

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore maintained its slow movement during past three weeks with similar fundamentals of low steel margins and continuous housing market stimulus in China.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Steel orders were robust in May and June, which supported demand. In addition, export HRCs saw a price increase trend in May.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Chinese coke plants' price hike was rejected by some northern mills. The market started to worry further price cut in next few weeks.

Prices Movement	13-May	6-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	117.25	120.20	2.45%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3746.0	3708.0	1.02%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	242.50	237.00	2.11%	Neutral	-

Market Review:

Iron Ore Market:

Iron ore corrected 2.45% during the reporting week, falling into neutral sentiment which has been expected the past two weeks. Fundamental indicators were showing a slightly bearish sentiment. However more housing stimulus in China is supporting the sector.

Hangzhou, one of the biggest cities in China outlined a lift in house buying qualifications during last week. Many houses in popular areas were sold after the news. Indexes of listed housing companies in China grew more than 15% from the end April. During the same time, many cities were announcing to cut downpayments on first home buyers and second home buyers. On the other hand, robust economic statistics in the US slowed down the interest cut decisions from the Federal Reserve, which supported the US dollar and could in turn put pressure on the performance of commodities. The ferrous market became less sensitive to the Red Sea disruption as well as high freight costs.

On Monday Rio Tinto announced a derailment at a WA mining area impacting 22 wagons and three locomotives. Iron ore rebounded following the news. According to historical railway accidents in Australia, operations normally resumed after few days, which should usually have less direct impact on deliveries. However the market was waiting for more details to come out.

On the fundamental side, iron ore arrivals are expected to maintain at highs on a yearly and monthly basis according to laycans. During the last week, Chinese iron ore port inventories were down 838,000 tons at 146.75 million tons, at a seasonal and yearly-high. Steel mill iron ore inventories in China were at 93.24 million tons, down 2.02 million tons from last week. Daily consumption was down 48,900 tons from the past week. The statistics indicated a faster consumption in steel mills, which could decrease port stocks faster in the coming weeks.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market

Review

(Cont'd):

Virtual steel margins were at 24 yuan/ton, maintaining at a six week low. The landing margin of iron ore for PBF was -20 to -25 yuan/ton, which was close to a 52 week low. Both these poor numbers helped resist iron ore from faster price rises.

The spread MB65- P62 finally recovered from \$12.56/mt in April to \$15.83 in May as we mentioned in March. The biggest loss of the strategy was only 2% if valued on monthly settlement, compared with a 23% gains from past 3-4 weeks. Given a tight supply and high demand on high grade, as well as a crowded supply on mid-grade, we maintain a bullish view of this spread.

The active spread Jun-Jul24 was currently at \$0.55-0.60, which looked low compared to strong outright levels. However, with an overbought view on outright iron ore levels from mid-run angle, we maintain a watch and see view on this spread unless it breaks \$0.45.

In general, iron ore could see a correction after pricing-in the impact of accidents.

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	117.25	120.2	-2.45%
MB 65% Fe (Dollar/mt)	133.4	134.6	-0.89%
Capesize 5TC Index (Dollar/day)	25773	22166	16.27%
C3 Tubarao to Qingdao (Dollar/day)	26.175	26.665	-1.84%
C5 West Australia to Qingdao (Dollar/day)	11.225	10.7	4.91%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3460	3460	0.00%
SGX Front Month (Dollar/mt)	116.02	117.33	-1.12%
DCE Major Month (Yuan/mt)	867	873	-0.69%
China Port Inventory Unit (10,000mt)	14,675.23	14,759.11	-0.57%
Australia Iron Ore Weekly Export (10,000mt)	1,291.95	1,239.30	4.25%
Brazil Iron Ore Weekly Export (10,000mt)	226.90	238.00	-4.66%

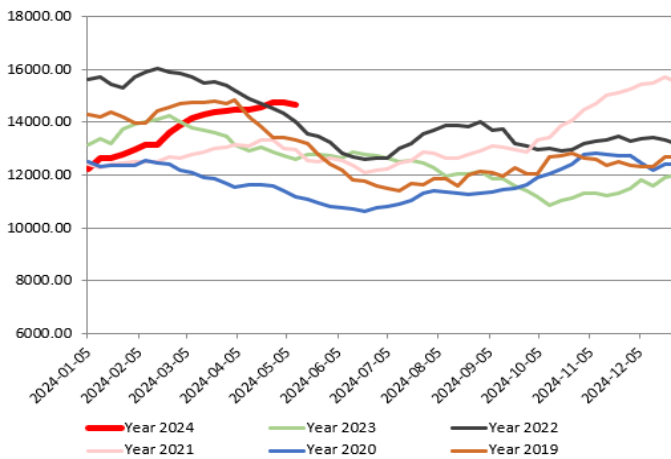
Iron Ore Key Points

- MB65—P62 saw recovery from \$12 to \$16 level during past 4 weeks, supported by tight supply in Brazil and slight crowded mid-grade concentrates.
- The iron ore port inventories expected to decrease in next few weeks given a faster consumption of steel mills.
- The delivery of Australia maintained high in Q2.

