FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Before the Chinese New Year, steel millls finished restocking and hot metal output kept declining marginally, with industrial logic in negative feedback. But after a round of corrections, mainstream bulk commodities may have limited room for further decline eyeing a correction on dollar.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The futures market was largely connected with the locked winter stock price. Thus volatility became low.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The resilient Indian buyers well supported prime coking coal market. However China mills were negotiating with cokery plants on the sixth round of price cut.

Prices Movement	6-Jan	31-Dec	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	97.05	100.70	- 3.62 %	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3526.0	3541.0	- 0.42%	Neutral	–
Hard Coking Coal FOB Australia($/MT)	199.00	193.50	+ 2.84%	Neutral	–

Market Review:

Iron Ore Market:

As the Chinese New Year approaches, the restocking of iron ore has come to an end. Currently, the macro market lacks direct stimuli and is generally in a downward spiral. For a rebound to occur in the future, it will be necessary to see steel enterprises start restocking after unlocking prices or be driven by macro events such as a pullback in the US dollar.

The US dollar index reached 109.54 in early January, the highest since November 2022. Commodities fell sharply under the strong dollar, which is mainly due to the slower rate of interest rate cuts in the US. Many Chinese provinces have disclosed local bond issuance plans for Q1 2025. Insiders expect the issuance pace may accelerate this year. Steel industrial product inventories are high, with slower circulation and weaker demand. So oversupply is certain in January and the first half of February. For external events, we need to be aware of extreme weather in Australia affecting shipments.

Chinese domestic long steel market is generally in the stage of price locking, and the spot price was almost frozen. As for hot-rolled and cold-rolled coils, they are in a period of relative strength period at the end of the year. Due to the peak sales season of automobiles and home appliances and the large issuance of subsidies, the demand is relatively strong. The prices have softened, to facilitate more sales. In the international market, the US HRC continued to decline after a round of rebound at the end of December. The hot-rolled coil SS400 exported from Tianjin dropped by $5 year-on-year to $477 per ton, as the demand in Southeast and North Asia is sluggish.

The virtual steel margin has been continuously in the range of 50 - 70 yuan per ton since mid-December, which is in the middle range of 2024. Correspondingly, the spot profit has been restored from marginal losses to marginal profits. This week, the US dollar has quickly retraced from its high level, which may provide certain support for commodities. The average daily hot metal output decreased by 74,100 tons m-o-m to 2.252 million tons, directly dragging down the price of iron ore. The port inventories of iron ore stood at 149 million tons, showing a slow decline. The destocking speed is lower than that in the same period of previous years, and at the same time, the inventories are at a seasonal high level. There should be no significant increase in the shipment volume of iron ore in November and December, so the pressure on the shipment side in January is relatively small.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

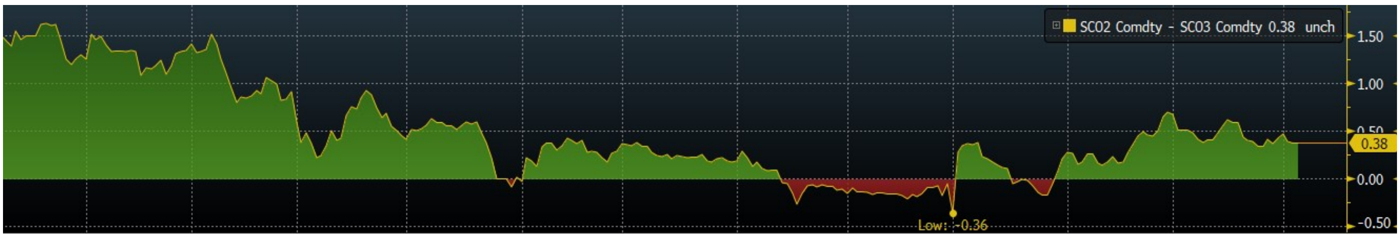
Market Review(Cont'd):

The seaborne iron ore trades were relatively slow in the first week of the new year. After the strengthening of the US dollar, the cost effectiveness of imports is lower than that of port resources. In addition, as the purchasing demand of traders has decreased, portside iron ores have become more flexible for buyers. The traded iron ore brands are still concentrated on several flagship products of BHP. Among the floating trades, the JMBF traded last Monday was at a discount of $5 against the February index, and this week the discount has expanded to $5.6. The MACF was traded at $97.05/mt last week and is $95.05/mt this week. Moreover, the lump ore premium has rapidly rebounded from $0.138 dmtu to $0.149 dmtu, mainly due to the accelerated destocking speed in East China. Due to the relatively small impact of steel mills maintenance and less air polluted-curbs, the upside room for lump ore should be limited. FMG has kept the January agreement prices for SSF and FBF unchanged on the basis of December and narrowed the discount of WPF from 4.5% to 3.75%. The discount of WPF has been continuously narrowing for two consecutive months.

