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 edged lower this week dragged down by the declines in coking coal and coke markets. Anticipation of production restrictions in mid-to-late August also weighed on sentiment, but demand remains resilient.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Rebar's apparent demand shows seasonal weakness as persistent heatwaves continue hampering downstream construction activity, though market participants are accumulating positions in anticipation of the traditional demand peak after September.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Australian coking coal saw a single transaction during the reporting week that pushed indices higher, though overall market activity remained subdued with key buyer India still absent from the market.

Prices Movement	19-Aug	12-Aug	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	101.05	102.9	-1.80%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3455	3427	0.82%	Neutral to Bearish	–
TSI FOB Premium Hard Coking Coal ($/mt)	191.40	183.20	4.48%	Neutral	–

Ferrous Market:

Iron ore prices edged lower during the reporting week, initially pressured by a sharp correction in coking coal and coke prices that dragged down the broader ferrous market, before stabilizing in a narrow range amid resilient demand. Blast furnace operations remained robust with daily hot metal output averaging 2.41 million tonnes, up 3,400 tonnes week-on-week and 118,900 tonnes year-on-year, and electric arc furnaces also maintained high utilization rates, both hitting five-year seasonal highs. However, the market faces downward pressures as soaring raw material costs collide with seasonally weak finished steel demand, squeezing mill margins, about 65% sample mills are profit but some mills slipping into losses. Construction steel consumption slumped to 2.67 million tonnes last week with rebar to 1.9 million tonnes, nearing historic seasonal lows, and total inventories rising 5.5% weekly. While hot-rolled coil demand held firm, inventories of the five major steel products accumulated for a third consecutive week. With Beijing's military parade approaching, environmental production curbs are expected in the Jing-Jin-Ji region, evidenced by Tangshan's notices to some section-steel mills for mandatory suspensions from 20th August to 6th September, and reduction in sintering operations from 25th August to 3rd September. Mysteel surveys indicate increasing blast furnace maintenance plans that could push daily hot metal output below 2.4 million tonnes by month-end.

Driven by futures market momentum, multiple steel producers including Baosteel and Ansteel raised September prices for all steel products last week. While Chinese exporters attempted to implement hikes in overseas markets, the adjusted prices significantly eroded competitive advantages, resulting in limited transaction volumes due to low buyer acceptance and heightened market caution.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

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Ferrous Market(Cont'd):

On the trade policy front, Japan and South Korea have initiated new anti-dumping investigations against Chinese steel exports, notably Japan's decision on 13th August to probe galvanized steel strips and plates from China and South Korea. Although the actual impact remains unconfirmed, these measures could substantially reduce price competitiveness and, by disrupting export channels, ultimately exert downward pressure on domestic prices. Furthermore, the US government's 15th August announcement expanding steel and aluminum import tariffs, while having limited direct effect on Chinese steel exports, may negatively impact re-export trade and downstream products like machinery and appliances. These challenges coincide with strong market expectations for a September Fed rate cut, whose potential to weaken the US dollar could create additional headwinds for Chinese exports.

Last week's global iron ore shipments surveyed by Mysteel reached 34.07 million tons, up 3.60 million tons WoW, marking the highest weekly volume since July after several weeks of stability Combined shipments from Australia and Brazil reached 27.56 million tons, up 2.26 million tons WoW, with Australian shipments at 16.70 million tons, up 0.07 million tons WoW and Brazilian shipments hitting 10.66 million tons, up 2.18 million tons WoW. Brazil is keeping a strong performance after July's record highs. China's 45-ports iron ore arrivals went up 0.95 million tons WoW to 24.77 million tons. China's iron ore port inventories at 45 major ports increased by 1.07 million tons WoW to 138.19 million tons, while daily port evacuation volumes increased by 1.07 million tons to 3.35 million tons, reflecting both sustained demand and potential preemptive stockpiling ahead of anticipated mid-to-late August environmental transport restrictions.

