

FIS Ferrous Weekly Report

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9/4/2024

- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. Iron ore saw a potential bottom with improving steel margins and higher pig iron consumption at the beginning of April.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The recovery of downstream activity is expected to become faster in April compared with March.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. Low demand in Atlantic areas, as well as lack of liquidity of trades, pulled down the pricing of coking coal. China saw 8 rounds of physical coke price drops, down 800–880 yuan/ton.

Market Review:

Prices Movement	8-Apr	1-Apr	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	104.45	102.50	1.90%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3632.00	3695.00	1.71%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	224.0	246.50	1.01%	Neutral to Bearish	↘

Iron Ore Market:

The iron ore index recovered by 1.90% during the reporting week, due to recovered demand with growing pig iron consumption. General downstream activities were slower than the past three years, which potentially limited room for growth. The market sentiment was expected to reverse with more enquiries on physical side and improving steel margin.

The traders are back from western Easter and China Qingming holidays the past week, along with a recovery in pig iron consumption at 2.2358 million tons per day, up a significant 22,700 tons from the previous week. However the number was 21.49% lower than last year during same period. Virtual steel margins bounced from 40 yuan/ton in late March to 212 yuan/ton, impacted by softening iron ore and coking coal prices. Physical steel margins stabilised by 50 yuan/ton over the past 5-6 weeks. The profit margins along with warming demand helped support iron ore prices.

Iron ore global delivery reached high levels compared to the five-year average and port congestion was at lower levels. Port evacuation was slightly faster than the previous week. Mill stocks grew 1.31 million tons to 92.8 million tons, which was also 970,000 tons higher year-on-year, indicating a restocking period. The high port stock levels of 144.52 million tons remain a problem, which was 12.99 million tons higher during the same period last year. During the past week, MySteel delivery statistics indicated that iron ore were shipped 26.94 million tons from Brazil and Australia to global countries, down 1.169 million tons on the week, while arrivals were down 885,000 tons on the week in major China northern ports.

The front monthly spreads, including May-Jun24, reached the second low at \$0.4/0.5 level during the past 52 weeks. The market rolled long positions to back months, which stretched the curve structure flat. The flat structure usually signals that the market is bottoming. The lowest was seen at \$0.25/0.3 on April 4th.



Data Sources: Bloomberg, Platts, Fastmarket, FIS



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Market Review(Cont'd):

Lump premiums lost 50% during March at a \$0.539dmtu average in April after the winter season. MACF maintained the most popular concentrates since February. The low grade cost-efficiency became low as the P62—58 spread narrowed from \$14.67 in January to \$12.66 in February. As more traders shifted to discount mid-grade including JMBF and MACF, the spread recovered to \$13.70 in March. It is still believed to have some upside room on the spread since mill margins recovered from mills from late March.

In the macro market, the geo-political tensions in the Middle East spurred the positive sentiment of metals, which has supported ferrous growth. During the first week of April, COMEX Gold grew 5.22%. Copper was up over 6.9%; tin up 8.87%; iron ore up 1.9%. CISA held a rebar forum in late March, which mentioned the long-run downward trend on steel consumption, whilst also highlighting the short-run stabilization of demand in the property market and new infrastructure projects.

In general, iron ore potentially saw a rebound with improving margins and faster pig iron production.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	104.45	102.5	1.90%
MB 65% Fe (Dollar/mt)	116.44	114.25	1.92%
Capesize 5TC Index (Dollar/day)	18226	21866	-16.65%
C3 Tubarao to Qingdao (Dollar/day)	24.35	25.375	-4.04%
C5 West Australia to Qingdao (Dollar/day)	8.955	10.14	-11.69%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3280	3280	0.00%
SGX Front Month (Dollar/mt)	98.35	100.10	-1.75%
DCE Major Month (Yuan/mt)	767	748.5	2.47%
China Port Inventory Unit (10,000mt)	14,452.27	14,431.20	0.15%
Australia Iron Ore Weekly Export (10,000mt)	1,553.40	1,319.10	17.76%
Brazil Iron Ore Weekly Export (10,000mt)	252.40	360.70	-30.02%

MB 65 - Platts 62(\$/mt)

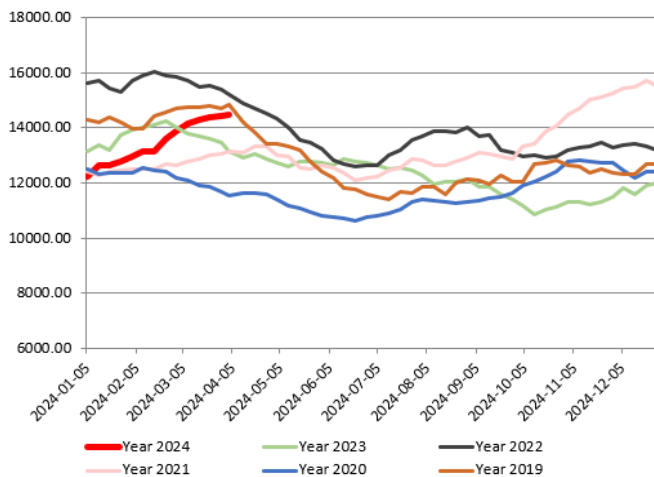


Iron Ore Key Points

- MB65—P62 potentially see recovery as the improvement on steel margins.

