FIS

FERROUS WEEKLY REPORT

28 Jul 2026

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. The impact of supply-side disruptions has faded, and iron ore prices have edged lower. No significant changes have occurred in the current fundamentals, with hot metal output remaining on its expected declining trajectory. In the near term, ore prices are expected to fluctuate with a weakening bias.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral**. Following the coke price cuts, steel mills' production losses have been partially alleviated, prompting a recovery in output. However, demand remains suppressed by off-season factors, and short-term rebound momentum is insufficient, keeping prices under pressure.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. The Australian coking coal market continues to face a loose supply-demand balance. However, after consecutive pullbacks, prices have approached the target levels of some speculative buyers, and there is a possibility of stabilisation in the near term.

Prices Movement:

	27 Jul	20 Jul	Changes %	FIS Sentiment	
Platts IODEX CFR China($/MT)	97.10	98.90	-1.82%	Neutral	-
Rebar 25mm Shanghai (Yuan/MT)	3113	3134	-0.67%	Neutral	-
TSI FOB Premium Hard Coking Coal ($/mt)	221.5	225.1	-1.70%	Neutral	-

Commentary:

Iron ore prices briefly reached the $100/dmt level but were subsequently pushed back down by the loose fundamental backdrop. As sentiment-driven support from supply-side disruptions was gradually digested by the market, prices declined for three consecutive days early last week, with the Platts 61% Fe index falling from $99.80/dmt at the close on 17 July to $96.20/dmt. Prices subsequently rebounded to around $97.50/dmt during trading before settling into a relatively quiet range.

According to Kpler data, the actual impact of CMRG's procurement restrictions on FMG has been limited. Exports from FMG's Anderson Point terminal near Port Hedland to China showed only a modest decline, and apart from SSF, other products are still being discharged as normal.

At present, the primary drivers of ore price movements remain supply-demand fundamentals. According to Mysteel data, the average daily hot metal output of sample steel mills declined by 15,100 tonnes week-on-week to 2.38 million tonnes last week, a year-on-year decrease of 45,300 tonnes. With ample availability of mainstream medium-grade fines on the supply side, iron ore prices currently lack sufficient momentum for a near-term rebound.

Ahead of the Politburo meeting, steel mills in the Tangshan area received notices of phased production restrictions. Specifically, blast furnace operations are to be curtailed by approximately 20%, while sintering and lime kiln operations are to be curtailed by around 40%. This is expected to reduce hot metal output further. However, as this development has largely been in line with market expectations, although it will have some impact on short-term raw material demand, the marginal effect on prices is expected to be limited. From a macroeconomic and seaborne cost perspective, the situation in the Middle East remains complex. Although some signs of easing between the US and Iran emerged over the weekend, international oil prices remain elevated. It is worth noting that high oil prices have significantly raised the cost of repositioning ballasting Capesize vessels from the Pacific to the Atlantic, thereby hindering the rebalancing of tonnage between the two oceans. The supply-demand imbalance in the Pacific continues to weigh on freight rates. Therefore, in the near term, high oil prices are unlikely to be transmitted to iron ore prices through the cost side.

Last week's global iron ore shipments surveyed by Mysteel reached 30.85 million tonnes, down 2.16 million tonnes WoW. Combined shipments from Australia and Brazil reached 24.80 million tonnes, down 2.06 million tonnes WoW, with Australian shipments at 16.72 million tonnes, down 1.94 million tonnes WoW, and Brazilian shipments at 8.08 million tonnes, down 0.12 million tonnes WoW. China's iron ore arrivals at 45 ports fell by 3.07 million tonnes WoW to 23.94 million tonnes. China's iron ore port inventories at 45 major ports decreased by 0.22 million tonnes WoW to 163.23 million tonnes, while daily port evacuation volumes increased by 336,000 tonnes to 3.24 million tonnes. Australian and Brazilian iron ore shipments continued to follow seasonal patterns.

