

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore maintained its slow movement during the past four weeks, with a slow recovery in demand. The market seemed to become less sensitive to macro market changes.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The ex-work price of Chinese domestic mills were up in late May. In addition the orders for June look robust.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The Chinese physical coke market stayed stable with tight supply and slower demand. The FOB coking coal market saw fewer Indian bids for nearby laycans.

Prices Movement	20-May	13-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	118.50	117.25	1.07%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3755.0	3746.0	0.24%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	235.00	242.50	3.09%	Neutral	-

Market Review:

Iron Ore Market:

Iron ore was up 1.07% during the reporting week, falling into a neutral sentiment expectation as of last week. Chinese stimulus helped support the strong metal sector performance in general, however, the physical market was waiting for purchase opportunities at lower levels.

During past week, the cooling down of US CPI statistics coupled with the Chinese government housing stimulus lit up the sentiment on commodities and global equities. China decreased its mortgage loan rate and downpayments in large cities, and allowed local government to build affordable houses to resolve housebuilding with funding issues. The rebound in ferrous products looked small compared to that in gold or copper. As always, we should be aware of the short-term speculation and taking gains effect.

According to the port authorities of Pilbara, Hedland exported 49.6 million tons of iron ore in April, up 14.6% on the year. During the past week, Chinese 45 iron ore ports arrivals were at 28.47 million tons, up 7 million tons on the week. Six northern ports arrivals were at 14.398 million tons of iron ore, up 1.879 million tons on the week. Chinese ports iron ore inventories hit a year and seasonal high (excluding 2018) at 148 million tons last week, however pig iron production was at 2.3689 million tons, 1% lower than last year over same period. Port inventories normally entered a decreasing trend in early half of May, which was delayed in 2024. The market expected a decrease in port inventories with robust demand in steel orders for June.

Meanwhile, the coke market entered a 'watch and see' mode. Australian FOB coking coal saw \$39 spread on bid and offer. Chinese physical coke prices have been flat for two weeks. However, the summer usually means a tight supply of coke in China, which could squeeze steel margins and iron ore prices indirectly. Virtual steel margins recovered from negative numbers to 50 yuan/ton early this week, whilst physical steel margins saw a small recovery as well. Thus, steel making expected to maintain at its higher levels compared with the first half of May. PBF and NHGF were rarely traded, while discount cargoes including JMBF and MACF were dominating mid-grade market. Some Indian fines rejoined the Chinese market in Q2 on good cost-effectiveness.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Continued):

Seaborne trade last week continued to be lacklustre, since the physical market was waiting for a correction instead of chasing highs. Tangshan concentrates started to have competitiveness against some premium brands. Moreover, the MB65-P62 spread was believed to increase further as the similar logic stated from our past few reports: logistical limitations and depletion inventories on high grade versus more alternatives on mid-grade.

The active spread Jun-Jul24 was currently at \$0.60-0.65, 50 cents higher than the past week, which looked low compared to the strong outright levels. However, with an overbought view on outright iron ore levels, we maintain a 'watch and see' mode on spreads unless it breaks \$0.45.

In general, iron ore could see a correction after taking profit occurs in the metals sector.



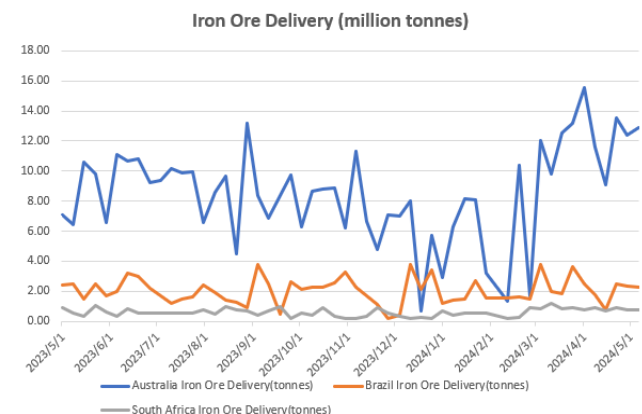
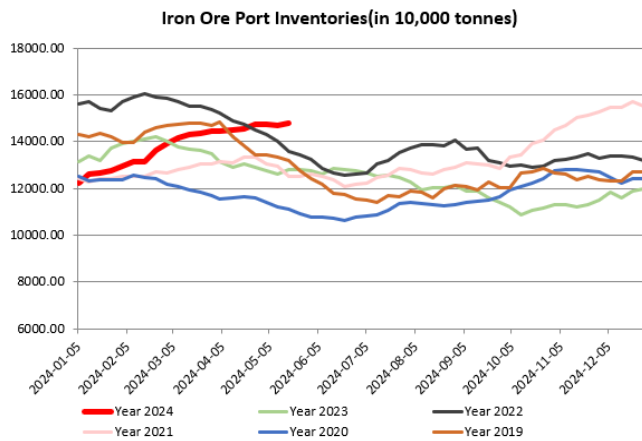
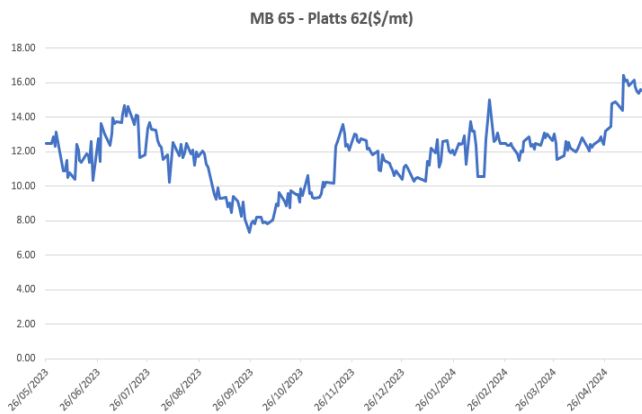
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	118.5	117.25	1.07%
MB 65% Fe (Dollar/mt)	133.92	133.4	0.39%
Capesize 5TC Index (Dollar/day)	22460	25773	-12.85%
C3 Tubarao to Qingdao (Dollar/day)	25.333	26.175	-3.22%
C5 West Australia to Qingdao (Dollar/day)	10.511	11.225	-6.36%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3500	3460	1.16%
SGX Front Month (Dollar/mt)	117.39	116.02	1.18%
DCE Major Month (Yuan/mt)	885	867	2.08%
China Port Inventory Unit (10,000mt)	14,805.79	14,675.23	0.89%
Australia Iron Ore Weekly Export (10,000mt)	1,263.70	1,291.95	-2.19%
Brazil Iron Ore Weekly Export (10,000mt)	324.60	226.90	43.06%

