FIS

Ferrous Weekly Report

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02/09/2025

⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral**. Iron ore prices rose before retreating amid futures-driven volatility. Despite concentrated blast furnace production restrictions in the Beijing-Tianjin-Hebei region this week, which are expected to be short-lived, prices are projected to maintain range-bound movement.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Rebar continues its recent weak performance, with downstream construction constraints this week potentially accelerating inventory accumulation. However, a seasonal rebound is anticipated in the coming period.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral to Bearish**. The previously tight coke plant inventory situation has improved, leading to weaker market sentiment, though downside potential remains limited. Buyers in the seaborne market are in no rush to procure.

Prices Movement	02-Sep	26-Aug	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	101.85	103	-1.12%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3398	3430	-0.93%	Neutral to Bearish	–
TSI FOB Premium Hard Coking Coal ($/mt)	185.4	186	-0.32%	Neutral to Bearish	–

Ferrous Market:

Iron ore prices edged higher last week, buoyed by active domestic financial markets and futures-driven momentum, with additional sentiment support from the Communist Party Central Committee and State Council's newly released Guidelines on Promoting High-Quality Urban Development. However, prices retreated again this week. Fundamentally, iron ore conditions remain unchanged: the latest weekly average daily hot metal production was above 2.40 million tons, though concentrated environmental production cuts in the Beijing-Tianjin-Hebei region for the military parade may trigger notable declines this week. However, with these measures widely anticipated and short-lived, the price impact should be limited. As September begins, the approaching traditional construction peak season is expected to sustain iron ore demand, provided the anticipated recovery in steel consumption holds.

While downstream steel products exhibit relatively weaker resilience compared to iron ore amid uncertainties, a positive takeaway emerges from CFLP data showing the steel industry PMI at 49.8%, down 0.7 percentage points monthly. Though it is below the 50% expansion threshold, August traditionally represents a seasonal demand trough, suggesting the sector demonstrated notable stability during this weak period. With temperatures dropping and extreme rainfall diminishing, market consensus expects gradual steel demand recovery. The latest weekly data already shows building materials apparent consumption reaching approximately 2.90 million tons, and construction project funding availability reported a 0.43% weekly increase, marking the steepest rise since June. Concurrently, regional property support policies are being introduced. However, this year's steel destocking pace trails recent years' trends, with inventories still accumulating. Fiscal analysis reveals nearly 1 trillion yuan in ultra-long-term special bond issuance (77% of annual target) and 3.15 trillion yuan in local government special bonds, with front-loaded allocations potentially constraining later-phase project funding. Given elevated inventory-to-sales ratios, any tepid demand recovery could exacerbate steel market pressures.

Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

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Ferrous Market(Cont'd):

On the export front, Mysteel's August steel industry new export order index registered 38.6%, a sharp 12.1% decline from July, reflecting dual pressures from escalating trade friction as multiple countries impose anti-dumping duties on Chinese steel and narrowing cost competitiveness due to elevated domestic steel prices driven by raw material costs. For instance, Chinese billet export prices hold at $440-445/mt FOB while Indonesia's adjusted offers matched this at $445/t FOB after a $5/t weekly drop, and Tianjin Port HRC offers persist at $480-485/mt FOB against buyer bids clustered at $470/t FOB with few transactions. Although export demand may improve as the seasonal trough ends, cautious sentiment continues to dominate the near-term outlook.

Global iron ore shipments surveyed by Mysteel last week reached 35.57 million tons, up 2.41 million tons WoW. Combined shipments from Australia and Brazil reached 29.02 million tons, up 1.42 million tons WoW, with Australian shipments at 18.95 million tons, down 0.70 million tons WoW and Brazilian shipments hitting 10.08 million tons, up 1.92 million tons WoW. China's 45-ports iron ore arrivals are up 1.33 million tons WoW to 25.26 million tons. China's iron ore port inventories at 45 major ports decreased by 0.82 million tons WoW to 137.63 million tons, while daily port evacuation volumes decreased by 0.07 million tons to 3.19 million tons. Shipments have remained broadly stable. Port inventories registered the first decline since August.

