FIS

FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. The pace of Australian iron ore shipments has moderated, while freight rates have rebounded, providing some support to ore prices. However, hot metal output has already declined, and the overall supply-demand balance remains loose, capping the upside potential for ore prices and keeping the market in a narrow range-bound pattern.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral**. Steel mill profit margins remain under pressure, prompting some mills to initiate voluntary production cuts. Although the market is still in the off-season for demand, prices have continued to decline, suggesting that further downside potential may gradually narrow and a period of stabilisation may follow.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bearish**. Chinese buyers' demand for seaborne Australian coking coal has weakened further. The current market lacks sufficient buyers to absorb available supply, and prices have declined for several consecutive days.

Prices Movement:

	13Jul	06 Jul	Changes %	FIS Sentiment	
Platts IODEX CFR China($/MT)	98.10	98.35	-0.25%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3157	3178	-0.66%	Neutral	-
TSI FOB Premium Hard Coking Coal ($/mt)	231	240	-3.75%	Neutral to Bearish	-

Commentary:

During the reporting week, the iron ore market saw no significant fluctuations, with prices trading within a narrow range of $98–99/dmt. The Platts 61% Fe index closed at a recent high of $99.10/dmt on Wednesday, driven mainly by two factors. On the one hand, the resurgence of geopolitical tensions in the Middle East pushed up international oil prices, while expectations of higher seaborne costs provided some support to ore prices. However, sustained high oil prices could slow economic activity, which in turn would weigh on global iron ore demand. At the same time, iron ore cargo flows destined for the Middle East may face disruption. Therefore, the actual impact of the recent volatility in the Middle East on iron ore prices is likely to be limited.

On the other hand, a more direct driver came from the planned strike by workers at BHP's Port Hedland operations on 16 July. According to reports by Reuters and other media outlets, an estimated 160–200 workers out of approximately 450 local workers are expected to participate in the action. Nevertheless, this event is not sufficient to alter the overall loose supply-demand balance for iron ore. According to Kpler data, the wharf targeted by the strike has an average daily shipment volume of about 500,000–800,000 tons. Against the backdrop of high iron ore inventories at Chinese ports, the actual market impact of a one-day strike is relatively limited. Market sentiment quickly stabilised after digesting the news, and prices subsequently retreated.

The blast furnace operating rate and hot metal output both declined last week as profit conditions continued to deteriorate. According to Mysteel data, the average daily hot metal output of sample steel mills decreased by 19,800 tons week-on-week to 2.41 million tons. Nevertheless, current hot metal output remains at a relatively elevated level for the year, and pressure on iron ore prices is expected to remain limited until a significant decline materialises. Overall, iron ore prices are expected to continue trading within a narrow range in the near term. Market attention may gradually shift towards the Politburo meeting scheduled for the end of the month, which will set the policy direction for the second half of the year and potentially provide some support to market sentiment.

Last week's global iron ore shipments surveyed by Mysteel reached 28.90 million tons, down 6.59 million tons WoW. Combined shipments from Australia and Brazil reached 22.50 million tons, down 5.81 million tons WoW, with Australian shipments at 16.71 million tons, down 2.42 million tons WoW, and Brazilian shipments at 5.79 million tons, down 3.40 million tons WoW. China's 45-port iron ore arrivals were down 1.77 million tons WoW to 23.35 million tons. China's iron ore port inventories at 45 major ports decreased by 1.06 million tons WoW to 165.96 million tons, while daily port evacuation volumes decreased by 102,900 tons to 3.24 million tons. Following the shipment rush, shipment volumes from mainstream miners declined notably. Looking ahead, Australian mines are expected to gradually enter a seasonal maintenance phase, which may further moderate their shipment pace. In contrast, Brazilian shipments are likely to remain elevated over the next two months, in line with seasonal patterns.

