

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. China NDRC and several departments are cooling down market speculation sentiments by carrying out consistent strategies against illegal trades and stocks hoarding. However, macro stimulus in housing and high pig iron demand seasonally supported iron ore on the other side. The iron ore is over-valued.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The winter stock is not preferable from most of downstream enterprises. FOB China market recovered as picked up European demand.
- ⇒ **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.

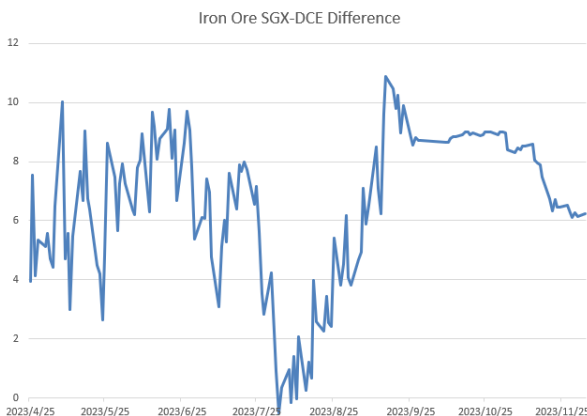
Prices Movement	4-Dec	27-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	131.05	133.45	1.80%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4164.0	4125.0	0.95%	Neutral	-
HRC NW EU Active Futures (\$/MT)	729.44	713.42	2.25%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	330.0	324.0	1.85%	Neutral	-

Market Review:

A View on Ferrous Market:

Iron ore decreased by 1.18% during the report week as expected. We think iron ore potentially followed the correction trend given the overvaluation on the price in current level. The consistent housing stimulus, monetary ease and return of risk-appetite after US interest cut next year are creating a big support of iron ore in long-run. However, the macro stories had already priced-in the market during past 8-9 weeks. Now is the time to return to fundamental side.

Daily pig iron production in China during past week at 2.34 million tons, 4.92% higher than the same time last year, slightly lower than past week. The blast utilisation rate reached 87.63% during past week, up 5.01% on the year, down 0.33% on the week. The environmental control on production became less harsh compared to last two years. Some vulnerable maintenance were launched to prevent marginal loss on steel production because of high material cost. The pig iron entered a slow decreasing trend, however, the absolute level was higher than past year. There should be a significant weakening on demand seen before late December.



From subsidiaries of supply and demand, port stocks gradually picked up in China from 108 million tons to 115 million tons during the past seven weeks. The absolute level was still a seven-year low. Port congestions became better compared to last three years. Steel mills imported iron ore stocks at 93.02 million tons, up 1.54 million tons on the year, up 3.14 million tons on the month. The virtual steel margin reached -65 yuan/ton, improved from -98 yuan/ton last week. The virtual margin remained in negative area from October to early December, more than 90% of trading days. Thus, physical margin is expected to suffer from longer loss conditions in December and January.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

The spread of SGX-DCE dropped from \$8.5 to \$6.2 during November, indicating a significant loss on import margin. PBF float premium over January index gradually improved from \$2.2 to \$2.5 during past week, however the premium was looking to roll back to back months. The month spread remained in low area because of similar fundamentals in winter. The MACF brand difference expanded from \$1.65 to \$1.85. FMG increased discounts for major products including FBF, WPF and SSF. The overall valuation of concentrates are lowering in November and December compared to October.

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

Neutral to Bearish

Industry News and Macro Update :

From early November, China NDRC has carried out different policies four times against high iron ore prices and illegal trading, including speculate abnormal trades, increasing the connections between futures and physical trades, strengthening surveillance on ports and logistics.

China November Manufacturing PMI reached 49.4%, down 0.1% on the month. China Market PMI in November reached 50.7%, up 1.2% from October and returned to expansion area. China total industrial profit reached 6.12 trillion yuan from January to October, down 7.8% on the year, narrowed 1.2% from January to September period.

US Labor Department announced jobless files reached 218,000, estimated 220,000, last 209,000. The number reached the highest since November 2021. US October PCE index slowed to 3.5%, creating the lowest level since April 2021, last 3.7%.

U.S. Treasury yields fell after comments from Federal Reserve Chairman Jerome Powell fueled cautious optimism that the central bank has completed raising interest rates, while weaker data from the manufacturing sector underscored the fragility of an unexpectedly strong economy. The benchmark 10-year U.S. Treasury yield fell 13 basis points to 4.261%. Gold price hiked to historical high at \$2089.7/oz.

