FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. After the conclusion of major conferences in China and the landing of new rounds of global interest rates cut, the impact of macro events on the ferrous market has gradually diminished. In the winter, the marginal demand decreases significantly, while the shipment volume and port inventory remain relatively large, resulting in an oversupply situation. However, it is difficult to create a large downward correction space because there are still structural shortages depending on different origins.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The winter storage prices have already been announced. That is to say, the volatility of futures has been significantly lower in late November and December.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. There are divergences in the Australian export market for prime coking coal. However, the demand remains fairly resilient, especially for the cargoes to be shipped in January and February.

Prices Movement	16-Dec	9-Dec	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	106.00	106.10	- 0.09 %	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3569.0	3575.0	- 0.17%	Neutral	–
Hard Coking Coal FOB Australia($/MT)	206.25	203.75	+ 1.23%	Neutral	–

Market Review:

Iron Ore Market:

The overall trend of iron ore has been in line with expectations. We have maintained a neutral stance for nearly two months. The volatility in the iron ore market was relatively small in November. Last week, as expected, the market was neutral and quickly pulled back after a upward movement. The spot market was relatively calm and did not follow with fluctuations.

Last week, the US dollar index depreciated after a rapid appreciation, consolidated at around 106. Most commodities declined while only a few rose. From the perspective of capital flow, iron ore was in a difficult position to stand alone. In addition, after the economic conference, the speculators withdrew previous investments and waiting on sidelines. Towards the end of the year, the impact of macro events has decreased, and the market has once again returned to trading based on fundamentals.

Currently, the downstream market's willingness on winter storage of steel products remains relatively low compared to last three years. Additionally, in November, steel exports amounted to 9.28 million tons, a decrease of 17% m-on-m, and it is expected that the exports will continue to decline in December. Therefore, overall steel demand is expected to decline in December. However, due to the reduction in trading resources, traders have limited bargaining power. The demand for construction materials is relatively weaker, but there is still an effect of “export rush” for HRC and some steel processed products before more tariffs occur.

The demand for Brazilian iron ores is relatively strong. Both BRBF and IOC6 have witnessed continuous demand, and their prices are on the high side. Meanwhile, the prices of Australian ores dropped in the latter half of last week. PBF was sold in the secondary market with a discount based on the January index and $0.8 per ton, and it continued to fall to $0.5 per ton, yet still no active buyers emerged. The price of MACF remained at $103.8 per ton in the first ten days of December, but it dropped back to $99.8 per ton last Friday. Rio Tinto has narrowed the discount for some of its January long-term iron ore contracts. The discount for SP10 has been narrowed from 10.2% to 9.7%. In addition, the discounts for two types of lump ores have also been narrowed, mainly due to seasonal factors.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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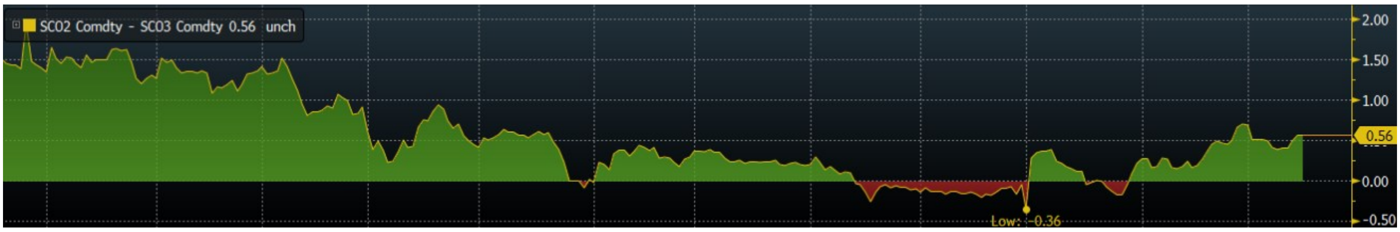
Market Review(Cont'd):

In terms of other raw materials, the demand for coking coal is relatively differentiated. Both the supply and demand for prime coking coal in the international market are relatively low. Mines are not in a hurry to sell, so the price has not changed much. However, the price of second-class coal has dropped rapidly. As a result, a situation has emerged where the futures prices of Australian coking coal have not changed much, while the coking coal futures on the DCE have fallen rapidly. Indian buyers have been actively looking for offers. Although the demand size was small, it has formed some support. Steel enterprises have started to resell resources scheduled for the end of January or the beginning of February, but they have not yet found suitable buyers, which has put pressure on the market. Coke is likely to stabilize before the Chinese New Year after four consecutive rounds of price declines. Additionally, attention needs to be paid to the policy changes regarding India's coke import quotas. The nearby-month price of Turkish steel scrap futures has rebounded from the two-year low of $338 per ton to $344 per ton. It is reported that local steel enterprises have started to replenish their inventories rapidly.

