FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral to Bullish**. Frequent policy announcements regarding "anti-involution" measures, coupled with week-on-week growth in hot metal production, have fueled bullish market sentiment and driven up raw material prices over the past week.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Rebar inventories saw a modest accumulation over the past week, with construction material demand softening due to weather. Meanwhile steel market continues to receive policy support.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. The first round of domestic coke price hikes has been implemented and coking plants initiated the second round of price increases. Both domestic coke and coking coal prices are projected to continue rising.

Prices Movement	21-Jul	14-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	102.95	98.60	+ 4.41%	Neutral to Bullish	–
Rebar 25mm Shanghai (Yuan/MT)	3254.0	3239.0	+ 0.46%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	173.50	176	- 1.42%	Neutral	–

Ferrous Market:

The ongoing "anti-involution" policy momentum has fueled a broad valuation recovery across the ferrous sector, with particularly sharp gains in coking coal and coke prices. Meanwhile, the launch of the Yarlung Tsangpo hydropower megadam is expected to generate over 40 million tons of cement demand, according to estimates by 100njz, a construction industry information platform. This has significantly boosted market sentiment. These factors drove another substantial iron ore price surge during the reporting week. Meanwhile, following the July 4-15 sintering restrictions in Tangshan, some blast furnaces are gradually resuming operations, which may temporarily boost hot metal output. The latest weekly data shows daily hot metal production rising by 26,300 tons to 2.43 million tons, with blast furnace utilization rates also edging higher. On the steel side, rebar inventories saw their first increase in nearly two months, while construction material consumption fell 3.4% w-o-w, reflecting seasonal softening. However, stable apparent consumption of hot-rolled coils and other steel products demonstrates underlying resilience. Supported by policy stimulus and healthy mill profitability. The ratio of profitable mills among the 247 steel mills surveyed by MySteel hit a nine-month high and the overall steel market is expected to maintain strength. Policy attention now turns to the upcoming Politburo meeting scheduled for late July, where potential additional measures for the property sector and related industries await confirmation.

Rio Tinto and BHP released their Q2 2025 production and sales reports this reporting week. Rio Tinto's Q2 shipments reached 79.887 million tons, up 12.93% quarter-on-quarter but down 0.53% year-on-year. The company maintains its annual shipment guidance of 323-328 million tons. With Q1 shipments of 70.74 million tons, H1 2025 accounted for approximately 47% of the annual target, among the lowest completion rates in recent years. BHP reported Q2 iron ore production of 77.48 million tons and shipments of 76.723 million tons, keeping pace with its FY2025 target of 288 million tons. Its FY2026 guidance of 284-296 million tons remains largely flat versus FY2025.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Ferrous Market(Cont'd):

The Trump administration continued negotiations with major trade partners including the EU, Japan, Canada, and Mexico on tariff issues over the past week, and has announced potential blanket tariff hikes on over 150 minor trading partners. Previous agreements with Indonesia stipulate that cumulative duties will apply to goods transshipped from high-tariff countries. Combined with the prior Vietnam deal, this will increase costs for Chinese exports transiting through ASEAN, potentially eroding price competitiveness for electromechanical products and other exports.

Last week's global iron ore shipments surveyed by Mysteel reached 31.09 million tons, up 1.22 million tons w-o-w, and Australia and Brazil's combined exports fell slightly by 68,000 tons to 25.52 million tons. Arrivals dropped by 3.71 million tons to 23.71 million tons, partly due to maintenance at Australia's Port Hedland in early July. With major Australian and Brazilian ports now holding peak inventory levels since January, subsequent shipments are expected to accelerate. At China's 45 major ports, iron ore stocks rose 193,200 tons to 137.85 million tons, while daily throughput increased by 32,300 tons to 3.23 million tons, remaining seasonally strong with relatively stable port inventories in July.