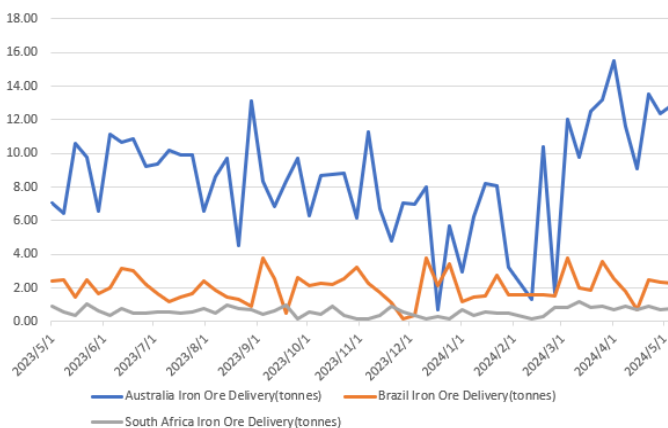
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



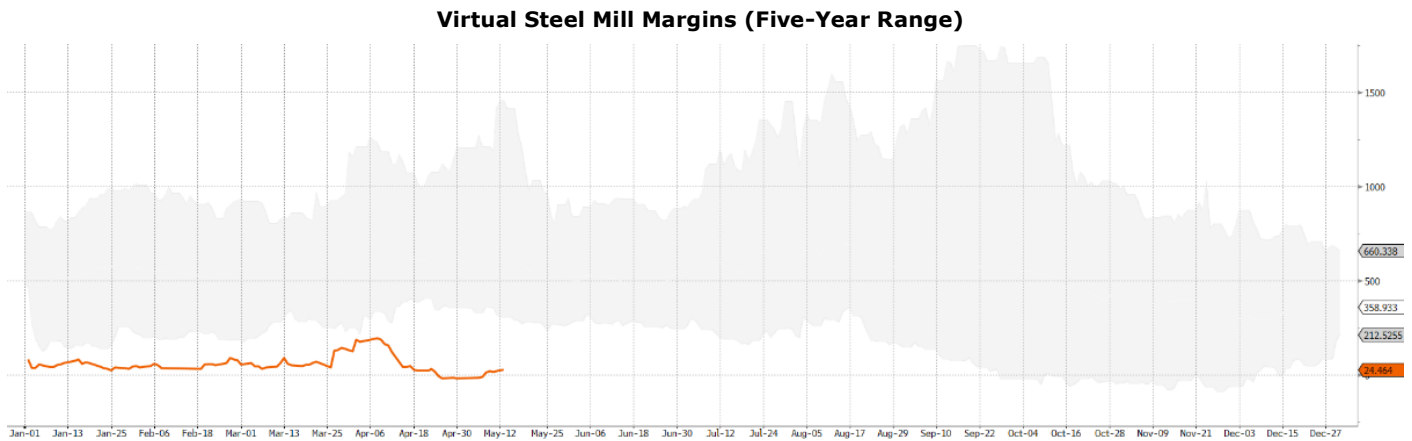
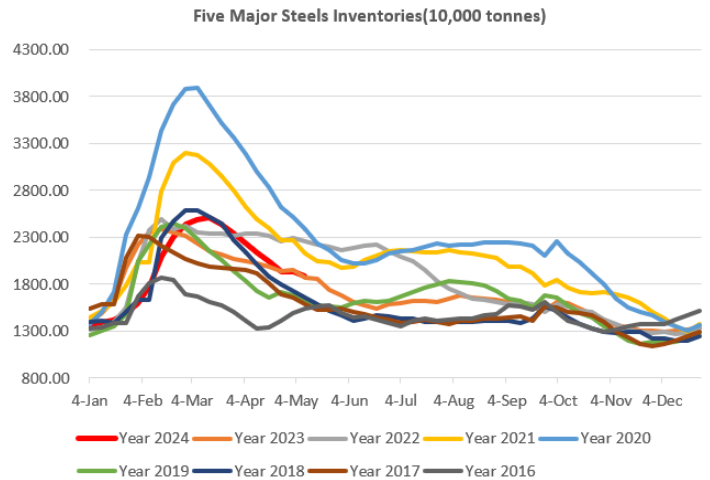
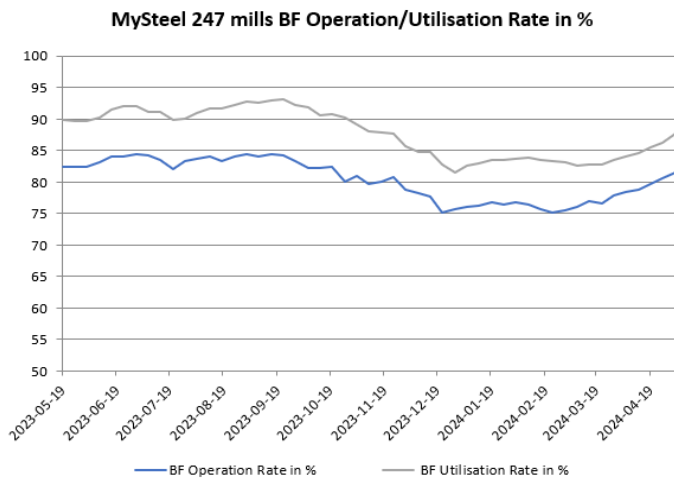
Iron Ore Delivery (million tonnes)



