

04/11/2025

- ⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral to Bearish**. The stimulus from macroeconomic policies is gradually fading. Environmental production restrictions in Tangshan and other regions have led to a decline in hot metal output, coupled with the current high valuation, putting iron ore under significant short-term pressure.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Downstream construction sites are rushing work before winter, and the inventory drawdown pace of construction materials has accelerated. The market is expected to continue to fluctuate before the weather turns colder.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. China's domestic coking coal supply remains tight, while imported coking coal maintains a profit margin. Rigid demand from India also continues to support prices in the seaborne coal market.

Prices Movement	03-Nov	27-Oct	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	105.85	106.5	-0.61%	Neutral to Bearish	-
Rebar 25mm Shanghai (Yuan/MT)	3186	3186	0%	Neutral	-
TSI FOB Premium Hard Coking Coal (\$/mt)	196.5	194.2	1.18%	Neutral	-

Ferrous Market:

During the reporting week, senior officials from China and the United States held a meeting in South Korea and announced a series of outcomes achieved during trade talks in Kuala Lumpur, indicating the easing of trade tensions between the two countries. Additionally, the Fed implemented an expected interest rate cut, and China released the draft proposal for its 15th Five-Year Plan. These macroeconomic developments stimulated financial markets, boosting risk appetite and driving iron ore prices higher for several consecutive days. However, by the latter half of the week, the emotional impact began to fade as the market digested the news, shifting focus back to fundamentals and leading to a price retreat. Meanwhile, recent heavy pollution alerts have triggered production restrictions in Tangshan and other regions, resulting in a decline in steel mill operating rates. According to Mysteel data, the average daily hot metal output from 247 blast furnaces fell by 35,400 mt week-on-week to 2.36 million mt last week. While blast furnace utilization is expected to rebound slightly this week, persistently weak steel mill margins and the seasonal slowdown in downstream steel demand suggest that overall hot metal production has likely peaked and is now trending downward.

Steel demand has rebounded recently, with inventory drawdown continuing since the Golden week. However, from a medium- to long-term supply-demand perspective, rebar production has remained at low levels throughout the year, leaving limited room for further supply reductions. Meanwhile, demand is expected to seasonally weaken. The China Meteorological Administration forecasts a strong cold wave affecting most parts of the country in early November. If construction activity is constrained, inventory pressure on building materials is likely to increase. In a press conference on the 31st October, the China Iron and Steel Association also called for enhanced industry self-discipline in the fourth quarter of the year.



Ferrous Weekly Report

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Ferrous Market(Cont'd):

Hot-rolled coil (HRC) has showed signs of recovery last week, with inventory declining for two consecutive weeks for the first time since June. However, as inventory levels remain relatively high, prices may retreat if sentiment weakens. That said, both domestic demand and exports have demonstrated resilience, limiting the room for significant adjustments.

Benefiting from eased US-China trade tensions, steel export quotations stabilized this week after previous declines. However, overseas demand remains limited, with a wait-and-see attitude prevailing in the market. Additionally, according to market reports, Indian steel producers have urged the government to introduce more regulatory policies to curb import growth and stabilize domestic supply-demand balance. Whether Indian authorities will respond remains to be seen.

Last week's global iron ore shipments surveyed by Mysteel reached 32.13 million tons, down 1.75 million tons WoW. Combined shipments from Australia and Brazil reached 27.59 million tons, down 1.67 million tons WoW, with Australian shipments at 18.95 million tons, down 89,200 tons WoW and Brazilian shipments at 8.64 million tons, down 0.78 million tons WoW. China's 45-ports iron ore arrivals up 12.30 million tons WoW to 33.14 million tons. China's iron ore port inventories at 45 major ports increased by 1.19 million tons WoW to 145.42 million tons, while daily port evacuation volumes increased by 75,100 tons to 3.20 million tons. Global iron ore shipments continue to remain at high levels, leading to further inventory accumulation at ports.