The December average of MB65 - P62 was $14.51 last year, which was $14.44 for January. The spread will most likely remain stable given a stable supply condition for both mid-grade and high grade. DCE active spread May-Sep 25 has remained in the range of 23.5 - 25 yuan per ton for more than 95% of the trading time in the past five weeks. During the same period, the main spread of the SGX has been stable at $0.35 - $0.45. There are no obvious trading opportunities for both spread. In the coming year, it is recommended to seize the buying opportunities when the spread drops below $0.25, especially when the iron ore price is also at a relatively low level.

The coking coal market is relatively fragmented. On the one hand, it is supported by the implementation of the coke quota in the Indian market, which leads to a steady increase in demand. On the other hand, it is under pressure as high China coking coal inventories at port, the reduction in hot metal production, and the ongoing price cut on coke. The FOB Australian coking coal generally rebounded after the trade from Indian end-users, but the index declined when there were no transactions for several days.

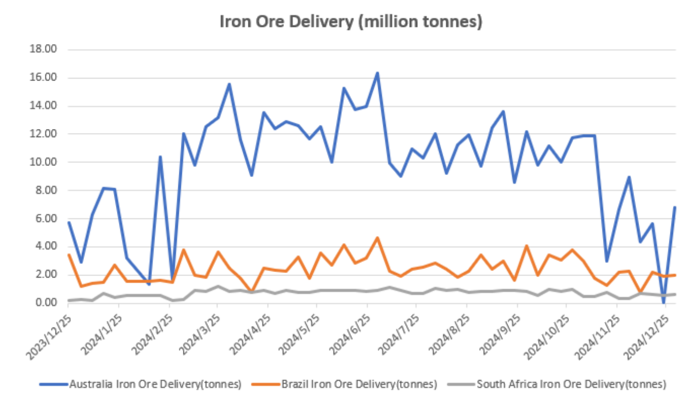
In general, iron ore should stay neutral in the short-term.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

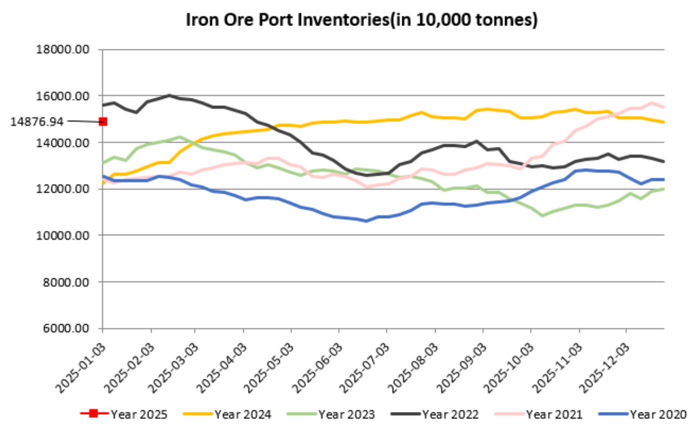
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	97.05	99.4	-2.36%
MB 65% Fe (Dollar/mt)	111.8	113.29	-1.32%
Capesize 5TC Index (Dollar/day)	10696	9244	15.71%
C3 Tubarao to Qingdao (Dollar/day)	17.64	16.95	4.07%
C5 West Australia to Qingdao (Dollar/day)	6.84	6.385	7.13%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3010	3040	-0.99%
SGX Front Month (Dollar/mt)	98.21	98.84	-0.64%
DCE Major Month (Yuan/mt)	768.5	768	0.07%
China Port Inventory Unit (10,000mt)	14,876.94	14,863.06	0.09%
Australia Iron Ore Weekly Export (10,000mt)	676.62	6.00	11176.93%
Brazil Iron Ore Weekly Export (10,000mt)	201.47	192.30	4.77%

