FIS Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore saw marginal decrease on the demand side. Market expects an inconsistent iron ore consumption in Q4 in long-term.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The orderbooks in September and October proved to be a weaker construction season compared with last three years.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. European service centers and traders were trying to size down the inventories and regain support from recovering auto sales.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The tight supply in FOB market supported prime coking coal price.

Prices Movement	9-Oct	2-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	116.35	119.90	2.96%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3939.0	3929.0	0.25%	Neutral	-
HRC NW EU Active Futures ($/MT)	646.63	651.06	0.68%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	361.0	333.00	8.41%	Neutral	-

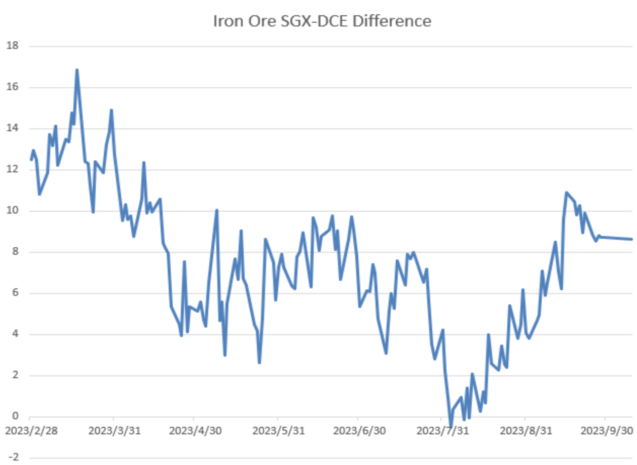
Market Review:

Iron ore Market :

Iron ore slightly corrected during Chinese long holiday as expected.

The tradeable range of PBF was $118 to $120 for fixed cargoes, majorly based on quotation during holiday. However, the market saw fixed trade on JMBF and MACF on Monday. Mills were indicating clear demand on discounted iron ores or low grade concentrates to manage the overall cost, given a slim margin around break-even. The virtual steel margin ranged from 13-17 yuan/ton during the past three weeks, which was a historical low and year-low area. Some independent rolling mills were required to curb from Oct 7th, yet to see the impact on the market.

There was news saying Chinese government helped on the housing debt restructure and significant progress was made on "guaranteed house delivery" projects. WTI dropped 12.8% during China's holiday time, which potentially became a dragging indicator for the derivatives market of iron ore. However, middle-eastern tensions supported oil price back early this week. Iron ore has tended to see an increasing significance on correlation with crude oil on futures market since 2020. Strong crude oil price has played an important role to support the general commodity rebound in Q3.



Iron ore port inventories dropped to 111.81 million tons during golden week, refreshing a year-low. The last time this level was seen was in September 2020, while mills inventories were at a moderate level at 86.64 million tons, 1% different compared to last month. The fast overall decrease on inventories indicated a strong consumption on iron ore. The pig - iron production level stayed at 2.47– 2.48 million tons, however, market participants saw weaker demand in Q4 based on the steel orders domestically and weak export data on flat steels.

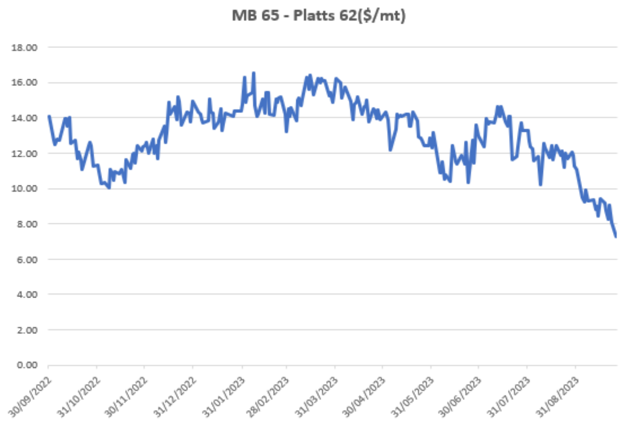
In general, the market saw a clear sign of marginal decrease of iron ore demand in Q4. The speculation buyers were also taking gains from this market.

