FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore created a reversal from past two weeks and recovered loss from early August. High pig iron demand was the top support indicator.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Construction sales remained slightly higher the last two weeks, compared with July average.

⇒ **HRC NW EU Active Futures** short-run **Neutral**. US auto production expected to be lower in Q3 because of strike in September. European area saw higher steel inventories at ports.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. China steel mills proposed for 1st round a decrease on physical coke price, after an increase by 600 –650 yuan during past two months. There was coal mine accident in northern China.

Prices Movement	22-Aug	15-Aug	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	**110.35**	**103.45**	6.67%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	**3700.0**	**3700.0**	-	Neutral	-
HRC NW EU Active Futures ($/MT)	**807.0**	**804.0**	0.37%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	**258.50**	**255.50**	1.17%	Neutral	-

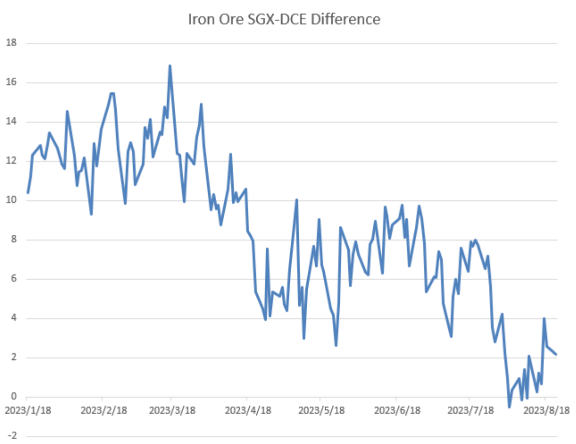
Market Review:

Iron ore Market :

Iron ore increased by 6.67% as expected. The uptick was related to a serious of Chinese housing strategies and rate cuts, as well as the unexpected high pig iron demand in a traditional light season.

There was unofficial news from China's security houses saying that the revamping of suburbs and villages covered more areas than expected. In other words, the demand for building materials in long run should increase. Chinese regulators urged to accelerate specialised debts to fill the gap of loans in Tier II and III cities. During the past weekend, there were some strategies to increase liquidity in capital market. All the strategies in a short time range boosted the confidence on ferrous products.

Virtual steel margin retreated from 278 yuan/ton to 216 yuan/ton during the past week. Steel margin remained at 200—300 yuan for most of time in 2023. The SGX-DCE spread jumped from a 0 level to $4 during past week as expected. Improved import margin and stable steel margin in short-run stimulated new round of buying on seaborne iron ore. MACF saw a positive premium at $0.3 based on September Index, compared with a flat price in early August. PBF saw less interest because of the increased moisture content and lower ferrous content. In general, both JMBF and MACF saw massive buying on fixed price or float price. However, the JMBF will potentially become popular as the decrease of cost-efficiency on MACF and PBF. Port inventories at China reached a year-low at 120 million tons. With low imports and fast consumption, both port and mills iron ore inventories expected to stay at low level in the coming few weeks.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Blast furnace utilisation rate remained at 91.79% which was both seasonal and year high level, beyond expectation of many industry participants. Resilient pig iron demand became a strong support for current iron ore price. On the other side, China's sample EAFs utilisation rate ramped up by 19% on the year last week. EAFs' utilisation rate remained 20% higher in July and August compared to last year. The continuing EAFs production has potentially become a resisting factor for blast production given a production restriction background in 2023 in long-run.

Net, iron ore potentially re-entered into stable mode after a pricing in of the positive market news last week.

Neutral

Downstream/Policies/Industry News:

China's central bank PBOC published Q2 monetary executive report, mentioned to stabilise currency risk, lowered residents and enterprises qualification of loans and promoted consumption. China cut 1-year medium lending rate by 15bps. Central bank cut 10 bps on 5-year length loan prime rate and remained unchanged for 10-year loan prime rate, which was below expectation of the market. However, market expect more rate cuts in H2. The Jan-Jul China house developing amount down 8.5% on the year, down 0.6% from Jan– Jun period.

U.S. jobless files reached 239,000 last week, 11,000 lower than previous week, creating the biggest single week drop in the past five weeks. U.S. PPI in July up 0.8%, est. 0.7%, last 0.1%.

U.K. July CPI up 6.8%, creating the second month drop and the lowest since February 2022.

Japan Q2 GDP up 6.0% on the year, est. 2.9%. Q2 GDP up 1.5% q-o-q, est. 0.8%.

