FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The trend of pig iron production in China entering the margin is declining. The rebound last week was mainly driven by the oversold rebound of domestic coking coal.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The US has raised tariffs on steel and aluminum imports, increasing international trade barriers. In China, the rainy season has arrived in East and South China, followed by a high-temperature season, generally entering a demand off-season.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Markets are concerned about the arrival of the monsoon season in India and the rainy season in China. Coupled with the relatively sufficient supply of coking coal from different sources recently.

Prices Movement	9-Jun	2-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	95.20	96.30	- 1.14%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3292.0	3310.0	- 0.54%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	181.00	188.50	- 3.98%	Neutral	–

Market Review:

Ferrous Market:

Last week, the steel market rebounded driven by the recovery of coking coal, while fundamentals remained unchanged. Domestic demand for iron ore and steel has entered the off-season. Macroscopically, attention is focused on whether tariffs will trigger another "export rush" effect.

China's steel exports in May were 10.58 million tons, a slight increase on the month. From January to May, steel exports increased by 8.9% year-on-year. Iron ore imports from January to May fell by 5.2% year-on-year. China steel exports have offset the weak domestic demand. The overall supply of iron ore is tight. The total inventory of iron ore in steel enterprises is 86.90 million tons, a decrease of 2.688 million tons on the month and 5.28 million tons lower on the year. After three months of decline, iron ore port inventory reached 138.27 million tons, 11.01 million tons lower on the year. The average daily pig iron output last week was 2.418 million tons, still 60,500 tons higher year-on-year. The arrival of iron ore at 45 ports last week was 26.093 million tons, a month-on-month increase of 723,000 tons. Although the pig iron output has determined a downward trend since mid-May, the decline is slow. Therefore, the iron ore market is currently in a state of high demand and tight supply. In terms of overseas markets, due to the previous decline in domestic flat steel prices, exports to Vietnam have a price advantage of $50/ton. Coupled with market concerns about steel tariffs, it may further expand the short-term demand for Chinese steel. Recently, due to the decline in profits of EAFs, maintenance has increased. If the operating rate of electric furnaces further declines in the future, it to some extent reduce the pressure on blast furnace production.

Last week, DCE coking coal became the headline of the commodity market. The rebound was driven by the several bullish factors. Firstly, the technical rebound from a 9-year low, massive positions triggering the exit of both speculative and hedging. Thermal coal price has stablised as we approach summer. The market concerned over potential changes in Mongolia's coal export policies and rumors of resource tax imposition following the Mongolian Prime Minister's succession. There were production cut rumors from Shanxi, China. The low valuation of China domestic coking coal hitting the lowest level among different brands global-wise, prompting some traders to consider arbitrage opportunities. Converging within two days, these factors led to a sharp rebound in DCE coking coal prices.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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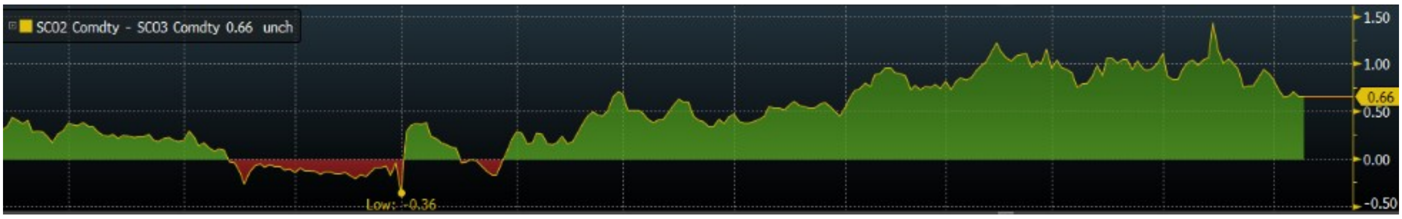
Market Review(Cont'd):

Virtual steel margin rebounded from 53 yuan/ton last week to 68 yuan/ton. Profit levels are expected to remain stable due to the arrival of the off-season, with a low probability of significant decline. The liquidity of imported iron ore was restored, leading to trades of different varieties. In particular, 9-10 vessels of PBF were traded, marking the highest weekly PBF trade volume this year. This was mainly driven by a substantial increase in shipments from mines to meet fiscal year-end targets. The trades for Fe60.8% PBF in the reporting week was between $91.1–$91.8/ton, with little price change. MACF was traded at $92.3/mt at the beginning of last week, then rebounded to $93.6/mt. BRBF fluctuated between $94.5–$94.8/mt during the same period. The trades during report week included multiple brands, NHGF, IOCJ, SSF, RoyHill, and SP10, with only JMBF absent.

