

FIS Ferrous Weekly Report

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- ⇒ **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. Iron ore prices remained very volatile, driven by strong gains in coking coal and coke futures alongside spillover effects from the precious metals market. While increased blast furnace utilization rates provided some support, the market continued to face pressure from high inventory levels.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Driven by rising raw material costs, downstream steel prices have been pushed higher. Construction activity has gradually resumed after the New Year holiday, yet as the market remains in its traditional off-season, the upside potential appears limited.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral to bullish**. Persistent rainfall in Australian mining regions has tightened spot supply, driving prices higher.

Prices Movement	12-Jan	05-Jan	Changes %	Sentiment	
Platts IODEX CFR China(\$/MT)	109.2	105.8	+3.26%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3259	3251	+0.25%	Neutral	-
TSI FOB Premium Hard Coking Coal (\$/mt)	226.4	218	+3.85%	Neutral to bullish	-

Ferrous Market:

Recent geopolitical tensions and heightened supply concerns have driven significant gains in precious and non-ferrous metals, notably silver. This, coupled with a strong performance in the China's stock market following the New Year holiday, has lifted iron ore prices and kept them volatile at elevated levels.

From a fundamental perspective for iron ore itself, domestic blast furnace utilization has begun to recover. Data from Mysteel shows that daily hot metal output at 247 steel mills reached 2.30 million tonnes last week, up 20,700 tonnes week-on-week and 51,300 tonnes year-on-year. Furthermore, due to previous need-to purchasing strategies, mills' inventory-to-consumption ratio for imported ore remains at relatively low days, indicating some restocking demand. However, given that the market is still in its traditional off-season, the scope for a demand rebound appears limited. On the supply side, while the structural tightness of mainstream PB fines has not improved, the ongoing accumulation of overall port inventories continues to exert downward pressure on iron ore prices. Additionally, as negotiations with BHP have yet to be finalized, SMM statistics indicate that approximately 9 million tonnes of Jimblebar fines are currently stockpiled at ports—nearly double the level seen in early 2025. Combined with recent adjustments to port storage fee rules, any progress in the negotiations could significantly impact the iron ore market.

In the steel sector, rebar had experienced nearly two months of consecutive inventory drawdowns amid weak supply and demand, but stockpiles accumulated last week. While the destocking pace of hot-rolled coil also slowed, this largely aligns with seasonal patterns and did not trigger significant market reaction. Prices continued to edge higher, supported by rising cost pressures. Globally, physical demand remains limited. Coupled with China's mid-December announcement to reintroduce export licensing management for steel products, aimed at guiding export structure optimization, and the formal implementation of the EU Carbon Border Adjustment Mechanism starting in 2026, buyer sentiment has turned cautious.

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

Ferrous Market (Cont'd):

According to Mysteel estimates, China's steel exports could decline by approximately 19 million tonnes in 2026 due to anti-dumping rulings and carbon tariff policies.

Last week's global iron ore shipments surveyed by Mysteel reached 31.80 million tons, down 0.32 million tons WoW. Combined shipments from Australia and Brazil reached 26.06 million tons, down 1.36 million tons WoW, with Australian shipments at 19.32 million tons, down 0.08 million tons WoW and Brazilian shipments at 6.75 million tons, down 1.28 million tons WoW. China's 45-ports iron ore arrivals up 1.64 million tons WoW to 29.20 million tons. China's iron ore port inventories at 45 major ports increased by 3.04 million tons WoW to 162.75 million tons, while daily port evacuation volumes decreased by 19,400 tons to 3.23 million tons. Shipments from Australia and Brazil are expected to slow down in the first quarter due to weather conditions, yet they will remain elevated compared to historical levels. Meanwhile, port inventories are at a five-year high, up by approximately 12 million tonnes year-on-year. Given the year-end production rush by miners, port stockpiles are likely to continue accumulating in the near term.

