FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. Iron ore prices rebounded modestly after the previous decline, while overall fundamentals have shown no significant change. Before a recovery in end-user steel demand materialises, prices are expected to remain largely range-bound in the near term.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral.** The steel market remains in its seasonal low-demand period. The recent sharp rebound in coal and coke prices has provided some cost-side support to steel prices. Meanwhile, with the off-season drawing to a close, prices are expected to gradually stabilise.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bullish**. Driven by Chinese buyers, seaborne Australian coking coal prices have rebounded notably, with market sentiment turning positive. However, the sustainability of this trend remains uncertain.

Price Movement:

	17 Aug	11 Aug	Changes %	FIS Sentiment
Platts IODEX CFR China ($/mt)	95.30	95.65	-0.37%	Neutral
Rebar 25mm Shanghai (Yuan/mt)	3051	3067	-0.52%	Neutral
TSI FOB Premium Hard Coking Coal ($/mt)	225.9	217	+4.10%	Neutral to Bullish

Commentary:

During the reporting week, iron ore prices continued the previous week's low-level range-bound pattern, trading largely within a narrow range of $95–96/dmt. The market currently lacks clear directional drivers, while on the news front, participants remained focused on the progress of negotiations between CMRG and Rio Tinto. On Friday, rumours emerged that the two sides had reached an agreement, reducing supply-side uncertainty to some extent. However, as the scope of procurement restrictions on Rio Tinto products during the negotiations was relatively narrow, the actual impact was limited, mainly resulting in extended discharge times and increased port inventories.

According to Mysteel data, the average daily hot metal output of sample steel mills edged up week-on-week to 2.382 million tonnes last week, broadly unchanged from the previous week. Although steel mill profit margins have seen marginal improvement, most mills remain in loss-making territory. Based on announced maintenance schedules, hot metal output is expected to continue its modest recovery, but the upside is likely to remain limited given that end-user demand is still in the off-season.

On the steel front, rebar inventories edged down last week, and apparent demand showed a notable rebound on a week-on-week basis. However, Mysteel noted that due to typhoon-related disruptions, some steel products delivered to mills were not promptly registered into storage, which may have led to an overestimation of apparent demand. This effect is likely to be reflected in this week's data.

On the freight front, some prompt tonnage that had been absorbed by the market due to typhoon weather and the Port Hedland strike returned to the market, easing the supply-demand balance in the Pacific region. Freight rates on the C5 route declined notably last week, with a week-on-week drop of over 10%. The Atlantic side remained relatively stable, with rates on the C3 route holding broadly steady.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Last week's global iron ore shipments surveyed by Mysteel reached 32.58 million tonnes, up 0.58 million tonnes WoW. Combined shipments from Australia and Brazil reached 27.09 million tonnes, up 1.40 million tonnes WoW, with Australian shipments at 18.47 million tonnes, up 0.49 million tonnes WoW, and Brazilian shipments at 8.62 million tonnes, up 0.85 million tonnes WoW. China's iron ore arrivals at 45 ports rose by 8.37 million tonnes WoW to 27.07 million tonnes. China's iron ore port inventories at 45 major ports decreased by 0.82 million tonnes WoW to 166.18 million tonnes, while daily port evacuation volumes decreased by 321,100 tonnes to 3.04 million tonnes. The impact of the typhoon has gradually subsided, and port arrivals have returned to normal levels. Iron ore shipments from Australia and Brazil continue to follow seasonal patterns.

Over the past week, overall liquidity in the seaborne market was good, with transactions still concentrated on BHP's mainstream fines, primarily benefiting from favourable import margins. During the week, three cargoes of MACF were transacted at $95.20/dmt, $95.90/dmt and $94.90/dmt, respectively; additionally, one cargo of NHGF was transacted at $95.60/dmt. In the low-grade segment, BHP sold one cargo of JMBF at a discount of $3.30/dmt. Among other mainstream products, last Friday a 170,000-tonne cargo of PBF was transacted at a discount of $0.50/dmt to the October index; on the same day, another cargo of PBF was offered on a floating-price basis flat to the September index, but no transaction was concluded. In the BRBF segment, offers were heard at $102.00/dmt, $101.90/dmt and a premium of $0.90/dmt during the week, though none were concluded. Additionally, Vale sold one 190,000-tonne cargo of SFHJ. Lump ore continued its strong performance. During the week, one cargo of NBLU and one cargo of NBL were transacted at premiums of $0.108/dmt and $0.2751/dmtu, respectively, with LP moving higher.

