Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** Our view is Short-run **Neutral**. During the reporting week, iron ore prices fluctuated alongside the coking coal market, gradually retracing to more reasonable valuations.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Rebar prices followed broader ferrous market trends but with smaller fluctuations. Last week's steel price increases boosted mill production enthusiasm, however, there is a correction risk with the weak fundamentals.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Domestic coking coal and coke markets continue to face tight supply-demand conditions, with futures experiencing sharp fluctuations amid speculative trading and exchange position limits. Australian coal prices have followed the upward trend.

Prices Movement	29-Jul	22-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	100.1	102.95	-2.77%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3330.0	3254.0	2.33%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	177.00	173.50	2.02%	Neutral	–

Ferrous Market:

Iron ore prices fluctuated during the reporting week after surging in the previous week due to rising coking coal and coke prices, with multiple factors continuing to provide support. Fundamentally, while hot metal production saw a slight decline, it remained at seasonally high levels as steel mills maintained near-full capacity operations. Apparent steel demand continued to moderate slightly with inventory increases for the five major steel products, but reflecting normal seasonal patterns. On the policy front, multiple government agencies reiterated their "anti-involution" stance, with SASAC pledging to lead efforts in resisting cutthroat competition, optimizing state capital allocation, and restructuring existing assets, and SAMR vowed to intensify crackdowns on such practices. Meanwhile, market expectations remain strong for the upcoming Politburo meeting at month-end that will outline economic priorities for the second half of the year.

Regarding steel industry's "anti-involution" measures, China successfully reduced approximately 100 million tons of crude steel capacity through multiple policies during 2016-2018. However, with the prolonged downturn in the real estate sector, rebar demand has significantly declined, forcing steel mills to operate at losses for an extended period and destock at low prices. Since Q4 2022, inventories of the five major steel products have remained at decade lows, coupled with sustained export growth, leading to profit recovery. According to National Bureau of Statistics, H1 profits in ferrous metal smelting and rolling industry surged 13.7% YoY. The new "anti-involution" campaign faces limited outdated capacity left for elimination, and is expected to focus more on structural optimization - such as controlling rebar output while promoting specialty steel growth - to achieve high-quality development goals. The Yarlung Tsangpo hydropower project, which boosted market sentiment last week, is projected by China Special Steel Enterprise Association to require 4-6 million tons of specialty steel in total.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Ferrous Market(Cont'd):

Besides domestic demand restructuring, the sustainability of export growth remains uncertain. Recent domestic steel price increases have pushed Tianjin Port's hot-rolled coil export offers above $480/ton FOB, but overseas buyers have shown limited acceptance. June data revealed China's steel exports totaled 9.68 million tons, marking an 8.5% month-on-month decline - the first monthly drop since March - though H1 cumulative exports reached 58.15 million tons, up around 9% year-on-year. However, H2 exports face significant pressure amid heightened uncertainties. Vietnam, China's largest steel export market, recently imposed final anti-dumping duties of 23.10%-27.83% on Chinese hot-rolled products, while Japan and South Korea are conducting similar anti-dumping investigations. With the U.S. tariff grace period ending, reciprocal tariffs will take effect automatically on August 1 unless modified. The new U.S. trade agreements with the EU and Japan negotiated this reporting week may further reshape global trade dynamics, though their full impact remains unclear.

Last week's global iron ore shipments surveyed by Mysteel reached 32.01 million tons, up 0.92 million tons WoW, and combined shipments from Australia and Brazil reached 27.559 million tons, up 2.04 million tons WoW, with Australian shipments rising 2.30 million tons WoW to 18.60 million tons. China's iron ore arrivals declined by 1.31 million tons WoW to 23.20 million tons. As mentioned in last week's report, shipments rebounded following the completion of maintenance at Australia's Port Hedland in early-mid July. China's iron ore port inventories at 45 major ports increased slightly by 51,700 tons WoW to 137.90 million tons, while daily port evacuation volumes decreased by 75,900 tons to 3.15 million tons, both remaining relatively stable.