The MB65-P62 spread once fell to a two-year low of $8.85/mt, with the historical low at $7.3/mt in September 2023. The main reasons for the compressed spread are the accumulation of concentrate inventory, high shipments from Brazil, and the contraction of steel mill profits. At present, the spread has reached an absolute low, and opportunities to buy the spread emerged, with a considerable profit -loss ratio and target $11.5/mt as the mid-run target.

The major iron ore spread of SGX for Jul/Aug25 slightly declined from $0.7-$0.8/mt to $0.6-$0.7/mt. The main trading range of DCE May-Sep25 spread in the past week was 35-38 yuan/ton, and the trading range was narrowed.

In the short term, iron ore is neutral. The Australian coking coal market is also neutral.



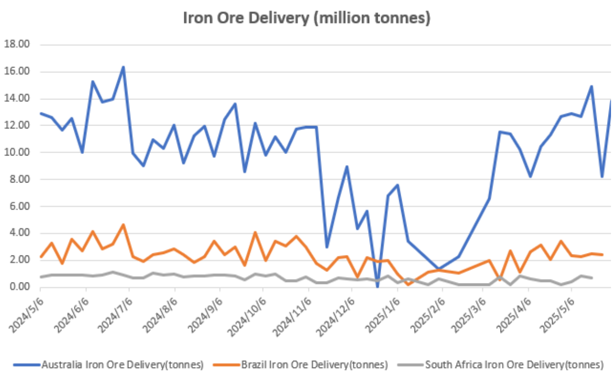
Data Sources: Bloomberg, Platts, Fastmarket, FIS

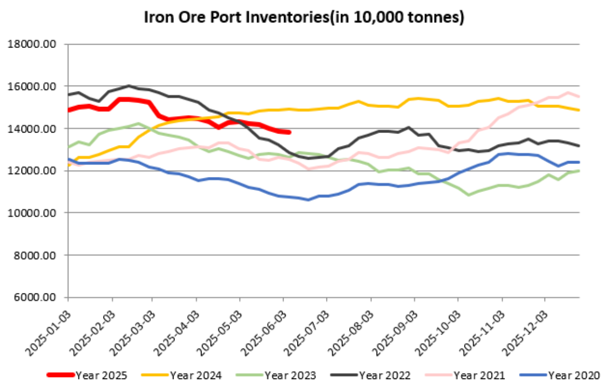
Iron Ore

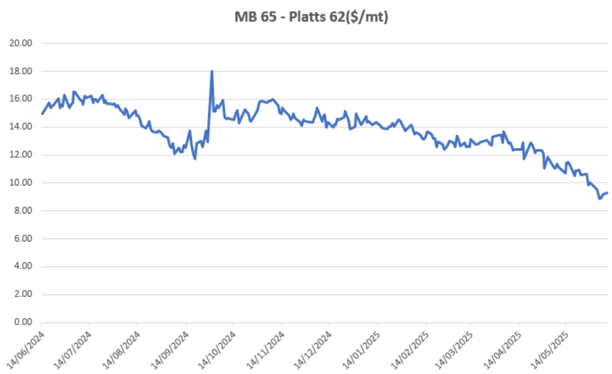
	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	95.2	96.3	**-1.14%**
MB 65% Fe (Dollar/mt)	104.5	105.85	**-1.28%**
Capesize 5TC Index (Dollar/day)	24961	19071	**30.88%**
C3 Tubarao to Qingdao (Dollar/day)	24.133	21.99	**9.75%**
C5 West Australia to Qingdao (Dollar/day)	10.091	8.965	**12.56%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2900	2890	**0.35%**
SGX Front Month (Dollar/mt)	95.51	95.64	**-0.14%**
DCE Major Month (Yuan/mt)	708	703.5	**0.64%**
China Port Inventory Unit (10,000mt)	13,826.69	13,866.58	**-0.29%**
Australia Iron Ore Weekly Export (10,000mt)	1,380.93	820.00	**68.41%**
Brazil Iron Ore Weekly Export (10,000mt)	245.16	248.26	**-1.25%**

Iron Ore Key Points

- Iron ore shipments and port arrivals in China both increased as the end of Financial Year in Australia boosted sales.
- Both iron ore port stocks and mills stocks are in yearly low level.
- MB65-P62 once reached three-year-low level of $8.85/mt of the year. The high inventory and shipment from Brazil dragging down the spread level.



