FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. Iron ore corrected with high arrivals and port stocks. Pig iron consumption levels were similar to last month or the same period over the past year. Physical market started bottom hunting.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bearish**. The heavy rains reduced in China in August, and some downstream project operations were back to normal.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bearish**. The decreasing buy side interest and lower bid levels pulled the market down on FOB coking coal market. The Chinese physical coke market started price cuts.

Prices Movement	29-Jul	22-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	101.45	103.20	1.70%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3520.0	3584.0	1.79%	Neutral to Bearish	↘
Hard Coking Coal FOB Australia($/MT)	216.90	227.0	4.45%	Neutral to Bearish	↘

Market Review:

Iron Ore Market:

Iron ore corrected by 1.70% during past reporting week. As we expected, iron ore corrected, however it seems that it has almost priced in all bearish sentiment before the weekend. Physical buyers were now seen to be looking for new opportunities.

The Central Bank Week expects to bring some excitement and volatility for the commodity market. US GDP growth in Q2 reached 2.8%, 0.8% higher than Q1. US PCE in June was up 0.1% on the month, at expected levels. The interest rate hike probability increased after the release of this data. The G20 announced that the global economy could see a soft-landing, however it warned war could threaten this prospect. Chinese industrial profits were in H1 2024 were up by 3.5% on the year, while creating consecutive growth from April to June. However Citi Bank adjusted down Chinese GDP growth rate predictions for 2024 from 5% to 4.8%. Vietnam proposed an anti-dumping tax on Chinese and Indian goods. If the tax launches, the export of flat steels from China could lose their competitiveness in the South-east Asian market.

Chinese iron ore port stocks hiked by 1.94% during past week to 152.80 million tons, maintaining static for the last nine weeks. The port stocks refreshed year-highs as well as seasonal highs. Chinese H1 iron ore imports reached 611.6 million tons, up 6% on the year. The growth was mainly contributed by Australia, India, Peru and Iran. In H2, the market expects Brazilian iron ore exports to recover and be a new driver for increasing import. The blast utilisation rate was 89.61%, slightly lower than the past week and past year. The EAFs utilisation rate was 44.5% past week, down from 50% in the beginning of July, which was 5.5% lower on the year. Blast furnaces had more space to produce as the lower EAFs production rate had been affected by expensive electricity prices. Physical coke prices started price cuts by 50—55 yuan/ton after two rounds of price hikes by 200—220 yuan/ton.

On the trade flows in the physical market, there has always a group of buyers looking for dip buying after a 10% drop on iron ore futures market. Iron ore seaborne enquiries and trades were significantly improved last Thursday and Friday. PBFs regained popularity after the index corrected over two weeks. NHGF supplies even became tight at ports. MACF was traded higher from $96.25 to $98.50 on Friday. Vale sold SFCJ during past week, which became a new competitor to mainstream concentrates because of the discount preference and similar qualities.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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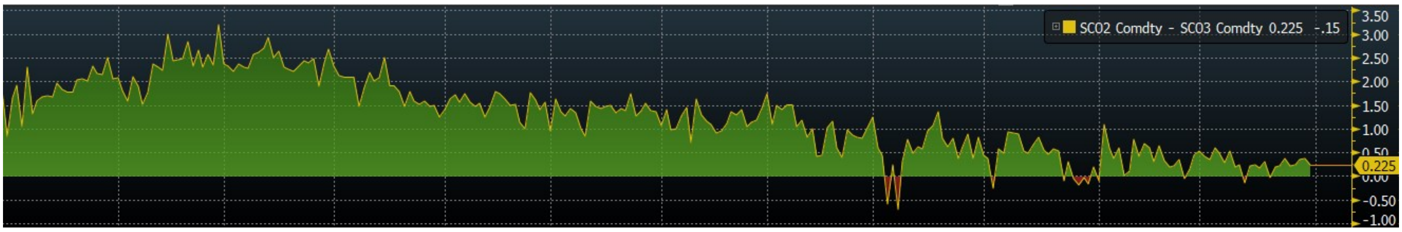
Market Review(Cont'd):

Most of mills decreased EXW price of rebar in late July. Virtual steel margins were stuck at negative prices for most of June and July. The poor margin levels forced steel mills to start many rounds of maintenance and keep utilisation rates at lower levels from late July to late August.

The active spread level remained around $0.20/0.25 over the last six weeks, however there should be more room in the third quarter. The level was close to year-lows at $0.15.

