

Ferrous Market:

- **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. After several consecutive days of decline, sentiment in the iron ore market has turned cautious. Meanwhile, coking coal valuations have pulled back, driven by the "seesaw effect", providing some support to iron ore prices.
- **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. Rebar inventories have shifted from a decline to an increase. Coupled with the onset of the rainy season in southern China this week, fundamental pressures have intensified. However, prices continue to receive support from the cost side.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Coking coal supply in China remains persistently tight, with prices staying at elevated levels. Against this backdrop, imported Australian coking coal offers a positive import margin, and market enquiries are relatively active.

Prices Movement:

	15 Jun	8 Jun	Changes %	FIS Sentiment	
Platts IODEX CFR China(\$/MT)	102.20	100.30	+1.89%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3229	3249	-0.62%	Neutral to Bearish	-
TSI FOB Premium Hard Coking Coal (\$/mt)	243.0	244.0	-0.41%	Neutral	-

Commentary:

During the reporting week, iron ore prices traded mainly in a narrow range. Following consecutive days of decline to a year-to-date low, market participants remained largely cautious. Price fluctuations during the week were driven mainly by macroeconomic factors and market news. Early last week, following the release of the US May non-farm payrolls data, strong job growth raised concerns about a possible interest rate hike later this year, leading iron ore prices to move lower in tandem with broader financial markets. Mid-week, iron ore prices surged briefly on market rumors that a certain Australian brand of fines would face procurement restrictions, but the gains were subsequently retraced after the news was confirmed to be false.

On the fundamental side, although port inventories of iron ore have returned to an accumulation trend, the average daily hot metal output of blast furnaces at steel mills has remained above 2.4 million tons, indicating that demand resilience is still relatively strong. However, as southern China enters its rainy season, downstream steel demand is showing seasonal weakness. At the same time, against the backdrop of persistently high coking coal prices, coke producers have initiated a seventh round of coke price hikes. With steel mill profit margins coming under further pressure, their willingness to maintain production may weaken, thereby weighing on iron ore demand.

Against the backdrop of weakening domestic steel demand, steel exports emerged as a relative bright spot in May. According to customs data, China exported 10.341 million metric tons of steel in May, up 8.9% month-on-month, reaching a record-high monthly volume. This was, to some extent, attributable to producers' gradual adaptation to the export licensing system introduced in January. However, the sustainability of export growth remains questionable, as trade barriers continue to intensify. For instance, on June 12, South Korea imposed anti-dumping duties on Chinese galvanized steel sheet. Additionally, Iran lifted its export ban on slab and flat steel products in June, meaning its previous absence from the export market may gradually be reversed.

Last week's global iron ore shipments surveyed by Mysteel reached 33.47 million tons, down 2.00 million tons WoW. Combined shipments from Australia and Brazil reached 28.98 million tons, down 0.22 million tons WoW, with Australian shipments at 20.28 million tons, down 0.72 million tons WoW and Brazilian shipments at 8.70 million tons, up 0.50 million tons WoW. China's 45-ports iron ore arrivals were down 0.05 million tons WoW to 27.26 million tons. China's iron ore port inventories at 45 major ports increased by 0.83 million tons WoW to 165.64 million tons, while daily port evacuation volumes increased by 27,200 tons to 3.24 million tons. Iron ore shipments from mainstream miners remain at elevated levels. The immediate uncertainty centers on the potential strike by BHP workers in mid-to-late this month. According to Kpler's analysis, BHP's weekly exports had previously reached a year-to-date high of 6.93 million tons, and aside from the usual end-of-financial-year shipment rush, it is possible that the miner has been accelerating loading in anticipation of the strike.