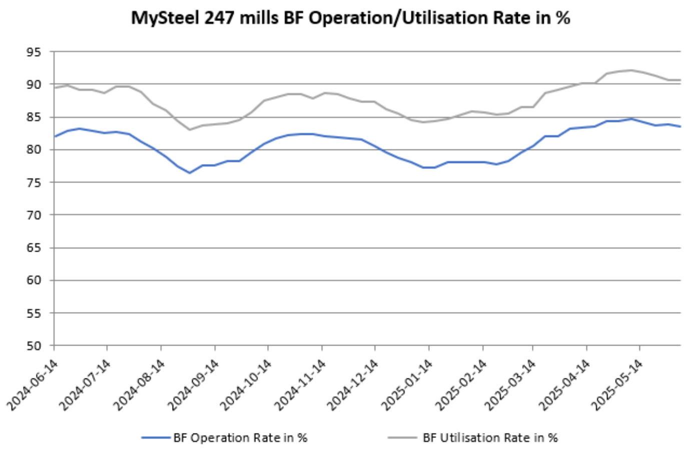


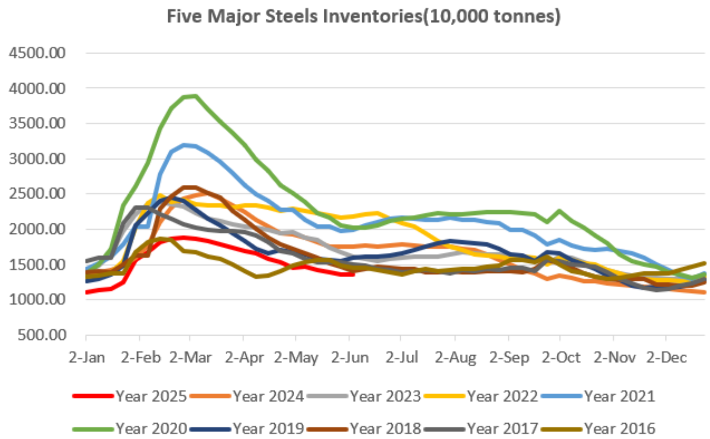


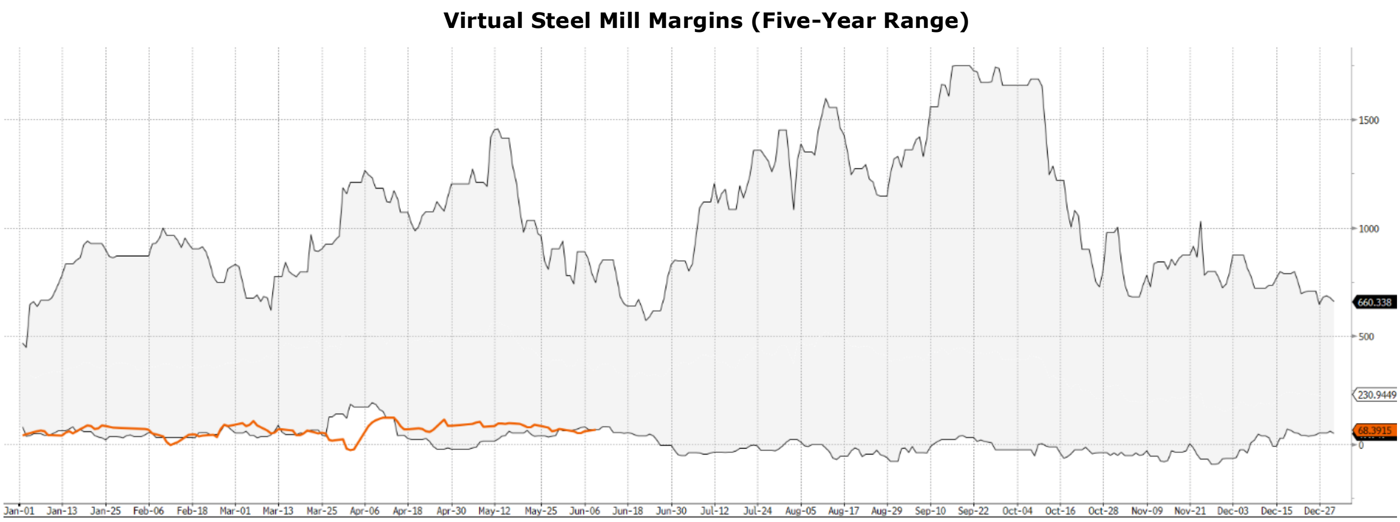
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	878	840	**4.52%**
LME Rebar Front Month (Dollar/mt)	546	549	**-0.61%**
SHFE Rebar Major Month (Yuan/mt)	2982	2963	**0.64%**
China Hot Rolled Coil (Yuan/mt)	3222	3225	**-0.09%**
Vitural Steel Mills Margin(Yuan/mt)	68	53	**28.30%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	86000	92800	**-7.33%**
World Steel Association Steel Production Unit(1,000 mt)	155,700	166,100	**-6.26%**







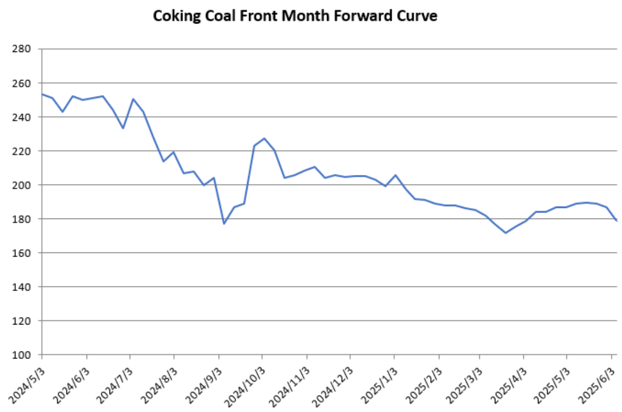
Data Sources: Bloomberg, MySteel, FIS

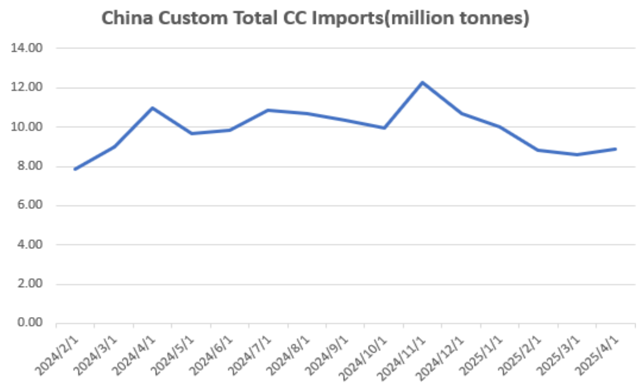
- The virtual steel margin recovered from 55 yuan/ton to 68 yuan/ton, still lied in seasonal low area following the soft steel price.
- The five major types of steels inventories in China fell to ten-year seasonal low.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	181	186.5	-2.95%
Coking Coal Front Month (Dollar/mt)	179	187	-4.28%
DCE CC Major Month (Yuan/mt)	779	741.5	5.06%
Top Six Coal Exporter Weekly Shipment(Million mt)	3.27	5.02	-34.86%
China Custom total CC Import Unit mt	8,893,399	8,588,108	3.55%

Coal Key Points





- China saw three rounds of physical coke totaled 150 –165 yuan/ton. However, market participants believe that a further drop will happen in June.

- The market concerns on the decrease of Mongolian export combined with the rumors of a cut in coal production in Shanxi triggered a sharp increase of DCE coal prices.

- The FOB Australia coking coal saw two weeks decline. However, Indian demand and June maintenance could potentially support coking coal prices in late June.

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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