

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore corrected due to high supplies and inventories versus a slightly decreasing pig-iron consumption. At the same time, the scrap utilisation rate went up, which could squeeze down Chinese iron ore usage in summer.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. The ex-work price of Chinese domestic mills maintained stability in June. The pace of destocking of rebar slowed down. China’s decarbonization act could limit crude steel growth in H2.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. Chinese physical coke market has maintained stability. Coke plants have tried to propose a second round of price hikes, but are yet to receive a reply from steel mills. The Indian market has been quiet during the weeks around the general election.

Prices Movement	3-Jun	27-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	109.65	117.85	6.96%	Neutral to Bearish	↓
Rebar 25mm Shanghai (Yuan/MT)	3791.0	3781.0	0.26%	Neutral to Bearish	↓
Hard Coking Coal FOB Australia(\$/MT)	246.0	239.0	2.93%	Neutral to Bearish	↓

Market Review:

Iron Ore Market:

The Iron ore price corrected significantly during past week by 6.96%. China published the decarbonization act, which included limitations on high pollution industries and capacities. In consequence the market response was a prediction of less steels production in H2 2024. After the speculation on the housing stimulus and following the sharp correction on silver and copper, iron ore dropped during past reporting week.

On the positive side of the macro market, the new-low April PCE in US and the lower Euro economic growth rate in May both support an interest rate cut for the US and Europe in H2. This normally means a depreciation on currencies and a support to commodity prices. However, in the short-run, copper and silver fell as short-run investors took gains, leading to a shift in the metal sector trading.

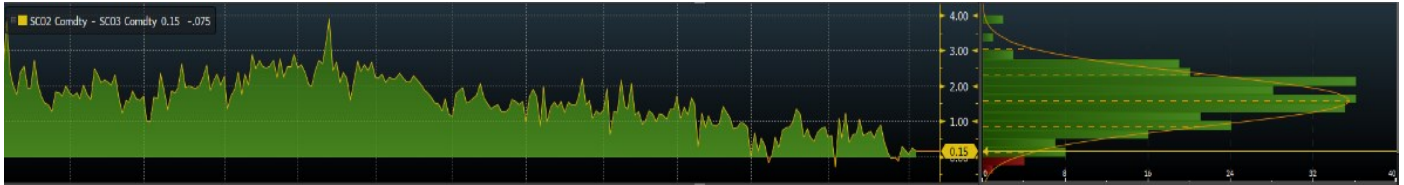
On the fundamental side, China pig iron utilisation corrected for two consecutive weeks at 88.17%, however, port inventories saw the year-high and seasonal high at 148.597 million tons. According to laycans schedules, the first half of June arrivals are expected to maintain a high level. The virtual steel margin recovered from a negative in April to 78 yuan/ton in late May. However, the number was still the seasonal low. In addition, the EAFs utilisation rate reached 72% in late May, up 10% from early May, which potentially squeezed off some of the crude steels produced by blast furnace in June.

FMG was unchanged on its flagship product SSF for June discount. However, WBF and FBF both widened from 4% to 5.25% and 7.25% to 10%, respectively. Low grade has become popular again during the down trend on iron ore. P62- P58 has dropped from \$19.05 in early May to \$16.25 in early June as we expected. From now on, this spread is considered neutral as the cost-efficiency of the low grade emerged following the widening of discounts. On the other side, MB65—P62 saw stabilisation from \$15-16 after sharp rebound during late April, since the low steel margin and static marginal demand limited the growth in demand for high grade.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

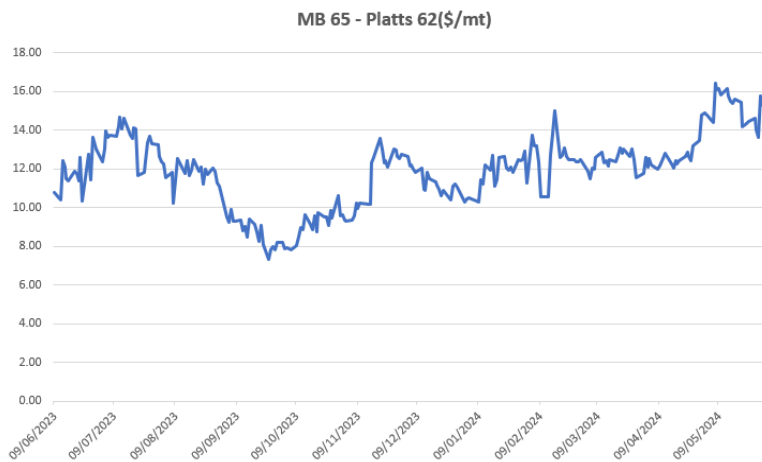
The Jul-Aug24 spread at \$0.15/0.2 area raised our interest. The level was in 5% low in history. Considering a weakening outright trend, it is safer to take a look on Aug/Sep 24, which was \$0.2/0.25.