Seaborne iron ore market remained active during the reporting week, supported by seasonal demand expectations for restocking needs, as most cargoes are scheduled to arrive post-golden week in October. Trading activity concentrated on mid-grade fines, including two 170,000-tonne PBF at $100.4/mt, two 170,000-tonne BRBF at $105.1/mt and $106/mt respectively, and one 110,000-tonne cargo of 65% Carajás fines at $122.2/mt. Lump also demonstrated healthy liquidity, with three 80,000-tonne PBL transactions at +$0.1810/dmtu and one 90,000-tonne PBL deal at $114.71/mt.

With the easing of supply-demand tensions in the coke market, coking coal procurement has shifted to primarily demand-driven restocking. Combined with this week's environmental production restrictions on steel mills and coking plants, market sentiment has turned cautious, leading to further slowdowns in raw material purchases and exerting downward pressure on coking coal prices. However, fundamental factors suggest limited downside space. Steel mills' high utilization rates continue supporting demand for both coke and coking coal, while recent production accidents at Shanxi mines have prompted stricter safety inspections, with some mines voluntarily reducing output during environmental restrictions. From a medium-term perspective, the market is expected to remain relatively tight due to constrained supply against sustained demand. Market sources indicate that mainstream steel mills will implement the first round of coke price reductions after the military parade concludes.

Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

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Ferrous Market(Cont’d):

Australian coking coal prices remained largely stable, with one 75,000-tonne cargo of PMV Goonyella traded at $189/mt last week, marking an $8 decline from a mid-August transaction. Beyond this isolated deal, the market stayed quiet. An Indian trader reported a potential buyer receiving six offers, indicating ample supply availability and prompting buyers to defer purchases in anticipation of further price drops. When converted to domestic port prices, this transaction still showed an approximate 50 yuan/mt inversion compared to Chinese domestic coals, keeping Chinese buyers uninterested at current levels. For Mongolian coal, intensified border inspections ahead of the military parade reduced truck crossings, fostering cautious market sentiment and sluggish trading activity.

A midweek Carajás fines transaction pushed MB65% index higher, briefly widening the MB65-P62 spread to $18.55/mt before retreating to $17.87/mt. As downstream steel enters its traditional peak season, improved mill margins should sustain demand for high-grade fines, likely keeping the MB65-P62 spread range-bound.

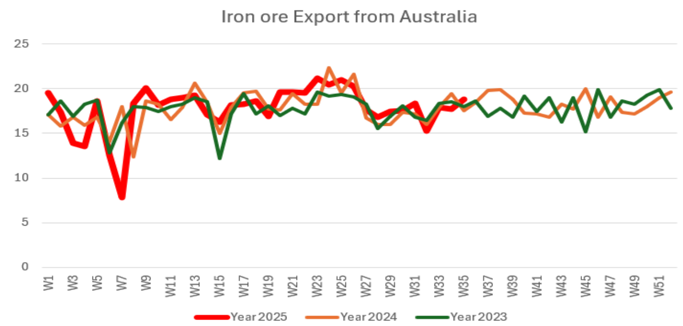
The SGX front-month spread (Oct25/Nov25) stands at $0.15/mt, with futures returning to a backwardation structure in late September. Meanwhile, the DCE's active spread (Jan26/May26) has stabilized, fluctuating between 23.5 yuan/mt and 24.5 yuan/mt.