Iron Ore Key Points

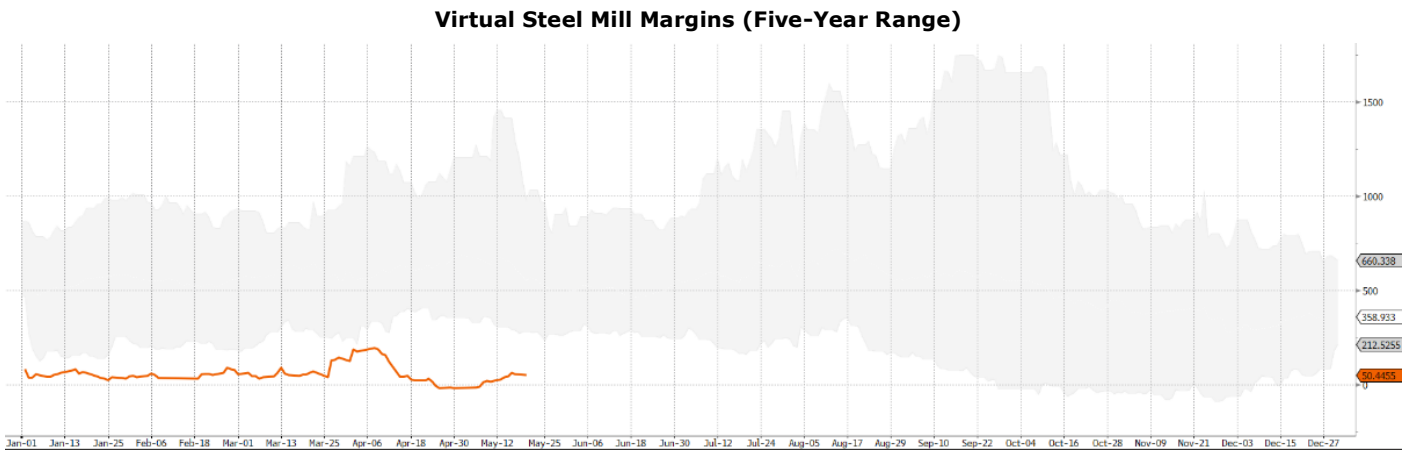
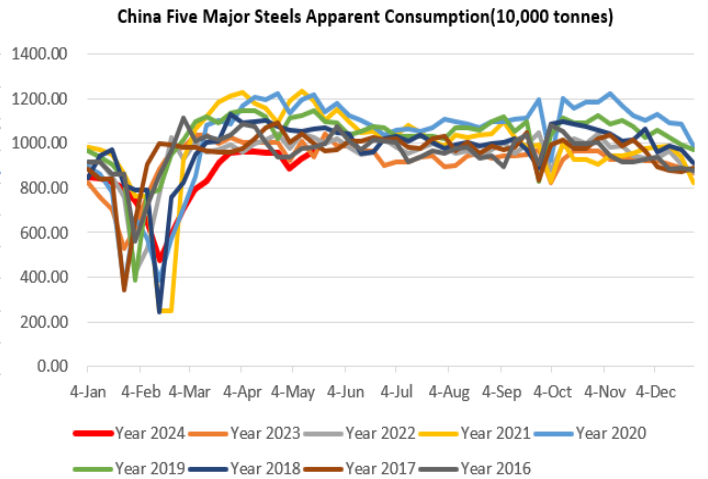
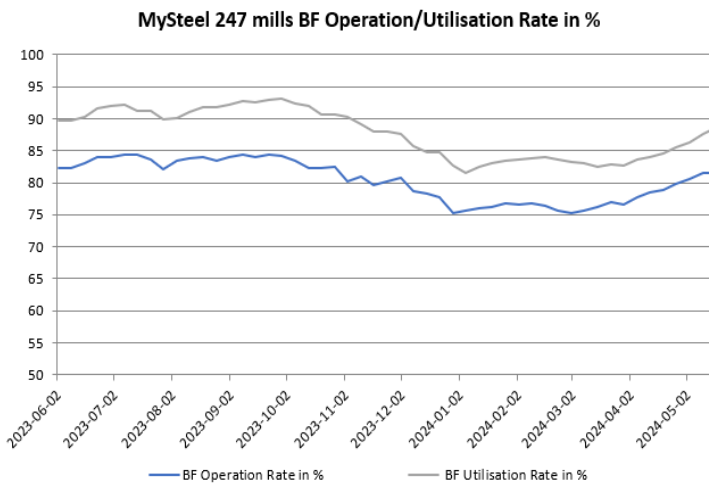
- MB65—P62 saw a small correction to \$15.5, however expected higher value as the depletion of inventories in IOCJ while crowded supply in mid-grade concentrates.
- The iron ore port inventories refreshed year-high at 148 million tons, which was also a seasonal high except 2018.
- The delivery of Australia maintained high in Q2.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	787	780	0.90%
LME Rebar Front Month (Dollar/mt)	582.5	583	0.00%
SHFE Rebar Major Month (Yuan/mt)	3710	3652	1.59%
China Hot Rolled Coil (Yuan/mt)	3828	3807	0.55%
Vitural Steel Mills Margin(Yuan/mt)	50	24	108.33%
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%



