FIS

Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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⇒ **Iron ore Fe62% CFR China:** Our view is Short-run **Neutral**. Iron ore prices have stabilized after consolidation, now trading within a narrow range.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Rebar consumption has declined significantly, affected by high temperatures and rainfall. Following its previous rally driven by the broader ferrous market, prices now face downward adjustment risks.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Chinese domestic futures prices have experienced significant corrections, while spot market supply-demand conditions remain relatively tight. In the seaborne coking coal market, traders are beginning to prepare for restocking ahead of India's post-monsoon season in September or October.

Ferrous Market:

Prices Movement	5-Aug	29-Jul	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	100.6	100.1	0.5%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3385	3330	1.65%	Neutral to Bearish	–
TSI FOB Premium Hard Coking Coal ($/mt)	183.20	177.00	3.50%	Neutral	–

Iron ore prices surged in late July driven by soaring coking coal prices, but have since corrected to relatively reasonable valuations during the past reporting week, with the index fluctuating narrowly around $100 per tonne. Overall market sentiment remains neutral. Fundamentally, Mysteel's latest blast furnace data shows steel mill utilization declined 0.57% month-on-month and daily hot metal production fell by 15,200 tonnes month-on-month, though both figures remain up 1.37% and 40,900 tonnes respectively year-on-year. About 65% of steel mills remain profitable, maintaining the "unseasonably active" market trend, with Tangshan sample mills achieving average billet profits of 337 yuan/tonne. Strong profitability continues to support robust production enthusiasm among mills, suggesting near-term raw material demand will remain supported.

On the other hand, persistent high temperatures and rainfall have significantly slowed construction activity at downstream sites, with weekly data showing approximately 7% month-on-month decline in apparent consumption of building materials - a trend likely to continue into August. As mentioned in previous reports, steel exports will face challenges in the second half, with SMM data showing China's total steel exports from 32 ports reached 11.36 million tonnes in July, down 1.5% month-on-month. Market participants are also watching for potential production restriction announcements, particularly as Beijing's military parade in early September may prompt environmental production curbs in the Beijing-Tianjin-Hebei region by mid-to-late August. Following last week's Politburo meeting, no additional policies stimulating the ferrous market emerged, though the meeting reiterated "anti-involution" efforts and the NDRC emphasized cracking down on cutthroat competition in its H2 work plan - though these policy expectations had already been largely priced in during previous market movements. The sentiment-driven market is now gradually returning to reality-based logic.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Ferrous Market(Cont'd):

While domestic expectations in China have stabilized, investors' attention remains focused on developments in the United States. As August begins, the tariff grace period originally established by the Trump administration has officially concluded, with the new round of tariff rates now essentially finalized. Morgan Stanley estimates these tariffs may drive price increases by approximately 1 percentage point in coming months. Recent revisions by the U.S. Bureau of Labor Statistics showed downward adjustments to May and June nonfarm payroll figures - revised from 144,000 and 147,000 to 19,000 and 14,000 respectively. The latest data indicates July nonfarm employment grew by 73,000, falling short of the projected 104,000. Moody's analysis suggests these figures demonstrate how tariffs and anti-immigration policies have contributed to economic stagnation in the U.S. Citigroup further emphasized that the data has intensified market concerns about the credibility of both Federal Reserve policies and U.S. statistical reporting agencies. Following the data release, President Trump renewed his criticism of Chairman Powell, demanding interest rate cuts. Significant uncertainty now surrounds whether the Fed will cut rates in September or implement further reductions within the year.

Last week's global iron ore shipments surveyed by Mysteel reached 30.62 million tons, down 1.39 million tons WoW, and combined shipments from Australia and Brazil reached 25.32 million tons, down 2.24 million tons WoW, China's iron ore arrivals up 3.03 million tons WoW to 26.22 million tons. China's iron ore port inventories at 45 major ports decreased by 1.32 million tons WoW to 136.58 million tons, while daily port evacuation volumes decreased by 124,400 tons to 3.03 million tons. The significant WoW decline in port inventories last Friday indicates robust demand for port spots by steel mills in late July, though seasonal rainfall and typhoon impacts contributed to the reduction in port evacuation.