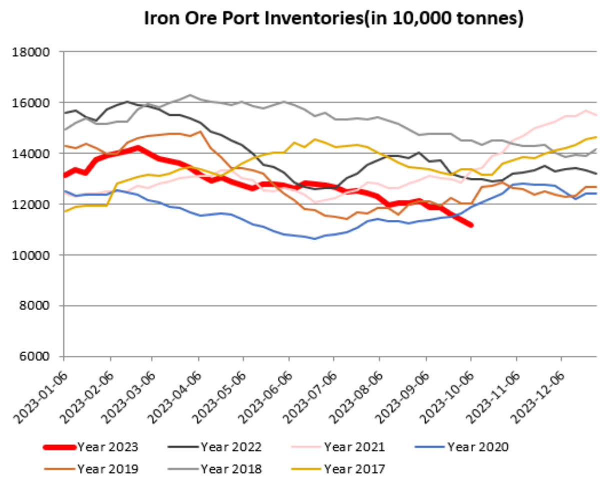
Neutral

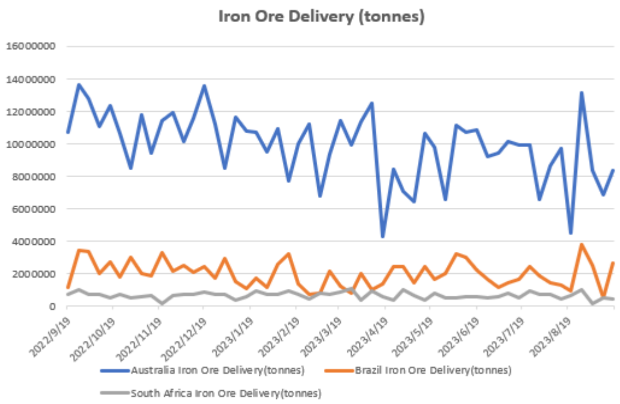
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	116.35	119.9	-2.96%
MB 65% Fe (Dollar/mt)	124.36	128.08	-2.90%
Capesize 5TC Index (Dollar/day)	28901	21364	35.28%
C3 Tubarao to Qingdao (Dollar/day)	26.644	24.128	10.43%
C5 West Australia to Qingdao (Dollar/day)	11.295	10.35	9.13%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3550	3570	-0.56%
SGX Front Month (Dollar/mt)	112.32	116.67	-3.73%
DCE Major Month (Yuan/mt)	828	852	-2.82%
China Port Inventory Unit (10,000mt)	11,181.06	11,527.69	-3.01%
Australia Iron Ore Weekly Export (10,000mt)	627.40	972.30	-35.47%
Brazil Iron Ore Weekly Export (10,000mt)	229.30	216.70	5.81%







Iron Ore Key Points

- Chinese iron ore ports inventories dropped to 111.81 million tons during past seven months from 141 million tons in February.

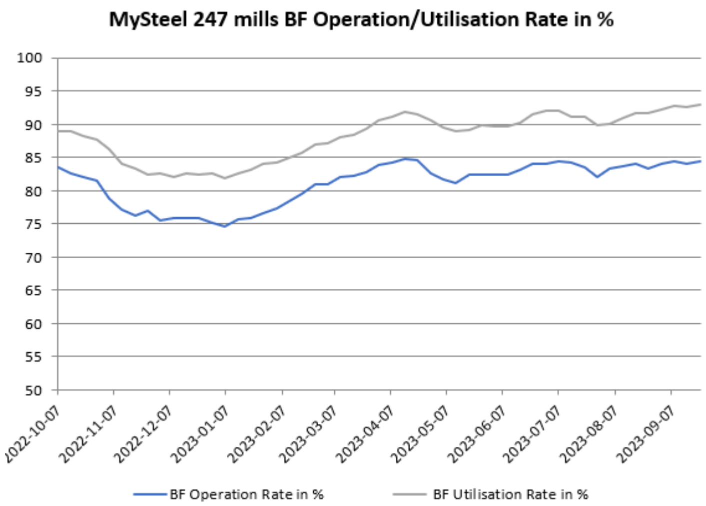
- MB65—P62 spread dumped from $14 during the past three months due to the squeezing on the margin.

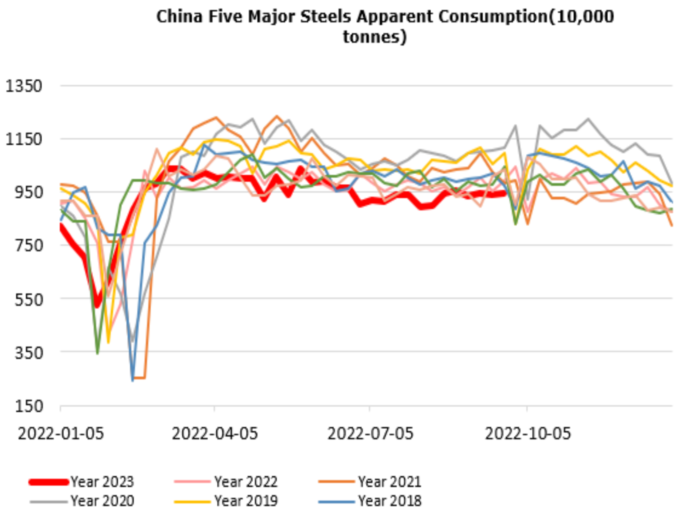
- The pig iron demand is expected to decrease marginally in the coming weeks from high level of the year.

