FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The downstream market was on holiday mode last week and early this week, yet to see iron ore and steel demand at this point. Physical market was cautious given a strong push on futures market.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The finished steel price and half-finished steel price were largely unchanged from late January due to holiday. However, exporters were estimating the potential change after the impose of US tariffs.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. China tariffs on US exported coking coals shift more demand on FOB Australia coking coal. The physical coke price in China saw the eighth round cut by 50-55 yuan/ton due to slow demand and high inventory.

Prices Movement	10-Feb	5-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	107.70	104.40	+ 3.16%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3533.0	3535.0	- 0.06%	Neutral	–
Hard Coking Coal FOB Australia($/MT)	188.00	186.25	+ 0.94%	Neutral to Bullish	↗

Market Review:

Iron Ore Market:

During and after the Chinese New Year period, the SGX iron ore futures rebounded, driving the index to rise. However, the spot trades were extremely scarce. Steel mills continued the January policy, determining their marginal production capacity based on profit and demand conditions. If the demand fails to catch up quickly and the low level of physical trade activities, it could potentially pull down the index and futures prices again.

In the first half of January, the US Dollar Index hit a three year high, then fluctuated widely for three weeks. As the trend faded, the dollar's influence on commodity prices weakened again. In Q1 2025, the global market closely follow tariff changes, which could reshape commodity trade flows. US president Donald Trump announced a 25% tariff on steel and aluminum. US steelmakers raised domestic prices. The export price of HRC at Tianjin Port in China stayed at $472/ton, and CRC rebounded by $3/ton this week. Some market participants expect "export rushes" - increasing export before more tariffs materialize. In the long run, less US steel imports will oversupply the global market and cut exports of major steel producing or trading countries. Due to tariff concerns, market risk - aversion surged. Spot gold hit a record high of $2,886.79/oz last week, showing its safe - haven value.

In the first two months of 2025, the virtual steel margin peaked at 89 yuan/ton in late January, a four month high. After the New Year, it plunged to 38 yuan/ton. With downstream plants closed, steel mills' ex-factory prices stayed the same, but rising iron ore index and futures prices during the New Year squeezed the margin. If profits stay low, the use of premium products like PBF will be limited in the short-term. Using more low-grade and discounted products could cut premium product prices, dragging down the index price. Chinese port iron ore inventory is 153.68 million tons, up 4.33 million tons from the previous period, at a historical and seasonal high. Inventory grew fast due to the New Year. Several Western Australian cyclones could potentially cut February shipping slightly YoY. Overall, inventory drawdown can cover short-term shipping drops. As construction sites reopen next week, steel mills' capacity utilization should rise.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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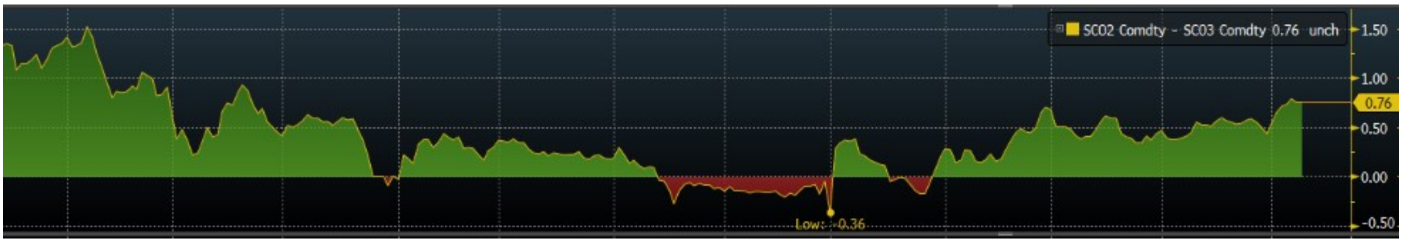
Market Review(Cont'd):

The intended prices of PBF for buyers and sellers are in the range of $107.30 - $107.65 per ton. Regarding mid-grade products, there were no transactions of floating-at-sea cargoes around the CNY. Due to the low - profit in Chinese mills, the average price of MB65 - P62 in February was $13.84 per ton, a decrease from $14.21 per ton in January. The spread between the Mar/Apr25 contracts of the main SGX futures rebounded from $0.3 per ton at the beginning of January to $0.8 per ton. As we previously pointed out, when the spread of the main contracts is lower than $0.4 per ton, it presents a good entry opportunity with a very high ratio of return to risk. Currently, the spread is at a relatively high level. As the outright price trend continues to strengthen, the short-selling opportunities for the spread are not obvious.

