

16/01/2024

- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The fall in demand accelerated as utilisation rate of mills dropped ahead of Chinese New Year. Most mills indicated that the restocking of raw materials had been completed last week.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. The downstream spot sales froze because most of steels were negotiated on winter stock basis with discounts.
- ⇒ **HRC NW EU Active Futures** short-run **Neutral to Bullish**. The automobile sales recovered, while lending cost is expected to decrease in 2024.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. China and India demand supported Australia FOB market. However, the incoming Chinese New Year would enable buyers to bargain lower offers.

Prices Movement	15-Jan	8-Jan	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	128.95	139.40	7.50%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4089.0	4119.0	0.73%	Neutral to Bearish	↘
HRC NW EU Active Futures (\$/MT)	775.63	756.21	2.57%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	337.0	336.25	0.22%	Neutral to Bearish	↘

Market Review:

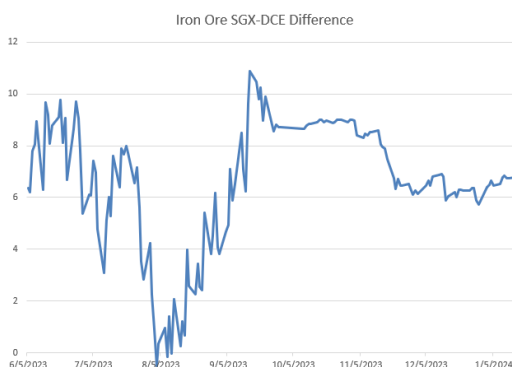
A View on Ferrous Market:

Iron ore saw a 7.5% drop as expected from last report. The retreat of previous speculation on disruption of supply and its price-in on macro stimulus in China led to a fast short-run correction on both futures and physical market. The increase of port stocks and lower production of steels have become fundamental pressures for iron ore in mid-run.

From macro side, the market's bet on interest cuts mid-January in China fell through, which caused low opens on Monday market for major commodities. However, the geopolitical tensions in Red Sea has potentially become a major macro indicator that could last through at least Q1. The rainy weather in Brazil stimulated a buying sentiment on the major brands of iron ore including BRBF and IOCJ.

Most Chinese mills indicated that the restocking of iron ores were completed in mid-January. At the same time, the downstream also indicated that the winter stock of steels were completed. Iron ore port inventories reached 126.21 million tons, up 3.77 million tons on the week, creating the fastest weekly growth over the past 52 weeks. Iron ore imports in December reached 100.86 million tons, which was only a 1.88 million ton decrease from November. The import number is expected to remain a seasonal high from October to January. On the consumption side, daily pig iron production dropped from 241 million tons to 218 million tons from early November to mid-January. These statistics combined prove that iron ore fundamentals have shifted from balance to over-supply in the past three months.

As most mills completed the restocking of iron ores, the preference shifted from flagship products of mid-grade to low grade because of the cost-efficiency widened discounts and CNY settlement advantage. Portside buying has become popular as prompt demands have become the theme of market before Chinese New Year as well as import landing losses of seaborne. SGX-DCE spread moved around \$6 - 7 area during past two months. There were fixed NHGF and two PBFs traded on Monday after an absence of these products for at least three trading days.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Freight Investor Services 2023.



Ferrous Weekly Report

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Market Review(Cont'd):

Although virtual steel margin remained stable at 78-81 yuan/ton in the first two weeks of 2024, Chinese northern Steel mills physical margin reached below 300 yuan/ton last week because of the calculation based on early weeks.

The concerns of rainy weather in Brazil boosted the structural demand on the IOCJ and BRBF. Thus, MB65- P62 recovered to \$12.2 from \$10.3 in the past two weeks. The spread is expected to recover further in the coming weeks.

The Feb-Mar24 spread level dropped from \$1.75 -1.8 by end December to \$1.45- 1.5 in early January. Some importers were thinking of rolling laycans in later arrival dates because of the coming Chinese New Year holiday in early February. Thus, spread level to potentially remain at current low area for few more weeks.

