FIS

Ferrous Weekly Report

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

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The downward trend of iron ore prices has slowed down. The pressure mainly comes from the decline in macro-level risk appetite, the domestic real estate and infrastructure policies falling short of expectations, and frequent tariff disruptions. On the other side, the increase in hot metal production maintained seasonal and year high as the peak season arrives.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The construction progress at domestic construction sites and among downstream enterprises has accelerated rapidly, leading to a quicker pace of steel consumption.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The crowded laycans of Australian coking coal results in significant supply pressure. However, stable trades have supported the prime coal market.

Prices Movement	10-Mar	3-Mar	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	101.00	101.05	- 0.05%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3463.0	3481.0	- 0.52%	Neutral	-
Hard Coking Coal FOB Australia($/MT)	181.00	185.50	- 2.43%	Neutral	-

Market Review:

Iron Ore Market:

As expected, the iron ore market experienced a significant correction on Monday last week. In the following four trading days, the fluctuation range narrowed, with little change in prices, and the downward momentum was exhausted. It is still expected to maintain a narrow-range fluctuation this week. Firstly, the increase in hot metal production during peak season, the recovery of steel mills' profits, and the rebound of the landed profit of raw materials provide effective support. On the other hand, the lack of macro-level positive factors and the decline in risk appetite lead to insufficient impetus for a rebound.

Looking at the global economy, the US dollar index plunged from 107.66 on February 28 to 103.46 in five trading days, a decline of 3.9%, marking the largest weekly drop since November 2022. The Nasdaq Index tumbled 12.9% from February 19 to March 10. Crude oil and iron ore also witnessed significant declines during the same period. Frequent tariffs and tariff counter-measures covering more countries and commodities have led to the overall risk appetite failing to rebound for a long time, resulting in a spiral decline in the general commodity sector. The VIX index rose from 15-16 at the beginning of February to a peak of 27.86 yesterday, marking the high of year.

Last week, the volume of seaborne iron ore trades shrank again, because production activities decreased during the China Two Session period. It is expected that the situation will probably improve this week. As the peak season in the China market arrives, the demand for iron ore is accelerating. The daily average hot metal production of iron ore in China reached 2.3051 million tons, an increase of 25,700 tons week-on-week. This growth rate was the fastest in the past four weeks, and the daily average hot metal production was 82,600 tons more compared with the same period last year. The capacity utilization rate of steel enterprises was 86.54%, an increase of 0.96% month-on-month and 3.43% year-on-year. Iron ore inventories at ports decreased rapidly from 154 million tons to 145 million tons in just one month, and it is likely to continue to be consumed rapidly in the future. After experiencing a rapid decline and then a rapid increase, the iron ore shipments from Australia and Brazil generally stabilized last week, with a week-on-week decrease of 900,000 tons.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

The virtual steel margin once rose from 43 yuan/t at the end of February to 97 yuan/t in early March, and then quickly dropped to 45 yuan/t in early this week. The bargaining power of steel products remains relatively low. The market needs to witness a significant decrease on inventory before effectively supporting the steel price. However, due to the rapid expansion of demand scale, the probability of price decline is small. With the rapid depreciation of the US dollar, the landing profit has recovered quickly. The sentimental bottom for medium-grade spot iron ore is between $95-97/mt. Indian iron ore pellets were once in hot demand due to the production restrictions in northern China in early March with increasing shipments. Coupled with the end of the pellet peak season, steel mills will use more iron ore fines, and the subsequent market sustainability is worrying. Last week, FMG held a tender for term contract of SSF from April to June, but it didn't attract enough attention. Instead, 190,000 tons of FMG's SSF were traded on Monday. Last Tuesday, the PBF with a 62% iron content equivalent was traded at $101.59/mt. Last Friday, the PBF was traded higher at a floating price, equivalent to a fixed price of $101.8/ despite a flat index level, indicating the demand remains sustainable for PBF. The discount of JMBF rebounded from $5.08/mt last week to $5.25/mt.

As expected, the spread of MB65-P62 has narrowed. The average price down from $14.21/t to $12.91/t during the past two months. With the improvement of steel margin and the gradual increase in shipments from Australia, the spread is expected to rebound. The spread of the SGX Apr/May25 dropped from $0.95/mt in mid-February to $0.70/mt and then recovered to $0.95/mt this week. Since the near-term contracts are gradually entering the peak season, buying the spread at low levels has a relatively high safety margin.