In general, iron ore can potentially see a deepening correction in future weeks.

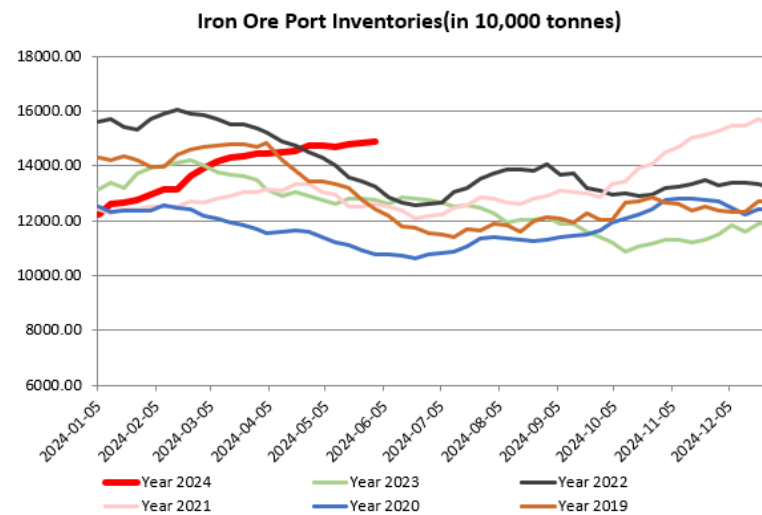
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	109.65	119	-7.86%
MB 65% Fe (Dollar/mt)	125.5	133.63	-6.08%
Capesize 5TC Index (Dollar/day)	23357	21674	7.77%
C3 Tubarao to Qingdao (Dollar/day)	24.515	24.765	-1.01%
C5 West Australia to Qingdao (Dollar/day)	11.065	10.095	9.61%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3510	3560	-1.40%
SGX Front Month (Dollar/mt)	115.48	120.81	-4.41%
DCE Major Month (Yuan/mt)	866.5	909	-4.68%
China Port Inventory Unit (10,000mt)	14,859.71	14,855.32	0.03%
Australia Iron Ore Weekly Export (10,000mt)	1,253.70	1,165.20	7.60%
Brazil Iron Ore Weekly Export (10,000mt)	354.00	176.00	101.14%

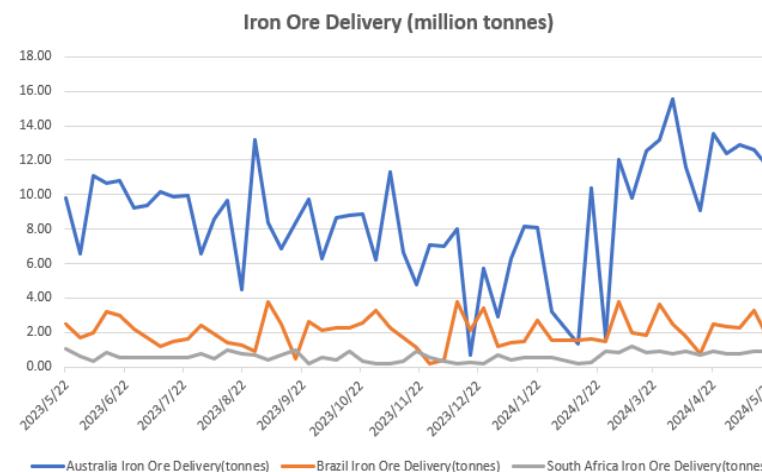


Iron Ore Key Points

- MB65—P62 saw stabilisation in the \$15-16 range due to the static marginal demand. P62- 58 spread corrected from \$19 to \$16, with improving cost-efficiency.



