

**Ferrous Market:**

- **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. Domestic coke producers continued to raise coke prices, further squeezing steel mill profit margins and putting downward pressure on iron ore prices. However, current hot metal output remains firm, and demand resilience is relatively strong, so the room for further declines in ore prices should be limited.
- **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. The persistent hot and rainy weather continues to dampen end-user steel demand, keeping overall market sentiment subdued. Nonetheless, coal and coke prices on the cost side continue to provide some support to steel prices.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bearish**. Following the pullback in DCE coking coal futures prices, liquidity in the Australian coking coal seaborne market has moderated. Against the backdrop of seasonally subdued demand from India and the gradual resumption of production at coal mining areas in Shanxi, the Australian coking coal market faces weakening pressure.

**Prices Movement:**

	23 Jun	15 Jun	Changes %	FIS Sentiment	
Platts IODEX CFR China(\$/MT)	97.6	102.20	-4.50%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3218	3229	-0.34%	Neutral to Bearish	-
TSI FOB Premium Hard Coking Coal (\$/mt)	243.0	243.0	0%	Neutral to Bearish	-

**Commentary:**

This week, iron ore prices fell below \$100/dmt for the first time since February, dragged down by a confluence of bearish factors. Persistent weakness in downstream steel demand, continuous compression of steel mill profit margins from rising coke prices, and a pullback in freight rates collectively weighed on ore prices. According to an announcement by the China Meteorological Administration, the plum rain season in China fully commenced late last week and is expected to last for about one month, with rainfall projected to be above average for this time of year. The market widely anticipates that downstream construction activity will be affected to some extent, further dampening end-user steel demand. On the cost side, mainstream coke producers initiated the eighth round of coke price hikes on the 17th. Since April, coke prices have risen by a cumulative total of approximately 400 yuan/mt, steadily squeezing steel mill profit margins, with production now approaching the breakeven level.

On the macro front, rising expectations of Federal Reserve rate hikes have strengthened the US dollar, exerting valuation pressure on USD-denominated iron ore. Meanwhile, progress in US-Iran negotiations has led to a pullback in bunker fuel prices, lowering shipping costs and further eroding cost-side support for ore prices.

Despite these headwinds, the downside for ore prices remains supported. According to Mysteel's weekly data, the average daily hot metal output from blast furnaces at steel mills increased week-on-week to 2.42 million tons last week, remaining at a year-to-date high, and there are currently no widespread production cut plans among steel mills, indicating that underlying demand resilience remains firm.

Last week's global iron ore shipments surveyed by Mysteel reached 34.68 million tons, up 1.21 million tons WoW. Combined shipments from Australia and Brazil reached 28.02 million tons, down 0.96 million tons WoW, with Australian shipments at 20.14 million tons, down 0.14 million tons WoW and Brazilian shipments at 7.88 million tons, down 0.82 million tons WoW. China's 45-ports iron ore arrivals down 1.31 million tons WoW to 25.96 million tons. China's iron ore port inventories at 45 major ports decreased by 0.07 million tons WoW to 165.57 million tons, while daily port evacuation volumes increased by 115,700 tons to 3.36 million tons. Shipments from mainstream miners remained elevated, though the shipment rush phase is nearing its end.

On the news front, Australia's Hancock has confirmed it will reduce mining activities at the Roy Hill iron ore mine in order to extend the mine's life by approximately 10 years, while maintaining annual production at 63 million tons. According to Kpler data, roughly two-thirds of Roy Hill's iron ore shipments are destined for China. In addition, the strike vote by BHP workers is still at the vote stage, with no substantive progress having been made.

During last week, liquidity in the seaborne primary market was moderate, with mainstream iron ore fines remaining actively traded, and transactions still predominantly concluded on a fixed-price basis. By product, MACF recorded three cargoes transacted during the week at prices of \$99.35/dmt, \$97.30/dmt, and \$ 97.70/dmt, respectively. NHGF recorded two cargoes transacted at \$100.40/dmt and \$98.90/dmt. PBF similarly recorded two cargoes transacted at \$99.30/dmt and \$99.25/dmt. In the high-grade segment, one cargo of IOCI was transacted at \$115.70/dmt. On the floating price side, one cargo of JMBF was transacted at a discount of \$5.20/dmt.

