FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. After being hit by a hurricane last week, iron ore ports in Australia have resumed operations this week. Moreover, the abundant inventory at Asian ports has compensated for the shortfall in shipments. In the long term, the US tariff policy continues to influence the export and production plans of steel - producing countries.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Tariffs continue to shape the pattern of steel imports and exports. However, due to trade barriers, they may have a negative impact on the global volume of steel trade. In the short term, China has a relatively fast resumption of work before the construction season in March and April, leading to a rebound in demand.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral to Bullish**. The demand for pig iron in China has recovered. Additionally, after the reduction in US exports, the marginal demand for Australian coking coal has increased.

Prices Movement	17-Feb	10-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	106.35	107.70	- 1.25%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3495.0	3502.0	- 0.20%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	190.00	188.00	+ 1.06%	Neutral to Bullish	↗

Market Review:

Iron Ore Market:

As expected last week, the market didn't continue to rebound. Instead, after consolidating, it pulled back on Friday and Monday this week. After the impact of the hurricane ended, there was room for a compensatory decline in the market. However, during the pre-peak inventory building stage for raw materials, the demand is resilient. Thus, all correction should be limited.

In the early days of last week and the week before, the metal market of commodities rebounded while the US dollar index weakened. After reaching 109.88, the second - highest point of the year on February 3rd, the US dollar index dropped to 106.66, supporting metal prices.

The hurricane in Australia disrupted operations at iron ore ports, mines, and transportation. Last week, institutions estimated that shipments from Australia and Brazil would decrease by 5 million tons, and considering the continued impact early this week, the actual reduction may exceed 8 million tons. Rio Tinto said that iron ore shipments in the first quarter were severely affected, with specific figures yet to be tallied. The inventory of iron ore at domestic ports is at a seasonal high of 153 million tons, also the highest in recent three years, which can make up for the shipment shortfall.

The US's strict implementation of steel import tariffs has led steel-importing countries like the UK to consider increasing production, while exporting countries may cut their production capacity. Since building production capacity takes longer than reducing it, overall steel demand may decline in 2025. After the US imposed tariffs, several countries launched anti-dumping investigations or levied taxes on steel-producing countries, mainly targeting finished steel products. India expect to rapidly increase steel production capacity this year, while Japan's JFE Steel has cut its 2024-2025 crude steel output by 1 million tons to 22 million tons.

In the short term, domestic downstream industries are operating much faster. Steel firms are likely to speed up restocking by late February, bolstering demand. With the Two Sessions in China approaching in early March, market expectations are high and discussions are heating up, which could bring volatility to the ferrous market.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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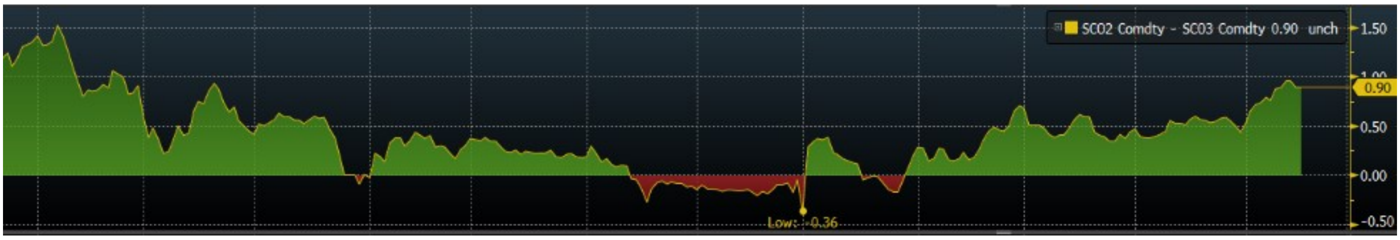
Market Review(Cont'd):

In the past two months, the demand for Brazilian imports has surged. BRBF's inventory at Asian ports has grown fast, making it harder to sell Brazilian premium ores. Discounted ores like IOC6 are more popular. As downstream resumes, virtual steel margin has bounced from 38 yuan/t to 43 yuan/t , yet it's seasonally low. In 2025, the post-CNY work resumption ratio has been slower than 2022-2024. Demand for long steel is expected to pick up in mid-March peak season, and iron ore demand will rise then too. Flat steel is still hit by tariff swings, dampening trader sentiment. The FOB price of SS400 at Tianjin Port is $472/t, unchanged on the week. SPCC is $552/t, down $2 on the week.

