

# FIS Ferrous Weekly Report

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. The physical market for iron ore is held back by cautious buying in the seaborne sector. Nevertheless, pig iron is on an upward trend, which strongly supports the demand for iron ore. The Politburo conference on Saturday strengthened the outlook for the housing market and debt resolution.
- ⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. The consumption of steel accelerated from late September. Large mills in China raised the ex-work steel price for delivery in November. In Southeast Asian countries, there was a recovery in the import price of flat steel.
- ⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. There were transactions on both PLVs and PMVs originating from the US and Australia respectively. The market may potentially gain additional support when Indian buyers return from holidays.

Prices Movement	14-Oct	7-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	107.50	109.10	1.47%	Neutral to Bullish	↗
Rebar 25mm Shanghai (Yuan/MT)	3720.0	3473.0	7.11%	Neutral to Bullish	↗
Hard Coking Coal FOB Australia(\$/MT)	208.00	203.00	2.46%	Neutral to Bullish	↗

## Market Review:

### Iron Ore Market:

During the report week, iron ore was on a roller coaster ride. It began with a correction and then a strong recovery. The correction at the beginning of the week was due to profit-taking after rapid speculation. The recovery was helped by the natural high volatility as well as the strong stimulus signals sent by the Politburo over the weekend.

China's equities and the ferrous commodities sector both achieved rapid volume growth from late September. This explains the wider trading range for iron ore, coking coal, and steel over the past three weeks. The Politburo unveiled a series of stimulus measures on Saturday, including increased public spending, sustainable housing support, government debt restructuring, and the issuance of specialized debt. Some Chinese economists view this as the "strongest support ever announced" for resolving debt issues in China. They expected more stimulus measures to come in October and November. Goldman Sachs has revised upward China's growth rate to 4.9% in 2024 from the previous 4.7%, and to 4.7% in 2025 from 4.3%. On Monday, China's equities witnessed substantial growth, and numerous metal commodities trailed the growth in equities.

In the downstream market, the improvement in China's special bonds in the fourth quarter is expected to accelerate infrastructure projects. In northern China, some state-owned projects are in a rush to finish before winter sets in. With the rapid growth in pig iron and steel production, the demand for raw materials has surged rapidly. Some large steel mills in northern China have witnessed the blast furnace spot margin of rebar reach 350 yuan/ton, creating a two-year high. The spot margin of rebar produced by EAFs reached 150 yuan/ton, which was a one-year high. However, the virtual steel margin decreased from 70 yuan/ton to 17 yuan/ton. The lower virtual steel margin was attributed to the rapid increase in iron ore and coking coal futures prices. Physical coke in China had hiked six rounds totaled 300-330 yuan/ton during past six weeks. China's import demand supported the FOB Australia PMV market as well as some PLV coking coal of US origin. In comparison with other raw materials, the physical iron ore market became more cautious as steel mills were attempting to control the overall cost to expand profit margins. Mills prefer discounted concentrates rather than premium concentrates. Additionally, mills began to stock up on some iron ore lumps before the weather turns cold in the northern provinces.

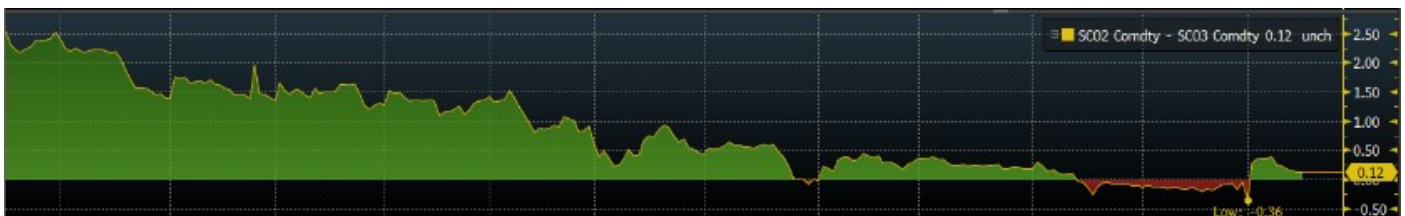
*Data Sources: Bloomberg, Platts, Fastmarket, FIS*