Separately, Vale released its Q2 2025 production and sales report, showing production of 83.6 million tons (up 3.7% YoY) but sales of only 77.3 million tons (down 3.1% YoY). This discrepancy may reflect Chinese steel mills' relatively limited demand for high-grade Carajás ore from Vale's key mining areas in the first half of the year. Vale also noted it has adjusted its product mix to prioritize medium-grade fines, resulting in extended delivery cycles.

During the reporting week, seaborne iron ore maintained strong liquidity as mills operated actively amid healthy profit margins. Trading remained concentrated in fixed-price 61% grade PBF, including four 170,000-ton cargoes traded on the 24th at around $102/ton, before a 170,000-ton PBF deal declined to $97.50/ton by the 28th. In the lump ore segment, a 90,000-ton 62% PB lump transaction occurred on the 23rd at $115.73/ton, followed by an 80,000-ton PB lump deal at a premium of +$0.1800/dmtu. Subsequently, lump ore activity quieted, with the index stabilizing at +$0.1825/dmtu.

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Ferrous Market(Cont'd):

The coking coal and coke markets experienced severe volatility this week. The DCE coking coal futures benchmark contract surged nearly 40% last week, fueled by the National Energy Administration's mine production audits and July's "anti-involution" policy stimulus, which spurred speculative activities like September delivery pre-stocking. The DCE first issued risk warnings mid-week urging rational trading, then imposed position limits on the JM2509 and other contracts last Friday, triggering a long squeeze that caused Monday's sharp correction. On the physical market, coke producers swiftly implemented the third price hike and initiated a fourth round, and soon accepted by Tangshan mills. With low coke inventories, both steelmakers and traders aggressively procured, though some coking plants now face mounting cost pressures from soaring coal prices.

Since the mid-July resumption of Mongolian coal imports, border crossing volumes have rebounded rapidly, consistently exceeding 1,000 trucks daily, significantly impacting marginal coking coal supply. However, this week's sharp futures correction has heightened market caution. Domestic coal price surges have spilled over to Australian imports, with prices firming up. As India's monsoon season nears its end, its steel mills are preparing to re-enter the market. Last Friday, traders priced a 75,000-ton low-vol premium Australian coking coal cargo at $178/ton, up $4 from prior bid.

The MB65-P62 spread continues to trade at elevated levels, widening further from $15.19/ton to $15.71/ton. The persistently tight supply-demand balance in the coke market is expected to sustain support for the 65-62% Fe spread in the near term.

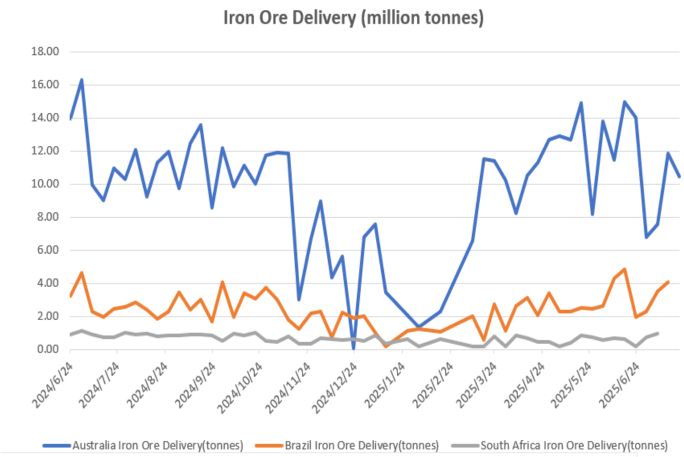
The SGX front-month spread (Aug25/Sep25) showed minimal movement, narrowing from -$0.35/ton last week to -$0.24/ton. Meanwhile, the DCE spread also contracted modestly during the reporting week alongside futures price retreated, trading within a range of 27.5-29.0 yuan/ton.

