FIS

FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. The shipment rush phase for overseas mainstream miners has concluded, and shipment volumes are expected to decline seasonally going forward, thereby easing supply-side pressure on ore prices. However, given the overall weakness in downstream steel demand, the upside room for iron ore prices remains limited.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral to Bearish**. Rebar prices continued to trade with a weakening bias. As steel mill production losses have widened, some mills have opted to cut output, which is expected to ease some of the inventory accumulation pressure. In the near term, a significant improvement in end-user demand remains unlikely.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Despite limited demand for seaborne coking coal, Chinese end-users have shown a strong willingness to inquire, as import margins remain at relatively wide levels. Sellers, on the other hand, are holding firm to their current offers. Overall, the market remains in a phase of stalemate.

Prices Movement:

	6 Jul	29 Jun	Changes %	FIS Sentiment	
Platts IODEX CFR China($/MT)	98.35	98.9	-0.56%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3178	3201	-0.72%	Neutral to Bearish	-
TSI FOB Premium Hard Coking Coal ($/mt)	240	243.5	-1.44%	Neutral	-

Commentary:

During the reporting week, iron ore prices traded overall with a weakening bias. Midweek, under pressure from loose fundamentals, ore prices edged down to $97.50/dmt. As steel mill profit margins continued to be squeezed by elevated coal and coke prices, some domestic steel mills scheduled blast furnace maintenance for July. According to a survey by Mysteel, the blast furnace operating rate declined by 0.42 percentage points week-on-week to 83.99% last week, and hot metal output is expected to gradually decline in the coming period, weighing on iron ore demand.

Entering July 3, the market received a boost from both macro and news developments, leading to a modest rebound in prices. On the one hand, the US June non-farm payrolls data came in weak, with only 57,000 jobs added—the lowest level in nearly four months and well below market expectations. Following the data release, Federal Reserve rate-hike expectations moderated, lifting sentiment in the broader commodities market. On the other hand, market rumours once again circulated that procurement of certain FMG fines had been restricted, further pushing ore prices higher.

However, the market broadly expects that negotiations between FMG and CMRG will be concluded before July 15. Drawing on the precedent of the previous pricing dispute with BHP, during which China continued to import resources from that miner, it is anticipated that the current FMG-related dispute will similarly not cause significant disruptions to supply.

In the near term, ore prices remain constrained by the relatively loose supply-demand fundamentals, lacking the momentum for a rebound. However, until hot metal output shows a significant decline, the downside potential is also relatively limited. In addition, on the seaborne cost side, freight rates on iron ore routes have rebounded following recent persistent declines, particularly on the C5 route (Western Australia to Qingdao), which has rallied by nearly 20% over the past week, potentially providing some support to ore prices.

Last week's global iron ore shipments surveyed by Mysteel reached 35.49 million tonnes, up 2.27 million tonnes WoW. Combined shipments from Australia and Brazil reached 28.32 million tonnes, up 0.37 million tonnes WoW, with Australian shipments at 19.13 million tonnes, up 0.27 million tonnes WoW and Brazilian shipments at 9.19 million tonnes, up 0.11 million tonnes WoW. China's 45-port iron ore arrivals down 2.26 million tonnes WoW to 25.12 million tonnes. China's iron ore port inventories at 45 major ports decreased by 0.91 million tonnes WoW to 167.03 million tonnes, while daily port evacuation volumes increased by 76,400 tonnes to 3.34 million tonnes. In the week before the end of the quarter, mainstream miners maintained an active shipment pace. However, according to Kpler, both BHP and FMG's June exports fell short of expectations, declining by 5% and 8% year-on-year, respectively. Against the backdrop of persistently high iron ore inventories at Chinese ports and weak demand, combined with the fact that both miners' shipments had already reached the midpoint of their FY2026 production guidance ranges, miners may not have maximised shipment volumes.

In West Africa, affected by the rainy season, the Simandou project shipped a total of 1.74 million tonnes in June, down approximately 18% month-on-month, and further declines in shipments are expected in July.