Euro zone CPI up 2.4% on the year, est. up 2.7%, down 0.5% on the month, est. down 0.2%.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	131.05	133.45	-1.80%
MB 65% Fe (Dollar/mt)	143.71	146.48	-1.89%
Capesize 5TC Index (Dollar/day)	54584	31671	72.35%
C3 Tubarao to Qingdao (Dollar/day)	35.022	26.972	29.85%
C5 West Australia to Qingdao (Dollar/day)	13.745	11.78	16.68%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3630	3650	-0.55%
SGX Front Month (Dollar/mt)	131.16	133.86	-2.02%
DCE Major Month (Yuan/mt)	969	977	-0.82%
China Port Inventory Unit (10,000mt)	11,497.66	11,309.10	1.67%
Australia Iron Ore Weekly Export (10,000mt)	705.80	478.10	47.63%
Brazil Iron Ore Weekly Export (10,000mt)	40.70	19.70	106.60%

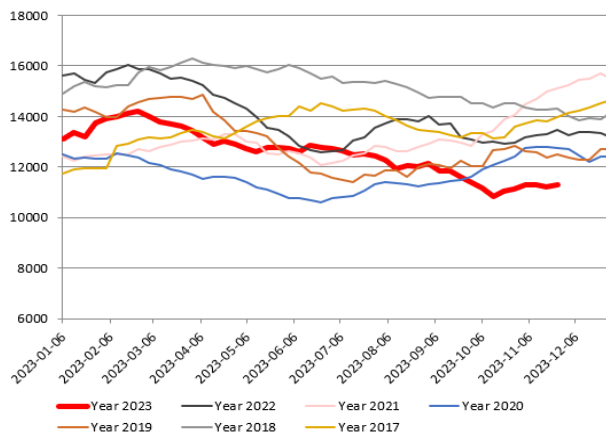
Iron Ore Key Points

- Chinese iron ore ports inventories slowly picked up from 108 million tons to 114 million tons during past seven weeks. The stocks expected to increase in next few weeks as shipments increase and pig iron production decreases.
- SGX-DCE difference dropped from \$8.5 to \$6.5 last week, which indicated a fast decrease on import margin. Thus, buyers shift 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.

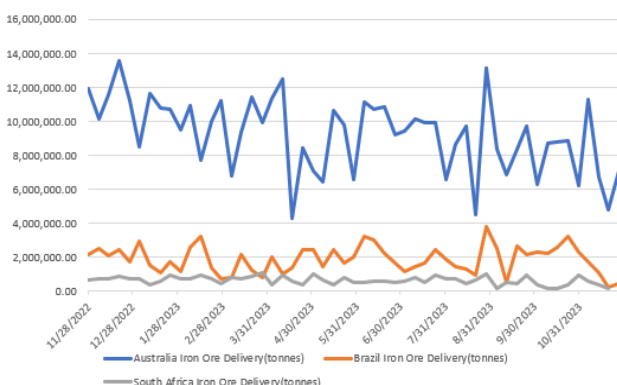
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



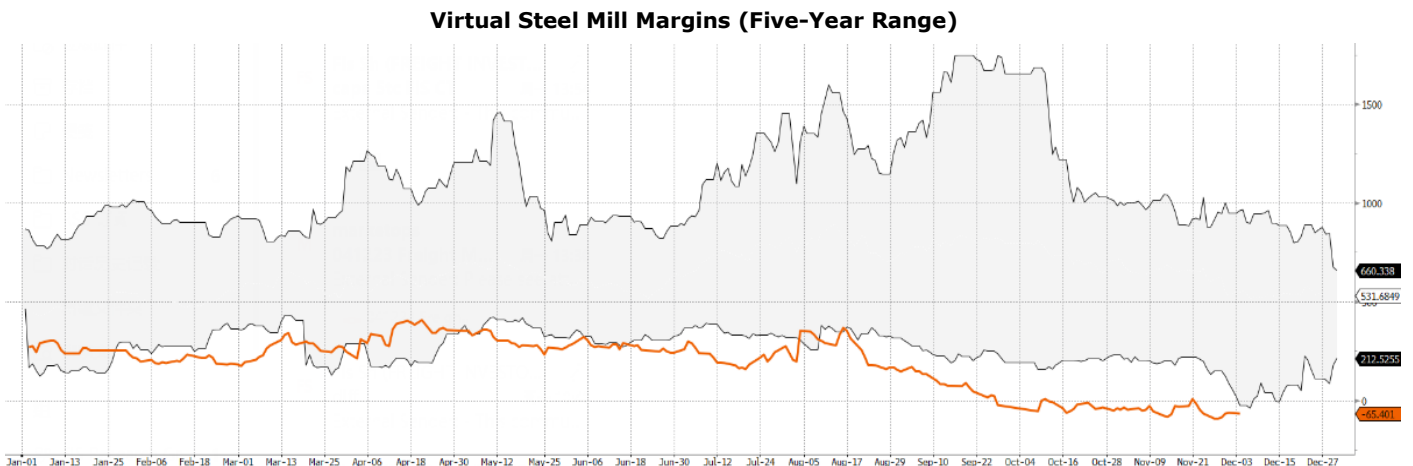
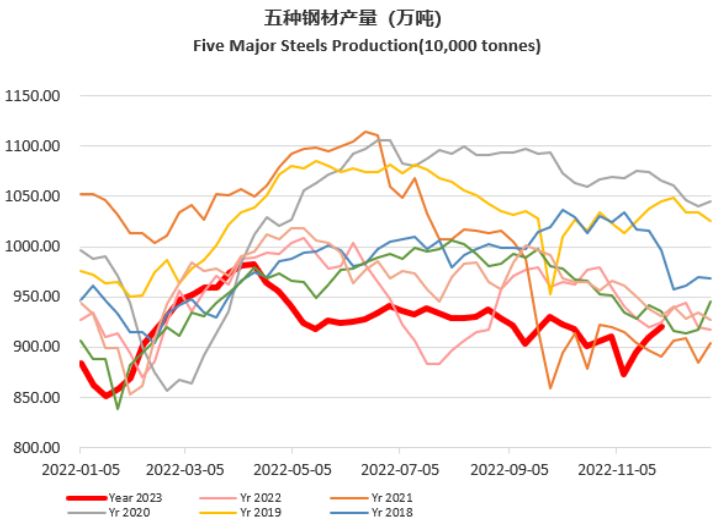
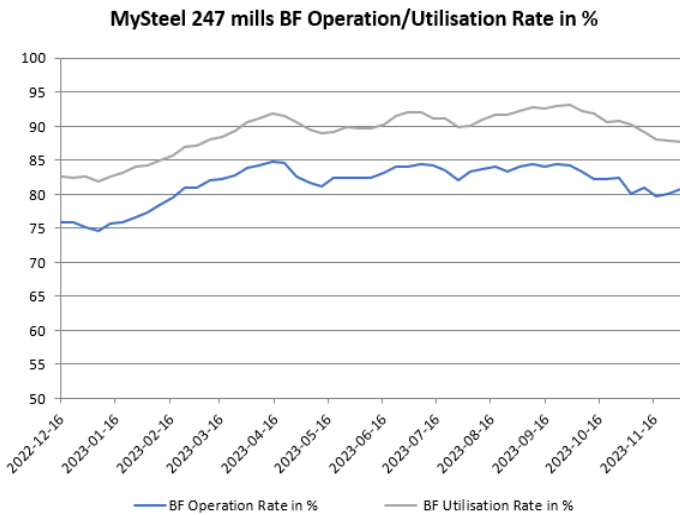
Iron Ore Delivery (tonnes)



