

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore saw marginal decrease on the demand side.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The smaller orderbooks in September and October, as well as the decreasing physical trading volume proved a less than expected consumption in September.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. European service centers and traders were trying to size down the inventories amid sluggish automobile demand.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The tight supply continued to irritate the market.

Prices Movement	25-Sep	18-Sep	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	118.80	124.45	4.54%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3924.0	3898.0	0.67%	Neutral	-
HRC NW EU Active Futures (\$/MT)	675.93	680.38	1.17%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	326.0	314.75	3.57%	Neutral	-

Market Review:

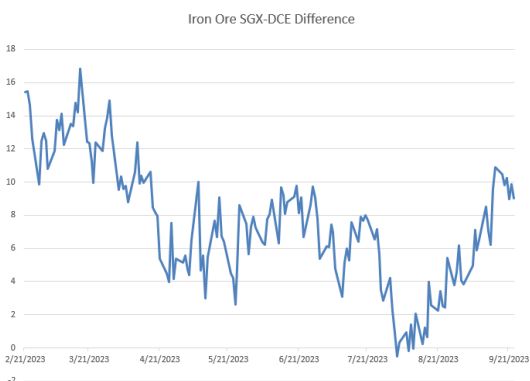
Iron ore Market :

Iron ore corrected 4.54% last week, although some market participants believed in a strong outlook in Q3. Iron ore started to reverse into a mid-run level correction this week given the decreasing demand on pig iron.

The top house developers sent news of high completion rates on deliveries. However, China Evergrande failed to pay "20 Hengda 04" bond by maturity on September 25th. Steel sales failed expectation at a 130,000 to 140,000 tons per day, compared with 155,000 ton average levels from June to August. The mills in China also indicated that the orderbooks in September and October were at least 10% less than same period last year. Pig iron daily production number remained at year-high level at around 2.47 million tons for 3 weeks. Thus, market participants knew it was time to see a reverse on pig iron production.

Iron ore port inventories were refreshing year-low level throughout past 5 weeks and created year-low at 115 million tons last week, while mill inventories were at a moderate level of the year. Some northern traders said SSF were almost sold out. PBF was in a tight supply mode. However, seaborne price potentially approaches a periodic high area. The virtual steel margin reached 13 yuan/ton, year-low and seasonal low. At the same time, physical steel margin had suffered negative margin for more than 2 weeks because of fast climbing coal prices and iron ore prices. There was rumor mentioning the crude steel flat control in winter. If it becomes true, mills will cut 10% or more from current daily production level.

SGX-DCE difference remained at six-month-high level around \$9-11 during past two weeks. The cost effectiveness for seaborne became weak after the big spike from -\$2 to \$10.8. Some traders are starting to think about alternatives or trading on ports.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Freight Investor Services 2023.

Market Review (Continued)

The Oct –Nov23 spread curve remained stable during past week, only saw a \$0.1 decrease to \$2.35. The spread expected to remain at current level, as the slight weaker expectation in November.

In general, iron ore saw a marginal decrease on its demand side.

Neutral to Bearish

Downstream/Policies/Industry News:

China and US will officially launch two new working groups on economic and financial issues, aiming to provide a regular policy communication forum for the two countries and will hold regular meetings.

US Federal Reserve Governor Bowman stated that the inflation was too high and further interest rate hikes may be appropriate. Federal Reserve Governor Daley stated that it is unlikely to achieve the 2% inflation target by 2024.

The Bank of Japan announced that it would continue to implement the ultra-loose monetary policy, maintain the short-term interest rate at a level of negative 0.1%, and maintain the long-term interest rate at about zero by purchasing long-term treasury bonds.

The United Auto Workers (UAW) expanded strikes against GM and Stellantis, shutting down repair parts distribution involving 28 locations across 20 states.

The US Federal Reserve maintain its interest rate target and signaled that one more rate hike would be required this year.

