FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. Short-term disruptions to Australian iron ore supply are providing some support to ore prices. However, an increasing number of maintenance plans at domestic steel mills is weighing on raw material demand. On balance, iron ore prices are expected to remain within a narrow range.
- **Rebar 25mm Shanghai**: Our view is short-run **Neutral.** As the impact of extreme weather subsides, steel demand has picked up slightly. Against the backdrop of voluntary production cuts by steel mills, rebar inventories recorded modest destocking last week. However, off-season patterns are expected to persist in the near term, and steel prices are likely to continue fluctuating at low levels.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bearish**. Australian PHCC prices continued their downward trend. In an oversupplied market, both Chinese and Indian buyers remain largely in wait-and-see mode, preferring to wait for prices to correct further to an acceptable level.

Prices Movement:

	20 Jul	13 Jul	Changes %	FIS Sentiment	
Platts IODEX CFR China($/MT)	98.90	98.10	+0.82%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3134	3157	-0.72%	Neutral	-
TSI FOB Premium Hard Coking Coal ($/mt)	225.1	231	-2.55%	Neutral to Bearish	-

Commentary:

During the reporting week, the iron ore market edged higher at one point, with prices fluctuating within a narrow range around the $100/dmt level. On the supply side, the breakdown of negotiations between BHP and the union led to a strike by Port Hedland workers on the 16th, providing a short-term boost to ore prices. However, this event was largely sentiment-driven, with limited impact on the actual supply-demand balance, and loading operations at the port were not interrupted during the strike. BHP stated that it would restart negotiations on Tuesday, and the event is unlikely to sustain upward pressure on prices.

At the same time, negotiations between FMG and CMRG have yet to make progress, and imports of SSF remain restricted. Market participants had generally held optimistic expectations that an agreement would be reached, and the failure to meet these expectations has provided some support to prices.

While supply-side disruptions emerged, demand-side conditions also showed signs of weakening. As steel mill production losses continued to widen, blast furnace maintenance plans increased. According to Mysteel data, average daily hot metal output from sample steel mills declined by 20,600 tons week-on-week to 2.39 million tons, a year-on-year decrease of 32,300 tons. Based on announced maintenance schedules, there remains room for hot metal output to decline further, which will continue to cap the upside for iron ore prices.

On the macro front, iron ore has some upside potential. On the one hand, the Politburo meeting at the end of the month will set the policy direction for the second half of the year, and market participants typically hold positive expectations ahead of policy implementation, which could provide support to ore prices.

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

On the other hand, renewed escalation of tensions in the Middle East has pushed international oil prices higher, with oil exports through the Strait of Hormuz once again disrupted. Whether rising fuel costs and increased tonnage consumption will translate into higher freight rates on iron ore routes remains to be seen; an increase in freight rates would raise import costs and thereby push ore prices higher. According to Kpler estimates, iron ore prices excluding freight remained broadly stable between April and June this year. When ore prices reached a year-to-date high in May, freight accounted for 18%–19% of the landed price of 62% Fe iron ore; in June, this ratio declined to below 17%, suggesting that freight rate fluctuations have a direct impact on ore prices.

Last week's global iron ore shipments surveyed by Mysteel reached 33.00 million tons, up 4.10 million tons WoW. Combined shipments from Australia and Brazil reached 26.86 million tons, up 4.36 million tons WoW, with Australian shipments at 18.66 million tons, up 1.95 million tons WoW, and Brazilian shipments at 8.20 million tons, up 2.41 million tons WoW. China's 45-port iron ore arrivals increased by 3.66 million tons WoW to 27.01 million tons. China's iron ore port inventories at 45 major ports decreased by 2.51 million tons WoW to 163.45 million tons, while daily port evacuation volumes decreased by 339,300 tons to 2.90 million tons. Australian iron ore shipments remained at relatively low levels, while Brazilian shipments rebounded to elevated levels, in line with seasonal patterns.