During the week, the seaborne market showed relative activity with healthy liquidity in medium and low-grade iron ore fines. PB Fines were the most actively traded, as the market generally viewed current iron ore valuations as elevated, leading most transactions to be concluded at floating prices based on the December index. On Tuesday, two cargoes of PB Fines were traded at a premium of \$0.12/mt, though the premium narrowed as trading progressed, with a total of three PB Fines cargoes eventually settled at +\$0.1/mt. In terms of other products, MAC Fines and Newman Fines also saw reasonable liquidity, with several transactions recorded. MAC Fines traded at around -\$1.2/mt, while Newman Fines changed hands near -\$1.5/mt. On the fixed-price front, only one cargo of PB Fines was traded at \$104.45/mt and one cargo of Brazilian Fines at \$107.30/mt during the reporting week. In the lump ore segment, liquidity improved in the primary market following continued premium compression, with a total of three cargoes of Newman Lump traded at a premium of +\$0.1265/dmtu.

Environmental and safety inspections continue to constrain domestic coking coal supply. As of October 31st, Mysteel data showed total coking coal concentrate inventory across all channels at 36.71 million mt, down 4.44 million mt year-on-year. Mine inventory on the supply side fell 23% compared to the same period last year, while intermediate inventories (including washing plants, border crossings, and ports) dropped 26.7% year-on-year. Steel mills' rigid demand for inventory replenishment has supported persistently high prices, with some coke producers already implementing a third round of coke price hikes. However, deteriorating steel mill profitability and worsening air pollution in northern China could exert pressure on both coking coal and coke, depending on the extent of production cuts. Nevertheless, the current tight supply-demand balance is unlikely to be broken in the short term.

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

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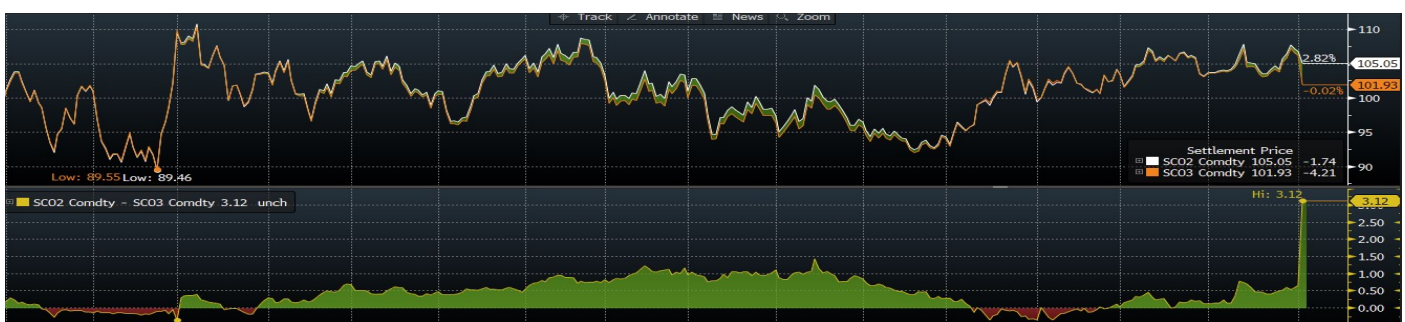
Ferrous Market(Cont'd):

Liquidity in the seaborne Australian coking coal market has further improved. On one hand, Indian steel mills have rigid demand for coking coal after the monsoon season, while in China, the rapid rebound in domestic prices has opened the profit window for imported coking coal. A cargo of PLV Saraji coking coal was traded at \$196.20/mt FOB, up \$2/mt from the previous transaction. Additionally, one cargo each of GLV coking coal and Goonyella coking coal were traded at \$205/mt CFR China and \$211/mt CFR China, respectively, with traders being the buyers in both cases. End-user steel mills, facing significantly reduced profits, have low acceptance of these price levels. On the Mongolian coal front, border crossings have normalized, and supply-demand conditions have improved, but trader offers remain firm at high levels.

The MB65-P62 spread narrowed sharply again, falling from \$13.32/mt last week to \$11.62/mt. With steel mill margins currently under pressure, if compared to the spread level before the uptrend starting from July, further narrowing remains possible, though the downside space appears limited.

As we enter November, the SGX front-month spread has shifted to December/January, with the current spread at \$3.12/mt. The DCE front-month spread (January/May) is fluctuating around 22 yuan/mt.