Due to steel firms' low profits, the average price of MB65-P62 in February was $13.59/t, down from $14.21/t in January. The active SGX spread March/April25 rebounded from $0.85/t last Monday to $1/t, but fell back to $0.85/t this week. We previously noted that entry point below $0.4/t should have high risk - return ratio. Currrently, the spread is high and trading opportunities are scarce. Overall, short at high spreads has a low safety margin.

In general, iron ore should remain neutral in short-term, however the valuation is high.



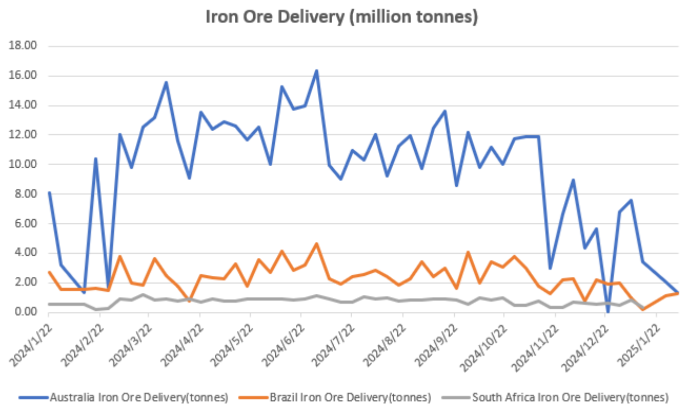
Data Sources: Bloomberg, Platts, Fastmarket, FIS

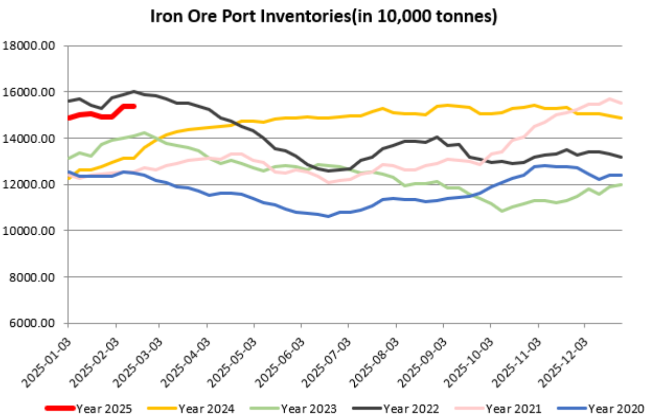
Iron Ore

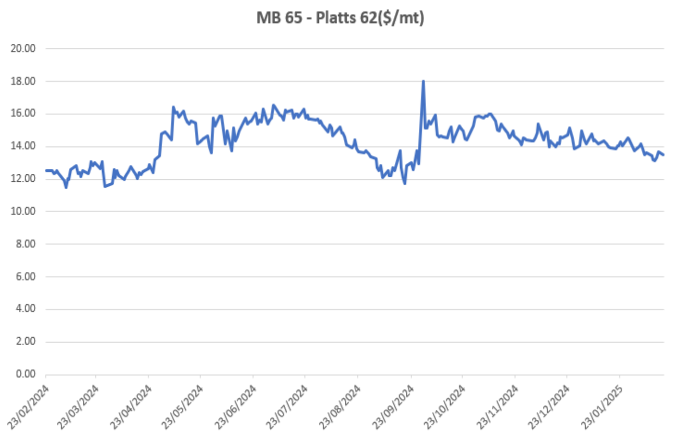
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	106.35	107.7	-1.25%
MB 65% Fe (Dollar/mt)	119.86	121.12	-1.04%
Capesize 5TC Index (Dollar/day)	6009	6716	-10.53%
C3 Tubarao to Qingdao (Dollar/day)	16.8	17.165	-2.13%
C5 West Australia to Qingdao (Dollar/day)	6.015	6.445	-6.67%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3030	3080	-1.62%
SGX Front Month (Dollar/mt)	106.15	106.34	-0.18%
DCE Major Month (Yuan/mt)	814	820	-0.73%
China Port Inventory Unit (10,000mt)	15,392.53	15,367.68	0.16%
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 short-term suppressed by the low profits of steel enterprises and is potentially to remain in the range of $13 - $14 in the first quarter.
- Iron ore inventory at ports remain at a seasonal high of around 153-154 million tons during February. 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.