During the reporting week, the primary market demonstrated healthy liquidity, with trading activity still centered on mid-to-low grade iron ore fines priced on a floating basis. Mid-last week, BHP sold several cargoes of MACF and NHGF at discounts of \$3.45/mt and \$4.50/mt respectively, based on the February index. As trading progressed, these discounts widened, with discounts widened to \$3.60/mt and \$4.90/mt by Friday. Additionally, several cargoes of PBF for late-February to early-March loading were transacted during the week at a premium of \$1.15/mt, based on the March index. In the lump ore segment, premiums continued their downward trend from previous weeks. NBL traded around +\$0.030/dmtu, while two cargoes of PBL were concluded at a premium of +\$0.0675/dmtu.

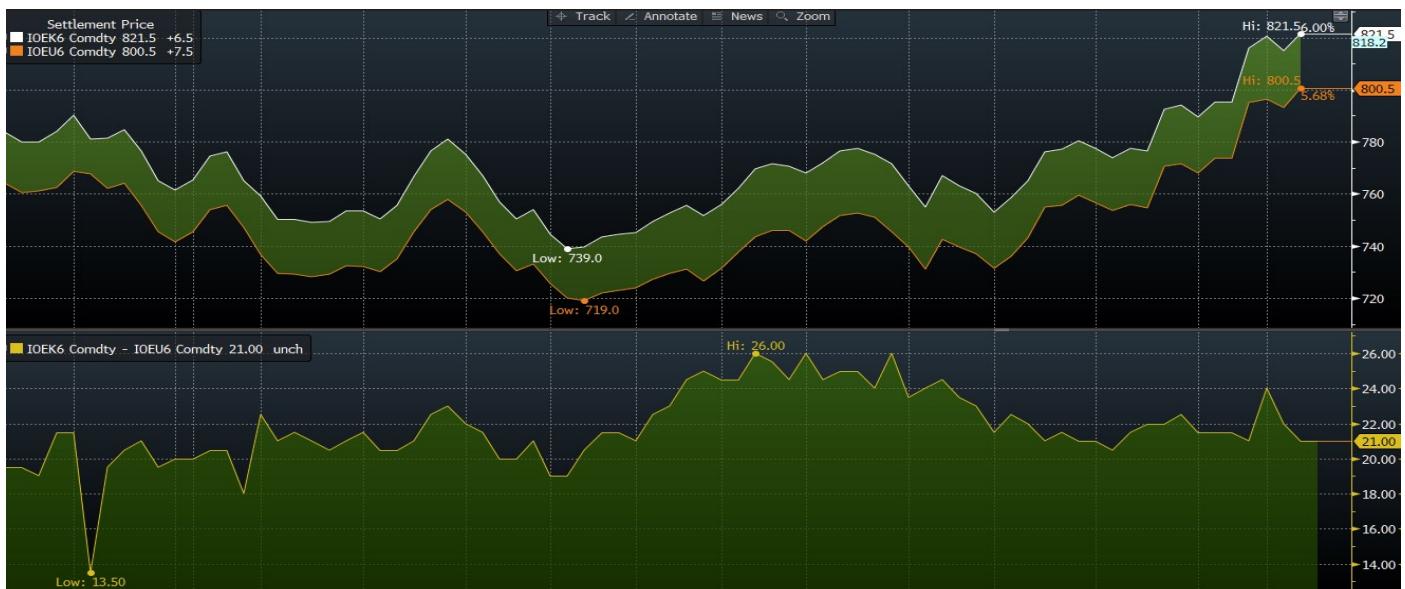
Coking coal prices experienced a sharp rebound during the week. Futures entered an upward cycle driven by strength in other commodity markets. Meanwhile, market sentiment was buoyed by reports that several mines in Yulin, Shaanxi, were removed from the coal supply guarantee list and saw approved production capacity cuts. While the actual scale of impact appears limited, expectations of further capacity reductions provided some support. Additionally, currently low raw material inventories at steel mills and coking plants have prompted winter restocking demand, lending further support to prices.

