FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** short-run **Neutral**. The pig iron output is entering a marginal downward trend. Meanwhile, the increase on steel export tariffs to US potentially means a new round of trade friction over the next few weeks.

⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Due to concerns over the escalation of trade frictions, the ferrous market corrected. However, after the short-term shock, the supply of global flat steel and Chinese steel are both tight.

⇒ **Hard Coking Coal FOB Australia** short-run **Neutral**. The market is concerned about the arrival of the Indian monsoon season and China's rainy season. Coupled with the recent sufficient supply of coking coal from different origins, the supply side has become relatively abundant.

Prices Movement	2-Jun	26-May	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	96.30	96.45	- 0.16%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3314.0	3338.0	- 0.72%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	188.50	195.80	- 3.73%	Neutral	–

Market Review:

Ferrous Market:

During the reporting period, the market once again witnessed the economic impact of the escalation of trade frictions, and at the same time, the demand for hot metal in China entered its off - season. However, due to the rapid inventory reduction of steel mills and ports, the supply of some iron ore varieties remained tight. Therefore, the iron ore price level was stable as expected from last report.

In the global steel market, US President Donald Trump will double steel import tariffs from 25% to 50%. From the perspective of the direct impact, Canada, Brazil, and Mexico exported a large amount of steel to the US, while relatively small amount to other countries. From the perspective of the broader market, the reduction of steel imports in US potentially shift excessive supply to Europe. However, the marginal impact should be limited as steel tariffs remained high through H1. The price of China's exported HRC SS400 decreased by $5/t to $455/t last week. The Caixin Manufacturing PMI for May, released on June 3, was 48.3, down 2.1% from April, and fell below the critical point for the first time since October 2024. The US ISM Manufacturing Index in May dropped to 48.5, lower than the forecast of 49.5. The US ISM Export Order Index dropped to 40.1, and the US ISM Manufacturing Import Index in May was 39.9, the lowest level since 2009.

The daily average pig iron output has started to decline from the historical high of 2.46 million tons in mid-May. The decline rate accelerated, indicating a clear seasonal downward trend in pig iron demand. However, the year-on-year figure of daily pig iron remains at a relatively high level, suggesting that the off-season demand for pig iron is relatively resilient. The current decline in steel prices is mainly dragged down by unprecedented collapse of coking coal prices. DCE coking coal has fallen to a nine-year low, which hold back ferrous and coal-chemicals. As of the reporting date, the aggregated open positions of coking coal in DCE has reached a historical high of 680,000 lots, equivalent to 40.8 million tons. This high level shows conflict between buyers and sellers is rising, and a rapid pull-up could occur once the trend reverses. On the other hand, sales pressure is continuously being transferred from physical to futures market. The high inventory of upstream coal is large, and both the supply and inventory of coal are on the high side. However, both coking plants and mills maintained an extremely low inventory turnover. China saw two rounds of declines totaling 100-110 yuan/ton in May, and the market expects continued decline in June.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Market Review(Cont'd):

In Australian coking coal market, the price rebounded from $188/mt to $195.8/mt due to restocking by Indian steel mills, before falling back to around $188/mt again after enquiries decreased. In the short term, if there are no trades, prices could continue to fall due to the dynamic resources of different origins. In the medium term, it is worth nothing the demand contraction after the arrival of the hurricane season in India and the supply contraction due to Australian mine maintenance.

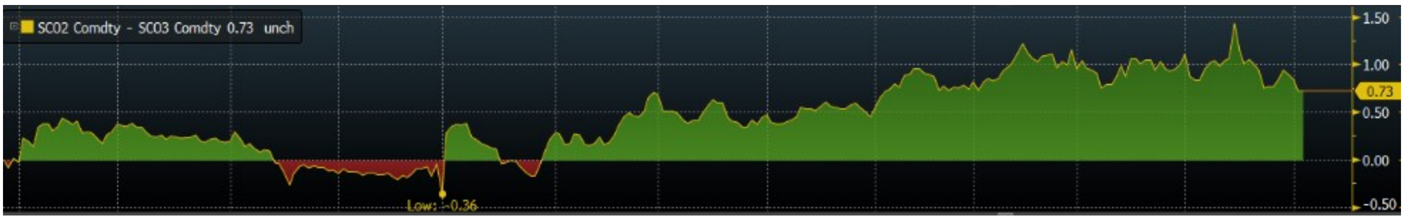
Port inventories fell by 1.21 million tons to 138.67 million tons last week. Steel mills inventories were 87.54 million tons, a month-on-month decrease of 1.71 million tons and a year-on-year decrease of 4.49 million tons. The daily average pig iron output was 2.42 million tons, a month-on-month decrease of 16,900 tons and a year-on-year increase of 60,800 tons. The operating rate of national independent electric arc furnaces reached 77.78%, the highest point of the year. Due to the reduction of electricity costs and scrap steel prices, the output of EAFs has significantly increased, further forming a squeezing effect on the BF steels enters the off-season. The Australian Financial Year end shipments normally peak, which will increase of supply into the market. Chinese domestic miners will be under maintenance in June, and the supply of iron concentrates expected to decrease.