During the week, overall liquidity in the primary market was moderate, with transactions mainly concentrated on fixed-price mainstream medium-grade fines. PBF cargoes were relatively active, with three cargoes transacted during the week at prices of \$100.80/dmt, \$101.35/dmt, and \$101.65/dmt, respectively. On the BHP front, one cargo of MACF and one cargo of NHGF were transacted at \$100.20/dmt and \$100.40/dmt, respectively. Meanwhile, compared with other mainstream fines, JMBF offer better import margins and currently enjoy good demand. Last Friday, a cargo of JMBF was transacted at a discount of \$5.30/dmt. In addition, one cargo of IOC6 and one cargo of SSCJ fines were transacted. Influenced by recent increases in domestic coke prices, discounts for high-silica products have widened compared with previous levels. After the week commenced, medium-grade fines remained active, with several additional fixed-price transactions recorded. Among these, two cargoes of PBF were transacted at \$102.30/dmt and \$102.50/dmt, respectively; one cargo of MACF was transacted at \$100.50/dmt; and one cargo of BRBF was transacted at \$107.95/dmt.

In the lump ore segment, two cargoes of NBL were transacted at premiums of \$0.1850/dmtu and \$0.1900/dmtu, respectively. One cargo of NBLU was also transacted on a floating price basis at a discount of -\$1.78/dmt. With portside resources remaining relatively tight, premiums have held steady.

The Chinese coking coal market continues to fluctuate at elevated levels. Early last week, influenced by a summer supply assurance notice issued by Shaanxi Province, coking coal valuations saw a notable pullback. However, supported by fundamentals, prices did not move further lower as trading progressed. Coal mining areas in Shanxi Province are gradually resuming production, but safety inspections remain relatively strict, and it is unlikely that mining areas will fully return to normal production levels in the short term.

Against a backdrop of consecutive domestic coal price increases, imports of Australian coking coal have become profitable, and enquiries from Chinese buyers in the Australian coking coal market have been relatively active recently. On the 10 June, in the seaborne market, a seller offered a 75,000-tonne cargo of PMV Goonyella coking coal at \$270/mt CFR China, while a Chinese end-user bid \$260/mt. Mid-week, a 75,000-tonne cargo of PMV Peak Downs coking coal was transacted at \$243/mt FOB Australia, equating to a CFR China price of approximately \$264/mt. Supported by persistently high domestic coking coal prices, on Friday a Chinese buyer bid \$268/mt CFR China for PMV Australian coking coal, while sellers continued to hold offers at \$275/ton.

In the Tier 2 coking coal segment, liquidity weakened following multiple transactions in the previous week. According to Platts, one cargo of LVHCC Carborough Downs coking coal was transacted. In the near term, as domestic coking coal supply in China remains tight relative to demand, prices are likely to continue trading at elevated levels, and the seaborne coking coal market is expected to remain active. According to calculations by SXCOAL, Australian PHCC currently has an import profit margin of nearly RMB 100/ton compared with domestic coking coal prices.

For the Indian market, according to Kpler tracking data, India's coking coal imports reached a record 8.2 million metric tons in May. However, as India enters its monsoon season and Australian coal prices have been pushed higher by the Chinese market, India's seaborne coking coal imports have recently begun to slow. In addition, according to a Reuters report, Indian state-owned enterprises SAIL and NMDC are actively exploring procurement opportunities for Russian coking coal to secure future steel industry demand and diversify their supply sources.

The 65-61 spread fluctuated within a narrow range in line with the market. As of the time of writing this report, the M65/P61 spread closed at \$16.00/dmt, and the M65/M61 spread closed at \$16.49/dmt.