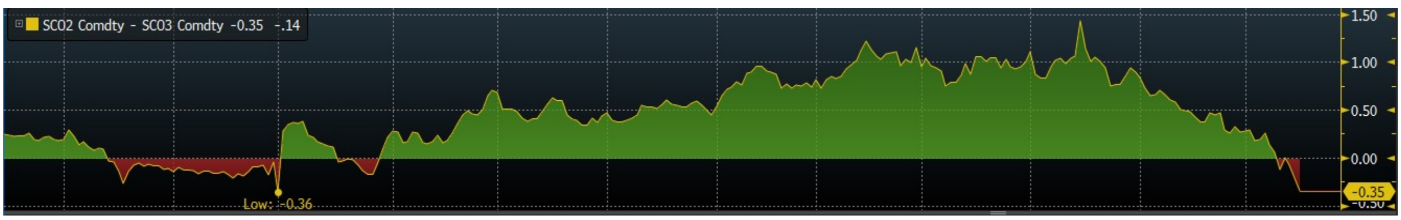
The rapid rise in coking coal and coke prices has driven increased demand for high-grade iron ore fines, widening the 65-62% Fe spread from $10/dmt at the start of the month to $16.65/dmt. During the reporting week, nearly all seaborne transactions were concluded at fixed prices, reflecting broad buyer consensus on further price upside. Trading activity focused on 61% PBF. During last mid-week, PBF were traded around $96.5/dmt, and the last deal reached $100.26/dmt. Similarly, 62% Brazilian fines rose from $102.45/dmt to $104.95/dmt. Newman and MAC fines also saw transactions. Meanwhile, lump ore remained quiet, the index edged up from $0.1660 dmtu to $0.1700/dmtu without any seaborne trades.

The coke market is experiencing steel mills urgently requesting deliveries from coking plants amid critically low inventories. Following the implementation of the first price hike, coking plants proposed a second round of increases on 21st July. Coking coal prices continue rising due to multiple factors, including outdated capacity closures, Mongolian border shutdowns, and stable hot metal production. Although previously idled coal mines are gradually resuming operations, the recovery pace remains slow. With Mongolian border crossings now reopened, traders are maintaining strong pricing resolve. The DCE coking coal futures contract has surged nearly ¥200/ton since early July. Meanwhile, Australian premium hard coking coal (FOB) stabilized last week at $172/dmt. While the price gap with domestic coal has narrowed significantly, a slight inversion remains, particularly when compared to long-term contract prices, which keeping Chinese buyer demand for Australian coal subdued.

The MB65-P62 spread has modestly retreated from $15.70/mt to $15.19/mt. While mid-grade iron ore fines showed active trading this week, narrowing the spread slightly, it remains at a high level. Given persistently high coke prices, the 65-62 spread is expected to stay firm in the near term.

The SGX front-month spread (Aug25/Sep25) continued trading in contango this week, widening from -$0.21/mt to -$0.35/mt, reflecting heightened investor optimism about future market conditions. Meanwhile, the DCE iron ore contract exhibited significant volatility amid the broader market rally, fluctuating between 29.5 yuan/mt and 33 yuan/mt during the reporting week.

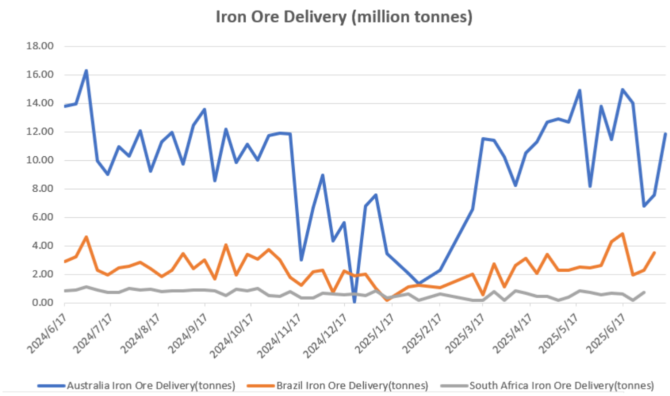
Our view for Iron ore is short-run neutral to bullish, for coking coal FOB Australia is short-run neutral.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

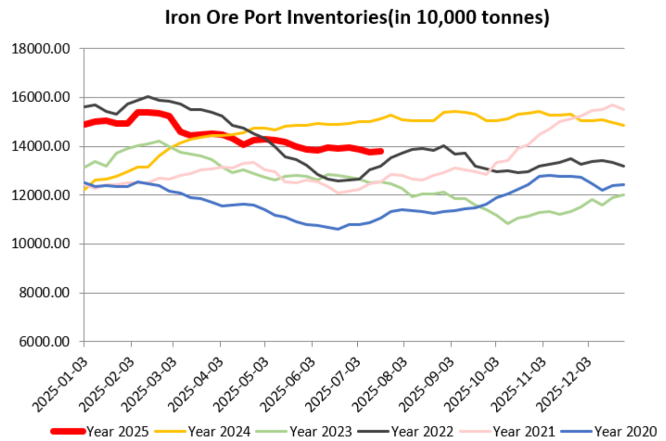
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	102.95	98.6	**4.41%**
MB 65% Fe (Dollar/mt)	118.14	114.3	**3.36%**
Capesize 5TC Index (Dollar/day)	24720	19633	**25.91%**
C3 Tubarao to Qingdao (Dollar/day)	22.93	20.4	**12.40%**
C5 West Australia to Qingdao (Dollar/day)	9.51	8.138	**16.86%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3000	2950	**1.69%**
SGX Front Month (Dollar/mt)	100.77	99.28	**1.50%**
DCE Major Month (Yuan/mt)	792.5	764.5	**3.66%**
China Port Inventory Unit (10,000mt)	13,785.21	13,765.89	**0.14%**
Australia Iron Ore Weekly Export (10,000mt)	1,182.02	755.60	**56.44%**
Brazil Iron Ore Weekly Export (10,000mt)	353.26	229.36	**54.02%**