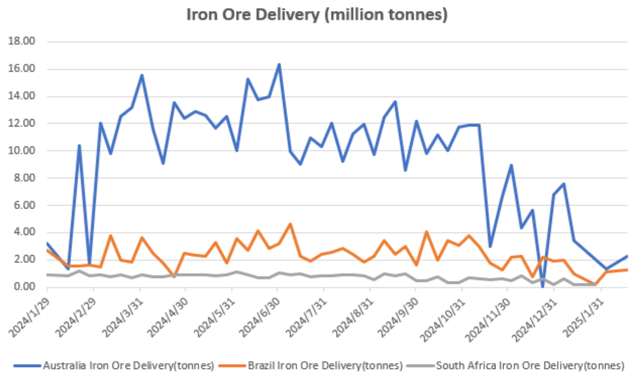
Tariffs changes disrupt the international steel supply chain, causing Asian scrap steel prices to rebound. Last week, Vietnam's imports from Japan rose $5/t, and other Asian imports from the US jumped over $10/t. But China Tianjin Port's SS400 FOB price fell $5/t. The Chinese domestic coke market debates the 11th price cut, which is hard to implement. Coking plants' inventory is at a four-year high (13.17 days). China's coal imports soar from 2024. With winter over, thermal coal demand drops, potentially pulling down coal prices. Australian coking coal supply is high in March-April. A 40,000-ton PMV index- inked deal briefly supported the index. CFR coke prices to India soar as prior imports from China and Indonesia used most quotas, forcing acceptance of high-priced coke.

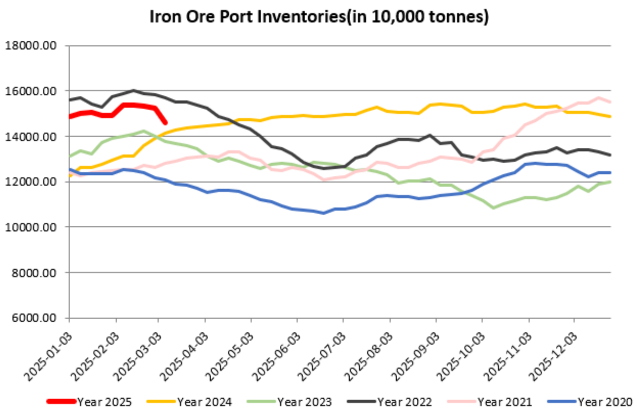
In general, iron ore could potentially see a slower price change after a big correction during the past two weeks.

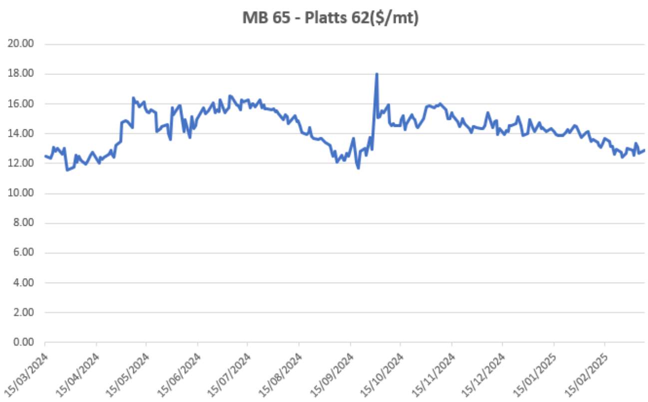
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	101	101.05	-0.05%
MB 65% Fe (Dollar/mt)	113.89	113.94	-0.04%
Capesize 5TC Index (Dollar/day)	20554	16424	25.15%
C3 Tubarao to Qingdao (Dollar/day)	22.87	20.067	13.97%
C5 West Australia to Qingdao (Dollar/day)	10.075	10.535	-4.37%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3040	3090	-1.62%
SGX Front Month (Dollar/mt)	100.45	102.44	-1.94%
DCE Major Month (Yuan/mt)	774.5	802	-3.43%
China Port Inventory Unit (10,000mt)	14,577.88	15,221.40	-4.23%
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

