FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. With the bearish impact of macro factors gradually being digested and supply-side uncertainties once again emerging, iron ore prices are expected to fluctuate at lower levels in the near term after sustained declines, although fundamentals have yet to improve.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral to Bearish.** Persistent high temperatures and typhoon-related disruptions continue to weigh on downstream construction activity, while demand remains sluggish. In the near term, steel prices are expected to remain under pressure.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. The overall supply-demand balance in the Australian coking coal market remains loose, though some end-users have shown increased willingness to engage in speculative buying, suggesting that prices may have bottomed out.

Price Movement:

	10 Aug	3 Aug	Changes %	FIS Sentiment	
Platts IODEX CFR China($/MT)	**95.15**	**93.70**	**+1.55%**	**Neutral**	-
Rebar 25mm Shanghai (Yuan/MT)	**3067**	**3090**	**-0.74%**	**Neutral to Bearish**	-
TSI FOB Premium Hard Coking Coal ($/mt)	**214.3**	**214.0**	**+0.14%**	**Neutral**	-

Commentary:

During the reporting week, iron ore prices rebounded modestly after touching a year-to-date low. Earlier, the Politburo meeting had not delivered stimulus policy signals beyond market expectations, while the macroeconomic headwinds from elevated Federal Reserve rate-hike expectations were gradually digested over the course of the sustained price decline. At the same time, mid-week market sources indicated that CMRG had notified steel mills to suspend negotiations with Rio Tinto on cargoes scheduled for loading after September, pending the outcome of long-term contract discussions. This supply-side uncertainty boosted market sentiment and supported the rebound in ore prices. According to Kpler data, over 50% of China's current iron ore imports from Australia are still under negotiation, covering supply from Rio Tinto's Pilbara operations as well as FMG.

On the demand side, last week the average daily hot metal output of sample steel mills tracked by Mysteel stood at 2.38 million tonnes, a week-on-week increase of 24,800 tonnes. With the conclusion of the meeting, production restrictions in the Tangshan area were lifted, and output rebounded as expected. However, production losses at steel mills remain a prominent issue. Until seasonal demand for end-user steel products picks up, mills lack the incentive to increase output, and the room for a rebound in hot metal output is expected to remain very limited in the near term.

On the freight front, prompt Capesize tonnage in the Pacific region was rapidly absorbed due to typhoon weather, as well as expedited shipments ahead of the BHP Port Hedland workers' strike over the weekend and port congestion during the strike period. This drove a notable increase in freight rates on routes in the region. The C5 route posted a week-on-week gain of over 10% and remains at seasonally elevated levels, continuing to provide cost-side support to imported iron ore prices.

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

Last week's global iron ore shipments surveyed by Mysteel reached 32.01 million tonnes, down 1.38 million tonnes WoW. Combined shipments from Australia and Brazil reached 25.69 million tonnes, down 1.69 million tonnes WoW, with Australian shipments at 17.97 million tonnes, up 0.62 million tonnes WoW, and Brazilian shipments at 7.71 million tonnes, down 2.31 million tonnes WoW. China's iron ore arrivals at 45 ports fell by 12.30 million tonnes WoW to 18.70 million tonnes. China's iron ore port inventories at 45 major ports increased by 1.09 million tonnes WoW to 167.00 million tonnes, while daily port evacuation volumes increased by 125,300 tonnes to 3.36 million tonnes. According to Kpler, the BHP workers' strike over the past weekend affected approximately 1.5–2.0 million tonnes of iron ore shipments. However, as BHP had made corresponding arrangements in advance and other miners' loading operations at Port Hedland were not affected, overall Australian iron ore shipments remain broadly in line with seasonal patterns. Nevertheless, should the strike remain unresolved, it could have some impact on total shipment volumes over the next one to two months.

Over the past week, liquidity in the seaborne market was generally moderate, with fines transactions still concentrated on BHP's mainstream products. During the week, one cargo of NHGF was transacted at $92.60/dmt, one cargo of MACF at $95.50/dmt, and one cargo of JMBF at a discount of $3.90/dmt. In the low-grade fines segment, FMG concluded a tender sale for a 190,000-tonne cargo, with the transaction concluded at an 8.8% discount to the September index. According to market sources speaking to Platts, this tender was the first public tender since negotiations between FMG and CMRG reached an impasse.