Additionally, reports indicate India's Goa state has resumed iron ore mining after a 12-year hiatus, following the suspension of mining activities in 2012. Data shows that during the 2009-2010 peak period, Goa annually exported up to 50 million tonnes of low-grade iron ore, mainly to China.

Steel mills' imported iron ore inventories increased by 1.27 million tonnes week-on-week, with inventory-to-consumption ratio reaching approximately 30 days. Following the earlier bullish sentiment fading, mills' procurement enthusiasm has moderated. Consequently, while seaborne iron ore transactions remained active during the reporting week, market liquidity has weakening compared to previous levels. The mainstream 61% PB fines continued trading at fixed prices, with transaction values gradually declining from $98.55/mt last Wednesday, and rebound to around $98.3/mt for three PBF deals concluded on August 4. Notably, one 170,000-tonne Carajás fines cargo traded at $116.4/mt, the previous Carajás transaction occurred in mid-July at $114.30/mt. Lump also showed resilient demand, with two PBL transacted on July 30 at premiums of + $0.1780/dmtu and +$0.1825/dmtu respectively, followed by four PBL deals on July 31 and August 4 all priced at + $0.1825/dmtu based on September indices. However, with weakening cost advantages for lump ore and accumulating port inventories, current premium levels may face downward pressure.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Ferrous Market(Cont'd):

After the fading of speculative stimulus, coking coal and coke prices have gradually returned to fundamental-driven logic, with futures experiencing significant corrections. The JM2509 coking coal contract fell by approximately 100 yuan/ton over the past week and remains in a consolidation phase.

On the physical market, supply remains relatively tight. However, coke plants have largely completed inventory replenishment, leading to weaker acceptance of current coal prices. While production capacity continues recovering, it has yet to meet expectations, with supply disruptions persisting in some regions due to extreme rainfall or post-July sales target-driven output cuts. Additionally, local governments' self-inspections on overproduction, which last to August 15, currently show limited impact but may introduce operational uncertainties.

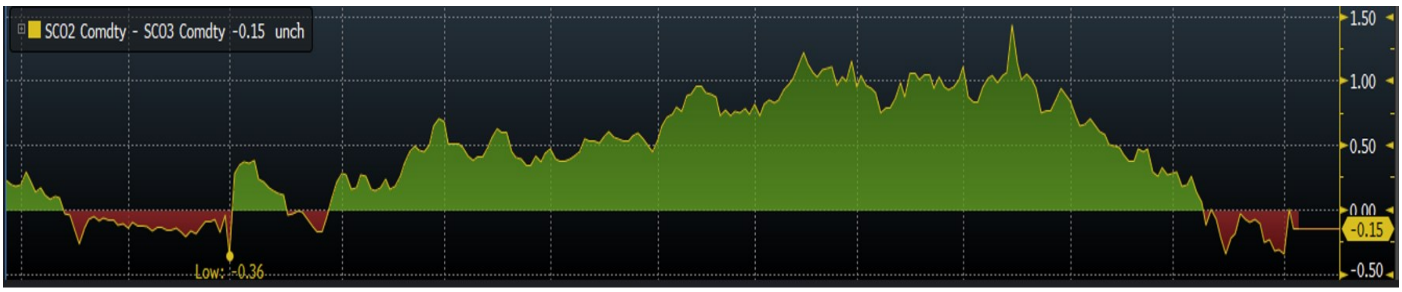
Following four successive coke price hikes, coking margins have significantly improved, with the fifth round implemented this Monday. Though coke plants contemplate a sixth price increase, its realization remains uncertain. With steel mills maintaining strong production sentiment, the coking coal and coke retains solid downside support.

In the imported coking coal market, Mongolian coal clearance reached a yearly high of 1,461 trucks on July 30. However, this spike was partly due to delayed clearances from a previous day's port network outage, though overall truck volumes have remained consistently high. Following the downward adjustment in domestic coal prices, Mongolian coal prices at the border have also declined rapidly. For seaborne Australian coal, cargo of premium mid-vol Goonyella traded at $188.82/tonne last week, with a trader as the buyer, while the broader market remained quiet. Traders remain optimistic about post-monsoon demand from India in September, though Indian steel mills view current prices as elevated and are in no rush to procure.

