FIS

Ferrous Weekly Report

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23/7/2024

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore saw high arrivals and port stock pressure in July, and the quiet on the macro front became a dragging indicator for iron ore. Oversupply in mid-run. However, price was a bit oversold in short-run.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. The extreme weather in China limited the downstream demand. Most of mills lowered EXW price for rebar delivered in late July.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The crowded resales from end-users and unsustainable demand drove price down fast.

Prices Movement	22-Jul	15-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	103.20	108.75	5.10%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3584.0	3628.0	1.21%	Neutral to Bearish	↘
Hard Coking Coal FOB Australia($/MT)	227.0	235.00	3.40%	Neutral to Bearish	↘

Market Review:

Iron Ore Market:

Iron ore corrected significantly by 5.10% during the past report week. In the short-run, a strong US dollar led to general correction on commodities and in particular, metals dragged the performance on ferrous complex during past two trading days. In addition, unexpected high iron ore stocks level in China last week became a bearish factor to the market. However, we expect that the correction has been almost priced in the short run market.

The China Third Plenum unveiled several policies on securing livelihood and introduced other reforms. However, there was no direct strategy related to the housing sector. China held several conferences in May and June, discussing the refinancing of unsold houses which could be bought by local authorities. Some economists said there will be more details coming out in H2. The Chinese loan prime rate was down 10 bps respectively for 1-year length and 5-year length, which indicated that the government is considering an interest cut in the long-run. As the chances of an interest cut are increasing globally in H2, increasing global investments could potentially start to flow into emerging economies considering currencies advantage and improving yield. The strong US dollar index growth from 103.64 to 104.28 during the past two trading days resisted major commodity performance. Iron ore became less sensitive to macro news in 2024 in comparison to the past five years, along with a decrease of price elasticity. Iron ore eyed a light season from June to July as volume and open interest both went down compared to March and April. Market participants expected a seasonal growth on popularity in this September and October.

China iron ore port stocks during past week increased by 1.42 million tons to 151.31 million tons unexpectedly. The stock level maintained from 148–149 million tons level for nine weeks, port evacuation remained stable at around 3.1 million tons per day. The total amount of iron ore arrived at China ports was 23.76 million tons, a decrease of 4.894 million tons on the week. However, in the coming weeks, the arrivals of iron ore is expected to stay high because of crowded laycans schedule. Although Australian sources are expected to decrease from August, Brazil iron ore export is estimated to catch up from late July. On the demand side, blast utilisation rate is at 89.62%, which was 1.54% lower on the year. The utilisation was 1-1.5% lower on the year in July. The mills iron ore inventories reached 90.34 million tons, which was 902,200 tons higher than past year. Oversupply was still the major theme on iron ore market in mid-run.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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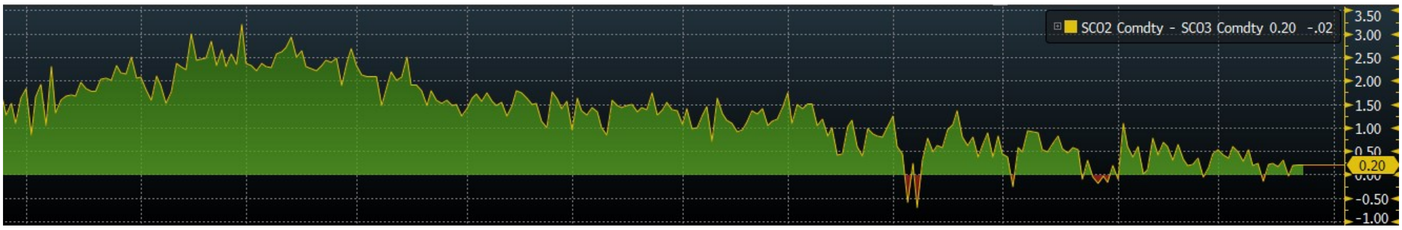
Market Review(Cont'd):

The major steel mills had decreased EXW rebar price by 50-100 yuan/ton for cargoes delivered in late July. Prices started a correction from early June. Virtual steel margin started to recover to 2 yuan/ton from –88 yuan/ton in early July as the fast correction on raw materials. Physical margins are expected to catch up as buyers are preferring discount cargoes and low grade, which has decreased the overall cost.

