FIS

Ferrous Weekly Report

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- ⇒ **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. Market participants are closely monitoring the progress of negotiations between CMRG and BHP, with overall sentiment remaining cautious. Should procurement restrictions be eased going forward, prices are expected to decline further.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. The pace of steel destocking has moderated, though short-term demand remains stable. With no significant move on the cost side, the steel market is expected to continue its narrow-range consolidation pattern.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Indian buyers remain in a wait-and -see stance toward high-priced resources, with weak purchasing appetite. The standoff between buyers and sellers continues, while overall market liquidity remains low and prices fluctuate with a weakening bias.

Prices Movement	13-Apr	07-Apr	Changes %	Sentiment	
Platts IODEX CFR China($/MT)	106.05	108.35	-2.12%	Neutral	–
Rebar 25mm Shanghai (Yuan/MT)	3186	3189	-0.09%	Neutral	–
TSI FOB Premium Hard Coking Coal ($/mt)	232.8	236.8	-1.69%	Neutral	–

Ferrous Market:

During the reporting week, iron ore prices declined slightly, primarily influenced by developments in the Middle East and the progress of negotiations between CMRG and BHP. Early in the week, the iron ore market traded within a narrow range. Toward the middle of the week, news of US-Iran talks triggered a sharp pullback in crude oil prices, accompanied by market rumors that CMRG might lift procurement restrictions on BHP's Jimblebar fines and Newman fines. Consequently, iron ore prices fell by more than $3/mt, hitting a near one-month low.

As of the time of writing this report, no agreement has been reached in the US-Iran talks, and tensions in the Middle East remain high. Crude oil prices have rebounded once again, though market reactions outside the energy sector have been relatively subdued. No clear information has emerged regarding the progress of negotiations between CMRG and BHP. According to a Bloomberg report citing sources familiar with the matter, steel mills have been allowed to resume bidding on some of BHP's US dollar-denominated iron ore cargoes starting Tuesday. Market speculation also suggests that spot trading could resume as early as next week. Against this backdrop, market participants are expected to maintain a wait-and-see stance, with iron ore prices likely to fluctuate in response to news flow.

On the fundamental side, average daily hot metal output from blast furnaces has recovered to 2.39 million tons. Given that steel mill profitability remains generally modest—according to Mysteel data, about 48% of steel mills are operating at a profit, down 5.63 percentage points year-on-year—the room for further increases in hot metal output is limited. Nonetheless, demand for raw materials is still expected to find some support.

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

Ferrous Market (Cont'd):

On the steel front, construction material consumption fell by approximately 300,000 tons year-on-year recently, affected by rainy weather in southern China. With production continuing to recover, the pace of destocking has slowed notably, and construction material inventories are up by nearly 1.5 million tons year-on-year. According to the statistics from CISA, in early April, circulation inventories of the five major steel products in 21 cities stood at 10.82 million tons, an increase of 3.61 million tons from the beginning of the year and an increase of 0.99 million tons year-on-year.

At the same time, tight funding conditions continue to constrain project construction. Given the front-loaded issuance of special-purpose bonds earlier this year, the pace of issuance has moderated as the second quarter began, implying a notable weakening of fiscal support for infrastructure projects. Nevertheless, as the traditional peak construction season is still underway, end-user demand retains a certain degree of resilience.

On the export front, some Southeast Asian buyers have turned to Chinese resources amid an absence of supply from the Middle East. According to Kallanish, more than 100,000 tons of Chinese slab were exported to Indonesia last week. However, overall export transactions remain subdued, weighed down by a stronger Renminbi, trade protectionism measures, and elevated macroeconomic uncertainties.

Last week's global iron ore shipments surveyed by Mysteel reached 31.86 million tons, up 0.84 million tons WoW. Combined shipments from Australia and Brazil reached 26.81 million tons, up 2.34 million tons WoW, with Australian shipments at 19.15 million tons, up 1.75 million tons WoW and Brazilian shipments at 7.67 million tons, up 0.58 million tons WoW. China's 45-ports iron ore arrivals down 5.21 million tons WoW to 21.74 million tons. China's iron ore port inventories at 45 major ports decreased by 0.81 million tons WoW to 169.80 million tons, while daily port evacuation volumes increased by 26,300 tons to 3.15 million tons. Australian iron ore shipments have returned to seasonal levels following the passage of the tropical cyclone. Considering that major miners have not lowered their annual shipment guidance due to weather disruptions and that first-quarter shipments were generally low, the pace of shipments may accelerate going forward. Port data show that the total iron ore inventory across seven major ports in Australia and Brazil stood at 14.89 million tons last week, reaching its highest level since the beginning of the year.