During the week, a 75,000-tonne cargo of PLV Peak Downs coking coal was traded market at \$226.5/mt, driving a sharp rise in the index. Recently, Queensland has been continuously affected by Tropical Cyclone Koji, disrupting mine production and port shipments. The Dalrymple Bay Coal Terminal has been unable to accommodate vessels, with approximately 100 train canceled, and operations have yet to return to normal. Additionally, miner GM3 has declared force majeure on Illawarra coal supplies due to operational issues at certain mining areas, further intensifying short-term supply pressure. While tight supply and demand continue to provide strong support for prices, some traders believe that, considering Indonesian coke export prices hovering around \$220/mt FOB, Australian coal prices have become excessively high, leading to a tendency to withdraw and adopt a wait-and-see approach in the near term.

Effective from 2nd January, Platts has officially adopted the 61% Fe grade as the pricing benchmark. The MB65-P61 spread stands at \$14.85/mt, while the MB65-61 spread stands at \$15.45/mt.

The SGX front month Jan/Feb spread fluctuated narrowly around \$0.25/mt. Meanwhile the DCE May/Sep spread climbed to a recent high of 24 yuan/mt ahead of the weekend close, before retracing to 21 yuan/mt.

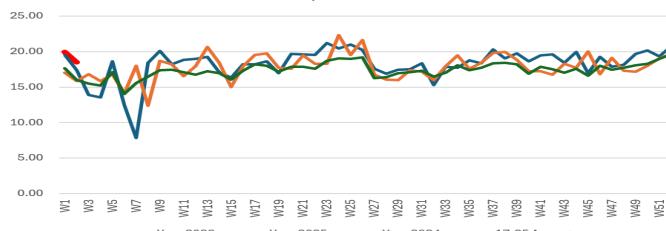
Our view for Iron ore is short-run neutral, though it carries some downside risk. For coking coal FOB Australia is short-run neutral to bullish.



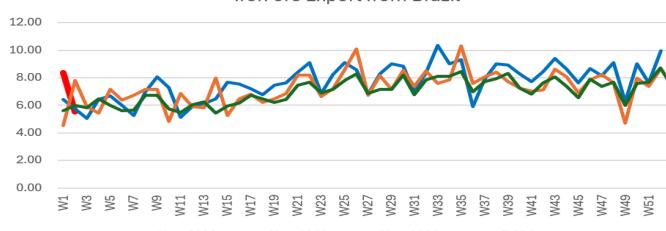
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	109.25	105.8	3.26%
MB 65% Fe (Dollar/mt)	124.1	121.49	2.15%
Capesize 5TC Index (Dollar/day)	19838	24149	-17.85%
C3 Tubarao to Qingdao (Dollar/day)	20.786	21.936	-5.24%
C5 West Australia to Qingdao (Dollar/day)	7.71	8.3	-7.11%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2980	2930	1.71%
SGX Front Month (Dollar/mt)	108.34	105.55	2.64%
DCE Major Month (Yuan/mt)	854	807.5	5.76%
China Port Inventory Unit (10,000mt)	16,275.26	15,970.89	1.91%
Australia Iron Ore Weekly Export (10,000mt)	1,851.00	1,993.00	-7.12%
Brazil Iron Ore Weekly Export (10,000mt)	553.00	835.00	-33.77%

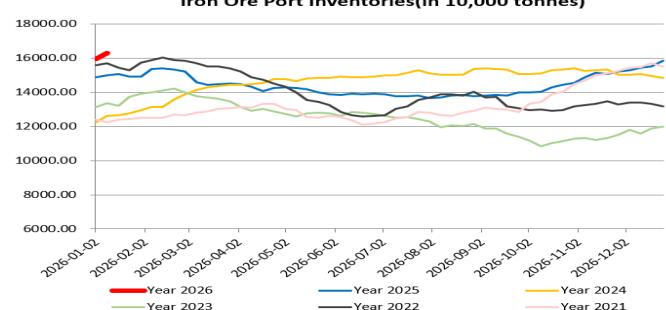
Iron ore Export from Australia



Iron ore Export from Brazil



Iron Ore Port Inventories(in 10,000 tonnes)