Lump ore continued to receive support from tight portside supply, with two cargoes of Newman lump transacted during the week at premiums of $0.2475/dmtu and $0.2495/dmtu, respectively, pushing lump ore premiums higher.
Australian PHCC prices have shown signs of stabilisation after a sustained decline, largely supported by Chinese buyers. On the domestic front, supply disruptions from ongoing safety inspections persist, while last week's temporary suspension of several coal mines in Lüliang due to a substation failure further tightened availability of certain coal grades, driving prices higher overall. Some traders told Platts that end-users from Shanxi had recently visited northern ports to enquire about seaborne coal. According to the latest Mysteel data, imported coking coal inventories at major Chinese ports declined by 43,000 tonnes week-on-week to 7.21 million tonnes last week, further confirming tight supply of premium coals. The Indian market, however, has shown no significant improvement, with end-users still insisting on target prices in the $200–207/mt FOB Australia range, which remains considerably below current price levels.

In terms of product performance in the seaborne market, PLV has been in greater demand. The premium of Peak Downs coking coal to the PLV index has widened from $1/mt previously to $2/mt. In contrast, PMV coals such as Moranbah North coking coal have seen their discount to the PLV index widen further to $4/mt due to a build-up of unsold cargoes.

In terms of specific transactions, on 5 August, a miner sold a 75,000-tonne cargo of PLV Peak Downs coking coal at $216.58/mt FOB Australia. This transaction helped restore some market sentiment, with some market participants believing that prices have essentially bottomed out. However, most participants remain cautious, suggesting that demand for PLV resources may be insufficient to provide effective support for prices of other coking coal grades. Separately, market sources indicate that a Chinese trader purchased a 75,000-tonne cargo of PMV Moranbah North coking coal at $207/mt FOB Australia.

In the Tier 2 coking coal segment, with coking coal prices in China moving higher, some speculative buyers have indicated prices slightly above $200/mt FOB Australia for LVHCC Carborough Downs coking coal. No transactions have been recorded during the week so far, but against the backdrop of improving market sentiment, deals could potentially be concluded in the near term.

Influenced by the negotiations between CMRG and Rio Tinto, the MB65/P61 spread has narrowed. At the time of writing, the MB65/P61 spread stood at $16.30/dmt, while the MB65/M61 spread stood at $16.76/dmt.

The SGX front-month contract spread continues to maintain a flat structure, with the September/October spread currently at -$0.04/dmt. The DCE active contract has rolled over to the January contract, and the current January/May spread stands at 8.5 yuan/dmt.

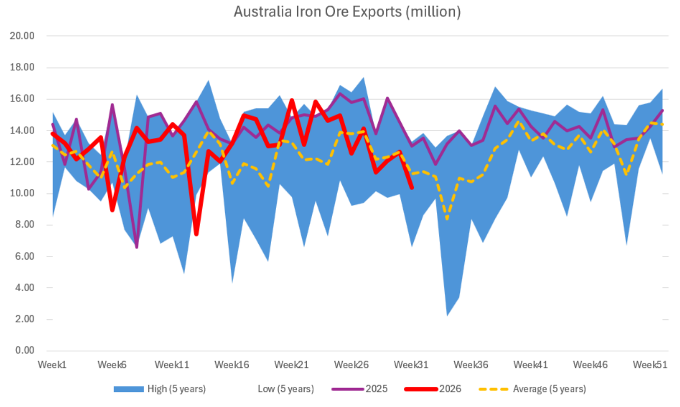
Our view on iron ore is short-run Neutral. Our view on coking coal FOB Australia is short-run Neutral.

