

FIS Ferrous Weekly Report

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24/10/2023

- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The decreasing pig iron marginal demand became the core fundamental reason to pull back iron ore price during past week.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The downstream demand is expected to become quiet again in winter season.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The automobile sale is 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 China supported current coke and coking coal price. FOB market saw slight correction with supply recovery in November.

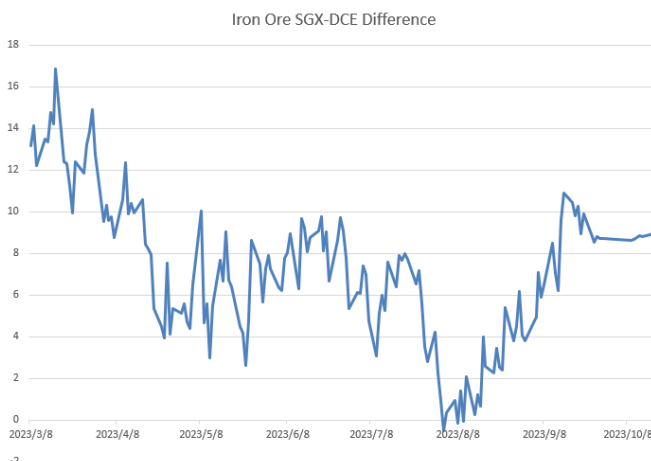
Prices Movement	23-Oct	16-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	115.55	120.15	3.83%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3879.0	3912.0	0.84%	Neutral	-
HRC NW EU Active Futures (\$/MT)	643.05	646.74	0.57%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	343.5	367.0	6.40%	Neutral	-

Market Review:

A Comprehensive View in Iron Ore and Ferrous Market:

Iron ore corrected by 3.83% as expected from the previous 3-4 reports, which hold reversal views at periodic high. Both SGX and DCE deepened correction from late last week to this Monday. The marginal demand decrease was believed to be a trend instead of a short-run event-driven movement, during the worse than expected steel consumption and production in October. Steel mills were struggling at negative margin level for two months, when many of them were thinking to enter a proactive maintenance in winter.

The 16-year high US treasury bond yield successfully attracted money from risk assets globally, including ferrous and metals. In addition, virtual steel margin remained at five-year low at -16 yuan/ton, while physical margin suffered at negative area for past 8-9 weeks. In future, recovered EAF margin and scrap arrivals would lift production levels, which could potentially squeeze some blast furnace capacity out of the market. The ex-factory long steel price was flat at some steel mills but cut slightly in a big eastern mill in China for October delivery cargoes. Mills were complaining about the weak orders in November. Some mills enter maintenance proactively considering marginal loss in mid-run as well as the in-coming winter.



The coking coal supply was tight. However, the supply for November and December in FOB Australia market has become loose. FOB Australia coking coal and CFR China coking coal difference expected to narrow in next few weeks. The spread maintained at year-high level from \$53- 55 for a month, which used to stay around \$8-12 in August and previous months. The narrowing of the spread potentially means that the FOB market was overvalued. Indian buyers became cautious buying for December laycans, which potentially created resistance for the price.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

For iron ore, the structure shortage on some brands including SSF and low port stocks supported index at strong level in mid-October. PBFs premium weakened to \$4.1 in December cargo after eyeing a \$5.2 premium as a year-high. There were sustainable fixed trades in mid-grade from seaborne sides. However, mills have to cut materials price because they have limited bargaining power on the price in downstream as well given a weak demand.

The port inventories saw an increase by 1.959 million tons, the first time after a decrease for 8 consecutive weeks, which was the biggest single week increase since late January. Market participants expected a raising trend on port stocks given climbing port arrivals and slower demand.

The front spread curve, for example Nov-Dec23 maintained stable at \$2.35-2.4 during past few trading days and expected at flat level because of the similar fundamentals in Q4.

In general, iron ore has potential to see a bearish fundamental in short-run, however, expected to regain resilience in mid-run after the recovery of steel margin.

Neutral to Bearish

Industry News and Macro Update :

China sovereign wealth fund Central Huijin Investment Ltd. said it bought exchange-traded funds on late Monday, for the second time in the month. The movement was normally seen as a stimulus to the equity market and economy historically.

