

FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore corrected following the general correction of commodities and decreasing trend of Chinese pig iron production.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The demand market entered a traditional light season, with lower ex-work steel price in July.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. Monsoon season in India contributed to a decrease in coking coal demand. However, the force majeure declared by Anglo-American supported the price of premium brand. The valuation of FOB coking coal was in the high range.

Prices Movement	8-Jul	1-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	108.65	110.05	1.27%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3655.0	3680.0	0.68%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	253.00	245.20	3.18%	Neutral to Bearish	↘

Market Review:

Iron Ore Market:

Iron ore corrected by 1.27% during the report week as expected. The market was concerned about the high delivery and the increasingly decreasing pig iron consumption in China.

The only supportive news for the iron ore market last week was the significant increase in new-built house sales and second-hand house sales in Tier I cities in China, which once lead to big growth on listed equity stocks in China. However, the general sentiment for commodity turned south in the second half of last week. Heavy rains and extreme hot weather limited Chinese pig iron consumption this summer. The EXW steel price in China corrected slightly for July delivery. The downstream activities and construction have decreased.

The virtual steel margin reached negative 51 yuan/ton, the second low of the year, down from 88 yuan/ton in mid-June. The squeezed margin restricted performance of raw materials including iron ore, coking coal and scrap. In addition, the delivery of iron ore is expected to be high in June and in the first half of July as miners finish end of year and long-term sales during this period. On the other hand, pig iron consumption has decreased slightly during the past week, which was 3.14% lower on the year. Iron ore inventories remained stable at 148-149 million tons over the past eight weeks. The port inventory level was 15.67% higher than the same period last year. The steel mills iron ore inventory is at 92.12 million tons which is 6.32% higher on the year. The China 45 ports iron ore arrivals is at 27.87 million tons, up 3.17 million tons on the week. The Northern six ports arrivals is at 15.6 million tons, up 1.46 million tons on the week. In general, long-run iron ore is yet to see strong reversal signals from the fundamental side.

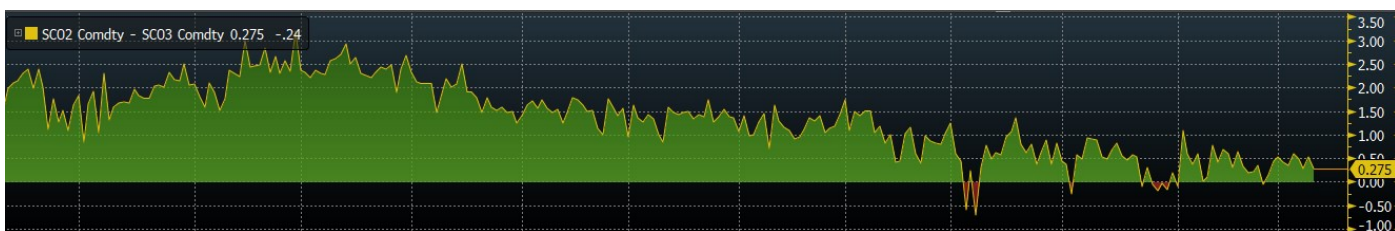
The physical traders were waiting for lower prices each time, but they rebounded 10% over the past four months. Premium iron ore became less attractive after the correction. As a consequence, traders entered a 'watch and see' mode.

The active spread level showed little movement around \$0.2/0.25 over the last two weeks, however there should be more room in the third quarter. The level was close to the year-low level at \$0.15.

In comparison with other upstream commodities including oil and copper, the valuation of iron ore further corrected reaching the low area.

Market Review(Cont'd):

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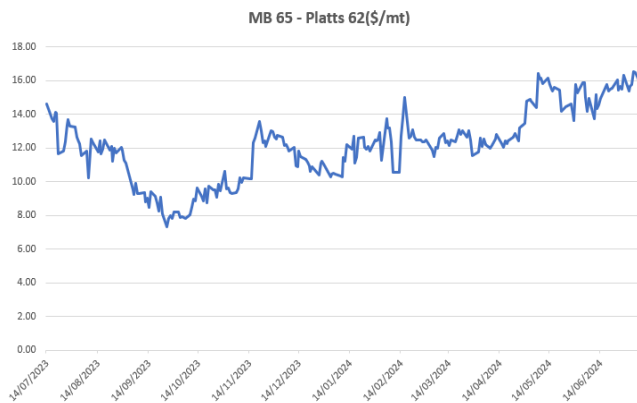
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

