

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Australian port strikes ended with a deal. China NDRC started to supervise on speculation and inventories. Iron ore saw some pressure as a result.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The winter stock is not preferable for most of downstream enterprises. FOB China market recovered as European demand picked up.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The automobile sales recovered in north America.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The demand market was supported by both tight supply in China as well as strong demand from Indian buyers after the holiday. However, thin steel margins in Asia resisted the upside room.

Prices Movement	27-Nov	20-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	133.45	131.90	1.18%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4125.0	4053.0	1.78%	Neutral	-
HRC NW EU Active Futures (\$/MT)	698.07	694.48	0.52%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	324.0	310.0	1.54%	Neutral	-

Market Review:

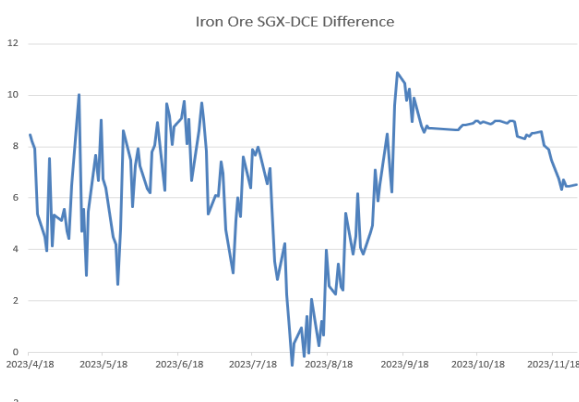
A View on Ferrous Market:

Iron ore increased by 1.18% during past week. The upside motivator was the consistent support on China housing sector as well as less than expected mills maintenance. Moreover, the sudden boom in coking coal price came about because of the miner safety check and Indian restocking lifting entire ferrous sector. The downside factor was the Chinese NDRC and Pricing Department starting new rounds of price inspection and discussing with port enterprises measures to prevent hoarding stocks.

Iron ore saw a very active trade sentiment in the first half of last week, however seaborne trade suddenly dropped with the correction of price and the decrease on import margins in the second half of the week. SGX-DCE spread corrected massively from \$8.5 to \$6.5 during past two weeks, which mirrored a sharp decrease on import margin. Seaborne trades regained popularity on Monday, the price level was flat around index level, indicating the restocking of demand but a reluctant willingness to accept higher price levels. Steel mills adopted spot on demand strategy to control stocks levels and production cost. The virtual steel margin was squeezed to year-low at -99 yuan/ton, because of the fast growth both on iron ore and coking coals. As a result, physical margin is expected to see a deepening loss in December. Chinese mills have to reconsider the production levels on blast furnace in the last month of year to get out of heavy losses. The portside iron ore inventories were at 113.09 million tons, which was lower than the 120-130 million tons expected by most analysts from

investment banks and brokers. The number is at a five-year-low during the same period.

During past week, 25.16 million tons of iron ore arrived at 45 Chinese ports, up 1.255 millions on the week. The shipments remained similar during past two weeks from Australia and Brazil.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

PBF was traded on low premium based on January Index at \$2.8/dmt, down \$3.75/mt from previous week. The JMBF discount on January became steep again at \$3.8/dmt, compared with \$1.1/dmt in October, indicating the market knew the seaborne demand of mid-grade would become weaker in December. Lumps and domestic price expected to remain strong because of tight supply as well as environmental protection in winter.

In general, the over-valuation of iron ore is a risky factor worth noting.

Neutral to Bearish

Industry News and Macro Update :

European Central Bank President Christine Lagarde: Overall inflation is likely to rise again in the coming months. The reinvestment policy of the emergency anti-epidemic bond purchase program may be re-evaluated.

Saudi Arabia seeks OPEC+ to cut output quotas, but some members oppose it. The OPEC+ members will hold JMCC conference on November 30th with final decisions.

Due to difficulties in Panama Canal, Stolt-Nielsen, the world's largest chemical ship operator, diverted its cargo to the Suez Canal.

The manufacturing PMI value for the Eurozone in November was recorded at 43.8, a six-month high. Germany's manufacturing PMI value in November was recorded at 42.3, a six-month high.