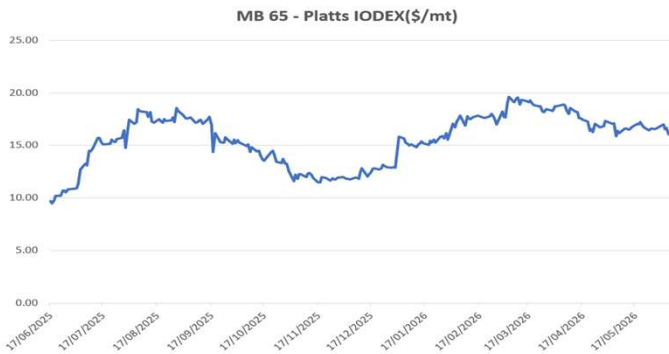
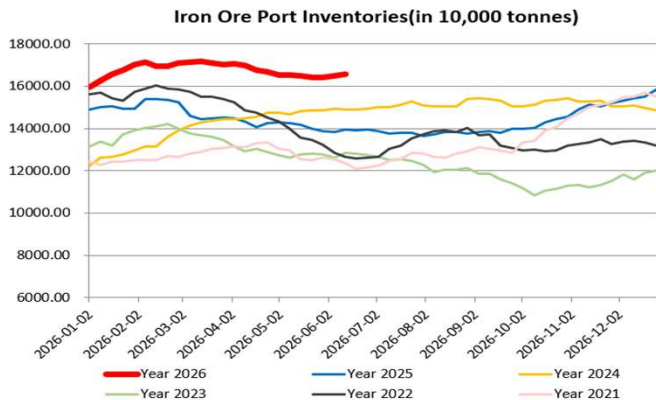
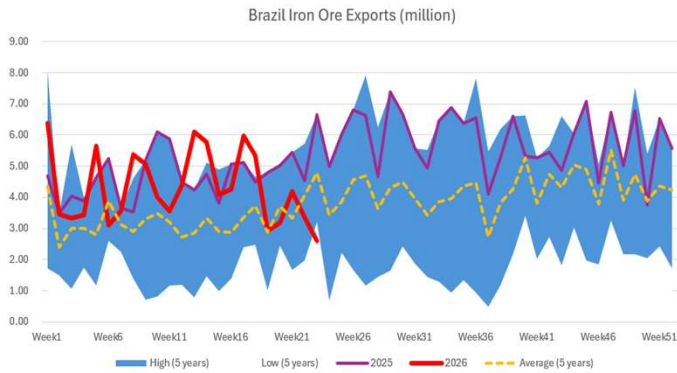
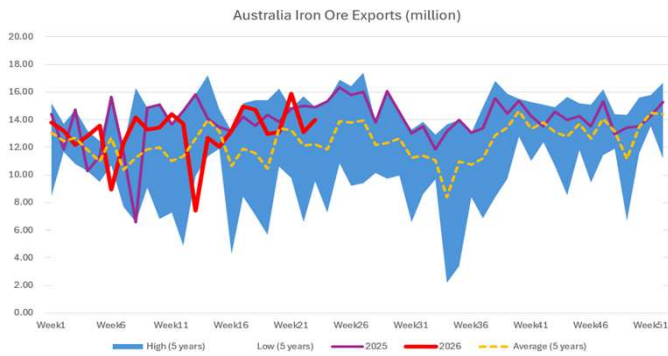
Front-month contracts continue to face pressure, with the SGX front-month contract spread further narrowing to \$0.04/dmt, while the DCE main contract September/January spread rebounded slightly to 16 yuan/dmt.

Our view for Iron ore is short-run Neutral. However, as coal and coke prices remain elevated, they continue to squeeze steel mill profit margins. Against this backdrop, iron ore remains a relatively weaker commodity within the ferrous complex. **Our view for FOB Australia coking coal is short-run Neutral.**

Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	102.2	100.3	1.89%
MB 65% Fe (Dollar/mt)	118.2	116.4	1.55%
Capesize 5TC Index (Dollar/day)	33253	39295	-15.38%
C3 Tubarao to Qingdao (Dollar/day)	34.509	36.255	-4.82%
C5 West Australia to Qingdao (Dollar/day)	10.76	13.135	-18.08%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3040	3020	0.66%
SGX Front Month (Dollar/mt)	101.50	101.91	-0.40%
DCE Major Month (Yuan/mt)	797.5	775	2.90%
China Port Inventory Unit (10,000mt)	16,564.21	16,481.11	0.50%
Australia Iron Ore Weekly Export (10,000mt)	2,027.70	2,099.50	-3.42%
Brazil Iron Ore Weekly Export (10,000mt)	870.00	819.80	6.12%





Iron Ore Key Points

Iron ore shipments from Australia and Brazil continue to remain at elevated levels. Among these, BHP's weekly shipments reached a year-to-date high, potentially due to front-loading in anticipation of potential strike risks in mid-to-late June. In addition, iron ore trade to the Gulf region is showing early signs of recovery.

