

# FIS Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore saw high arrivals and port stock pressure in July, however it was supported by expectations from the China third plenum.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The downstream market entered a slow decreasing period from June to August because of extreme weather in China.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. India Monsoon season decreased coking coal demand. The market dropped as sellers need to liquidate some of their laycans.

Prices Movement	15-Jul	8-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	108.75	108.65	0.09%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3628.0	3655.0	0.74%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	235.00	253.00	7.11%	Neutral to Bearish	↘

### Market Review:

#### Iron Ore Market:

Iron ore increased by 0.09% during the report week with a neutral sentiment as expected from the last report. The broad picture of iron ore market from both fundamental and macro side has still to see significant changes.

From the macro side, the market was waiting for news from the China third plenum this week. In addition, US dollar depreciated from the high at 106.13 to 104.00 during the past two weeks, which supported commodity and equity markets.

China produced 91.61 million tons of crude steel in June, up 0.2% on the year. The overall steel production was particularly relevant. As a result, gross demand for raw materials should stay resilient in 2024. Seasonally, the market saw clear signals of a marginal decrease due to extreme weather and heavy rains. China long steel EXW price was down by 100 yuan/ton among major mills for cargoes delivered in August.

Australia and Brazil shipped 24.73 million tons of iron ore last week in total, down 493,000 tons on the week. China 45 ports iron arrivals hit 28.656 million tons, up 783,000 tons on the week. The global delivery of iron ore in June went down 4.3% from May, as mid and small miners decreased their delivery. However, iron ore delivery to China was 6.2% higher in H1 2024 compared to H1 2023. The high port arrivals are expected to last through July and the first half of August, according to laycans schedules from top miners. Iron ore inventories hit seasonal and year-high level at 148-149 million tons for consecutive nine weeks, given a 2.67% faster port evacuation on average during the same period.



Data Sources: Bloomberg, Platts, Fastmarket, FIS



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## Market Review(Cont'd):

The virtual steel margin recovered from -80 yuan/ton in early July -35 yuan/ton in mid-July, indicating a recovery trend on margins in July. The margin level was still in the seasonal low area which resisted growth of raw materials. Thus, the current physical buyers turned to alternatives instead of mainstream once the price level went up. PBF demand is sluggish at the moment. JMBF discount widened from \$7 to \$8 for higher alumina. Discount concentrates stayed competitive in the market.

The active spread level saw limited movement around \$0.2/0.25 during the last three weeks, however there should be more rooms in the third quarter. The level was close to the year-low level at \$0.15.

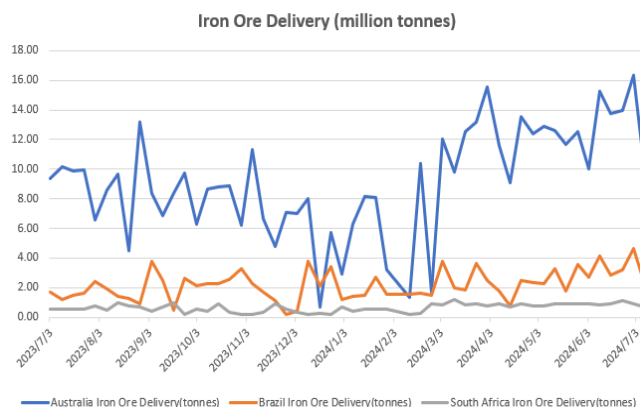
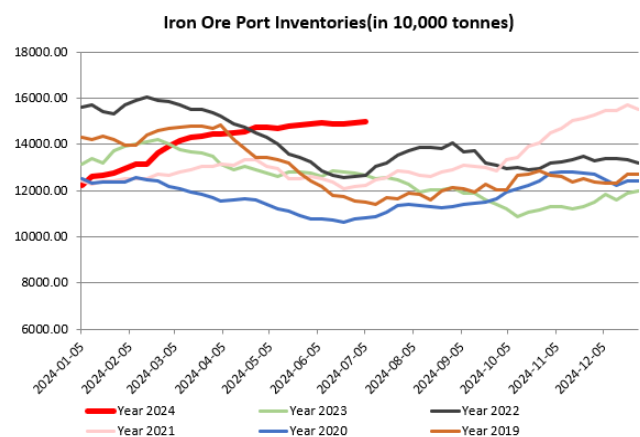
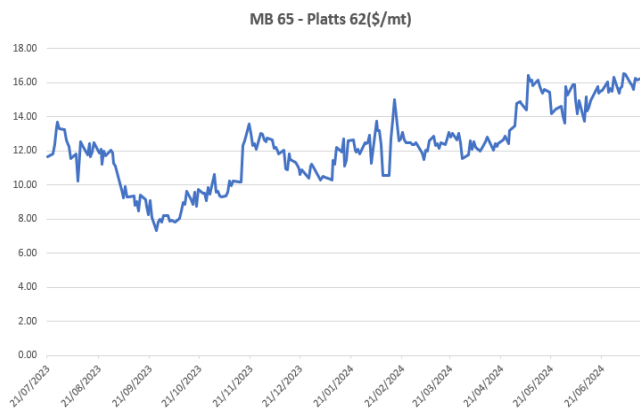
Iron ore should stay neutral at this reasonable level.

