FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The pig iron consumption is expected to decrease in Q4, steel mills are suffering from marginal production loss.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The downstream demand is expected to become quiet in winter. The stock price for mills on long steels were at least 350 yuan/ton lower than current spot price.

⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The automobile sale is expected to catch up after the UAW strikes over in US. Europe interest rate unchanged provided stable economic outlook in Q4.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The tight supply in China supported current coke and coking coal price, however, northern Chinese mills started to decrease physical coke price because of the low steel margin. Indian demand remains resilient for December laycans.

Prices Movement	30-Oct	23-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	122.90	115.55	6.36%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3875.0	3879.0	0.10%	Neutral	-
HRC NW EU Active Futures ($/MT)	644.62	643.05	0.24%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	350.0	343.5	1.89%	Neutral	-

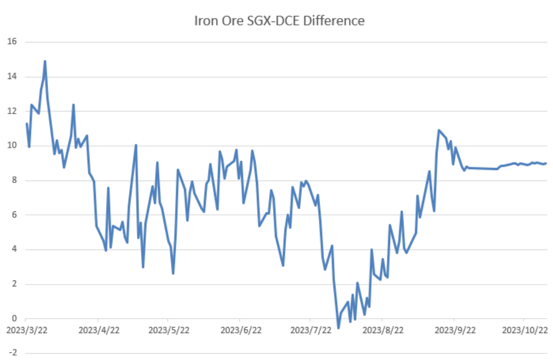
Market Review:

A View on Ferrous Market:

Iron ore outperformed market prediction during the report week and increased by 6.36%. The incline was backed by the unexpected stimulus in China as well as BHP supply concerns raised. However, buyers should be aware of the sustainability of the growth because the marginal weakening pig iron consumption in the following weeks. The valuation of iron ore became high.

Earlier last week, China issued 1 trillion-yuan of sovereign debts to optimize the local debt structure and post-disaster reconstruction. Market participants believe that most of the debts will be used to increase liquidity in infrastructure and housing sector, which means a faster ferrous consumption in commodity field. The increasing supply in treasury notes will potentially enable the monetary department to launch easing policies to hedge the increase on implicit interest rates. In addition, China's Huijin company, one of the biggest sovereign funds in the world, announced that it is buying equity ETFs, which is the second time in the month. US 10-year Treasury debt yield dropped from 16 -year-high at 5.05% to 4.82%, which provided relief on the secondary market.

Late last Friday, BHP sent news mentioning a potential disruption on the supply caused by strikes, however, the strike normally needs approval from local departments. There is yet to be any details on the impact, but obviously the market started to speculate on the supply concerns.



China's National Statistic Bureau published total crude steel production at 795 million tons for the first three quarters, up 1.7% on the year. The virtual steel margin reached −36 yuan/ton, a year-low, which symbolised general losses in physical margins. More than half of listed steel mills claimed a loss in their Q3 financial reports in China. Thus, market is expecting some production cuts throughout the rest of Q4.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

The port inventories saw an increase of 956,500 tons last week. The market saw the second increase on port inventories and confirmed a rising trend in Q4. The inventory/consumption ratio of imported iron ores in sample steel mills was 30.59, observed from MySteel, which was slightly lower than the past week and 1.55 days smaller than same time last year. PBF saw a slight recovery at float cargo based on December from 4.1% to 4.4% during early half of this week. There were also fixed trades on PBFs. After the discount narrowing in low grade concentrates, the tight supply and better cost efficiency on PBF attracted more inquires.

The front month spread including Nov-Dec23 remained rather stable from $2.35-2.55 in October, as expected from past three reports, with a similar fundamental outlook in Q4.

In general, iron ore potentially to see a bearish fundamental in short-run, however, the macro stimulus would raise the floor of iron ore expectation. The current price level is over-valued.

Neutral to Bearish

Industry News and Macro Update :

US September PCE index up 3.7% on the year, the lowest since May 2021, est. 3.7%, last 3.9%. PCE up 0.3% m-o-m, est. 0.3%, last 0.1%. US GDP accelerated to 4.9% in the third quarter, more than double the growth rate compared to the last quarter, the fastest growth rate in past two years, powered by spike in consumer spending. Economists generally expect the growth rate to slow in Q4.