Global Steel Market:

The active contract of Argus NW HRC rose from $804/mt to $807/mt during past week. The price level remained at $804—807 during the past three weeks. The fast depletion of Q3 import quotas and fast pick up of stocks at European ports added to the pressure of steel price. Most of steelmakers and downstream were still in holiday mode. In U.S., a Midwest service center indicated tradeable value at $780– 800/st ex-works, delivered in September.

China's Tianjin FOB SS400 down $5 to $555 during past week. Major international buyers were not accepting prices above $550/t FOB China. Top Vietnamese steel mills FHS lowered SAE1006 by $15 to $610/t, however buyers prefer cheaper import sources.

Similar to the flat steel, scrap market in Turkey expecting a sluggish demand currently given the demand decrease in Europe in summer. Indicative tradeable values for HMS 80:20 1/2 for U.S./Baltic origin was around $369– 372.5/mt.

Net, the lackluster demand in Europe and US became dragging factors for global steels.

Neutral

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

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar remained unchanged at 3700 yuan last week, which ranged from 3690– 3800 yuan for past 11 weeks. Virtual steel margin remained at 200– 350 yuan for 90% of trading days during the same period. Construction steels were traded 155,000 tons/day during last two weeks, which was slightly higher than 150,000 tons/day as an average number in July.

Both production and consumption were higher than expected in August. Thus, a loose production restriction in 2023 was heard from the market. On macro side, there was unofficial news saying that a bigger suburb revamp was planned in 2023, which would benefit the building materials in long-run.

Net, the marginal demand of Chinese steels remained resilient.

Neutral

Coal Market:

The Australia FOB coking coal rebounded significantly by 1.17% during the report week, supported by the strong Chinese seaborne demand. There were two coal mine accidents in China during the past 4-5 days, which caused some production restriction. On the other side, steel mills started to propose the first round of price cut by 100-110 yuan/ton, after six rounds of price increase during past two months.

There was a 15,000 mt September delivered PMV Riverside coal sold to India end-user at $275/mt CFR India. The monsoon stimulated the stock demand from India in short-run.

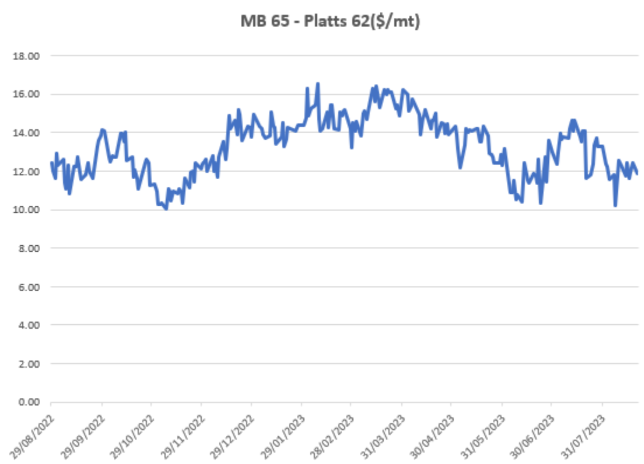
Net, mining accidents and monsoon in south Asia support the restocking demand in short-run.