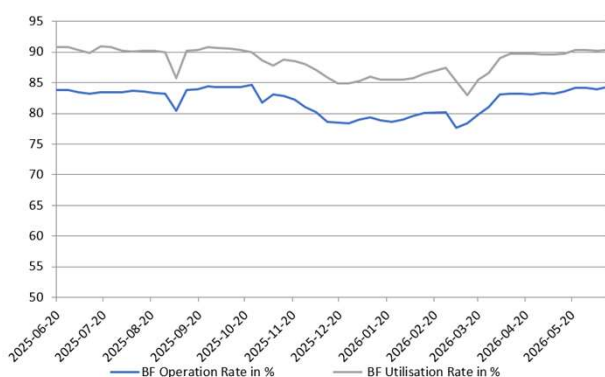
Port iron ore inventories increased by approximately 0.8 million metric tons week-on-week. As the downstream steel market enters the traditional off-season for consumption, the pressure for further inventory accumulation is expected to intensify.

Iron ore traded within a narrow range this week, with MB65-P61 spread closing at \$16.00/dmt.

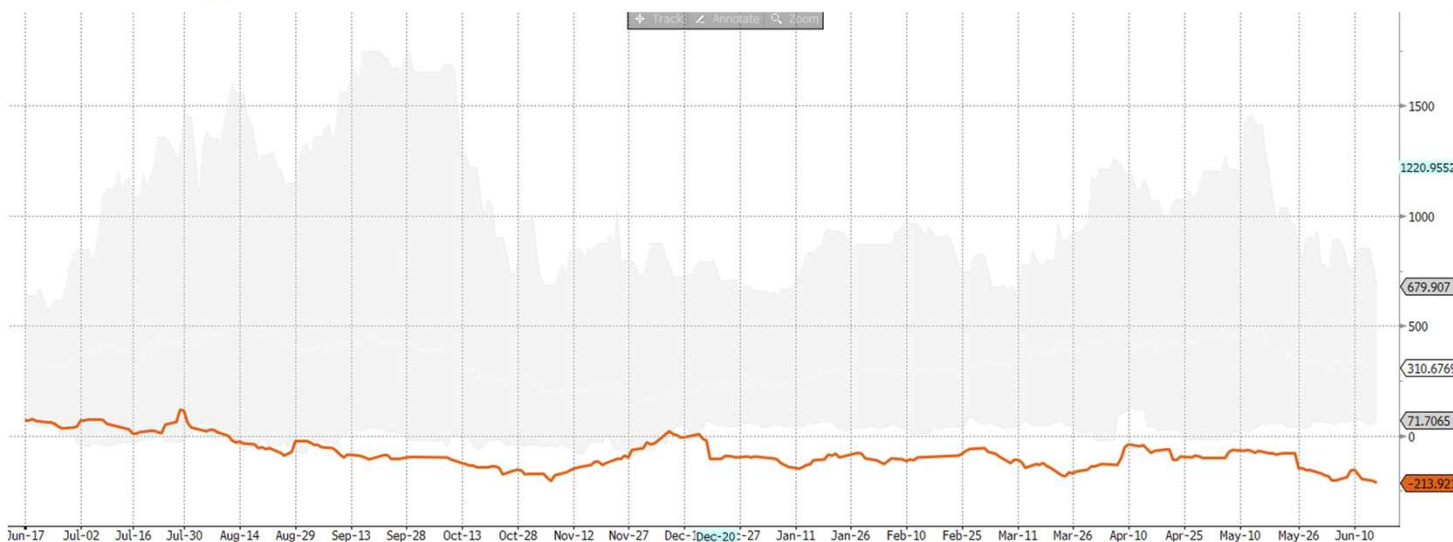
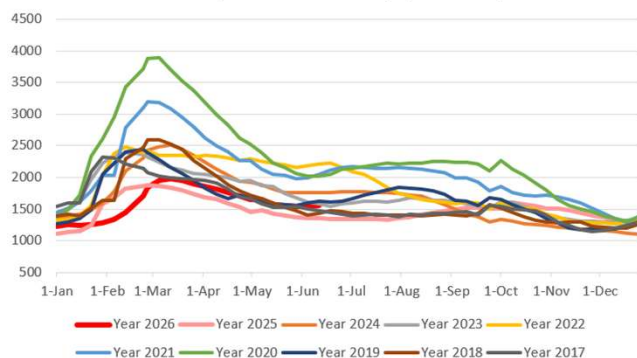
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1123	1126	-0.27%
LME Rebar Front Month (Dollar/mt)	590.5	591	0.00%
SHFE Rebar Major Month (Yuan/mt)	3075	3084	-0.29%
China Hot Rolled Coil (Yuan/mt)	3380	3398	-0.53%
Vitural Steel Mills Margin(Yuan/mt)	-213	-154	-38.31%
China Five Major Steel Inventories Unit (10,000 mt)	1560	1548	0.78%
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%