Over the past week, liquidity in the seaborne market weakened further, with only a few transactions recorded during the week, as some mainstream fines experienced negative import margins. Midweek, one cargo of JMBF was transacted at a discount of $5.13/dmt, while one cargo of NHGF and one cargo of MACF were transacted at $98.30/dmt and $97.80/dmt, respectively. On Friday, one cargo of BRBF was transacted on a floating price basis at a premium of $0.30/dmt, based on the August low-alumina index. In the low-grade fines segment, Rio Tinto transacted one cargo of SP10 fines at a discount of 14.88%, based on the August index.

In the lump ore segment, no transactions were recorded in the primary market this week, with premium levels holding steady at $0.2000/dmtu. Against the current backdrop of sustained pressure on steel mill profit margins, lump ore, which does not require sintering, retains a cost advantage. However, as some steel mills have begun to arrange production cuts, demand for lump ore has weakened. In the near term, lump ore premiums are expected to hold at current levels, remaining relatively stable.

Entering this week, liquidity in the seaborne market has picked up somewhat. BHP sold one cargo of NHGF and one cargo of MACF at prices of $96.90/dmt and $97.95/dmt, respectively. Meanwhile, one cargo of NBL was transacted at a premium of $0.2081/dmtu.

On the coking coal front, the pace of mine resumption remains relatively slow, as safety inspections continue to be stringent. According to a survey by Mysteel, as of July 1, 70 coal mines in Shanxi Province remained suspended, with a total capacity of approximately 93.70 million metric tonnes affected. However, due to weakness in the downstream steel market, end-users have shown low acceptance of high-priced raw materials, and coking coal prices have recently seen some pullback. According to a Platts report, a Shanxi-based miner has raised its July long term contract prices for coking coal. Based on the adjusted prices, seaborne coking coal below $270/mt CFR China would still be price-competitive compared with domestic coal. Nevertheless, overall demand for seaborne coking coal from Chinese end-users remains limited. Even if an import profit window exists, actual purchases may not necessarily materialise as some of the supply shortfall can be replenished through portside inventories.

In terms of transactions, a 40,000-tonne cargo of PLV Peak Downs coking coal was transacted midweek at $244/mt FOB Australia, equivalent to approximately $261.50/mt CFR China. In the Tier 2 coking coal segment, a trader offered a cargo of LVHCC Carborough Downs coking coal at $195/mt FOB Australia; however, the relevant Chinese end-user indicated that the offer was above port-side spot levels and showed no interest in procuring it.

Indian buyers continue to remain absent from the seaborne coking coal market. Under the influence of the monsoon season, downstream steel mills show reduced demand for coking coal, and buyers generally maintain a wait-and-see stance. In addition, Chinese buyers have persistently pushed up prices for seaborne resources, rendering the current price levels unfeasible for Indian buyers. Some sellers have reported that coking coal inventories at Indian ports are ample, and that steel mills‘ acceptable price level is only slightly above $250/ton CFR India.

M65/P61 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 $15.78/dmt, and the M65/M61 spread closed at $16.22/dmt.

SGX front-month contract spread closed at $0.18/dmt, while the DCE main contract September/January spread closed at 11 yuan/dmt.

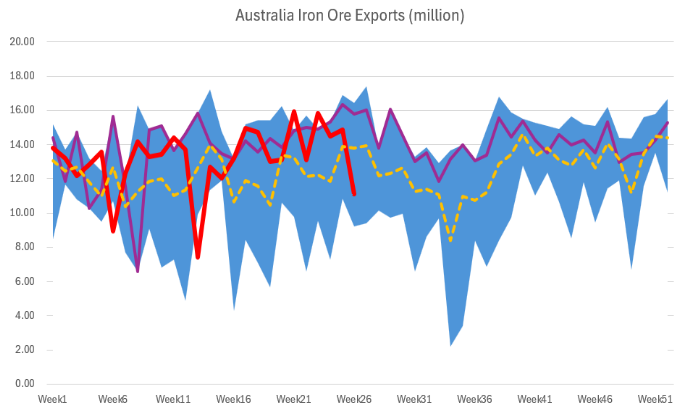
Our view for Iron ore is short-run Neutral, while a sharp rebound in freight rates on the cost side may provide some support to ore prices**. For coking coal FOB Australia is short-run Neutral.**