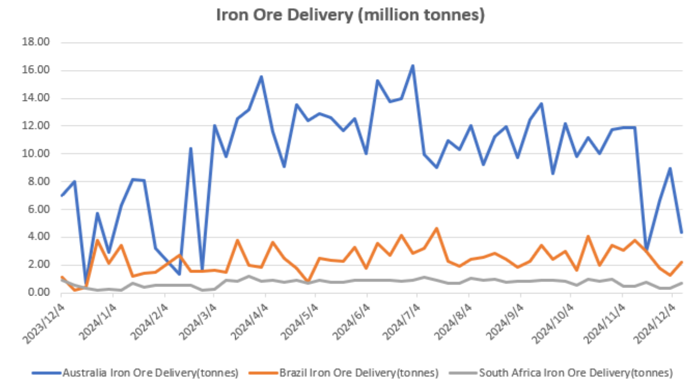
In general, iron ore should stay neutral in the short-term.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

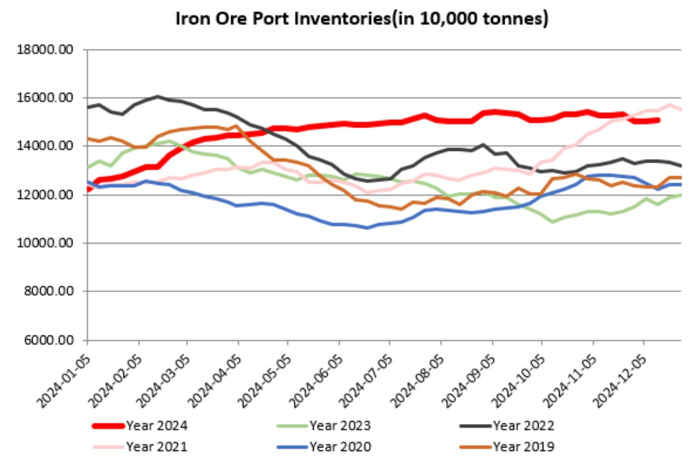
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	106	106.1	-0.09%
MB 65% Fe (Dollar/mt)	119.98	120.51	-0.44%
Capesize 5TC Index (Dollar/day)	11116	12702	-12.49%
C3 Tubarao to Qingdao (Dollar/day)	16.78	17.56	-4.44%
C5 West Australia to Qingdao (Dollar/day)	7.34	7.28	0.82%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3100	3070	0.98%
SGX Front Month (Dollar/mt)	103.89	103.32	0.55%
DCE Major Month (Yuan/mt)	798.5	796	0.31%
China Port Inventory Unit (10,000mt)	15,067.37	15,036.59	0.20%
Australia Iron Ore Weekly Export (10,000mt)	432.64	893.40	-51.57%
Brazil Iron Ore Weekly Export (10,000mt)	73.50	227.18	-67.65%

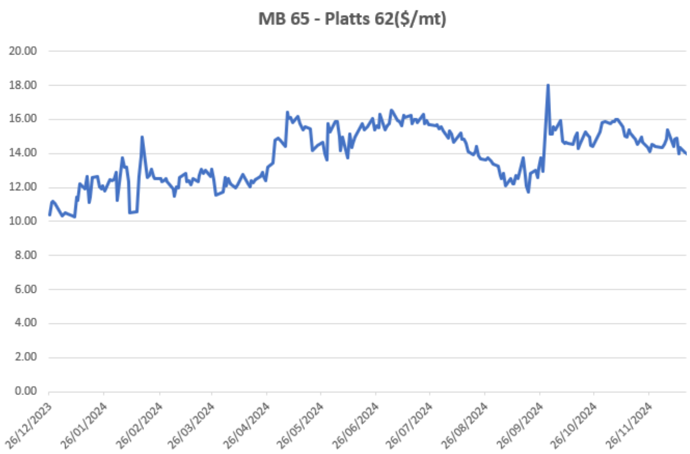


Iron Ore Key Points

- As the year-end approaches, the average value of MB65-P62 is suppressed by the decrease in steel production on the upside and supported by the relatively low supply from Brazil on the downside. It could potentially remain in the range of $14 - $15.



