FIS

Ferrous Weekly Report

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19/11/2024

⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bullish**. The decline of Chinese hot metal is slower than expected while port inventories remain high. Iron ore secondary market discounts are increasing. However, there is a bottom support being formed for ferrous metals due to the accelerated arrival of local debt settlement funds in China and looser monetary stimulus in real estate and infrastructure sectors.

⇒ **Rebar 25mm Shanghai** short-run **Neutral to Bullish**. As the winter approaches in Northern China, the market shows a greater reliance on sales within the East and South China. The current winter inventory build-up has not shown a year-on-year increment. Nevertheless, it has curtailed the price volatility range and the probability of a substantial price decline is relatively low.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Demand is relatively weak in the Australian FOB prime coking coal market . Due to limited resources, traders are not in a hurry to sell. There has been a third round of price reduction for domestic coke in China.

Prices Movement	11-Nov	4-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	**99.90**	**101.15**	**- 2.13 %**	**Neutral to Bullish**	↗
Rebar 25mm Shanghai (Yuan/MT)	**3627.0**	**3666.0**	**- 1.06%**	**Neutral to Bullish**	↗
Hard Coking Coal FOB Australia($/MT)	**205.00**	**206.50**	**- 0.73%**	**Neutral**	–

Market Review:

Iron Ore Market:

The weekly performance of the iron ore weakened as mentioned in our last report. After the market refocused on the fundamentals in mid-November, iron ore gave back gains created previously. Looking forward to this report week, the downward trend in iron ore prices expected to come to an end due to slower than expected hot metal reduction and expectations to macroeconomic situation.

There were many main factors contributing to the significant decline in the last reporting week. Firstly, there geopolitical risks are declining. Secondly, the increase in tariffs on some commodities led the market to anticipate a trading pattern of lowering price for export volume in November. Thirdly, the US Federal Reserve expects a slower pace of interest rate cuts and the strengthening of the dollar, thereby suppressing the performance of commodity prices. From history, the steel market in the fourth quarters has never lacked macro-level stories. Over the weekends, there was a bigger than expected progress in the issuance of 2000 billion yuan of local government investment bonds in China, which boosted the market's confidence in the improvement of the economic situation and the property market. Therefore, industrial commodities rebounded significantly in early this week.

The steel market's recent fundamental backdrop involves the tussle over winter stocking and the seasonal shift in winter demand to warmer areas. For HRC exports, high European tariffs limited Asian exports in Q4. But a stronger dollar and low HRC inventories may underpin export prices later. Turkish scrap main contract has hit $361.5/ton, near the yearly low. The decline has slowed since November. Support potentially emerge around this level. In China, the average construction steel weekly inventory was 5.45 million tons, well below the 7.49 million-ton for the same period in the past seven years. In addition, construction steel sector are most sensitive to future fiscal stimuli. They're undervalued but highly elastic. EAF capacity utilization rose to 53.53% in November from 49.69% in October, yet profits have dropped to near zero. Blast furnace capacity utilization is slowly declining, cutting steel output and raw material demand.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

In terms of iron ore shipments, large miners face performance pressure as the year draws to a close, resulting in their comprehensive shipment figures being relatively higher year-on-year. The CFR cost of small and medium-sized mines with elevated costs can reach up to $90, and typically, the market witnesses a rebound at this price threshold. At present, since the cost line has not been penetrated, mine production levels remain unchanged. Domestic ore production has not seen any reduction thus far. After peaking at 1.54 billion tons in early November, port inventories have dipped to 1.52 billion tons, still maintaining a relatively high position compared to the same period last year.

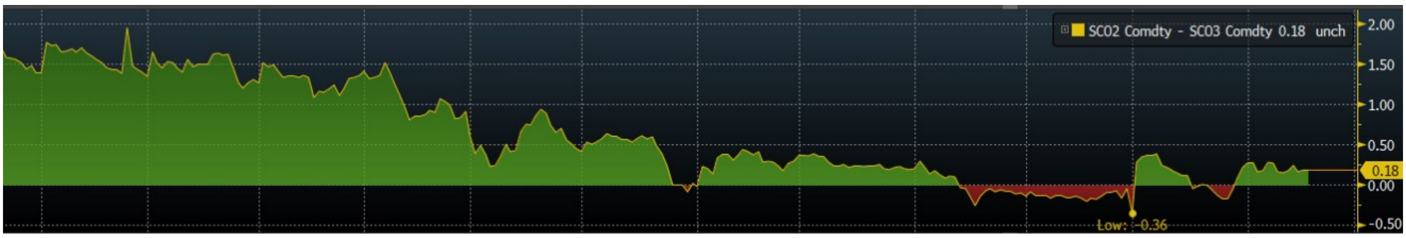
Due to the snowfall and cold weather coming in Northern China, logistics and port operations are expected to decelerate, potentially exacerbating the issue of inventory backlogs. Over the past two months, Chinese steel mills have shown a preference for procuring iron ore from ports, as this affords them lower prices and more accurate planning of raw material needs. The current total inventory of iron ore held by steel enterprises stands at 90.54 million tons. This figure has hovered around 90 million tons for the past six weeks and was comparable during the same period last year. Imports of iron ore in transit predominantly consist of low-grade and discounted ores. Nevertheless, on the demand front, the rate of decline in hot metal is slower than in previous years, indicating robust demand resilience that could potentially shore up the value of iron ore.

