHCC supply in August/September added downward pressure on the current price level.

The floating cargoes available increased from origins like U.S. Australia and Canada. Japan's imports of metallurgical coal at 28.1 million tons in first half of 2023. Japan imported 5 million tons of met coke in June, up 9% on the year.

Chinese import met coke price moved up after the second round of domestic price up by 50– 60 yuan/ mt. Several coal mine accidents in Shanxi, China, supported the price. Thus, the Chinese inquiries for PHCC has increased significantly in the current week.

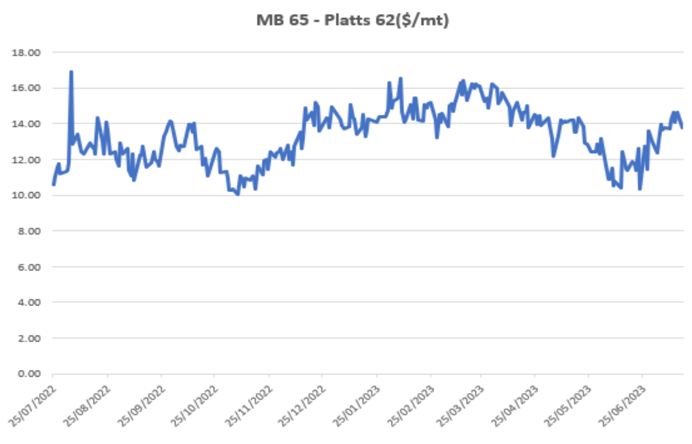
Net, Australia FOB potentially enter a stabilised mode at current level.

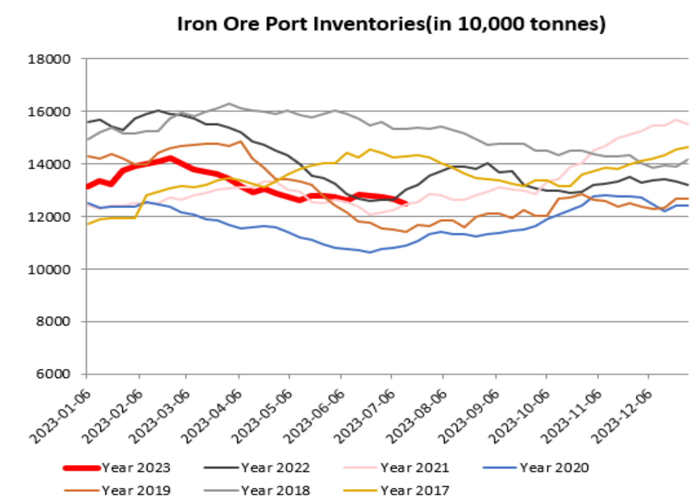
Neutral

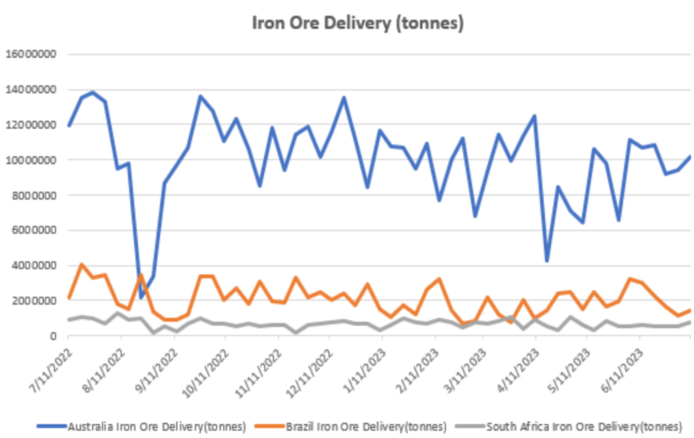
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	115.05	105.4	**9.16%**
MB 65% Fe (Dollar/mt)	128.8	119.1	**8.14%**
Capesize 5TC Index (Dollar/day)	13386	12894	**3.82%**
C3 Tubarao to Qingdao (Dollar/day)	19.689	19.85	**-0.81%**
C5 West Australia to Qingdao (Dollar/day)	7.75	8.305	**-6.68%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3560	3550	**0.28%**
SGX Front Month (Dollar/mt)	114.22	107.71	**6.04%**
DCE Major Month (Yuan/mt)	840	824	**1.94%**
China Port Inventory Unit (10,000mt)	12,495.17	12,638.56	**-1.13%**
Australia Iron Ore Weekly Export (10,000mt)	1,016.20	939.00	**8.22%**
Brazil Iron Ore Weekly Export (10,000mt)	145.60	116.50	**24.98%**







