

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore saw fewer physical trades following a significant increase at the beginning of April. Traders have started to manage the overall cost instead of chasing the high.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The recovery of downstream activities proved faster in April compared to March, while ex-work steel prices in May increased slightly.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Front month demand supported the pricing of nearby laycans. Chinese and Indian buyers are developing an interest in stocking.

Market Review:

Prices Movement	22-Apr	15-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	116.85	113.05	3.36%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3642.0	3629.0	0.36%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	250.00	227.00	10.13%	Neutral	-

Iron Ore Market:

Iron ore is up 3.36% since our last weekly report. This week physical traders have not been chasing the high compared to the first two weeks of April. Steel growth was humble compared to raw materials. The virtual steel margin was squeezed to a low level. All indicators were suggesting that the market was in a temporarily overbought area. The reversal of the signal in the mid-term is yet to show up.

Open interest did not build much in the paper market compared to the previous two weeks. Moreover, physical traders were cautious in buying compared to the last report week. The sustainability of high grade and premium concentrates depended largely on the steel margins. However, as the leading indicator of the margin, virtual steel margins, tanked to a year-low and the seasonal low level of 28 yuan/ton from 212 yuan/ton within two weeks; this raises concerns of the sustainability of physical margins. Given the slow demand downstream, steel mills have limited room to increase offers compared to the last few years. Mills wanted to fill orderbooks instead of increasing margins. As a result, the export SS400 FOB Tianjin price remained low for the first three weeks of April, ignoring the rebound in the domestic market. From the miners side, most of the miners were looking to sell more term-contract once the price rebounded to negotiate at a higher base. In general, the entire ferrous chain is looking to encourage flows instead of stocking-up for a higher margin. Thus, it will be hard to expect the sustainability of iron ore rebound from a fundamental perspective.

From the macro side, the geopolitical tensions in the Middle East once gain lifted oil and freight prices. The general commodity market, which is broadly linked to these two commodities, saw a rebound. However, the market did see corrections as the speculation on the "geopolitical-risk premium" was called to an end.

The SGX-DCE spread maintained at \$6-8 for eight weeks, indicating a stabilised landing margin. Thus, seaborne volume will potentially regain support.





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Market Review(Cont'd):

The May-Jun24 spread rebounded from \$0.30/0.35 in April 4th to \$0.90 during the last reporting week; as we previously mentioned, the spread above this level has become less sustainable.

The MB65-P62 spread was \$12.30 for the April average, which is almost flat with March and February levels. With the stabilisation of the margin levels and the increasing of steel production in May, the spread level is expected to pick up.

In general, iron ore will potentially see some consolidation in the short-term.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	116.85	113.05	3.36%
MB 65% Fe (Dollar/mt)	129.5	125.29	3.36%
Capesize 5TC Index (Dollar/day)	22410	20970	6.87%
C3 Tubarao to Qingdao (Dollar/day)	26.43	25.745	2.66%
C5 West Australia to Qingdao (Dollar/day)	11.275	10.57	6.67%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3490	3410	2.35%
SGX Front Month (Dollar/mt)	110.89	108.49	2.21%
DCE Major Month (Yuan/mt)	911.5	834.5	9.23%
China Port Inventory Unit (10,000mt)	14,559.47	14,487.38	0.50%
Australia Iron Ore Weekly Export (10,000mt)	907.90	1,162.90	-21.93%
Brazil Iron Ore Weekly Export (10,000mt)	73.70	178.30	-58.67%

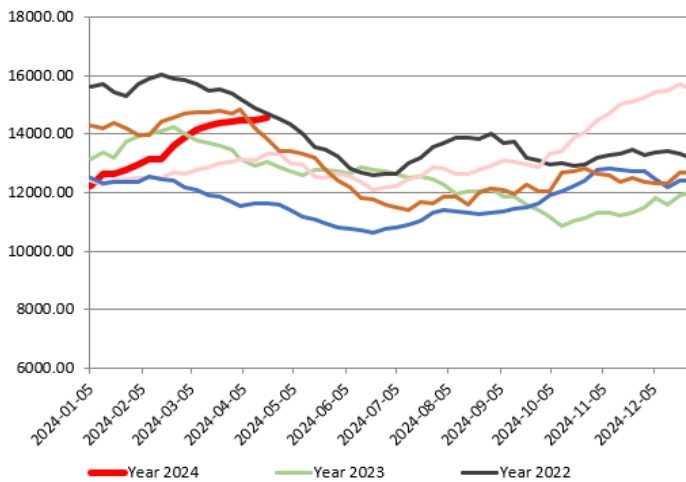
MB 65 - Platts 62(\$/mt)



