

# FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore corrected during the past week due to expanded discount on concentrates as well due to heavy rain in southern China.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The demand market entered a traditional lackluster season.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. Two weeks of wide spread on buyers and sellers meant lack of real demand. Coking coal tanked following low trade on PMV in FOB Australia market.

Prices Movement	24-Jun	18-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	102.65	106.15	3.30%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3736.0	3590.0	4.07%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	239.0	256.50	6.82%	Neutral to Bearish	↘

### Market Review:

#### Iron Ore Market:

Iron ore corrected by 3.30% during the report week, following expectations that the discount on Q3 cargoes would become wider than Q2. In addition, heavy rain in southern China caused a halt on construction projects.

The correlation between metals and macro market became less relevant last week after short-run investors left the market temporarily. Indian monsoon season bad weather in southern China weakened the demand of raw materials including iron ore and coking coal.

The Q3 term contract of Yandi widened from 1% to 7.25% compared to Q2, which potentially squeezed some premium products out of market. End-users were favoring discounted iron ore in June to control cost and production volume. Some mills in northern China expected wider discount from different miners in July and August.

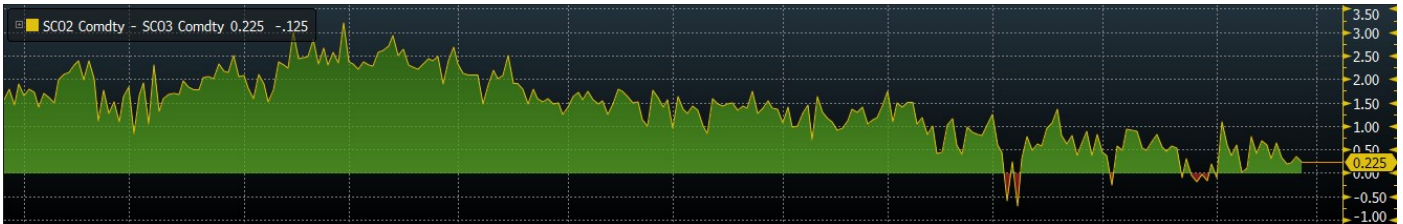
Physical trades in June were mostly concentrated on the days seeing correction on futures. The bad weather in southern China could last longer than expected and this may impact demand growth on steel. In addition, EAFs utilisation rate were expected to hike about 10% in June compared with May. Iron ore port stocks were steady at 148-149 million tons for six weeks, without marginal increase on port evacuation or restock by mills. During the past week, iron ore ports arrivals at 45 China ports reached 24.73 million tons, up 2.656 million tons week on week. Brazil and Australia delivered 28.328 million tons of iron ore, down 280,000 tons on the week. Iron ore supply could stay high due to landing margin for most of brands. The virtual steel margin was 37 yuan/ton, the lowest in June. The lower virtual and physical margins on steel started to impact iron ore price in June, which limited the restocking of iron ore. In mid-run, iron ore has not seen yet any reversal on fundamental side.

MB65- P62 potentially traded in the \$14.5—16 range instead of directional movement as the fundamentals on both MB65 and P62 remained unchanged for two months. P62-P58 could potentially narrow again because of the discount value on P62% potentially drag down index, while the popularity on low grade would support P58% value.

### Market Review(Cont'd):

Front spreads Jul-Aug 24 narrowed from \$0.4/0.45 to \$0.2/0.25, in the 3% low range. Aug-Sep24 at \$0.25/0.3 should be undervalued as well. Buying spread at current level should be safer than outright.