MySteel 247 mills BF Operation/Utilisation Rate in %



Five Major Steels Inventories(10,000 tonnes)



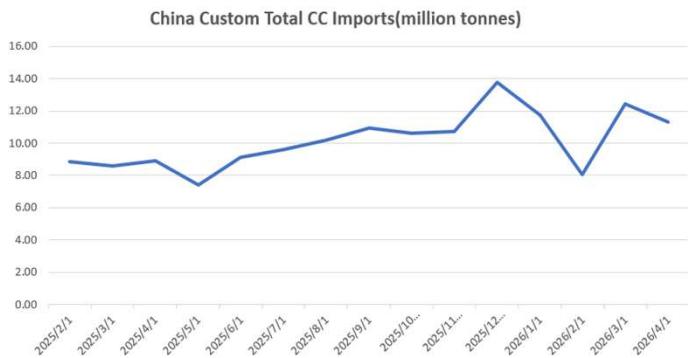
Source: Bloomberg, Mysteel, FIS

Coke producers have initiated the seventh round of coke price hikes, while iron ore prices have shown signs of stabilisation after falling to year-to-date lows. Meanwhile, as southern China enters its rainy season, the pace of downstream construction activity is expected to slow, weighing on steel prices. As a result, the virtual steel mill margin fell from -154 yuan/mt to -214 yuan/mt.

Currently, the average daily hot metal output from blast furnaces remains stable at above 2.4 million metric tons. Going forward, attention should be paid to whether squeezed steel mill profit margins will affect their willingness to maintain production.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	243	244	-0.41%
Coking Coal Front Month (Dollar/mt)	244	249	-2.01%
DCE CC Major Month (Yuan/mt)	1187	1200	-1.08%
Top Six Coal Exporter Weekly Shipment(Million mt)	6.16	6.14	0.33%
China Custom total CC Import Unit mt	11,300,446	12,423,581	-9.04%



Coking Coal Key Points

India's seaborne coking coal imports reached a record high in May. However, as the country has entered its rainy season and seaborne coking coal prices have been pushed higher by strength in the Chinese market, import volumes are expected to slow in June, with Indian buyers showing very limited acceptance of high-priced resources.

In the Australian coking coal market, Chinese buyers are currently making relatively active enquiries. According to estimates by SXCOAL, Australian PHCC currently has an import profit margin of approximately RMB 100/mt compared with domestic Chinese coking coal prices.

Data Sources: IHS Commodities at Sea Service, Bloomberg, FIS

Fact Sheet

Australian HCCLV Peak Downs: An important hard and low volatility coking coal benchmark brand in Australia with premium quality and higher pricing.

Backwardation Market: when futures prices are lower than the underlying physical prices or front-months are higher than deferred contracts.

Contango Market: when futures prices are higher than the underlying physical prices or front-months are lower than deferred contracts.

Cost Saving Strategy: refers to steel mills focusing on lower variable costs to maintain profit margin.

Ferrous Industry Chain: Upstream materials includes 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 refers to 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: Naturally occurring bulk iron ore. Lumps are directly added to a blast furnace, which carries a premium over 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 carry premiums over 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 includes the BF-Converter process and EAF process. The U.S. and Western Europe generally use EAFs. Pig iron/scrap is a significant input for EAFs. China, Japan, and India predominantly use the BF-Converter. The materials include iron ore, coke, and coking coal.

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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