

FIS Ferrous Weekly Report

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

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. Iron ore prices corrected for three weeks, however market is expecting a restocking in late August. The price level was oversold.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Some types of steel refreshed their five-year-lows in China. The export of flat steels is expected to decrease in H2 2024. However, the physical index was slightly higher compared to major steel types in most areas.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Steel prices remained low due to the weak steel demand in China. The stabilisation of steel price became an important reversal signal for FOB coking coal market recently.

Prices Movement	19-Aug	12-Aug	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	94.45	98.85	4.45%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3321.0	3389.0	2.00%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	204.5	212.0	3.54%	Neutral	-

Market Review:

Iron Ore Market:

Iron ore corrected by 4.45% during the last report week due to slow destock versus high supply. However, iron ore could potentially start to recover from the bottom thanks to the expectations of a warm season in September.

The US and European stock markets improved quickly during the past two weeks. In addition, the market bet on some positive signals from the central bankers meeting in Jackson Hole. Thus, commodity market saw a delayed reaction following the positive sentiment on equity this week. Gold, Natural Rubber, Crude Oil, Copper and Ferrous improved significantly late Friday and early Monday.

Looking at the downstream market, Cold Rod Coil saw the lowest average of the past five years at 3770 yuan/ton, while some areas reached 3500 yuan/ton. The new deliverable rebar benchmark came out in August, and it will replace some old brands of rebars. However, it will only impact those who need physical delivery in October 2024. The change of benchmark should not impact the overall steel sale and demand at all. Some independent research companies expected a decrease of more than 20% of export of flat steels from China due to tariffs and quota. Iron ore saw a small decrease of port stocks from 152 million tons to 150 million tons during the past four weeks, while the absolute number was 29.84 million tons higher on the year. Mills iron ore inventories were 7.04 million tons higher on the year. Vale maintain high delivery through Q3. Blast furnace utilisation rate 85.92%, down 1.1% on the week and 5.87% YoY. The reversal of fundamental needs to see a significant decrease on inventory and an increase on utilisation rate. However, the futures normally move early.

The virtual steel margin stayed in the negative area through most of time of Q2 and the first half of Q3, which impacted steel production. MACF kept the most popular brands during the past two weeks, eyeing resilient trade. Mainstream concentrates saw sluggish demand because of both production loss and landing loss.

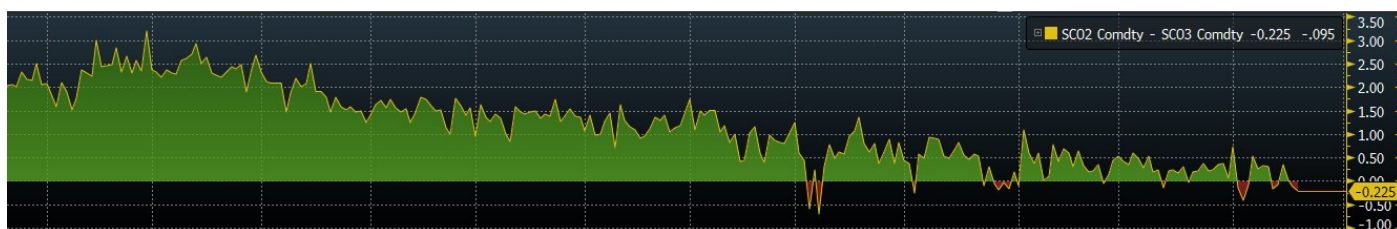
The front spread Sep24– Oct24 became contango at -\$0.20. Last time, it happened from March 2022 to April 2022. After, the spread curve recovered quickly. We expected a fast recovery in late August or early September. Remember to roll major spread from Sep24– Oct24 to Oct 24–Nov 24 when it comes to September.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review(Cont'd):