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

Data Sources: Bloomberg, Platts, Fastmarket, FIS

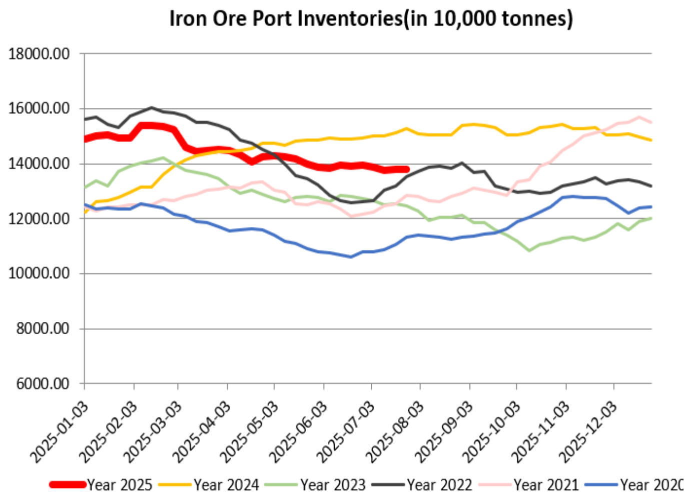
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	100.1	102.95	-2.77%
MB 65% Fe (Dollar/mt)	115.81	118.14	-1.97%
Capesize 5TC Index (Dollar/day)	31296	24720	26.60%
C3 Tubarao to Qingdao (Dollar/day)	24.585	22.93	7.22%
C5 West Australia to Qingdao (Dollar/day)	10.25	9.51	7.78%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3160	3000	5.33%
SGX Front Month (Dollar/mt)	99.55	98.37	1.20%
DCE Major Month (Yuan/mt)	801	794	0.88%
China Port Inventory Unit (10,000mt)	13,790.38	13,785.21	0.04%
Australia Iron Ore Weekly Export (10,000mt)	1,046.85	1,182.02	-11.44%
Brazil Iron Ore Weekly Export (10,000mt)	408.74	353.26	15.71%

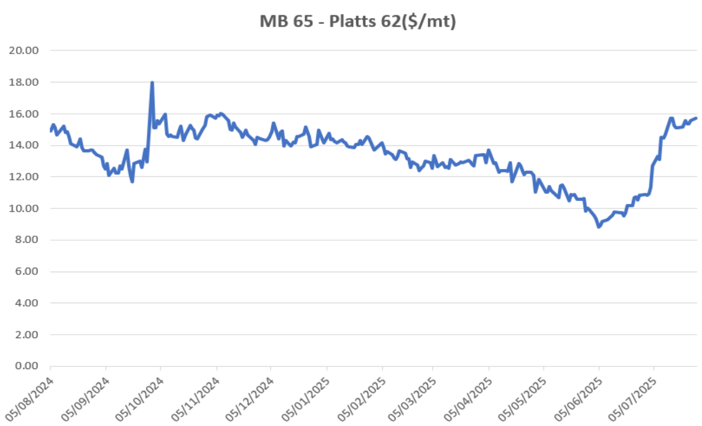


Iron Ore Key Points

- Bloomberg's weekly iron ore shipment figures exhibit approximately one week of reporting lag, which explains why its data shows a slight decline in Australian exports compared to the prior week. In contrast, Mysteel's updated statistics reveal Australian shipments increased by 2.30 million tons week-on-week.



- Last week's iron ore port evacuation showed some decline but remained at relatively high levels, with port inventories largely holding steady.

