

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The virtual steel margin has been stuck in low area in Q1, however, physical margin recovered significantly. Mills have started to restock.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The recovery of steel consumption was slower than past few years, however, the market saw more orders compared to early March. Traders expected a longer consumption cycle instead of a steeper increase.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The prime coal market saw crowded supply in front laycans, while buyers wanted to negotiate lower prices for future weeks.

Prices Movement	25-Mar	18-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	108.80	105.25	3.37%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3880	3968	2.22%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	245.0	269.0	8.92%	Neutral to Bearish	↘

Market Review:

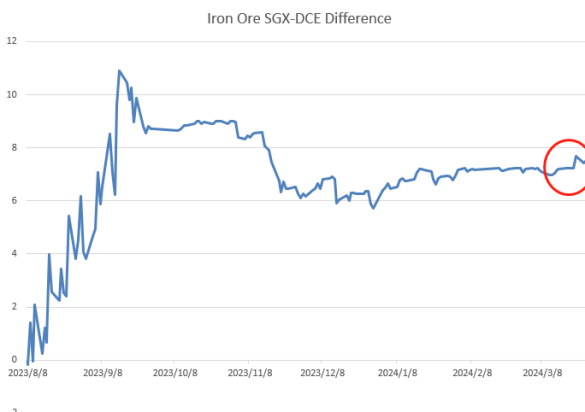
Iron Ore Market:

Iron ore recovered by 3.37% during past week. As expected, iron ore regained support around \$100/mt, which will potentially become a magic number in mid-run. The first signs have appeared of a recovery in steel demand, although slower than previous five years. The market believed the overall demand would be stretched into a longer period instead of fast growing.

Following increasing deliveries from Australia, Brazil and mid-small miners in Q1, the arrival of iron ore also reached high levels in Chinese ports. China’s port inventories reached 143.66 million tons, which was 5.59% higher than the past year. The Q1 growth of Chinese port inventories by 3.3 million tons marked the biggest growth levels historically during this period. The port evacuation and mills inventories are at similar levels following seasonal trend, which indicates a slow consumption of iron ores. In other words, iron ore oversupply became a mid-run issue.

From the perspective of marginal market, we saw some positive sentiments. The steel orders have become busy in late March compared with early March. Thus, many steel mills fixed the price for delivery in April, which became an early signal of market reversal. Pig iron consumption slightly improved by 0.57% from the past week, but the market is generally looking forward to a faster growth in late March and early April. The market participants anticipated a longer consumption cycle this year instead of a fast pick up.

Virtual steel margin remained at seasonal low level from 15– 75 yuan/ton through Q1. However, the physical margin recovered from -200 yuan/ton to 50 yuan/ton because of the massive drop on physical coke by 600 yuan/ton and the recent correction in iron ore after mills optimised the input structure.



The major mid-grade concentrates saw resilient fixed trades throughout this week, including MACF, NHGF and PBF. The low grade became less cost-efficient in Q1 compared to last Q4. P62—P58 climbed from \$12.66 in February to \$13.26 in March. High grade expected to recover with an improving steel margin. Moreover, the longer route also supported Brazilian iron ore value. MB65 –P62 was \$12.42 on average in March, which was close to February average at \$12.60. However, we believe the current number is undervalued. Most mid-grades were facing oversupply except MACF.

Data Sources: Bloomberg, Platts, Fastmarket, FIS



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Market Review(Cont'd):

The landing margin improved given the sudden depreciation on CNY versus dollar. Sweden National Bank and BOE respectively cut interest rates. Bank of Japan announced an official exit to YCC. All news contributed to a buying of US dollars and JPY in short-run, resulting in a depreciation in other currencies.

The SGX-DCE difference increased by 30 cents from \$7.2 to \$7.5 because of the appreciation on USD instead of a fundamental change. Thus, a correction could happen in the future if expecting the pull back on USD value.

In general, iron ore saw increasing marginal demand, however, slower than previous years during same period. The price volatility to potentially remain low. The price level was neutral from a fundamental perspective.

