

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore slightly corrected during the past week. Strong physical buying and resilient pig iron production have supported iron ore prices.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The ex-work price of China domestic mills kept stable in June. Production cut target launched in some provinces of China have supported steel prices.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. China cokery plants landed second rounds of price cuts by 50-55 yuan/ton. FOB Australia market kept quiet.

Prices Movement	14-Jun	10-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	107.65	108.50	0.78%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3782.0	3782.0	-	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	256.5	256.25	0.10%	Neutral to Bearish	↘

Market Review:

Iron Ore Market:

Iron ore corrected 0.78% during the past week as we expected. Futures market started to stabilize at the beginning of this week. Iron ore is gradually shift from macro concerns to fundamental trading. The commodity will likely see increased supply in June and slower demand in China because of heavy rainfall.

The headwinds in the metals market, started a 10-12% correction in June for copper and silver, and this in turn dragged down performance of most metals including iron ore and steel. In addition, several Chinese provinces announced new production cuts on steel, which supported prices in the short-run. There were rumors about a possible refinancing of the affordable houses plan in China.

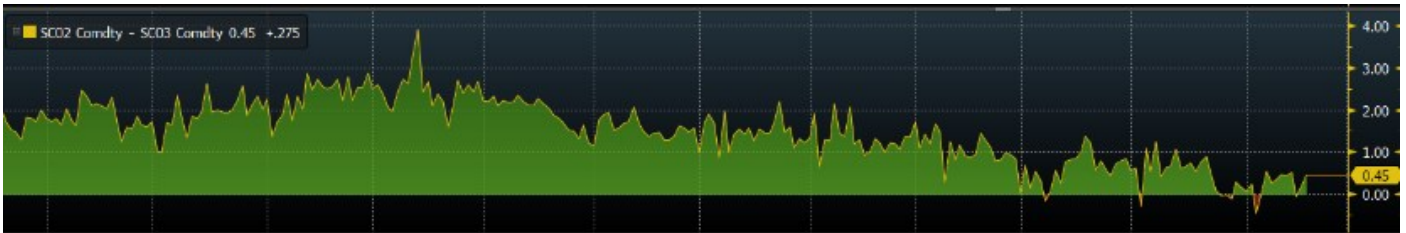
From the fundamental side, iron ore traders bought after a correction in the futures market in June with decent landing margin. In other words, physical traders and end-users were not very bearish on the current few rounds of correction. Iron ore inventories in 45 Chinese ports kept at their seasonal high in May and June at around 145-150 million tons. The supply from Australia kept seasonal high prices from April to June. China imported 513.75 million tons of iron ore from Jan to May, up 7% on the year. However, steel production declined to 438.61 million tons, down 1.4% during on the same period last year. On the value side, macro related correction priced in the risk of a slight oversupply and high port inventories as well as Australian shipments. This should lead to an iron ore correction which should see support this week. Virtual steel margin were stable at around 50 yuan in May and June, which could potentially support iron ore cost tolerance if compared to Q1. However, margin level has been seasonally low.

As we mentioned in two weeks ago, MB65- P62 approached its roof when the spread went beyond \$16.5 and fell back to \$14.5. However, P62-P58 regained popularity and stayed below the \$13 threshold in April, then hiked to \$18 in May and June. The steel margin was low in H1 compared to past few years given a month-to-month recovery. If the recovery of the margin kept slow, iron ore buying potentially focusing on mid- to-low brands. NHGF became the most popular brand among mid-grade during past three weeks. FMG widened WPF and FBF discount in June.

Market Review(Cont'd):

Front spread including Jul-Aug 24 was \$0.4/0.45 , which fell into the 10% low range. However, as we mentioned in past two reports, spread buying needs to confirm with outright stabilisation or reversal.

In general, iron ore should see support at current level.



