FIS

Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The demand of steel recovered, however, the production growth with marginal loss led to an acceleration loss on mills. Thus, some mills slowed down procurement on iron ores.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. The demand after Chinese New Year recovered fast, however, the bargaining power was not on sellers side due to lackluster on houses being built.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The cyclone had gone, followed by recovery on ports of west Australia. The current cautious buying sentiment was due to the oversupply on nearby laycans. However, China's massive cut on production target of coal raised mid-term concerns on supply.

Prices Movement	26-Feb	19-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	116.0	128.80	9.94%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4019.0	4042.0	0.57%	Neutral to Bearish	↘
Hard Coking Coal FOB Australia($/MT)	313.75	314.50	0.24%	Neutral to Bearish	↘

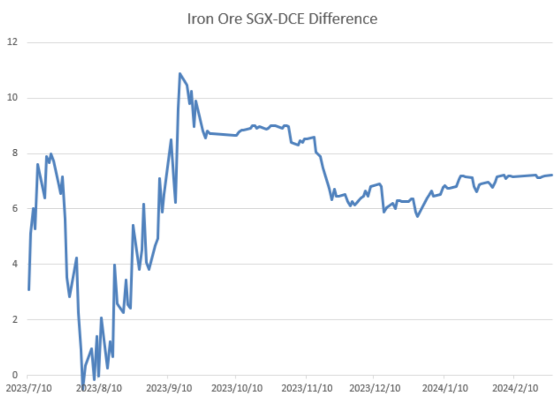
Market Review:

Iron Ore Market:

Iron ore index corrected by 9.94% as expected from previous reports, due to the stable supply from major miners in Australia and Brazil as well as a slow down on both a monthly basis and seasonal basis of iron ore demand. Moreover, the fast drop was believed to be a correction of the overvalue on iron ore after a seven-month growth. Iron ore 62% Platts index corrected 19.42% from the high created in early January.

The first correction signals emerged after several news stories were priced-in during past two weeks. The previous Australia strike was canceled. Heavy rain and floods in Brazil caused no direct impact on miners and ports. The cyclone of Australia has gone after an overnight impact last Thursday. The housing stimulus in China and interest cuts in US and Europe were almost priced-in during the last Q4. Amongst commodity assets, the money flowed out of ferrous sector and flowed into metals sector. At the same time, the strong global equity market also attracted some investments out of commodity market.

The port inventories of China reached 136.04 million tons, which was lower than past two years during same period. However, the stocking pace by 4.56 million tons during Chinese New Year period refreshed the fastest record during the past nine-years. The demand of iron ore was not positive, since virtual steel margin in the first two months of 2024 remained low at 60– 70 yuan/ton, the low range historically. The physical margin was around –100 to –150 yuan/ton. The supply from both Australia and Brazil were higher in February compared to last three years, while there were fewer logistics blocks compared with last three years in Q1. Moreover, the market started to worry about the upcoming politburo in March and following the production cut.



The only market interests on physical side fell into low grades or BRBF from Brazil because of the low margin. The seaborne trade was absent during majority of the week. There was a discount cargo from FMG at 5.85% over March IODEX average, however, traders expected a wider discount to 6% sooner after the trade. BHP widened March discounts for JMBF for two consecutive months to 3.5%.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

Vale announced a 340– 360 million tons of production target for 2026, as it proceeds with expansion plan. In 2023 Vale produced 321 million tons of iron ore, up 4% from 2022. In long-run, miners expansions are expected to happen in the current year and next few years to compete with market share.

The Mar-Apr24 spread level dropped from $1.40—1.45 before Chinese New Year following a sharp fall on the outright. The structure is expected to become more stable with similar monthly spread levels envisioned through the rest of year.

As previously expected, MB65—P62 grew from $11.58 in January to $12.67 in February. The trend is expected to be upwards because of the oversupply on mid-grade seaborne concentrates, however, the pace of the spread growth is restricted by the low steel margin.

