

Ferrous Market:

- **Iron ore IODEX CFR China:** Our view is short-run **Neutral to Bearish**. Port inventories have resumed the accumulation trend. High coking coal prices continue to squeeze steel mill profit margins, and market sentiment remains weak. Iron ore prices are expected to fluctuate with a weakening bias this week.
- **Rebar 25mm Shanghai:** Our view is short-run **Neutral**. Downstream construction sites are gradually entering the off-season, leading to a weakening in rebar demand. However, supported by cost-side factors, the downside room for prices in the near term is relatively limited.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Due to the sharp rise in domestic coking coal prices, Chinese buyers' willingness to purchase Australian coal has improved. Compared with PHCC, Tier 2 coking coal resources exhibit stronger market liquidity.

Prices Movement:

	8 Jun	1 Jun	Changes %	FIS Sentiment	
Platts IODEX CFR China(\$/MT)	100.30	104.70	-4.20%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3249	3259	-0.31%	Neutral	-
TSI FOB Premium Hard Coking Coal (\$/mt)	244.0	240.0	+1.67%	Neutral	-

Commentary:

Iron ore prices corrected notably during the reporting week, with the 61% iron ore index closing at \$100.30/dmt on 8th June, hitting a nearly three-month low. Recently, shipments from major miners have remained elevated, while demand has weakened seasonally. The weaker fundamental backdrop has weighed on prices. At the same time, domestic metallurgical coal prices have continued to rise since the mine accident in May, currently reaching the highest level since late 2024. Elevated coal prices have squeezed steel mill profit margins, leading to a more cautious stance among iron ore buyers. On the cost side, freight rates on the C5 route (Western Australia to Qingdao), which had been at five-year highs, have also fallen sharply. As of the close on 8th June, the C5 route rate dropped to \$13.135/mt, a decline of nearly 20% over the week. On balance, although risks have been partly priced in following several consecutive days of decline, as the off-season deepens, loose supply-demand situation may intensify further, continuing to weigh on prices.

On the news front, early last week some media reported that negotiations between CMRG and FMG had stalled, with a suggestion that steel mills should suspend discussions on participating in the latter's newly launched low-grade iron ore fines. If the situation deteriorates further, it could lead to a scenario similar to that previously faced with BHP products. However, based on current conditions, the market impact of this event remains limited. Last week's global iron ore shipments surveyed by Mysteel reached 35.47 million tons, up 1.73 million tons WoW. Combined shipments from Australia and Brazil reached 29.19 million tons, up 1.54 million tons WoW, with Australian shipments at 21.00 million tons, up 1.54 million tons WoW and Brazilian shipments at 8.20 million tons, down 0.61 million tons WoW. China's 45-ports iron ore arrivals up 1.65 million tons WoW to 27.31 million tons. China's iron ore port inventories at 45 major ports increased by 0.85 million tons WoW to 164.81 million tons, while daily port evacuation volumes decreased by 6,500 tons to 3.22 million tons. Since the start of April, port inventories of iron ore have shown increase again, while shipments from major miners have remained elevated. A seasonal peak is expected in June, and the pace of inventory accumulation may accelerate further thereafter. However, uncertainty surrounds Australian iron ore shipments in the coming weeks.

According to reports by Reuters and other media outlets, hundreds of BHP workers at Port Hedland in Western Australia are planning to strike by the end of June. BHP has stated that it has contingency plans in place.

On another note, according to Kpler, thanks to improved logistics, iron ore exports from Guinea's Simandou project reached 2.12 million tons in May, a significant increase from 1.33 million tons in April, marking the highest level since the project began operations. However, as Guinea is about to enter its rainy season, mining and transportation will face considerable challenges. Consequently, Kpler has only slightly raised its full-year export forecast for Simandou from 17 million tons to 19 million tons.

During the week, liquidity in the primary market was moderate, with import margins for MACF and JMBF staying at relatively healthy levels and demand remaining stable. For MACF, two fixed-price transactions were recorded at \$103.30/dmt and \$99.30/dmt, respectively, while another cargo was transacted at a discount of -\$1.63/dmt. For JMBF, one cargo each was transacted at discounts of -\$5.90/dmt and -\$5.72/dmt. In addition, one cargo each of NHGF and BRBF was transacted at \$102.30/dmt and \$109.35/dmt, respectively. After the week commenced, several additional fixed-price transactions were recorded, including one cargo of MACF at \$98.30/dmt, one cargo of NHGF at \$99.00/dmt, one cargo of BRBF at \$105.95/dmt, and one cargo of IOCJ at \$116.40/dmt.