Lump products continued their strong performance, with two cargoes of NBL transacted at premiums of \$0.2050/dmtu and \$0.2081/dmtu, respectively, pushing lump premiums further higher.

On the coal front, the tight supply situation in China's coking coal market persisted due to safety inspections. However, the pace of mine resumption exceeded market expectations. Combined with rising expectations of Federal Reserve rate hikes on the macro front, DCE coking coal futures prices corrected for several consecutive days during the week. As a result, the Australian coking coal market, which had regained activity due to wider import margins, has once again entered a phase of stalemate, with no transactions recorded this week. According to seller feedback, end-users in South China have shown strong interest in Australian PHCC. However, with domestic coking coal long-term contract prices still lower than seaborne offers, buyers are seeking lower prices, while sellers are unwilling to make concessions, resulting in very limited actual transactions. As June marks the national "Safety Production Month" in China, the tight supply-demand balance in the coking coal market is expected to improve after the end of June, and Chinese buyers are currently reluctant to accept elevated seaborne prices. On the Indian market front, due to the seasonal off-season for domestic steel demand, local end-users also have very limited procurement appetite for high-priced seaborne resources.

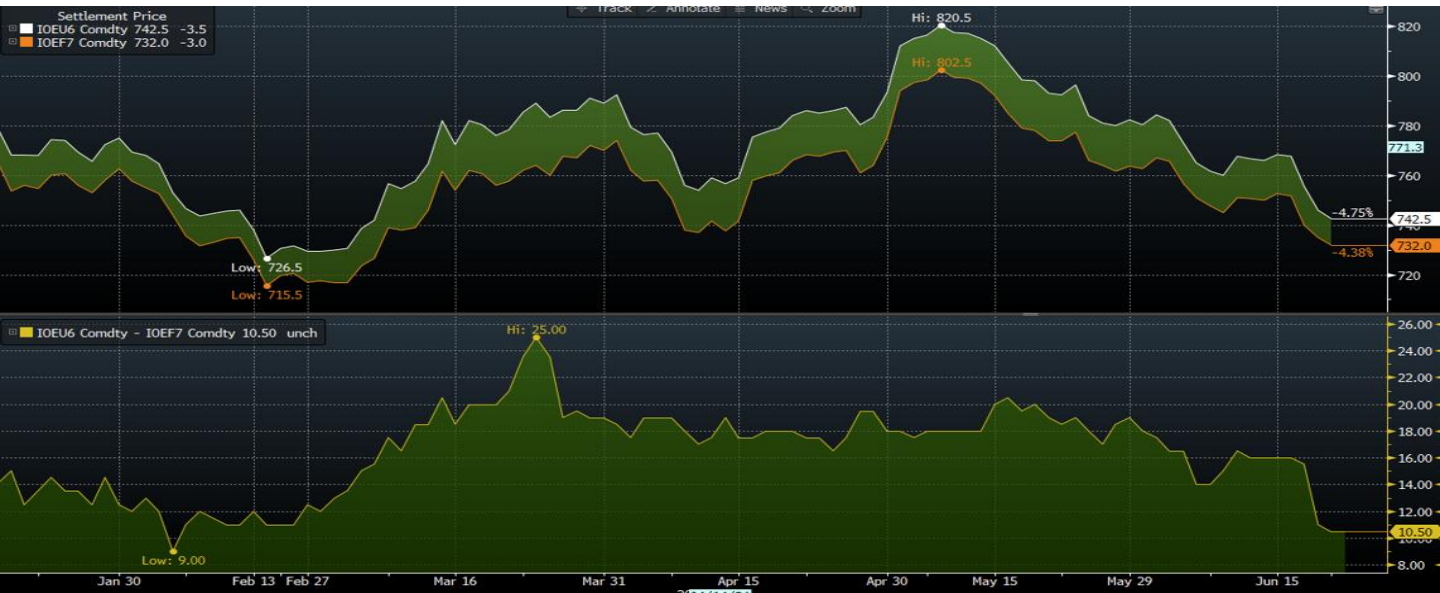
The Platts 61% iron ore index came under significant downward pressure after falling below the \$100/dmt threshold, leading to a widening of the M65/P61 spread. As of the time of writing this report, the M65/P61 spread closed at \$17.36/dmt, and the M65/M61 spread closed at \$16.42/dmt.