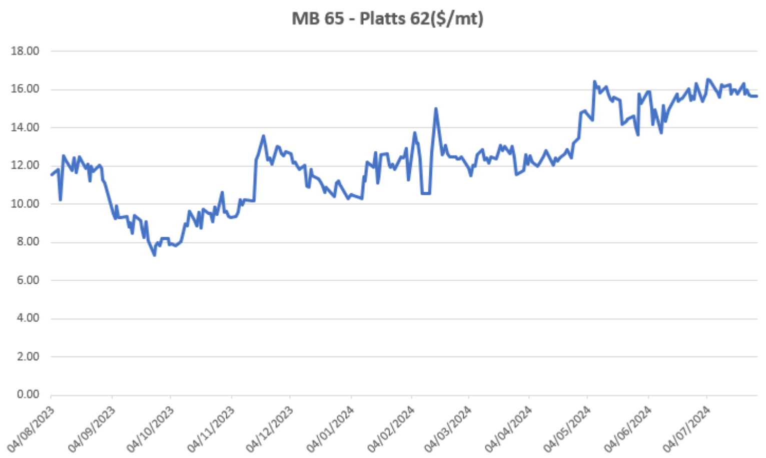
We expect iron ore to now stablise after the recent correction.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

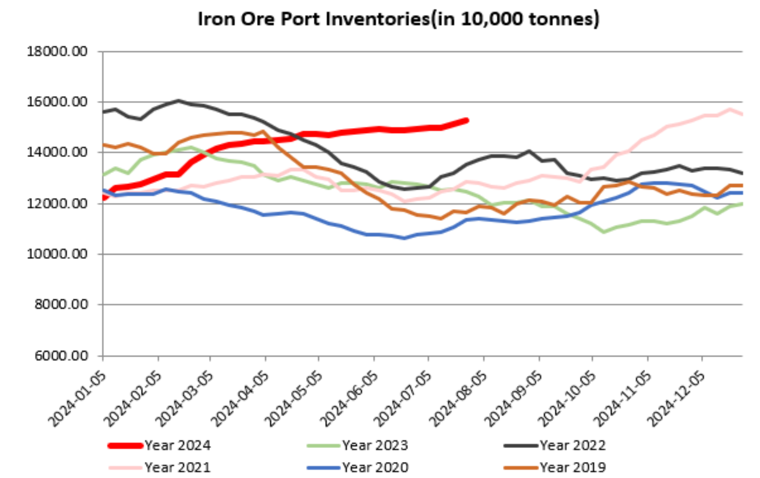
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	101.45	103.2	-1.70%
MB 65% Fe (Dollar/mt)	117.08	119.5	-2.03%
Capesize 5TC Index (Dollar/day)	21411	24521	-12.68%
C3 Tubarao to Qingdao (Dollar/day)	24.57	25.97	-5.39%
C5 West Australia to Qingdao (Dollar/day)	9.52	9.705	-1.91%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3170	3270	-3.06%
SGX Front Month (Dollar/mt)	102.17	104.52	-2.25%
DCE Major Month (Yuan/mt)	780	801	-2.62%
China Port Inventory Unit (10,000mt)	15,279.94	15,131.01	0.98%
Australia Iron Ore Weekly Export (10,000mt)	1,095.10	902.20	21.38%
Brazil Iron Ore Weekly Export (10,000mt)	242.40	194.20	24.82%

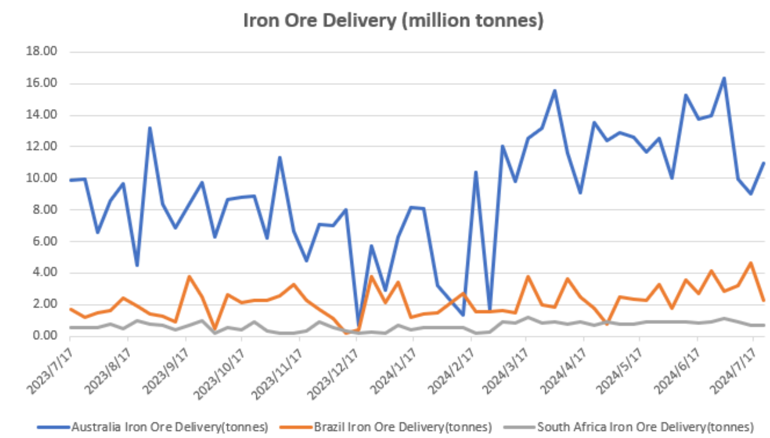


Iron Ore Key Points

- As expected, MB65—P62 maintained in the $14.50– 16 range during the past few weeks. The squeeze on steel margins potentially squeezed the current spread from $15.95 to $15 level in Q3.



