

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore trade shifted from an expectation mode to reality mode, facing some gains taking risk.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The resilient daily trading in construction steels and slight tight supply in HRC support the current price.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral**. The market supply increased and saw stable demand.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The market was supported by increasing demand from China and Japan.

Prices Movement	24-Jul	17-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	114.50	115.05	0.48%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3750	3690	1.63%	Neutral	-
HRC NW EU Active Futures (\$/MT)	722.79	728.12	0.73%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	237.0	231.0	2.60%	Neutral	-

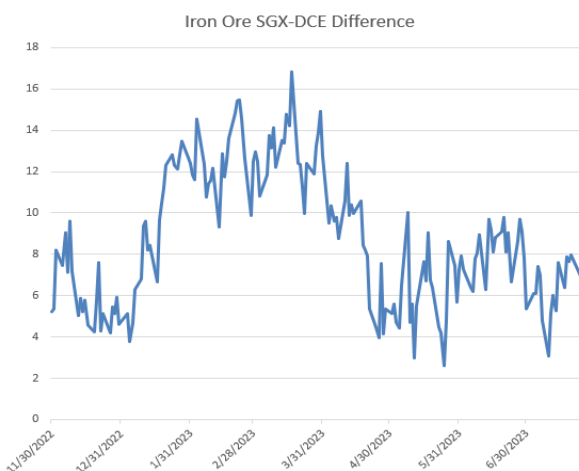
Market Review:

Iron ore Market :

Iron ore corrected by 0.48% slightly during the report week as expected. China announced to ramp up urban villages in some big cities. The politburo conference in China mentioned to adjust policies for property sector. However, without more details and timelines, iron ore trade could potentially shift from expectation mode to reality mode in the coming August. The market will potentially see gains taking after bullish news were fully priced.

Virtual steel margin reached one-year-low as well as seasonal low at 147 yuan/ton last week, which recovered to 225 yuan/ton fast as the matching up growth from steels. However, construction steels daily trading volume was stable at 150,000– 155,000 level in June and July. Apparent consumption up 2.62% last week for five typical steels in China.

JMBF discount in August narrowed from 5% to 4.5%, MACF narrowed significantly from 2.75% to 0.25%. The fast drop on MACF discount was because some Chinese steel mills replaced high premium PBF with MACF. MACF saw a resilient day to day trade in June and July. PBF premium rose from \$1.1 to \$1.85 during July. Some mills indicated that the MACF had better cost-efficiency as long as there was a discount. SSF was majorly traded at Chinese ports.



High temperature and heavy rains caused some delay on downstream works in July in eastern and southern China. In addition, the Summer World University Games held in Chengdu from July 28th to August 8th caused some temporary halt on work sites.

SGX-DCE spread widened fast from \$3 to \$8 during July 10th to 20th as expected. The low number indicated a decent import margin at ports. Thus, market buys up port cargoes.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Freight Investor Services 2023.

Market Review (Continued)

The MB65-P62 monthly average improved from \$11.7 in June to \$13.55 in July, due to the market preference shift from mid-grade to high grade for the cost-efficiency in high grade.

Tangshan curb total impact 74,100 tons of pig iron production per day in July, estimated by MySteel. EAFs utilisation rate picked up 24-27% in July year-on-year, which potentially squeezes out some blast furnace output in future. However, the recent growth of scrap price in eastern Chinese steel mills potentially erode the margin of EAFs. Tangshan strict restriction in July supported the lump demand. Lump premium grew from \$0.091dmtu to \$0.1395dmtu during July.

Four biggest iron ore miners published the Q2 production reports last week and mentioned to complete the production target in FY 2023. Rio Tinto expected to reach the higher level of estimated 320– 335 million tons of production target.

Net, the market potentially starting to trade taking gains effect.

Neutral to Bearish

Downstream/Policies/Industry News:

China announced support for property construction by saying the government will boost the renovation of urban villages. It will also seek more private capital in the projects to expand domestic demand and push forward development of cities.

China's politburo conference signaled an ease on property policies and plans to adopt plants to resolve local debt risks. China H1 GDP up 5.5% on the year, up 1% compared to Q1. Industrial value added amount above designated scale up 3.8% on the year. Fixed investment up 3.8% on the year, where housing development investment down 7.9%, infrastructure investment up 7.0%, manufacturing investment up 6.0%.

Euro Zone June CPI up 5.5% on the year, up 0.3% on the month. Core CPI up 6.8% on the year, up 0.4% on the month.

Indian ferrous scrap imports climbed by 87.26% to 632,923 tons year-to-year in May. However, the tight scrutiny at ports expected to trend lower in the import number in June and July.

