FIS Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore saw fewer physical trades after a big price spike, raising concerns about the sustainability of the price rise.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The recovery of downstream activities proved faster in April compared with March, however steel price changes were minimum compared to raw materials growth.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Following the growth in the paper market, the physical market saw more bids, which supported the demand of near-term laycans.

Prices Movement	15-Apr	8-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	113.05	104.45	8.23%	Neutral	➖
Rebar 25mm Shanghai (Yuan/MT)	3629.00	3632.00	0.1%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	227.0	224.0	1.34%	Neutral	➖

Market Review:

Iron Ore Market:

The iron ore index recovered 8.23% since the 1st April, however, the physical volume on both seaborne and portside went significantly down during the reporting week. Therefore, the market started to doubt the sustainability of the rebound.

DCE open interest was down 7.5% during the first week of April, while SGX was up 9.5%. The difference was majorly down to the fast appreciation of USD versus the depreciation on CNY. For traders who believe a depreciation on USD based on an interest rate cut, it is worth highlighting the SGX-DCE spread which is currently on the upper side of its historic range.

The consumption of iron ore significantly improved in the first two weeks of April. Daily pig iron consumption reached 2.2475 million tons, which was the highest since the Chinese lunar new year in early February. However, the number was 21.94% lower than the same period in 2023. Port inventories saw a slower growth by 351,100 tons to 144.87 million tons. Mill inventories also saw 396,500 tons of growth on the week to 93.18 million tons. These two inventory levels suggest that mills have started to restock iron ores. The market sentiment was overall positive with eyes on the steel orders in late April and early May, together with stable physical steel margins. On the other side, virtual steel margins slumped from 200 yuan/ton last week to 60 yuan/ton because of the fast price rise of iron ore and coking coal futures. As a result, iron ore futures could see some pressure in the next few days.

During the reporting week, the discount mid-grade including MACF and JMBF still dominated the market. There were few PBF trades. Mills were adopting a cautious strategy to gain market volume instead of protecting margins. Thus, the rebound of iron ore should be slow in the mid-term. The P62—P58 spread grew from $13.60 in February to $16.81. The cost-effectiveness of low grade ores worsened considering both the effectiveness during production and valuation. On the other side, MB65—P62 spread was mainly unchanged for the past three months. The MB65 –P62 spread is expected to grow in May or late April because of the tight supply from Brazil, as well as the expected improved steel margins in the medium-term.

The May-Jun24 spread rebounded from $0.3/0.35 in April 4th to $0.75/0.80 on Monday, as we mentioned in the last two weekly reports. There is limited expected upside room for this spread and has therefore entered a slight neutral area for past 52 weeks. In addition, demand for iron ore is expected to gradually grow instead of a traditional peak season rise, which would naturally stretch the structure of the curve flatter.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

Lump premiums recovered from $0.50dmtu last week to $0.75dmtu on Monday, with some maintenance in Tangshan among processing mills.

In the macro market, geopolitical tensions rose again in Middle East, gold, oil and US dollar could be leading indicators to explain the investment preference for commodity markets. The global equity market suffered a drop overnight and in Asian morning of Tuesday, indicated a risk-averse sentiment. Metals in general saw a correction under this macro pressure.

