FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. Pig iron production in China is decreasing, however at a slower pace than the past few years. The escalation of tensions in the Middle East dragged down industrial performance.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. The Asian steel export market became chaotic after the increase of US tariffs. However, Vietnam supported HRC price. China entered rainy weather, which limited usage of steels. China domestic steel saw seasonal low inventories.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. Chinese coking coal futures saw a rebound, however the Chinese physical coke expected another round of price cut in late June. The spread of FOB Australia coking coal became narrower versus China CFR coking coal.

Prices Movement	17-Jun	9-Jun	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	94.25	95.20	- 1.00%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3259.0	3392.0	- 0.97%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	174.75	181.00	- 3.45%	Neutral	–

Market Review:

Ferrous Market:

The decline in iron ore prices during the reporting week was more affected by geopolitical conflicts in the Middle East. Domestic demand for iron ore and steel has entered the off-season. Although there has been marginal inventory accumulation by steel mills and at ports for iron ore, inventories remain at low seasonal levels.

The Chinese steel output in May was 605.82 million tons, up 5.2% y-o-y, with exports reaching 48.465 million tons in the same period, a y-o-y increase of 8.9%. If exports remain at current levels and output is expected to decline significantly from June to September, the domestic steel supply and demand in the third quarter tend to be in a tight balance. In the international markets, India's steel output in May was 13.15 million tons, up 9% y-o-y. In terms of crude steel, The Chinese output in May last year was 7.61 times larger than India, but the ratio narrowed to 6.51 in May this year. Against the backdrop of overall growth in China's steel production, India's steel output is growing at an accelerated pace. However, looking at the export markets, India's exports have declined for six consecutive months. The price of SS400 HRC FOB Tianjin Port was $450/t, up $5/t m-o-m. Vietnam continues to maintain high prices for HRCs, supporting Asian international steel prices. Recent tariff disturbances have continued to be a cause of weakened demand in the international steel market. Domestically, inventories of the five major steel products have remained at a ten-year low for six consecutive weeks. This week, rebar futures on the SHFE started a slight rebound. The output of EAF steel in China began a trend decline after reaching its peak at the end of May, thus releasing some capacity of blast furnaces.

The daily average pig iron output was 2.42 million tons, stable on the month and increased by 23,000 tons on the month. The strong demand resilience for pig iron has become the main factor supporting the stable price of iron ore during summer. The port inventory of iron ore was 1.39 million tons last week, an increase of 1.07 million tons on the month, still at a three-year low and an annual low. The inventory of iron ore in steel enterprises was 87.99 million tons, an increase of 1.09 million tons m-o-m and 4.51 million tons lower y-o-y. The global iron ore shipment volume last week was 33.53 million tons, a decrease of 1.58 million tons m-o-m, but at seasonal high. China's iron ore arrivals last week were 23.85 million tons, a decrease of 2.25 million tons m-o-m.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

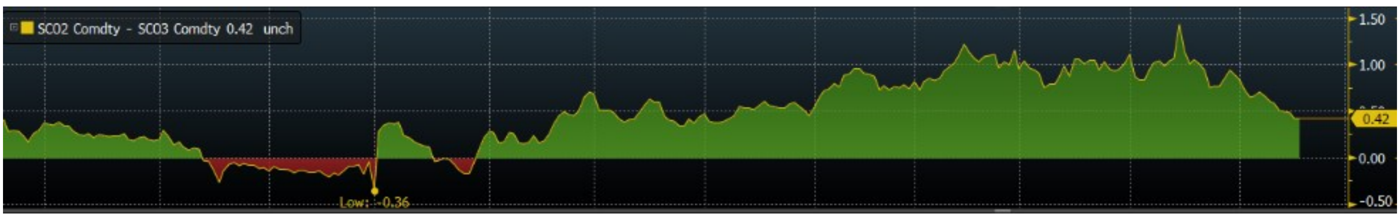
Due to the heavy rainfall in Eastern and Southern China in June, the construction progress of downstream were delayed. The market will focus on whether the inventory continues to accumulate rapidly in the future. The Australian iron ores shipment volume is likely to enter downward trend from the end of June. The price of Fe61% PBF fell from $91.3-91.4/mt at the beginning of last week to $90.9-91/mt. MACF converted to 62% fell from $92.5/mt to $91.26/mt due to excessive supply and high inventory. Newman fines demand has been squeezed out by the increased supply of PBF and MACF. In June, the landing margin of mainstream fines fell into negative values again. In order to ensure monthly trades by end of Financial Year, some miners potentially lower prices or increase discounts. The virtual steel margin has changed little around 71 yuan/ton. Recently, due to the decrease in steel mills production, the driving force of margin on prices has weakened.