Over the past week, liquidity in the seaborne market has yet to show any significant improvement, with transactions continuing to be concentrated in BHP's mainstream iron ore fines. Midweek, BHP sold one cargo of JMBF at a discount of $4.60/dmt, one cargo of MACF at $99.40/dmt and one cargo of NHGF at $98.70/dmt. Subsequently, on Thursday, BHP concluded another cargo of JMBF at a discount of $4.99/dmt. In the case of PBF, although the miner actively posted offers on the platform in search of buyers, no match was ultimately found; one 170,000-ton cargo of PBF was offered at $100.75/dmt. Meanwhile, as negotiations between FMG and CMRG made no progress and imports of SSF remained restricted, market interest in low-grade resources such as Jinbao fines and SP10 fines increased, though no actual transactions were recorded during the week. Lump continued its recent strong performance, with a cargo of NBL transacted midweek at a premium of $0.2399/dmtu, further pushing the LP index higher.

During the reporting week, Australian PHCC prices edged down by $1.50/mt to $227.50/mt FOB Australia, as persistent demand weakness continued to weigh on trading liquidity. Following the Shanxi mine accident, Chinese buyers had emerged as active purchasers in the market. However, with previously concentrated seaborne coking coal cargoes arriving at ports, fresh buying interest in Australian PHCC from Chinese end-users has declined notably. According to customs data, China imported 42.78 million metric tons of coal and lignite in June, up 29.7% year-on-year. Mysteel data showed that imported coking coal inventories at 16 major ports nationwide increased by 270,000 tons week-on-week to 6.39 million tons, marking the second consecutive week of notable growth. At the same time, an increasing number of blast furnace maintenance plans at domestic steel mills has weighed on demand for coke and coking coal, with overall bearish expectations strengthening and market participants generally adopting a wait-and-see stance towards seaborne PHCC.

In the Indian market, despite the continued decline in Australian PHCC prices, buyers still consider current price levels unfeasible and prefer to wait for further corrections. Some traders have indicated that an acceptable price level in the Indian market would be approximately $243/mt CFR India or below, equivalent to around $221/mt FOB Australia.

In terms of specific transactions, early last week, a seller lowered its offer for a 75,000-ton cargo of PMV coking coal with late-August laycan from $229.50/mt to $228.00/mt FOB Australia, but failed to attract any buyer response, dragging the relevant index lower. Midweek, a miner sold a 30,000-ton cargo of PMV Goonyella coking coal to a trader at $229/mt. According to Platts, this transaction was not an independent sale and may have been linked to a floating-price trade or co-loaded with other cargoes. Entering this week, a steel mill purchased a cargo of PMV coking coal at $224/mt, with the seller having the option to deliver either Goonyella coking coal or Moranbah North coking coal. Meanwhile, as Tier 2 coking coal prices declined, Chinese buyers showed renewed interest in these resources. Midweek, a 75,000-ton cargo of LVHCC Carborough Downs coking coal was transacted at $186.50/mt FOB Australia, equivalent to approximately $205/mt CFR China. However, with port-side coking coal inventories in China currently high and warehouse capacity becoming tight, liquidity for future procurement is expected to remain limited.

The M65/P61 spread continued to fluctuate within a narrow range in line with the market. At the time of writing, the M65/P61 spread closed at $16.15/dmt, while the M65/M61 spread closed at $16.26/dmt.

Iron ore continued to trade in contango. The SGX front-month spread moved deeper into negative territory, from -$0.05/dmt to -$0.22/dmt, while the DCE September/January main-contract spread closed at 12.50 yuan/dmt.