The active spread level maintained a slow movement at around $0.2/0.25 over the past four weeks, however there should be more rooms in the third quarter. The level was close to the year-low level at $0.15.

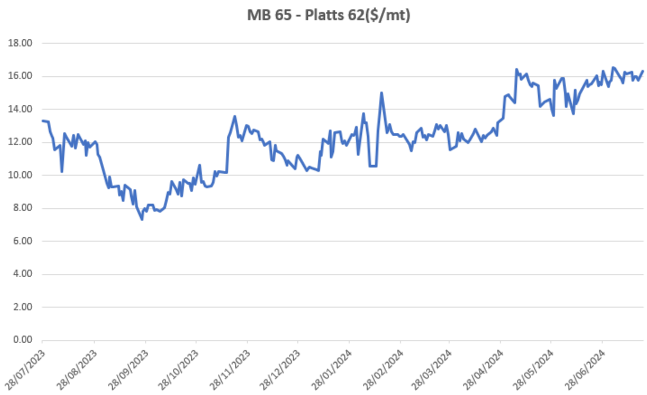
Iron ore may potentially start to stablise after a sharp correction.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

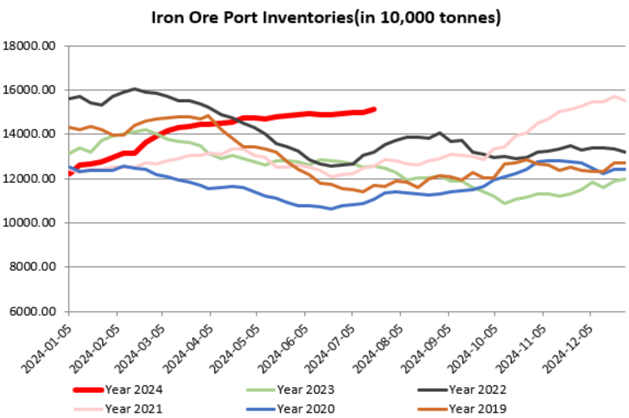
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	103.2	108.75	-5.10%
MB 65% Fe (Dollar/mt)	119.5	125	-4.40%
Capesize 5TC Index (Dollar/day)	24521	27058	-9.38%
C3 Tubarao to Qingdao (Dollar/day)	25.97	26.78	-3.02%
C5 West Australia to Qingdao (Dollar/day)	9.705	9.89	-1.87%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3270	3290	-0.61%
SGX Front Month (Dollar/mt)	104.52	108.01	-3.23%
DCE Major Month (Yuan/mt)	801	825.5	-2.97%
China Port Inventory Unit (10,000mt)	15,131.01	14,988.89	0.95%
Australia Iron Ore Weekly Export (10,000mt)	902.20	995.40	-9.36%
Brazil Iron Ore Weekly Export (10,000mt)	194.20	230.80	-15.86%

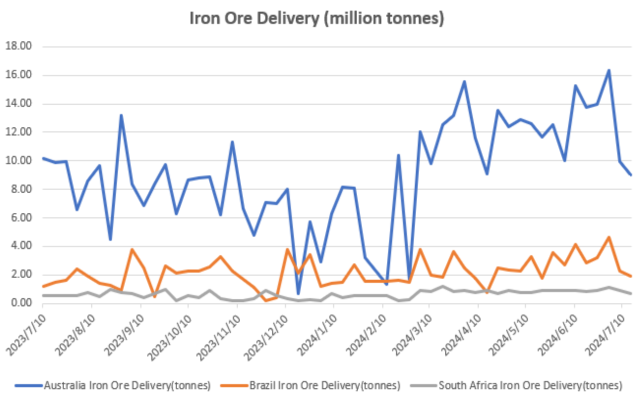


Iron Ore Key Points

- 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.