Mainstream iron ore fines continue to face negative import margins, yet seaborne market liquidity remains adequate amid high blast furnace utilization rates, with transactions still focus on fixed-price mid/low-grade fines including four cargoes of MAC fines, one 170,000-tonne PB fines, and one 170,000-tonne Brazilian fines. Following last week's trend, another 170,000-tonne cargo of 65% Carajás fines traded at $121.15/dmt, a $2 increase from the previous transaction. However, as steel mill margins compress and downstream finished steel weakens, low-grade fines are gaining attention. A 190,000-tonne Super Special Fines cargo traded at a 10% discount, and a 190,000-tonne Jinbao fines shipment settled at a $4.90/tonne discount, both based on September indices. On Friday, a 190,000-tonne PB fines cargo traded at a $1.35/dmt discount, signaling participants' view of limited upside for iron ore prices. Lump ore liquidity has softened slightly, though one PB lump transaction occurred at $114.32/dmt, alongside an 80,000-tonne Newman lump deal priced at a premium of +$0.1852/dmtu.

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Ferrous Market(Cont'd):

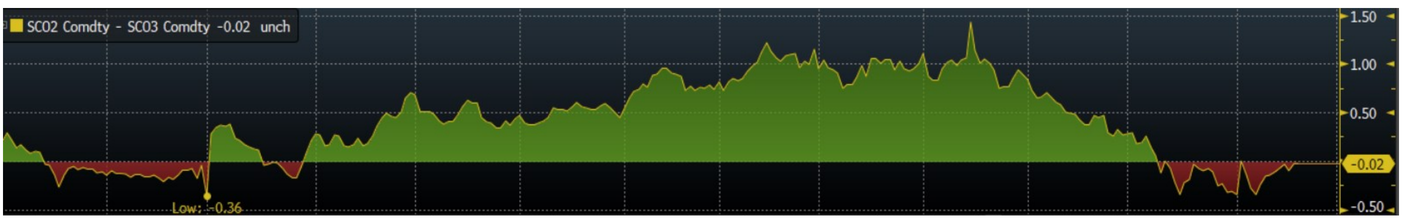
Last week's renewed position limits announced by the Dalian Commodity Exchange triggered significant futures corrections that dampened market sentiment, while improved coke inventories at downstream steel mills contributed to the decline in spot coking coal prices, particularly as speculative activity diminished after two rounds of trading restrictions, shifting market drivers toward fundamentals. Meanwhile, the successful implementation of coke producers' sixth price hike has further improved profitability, boosting operational enthusiasm with some producers already initiating a seventh round of increases, which should continue supporting coking coal demand. With widespread anticipation of environmental production cuts in mid-to-late August and persistently low mill inventories, the coke market is expected to remain in a tight supply-demand balance in the near term.

A cargo of PMV Goonyella coking coal was traded to a trader at FOB $197.10/mt last Thursday, marking an $8 increase from the late-July transaction and driving indices higher. Beyond this isolated deal, the market remained subdued as Indian end-users largely stayed sidelined awaiting price corrections. For Mongolian coal, border crossing truck volumes at Ganqimaodu Port temporarily dipped mid-week due to adjusted weight tolerance thresholds for customs clearance, but quickly rebounded to recent levels. Traders are holding back supply with elevated offers, though downstream buyers show limited acceptance of high-priced Mongolian coal.

The MB65-P62 spread narrowed slightly from $18.16/mt to $17.49/mt, as rationalizing sentiment in the coking coal and coke markets, coupled with declining steel mill profitability, reduced demand for high-grade iron ore fines. Meanwhile, ample supply of mid-grade fines has kept the 65-62 spread at elevated levels despite the contraction.

Iron ore futures declined early in the reporting week amid coking coal-driven corrections before weakening further on fundamentals, with the SGX front-month spread showing minimal movement, narrowing slightly to -$0.02/t. The DCE's front-month contract has rolled to January 2026, where the January/May spread fluctuated between 21.5 yuan/mt and 24 yuan/mt.

