

### Ferrous Market:

- **Iron ore IODEX CFR China:** Our view is short-run **Neutral**. Accelerated accumulation of iron ore at Chinese ports, combined with weak downstream steel market and the persistent squeeze on steel mill profit margins from elevated coking coal prices, has placed significant upward pressure on iron ore prices. Despite a stable blast furnace production, this is likely to be insufficient to support a rebound in ore prices.
- **Rebar 25mm Shanghai:** Our view is short-run **Neutral to Bearish**. The off-season effect continues to manifest, with a notable decline in consumption of construction materials. In the near term, the market is expected to maintain a range-bound pattern with a weakening bias.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Chinese end-users are generally cautious in their procurement of seaborne coking coal. Should long-term contract prices be raised significantly in July, further widening import profit margins, market liquidity may improve.

### Prices Movement:

	30 Jun	23 Jun	Changes %	FIS Sentiment	
Platts IODEX CFR China(\$/MT)	98.9	97.6	+1.33%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3201	3218	-0.53%	Neutral to Bearish	-
TSI FOB Premium Hard Coking Coal (\$/mt)	243.5	243.0	+0.21%	Neutral	-

### Commentary:

During the week, iron ore prices traded in a narrow range below the \$100/dmt level, with the market facing multiple headwinds. On the supply side, driven by the recent end-of-financial-year shipment rush from major Australian and Brazilian miners, the pace of iron ore inventory accumulation at Chinese ports has accelerated, and this trend is likely to continue in the coming period. On the demand side, downstream steel consumption has declined notably as the market enters the off-season. According to Mysteel data, last week's consumption of construction materials stood at 2.68 million metric tons, down 12.7% week-on-week, while total inventory of the five major steel products increased by 2.82% week-on-week. On the cost side, freight rates on key iron ore routes continued to correct, with the C3 and C5 routes both falling by approximately 10% week-on-week, thereby weakening the cost support for ore prices. At the same time, rising market expectations of Federal Reserve rate hikes have driven the US dollar index higher, exerting valuation pressure on US dollar-denominated seaborne iron ore resources. However, some near-term support factors remain in place. Last week, blast furnace hot metal output at Chinese steel mills edged up week-on-week to 2.43 million tons. Until a significant decline in hot metal output materializes, iron ore demand resilience is expected to remain intact. Moreover, according to reports by Bloomberg and other media outlets, deliveries of some FMG iron ore cargoes scheduled to arrive in July have been disrupted due to stalled negotiations with CMRG, prompting some buyers to seek alternative sources. This news helped push ore prices modestly higher last Friday. Last week's global iron ore shipments surveyed by Mysteel reached 33.23 million tons, down 1.45 million tons WoW. Combined shipments from Australia and Brazil reached 27.95 million tons, down 0.07 million tons WoW, with Australian shipments at 18.86 million tons, down 1.27 million tons WoW and Brazilian shipments at 9.08 million tons, up 2.37 million tons WoW. China's 45-ports iron ore arrivals up 1.42 million tons WoW to 27.38 million tons.

China's iron ore port inventories at 45 major ports increased by 2.37 million tons WoW to 167.94 million tons, while daily port evacuation volumes decreased by 91,300 tons to 3.27 million tons. Affected by the slowdown in Chinese procurement, Australian iron ore shipments edged down slightly last week, though overall shipments from major miners remained elevated. However, as June draws to a close, and in line with seasonal patterns, Australian iron ore shipments in July are likely to decline as mines enter a concentrated maintenance period.

On the BHP front, following the conclusion of a new remuneration agreement, strike action by workers has been temporarily averted. The next round of negotiations is scheduled for 7 July, with potential supply risks still present.

Over the past week, liquidity in the seaborne market was generally moderate, with no mainstream fines transactions recorded on two days. Trading remained concentrated on BHP's medium- and low-grade iron ore fines. In terms of transactions, on June 24, BHP sold three cargoes of NHGF at \$98.05/dmt and two cargoes of MACF at \$97.55/dmt. On June 25, one cargo of JMBF was transacted at a discount of \$5.35/dmt, with the discount level remaining largely unchanged from previous levels. On the Vale front, one cargo of BRBF was sold mid-week at \$103.30/dmt. For PB fines, offers remained around a discount of - \$0.50/dmt in the middle of last week, but rebounded to + \$0.20/dmt on Friday, supported by news of disrupted FMG deliveries. However, with ample availability of tradable resources, no transactions were recorded during the week. Demand for lump ore remained stable. Mid-week, one cargo of NBL was transacted at a premium of \$0.2081/dmt. On Friday, two cargoes of PB lump were transacted at premiums of \$0.40/dmt and \$0.16/dmt, based on the August and July indices, respectively, with lump ore premiums narrowing modestly from earlier levels. This Monday, the market recorded another transaction for one cargo of MACF at \$97.50/dmt, and one cargo of NBL at a premium of \$0.2100/dmt.

