

02/12/2025

- ⇒ **Iron ore Fe62% CFR China:** Our view is short-run **Neutral**. Hot metal output from blast furnaces is declining seasonally at a slow pace. Although the market still faces a loose supply-demand balance, the imbalance is not stark, and prices are expected to trade within a range in the near term.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Since mid-November, heightened construction activity in southern China ahead of winter has led to faster-than-expected destocking of building materials, with the market currently remaining stable.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. The availability of Australian coking coal in the seaborne market has tightened, but demand from overseas buyers remains subdued, leaving the market in a quiet tone.

Prices Movement	01-Dec	24-Nov	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	107.35	106.05	+1.23%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3190	3182	+0.25%	Neutral	-
TSI FOB Premium Hard Coking Coal (\$/mt)	199.5	199	+0.25%	Neutral	-

Ferrous Market:

Iron ore prices edged up slightly, primarily driven by macroeconomic factors and the drop in coking coal and coke prices. Increased expectations of a Fed rate cut in December and the upcoming Chinese Politburo meeting have provided some momentum to the market, but the upside room remains limited. Negotiations between China Mineral Resources Group and BHP remain inconclusive, while medium-grade fines remain relatively tight in supply. Mill inventories of imported iron ore currently stand at 89.42 million tons, relatively low compared to the same period in previous years, with the inventory-to-consumption ratio also at a multi-year low. As December begins, winter restocking demand is expected to gradually emerge. Better-than-expected performance in finished steel products has also provided some support to iron ore. Rebar demand has accelerated destocking due to pre-winter construction activity (inventories have fallen by nearly 4% for two consecutive weeks), boosting market sentiment. Weather conditions indicate that while most regions will experience a cold wave early this week, temperatures will quickly rebound and remain generally higher than in previous years, suggesting accelerated construction activity should continue for some time. On the news front, according to CCTV reports, Tangshan was criticized by the Central Ecological and Environmental Inspection Team for illegally launching steel projects and adding capacity, as well as shortcomings in air pollution control. As the inspection team continues its work, steel supply is expected to be somewhat affected. On the export side, Tianjin Port HRC offers rose slightly by \$5/mt, remaining around \$460/mt FOB China. Overseas demand remains weak, with key export destination Vietnam experiencing further demand softening due to persistent heavy rainfall, while South Korea announced anti-dumping duties on Chinese-origin medium-thick steel plates and hot-rolled thick plates on the 24th. Additionally, as December begins, most global regions have entered a pre-holiday procurement lull for steel billets. Mills in Southeast Asia and Europe have already completed their restocking earlier, and the export market is expected to remain quiet this month.

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

Ferrous Market(Cont'd):

Last week's global iron ore shipments surveyed by Mysteel reached 33.23 million tons, up 0.45 million tons WoW. Combined shipments from Australia and Brazil reached 27.65 million tons, up 1.28 million tons WoW, with Australian shipments at 18.20 million tons, down 0.19 million tons WoW and Brazilian shipments at 9.45 million tons, up 1.48 million tons WoW. China's 45-ports iron ore arrivals down 1.18 million tons WoW to 26.99 million tons. China's iron ore port inventories at 45 major ports increased by 1.55 million tons WoW to 152.10 million tons, while daily port evacuation volumes increased by 6,600 tons to 3.31 million tons. Shipments and arrivals continue to remain elevated and stable. Port iron ore inventories have resumed their accumulation trend after just one week of decline. However, certain structural imbalances persist, with medium-grade fines such as PBF experiencing relative supply tightness.

During the reporting week, trading activity in the seaborne iron ore market remained active. With the market set to transition to the 61% index next year, enquiries from traders and steel mills for January iron ore fines increased. Among mainstream fines, PBF remained relatively tight in supply. Last Tuesday, several cargoes were traded at a premium of +\$1.17/mt, followed by a 170k-tonne cargo on Thursday at +\$1.208/mt. Entering this week, another transaction was concluded at +\$1.21/mt. MACF and NHGF maintained good liquidity, with several cargoes traded early in the week at floating discounts of -\$1.35/mt and -\$1.30/mt, respectively. As trading progressed, premiums for medium- and low-grade fines declined, partly to curb the high premiums for medium-grade PBF. On Friday, one cargo each of Newman Fines and MACF traded at -\$2.475/mt and -\$2.175/mt, both based on the January 61% index. In the low-grade segment, FMG concluded several transactions involving SSF and FBF. Additionally, as premiums continued to soften, lump liquidity showed signs of recovery. During the week, three cargoes of NBL were traded at a premium of +\$0.0958/dmtu.