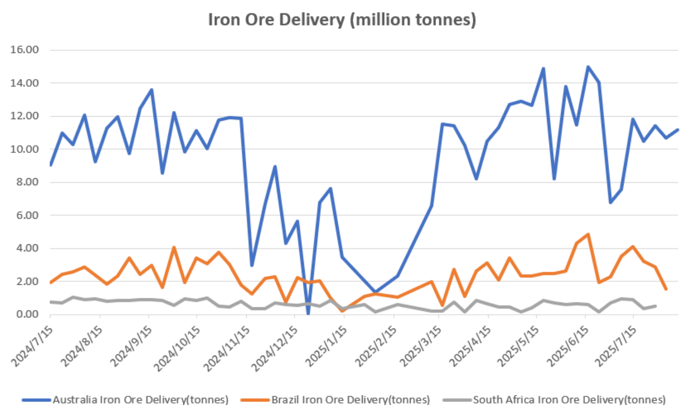
Our view for Iron ore is short-run neutral, but we recommend monitoring downside pressure. For coking coal FOB Australia is short-run neutral.



Data Sources: Bloomberg, Platts, Fastmarket, FIS

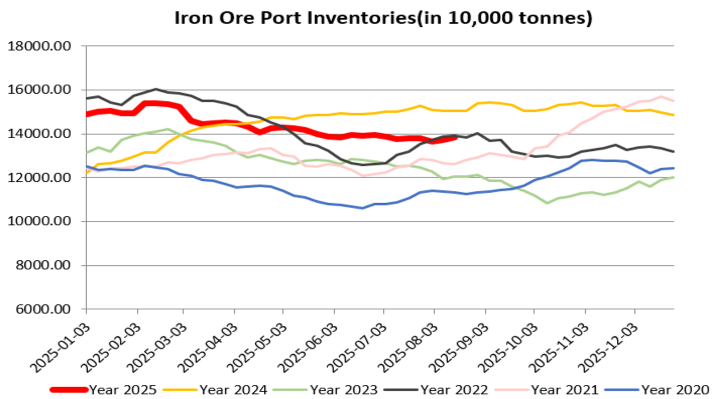
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	101.05	102.9	**-1.80%**
MB 65% Fe (Dollar/mt)	118.54	121.06	**-2.08%**
Capesize 5TC Index (Dollar/day)	26638	27506	**-3.16%**
C3 Tubarao to Qingdao (Dollar/day)	24.51	25.035	**-2.10%**
C5 West Australia to Qingdao (Dollar/day)	9.767	10.475	**-6.76%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3060	3070	**-0.33%**
SGX Front Month (Dollar/mt)	101.90	102.10	**-0.20%**
DCE Major Month (Yuan/mt)	777	790	**-1.65%**
China Port Inventory Unit (10,000mt)	13,657.90	13,790.38	**-0.96%**
Australia Iron Ore Weekly Export (10,000mt)	1,117.48	1,068.20	**4.61%**
Brazil Iron Ore Weekly Export (10,000mt)	151.84	284.60	**-46.65%**

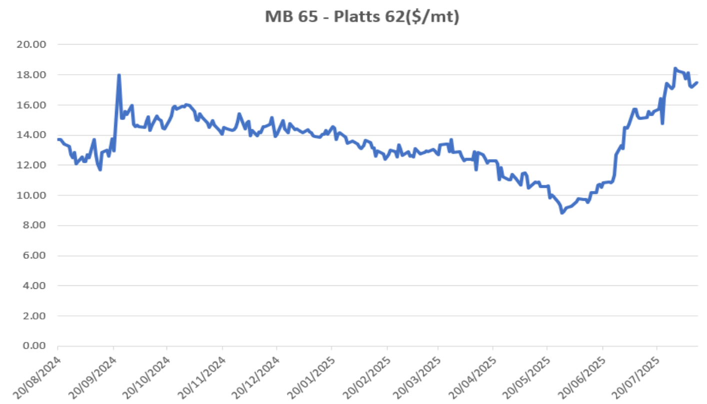


Iron Ore Key Points

- Bloomberg's shipment data shows a one-week reporting lag, while Mysteel's figures indicate this week's Australia-Brazil iron ore shipments reached their highest level since July, driven primarily by significant increases from Brazil and non-mainstream supply regions.



- Port evacuations have reached their highest level this year, reflecting sustained demand for iron ore in recent periods.

