Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. The crowded seller market on physical led to a drop in derivatives over the past week. However the correction potentially slowed down as the recovery of pig iron consumption picked up. The market was oversold.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The generally slow recovery of projects and construction in March pulled down steel prices. However stable orders in May and late April potentially create support to current market.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The prime coal market saw crowded supply in front laycans, while buyers await lower price opportunities and therefore shifted demand to later months.

Prices Movement	1-Apr	25-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	102.50	108.80	5.79%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3695.00	3880.00	4.77%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	246.50	245.00	0.61%	Neutral to Bearish	↘

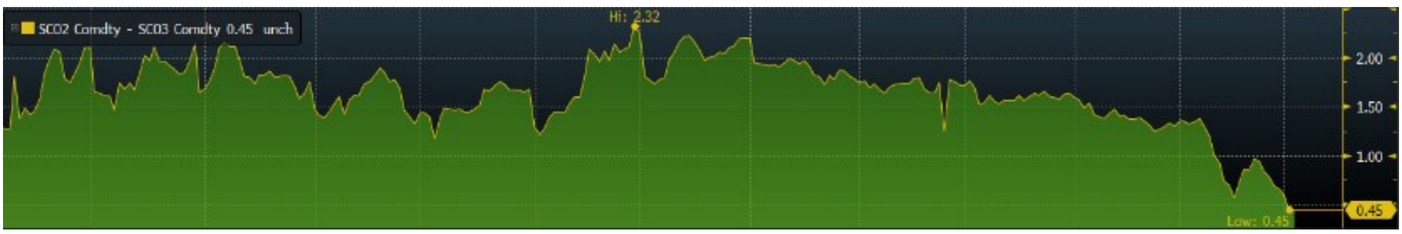
Market Review:

Iron Ore Market:

The iron ore index corrected by 5.79% from March 26th to April 2nd. The fundamental of iron ore were unchanged with slower demand on a year-on-year basis. The pace of pig iron production became the most important factor to see a reversal in the market. With general sentiment in the market concluding that it was oversold over the past week.

Iron ore saw quiet trade activity on seaborne and in ports for most of the week because the sales pressure and high port stock levels generated more sellers on derivatives market to in lock profits. Iron ore stock levels in China reached 144.31 million tons, which could refresh historical high Q1 levels in two weeks. Fewer traders would enter the market at this time, while mills also managed stock levels to avoid marginal losses. China's sample steel mills control inventories were at 90 million tons, which left limited orders on the book for physical traders. The virtual steel margin jumped from 40 yuan/ton during past three weeks to 130 yuan/ton, which was still low seasonally speaking. At the same time, physical margins gradually recovered to 50 yuan/ton because of the fast drop of physical coke by 700-770 yuan/ton in the past two months and a sharp drop of iron ore by 20%. As a result, physical could see a bigger tolerance on iron ore costs in coming weeks, which potentially supports iron ore prices. Among the different brands of iron ore, MACF was the only concentrate with equal supply and demand. The rest of the major mid-grade concentrates were obviously oversupplied. The lump premium dropped from $0.149 dmtu in mid-March to $0.061 dmtu in the last trading day of March. Lump followed a seasonal drop in early Q2, because the usage of more concentrates at warm seasons could increase efficiencies of blast furnace. In addition, the production curbs tend to become looser in Q2 during the busy construction season. Early this week, we saw active trade on physical market for PBFs, after a recovery on the futures market.

The front monthly spreads, including May-Jun24, were slight undervalued at $0.5-0.55/mt, while the lowest was seen last Friday at $0.4. The spread was in absolute low over the past 52 weeks. The market rolled long positions to back months, which stretched the curve structure flat. The flat structure is usually a signal of a market bottom.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

FIS

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Market Review(Cont'd):

The MB65-P62 difference was $12.41 in March, similar to levels in February. However it is expected to grow in Q2, given tight supply conditions in Brazil and a gradual warming up of steel margins. This typical spread was normally seen as a long-term strategy instead of a high frequency trade with quite a small change on week-on-week.

