FIS

Ferrous Weekly Report

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⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral**. Port iron ore inventories saw a slight decline, ending several consecutive weeks of accumulation. However, stocks remain at elevated levels, and with no acute supply-demand imbalance currently observed, prices are expected to maintain weak but stable trading in the near term.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Last week, the apparent demand for construction materials rebounded more than expected and accelerated destocking, providing some support to prices. However, a gradual weakening is anticipated as the market enters the off-season.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Recent availability of Australian coking coal in the market has tightened. Following the transaction of a cargo of Goonyella coking coal, prices were pushed higher. Both Chinese and Indian buyers maintain a cautious stance.

Prices Movement	24-Nov	17-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	106.05	105.3	+0.71%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3182	3177	+0.16%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	199	195	+2.05%	Neutral	–

Ferrous Market:

During the reporting week, iron ore traded weak but stable amid a loose supply-demand balance, though several positive factors provided some support to prices. For the first time since early October, market news emerged regarding negotiations with BHP. According to Reuters, China has expanded the scope of its ban on BHP's iron ore to include Jinbao Fines, with China Mineral Resources Group advising steel mills and traders to avoid new purchases of the product. However, given the limited trading volume of Jinbao Fines, and recent procurement still concentrated on mainstream medium- and low-grade fines such as MACF, the news mainly served as a speculative catalyst rather than substantial market impacts.

In addition, Bloomberg reported that China may introduce new property support policies, including mortgage interest subsidies, though no official announcement has been made yet. Meanwhile, domestic coking coal prices continued their downward trend, creating a see-saw effect on iron ore. Steel mills also saw reduced losses as raw material costs declined. Although iron ore supply-demand tensions remain moderate, a seasonal weakening trend is expected in the coming period.

On the steel side, the market provided some momentum to the ferrous sector. Last week, total inventories of the five major steel products fell 3% week-on-week, with rebar inventories down 3.96%. Apparent consumption of construction materials rose 5.3% week-on-week. Despite cooling weather and the gradual onset of the off-season for construction, steel destocking exceeded expectations, contributing to a short-term improvement in market sentiment, though this is widely viewed as unsustainable. According to data from the CISA, circulation inventories of the five major steel products in 21 cities in mid-November increased by 2.12 million tons compared to the beginning of the year and rose by 1.87 million tons year-on-year, up 27.3% compared to the same period last year.

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

Ferrous Market(Cont'd):

Last week's global iron ore shipments surveyed by Mysteel reached 32.78 million tons, down 2.38 million tons WoW. Combined shipments from Australia and Brazil reached 26.37 million tons, down 2.71 million tons WoW, with Australian shipments at 18.40 million tons, down 2.11 million tons WoW and Brazilian shipments at 7.98 million tons, down 0.60 million tons WoW. China's 45-ports iron ore arrivals up 5.70 million tons WoW to 29.40 million tons. China's iron ore port inventories at 45 major ports decreased by 0.75 million tons WoW to 150.55 million tons, while daily port evacuation volumes increased by 29,700 tons to 3.30 million tons. Port iron ore inventories ended nearly two months of continuous accumulation following two consecutive weeks of declining arrivals. Stockpiles at Australian and Brazilian iron ore export ports are currently near their highest levels since the start of the fourth quarter, suggesting major miners may be intentionally moderating their shipment pace. However, overall shipment volumes remain elevated, and further inventory builds at Chinese ports are expected in the coming period. Additionally, market sources indicate that China will adjust port storage fees starting next year, with a 25% increase for each additional month of storage. This could potentially accelerate destocking of non-mainstream ore varieties, though the impact is likely to be limited.

Liquidity in the seaborne market has been moderate recently, with mainstream PBF relatively tight and prices firm. Last week, only one 170k mt cargo was traded at $101.90/mt, while the previously active MACF saw no transactions. Meanwhile, one cargo of NGHF was concluded at a discount of -$2.60/mt, largely in line with prior levels. Entering this week, year-end restocking demand gradually emerged. One cargo each of MACF and NGHF traded at discounts of -$1.35/mt and -$1.05/mt respectively, and one PBF was traded at a premium of +$1.20/mt, all based on January index. In the high/low-grade segment, a total of 170k mt of JMBF traded at -$7.70/mt, and one 70k mt cargo of Carajás Fines was traded at +$0.60/mt. Recent increased supply of Indian fines has exerted some pressure on low-grade ore prices. In the lump ore market, soft fundamentals for fines and persistently weak mill margins pushed the lump premium further down from +$0.1080/dmtu to +$0.0950/dmtu. One 80k-tonne cargo of NBL was traded at +$0.0958/dmtu.