Domestic coking coal prices continued the previous downward trend, with limited purchasing enthusiasm from steel mills and coking plants. The online auction failure rate once approached 60%, while clean coal inventories surged again this week by 380,000 tons to 2.24 million tons. However, prices stabilized and rebounded slightly this week. On one hand, seasonal restocking demand provided some support to prices; on the supply side, recent inspections and shutdowns of several mining areas by the National Mine Safety Administration tightened supply, which somewhat improved market sentiment. On the coke side, the continued decline in coking coal prices has marginally improved coking plant profitability, leading to a recovery in operating rates. However, as hot metal output gradually declines, this could result in a looser supply-demand balance. With steel mills initiating the first round of coke purchase price cuts, both coking coal and coke still face significant downward pressure.

The Australian coking coal market remained relatively quiet this week. Despite stable demand from India, buyers showed little willingness to accept the current high prices after offers were pushed up to \$200/mt FOB. Meanwhile, recent heavy rainfall in eastern Australia has impacted coal mining operations and loading schedules, leading sellers to resist pricing below \$205/mt. Both buyers and sellers are currently in a stalemate.

FIS Ferrous Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

Ferrous Market(Cont'd):

For Chinese buyers, seaborne coal still offers an arbitrage opportunity compared to domestic coking coal prices after continued declines. Steel mills in southern China, where transportation costs for Shanxi coal are higher, are still considering purchasing PLV seaborne cargoes.

The MB65-P62 spread continued to trade within a narrow range around the \$12/mt level.

The SGX front-month spread has rolled into the Jan/Feb, currently priced at \$0.67/mt, while the DCE front-month Jan/May spread narrowed from 28 yuan/mt to 24.50 yuan/mt.

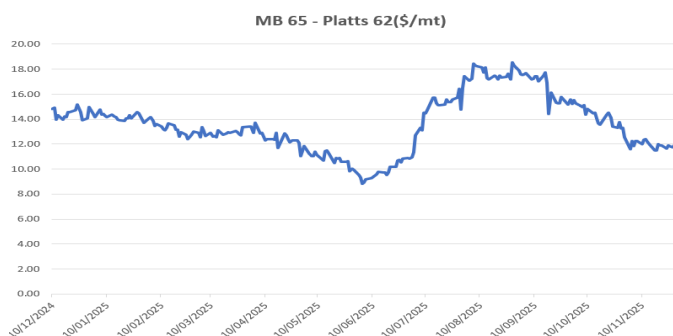
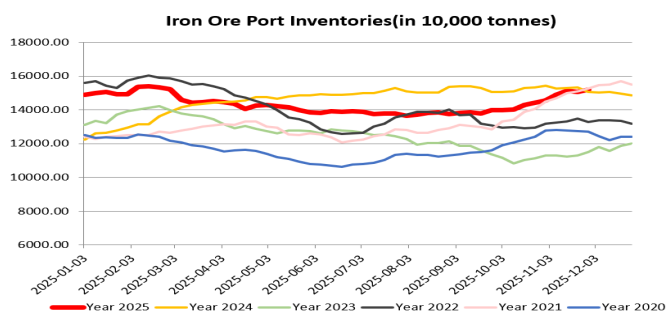
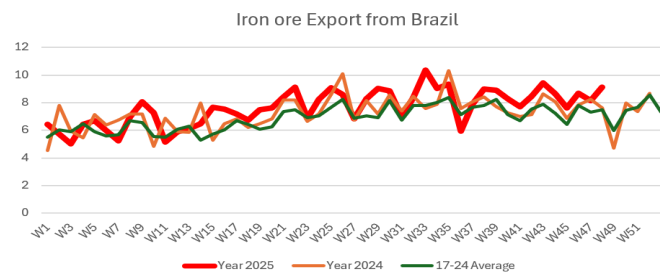
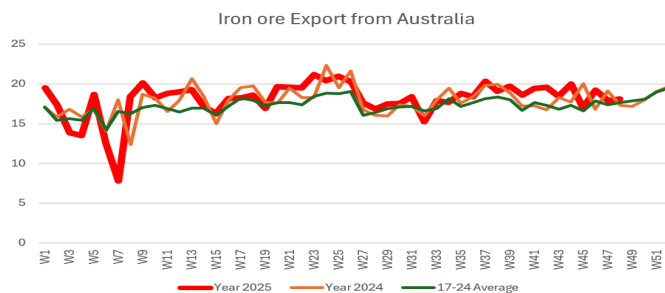
Our view for Iron ore is short-run neutral. For coking coal FOB Australia is short-run neutral.