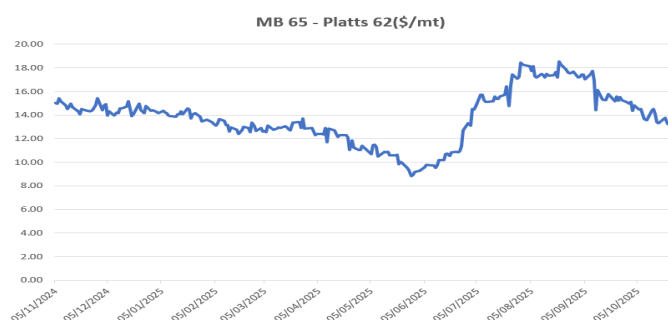
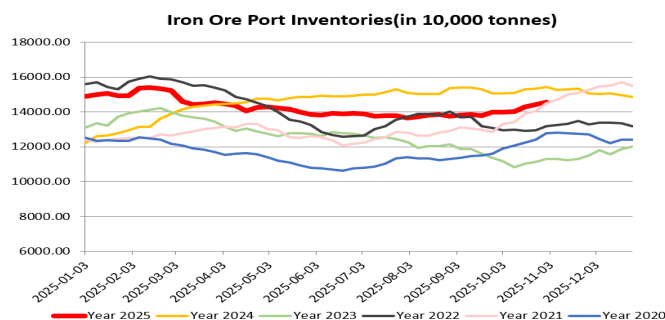
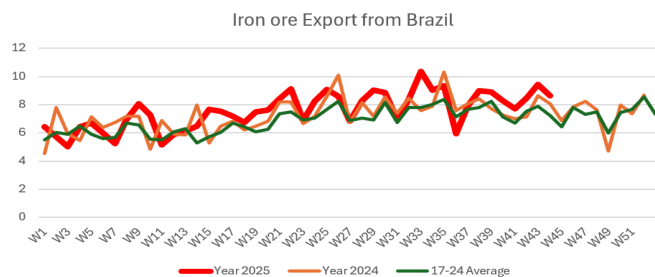
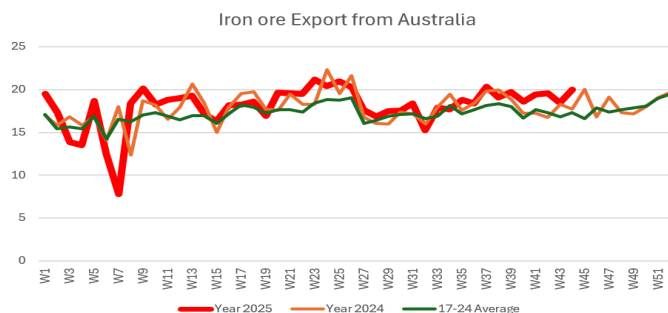
Our view for Iron ore is short-run neutral to bearish. For coking coal FOB Australia is short-run neutral.



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

Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	105.85	106.5	-0.61%
MB 65% Fe (Dollar/mt)	117.47	119.82	-1.96%
Capesize 5TC Index (Dollar/day)	23955	23534	1.79%
C3 Tubarao to Qingdao (Dollar/day)	23.014	22.764	1.10%
C5 West Australia to Qingdao (Dollar/day)	9.12	9.625	-5.25%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2980	2930	1.71%
SGX Front Month (Dollar/mt)	105.83	105.20	0.60%
DCE Major Month (Yuan/mt)	819	801	2.25%
China Port Inventory Unit (10,000mt)	13,657.90	13,790.38	-0.96%
Australia Iron Ore Weekly Export (10,000mt)	1,997.00	1,842.00	8.41%
Brazil Iron Ore Weekly Export (10,000mt)	862.00	941.00	-8.40%