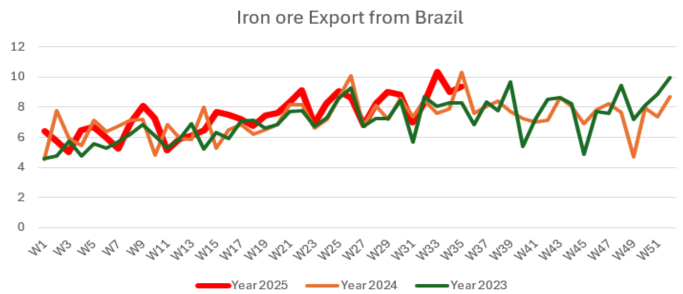
Our view for iron ore is short-run neutral. For coking coal FOB Australia is short-run neutral to bearish.

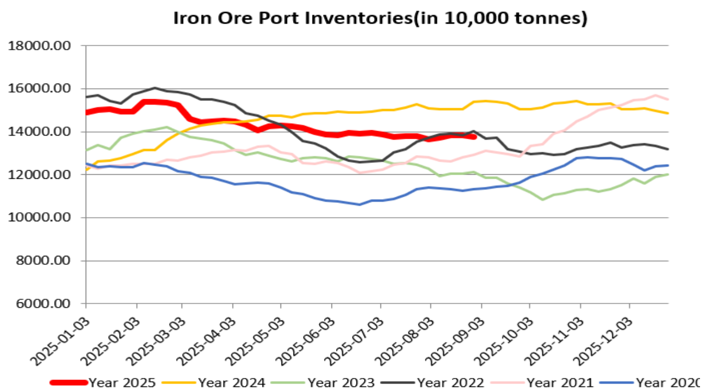
Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

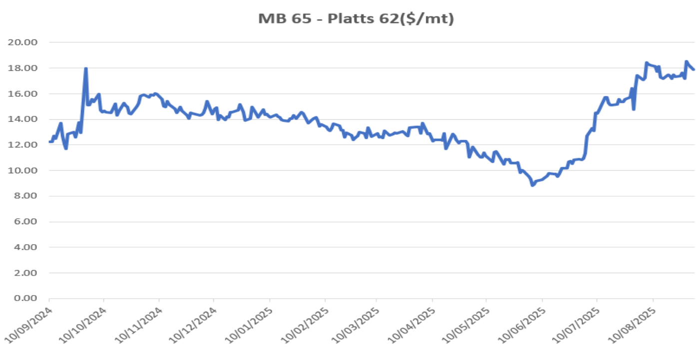
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	101.85	103	**-1.12%**
MB 65% Fe (Dollar/mt)	119.72	120.4	**-0.56%**
Capesize 5TC Index (Dollar/day)	24455	23160	**5.59%**
C3 Tubarao to Qingdao (Dollar/day)	24.465	23.44	**4.37%**
C5 West Australia to Qingdao (Dollar/day)	10.265	9.395	**9.26%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3000	3020	**-0.66%**
SGX Front Month (Dollar/mt)	101.81	101.20	**0.60%**
DCE Major Month (Yuan/mt)	808	789	**2.41%**
China Port Inventory Unit (10,000mt)	13,657.90	13,790.38	**-0.96%**
Australia Iron Ore Weekly Export (10,000mt)	1,879.00	1,769.00	**6.22%**
Brazil Iron Ore Weekly Export (10,000mt)	933.00	902.00	**3.44%**









