FIS

FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. Driven by sentiment in the ferrous complex and supported by higher freight costs, iron ore prices rebounded modestly. However, overall fundamentals remain weak, and downstream steel demand has yet to show significant improvement, limiting the upside potential.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral to Bullish.** With the steel market about to enter the traditional peak demand season, coupled with the recent rapid rise in coke prices, steel prices are expected to continue their rebound.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bullish**. Driven by strong demand from Chinese buyers, Australian coal prices have been pushed significantly higher. At the same time, the market expects demand from India to gradually recover in the near term, which may further support upward price momentum.

Price Movement:

	31 Aug	24 Aug	Changes %	FIS Sentiment
Platts IODEX CFR China ($/mt)	**99.7**	**97.15**	**+2.62%**	**Neutral**
Rebar 25mm Shanghai (Yuan/mt)	**3059**	**3044**	**+0.49%**	**Neutral to Bullish**
TSI FOB Premium Hard Coking Coal ($/mt)	**269.2**	**260.6**	**+3.30%**	**Neutral to Bullish**

Commentary:

During the reporting week, iron ore prices edged up, though overall price movements were limited. Iron ore itself did not exhibit any clear positive drivers, with prices largely influenced by the broader ferrous futures complex. Since mid-August, DCE coking coal futures prices have risen by a cumulative nearly 30%, driven by supply shortages. Rebar futures prices have also moved higher for several consecutive sessions, supported by peak-season demand expectations. In comparison, the rebound in iron ore has been notably weaker than that of coking coal and finished steel products, with prices mainly tracking the broader market trend.

On the fundamental side, according to Mysteel data, the average daily hot metal output of sampled steel mills declined by 10,800 tonnes week-on-week to 2.37 million tonnes last week, down 35,300 tonnes year-on-year. Most steel mills remain in loss-making territory, with persistent pressure on production. Last week, coke producers initiated the third round of coke price hikes, increasing prices by 100 yuan/tonne and further squeezing steel mill profit margins. Although the steel market is gradually approaching the traditional peak demand season and inventories have marginally decreased amid a supply-demand stalemate, steel mills are likely to continue controlling production through voluntary maintenance before a substantive recovery in end-user demand materialises. As a result, the room for growth in iron ore demand remains limited in the near term.

On the iron ore import front, the recent appreciation of the Brazilian real against the US dollar has raised mining costs and, combined with elevated freight rates, may lead to Brazilian iron ore shipments in August falling below seasonal levels. However, this is unlikely to have a material impact on the overall loose supply profile.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

On the freight front, extreme weather continued to disrupt tonnage supply in the Pacific region. Recently, Typhoon Saudel affected vessel turnaround efficiency at ports, while Australian miners were actively chartering vessels to meet September shipment demand. As a result, freight rates rose notably. The C5 route recorded a week-on-week increase of nearly 10%, and on a year-on-year basis, rates are nearly 50% higher than in the same period last year, continuing to provide some cost-side support to iron ore prices.

Last week's global iron ore shipments surveyed by Mysteel reached 35.72 million tonnes, up 2.73 million tonnes WoW. Combined shipments from Australia and Brazil reached 28.68 million tonnes, up 1.99 million tonnes WoW, with Australian shipments at 20.28 million tonnes, up 0.95 million tonnes WoW, and Brazilian shipments at 8.40 million tonnes, up 1.03 million tonnes WoW. China's iron ore arrivals at 45 ports fell by 8.49 million tonnes WoW to 17.91 million tonnes. China's iron ore port inventories at 45 major ports increased by 0.02 million tonnes WoW to 165.45 million tonnes, while daily port evacuation volumes decreased by 25,000 tonnes to 3.19 million tonnes. Over the past week, overall liquidity in the seaborne market was moderate, with transactions concentrated on fixed-price mainstream medium- and low-grade fines. On Tuesday, the market recorded one cargo of MACF and one cargo of BRBF, transacted at $97.10/dmt and $101.45/dmt, respectively. On Wednesday, another cargo of MACF was transacted at $97.40/dmt. On Thursday, one cargo of NHGF was transacted at $97.60/dmt, while one cargo of JMBF was transacted at a discount of $3.16/dmt, based on the October index.

