FIS Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral**. Hot metal output edged up slightly while port inventories continued to rise. The market currently lacks momentum, and although prices saw a modest rebound after consolidation, the upside remains limited. However, it is expected to continue trading within a narrow range in the near term.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Rebar continues to be on the previous trend, showing modest destocking amid weak supply and demand conditions.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Both Chinese and Indian buyers showed limited acceptance for the current high-priced Australian coking coal, leaving the market quiet.

Prices Movement	18-Nov	11-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	105.3	103	+2.23%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3177	3176	+0.03%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	195	195.5	-0.26%	Neutral	–

Ferrous Market:

Iron ore traded within a narrow range during the reporting week. The average daily hot metal output of steel mills increased by 26,600 tons to 2.37 million tons, but mills' profitability showed no improvement. As China enters the seasonal low demand period for steel, the room for further recovery in hot metal production remains very limited. After consecutive declines, the market currently lacks momentum for significant upward or downward moves. Although prices have trended higher this week, they may face additional pressure if blast furnace maintenance increases in the coming period. In the short term, prices are expected to remain stable. On the supply side, the Simandou project held a commissioning ceremony on 11th November, marking the gradual entry of its resources into the market. According to Mysteel estimates, the project's actual supply increase this year is not expected to exceed 1 million tons, but combined output from the northern and southern blocks is projected to reach 20 million tons by 2026.

Rebar inventories continued to decline due to low production levels, with output last week around 2 million tons, nearing the lowest point seen since the Spring Festival. While marginal improvements were observed, they are not expected to be sustained. During the reporting week, temperatures in most parts of China were higher than in previous years, so construction activity at downstream sites did not slow significantly. However, a large-scale cold wave hit central and eastern China this week, signaling the onset of the off-season. Seasonal data also shows that current circulation inventories are above the average of the past five years, and downstream stocking enthusiasm remains weak. Rebar is expected to face increasing pressure going forward. On the fund front, data released by the National Bureau of Statistics indicated that the decline in China's real estate development investment continues to widen, with a year-on-year drop of 14.7% from January to October. Compared to rebar, hot-rolled coil has seen persistently high inventories since October, however, the domestic manufacturing sector is performing much better than the construction industry, providing relatively resilient demand for HRC. On the export side, overseas demand remains sluggish, with HRC offers holding around $460/ton FOB China, and almost no transactions were concluded during the week.

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

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Ferrous Market(Cont'd):

Last week's global iron ore shipments surveyed by Mysteel reached 35.16 million tons, up 4.47 million tons WoW. Combined shipments from Australia and Brazil reached 29.09 million tons, up 3.60 million tons WoW, with Australian shipments at 18.73 million tons, up 3.39 million tons WoW and Brazilian shipments at 8.58 million tons, up 1.21 million tons WoW. China's 45-ports iron ore arrivals down 4.72 million tons WoW to 22.69 million tons. China's iron ore port inventories at 45 major ports increased by 2.31 million tons WoW to 151.30 million tons, while daily port evacuation volumes increased by 60,200 tons to 3.27 million tons. Since the beginning of October, port iron ore inventories have continued to accumulate and are now approaching the year's peak level. The loose supply-demand balance is unlikely to improve in the fourth quarter, but market sentiment has improved somewhat following two consecutive weeks of significant declines in arrivals.

Seaborne trades remained concentrated in medium and low-grade iron ore fines, primarily MACF and NHGF. Last Tuesday, three 80,000-tonne cargoes of MACF were traded at a discount of -$2.00/mt, followed by a 90,000-tonne cargo of MACF concluded at -$2.10/mt. On Monday this week, the transaction price for MACF further declined to -$2.60/mt. In the case of Newman Fines, two cargoes were traded at -$2.30/mt, after which the transaction price dropped further to -$2.55/mt. The lump ore premium continued to decline, and with the ongoing arrival of mainstream Australian lump cargoes, there remains room for further downside given persistently weak demand.

This week, a coal mine in Luliang with an approved capacity of 1.2 million tons resumed operation. However, overall production remains affected by safety inspections. As the market cooled, traders actively sold inventory to realize profits. Downstream plant inventories are currently relatively healthy, leading to reduced purchasing enthusiasm for high-priced coking coal, which has pulled prices down. The current supply-demand imbalance is not acute, and prices are expected to trade sideways after a modest decline. On the coke side, the fourth round of price increases has been fully implemented. Coking plants have gradually raised production as profitability improved. If blast furnace utilization rates at steel mills begin to decline, the fundamentals for both coking coal and coke could shift toward a moderately loose balance.