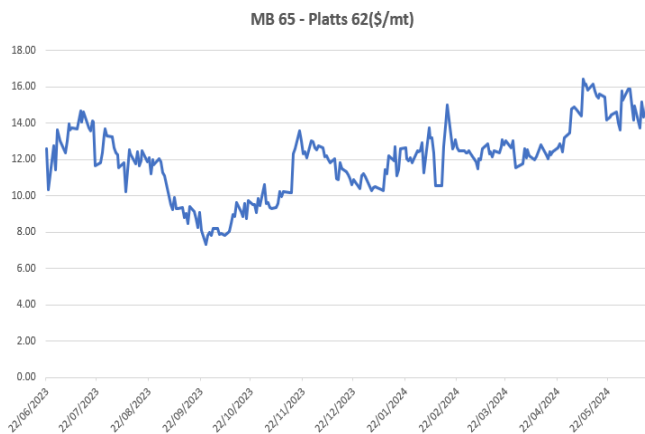
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

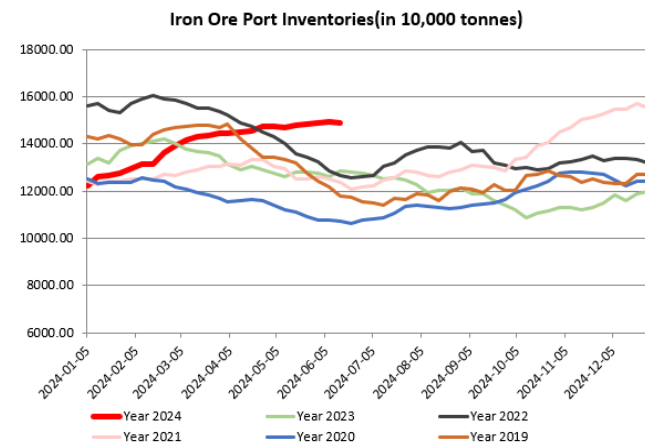
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	107.65	109.25	-1.46%
MB 65% Fe (Dollar/mt)	122.6	124.19	-1.28%
Capesize 5TC Index (Dollar/day)	24363	24759	-1.60%
C3 Tubarao to Qingdao (Dollar/day)	26.645	26.085	2.15%
C5 West Australia to Qingdao (Dollar/day)	10.59	10.875	-2.62%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3400	3430	-0.87%
SGX Front Month (Dollar/mt)	107.46	108.73	-1.17%
DCE Major Month (Yuan/mt)	826.5	841	-1.72%
China Port Inventory Unit (10,000mt)	14,892.62	14,927.76	-0.24%
Australia Iron Ore Weekly Export (10,000mt)	1,525.40	1,001.30	52.34%
Brazil Iron Ore Weekly Export (10,000mt)	417.50	273.95	52.40%

Iron Ore Key Points

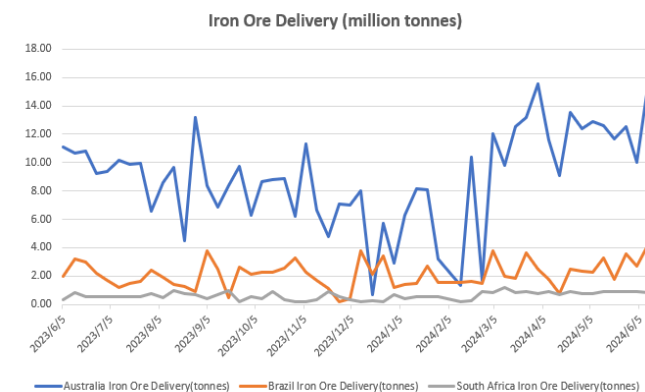
- MB65—P62 corrected to \$14.5 as we expected. P62– P58 rebounded from \$13 to \$18 in May and June, which may potentially widen further more supported by strong demand on low-grade.



- Iron ore port inventories maintained at seasonal high at 148-149 million tons during the past four weeks.