The average price spread between MB65 - P62 was $14.51 per ton in December last year, and the current average in January is $14.36 per ton. The price spread is likely to remain stable when steel mills profits are stable and the supply of high-grade and medium-grade ores is also stable. The DCE May25 and Sep25 spread 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. There were two days last week when there were buying opportunities at around 20 yuan per ton. The main spread of SGX has recovered from $0.35 - $0.45 per ton to $0.50 - $0.55 per ton. Currently, trading opportunities are not obvious. In the coming year, it is still recommended to look for buying opportunities when the spread is below $0.25.

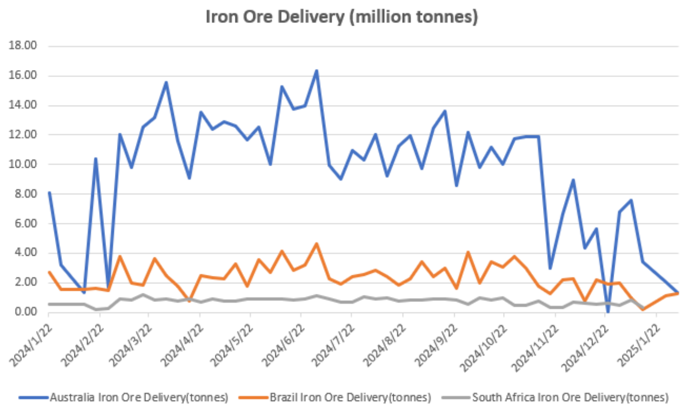
In general, iron ore should remain neutral in short-term.

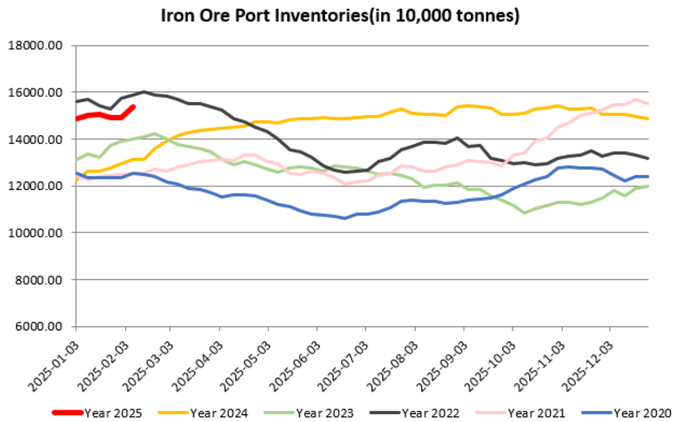


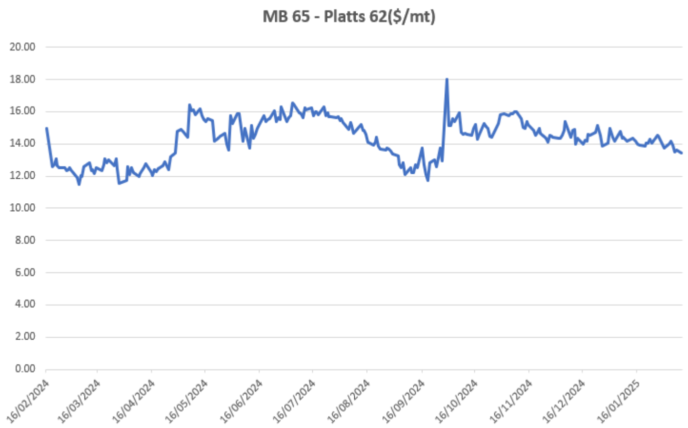
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	107.7	105	2.57%
MB 65% Fe (Dollar/mt)	121.12	119.07	1.72%
Capesize 5TC Index (Dollar/day)	6716	7144	-5.99%
C3 Tubarao to Qingdao (Dollar/day)	17.165	17.04	0.73%
C5 West Australia to Qingdao (Dollar/day)	6.445	6.27	2.79%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3080	3090	-0.32%
SGX Front Month (Dollar/mt)	106.72	101.59	5.05%
DCE Major Month (Yuan/mt)	827.5	815.5	1.47%
China Port Inventory Unit (10,000mt)	15,367.68	14,934.31	2.90%
Australia Iron Ore Weekly Export (10,000mt)	134.92	204.83	-34.13%
Brazil Iron Ore Weekly Export (10,000mt)	123.52	109.80	12.50%







