

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Although iron ore increased given the lowering port inventories and structural shortage on some brands, iron ore saw marginal decrease on the demand side.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The consumption in September and October as traditional construction season failed expectation.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The automobile sale expected to increase in Q4, as well as decreasing inventories at port areas.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The tight supply in FOB market supported prime coking coal price, however low steel margin in Asia limited the upside room.

Prices Movement	16-Oct	9-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	120.15	116.35	3.27%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3912.0	3939.0	0.69%	Neutral	-
HRC NW EU Active Futures (\$/MT)	646.74	646.63	-	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	367.0	361.0	1.67%	Neutral	-

Market Review:

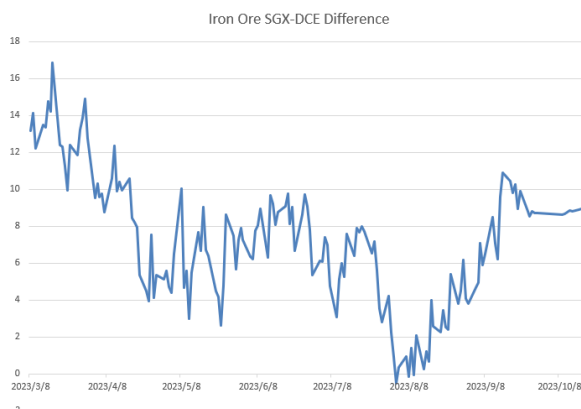
Iron ore Market :

Iron ore index outperformed expectation, increasing by 3.27% during the report week. The past round of increase was triggered by "a limited exporting mines list" from Australia. Thus, market was trying to connect the list with iron ore. Some iron ore traders were confident that the list should not include bulk commodities so far.

The financial market had a limited response to the geo-political tension in mid-east except fuel oil and gold. Be aware of the continuing impact which could potentially shift risk appetite in mid-run.

Structural shortage in different brands of iron ore became the major fundamental support of the strong index. However, the negative steel margin and regional production curb would become a resist factor on the current iron ore price. Virtual steel margin reached -60 yuan/ton by Monday, a five-year-low. Negative steel margin in many areas in China forced mills to start winter maintenance early. The demand for lump and pellets is expected to see an increase in November and December considering incoming production curb.

There was news reported that the half-year length long-term contracts of PBFs were traded on the market, without mentioning the price level. Thus, PBFs regained notices last week after the stocks decreased significantly on the ports. Moreover, long-term supply didn't increase the cargoes on spot market. Late last week, Rio Tinto sold two laycans of PBF at December IODEX at a premium of \$4.85 and \$5.1 respectively, which fell out of the assessment window but significantly higher than the last premium at \$3.5 in late September. PBF and SSF difference narrowed from 150 yuan to 85 yuan during the past five weeks, because the SSF inventories were declining sharply during the past three months. The 45 Chinese ports with iron ore inventories refreshed new low since July, 2020 at 108.46 million tons. The fast decrease was contributed by seasonal high consumption of pig iron at 2.4595 million tons. China's 45 ports of iron ore arrivals increased significantly by 7.03 million tons to 27.38 million tons last week, up 6.26 million tons y-o-y. However, the market saw a marginal decrease on the pig iron decrease from 2.48 million tons four weeks ago, which became the major downside risk.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

SGX iron ore Nov-Dec23 spread sit on roller coaster during past six weeks, by going from a rise of \$1.65 to \$4.2 and then a drop to \$2.4. The uptick was related to the uptick of seasonal stocking for construction season, while the current decrease is indicating the market is officially entering a marginal declining period.

In general, the market saw a clear sign of marginal decrease of iron ore demand in Q4.

Industry News and Macro Update :

Rio Tinto Pilbara miner produced 83.5 million tons of iron ore in Q3, up 3% compared to Q2, down 1% y-o-y. Pilbara delivered 83.9 million tons of iron ore in Q3, up 6% from Q2, up 1% y-o-y. Rio Tinto maintained its annual delivery guidance at 320 -335 million tons in 2023.