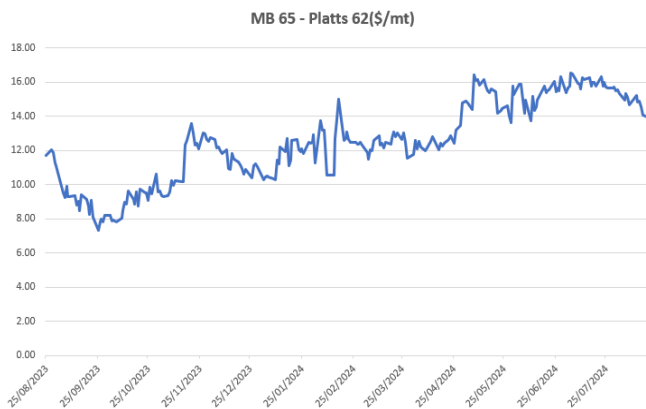
The monthly average of MB65– P62 spread dropped from \$15.89 to \$14.86 from July to August. Previously, we expected the spread level to stay rangebound from \$14 - 16 for most of time from June to August. It is hard to see both fundamental or statistical change on this spread in August. Although improved steel margin may level up spread, increased Brazil delivery and lower mid-grade price resisted the spread growth.

In general, iron ore saw a rebound following restocking expectation and risk appetite improvement after an oversold.



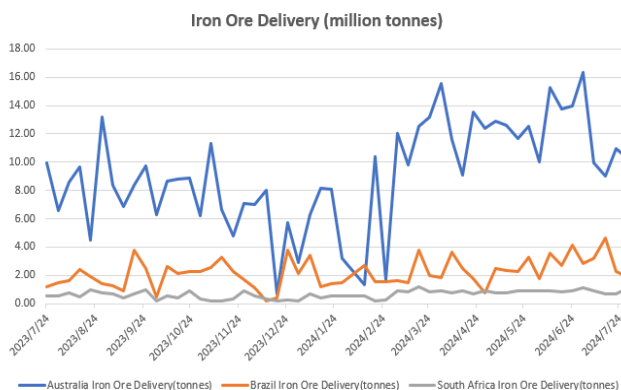
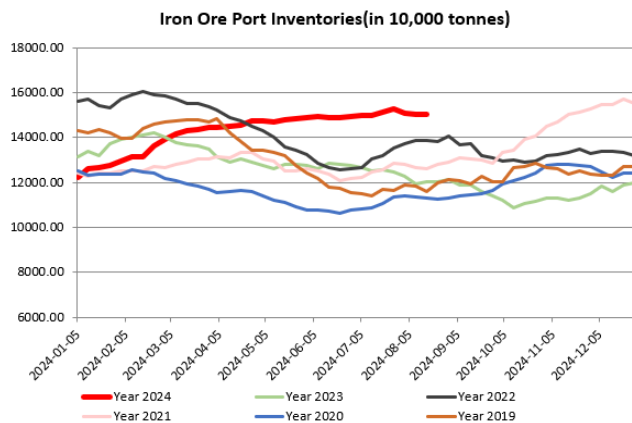
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	94.45	98.85	-4.45%
MB 65% Fe (Dollar/mt)	108.38	114.05	-4.97%
Capesize 5TC Index (Dollar/day)	21510	20008	7.51%
C3 Tubarao to Qingdao (Dollar/day)	25.215	24.725	1.98%
C5 West Australia to Qingdao (Dollar/day)	10.755	10.038	7.14%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2860	3070	-6.84%
SGX Front Month (Dollar/mt)	92.01	101.09	-8.98%
DCE Major Month (Yuan/mt)	707	742	-4.72%
China Port Inventory Unit (10,000mt)	15,043.96	15,090.31	-0.31%
Australia Iron Ore Weekly Export (10,000mt)	922.05	1,204.90	-23.47%
Brazil Iron Ore Weekly Export (10,000mt)	239.20	284.80	-16.01%