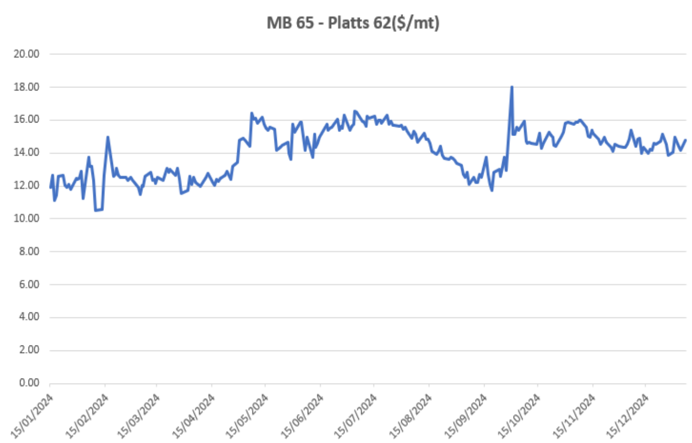


Iron Ore Key Points

- As the year-end approached, 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.



- The port inventories of iron ore have remained at a seasonal high of around 149- 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.

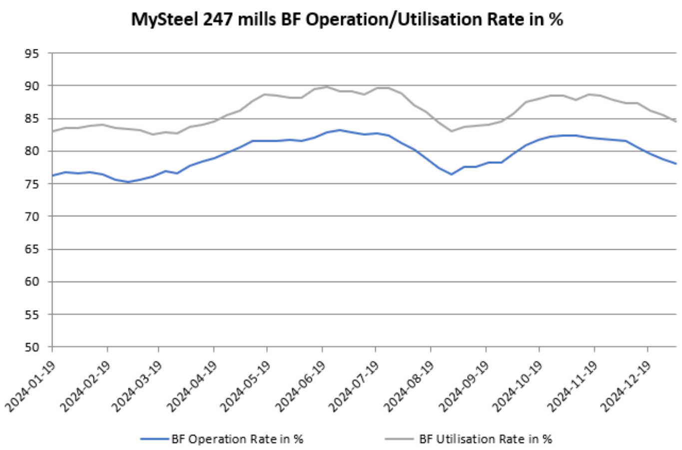


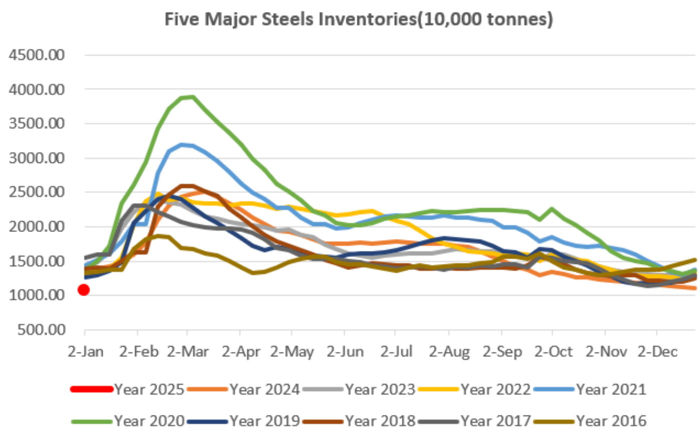
- The shipment volume of iron ore in December is expected to decline on the month. Among them, the expected decrease in shipments from Brazil is 30% on the month.