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



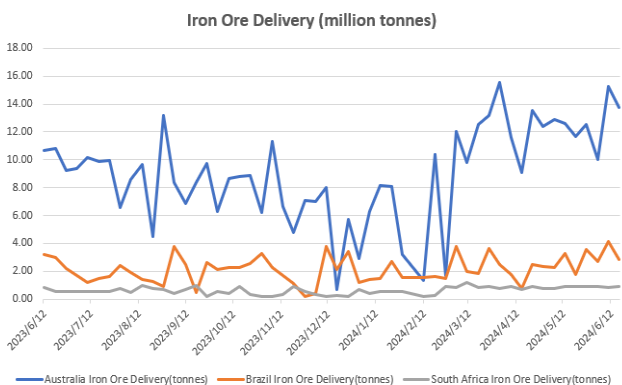
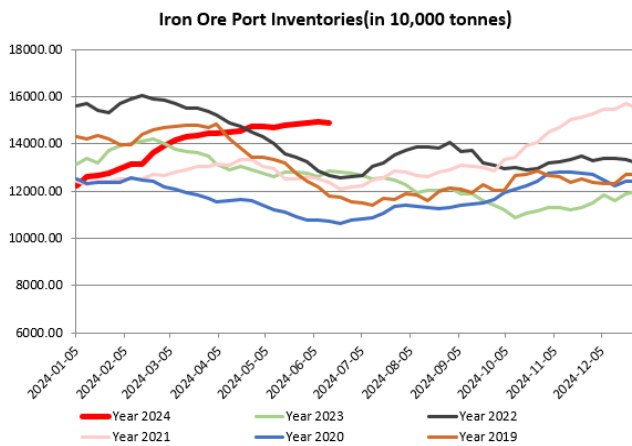
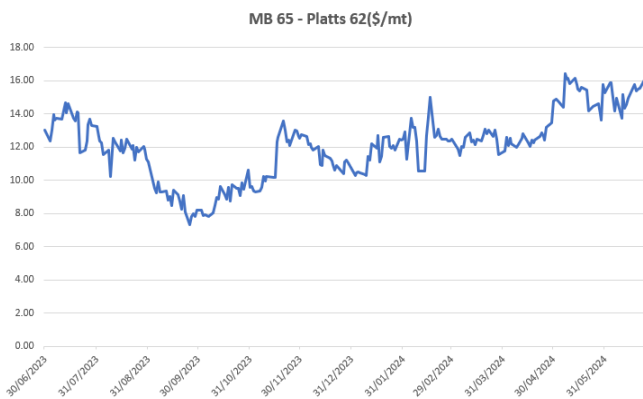
Data Sources: Bloomberg, Platts, Fastmarket, FIS

# Iron Ore

	Last	Previous	% Change
<b>Platts 62% Fe (Dollar/mt)</b>	102.65	106.15	<b>-3.30%</b>
<b>MB 65% Fe (Dollar/mt)</b>	118.7	121.9	<b>-2.63%</b>
<b>Capesize 5TC Index (Dollar/day)</b>	25650	24363	<b>5.28%</b>
<b>C3 Tubarao to Qingdao (Dollar/day)</b>	27.29	26.645	<b>2.42%</b>
<b>C5 West Australia to Qingdao (Dollar/day)</b>	10.745	10.59	<b>1.46%</b>
<b>Billet Spot Ex-Works Tangshan (Yuan/mt)</b>	3340	3400	<b>-1.76%</b>
<b>SGX Front Month (Dollar/mt)</b>	105.10	107.46	<b>-2.20%</b>
<b>DCE Major Month (Yuan/mt)</b>	821	826.5	<b>-0.67%</b>
<b>China Port Inventory Unit (10,000mt)</b>	14,883.27	14,892.62	<b>-0.06%</b>
<b>Australia Iron Ore Weekly Export (10,000mt)</b>	1,378.70	1,525.40	<b>-9.62%</b>
<b>Brazil Iron Ore Weekly Export (10,000mt)</b>	287.50	417.50	<b>-31.14%</b>

