FIS

Ferrous Weekly Report

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

24/9/2024

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. The market entered a consolidation mode in mid September, with the delayed steel production as a downside risk. The support was given by the recovering of pig iron demand and global cuts of interest rates.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The major types of steels entered a destocking phase in September during the construction season. Mills eyed recovering demand on steel. Some eastern China mills hiked rebar price delivered in late September.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. Although demand remained limited for Australia FOB coking coal, the supply side became tight. China cokery plants proposed the second rounds of price hike by 50 – 55 yuan/ton.

Prices Movement	23-Sep	16-Sep	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	89.35	92.65	3.56%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3398.0	3357.0	1.22%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia($/MT)	185.0	181.0	2.21%	Neutral to Bullish	↗

Market Review:

Iron Ore Market:

Iron ore corrected by 3.56% during the past week. Iron ore potentially saw recovery after a fast drop in September. Recovering steel demand supported iron ore in near-term. The interest rate cut globally provided support from valuation angle.

Global market started the week following the unexpected Federal Reserve cut interest rate by 50 bps. Some economists expected at least two 25 bps cut in Q4. China cut RRR by 50 bps, following with cut on house loans and downpayment ratio. Global tariffs raised concerns on the sustainability of import and export on many commodities including steels and battery metals. The risk appetite of investment recovered and it will be a matter of time to see some recovery on commodity price in short-run.

Iron ore port stocks went down by 716,900 tons from the year-high at 154.09 million tons during past week. Steel mills inventories were 90.33 million tons. Port inventories are expected to shift to mills as the growing production of steels. However, iron ore delivery has yet to see a significant drop in late September and October from laycans schedules. Thus, the pig iron demand in China became the most important indicator to evaluate conditions of iron ore rebound. The physical trades stayed active during the past week after iron ore dropped fast in early September. NMF, MACF and JMBF were all traded in big size and fixed price compared to past four weeks. PBFs saw massive demand on $88.40– 88.50. There were some China domestic fines traded among secondary market. Physical market started to see positive sentiment from mid September.

The virtual steel margin got out of the negative area in August to positive number in September. Market participants expected a recovery on this margin level as well as physical steel making profits. At the same time, old brands of steels were almost 100% sold in mid-September before the new China national standards launched. Some HRC lines were shift to produce rebar, which led to a fast destock on HRC inventories. Some eastern China mills started to increase steel price for rebars delivered in late September. The physical side was slightly positive compared to futures market.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Ferrous Weekly Report

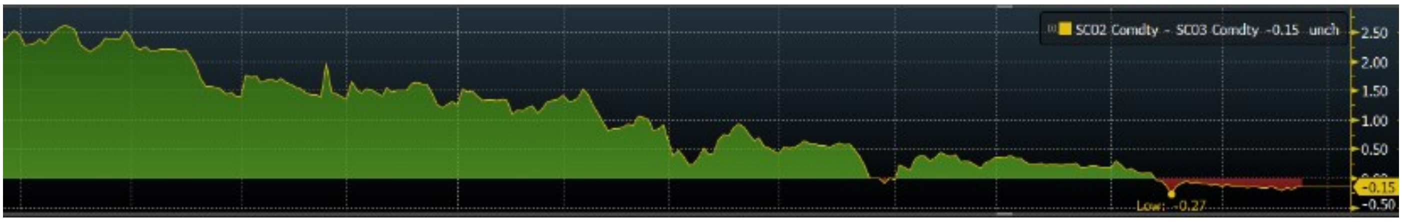
info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

Market Review(Cont'd):

The active spread Oct 24/Nov 24 was traded in the –$0.25 to –$0.10 range during past two weeks. The spread level could potentially see a rebound following the hike on the outright side. When the price structure was flat, outright direction normally believed as a leading indicator of spreads.