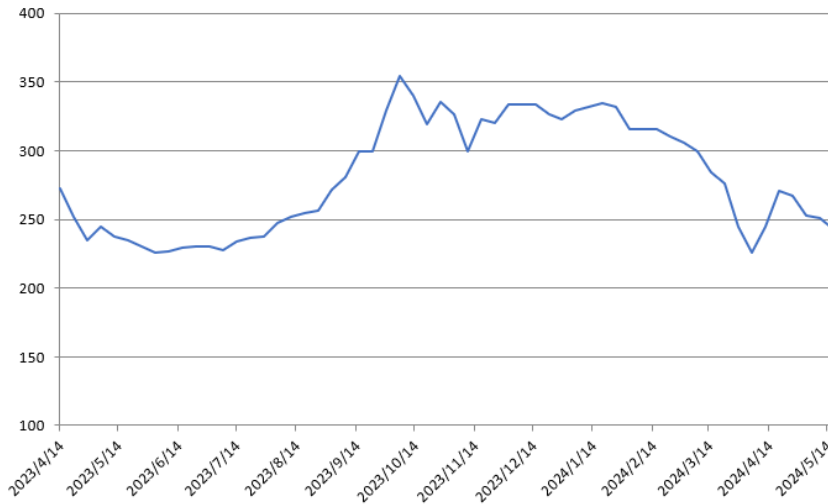
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins recovered from negative in early May to 50 yuan/ton early this week due to a recovery on steel prices.
- 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)	235	241.5	-2.69%
Coking Coal Front Month (Dollar/mt)	243	251	-3.19%
DCE CC Major Month (Yuan/mt)	1726	1754.5	-1.62%
Top Six Coal Exporter Weekly Shipment	9.84	15.69	-37.28%
China Custom total CC Import Unit mt	10,949,351	9,000,257	21.66%

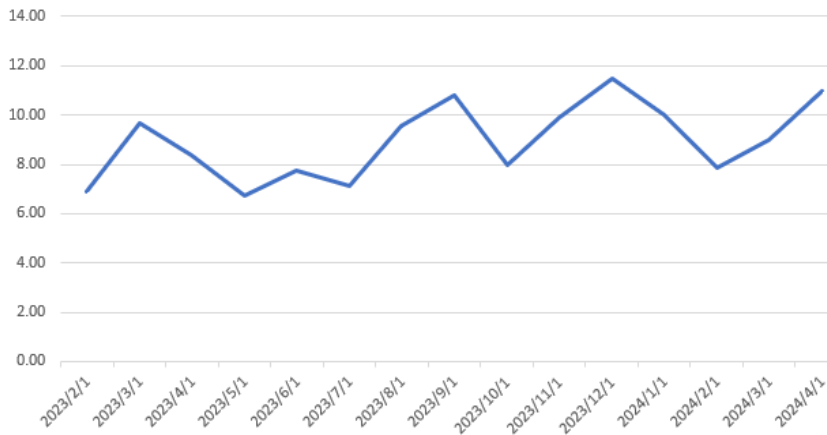
Coking Coal Front Month Forward Curve



Coal Key Points

- FOB Australia coking coals saw growing demand on nearby laycans, however bid and offer spread widened as both buyers and sellers entered watch and see mode, waiting for directional change on futures market.

China Custom Total CC Imports(million tonnes)



- The physical coke price was flat during past two weeks.

- 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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