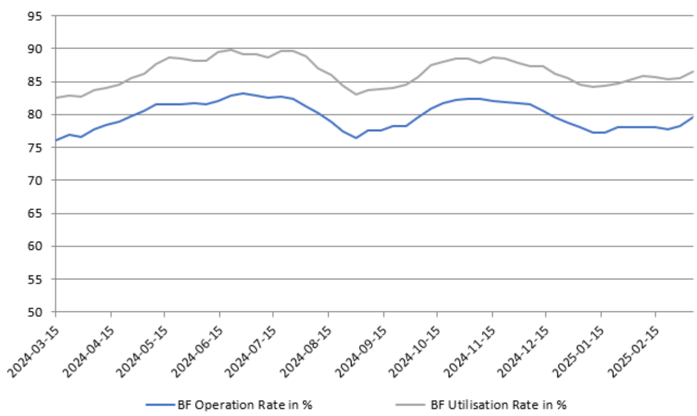
- The spread of MB65-P62 has fallen below $13/mt, experiencing a short-term excessive decline. As the profits of steel mills and the shipments from Australia recover in the next few weeks, the spread is expected to rise back above $13/mt.
- The decline of iron ore inventory at China ports is faster than the cumulative arrivals, indicating obvious demand during the peak season.
- The discount iron ore demand on Australia and Brazil become popular.

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

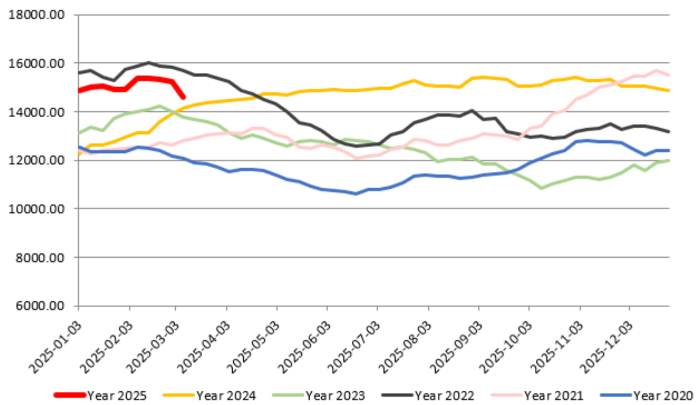
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	925	912	1.43%
LME Rebar Front Month (Dollar/mt)	572.5	562	1.94%
SHFE Rebar Major Month (Yuan/mt)	3264	3318	-1.63%
China Hot Rolled Coil (Yuan/mt)	3403	3417	-0.41%
Vitural Steel Mills Margin(Yuan/mt)	45	97	-53.61%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	81900	76000	7.76%
World Steel Association Steel Production Unit(1,000 mt)	151,400	144,500	4.78%

MySteel 247 mills BF Operation/Utilisation Rate in %



Iron Ore Port Inventories(in 10,000 tonnes)



Virtual Steel Mill Margins (Five-Year Range)

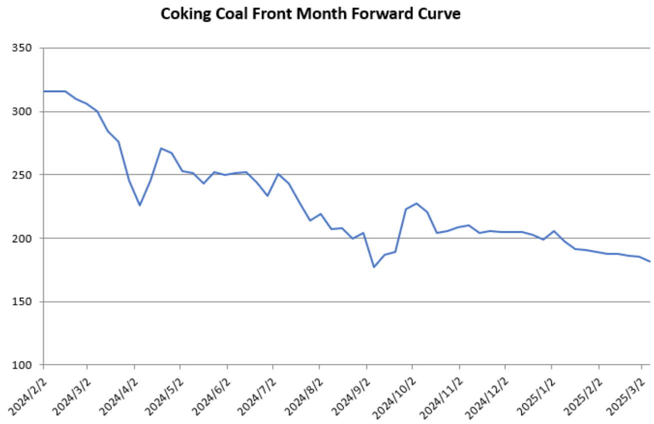
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin rebounded from 42 yuan/t to 97 yuan/t in early March, but it dropped to 45 yuan/t again this week.
- The inventory accumulation rate of the five major steel products is at an eight-year low, so steel prices receive short-term support.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	181	185	**-2.16%**
Coking Coal Front Month (Dollar/mt)	182	185.5	**-1.89%**
DCE CC Major Month (Yuan/mt)	1078	1093.5	**-1.42%**
Top Six Coal Exporter Weekly Shipment(Million mt)	3.54	5.57	**-36.45%**
China Custom total CC Import Unit mt	10,709,926	12,295,067	**-12.89%**

Coal Key Points



- Market sources indicated difficulty for China mills to rule out new rounds of price cut.

- The daily average pig iron output in China saw acceleration from late February.

- Australia coking coal corrected after the decreasing demand versus high shipments.

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