

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The steel production margin is expected to recover on physical market. However, pig iron production is 7% slower than past year.
- ⇒ **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 saw crowded supply in front laycans.

Prices Movement	11-Mar	4-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	108.40	117.75	7.94%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3908.0	3976.0	1.71%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	298.0	307.0	2.93%	Neutral to Bearish	↘

Market Review:

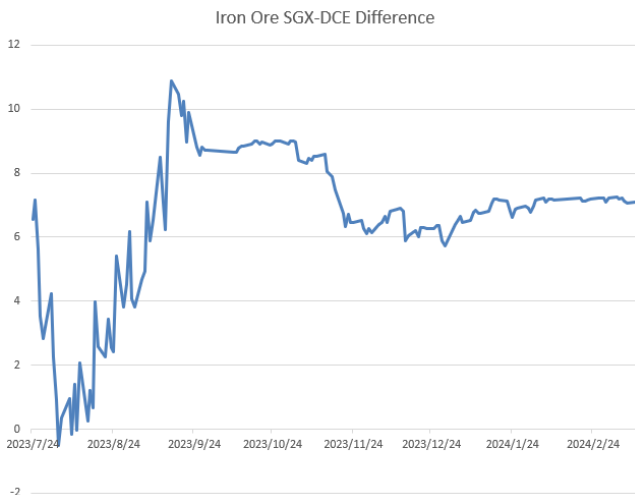
Iron Ore Market:

Iron ore corrected by 7.94% during past week. The modest pig iron production failed expectations on recovery in what is a traditionally busy season. The iron ore port stocks grew significantly. However, the correction is to potentially slow after the big correction.

China's imports of iron ore peaked in first two months at 209.45 million tons, up by 8.1% on the year. However, the daily pig iron production was 2.23 million tons on average last week, which was 7% lower than past year. The strong supply and weak demand dragged down iron ore index by 26% during the past four weeks. We expect a slow recovery following seasonal growth in steel demand from mid-March to April. In long-run, the sentiment of downstream and construction remains slightly weaker.

The biggest headline of Two Sessions was the 1 trillion in local debt issued in 2024. The stimulus for housing market is expected to arrive later in the year, however, all investors in the housing industry knew the risk. On the other side, the bottom level of iron ore also saw support through the interest rate cut in US, as well as the resilient Chinese growth target in 2024. It is worth noting the actions on China's old house revamping, which could be a huge market and long-run strategy.

The cost-efficiency of low grade concentrates started to vanish, given a continuous widening on SSF from FMG. P62- P58 narrowed from \$14.67 in January to \$12.89 in March. MB65- P62 spread dropped from \$12.67 in February to \$12.17 in March. However, the spread is expected to recover as the margin improves.



PBF and NHGF saw popularity given the slightly slow logistics during the China conference period as well as better cost-efficiency. Virtual steel margin remained low, ranging from 15-75 yuan/ton during most of Q1. Physical steel margin increased from -150 yuan/ton in February to 0 yuan/ton in mid-March. The improvement in steel margin is expected to lead to an increase in pig iron demand. It is just a matter of time.

SGX- DCE difference was steady at \$7-7.2 during the past three months. The front spread level Apr-May24 dropped from \$1.35 to \$0.9 after the big correction on outright. The front spread is believed to have some safety margin at the low level currently.

Data Sources: Bloomberg, Platts, Fastmarket, FIS



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Market Review(Cont'd):

In general, iron ore marginal demand is recovering, however, the seasonal demand has been weak. Thus, iron ore to potentially see a recovery in short-run after being oversold, the long-run is still in overvalued condition.