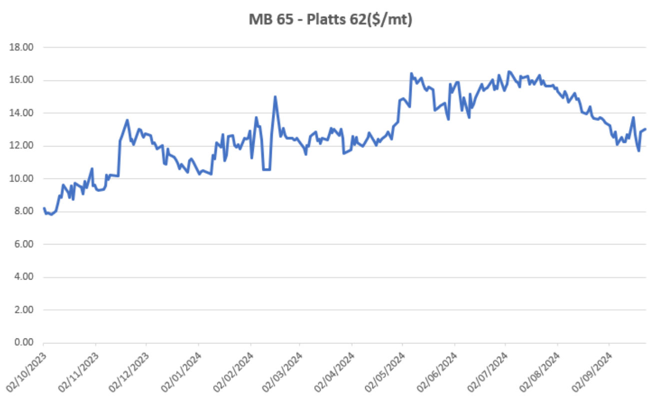
The MB65-P62 spread forecast range was revised to $11-13 from $14-16 from early September, the actual spread was traded at $12.61 as an average of September, which fell into our prediction. Under the background of thin steel margin and slow demand recovery pace, it is hard to see a big change on the spread level.

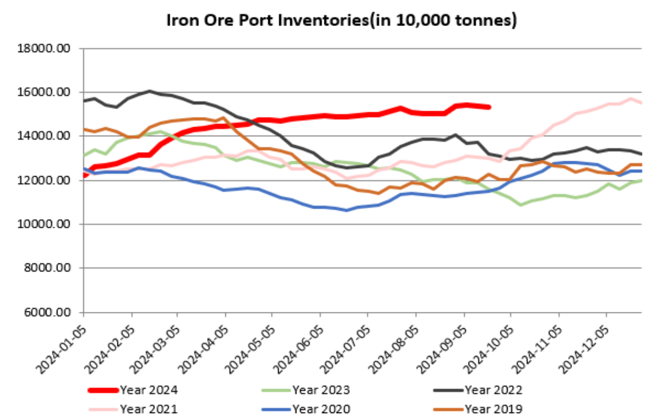
In general, iron ore could potentially see a rebound along with the macro recovery after interest cut.

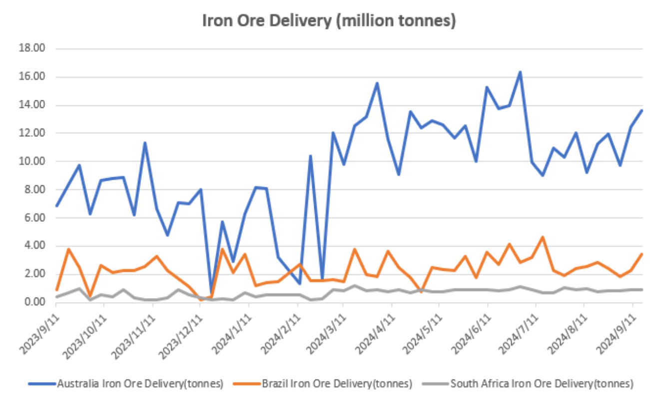


Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	89.35	90.95	-1.76%
MB 65% Fe (Dollar/mt)	102.38	104.66	-2.18%
Capesize 5TC Index (Dollar/day)	27162	25684	5.75%
C3 Tubarao to Qingdao (Dollar/day)	28.015	26.706	4.90%
C5 West Australia to Qingdao (Dollar/day)	11.775	11.64	1.16%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2900	2910	-0.34%
SGX Front Month (Dollar/mt)	91.67	92.80	-1.22%
DCE Major Month (Yuan/mt)	689.5	704	-2.06%
China Port Inventory Unit (10,000mt)	15,311.85	15,383.54	-0.47%
Australia Iron Ore Weekly Export (10,000mt)	1,359.00	1,245.70	9.10%
Brazil Iron Ore Weekly Export (10,000mt)	299.04	241.00	24.08%







Iron Ore Key Points

- MB65—P62 consolidated within the $11-13 range. The spread is expected to stay in this narrow range unless seeing a significant recovery on both steel margin and production.

- The iron ore port inventories gradually decreased from the year-high at 154 million tons. The acceleration on steel making in late September and October potentially decrease the port stocks. However, high delivery would prevent ports stocks from sharp drop on the other side.