North America mills are proposing price rise for HRC products during the past week. EAF steelmaker Nucor and integrated steelmaker Cleveland-Cliffs are increasing HRC price minimum to \$800/st from \$750/st. The Argus US HRC Midwest has increased by \$100/st during the past two weeks. On the other side, United Auto Workers have paused expanding its strike against the big three automakers this week, and have entered a negotiating process.

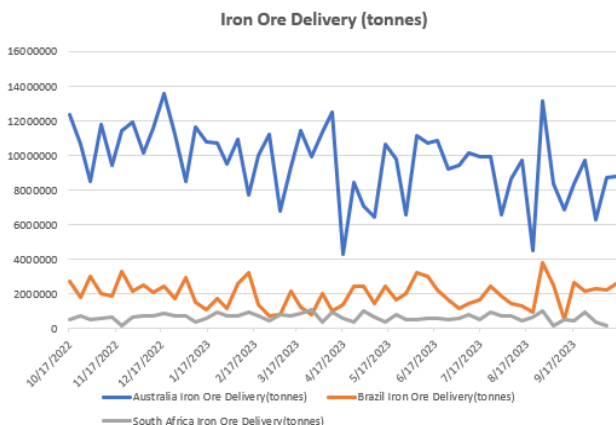
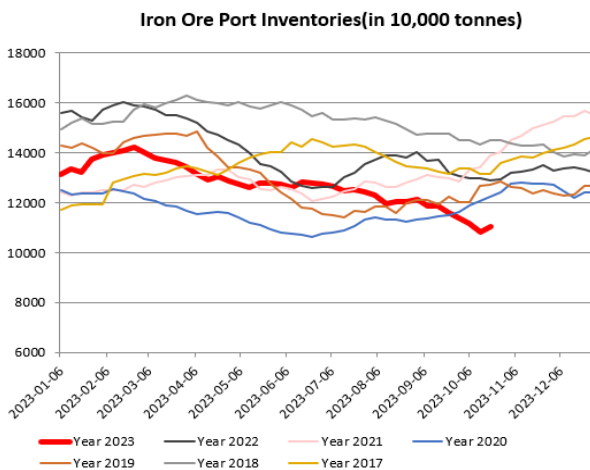
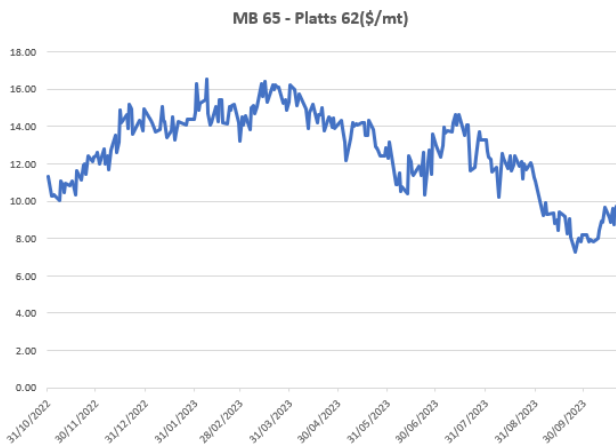
The US 10-Year Treasury Bond Yield once reached above 5%, 16-year-high. Global equities and metals commodities suffered a significant drop from last Friday and this Monday. Although Federal president Jerome Powell indicated to stay unchanged on interest rate decision in November, the "high for longer" strategy would create pressure on residents wealth and economy in long-run.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	115.55	120.15	-3.83%
MB 65% Fe (Dollar/mt)	125.04	129.26	-3.26%
Capesize 5TC Index (Dollar/day)	28805	28348	1.61%
C3 Tubarao to Qingdao (Dollar/day)	25.317	25.911	-2.29%
C5 West Australia to Qingdao (Dollar/day)	10.655	10.67	-0.14%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3400	3410	-0.29%
SGX Front Month (Dollar/mt)	112.57	114.29	-1.50%
DCE Major Month (Yuan/mt)	856	838	2.15%
China Port Inventory Unit (10,000mt)	11,041.51	10,845.60	1.81%
Australia Iron Ore Weekly Export (10,000mt)	878.20	867.90	1.19%
Brazil Iron Ore Weekly Export (10,000mt)	257.60	224.50	14.74%