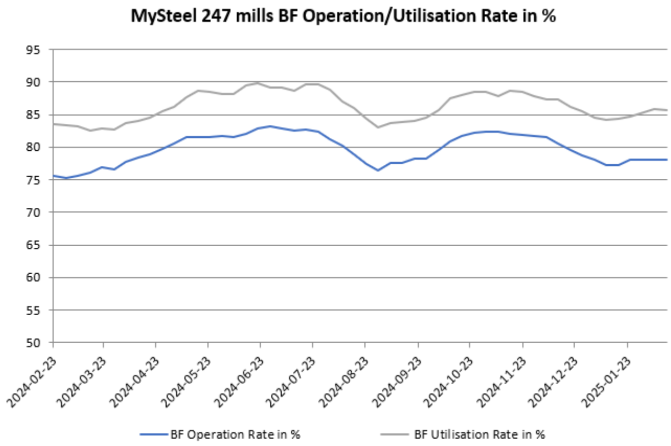


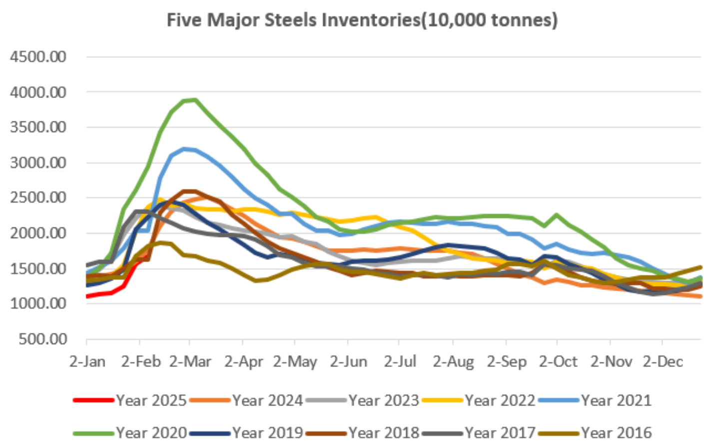


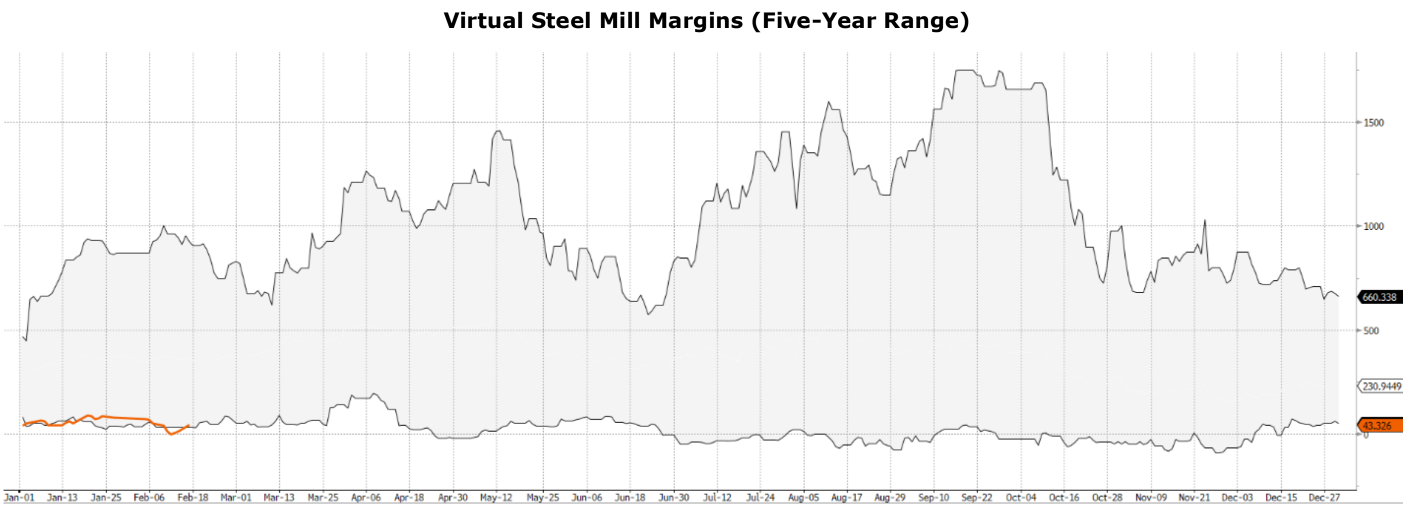
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	768	755	1.72%
LME Rebar Front Month (Dollar/mt)	568	567	0.26%
SHFE Rebar Major Month (Yuan/mt)	3268	3361	-2.77%
China Hot Rolled Coil (Yuan/mt)	3415	3453	-1.10%
Vitural Steel Mills Margin(Yuan/mt)	43	38	13.16%
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%





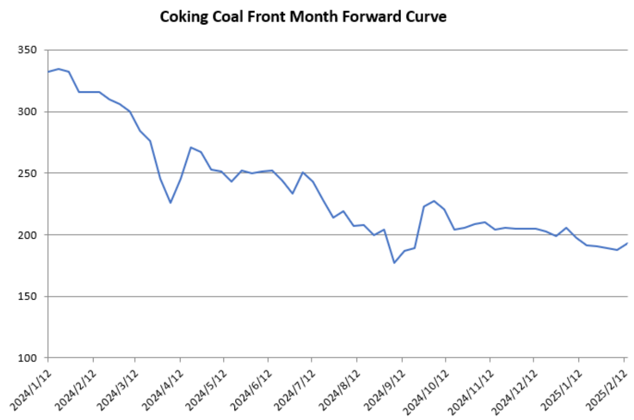


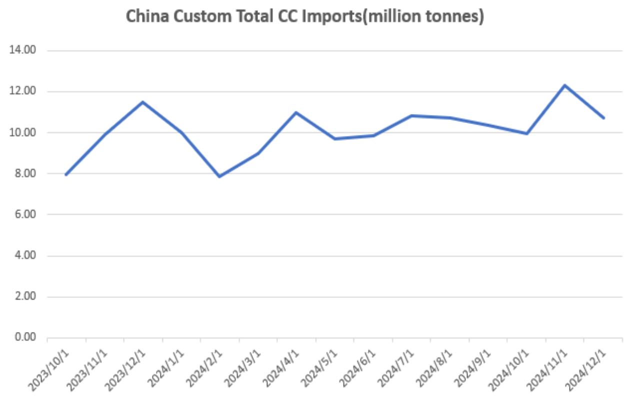
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin rebounded from 38 yuan/ton to 43 yuan/ton during past week.
- The inventories of five major steel types in China have 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)	190	188.75	**0.66%**
Coking Coal Front Month (Dollar/mt)	193	188	**2.66%**
DCE CC Major Month (Yuan/mt)	1088.5	1145.5	**-4.98%**
Top Six Coal Exporter Weekly Shipment(Million mt)	1.97	3.75	**-47.47%**
China Custom total CC Import Unit mt	10,709,926	12,295,067	**-12.89%**





Coal Key Points

- The ninth rounds of domestic coke price reduction of 50– 55 yuan/ ton has been 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 implementation of tariffs.

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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