Due to the rapid decline in steel prices, the virtual steel margin fell from 93 yuan/ton in late May to 53 yuan/ton, dropping to the low level of the same period. Seaborne iron ore trades were quiet last week. The JMBF with Fe 60.5% was traded at a discount of $5.8/mt last week. NHGF fell from $93.3/mt to $92.95/mt. After being active throughout May, MACF suddenly stalled last week, with its price falling from $91.35/mt to $91.2/mt.

MB65-P62 continued to fall to a new annual low of $9.55/mt. The accumulation of concentrates inventories, combined with high shipments from Brazil, and the contraction of steel mills profits have become the main reasons for compressing the price spread. Without changes in the structure, it is difficult to see the spread price spread rebounding.

The trading range of the SGX active spread for Jul/Aug 25 last week was $0.7/mt to $0.8/mt, a slight decrease of $0.1/mt from the previous week. The main trading range of the DCE spread for May/Sep25 in the past week was 33-37 yuan/ton, where trade range was narrowed from previous week.

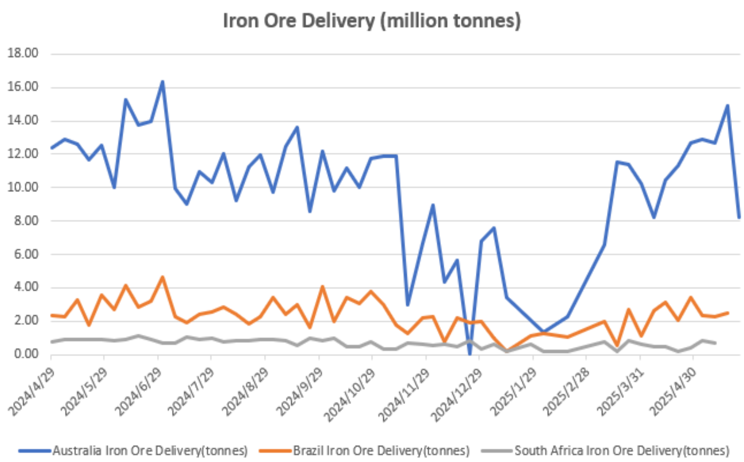
In the short term, iron ore is neutral. The Australian coking coal market is neutral.

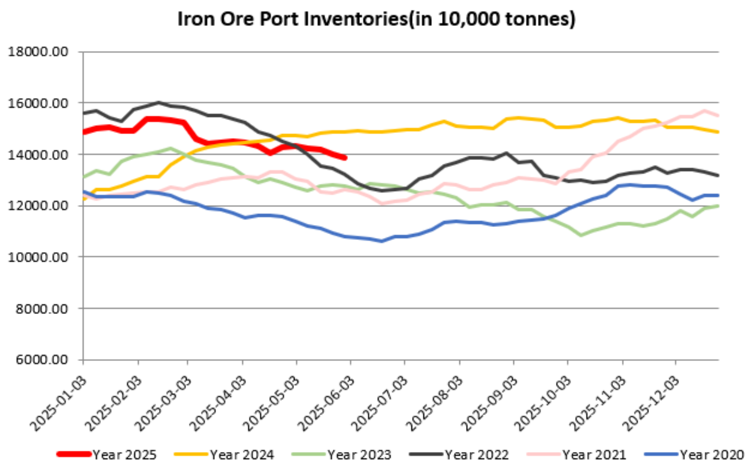


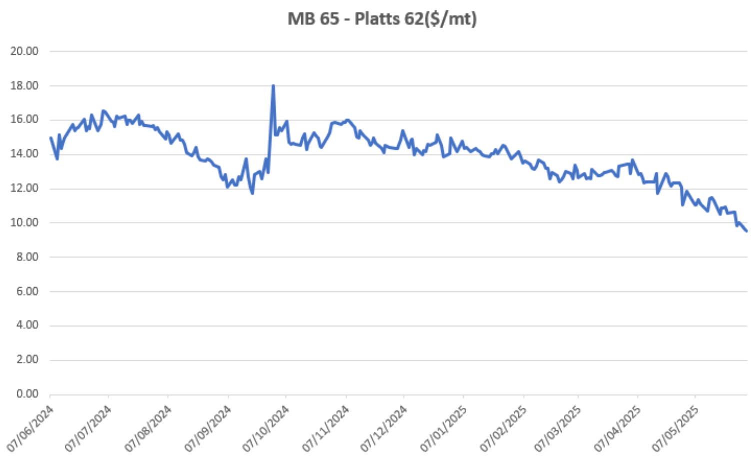
Data Sources: Bloomberg, Platts, Fastmarket, FIS