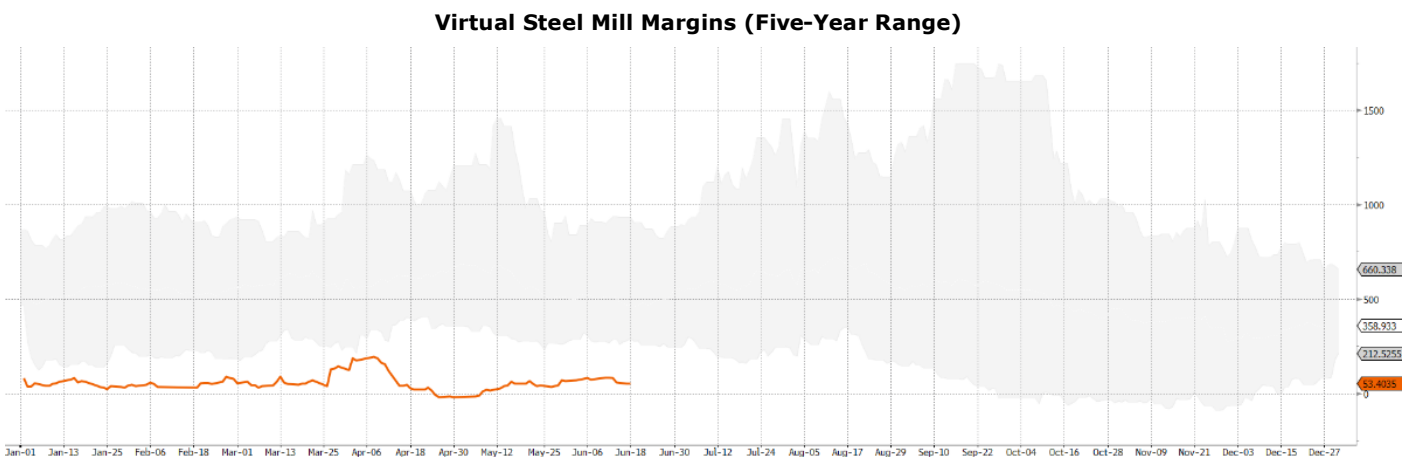
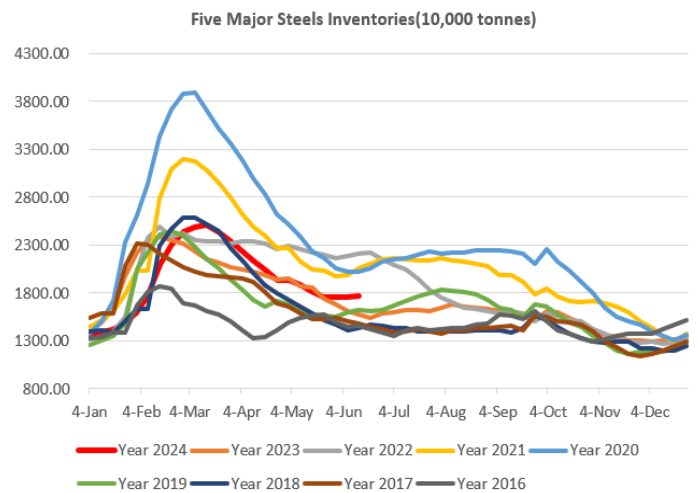
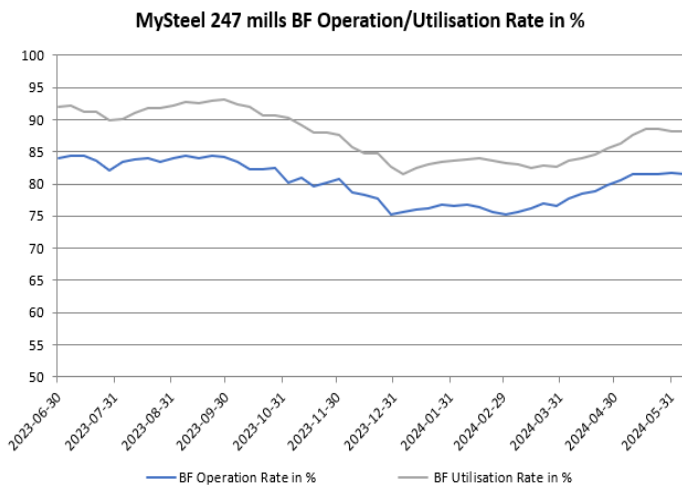
- Delivery of Australia maintained high in Q2.



