FIS

Ferrous Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+65) 6535 5189

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⇒ **IODEX:** Our view is short-run **Neutral to Bearish**. During the reporting week, iron ore traded with volatility at elevated levels, primarily supported by macroeconomic factors and winter restocking demand. Although seasonal declines in hot metal output have created significant upward pressure, the downside room remains limited.

⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Steel supply and demand remain weak, but accelerated construction activity in southern China has driven a continued rapid destocking of rebar, providing support to prices. Investors need to monitor when the pace of destocking begins to slow.

⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. After consecutive declines in domestic coking coal prices, Chinese buyers have shown little interest in Australian coking coal. However, demand from India remains stable, and supply shortages have pushed prices higher.

Prices Movement	08-Dec	01-Dec	Changes %	Sentiment	
Iron Ore Fe62% CFR China($/MT)	105.75	107.35	-1.49%	Neutral to Bearish	–
Rebar 25mm Shanghai (Yuan/MT)	3208	3190	+0.56%	Neutral to Bearish	–
TSI FOB Premium Hard Coking Coal ($/mt)	205.5	199.5	+3.01%	Neutral	–

Ferrous Market:

Iron ore continues to trade volatile at elevated levels. On the demand side, hot metal output is declining seasonally, yet prices remain supported by multiple factors. Expectations of Fed rate cuts and China's Politburo meeting held this Monday have boosted market sentiment, though prices may decline after policy details are finalized. Notably, this meeting did not separately emphasize stabilizing the property market. Strong steel prices and falling coking coal costs have created a seesaw effect that also supports iron ore. In the downstream steel market, warmer-than-usual temperatures in southern China have extended the pre-winter construction period. Although apparent demand has softened, destocking has accelerated, construction steel inventories have fallen by over 4% for three consecutive weeks. Still, seasonal softening expectations continue to weigh on the ferrous complex. Once destocking slows, upward pressure is likely to emerge. On the export front, steel demand has entered a seasonal lull with thin trading activity. The rapid appreciation of the yuan against the US dollar has undermined the price competitiveness of Chinese resources. However, according to LangeSteel data, HRC export offers remain at around $450/mt FOB, lower than those of key competitors such as India and Turkey. Additionally, iron ore is supported by shipping capacity: vessels typically sail slower in winter to reduce fuel costs, lengthening voyage times and tightening vessel availability. This leads to higher freight rates, ultimately translating into higher iron ore prices. On the seaborne iron ore front, the first shipment of 200,000 tons of high-grade iron ore from the Simandou project was successfully dispatched on 2nd December. In the short term, the project is expected to have limited impact on the supply-demand balance. On 3rd December, Vale announced its production guidance for 2026, projecting iron ore output of 335–345 million tons, up from the 2025 target of 325–335 million tons but lower than its previous 2026 forecast of 340–360 million tons. Additionally, negotiations between Chinese traders and BHP are ongoing. As the end of the calendar year approaches, progress in December remains possible, which could exert pressure on medium- and low-grade fines. If no breakthrough is achieved, the market impact is likely to be limited, and talks will continue into next year.

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 33.69 million tons, up 0.45 million tons WoW. Combined shipments from Australia and Brazil reached 26.55 million tons, down 1.11 million tons WoW, with Australian shipments at 19.67 million tons, up 1.47 million tons WoW and Brazilian shipments at 6.88 million tons, down 2.57 million tons WoW. China's 45-ports iron ore arrivals down 2.19 million tons WoW to 24.81 million tons. China's iron ore port inventories at 45 major ports increased by 0.91 million tons WoW to 153.01 million tons, while daily port evacuation volumes decreased by 121,300 tons to 3.18 million tons. Shipments remain at relatively high levels compared to the same period. As hot metal output declines and multiple regions implement pollution control measures, port inventories are expected to continue accumulating. Additionally, the previously tight supply of mainstream medium iron is gradually easing.

