

FIS Ferrous Weekly Report

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

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- ⇒ **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. The pullback in crude oil prices and the imminent arrival of the off-season for steel consumption have weighed on iron ore prices. However, high hot metal output from blast furnaces continues to provide short-term support to the market.
- ⇒ **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Persistent rainfall in many parts of China has disrupted construction site activity, slowing the pace of rebar destocking and putting pressure on prices. Rising coke prices on the cost side may provide some support to steel prices.
- ⇒ **Hard Coking Coal FOB Australia** Our view is short-run **Neutral**. Indian steel mills show limited interests, but traders are unwilling to lower prices to attract buyers. The standoff between buyers and sellers in the Australian coal market continues.

Prices Movement	25-May	18-May	Changes %	Sentiment	
Platts IODEX CFR China(\$/MT)	106.80	108.45	-1.52%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3260	3252	+0.24%	Neutral	-
TSI FOB Premium Hard Coking Coal (\$/mt)	241.0	240.0	+0.42%	Neutral	-

Ferrous Market:

Influenced by macroeconomic factors, iron ore prices continued to decline during the reporting week, eventually stabilizing and rebounding modestly on Friday. Since the outbreak of the Middle East conflict, high crude oil prices driven by supply shortages have consistently provided cost-side support to iron ore. Recently, several media outlets have reported that negotiations between the United States and Iran are nearing an agreement. If a memorandum of understanding is signed, the Strait of Hormuz could be reopened. Under this expectation, crude oil futures prices fell sharply, loosening the high-oil-price support and driving iron ore prices lower from elevated levels.

At the same time, last week the National Bureau of Statistics released macroeconomic data for April. The data showed that national fixed asset investment fell by 1.6% year-on-year, with real estate development investment down 13.7%. The value-added output of industrial enterprises above the designated size grew by 4.1% year-on-year, a slowdown of 1.6 percentage points from March. The relatively weak economic data further weighed on market sentiment.

Nevertheless, in the near term, further downside for iron ore prices is limited. On the one hand, the crude oil supply shortage will not be resolved quickly even if the strait is reopened. Last week, the head of the UAE's state-owned oil company ADNOC stated that even if the Middle East conflict ended immediately, a full recovery of oil transportation through the Strait of Hormuz might not be achieved until the first or second quarter of 2027. On the other hand, current steel mill profitability remains relatively healthy, and blast furnace operating rates are staying high. The latest weekly data show that average daily hot metal output increased by 14,800 tons week-on-week to 2.41 million tons, indicating relatively strong resilience in iron ore demand.

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

Ferrous Market(Cont'd):

Last week, rebar prices fell for several consecutive days against a backdrop of weakening fundamentals. On the supply side, driven by the steel market's earlier strong performance and steel mills' high enthusiasm for production, rebar output surged 9.8% week-on-week to 2.21 million tons, hitting a year-to-date high. On the demand side, heavy rainfall in many parts of southern China slowed construction activity, leading to a 3.8% week-on-week decline in consumption of construction materials. As we approach late May, southern China is gradually entering the rainy season, with demand shifting from the peak season to the off-season. However, steel prices are expected to receive cost-side support this week. On Sunday, a gas explosion occurred at the Liushenyu Coal Mine in Shaanxi Province, prompting a number of local coal mines to suspend production voluntarily. This has driven coking coal and coke prices higher on supply concerns.

Affected by the decline in domestic prices, export offers have also been revised downward. In the Singapore market, Chinese origin rebar offers have retreated from \$530/ton CFR to \$520/ton CFR, with buyers largely adopting a wait-and-see stance.

Last week's global iron ore shipments surveyed by Mysteel reached 38.02 million tons, up 5.97 million tons WoW. Combined shipments from Australia and Brazil reached 31.33 million tons, up 5.60 million tons WoW, with Australian shipments at 22.05 million tons, up 3.42 million tons WoW and Brazilian shipments at 9.28 million tons, up 2.18 million tons WoW. China's 45-ports iron ore arrivals down 2.77 million tons WoW to 24.22 million tons. China's iron ore port inventories at 45 major ports decreased by 1.01 million tons WoW to 164.01 million tons, while daily port evacuation volumes increased by 1,800 tons to 3.25 million tons. Iron ore shipments from Australia and Brazil have increased further, in line with seasonal patterns. On port inventories, although destocking continues, the number of vessels waiting to discharge has reached 119, a multi-month high. Should downstream steel demand weaken, the persistently high level of iron ore port inventories will continue to exert downward pressure on prices.

