FIS

Ferrous Weekly Report

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

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Market recovered last week in both price and physical volume. After the restocking driven trading, iron ore was waiting for real demand to come in September.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Rebar destocking increased from mid-August, indicating that downstream purchases had started. Similar to iron ore, the marginal change on rebar prices needed a confirmation by the physical market.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The correction slowed down as crowded supply in the seaborne market was realised. Some traders expected to see market reversal in the physical coke market after a seventh round price cut of 350– 385 yuan/ton.

Prices Movement	2-Sep	26-Aug	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	96.15	100.10	3.95%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3334.0	3313.0	0.63%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	198.0	196.0	1.02%	Neutral	-

Market Review:

Iron Ore Market:

Iron ore corrected by 3.95% over the past week. The major correction happen this Monday due to a general correction on China stocks as well as commodity markets.

The US market started to see some correction with appreciation on US indexes eyeing some stronger economic data, which believed to reduce the probability of a 50 bps interest rate cut in September. In addition, there were market rumours about an OPEC crude oil production increase from October. The near 3% drop on WTI following the news had dragged down the performance of industrial commodities.

The five major steel types in China started faster destocking from mid-August. Rebar and wire rod prices were up by 100 yuan for Yong Gang Group in September. Shang Steel and other China eastern mills increased EXW price in September as well. China EAFs utilisation rate was only 30.53%, down 3.66% on the week and 22.24% lower on the year. The blast furnace utilisation rate at 82.96%, down 1.34% on the week, down 9.31% on the year. There should be some room to produce more pig iron to fill up the loss of production by EAFs. Thus, iron ore saw some indirect support.

Iron ore port stocks were up by 3 million tons to 153 million tons during past week after stablising for two weeks. Port stocks reached seasonal highs, which was 32.46 million tons higher than the same period last year. Steel mills inventories were 89.96 million tons, which was 35,900 tons lower than past week. The market potentially saw a shift from port inventories to mill inventories as the busy season starts in September. Physical trades were active during past week including fixed price trades on PBFs and NHGFs. However, the market participants preferred low grade considering low steel margins. FMG narrowed the SSF discount from 15% to $13.25 for the first time in last four months. FBF and WPF both narrowed for iron ores delivered in September.

In mid-August, the active spread recovered slightly from –$0.20/0.15 to -$0.05/0.10 as expected. The active spread potentially saw improving if a small level of rebound happen in September. Obviously, the downside room was limited as the spread was almost static after outrights dropped over the past two days. The contango normally should recovery to a backwardated structure within two months from historic statistics of iron ore. Moreover, both DCE and SGX saw a significant increase on spreads in 2025, which left the front spreads in 2024 looking undervalued.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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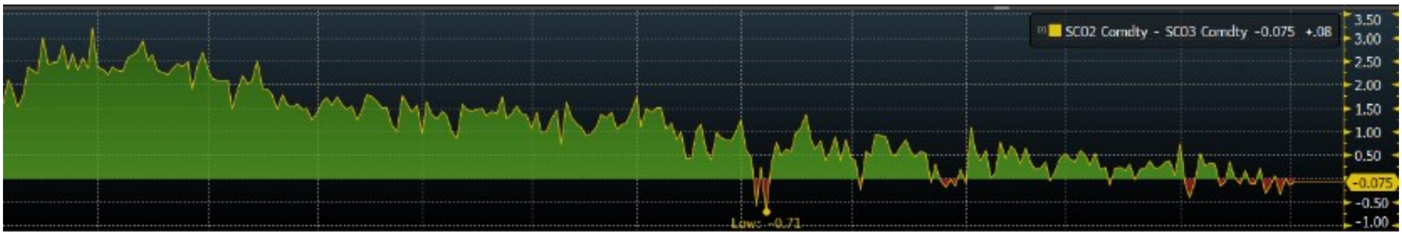
Market Review(Cont'd):

The monthly average of MB65– P62 spread dropped from $15.89 to $13.25 from July to early September. Previously, we expected the spread to be rangebound from $14 - 16 for most of time from June to August. The fast drop could be due to the correction on ferrous and all commodities, which triggered a risk adverse sentiment on buying premium products. The spread could also see a fast recovery when production increases on steel making during a busier September.