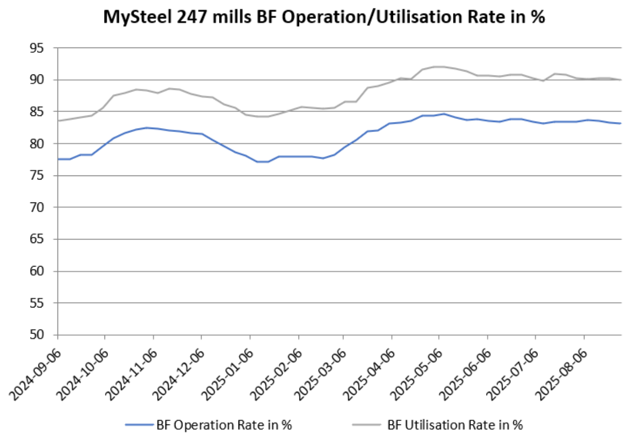
Iron Ore Key Points

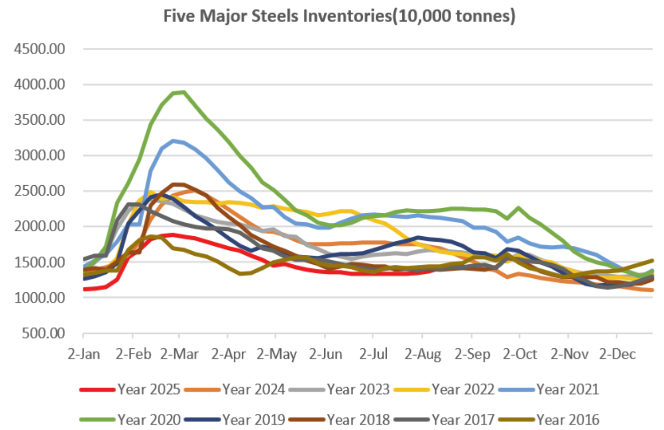
- Australian iron ore shipments continue to operate at seasonal levels, while Brazilian exports remain persistently high.
- Port iron ore inventories registered their first decline since August.
- A Carajás fines transaction briefly pushed the MB65-P62 spread to a year-to-date high before immediately retreating.

Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

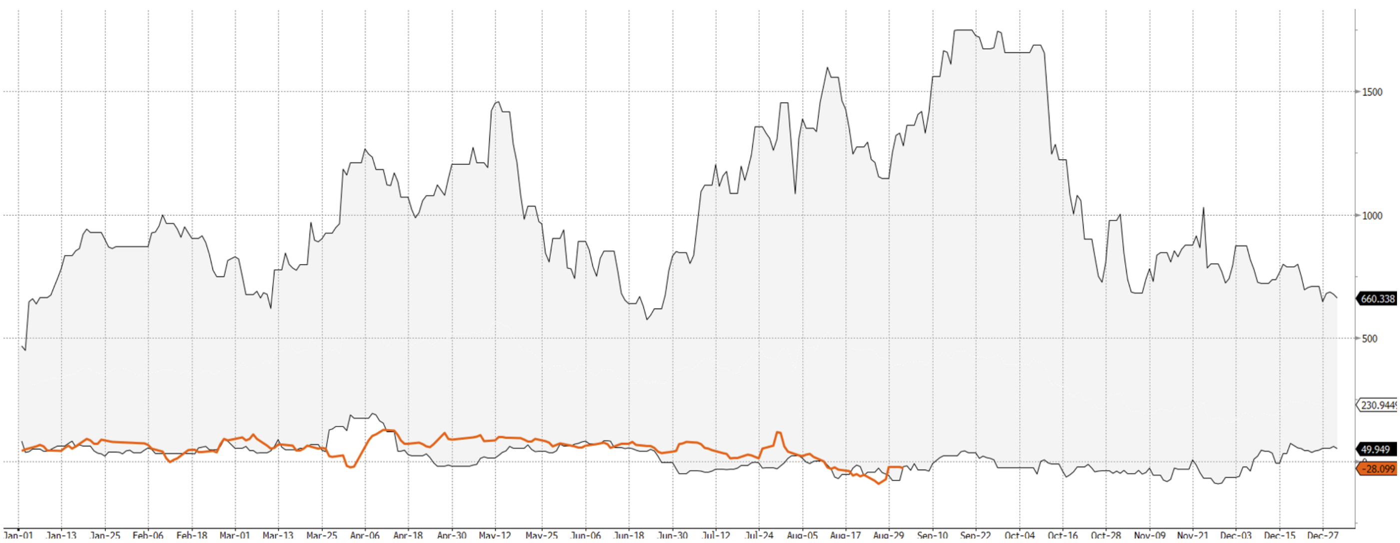
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	793	832	**-4.69%**
LME Rebar Front Month (Dollar/mt)	540.48	540	**0.09%**
SHFE Rebar Major Month (Yuan/mt)	3057	3100	**-1.39%**
China Hot Rolled Coil (Yuan/mt)	3443	3435	**0.23%**
Vitural Steel Mills Margin(Yuan/mt)	-28	-101	**72.28%**
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	**4.99%**
Global Crude Steel Production Unit (1,000 mt)	79700	83200	**-4.21%**
World Steel Association Steel Production Unit(1,000 mt)	150,100	151,400	**-0.86%**