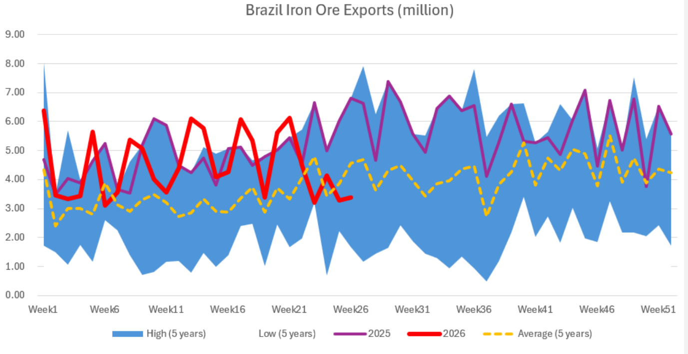
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	98.35	98.9	-0.56%
MB 65% Fe (Dollar/mt)	114.13	114.07	0.05%
Capesize 5TC Index (Dollar/day)	35575	28588	24.44%
C3 Tubarao to Qingdao (Dollar/day)	31.614	28.082	12.58%
C5 West Australia to Qingdao (Dollar/day)	12.77	10.16	25.69%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2940	2970	-1.01%
SGX Front Month (Dollar/mt)	97.81	98.76	-0.96%
DCE Major Month (Yuan/mt)	737	741	-0.54%
China Port Inventory Unit (10,000mt)	16,702.59	16,793.94	-0.54%
Australia Iron Ore Weekly Export (10,000mt)	1,912.90	1,886.40	1.40%
Brazil Iron Ore Weekly Export (10,000mt)	918.70	908.30	1.14%

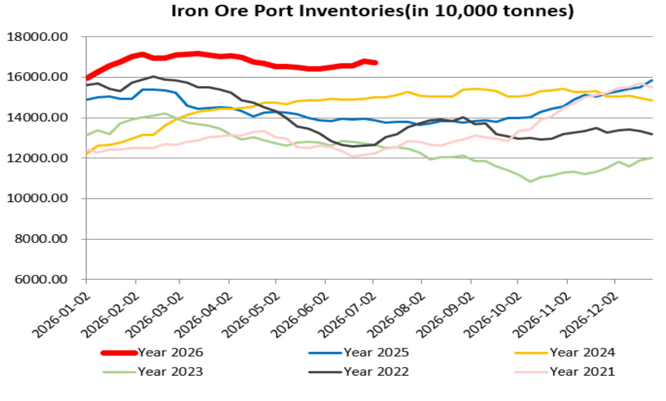
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS



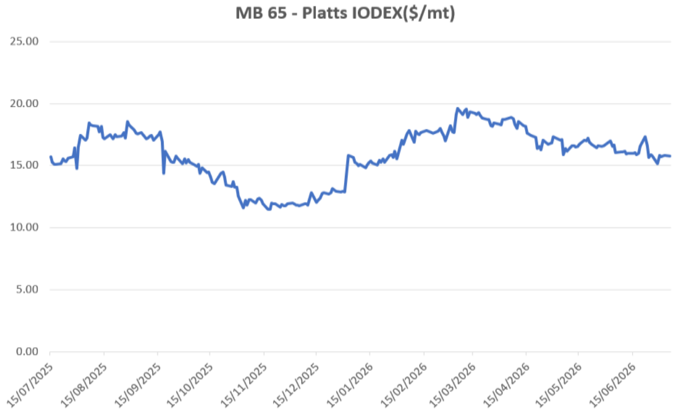


Iron Ore Key Points

In the week before the end of the quarter, mainstream miners maintained an active shipment pace. However, overall, both BHP and FMG's June shipments fell short of expectations. Looking ahead, according to Kpler's forecast, Brazilian iron ore shipments in July are expected to reach 38 million tonnes, a year-to-date high, and are projected to climb further to a seasonal peak level in August.



Blast furnace hot metal output at steel mills remained stable, and the average daily port evacuation volume rebounded to a high of 3.344 million metric tonnes last week, helping to reduce port inventories marginally on a week-on-week basis.