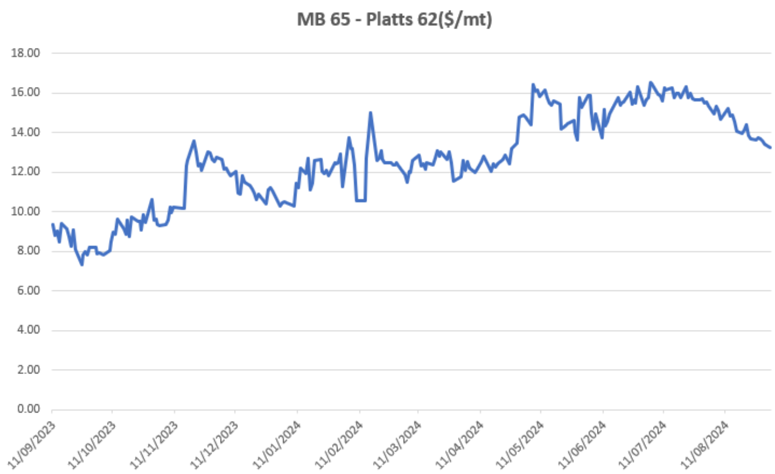
In general, iron ore could see a rebound with entire industrial commodity sectors before mid-September with a recovery in fundamental indicators.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

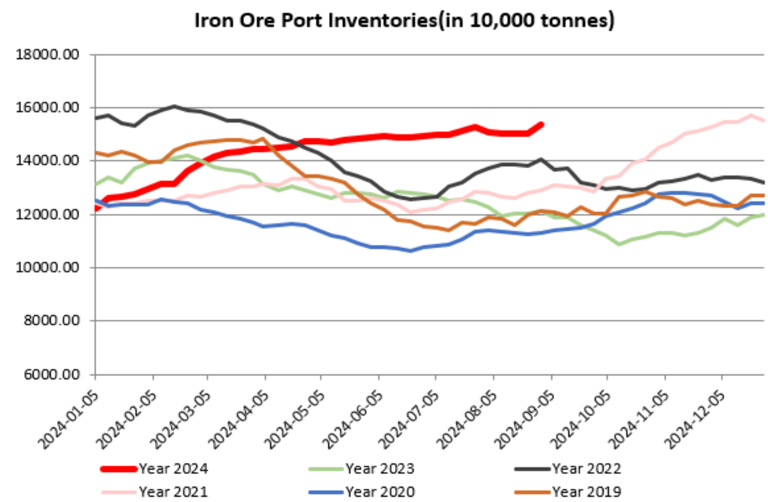
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	96.15	100.1	-3.95%
MB 65% Fe (Dollar/mt)	109.4	113.74	-3.82%
Capesize 5TC Index (Dollar/day)	26935	23645	13.91%
C3 Tubarao to Qingdao (Dollar/day)	28.095	26.28	6.91%
C5 West Australia to Qingdao (Dollar/day)	11.785	11.005	7.09%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2960	2900	2.07%
SGX Front Month (Dollar/mt)	101.03	96.11	5.12%
DCE Major Month (Yuan/mt)	756.5	725.5	4.27%
China Port Inventory Unit (10,000mt)	15,372.38	15,032.52	2.26%
Australia Iron Ore Weekly Export (10,000mt)	1,194.05	1,126.80	5.97%
Brazil Iron Ore Weekly Export (10,000mt)	230.50	185.44	24.30%

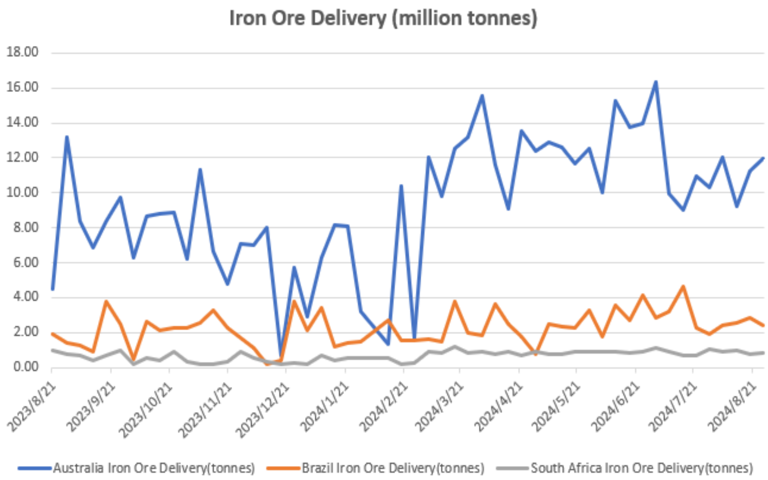


Iron Ore Key Points

- As expected, MB65—P62 maintained in $14 – 16 range during past two months. However, the spread level dropped suddenly in early September to $13.25 due to risk adverse sentiment following the sharp correction on ferrous sector.