The seaborne coking coal market has turned sluggish. On one hand, steel demand in India has been weaker than expected, leading to resistance toward currently high-priced Australian coal. Chinese buyers also turned cautious amid the weakening market sentiment, though seaborne coals is still cheaper than domestic coals. Meanwhile, the number of Mongolian coal trucks crossing the border remains high, and port offers have softened in line with domestic price trends. Due to a Mongolian holiday, the three major border ports will be closed for one day this Friday.

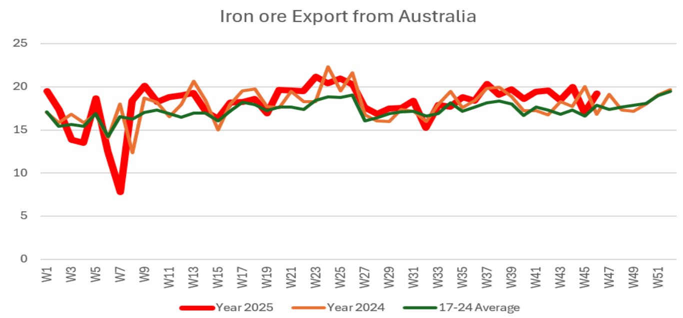
After a period of consolidation, iron ore near-month contracts saw some upward movement. This drove the SGX front-month Dec/Jan spread to widen slightly from last week's $3.10/mt to $3.20/mt, while the DCE front-month Jan/May spread expanded rapidly from 23.50 yuan/mt to 31.50 yuan/mt.

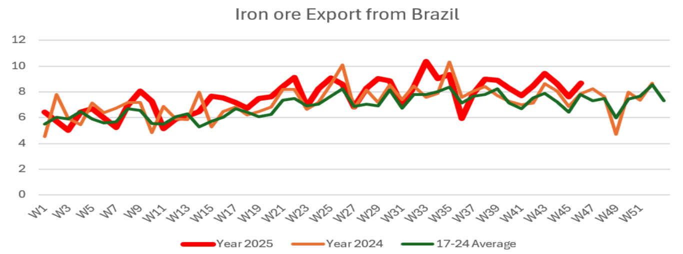
Our view for Iron ore is short-run neutral. For coking coal FOB Australia is short-run neutral.

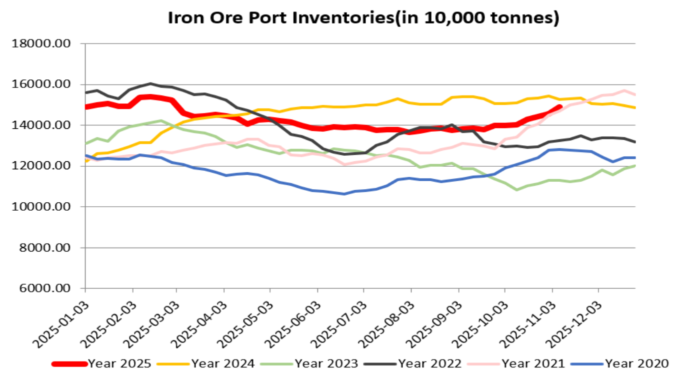
Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

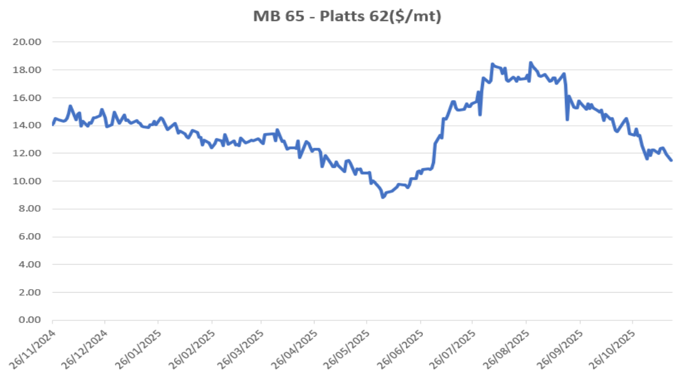
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	105.3	103	**2.23%**
MB 65% Fe (Dollar/mt)	116.81	114.98	**1.59%**
Capesize 5TC Index (Dollar/day)	27597	27063	**1.97%**
C3 Tubarao to Qingdao (Dollar/day)	23.605	23.305	**1.29%**
C5 West Australia to Qingdao (Dollar/day)	10.315	10.32	**-0.05%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2950	2940	**0.34%**
SGX Front Month (Dollar/mt)	103.60	102.59	**0.98%**
DCE Major Month (Yuan/mt)	803.5	799.5	**0.50%**
China Port Inventory Unit (10,000mt)	13,657.90	13,790.38	**-0.96%**
Australia Iron Ore Weekly Export (10,000mt)	1,924.00	1,697.00	**13.38%**
Brazil Iron Ore Weekly Export (10,000mt)	866.00	762.00	**13.65%**