China approved a plan to raise fiscal deficit ratio from 3% to 3.8%. The plan issued 1 trillion yuan in sovereign debt for disaster relief and construction. Chinese National Bureau of Statistics: Jan- Sep house development investment growth rate at – 9.1%, widened from - 8.8% for the first eight months. Commercial house sales growth at -4.6% for the first nine months of the year, compared with -3.2% for the first eight months of the year.

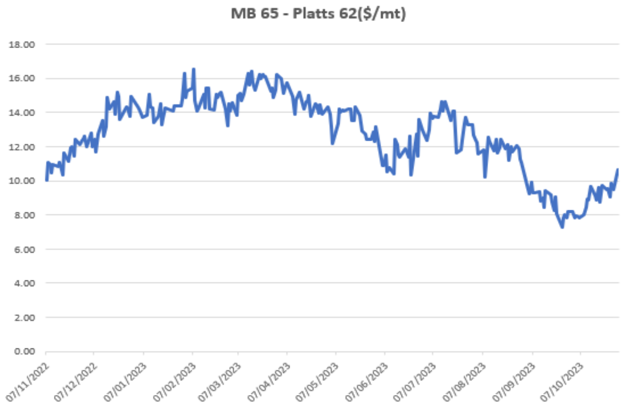
Canadian central bank indicated the resilience of inflation would enable the monetary department to hike interest rate in Q4. ECB indicated that the bank sees current rate as enough in December.

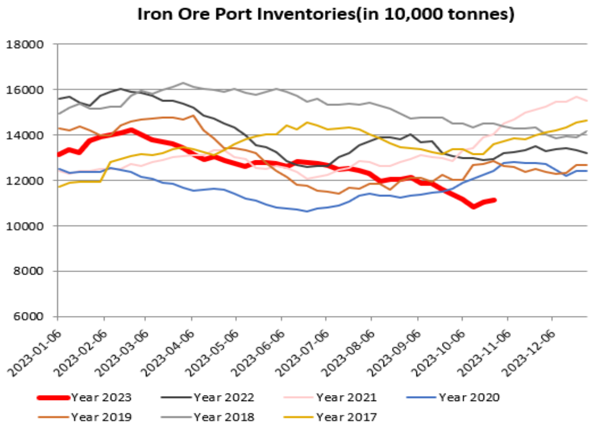
World Steel Association indicated that the 63 member countries produced 149.3 million tons of steel in September, down 1.5% on the year. First three quarters produced in total 1.406 billion tons, up 0.1% on the year.

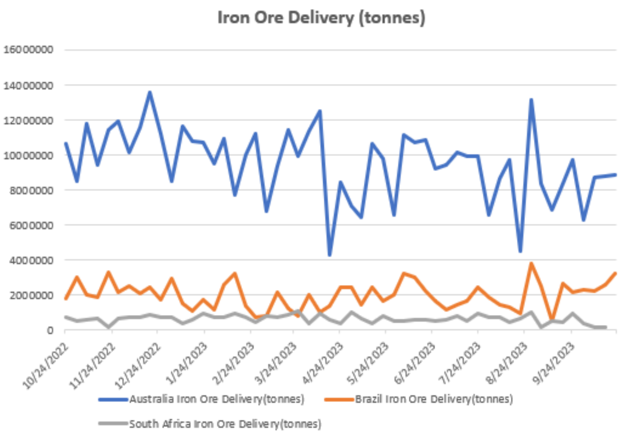
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	122.9	115.55	6.36%
MB 65% Fe (Dollar/mt)	133.53	125.04	6.79%
Capesize 5TC Index (Dollar/day)	17344	28805	-39.79%
C3 Tubarao to Qingdao (Dollar/day)	20.806	25.317	-17.82%
C5 West Australia to Qingdao (Dollar/day)	8.49	10.655	-20.32%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3470	3400	2.06%
SGX Front Month (Dollar/mt)	119.67	112.57	6.31%
DCE Major Month (Yuan/mt)	878	856	2.57%
China Port Inventory Unit (10,000mt)	11,137.16	11,041.51	0.87%
Australia Iron Ore Weekly Export (10,000mt)	885.90	878.20	0.88%
Brazil Iron Ore Weekly Export (10,000mt)	324.50	257.60	25.97%