During past two weeks, JMBF and MACF dominated the seaborne market. The discounts in the secondary market have widened. Although the near-term demand for PBF is not strong, the premium for the January shipment is $0.5 due to restocking for the Chinese New Year. Last Friday, there was a full laycan of BRBF traded at $97.05 per ton. The market once considered this transaction premium to be relatively high. However, some participants believe that during the period of capacity control, iron ores with good sinterability and low traders' inventories should have structural advantages. As winter sets, the proportion of lump ore allocation has increased, but the lump ore premium has not shown much movement. It has remained almost flat at the position of $0.13 per dry metric ton unit in the recent three weeks, and there is still room for price movement in the future.

In October and November, the virtual steel margin profit was mainly traded within the range of 25 to 50 yuan per ton. However, it suddenly dropped to −10 yuan per ton last week. According to the 52-week data, the duration of iron ore falling into the negative range will not be too long.

The active SGX iron ore spread Dec/Jan25 recovered from −$0.10/0.15 to $0.30/0.35 during the past four weeks. DCE active spread Jan/May25 recovered from 5.5/6 yuan to 9.5/10 yuan. The recovery was expected from our previous reports. The spread level is expected to have more upside room.

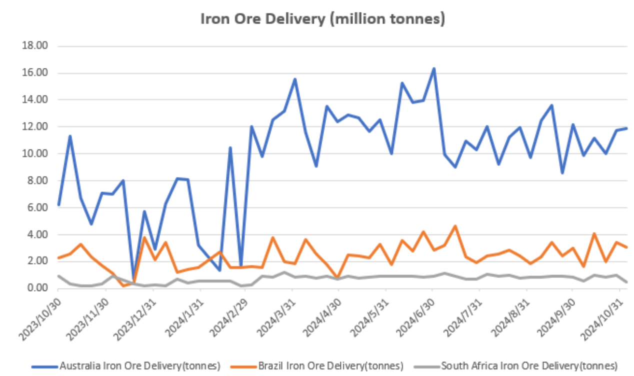
In the short-run, iron ore is expected to rebound.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

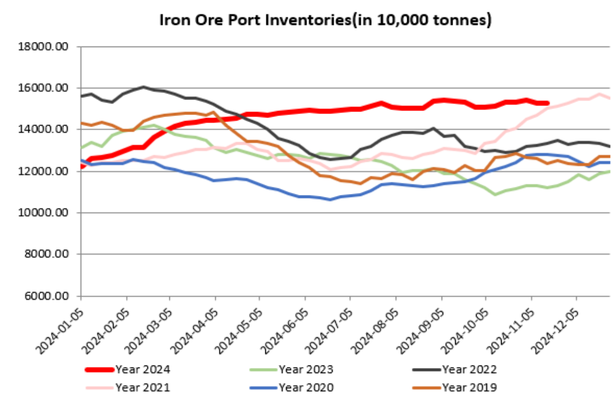
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	99.9	101.15	**-1.24%**
MB 65% Fe (Dollar/mt)	114.72	116.74	**-1.73%**
Capesize 5TC Index (Dollar/day)	26220	20872	**25.62%**
C3 Tubarao to Qingdao (Dollar/day)	25.675	23.27	**10.34%**
C5 West Australia to Qingdao (Dollar/day)	11.23	10.005	**12.24%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3040	3120	**-2.56%**
SGX Front Month (Dollar/mt)	96.71	102.56	**-5.70%**
DCE Major Month (Yuan/mt)	747	784.5	**-4.78%**
China Port Inventory Unit (10,000mt)	15,269.06	15,419.98	**-0.98%**
Australia Iron Ore Weekly Export (10,000mt)	1,185.80	1,190.26	**-0.37%**
Brazil Iron Ore Weekly Export (10,000mt)	176.30	301.40	**-41.51%**