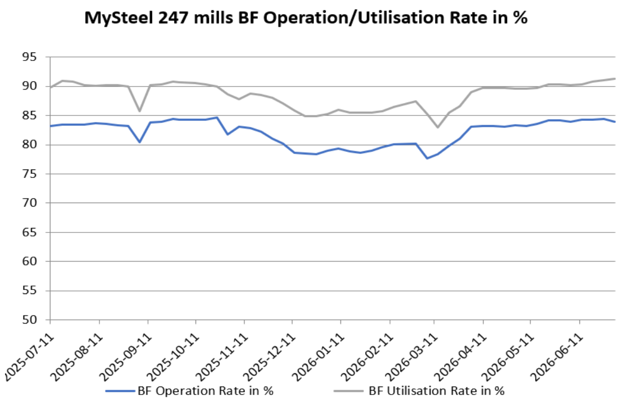


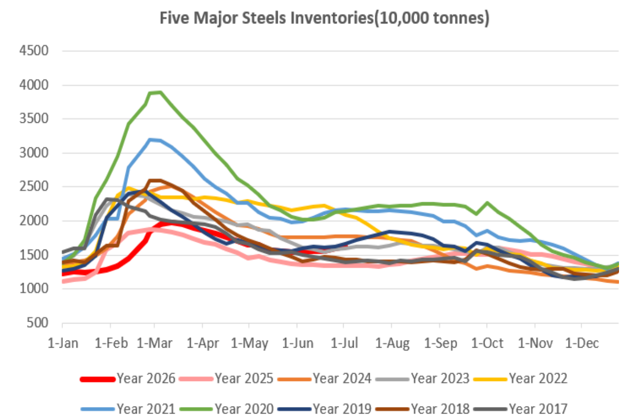
Iron ore prices fluctuated narrowly this week, with MB65-P61 spread closed at $15.78/dmt.

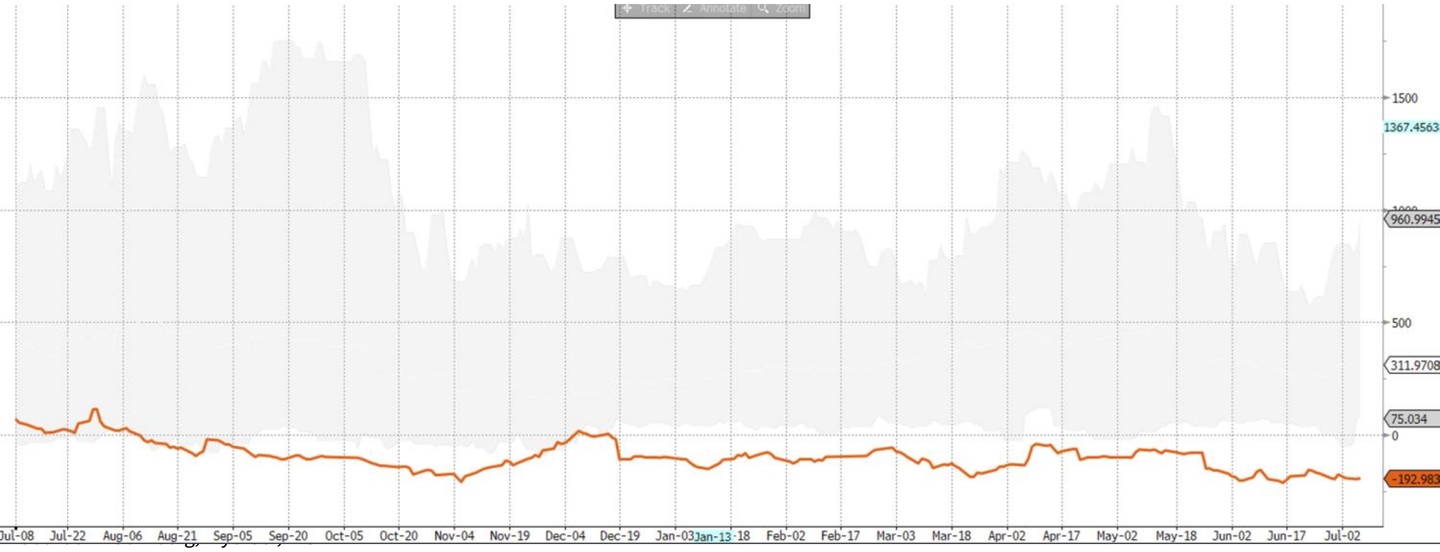
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1156	1156	**0.00%**
LME Rebar Front Month (Dollar/mt)	583	585	**-0.34%**
SHFE Rebar Major Month (Yuan/mt)	3065	3091	**-0.84%**
China Hot Rolled Coil (Yuan/mt)	3296	3328	**-0.96%**
Vitural Steel Mills Margin(Yuan/mt)	-192	-197	**2.54%**
China Five Major Steel Inventories Unit (10,000 mt)	1557	1560	**-0.19%**
Global Crude Steel Production Unit (1,000 mt)	84400	83600	**0.96%**
World Steel Association Steel Production Unit(1,000 mt)	157,900	153,400	**2.93%**