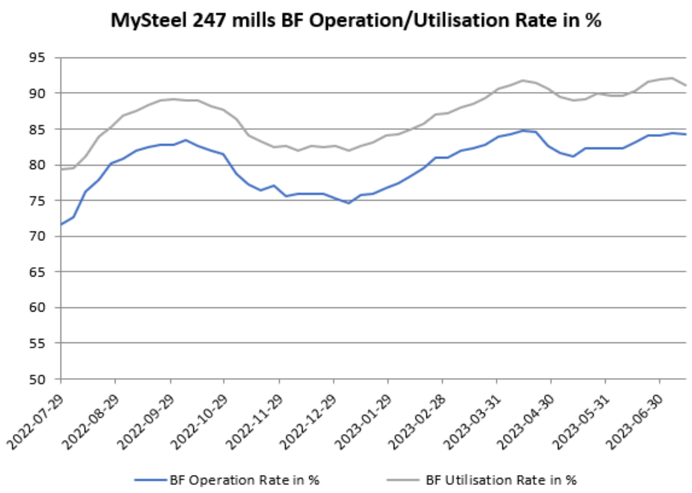
Iron Ore Key Points

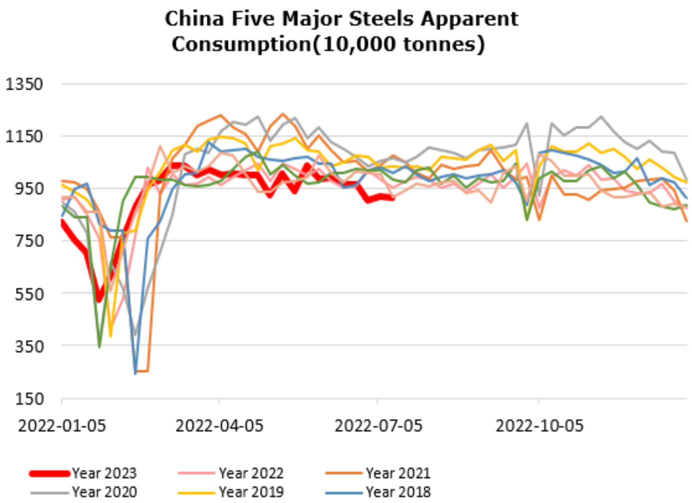
- Chinese iron ore port inventories stabilised as demand market gradually entered a light season mode.
- The MTD of 65% and 62% iron ore recovered to $13.79 in July from $11.7 in June, backed by the high grade iron ore demand.
- The pig iron production expected to enter a declining period after EAFs production grow fast in July.