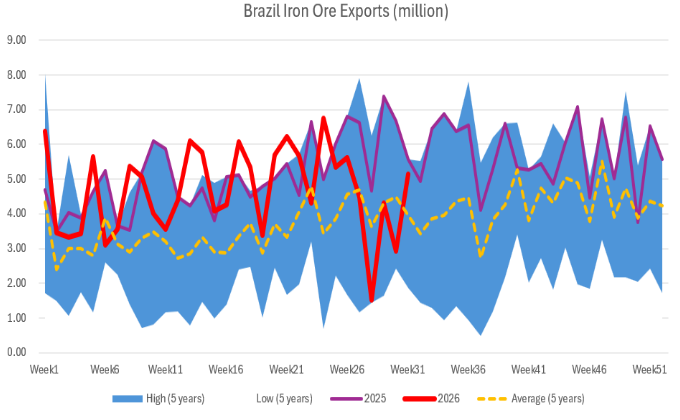
Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS

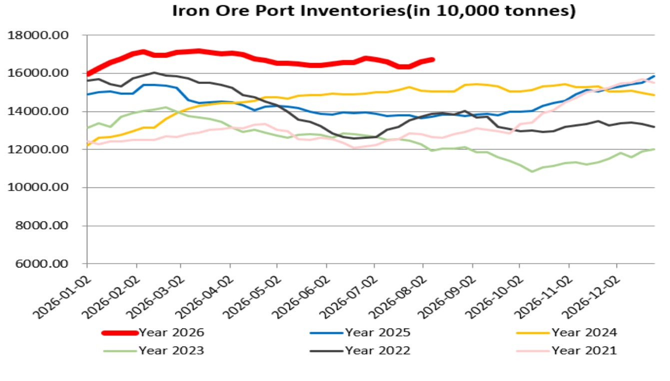
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	95.15	93.7	**1.55%**
MB 65% Fe (Dollar/mt)	111.45	110.22	**1.12%**
Capesize 5TC Index (Dollar/day)	42797	37892	**12.94%**
C3 Tubarao to Qingdao (Dollar/mt)	35.573	34.81	**2.19%**
C5 West Australia to Qingdao (Dollar/mt)	16.23	14.445	**12.36%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2940	2920	**0.68%**
SGX Front Month (Dollar/mt)	95.05	95.88	**-0.87%**
DCE Major Month (Yuan/mt)	716	718.5	**-0.35%**
China Port Inventory (10,000mt)	16,699.72	16,590.34	**0.66%**
Australia Iron Ore Weekly Export (10,000mt)	1,797.30	1,735.20	**3.58%**
Brazil Iron Ore Weekly Export (10,000mt)	771.20	1,001.80	**-23.02%**

Bloomberg, Platts, Fastmarket, Mysteel,Kpler,FIS







Iron Ore Key Points

The weekend strike by BHP workers at Port Hedland did not cause significant disruption to the overall shipment pace, and iron ore shipments from Australia and Brazil largely followed seasonal patterns. However, if the issue remains unresolved, total shipment volumes from Australia could decline over the next one to two months.

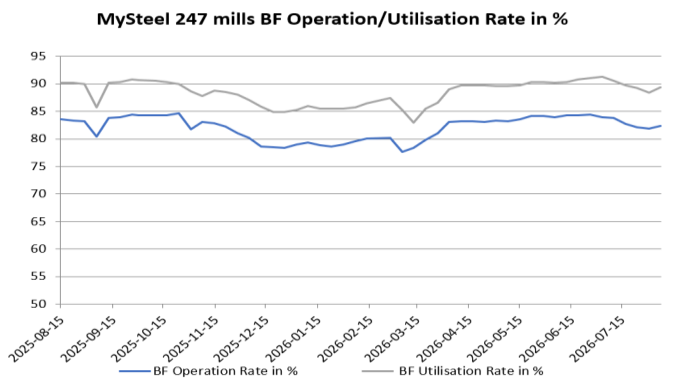
Iron ore port inventories remain elevated, edging up modestly, and continue to exert downward pressure on prices.

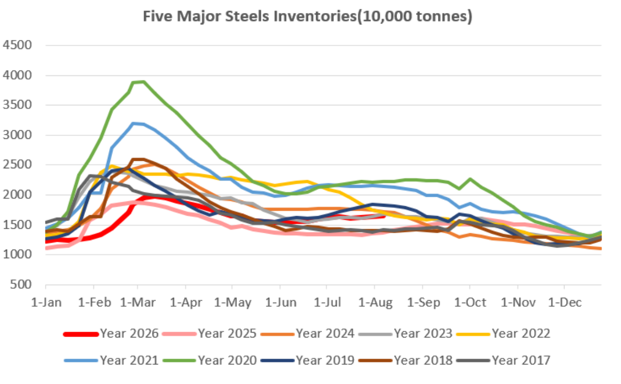
Supported by news of the negotiations between CMRG and Rio Tinto, prices of medium-grade fines edged higher, narrowing the MB65/P61 spread. The MB65/P61 spread closed at $16.30/dmt on Monday.