In general, iron ore potentially enter a new consolidation phase instead of a fast growth.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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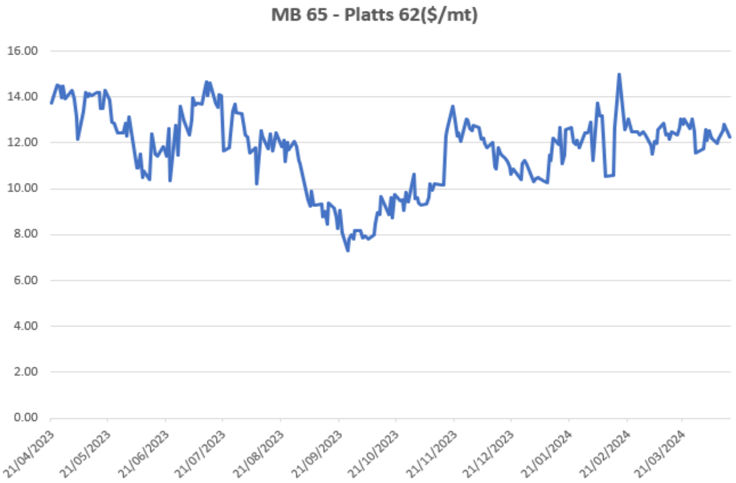
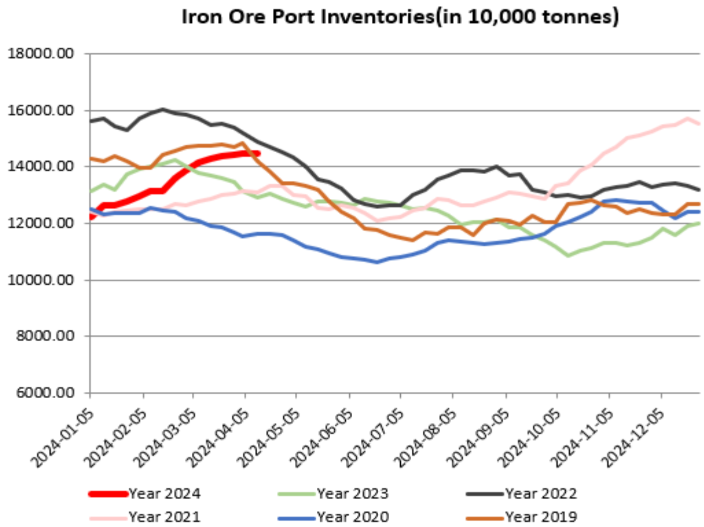
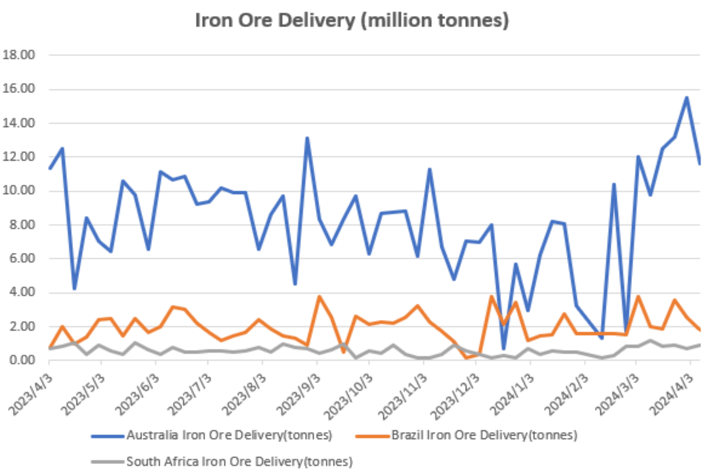
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	113.05	98.5	14.77%
MB 65% Fe (Dollar/mt)	125.29	110.72	13.16%
Capesize 5TC Index (Dollar/day)	20970	18226	15.06%
C3 Tubarao to Qingdao (Dollar/day)	25.745	24.35	5.73%
C5 West Australia to Qingdao (Dollar/day)	10.57	8.955	18.03%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3410	3280	3.96%
SGX Front Month (Dollar/mt)	111.04	98.35	12.90%
DCE Major Month (Yuan/mt)	827.5	767	7.89%
China Port Inventory Unit (10,000mt)	14,487.38	14,452.27	0.24%
Australia Iron Ore Weekly Export (10,000mt)	1,162.90	1,553.40	-25.14%
Brazil Iron Ore Weekly Export (10,000mt)	178.30	252.40	-29.36%







Iron Ore Key Points

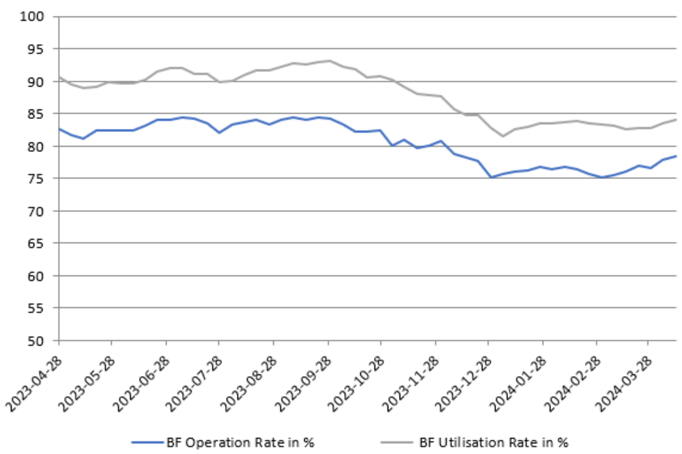
- MB65—P62 potentially see recovery as the improvement on steel margins. P62-58 grew fast in April.
- The iron ore port inventories were increasing in a fast mode compared with past five years.
- China blast furnace utilisation rate was significantly lower in the first three months compared to 2022 and 2023 during same period. However, market expected a faster recovery on pig iron consumption in monthly basis from this April.

