

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The steel production grew rapidly during past week, however, the low margin resisted the growth room for raw materials. After a 20% correction on iron ore, price trend to potentially slow down at current level.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The recovery on construction sites last week spurred the demand in steel market.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The prime coal market became over-valued in ferrous complex after a general correction on all other commodities in the sector. Both Atlantic and Pacific sources seemed over-supplied, although China could enter a busy season in April.

Prices Movement	4-Mar	26-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	117.75	116.0	1.51%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3976.0	4019.0	1.07%	Neutral to Bearish	↘
Hard Coking Coal FOB Australia(\$/MT)	307.0	313.75	2.15%	Neutral to Bearish	↘

Market Review:

Iron Ore Market:

Iron ore correction slowed down during the past week. In short-run, iron ore to potentially diverge and have less directional signs.

The supply side expected to remain high in early March, attributed to by the high Australian deliveries from mid-February. Chinese domestic mines reopened after Chinese New Year and the cold weather. Port inventories in China reached 138.93 million tons, up 2.89 million tons on the week. The inventory normally should enter a decreasing period seasonally. The fast stock up was one signal that proves a slow demand recovery at present.

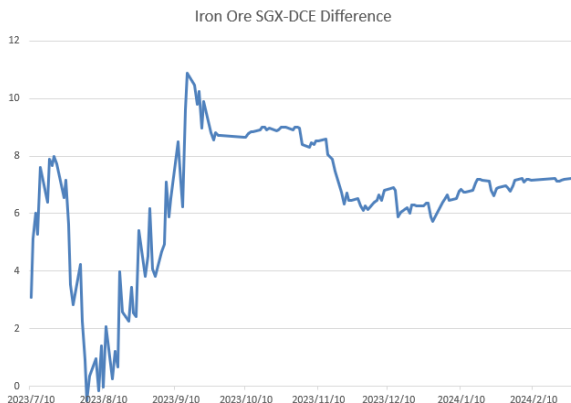
Several mid-grade concentrates were traded in the latter half of last week, including PBF and NHGF, however, in lower fixed price. The sentiment of seaborne recovered slightly due to the increase on steel production the past week. Five typical steels in China produced in total 8.20 million tons, up 3.11% in single week, faster than same time over past three years. The fast pick up on steel should be attributed to EAFs rather than BF. EAFs utilisation rate up 27.69% during past week while BF utilisation rate was largely unchanged from past week.

FMG March delivered SSF expanded its discount from 6% to 7% as expected from the market. The end-users were complaining about the loss of cost-effectiveness on the low grade concentrates.

IODEX62%—58% narrowed from \$14.61 to \$12.65, indicating a slight over-value on low grade concentrates.

SGX -DCE spread has remained around \$7.1—7.2 during most of past eight weeks, indicating that the correlation has improved. In short-run, the spread to potentially remain unchanged. However, in long-run, the difference to potentially become narrow again with the correction of iron ore value.

The virtual steel margin dropped to 50 yuan/ton from 72 yuan/ton last week. The virtual steel margin has remained at 0 -75 yuan/ton in 2024, which is the seasonal low of past five years. The steel mills physical margin improved from -150 yuan to -100 yuan/ton during past two weeks. The general loss to still resist raw material price in short-run.



Data Sources: Bloomberg, Platts, Fastmarket, FIS



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Market Review(Cont'd):

The Apr-May24 spread recovered slightly from \$1.20 to 1.35 during past week as expected. The front spreads are slightly undervalued currently.

As previously expected, MB65—P62 grew from \$11.58 in January to \$12.33 in February. The spread is expected to widen given the recovery of steel margins in busy season in April and May.

In general, the overall demand in market saw an upward trend, however, slower than the past three years.

Neutral

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	117.75	116	1.51%
MB 65% Fe (Dollar/mt)	129.64	128.5	0.89%
Capesize 5TC Index (Dollar/day)	34873	26233	32.94%
C3 Tubarao to Qingdao (Dollar/day)	29.655	26.35	12.54%
C5 West Australia to Qingdao (Dollar/day)	14.675	10.95	34.02%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3520	3550	-0.85%
SGX Front Month (Dollar/mt)	113.25	120.04	-5.66%
DCE Major Month (Yuan/mt)	891	904	-1.44%
China Port Inventory Unit (10,000mt)	13,892.68	13,603.39	2.13%
Australia Iron Ore Weekly Export (10,000mt)	172.30	1,041.30	-83.45%
Brazil Iron Ore Weekly Export (10,000mt)	152.00	160.30	-5.18%