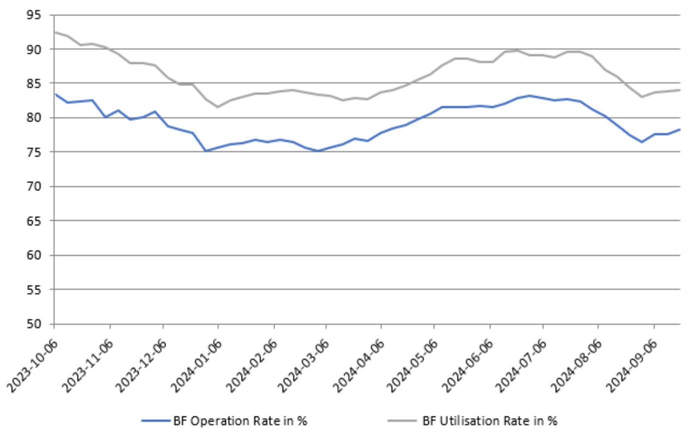
- Brazil delivery recovered fast in August and September.

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

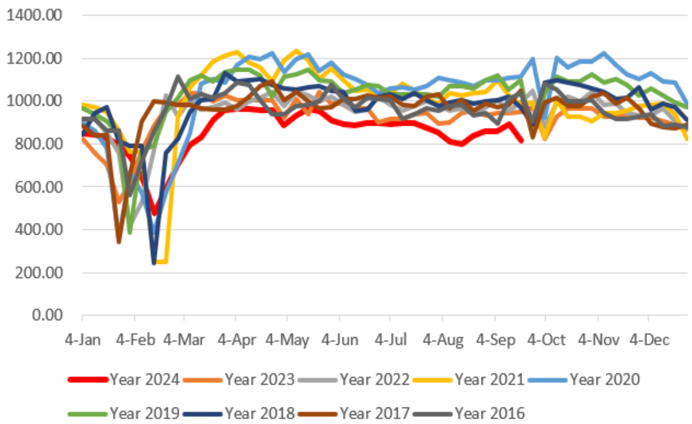
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	704	698	**0.86%**
LME Rebar Front Month (Dollar/mt)	577	580	**-0.52%**
SHFE Rebar Major Month (Yuan/mt)	3194	3196	**-0.06%**
China Hot Rolled Coil (Yuan/mt)	3177	3168	**0.28%**
Vitural Steel Mills Margin(Yuan/mt)	12	43	**-72.09%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	82900	91600	**-9.50%**
World Steel Association Steel Production Unit(1,000 mt)	152,800	161,400	**-5.33%**

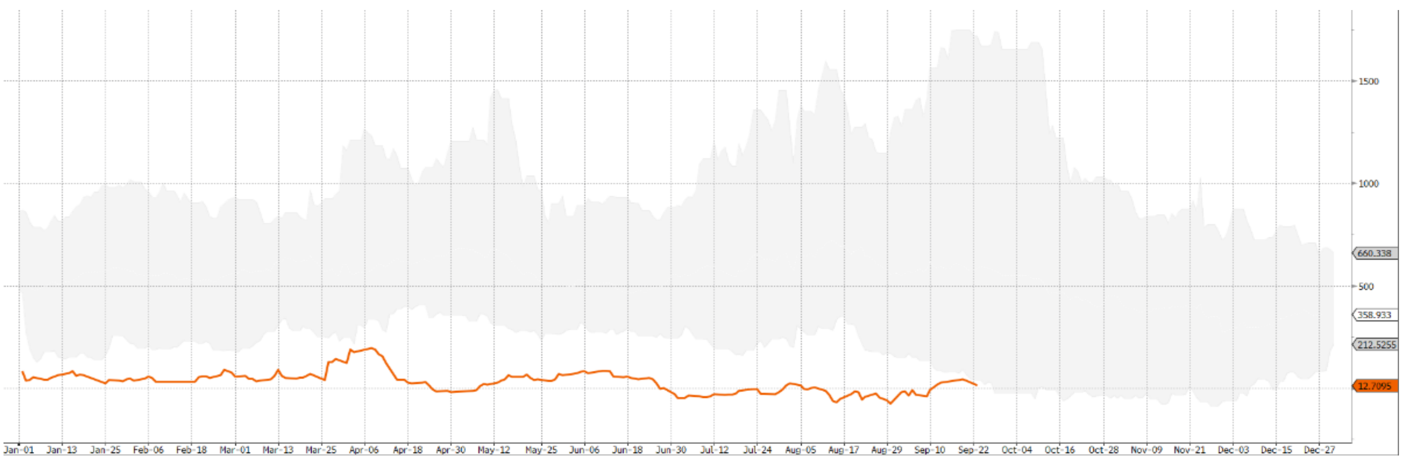
MySteel 247 mills BF Operation/Utilisation Rate in %



