FIS

FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. As Golden Week approaches, iron ore prices have maintained a weak, range-bound trend against the backdrop of soft fundamentals.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral.** Over the past week, accelerated pre-holiday construction activity drove a modest recovery in demand for construction materials, yet the broader pattern of weak demand remained unchanged; coking coal and coke prices continued to decline, with cost-side support loosening somewhat.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral to Bearish**. The Australian coking coal market continues to face a lack of buyers after Chinese buyers withdrew. At the same time, however, sellers remain relatively willing to hold prices firm, while prices continue to trend slightly lower.

Price Movement:

	28 Sep	21 Sep	Changes %	FIS Sentiment
Platts IODEX CFR China ($/mt)	**94.00**	**96.55**	**-2.64%**	**Neutral**
Rebar 25mm Shanghai (Yuan/mt)	**3177**	**3155**	**+0.69%**	**Neutral**
TSI FOB Premium Hard Coking Coal ($/mt)	**272.7**	**277.5**	**-1.73%**	**Neutral to Bearish**

Commentary:

Over the past week, the iron ore market was relatively calm, with prices largely flat. In the spot market, end-user restocking is essentially complete, and other participants have gradually adopted a holiday stance. According to Mysteel's survey of sample steel mills, average daily hot metal output fell by 19,700 tonnes week-on-week last week. Steel mill losses remain severe, with voluntary blast furnace maintenance increasing. Hot metal output is expected to have further room to decline after Golden Week, weighing on raw material demand. On the other hand, as coking coal prices continue to retreat, coke may face price cuts. Amid voluntary production curbs and declining costs, steel mill profits are expected to gradually recover. This week, iron ore is expected to remain under pressure and trade in a narrow range.

On the freight side, the supply/demand balance for tonnage in the Pacific region is trending looser, with freight rates on the C5 route continuing to decline recently; the C3 route, meanwhile, is fluctuating at elevated levels. In the near term, Capesize freight rates are expected to remain weighed down by Pacific routes, showing a downward correction trend. Currently, Chinese steel mills are generally facing production losses. Should seaborne import costs for iron ore decline significantly, steel mills may ease their price pressure in tendering and procurement, which to some extent would create room for iron ore prices to rebound. However, amid high oil prices and stable new cargo volumes from the Atlantic, downside support for Capesize vessels remains relatively solid, and rates are expected to remain at relatively high levels overall in Q4.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Last week's global iron ore shipments surveyed by Mysteel reached 33.43mn tonnes, down 0.83mn tonnes WoW. Combined shipments from Australia and Brazil reached 27.71mn tonnes, down 1.16mn tonnes WoW, with Australian shipments at 19.69mn tonnes, down 1.34mn tonnes WoW, and Brazilian shipments at 8.02mn tonnes, up 0.17mn tonnes WoW. China's iron ore arrivals at 45 ports rose by 0.95mn tonnes WoW to 28.39mn tonnes. China's iron ore port inventories at 45 major ports increased by 0.64mn tonnes WoW to 164.19mn tonnes, while daily port evacuation volumes decreased by 5,800 tonnes to 3.35mn tonnes. On the news front, Vale will acquire a 30% stake in Brazilian miner Ligga for $190mn and secure all of Ligga's Carajás sinter feed output. Ligga plans to increase its annual production from 2mn tonnes to 8mn tonnes, with the additional supply to be exported via Vale's existing railway and port system. For small and medium-sized miners affected by high production and shipping costs, this will help them expand their sales coverage.

Affected by holiday factors and narrowing import margins, trading in the seaborne market was thin last week, with only a few transactions for mainstream fines recorded. Among them, two cargoes of MACF were transacted at $94.50/dmt and $95.30/dmt, respectively; one cargo of JMBF was transacted at a discount of $3.88/dmt. In the high-grade fines segment, Vale sold a 75,000-tonne cargo of Carajás fines at $110.00/dmt. In the lump ore segment, BHP sold one cargo of NBL at a premium of $0.2400/dmtu.
The Australian coking coal market extended its gradual downward drift. The price of PLV FOB Australia declined from $277.50/mt last Monday to $273.60/mt. As China's Golden Week approaches, risk-averse sentiment has heightened, and liquidity in the seaborne market has weakened further compared with earlier levels.