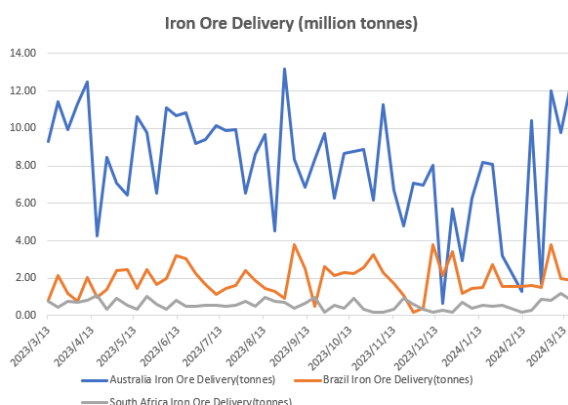
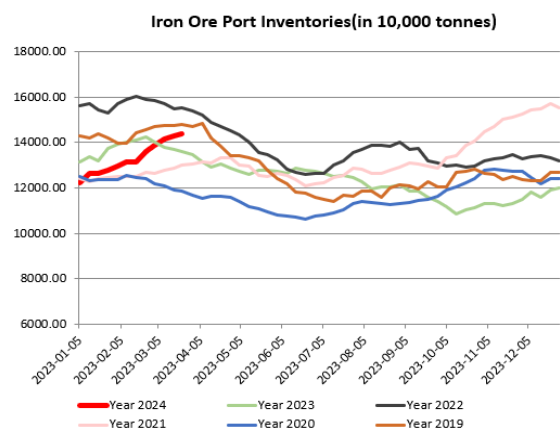
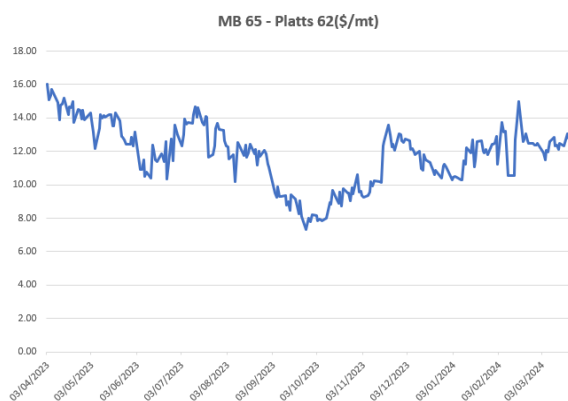
Neutral

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	108.8	105.25	3.37%
MB 65% Fe (Dollar/mt)	121.42	117.6	3.25%
Capesize 5TC Index (Dollar/day)	27325	33911	-19.42%
C3 Tubarao to Qingdao (Dollar/day)	27.95	30.995	-9.82%
C5 West Australia to Qingdao (Dollar/day)	11.32	12.805	-11.60%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3410	3310	3.02%
SGX Front Month (Dollar/mt)	108.14	99.91	8.24%
DCE Major Month (Yuan/mt)	839.5	795.5	5.53%
China Port Inventory Unit (10,000mt)	14,365.81	14,285.45	0.56%
Australia Iron Ore Weekly Export (10,000mt)	1,251.60	978.90	27.86%
Brazil Iron Ore Weekly Export (10,000mt)	187.20	198.50	-5.69%

Iron Ore Key Points

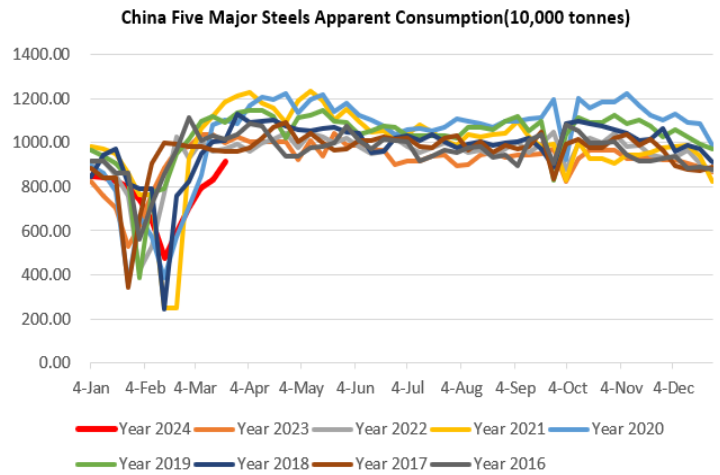
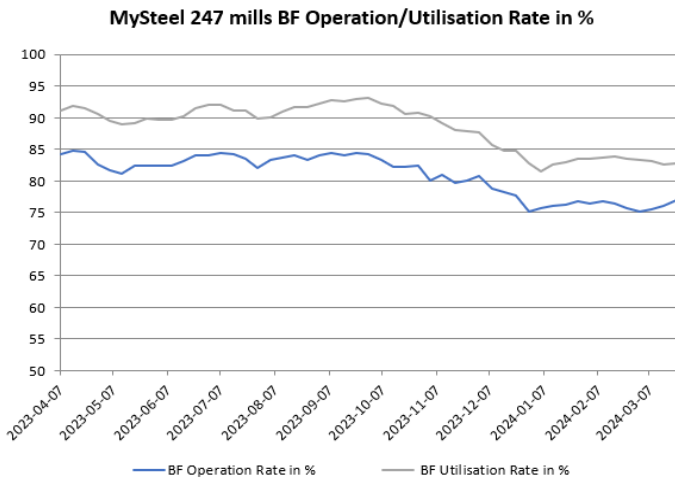
- MB65—P62 retreated from \$12.60 in February to \$12.42 in March, which was believed to be undervalued. The spread is expected to widen with the recovery on steel margins.
- The iron ore port inventories were increasing quickly compared with past five years.
- China's blast furnace utilisation rate was significantly lower in the first three months compared to 2022 and 2023 during same period.