In general, iron ore to potentially maintain the downward trend because of a significant decrease on demand side.

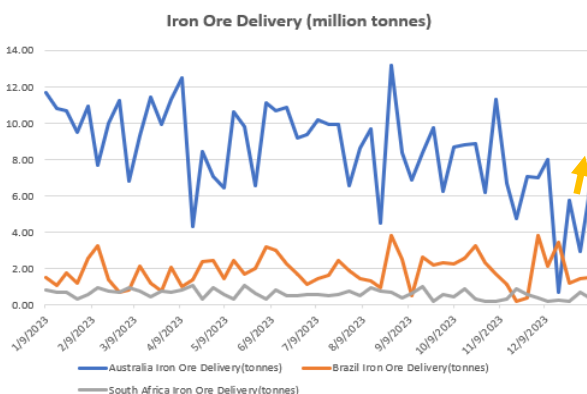
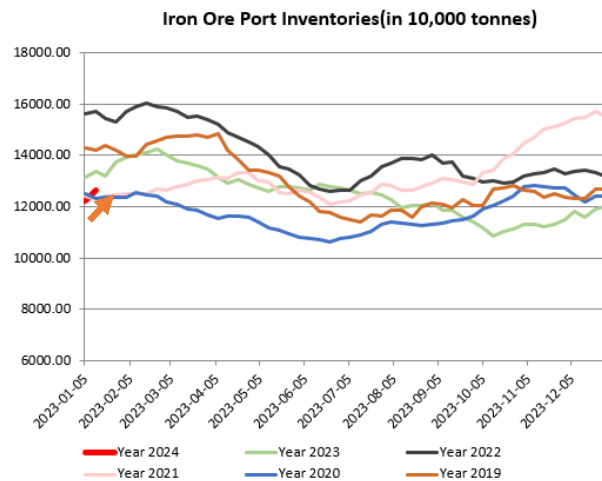
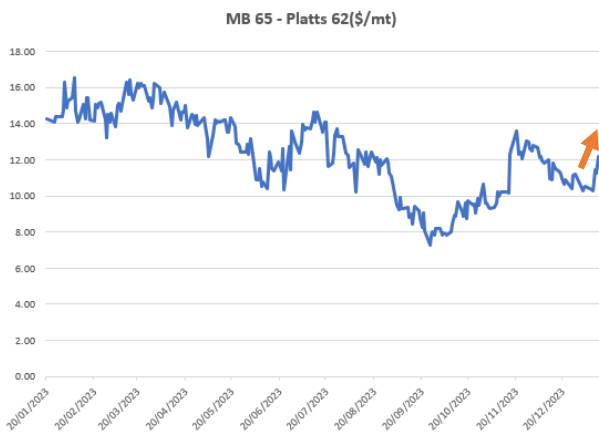
Neutral to Bearish

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	128.95	139.4	-7.50%
MB 65% Fe (Dollar/mt)	140.87	149.71	-5.90%
Capesize 5TC Index (Dollar/day)	15589	29581	-47.30%
C3 Tubarao to Qingdao (Dollar/day)	20.844	27.044	-22.93%
C5 West Australia to Qingdao (Dollar/day)	7.82	9.57	-18.29%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3600	3660	-1.64%
SGX Front Month (Dollar/mt)	129.69	138.58	-6.42%
DCE Major Month (Yuan/mt)	963.5	1003.5	-3.99%
China Port Inventory Unit (10,000mt)	12,621.11	12,244.75	3.07%
Australia Iron Ore Weekly Export (10,000mt)	625.90	293.70	113.11%
Brazil Iron Ore Weekly Export (10,000mt)	151.50	143.90	5.28%