Liquidity in the seaborne market, while still limited, has improved compared with earlier periods, with mainstream medium-grade fines showing relatively active trading. In the middle of last week, Rio Tinto sold two 170,000-tonne cargoes of PBF at $96.20/dmt, marking the first PBF transactions in the primary market in nearly a month. On Thursday, Rio Tinto sold an additional 170,000-tonne cargo of PBF at $97.45/dmt. In addition, one cargo of BRBF was transacted at $102.30/dmt and one cargo of MACF at $97.10/dmt during the week. On the high-grade side, one cargo of IOCJ was transacted at $114.40/dmt. Entering this week, medium-grade fines continued to see the good liquidity recorded last week, with a total of four cargoes concluded on Monday. Two 170,000-tonne cargoes of PBF were transacted at $96.95/dmt and $97.05/dmt, respectively. In addition, one cargo of MACF was traded at $96.40/dmt and one cargo of NHGF at $96.70/dmt.

In the lump ore segment, premiums remained elevated amid stable demand. During the week, one cargo of NBL was transacted at a premium of $0.2260/dmtu.

During the reporting week, the Australian coking coal market remained under pressure from weak demand, with the PHCC index edging down from $225.10/mt to $221.50/mt. In China, the first round of domestic coke price cuts has been implemented, and the market widely expects further reductions in the near term. Blast furnace hot metal output has continued to decline, weakening fundamental demand support for raw materials. At the same time, previously purchased seaborne coking coal cargoes have been arriving at ports. According to Mysteel data, imported coking coal inventories at major Chinese ports increased by 316,000 tonnes week-on-week to 6.70 million tonnes, representing a cumulative increase of nearly 1 million tonnes since the end of June. Against this backdrop, Chinese buyers' willingness to procure forward seaborne coal remains very limited. In India, with the monsoon season still ongoing, downstream demand has yet to recover. Indian buyers remain largely on the sidelines, with the pace of purchasing subdued as they wait for prices to reach their target levels.

However, as prices continued to decline, some market participants believed that essential end-user demand remained intact and that current price levels were approaching a near-term bottom, prompting them to tentatively engage in speculative buying. In China, following inventory depletion over the previous period, coking coal inventories at coking plants and steel mills have declined to low-to-moderate levels, while the resumption of production in Shanxi mining areas remains slow, constrained by ongoing safety inspections. Against this backdrop, competitively priced imported coking coal resources at ports will ultimately be absorbed. In India, as the monsoon season enters its later stage, local steel mills are expected to gradually resume restocking, which could provide some support to seaborne coking coal demand going forward.

In terms of specific transactions, last Thursday a miner sold an 85,000-tonne cargo of PLV Peak Downs coking coal to a Chinese trader at $223.11/mt. In addition, market sources indicated that a cargo comprising 40,000 tonnes of PMV Moranbah North and 40,000 tonnes of PLV German Creek coking coal had been sold to a Chinese buyer, though the exact transaction price had yet to be confirmed. The seller had previously offered this cargo at $235/mt CFR China, equivalent to approximately $217/mt FOB Australia. The two transactions suggest, to some extent, that buying interest has emerged following the price pullback and is able to absorb some Australian coking coal resources.
In the Tier 2 coking coal segment, no transactions were recorded this week. Although LVHCC prices have approached portside spot levels, secondary resources are more readily available at ports than PHCC, and Chinese buyers still prefer to procure from the portside spot market.

A cargo of IOCJ was transacted at $114.40/dmt, pushing the 65% Fe index higher, while ample availability of medium-grade fines drove a modest widening in the M65/P61 spread. At the time of writing, the M65/P61 spread stood at $17.02/dmt, while the M65/M61 spread stood at $17.12/dmt.

Iron ore continued to trade in contango. The SGX front-month contract spread moved deeper into negative territory, from -$0.22/dmt to -$0.26/dmt, while the DCE main contract September–January spread closed at 11 yuan/dmt.