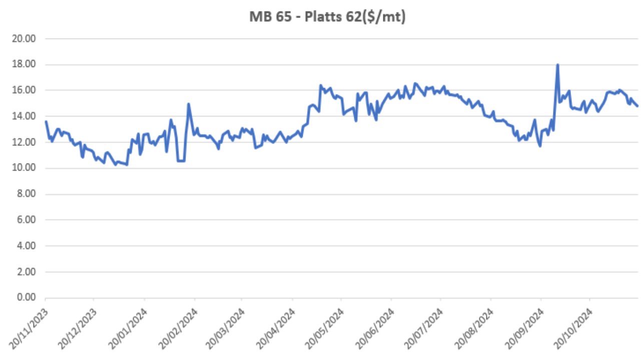


Iron Ore Key Points

– As expected, the spread between MB65 and P62 generally operates at a relatively high level for the whole year in the range of $15 - $17.



– The Chinese port inventories of iron ore dropped from 154 million tons to 152 million tons, which were still at seasonal high level. As the top deliveries in Q4 and decreasing hot metal production, it is hard to see a decrease on port inventories.

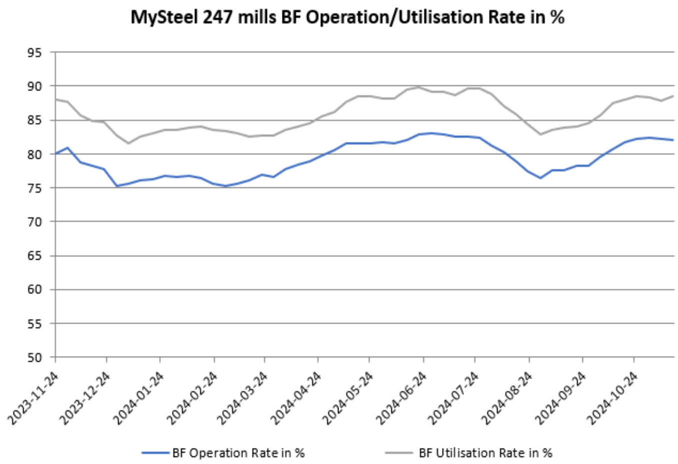


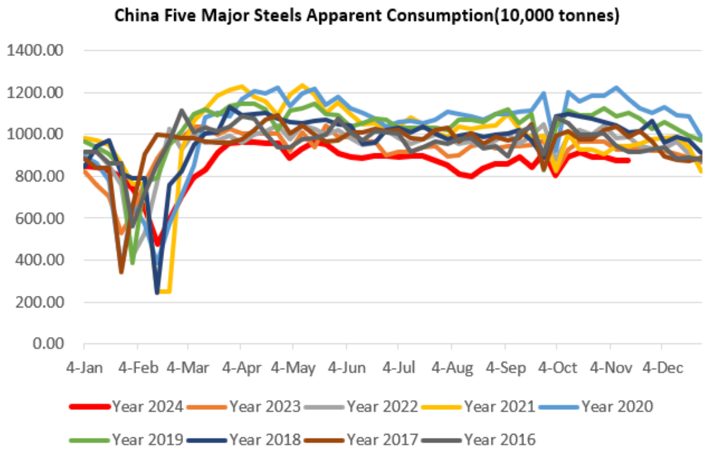
– According to the iron ore shipment volume in the fourth quarter calculated based on the four major mines, it generally remains at a relatively high year - on - year and month - on - month level. Therefore, the supply pressure still exists in the fourth quarter.