Lump ore premiums did not retreat after hitting a year-to-date high, supported by limited available supply in the seaborne market. During the week, one cargo of NBL was transacted at a premium of $0.2950/dmtu, based on the October index, pushing the LP higher to $0.2860/dmtu.

Over the past week, Australian coking coal prices traded generally at elevated levels with some fluctuations. After the sharp rally of the previous week, prices held steady at $260.60/mt FOB Australia at the start of the week before moving further higher, driven by active Chinese buying interest, and closing at $266.50/mt on Friday, equivalent to approximately $285/mt CFR China—both reaching their highest levels since March 2024.

The tight supply of premium coking coal in the Chinese domestic market remained the core driver of this rally. Safety inspections in Shanxi Province have continued to be stringent, and the pace of mine resumption has been slow. At the same time, the impact of diesel shortages on Mongolian coal exports has gradually become apparent, with throughput at Ganqimaodu Port remaining persistently low in recent weeks and some portside stocks reportedly nearing depletion. Against this backdrop, both end-users with restocking needs and traders engaging in speculative procurement have stepped up their buying interest in seaborne premium coking coal.

Despite the strong buying interest currently observed in the Australian coking coal market, certain downside risks persist. On the one hand, while coal and coke prices have risen sharply, spot prices for finished steel products have not followed suit to the same extent. Although China is about to enter the traditional peak season for steel demand, the actual realisation of that demand will take time. Most steel mills remain in loss-making territory, and some end-users have indicated to Platts that they are unwilling to accept cargoes at prices above $280/tonne CFR. Should coking coal prices continue to squeeze steel mill profit margins, mills may be prompted to expand voluntary maintenance, thereby reducing their demand for coking coal. On the other hand, market sources indicate that China has increased diesel exports to Mongolia, which is expected to alleviate energy shortages in local mining areas. Mongolian coal import volumes may thus gradually recover, cooling demand for high-priced seaborne coal imports. On the Indian front, as the monsoon season draws to a close, the market broadly expects coking coal demand to recover gradually alongside the downstream steel market. However, Indian buyers' current acceptable price level is around $280/tonne CFR India, and in the near term, they are expected to continue digesting portside inventories rather than actively procuring seaborne cargoes.

In terms of transactions, last Wednesday, bids and offers for PMV resources were active, but no transaction was concluded. On Thursday, a transaction of PLV Saraji coking coal was reported on the platform, with the miner selling at $265/mt. This transaction pushed the PHCC index further higher.

This week, the MB65/P61 spread narrowed slightly. At the time of writing, the MB65/P61 spread stood at $15.90/dmt, while the MB65/M61 spread stood at $16.19/dmt.

The SGX front-month September/October spread closed at $0.24/dmt. The DCE January/May spread stands at 12 yuan/mt.