Over the past week, liquidity in the seaborne market remained generally subdued, with transactions concentrated on BHP's mainstream medium- and low-grade iron ore fines. During the week, three fixed-price cargoes of MACF were transacted at $96.75/dmt, $97.10/dmt and $97.10/dmt, respectively; one cargo of NHGF was transacted at $97.80/dmt. On the floating-price side, one cargo of JMBF was transacted at a discount of $4.70/dmt. Entering this week, BHP sold one cargo of NHGF and one cargo of MACF at $97.50/dmt and $96.75/dmt, respectively.

Lump ore products continued to perform well, maintaining healthy import margins amid a relatively tight supply-demand balance. One cargo of NBLU was transacted at a discount of $0.38/dmt against the LP index. In addition, one cargo of NBL was transacted at a premium of $0.2131/dmtu, pushing the lump ore premium further up to $0.2045/dmtu.

Following nearly a month of consolidation, Australian coking coal prices declined for several consecutive days last week, as insufficient buying interest to absorb available supply weighed on the market. Since the safety incident at a coal mine in Shanxi Province in late May, Australian PHCC prices had held steady at around $243/mt, maintaining a price advantage over domestic Chinese coking coal. Chinese end-users therefore continued to monitor potential buying windows. However, actual procurement volumes remained limited, with buyers preferring to replenish through the portside spot market. According to Mysteel data, imported coking coal inventories at 16 major ports in China increased by 431,000 tons week-on-week to 6.12 million tons, indicating that cargoes purchased after the mine accident have arrived at ports and buyers currently have no urgent need to procure at prevailing price levels.
From a supply-demand perspective, production suspensions and resumptions in Shanxi have remained frequent since the start of July due to ongoing safety inspections, and coking coal supply is still struggling to return to normal levels. However, downstream hot metal output has already declined, and raw material demand is weakening accordingly, pointing to the possibility of a further downward correction in coking coal prices.

Following the waning of Chinese buying interest, the supply-demand dynamics in the Australian coking coal market have shifted, with the overall balance turning towards oversupply. Several cargoes of PHCC for loading in July and August remain unsold, while demand from India has shown no significant change, with end-users generally showing little willingness to purchase high-priced coking coal during the monsoon season. As a result, prices have come under downward pressure. As of Monday this week, the Australian PHCC Index had fallen by $9/mt week-on-week to $231/mt. No transactions were recorded in the Australian coking coal market during the week. Although sellers have been actively seeking buyers, the gap between buyers' and sellers' target prices remains wide, creating significant resistance to concluding trades. On Friday's globalCOAL platform, for example, one cargo of PLV coking coal was offered at $248/mt FOB Australia, while the highest bid stood at only $227/mt, a spread of as much as $21/mt.

The M65/P61 spread continued to fluctuate within a narrow range in line with the market. As of the time of writing, the M65/P61 spread closed at $15.96/dmt, while the M65/M61 spread closed at $16.18/dmt.

Against a loose supply-demand balance, iron ore remains in contango. The SGX front-month contract spread closed at -$0.05/dmt, while the DCE September/January spread closed at 13 yuan/dmt.

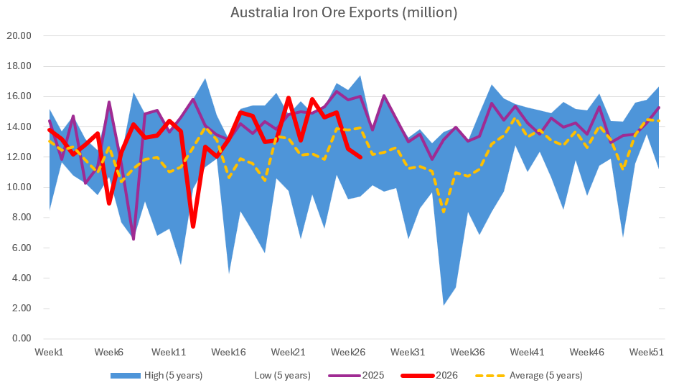
Our view on iron ore is short-run Neutral, while our view on coking coal FOB Australia is short-run Neutral to Bearish. However, recurring tensions in the Middle East have pushed international oil prices higher, which could increase demand for coal as a substitute fuel and thereby drive coal prices higher.