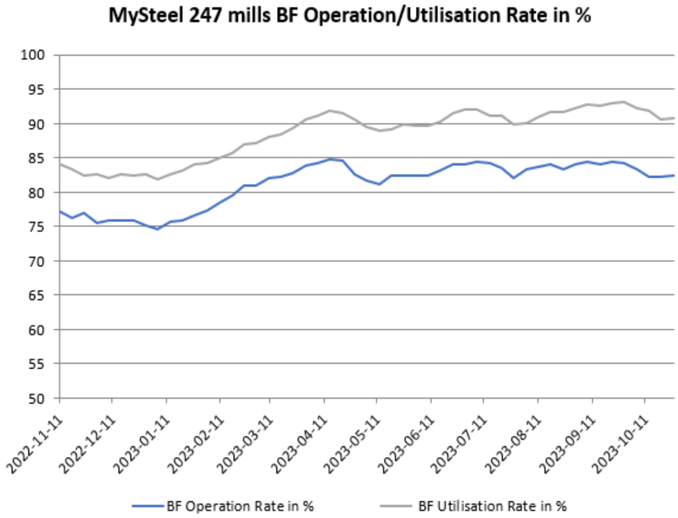
Iron Ore Key Points

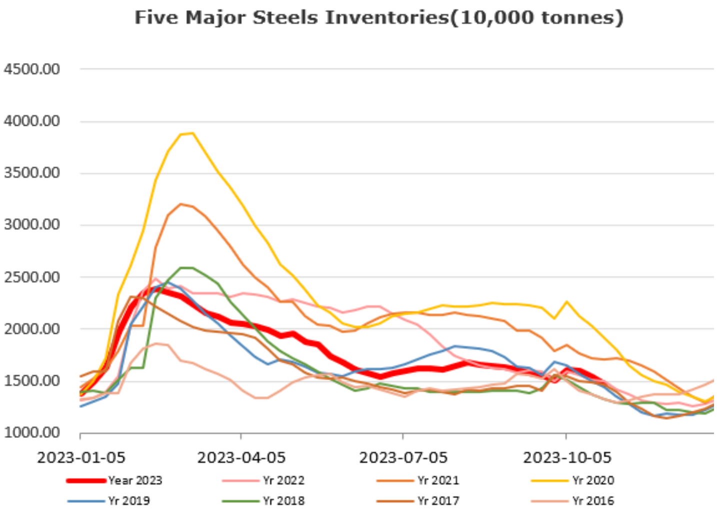
- Chinese iron ore port inventories saw an increase for the second week, after a eight-week drop. The market expects iron ore inventories to increase as a trend for the rest of Q4.
- SGX-DCE difference remained almost flat during the past three weeks at $8.5– 9/mt.
- The pig iron demand started to decrease from 2.48 millions/day to 2.42 millions/day during past three weeks. The market participants expect further decreases as a trend in Q4.