Iron Ore Key Points

- Shipments from Australia and Brazil remained at elevated levels, with total global seaborne iron ore shipments reaching 35.16 million tons this week, the highest in two months, supported by significant volumes from non-mainstream supply regions.

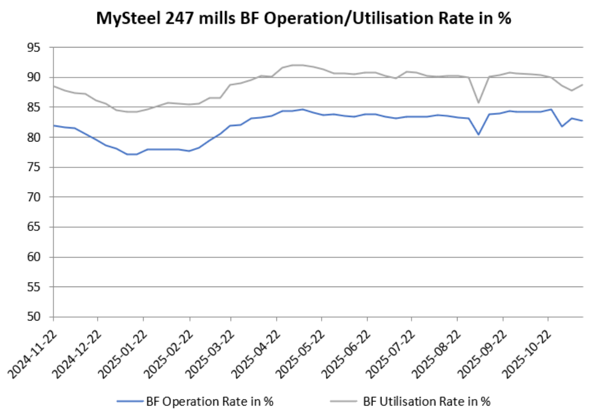
- Port iron ore inventories continued to accumulate, rising to 151.29 million tons, approaching the year's high. Despite two consecutive weeks of declining arrivals, the current high shipment volumes suggest that inventory buildup is likely to persist.

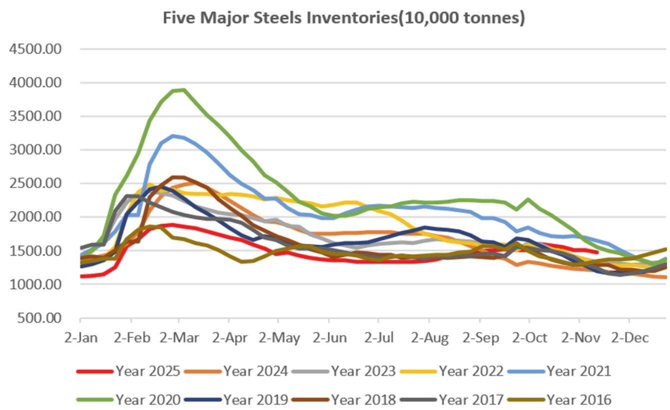
- Recent iron ore trading has been primarily concentrated in medium- and low-grade fines, with the M65-P62 spread narrowing further to $11.51/mt.

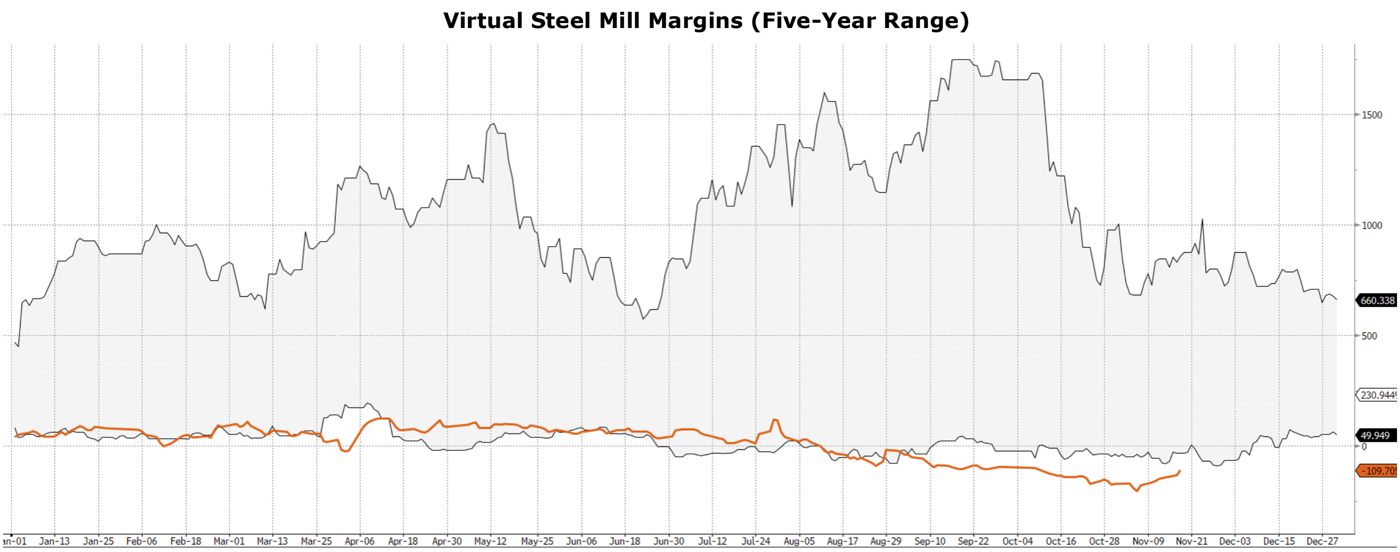
Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	855	847	**0.94%**
LME Rebar Front Month (Dollar/mt)	541.5	540	**0.37%**
SHFE Rebar Major Month (Yuan/mt)	2890	2906	**-0.55%**
China Hot Rolled Coil (Yuan/mt)	3281	3289	**-0.24%**
Vitural Steel Mills Margin(Yuan/mt)	-110	-167	**34.13%**
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%**