Over the past week, Australian PHCC prices rose significantly, driven by demand from Chinese buyers. Recent supply disruptions in the Chinese coking coal market have revived buyer interest in seaborne resources. On the one hand, a new coal mine accident occurred domestically; although the coal involved was not coking coal, market participants are concerned that the incident may lead to further tightening of safety inspections. Since the previous coal mine accident in Shanxi, domestic coal production has not fully returned to normal levels. On the other hand, Mongolia is facing a fuel import shortage due to the Russia-Ukraine situation. According to Mysteel data, in early August, average daily throughput at Ganqimaodu port fluctuated between 150,000 and 200,000 tonnes, with short-haul freight rates remaining around RMB 80–85/tonne. However, fuel availability has fallen to 13–15 days, meaning that if the supply issue is not effectively resolved within two weeks, coal mining operations and short-haul transportation will face a material risk of disruption. As a result, domestic ex-works prices of premium coking coal have risen rapidly, fuelling renewed interest in seaborne coal procurement. Traders have actively entered the market with a bullish outlook, driving overall price levels higher. On the Indian side, although some buyers are gradually preparing for post-monsoon restocking, no substantial enquiries have materialised as yet.

In terms of specific transactions, on 11 August, a miner sold an 80,000-tonne cargo of PMV Goonyella C coking coal at $214.50/mt; on the same day, a 110,000-tonne cargo of LVHCC Daunia coking coal was transacted at $204.00/mt. Mid-week, the miner sold another 75,000-tonne cargo of Goonyella C coking coal at $222.30/mt, with all buyers being traders. Most end-users are unwilling to pay a high premium for forward cargoes and prefer to replenish inventories through portside spot purchases.

Following the consecutive price increases, some market participants have expressed doubts about the sustainability of this upward trend. The Chinese steel market currently remains in the off-season, with most steel mills in loss-making territory. The rapid rise in coal and coke prices will further squeeze steel mill profit margins. Before a substantive recovery in downstream demand materialises, steel mills will find it difficult to bear excessively high coking coal costs and may be inclined to expand voluntary production cuts, which would in turn weaken raw material demand.

This week, the MB65/P61 spread fluctuated within a narrow range in line with the market. At the time of writing, the MB65/P61 spread stood at $16.16/dmt, while the MB65/M61 spread stood at $16.45/dmt.

The SGX front-month contract spread has moved into backwardation, with the September/October spread rising from -$0.04/dmt to $0.07/dmt. The DCE January/May spread stands at 10.5 yuan/dmt.

Iron ore is Neutral in the near term. Australian coking coal is Neutral to Bullish in the near term. However, against the backdrop of overall weak steel mill profitability, both the sustainability and upside potential of this rally face significant uncertainty.

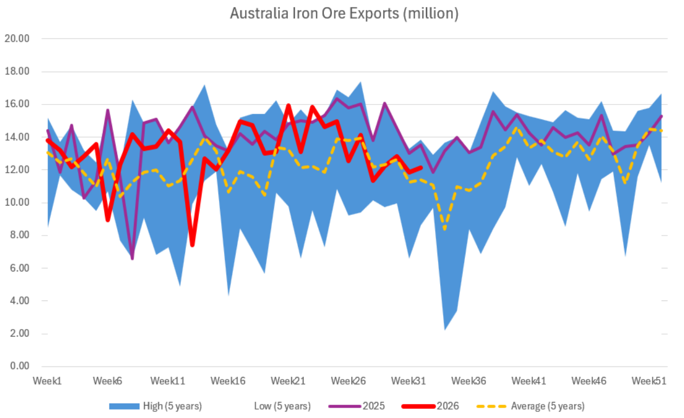
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	95.3	95.65	-0.37%
MB 65% Fe (Dollar/mt)	111.45	112.23	-0.70%
Capesize 5TC Index (Dollar/day)	38122	42797	-10.92%
C3 Tubarao to Qingdao (Dollar/mt)	35.98	35.573	1.14%
C5 West Australia to Qingdao (Dollar/mt)	14.235	16.23	-12.29%
Billet Spot Ex-Works Tangshan (Yuan/mt)	2940	2940	0.00%
SGX Front Month (Dollar/mt)	95.96	95.05	0.96%
DCE Major Month (Yuan/mt)	711.5	716	-0.63%
China Port Inventory (10,000mt)	16,618.20	16,699.72	-0.49%
Australia Iron Ore Weekly Export (10,000mt)	1,846.50	1,797.30	2.74%
Brazil Iron Ore Weekly Export (10,000mt)	862.20	771.20	11.80%