After the fourth round of coke price increases, coking plants have not seen significant improvement in profitability. Following previous restocking, mill inventories are relatively sufficient, leading to limited interest in high-priced coking coal. According to Mysteel statistics, clean coal inventory reached 1.859 million tons last week, an increase of 209,000 tons from the previous week. Currently, both the fundamentals and sentiment for coking coal have weakened, with speculative long positions reducing in the futures market, resulting in a noticeable price correction. However, considering that hot metal output from downstream steel mills' blast furnaces has not declined rapidly, rigid demand for coking coal and coke remains. At the same time, the impact of environmental production restrictions on supply persists, leaving limited room for further price declines. On the news front, the Shaanxi Development and Reform Commission issued a notice stating that it will phase out coal mines with an annual production capacity below 600,000 tons in an orderly manner. Data from China Coal Resource Network shows that the total capacity of coal mines in Shaanxi Province below 600,000 tons is 31 million tons, accounting for 3.5% of the province's total capacity.

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

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Ferrous Market(Cont'd):

A cargo of PMV Goonyella coking coal was traded at $200.10/mt FOB last week, up approximately $5 from previous transactions. Despite the recent correction in domestic coking coal prices in China, this level still offers some arbitrage margin. However, end-users remain considerably cautious toward Australian coal purchases, while Indian buyers also show limited acceptance of high-priced Australian coals. Nevertheless, with currently tight available supply and rigid demand from Indian and Southeast Asian steel mills, sellers maintain strong price support sentiment.

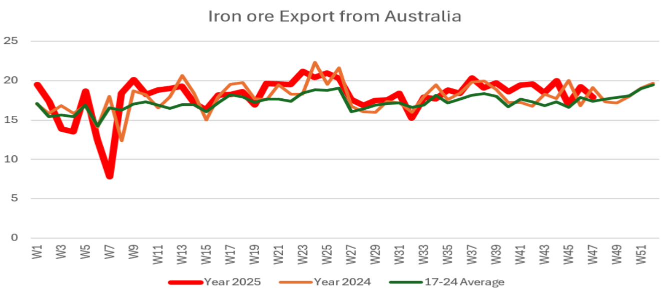
The MB65-P62 spread traded within a narrow range of $11.50-12/mt.

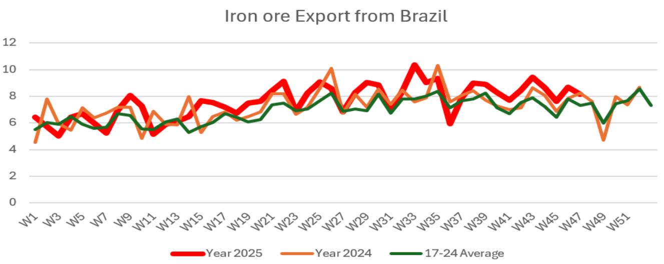
The SGX front-month Dec/Jan spread remained stable around $3.20/mt, while the DCE front-month Jan/May spread retreated from the week's high of 36.50 yuan/mt to 28 yuan/mt. During the reporting week, the May contract showed stronger rebound momentum compared to the January contract. Meanwhile, news about port storage fees also had some impact on the valuation of DCE futures.

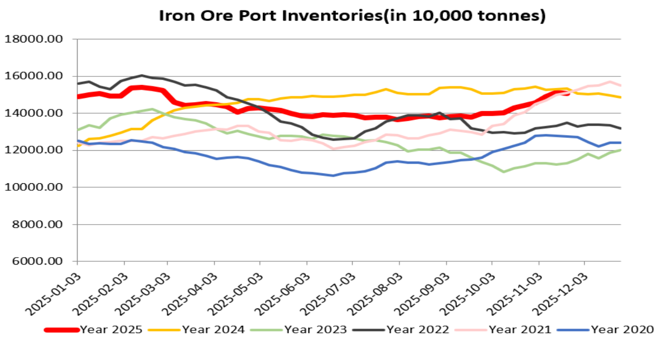
Our view for Iron ore is short-run neutral. For coking coal FOB Australia is short-run neutral.