- The iron ore port inventories refreshed year-high at 151.31 million tons after consolidated in 148– 149 million tons range for nine weeks.

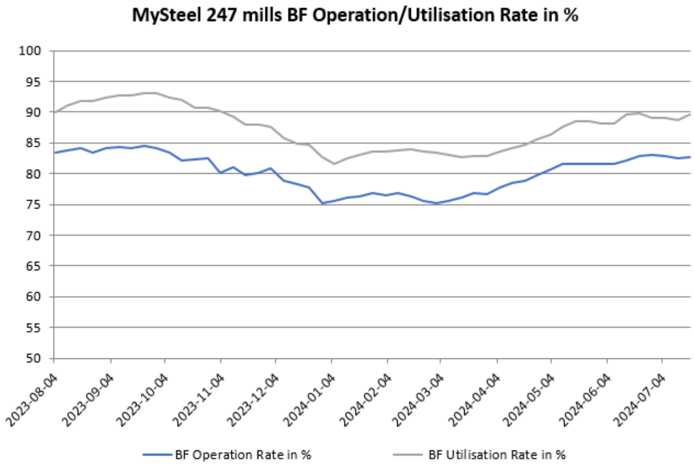


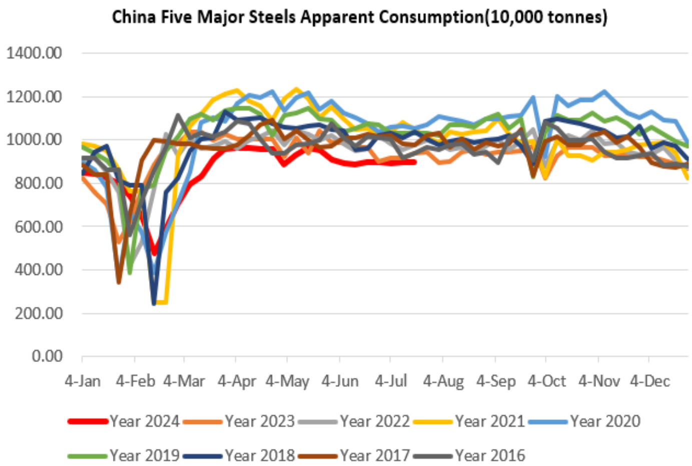
- The delivery of Australia was high in Q2 and early half of Q3. Brazil delivery expected to pick up in Q3.

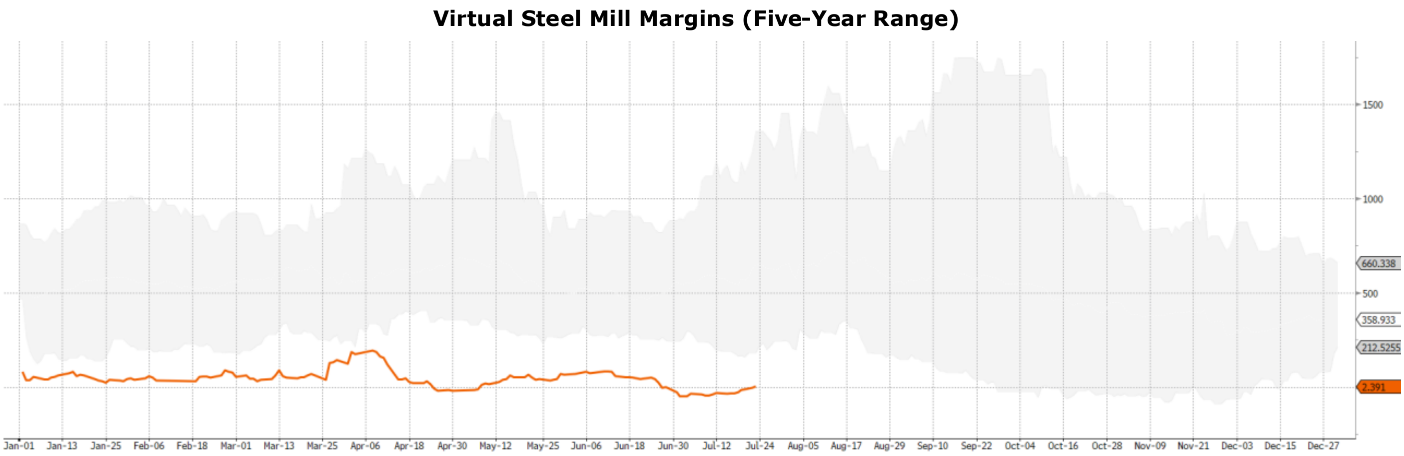
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	657	665	**-1.20%**
LME Rebar Front Month (Dollar/mt)	575	576	**-0.09%**
SHFE Rebar Major Month (Yuan/mt)	3474	3519	**-1.28%**
China Hot Rolled Coil (Yuan/mt)	3635	3666	**-0.85%**
Vitural Steel Mills Margin(Yuan/mt)	2	-35	**105.71%**
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%**