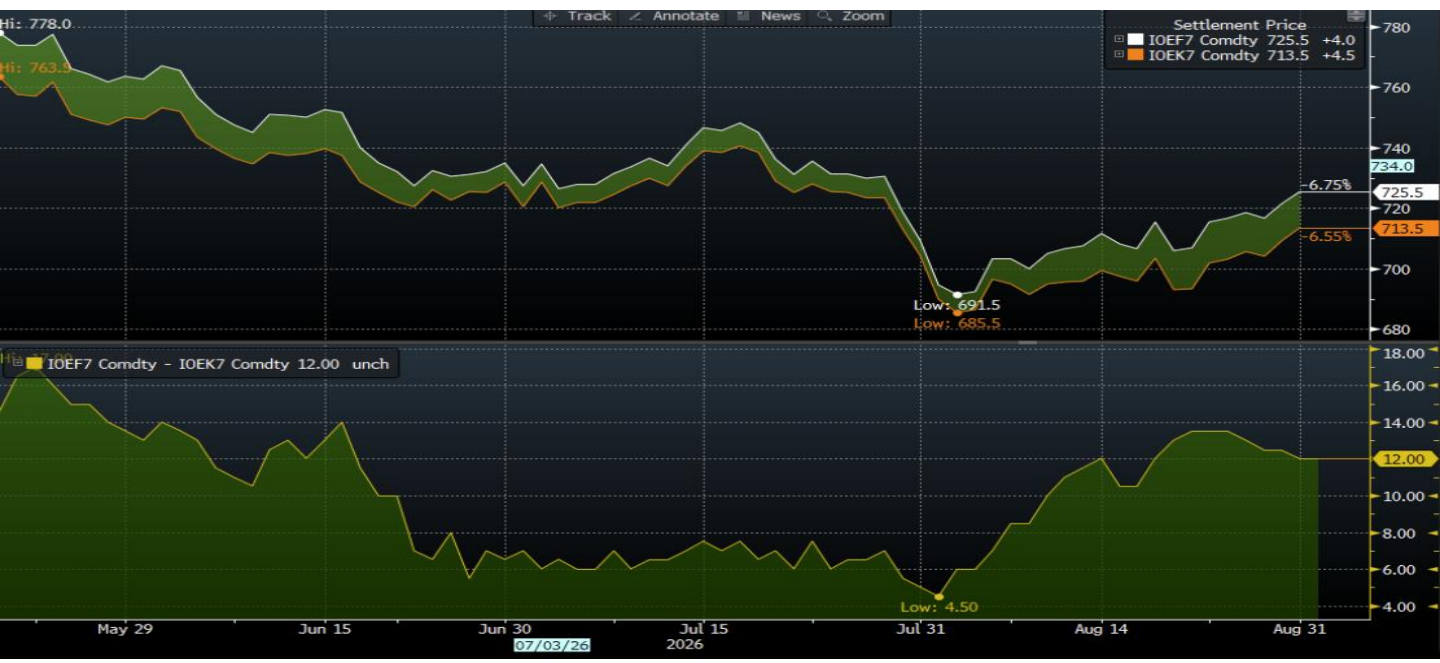
Iron ore is Neutral in the near term. Australian coking coal is Neutral to Bullish in the near term. However, it is worth noting that current prices have risen to their highest levels in over two years, and the Chinese market—which has been the primary driver of this rally—is currently facing a disconnect between steel mill profitability and high coking coal prices. Should Mongolian coal supply show signs of recovery, Australian coking coal prices face the risk of a pullback from elevated levels.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Iron Ore

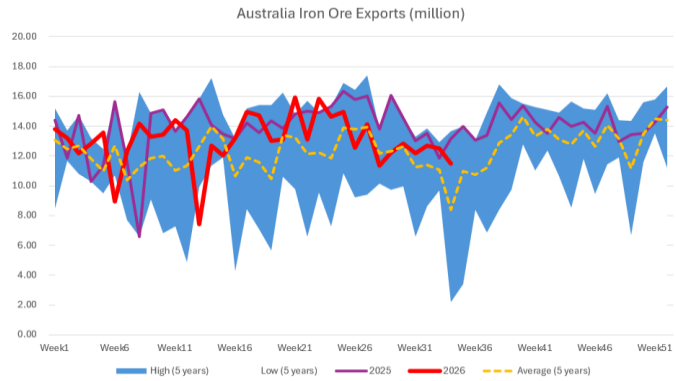
	Last	Previous	% Change
Platts IODEX (Dollar/mt)	99.7	97.15	**2.62%**
MB 65% Fe (Dollar/mt)	115.6	113.31	**2.02%**
Capesize 5TC Index (Dollar/day)	44896	37785	**18.82%**
C3 Tubarao to Qingdao (Dollar/mt)	38.364	35.782	**7.22%**
C5 West Australia to Qingdao (Dollar/mt)	16.18	14.585	**10.94%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3030	2960	**2.36%**
SGX Front Month (Dollar/mt)	98.56	95.70	**2.99%**
DCE Major Month (Yuan/mt)	721.5	707	**2.05%**
China Port Inventory (10,000mt)	16,544.71	16,542.77	**0.01%**
Australia Iron Ore Weekly Export (10,000mt)	2,028.10	1,932.60	**4.94%**
Brazil Iron Ore Weekly Export (10,000mt)	840.30	736.90	**14.03%**





