

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore supported by high pig iron production as well as more housing stimulus in China.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Construction sales remained resilient in August, however orderbooks yet to see a big improvement in September.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The market started to expect a weather cool down and operation recovery in European automakers.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. Demand maintained firm in Australia FOB market, enquiries on HCCAs are increasing with limited offers available.

Prices Movement	11-Sep	4-Sep	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	120.65	118.50	1.81%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3874.0	3855.0	0.49%	Neutral	-
HRC NW EU Active Futures (\$/MT)	689.69	632.39	9.06%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	280.5	269.0	4.28%	Neutral to Bullish	↗

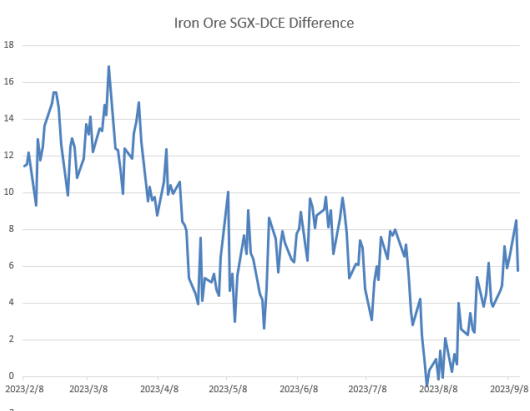
Market Review:

Iron ore Market :

Fast depreciation of U.S. dollar, as well as lower down payment ratio and mortgage rate, became the major reason behind the iron ore rebound during past report week. Moreover, iron ore port stocks were at a three-year low below 120 million tons for the past five weeks. At the same time, mills' iron ore stocks remained at a seasonal low level. Iron ore market was in tight supply in mid-run.

China NDRC held conference to discuss the price mechanism of commodities including iron ore, urea, and sodium carbonate, to resist market speculation and false pricing. The commodity market corrected following the news. If more regulations come out in the long-run, the price range will potentially start to narrow. On the other side, Guangzhou became the first city to set lower mortgage rate than loan prime rate; market expected more rates cut on mortgage and downpayment. The NEV automobile sales boosted by 39.2% from January to August. China NEV exports accounted for 56% over the world.

Virtual steel margin slumped by 75.54% during the past three weeks, while physical steel margin saw negative figures. Thus, cost-effectiveness became the priority of some steel mills again. PBF trade almost disappeared in both primary and secondary market. NHGF saw fixed trade at \$102.4. The popular brands still concentrated in discount cargoes. JMBF premium improved from \$4 to \$2.2 during past three weeks. MB65-P62 narrowed significantly from \$12 to \$9.35 in two weeks. The end-users were positive on the steel demand in the warm season in September and October. Thus, there should be some support at current price level. However, iron ore index reached seasonal high area observed from across past five years.



SGX-DCE spread recovered fast from negative in early August to \$8.5 this Monday. The port prices became "cheaper" to the seaborne market after the big spike.

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Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Neutral

Market Review (Continued)

Downstream/Policies/Industry News:

China August social financing size at 3.12 trillion yuan, up 631.6 billion yuan on the year. Some China security analysts believed that the over-expected data was contributed by accelerating of debt issuance from local government and preference return on debt market.

Many cities in China loosened qualification of house purchase and lowered down payment. Market expected more beneficiations will be given to home buyers in the coming months.

China offshore yuan CNH once depreciated to the fifteen-year low last week. However the CNH appreciated back significantly on Monday, together with the recovery on Japanese Yen. The fast appreciation was due to an immediate announcement sent by China central bank to urge "neutral" outlook on currency.

BOE policy maker Catherine Mann signaled supporting further interest hike to combat inflation in a Bloomberg interview. Mann was believed as the most hawkish member in Monetary Committee.

Coal Market:

Australia FOB coking coal index rebounded by 4.28% during the week, supported by robust trading activities. There were two full Panamax laycans of HCCA bids up by \$4 per day from late last week, yet to receive any effective offers. There were even some bids jumped by \$15 to \$290 for HCCA. The bid for Goonyella C jumped from \$280 to 288 loading in October, however not falling into the assessment window.