- The iron ore port inventories refreshed year-highs at 148.60 million tons, which was also the seasonal high from 2019.

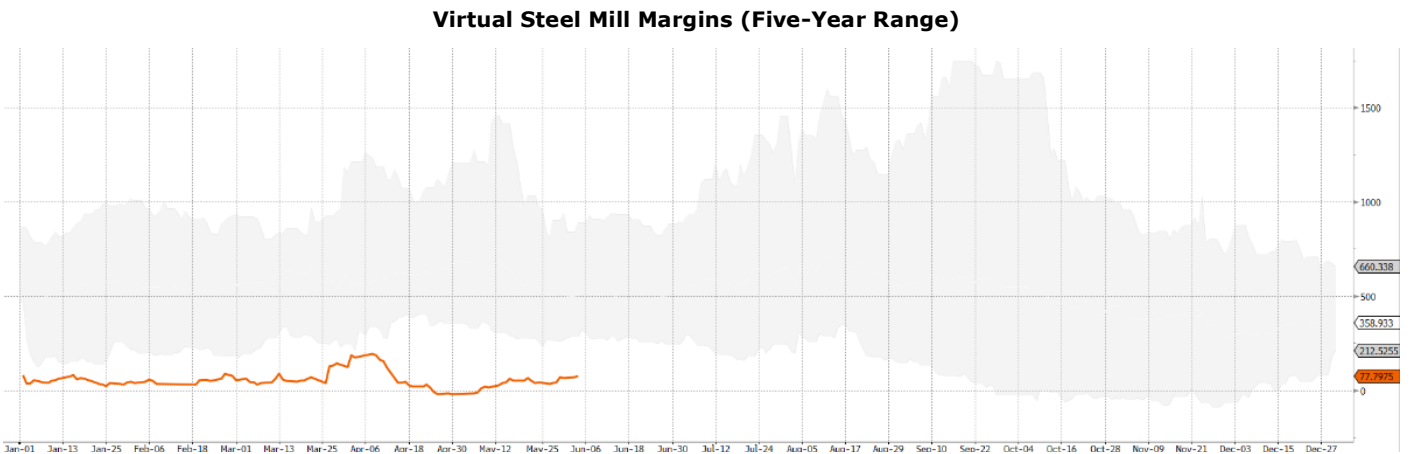
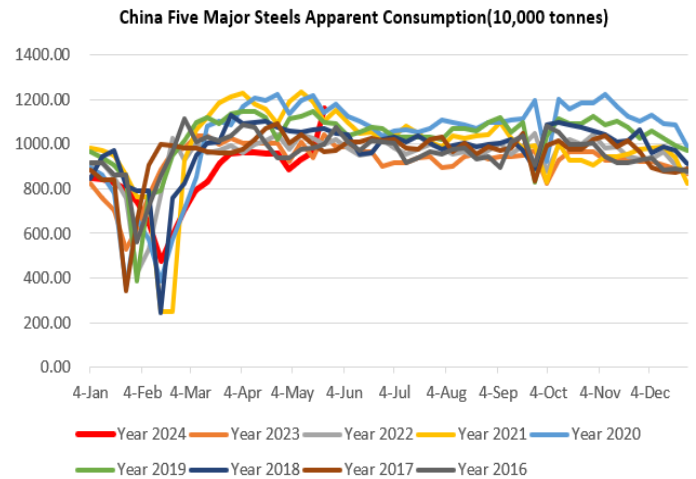
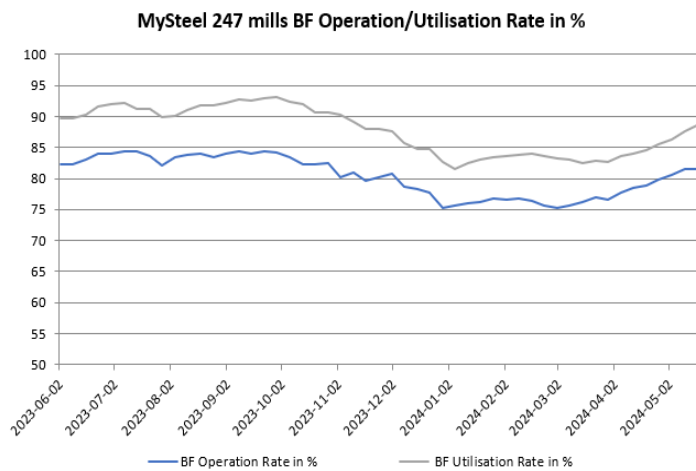


- The delivery of Australian Iron Ore remained high in Q2.