Iron Ore Key Points

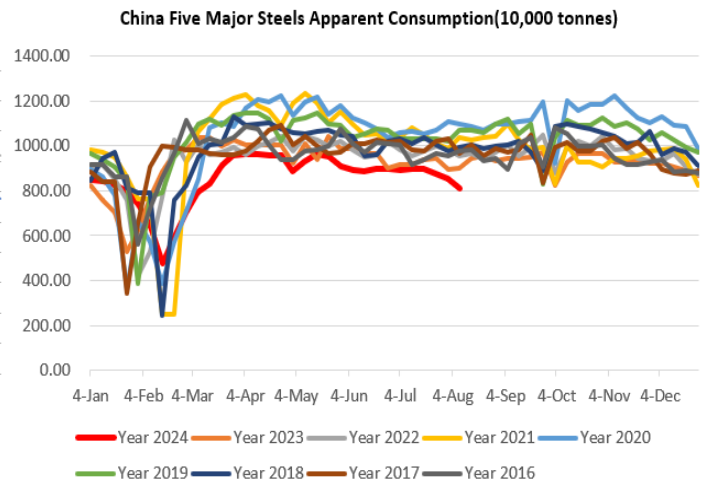
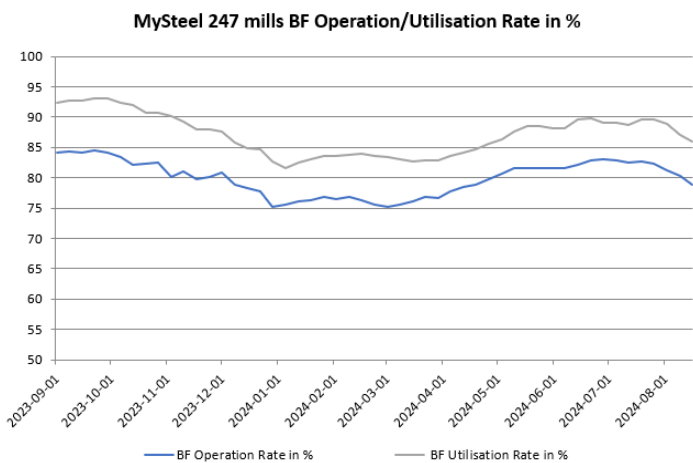
- As expected, MB65—P62 stayed in the \$14.5– 16 range during the past two months as expected.
- The iron ore port inventories dropped from year-high and seasonal high at 152 million tons. The market expects an increased seasonal demand.
- Brazil delivery picked up significantly in August and is expected to remain high through Q3.



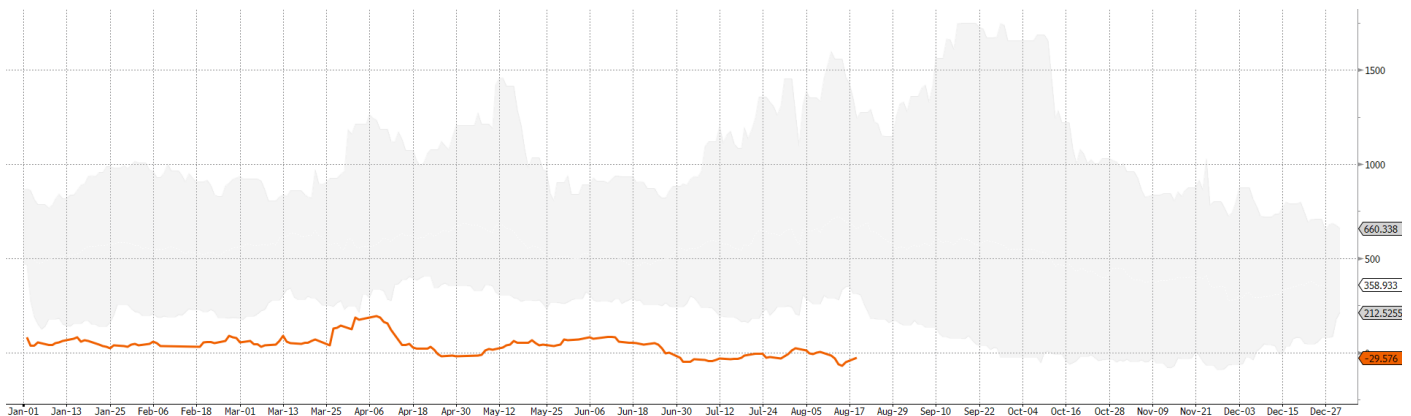
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	656	680	-3.53%
LME Rebar Front Month (Dollar/mt)	565.5	571	-0.88%
SHFE Rebar Major Month (Yuan/mt)	3112	3286	-5.30%
China Hot Rolled Coil (Yuan/mt)	3142	3396	-7.48%
Vitural Steel Mills Margin(Yuan/mt)	-30	-15	100.00%
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%