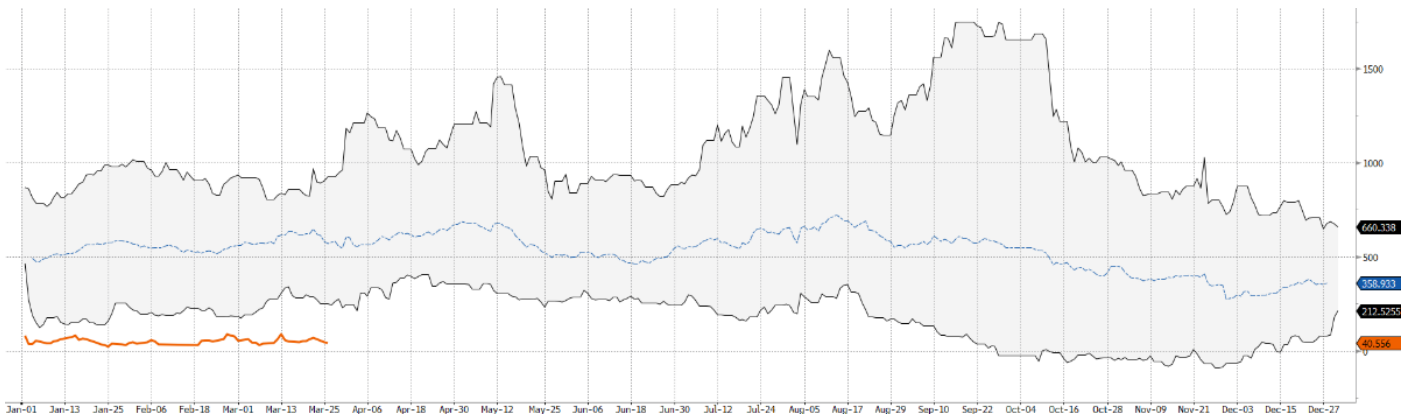
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	794	792	0.25%
LME Rebar Front Month (Dollar/mt)	583	577	1.13%
SHFE Rebar Major Month (Yuan/mt)	3612	3504	3.08%
China Hot Rolled Coil (Yuan/mt)	3842	3792	1.32%
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)	81200	77200	5.18%
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 have ranged from 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 will potentially help enhance the production levels on steels.
- The consumption of five typical steels entered a growing period, however, slower than the previous five years.

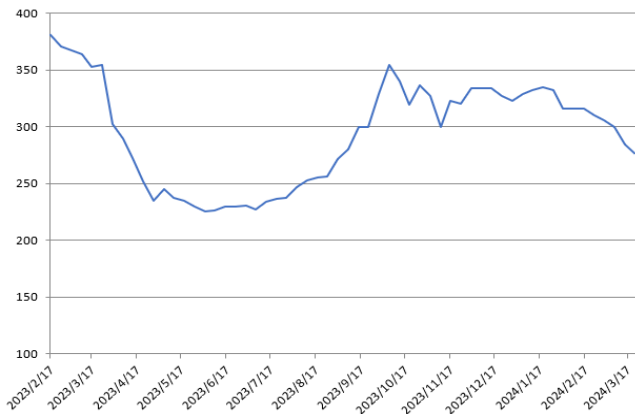
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	245	261.5	-6.31%
Coking Coal Front Month (Dollar/mt)	276	284	-2.82%
DCE CC Major Month (Yuan/mt)	1656	1573.5	5.24%
Top Six Coal Exporter Weekly Shipment	12.67	18.08	-29.92%
China Custom total CC Import Unit mt	7,869,752	10,019,938	-21.46%

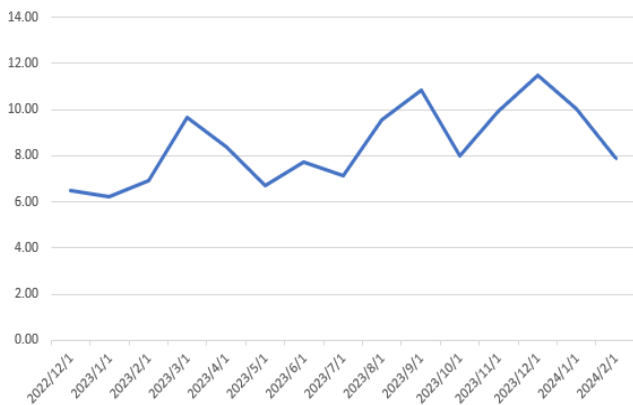
Coal Key Points

- FOB Australia coking coal buyers were waiting for price stabilisation after the huge drop.
- Chinese physical coke experienced six rounds of decline by 600 –660 yuan/ton.
- China’s pig iron production level was significantly lower compared with past year.

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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