From the macro market, iron ore did not see many exciting news - the sudden push of gold well supported copper, or the strong oil prices last week. Chinese equities saw a significant growth during the last two days of the week. The global money managers were trying to buy into risk assets with slower supply pace than US dollar in the future, because of the expected US interest rate cut. Iron ore was definitely not selected because of its oversupply condition.

In general, iron ore was still in oversupply with a slightly higher valuation range from fundamental perspective in mid-run. However in the short-run, iron ore could see a rebound after an oversold sentiment was fully priced in.

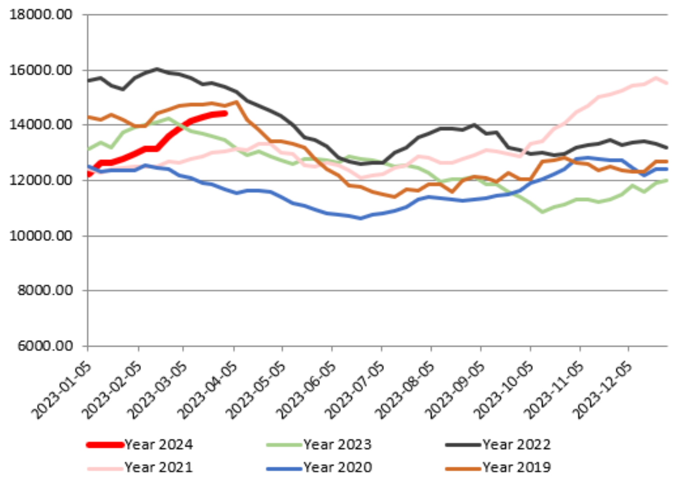
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

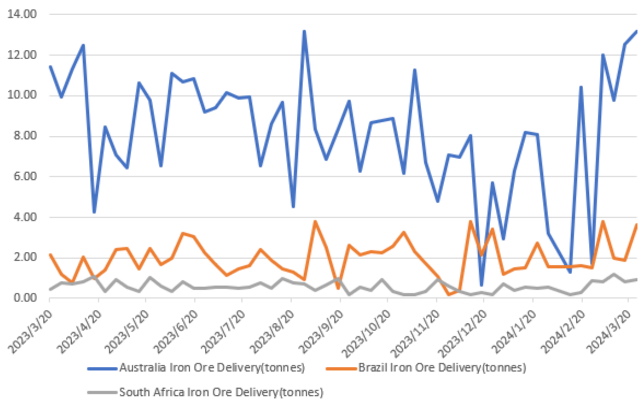
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	102.5	109.1	-6.05%
MB 65% Fe (Dollar/mt)	114.25	122.13	-6.45%
Capesize 5TC Index (Dollar/day)	21866	29752	-26.51%
C3 Tubarao to Qingdao (Dollar/day)	25.375	29.01	-12.53%
C5 West Australia to Qingdao (Dollar/day)	10.14	12.155	-16.58%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3280	3410	-3.81%
SGX Front Month (Dollar/mt)	100.10	108.14	-7.43%
DCE Major Month (Yuan/mt)	748.5	839.5	-10.84%
China Port Inventory Unit (10,000mt)	14,431.20	14,365.81	0.46%
Australia Iron Ore Weekly Export (10,000mt)	1,319.10	1,251.60	5.39%
Brazil Iron Ore Weekly Export (10,000mt)	360.70	187.20	92.68%

MB 65 - Platts 62($/mt)

Iron Ore Port Inventories(in 10,000 tonnes)



Iron Ore Delivery (million tonnes)



Iron Ore Key Points

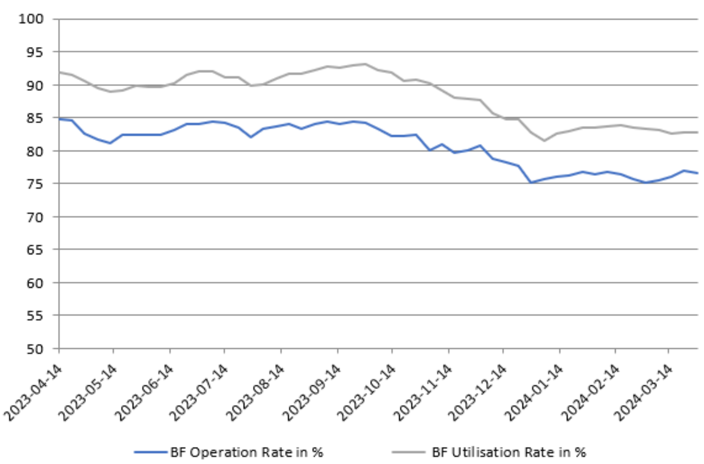
- MB65—P62 retreated from $12.60 in February to $12.42 in March, which was believed undervalued. The spread is expected to widen with the recovery of steel margins.
- The iron ore port inventories were increasing in a fast mode compared with past five years.
- China blast furnace utilisation rate was 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