# Iron Ore

	Last	Previous	% Change
<b>Platts 62% Fe (Dollar/mt)</b>	108.75	108.65	0.09%
<b>MB 65% Fe (Dollar/mt)</b>	125	124.59	0.33%
<b>Capesize 5TC Index (Dollar/day)</b>	27058	27171	-0.42%
<b>C3 Tubarao to Qingdao (Dollar/day)</b>	26.78	28.155	-4.88%
<b>C5 West Australia to Qingdao (Dollar/day)</b>	9.89	10.26	-3.61%
<b>Billet Spot Ex-Works Tangshan (Yuan/mt)</b>	3290	3330	-1.20%
<b>SGX Front Month (Dollar/mt)</b>	108.01	110.35	-2.12%
<b>DCE Major Month (Yuan/mt)</b>	825.5	854	-3.34%
<b>China Port Inventory Unit (10,000mt)</b>	14,988.89	14,988.66	0.00%
<b>Australia Iron Ore Weekly Export (10,000mt)</b>	995.40	1,630.80	-38.96%
<b>Brazil Iron Ore Weekly Export (10,000mt)</b>	230.80	461.10	-49.95%

## Iron Ore Key Points

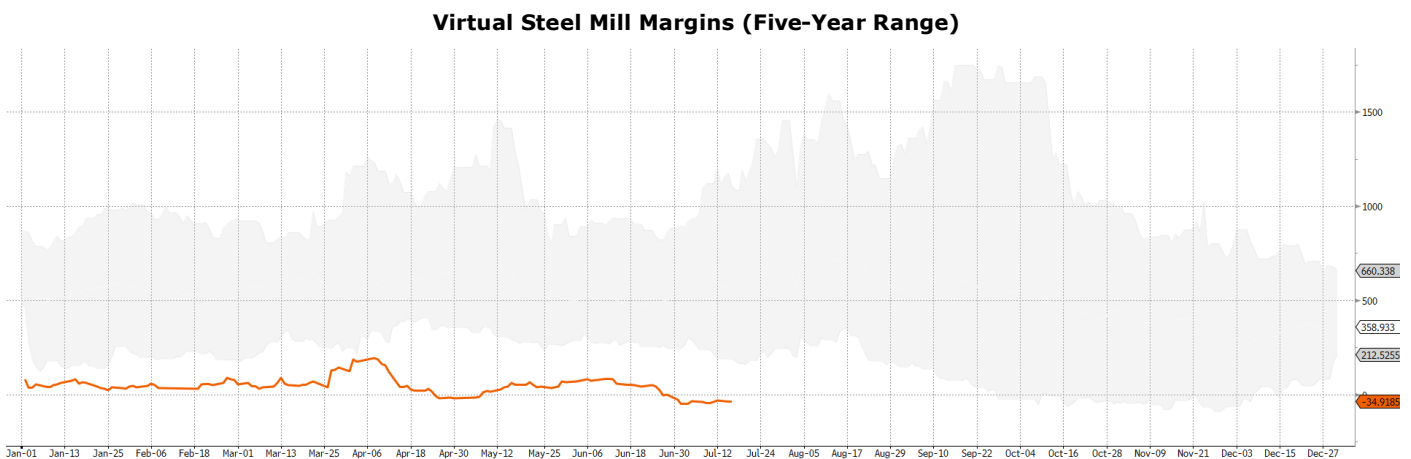
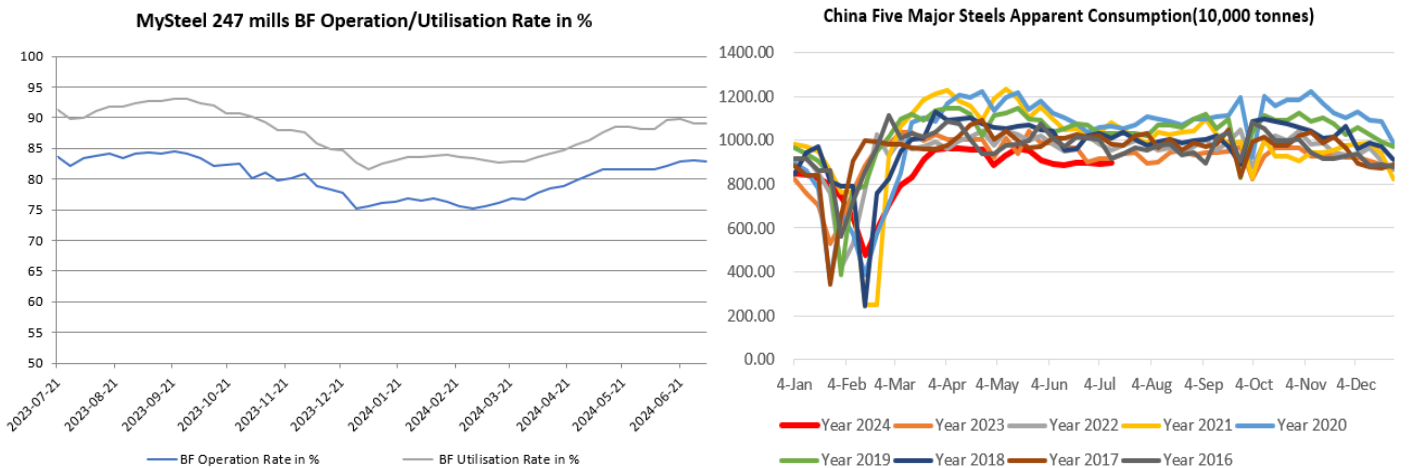
- As expected, MB65—P62 maintained in \$14.5– 16 range during past few weeks. The squeeze on steel margin could potentially squeeze the current spread from \$15.95 to \$15 level.
- Iron ore port inventories maintained at seasonal high at 148-149 million tons during the past nine weeks.
- The delivery from Australia was high in Q2 and in the early half of Q3. Brazil delivery is expected to pick up in Q3.