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)	1195	1191	0.34%
LME Rebar Front Month (Dollar/mt)	576	574	0.38%
SHFE Rebar Major Month (Yuan/mt)	3010	3013	-0.10%
China Hot Rolled Coil (Yuan/mt)	3242	3259	-0.52%
Vitural Steel Mill Margin (Yuan/mt)	-125	-129	3.10%
China Five Major Steel Inventories (10,000 mt)	1653	1636	1.04%
Global Crude Steel Production (1,000 mt)	83700	84400	-0.83%
World Steel Association Steel Production (1,000 mt)	155,700	157,900	-1.39%





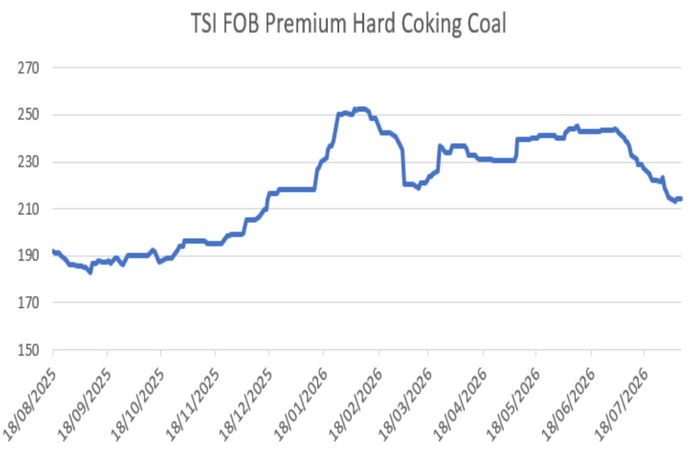
Source: Bloomberg, Mysteel, FIS

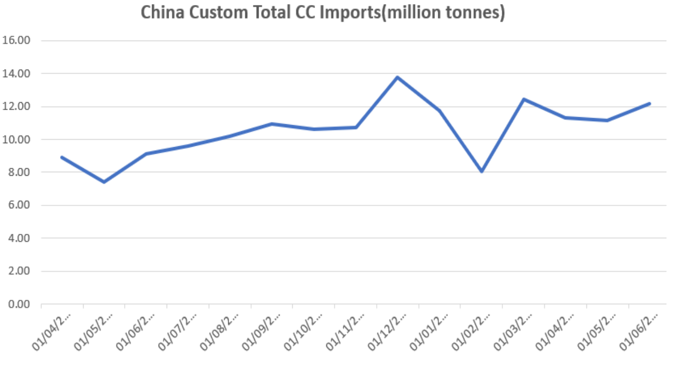
The ferrous complex continued to come under overall pressure this week, with prices mainly fluctuating within a narrow range. The negative virtual steel mill margin narrowed from -129 yuan/mt to -125 yuan/mt.

With production restrictions in the Tangshan area lifted, the average daily hot metal output of sample steel mills increased by 24,800 tonnes week-on-week to 2.38 million tonnes last week, in line with market expectations. On the profitability front, nearly 70% of steel mills remain in loss-making territory; therefore, until a seasonal recovery in end-user steel demand materialises, the room for further gains in hot metal output is expected to remain limited.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	214.3	214	**0.14%**
Coking Coal Front Month (Dollar/mt)	215.5	215	**0.23%**
DCE CC Major Month (Yuan/mt)	1255.5	1196.5	**4.93%**
Top Six Coal Exporter Weekly Shipment (Million mt)	6.71	6.24	**7.53%**
China Customs Total CC Imports (mt)	12,182,749	11,145,020	**9.31%**





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

Coking Coal Key Points

Overall, the supply-demand balance in the Australian coking coal market remains loose. In particular, the large volume of unsold PMV coking coal continues to weigh on prices, while PLV coking coal has performed relatively firmly, with a transaction at $216.58/mt FOB Australia helping to boost market sentiment.

Domestic Chinese coking coal supply continues to face multiple disruptions. Recently, tight availability of certain coal grades has driven prices higher, and end-users have shown renewed interest in seaborne coking coal.

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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