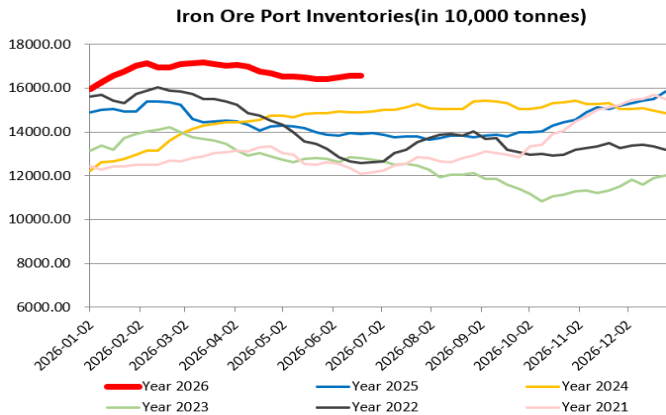
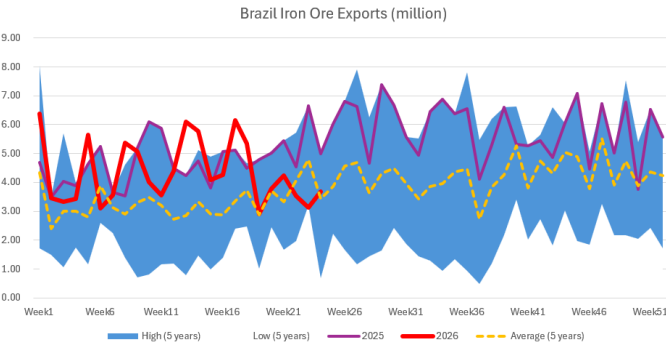
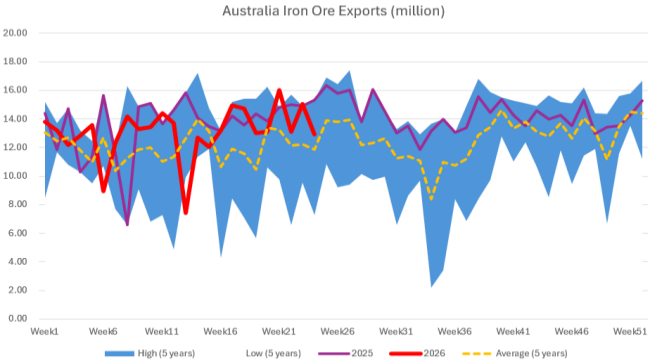
Front month contracts continue to face pressure, with the SGX front-month contract spread closing at \$0.05/dmt, while the DCE main contract September/January spread narrowed from 16 yuan/dmt to 10 yuan/dmt.

**Our view for Iron ore is short-run Neutral**, though it is expected to mainly fluctuate with a weakening bias, with very limited room for any rebound. **For coking coal FOB Australia is short-run Neutral to Bearish.**

Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	97.6	102.2	-4.50%
MB 65% Fe (Dollar/mt)	114.96	118.2	-2.74%
Capesize 5TC Index (Dollar/day)	33444	33253	0.57%
C3 Tubarao to Qingdao (Dollar/day)	32.15	34.509	-6.84%
C5 West Australia to Qingdao (Dollar/day)	11.875	10.76	10.36%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3000	3040	-1.32%
SGX Front Month (Dollar/mt)	98.64	101.39	-2.71%
DCE Major Month (Yuan/mt)	746	766	-2.61%
China Port Inventory Unit (10,000mt)	16,564.21	16,481.11	0.50%
Australia Iron Ore Weekly Export (10,000mt)	2,013.60	2,027.70	-0.70%
Brazil Iron Ore Weekly Export (10,000mt)	788.00	870.00	-9.43%





### Iron Ore Key Points

The end-of-financial-year shipment rush for Australian miners has entered its final stage and is expected to ease seasonally thereafter due to scheduled maintenance. The strike action by BHP workers has yet to make substantive progress and remains at the voting stage.