The India and China demand supported the price level of FOB cargoes. China cokery plants raised price of cokes by 100 yuan/ton, after rejecting the price decrease proposal from mills two weeks ago. However, the southern mills of China indicated that the narrowed steel margin could resist the sustainability of current price levels.

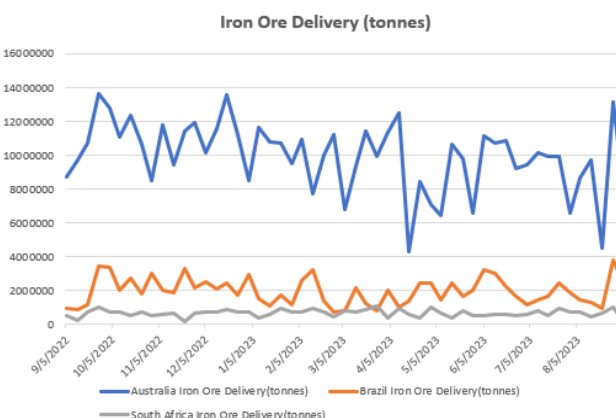
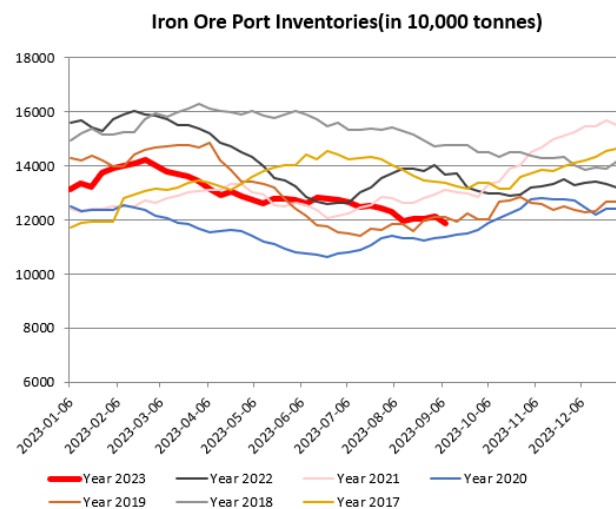
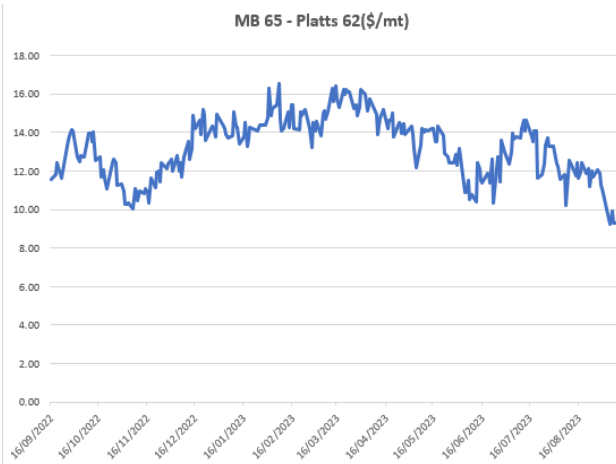
Neutral to Bullish

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	120.65	118.5	1.81%
MB 65% Fe (Dollar/mt)	130	128	1.56%
Capesize 5TC Index (Dollar/day)	10982	8887	23.57%
C3 Tubarao to Qingdao (Dollar/day)	19.683	18.822	4.57%
C5 West Australia to Qingdao (Dollar/day)	8.3	7.95	4.40%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3510	3570	-1.68%
SGX Front Month (Dollar/mt)	113.33	113.99	-0.58%
DCE Major Month (Yuan/mt)	831.5	844	-1.48%
China Port Inventory Unit (10,000mt)	11,867.87	12,126.76	-2.13%
Australia Iron Ore Weekly Export (10,000mt)	836.70	1,315.22	-36.38%
Brazil Iron Ore Weekly Export (10,000mt)	252.50	379.50	-33.47%