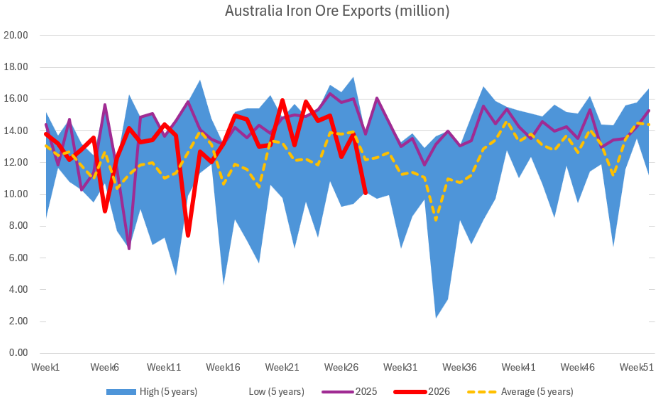
Our view on iron ore is short-run Neutral, while our view on coking coal FOB Australia is short-run Neutral to Bearish. However, after consecutive pullbacks, current PHCC prices are gradually approaching buyers' acceptable levels, and there is potential for a period of stabilisation going forward.

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

Iron Ore

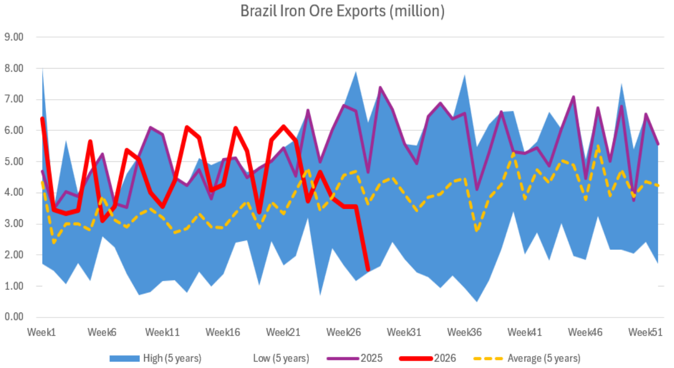
	Last	Previous	% Change
Platts IODEX (Dollar/mt)	98.9	98.1	0.82%
MB 65% Fe (Dollar/mt)	115.05	114.06	0.87%
Capesize 5TC Index (Dollar/day)	31768	39138	-18.83%
C3 Tubarao to Qingdao (Dollar/day)	32.105	33.11	-3.04%
C5 West Australia to Qingdao (Dollar/day)	11.045	13.485	-18.09%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2990	2970	0.67%
SGX Front Month (Dollar/mt)	100.20	99.28	0.93%
DCE Major Month (Yuan/mt)	761	748	1.74%
China Port Inventory Unit (10,000mt)	16,344.95	16,596.36	-1.51%
Australia Iron Ore Weekly Export (10,000mt)	1,865.70	1,671.20	11.64%
Brazil Iron Ore Weekly Export (10,000mt)	820.10	579.00	41.64%