- Port inventories of iron ore have remained at a seasonal high of around 150 million tons. The depreciation of the Chinese yuan, high port inventories and the decline in demand at the end of the year have led traders to shift their seaborne demand to portside.

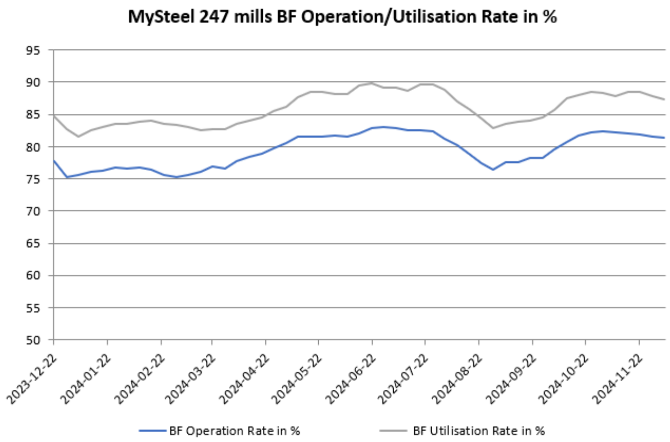


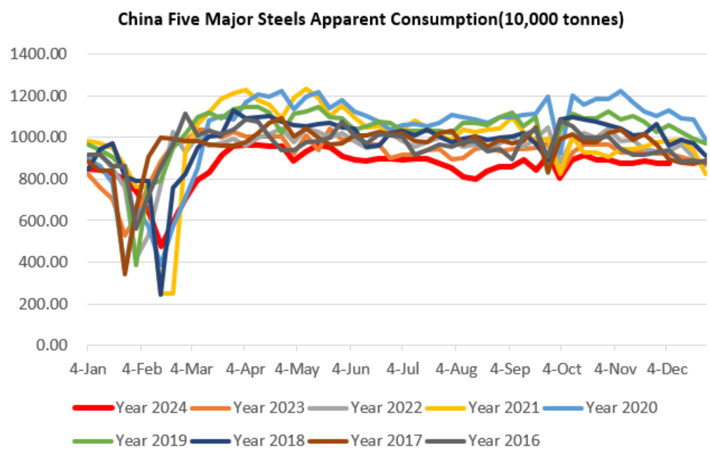
- The shipment volume of iron ore in December is expected to decline on the month. Among them, the expected decrease in shipments from Brazil is 30% on the month.

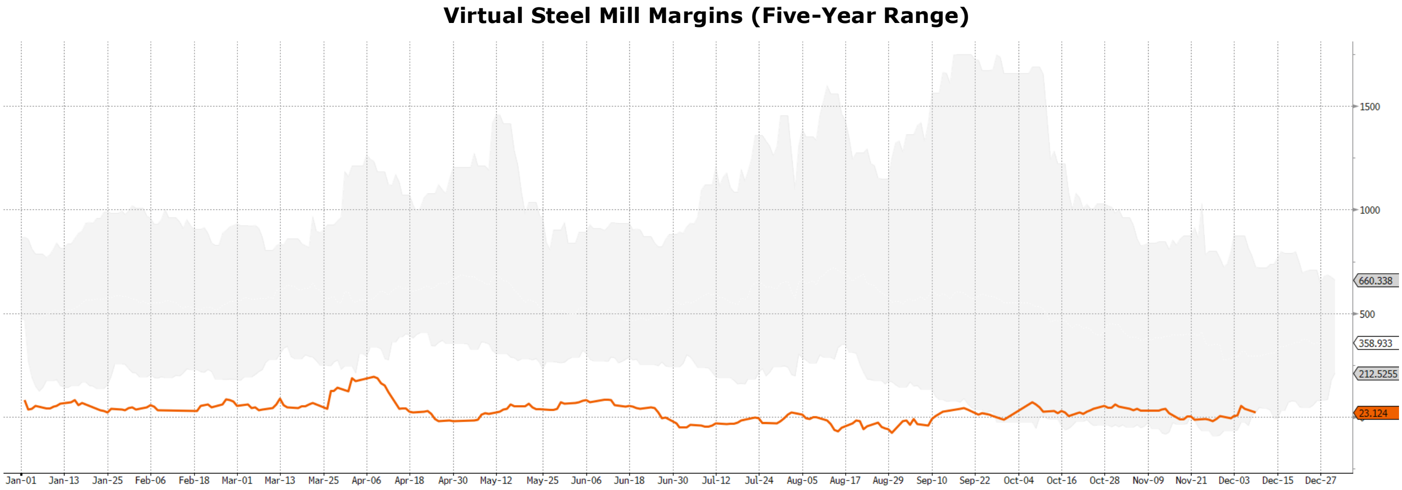
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	675	689	**-2.03%**
LME Rebar Front Month (Dollar/mt)	561	563	**-0.36%**
SHFE Rebar Major Month (Yuan/mt)	3377	3329	**1.44%**
China Hot Rolled Coil (Yuan/mt)	3542	3536	**0.17%**
Vitural Steel Mills Margin(Yuan/mt)	62	23	**169.57%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	81900	77100	**6.23%**
World Steel Association Steel Production Unit(1,000 mt)	151,200	143,600	**5.29%**