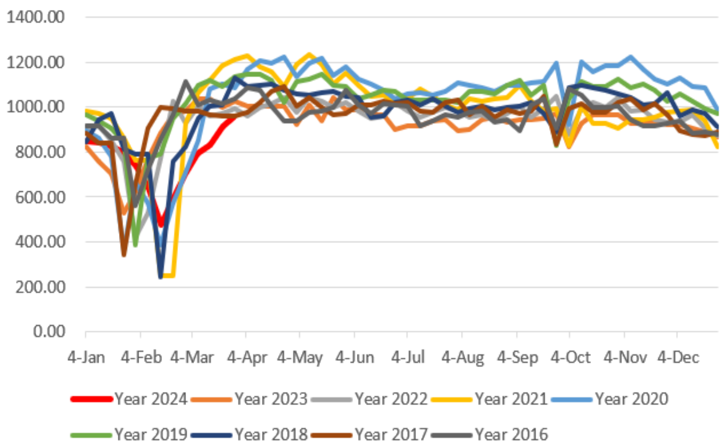
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	860	794	8.31%
LME Rebar Front Month (Dollar/mt)	589	583	1.03%
SHFE Rebar Major Month (Yuan/mt)	3448	3612	-4.54%
China Hot Rolled Coil (Yuan/mt)	3736	3842	-2.76%
Vitural Steel Mills Margin(Yuan/mt)	130	40	225.00%
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)	148,800	148,100	0.47%

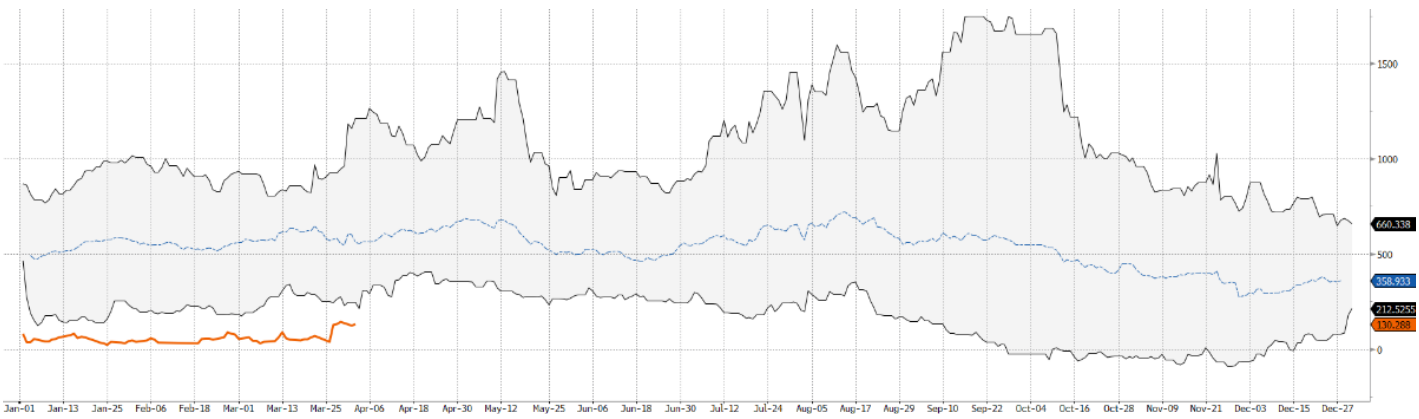
MySteel 247 mills BF Operation/Utilisation Rate in %



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



Virtual Steel Mill Margins (Five-Year Range)