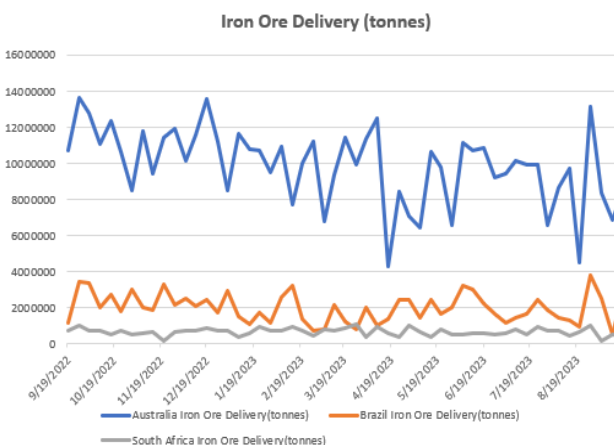
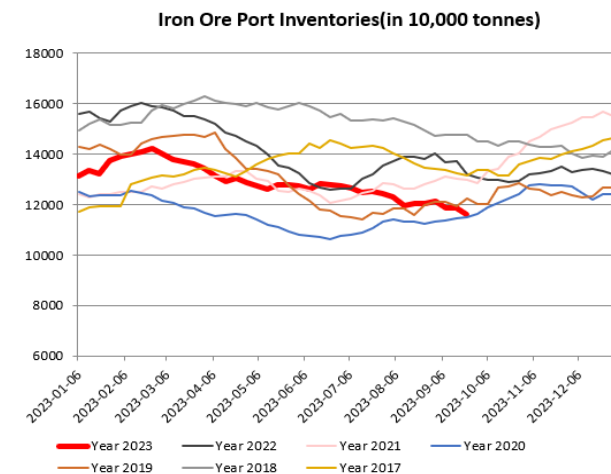
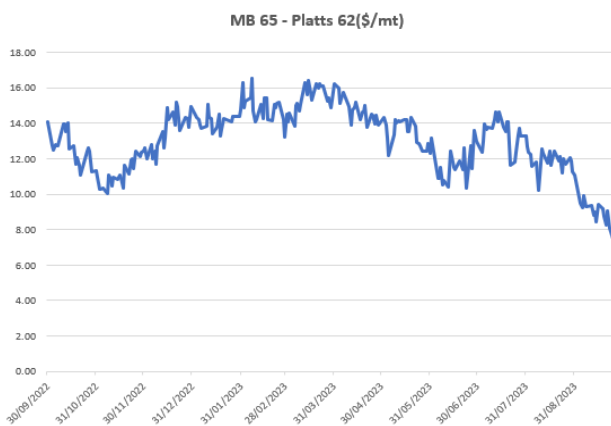
World Steel Association statistic indicated that the global crude steel production reached 152.6 million tons in August, up 2.2% on the year. China August crude steel production at 86.4 million tons, up 3.2% on the year.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	118.8	124.45	-4.54%
MB 65% Fe (Dollar/mt)	126.1	133.6	-5.61%
Capesize 5TC Index (Dollar/day)	17810	14503	22.80%
C3 Tubarao to Qingdao (Dollar/day)	22.556	20.867	8.09%
C5 West Australia to Qingdao (Dollar/day)	9.69	9.2	5.33%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3530	3570	-1.12%
SGX Front Month (Dollar/mt)	121.18	122.95	-1.44%
DCE Major Month (Yuan/mt)	862	873	-1.26%
China Port Inventory Unit (10,000mt)	11,592.61	11,865.75	-2.30%
Australia Iron Ore Weekly Export (10,000mt)	837.10	687.60	21.74%
Brazil Iron Ore Weekly Export (10,000mt)	264.90	49.20	438.41%

Iron Ore Key Points

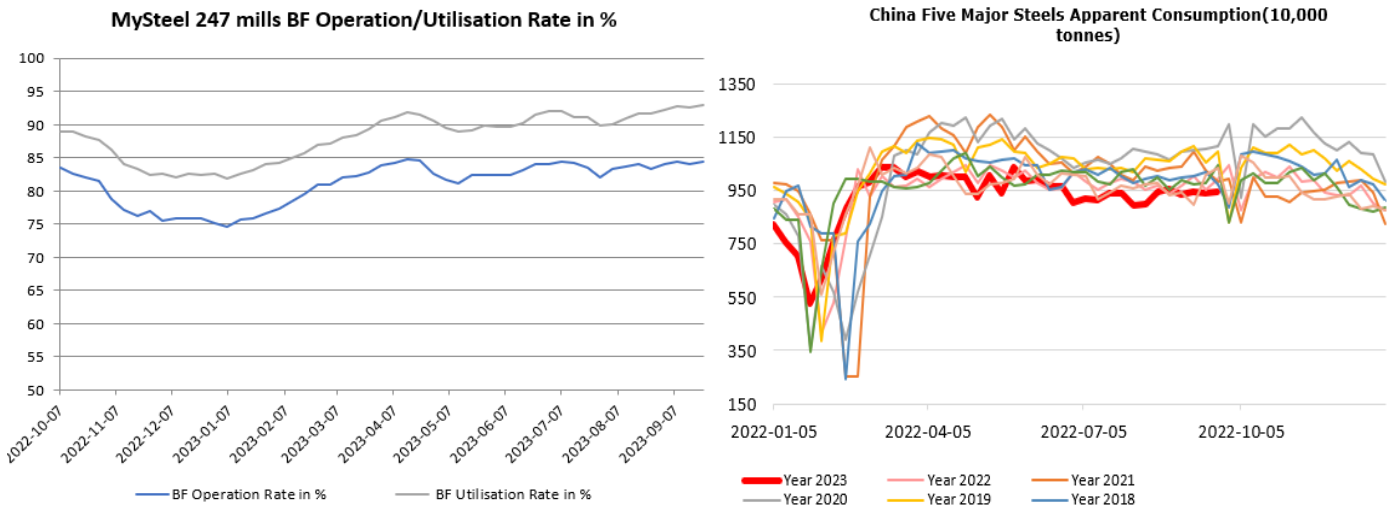
- Chinese iron ore port inventories reached year-low at 150 million tons, down 12% y-o-y.
- MB65—P62 spread dumped from \$14 during the past three months due to the squeezing on the margin.
- The pig iron demand expected to decrease marginally in the coming weeks from high level of the year.