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

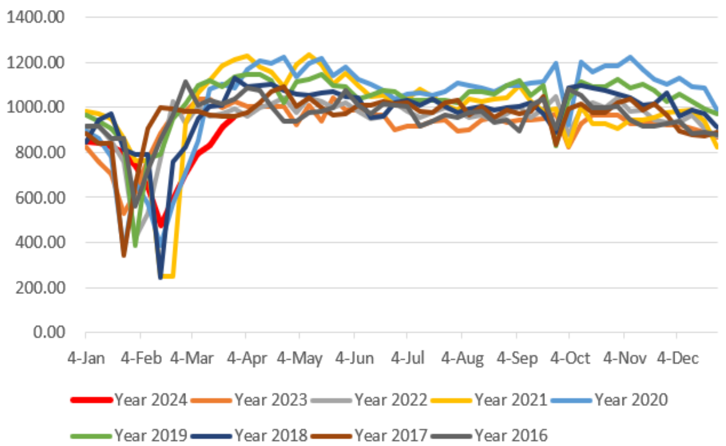
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	845	853	-0.94%
LME Rebar Front Month (Dollar/mt)	578.5	580	-0.26%
SHFE Rebar Major Month (Yuan/mt)	3617	3509	3.08%
China Hot Rolled Coil (Yuan/mt)	3767	3742	0.67%
Vitural Steel Mills Margin(Yuan/mt)	60	212	-71.70%
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)	148,800	148,100	0.47%

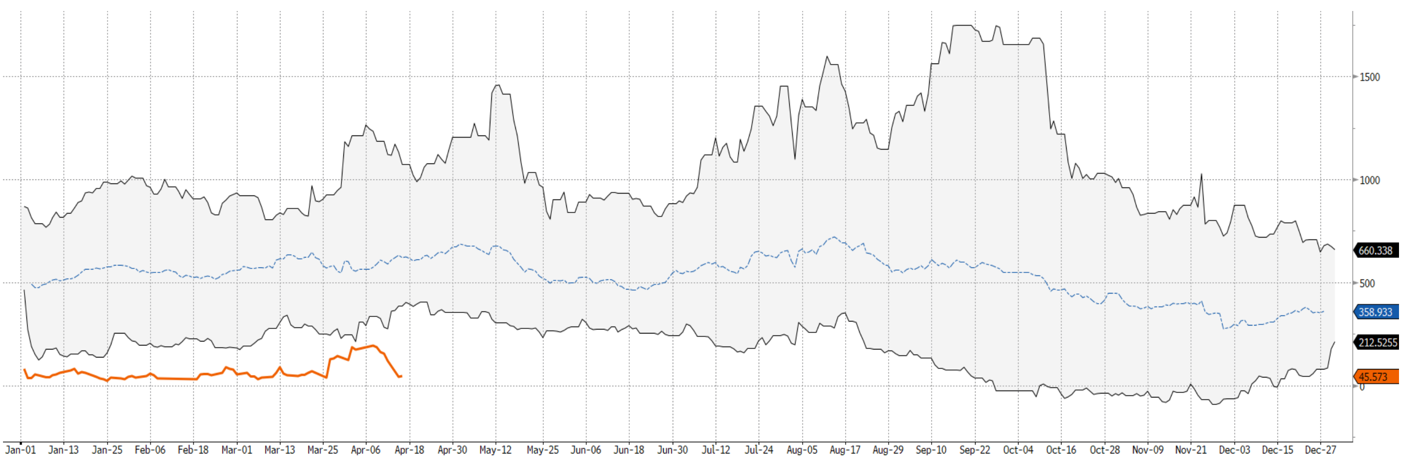
MySteel 247 mills BF Operation/Utilisation Rate in %



