FIS Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to Bearish**. The impact of the hurricane on iron ore market has been fully realized. During the past week, the ease of geo-political tension raised investors' risk appetite. In China, there were new policies for renovating urban old residential communities. However, the limited iron ore demand in physical market and high value potentially bring correction back.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The hype about the impact of tariffs has been put on hold, and domestic production has resumed.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. After several rounds of rebounds, Australian coking coal prices have started to level off. The continuous demand from India serves as a support, but the relatively weak demand from China has been suppressing the coal prices.

Prices Movement	24-Feb	17-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	109.10	106.35	+ 2.59%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	3489.0	3495.0	- 0.17%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	188.50	190.00	- 0.79%	Neutral	-

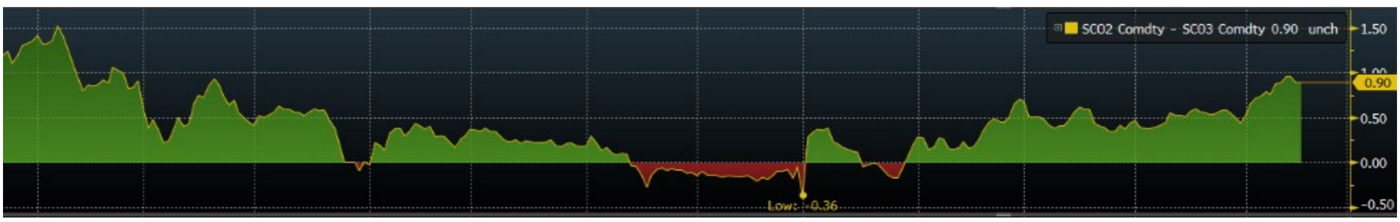
Market Review:

Iron Ore Market:

There was a significant rebound in the market last week. As the impact of the hurricane has ended, short-term funds brought about by the rebound in risk appetite are likely to exit. Moreover, ahead of the domestic policy meeting, the market was mainly dominated by speculative trading. Therefore, there is limited room for further rebound of iron ore this week.

According to the latest steel production policies of European countries, it is likely that production capacity will be further increased and exports will be reduced this year, so as to improve the self - sufficiency rate. In 2024, the steel output of the European Union increased by 2.6% year-on-year to 129.5 million tons. Affected by the steel tariffs of many countries, the cost of steel exports is gradually increasing, putting pressure on the costs of major steel-producing countries. Importing countries consider replacing part of their imports with domestic production, which is likely to lead to a decrease in the steel trade flow. Asian steel may flow to the Middle East, which serves as an important area for re-export. The price of HRC at Tianjin Port has remained at $472/t for the past three weeks, waiting to see the direction of the market. Due to the gradual recovery of domestic demand, the export price of China is currently firm, thus supporting the recent price of the Asian flat steel market. The market is waiting for the auto import tariff policy that the US will announce in April, which potentially stir up new unrest to the market.

The Hang Seng Index rebounded significantly to its highest point since March 2022 at one time, which supported the rebound of the metal market. In addition, the US Dollar Index has been declining continuously and has dropped to 106.12 from its peak on January 13. During past week, renovation projects for old residential communities were launched in China. The total number of renovated communities last year exceeded expectations by 7.41%.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

At present, the profit on the futures market is 42 yuan/ton, almost the same as last week. The virtual steel margin has been restored to some extent due to the recent depreciation of the US dollar. However, the demand for imported seaborne iron ore last week was weak. The most frequently traded resources were Brazil's IOC6 and some highly discounted products. Last week, BHP narrowed the discount of JMBF from $5.33/mt to $5.15/mt, and the discount of MACF from $3.23/mt to $3.06/mt. BRBF was transacted at $108.1/mt, rebounding by $1.65mt compared with mid-February. In the past few weeks, the supply has been affected by the hurricane, but Rio Tinto's statement implies that the annual production target is only half of the amount affected by the hurricane. That is to say, Rio Tinto's shipments may increase in the second quarter to make up for the shortfall. The shipments from Australia and Brazil last week have rebounded significantly by 12.147 million tons to 23.4 million tons. The total arrivals at the six northern ports in China reached 12.218 million tons, a month-on-month increase of 1.333 million tons. Based on the above analysis, the rebound in futures and spot prices last week may be more due to speculative sentiment. Beware of the selling pressure caused by profit-taking exits.

