

FIS Ferrous Weekly Report

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- ⇒ **Iron ore IODEX CFR China:** Our view is short-run **Neutral to Bearish**. As the Australian financial year draws to a close, miners typically accelerate their sales pace, and it is expected that Chinese port inventories will resume their accumulation trend. High oil prices will continue to provide underlying support on the cost side.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Rebar destocking accelerated last week, with demand showing relatively strong resilience. However, it is worth noting that this year's high temperatures and rainy weather have arrived earlier than usual, which may bring the off-season for steel consumption forward.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. In the near term, the tight supply situation for Australian PHCC is unlikely to improve, making prices more prone to upward than downward movements. Against this backdrop, Indian steel mills prefer to purchase substitute resources.

Prices Movement	18-May	11-May	Changes %	Sentiment	
Platts IODEX CFR China(\$/MT)	108.45	112.35	-3.47%	Neutral to Bearish	-
Rebar 25mm Shanghai (Yuan/MT)	3252	3228	+0.74%	Neutral to Bearish	-
TSI FOB Premium Hard Coking Coal (\$/mt)	240.0	239.8	+0.42%	Neutral	-

Ferrous Market:

Iron ore prices remained range-bound during the reporting week. Influenced by the US-China summit, market participants generally adopted a wait-and-see stance. Driven by steel mill restocking demand and macro sentiment, iron ore prices closed at a year-to-date high of \$112.35/dmt last Monday, before edging lower and falling to \$109.95/dmt on Friday, tracking the broader financial market decline. On the fundamental side, iron ore itself showed no significant changes. Mysteel data shows that the average daily hot metal output of sample steel mills remained around 2.39 million tons last week, while steel mill profitability improved. At the same time, imported ore inventories at steel mills remained at low levels for the year, around 88 million tonnes. In the near term, demand for fines is expected to remain stable, with price movements influenced more by shipping costs and macro factors.

According to Kpler vessel tracking data, approximately 360 loaded vessels are currently backlogged at the Strait of Hormuz. Even if the waterway were fully opened, clearing the backlog would take nearly two months. A shortage of fuel oil supply will continue to provide cost-side support for iron ore prices. However, in the medium to longer term, this situation could lead to stagflation and hinder Chinese steel exports, thereby putting pressure on raw material prices.

Driven by concentrated post-holiday restocking demand for downstream steel products, Mysteel data shows that total rebar inventories fell by 411,200 tons week-on-week last week, a decrease of 5.66%. With production remaining at low levels, the destocking trend is expected to continue in the near term. However, total current inventories remain 10% higher than a year earlier, while persistent funding weakness continues to weigh. National Bureau of Statistics data shows that funds raised by real estate development enterprises in January–April fell by 18.4% year-on-year.

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

Ferrous Market(Cont'd):

At the same time, as southern China gradually enters the rainy season, construction activity at downstream sites is slowing, weakening demand-side support. On balance, rebar prices face certain downward pressure.

Against a backdrop of rising domestic steel prices and a relatively strong renminbi, steel mills have generally maintained firm offers for steel exports. However, overseas buyers are largely in a wait-and-see mode, and market transactions remain thin. Kallanish quoted a Singapore-based trader as saying that rebar export offers have not been lowered following the retreat of futures prices from recent highs.

Last week's global iron ore shipments surveyed by Mysteel reached 32.06 million tons, up 3.46 million tons WoW. Combined shipments from Australia and Brazil reached 25.73 million tons, up 2.81 million tons WoW, with Australian shipments at 18.63 million tons, up 0.40 million tons WoW and Brazilian shipments at 7.10 million tons, up 2.41 million tons WoW. China's 45-ports iron ore arrivals up 4.19 million tons WoW to 28.30 million tons. China's iron ore port inventories at 45 major ports decreased by 0.25 million tons WoW to 165.02 million tons, while daily port evacuation volumes increased by 129,200 tons to 3.23 million tons. Supported by post-holiday restocking demand, port offtake has remained elevated, driving continued destocking of port inventories. However, the pace of destocking has slowed notably, and port inventories are expected to resume their accumulation trend this week.

On the shipment front, Brazilian iron ore shipments have returned to seasonal levels, while Australian shipments have remained stable. Based on vessel scheduling, BHP and Fortescue are expected to accelerate iron ore sales starting from late May in order to meet their end-of-financial-year targets.

It is worth noting that the Port of Dampier has announced a temporary closure of the east and west berths at its cargo wharf from 18 to 24 May, during which all shipping operations will be suspended. This may have some impact on Australian iron ore shipments this week.