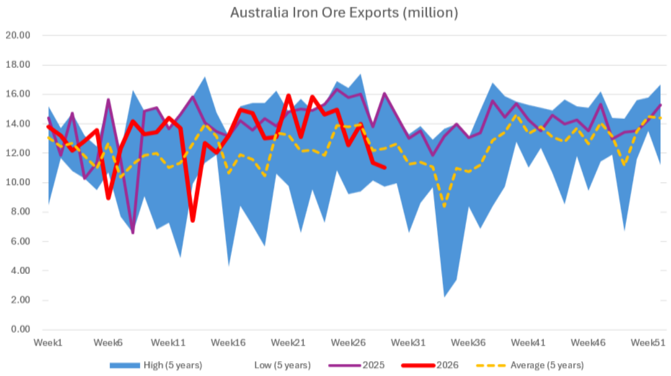
Our view on Iron ore is short-run Neutral. Our view on coking coal FOB Australia is short-run Neutral.

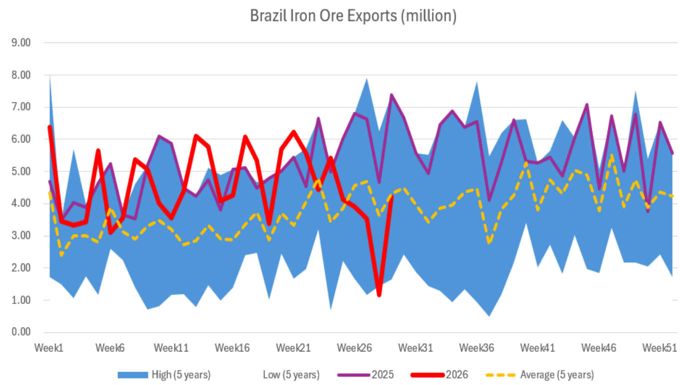
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

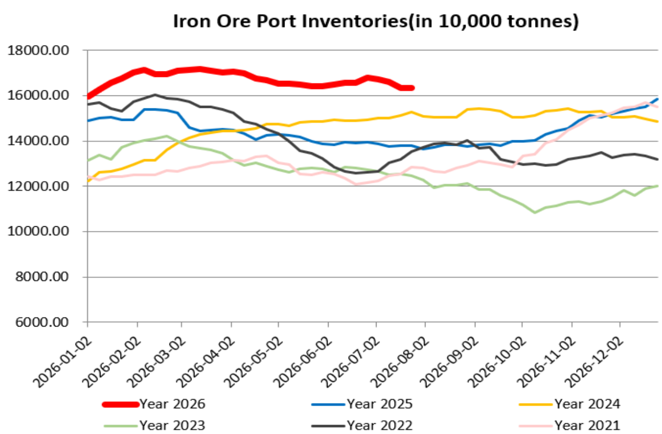
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	97.1	98.9	**-1.82%**
MB 65% Fe (Dollar/mt)	114.12	115.05	**-0.81%**
Capesize 5TC Index (Dollar/day)	34587	31768	**8.87%**
C3 Tubarao to Qingdao (Dollar/day)	34.36	32.105	**7.02%**
C5 West Australia to Qingdao (Dollar/day)	12.625	11.045	**14.31%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2960	2990	**-1.00%**
SGX Front Month (Dollar/mt)	98.15	100.20	**-2.05%**
DCE Major Month (Yuan/mt)	743	761	**-2.37%**
China Port Inventory Unit (10,000mt)	16,323.43	16,344.95	**-0.13%**
Australia Iron Ore Weekly Export (10,000mt)	1,672.10	1,865.70	**-10.38%**
Brazil Iron Ore Weekly Export (10,000mt)	807.90	820.10	**-1.49%**

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS







Iron Ore Key Points

Australian and Brazilian iron ore shipments edged down slightly last week, though Brazilian shipments remained at elevated levels, with the overall pace in line with seasonal patterns.

Iron ore port inventories continued their modest destocking trend, though the absolute level remained elevated, continuing to weigh on ore prices.