The MB65-P62 spread widened further during the reporting week, increasing from $15.71/mt to $17.06/mt. While the 62% Fe index traded within a narrow range, the MB 65% rose by nearly $2/mt, driving the spread expansion. Healthy steel mill margins coupled with elevated coke prices continue to support high-grade iron ore fines.

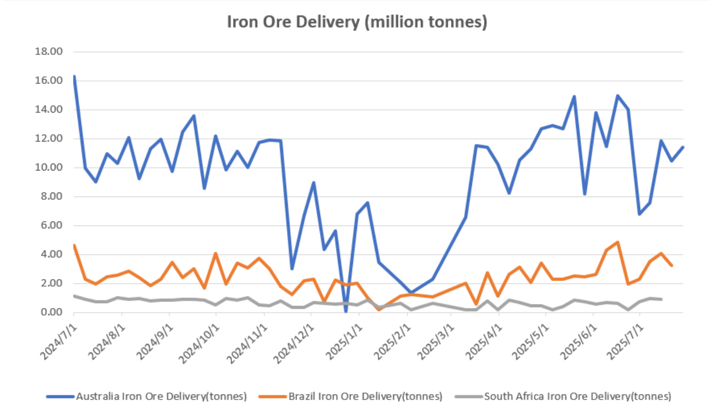
Under narrow-range fluctuations, the SGX front-month spread for Sep/Oct contracts stands at -$0.15/t. The DCE front-month September/January spread remains stable within a 25-27.5 yuan/mt range.

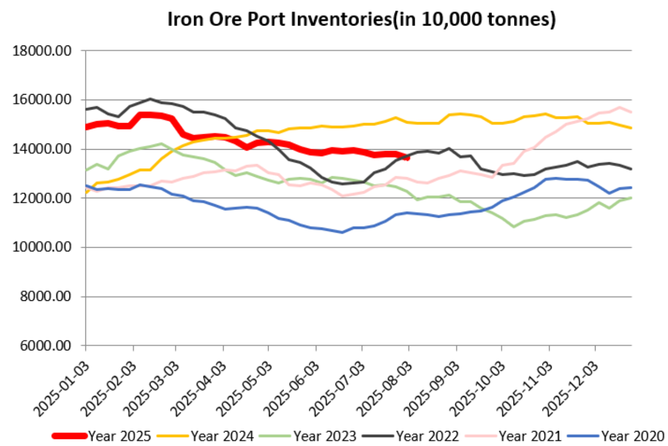
Our view for Iron ore is short-run neutral, for coking coal FOB Australia is short-run neutral.

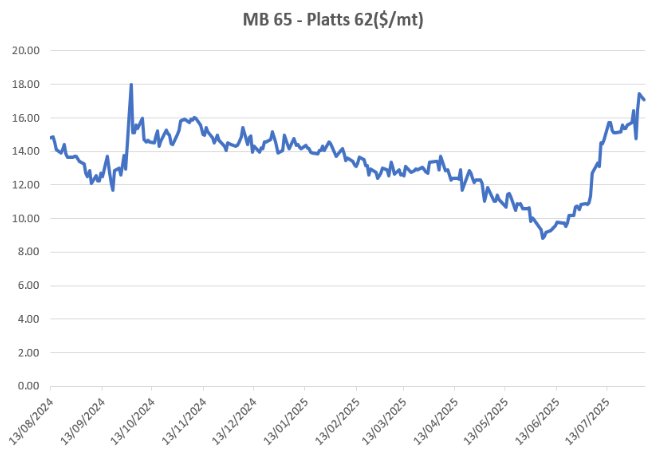


Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	100.6	100.1	0.50%
MB 65% Fe (Dollar/mt)	117.66	115.81	1.60%
Capesize 5TC Index (Dollar/day)	26187	31296	-16.32%
C3 Tubarao to Qingdao (Dollar/day)	23.915	24.585	-2.73%
C5 West Australia to Qingdao (Dollar/day)	9.915	10.25	-3.27%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3060	3160	-3.16%
SGX Front Month (Dollar/mt)	100.00	103.29	-3.19%
DCE Major Month (Yuan/mt)	784.5	800	-1.94%
China Port Inventory Unit (10,000mt)	13,657.90	13,790.38	-0.96%
Australia Iron Ore Weekly Export (10,000mt)	1,141.05	1,046.85	9.00%
Brazil Iron Ore Weekly Export (10,000mt)	323.70	408.74	-20.81%