The European Service Center indicated that HRC price should have limited downside room. The current deals which concluded at EUR 630 -640/mt were closed to production cost. CISA statistic indicated that the member steel mills produced in total 20.83 million tons of crude steel in late October, or 2.083 million tons per day, up 0.81% from mid-October.

US EIA reports suggested that US shale oil production is expected to decline for the third consecutive month in November, reaching 9.55 million barrels/day since May 2023. JODI statistics said that Saudi Arabia crude oil exports refreshed lowest for the past 28 months. Russia increased crude oil export tax to \$26.2/mt effective from November 1st.

Chinese listed companies started to unveil buyback plans. The companies were state-owned giants including Sinopec, Baoshan Iron and Steel and COSCO. Market participants expect more buyback plans to emerge in the remainder of October. China's credit growth held steady in September with rapid government bonds being issued to fund infrastructure sector, while strong mortgage lending statistics are offsetting the decreasing new bank loans. M2 increased 10.3% in September on the year, last 10.6%, est. 10.6%.

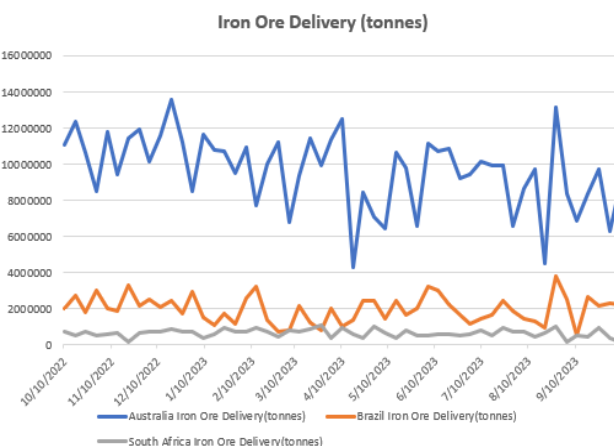
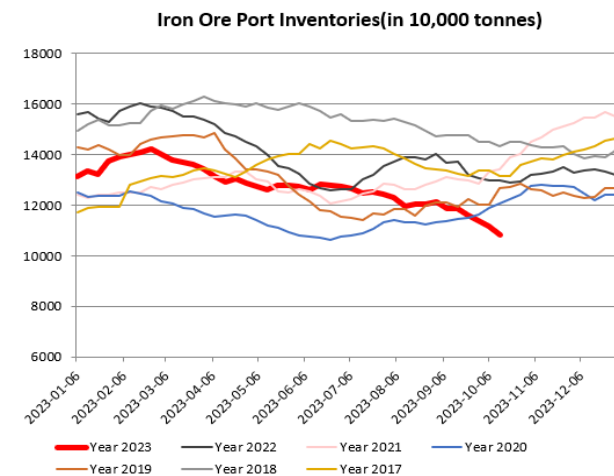
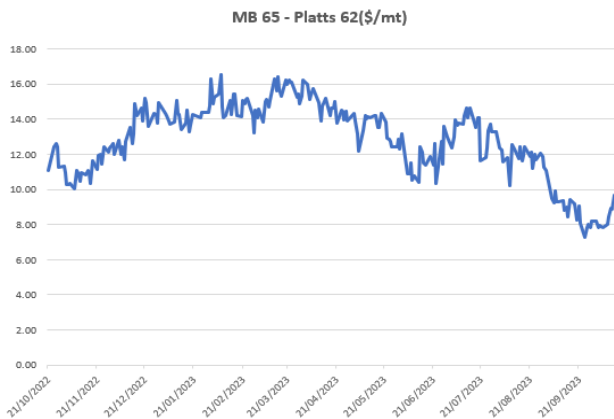
India's national steel mills JSW produced 6.41 million tons of crude steel in Q3, down 3% from Q2, up 13% on the year.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	120.15	116.35	3.27%
MB 65% Fe (Dollar/mt)	129.26	124.36	3.94%
Capesize 5TC Index (Dollar/day)	28348	28901	-1.91%
C3 Tubarao to Qingdao (Dollar/day)	25.911	26.644	-2.75%
C5 West Australia to Qingdao (Dollar/day)	10.67	11.295	-5.53%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3410	3450	-1.16%
SGX Front Month (Dollar/mt)	114.29	114.84	-0.48%
DCE Major Month (Yuan/mt)	838	851.5	-1.59%
China Port Inventory Unit (10,000mt)	10,845.60	11,181.06	-3.00%
Australia Iron Ore Weekly Export (10,000mt)	867.90	627.40	38.33%
Brazil Iron Ore Weekly Export (10,000mt)	224.50	229.30	-2.09%