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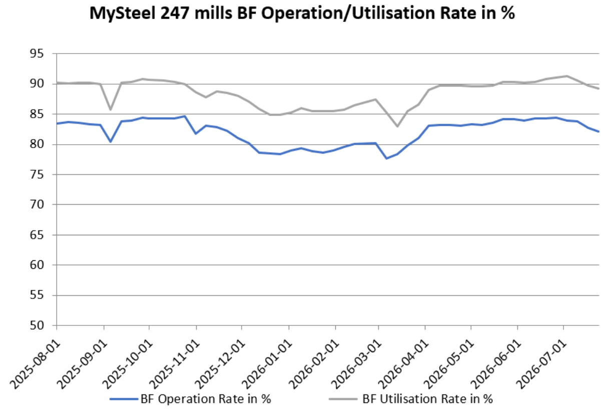
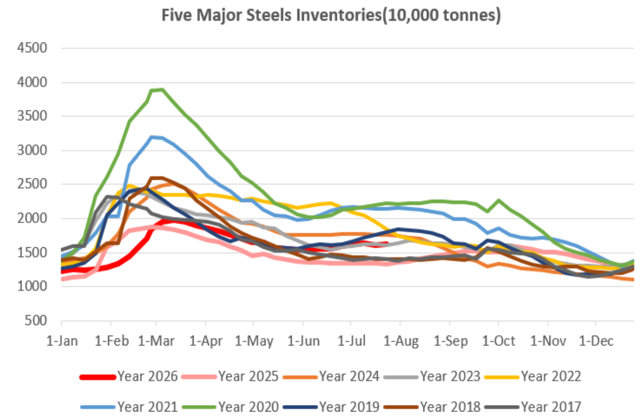
Boosted by a fixed-price transaction for one cargo of IOCJ, the 65% Fe index moved higher, pushing the MB65-P61 spread slightly wider to $17.02/dmt.

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	1154	**0.17%**
LME Rebar Front Month (Dollar/mt)	576.5	575	**0.26%**
SHFE Rebar Major Month (Yuan/mt)	3073	3120	**-1.51%**
China Hot Rolled Coil (Yuan/mt)	3285	3315	**-0.90%**
Vitural Steel Mills Margin(Yuan/mt)	-144	-133	**-8.27%**
China Five Major Steel Inventories Unit (10,000 mt)	1629	1616	**0.80%**
Global Crude Steel Production Unit (1,000 mt)	83700	84400	**-0.83%**
World Steel Association Steel Production Unit(1,000 mt)	155,700	157,900	**-1.39%**