China Five Major Steels Apparent Consumption(10,000 tonnes)



Virtual Steel Mill Margins (Five-Year Range)

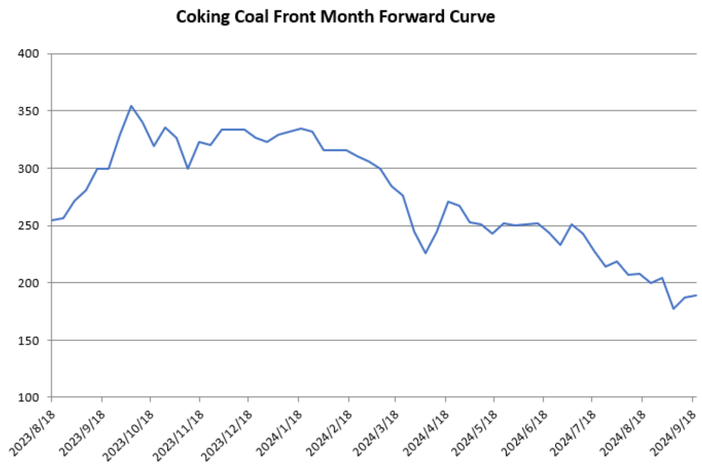


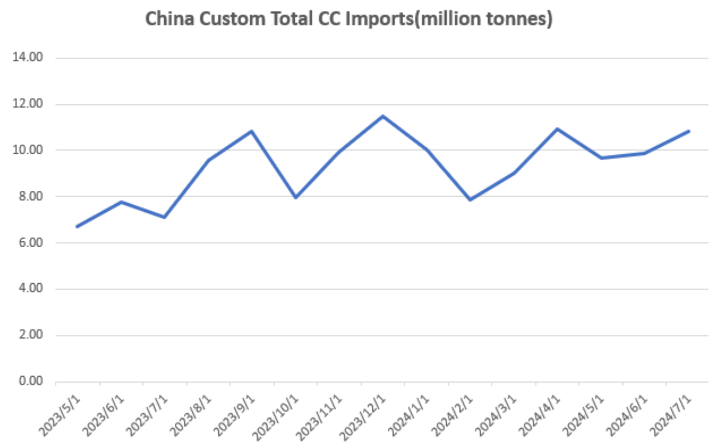
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margin curve broke into negative area to positive area in September. Physical margin was recovered during the same time.
- The apparent consumption level of 5 major types of steels in China maintained in seasonal low area.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	185	180	2.78%
Coking Coal Front Month (Dollar/mt)	189	187	1.07%
DCE CC Major Month (Yuan/mt)	1282	1278.5	0.27%
Top Six Coal Exporter Weekly Shipment(Million mt)	12.24	18.07	-32.26%
China Custom total CC Import Unit mt	10,699,595	10,841,328	-1.31%





Coal Key Points

- FOB Australia coking coal saw tight supply during past week. As a result, the index level climbed high on Friday and this Monday.
- China cokery plants proposed physical coke up by 50– 55 yuan/ton for the second round.

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