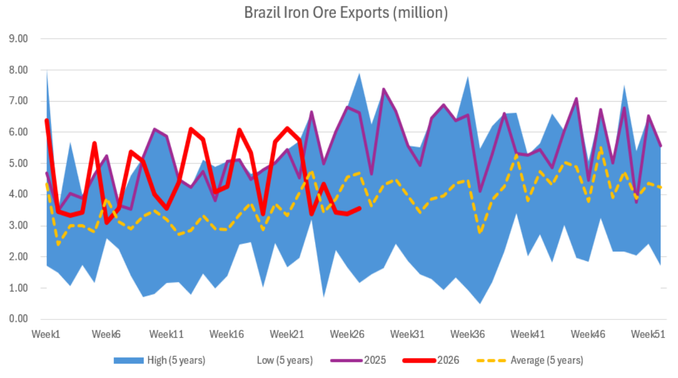
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	98.1	98.35	-0.25%
MB 65% Fe (Dollar/mt)	114.06	114.13	-0.06%
Capesize 5TC Index (Dollar/day)	39138	35575	10.02%
C3 Tubarao to Qingdao (Dollar/day)	33.11	31.614	4.73%
C5 West Australia to Qingdao (Dollar/day)	13.485	12.77	5.60%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2970	2940	1.02%
SGX Front Month (Dollar/mt)	99.28	97.81	1.50%
DCE Major Month (Yuan/mt)	748	737	1.49%
China Port Inventory Unit (10,000mt)	16,596.36	16,702.59	-0.64%
Australia Iron Ore Weekly Export (10,000mt)	1,671.20	1,912.90	-12.64%
Brazil Iron Ore Weekly Export (10,000mt)	579.00	918.70	-36.98%

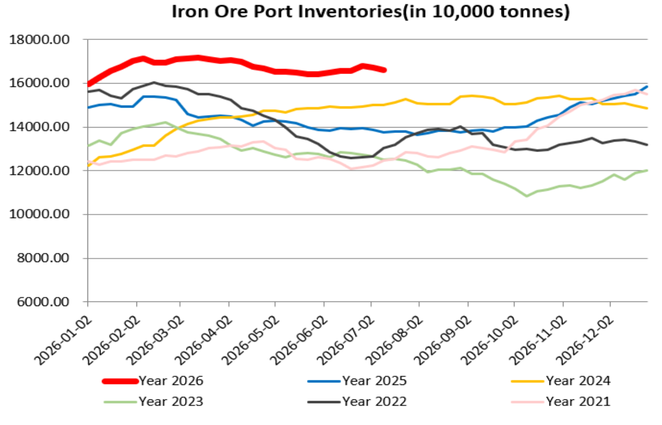
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS



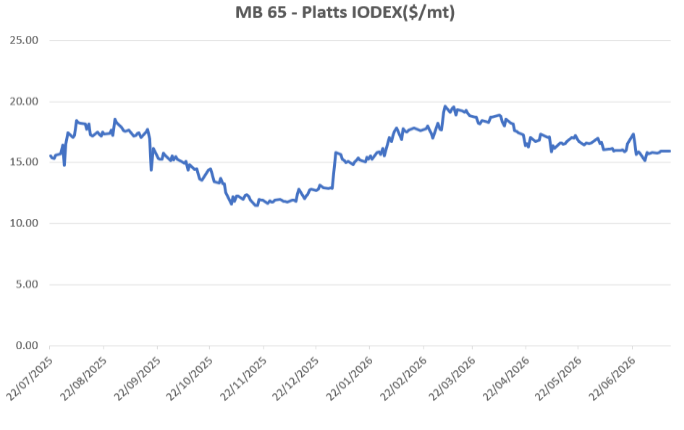


Iron Ore Key Points

Following the conclusion of the end-of-quarter shipment rush, shipment volumes from mainstream miners fell sharply this week. Looking ahead, Australian mines are expected to gradually enter a seasonal maintenance phase, which may lead to further declines in shipment volumes, while Brazilian shipments are projected to remain elevated. BHP workers have planned a strike for 16 July. Should the strike fail to develop into sustained and prolonged action, its impact on the overall supply-demand balance is expected to be very limited.