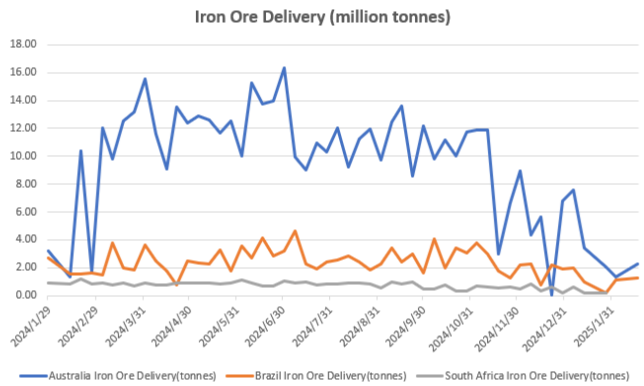
In general, iron ore could have potentially reached its periodic high and in risk of correction.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

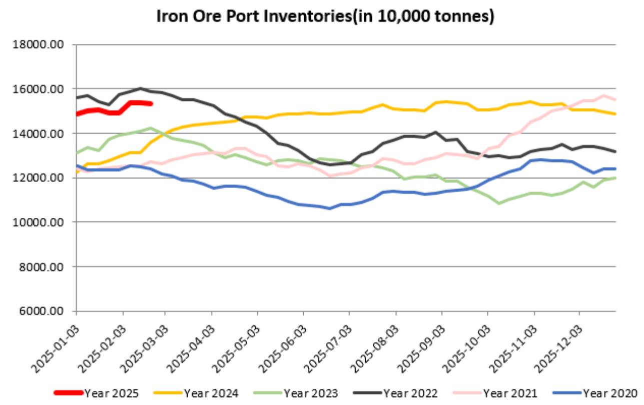
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	109.1	106.35	2.59%
MB 65% Fe (Dollar/mt)	121.84	119.86	1.65%
Capesize 5TC Index (Dollar/day)	8620	6009	43.45%
C3 Tubarao to Qingdao (Dollar/day)	18.31	16.8	8.99%
C5 West Australia to Qingdao (Dollar/day)	6.65	6.015	10.56%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3120	3030	2.97%
SGX Front Month (Dollar/mt)	108.49	106.15	2.20%
DCE Major Month (Yuan/mt)	839	814	3.07%
China Port Inventory Unit (10,000mt)	15,339.54	15,392.53	-0.34%
Australia Iron Ore Weekly Export (10,000mt)	230.83	134.92	71.08%
Brazil Iron Ore Weekly Export (10,000mt)	123.52	109.80	12.50%

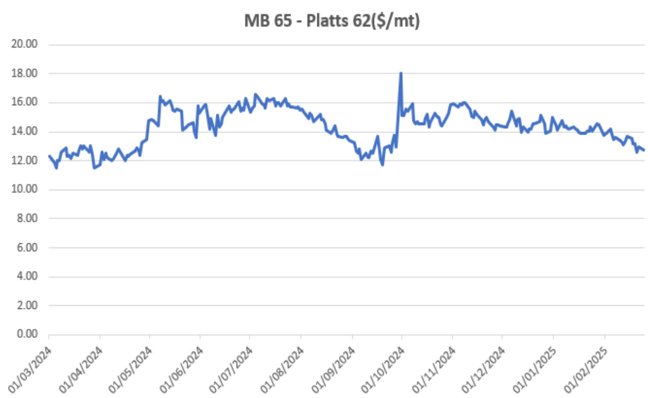
Iron Ore Key Points



- The average value of MB65 - P62 is suppressed in the short-term by the low profits as well as high Brazil shipments. Thus, the spread potentially remain in the range of \$13-\$14 in the first quarter.



- The iron ore inventory at ports remains at a seasonal high of around 153-154 million tons during February. However, the loss of shipment in Australia and upcoming China construction season may accelerate the pace of inventory drawdown at domestic ports.

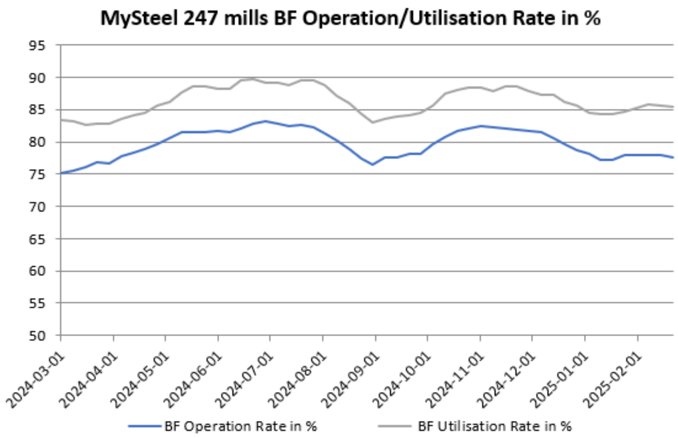


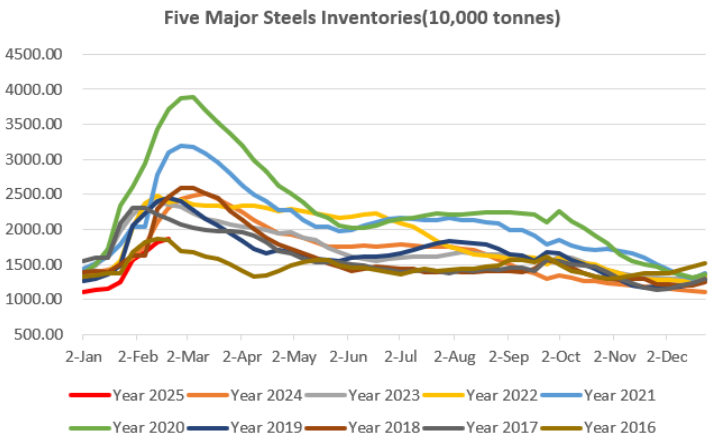
- BHP narrowed the discounts on JMBF and MACF.