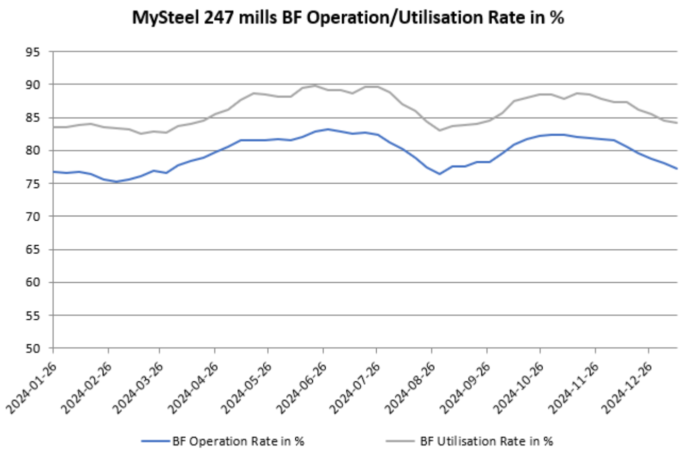
Iron Ore Key Points

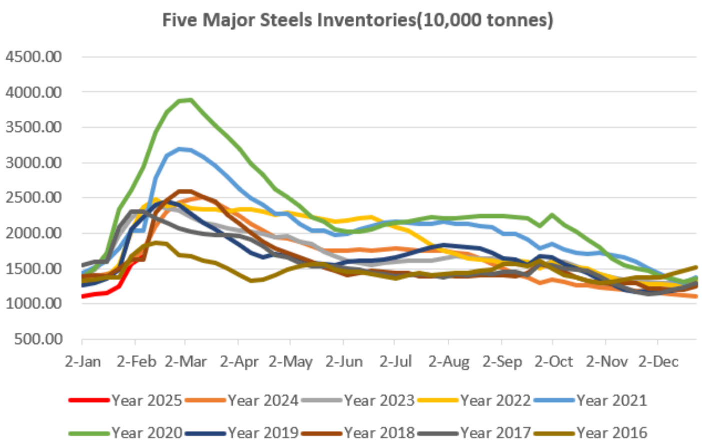
- The average value of MB65 - P62 is suppressed in the short-term by the low profits of steel enterprises and is potentially to remain in the range of $13 - $14 in the first quarter.
- Iron ore inventories at ports remains at a seasonal high of around 154 million tons, with inventory increasing rapidly during the festival. However, due to the frequent occurrence of cyclones in Australia recently, it may accelerate the pace of inventory drawdown at domestic ports.
- Over the past three months, the iron ore shipment volume has been lower YoY, which may result in a lower port arrival volume in February and March overall.