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

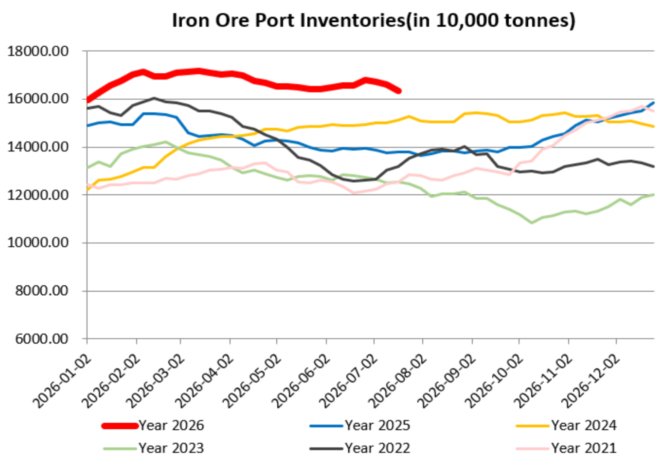


Iron Ore Key Points

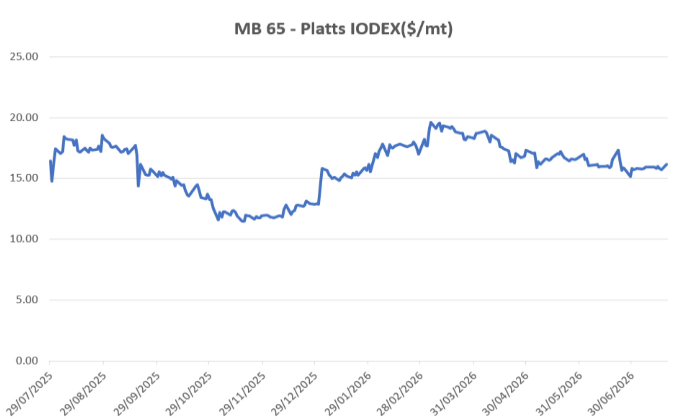
Australian iron ore shipments remained at relatively low levels, while Brazilian shipments rebounded, with the overall shipment pace in line with seasonal patterns. BHP workers held a strike lasting approximately eight hours on the 16th, but loading operations at the port were not completely interrupted, and the actual impact on the market was limited.



Last week, iron ore port inventories continued their modest destocking trend, though the absolute level remained elevated. In terms of inventory composition, medium-grade fines resources remained ample. It is worth noting that port inventories of SSF subject to restricted pick-up amounted to approximately 6 million tons, which may lead to a tighter balance for low-grade fines.



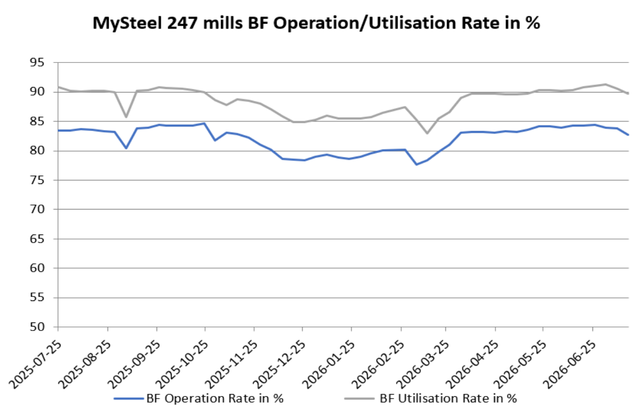
The spread continued to fluctuate within a narrow range in line with the market, with the MB65/P61 spread closing at $16.15/dmt.