Liquidity in the seaborne market has eased compared with earlier periods, with transactions concentrated in the first half of the week. During the US-China summit, market activity was relatively subdued. Traded cargo remained mainly BHP's mainstream fines: two cargoes of NHGF were transacted at discounts of -\$1.75/dmt and -\$1.67/dmt, respectively; one cargo of JMBF at -\$5.49 dmt and one cargo of MACF traded at -\$1.29/dmt; After the week commenced, another cargo of Mac fines was transacted at a fixed price of \$106.25/dmt. On the Vale front, one cargo of BRBF was transacted at a fixed price of \$116.60/dmt, and one cargo of high silica Blend Fines at a discount of -6.68%, based on the 62% index. In the low-grade fines segment, Fortescue transacted one cargo of FBF at a discount of -7.98%.

Lump ore demand remained stable. Early in the week, one cargo of NBL was transacted at a premium of +\$0.1802/dmtu, and on Monday this week, another cargo of NBL was traded at a premium of +\$0.1850/dmtu, driving lump premiums further upward.

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

Ferrous Market(Cont'd):

Supply of PHCC in the Australian market remains tight. Some traders have noted that several major PMV suppliers are experiencing varying degrees of shipment delays. Mid-last week, a buyer on the platform globalCOAL bid \$240/mt FOB for a 75,000-tonne cargo of PMV Goonyella coking coal.

For India, the key buyer, shipment delays could create inventory gaps at steel mills and create a genuine need for seaborne coking coal, while the country is gradually entering its rainy season, putting downward pressure on steel prices. As a result, Indian buyers' acceptance of high-priced coking coal is likely to decline further. Meanwhile, amid weak demand from European and Brazilian markets, sellers of US premium coking coal are being compelled to offer more competitive prices to Indian buyers.

During the reporting week, the M65/P61 spread fluctuated within a narrow range. As of the time of writing this report, the M65/P61 spread closed at \$17.08/dmt, and the M65/M61 spread closed at \$16.99/dmt.

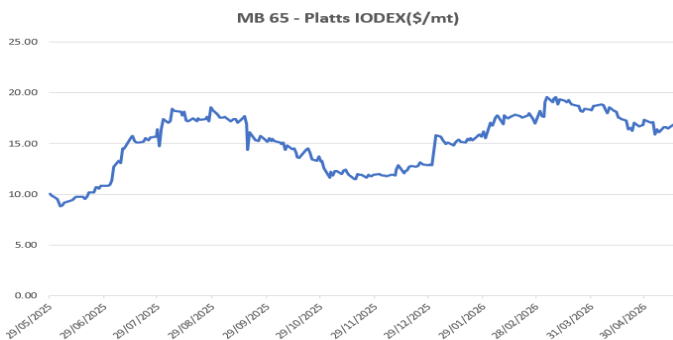
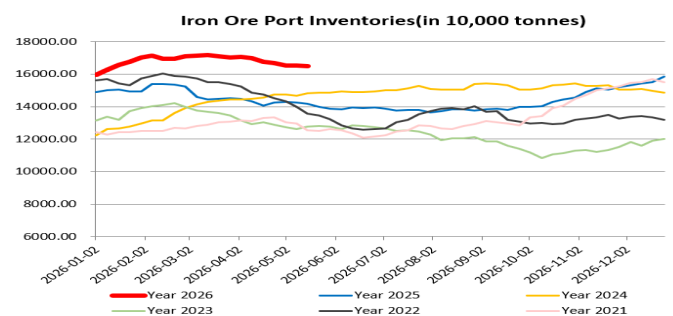
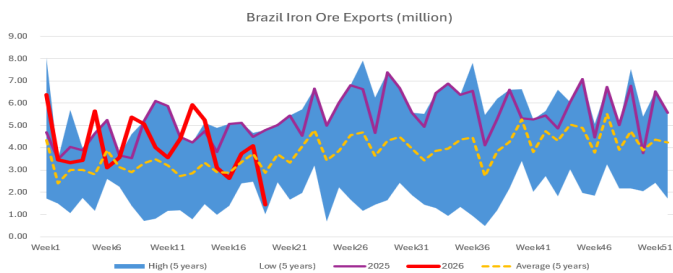
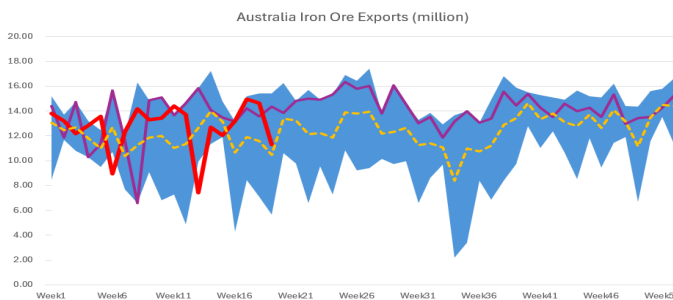
Iron ore prices have retreated from elevated levels, with prompt month contracts experiencing a relatively larger pullback, driving the SGX near-month contract spread to narrow from \$0.69/dmt to \$0.49/dmt, while the DCE main contract September/January spread widened slightly to 20.5 yuan/dmt.