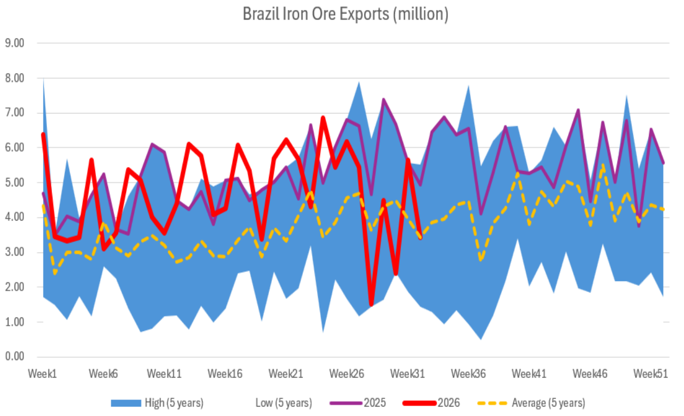
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Iron Ore Key Points:



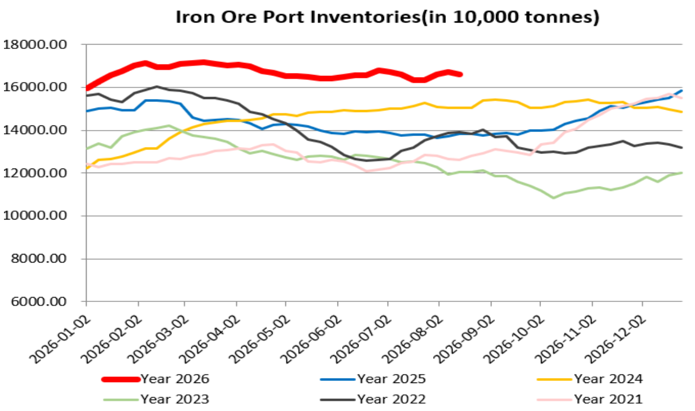
Australia Iron Ore Exports

Iron ore shipments from Australia remained broadly stable and continued to follow seasonal patterns.



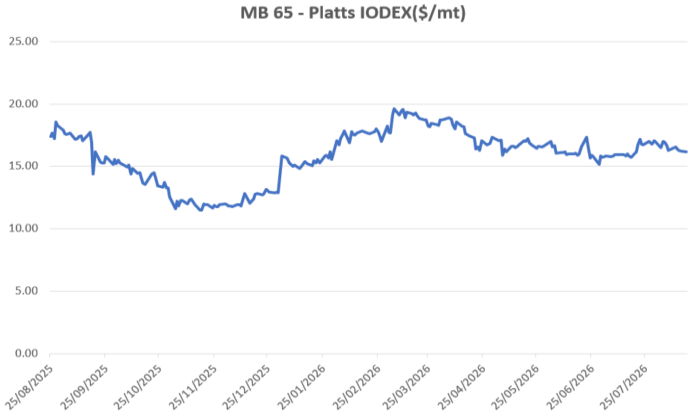
Brazil Iron Ore Exports

Brazilian shipments also held broadly steady, with no major deviation from seasonal norms.



Iron Ore Port Inventories

With the impact of the typhoon subsiding, iron ore arrivals at ports have returned to normal levels. Port inventories remain at historically elevated levels, continuing to exert downward pressure on prices.