Last week, iron ore port inventories continued to edge down, although the absolute level remained elevated. With downstream hot metal output gradually declining, port inventories are expected to return to an accumulation trend.

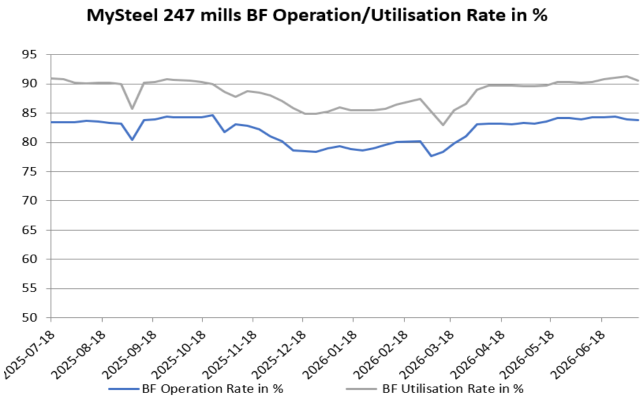


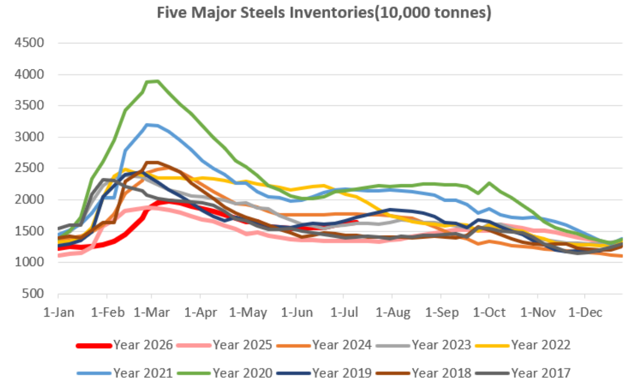
The spread continued to fluctuate within a narrow range in line with the market, with the M65/P61 spread closing at $15.96/dmt.