Iron Ore Key Points

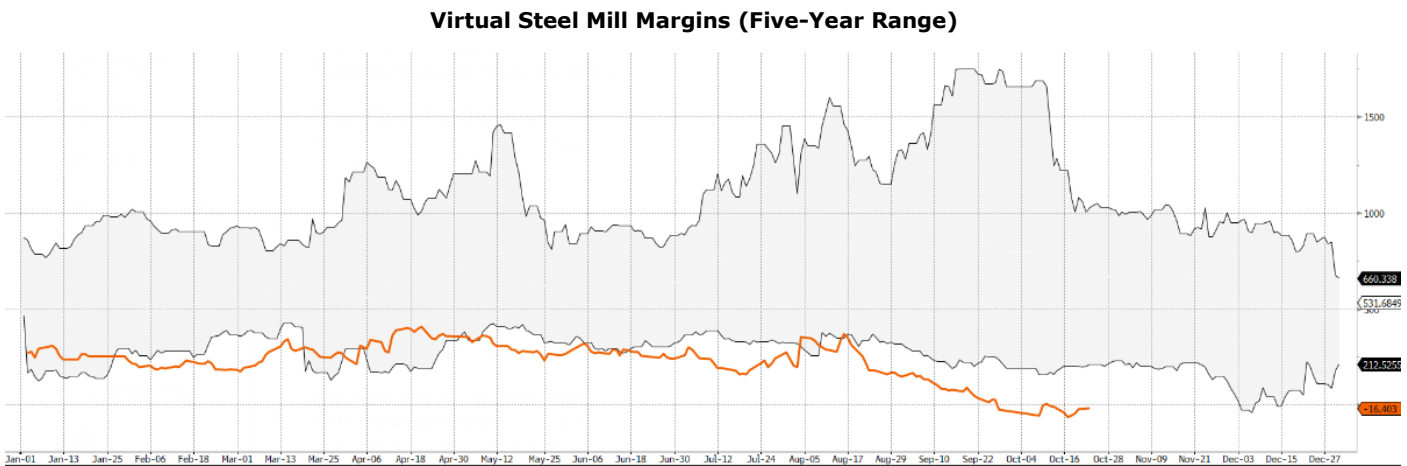
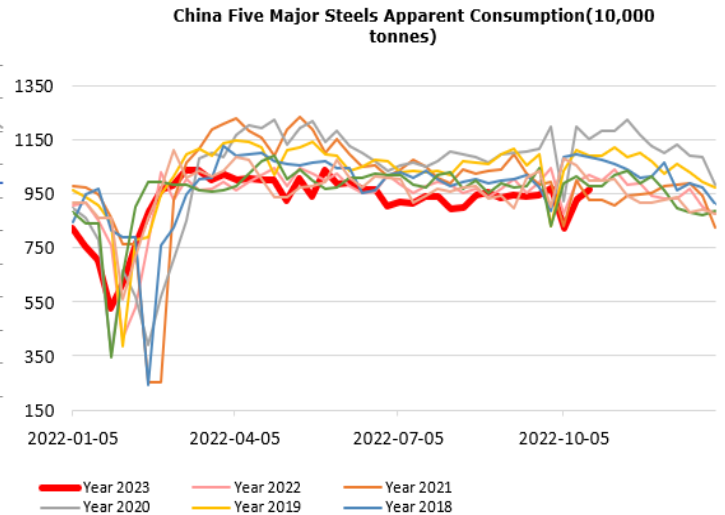
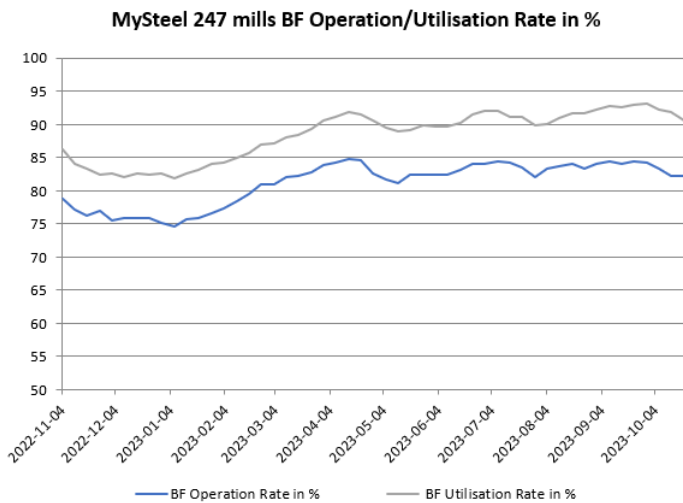
- Chinese iron ore ports inventories saw a first recovery by 1.959 million tons, after a eight-week drop, creating the biggest one-week increase since late January. The market expects iron ore inventories to increase for the rest of Q4.
- SGX-DCE difference remained almost flat during the past three weeks at \$8.5- 9/mt.
- The pig iron demand started to decrease from 2.48 millions/day to 2.43 millions/day during past three weeks. The market participants expect further decreases as a trend in Q4.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	703	695	1.15%
LME Rebar Front Month (Dollar/mt)	557	560	-0.54%
SHFE Rebar Major Month (Yuan/mt)	3629	3619	0.28%
China Hot Rolled Coil (Yuan/mt)	3794	3799	-0.13%
Vitual Steel Mills Margin(Yuan/mt)	-16	-60	-73.33%
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%