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1039	901	15.32%
LME Rebar Front Month (Dollar/mt)	599	570	5.18%
SHFE Rebar Major Month (Yuan/mt)	3917	3937	-0.51%
China Hot Rolled Coil (Yuan/mt)	4006	3999	0.18%
Vitural Steel Mills Margin(Yuan/mt)	-65	-98	-33.67%
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)	152,600	158,500	-3.72%



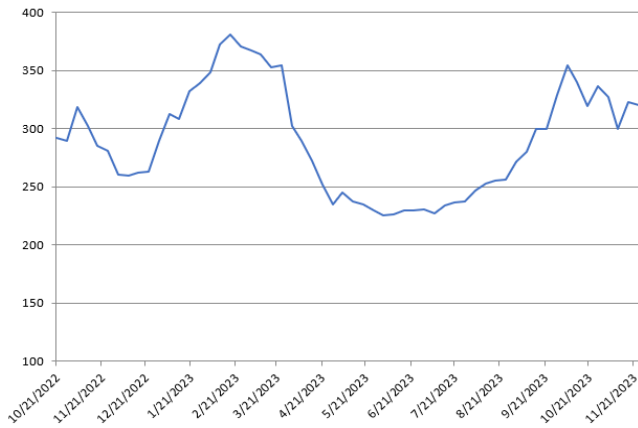
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins reached -65 yuan/ton on Monday, improved from -98 yuan/ton last week. The negative margin accounted for more than 90% trading days during past two months.
- 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	324	-23.92%
Coking Coal Front Month (Dollar/mt)	334	320	4.38%
DCE CC Major Month (Yuan/mt)	2109	2027	4.05%
Top Six Coal Exporter Weekly Shipment	16.20	21.66	-25.21%
China Custom total CC Import Unit mt	7,979,602	10,824,809	-26.28%

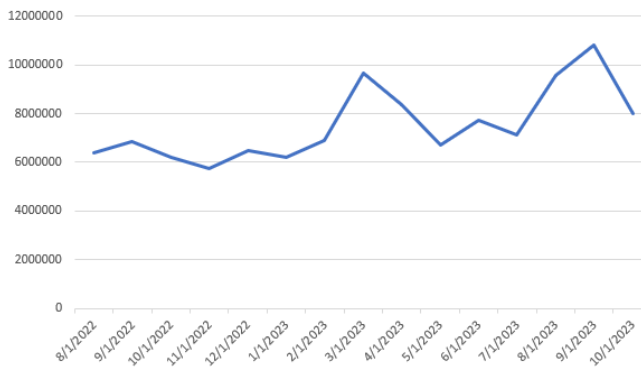
Coking Coal Front Month Forward Curve



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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