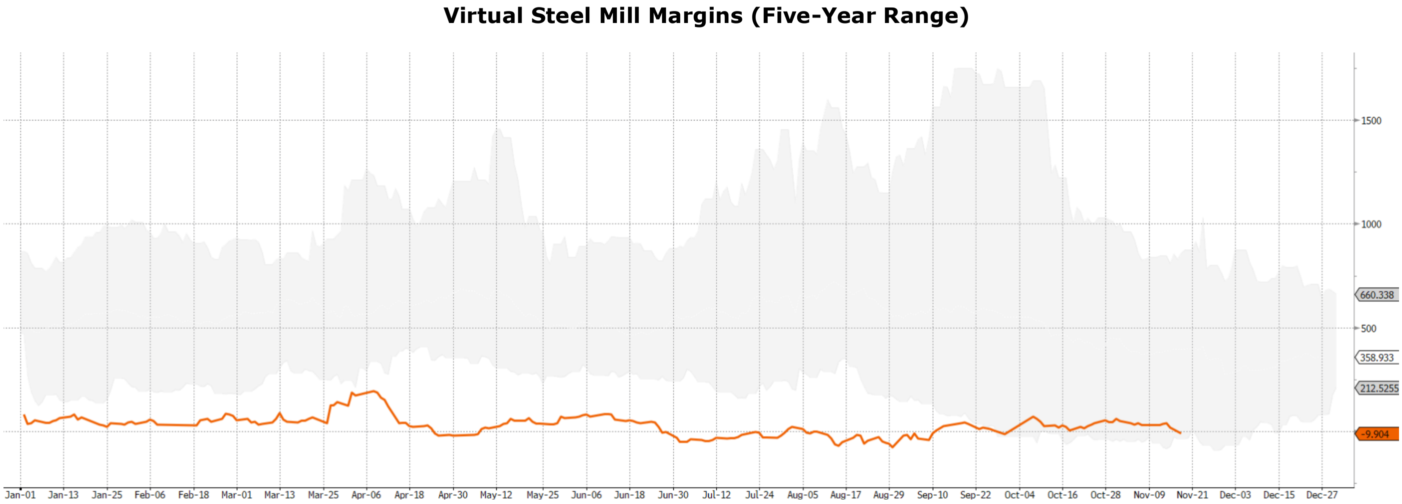
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	691	707	**-2.26%**
LME Rebar Front Month (Dollar/mt)	586	590	**-0.68%**
SHFE Rebar Major Month (Yuan/mt)	3277	3411	**-3.93%**
China Hot Rolled Coil (Yuan/mt)	3516	3603	**-2.41%**
Vitural Steel Mills Margin(Yuan/mt)	-10	28	**-135.71%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	77100	77900	**-1.03%**
World Steel Association Steel Production Unit(1,000 mt)	143,600	144,800	**-0.83%**





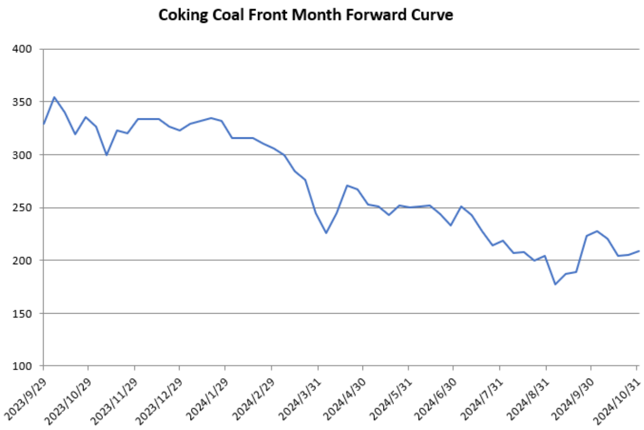


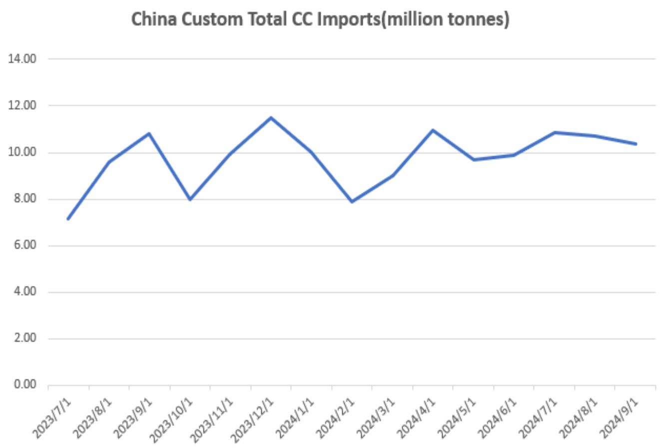
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin oscillated in the rangebound of 25-50 yuan/ton for most of the time.
- The inventories of five major steel types in China has reached seasonal and year-low level.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	206.5	203	1.72%
Coking Coal Front Month (Dollar/mt)	204	210.33	-3.01%
DCE CC Major Month (Yuan/mt)	1270	1340.5	-5.26%
Top Six Coal Exporter Weekly Shipment(Million mt)	12.82	18.15	-29.37%
China Custom total CC Import Unit mt	10,362,750	10,699,595	-3.15%





Coal Key Points

- The FOB Australian coking coal has entered a stable period. The demand from Asia in winter is highly resilient. There were signs stabilization last week.
- China mills cut the third round of physical coke price by 50-55 yuan/ton.
- The daily average output of hot metal was decreasing in slower than expected manner, which supported demand of coking coals and cokes.

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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