The market continued to trade on the progress of negotiations between CMRG and BHP, with overall sentiment remaining cautious. However, market liquidity improved compared to the previous week, and primary market activity was relatively active. Early last week, three cargoes of MACF were transacted at a discount of -$4.90/dmt. Supported by healthy import margins, the discount level for MACF narrowed compared with previous levels. An additional cargo was subsequently transacted at a discount of -$4.5/dmt. For PBF, liquidity weakened due to relatively high prices, with only one cargo transacted during the week at a premium of +$2.73/dmt. Additionally, a 390,000-tonne cargo of SFHJ was transacted at a discount of -7.5%, based on the 62% low-alumina Fe index. In the lump ore segment, a cargo of PB lump was transacted mid-week at a premium of +$0.1620/dmtu. On Friday, a cargo of Newman lump was traded at a premium of +$0.1088/dmtu, a price minus C5 freight costs. Supported by these two transactions, lump ore premiums rebounded.

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

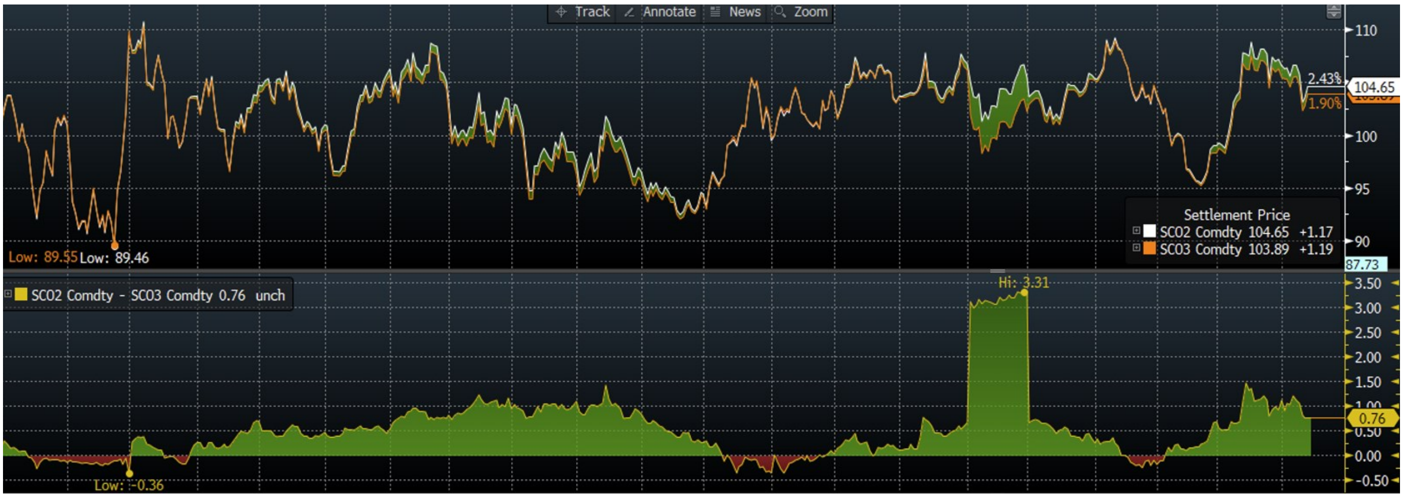
Ferrous Market(Cont'd):

Recently, trading activity in the Australian coking coal market has been thin, with the index edging down by $3 to $232.8/mt. Indian buyers have shown subdued interest in current high-priced resources, and overall market sentiment remains leaning pessimistic. For Chinese buyers, the current price is equally unattractive. According to estimates from SXCOAL, the forward price of Australian PHCC still reflects a price inversion of nearly 250 yuan/mt compared to domestic Chinese coking coal prices.

Sentiment in the spot market remained largely wait-and-see, with the 65-61 spread fluctuating within a narrow range. As of Monday, the MB65-P61 spread closed at $18.23/dmt, and the MB65-MB61 spread closed at $18.23/dmt.