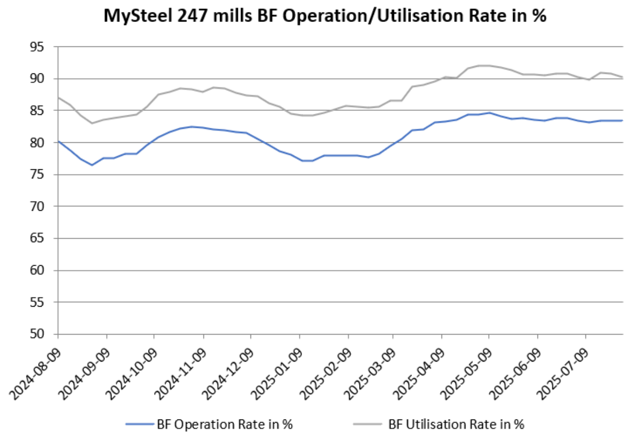
Iron Ore Key Points

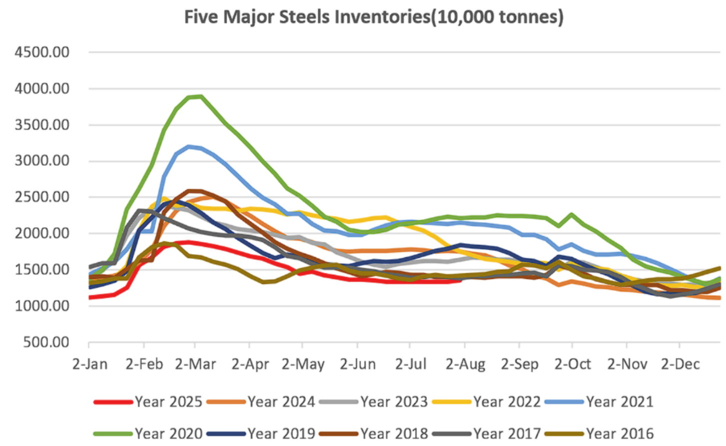
- July's Australia and Brazil iron ore shipments remained stable at seasonal levels.
- Steel mills maintained strong production enthusiasm last week, thus port inventories saw a modest decline. Port evacuation were impacted by extreme weather conditions.
- MB65% edged higher, driving the MB65-P62 spread wider to $17.06/mt. Healthy steel mill margins coupled with persistently high coke prices continue providing near-term support for high-grade iron ore fines.

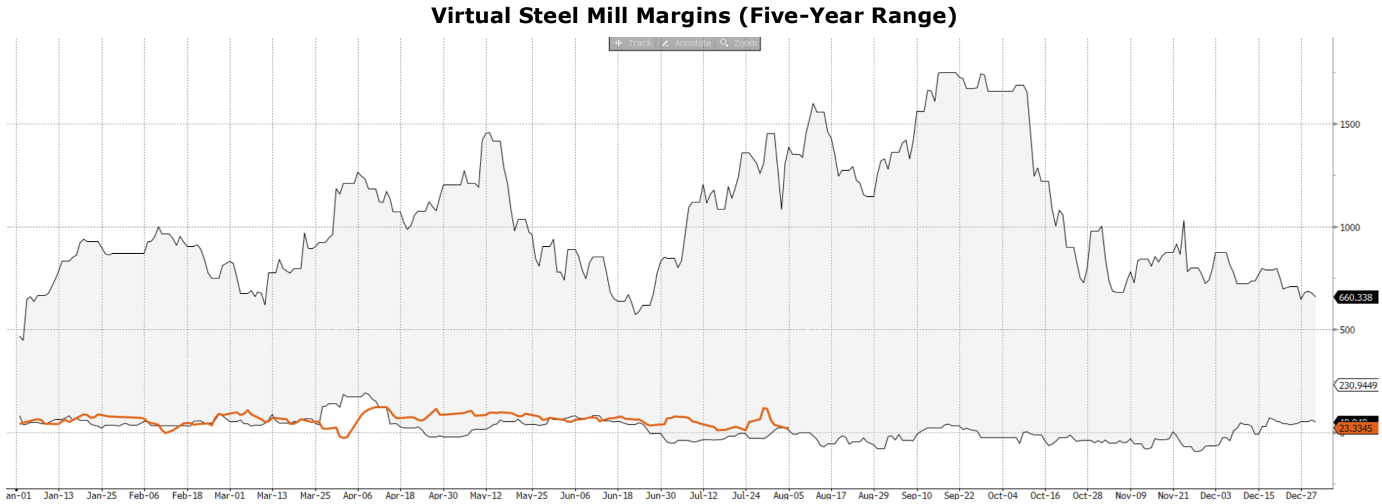
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	847	871	**-2.76%**
LME Rebar Front Month (Dollar/mt)	545	540	**1.02%**
SHFE Rebar Major Month (Yuan/mt)	3213	3316	**-3.11%**
China Hot Rolled Coil (Yuan/mt)	3469	3474	**-0.14%**
Vitural Steel Mills Margin(Yuan/mt)	23	102	**-77.45%**
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%**