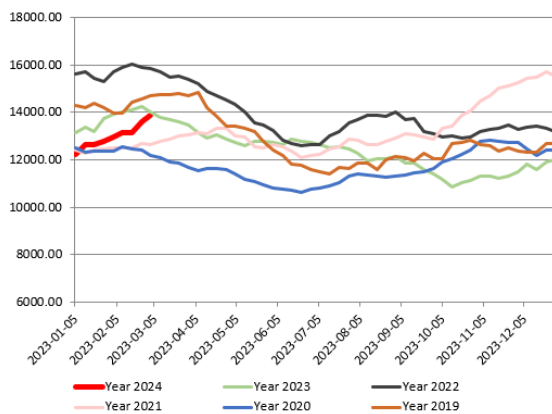
Iron Ore Key Points

- MB65—P62 maintained growth trend, growing from \$11.33 in January to \$12.33 in February. The spread is expected to widen with the recovery of steel margins in busy season in April and May.
- Iron ore entered a fast stocking period, indicating a slow down in demand.
- Deliveries from Australia expected to climb in the following weeks. As rainy season ends in Brazil, shipments should pick up as well.

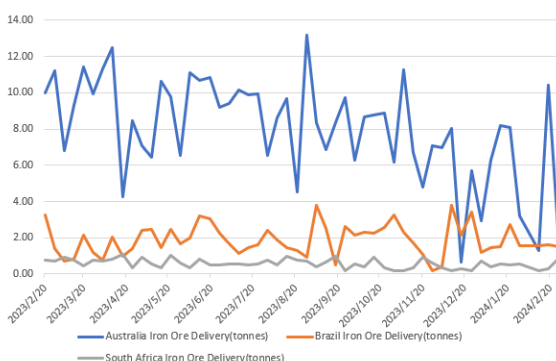
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



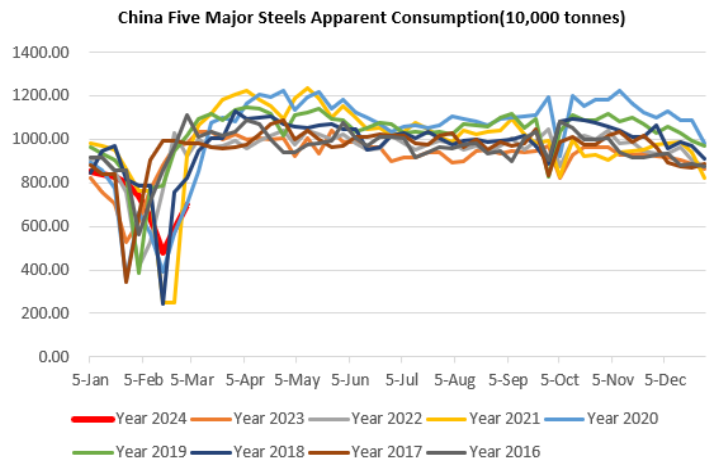
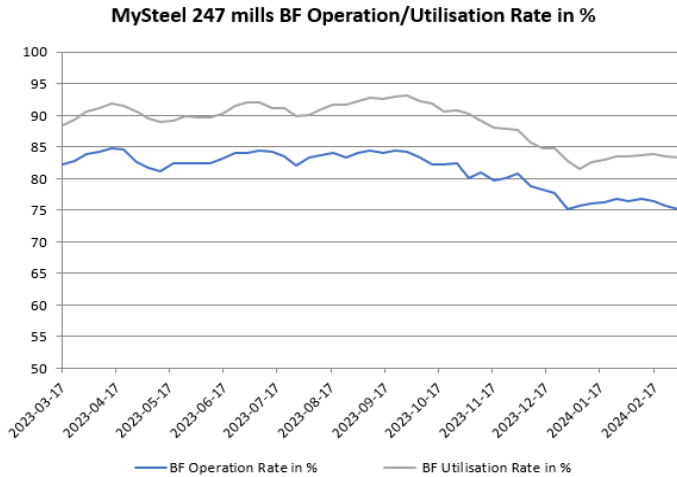
Iron Ore Delivery (Million Tons)