### Market Review(Cont'd):

Due to post-holiday factors, iron ore arrivals at 45 Chinese ports stood at 29.49 million tons, an increase of 9.90 million tons compared to the previous week. The iron ore delivery statistics from Australia and Brazil remained stable at 24 million tons. The stocks at 45 iron ore ports in China reached 151 million tons over the past two weeks, down from the year-high of 155 million tons. At the same time, mill inventories were decreasing rapidly from 90.9 million tons in mid-September to 89.85 million tons last week. The rapid decrease in both statistics has demonstrated the rapid consumption of iron ore.

The active spread level was surprisingly stable within a narrow range of \$0.10 - \$0.20 during the last five trading days. During the same period, the outright price saw a change of as much as 5%. We firmly believe that the current spread level is undervalued.

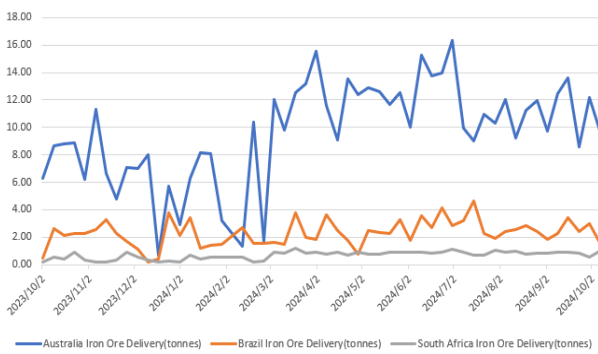
In general, the iron ore index should have more upward potential in the fourth quarter. However, one should be aware of the risk of short-term profit-taking.



# Iron Ore

	Last	Previous	% Change
<b>Platts 62% Fe (Dollar/mt)</b>	107.5	109.1	<b>-1.47%</b>
<b>MB 65% Fe (Dollar/mt)</b>	122.02	125.05	<b>-2.42%</b>
<b>Capesize 5TC Index (Dollar/day)</b>	23872	26213	<b>-8.93%</b>
<b>C3 Tubarao to Qingdao (Dollar/day)</b>	25.35	26.945	<b>-5.92%</b>
<b>C5 West Australia to Qingdao (Dollar/day)</b>	10.25	10.65	<b>-3.76%</b>
<b>Billet Spot Ex-Works Tangshan (Yuan/mt)</b>	3190	3390	<b>-5.90%</b>
<b>SGX Front Month (Dollar/mt)</b>	106.21	108.60	<b>-2.20%</b>
<b>DCE Major Month (Yuan/mt)</b>	785	802.5	<b>-2.18%</b>
<b>China Port Inventory Unit (10,000mt)</b>	15,105.93	15,052.92	<b>0.35%</b>
<b>Australia Iron Ore Weekly Export (10,000mt)</b>	983.90	1,218.90	<b>-19.28%</b>
<b>Brazil Iron Ore Weekly Export (10,000mt)</b>	195.40	406.00	<b>-51.87%</b>

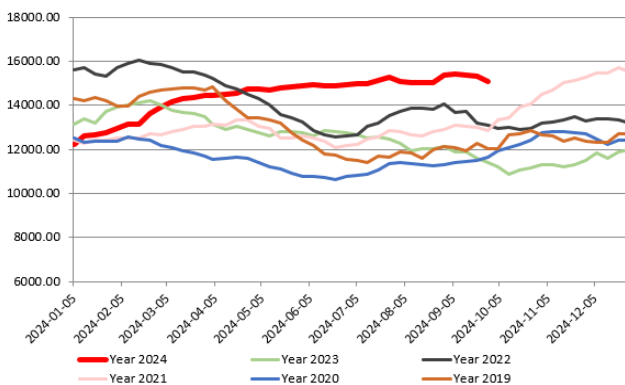
Iron Ore Delivery (million tonnes)



## Iron Ore Key Points

- MB65—P62 recovered to \$15.02 in October from \$12.96 in September. The fast recovery was contributed by the rebound on steel margin.
- The iron ore port inventories gradually decreased from a year-high of 154 million in mid-September to 150 million tons in October. This is believed to be due to the iron ore being shifted to mills along with the growing steel production.
- Brazil and South Africa iron ore shipment expected to remain high in Q4.