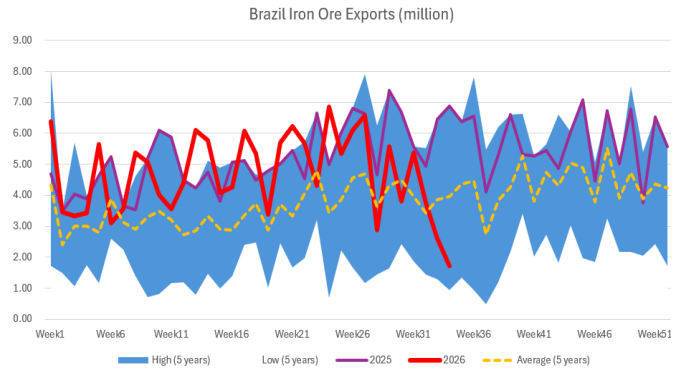
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Iron Ore Key Points:



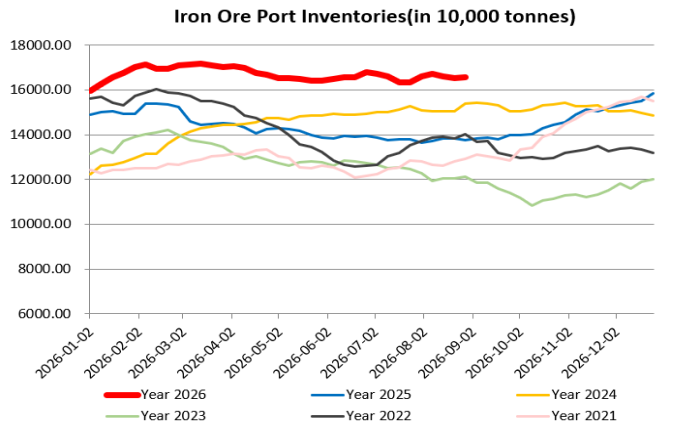
Australia Iron Ore Exports

Iron ore shipments from Australia remained broadly stable overall.



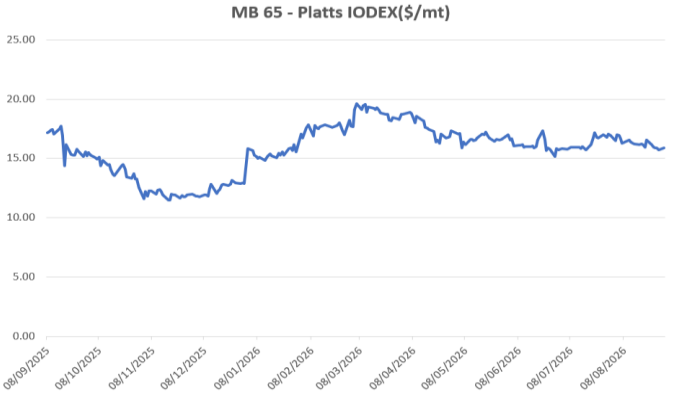
Brazil Iron Ore Exports

Weighed down by elevated freight and operational costs due to the appreciation of the Brazilian real against the US dollar, Brazil's exports during the traditional peak shipment season in August may fall short of seasonal levels.