Iron Ore Key Points

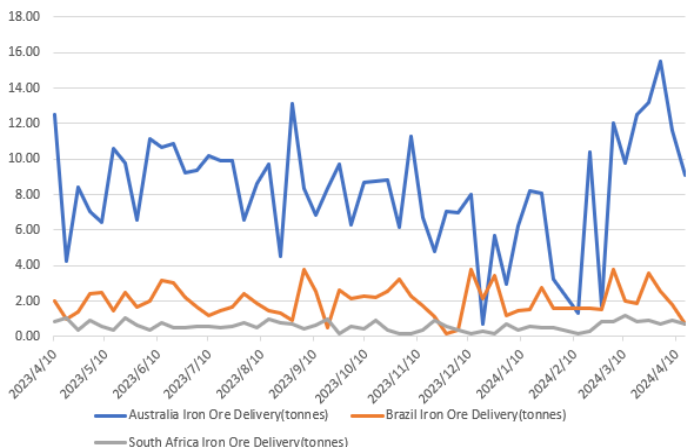
- MB65—P62 potentially see recovery as the improvement on steel margins. P62-58 grew fast in April.

Iron Ore Port Inventories(in 10,000 tonnes)



- The iron ore port inventories were reaching five-year seasonal high.

Iron Ore Delivery (million tonnes)

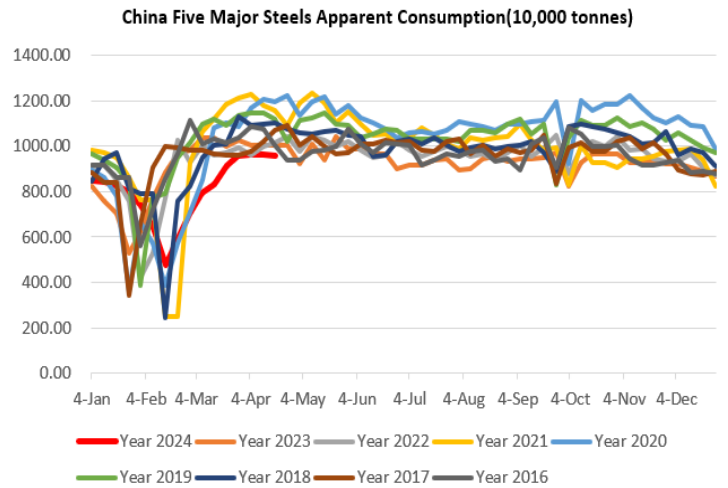
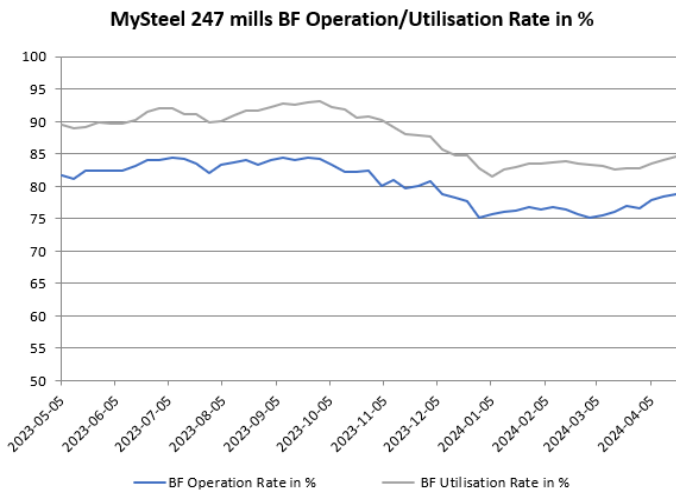


- China blast furnace utilisation rate recovered in April compared with March, however 6% lower than the same period of past year.

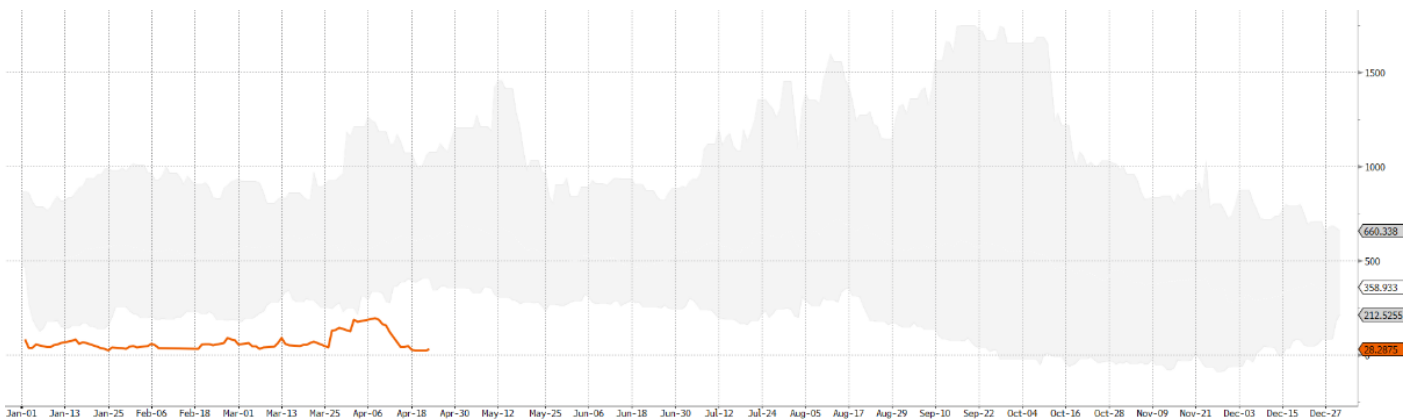
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	843	845	-0.24%
LME Rebar Front Month (Dollar/mt)	579	579	0.09%
SHFE Rebar Major Month (Yuan/mt)	3599	3441	4.59%
China Hot Rolled Coil (Yuan/mt)	3842	3767	1.99%
Vitural Steel Mills Margin(Yuan/mt)	28	60	-53.33%
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%