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. Indian state owned iron ore producer NMDC sought buyers for iron ore exports to develop additional markets globally. NMDC produced 41.22 million tons in FY 2022 and 42.15 million tons in FY 2021. The company planned to produce 46-49 million tons in FY 2023.

Australia iron ore miner FMG shipped first ore from the Iron Bridge magnetite project to a customer in Vietnam. FMG said that the Iron Bridge would contribute less than 1 million tons of Fe67% concentrates.

Global Steel Market:

The active month contract of Argus NW HRC corrected from \$728 to \$722. The price level ranged from \$710– 728 during July. EAF steelmaker Nucor shipments fell by 5% in Q2 to 2.79 million st on the year. The utilisation rate at Nucor was 84%, down 1% on the year and up 5% from last quarter. US steelmaker Cleveland Cliff raised its shipments by 15% on the year to 4.2 million st in Q2. Most European countries started a holiday mode. Thus, market expects a weaker steel consumption in August. HRC in North Europe was traded around €660/t while southern traded at €640/t. Some Italian EAFs closed because the high electricity price in hot weather raised the cost of steelmaking.

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

Market Review (Continued)

Major Chinese mills hold offers up from \$550/mt to \$555/mt. The strict Tangshan restriction impacts the HRC production. However, the apparent consumption of HRC in China increased by 4.43% last week. Offers in Vietnam rose from below \$550/mt to \$550-560/mt.

Neutral

Chinese Steel Market:

Shanghai domestic 25mm rebar up slightly by 1.63% during the week. The apparent consumption of Chinese typical steels up 2.62% on the week. HRC apparent consumption up 4.43%, became the major contributor. Construction steel up slightly. The daily trading volume for construction steels remained at 150,000 to 155,000 during most weeks since mid-May.

EAfs utilisation rate picked up 25-27% in July year-to-year, which potentially squeezes the usage of iron ores. The sustainability remains doubtful as the scrap price saw a rise late last week, which could easily erode the EAfs production margin.

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

Neutral

Coal Market:

The Australia FOB coking coal index picked up early last week from \$231/mt to \$237/mt, however, remained stable from there. The previous Chinese demand supported PHCC prices. Prices also trend higher on PLV Peak Downs at \$240-245/mt.

Chinese import met coke price hike ended with stable response from major mills in Hebei and Shandong provinces by 100- 110 yuan/mt. However, Indian domestic coke softened during past week. Some coal mines in Shanxi and Inner Mongolia provinces ordered to halt operation because of the recent mining accidents.

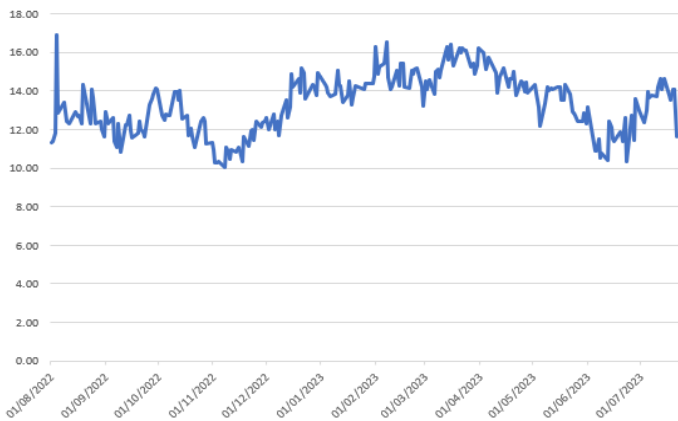
Net, Australia FOB potentially enter a stabilised mode at current level.

Neutral

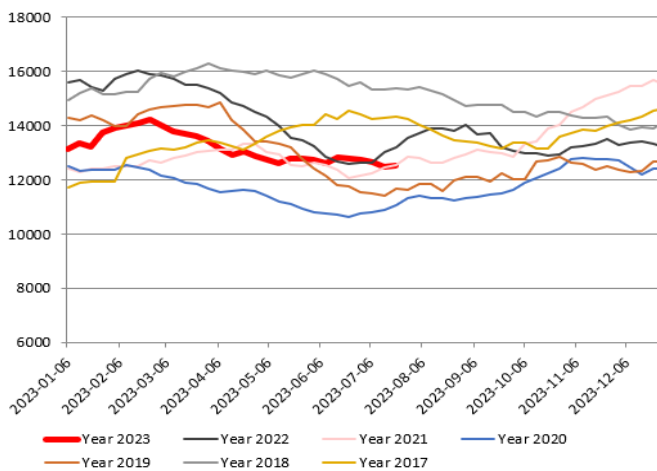
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	114.5	115.05	-0.48%
MB 65% Fe (Dollar/mt)	126.3	128.8	-1.94%
Capesize 5TC Index (Dollar/day)	11795	13386	-11.89%
C3 Tubarao to Qingdao (Dollar/day)	19.128	19.689	-2.85%
C5 West Australia to Qingdao (Dollar/day)	7.645	7.75	-1.35%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3570	3560	0.28%
SGX Front Month (Dollar/mt)	113.66	114.22	-0.49%
DCE Major Month (Yuan/mt)	842.5	840	0.30%
China Port Inventory Unit (10,000mt)	12,540.56	12,495.17	0.36%
Australia Iron Ore Weekly Export (10,000mt)	990.70	1,016.20	-2.51%
Brazil Iron Ore Weekly Export (10,000mt)	163.70	145.60	12.43%