Iron Ore Key Points

- Following Australia's end-of-financial-year volume push in early July and partial port maintenance, mid-July saw a resurgence in China's ferrous market sentiment. Coupled with high inventory levels at Australian and Brazilian ports, shipments have begun rebounding.



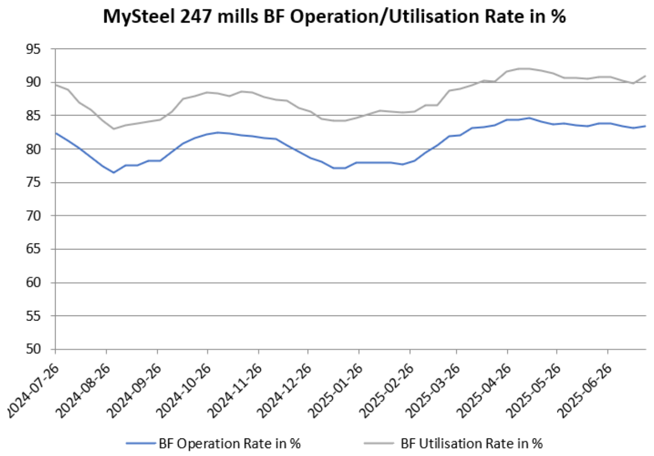
- Port inventories have shown minimal fluctuation since the beginning of July.

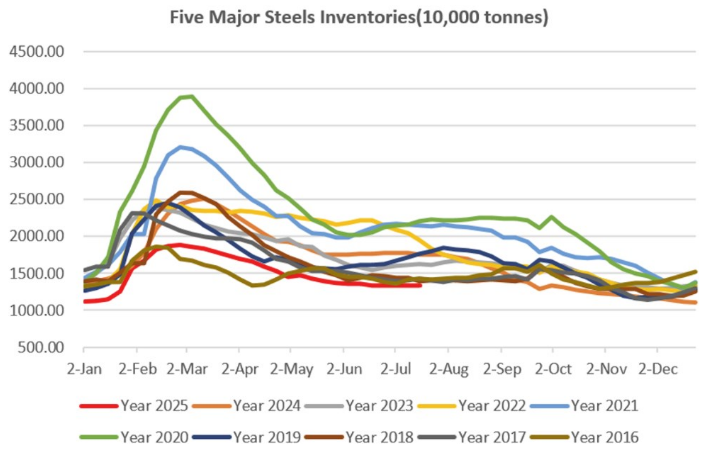
- The MB65-P62 spread has retreated modestly to $15.19/ton, but it remains elevated. Supported by persistently high coking coal and coke prices, the spread is expected to keep its strength in the near term.

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

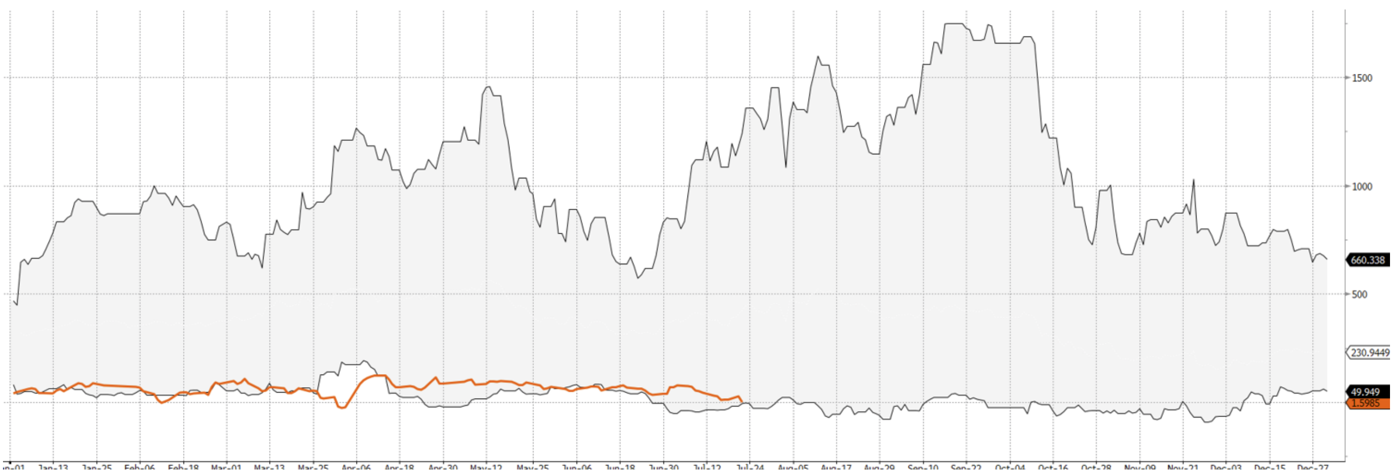
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	875	877	**-0.23%**
LME Rebar Front Month (Dollar/mt)	539.5	536	**0.65%**
SHFE Rebar Major Month (Yuan/mt)	3156	3133	**0.73%**
China Hot Rolled Coil (Yuan/mt)	3344	3293	**1.55%**
Vitural Steel Mills Margin(Yuan/mt)	1.6	28	**-94.29%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	86600	86000	**0.70%**
World Steel Association Steel Production Unit(1,000 mt)	165,100	155,700	**6.04%**