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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	735	728	0.96%
LME Rebar Front Month (Dollar/mt)	577.5	576	0.35%
SHFE Rebar Major Month (Yuan/mt)	3640	3662	-0.60%
China Hot Rolled Coil (Yuan/mt)	3775	3796	-0.55%
Vitural Steel Mills Margin(Yuan/mt)	50	50	0.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	85900	88300	-2.72%
World Steel Association Steel Production Unit(1,000 mt)	155,700	161,200	-3.41%



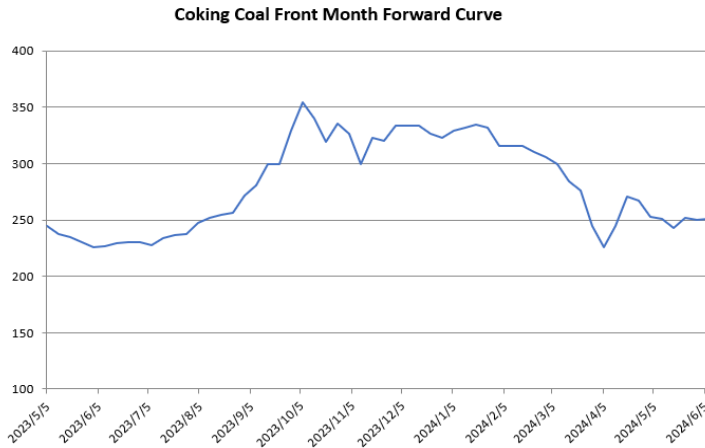
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins maintained stable from 50– 75 yuan/ton from mid-May to mid-June.
- Inventories of major steel types in China kept stable during past two weeks.

Coking Coal

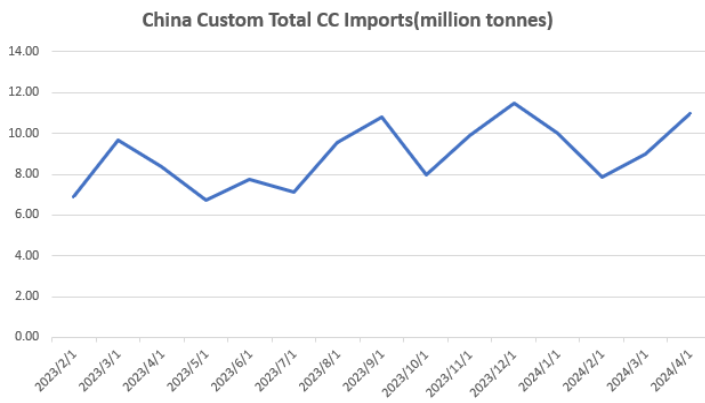
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	256.5	256.25	0.10%
Coking Coal Front Month (Dollar/mt)	252	251	0.40%
DCE CC Major Month (Yuan/mt)	1647	1647	0.00%
Top Six Coal Exporter Weekly Shipment	12.10	18.86	-35.84%
China Custom total CC Import Unit mt	10,949,351	9,000,257	21.66%

Coal Key Points



- FOB Australia coking coals saw quiet market. The index was overvalued.

- The cokery plants in China saw the second rounds of correction by 50–55 yuan/ton.



- China pig iron production level stabilised during past two weeks.

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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