Iron Ore Key Points

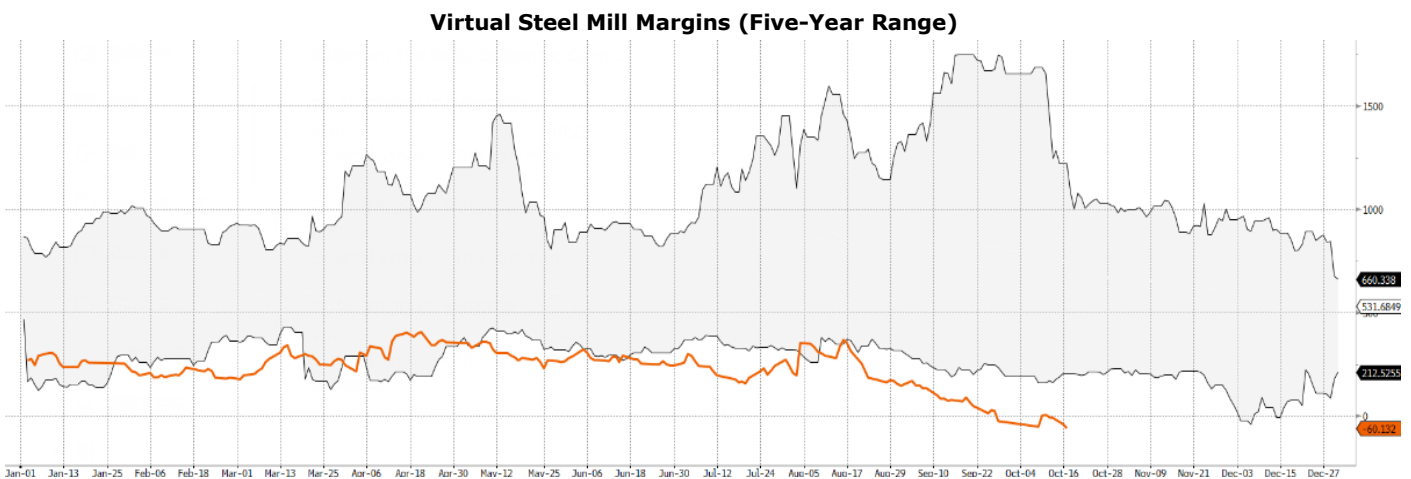
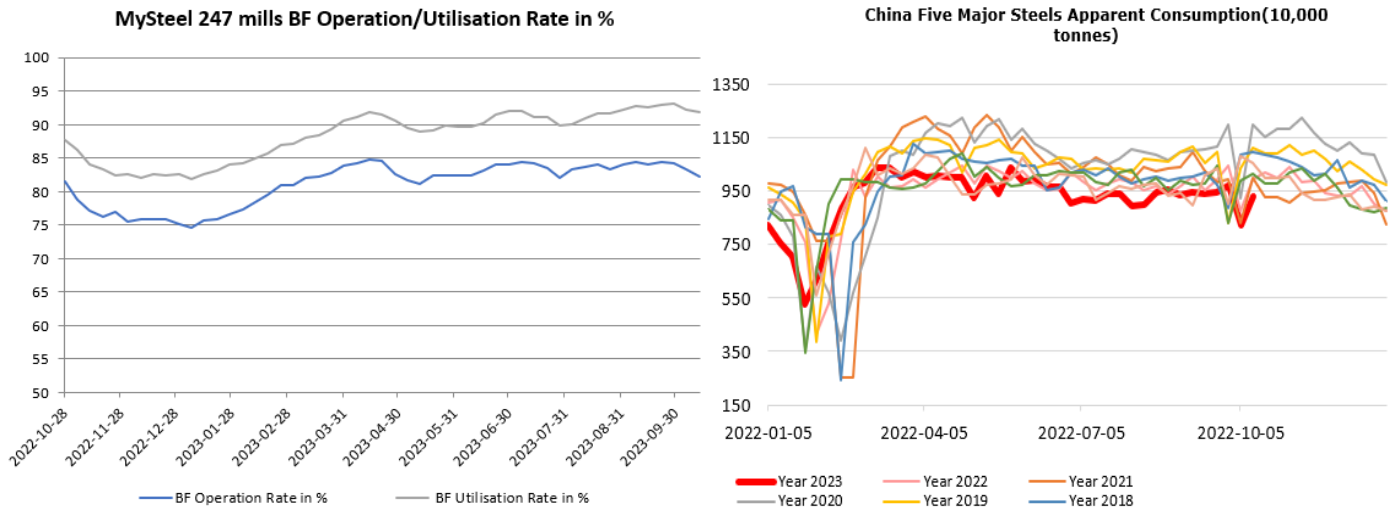
- Chinese iron ore port inventories dropped to 108.45 million tons. Iron ore ports down 23.14% from the high in mid-February.
- SGX-DCE difference remained almost flat during the past three weeks at \$8.5- 9/mt.
- The pig iron demand started to decrease from 2.48 millions/day to 2.45 millions/day during past two weeks. The market participants expect further decreases to continue in Q4.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	695	705	-1.42%
LME Rebar Front Month (Dollar/mt)	560	571	-1.93%
SHFE Rebar Major Month (Yuan/mt)	3619	3700	-2.19%
China Hot Rolled Coil (Yuan/mt)	3799	3885	-2.21%
Vital Steel Mills Margin(Yuan/mt)	-60	17	-452.94%
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%