- The iron ore port inventories refreshed year-highs at 152 million tons after consolidated in 148–149 million tons range for nine weeks.

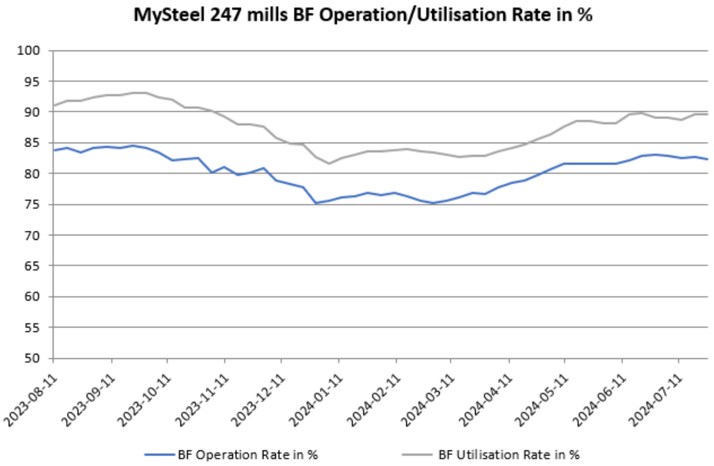


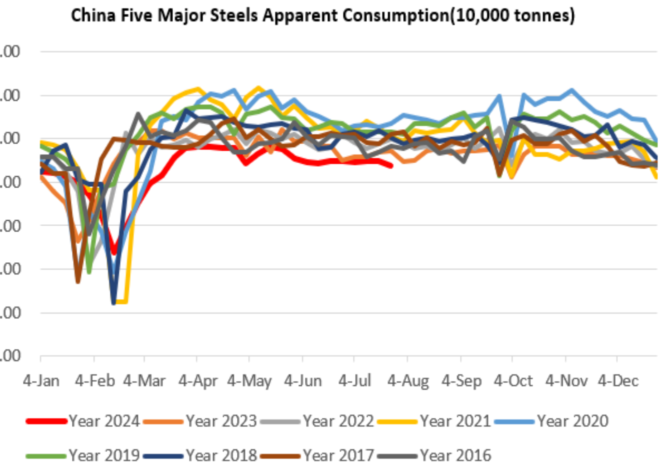
- The delivery of Australia maintained high in Q2 and early half of Q3. Brazil delivery expected to pick up in Q3.

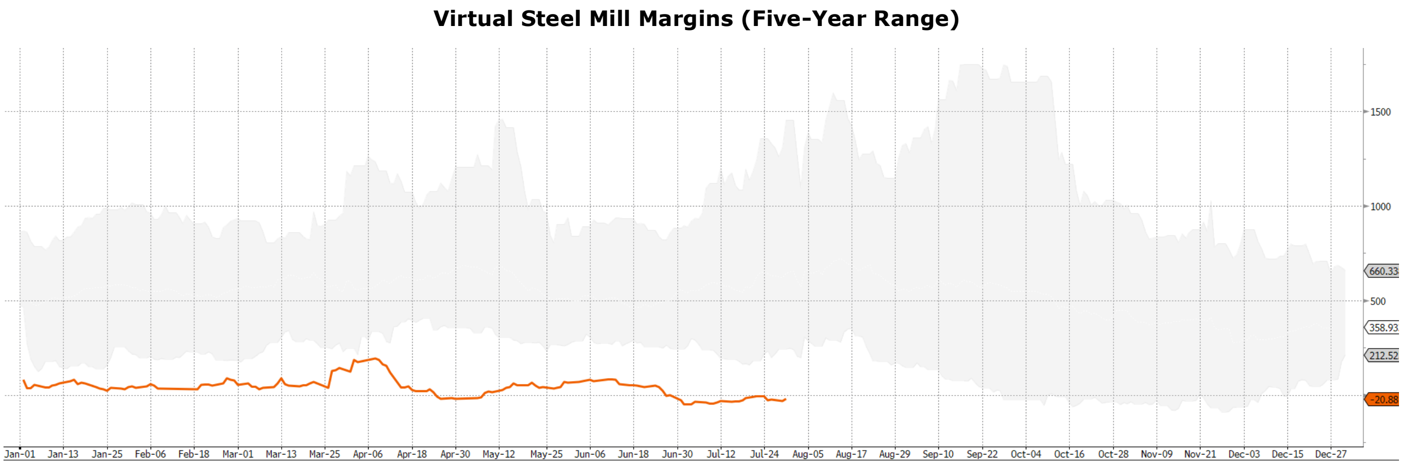
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	664	657	1.07%
LME Rebar Front Month (Dollar/mt)	577.5	575	0.43%
SHFE Rebar Major Month (Yuan/mt)	3376	3474	-2.82%
China Hot Rolled Coil (Yuan/mt)	3527	3635	-2.97%
Vitural Steel Mills Margin(Yuan/mt)	-20	2	-1100.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	91600	92900	-1.40%
World Steel Association Steel Production Unit(1,000 mt)	161,400	165,100	-2.24%