Virtual Steel Mill Margins (Five-Year Range)



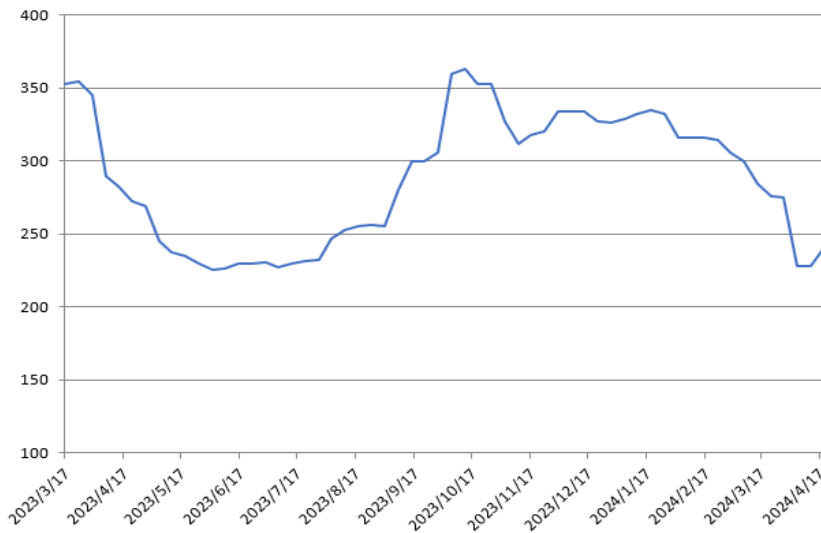
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins dropped from 212 yuan/ton to 28 yuan/ton following a big spike in coking coal and iron ore prices, however the steel price increase was small in comparison.
- The consumption of the five typical steels for this same period were at a five year low

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	250	252.33	-0.92%
Coking Coal Front Month (Dollar/mt)	241	228	5.70%
DCE CC Major Month (Yuan/mt)	1700.5	1630	4.33%
Top Six Coal Exporter Weekly Shipment	10.89	17.77	-38.72%
China Custom total CC Import Unit mt	9,000,257	7,869,752	14.37%

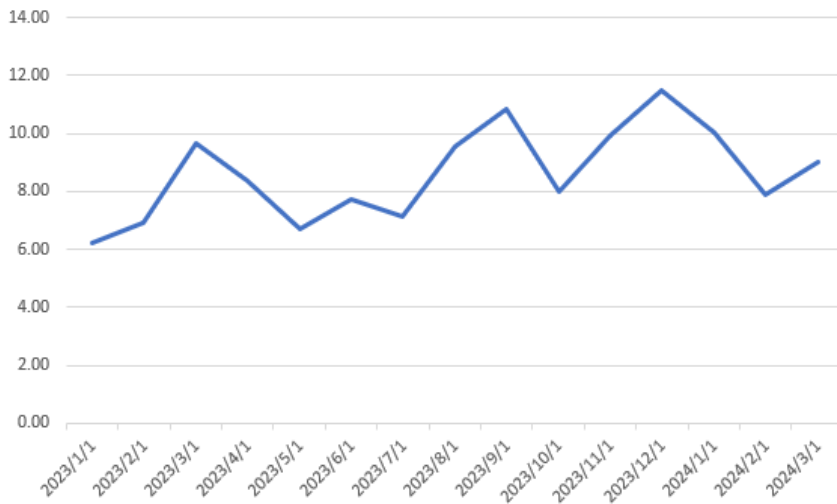
Coking Coal Front Month Forward Curve



Coal Key Points

- FOB Australia coking coals saw growing demand on nearby laycans.
- China physical coke saw two rounds of rebound by 200-220 yuan/ton during past two weeks.

China Custom Total CC Imports(million tonnes)



- China pig iron production level saw marginal improvement, however 6% lower than the same period 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.

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