## Iron Ore Key Points

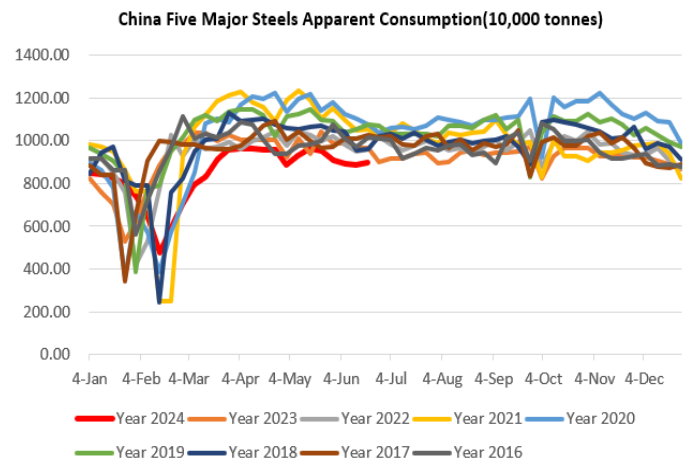
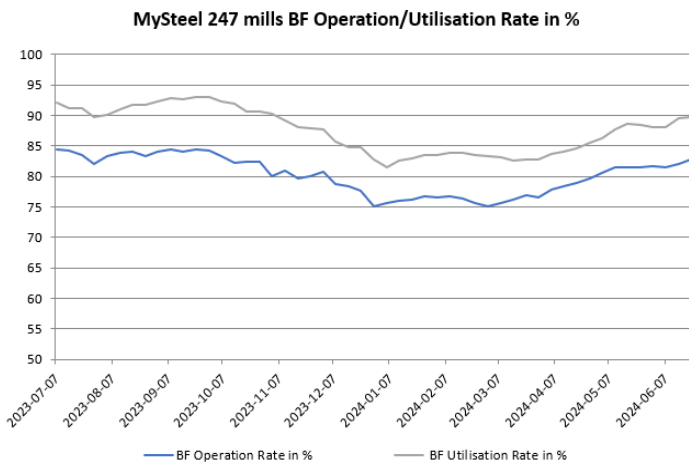
- MB65—P62 could stay within the \$14.5- 16 range in the next few weeks.
- Iron ore port inventories stabilized at seasonal high at 148-149 million tons during the past four weeks.
- The delivery of Australia kept high in Q2.



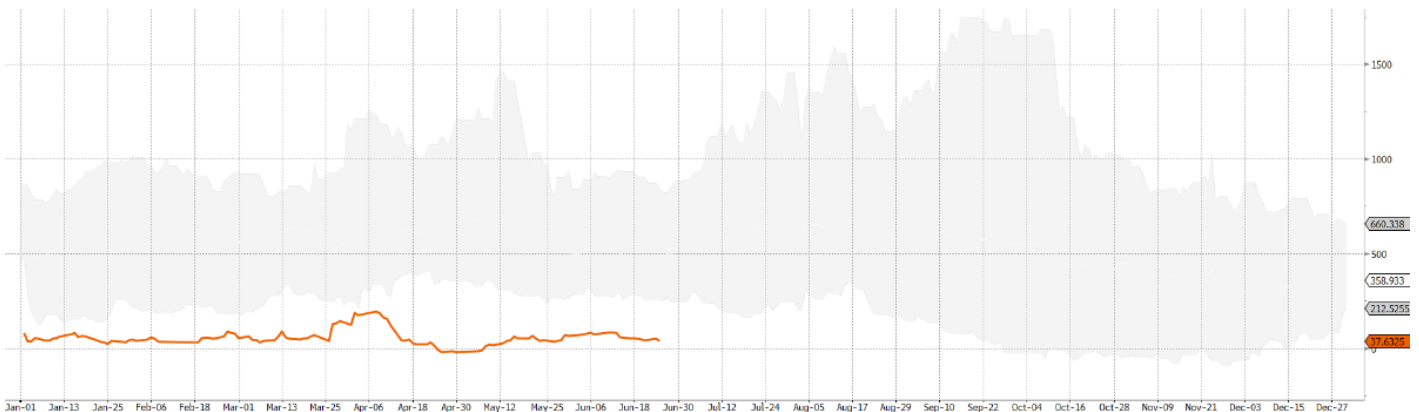
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