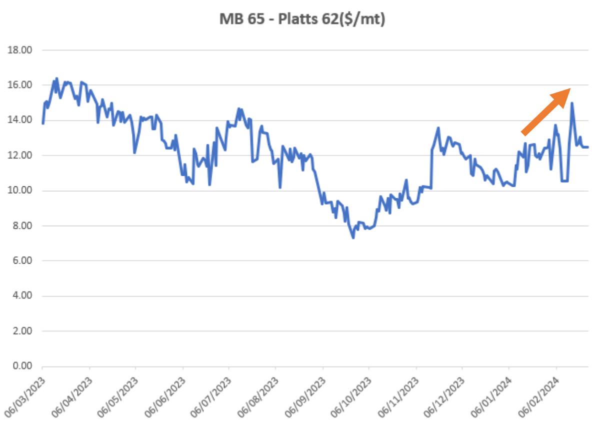
In general, iron ore to potentially maintain the downward trend in rest of February and early March.

Neutral to Bearish

Data Sources: Bloomberg, Platts, Fastmarket, FIS

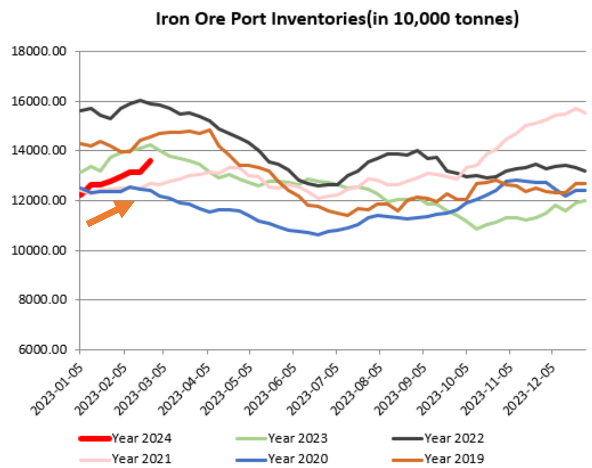
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	116	128.8	-9.94%
MB 65% Fe (Dollar/mt)	128.5	141.37	-9.10%
Capesize 5TC Index (Dollar/day)	26233	20378	28.73%
C3 Tubarao to Qingdao (Dollar/day)	26.35	24.125	9.22%
C5 West Australia to Qingdao (Dollar/day)	10.95	9.755	12.25%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3550	3570	-0.56%
SGX Front Month (Dollar/mt)	120.04	131.27	-8.55%
DCE Major Month (Yuan/mt)	904	956.5	-5.49%
China Port Inventory Unit (10,000mt)	13,603.39	13,147.84	3.46%
Australia Iron Ore Weekly Export (10,000mt)	1,041.30	132.20	687.67%
Brazil Iron Ore Weekly Export (10,000mt)	160.30	157.80	1.58%

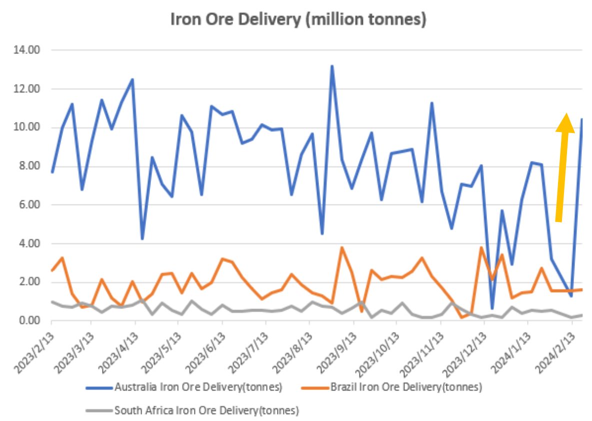


Iron Ore Key Points

- MB65—P62 maintained growth trend from $11.58 in January to $12.67 in February. The upward trend is because of the oversupply on mid-grade seaborne concentrates, however, the pace of the spread growth is restricted by the low steel margin.