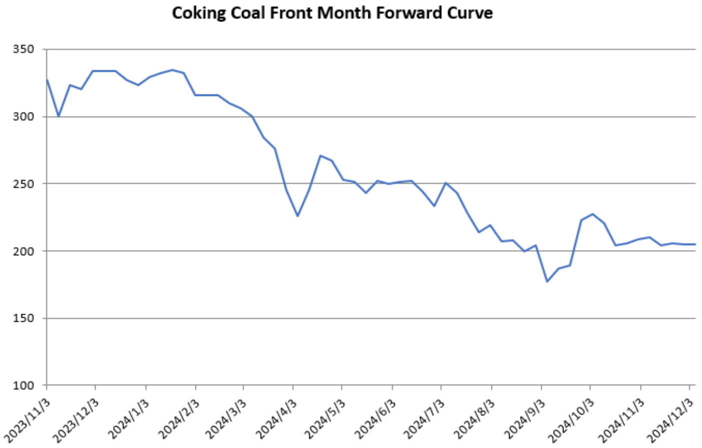
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin has continuously rebounded for two consecutive weeks to 62 yuan per ton and is already at a relatively high level in the second half of the year.
- The inventories of five major steel types in China has reached seasonal and year-low level.

Coking Coal

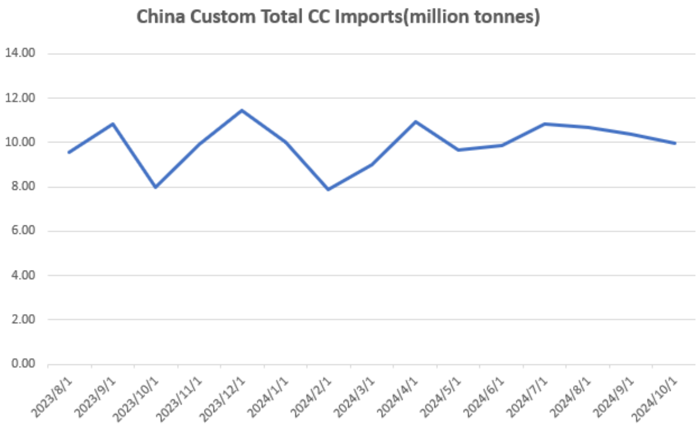
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	206.25	203.75	1.23%
Coking Coal Front Month (Dollar/mt)	205.25	205	0.12%
DCE CC Major Month (Yuan/mt)	1168	1173.5	-0.47%
Top Six Coal Exporter Weekly Shipment(Million mt)	7.34	7.28	0.82%
China Custom total CC Import Unit mt	9,956,949	10,362,750	-3.92%

Coal Key Points



- The FOB price of Australian coking coal remains stable. Demand from India supports the market, but the size of demand is relatively small. The resale resources from steel enterprises create resistance upside.

- China domestic pig iron production entered diminishing phase with more maintenance in northern areas.



- The physical coke expected to stablise by the end of year with less liquidity on supply.

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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