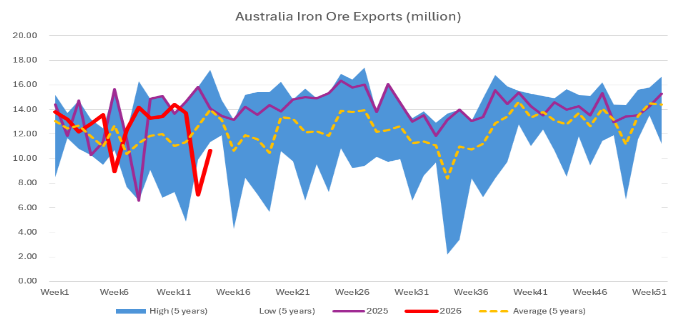
Affected by news flow, front-month contracts saw a more pronounced decline, leading to a modest narrowing of the front/back month spread. On Monday, the SGX front month spread closed at $0.76/dmt. The DCE main contract has rolled over to the September contract, with its September/January spread fluctuating within a narrow range of 17–18 yuan/mt.

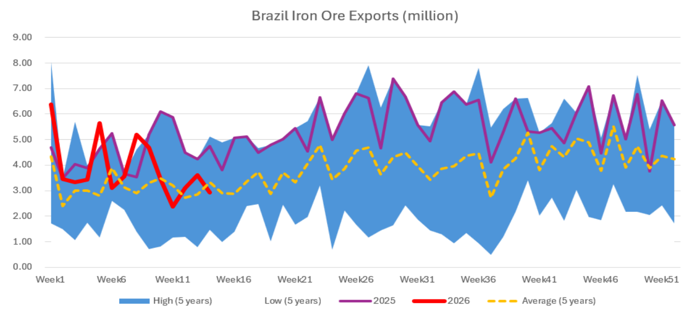
Our view for Iron ore is short-run Neutral. But close attention should be paid to the progress of negotiations between CMRG and BHP. Should procurement restrictions on BHP-related resources be eased, prices are expected to edge down. **Our view for coking coal FOB Australia is short-run Neutral.**

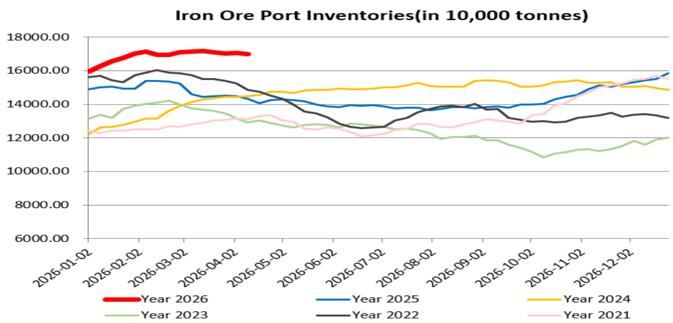


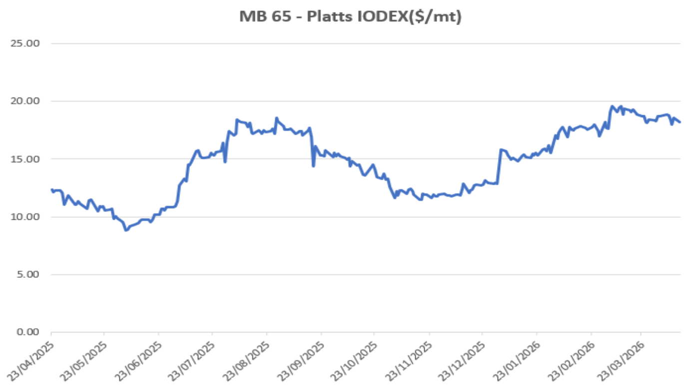
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	106.05	108.35	**-2.12%**
MB 65% Fe (Dollar/mt)	124.28	127.25	**-2.33%**
Capesize 5TC Index (Dollar/day)	27667	24488	**12.98%**
C3 Tubarao to Qingdao (Dollar/day)	30.455	30.164	**0.96%**
C5 West Australia to Qingdao (Dollar/day)	12.39	11.635	**6.49%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2970	2980	**-0.34%**
SGX Front Month (Dollar/mt)	105.47	107.01	**-1.44%**
DCE Major Month (Yuan/mt)	810	810	**0.00%**
China Port Inventory Unit (10,000mt)	17,187.52	17,117.86	**0.41%**
Australia Iron Ore Weekly Export (10,000mt)	1,915.00	1,740.00	**10.06%**
Brazil Iron Ore Weekly Export (10,000mt)	767.00	708.00	**8.33%**









Iron Ore Key Points

- After the impact of the tropical cyclone subsided, iron ore shipments from Australia have returned to normal levels. Currently, inventories at major Australian and Brazilian loading ports are at the highest level of the year. Given that overall shipments were relatively low in the first quarter, the pace of shipments may accelerate going forward.