Iron Ore Key Points

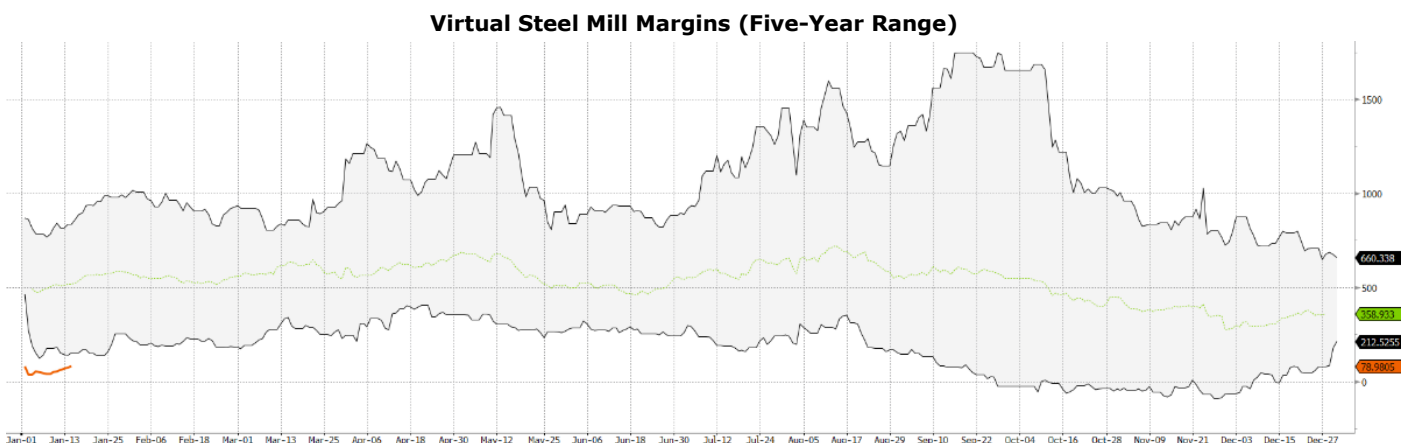
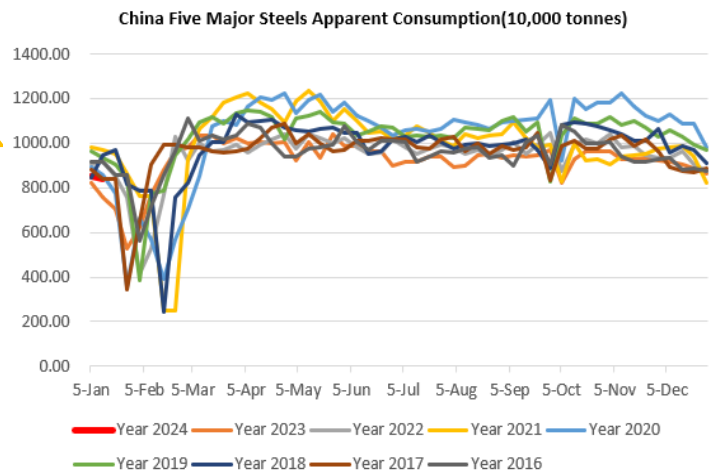
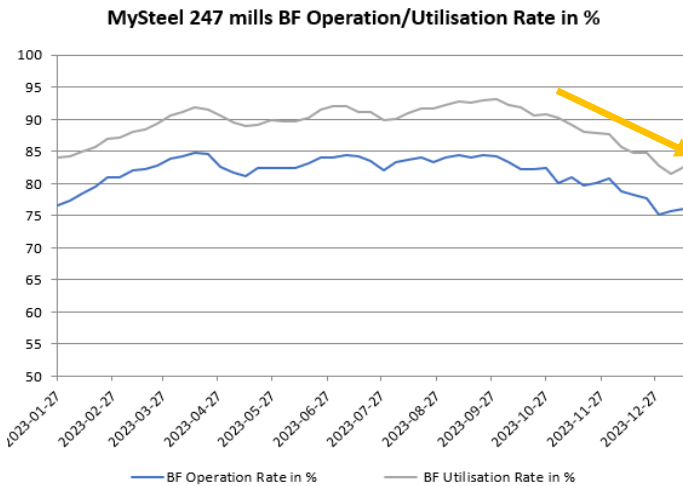
- MB65-P62 recovered from \$10 to \$12 in January. The spread is expected to grow given the increasing demand of high grade versus the oversupply on mid-grade.
- Iron ore port inventories entered an increasing period since January by 6%. Ports expected to see higher numbers in the coming weeks before Chinese New Year.
- The delivery from Brazil went down because of the rainy weather. However, the delivery from Australia boosted.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1076	1090	-1.28%
LME Rebar Front Month (Dollar/mt)	598	595	0.59%
SHFE Rebar Major Month (Yuan/mt)	3915	4011	-2.39%
China Hot Rolled Coil (Yuan/mt)	4057	4089	-0.78%
Vital Steel Mills Margin(Yuan/mt)	78	81	-3.70%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	76100	79100	-3.79%
World Steel Association Steel Production Unit(1,000 mt)	145,500	150,000	-3.00%