Market pressure remains primarily driven by the rapid decline in domestic Chinese coking coal prices and the failure of the "Golden September" peak-season expectations for steel consumption to materialise. Following the introduction of the supply-assurance policy, domestic coking coal prices are expected to decline further. On 26 September, Shanxi held a provincial work promotion meeting on coal safety, stable production and stable supply, emphasising that, on the premise of strictly upholding the safety bottom line, efforts should be made to fully advance the resumption of work and production, ensure stable output and supply, and accelerate the reversal of the declining production trend. Against this backdrop, the domestic auction market has cooled markedly. Relevant sources reported that in some auctions, more than 70% of coking coal failed to sell, with transaction prices falling sharply. For example, on 23 September, the ex-works price of PLV coal in Anze, Shanxi, fell by 104 yuan/mt. Buyers have therefore firmly adopted a slower procurement stance, preferring to wait for prices to decline further, while sellers are pinning hopes on post-holiday restocking demand to lift prices and are unwilling to lower offers. This has made it difficult to bridge the price gap between buyers and sellers, and no transactions were recorded in the market.

On the Indian front, demand has been gradually increasing. However, buyers are highly sensitive to prevailing high coal prices, generally reluctant to chase prices higher, and largely remain on the sidelines. Some Indian steel mills with procurement requirements have recently completed phased restocking in the spot market. On the miners' side, having already secured a considerable volume of cargo orders, current sales pressure is limited, and their willingness to hold offers firm remains strong, leaving buyers and sellers locked in a stalemate.

In terms of specific transactions, no deals were concluded in the Australian coking coal market this week. A Chinese trader told Platts that, given the continued slow delivery of Mongolian coal and the ongoing decline in inventories at Ganqimaodu port, purchasing interest in LVHCC is higher than in PHCC. Early last week, a buyer bid $268/tonne CFR China for a 40,000-tonne cargo of LVHCC Curragh coking coal, but no transaction was concluded.

The MB65/P61 spread continued to fluctuate within a narrow range this week. At the time of writing, the MB65/P61 spread stood at $14.74/dmt, while the MB65/M61 spread stood at $14.84/dmt.

SGX iron ore continued to maintain a contango structure. The SGX front-month September/October spread closed at -$0.22/dmt. The DCE January/May spread stands at 10 yuan/mt.

Iron ore is Neutral in the near term. Australian coking coal is Neutral to Bearish in the near term.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

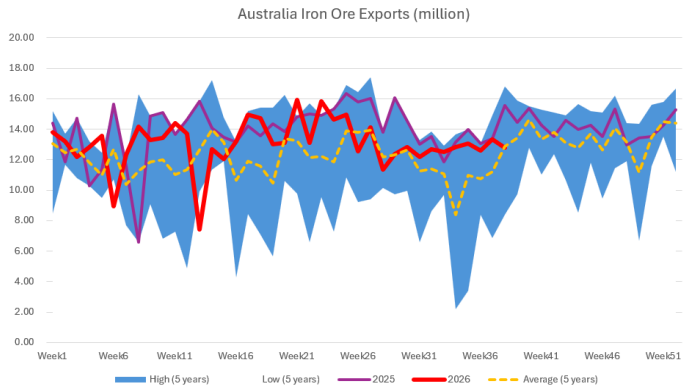
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	94	96.55	**-2.64%**
MB 65% Fe (Dollar/mt)	108.74	111.33	**-2.33%**
Capesize 5TC Index (Dollar/day)	45024	49450	**-8.95%**
C3 Tubarao to Qingdao (Dollar/mt)	40.659	43.036	**-5.52%**
C5 West Australia to Qingdao (Dollar/mt)	14.335	16.865	**-15.00%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	3000	3000	**0.00%**
SGX Front Month (Dollar/mt)	95.10	97.21	**-2.17%**
DCE Major Month (Yuan/mt)	711.5	714	**-0.35%**
China Port Inventory (10,000mt)	16,419.34	16,355.37	**0.39%**
Australia Iron Ore Weekly Export (10,000mt)	1,968.60	2,102.40	**-6.36%**
Brazil Iron Ore Weekly Export (10,000mt)	802.30	785.00	**2.20%**



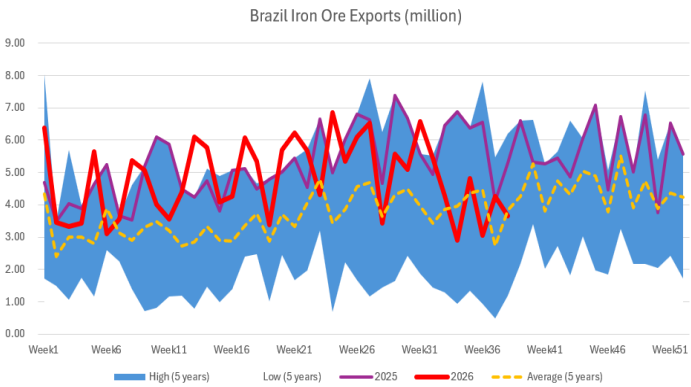
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Iron Ore Key Points:



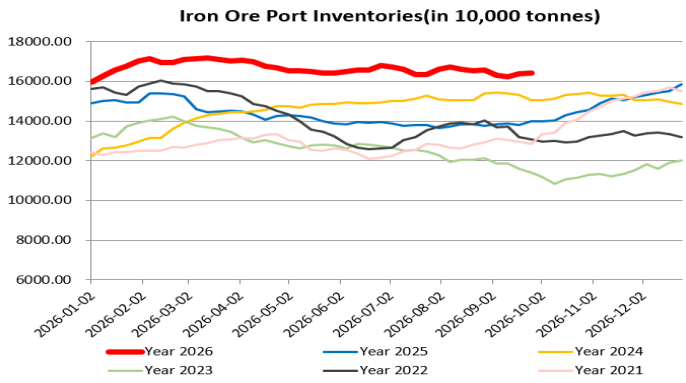
Australia Iron Ore Exports

Iron ore shipments from Australia remained broadly stable overall.



Brazil Iron Ore Exports

Some small and medium-sized Brazilian miners have cut production due to weakening iron ore prices and elevated seaborne costs.



Iron Ore Port Inventories

Iron ore arrivals at ports remained at normal levels.



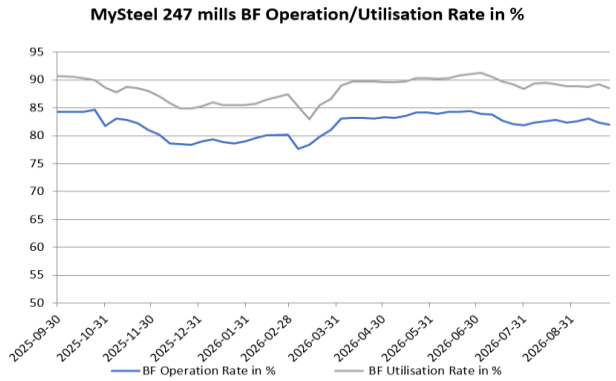
MB65/P61 Spread

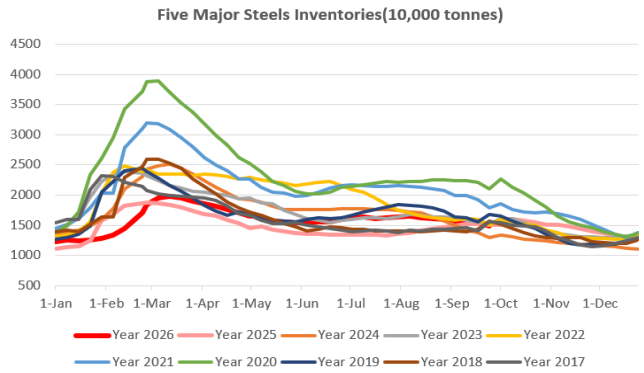
Demand for high-grade iron ore fines remained persistently weak, and the MB65/P61 spread narrowed slightly further this week, closing at $14.74/dmt on Monday.