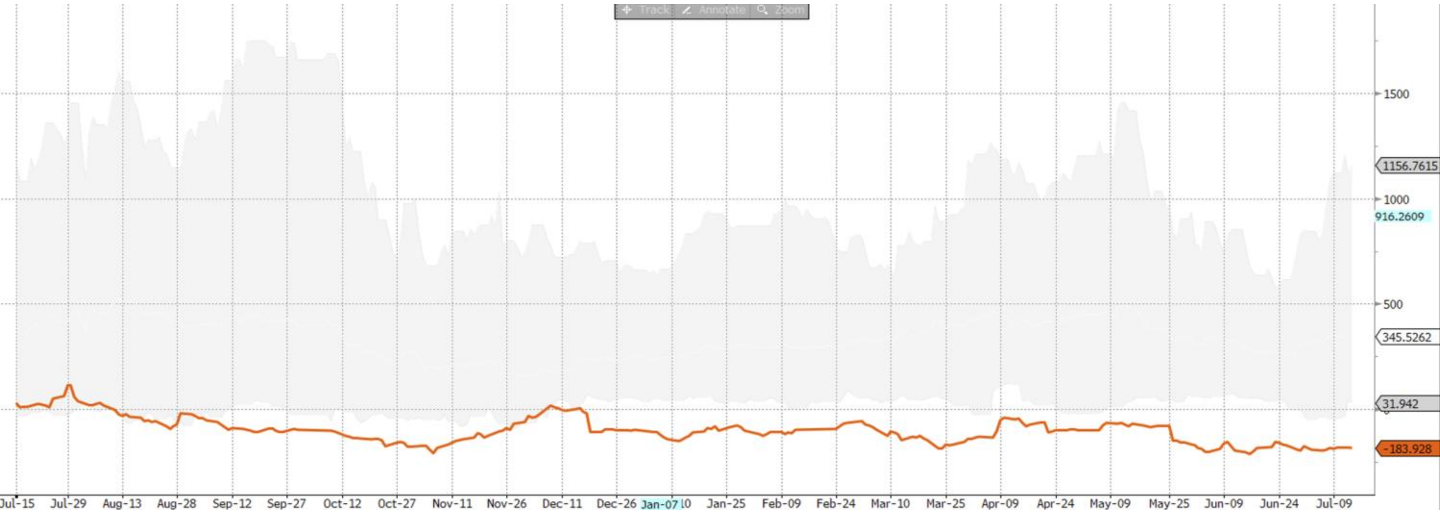
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1158	1156	0.17%
LME Rebar Front Month (Dollar/mt)	575	583	-1.37%
SHFE Rebar Major Month (Yuan/mt)	3086	3065	0.69%
China Hot Rolled Coil (Yuan/mt)	3300	3296	0.12%
Vitural Steel Mills Margin(Yuan/mt)	-192	-197	2.54%
China Five Major Steel Inventories Unit (10,000 mt)	1634	1623	0.68%
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%







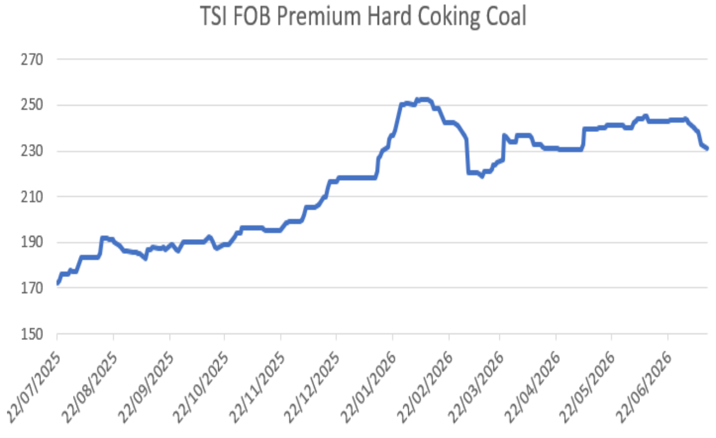
Source: Bloomberg, Mysteel, FIS

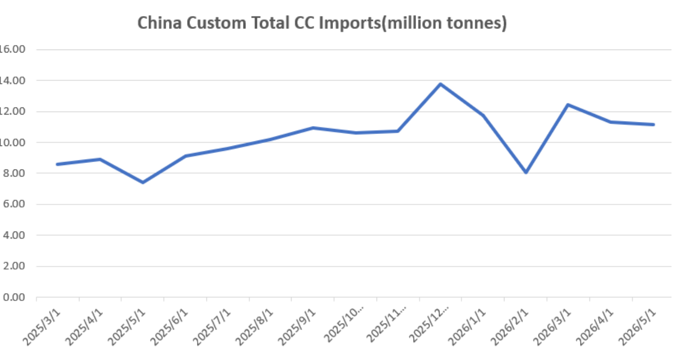
Coking coal futures prices edged down slightly, while iron ore maintained narrow-range fluctuations. The virtual steel mill margin saw limited changes this week, improving from -192 yuan/mt to -183 yuan/mt.