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	96.3	97.65	-1.38%
MB 65% Fe (Dollar/mt)	105.85	108.26	-2.23%
Capesize 5TC Index (Dollar/day)	19071	15757	21.03%
C3 Tubarao to Qingdao (Dollar/day)	21.99	18.835	16.75%
C5 West Australia to Qingdao (Dollar/day)	8.965	8.55	4.85%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2890	2940	-1.70%
SGX Front Month (Dollar/mt)	95.64	98.12	-2.53%
DCE Major Month (Yuan/mt)	703.5	722.5	-2.63%
China Port Inventory Unit (10,000mt)	13,866.58	13,987.83	-0.87%
Australia Iron Ore Weekly Export (10,000mt)	820.00	1,487.82	-44.89%
Brazil Iron Ore Weekly Export (10,000mt)	248.26	230.73	7.60%







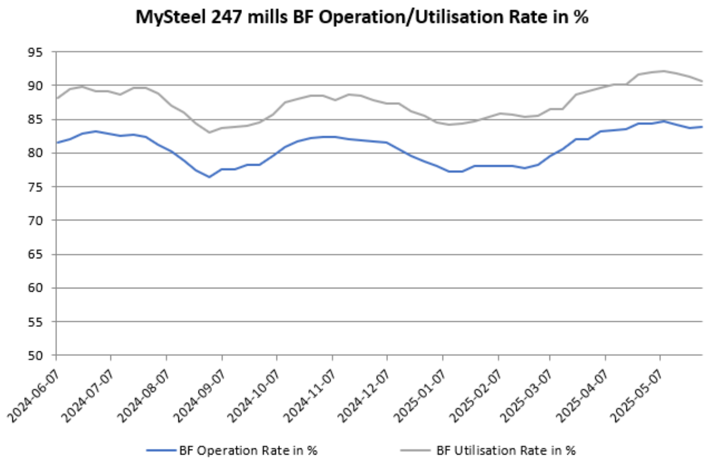
Iron Ore Key Points

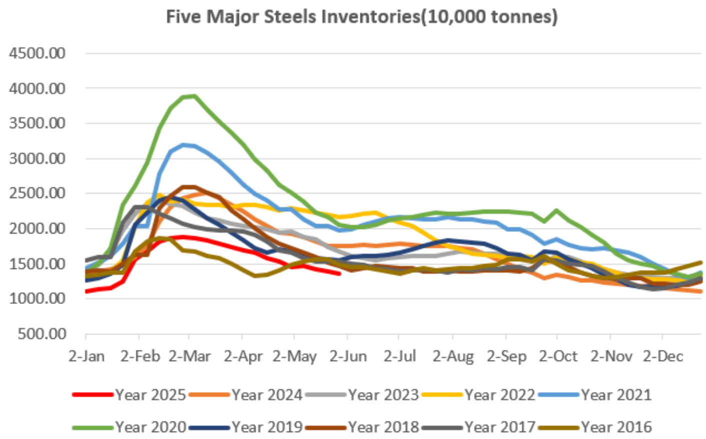
- Iron ore shipments remained stable, and both port inventories and steel mill inventories declined.
- The demand for pig iron has remained relatively high y-o-y, but the daily output of pig iron has shown a trend of decline.
- MB65-P62 has reached the lowest level of $9.50/mt of the year. The high inventory and shipment from Brazil dragging down the spread level.