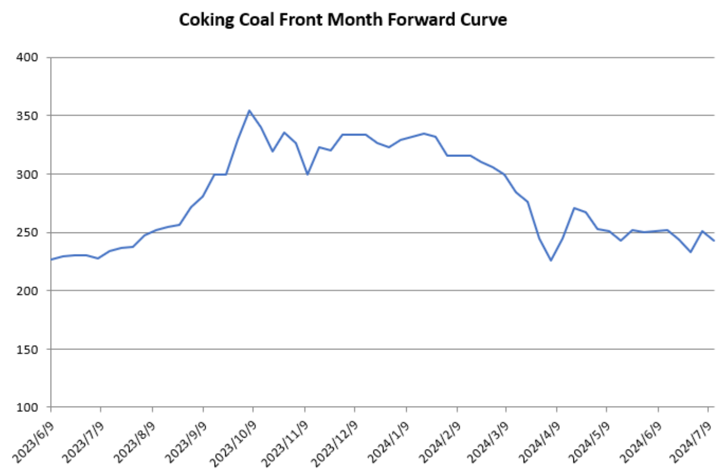


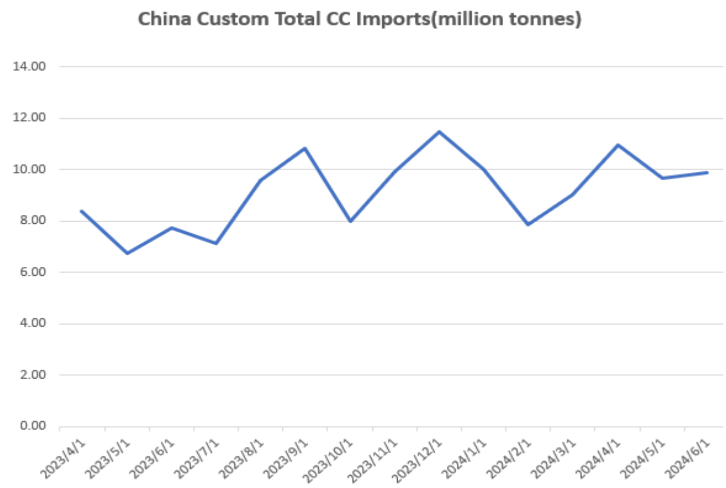
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margin recovered from –88 yuan/ton in early July to 2 yuan/ton in late July.
- The major types of steel consumption remained stable, approaching the level during same period in 2023.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	227	234	**-2.99%**
Coking Coal Front Month (Dollar/mt)	228	243	**-6.17%**
DCE CC Major Month (Yuan/mt)	1552	1566	**-0.89%**
Top Six Coal Exporter Weekly Shipment(Million mt)	9.15	17.66	**-48.19%**
China Custom total CC Import Unit mt	9,867,290	9,678,864	**1.95%**





Coal Key Points

- FOB Australia coking coal saw pressure towards resales on front laycans. The demand became unsustainable.

- China pig iron production level entered a decreasing trend in July and August.

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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