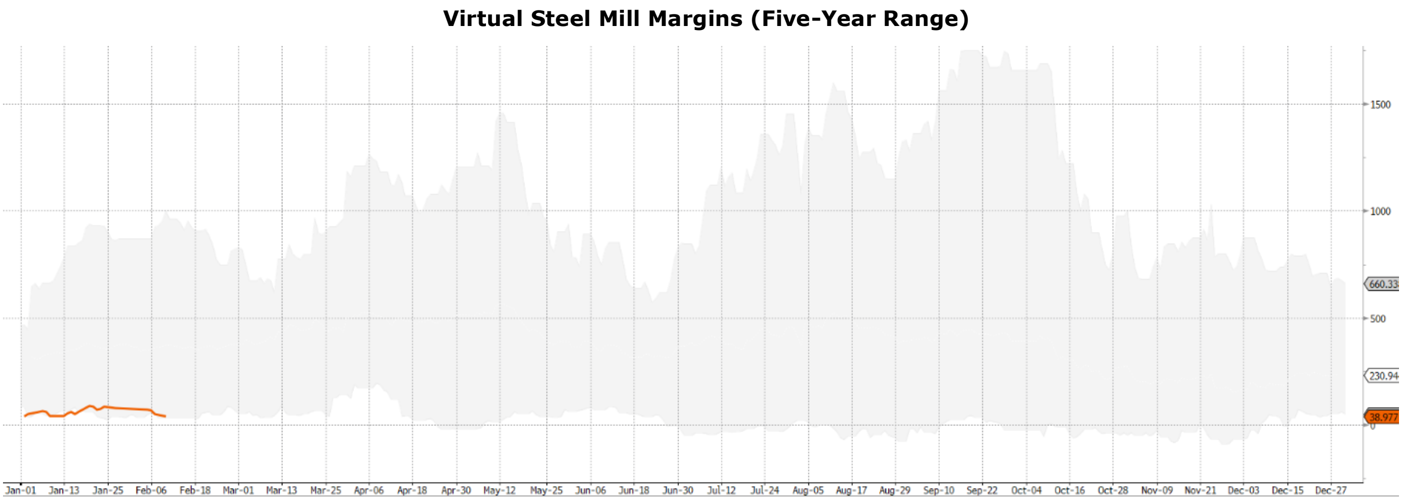
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	755	740	**2.03%**
LME Rebar Front Month (Dollar/mt)	566.5	555	**1.99%**
SHFE Rebar Major Month (Yuan/mt)	3225	3239	**-0.43%**
China Hot Rolled Coil (Yuan/mt)	3453	3453	**0.00%**
Vitural Steel Mills Margin(Yuan/mt)	38	86	**-55.81%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	76000	78400	**-3.06%**
World Steel Association Steel Production Unit(1,000 mt)	144,500	146,800	**-1.57%**







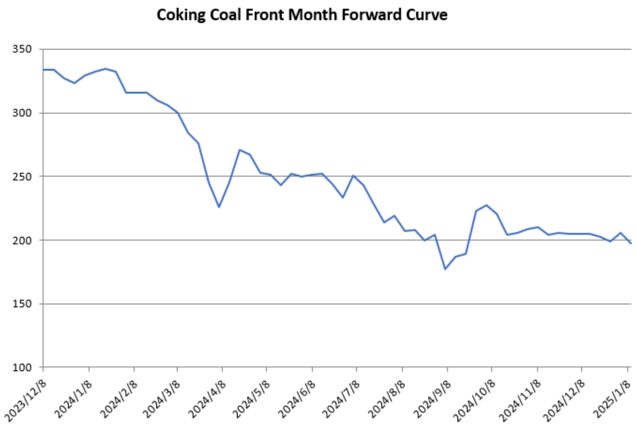
Data Sources: Bloomberg, MySteel, FIS

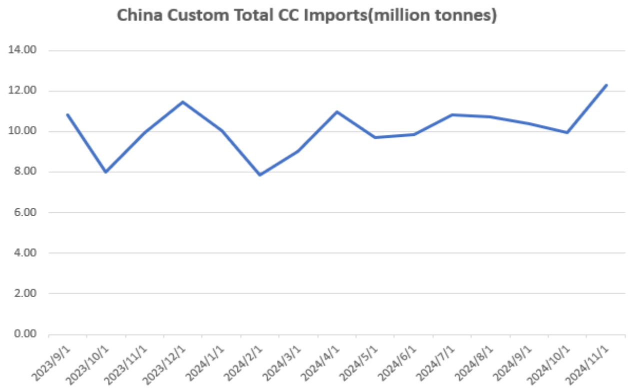
- The paper profit once rebounded to four-month high of 89 yuan/ton, dropped rapidly to 38 yuan/ton after CNY.
- The inventories of five major steel types in China has reached seasonal low by 22% compared to average of last three years.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	188	186.25	**0.94%**
Coking Coal Front Month (Dollar/mt)	188	192.33	**-2.25%**
DCE CC Major Month (Yuan/mt)	931.5	1002	**-7.04%**
Top Six Coal Exporter Weekly Shipment(Million mt)	3.26	3.97	**-17.88%**
China Custom total CC Import Unit mt	10,709,926	12,295,067	**-12.89%**

Coal Key Points





- The eighth rounds of domestic coke price reduction of 50–55 yuan/ton has fully implemented.
- The daily average pig iron output in China may not see rapid recovery until the end of February, as downstream manufacturing industries and construction sites have not resumed operations.
- Australia coking coal regained support in the short-term, as the export from US decreased after the tariff added.

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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