- The iron ore port inventories rebounded to year-high and seasonally high at 153 million tons. The market expect the inventories to shift from port to steel mills in September.

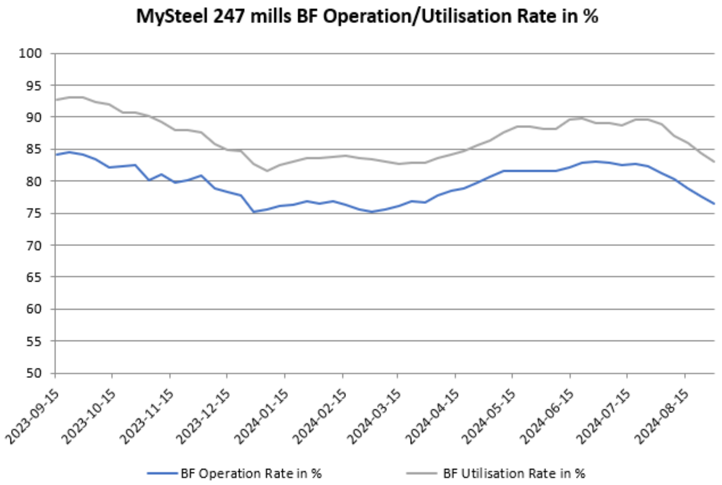


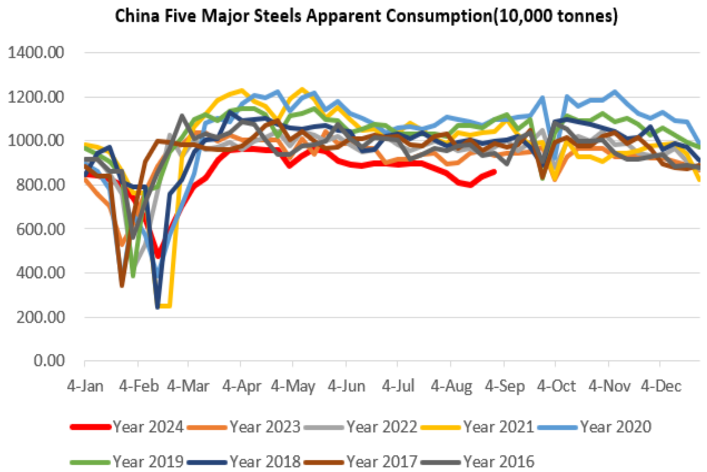
- Brazil delivery picked up significantly in August and expected to maintain high through Q3.

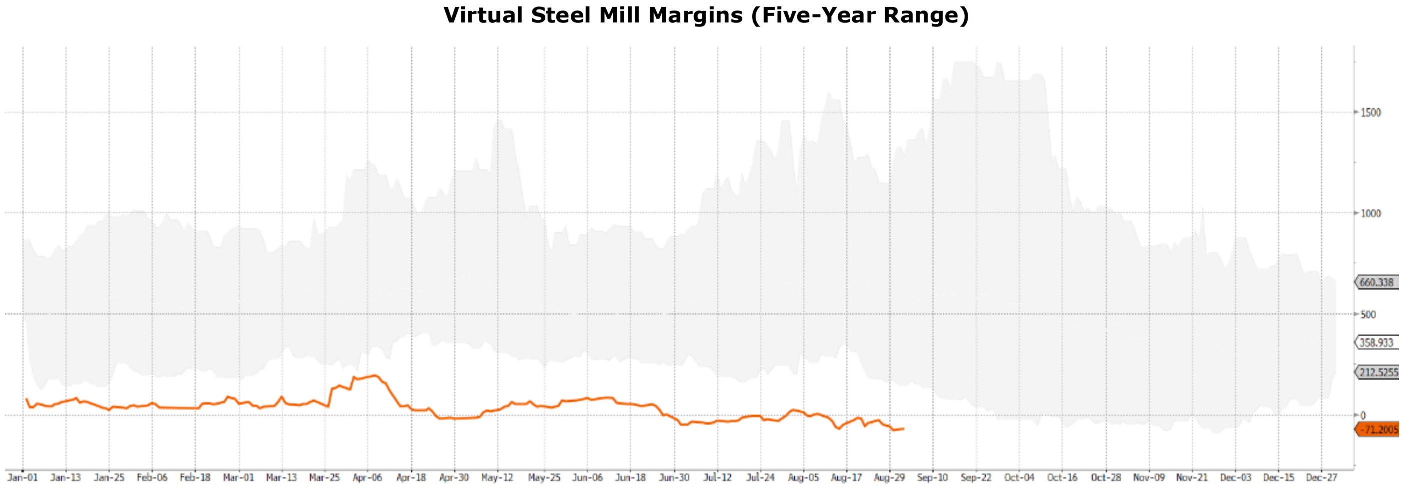
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	714	672	**6.25%**
LME Rebar Front Month (Dollar/mt)	572.12	563	**1.71%**
SHFE Rebar Major Month (Yuan/mt)	3243	3180	**1.98%**
China Hot Rolled Coil (Yuan/mt)	3232	3173	**1.86%**
Vitural Steel Mills Margin(Yuan/mt)	-75	-28	**167.86%**
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%**