Our view for Iron ore is short-run Neutral to Bearish though high oil prices continue to provide underlying support. For coking coal FOB Australia is short-run Neutral.



Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	108.45	112.35	-3.47%
MB 65% Fe (Dollar/mt)	125.53	128.97	-2.67%
Capesize 5TC Index (Dollar/day)	41959	41630	0.79%
C3 Tubarao to Qingdao (Dollar/day)	36.605	35.614	2.78%
C5 West Australia to Qingdao (Dollar/day)	14.79	15.215	-2.79%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3090	3100	-0.32%
SGX Front Month (Dollar/mt)	110.50	110.99	-0.44%
DCE Major Month (Yuan/mt)	838	840.5	-0.30%
China Port Inventory Unit (10,000mt)	16,526.71	16,541.80	-0.09%
Australia Iron Ore Weekly Export (10,000mt)	1,863.00	1,823.30	2.18%
Brazil Iron Ore Weekly Export (10,000mt)	710.10	468.70	51.50%



Iron Ore Key Points

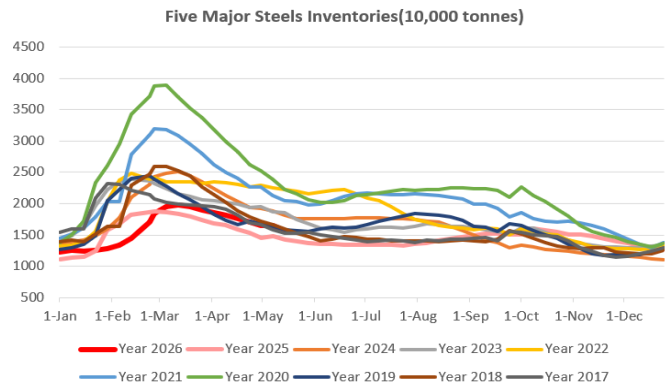
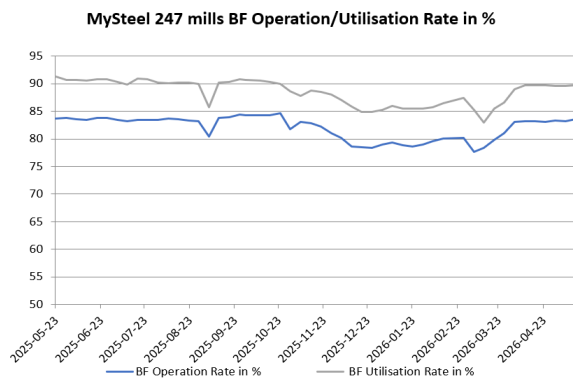
- Last week, Brazilian iron ore shipments returned to seasonal levels, while Australian iron ore shipments remained stable, with overall shipment volumes at elevated levels. The maintenance work at the Port of Dampier this week may have some impact on Australian iron ore shipments.
- Imported iron ore inventories at Chinese ports continue to destock, albeit at a modest pace. Based on vessel schedules, arrivals are expected to remain elevated in the near term, and port inventories are likely to resume their accumulation trend.
- The MB65-P61 spread fluctuated within a narrow range of \$16.50-17.00/dmt.

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

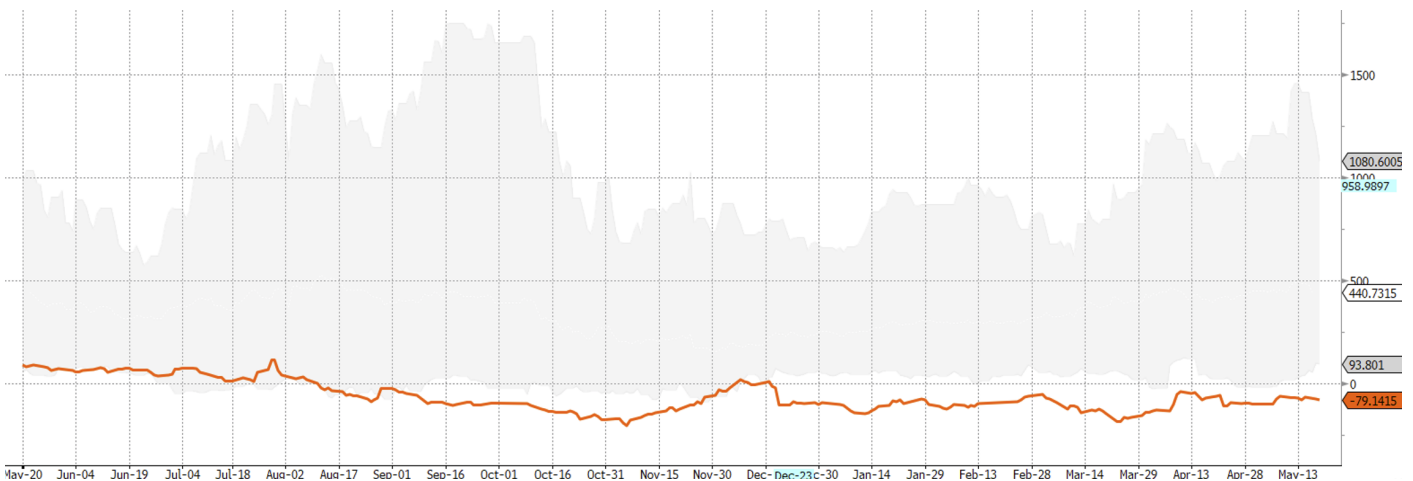
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1079	1078	0.09%
LME Rebar Front Month (Dollar/mt)	596	600	-0.67%
SHFE Rebar Major Month (Yuan/mt)	3153	3170	-0.54%
China Hot Rolled Coil (Yuan/mt)	3477	3487	-0.29%
Vitural Steel Mills Margin(Yuan/mt)	-79	-63	-25.40%
China Five Major Steel Inventories Unit (10,000 mt)	1575	1647	-4.37%
Global Crude Steel Production Unit (1,000 mt)	87000	76100	14.32%
World Steel Association Steel Production Unit(1,000 mt)	159,900	141,800	12.76%