In the seaborne market, the standoff between Australian coking coal sellers and Chinese end-users continues. Amid gradually improving domestic coking coal supply and weakening steel market conditions, steel mills show limited appetite for seaborne resources, with end-users virtually ruling out the purchase of full cargoes of Australian PHCC.

However, some traders hold optimistic expectations that long-term contract prices may be raised by 100–200 yuan/mt starting in July to reflect the significant increase in the spot market in recent months. Meanwhile, last week the number of coal mines in Shanxi Province that suspended production due to safety inspections increased again, and it will still take some time for coking coal production to fully return to normal, keeping prices stable in the near term. According to calculations by SXCOAL, the current FOB price of \$243/mt for Australian PHCC translates to an ex-warehouse price of approximately 2,040 yuan/mt at domestic ports, still leaving a considerable profit margin compared with domestic origin prices. Should term prices be raised subsequently, Chinese buyers may re-enter the seaborne market with greater intensity, especially for some steel mills that are unable to replenish from portside stocks at lower cost. At present, steel mills' target price for Australian PHCC stands around \$260/mt CFR China.

On the Indian front, affected by seasonal weakening in demand, local steel mills' procurement appetite for seaborne coking coal remains limited. In addition, early last week, the Indian Foreign Minister held talks with his Mongolian counterpart, and both sides held consultations on expanding Mongolia's exports of coking coal and other mineral products to India. However, due to geographical constraints, there is currently no feasible transport route to ship Mongolian coal to India, making it extremely difficult to realize incremental export volumes in the near term.

Driven by the news of disrupted FMG deliveries, prices of medium-grade fines have rebounded somewhat, and the M65/P61 spread has narrowed slightly. As of the time of writing this report, the M65/P61 spread closed at \$15.17/dmt, and the M65/M61 spread closed at \$16.35/dmt.

Front month contracts continue to face pressure, with the SGX front-month contract spread closing at \$0.12/dmt, while the DCE main contract September/January spread closed at 10.50 yuan/dmt.

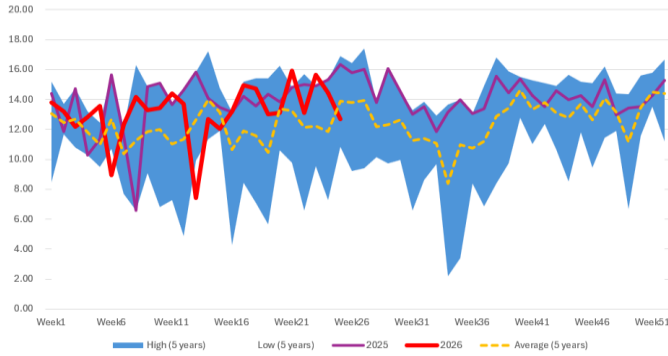
**Our view for Iron ore is short-run Neutral. For coking coal FOB Australia is short-run Neutral.** If long-term contract prices for July raise significantly, end-users' willingness to procure seaborne resources may pick up, which could consequently push up prices in the seaborne market.

Iron Ore

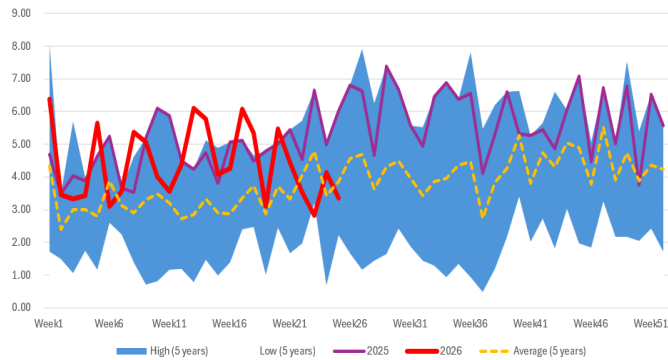
	Last	Previous	% Change
Platts IODEX (Dollar/mt)	98.9	97.6	1.33%
MB 65% Fe (Dollar/mt)	114.07	114.96	-0.77%
Capesize 5TC Index (Dollar/day)	28588	33444	-14.52%
C3 Tubarao to Qingdao (Dollar/day)	28.082	32.15	-12.65%
C5 West Australia to Qingdao (Dollar/day)	10.16	11.875	-14.44%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2970	3000	-1.00%
SGX Front Month (Dollar/mt)	98.76	98.64	0.12%
DCE Major Month (Yuan/mt)	741	746	-0.67%
China Port Inventory Unit (10,000mt)	16,793.94	16,557.37	1.43%
Australia Iron Ore Weekly Export (10,000mt)	1,886.40	2,013.60	-6.32%
Brazil Iron Ore Weekly Export (10,000mt)	908.30	788.00	15.27%