This week, the seaborne market remained active, with trading continuing to concentrate on mainstream medium- and low-grade iron ore fines in the primary market. Several cargoes of MACF and NHGF were traded at discounts ranging from -$2.00/mt to -$2.50/mt. Among them, MACF remained relatively tight at ports, leading to more stable prices, and a cargo of NHGF was traded at -$2.65/mt. The tight supply situation for PBF has not improved significantly. During the week, two 170k mt cargoes were traded at a premium of +$1.17/mt, and one cargo of BRBF was concluded at $109.35/mt. In the low-grade segment, a 190k-mt cargo of SSF was traded at a discount of -7.39%, while demand for high-grade fines remained weak, with no transactions recorded this week. In the lump segment, liquidity improved significantly after the sharp compression of premiums. Several cargoes of NBL were traded during the week, with prices declining from +$0.0885/dmtu mid-last week to +$0.080/dmtu.

Domestic coking coal and coke prices continue to decline, with the supply-side narrative shifting from the previous "anti-involution " narrative to supply optimization, a direction reaffirmed during Monday's Politburo meeting. On the import side, previously traded seaborne coal cargoes have been arriving at ports, while Mongolian coal clearance remains high. Notably, the Ceke Port conducted a stress test on 8th December to assess maximum daily truck capacity and set a rational 2026 throughput target, aiming for 2,000 loaded trucks in a single day. Although a one-day test has limited marginal impact on supply, the move suggests that winter border operations may be less affected by snow and ice than expected, supporting sustained high clearance volumes. Bearish sentiment has intensified, driving sharp price declines. However, with several coking coal miners having already met annual output targets, no significant supply increase is expected before year-end. As mid-December approaches, winter restocking demand from coking plants is likely to gradually emerge, potentially returning the market to a tight balance in the short term.

Due to recent tight availability of Australian coking coal, traders have been purchasing at elevated prices. Last week, a 75,000-mt cargo of PMV Goonyella coking coal was traded at $206.51/mt FOB, up approximately $7.50/mt from the previous week. However, after a significant decline in domestic coking coal prices in China, a price inversion has emerged, leading to low interest from Chinese buyers toward Australian coals. On the Indian side, although demand remains stable, steel mills have shown resistance to the current high price levels, keeping market sentiment cautious.

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

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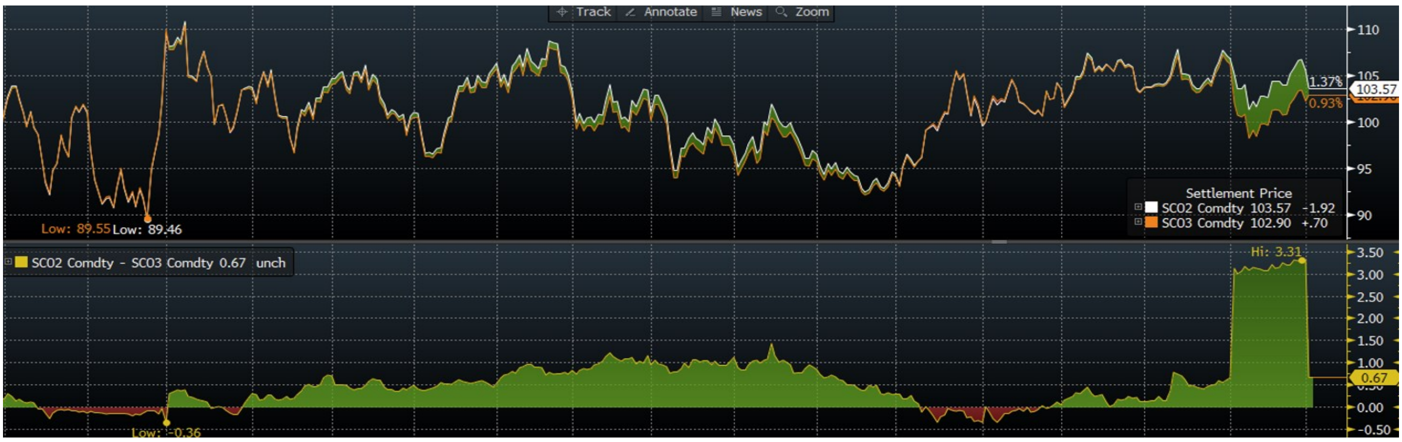
Ferrous Market(Cont'd):

The MB65-P62 spread remains largely unchanged from last week, continuing to trade in a narrow range below $12/mt.