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Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	107.35	106.05	1.23%
MB 65% Fe (Dollar/mt)	119.33	117.69	1.39%
Capesize 5TC Index (Dollar/day)	37840	30685	23.32%
C3 Tubarao to Qingdao (Dollar/day)	25.282	24.741	2.19%
C5 West Australia to Qingdao (Dollar/day)	12.075	10.695	12.90%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2980	2950	1.02%
SGX Front Month (Dollar/mt)	104.84	104.33	0.49%
DCE Major Month (Yuan/mt)	807.5	805.5	0.25%
China Port Inventory Unit (10,000mt)	15,210.12	15,054.65	1.03%
Australia Iron Ore Weekly Export (10,000mt)	1,813.00	1,787.00	1.45%
Brazil Iron Ore Weekly Export (10,000mt)	910.00	816.00	11.52%

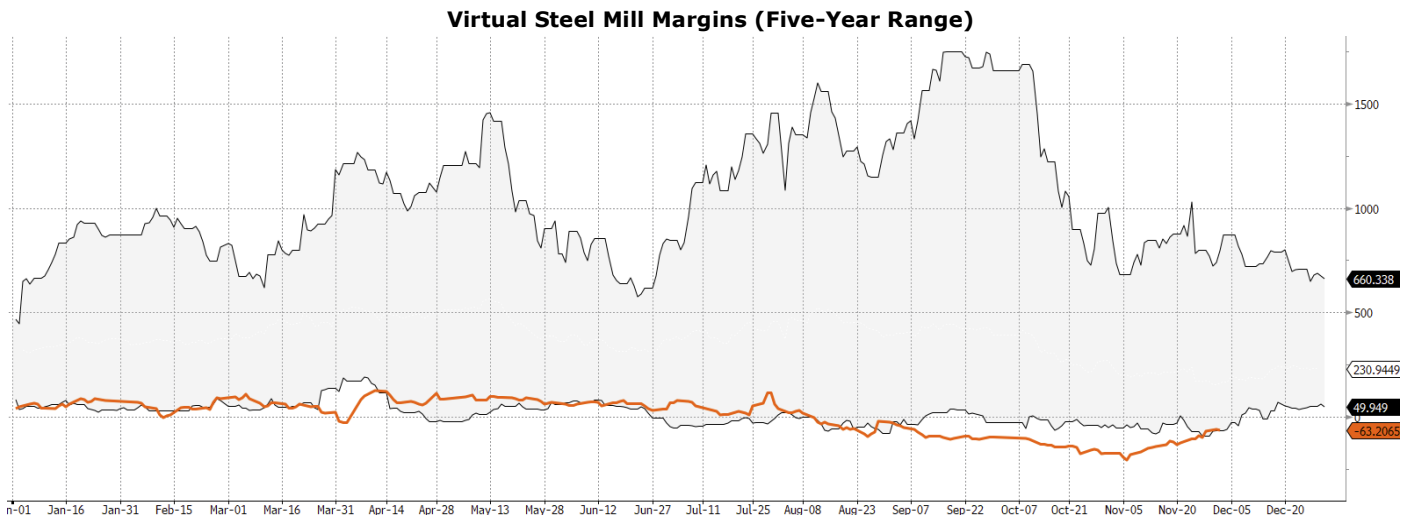
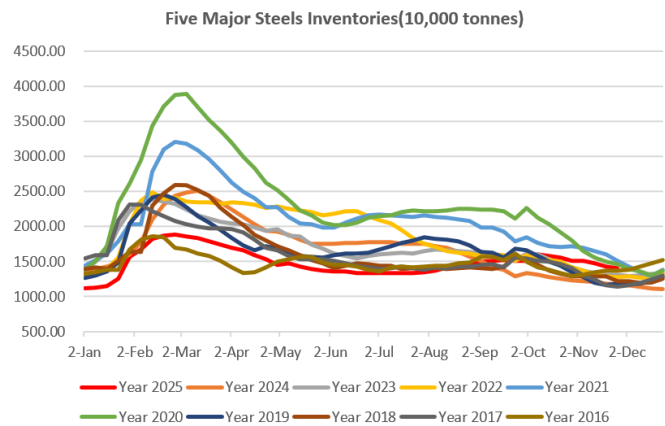
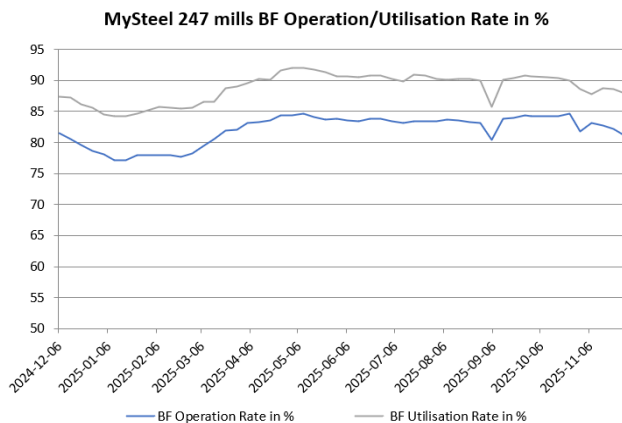