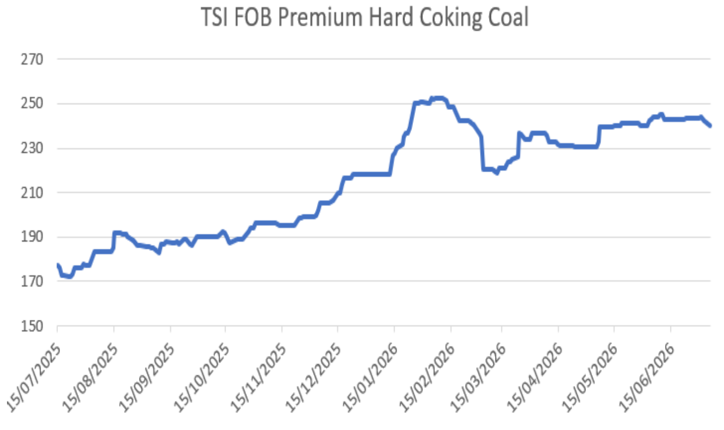


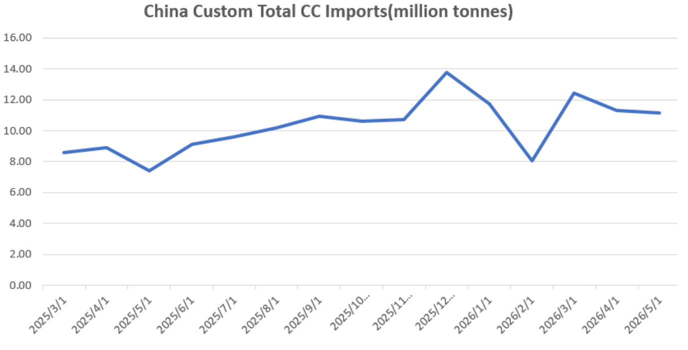
Domestic coking coal supply recovery remains slow, and coking coal prices continue to fluctuate at elevated levels. Iron ore prices, meanwhile, traded steadily. The virtual steel mill margin saw limited change this week, narrowing from -197 yuan/mt to -192 yuan/mt.

The average daily hot metal output from blast furnaces edged higher to 2.43 million metric tonnes. However, as steel mill profit margins remain under persistent pressure, some mills have scheduled blast furnace maintenance, and the operating rate has declined slightly. Hot metal output is expected to peak and then retreat, though the downside room is relatively limited.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	240	243.5	**-1.44%**
Coking Coal Front Month (Dollar/mt)	241	243.25	**-0.92%**
DCE CC Major Month (Yuan/mt)	1280.5	1242.5	**3.06%**
Top Six Coal Exporter Weekly Shipment(Million mt)	7.04	7.55	**-6.75%**
China Custom total CC Import Unit mt	11,145,020	11,300,446	**-1.38%**





Coking Coal Key Points

A 40,000-tonne cargo of PLV Peak Downs coking coal was transacted in the Australian coking coal market at $244/mt FOB Australia, while the index fluctuated within a narrow range over the week.

At present, Australian PHCC still holds a price advantage over domestic coking coal, but it is insufficient to drive large-scale procurement by Chinese buyers. For end-users, marginal shortfalls can be supplemented by more competitively priced portside spot resources, and they remain cautious towards seaborne 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 premium quality and higher price.

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

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

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

Ferrous Industry Chain: Upstream materials including 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 means 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 bulk iron ore. Lumps are directly added to a blast furnace, which carries a premium 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 carry a 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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