Seaborne market liquidity remained healthy, with various miners actively offering cargoes. Against a backdrop of narrowing discounts, several fixed-price transactions were concluded. Last Tuesday, BHP sold one cargo of NHGF and one cargo of MACF at fixed prices of \$106.30/dmt and \$105.80/dmt, respectively, as well as one cargo of JMBF at a discount of -\$5.30/dmt. On Wednesday, BHP concluded another cargo of NHGF and another cargo of JMBF at discounts of -\$1.50/dmt and -\$5.60/dmt, respectively. Vale sold one cargo of BRBF at a price of \$113.50/dmt and a cargo of SSCJ. Liquidity for mainstream PBF showed signs of recovery. Last Thursday, two cargoes of PBF were transacted at premiums of \$0.36/dmt and \$0.37/dmt, respectively, both based on the July index, marking the first PBF transactions since late April. On Friday, Rio Tinto sold two additional cargoes of PBF at a price of \$0.40/dmt.

In the low-grade fines segment, the market recorded a transaction of one cargo of FBF at a discount of -7.75%, based on the July index. With steel mill profitability remaining healthy, lump ore performance stayed stable, and a cargo of Newman lump was transacted during the week at a premium of \$0.1862/dmtu.

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

Ferrous Market(Cont'd):

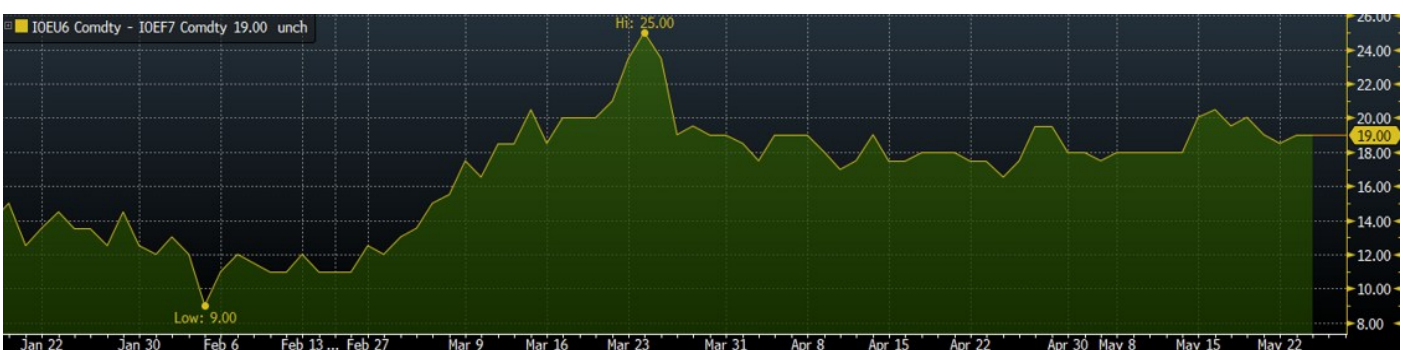
Last Tuesday, a miner sold a 75,000-tonne cargo of PMV Goonyella coking coal to a trader at a price of \$244/mt FOB Australia. Amid tight supply conditions, sellers are unwilling to lower prices, and offers for Goonyella coking coal to Indian buyers currently stand at \$275/mt CFR India. However, against the backdrop of the monsoon season, relatively weak steel demand, and a weaker Indian rupee against the US dollar, Indian steel mills have consistently shown resistance to US dollar-denominated high-priced Australian coking coal, with only small buyers making spot purchases. On Thursday, a trader concluded a transaction with an Indian steel mill for a 30,000-tonne cargo of PMV Goonyella coking coal at a price of \$269/mt CFR India.

According to calculations by SXCOAL, this price still represents a price inversion of more than 250 yuan/mt compared to domestic Chinese coking coal. However, last Friday, a gas explosion occurred at a coal mine in Shanxi Province. According to a Mysteel survey, as of May 25, the number of newly suspended coking coal mines in Shanxi Province had reached 109. Most of the suspensions are for self-inspection and rectification, with the suspension period mostly between 3 and 5 days. These closures involve an annual capacity of 122 million tons, affecting a daily raw coal output of coking coal by approximately 319,500 tons. As a result of this accident, domestic coking coal prices are expected to see a strong upward move in the near term.