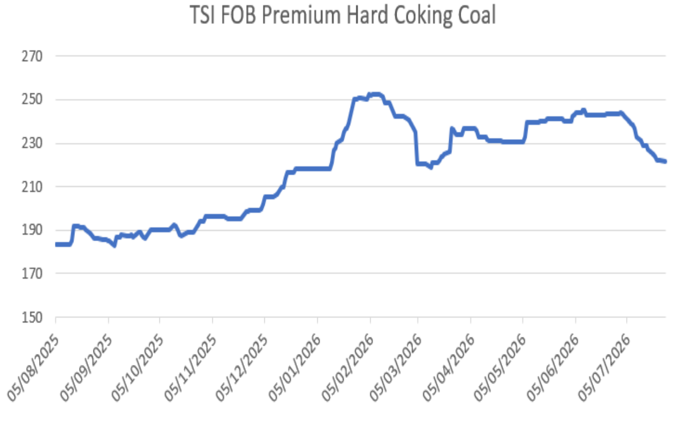
Source: Bloomberg, Mysteel, FIS

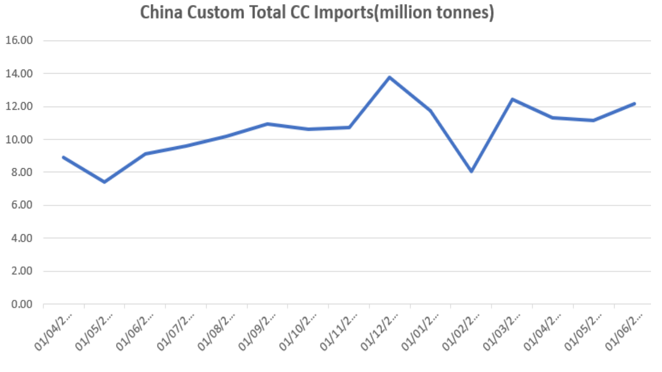
The ferrous complex traded overall with a weakening bias. The virtual steel mill margin moved deeper into negative territory, from -133 yuan/mt to -144 yuan/mt.

Production losses at steel mills remain widespread. The average daily hot metal output of sample steel mills declined further to 2.38 million tonnes last week, a week-on-week decrease of 15,100 tonnes and a year-on-year decrease of 45,300 tonnes. This week, steel mills in the Tangshan area are subject to phased production restrictions, leaving room for further declines in hot metal output. However, as these restrictions are broadly in line with market expectations and are of short duration, their actual impact on the iron ore market is expected to be relatively limited.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	221.5	225.1	-1.60%
Coking Coal Front Month (Dollar/mt)	221	227.5	-2.86%
DCE CC Major Month (Yuan/mt)	1284	1265	1.50%
Top Six Coal Exporter Weekly Shipment(Million mt)	5.42	4.88	11.07%
China Custom total CC Import Unit mt	12,182,749	11,145,020	9.31%





Coking Coal Key Points

Australian PHCC prices continued their downward trend, with weak demand from Chinese and Indian buyers remaining the primary drag. However, as prices gradually approach the target levels of some buyers, speculative buying interest has begun to emerge in the market.

As previously procured seaborne coking coal has arrived at Chinese ports, imported coking coal inventories have continued to accumulate, reaching 6.70 million tonnes, a cumulative increase of nearly 1 million tonnes compared with the end of June. Against this backdrop, most buyers remain cautious about procuring seaborne coal.

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

Fact Sheet

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

Backwardation Market: A market in which futures prices are lower than the underlying physical prices or front-month contracts are priced 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 priced 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 materials. 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, automobile manufacturing, energy, shipbuilding, household appliances, containers and machinery.

Flat Steel: Finished steel is categorised into wide and narrow strip products. Common flat steel products include hot-rolled and cold-rolled steel. Downstream markets include automobile manufacturing, electrical appliances and other industries using thin and flat steel products. Flat steel is one of the most actively traded steel product categories internationally.

Iron Ore Lump: Naturally occurring lump iron ore. Lump ore can be charged directly into a blast furnace and normally trades at a premium to iron ore fines.

Iron Ore Pellets: A semi-processed iron ore product made by forming iron ore concentrate into pellets. Pellets can be charged into a blast furnace and used to adjust the burden's acidity and alkalinity. Pellets normally trade at a premium to iron ore fines.

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

More or Less Clause: A trade term allowing a specified tolerance in cargo weight. In seaborne iron ore trading, weight may differ between the loading and discharge ports due to changes in moisture content. For example, some customs authorities accept a maximum moisture content of 10% for certain iron ore brands. In steel transported by truck or rail, contracts also commonly permit a specified tolerance between the measured and contracted weight.

Rebar 25mm Shanghai: One of the most volatile physical steel products traded in China and a major exported product. SGX's rebar contract was highly correlated with this physical product.

Steelmaking Process: The principal steelmaking routes are the blast furnace-converter process and the electric arc furnace process. The US and Western Europe make extensive use of EAFs, for which scrap and pig iron are important inputs. China, Japan and India predominantly use the blast furnace-converter process, with key raw materials including iron ore, coke and coking coal.

SGX–DCE Difference: The SGX settlement price minus the DCE price after adjustments for VAT, iron content and foreign exchange.

Virtual Steel Margin: A calculated futures steel margin based on a basket of rebar, iron ore and coking coal prices, used as a leading indicator of physical steel margins.

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