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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	761	789	-3.55%
LME Rebar Front Month (Dollar/mt)	579.88	575	0.85%
SHFE Rebar Major Month (Yuan/mt)	3715	3786	-1.88%
China Hot Rolled Coil (Yuan/mt)	3820	3853	-0.86%
Vitural Steel Mills Margin(Yuan/mt)	78	55	41.82%
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%



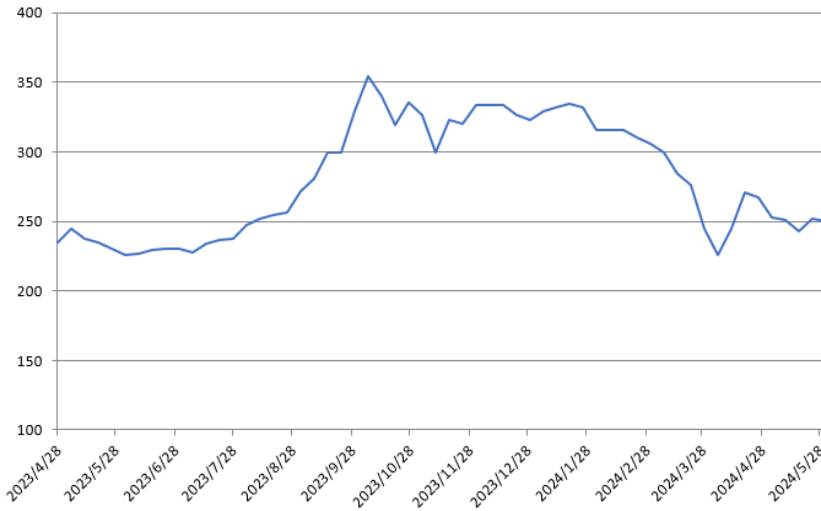
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins recovered from a negative in early May to 78 yuan/ton in June, however the absolute number was a seasonal low.
- The consumption of the five typical steels improved significantly during past week. It is worth noting the sustainability of the movement.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	246	239	2.93%
Coking Coal Front Month (Dollar/mt)	250	252	-0.79%
DCE CC Major Month (Yuan/mt)	1682	1802	-6.66%
Top Six Coal Exporter Weekly Shipment	13.14	19.40	-32.27%
China Custom total CC Import Unit mt	10,949,351	9,000,257	21.66%

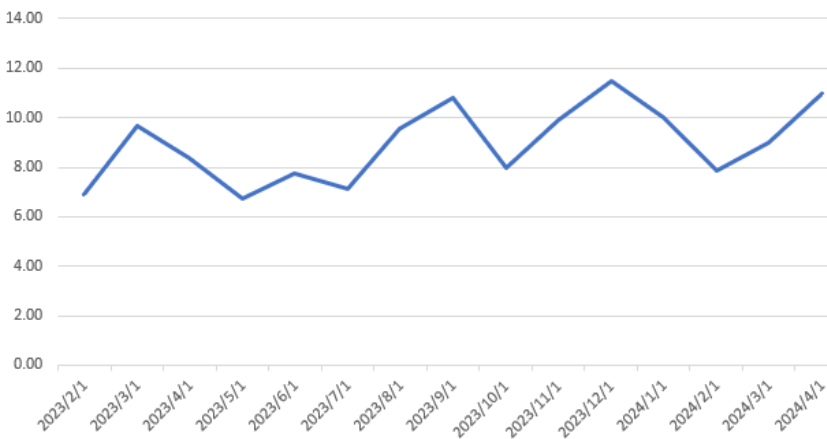
Coking Coal Front Month Forward Curve



Coal Key Points

- FOB of Australian coking coals saw a quiet market in the front demand during and after the Indian general election.
- The coke plants found it hard to propose the second round of price hike.
- The Chinese pig iron production level saw a consecutive two-week decrease.

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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