The SGX front month Jan/Feb spread has flattened, while the DCE active contract has shifted to May, with the May/Sep spread currently at 23.50 yuan/mt.

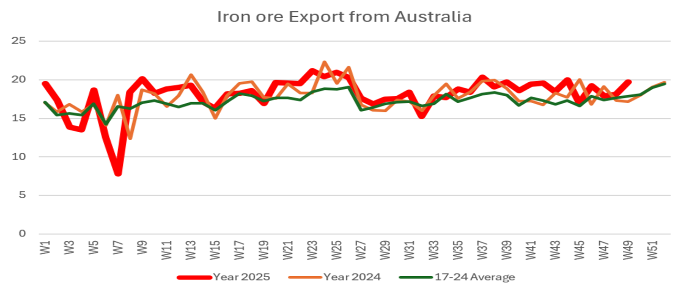
Our view for iron ore is short-run neutral to bearish, but the downside is limited. For coking coal FOB Australia is short-run neutral.

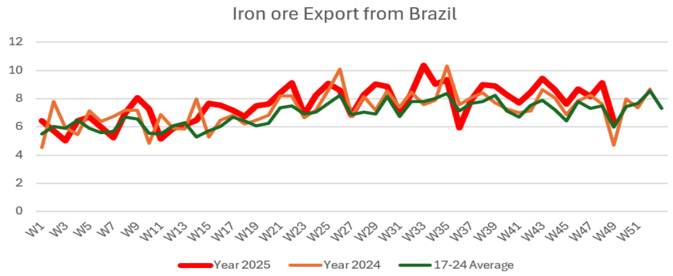


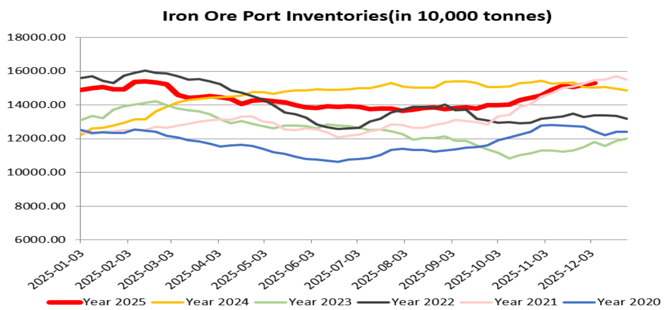
Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

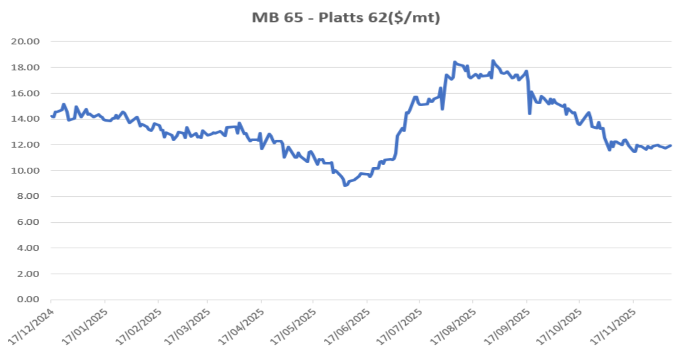
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	105.75	107.35	**-1.49%**
MB 65% Fe (Dollar/mt)	117.7	119.33	**-1.37%**
Capesize 5TC Index (Dollar/day)	41571	37840	**9.86%**
C3 Tubarao to Qingdao (Dollar/day)	24.823	25.282	**-1.82%**
C5 West Australia to Qingdao (Dollar/day)	12.115	12.075	**0.33%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2990	2980	**0.34%**
SGX Front Month (Dollar/mt)	107.12	104.84	**2.17%**
DCE Major Month (Yuan/mt)	782	807.5	**-3.16%**
China Port Inventory Unit (10,000mt)	15,210.12	15,054.65	**1.03%**
Australia Iron Ore Weekly Export (10,000mt)	1,967.00	1,813.00	**8.49%**
Brazil Iron Ore Weekly Export (10,000mt)	624.00	910.00	**-31.43%**