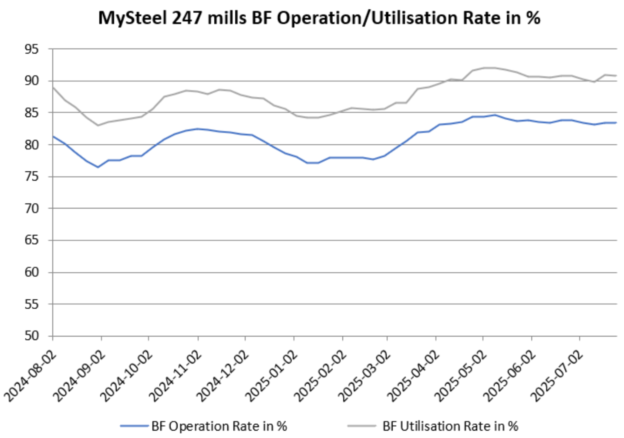


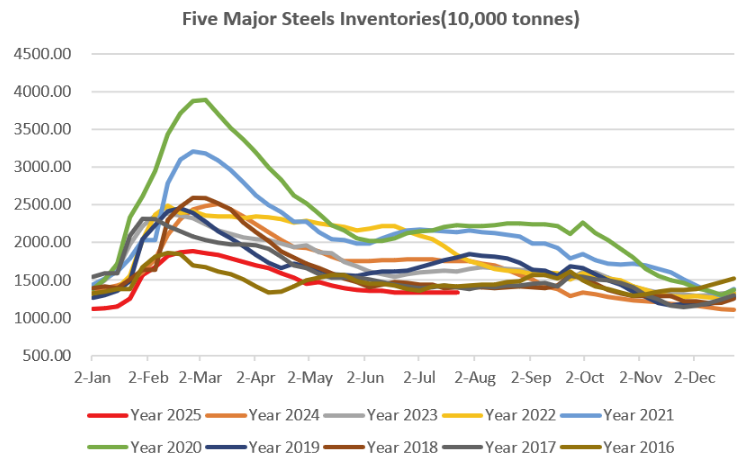
- The MB65-P62 iron ore spread has widened again to $15.71/ton, continuing to supported by coke prices.

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

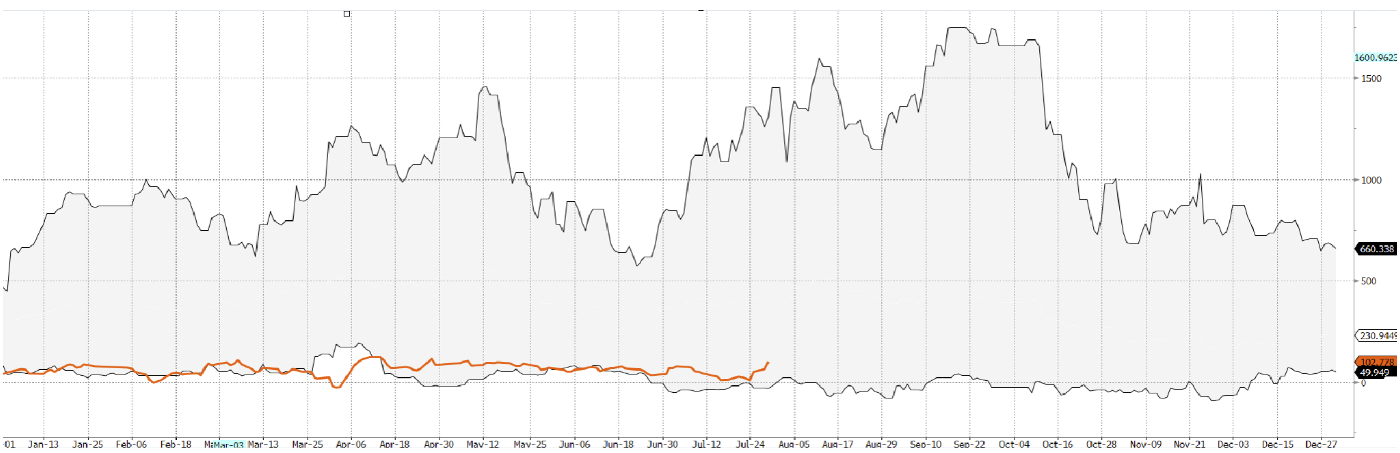
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	871	875	**-0.46%**
LME Rebar Front Month (Dollar/mt)	539.5	540	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	3249	3083	**5.38%**
China Hot Rolled Coil (Yuan/mt)	3474	3344	**3.89%**
Vitural Steel Mills Margin(Yuan/mt)	29	-23	**226.09%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	83200	86600	**-3.93%**
World Steel Association Steel Production Unit(1,000 mt)	151,400	158,800	**-4.66%**





