FIS

# Ferrous Weekly Report

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## 6/8/2024

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Iron ore saw pressure on high delivery, however saw resilient demand and gradual decrease on port stocks.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. China mills started to protect August EXW steel price and started maintenance.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The offer gradually approached the buyers expectation, price stablised during the past week.

| Prices Movement | 5-Aug | 29-Jul | Changes % | Sentiment | |
|---|---|---|---|---|---|
| Iron Ore Fe62% CFR China($/MT) | 104.10 | 101.45 | 2.61% | Neutral | - |
| Rebar 25mm Shanghai (Yuan/MT) | 3470.0 | 3520.0 | 1.42% | Neutral | - |
| Hard Coking Coal FOB Australia($/MT) | 215.00 | 216.90 | 0.88% | Neutral | - |

## Market Review:

### Iron Ore Market:

Iron ore rebounded by 2.61% during the past report week. The price decrease trend called an end in short-run, eyeing resilient demand on pig iron and expecting a busy season in September.

After the unexpected interest rate hike from the Bank of Japan, the Dollar index depreciated fast after due to the unwinding of carry trade. Nikkei dropped by 12.5% on Monday and erased most of its loss by Tuesday. Going forward, if global equities would enter a "recession mode", commodities could potentially return on the descending trend. On the other side, if the correction on equities ends soon, commodities may become more attractive to investors. The market was expecting the busy season for ferrous in September. Since late July, many major mills in China jointly guaranteed price protection in August, to prevent further decrease on finished steel.

After refreshed year-high and seasonal high at 152.8 million tons, China iron ore port inventories started to drop during the past week by 1.89 million tons. The blast utilisation rate was 88.87%, 0.74% lower than past week and 1.19% lower than 2023 because of mills proactive maintenance. The EAFs utilisation rate was 41.95% past week, down from 50% in the beginning of July, which was 5.7% lower on the year. The decrease on EAFs were due to extreme weather as well as high electricity price. The physical coke price cut for two rounds total 100-110 yuan/ton from last July. Australia FOB coking coal price potentially stablise because of narrower bid and offer spread and increasing enquiries. In general, both supply and demand of iron ore started to decrease in August. A faster decrease on supply could potentially reverse the glut.

The physical market was quiet during the past week, while traders were waiting for a clear direction. Virtual steel margin reached 7 yuan/ton, and stayed in the low area from mid-July to early August. Given a stable steel price in August, the virtual margin change largely depend on iron ore and coking coals. The discount trades were dominating the market during past week. JMBF was traded at discount of $7.48/mt on September, largely maintained at the same level of last week. The last MACF was traded at $98.2, up by $0.65 on the week. There was PBF in early September. Thus, the index level increase was much bigger than the discount. Market was concerning about bubble squeezing on the index level. Physical trades were expected to pick up from mid-August as some restocking demand in September may be coming. Physical market saw a strong support above $100/mt index level for several times in 2024.

***Data Sources: Bloomberg, Platts, Fastmarket, FIS***

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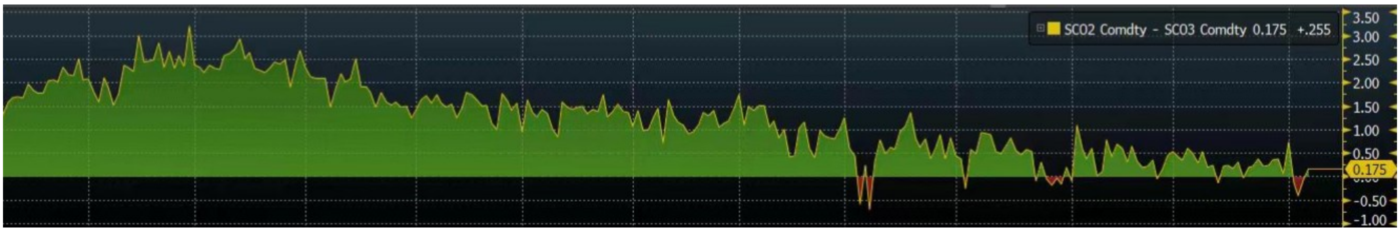
## Market Review(Cont'd):

The monthly average of MB65– P62 spread dropped from $15.89 to $15.44 from July to August. We expected that the spread level to potentially stay in the rangebound from $14.5-16 for most of time from June to August. It is hard to see both fundamental or statistical change on spread in August. Although improved steel margin may level up spread, increased Brazil delivery and lower mid-grade price resisted spread growth.