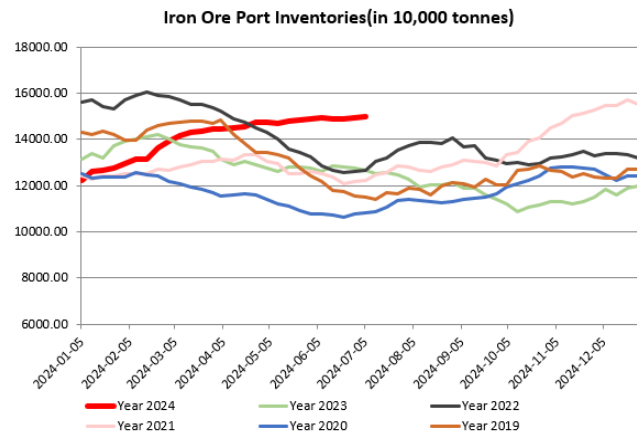
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	108.65	110.05	-1.27%
MB 65% Fe (Dollar/mt)	124.59	125.43	-0.67%
Capesize 5TC Index (Dollar/day)	27171	31438	-13.57%
C3 Tubarao to Qingdao (Dollar/day)	28.155	32.625	-13.70%
C5 West Australia to Qingdao (Dollar/day)	10.26	11.48	-10.63%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3330	3300	0.91%
SGX Front Month (Dollar/mt)	110.35	106.72	3.40%
DCE Major Month (Yuan/mt)	854	819.5	4.21%
China Port Inventory Unit (10,000mt)	14,988.66	14,926.32	0.42%
Australia Iron Ore Weekly Export (10,000mt)	1,630.80	1,395.45	16.87%
Brazil Iron Ore Weekly Export (10,000mt)	461.10	321.50	43.42%

Iron Ore Key Points

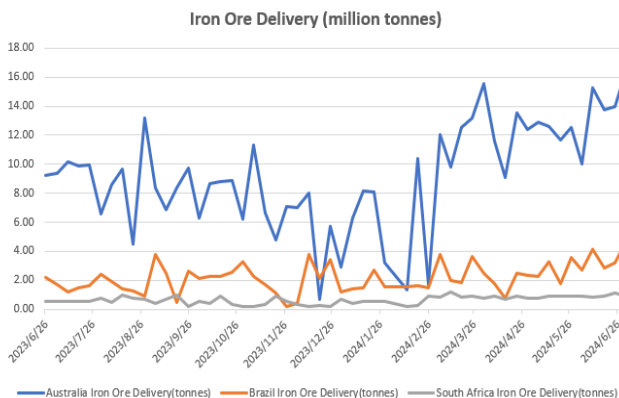
- As expected, MB65—P62 remained in the \$14.5– 16 range during past few weeks. The squeeze on steel margin potentially pushed the current spread from \$15.95 to \$15 level.



- The iron ore port inventories remained at a seasonal high at 148–149 million tons over the past eight weeks.