Iron Ore Port Inventories(in 10,000 tonnes)



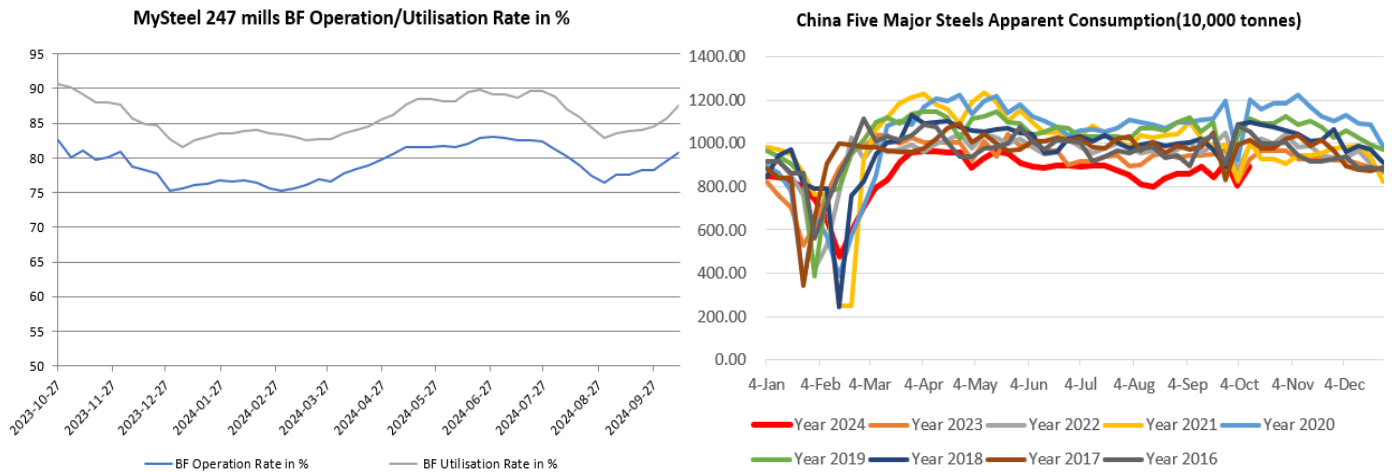
MB 65 - Platts 62(\$/mt)



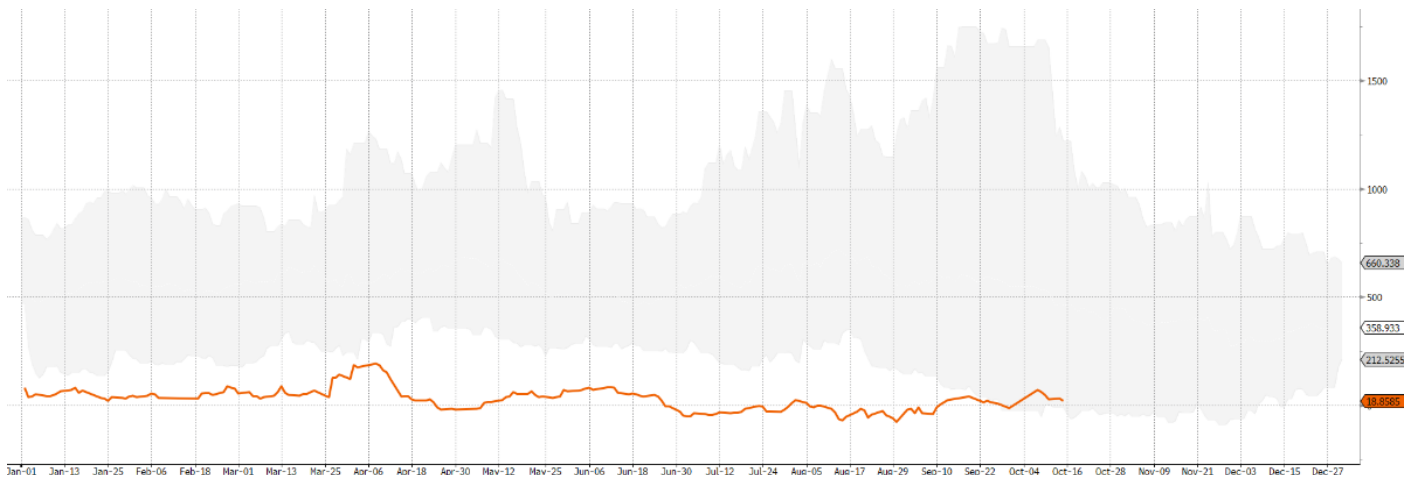
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