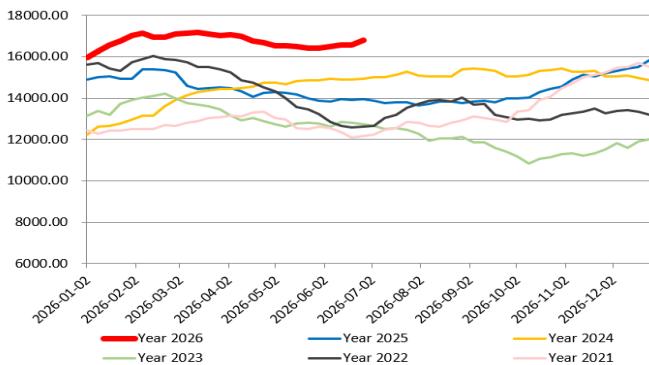
Australia Iron Ore Exports (million)



Brazil Iron Ore Exports (million)



Iron Ore Port Inventories(in 10,000 tonnes)



MB 65 - Platts IODEX(\$/mt)



### Iron Ore Key Points

Affected by the slowdown in Chinese procurement, Australian iron ore shipments edged down slightly last week, though overall shipment levels remained elevated. Entering July, Australian mines are expected to enter a traditional maintenance period, with shipments likely to decline seasonally. On the BHP front, strike action by workers has been temporarily averted, but the next round of negotiations is scheduled for 7 July, and potential supply risks remain.

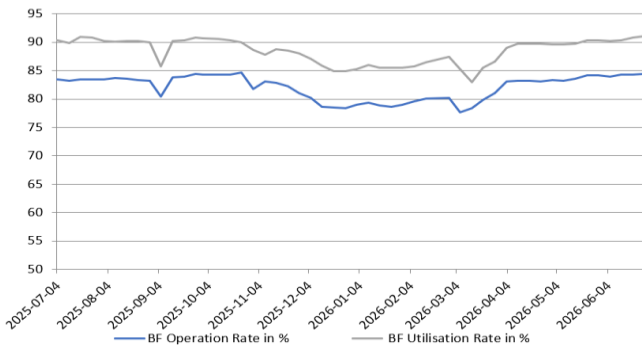
As iron ore resources shipped during the recent end-of-financial-year shipment rush from major miners arrive at Chinese ports, port inventories increased by 2.36 million metric tons week-on-week.

Prices for medium-grade fines rebounded modestly, with MB65-P61 spread narrowing to \$15.60/dmt.

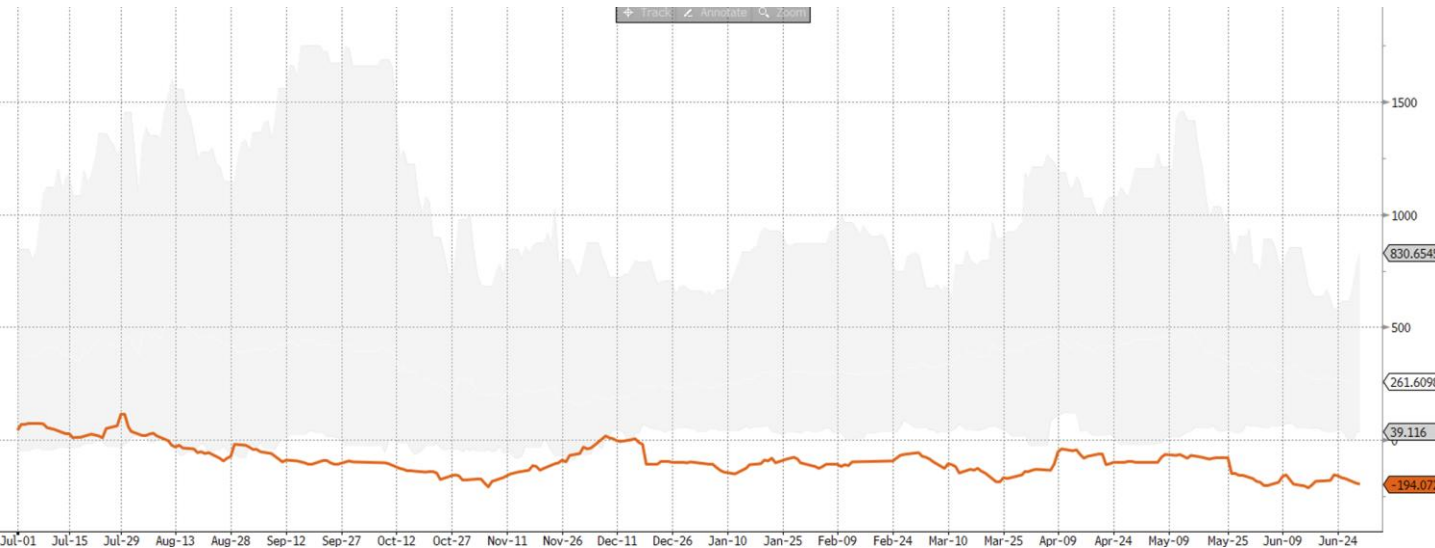
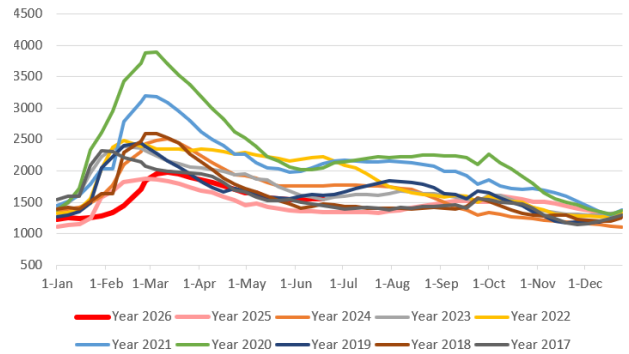
## Steel