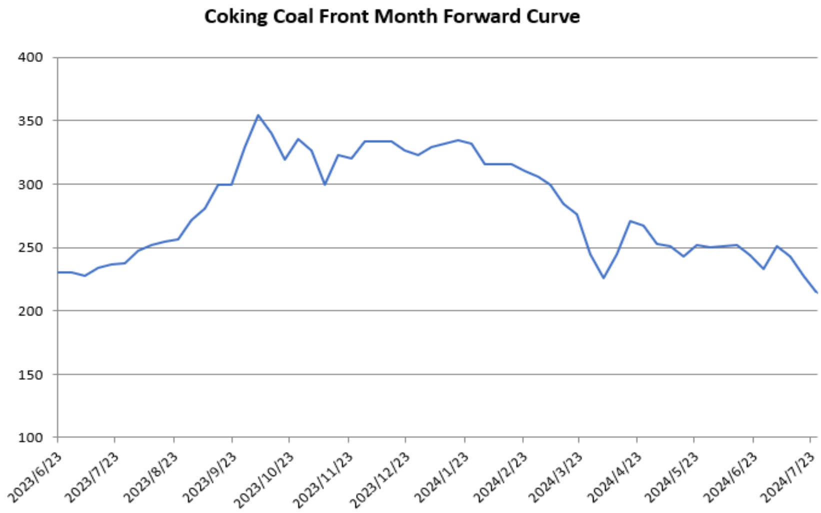


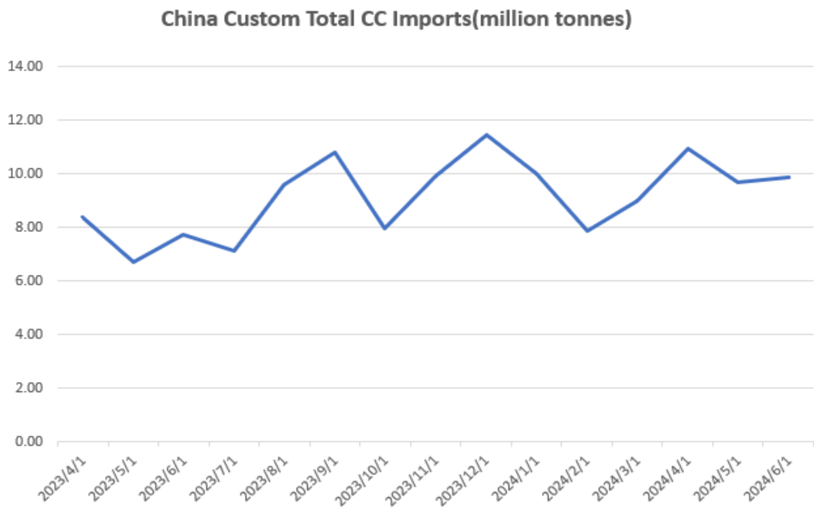
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins maintained below 0 for most of July, while physical margins were in a similar condition. Poor margins forced many Chinese mills to start maintenance from late July.
- The major types of steel consumption remained at seasonal low levels.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	216.9	225	**-3.60%**
Coking Coal Front Month (Dollar/mt)	214	228	**-6.14%**
DCE CC Major Month (Yuan/mt)	1487	1552	**-4.19%**
Top Six Coal Exporter Weekly Shipment(Million mt)	10.24	15.78	**-35.11%**
China Custom total CC Import Unit mt	9,867,290	9,678,864	**1.95%**





Coal Key Points

- FOB Australia coking coals saw pressure towards resales on front laycans. The demand became unsustainable.
- China steel mills started price cut by 50—50 yuan/ton for the first time after a 200 –220 yuan increase in June and July.
- China pig iron production levels 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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