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

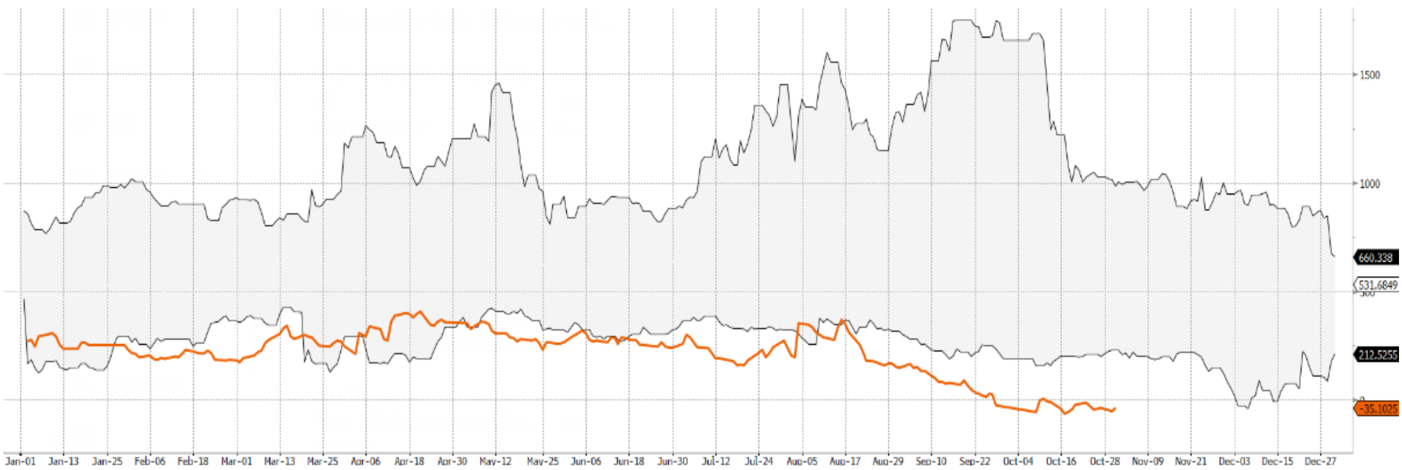
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	866	703	23.19%
LME Rebar Front Month (Dollar/mt)	561	557	0.72%
SHFE Rebar Major Month (Yuan/mt)	3694	3629	1.79%
China Hot Rolled Coil (Yuan/mt)	3839	3794	1.19%
Vitural Steel Mills Margin(Yuan/mt)	-35	5	-800.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	82100	86400	-4.98%
World Steel Association Steel Production Unit(1,000 mt)	149,300	152,600	-2.16%





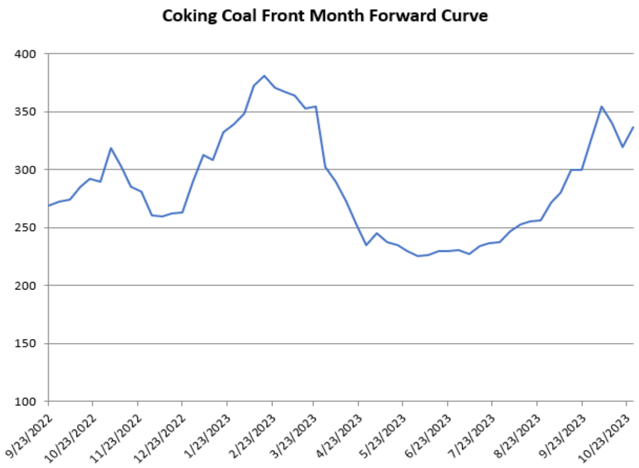
Virtual Steel Mill Margins (Five-Year Range)

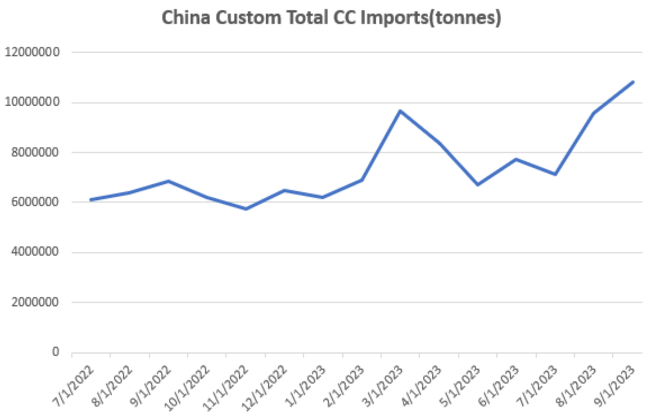


- Virtual steel mill margins reached –35 yuan/ton on Monday, maintained at negative area for majority of the month.
- The major five types of steel apparent consumption remained around 9.45 million tons as an average number during past ten weeks except one holiday week.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	343.5	-28.24%
Coking Coal Front Month (Dollar/mt)	336	319	5.33%
DCE CC Major Month (Yuan/mt)	1790	1717.5	4.22%
Top Six Coal Exporter Weekly Shipment	19.03	21.83	-12.83%
China Custom total CC Import Unit mt	10,824,809	9,573,059	13.08%





Coal Key Points

- The FOB Australia and CFR China coking price difference widened to year-high area at $63. However, market participants expect the spread to recover due to the pick up in Chinese demand and increasing supply in December.
- The decreasing trend in Chinese pig iron production in Q4 will 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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