MB 65 - Platts IODEX(\$/mt)

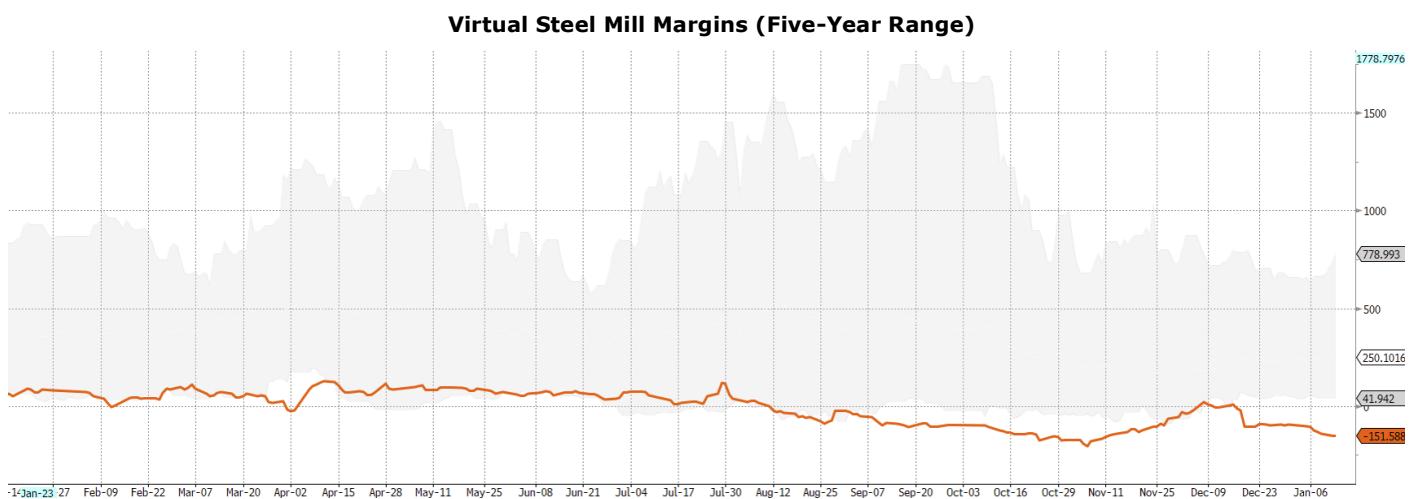
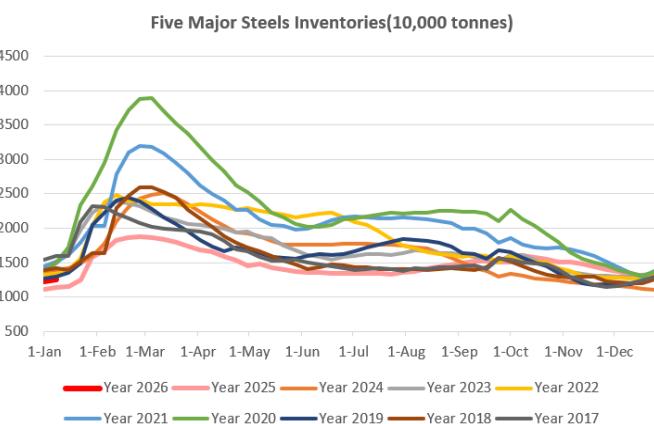
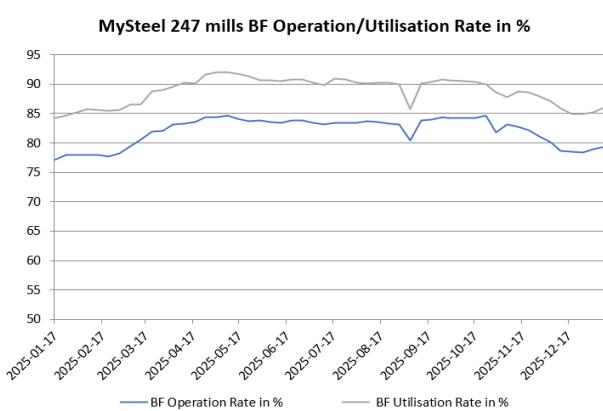