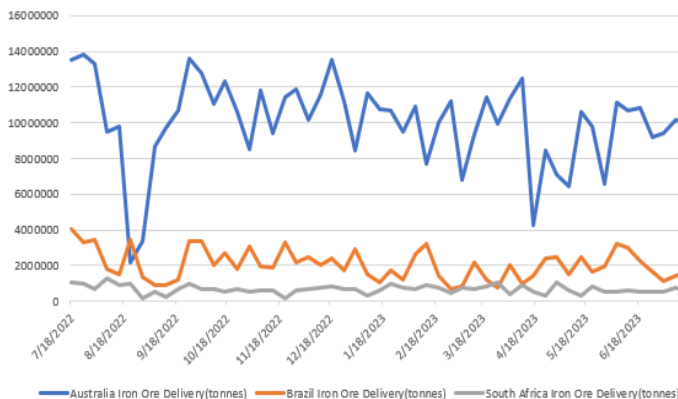
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



Iron Ore Delivery (tonnes)



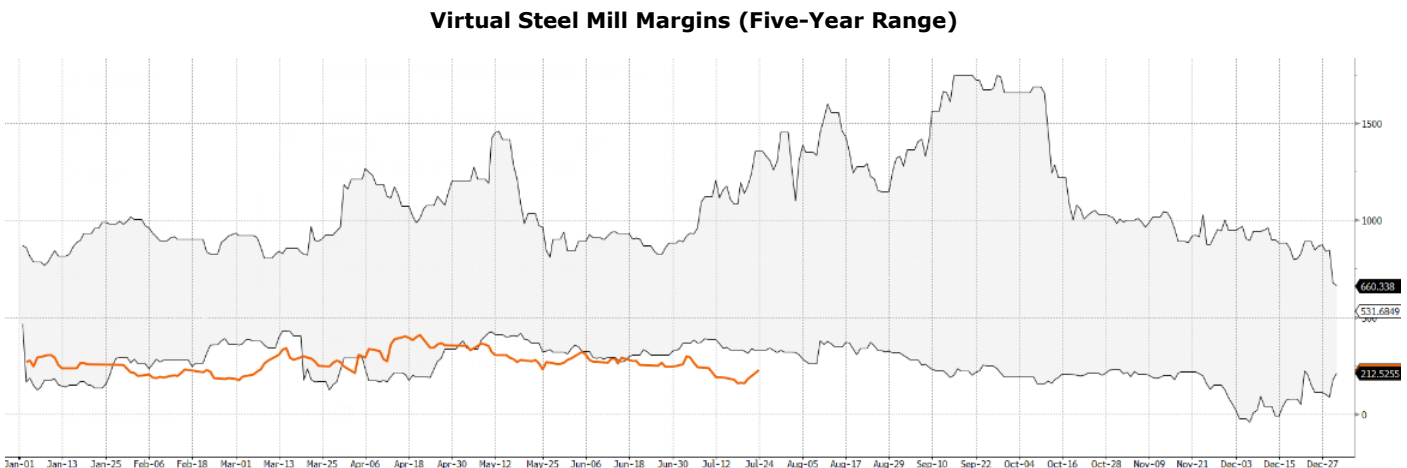
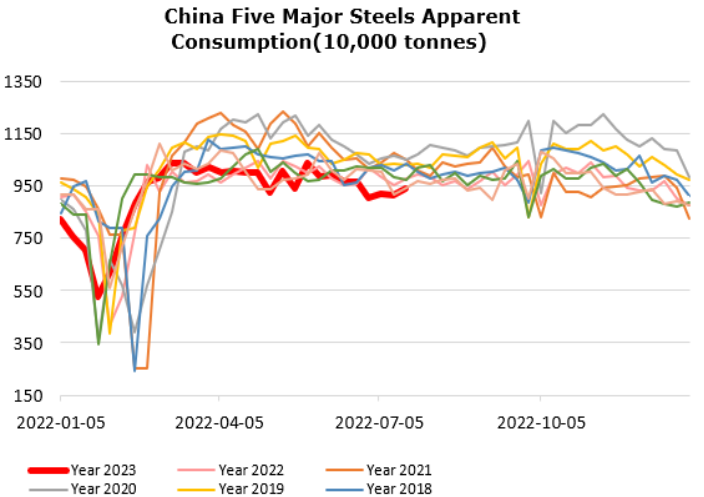
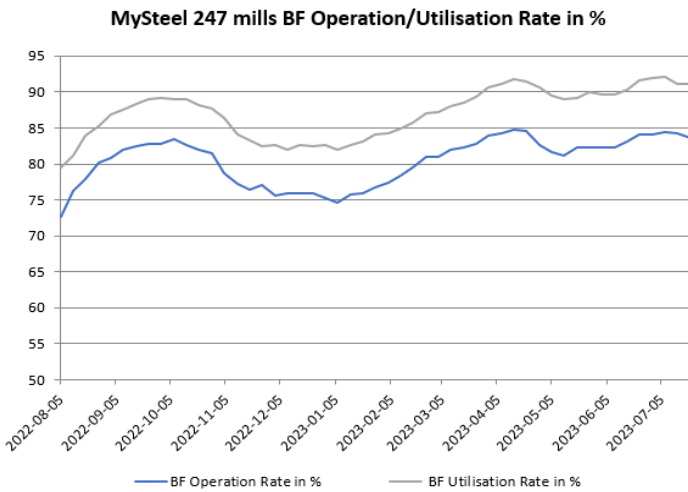
Iron Ore Key Points