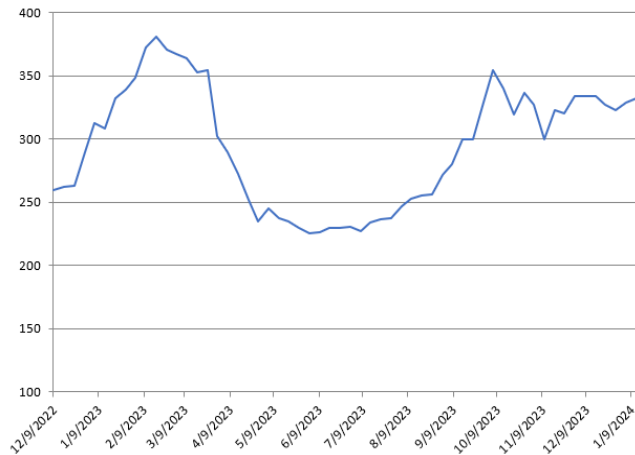
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins stabilized at around 79 –82 yuan/ton. However, northern steel mills suffered a 300 –350 yuan/tons loss, because the cost was counted based on the materials purchased from earlier times.
- The five major types of steel consumption entered a fast dropping period because of the looming Chinese New Year.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	337	336.25	0.22%
Coking Coal Front Month (Dollar/mt)	332	329	0.91%
DCE CC Major Month (Yuan/mt)	1789	1871.5	-4.41%
Top Six Coal Exporter Weekly Shipment	14.70	22.55	-34.81%
China Custom total CC Import Unit mt	9,923,352	7,979,602	24.36%

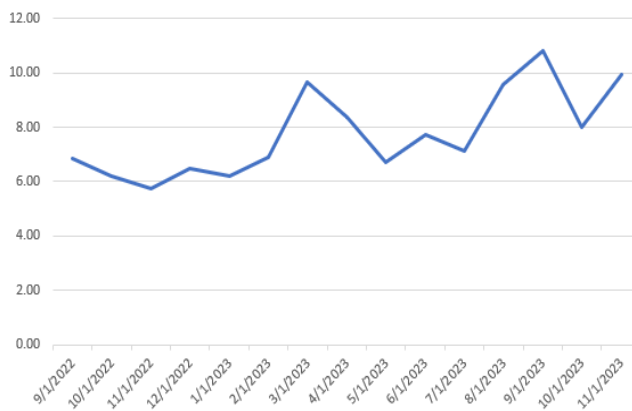
Coking Coal Front Month Forward Curve



Coal Key Points

- China's domestic coking coal production has become limited before the coming holiday. However, seaborne also entered watch and see mode so expect a following correction. There was an accident in Saraji, no mention of the number of suspension days.
- China's physical coke entered a correction phase, which once dragged down coking coal price domestically.

China Custom Total CC Imports(million 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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