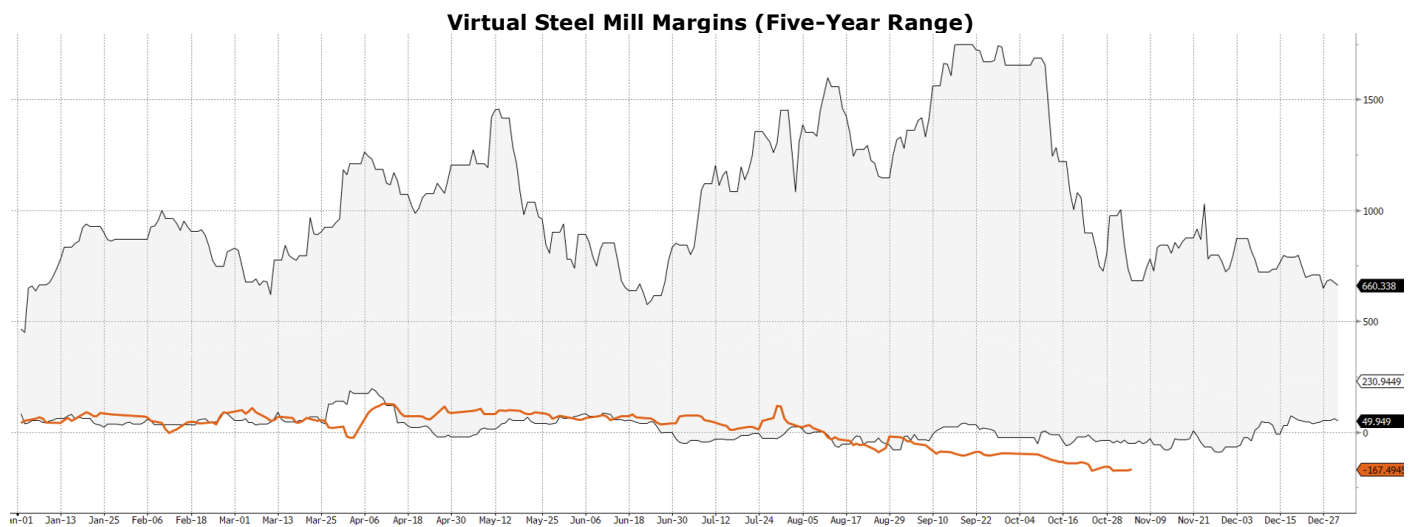
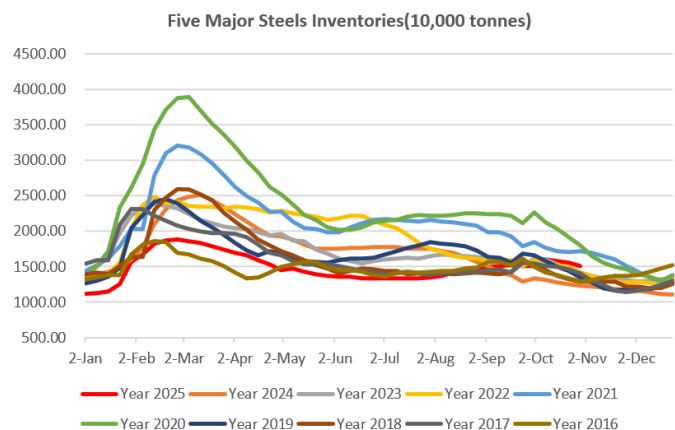
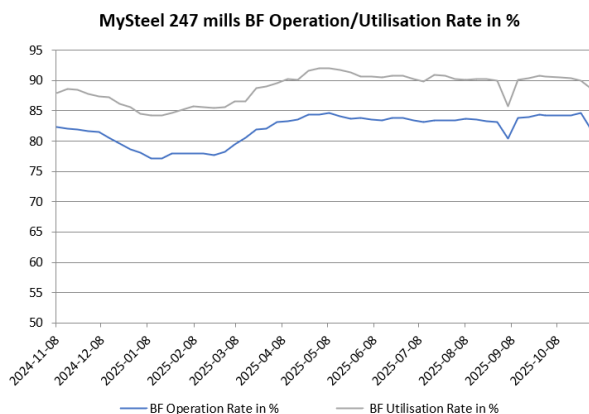
Iron Ore Key Points

- Shipments from Australia and Brazil remain at seasonally high levels, and the loose supply-demand balance is unlikely to improve in the short term.
- This week, iron ore arrivals at Chinese ports surged by over 10 million mt week-on-week, while port evacuation volumes remained at normal levels. Port inventories are expected to continue accumulating.
- The M65-P62 spread has narrowed again, and given the current pressure on steel mill margins, further downside potential remains.