As for lump ore, premiums declined as steel mill profit margins were squeezed by high coke prices, but overall demand remained relatively robust; mid-lastweek, one cargo each of NBLU and SP10L was transacted, followed by another cargo of NBL at a premium of \$0.1820/dmt.

In the Australian coking coal market, demand from Indian buyers remains very limited. Some traders indicate that Indian buyers have largely withdrawn from the market. However, supported by demand from China, market activity has improved compared with earlier periods. Since the mine accident in Shanxi, safety inspections in mining areas have been significantly tightened. Although mines have gradually resumed production, output still lags far behind pre-accident levels, and tight supply has driven coal prices sharply higher. According to a survey by the SXCOAL, some low-sulphur premium hard coking coals have seen cumulative price increases of 320-350 yuan/mt. As the price gap between seaborne and domestic coking coal continues to narrow, Chinese buyers have become notably more active in making inquiries for Australian coal, though they remain cautious towards PHCC, while the Tier 2 coking coal market is more active.

Mid-last week, a mine concluded a transaction with a Chinese trader for a 75,000-tonne cargo of PMV Goonyella coking coal at \$245.35/ton, pushing the price index further upward. According to Platts, the cargo is intended for sale outside the Chinese market, as Chinese buyers show little interest at this price level. In the LVHCC market, a cargo of Carborough Downs coking coal was first transacted at \$190/mt FOB Australia, followed by two cargoes of Daunia coking coal at \$201.50/mt and \$205/mt, respectively. On Friday, a cargo of Curragh coking coal was transacted at \$215/mt, representing an increase of nearly \$25/mt from the previous week. It is worth noting that on Monday the Shaanxi Provincial Development and Reform Commission issued a notice regarding coking coal supply assurance. In response, DCE coking coal futures prices saw a significant pullback on Tuesday. Whether the liquidity in the seaborne market will be affected remains to be seen.

Due to high coking coal prices squeezing steel mill profit margins, demand for high-grade iron ore fines has weakened, leading to a narrowing of the 65-61 spread. As of the time of writing this report, the M65/P61 spread closed at \$16.10/dmt, and the M65/M61 spread closed at \$16.52/dmt.

Front month contracts continue to face pressure, with the SGX front-month contract spread further narrowing to \$0.06/dmt, while the DCE main contract September/January spread narrowed to 14 yuan/dmt.

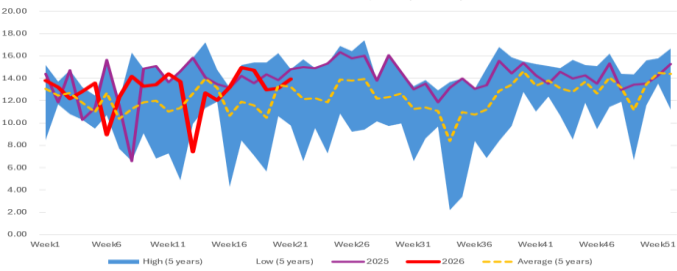
Our view for Iron ore is short-run Neutral to Bearish. For coking coal FOB Australia is short-run Neutral. It should be noted, however, that if domestic Chinese coking coal prices see a significant retreat in the near term, iron ore prices are expected to stabilize under the "seesaw effect". At the same time, liquidity in the seaborne coking coal market may weaken again.



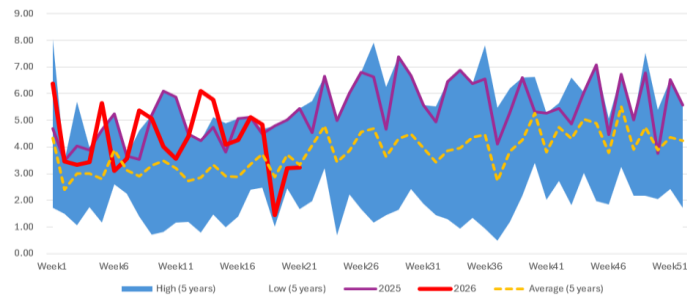
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	100.3	104.7	-4.20%
MB 65% Fe (Dollar/mt)	116.4	121.71	-4.36%
Capesize 5TC Index (Dollar/day)	39295	46346	-15.21%
C3 Tubarao to Qingdao (Dollar/day)	36.255	37.645	-3.69%
C5 West Australia to Qingdao (Dollar/day)	13.135	16.39	-19.86%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3020	3010	0.33%
SGX Front Month (Dollar/mt)	101.73	105.37	-3.45%
DCE Major Month (Yuan/mt)	765	782.5	-2.24%
China Port Inventory Unit (10,000mt)	16,481.11	16,396.10	0.52%
Australia Iron Ore Weekly Export (10,000mt)	2,099.50	1,945.60	7.91%
Brazil Iron Ore Weekly Export (10,000mt)	819.80	880.60	-6.90%