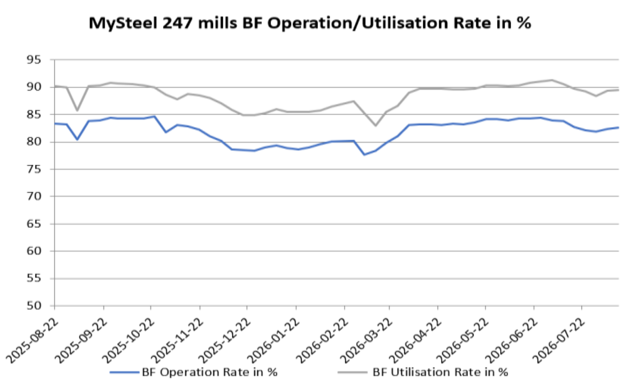
MB65/P61 Spread

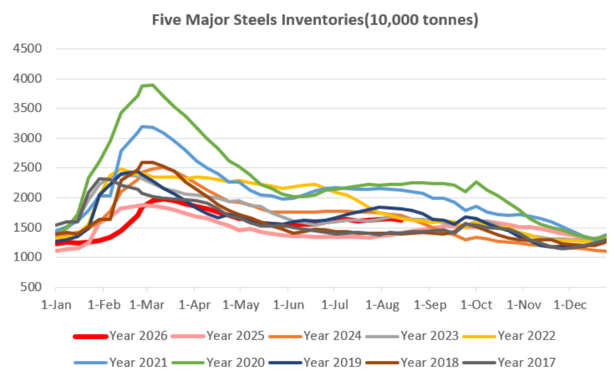
This week, the MB65/P61 spread fluctuated within a narrow range, closing at $16.16/dmt on Monday.

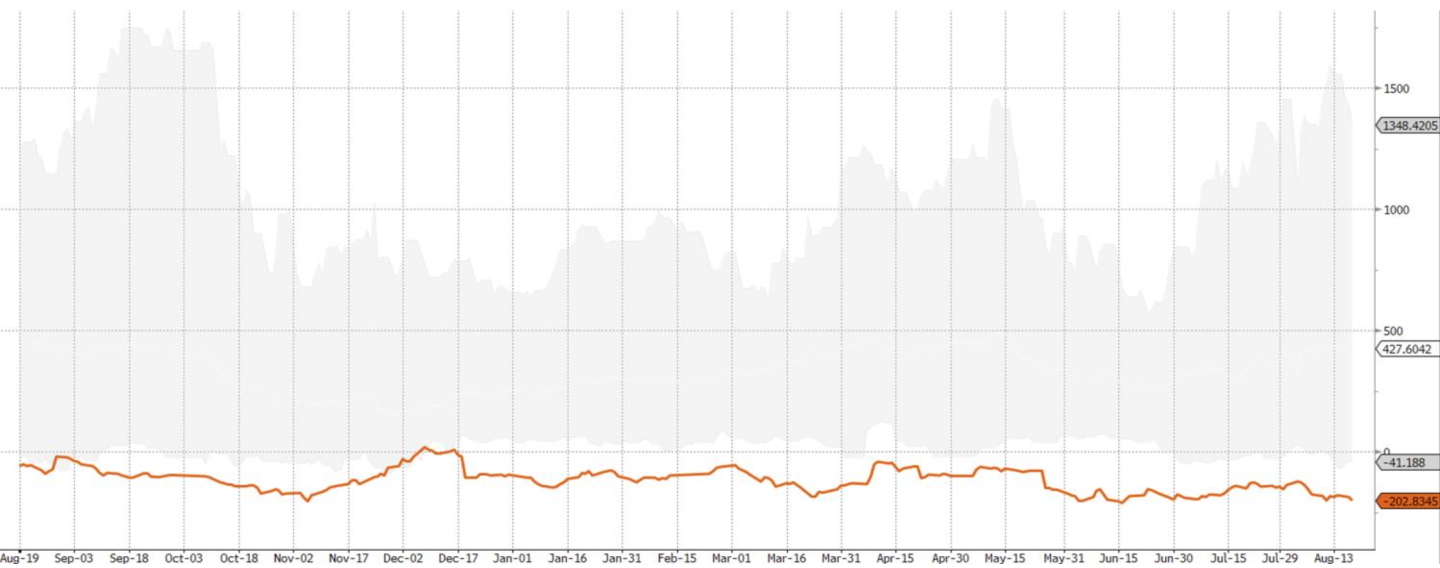
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1196	1195	**0.08%**
LME Rebar Front Month (Dollar/mt)	576	576	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	3019	3010	**0.30%**
China Hot Rolled Coil (Yuan/mt)	3253	3242	**0.34%**
Virtual Steel Mill Margin (Yuan/mt)	-203	-125	**-62.40%**
China Five Major Steel Inventories (10,000 mt)	1629	1653	**-1.45%**
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%**