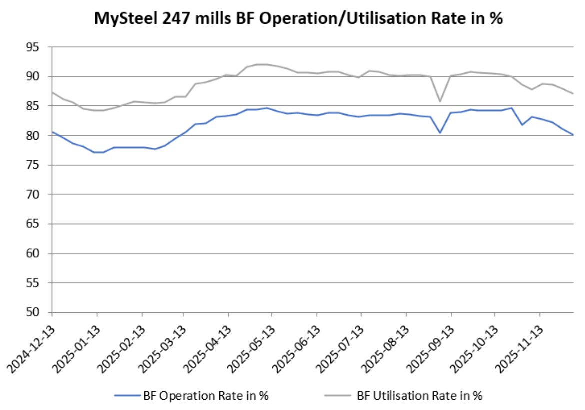
Iron Ore Key Points

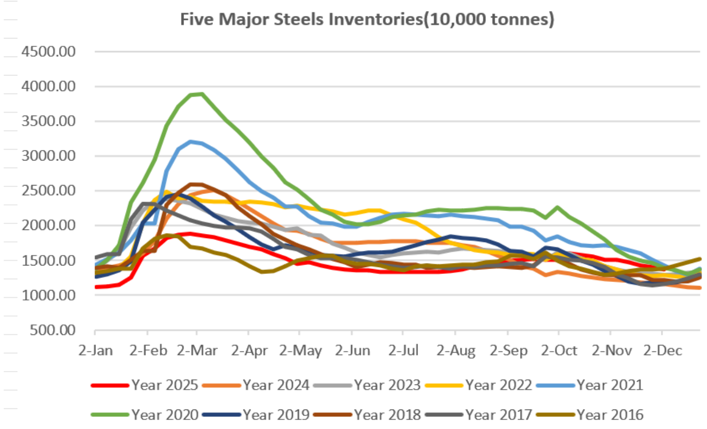
- Shipments from Australia and Brazil have declined but remain at multi-year highs. Vale expects its iron ore production to reach 335–345 million tons in 2026, a modest increase compared to 2025.
- Port iron ore inventories continue to accumulate. As demand weakens, further inventory buildup is expected in the coming period, and the previously tight supply of mainstream medium-grade fines is likely to gradually ease.
- The M65-P62 spread continues to fluctuate within a narrow range around the $12/mt level.

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

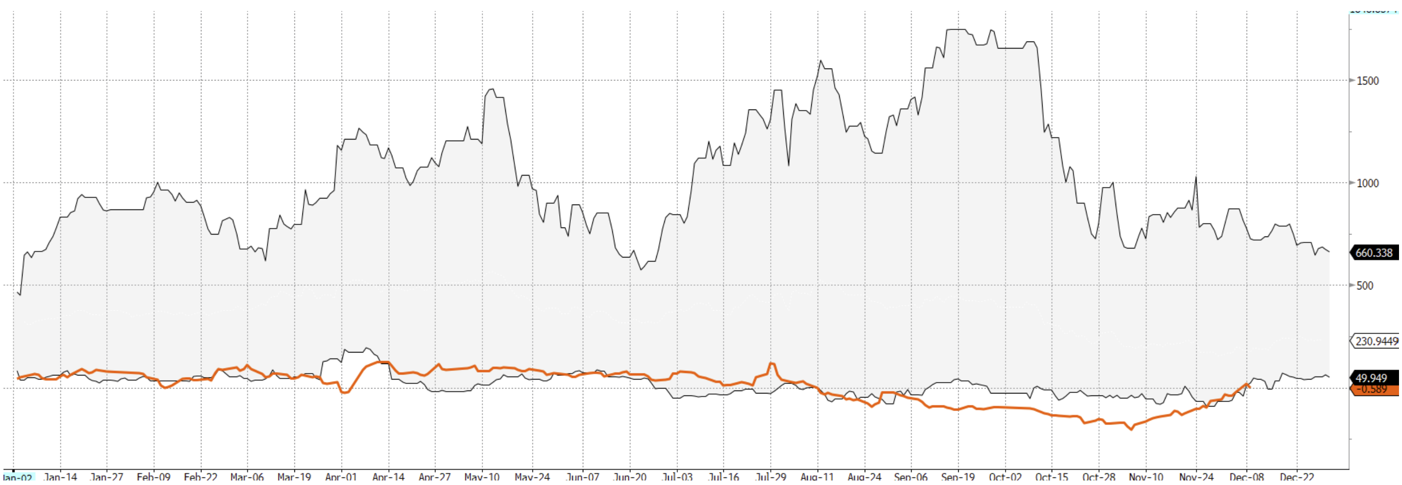
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	908	908	**0.00%**
LME Rebar Front Month (Dollar/mt)	558.5	551	**1.32%**
SHFE Rebar Major Month (Yuan/mt)	3066	2992	**2.47%**
China Hot Rolled Coil (Yuan/mt)	3308	3297	**0.33%**
Vitural Steel Mills Margin(Yuan/mt)	-1	-63	**98.41%**
China Five Major Steel Inventories Unit (10,000 mt)	1365.59	1400.81	**-2.51%**
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)