Virtual Steel Mill Margins (Five-Year Range)



Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margin curve stayed negative for most of time from June to August. The low margin resisted production level.
- The major types of steel consumption dropped fast to a seasonal low area.

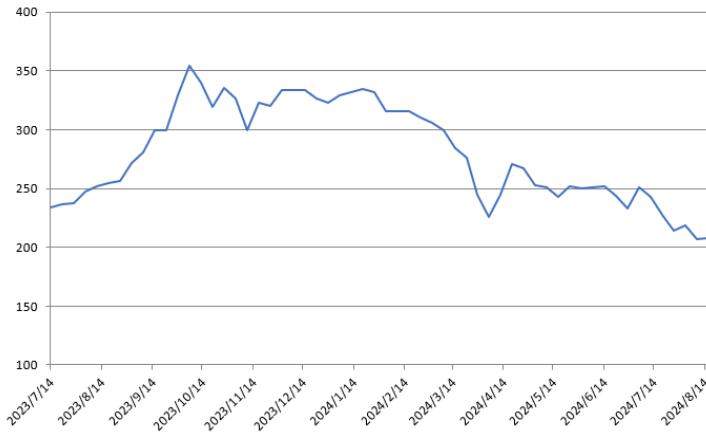
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	204.5	206	-0.73%
Coking Coal Front Month (Dollar/mt)	208	207	0.48%
DCE CC Major Month (Yuan/mt)	1367	1398	-2.22%
Top Six Coal Exporter Weekly Shipment(Million mt)	12.44	16.18	-23.11%
China Custom total CC Import Unit mt	9,867,290	9,678,864	1.95%

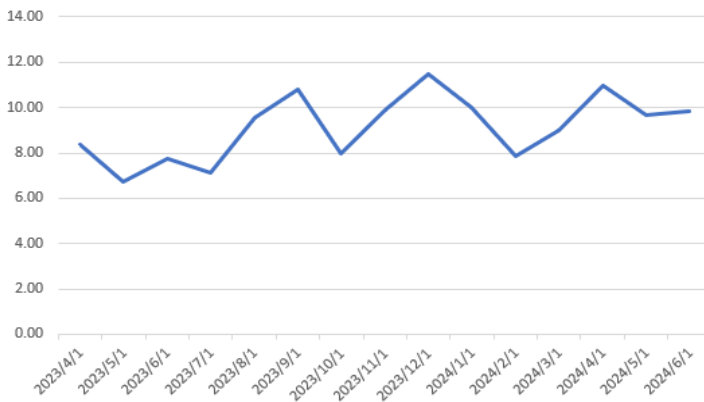
Coal Key Points

- FOB Australia coking coal saw some trades after a continuous drop on offers.
- China steel mills proposed the fifth rounds of physical coke cut by 50- 55 yuan/ton.
- China pig iron production level entered a decreasing trend in August after mills maintenance.

Coking Coal Front Month Forward Curve



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.

Written by **Hao Pei**,

FIS Senior Research Analyst

haop@freightinvestor.com

Edited by **Davide Annarumma**

Senior Communications Specialist