Iron Ore Key Points

- Shipments from Australia and Brazil remain at elevated levels.
- Port iron ore inventories have resumed accumulation, though the relative tightness in mainstream medium-grade fines is providing some price support.
- The M65-P62 spread continues to fluctuate within a narrow range around the \$12/mt level.

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	908	857	5.95%
LME Rebar Front Month (Dollar/mt)	551.25	550	0.32%
SHFE Rebar Major Month (Yuan/mt)	2992	3014	-0.73%
China Hot Rolled Coil (Yuan/mt)	3297	3289	0.24%
Vitural Steel Mills Margin(Yuan/mt)	-63	-110	42.73%
China Five Major Steel Inventories Unit (10,000 mt)	1400.81	1433.1	-2.25%
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%



Data Sources: Bloomberg, MySteel, FIS

- Rebar inventories have declined by 4% for two consecutive weeks, with apparent consumption exceeding market expectations. Weather conditions suggest accelerated construction activity in most regions of China is likely to continue for some time, supporting improved market sentiment. The virtual steel mill margin narrowed from -106 yuan/mt to -63 yuan/mt.
- The average daily hot metal output from blast furnaces at 247 steel mills decreased slightly from 2.3628 million tons to 2.3468 million tons. Based on seasonal patterns, a further decline is expected.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	199.5	199	0.25%
Coking Coal Front Month (Dollar/mt)	196.75	196	0.38%
DCE CC Major Month (Yuan/mt)	953	1012.5	-5.88%
Top Six Coal Exporter Weekly Shipment(Million mt)	3.99	5.37	-25.70%
China Custom total CC Import Unit mt	10,593,242	10,923,643	-3.02%

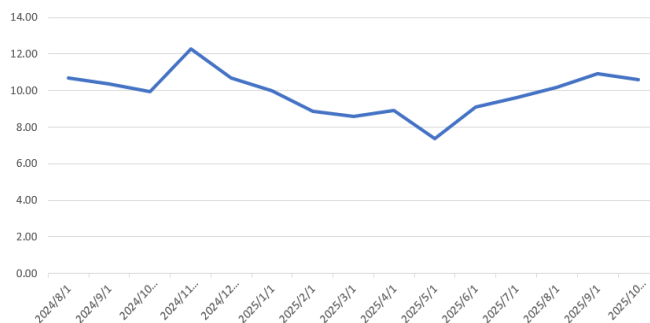
Coking Coal Front Month Forward Curve



Coking Coal Key Points

- Coking coal prices have stabilized and rebounded after consecutive declines, driven by stricter safety inspections and winter restocking demand, which have improved market sentiment. However, the upside potential remains limited.
- The Australian coking coal market remains quiet. Recent heavy rainfall in eastern Australia has impacted production and shipments, but buyers are not rushing to procure.
- Mongolian coal imports continue to maintain high levels, while prices have weakened.

China Custom Total CC Imports(million tonnes)



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