65% iron ore fines have been relatively weak recently. As a result, the M65/P61 spread fluctuated and narrowed during the reporting week. As of the time of writing this report, the M65/P61 spread closed at \$16.47/dmt, and the M65/M61 spread closed at \$16.87/dmt.

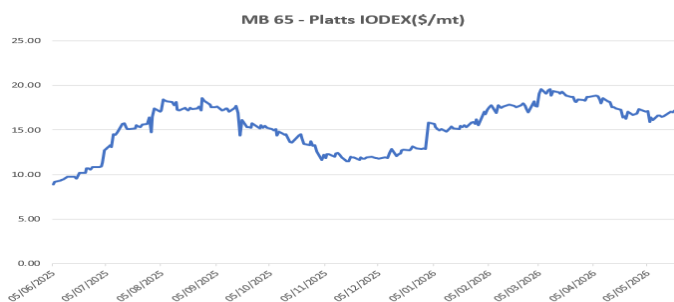
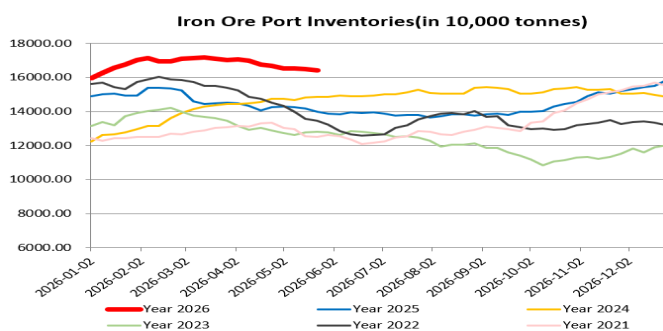
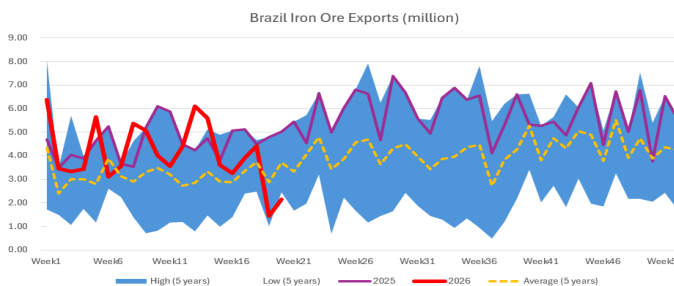
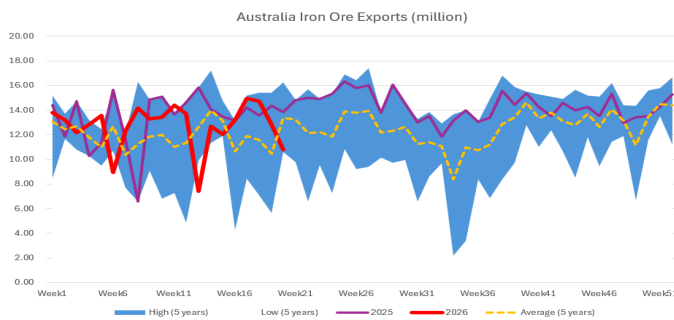
Approaching the end of the month, the SGX front-month contract spread further narrowed to \$0.33/dmt, while the DCE main contract September/January spread narrowed slightly to 19 yuan/dmt.

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



Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	106.8	108.45	-1.52%
MB 65% Fe (Dollar/mt)	123.27	125.53	-1.80%
Capesize 5TC Index (Dollar/day)	41428	43413	-4.57%
C3 Tubarao to Qingdao (Dollar/day)	36.241	36.8	-1.52%
C5 West Australia to Qingdao (Dollar/day)	15.625	15.01	4.10%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3040	3090	-1.62%
SGX Front Month (Dollar/mt)	109.00	110.50	-1.36%
DCE Major Month (Yuan/mt)	811.5	838	-3.16%
China Port Inventory Unit (10,000mt)	16,526.71	16,541.80	-0.09%
Australia Iron Ore Weekly Export (10,000mt)	2,204.60	1,863.00	18.34%
Brazil Iron Ore Weekly Export (10,000mt)	928.10	710.10	30.70%