The price of coking coal futures on DCE has rebounded by 12% from the June low, driven by macro sentiment and the simultaneous withdrawal of speculative and hedging positions. Over the same period, the FOB price of Australian coking coal fell by 7.29%, mainly due to a significant reduction in demand from India after entering the monsoon season. Meanwhile, the price spread between Australian CFR and FOB has narrowed from $30/mt to $15.75/mt. With the further narrowing of the spread, the downside of Australian FOB prices is limited. Domestically, Chinese spot coke prices expected the fourth round of decline. The coke capacity utilization rate has started a trend decline to 73.96%, a decrease of 1.74% from the May high. As the peak electricity consumption season for domestic coal approaches in China, the overall downward space for coal pricing is limited. However, Australian coking coal needs to wait for the arrival of the peak demand season in the Indian market. If the scale of mine maintenance is not large, replenishment and demand recovery may not occur until August at the earliest.

The MB65-P62 spread recovered from a two-year low of $8.85/mt to $9.75/mt last week. The high-grade demand remained limited as the market entered the off-season. The Australian mines stepped up shipments of fines in June, which could potentially lift up inventories. Combined with the relatively crowded resources of 60-61% iron grade at ports, the valuation of 62% iron ore may be suppressed, which will help widen the MB65-P62 spread. We maintain last week's view and continue to be bullish on the price spread.

The major iron ore spread of SGX for Jul/Aug25 dropped from $1.1/mt in mid-May to $0.4/mt this week. The main trading range of DCE May-Sep25 spread narrowed by 25% during the same period. We remain bullish on this spread level.

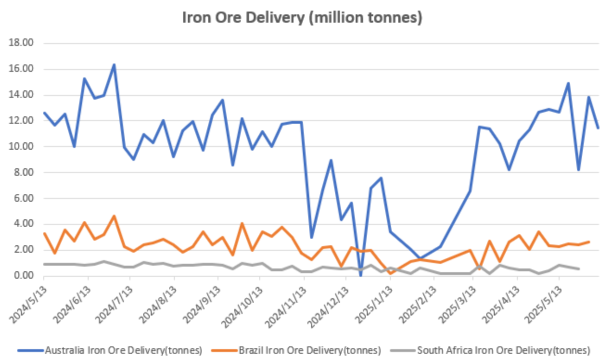
In the short term, iron ore is neutral. The Australian coking coal market is neutral.