Iron Ore Port Inventories

This week, affected by Typhoon Saudel, iron ore arrivals at ports declined notably. However, short-term weather disruptions are unlikely to alleviate the current elevated port inventory levels.



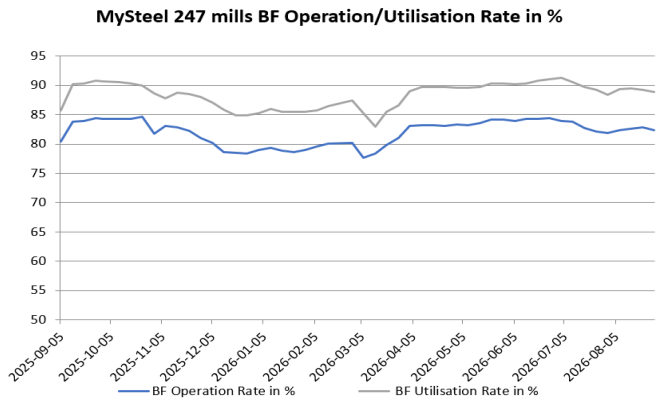
MB65/P61 Spread

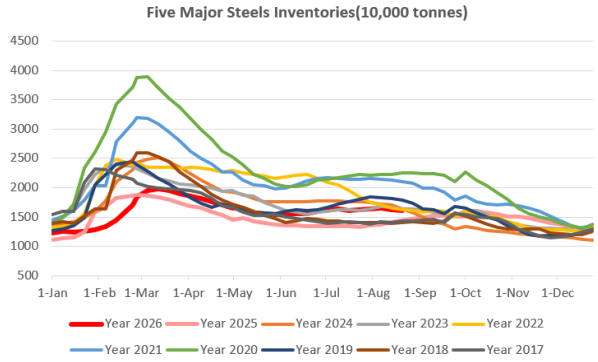
This week, the MB65/P61 spread fluctuated within a narrow range, closing at $16.16/dmt on Monday.

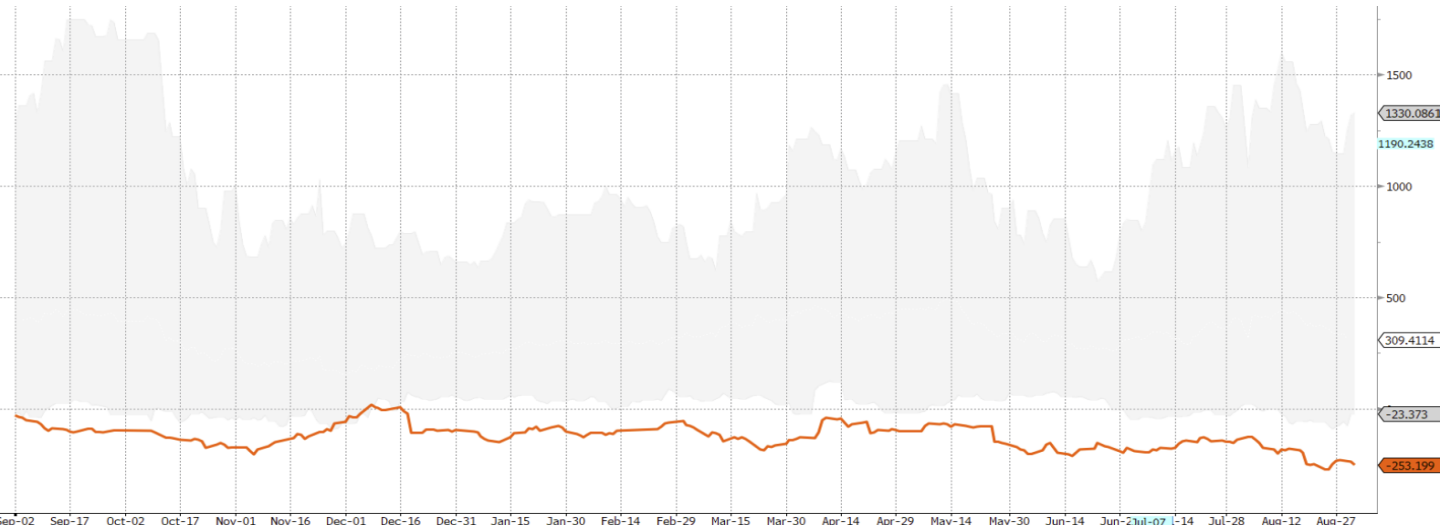
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1205	1194	**0.92%**
LME Rebar Front Month (Dollar/mt)	580.25	578	**0.48%**
SHFE Rebar Major Month (Yuan/mt)	3109	3038	**2.34%**
China Hot Rolled Coil (Yuan/mt)	3346	3286	**1.83%**
Virtual Steel Mill Margin (Yuan/mt)	-253	-230	**-10.00%**
China Five Major Steel Inventories (10,000 mt)	1591	1610	**-1.18%**
Global Crude Steel Production (1,000 mt)	76900	83700	**-8.12%**
World Steel Association Steel Production (1,000 mt)	149,000	155,700	**-4.30%**