- The iron ore piled up by 4.56 million tons during Chinese New Year period, refreshing the fastest record during the past nine-years in same period.



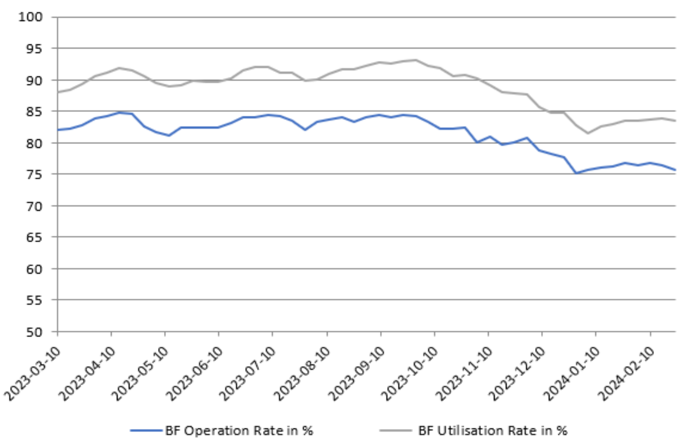
- The delivery from Australia improved from latter half of February.

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

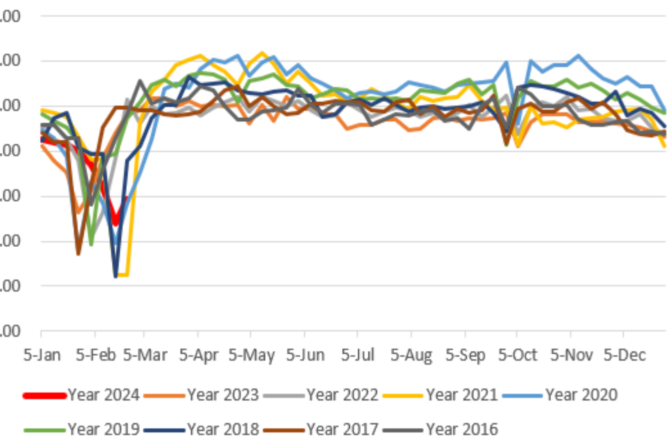
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	922	929	**-0.75%**
LME Rebar Front Month (Dollar/mt)	610	610	**0.08%**
SHFE Rebar Major Month (Yuan/mt)	3798	3849	**-1.33%**
China Hot Rolled Coil (Yuan/mt)	4016	4040	**-0.59%**
Vitural Steel Mills Margin(Yuan/mt)	72	30	**140.00%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	77200	67400	**14.54%**
World Steel Association Steel Production Unit(1,000 mt)	148,100	135,700	**9.14%**

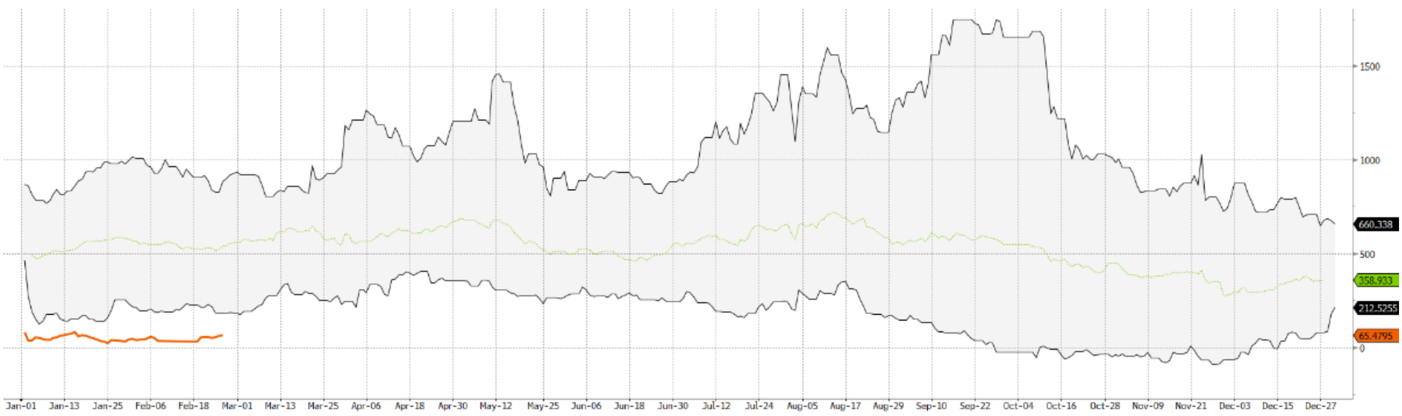
MySteel 247 mills BF Operation/Utilisation Rate in %