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



Virtual Steel Mill Margins (Five-Year Range)

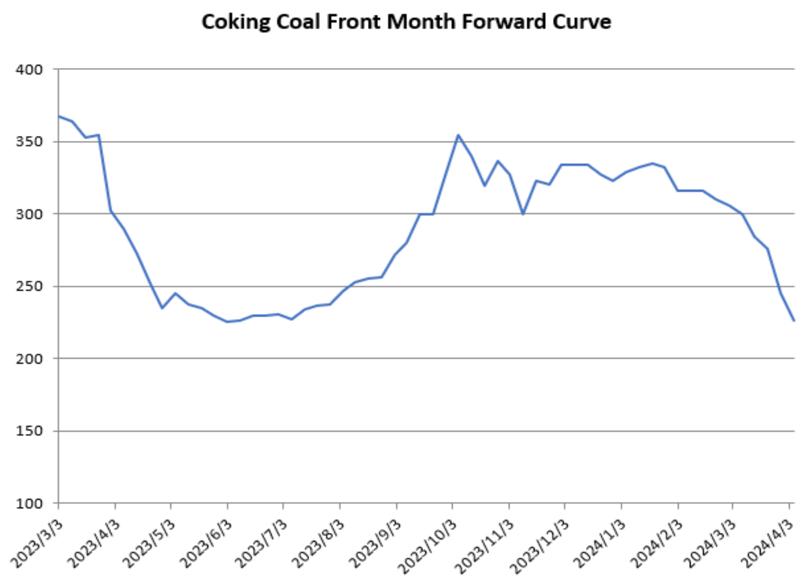


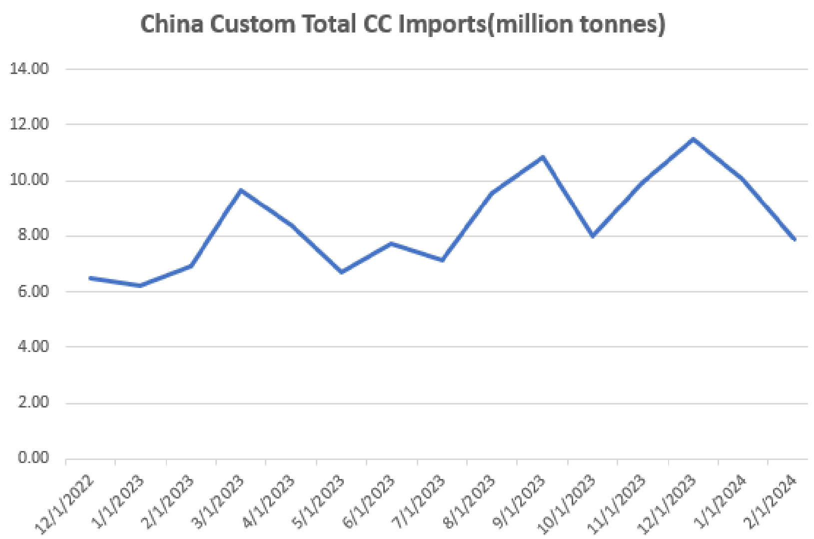
- Virtual steel mill margins dropped from 212 yuan/ton to 60 yuan/ton after the big spike on coking coal and iron ore, however steel price was stable during past two weeks.

- The consumption of five typical steels entered a growing trend, however slower than previous five years.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	227	224	1.34%
Coking Coal Front Month (Dollar/mt)	250	226	10.62%
DCE CC Major Month (Yuan/mt)	1673.5	1485	12.69%
Top Six Coal Exporter Weekly Shipment	12.95	18.93	-31.59%
China Custom total CC Import Unit mt	7,869,752	10,019,938	-21.46%





Coal Key Points

- FOB Australia coking coal buyers saw the slowly growing bids.
- China physical coke saw stablisation due to domestic supply remaining tight.
- China pig iron production level saw marginal improvement, however lower than same period of last year.

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.

Written by **Hao Pei**,
FIS Senior Research Analyst
HaoP@freightinvestor.com