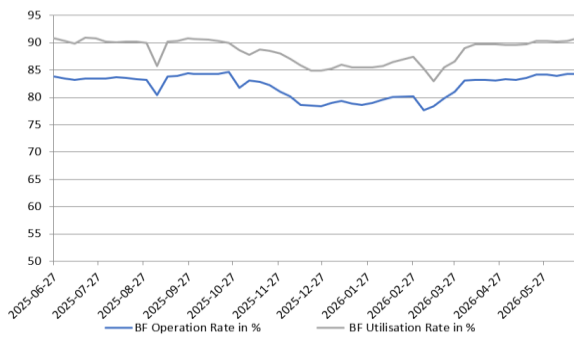
Last week, the average daily port evacuation reached a high of 3.36 million metric tons, second only to the post-Chinese New Year restocking period within the year. Supported by this, port iron ore inventories remained largely flat week-on-week. However, port inventories are likely to continue accumulating in the coming period.

The Platts 61% Fe index came under pressure, with MB65-P61 spread widening to \$17.36/dmt.

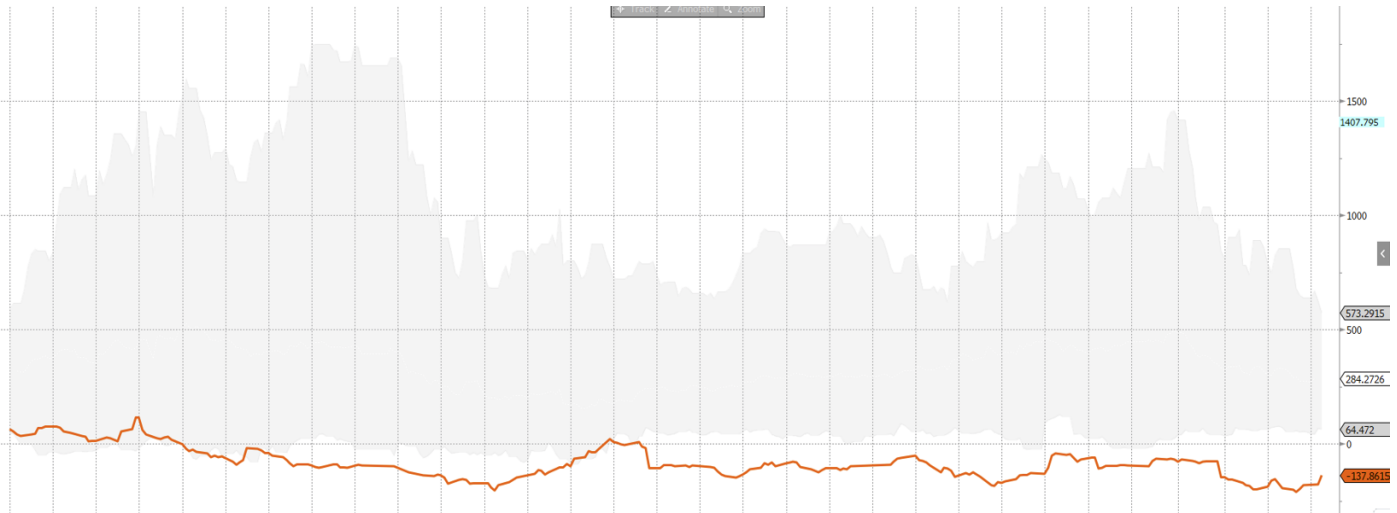
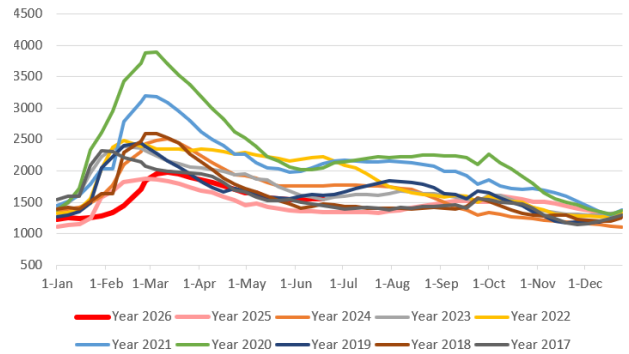
## Steel