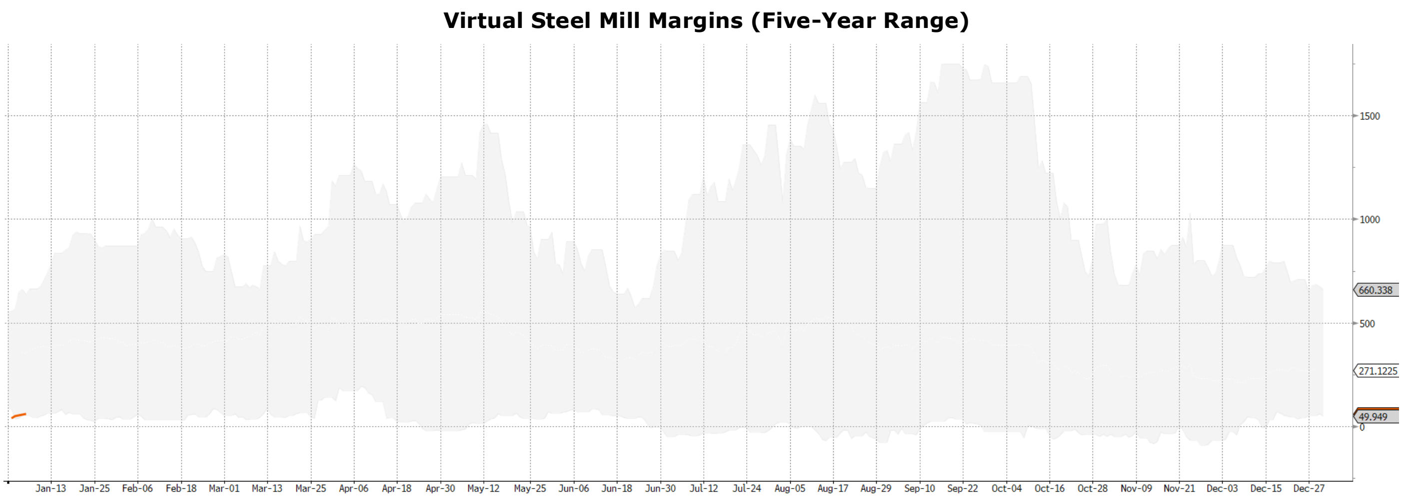
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	708	730	-3.01%
LME Rebar Front Month (Dollar/mt)	569.5	564	0.98%
SHFE Rebar Major Month (Yuan/mt)	3280	3284	-0.12%
China Hot Rolled Coil (Yuan/mt)	3441	3471	-0.86%
Vitural Steel Mills Margin(Yuan/mt)	70	40	75.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	78400	81900	-4.27%
World Steel Association Steel Production Unit(1,000 mt)	146,800	151,200	-2.91%





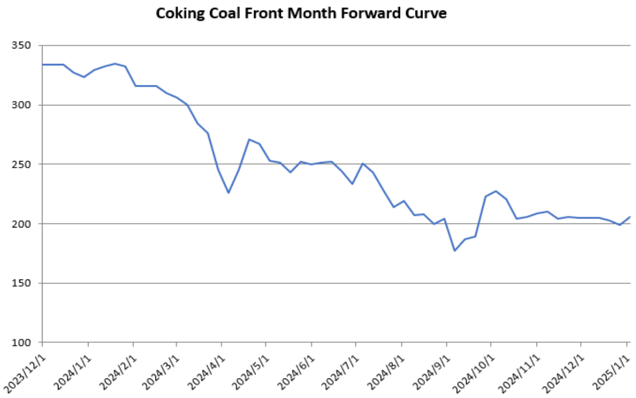


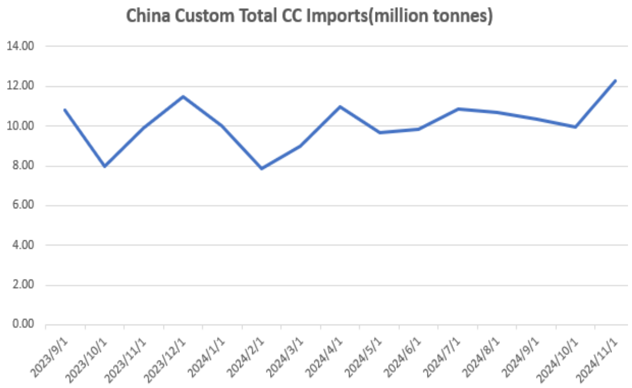
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin remained around 50– 70 yuan/ton during the past four weeks.
- 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)	199	193.5	**2.84%**
Coking Coal Front Month (Dollar/mt)	206	199	**3.52%**
DCE CC Major Month (Yuan/mt)	1152.5	1139.5	**1.14%**
Top Six Coal Exporter Weekly Shipment(Million mt)	6.38	7.03	**-9.25%**
China Custom total CC Import Unit mt	12,295,067	9,956,949	**23.48%**





Coal Key Points

- The FOB price of Australian coking coal remains stable. Demand from India supports the market, but Chinese high inventories and decreasing pig iron production resisted the price.
- Chinese domestic pig iron production entered diminishing phase with more maintenance in northern areas.

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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