China Five Major Steels Apparent Consumption(10,000 tonnes)



Virtual Steel Mill Margins (Five-Year Range)

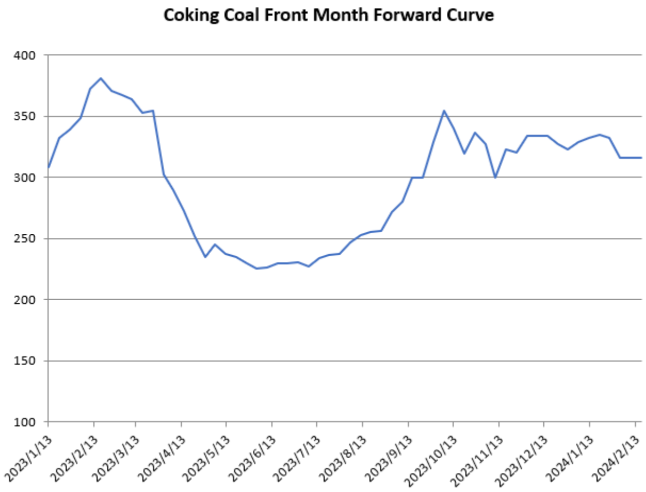


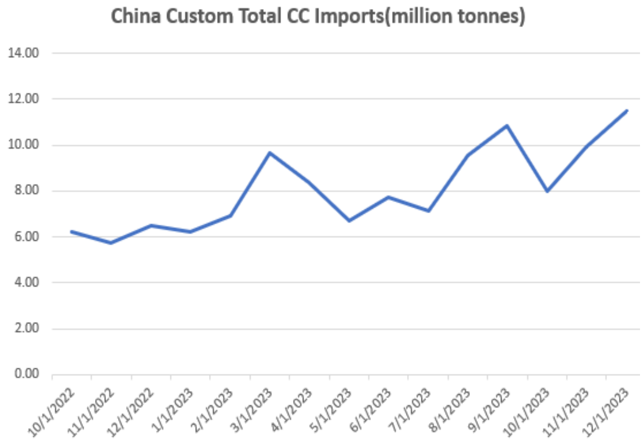
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins ticked up from 30 yuan to 72 yuan during past week, however, the absolute margin level remained at seasonal low area. Physical margin still stayed at negative area, which limited the expectations of production recovery.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	313.75	314	-0.08%
Coking Coal Front Month (Dollar/mt)	310	316	-1.90%
DCE CC Major Month (Yuan/mt)	1779.5	1726.5	3.07%
Top Six Coal Exporter Weekly Shipment	12.67	18.08	-29.92%
China Custom total CC Import Unit mt	11,464,234	9,923,352	15.53%





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.

- A cyclone was expected to land on the coastal area of Queensland on January 25th, which potentially caused some delay on laycans and port operations.

- Chinese physical coke entered a correction phase, which decreased by 4 rounds, totaling 400-440 yuan/ton.

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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