Data Sources: Bloomberg, MySteel, FIS

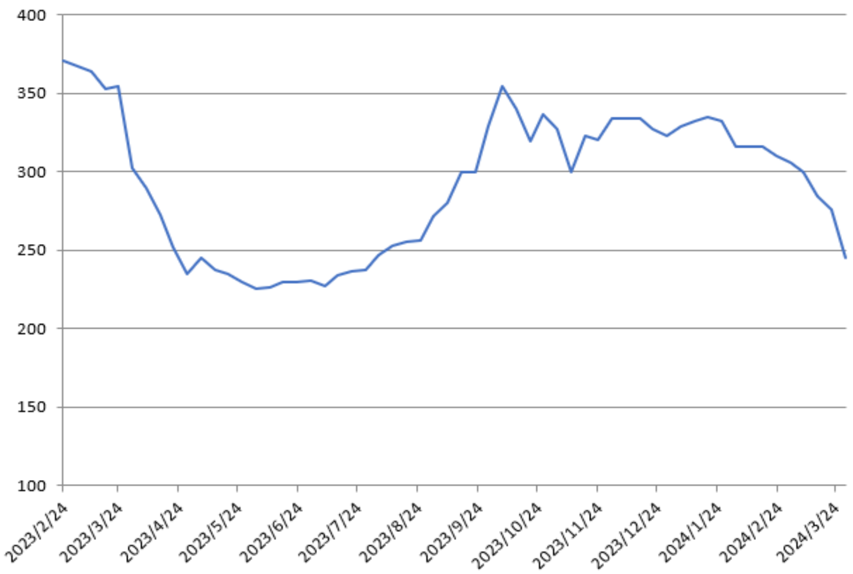
- Virtual steel mill margins improved from 40 yuan/ton to 130 yuan/ton significantly after stuck around 40 yuan for three weeks. The physical margin however saw a gradual recovery in the past four weeks as well. The higher margin potentially start to stimulate more production of steels in future.

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

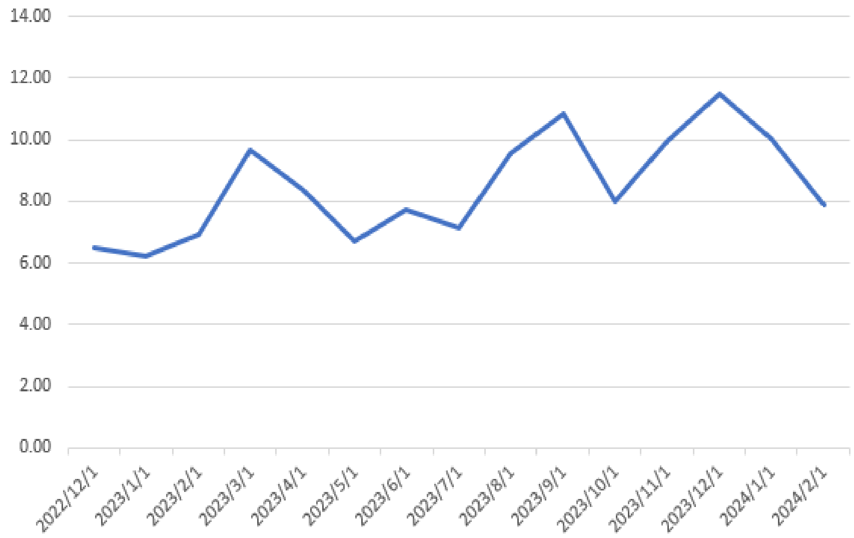
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246.5	245	0.61%
Coking Coal Front Month (Dollar/mt)	245	276	-11.23%
DCE CC Major Month (Yuan/mt)	1518	1656	-8.33%
Top Six Coal Exporter Weekly Shipment	12.82	17.32	-25.98%
China Custom total CC Import Unit mt	7,869,752	10,019,938	-21.46%

Coking Coal Front Month Forward Curve



China Custom Total CC Imports(million tonnes)



Coal Key Points

- FOB Australia coking coal buyers saw the stablisation after the huge drop.
- China physical coke experienced six rounds of drop by 700 –770 yuan/ton.
- China pig iron production level was significantly lower than past 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.

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