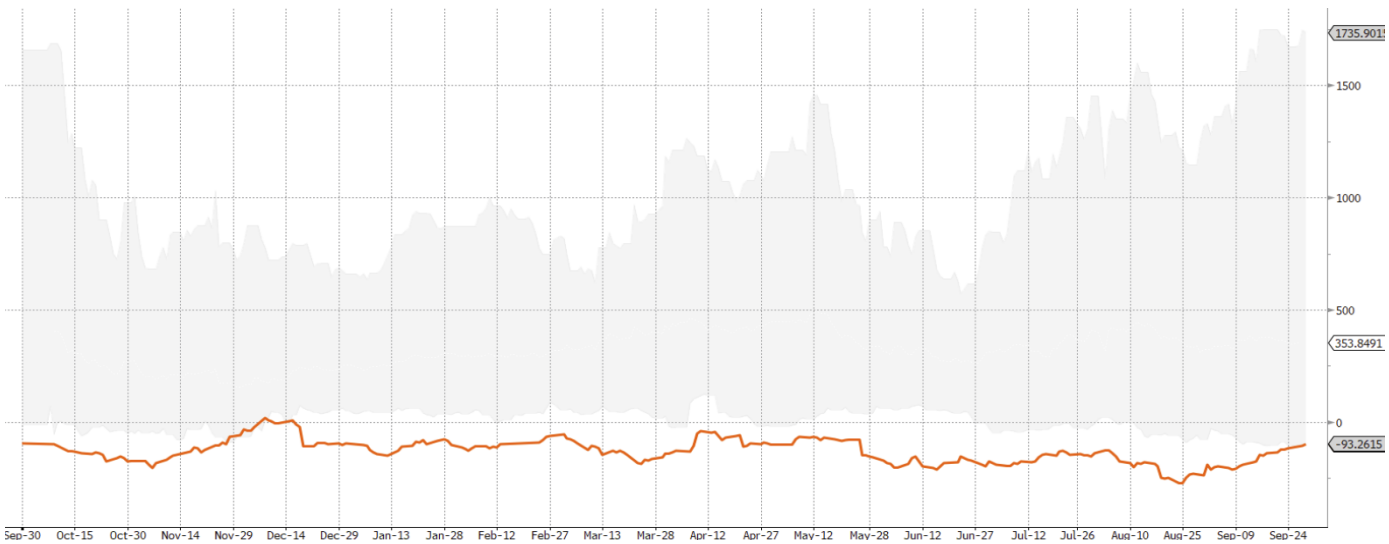
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1237	1237	**0.00%**
LME Rebar Front Month (Dollar/mt)	605	600	**0.83%**
SHFE Rebar Major Month (Yuan/mt)	3111	3104	**0.23%**
China Hot Rolled Coil (Yuan/mt)	3310	3317	**-0.21%**
Virtual Steel Mill Margin (Yuan/mt)	-124	-165	**24.85%**
China Five Major Steel Inventories (10,000 mt)	1482	1538	**-3.64%**
Global Crude Steel Production (1,000 mt)	74600	76900	**-2.99%**
World Steel Association Steel Production (1,000 mt)	144,200	149,000	**-3.22%**







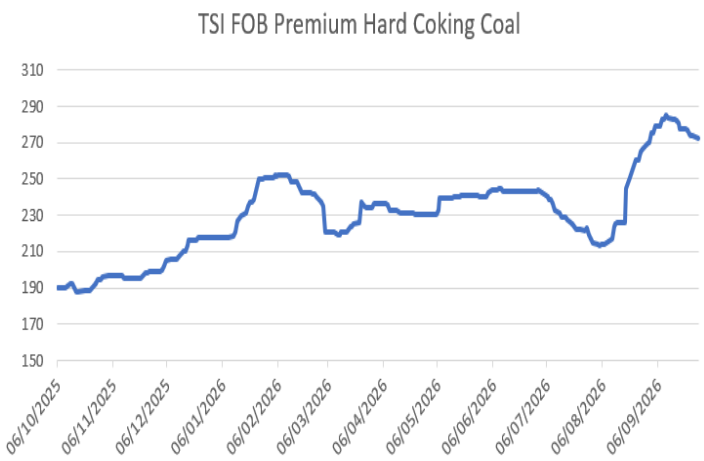
Source: Bloomberg, Mysteel, FIS

On the raw materials side, coking coal futures prices continued to decline. The negative virtual steel mill margin narrowed from -124 yuan/mt to -93 yuan/mt.

Blast furnace hot metal output has declined further. With production losses still severe and blast furnace maintenance schedules increasing, hot metal output is expected to have further room to decline after Golden Week.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	272.7	277.5	**-1.73%**
Coking Coal Front Month (Dollar/mt)	265	262	**1.15%**
DCE CC Major Month (Yuan/mt)	1494	1527	**-2.16%**
Top Six Coal Exporter Weekly Shipment (Million mt)	4.94	5.94	**-16.84%**
China Customs Total CC Imports (mt)	13,070,743	13,615,932	**-4.00%**





Coking Coal Key Points:

Domestic coking coal prices in China have continued to retreat, with the auction market's unsold rate remaining elevated in recent sessions and end-users broadly inclined to wait for further price declines.

Australian coking coal sellers are pinning their hopes on post-holiday restocking demand from Chinese buyers and, combined with genuine procurement demand from India and other countries, their willingness to hold prices firm remains strong. Buyers and sellers remain locked in a stalemate, with prices not falling as rapidly as domestic Chinese coal prices.

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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