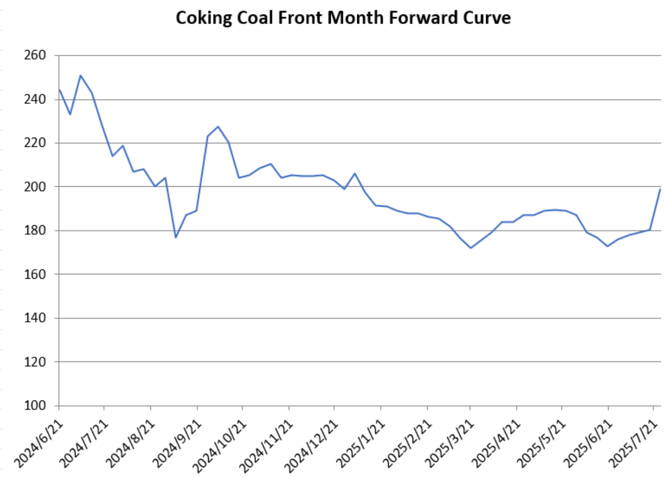


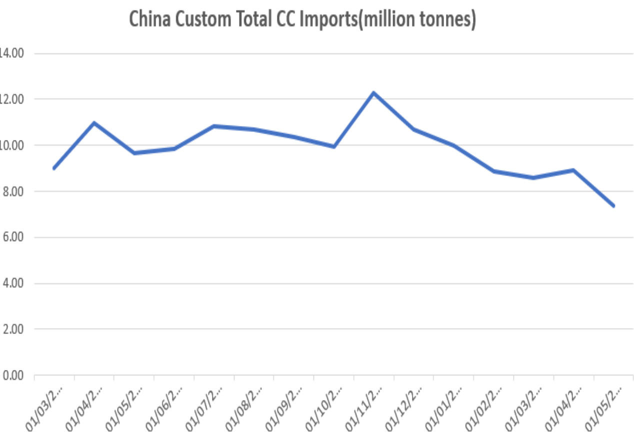
Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins narrowed to 23 yuan/tonne, with raw materials consolidating before entering a sideways trend, while rebar shows seasonal weakness.
- 247 Steel Mills's daily hot metal showed a slight decline again but continues to operate at seasonally high levels.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	183.2	177	**3.50%**
Coking Coal Front Month (Dollar/mt)	187.5	199	**-5.78%**
DCE CC Major Month (Yuan/mt)	1115	1236.5	**-9.83%**
Top Six Coal Exporter Weekly Shipment(Million mt)	6.76	7.15	**-5.45%**
China Custom total CC Import Unit mt	9,108,417	7,386,889	**23.31%**





Coal Key Points

- Domestic coal supply recovery continues lagging expectations due to persistent overproduction self-inspections and prolonged extreme rainfall in key mining regions.
- Australian FOB coking coal markets remain relatively quiet, with indices edging slightly higher as traders anticipate post-monsoon restocking demand from India in September.
- Mongolian coal clearance volumes remain elevated, while prices have declined in tandem with the downward adjustment in domestic coking coal prices.

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.

Written by **Yifan Zhuang**,
FIS Research Analyst
yifanz@freightinvestor.com