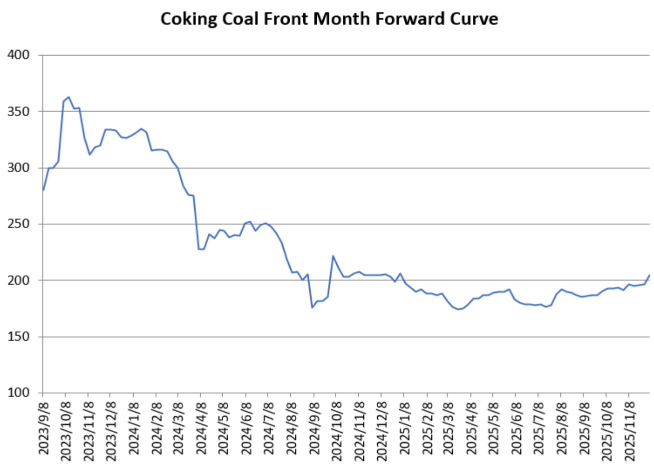


Data Sources: Bloomberg, MySteel, FIS

- Seasonal patterns are gradually emerging, with apparent demand for rebar declining rapidly. However, low production levels continue to drive inventory drawdowns, supporting positive market sentiment. The virtual steel mill margin narrowed from −63 yuan/mt to −1 yuan/mt. Nevertheless, expectations of a seasonal low persist, suggesting that downward pressure may intensify going forward.
- The average daily hot metal output from blast furnaces at 247 steel mills has further declined to 2.323 million tons.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	205.5	199.5	**3.01%**
Coking Coal Front Month (Dollar/mt)	205	196.75	**4.19%**
DCE CC Major Month (Yuan/mt)	949	953	**-0.42%**
Top Six Coal Exporter Weekly Shipment(Million mt)	4.87	4.24	**14.86%**
China Custom total CC Import Unit mt	10,593,242	10,923,643	**-3.02%**



Coking Coal Key Points

- Domestic coal mining supply has shifted from an "anti-involution" narrative to supply optimization. Driven by futures market movements, prices have experienced a significant decline. However, some mining areas have already met their annual production targets, making further supply increases unlikely in the near term. Meanwhile, coking plants have restocking needs. Once the market stabilizes, it is expected to return to a tight supply-demand balance.

- Last week, a shipment of PMV Goonyella coking coal was traded. Amid tight supply, traders accepted the cargo at elevated prices. However, due to price inversion, Chinese buyers have shown minimal interest in Australian coals.

- The Ceke Port conducted a clearance stress test at a rate of 2,000 trucks per day on Monday. While this has limited marginal impact on supply, it may indicate that Mongolian coal imports are likely to remain at elevated levels during the winter season.

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