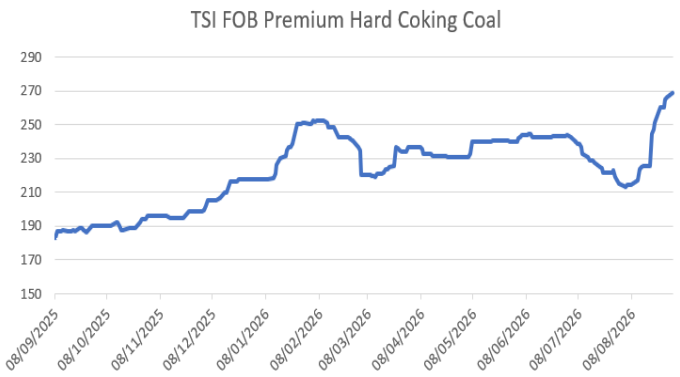
Source: Bloomberg, Mysteel, FIS

The steel market is about to enter the traditional peak demand season. Driven by supply shortages, the most pronounced price increases have been seen in coal and coke. While finished steel products have continued to rebound from recent lows, the extent of the recovery has been relatively limited. The negative virtual steel mill margin moved deeper into negative territory, from -230 yuan/mt to -253 yuan/mt.

Coke producers have raised coke prices, further squeezing steel mill profit margins. Most steel mills remain in loss-making territory, leading to an increase in voluntary blast furnace maintenance and production cuts. Last week, the average daily hot metal output of sampled steel mills declined slightly on a week-on-week basis. Before a substantive recovery in steel demand materialises, blast furnace utilisation rates are unlikely to see significant improvement.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	269.2	260.6	**3.30%**
Coking Coal Front Month (Dollar/mt)	270	233	**15.88%**
DCE CC Major Month (Yuan/mt)	1623	1571	**3.31%**
Top Six Coal Exporter Weekly Shipment (Million mt)	6.07	6.03	**0.66%**
China Customs Total CC Imports (mt)	13,615,932	12,182,749	**11.76%**





Coking Coal Key Points:

The slow resumption of production in mining areas in Shanxi, coupled with recent supply shortages of Mongolian coal, has led to a notable increase in Chinese buyers' demand for premium seaborne coal, driving prices rapidly to their highest level in over two years.

At present, imported coking coal inventories at Chinese ports stand at nearly 7 million tonnes, approximately 2.5 million tonnes higher than in the same period last year. Against the backdrop of widespread production losses at steel mills, how long steel mills can continue to accept high-priced seaborne coking coal remains uncertain.

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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