UK interest rate swaps have reduced expectations for a first rate cut from the Bank of England, with full pricing of the cut postponed to September 2024.

IMF increased GDP growth in China in 2023 from 5% to 5.4%, after the new basket of financial support carried out from the government in Q3. IMF also predicted a soft-landing in European economy with a growth rate up from 1.3% to 1.5%.

ECB banker Christian Lagarde said that the disappear on base effect will naturally control inflation from increasing in mid-run. Thus, the further interest hike potentially become avoidable.

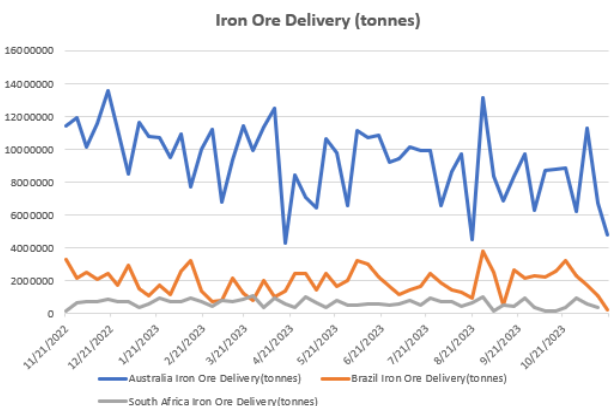
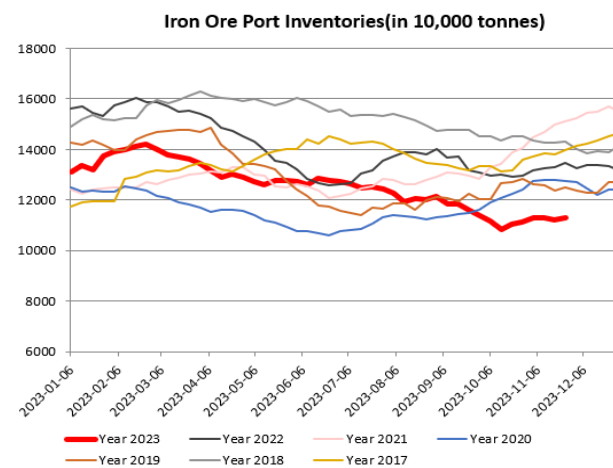
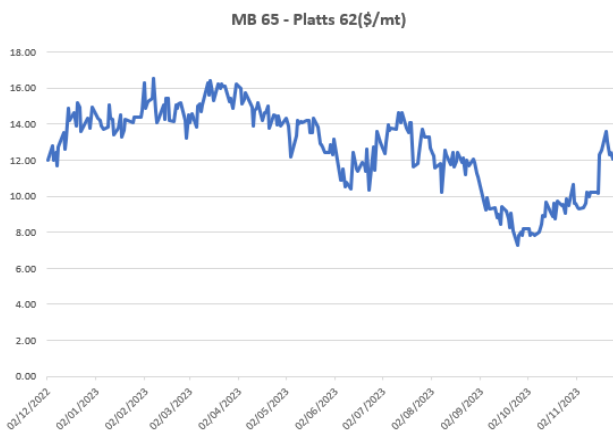
Chinese environment inspection teams will launch a 6-month length of safety supervision in Shanxi. There is direct production curb related to this action, however market generally believed a tight production after the news.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	133.45	131.9	1.18%
MB 65% Fe (Dollar/mt)	146.48	145.48	0.69%
Capesize 5TC Index (Dollar/day)	31671	22447	41.09%
C3 Tubarao to Qingdao (Dollar/day)	26.972	22.278	21.07%
C5 West Australia to Qingdao (Dollar/day)	11.78	9.965	18.21%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3650	3660	-0.27%
SGX Front Month (Dollar/mt)	131.23	129.39	1.42%
DCE Major Month (Yuan/mt)	1014	996.5	1.76%
China Port Inventory Unit (10,000mt)	11,309.10	11,226.90	0.73%
Australia Iron Ore Weekly Export (10,000mt)	478.10	668.70	-28.50%
Brazil Iron Ore Weekly Export (10,000mt)	19.70	110.60	-82.19%