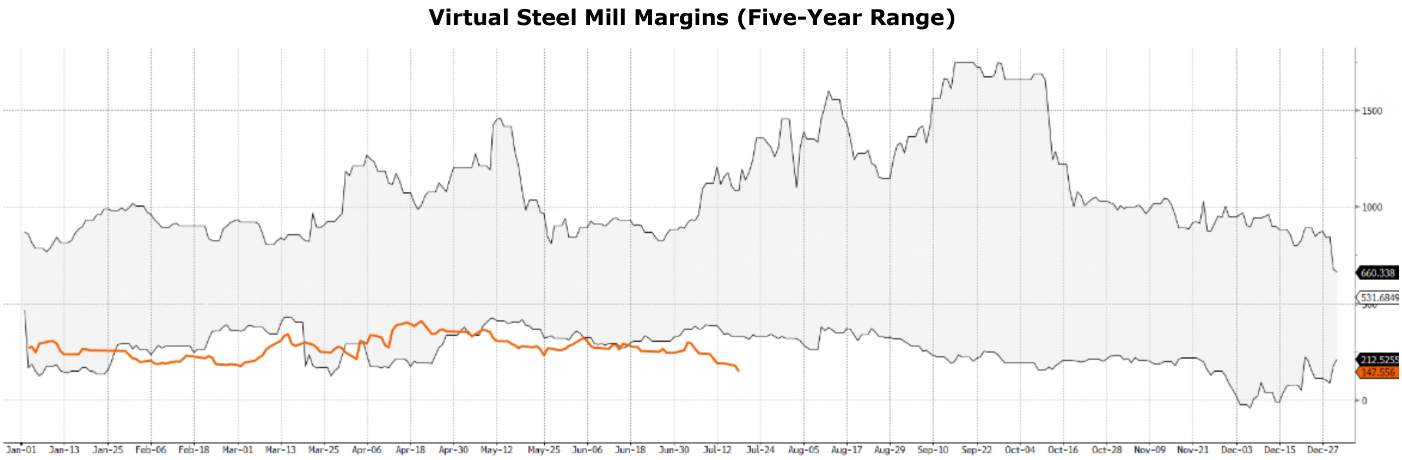
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	897	905	**-0.88%**
LME Rebar Front Month (Dollar/mt)	579.5	580	**-0.09%**
SHFE Rebar Major Month (Yuan/mt)	3748	3729	**0.51%**
China Hot Rolled Coil (Yuan/mt)	3872	3877	**-0.13%**
Vitural Steel Mills Margin(Yuan/mt)	147	217	**-32.26%**
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%**





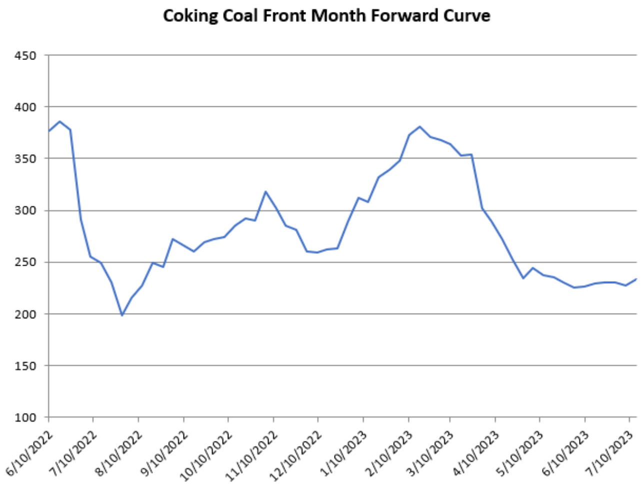


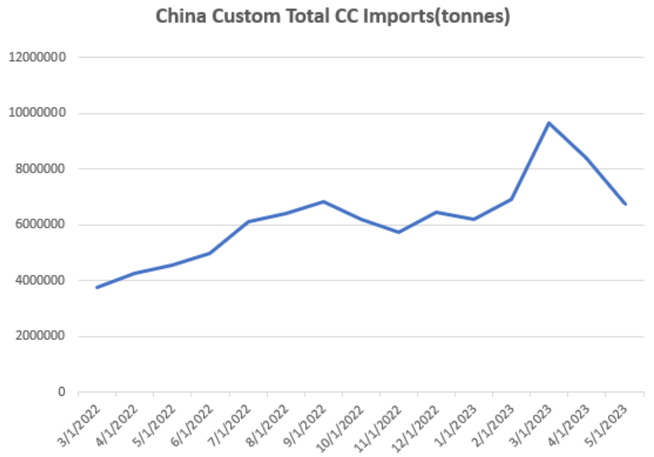
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins corrected from 298 yuan/ton to 147 yuan/ton in two weeks, squeezed by the fast pick up on iron ore and coke.
- The apparent consumption remained around 9.15 million tons in July.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	231	229	0.87%
Coking Coal Front Month (Dollar/mt)	233.75	227.33	2.82%
DCE CC Major Month (Yuan/mt)	1416.5	1336.5	5.99%
Top Six Coal Exporter Weekly Shipment	17.61	24.23	-27.32%
China Custom total CC Import Unit mt	6,724,634	8,386,554	-19.82%





Coal Key Points

- The current miner accidents supported the current coking coal price in China.
- In FOB Australia market, India entered Monsoon and finished most of coal imports in short-run.
- China demand for seaborne iron ore emerged and increased inquiries on PHCC.

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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