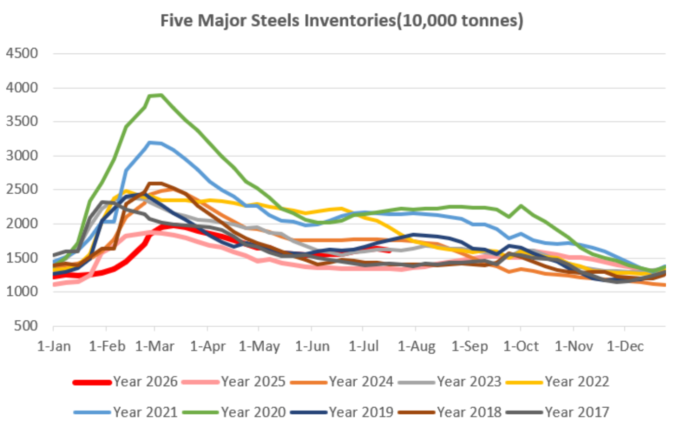


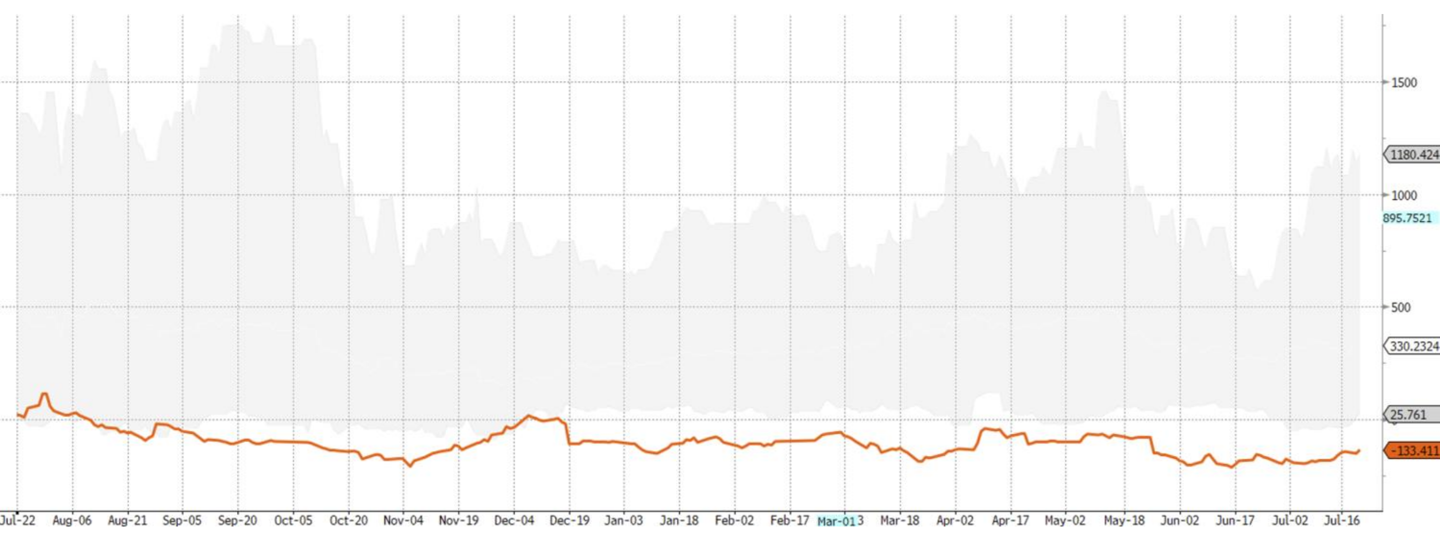
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1154	1158	**-0.35%**
LME Rebar Front Month (Dollar/mt)	575	575	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	3120	3086	**1.10%**
China Hot Rolled Coil (Yuan/mt)	3315	3300	**0.45%**
Vitural Steel Mills Margin(Yuan/mt)	-133	-192	**30.73%**
China Five Major Steel Inventories Unit (10,000 mt)	1616	1634	**-1.10%**
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%**