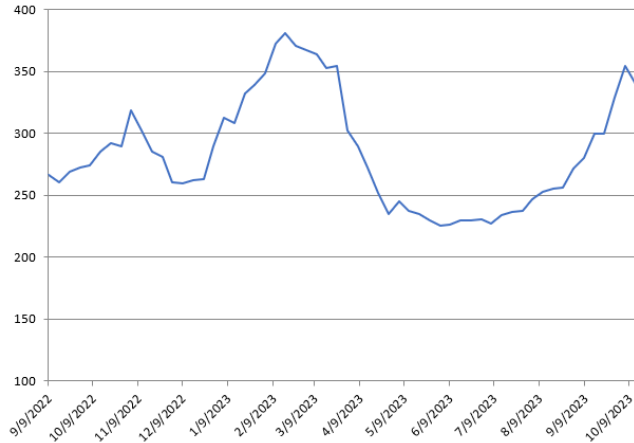
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins reached -60 yuan/ton on Monday, refreshed five-year-low. Physical margin in many mills in China.
- The five major types of steel apparent consumption remained around 9.45 million tons as an average number during past eight weeks except one holiday week.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	361	-31.72%
Coking Coal Front Month (Dollar/mt)	340	354.33	-4.04%
DCE CC Major Month (Yuan/mt)	1724.5	1840	-6.28%
Top Six Coal Exporter Weekly Shipment	17.66	21.02	-15.98%
China Custom total CC Import Unit mt	9,573,059	7,133,243	34.20%

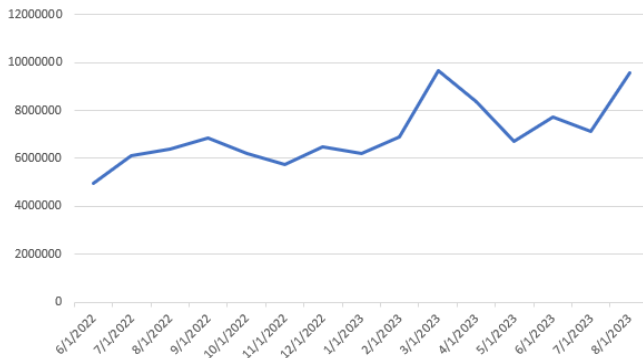
Coking Coal Front Month Forward Curve



Coal Key Points

- The seaborne demand boosted by China and India, in particular for HCCAs and PMVs.
- Chinese cokery plants were proposing with steel mills on the third 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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