# Steel

	Last	Previous	% Change
<b>US HRC Front Month (Dollar/mt)</b>	721	735	<b>-1.90%</b>
<b>LME Rebar Front Month (Dollar/mt)</b>	573	578	<b>-0.78%</b>
<b>SHFE Rebar Major Month (Yuan/mt)</b>	3586	3640	<b>-1.48%</b>
<b>China Hot Rolled Coil (Yuan/mt)</b>	3754	3775	<b>-0.56%</b>
<b>Vitural Steel Mills Margin(Yuan/mt)</b>	37	75	<b>-50.67%</b>
<b>China Five Major Steel Inventories Unit (10,000 mt)</b>	2489.64	2371.33	<b>4.99%</b>
<b>Global Crude Steel Production Unit (1,000 mt)</b>	92900	85900	<b>8.15%</b>
<b>World Steel Association Steel Production Unit(1,000 mt)</b>	165,100	155,700	<b>6.04%</b>



## Virtual Steel Mill Margins (Five-Year Range)



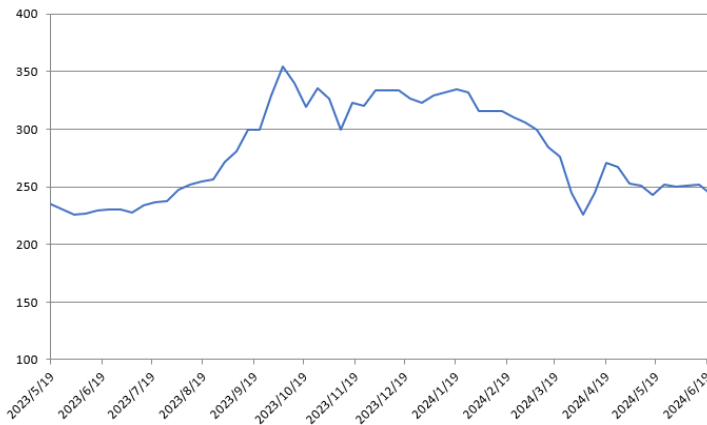
**Data Sources: Bloomberg, MySteel, FIS**

- Virtual steel mill margin corrected to the monthly low at 37 yuan/ton. The seasonal margin level is within the lowest range in 2024.
- Major types of steel consumption maintained stable, however at seasonal low area.

# Coking Coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal (Dollar/mt)</b>	239	256.5	<b>-6.82%</b>
<b>Coking Coal Front Month (Dollar/mt)</b>	244	252	<b>-3.17%</b>
<b>DCE CC Major Month (Yuan/mt)</b>	1580	1647	<b>-4.07%</b>
<b>Top Six Coal Exporter Weekly Shipment(Million mt)</b>	12.37	17.70	<b>-30.11%</b>
<b>China Custom total CC Import Unit mt</b>	9,678,864	10,949,351	<b>-11.60%</b>

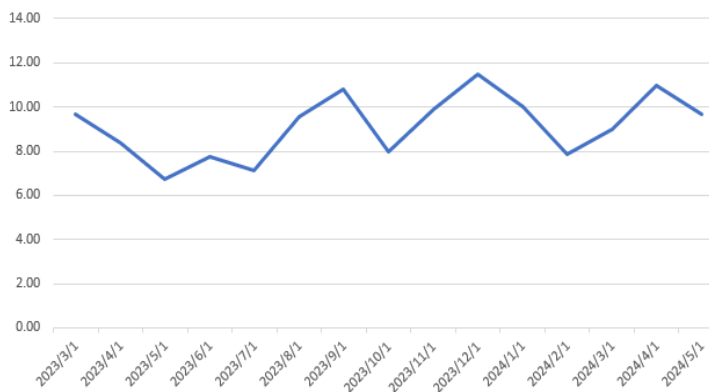
Coking Coal Front Month Forward Curve



## Coal Key Points

- FOB Australia coking coal was quiet, and the index was overvalued.

China Custom Total CC Imports(million tonnes)



- China pig iron production level stabilised in the last 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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