Virtual Steel Mill Margins (Five-Year Range)

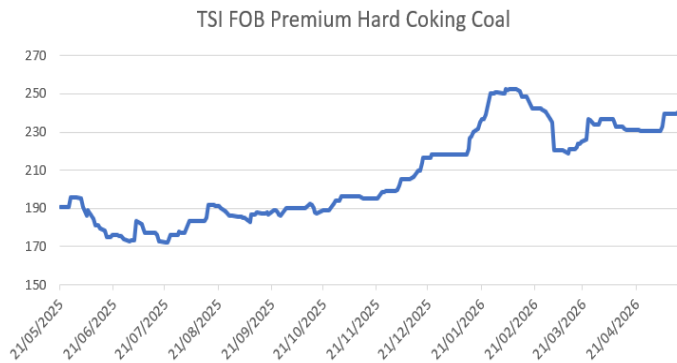


Data Sources: Bloomberg, MySteel, FIS

- Rebar destocking accelerated, and prices remained firm. On the cost side, iron ore prices edged down from elevated levels, while coking coal traded with strength, driving the The virtual steel mill margin down from -63 yuan/mt to -79 yuan/mt.
- The average daily hot metal output from blast furnaces remained steady at around 2.39 million tonnes, down approximately 50,000 tons compared with the same period last year. Although steel mill profitability is currently healthy, the annual energy conservation supervision initiated by the MIIT in May has dampened mills' willingness to resume production. Meanwhile, high-temperature and rainy weather has arrived earlier than in previous years, which may bring the off-season for downstream steel demand forward accordingly.

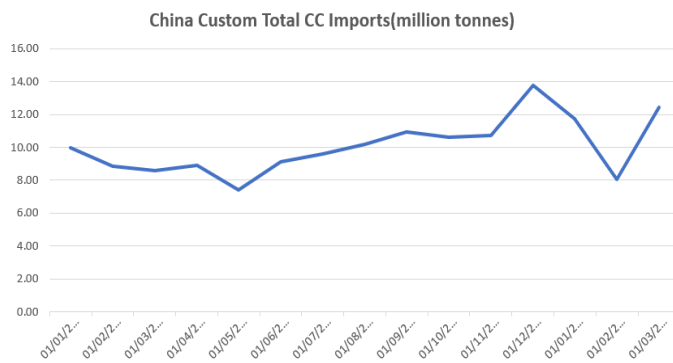
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	240	239.8	0.08%
Coking Coal Front Month (Dollar/mt)	239	238	0.42%
DCE CC Major Month (Yuan/mt)	1091	1150	-5.13%
Top Six Coal Exporter Weekly Shipment(Million mt)	5.93	5.17	14.70%
China Custom total CC Import Unit mt	12,423,581	8,069,727	53.95%



Coking Coal Key Points

- The tight supply situation for Australian PHCC is unlikely to ease in the near term, with offers remaining elevated. As India is about to enter its rainy season, end-users show low acceptance of high-priced resources and are more inclined to procure lower-cost substitutes.
- After the third round of coke price hikes was implemented, China domestic coking coal prices remained firm. According to estimates by SXCOAL, when converted to an ex-warehouse price at domestic ports, the price inversion of forward Australian coking coal relative to domestic coking coal has narrowed to around 200 yuan/mt. In addition, over the past weekend, Mongolian coking coal imports were significantly disrupted due to heavy rainfall, though they have since returned to normal.



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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