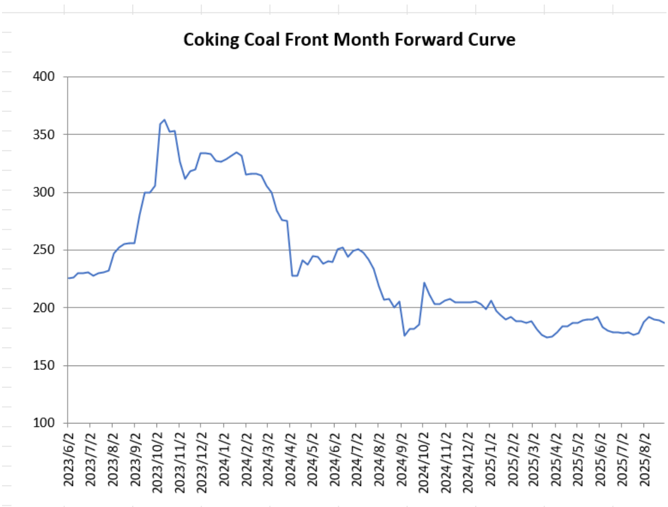
Virtual Steel Mill Margins (Five-Year Range)



- Rebar continues to underperform, but virtual steel mill margins are narrowing from -101 yuan/ton to -28 yuan/ton. The broader ferrous market saw declines across the board, with coking coal posting relatively steeper losses amid weak market sentiment, while rebar found some support from seasonal demand expectations.
- Daily hot metal production across 247 steel mills remains stable above 2.40 million tonnes. A significant decline is expected this week due to concentrated production restrictions.

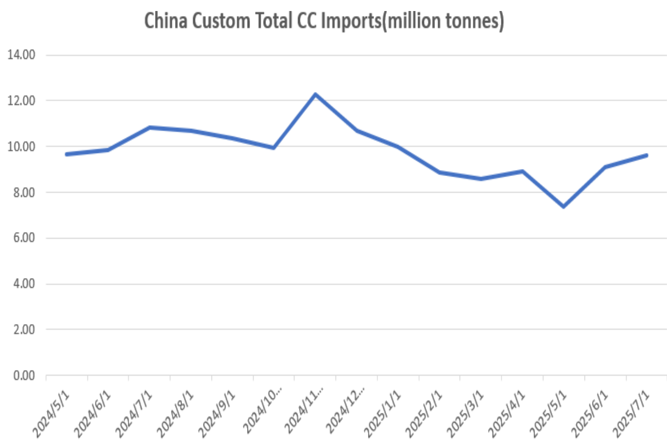
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	185.4	186	**-0.32%**
Coking Coal Front Month (Dollar/mt)	186.69	189.13	**-1.29%**
DCE CC Major Month (Yuan/mt)	990	1029.5	**-3.84%**
Top Six Coal Exporter Weekly Shipment(Million mt)	4.46	6.47	**-31.07%**
China Custom total CC Import Unit mt			**5.65%**



Coal Key Points

- Coking coal faces short-term supply-demand loosening and weakening sentiment, with steel mills initiating coke price cuts. However, the downside appears limited, as medium-term demand fundamentals remain supportive.
- Australian FOB coking coal remained quiet, with one PMV Goonyella cargo transacted, though major buyers continue to hold out for further price declines.
- Mongolian coal border crossings have declined due to tightened port inspections.



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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