	Last	Previous	% Change
<b>US HRC Front Month (Dollar/mt)</b>	1156	1120	<b>3.21%</b>
<b>LME Rebar Front Month (Dollar/mt)</b>	585	587	<b>-0.34%</b>
<b>SHFE Rebar Major Month (Yuan/mt)</b>	3091	3134	<b>-1.37%</b>
<b>China Hot Rolled Coil (Yuan/mt)</b>	3328	3364	<b>-1.07%</b>
<b>Vitural Steel Mills Margin(Yuan/mt)</b>	-194	-137	<b>-41.61%</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>	84400	83600	<b>0.96%</b>
<b>World Steel Association Steel Production Unit(1,000 mt)</b>	157,900	153,400	<b>2.93%</b>

MySteel 247 mills BF Operation/Utilisation Rate in %



Five Major Steels Inventories(10,000 tonnes)



Source: Bloomberg, Mysteel, FIS

Affected by safety inspections, the number of suspended coking coal mines has increased once again, and DCE coking coal futures prices rebounded after a sustained decline. On the iron ore front, prices edged higher, supported by rumors of disrupted deliveries of FMG resources, leading the virtual steel mill margin fell from -137 yuan/mt to -197 yuan/mt.

The average daily hot metal output from blast furnaces rose to 2.43 million metric tons. Although steel mill profit margins remain under persistent pressure, they have not yet reached a level that would prompt mills to voluntarily cut production. The resilience of iron ore demand continues to provide some support to ore prices.

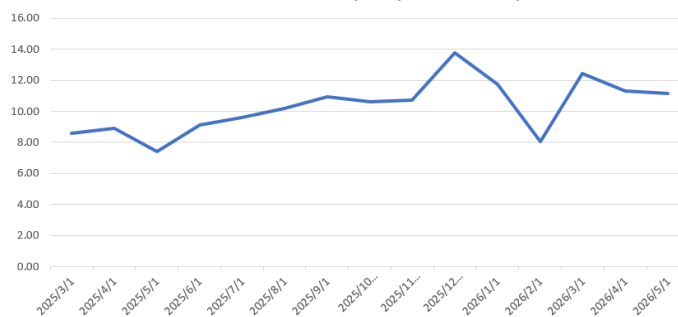
## Coking coal

	Last	Previous	% Change
<b>TSI FOB Premium Hard Coking Coal (Dollar/mt)</b>	243.5	243	<b>0.21%</b>
<b>Coking Coal Front Month (Dollar/mt)</b>	243.25	243	<b>0.10%</b>
<b>DCE CC Major Month (Yuan/mt)</b>	1242.5	1293.5	<b>-3.94%</b>
<b>Top Six Coal Exporter Weekly Shipment(Million mt)</b>	5.73	6.25	<b>-8.32%</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

This week, no transactions for PHCC were recorded in the seaborne market. Both India and China have entered the off-season for steel consumption, and end-users show limited willingness to procure high-priced seaborne coking coal.

Despite the gradual recovery of supply from various domestic coal mining areas, strict safety inspections mean that output is still some way from a full return to normal levels, which continues to support elevated coking coal prices. At present, Australian PHCC still commands a notable profit margin compared with domestic Chinese coking coal. Should long-term contract prices be raised in July, further widening that margin, end-users' interest in Australian coal may pick up.

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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