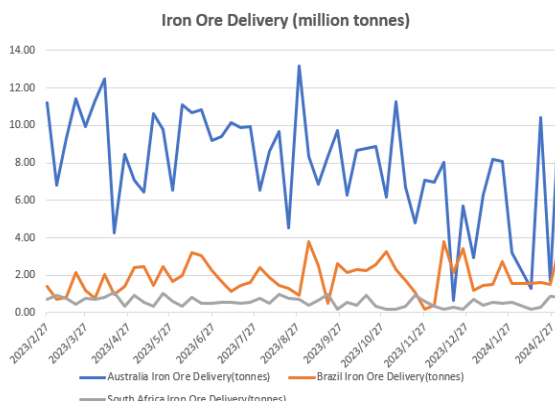
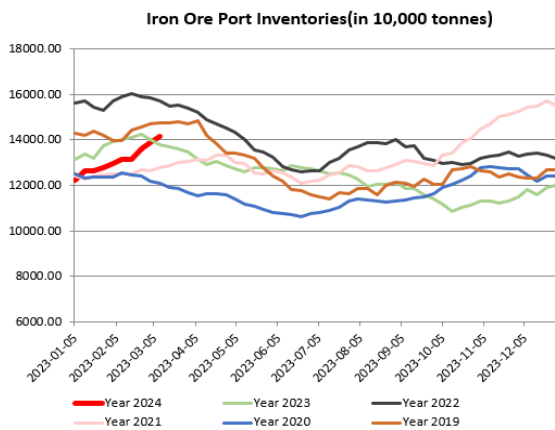
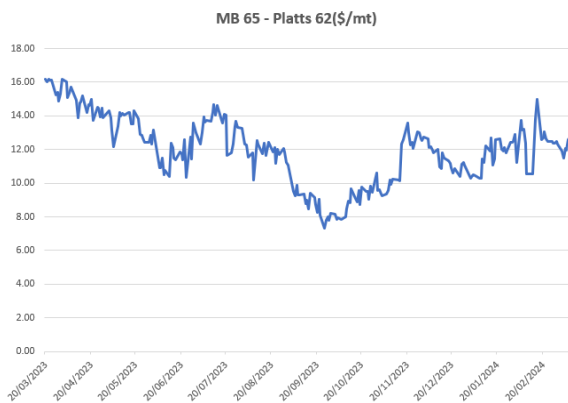
Neutral

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	108.4	117.75	-7.94%
MB 65% Fe (Dollar/mt)	121.25	129.64	-6.47%
Capesize 5TC Index (Dollar/day)	35780	34873	2.60%
C3 Tubarao to Qingdao (Dollar/day)	31.63	29.655	6.66%
C5 West Australia to Qingdao (Dollar/day)	14.535	14.675	-0.95%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3460	3520	-1.70%
SGX Front Month (Dollar/mt)	115.18	113.25	1.70%
DCE Major Month (Yuan/mt)	878.5	891	-1.40%
China Port Inventory Unit (10,000mt)	14,150.54	13,892.68	1.86%
Australia Iron Ore Weekly Export (10,000mt)	1,202.20	172.30	597.74%
Brazil Iron Ore Weekly Export (10,000mt)	379.60	152.00	149.74%

Iron Ore Key Points

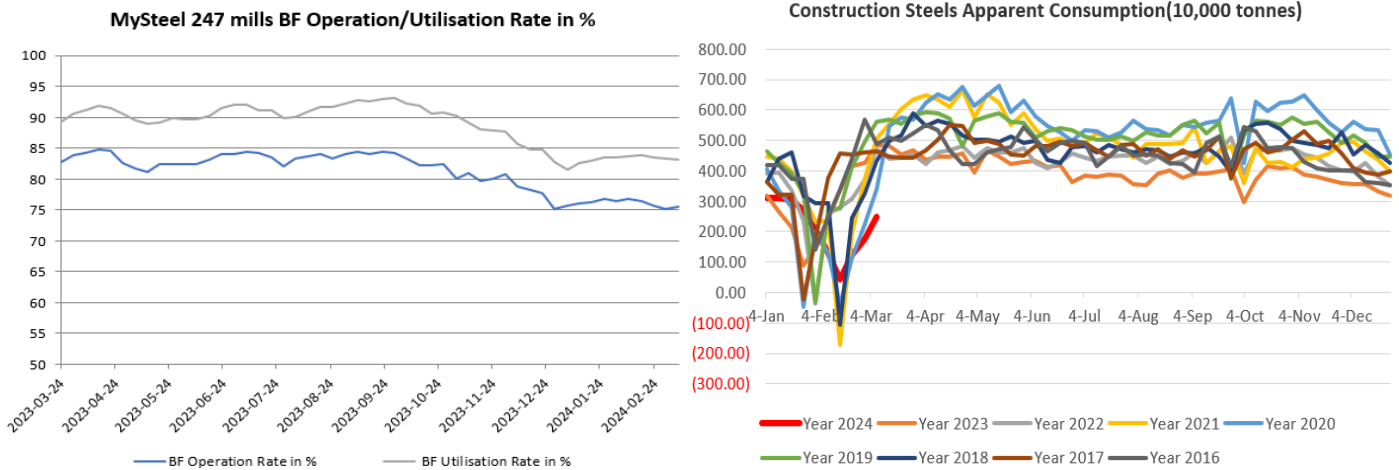
- MB65—P62 maintained growth trend from \$11.33 in January to \$12.85 in March. The spread is expected to widen with the recovery of steel margins in busy season.
- The iron ore port inventories have been increasing quickly compared to past five years.
- China’s blast furnace utilisation rate was significantly lower in the first three months compared to 2022 and 2023 during same period.