Iron Ore Key Points

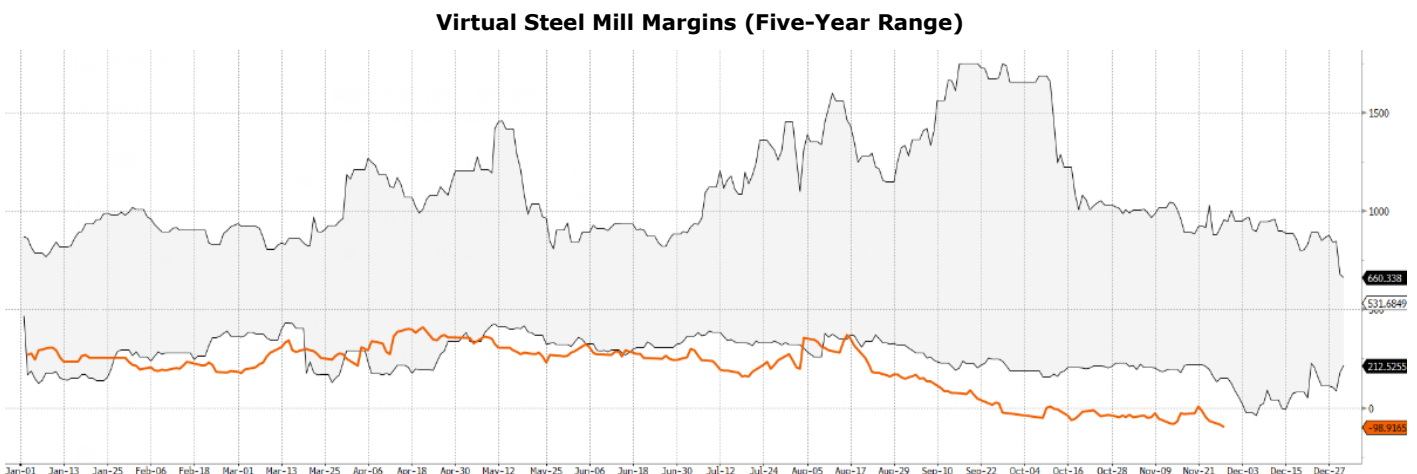
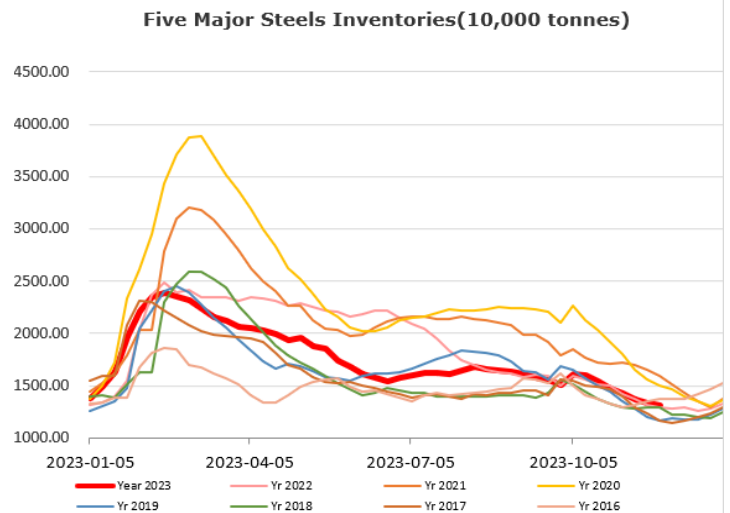
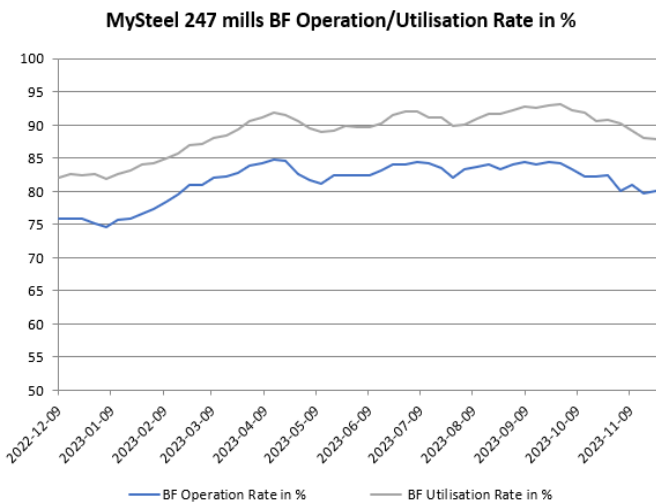
- Chinese iron ore port inventories entered a stable mode in November. However, the end of year inventory level expectation was lowered from 120 million tons to 115 million tons by some analysts.
- SGX-DCE difference dropped from \$8.5 to \$6.5 last week, which indicated a fast decrease on import margin. Thus, buyers shifted their demand to portside.
- The iron ore deliveries from Australia and Brazil expected to recover in December because miners need to complete the annual shipment targets.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	901	890	1.24%
LME Rebar Front Month (Dollar/mt)	569.5	566	0.62%
SHFE Rebar Major Month (Yuan/mt)	3947	3946	0.03%
China Hot Rolled Coil (Yuan/mt)	3999	3996	0.08%
Vitural Steel Mills Margin(Yuan/mt)	-98	-10	880.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	79100	82100	-3.65%
World Steel Association Steel Production Unit(1,000 mt)	150,000	149,300	0.47%