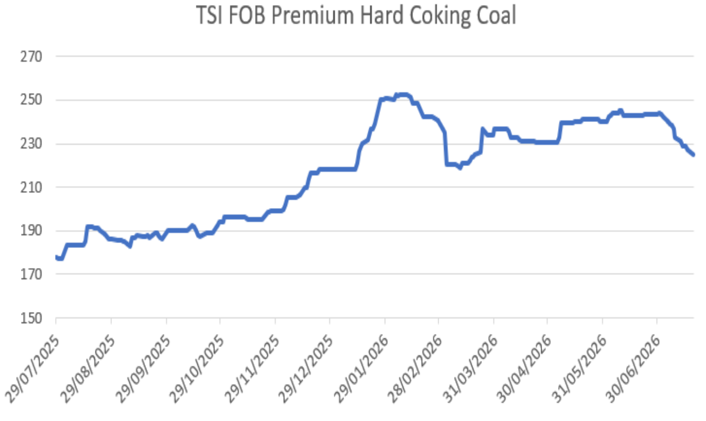
Source: Bloomberg, Mysteel, FIS

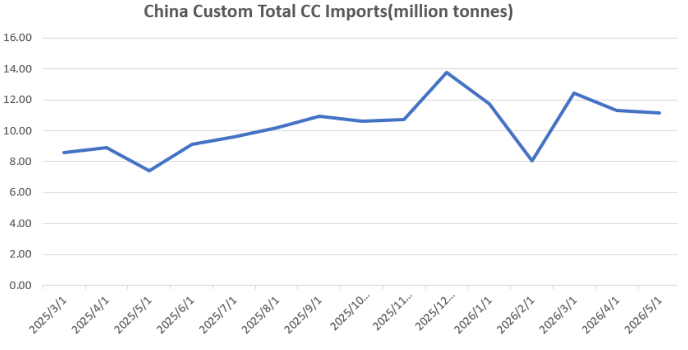
Driven by voluntary production cuts at steel mills, rebar futures prices stabilised and rebounded, while iron ore futures prices came under pressure and retreated. As a result, the virtual steel mill margin improved from -183 yuan/mt to -133 yuan/mt.

Steel mill production losses have widened, and the number of blast furnace maintenance plans has increased. Last week, average daily hot metal output declined by 20,600 tons week-on-week, falling back below 2.4 million tons for the first time in approximately two months. Based on announced maintenance schedules, hot metal output is expected to decline further, weakening fundamental demand support for raw materials.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	225.1	231	**-2.55%**
Coking Coal Front Month (Dollar/mt)	227.5	237	**-4.01%**
DCE CC Major Month (Yuan/mt)	1265	1261.5	**0.28%**
Top Six Coal Exporter Weekly Shipment(Million mt)	4.44	6.31	**-29.64%**
China Custom total CC Import Unit mt	12,182,749	11,145,020	**9.31%**





Coking Coal Key Points

PHCC prices continued their downward trend. Affected by the off-season for steel consumption in both China and India, end-user demand remains subdued overall. Coupled with ample port-side coking coal inventories, buyers in both markets are adopting a wait-and-see stance towards seaborne resources, waiting for further price corrections.

At present, Chinese traders have shown renewed interest in Australian Tier 2 coking coal, with an acceptable price range of approximately $205–210/mt CFR China. However, given ample port-side inventories and limited storage capacity, actual transactions are expected to remain relatively limited.

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

Fact Sheet

Australian HCC LV Peak Downs: Peak Downs is an important Australian low-volatility hard coking coal benchmark brand, with prime quality and a higher price.

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

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

Cost-Saving Strategy: A strategy in which steel mills focus on lowering variable costs to maintain profit margins.

Ferrous Supply Chain: Upstream materials include iron ore concentrates, lumps and pellets; scrap, pig iron, HBI and DRI; coking coal, semi-soft coking coal and other coals; ferroalloys; and other blast furnace or EAF feedstocks. Midstream commonly refers to semi-finished and finished steel products, 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 and narrow strip. Common flat steel products include hot-rolled and cold-rolled steel. Downstream markets include automotive manufacturing, electrical appliances and other industries that use thin and flat steel products. Flat steel is the most actively traded steel category internationally.

Iron Ore Lump: Natural lump iron ore. Lump can be charged directly into a blast furnace and trades at a premium to iron ore concentrates.

Iron Ore Pellets: Semi-processed iron ore produced by forming concentrates into pellets. Pellets can be used to adjust the acidity and alkalinity of a blast furnace and trade at a premium to iron ore concentrates.

Long Steel: Finished steel products, including wire rod and rebar, that are generally linked to the construction market.

More or Less Clause: A trade term allowing a specified tolerance in delivered weight. In seaborne iron ore trading, weight may differ between loading and arrival ports due to 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 rail, contracts also usually allow a specified percentage tolerance for weight differences between quality testing and contracted volumes.

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

Steelmaking Process: Steelmaking typically includes the BF-converter process and the EAF process. The US and Western Europe mainly use EAFs, for which pig iron and scrap are significant inputs. China, Japan and India mainly use the BF-converter process, for which key 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: A calculated futures steel margin based on a basket of rebar, iron ore and coking coal, used as a leading indicator of physical steel margins.

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