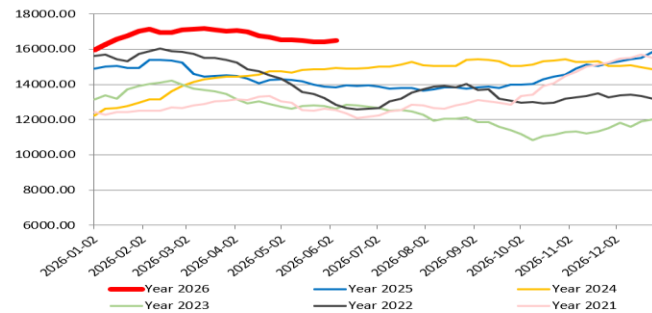
Australia Iron Ore Exports (million)



Brazil Iron Ore Exports (million)



Iron Ore Port Inventories (in 10,000 tonnes)



MB 65 - Platts IODEX(\$/mt)



Iron Ore Key Points

Iron ore shipments from Australia and Brazil continued to remain at elevated levels. Of note, a potential worker strike at Port Hedland in Western Australia before the end of June could affect port operations.

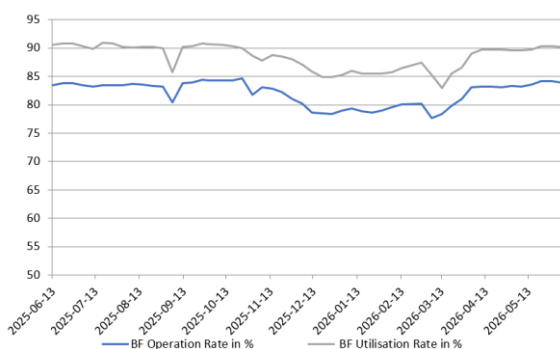
Port inventories of iron ore have resumed the accumulation trend. Based on vessel schedules and recent shipment volumes from major miners, the pace of inventory accumulation is likely to accelerate further in the coming period.

Demand for high-grade iron ore fines weakened, narrowing the MB65-P61 spread to \$16.10/dmt.

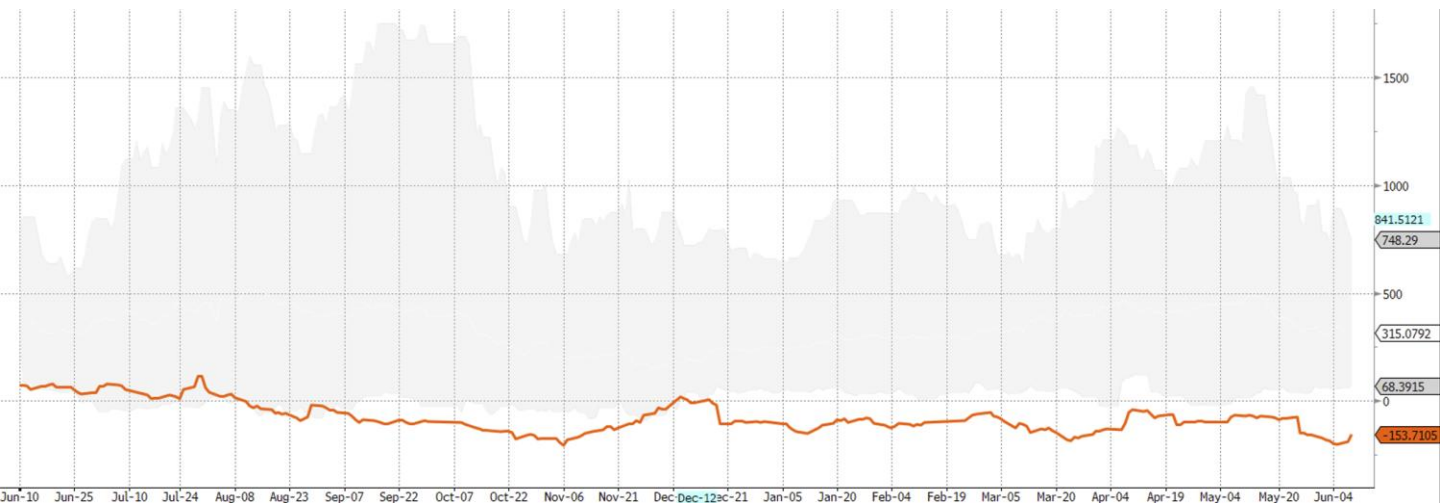
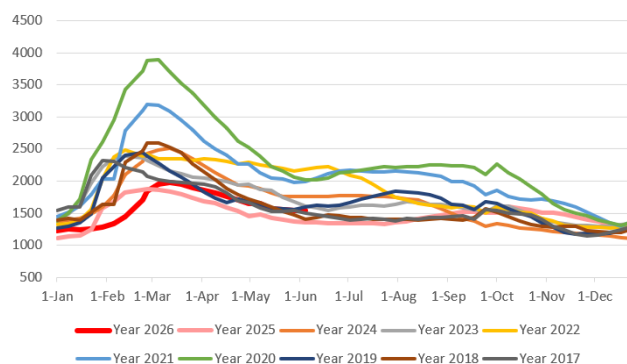
Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1126	1123	0.27%
LME Rebar Front Month (Dollar/mt)	590.5	591	-0.03%
SHFE Rebar Major Month (Yuan/mt)	3160	3157	0.10%
China Hot Rolled Coil (Yuan/mt)	3398	3411	-0.38%
Vitural Steel Mills Margin(Yuan/mt)	-154	-147	-4.76%
China Five Major Steel Inventories Unit (10,000 mt)	1548	1544	0.26%
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