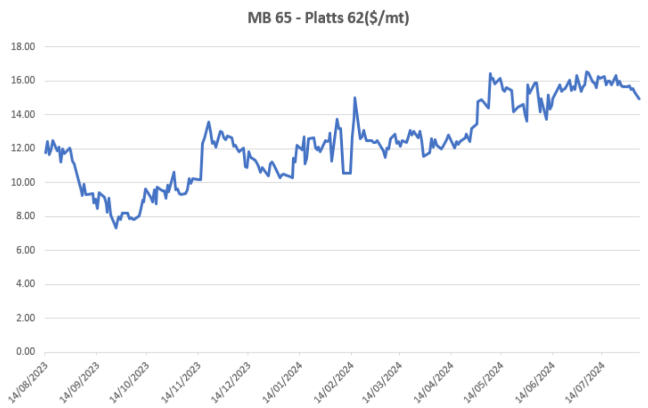
The active spread level slowly moved around $0.15—0.25 for seven weeks, however there should be more room in the third quarter. The level was close to the year-low level at $0.15. In general, we still believe that iron ore potentially could potentially start to stablise after a sharp correction, as outlined in our previous report.




*Data Sources: Bloomberg, Platts, Fastmarket, FIS*

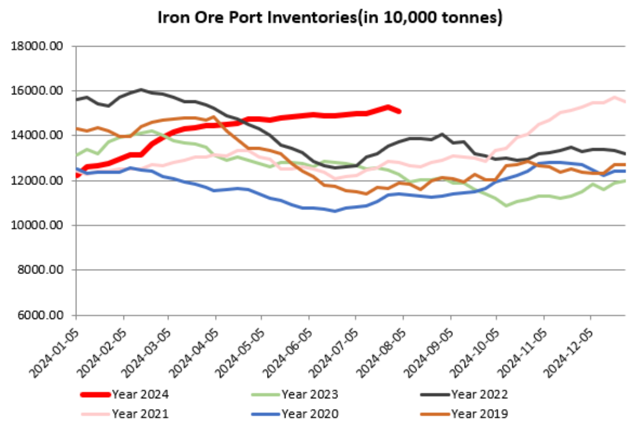
# Iron Ore

| | Last | Previous | % Change |
|---|---|---|---|
| **Platts 62% Fe (Dollar/mt)** | 104.1 | 101.45 | 2.61% |
| **MB 65% Fe (Dollar/mt)** | 119.02 | 117.08 | 1.66% |
| **Capesize 5TC Index (Dollar/day)** | 19499 | 21411 | -8.93% |
| **C3 Tubarao to Qingdao (Dollar/day)** | 23.67 | 24.57 | -3.66% |
| **C5 West Australia to Qingdao (Dollar/day)** | 9.735 | 9.52 | 2.26% |
| **Billet Spot Ex-Works Tangshan (Yuan/mt)** | 3140 | 3170 | -0.95% |
| **SGX Front Month (Dollar/mt)** | 103.81 | 102.17 | 1.61% |
| **DCE Major Month (Yuan/mt)** | 761.5 | 780 | -2.37% |
| **China Port Inventory Unit (10,000mt)** | 15,090.31 | 15,279.94 | -1.24% |
| **Australia Iron Ore Weekly Export (10,000mt)** | 1,030.30 | 1,095.10 | -5.92% |
| **Brazil Iron Ore Weekly Export (10,000mt)** | 257.70 | 242.40 | 6.31% |

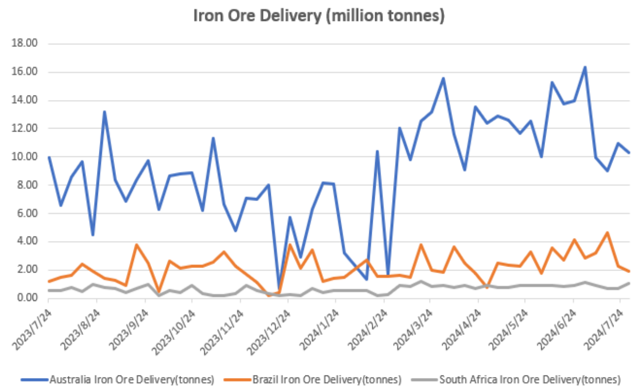



**Iron Ore Key Points**

- As expected, MB65—P62 stayed in the $14.5– 16 range during the past few weeks. The squeeze on steel margin could decrease the current spread from $15.95 to $15 level in Q3.