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	780	813	-4.06%
LME Rebar Front Month (Dollar/mt)	582.5	589	-1.02%
SHFE Rebar Major Month (Yuan/mt)	3652	3670	-0.49%
China Hot Rolled Coil (Yuan/mt)	3807	3817	-0.26%
Vitural Steel Mills Margin(Yuan/mt)	24	3	700.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	88300	81200	8.74%
World Steel Association Steel Production Unit(1,000 mt)	161,200	148,800	8.33%



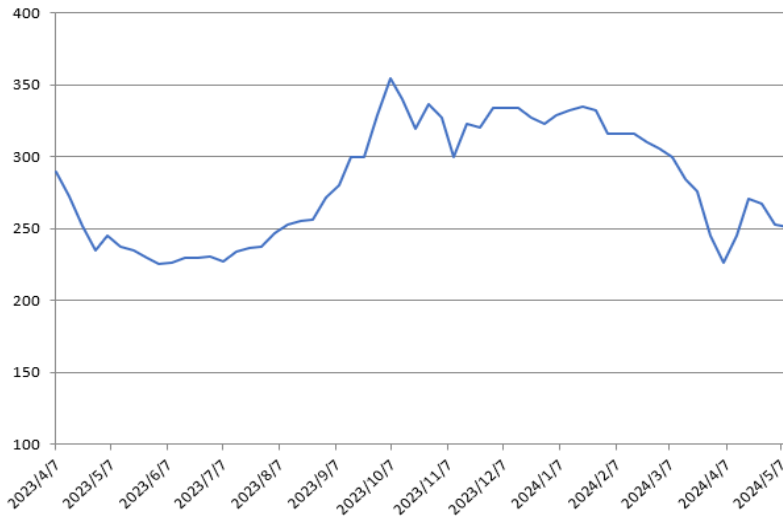
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins maintained at—20 to 25 yuan area from mid-April, which was both year-low and seasonal low level.
- The consumption of five typical steels were the lowest compared with past five years during same period.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	242.5	241	0.62%
Coking Coal Front Month (Dollar/mt)	251	253	-0.79%
DCE CC Major Month (Yuan/mt)	1754.5	1804.5	-2.77%
Top Six Coal Exporter Weekly Shipment	10.90	16.57	-34.22%
China Custom total CC Import Unit mt	9,000,257	7,869,752	14.37%

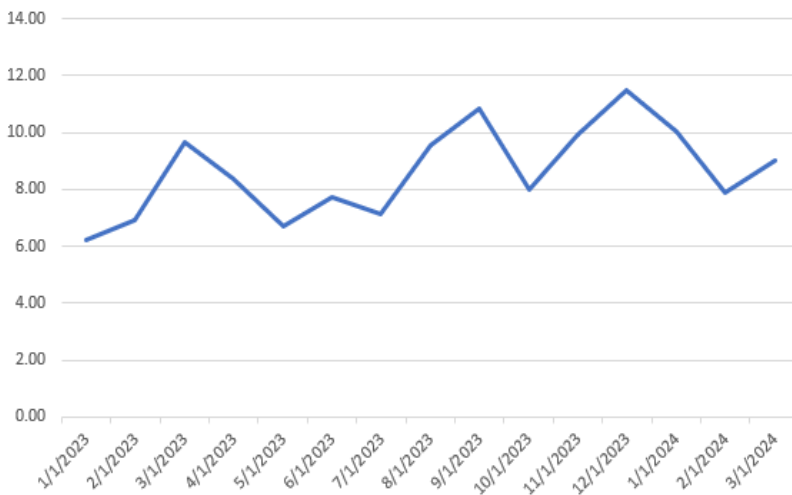
Coking Coal Front Month Forward Curve



Coal Key Points

- FOB Australia coking coals saw growing demand on nearby laycans, however bid and offer spread widened.
- The fifth rounds of China physical coke price hike was rejected by mills.

China Custom Total CC Imports(million tonnes)



- China pig iron production level saw marginal improvement.

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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