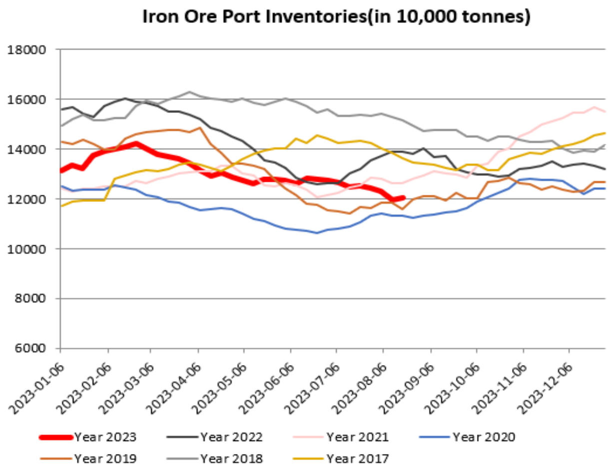
Neutral

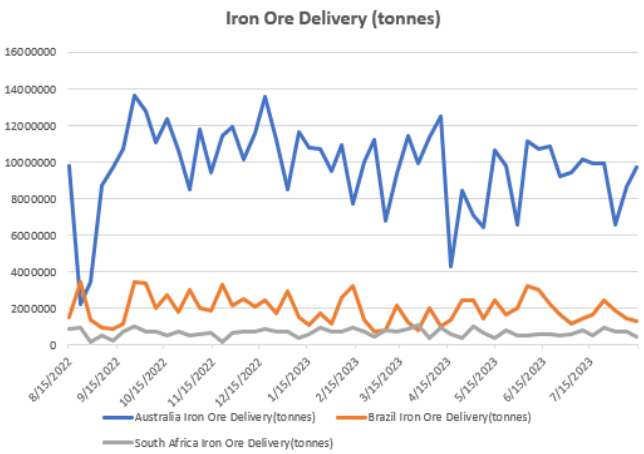
Sources: Argus, IHS Commodities at Sea Service, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	110.35	103.45	6.67%
MB 65% Fe (Dollar/mt)	122.2	115.2	6.08%
Capesize 5TC Index (Dollar/day)	12752	13017	-2.04%
C3 Tubarao to Qingdao (Dollar/day)	20.867	20.289	2.85%
C5 West Australia to Qingdao (Dollar/day)	7.74	7.72	0.26%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3530	3520	0.28%
SGX Front Month (Dollar/mt)	106.85	102.75	3.99%
DCE Major Month (Yuan/mt)	770	728	5.77%
China Port Inventory Unit (10,000mt)	12,050.99	11,945.91	0.88%
Australia Iron Ore Weekly Export (10,000mt)	969.60	860.60	12.67%
Brazil Iron Ore Weekly Export (10,000mt)	130.10	143.20	-9.15%







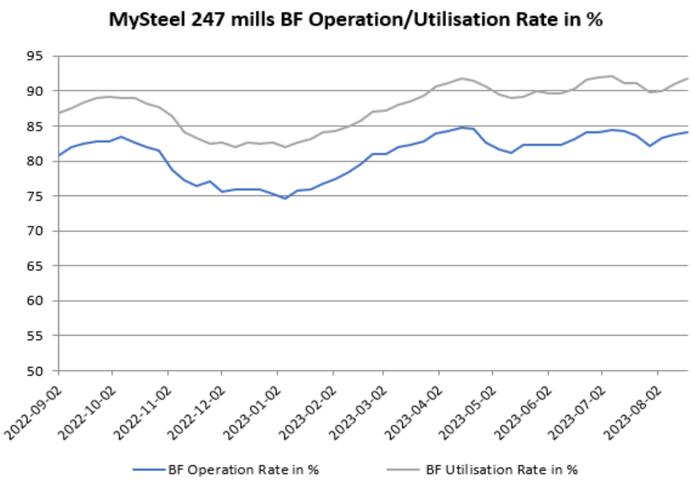
Iron Ore Key Points

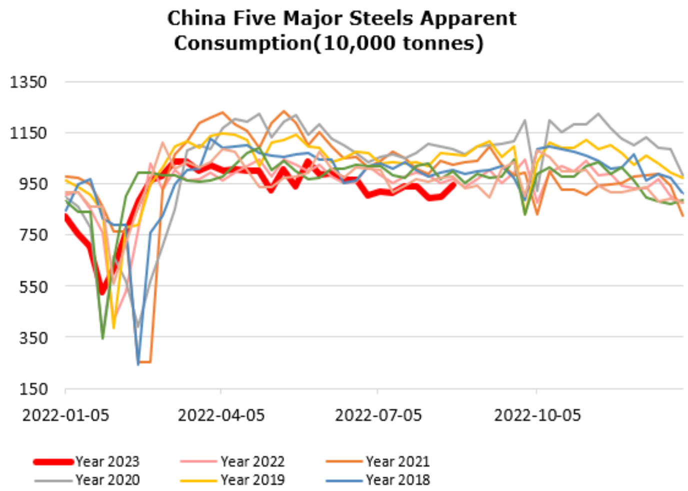
- Chinese iron ore port inventories remain at year-low at present.
- The demand for premium mid-grade has been gradually replaced by discount concentrates in Q2 and Q3, for better cost-efficiency. PBF demand weakened as a lower ferrous content and higher moisture level.
- The pig iron demand remained at seasonal high in August, while iron ore shipments are declining in late August.