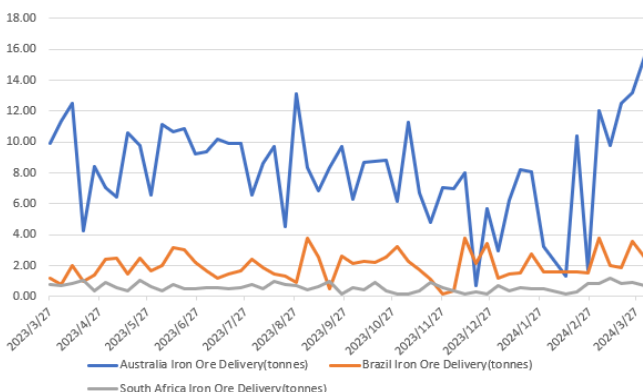
- The iron ore port inventories were increasing in a fast mode compared with past five years.

Iron Ore Port Inventories(in 10,000 tonnes)



- 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.

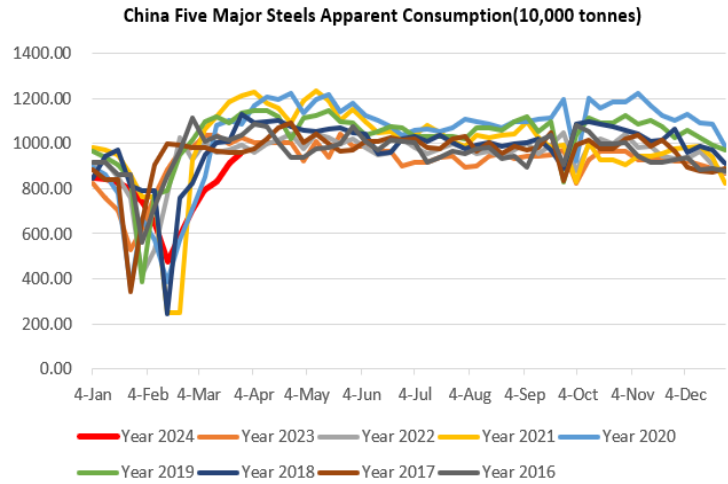
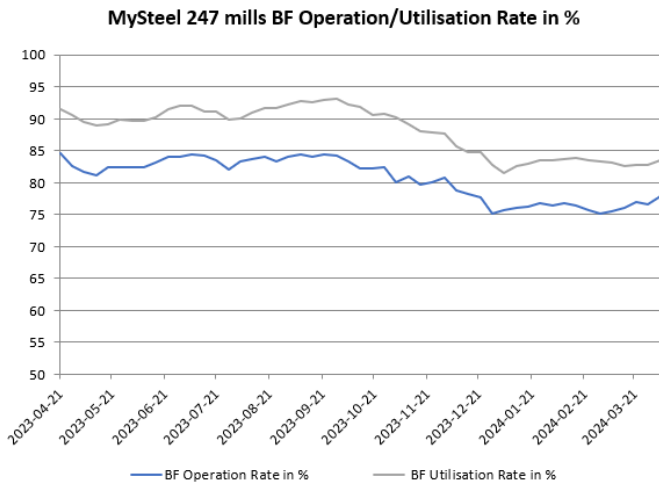
Iron Ore Delivery (million tonnes)