- Imported iron ore port inventories in China continue to fluctuate at elevated levels. Owing to the sharp decline in Australian shipments recently caused by weather, port inventories are expected to decline further in the coming weeks based on vessel schedule calculations. Should procurement restrictions on BHP-related resources be eased, portside spot supply could be released quickly.

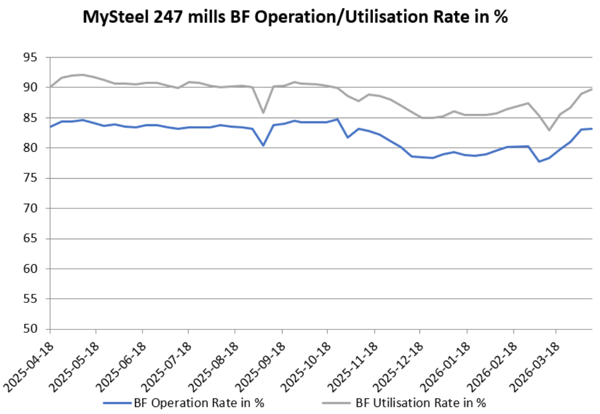
- Spot market sentiment remains largely wait-and-see, with the MB65-P61 spread fluctuating within a narrow range this week.

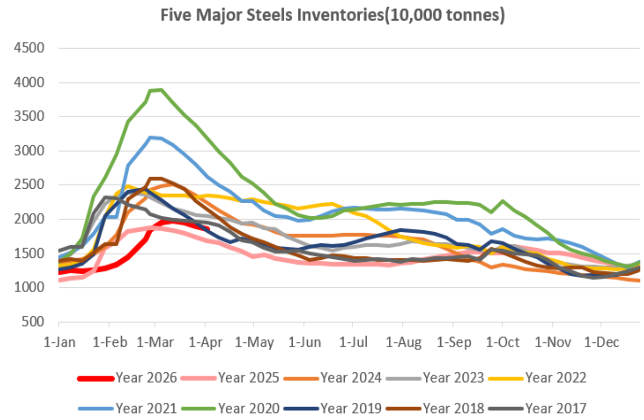
Data Sources: Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

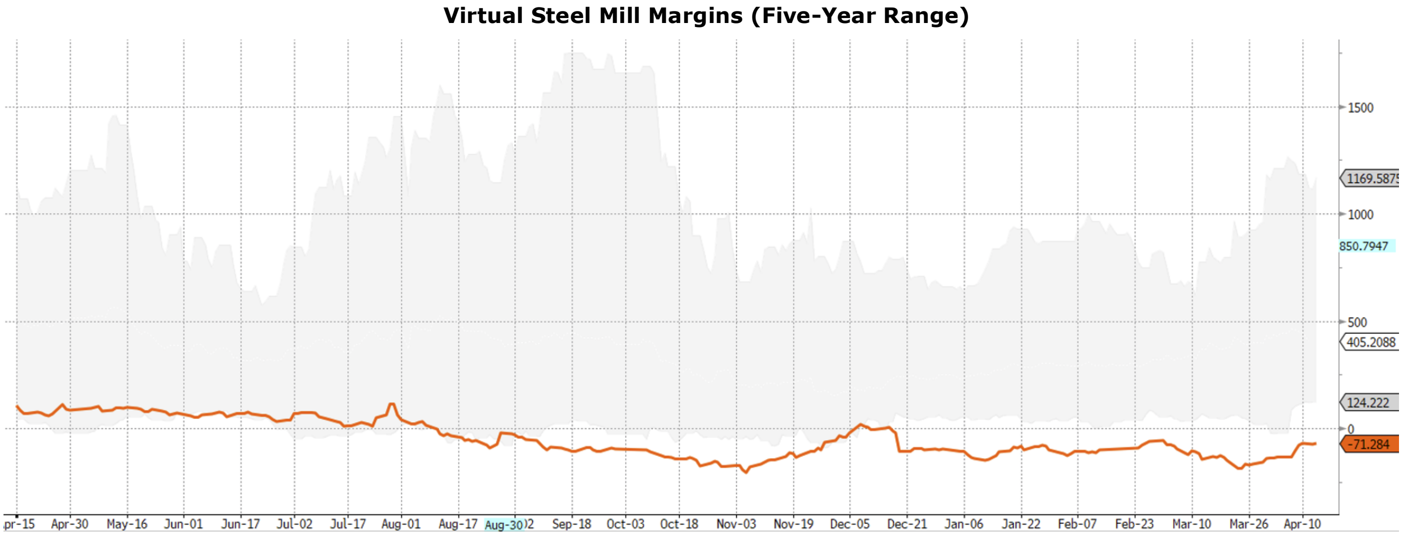
****Bloomberg exports data is subject to a one-week lag and may be subject to revision.***