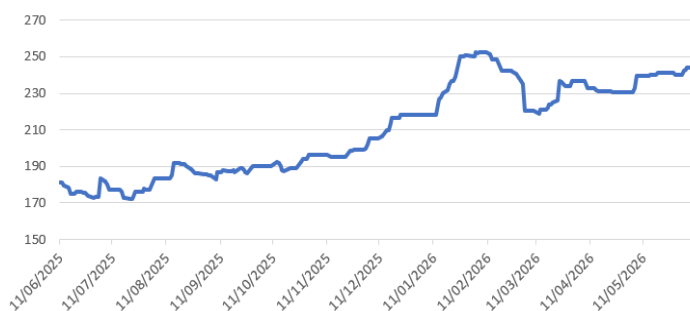
Although mines that had suspended production earlier have gradually resumed operations, coking coal supply still lags significantly behind pre-accident levels due to strict safety inspections, driving coking coal prices continuously higher. At the same time, iron ore prices have declined due to weakening fundamentals. As a combined result, the virtual steel mill margin down from -147 yuan/mt to -154 yuan/mt.

Blast furnace hot metal output edged down week-on-week. With steel mill profit margins under pressure, output may decline further in the coming period, weighing on iron ore demand.

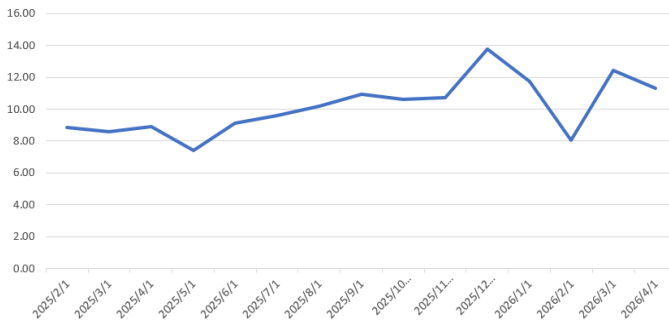
Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	244	240	1.67%
Coking Coal Front Month (Dollar/mt)	249	238.97	4.20%
DCE CC Major Month (Yuan/mt)	1444	1285	12.37%
Top Six Coal Exporter Weekly Shipment(Million mt)	4.97	5.02	-1.00%
China Custom total CC Import Unit mt	11,300,446	12,423,581	-9.04%

TSI FOB Premium Hard Coking Coal



China Custom Total CC Imports(million tonnes)



Coking Coal Key Points

Indian buyers have largely withdrawn from the Australian coking coal market, while Chinese buyers have shown a notable increase in interest in Australian coal resources. During the week, multiple transactions of Tier 2 coking coal were recorded, with transaction prices rising by approximately \$25/mt compared with the previous week.

Safety inspections at domestic mining areas remain strict, and supply is unlikely to return to normal levels in the near term. The current tight supply situation is expected to persist.

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.

Written by **Yifan Zhuang**
FIS Research Analyst
yifanz@freightinvestor.com