Iron Ore Key Points

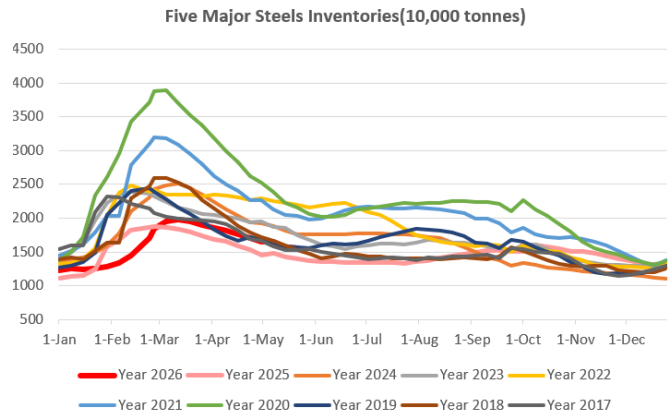
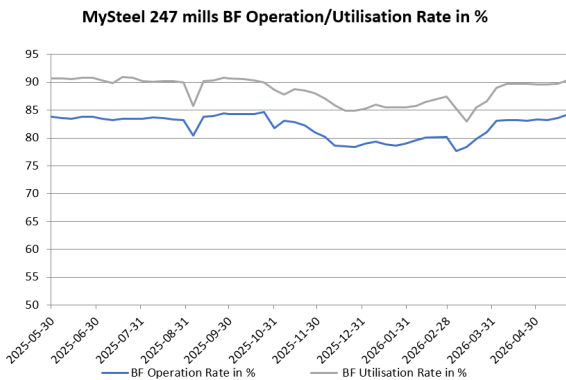
- As the end of the Australian financial year approaches, miners have been ramping up shipments to meet annual targets. Last week, iron ore shipments from Australia and Brazil increased further, which is broadly in line with seasonal patterns.
- Port inventories of iron ore continued the destocking trend. Shipments from Australia and Brazil were relatively weak two to three weeks ago, and based on vessel scheduling, port inventories are expected to have further room to decline in the coming week. However, the number of vessels waiting to discharge has already reached a multi-month high, and looking ahead, the persistently high inventory situation remains difficult to improve.
- The MB65-P61 narrowed to \$16.47/dmt.

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

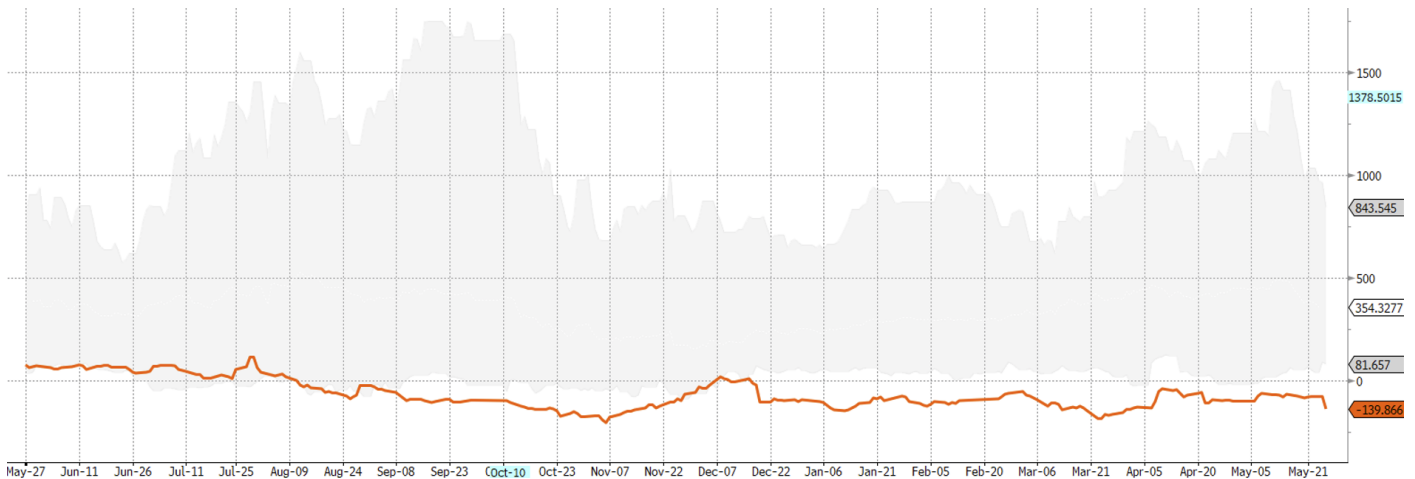
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1080	1079	0.09%
LME Rebar Front Month (Dollar/mt)	592	596	-0.67%
SHFE Rebar Major Month (Yuan/mt)	3146	3153	-0.22%
China Hot Rolled Coil (Yuan/mt)	3413	3477	-1.84%
Vitural Steel Mills Margin(Yuan/mt)	-140	-79	-77.22%
China Five Major Steel Inventories Unit (10,000 mt)	1557	1575	-1.14%
Global Crude Steel Production Unit (1,000 mt)	83600	87000	-3.91%
World Steel Association Steel Production Unit(1,000 mt)	153,400	159,900	-4.07%