Iron Ore Key Points

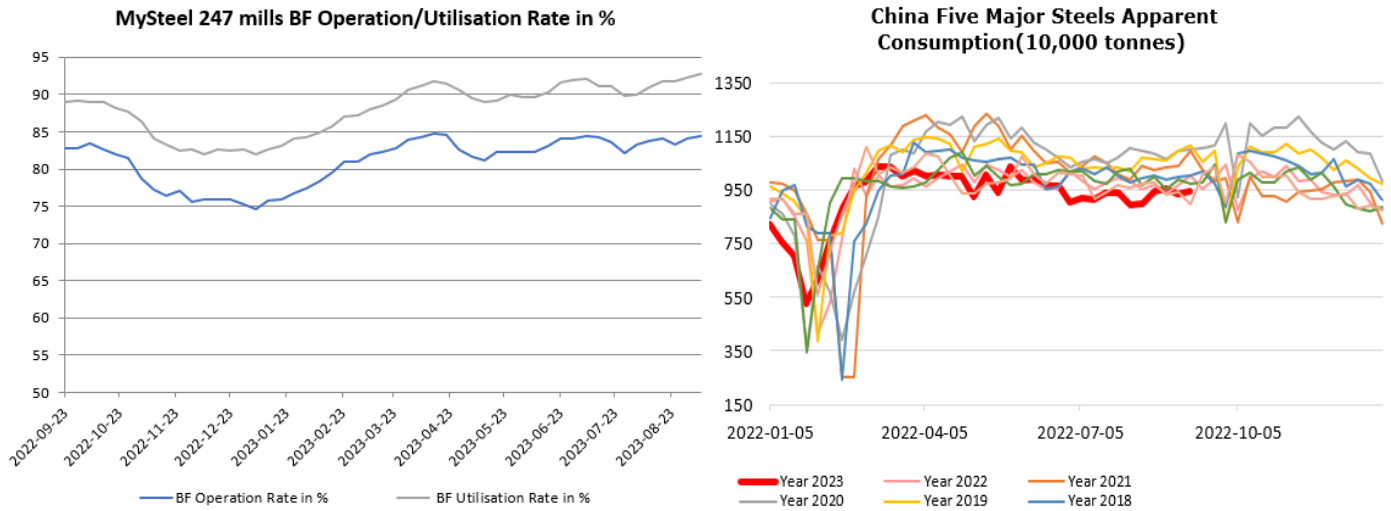
- Chinese iron ore ports inventories maintained at year-low level around 120 million tons in current three weeks.
- The demand for premium mid-grade is gradually replaced by discount concentrates in Q2 and Q3, for better cost-efficiency. PBF demand weakened as a lower ferrous content and higher moisture level.
- The pig iron demand maintained seasonal high in August, while iron ore arrivals expected to decrease in September.