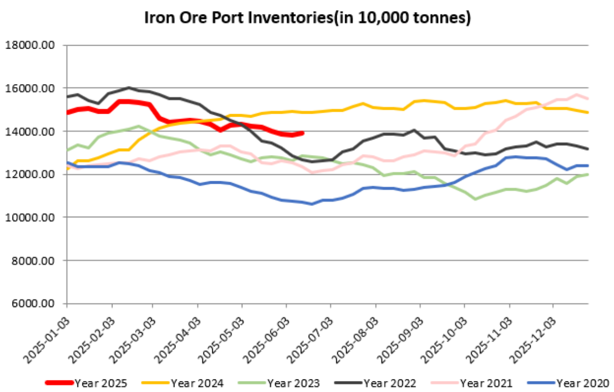


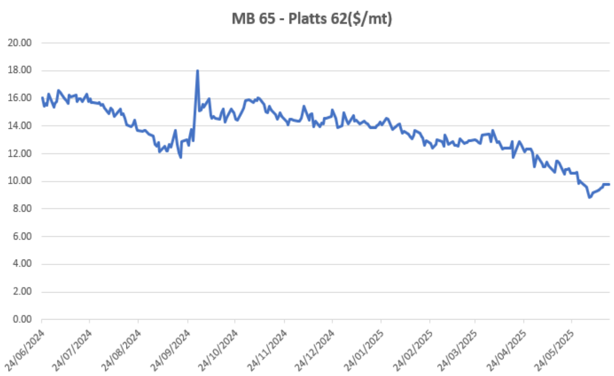
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	94.25	95.2	**-1.00%**
MB 65% Fe (Dollar/mt)	104	104.5	**-0.48%**
Capesize 5TC Index (Dollar/day)	30944	24961	**23.97%**
C3 Tubarao to Qingdao (Dollar/day)	26.6	24.133	**10.22%**
C5 West Australia to Qingdao (Dollar/day)	10.99	10.091	**8.91%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2900	2900	**0.00%**
SGX Front Month (Dollar/mt)	94.16	95.51	**-1.41%**
DCE Major Month (Yuan/mt)	703	708	**-0.71%**
China Port Inventory Unit (10,000mt)	13,933.14	13,826.69	**0.77%**
Australia Iron Ore Weekly Export (10,000mt)	1,145.12	1,380.93	**-17.08%**
Brazil Iron Ore Weekly Export (10,000mt)	264.16	245.16	**7.75%**







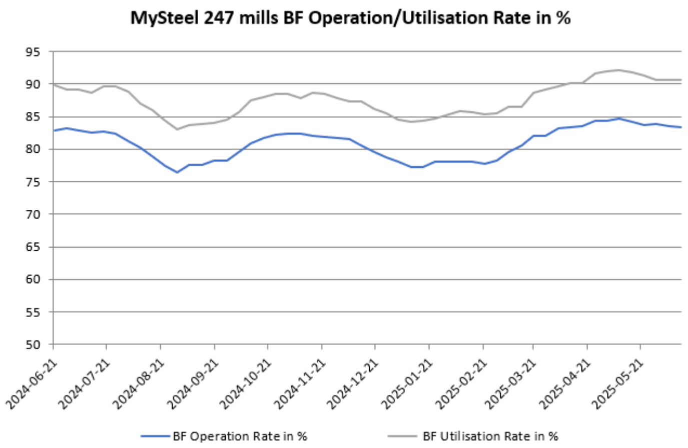
Iron Ore Key Points

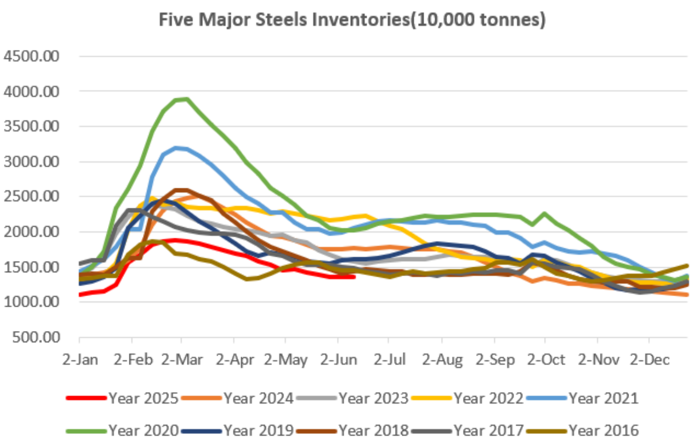
- Iron ore shipments stayed high as the end of Financial Year in Australia boosted sales. The shipments are expected to decrease in July.
- Both iron ore port stocks and mills stocks are in yearly low level, however they are starting to climb up on weekly basis.
- MB65-P62 once reached three-year-low level of $8.85/mt of the year. Then the spread recovered to $9.75/mt as the shipment from Australia increased.