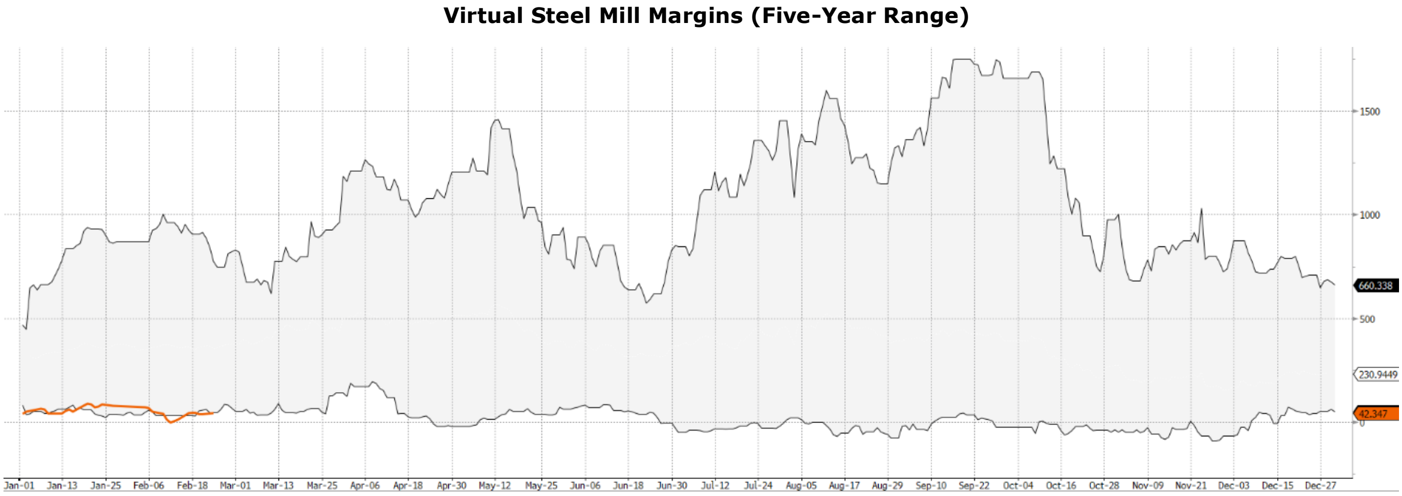
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	778	768	**1.30%**
LME Rebar Front Month (Dollar/mt)	568.5	568	**0.09%**
SHFE Rebar Major Month (Yuan/mt)	3366	3268	**3.00%**
China Hot Rolled Coil (Yuan/mt)	3461	3415	**1.35%**
Vitural Steel Mills Margin(Yuan/mt)	42	43	**-2.33%**
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%**







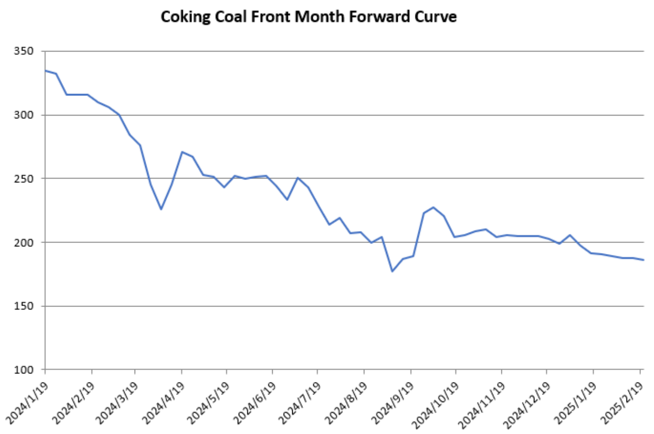
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin consolidated from 42-43 yuan/ton.
- The five major steel types in China start to restock from mid-February. However the pace was slower than the same time during past two years.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	188.5	190	-0.79%
Coking Coal Front Month (Dollar/mt)	186.5	188	-0.80%
DCE CC Major Month (Yuan/mt)	1130.5	1088.5	3.86%
Top Six Coal Exporter Weekly Shipment(Million mt)	2.59	5.55	-53.33%
China Custom total CC Import Unit mt	10,709,926	12,295,067	-12.89%

Coal Key Points



- China steel mills have started to discuss the tenth rounds of domestic coke price reduction of 50– 55 yuan/ton.

- The daily average pig iron output in China expected to see acceleration from late February.

- Australia coking coal stabilise currently, supported by the resilient Indian demand. However, the price was resisted by lack of Chinese buyers.

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.

Written by **Hao Pei**,
FIS Senior Research Analyst
haop@freightinvestor.com