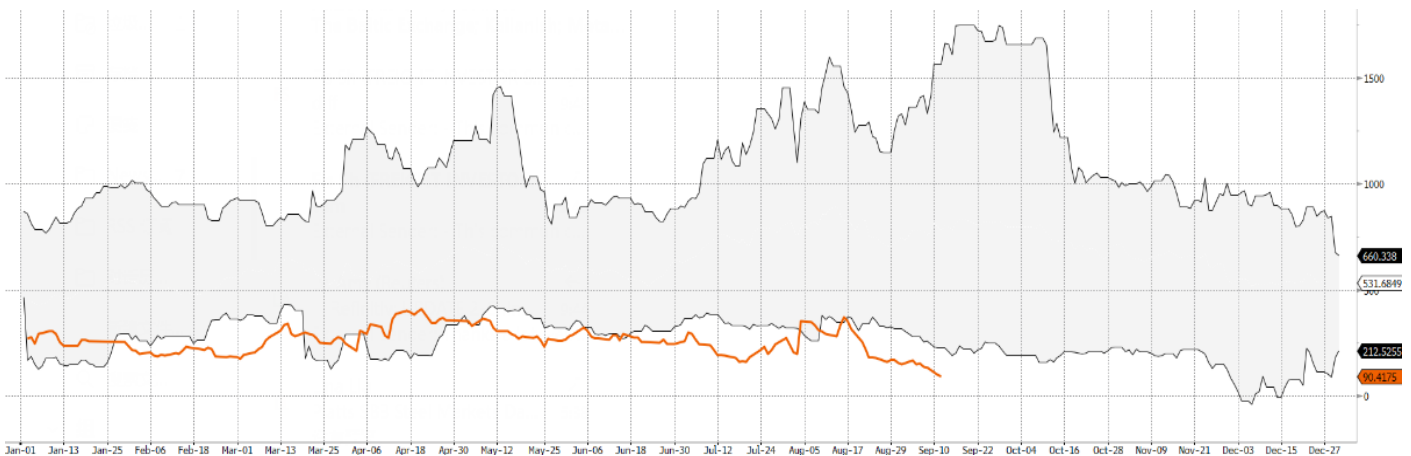
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	720	720	0.00%
LME Rebar Front Month (Dollar/mt)	560.5	559	0.27%
SHFE Rebar Major Month (Yuan/mt)	3757	3757	0.00%
China Hot Rolled Coil (Yuan/mt)	3934	3965	-0.78%
Vital Steel Mills Margin(Yuan/mt)	347	299	16.05%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	90800	91100	-0.33%
World Steel Association Steel Production Unit(1,000 mt)	158,800	161,600	-1.73%



Virtual Steel Mill Margins (Five-Year Range)



- Virtual steel mill margins corrected from 368 yuan/ton three weeks ago to 90 yuan/ton. Some physical mills variable margin dropped to negative area.
- The major five types of steel apparent consumption recovered to 9.54 million tons, a nine-week-high.

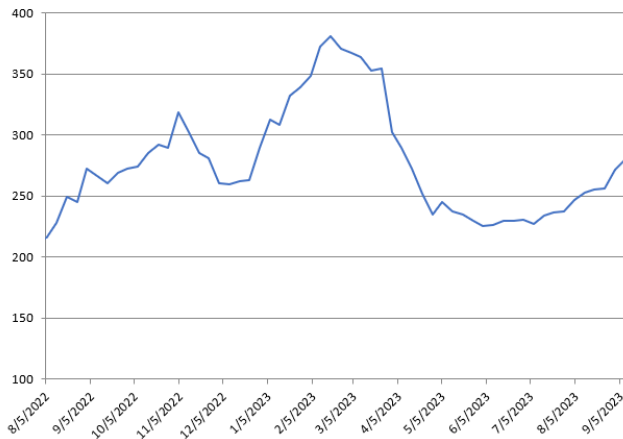
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	269	-8.36%
Coking Coal Front Month (Dollar/mt)	280.33	271.5	3.25%
DCE CC Major Month (Yuan/mt)	1677.5	1594.5	5.21%
Top Six Coal Exporter Weekly Shipment	16.39	20.62	-20.51%
China Custom total CC Import Unit mt	7,133,243	7,745,318	-7.90%

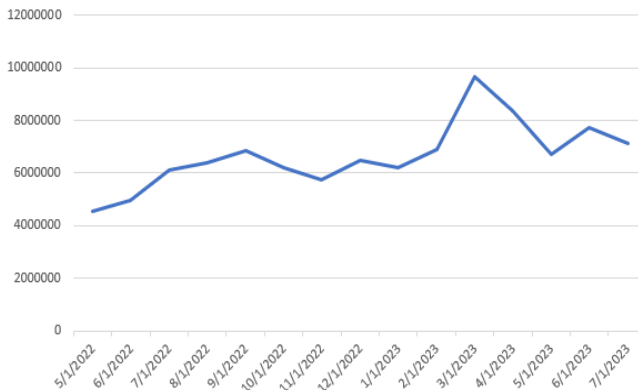
Coal Key Points

- The seaborne demand boosted by China and India, in particular for HCCAs and PMVs.
- China cokery plants proposed for a new round of price increase by 100-110 yuan/ton.

Coking Coal Front Month Forward Curve



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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