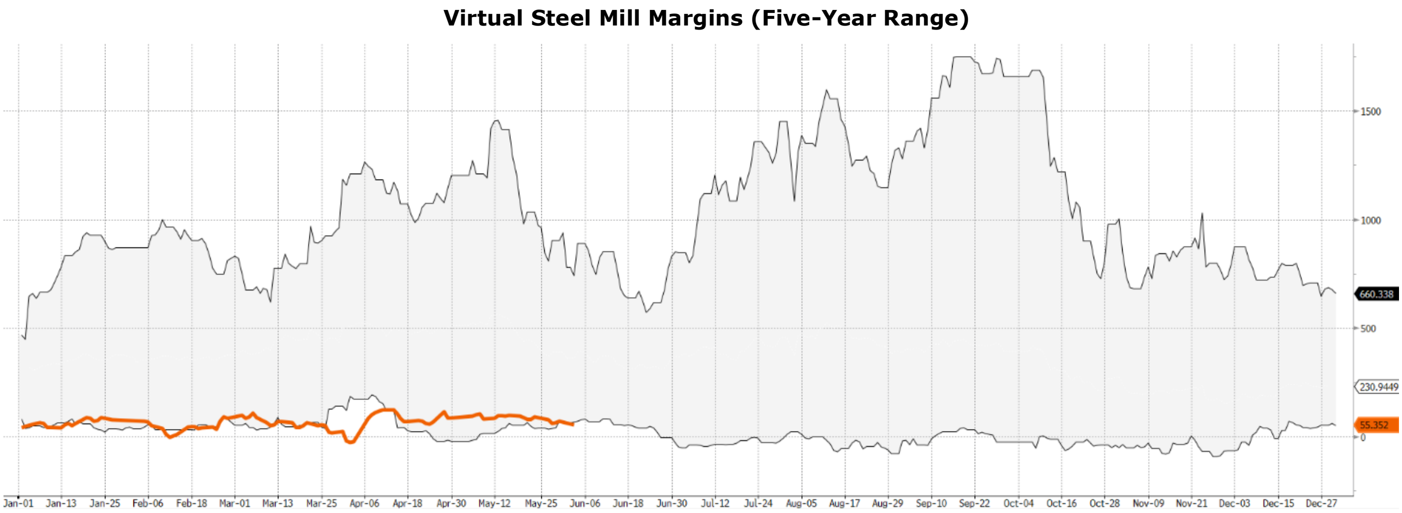
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	840	903	**-6.98%**
LME Rebar Front Month (Dollar/mt)	549.33	551	**-0.21%**
SHFE Rebar Major Month (Yuan/mt)	2963	3055	**-3.01%**
China Hot Rolled Coil (Yuan/mt)	3225	3290	**-1.98%**
Vitural Steel Mills Margin(Yuan/mt)	53	93	**-43.01%**
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%**







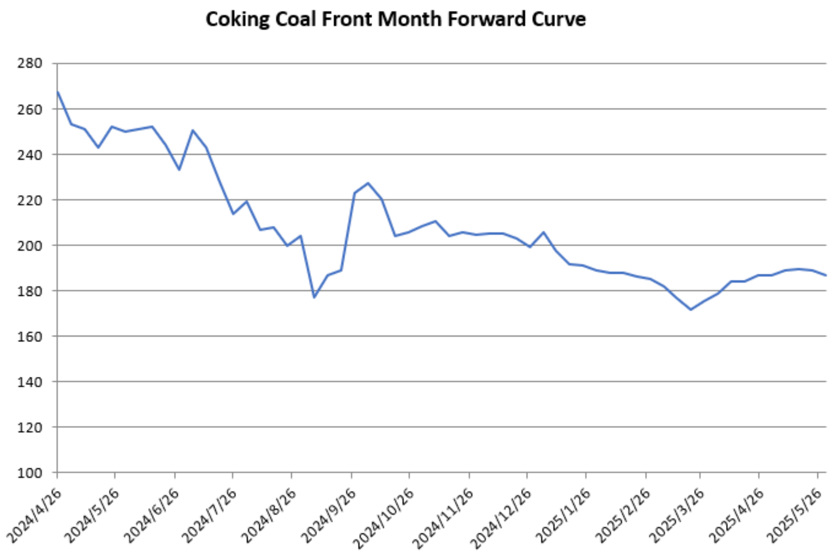
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin dropped from 93 yuan/ton to 55 yuan/ton, a seasonal low, because of fast pull back on steel price.
- The apparent consumption of five typical steels at 9.13 million/week, slight higher on the month and on the year.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	188.5	195.8	-3.73%
Coking Coal Front Month (Dollar/mt)	187	189	-1.06%
DCE CC Major Month (Yuan/mt)	741.5	815.5	-9.07%
Top Six Coal Exporter Weekly Shipment(Million mt)	4.49	5.56	-19.24%
China Custom total CC Import Unit mt	8,893,399	8,588,108	3.55%

Coal Key Points



- China saw two rounds of physical coke drop by 100-110 yuan/ton. However, market participants believed there could be a further drop in June.

- The high coal inventories in China dragged down all coal products pricing including coking coal and coke. DCE coking coal once reached nine-year low.

- After the continuous rebound in prices, the FOB price of coking coal in Australia stabilized. The July miner maintenance and Indian miner demand provide support on the price.

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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