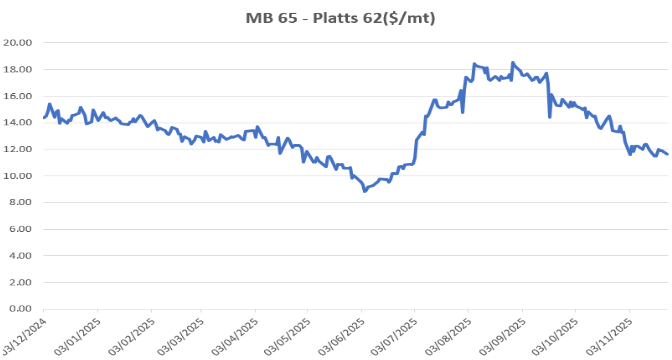
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	106.05	105.3	**0.71%**
MB 65% Fe (Dollar/mt)	117.69	116.81	**0.75%**
Capesize 5TC Index (Dollar/day)	30685	27597	**11.19%**
C3 Tubarao to Qingdao (Dollar/day)	24.741	23.605	**4.81%**
C5 West Australia to Qingdao (Dollar/day)	10.695	10.315	**3.68%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2950	2950	**0.00%**
SGX Front Month (Dollar/mt)	104.33	103.60	**0.70%**
DCE Major Month (Yuan/mt)	805.5	803.5	**0.25%**
China Port Inventory Unit (10,000mt)	15,054.65	15129.71	**-0.50%**
Australia Iron Ore Weekly Export (10,000mt)	1,787.00	1,924.00	**-7.12%**
Brazil Iron Ore Weekly Export (10,000mt)	816.00	866.00	**-5.77%**









Iron Ore Key Points

- Inventory levels at Australian and Brazilian iron ore export ports last week suggest that major miners may be intentionally moderating their shipment pace. However, this has not altered the overall loose supply-demand balance in the market.

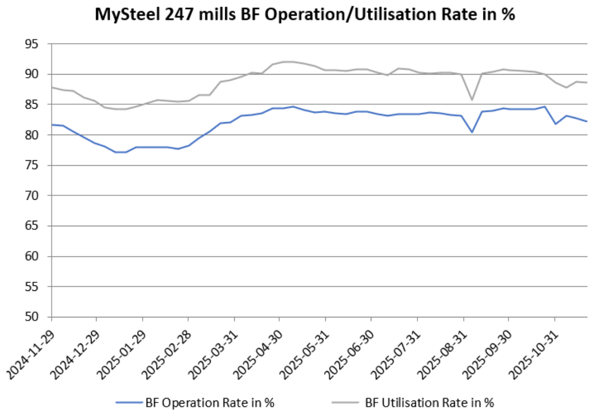
- Port iron ore inventories ended several consecutive weeks of accumulation, dropping to 150.55 million tons. However, based on current shipment volumes, further inventory buildup is highly likely in the coming period.

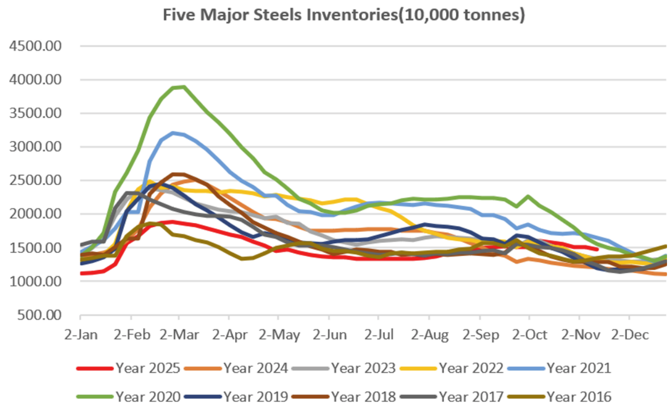
- The M65-P62 spread traded within a narrow range between $11.50/mt and $12.00/mt.