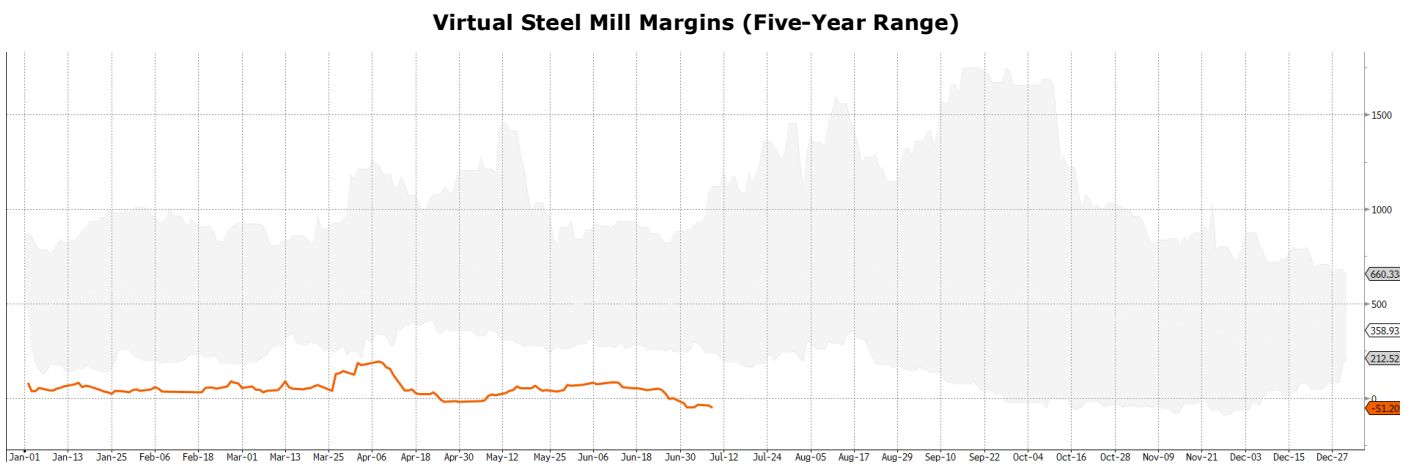
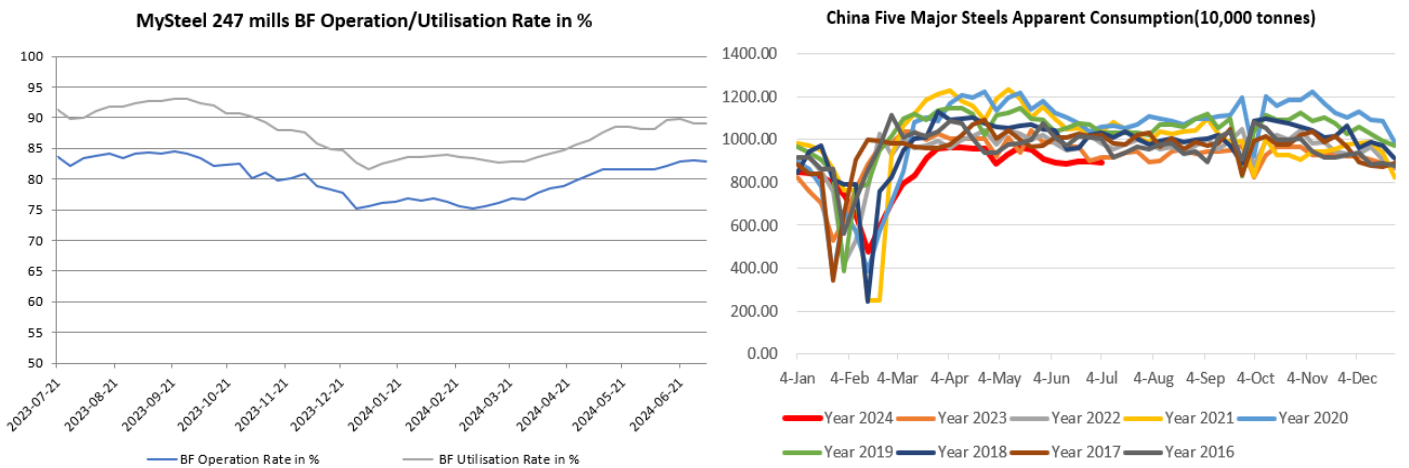
- The delivery of Australia Iron Ore remained high in Q2 and the early half of Q3.



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

Steel

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



Data Sources: Bloomberg, MySteel, FIS

- The Virtual steel mill margin corrected to a year-low at -51 yuan/ton. The margin level stayed in the lowest range seasonally in 2024 for the last six years.
- The major types of steel consumption has maintained stable, however in the seasonal low area.

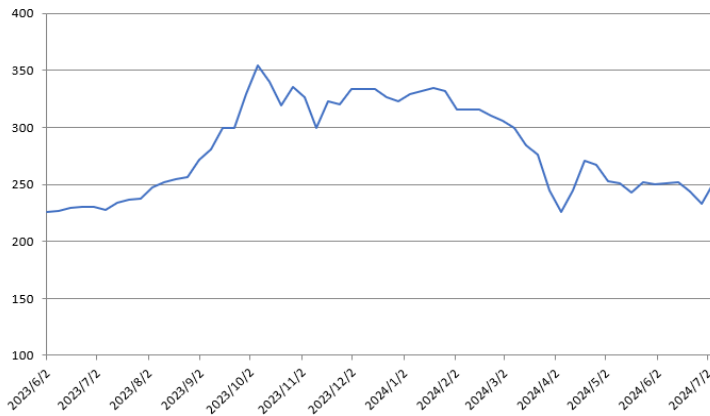
Coking Coal

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

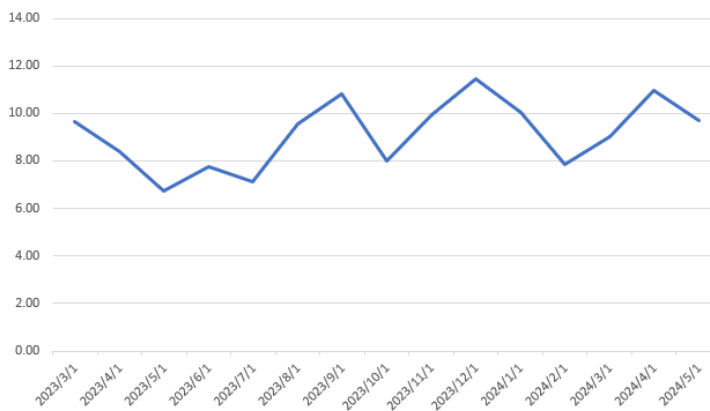
Coal Key Points

- FOB Australia coking coal market was quiet. The index was overvalued after the news of the combustion in one Australian coal mine has been priced in.

Coking Coal Front Month Forward Curve



China Custom Total CC Imports(million tonnes)



- Chinese pig iron is decreasing.

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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