- The iron ore port inventories dropped from year-high and seasonal high at 152 million tons. The market expects a destocking in August and September.

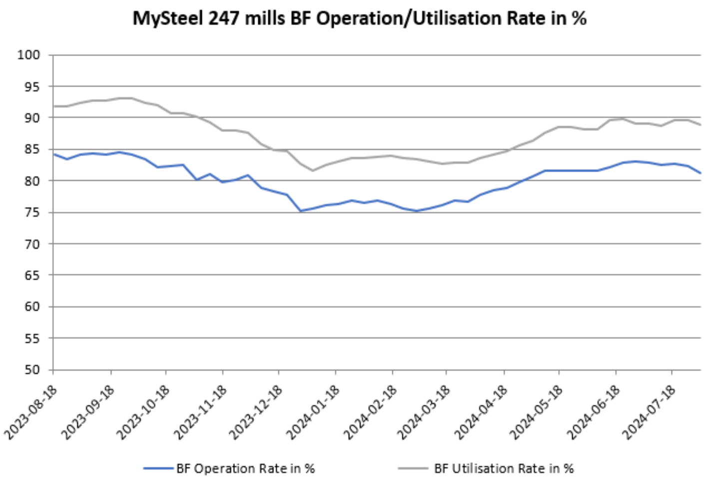


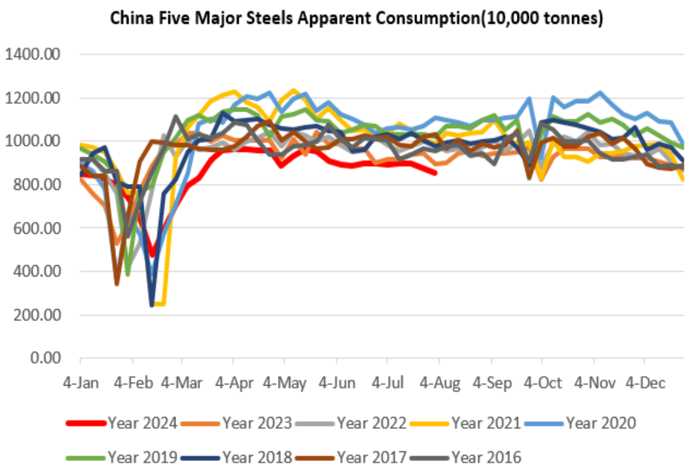

- The delivery of Australia stayed high in Q2 and early half of Q3. Brazil delivery is expected to pick up in Q3.

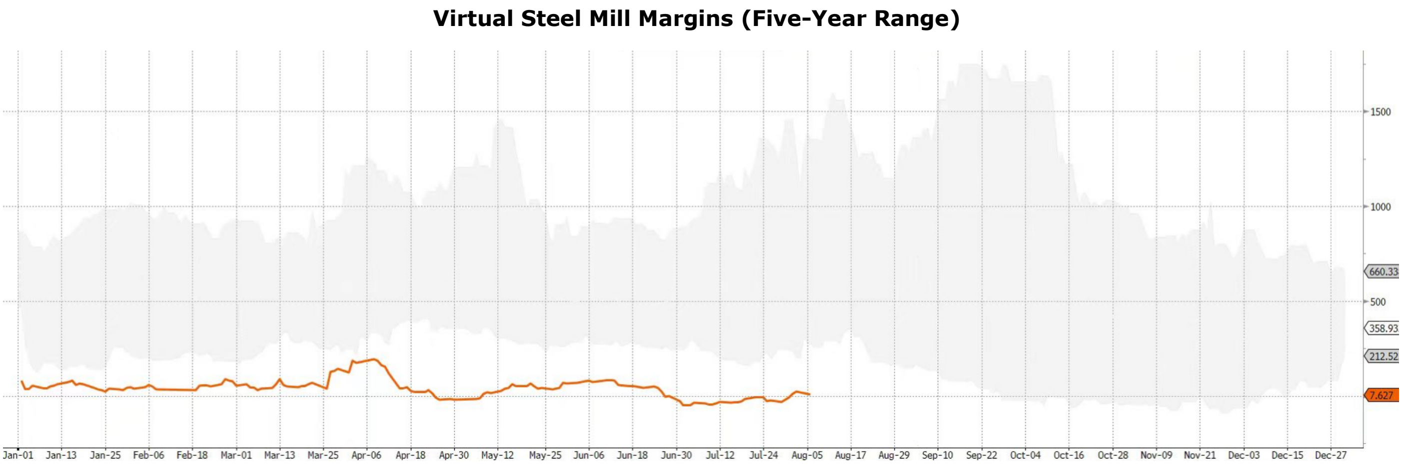
***Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS***