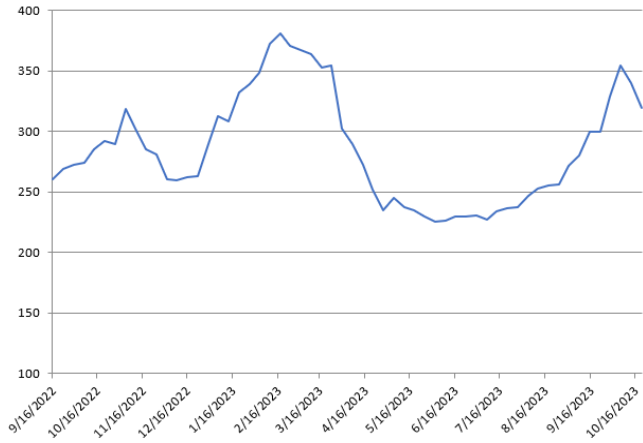
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins reached -16 yuan/ton on Monday, remaining in a negative area for a month. Physical margin in many mills in China are suffering from variable losses on steel production.
- The five major types of steel apparent consumption remained around 9.45 million tons as an average number during past nine weeks except one holiday week.

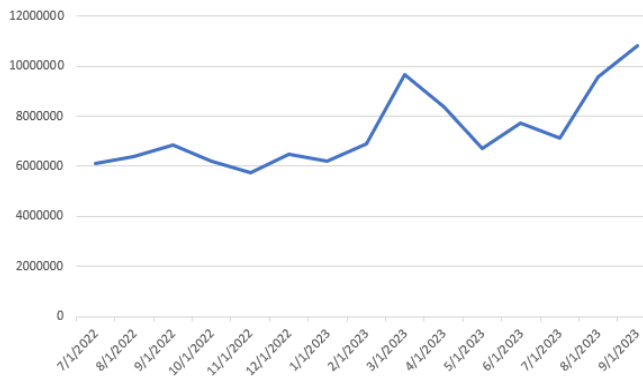
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	367	-32.83%
Coking Coal Front Month (Dollar/mt)	319	340	-6.18%
DCE CC Major Month (Yuan/mt)	1717.5	1724.5	-0.41%
Top Six Coal Exporter Weekly Shipment	17.99	20.29	-11.34%
China Custom total CC Import Unit mt	10,824,809	9,573,059	13.08%

Coking Coal Front Month Forward Curve



China Custom Total CC Imports(tonnes)



Coal Key Points

- The FOB Australia and CFR China coking price difference expected to narrow from the high area \$52-55 in the next few weeks, as increasing supply in November and slowed down buying activities for FOB cargoes but increasing demand in Chinese market.
- The decreasing trend in China pig iron production in Q4 would become a resistance for coking coal price in long-run.

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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