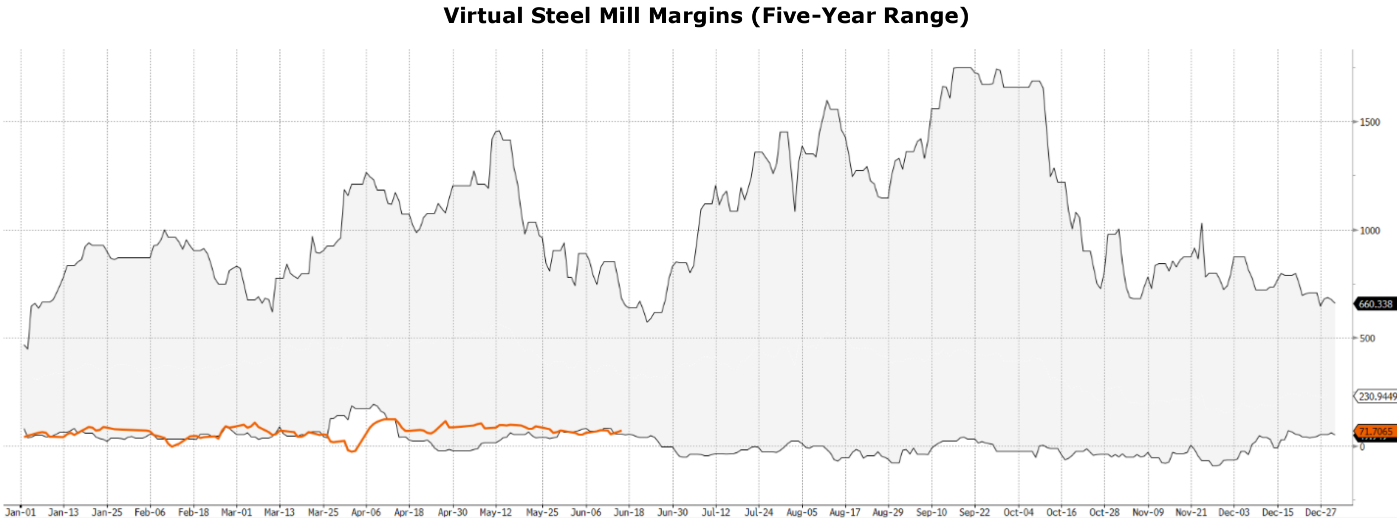
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	862	878	-1.82%
LME Rebar Front Month (Dollar/mt)	541.5	546	-0.82%
SHFE Rebar Major Month (Yuan/mt)	2961	2982	-0.70%
China Hot Rolled Coil (Yuan/mt)	3194	3222	-0.87%
Vitural Steel Mills Margin(Yuan/mt)	71	68	4.41%
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%







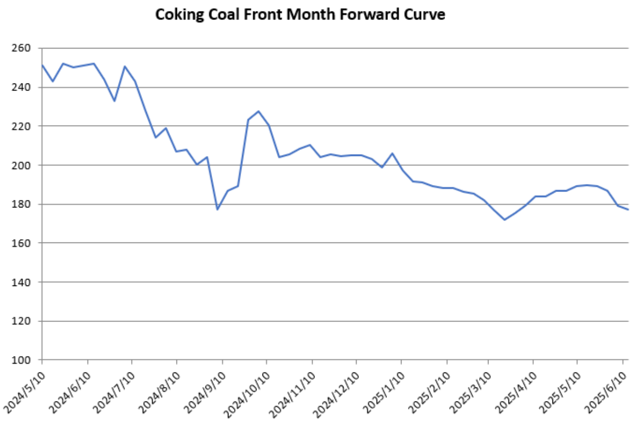
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin recovered from 68 yuan/ton to 71 yuan/ton, with limited change during light season.
- The five major types of steels inventories in China fell to ten-year seasonal low.

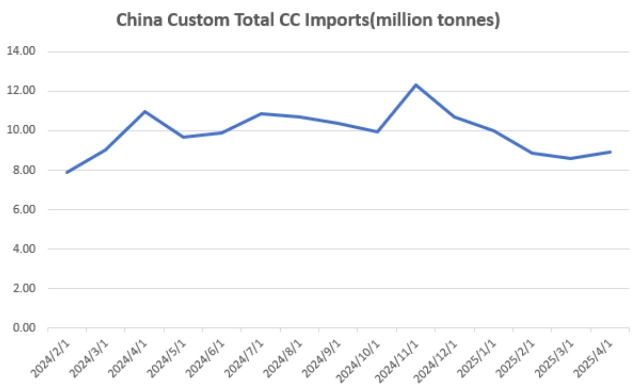
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	174.75	181	-3.45%
Coking Coal Front Month (Dollar/mt)	177	179	-1.12%
DCE CC Major Month (Yuan/mt)	773.5	779	-0.71%
Top Six Coal Exporter Weekly Shipment(Million mt)	4.58	4.19	9.31%
China Custom total CC Import Unit mt	8,893,399	8,588,108	3.55%

Coal Key Points



- Chinese steel mills were proposing the fourth rounds of physical coke cut by 50– 55 yuan/ ton. However, coking coal futures in DCE rebounded more than 10% during past six trading days.



- The FOB Australia coking coal and CFR China coking coal spread narrowed from $30/mt to $15/mt fast.

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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