# Steel

	Last	Previous	% Change
<b>US HRC Front Month (Dollar/mt)</b>	705	724	<b>-2.62%</b>
<b>LME Rebar Front Month (Dollar/mt)</b>	595.5	606	<b>-1.65%</b>
<b>SHFE Rebar Major Month (Yuan/mt)</b>	3455	3471	<b>-0.46%</b>
<b>China Hot Rolled Coil (Yuan/mt)</b>	3617	3675	<b>-1.58%</b>
<b>Vitural Steel Mills Margin(Yuan/mt)</b>	17	70	<b>-75.71%</b>
<b>China Five Major Steel Inventories Unit (10,000 mt)</b>	2489.64	2371.33	<b>4.99%</b>
<b>Global Crude Steel Production Unit (1,000 mt)</b>	77900	82900	<b>-6.03%</b>
<b>World Steel Association Steel Production Unit(1,000 mt)</b>	144,800	152,800	<b>-5.24%</b>



## Virtual Steel Mill Margins (Five-Year Range)



Data Sources: Bloomberg, MySteel, FIS

- The virtual steel mill margin curve corrected from 70 yuan/ton 17 yuan/ton during October due to a fast increase on iron ore and coking coal futures. The physical margin saw a quick recovery on both long steels and flat steels from late September.
- The production of steels and destock accelerated from late September, indicating an improvement on both supply and demand side.

# Coking Coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal (Dollar/mt)</b>	208	203	<b>2.46%</b>
<b>Coking Coal Front Month (Dollar/mt)</b>	220.5	227.5	<b>-3.08%</b>
<b>DCE CC Major Month (Yuan/mt)</b>	1471.5	1493	<b>-1.44%</b>
<b>Top Six Coal Exporter Weekly Shipment(Million mt)</b>	12.25	19.97	<b>-38.66%</b>
<b>China Custom total CC Import Unit mt</b>	10,699,595	10,841,328	<b>-1.31%</b>

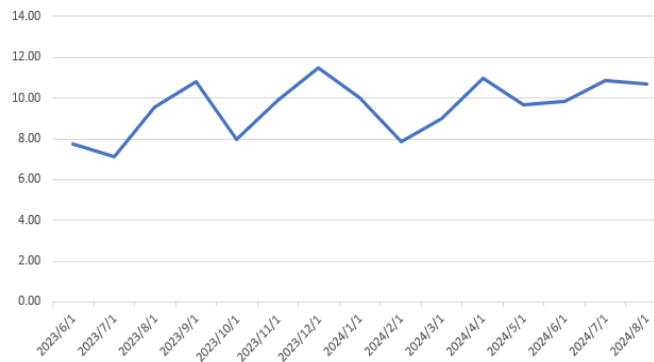
Coking Coal Front Month Forward Curve



## Coal Key Points

- FOB Australia coking coal saw increased demand from both China and India from October.
- China physical coke total went up by 300– 330 yuan/ton for six rounds during September and October.

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.

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