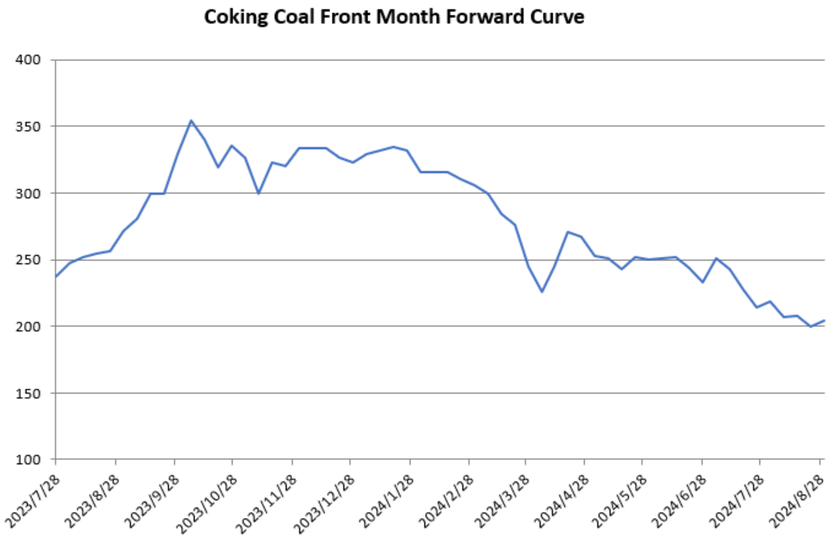


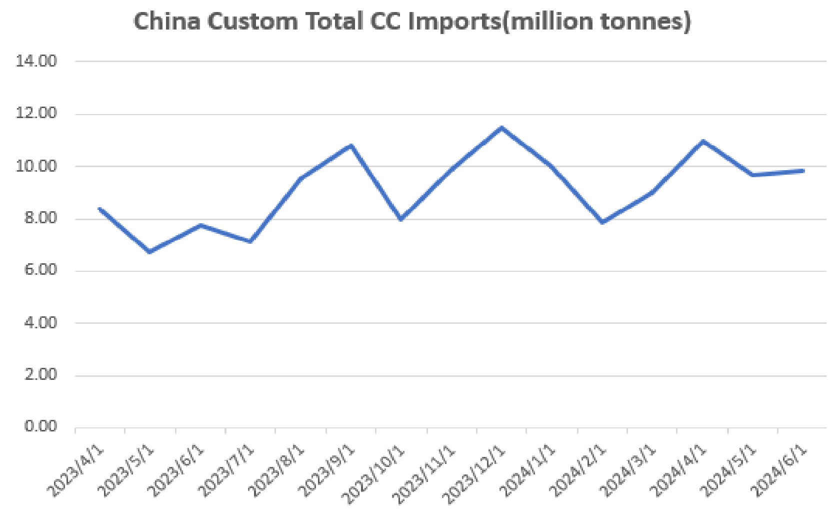
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel mill margins curve maintained its negative value for most of time from June to August.
- During past week, the production increase with fast decreasing inventories drove up apparent consumption of the five major steel types in China.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	198	196	1.02%
Coking Coal Front Month (Dollar/mt)	204	200	2.00%
DCE CC Major Month (Yuan/mt)	1378	1327.5	3.80%
Top Six Coal Exporter Weekly Shipment(Million mt)	11.88	16.80	-29.29%
China Custom total CC Import Unit mt	10,841,328	9,867,290	9.87%





Coal Key Points

- FOB Australia coking coals saw stablisation with Chinese restocking starting for raw materials as well as miners starting to resist price drops.

- Chinese steel mills got a physical coke cut by 50 – 55 yuan/ton for the seventh round, a total cut of 350– 385 yuan/ton for the past seven rounds combined. The market participants expected a reversal of the price trend of recent days.

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