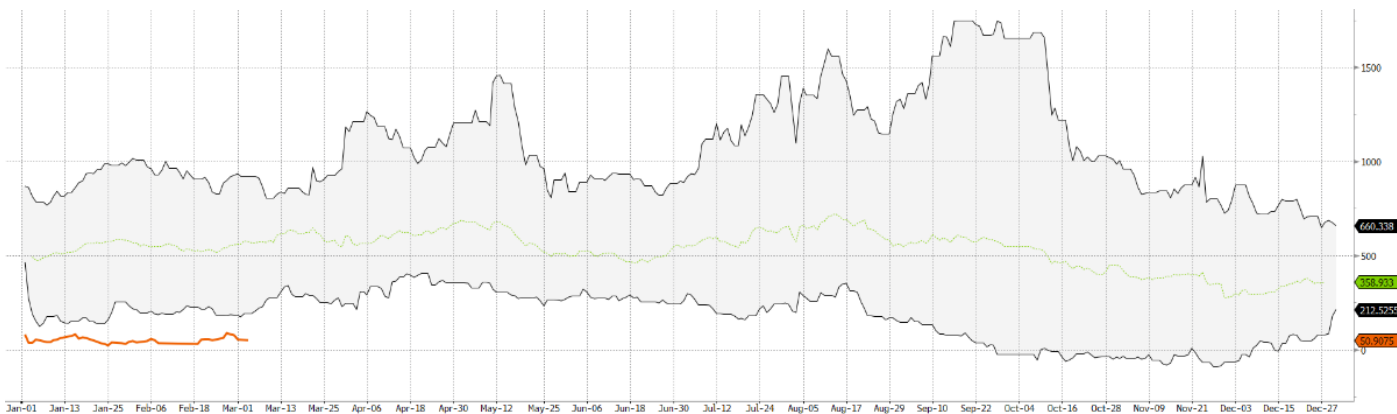
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	790	922	-14.32%
LME Rebar Front Month (Dollar/mt)	585	610	-4.10%
SHFE Rebar Major Month (Yuan/mt)	3788	3798	-0.26%
China Hot Rolled Coil (Yuan/mt)	4013	4016	-0.07%
Vital Steel Mills Margin(Yuan/mt)	50	72	-30.56%
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%



Virtual Steel Mill Margins (Five-Year Range)



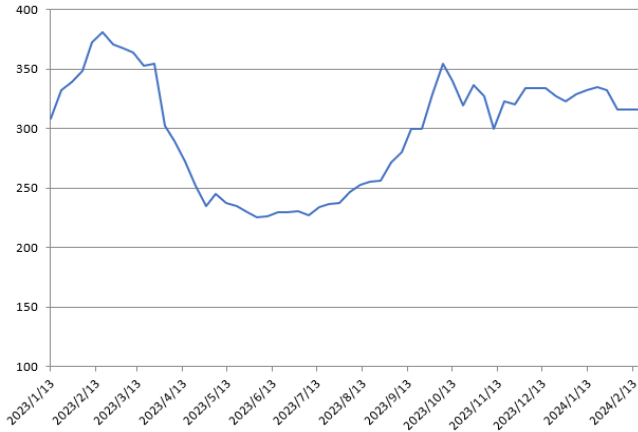
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins remain in a range of 15- 75 yuan/ton in 2024, which lies in a seasonal low area compared to past five years.
- The consumption of five typical steels are lower than past three years, however, on an ascending trend in the past two weeks.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	307	313.75	-2.15%
Coking Coal Front Month (Dollar/mt)	306	310	-1.29%
DCE CC Major Month (Yuan/mt)	1808	1779.5	1.60%
Top Six Coal Exporter Weekly Shipment	9.64	17.26	-44.15%
China Custom total CC Import Unit mt	11,464,234	9,923,352	15.53%

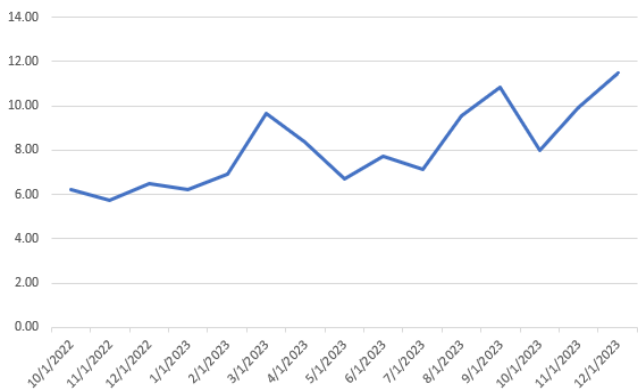
Coking Coal Front Month Forward Curve



Coal Key Points

- The bargaining power was gradually transferred to buy side, due to an oversupply on front laycans.
- FOB coking coal saw many sources of competition including Indonesia coal and Atlantic sources.
- Chinese physical coke entered a correction phase, which decreased by 4 rounds, totaling 400-440 yuan/ton.

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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