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

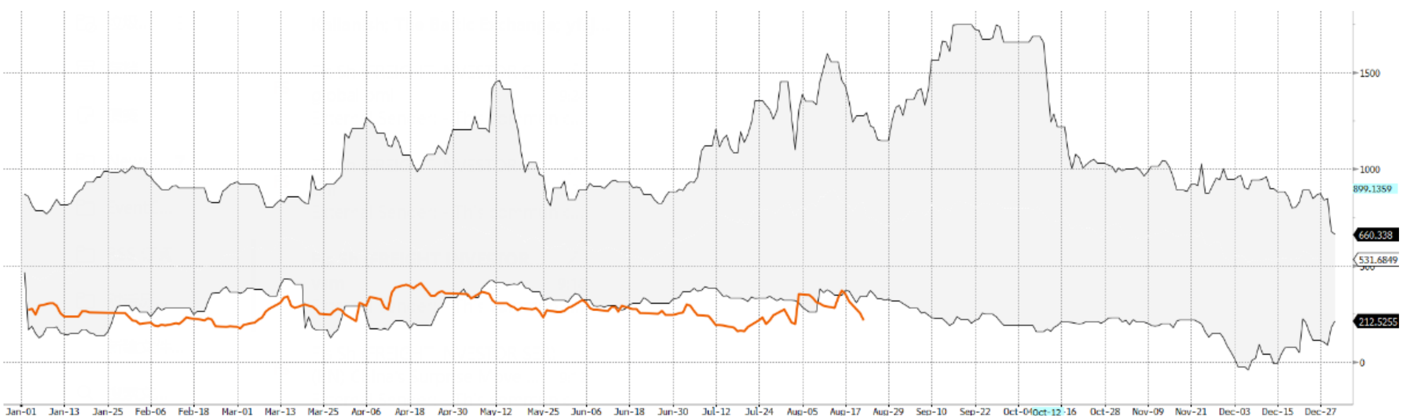
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	807	806	0.12%
LME Rebar Front Month (Dollar/mt)	562.5	558	0.90%
SHFE Rebar Major Month (Yuan/mt)	3718	3672	1.25%
China Hot Rolled Coil (Yuan/mt)	3939	3956	-0.43%
Vitural Steel Mills Margin(Yuan/mt)	216	278	-22.30%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	91100	90100	1.11%
World Steel Association Steel Production Unit(1,000 mt)	158,800	161,600	-1.73%





Virtual Steel Mill Margins (Five-Year Range)

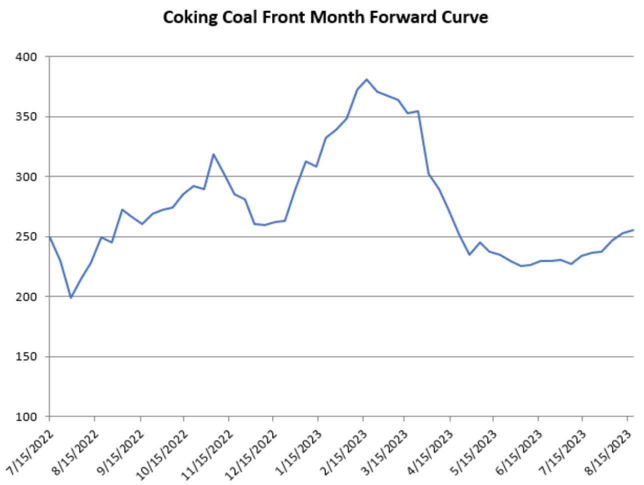


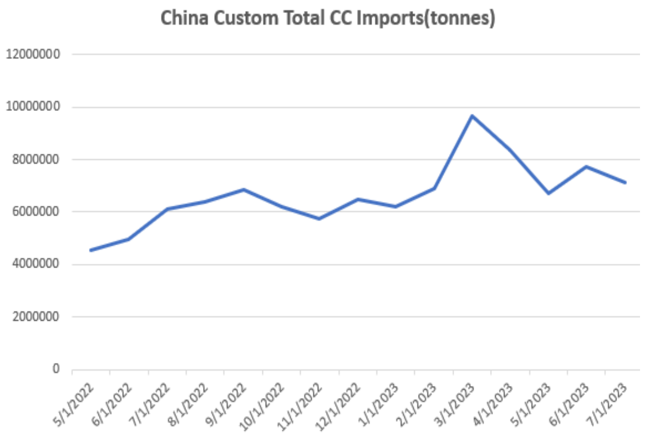
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins corrected from 278 yuan/ton to 216 yuan/ton. The margin ranged from 200– 350 yuan during most time in 2023.
- The major five types of steel apparent consumption recovered to 9.46 million tons, an eight-week-high.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	255.5	-3.52%
Coking Coal Front Month (Dollar/mt)	255	252.33	1.06%
DCE CC Major Month (Yuan/mt)	1405.5	1396.5	0.64%
Top Six Coal Exporter Weekly Shipment	15.88	20.33	-21.89%
China Custom total CC Import Unit mt	7,133,243	7,745,318	-7.90%





Coal Key Points

- The seaborne demand for prime coking coal in Australia gained support from China.
- In FOB Australia market, India entered Monsoon and finished most of coal imports in short-run.
- Some Chinese northern steel mills started to propose the first round of price reductions by 100 – 110 yuan.

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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