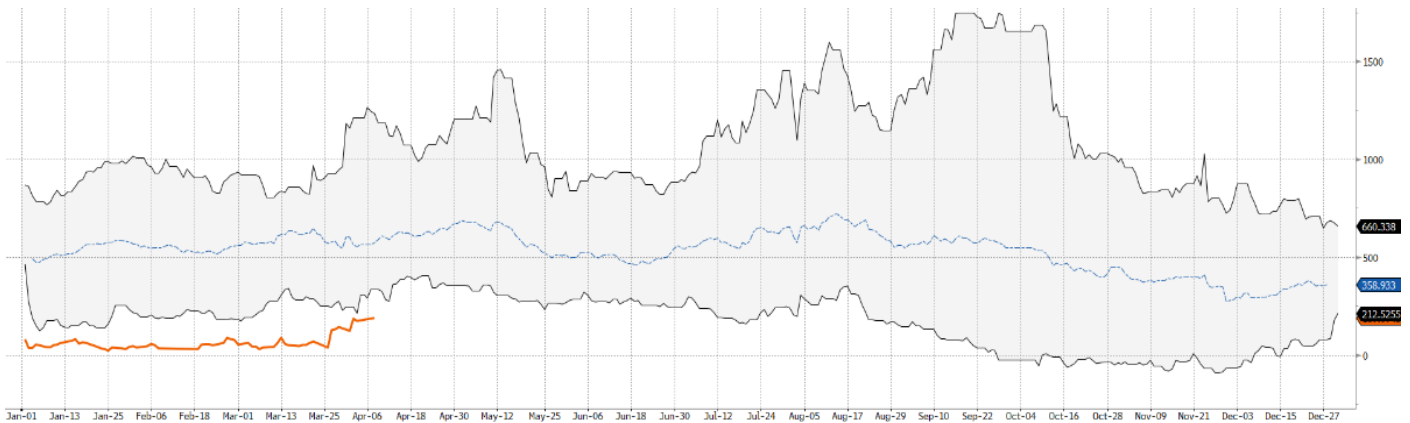
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	853	860	-0.81%
LME Rebar Front Month (Dollar/mt)	580	589	-1.53%
SHFE Rebar Major Month (Yuan/mt)	3509	3448	1.77%
China Hot Rolled Coil (Yuan/mt)	3742	3736	0.16%
Vitural Steel Mills Margin(Yuan/mt)	212	130	63.08%
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)



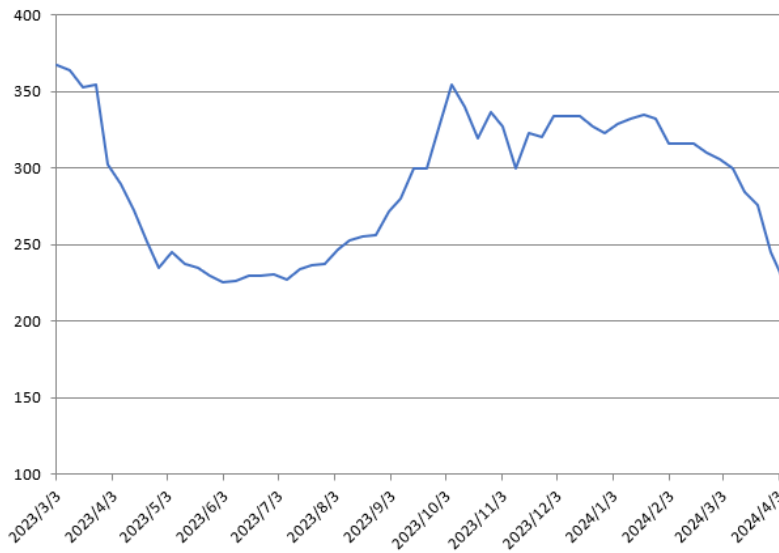
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins improved from 40 yuan/ton to 212 yuan/ton from late March to early April. The margin levels have been stuck around 40 yuan through the entirety of Q1. Physical margins, however, saw a gradual recovery in the past five weeks as well. The higher margins potentially start to stimulate more production of steels in future.
- The consumption of five typical steels entered a growing trend, however slower than the previous five year average.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	224	239.5	-6.47%
Coking Coal Front Month (Dollar/mt)	226	245	-7.76%
DCE CC Major Month (Yuan/mt)	1485	1518	-2.17%
Top Six Coal Exporter Weekly Shipment	13.46	17.91	-24.85%
China Custom total CC Import Unit mt	7,869,752	10,019,938	-21.46%

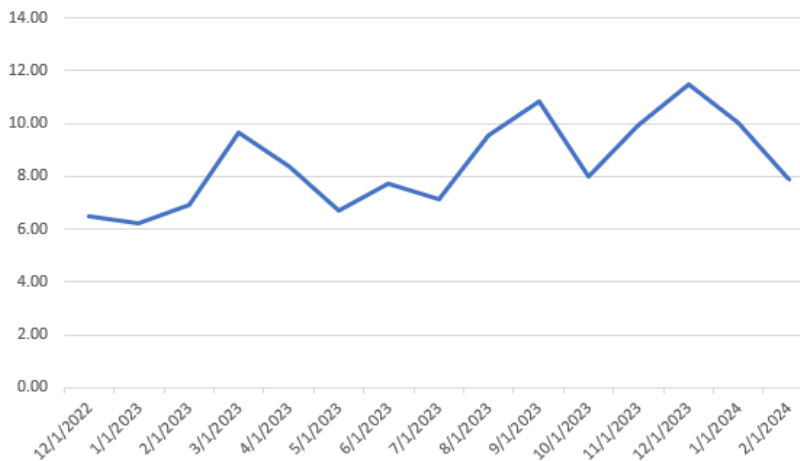
Coking Coal Front Month Forward Curve



Coal Key Points

- FOB Australia coking coal buyers saw the stabilisation after the huge drop.
- China physical coke experienced eight rounds of drop by 800 – 880 yuan/ton.
- China pig iron production level was significantly lower than past year.

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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