	Last	Previous	% Change
<b>US HRC Front Month (Dollar/mt)</b>	1120	1123	<b>-0.27%</b>
<b>LME Rebar Front Month (Dollar/mt)</b>	587	591	<b>-0.59%</b>
<b>SHFE Rebar Major Month (Yuan/mt)</b>	3134	3173	<b>-1.23%</b>
<b>China Hot Rolled Coil (Yuan/mt)</b>	3364	3380	<b>-0.47%</b>
<b>Vitural Steel Mills Margin(Yuan/mt)</b>	-137	-213	<b>35.68%</b>
<b>China Five Major Steel Inventories Unit (10,000 mt)</b>	1557	1560	<b>-0.19%</b>
<b>Global Crude Steel Production Unit (1,000 mt)</b>	83600	87000	<b>-3.91%</b>
<b>World Steel Association Steel Production Unit(1,000 mt)</b>	153,400	159,900	<b>-4.07%</b>

MySteel 247 mills BF Operation/Utilisation Rate in %



Five Major Steels Inventories(10,000 tonnes)



Source: Bloomberg, Mysteel, FIS

Both DCE coking coal futures and iron ore futures prices declined, leading the virtual steel mill margin recover from -214 yuan/mt to -137 yuan/mt.

Average daily hot metal output from blast furnaces edged up to a year-to-date high of 2.42 million metric tons. Steel mills have no widespread maintenance plans at present, providing support to iron ore demand.

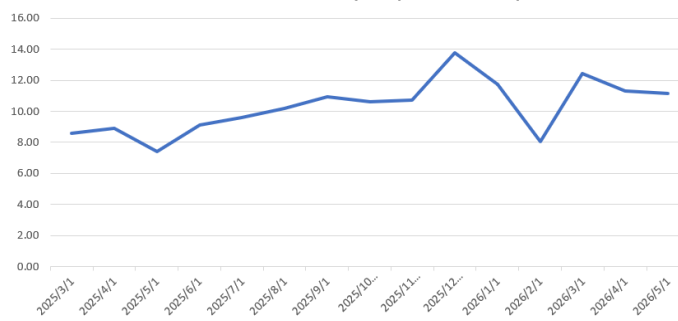
## Coking coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal (Dollar/mt)</b>	243	243	<b>0.00%</b>
<b>Coking Coal Front Month (Dollar/mt)</b>	243	244	<b>-0.41%</b>
<b>DCE CC Major Month (Yuan/mt)</b>	1293.5	1373	<b>-5.79%</b>
<b>Top Six Coal Exporter Weekly Shipment(Million mt)</b>	5.80	7.39	<b>-21.52%</b>
<b>China Custom total CC Import Unit mt</b>	11,145,020	11,300,446	<b>-1.38%</b>

TSI FOB Premium Hard Coking Coal



China Custom Total CC Imports(million tonnes)



### Coking Coal Key Points

Due to the Singapore Ferrous Metals Week, some market participants were absent, and trading activity moderated. Meanwhile, as DCE coking coal futures prices declined, Chinese buyers' interest in seaborne coking coal faded, and the Australian coking coal market once again fell into a stalemate.

Coal mines in Shanxi are gradually progressing with their resumption of production, and the pace of recovery has exceeded market expectations. Although the current tight supply situation persists, supply is expected to recover further after the conclusion of the "Safety Production Month" in June. As a result, end-users are adopting a cautious wait-and-see stance towards the current high-priced Australian coking coal.

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

## 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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