Some steel mills initiated voluntary production cuts amid poor profit conditions, with the average daily hot metal output from blast furnaces declining by approximately 20,000 tons week-on-week to 2.41 million tons. However, this level remains relatively elevated for the year and continues to provide some support to iron ore demand. Whether output will decline further remains to be seen.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	231	240	**-3.75%**
Coking Coal Front Month (Dollar/mt)	237	241	**-1.66%**
DCE CC Major Month (Yuan/mt)	1261.5	1280.5	**-1.48%**
Top Six Coal Exporter Weekly Shipment(Million mt)	5.24	7.95	**-34.09%**
China Custom total CC Import Unit mt	11,145,020	11,300,446	**-1.38%**





Coking Coal Key Points

The gap between buyers' and sellers' target prices in the Australian coking coal market remains significant. If sellers are unwilling to lower their offers further, resistance to concluding trades is likely to remain high in the near term. Against a backdrop of weak demand, both Chinese and Indian buyers show no intention of accepting high-priced cargoes, and their procurement appetite remains subdued.

According to calculations by SXCOAL, the current Australian coking coal price of $233/mt FOB Australia translates to an ex-warehouse cost at Chinese ports of approximately 1,963 yuan/mt, which still maintains a price advantage over domestic coking coal. However, portside coking coal cargoes in China are currently ample, and end-users tend to replenish inventories through portside purchases on an as-needed basis.

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

Fact Sheet

Australia HCCLV Peak Downs: An important Australian benchmark brand of prime-quality hard, low-volatility coking coal, with a higher price.

Backwardation Market: A market in which futures prices are lower than the underlying physical prices, or front-month contracts are higher than deferred-month contracts.

Contango Market: A market in which futures prices are higher than the underlying physical prices, or front-month contracts are lower than deferred-month contracts.

Cost Saving Strategy: Refers to steel mills focusing on lowering variable costs to maintain profit margins.

Ferrous Industry Chain: Upstream materials include iron ore concentrates, lumps and pellets; scrap, pig iron, HBI and DRI; coking coal, semi-soft coal and other coal; ferroalloys; and materials for different furnaces or EAFs. Midstream commonly refers to semi-finished and finished steel, including crude steel, structural steel, flat steel, HRC, CRC and rebar. Downstream refers to steel end-users, including housing, infrastructure, automotive manufacturing, energy, shipbuilding, home appliances, containers and machinery.

Flat Steel: Finished steel is categorised into wide strip and narrow strip. Standard flat steel includes hot-rolled and cold-rolled steel. Downstream markets include automotive manufacturing, electrical appliances and industries using thin and flat steel. Flat steel is the most actively traded steel type internationally.

Iron Ore Lump: Naturally occurring bulk iron ore. Lump ore is added directly to a blast furnace and trades at a premium to iron ore concentrates.

Iron Ore Pellets: Semi-processed iron ore made by converting concentrates into pellets after sintering. Pellets are acidic and can be used to adjust the acidity and alkalinity of a blast furnace. Pellets trade at a premium to iron ore concentrates.

Long Steel: Finished steel, including wire rod and rebar, generally associated with the housing construction market.

More or Less Clause: A trade term. In seaborne iron ore trading, cargo weight may differ between the loading and arrival ports because of changes in moisture content. For example, some customs authorities accept a maximum moisture rate of 10% for certain iron ore brands. In steel trading by truck or train, contracts usually allow a certain percentage tolerance for weight differences between quality testing and the contract.

Rebar 25mm Shanghai: The most volatile physical steel product traded in China and a major export product. SGX's rebar contract was highly correlated with this physical product.

Steelmaking Process: The process typically includes the BF-converter and EAF processes. The US and Western Europe predominantly use EAFs. Pig iron and scrap are significant inputs for EAFs. China, Japan and India predominantly use the BF-converter process. The raw materials include iron ore, coke and coking coal.

SGX—DCE Difference: The SGX settlement price minus the DCE value after normalisation for VAT, ferrous grade and foreign exchange.

Virtual Steel Margin: Calculated using a combination of rebar, iron ore and coking coal futures to provide a leading indicator of physical steel margins.

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