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

# Steel

	Last	Previous	% Change
<b>US HRC Front Month (Dollar/mt)</b>	665	675	<b>-1.48%</b>
<b>LME Rebar Front Month (Dollar/mt)</b>	575.5	580	<b>-0.69%</b>
<b>SHFE Rebar Major Month (Yuan/mt)</b>	3519	3586	<b>-1.87%</b>
<b>China Hot Rolled Coil (Yuan/mt)</b>	3666	3733	<b>-1.79%</b>
<b>Vitural Steel Mills Margin(Yuan/mt)</b>	-35	-51	<b>-31.37%</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>



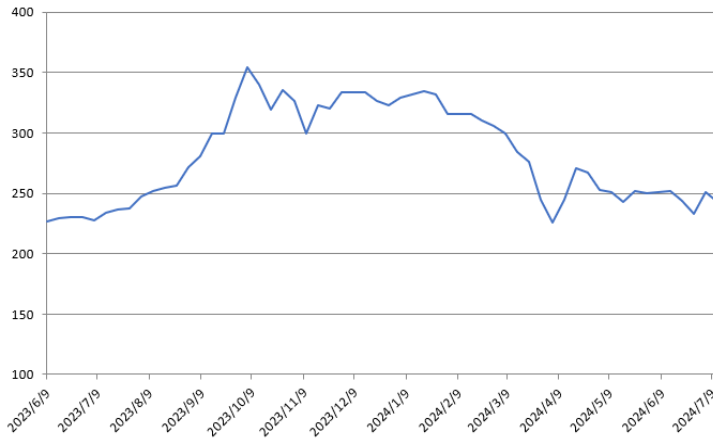
**Data Sources: Bloomberg, MySteel, FIS**

- Virtual steel mill margin recovered from -80 yuan/ton in early July to -35 yuan/ton in mid-July.
- Major types of steel consumption maintained stable, approaching the level during the same period of 2023.

# Coking Coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal (Dollar/mt)</b>	235	252	<b>-6.75%</b>
<b>Coking Coal Front Month (Dollar/mt)</b>	243	250.75	<b>-3.09%</b>
<b>DCE CC Major Month (Yuan/mt)</b>	1566	1581.5	<b>-0.98%</b>
<b>Top Six Coal Exporter Weekly Shipment(Million mt)</b>	12.02	18.33	<b>-34.42%</b>
<b>China Custom total CC Import Unit mt</b>	9,678,864	10,949,351	<b>-11.60%</b>

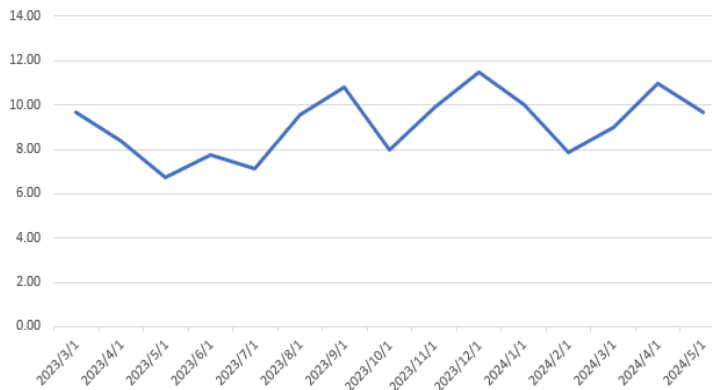
Coking Coal Front Month Forward Curve



## Coal Key Points

- FOB Australia coking coal price dropped significantly eyeing oversupply on front laycans. There were many reselling interest in southeast Asia.

China Custom Total CC Imports(million tonnes)



- China pig iron production level entered a decreasing period.

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.

Written by **Hao Pei**,  
FIS Senior Research Analyst  
haop@freightinvestor.com