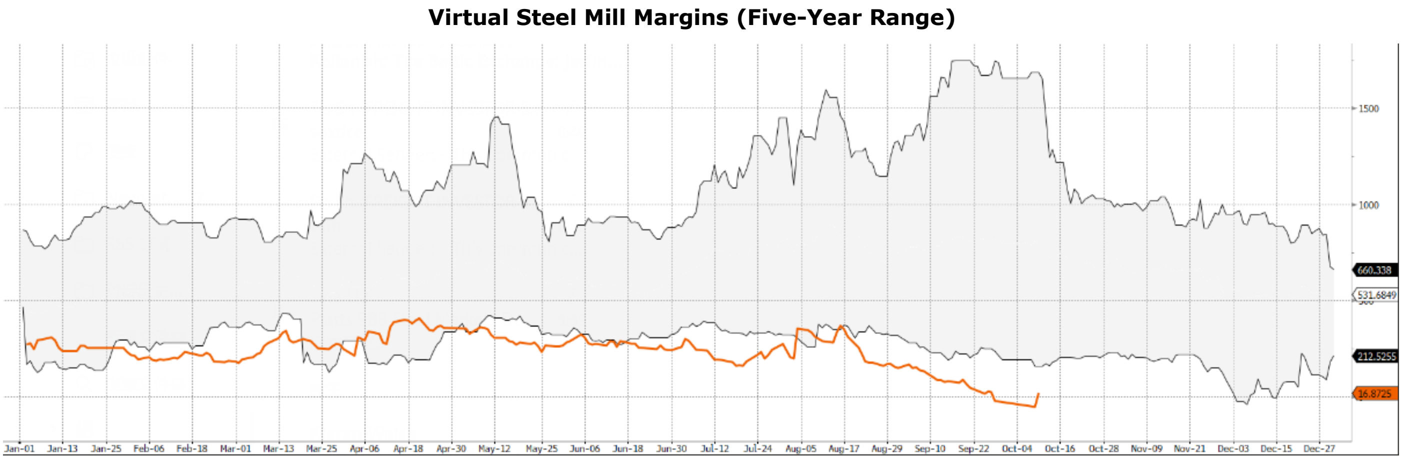
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	705	704	0.14%
LME Rebar Front Month (Dollar/mt)	571	566	0.85%
SHFE Rebar Major Month (Yuan/mt)	3700	3773	-1.93%
China Hot Rolled Coil (Yuan/mt)	3885	3919	-0.87%
Vitural Steel Mills Margin(Yuan/mt)	17	13	30.77%
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%





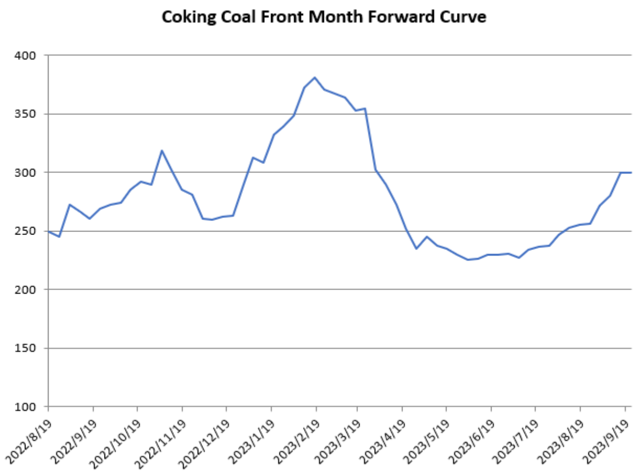


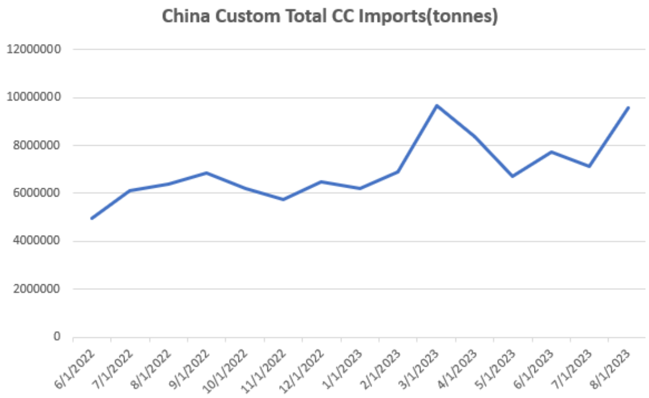
Data Sources: Bloomberg, MySteel, FIS

- 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. The margin remained at 13– 17 yuan/ton before and after Chinese golden week.
- 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)	361	333	**8.41%**
Coking Coal Front Month (Dollar/mt)	354.33	329	**7.70%**
DCE CC Major Month (Yuan/mt)	1840	1847.5	**-0.41%**
Top Six Coal Exporter Weekly Shipment	14.00	20.73	**-32.47%**
China Custom total CC Import Unit mt	9,573,059	7,133,243	**34.20%**





Coal Key Points

– The seaborne demand boosted by China and India, in particular for HCCAs and PMVs.

– Chinese cokery plants finalised the negotiation with steel mills on a new round of price increase by 100-110 yuan/ton.

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.

Written by **Hao Pei**,

FIS Senior Research Analyst

Edited by **Luke Hanley**

FIS Content Manager

News@freightinvestor.com