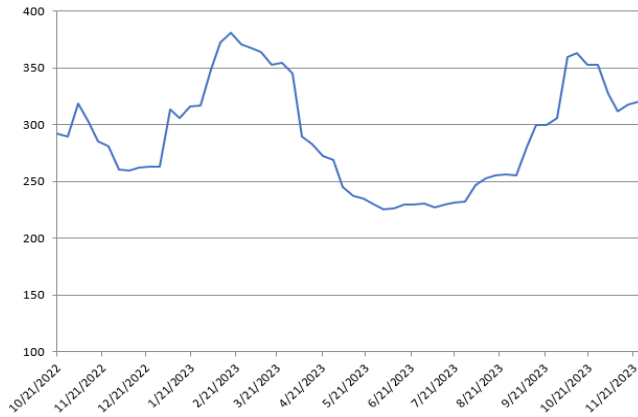
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins reached -98 yuan/ton on Monday, refreshed year-low and remained in negative area for most time in November and December.
- The five major types of steel inventories dropped with the slower demand.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	310	-20.48%
Coking Coal Front Month (Dollar/mt)	320	318	0.63%
DCE CC Major Month (Yuan/mt)	1942	1982	-2.02%
Top Six Coal Exporter Weekly Shipment	19.39	20.12	-3.63%
China Custom total CC Import Unit mt	7,979,602	10,824,809	-26.28%

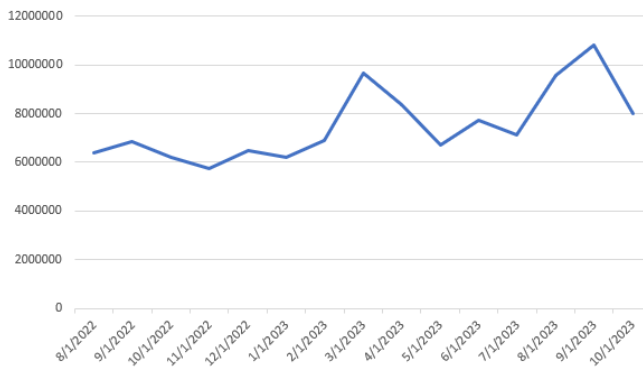
Coking Coal Front Month Forward Curve



Coal Key Points

- The FOB Australia and CFR China spread narrowed from \$67 to \$2 during November.
- The miners accidents and strict safety check in China limited the domestic supply of coking coal. The Indian buyers after holiday started restock on coking coals.

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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