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

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	851	813	4.67%
LME Rebar Front Month (Dollar/mt)	542	544	-0.37%
SHFE Rebar Major Month (Yuan/mt)	3009	2985	0.80%
China Hot Rolled Coil (Yuan/mt)	3347	3311	1.09%
Vitural Steel Mills Margin(Yuan/mt)	-167	-165	-1.21%
China Five Major Steel Inventories Unit (10,000 mt)	1554.85	1582.26	-1.73%
Global Crude Steel Production Unit (1,000 mt)	73500	77400	-5.04%
World Steel Association Steel Production Unit(1,000 mt)	141,800	145,300	-2.41%



Data Sources: Bloomberg, MySteel, FIS

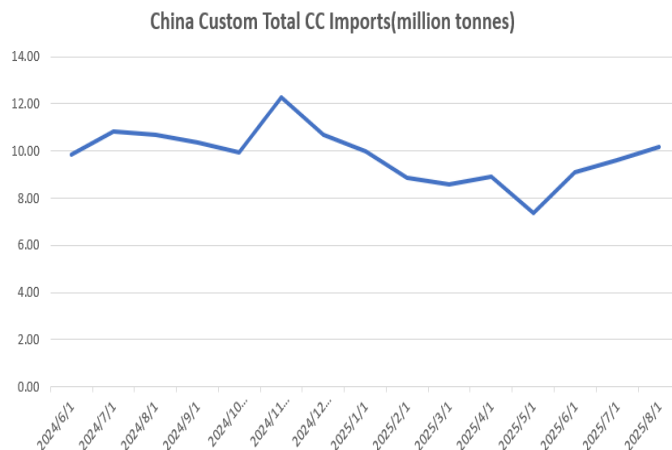
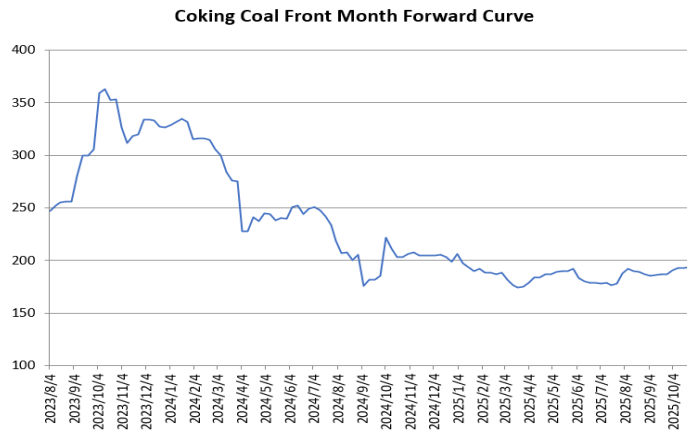
- Although iron ore prices have edged down slightly, elevated coking coal costs continue to squeeze steel margins. The virtual steel mill margin fluctuated within a narrow range, edging down from -165 yuan/mt to -167 yuan/mt.
- Affected by environmental production restrictions in Tangshan and other regions, hot metal output from 247 steel mills saw a significant decline this week. While a rebound is expected to some extent, the room for rebound appears fairly limited from a seasonal perspective.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	196.5	194.2	1.18%
Coking Coal Front Month (Dollar/mt)	191.39	193.5	-1.09%
DCE CC Major Month (Yuan/mt)	1166	1141.5	2.15%
Top Six Coal Exporter Weekly Shipment(Million mt)	4.29	4.50	-4.67%
China Custom total CC Import Unit mt	10,923,643	10,162,203	7.49%

Coking Coal Key Points

- Environmental and safety inspections continue to constrain domestic coking coal supply, and the subsequent trend requires monitoring of hot metal output changes at end-user steel mills.
- Following a rapid increase in domestic coking coal prices, the import margin for Australian coal has further widened, with liquidity remaining favorable.
- Transport at the Mongolian coal ports has normalized, while traders continue to maintain firm 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.

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