Virtual Steel Mill Margins (Five-Year Range)

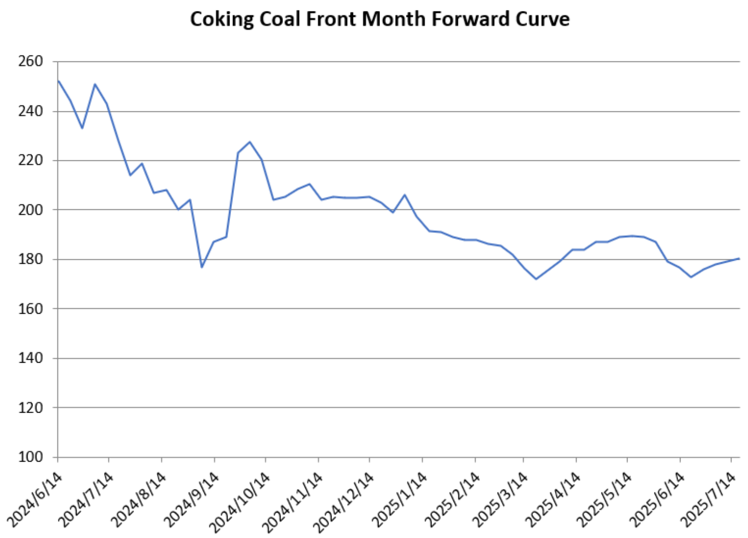


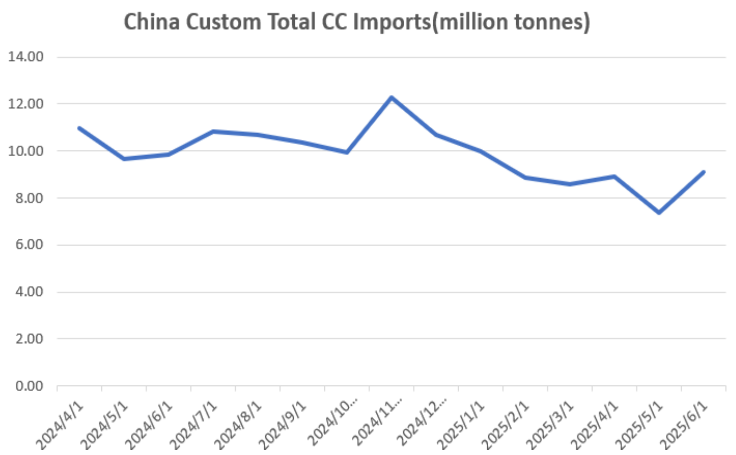
Data Sources: Bloomberg, MySteel, FIS

- The virtual steel margin have collapsed again, plunging from 28 yuan /ton last week to just 1.6 yuan/ton as raw material costs surge.
- 247 Steel Mills's daily hot metal output rebounded.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	173.5	176	**-1.42%**
Coking Coal Front Month (Dollar/mt)	180.5	179	**0.84%**
DCE CC Major Month (Yuan/mt)	932.5	909.5	**2.53%**
Top Six Coal Exporter Weekly Shipment(Million mt)	6.71	6.87	**-2.33%**
China Custom total CC Import Unit mt	9,108,417	7,386,889	**23.31%**





Coal Key Points

- The recovery of domestic coking coal supply remains sluggish, while active procurement by steel mills and coking plants are keeping tight supply and demand in the short term.
- The price spread between Australian FOB and CFR coking coal has narrowed, but remains an inverted price.
- Mongolian coal imports have resumed, with active trading at border ports.

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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