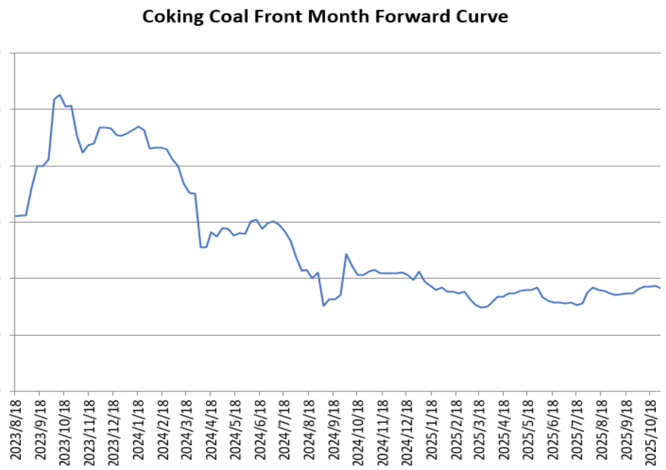


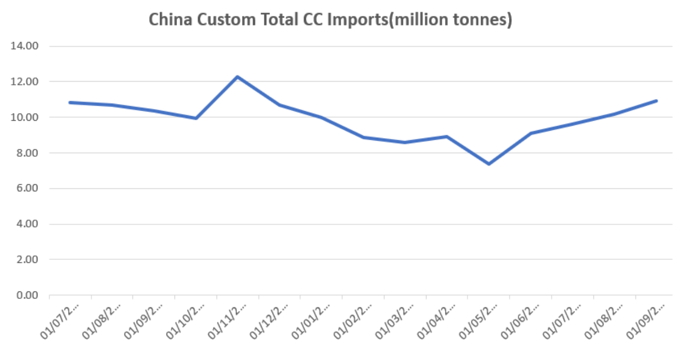
Data Sources: Bloomberg, MySteel, FIS

- Domestic rebar demand held up relatively well last week. Despite weak supply and demand conditions, inventories continued to decline. As coking coal prices retreated, the virtual steel mill margin rebounded from -157 yuan/mt to -110 yuan/mt.
- After the lifting of air pollution control measures in northern China, hot metal output at 247 steel mills showed a modest rebound. However, given the current profit margins, the potential for further growth remains highly limited.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	195	195.5	**-0.26%**
Coking Coal Front Month (Dollar/mt)	195.25	196.5	**-0.64%**
DCE CC Major Month (Yuan/mt)	1165	1150	**1.30%**
Top Six Coal Exporter Weekly Shipment(Million mt)			**-31.67%**
China Custom total CC Import Unit mt	10,923,643	10,162,203	**7.49%**





Coking Coal Key Points

- Although mine supply remains constrained by safety inspections, downstream mills' inventories are not tight after restocking, leading to limited acceptance of high-priced coking coal. This has created near-term downward pressure on prices.
- Both key buyer India and China are showing resistance to the current high-priced Australian coking coal. This has resulted in thin market liquidity.
- The volume of Mongolian coal clearance at border ports remains at a high level. The three major ports scheduled to be closed this Friday due to a national holiday.

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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