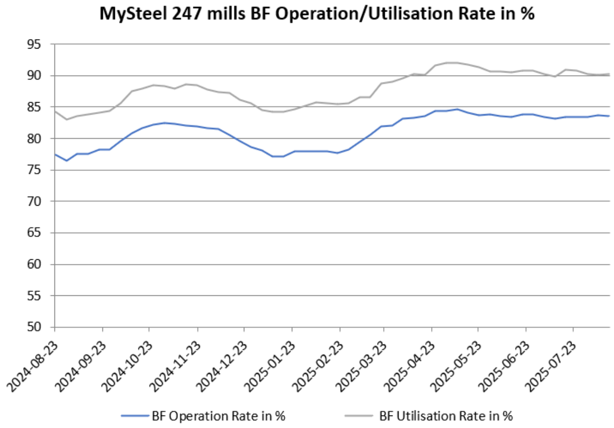


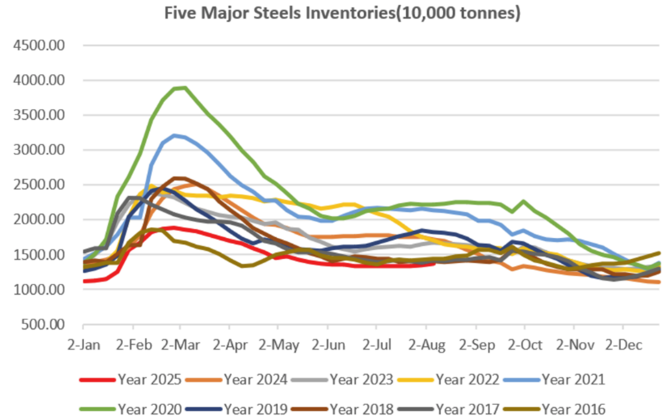
- Speculative sentiment in coking coal and coke markets has weakened, with prices stabilizing toward fundamental-driven levels, leading to reduced demand for high-grade iron ore fines. The MB65-P62 spread narrowed to $17.49/t.

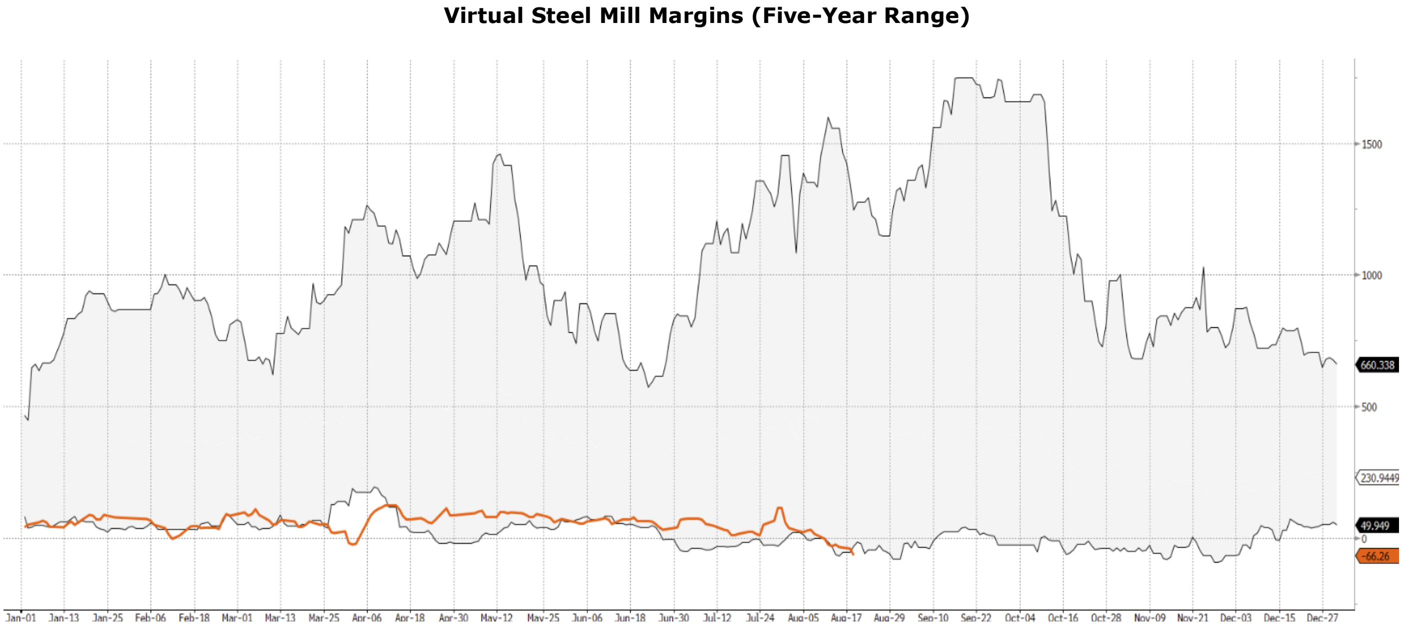
Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	832	835	**-0.36%**
LME Rebar Front Month (Dollar/mt)	541	542	**-0.18%**
SHFE Rebar Major Month (Yuan/mt)	3183	3215	**-1.00%**
China Hot Rolled Coil (Yuan/mt)	3480	3469	**0.32%**
Vitural Steel Mills Margin(Yuan/mt)	-66	-15	**-340.00%**
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%**