Virtual Steel Mill Margins (Five-Year Range)

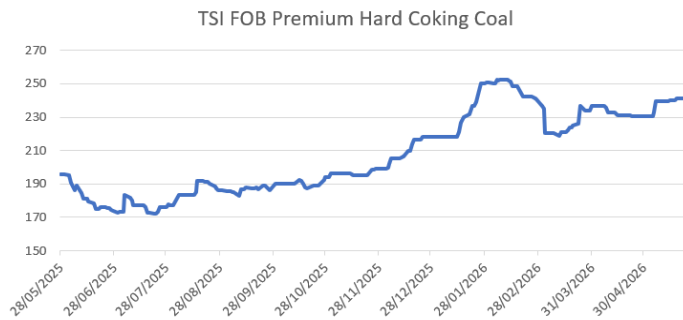


Data Sources: Bloomberg, MySteel, FIS

- Affected by the voluntary production suspensions in Shanxi mining areas, coking coal and coke prices have risen. At the same time, rebar demand has weakened seasonally. As a result of these combined factors, The virtual steel mill margin down from -79 yuan/mt to -140 yuan/mt.
- Average daily hot metal output from blast furnaces increased by 14,800 tons week-on-week to 2.41 million tonnes. Current steel mill profitability remains relatively healthy, sustaining high production enthusiasm, which should support iron ore demand in the near term. However, as southern China gradually enters the rainy season, downstream steel performance is weakening, and hot metal output may have already peaked.

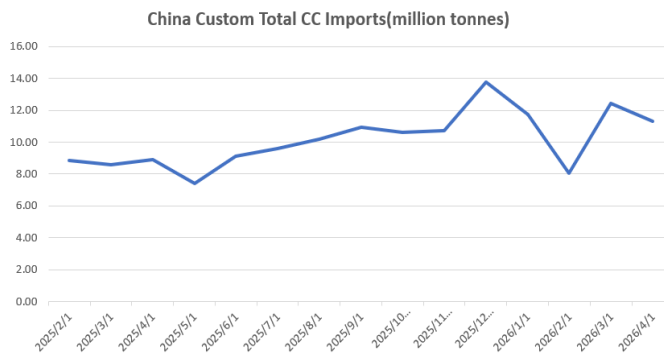
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	241	240	0.42%
Coking Coal Front Month (Dollar/mt)	239	239	0.00%
DCE CC Major Month (Yuan/mt)	1050	1091	-3.76%
Top Six Coal Exporter Weekly Shipment(Million mt)	4.33	6.48	-33.18%
China Custom total CC Import Unit mt	11,300,446	12,423,581	-9.04%



Coking Coal Key Points

- In the Australian coking coal market, the disagreement between buyers and sellers persists. The high prices of Australian coal are of limited appeal to Indian end-users, partly due to the weakening of the Indian rupee. Meanwhile, traders believe that the current tight supply situation has not improved and are unwilling to sell at lower prices.



- According to estimates by SXCOAL, the current forward price of Australian coal still represents an inversion of more than 250 yuan/mt compared to domestic coking coal prices. However, influenced by widespread production suspensions at coal mines in Shanxi Province, domestic coking coal prices are expected to see a strong upward move in the near term.

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