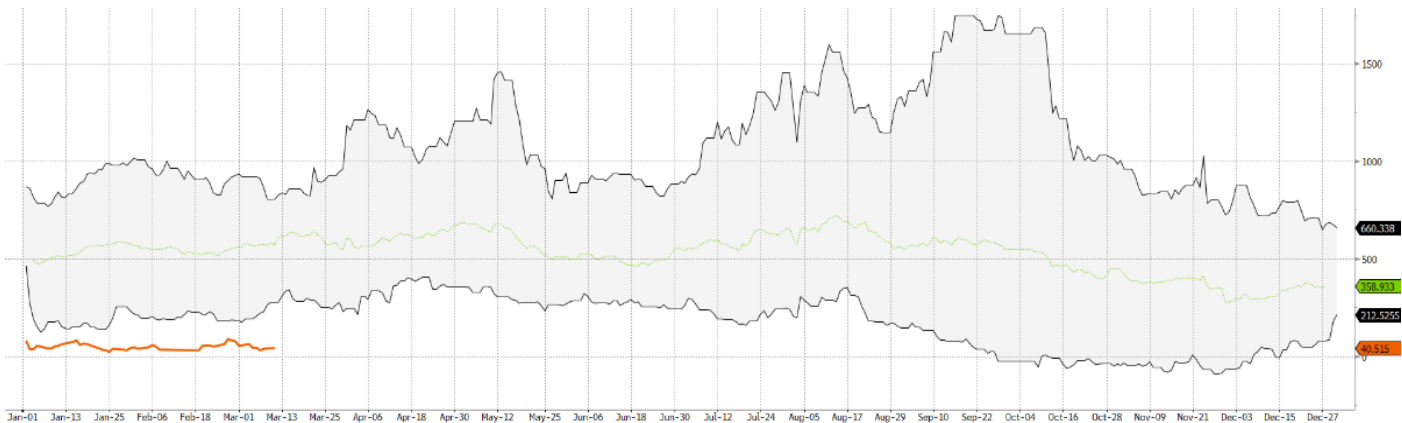
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	814	790	3.04%
LME Rebar Front Month (Dollar/mt)	578.5	585	-1.11%
SHFE Rebar Major Month (Yuan/mt)	3695	3788	-2.46%
China Hot Rolled Coil (Yuan/mt)	3933	4013	-1.99%
Vital 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%



Virtual Steel Mill Margins (Five-Year Range)



Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins remain in the range 15– 75 yuan/ton in 2024, which lies in a seasonal low area compared to past five years. However, the physical margin saw a gradual recovery in the past four weeks, which could potentially help enhance the production levels on steels.
- The consumption of five typical steels have been growing, however, slower than previous five years.

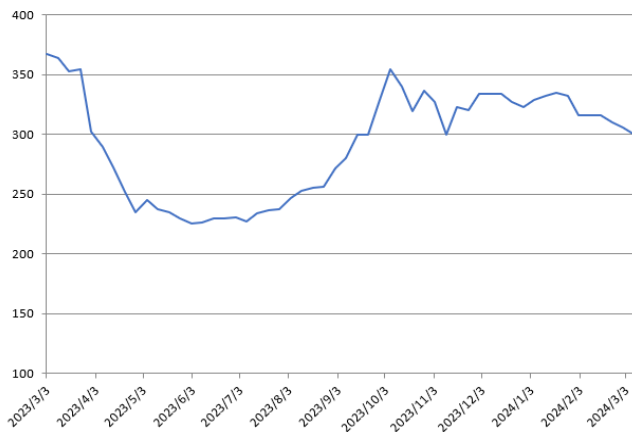
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	298	306.5	-2.77%
Coking Coal Front Month (Dollar/mt)	300	306	-1.96%
DCE CC Major Month (Yuan/mt)	1716	1808	-5.09%
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

- The pricing power lied on the buy-side given the crowded unsold front laycans of prime coking coals were from different origins.
- Chinese pig iron production level was significantly lower than past year. In addition, the end of cold weather in general decreased the demand for coal.

Coking Coal Front Month Forward Curve



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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