Virtual Steel Mill Margins (Five-Year Range)

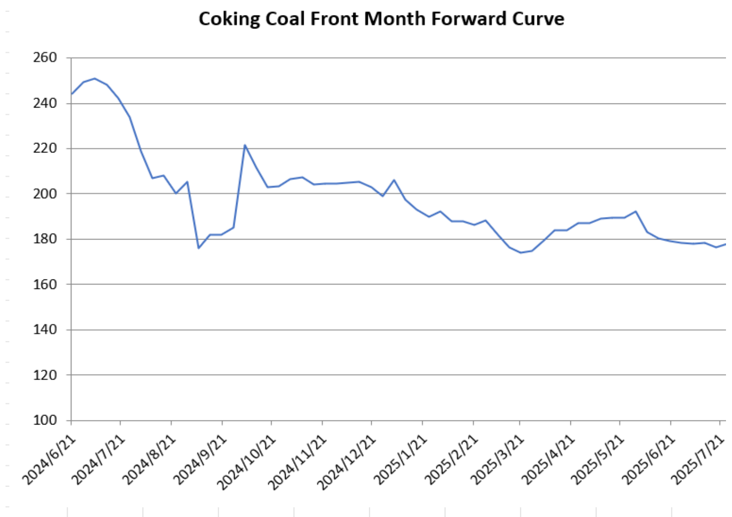


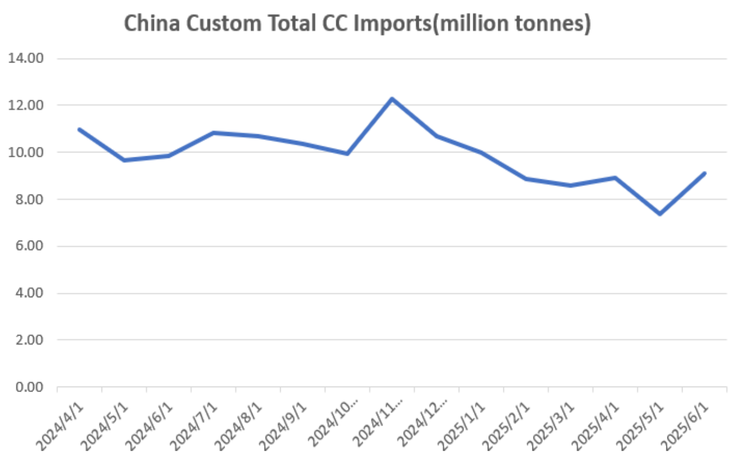
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins have rebounded sharply from near-breakeven levels to 102 yuan/ton, driven by significant price corrections in both coke and iron ore.
- 247 Steel Mills's daily hot metal showed a slight decline but continues to operate at seasonally high levels.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	177	173.5	**2.02%**
Coking Coal Front Month (Dollar/mt)	178	176.25	**0.99%**
DCE CC Major Month (Yuan/mt)	1120.5	869.5	**28.87%**
Top Six Coal Exporter Weekly Shipment(Million mt)	6.69	6.79	**-1.47%**
China Custom total CC Import Unit mt	9,108,417	7,386,889	**23.31%**





Coal Key Points

- Domestic coking coal supply remains tight as mine production recovers slowly under ongoing regulatory inspections, while active procurement by coking plants and steel mills continues to strain the supply-demand balance.
- Australian FOB coking coal prices have risen modestly, influenced by the uptick in domestic Chinese coal prices. However, Chinese buyers remain unlikely to significantly increase seaborne purchases, with market attention now turning to potential post-monsoon demand recovery in India.
- Mongolian coal imports have maintained consistently high shipment volumes since the border reopening.

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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