Iron Ore Key Points

- Seasonally, shipment schedules from Australia and Brazil are beginning to moderate, though volumes remain elevated compared to historical levels for the same period.
- Iron ore inventories at ports have continued to accumulate. Although mainstream PB fines remain relatively tight, the overall high stock levels are exerting downward pressure on prices. Moreover, due to Year-end shipment rush by miners, loading schedules indicate that port inventories are expected to continue rising in the near term.
- Effective from 2nd January, Platts has formally adopted the 61% Fe grade as its pricing benchmark. The current MB65-P61 spread stands at \$14.85/mt.

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	940	940	0.00%
LME Rebar Front Month (Dollar/mt)	569.5	562	1.33%
SHFE Rebar Major Month (Yuan/mt)	3106	3105	0.03%
China Hot Rolled Coil (Yuan/mt)	3289	3270	0.58%
Vitural Steel Mills Margin(Yuan/mt)	-151	-106	-42.45%
China Five Major Steel Inventories Unit (10,000 mt)	1253.92	1232.15	1.77%
Global Crude Steel Production Unit (1,000 mt)	69900	72000	-2.92%
World Steel Association Steel Production Unit(1,000 mt)	140,100	143,300	-2.23%



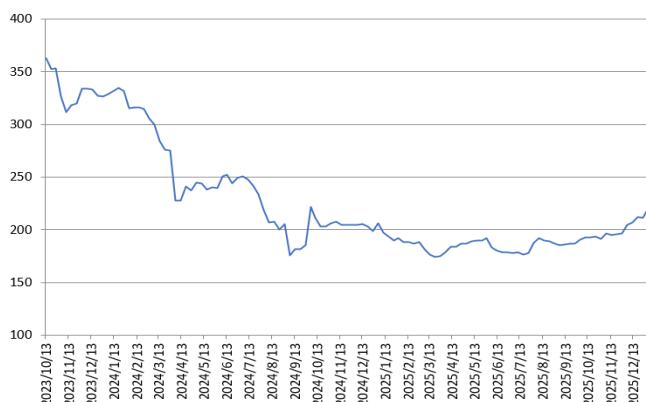
Data Sources: Bloomberg, MySteel, FIS

- Steel remains in its traditional off-season, and prices have been driven higher by rising costs. The virtual steel mill margin contracted from -106 yuan/mt to -151 yuan/mt.
- According to Mysteel, Daily hot metal output from 247 blast furnace steel mills increased by 20,700 tonnes week-on-week to 2.30 million tonnes, up 51,300 tonnes year-on-year, providing some support to raw materials.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	226.4	218	3.85%
Coking Coal Front Month (Dollar/mt)	225	220	2.27%
DCE CC Major Month (Yuan/mt)	1143.5	1046	9.32%
Top Six Coal Exporter Weekly Shipment(Million mt)			-4.24%
China Custom total CC Import Unit mt	10,731,481	10,593,242	1.30%

Coking Coal Front Month Forward Curve



Coking Coal Key Points

- With low inventory levels at domestic steel mills and coking plants, restocking demand has emerged. Coupled with a sharp rally in futures prices, market sentiment has been notably buoyed.
- Persistent rainfall has disrupted Australian coal supply, tightening spot availability and keeping prices elevated. This is expected to provide firm support in the near term.
- Mongolian coal prices have risen alongside the broader rally in futures, and the number of trucks clearing customs at the border port remains at a high level.

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.

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