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1046	1051	**-0.48%**
LME Rebar Front Month (Dollar/mt)	601	601	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	3066	3091	**-0.81%**
China Hot Rolled Coil (Yuan/mt)	3289	3295	**-0.18%**
Vitural Steel Mills Margin(Yuan/mt)	-71	-132	**46.21%**
China Five Major Steel Inventories Unit (10,000 mt)	1813	1850	**-2.00%**
Global Crude Steel Production Unit (1,000 mt)	76100	75300	**1.06%**
World Steel Association Steel Production Unit(1,000 mt)	141,800	147,300	**-3.73%**





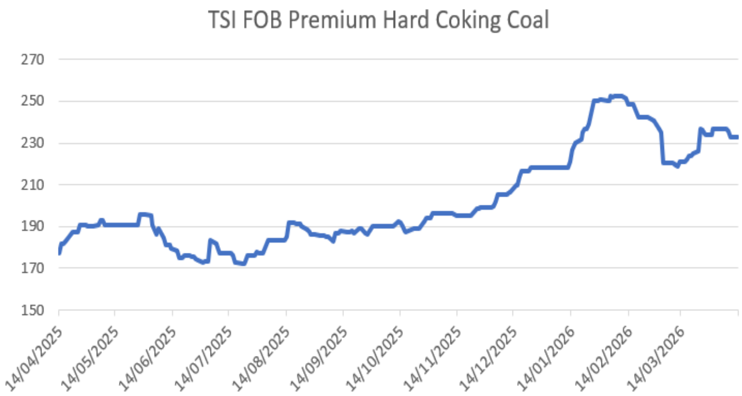


Data Sources: Bloomberg, MySteel, FIS

- Driven by the crude oil market, prices of iron ore and coke edged down, while rebar prices remained relatively stable. The virtual steel mill margin has narrowing from -132 yuan/mt to -71 yuan/mt.
- Hot metal output from blast furnaces continued to recover. According to Mysteel data, the average daily hot metal output stood at 2.39 million tonnes last week, an increase of 19,900 tons week-on-week. From a seasonal perspective, there remains modest room for further increases in output. However, given that steel mill profit margins are generally poor at present, the scope is expected to be limited.

Coking Coal

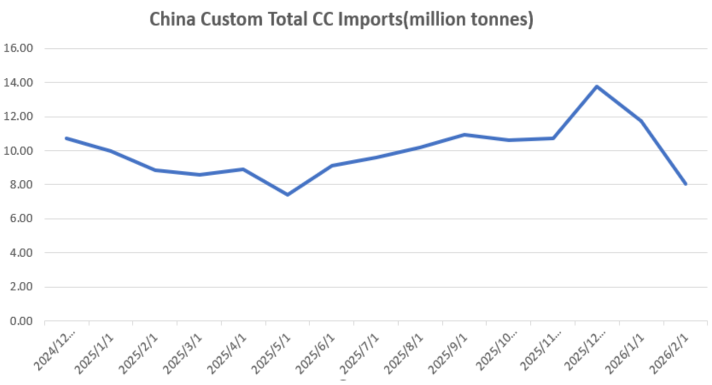
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	232.8	236.8	**-1.69%**
Coking Coal Front Month (Dollar/mt)	229.75	233.5	**-1.61%**
DCE CC Major Month (Yuan/mt)	850	1004	**-15.34%**
Top Six Coal Exporter Weekly Shipment(Million mt)	4.75	6.37	**-25.43%**
China Custom total CC Import Unit mt	8,069,727	11,757,142	**-31.36%**



Coking Coal Key Points

- Indian buyers still have certain procurement interests for Australian coking coal, but their acceptance of current high-priced resources remains low. With buyers and sellers continuing to engage in a standoff, prices are fluctuating with a downward bias.

- According to estimates by SXCOAL, the current price of Australian coal represents an inversion of approximately 250 yuan/mt compared to 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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