- 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 \$13.55 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)	858	897	-4.35%
LME Rebar Front Month (Dollar/mt)	577	580	-0.43%
SHFE Rebar Major Month (Yuan/mt)	3779	3748	0.83%
China Hot Rolled Coil (Yuan/mt)	3911	3872	1.01%
Vitural Steel Mills Margin(Yuan/mt)	225	147	53.06%
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%



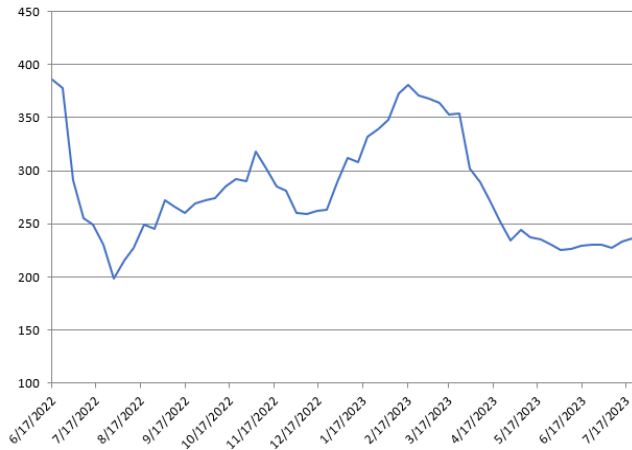
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins picked up from 147 yuan/ton to 225 yuan/ton because the price rise on steels.
- The weekly steels apparent consumption improved from 9.14 million tons to 9.39 million tons since last week, majorly supported by the fast growing demand in HRC.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	237	231	2.60%
Coking Coal Front Month (Dollar/mt)	236.5	233.75	1.18%
DCE CC Major Month (Yuan/mt)	1507	1416.5	6.39%
Top Six Coal Exporter Weekly Shipment	14.63	19.96	-26.70%
China Custom total CC Import Unit mt	7,745,318	6,724,634	15.18%

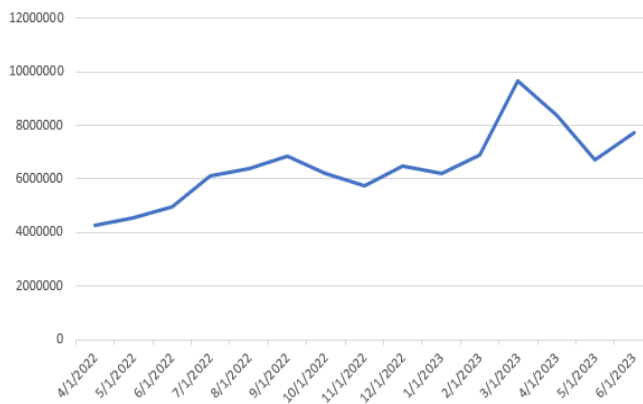
Coking Coal Front Month Forward Curve



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.

China Custom Total CC Imports(tonnes)



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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