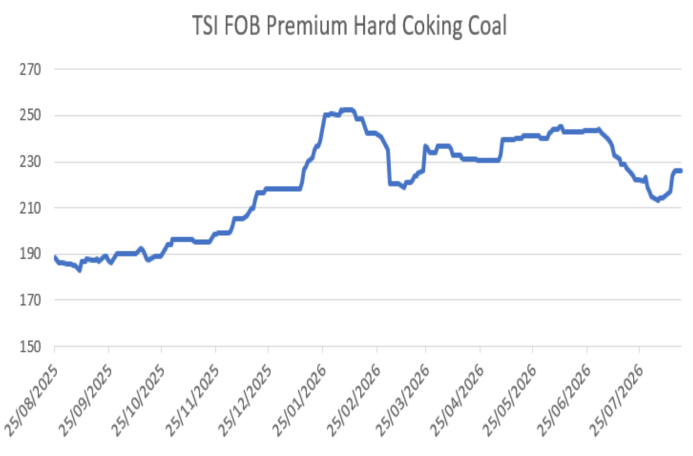
Source: Bloomberg, Mysteel, FIS

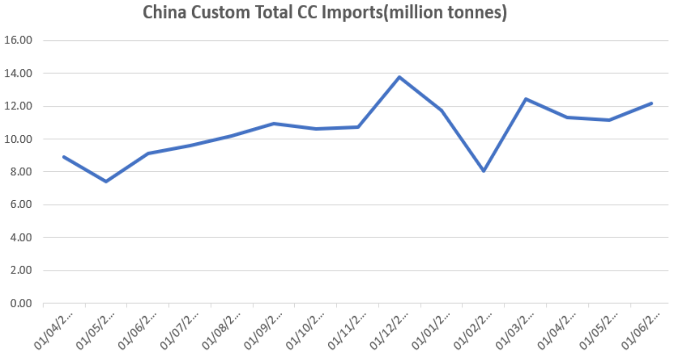
Recently, coal and coke prices have risen consecutively, driven by supply-side concerns, while iron ore and rebar have largely maintained a low-level range-bound pattern. The negative virtual steel mill margin moved deeper into negative territory, from -125 yuan/mt to -203 yuan/mt.

The average daily hot metal output of sample steel mills increased week-on-week to 2.382 million tonnes last week, broadly flat compared with the previous week. Based on announced maintenance schedules, output is expected to continue its modest increase this week. However, given that most steel mills remain in loss-making territory, the room for recovery in the near term is expected to remain very limited.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	225.9	217	**4.10%**
Coking Coal Front Month (Dollar/mt)	225	215.5	**4.41%**
DCE CC Major Month (Yuan/mt)	1354	1255.5	**7.85%**
Top Six Coal Exporter Weekly Shipment (Million mt)	6.18	6.89	**-10.30%**
China Customs Total CC Imports (mt)	12,182,749	11,145,020	**9.31%**





Coking Coal Key Points:

Driven by concerns over domestic coking coal supply and Mongolian import coal availability, Chinese buyers have renewed their demand for Australian coking coal. Active enquiries from traders have pushed prices up rapidly. In contrast, end-users show limited acceptance of current high prices and prefer to replenish inventories through portside spot purchases.

The sustainability of this round of Australian coking coal price gains remains uncertain. Demand from end-users in both China and India remains relatively limited, and speculative buying interest is likely to fade quickly once prices are pushed higher.

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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