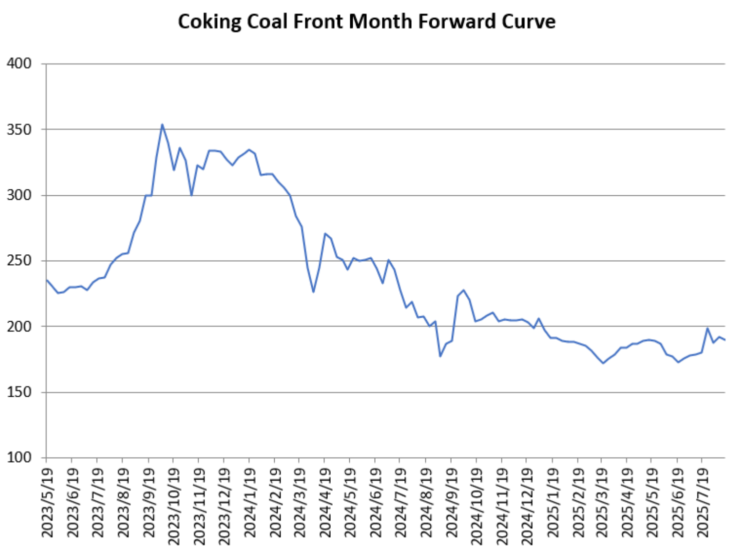


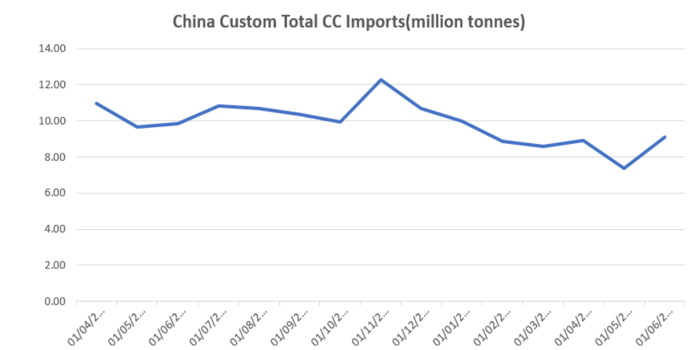


- Raw material costs have retreated, while rebar's apparent consumption has slumped to multi-year lows., Virtual steel mill margins went down to –66 yuan/mt.
- Daily hot metal production across 247 steel mills rebounded slightly, maintaining elevated levels above 2.40 million tonnes/day during the traditional off-season, though environmental production restrictions may impose short-term disruptions to blast furnace operations.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	191.4	183.2	**4.48%**
Coking Coal Front Month (Dollar/mt)	190	192	**-1.04%**
DCE CC Major Month (Yuan/mt)	1223.5	1219.5	**0.33%**
Top Six Coal Exporter Weekly Shipment(Million mt)	2.51	2.25	**11.56%**
China Custom total CC Import Unit mt	9,108,417	7,386,889	**23.31%**





Coal Key Points

- Market speculation has subsided following the DCE renewed position limit announcement, with pricing dynamics now reverting to fundamental-driven patterns.
- Australian FOB coking coal prices edged higher, with PMV cargo traded at $197.10/mt, though key buyer India continues to show low acceptance of current price levels.
- Mongolian coal border crossings have restarted after temporary disruptions, with traders now holding back supply with high offers.

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