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

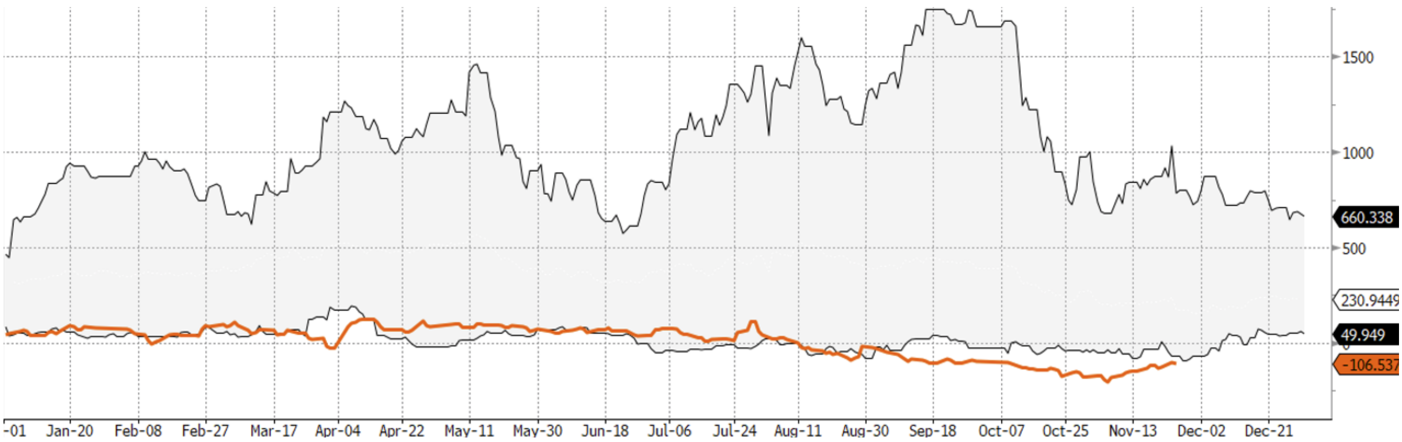
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	857	855	0.23%
LME Rebar Front Month (Dollar/mt)	549.5	542	1.48%
SHFE Rebar Major Month (Yuan/mt)	3014	2890	4.29%
China Hot Rolled Coil (Yuan/mt)	3289	3281	0.24%
Vitural Steel Mills Margin(Yuan/mt)	-106	-110	3.64%
China Five Major Steel Inventories Unit (10,000 mt)	1433.1	1477.35	-3.00%
Global Crude Steel Production Unit (1,000 mt)	72000	73500	-2.04%
World Steel Association Steel Production Unit(1,000 mt)	143,300	141,800	1.06%





Virtual Steel Mill Margins (Five-Year Range)

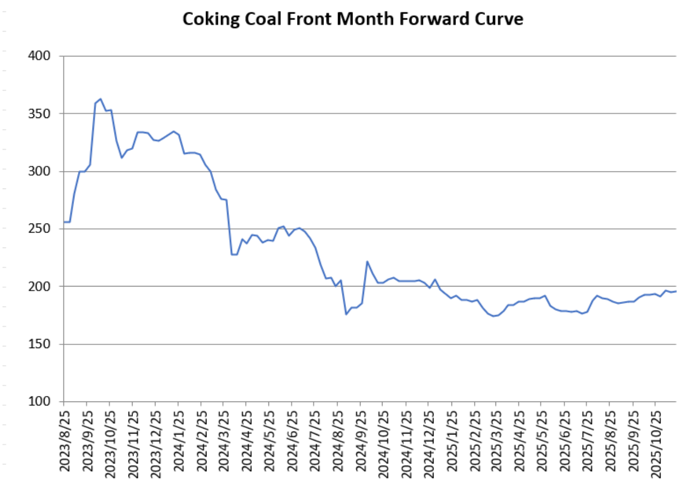


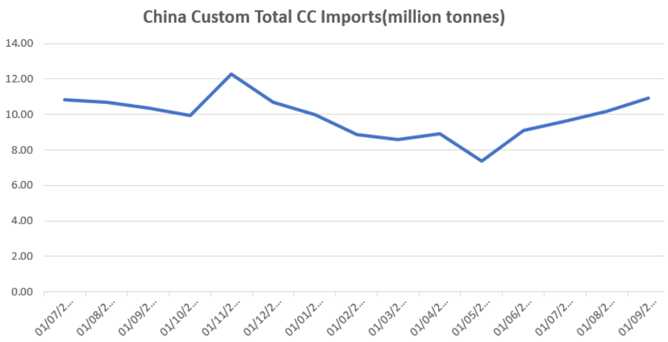
Data Sources: Bloomberg, MySteel, FIS

- Rebar inventories fell more than expected last week, providing some momentum to the steel market, though the trend is not expected to last. The virtual steel mill margin narrowed from -110 yuan/mt to -106 yuan/mt.
- The average daily hot metal output from blast furnaces at 247 steel mills edged down slightly to 2.3628 million tons. Based on seasonal patterns, a further decline is expected as winter approaches.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	199	195	2.05%
Coking Coal Front Month (Dollar/mt)	196	195.25	0.38%
DCE CC Major Month (Yuan/mt)	1012.5	1165	-13.09%
Top Six Coal Exporter Weekly Shipment(Million mt)	5.12	4.16	23.08%
China Custom total CC Import Unit mt	10,593,242	10,923,643	-3.02%





Coking Coal Key Points

- Despite the fourth round of coke price increases, coking plants continue to face poor profitability. With relatively healthy plant inventories, their interest in high-priced coking coal remains low, and market sentiment is weak. However, until hot metal output shows a significant decline, the room for further downside appears limited.
- A transaction for a cargo of Goonyella iron ore fines last week pushed up seaborne coking coal prices. With tight availability, prices have remained relatively firm.
- Mongolian coal prices have weakened in line with the decline in domestic Chinese 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.

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