# Steel

| | Last | Previous | % Change |
|---|---|---|---|
| **US HRC Front Month (Dollar/mt)** | 681 | 664 | 2.56% |
| **LME Rebar Front Month (Dollar/mt)** | 570 | 578 | -1.30% |
| **SHFE Rebar Major Month (Yuan/mt)** | 3353 | 3376 | -0.68% |
| **China Hot Rolled Coil (Yuan/mt)** | 3466 | 3527 | -1.73% |
| **Vitural Steel Mills Margin(Yuan/mt)** | 7 | -30 | 123.33% |
| **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% |



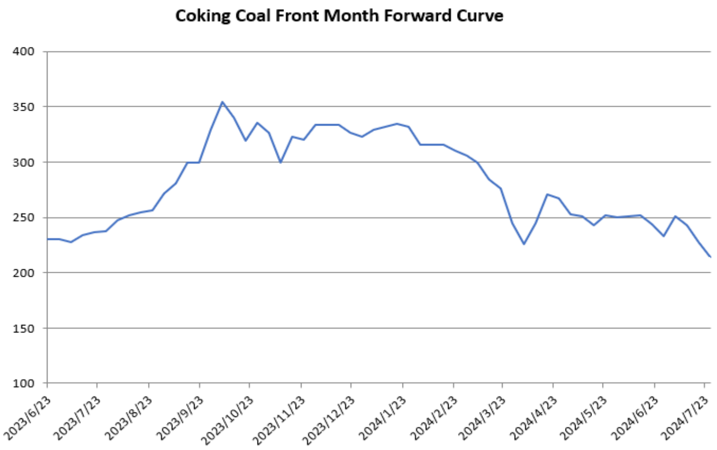




***Data Sources: Bloomberg, MySteel, FIS***

- The virtual steel mill margin curve changed after the active contract rolled to Jan25. The trend indicated a recovery from the lows of early July. However, the absolute level was in both seasonal-low and year-low area.
- The major types of steel consumption stayed at seasonal low area.

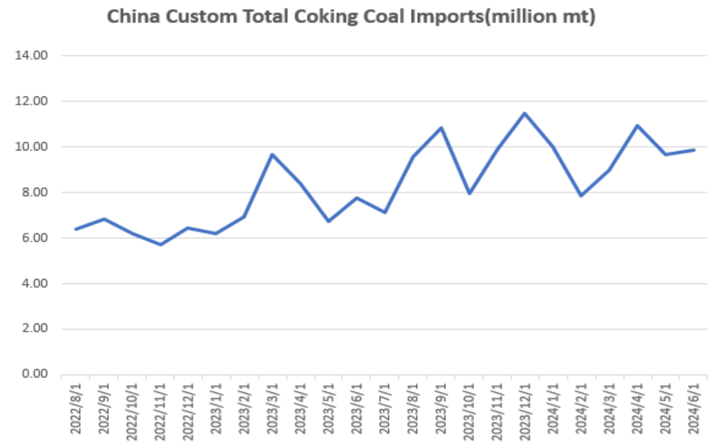
# Coking Coal

| | Last | Previous | % Change |
|---|---|---|---|
| **TSI FOB Premium Hard Coking Coal (Dollar/mt)** | 215 | 216 | -0.46% |
| **Coking Coal Front Month (Dollar/mt)** | 219 | 214 | 2.34% |
| **DCE CC Major Month (Yuan/mt)** | 1419.5 | 1487 | -4.54% |
| **Top Six Coal Exporter Weekly Shipment(Million mt)** | 10.65 | 15.68 | -32.08% |
| **China Custom total CC Import Unit mt** | 9,867,290 | 9,678,864 | 1.95% |




## Coal Key Points

- FOB Australia coking coals saw some trades after a continuous drop on offer.
- China steel mills started two rounds of price cut on physical coking coal by 100– 110 yuan/ ton from late July.
- China pig iron production level entered a decreasing trend in August after mills maintenance.




***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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