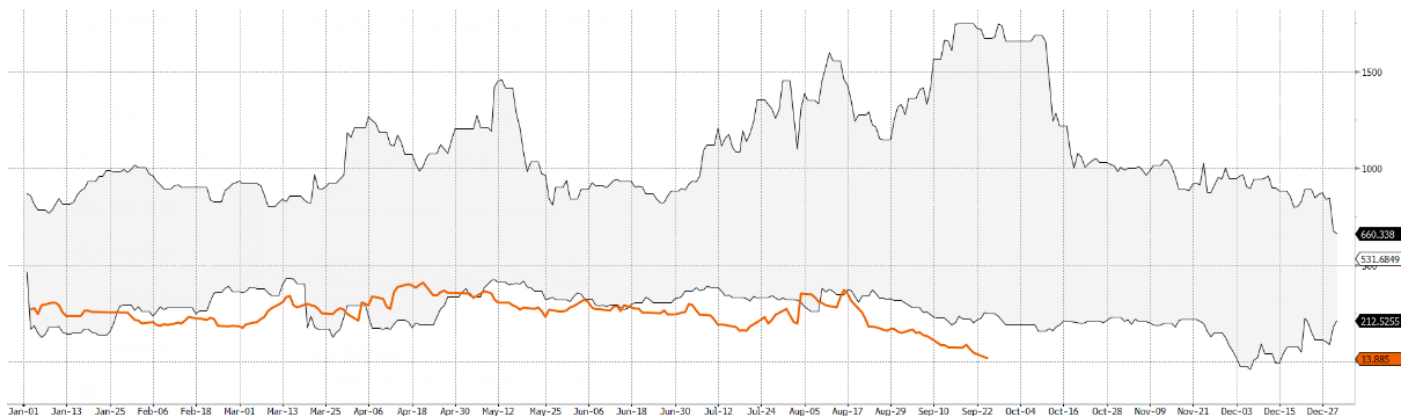
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	705	704	0.14%
LME Rebar Front Month (Dollar/mt)	570	573	-0.44%
SHFE Rebar Major Month (Yuan/mt)	3773	3816	-1.13%
China Hot Rolled Coil (Yuan/mt)	3919	3953	-0.86%
Vitural Steel Mills Margin(Yuan/mt)	13	70	-81.43%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	86400	90800	-4.85%
World Steel Association Steel Production Unit(1,000 mt)	152,600	158,500	-3.72%



Virtual Steel Mill Margins (Five-Year Range)



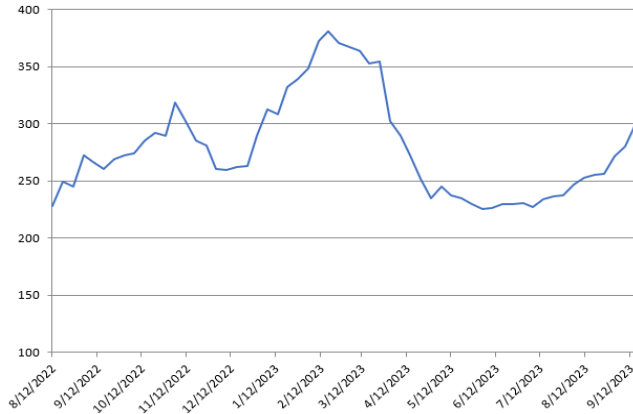
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins corrected from 368 yuan/ton four weeks ago to 13 yuan/ton after the spike of iron ore and coking coal. Some physical mills variable margin dropped to negative area.
- The major five types of steel apparent consumption remained around 9.45 million tons as an average number during past six weeks.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	314.75	-21.68%
Coking Coal Front Month (Dollar/mt)	300	300	0.00%
DCE CC Major Month (Yuan/mt)	1847.5	1812	1.96%
Top Six Coal Exporter Weekly Shipment	16.62	18.16	-8.48%
China Custom total CC Import Unit mt	9,573,059	7,133,243	34.20%

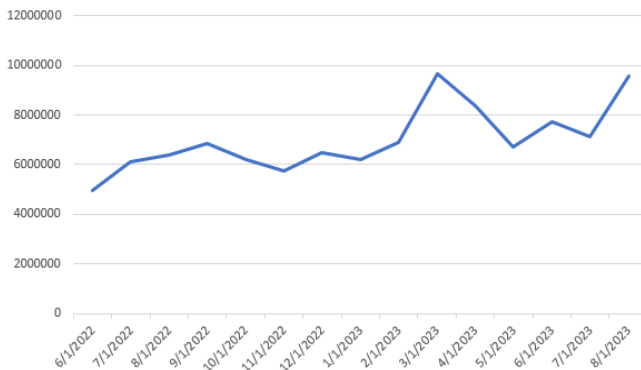
Coking Coal Front Month Forward Curve



Coal Key Points

- The seaborne demand boosted by China and India, in particular for HCCAs and PMVs.
- The BHP miner accident decreased seaborne coking coal supply in short-run. China Guizhou miner accident potentially lift safety check on local miners.
- Chinese cokery plants proposed a new round of price increase by 100-110 yuan/ton.

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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