FIS

FERROUS WEEKLY REPORT

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info@freightinvestor.com | freightinvestorservices.com | fis-live.com
London (+44) 20 7090 1120 | Dubai (+971) 4 4493900 | Singapore (+65) 6535 5189 | Shanghai (+86) 21 6335 4002

Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. Hampered by persistent production losses at steel mills, iron ore prices have recently drifted down to a near two-year low. With the implementation of coke price cuts, ore prices are expected to stabilise; however, before steel mill profitability recovers, there remains a lack of momentum for a rebound.
- **Rebar 25mm Shanghai**: Our view is short-run **Neutral.** In the near term, steel demand is expected to see a temporary improvement driven by the post-holiday resumption of work. Against a backdrop of relatively low supply, inventories are expected to destock rapidly. However, the broader pattern of a lacklustre peak season is unlikely to change, and prices are expected to remain range-bound.
- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Chinese end-users have adopted a cautious wait-and-see stance towards procuring seaborne coking coal. Nevertheless, given that domestic coking coal term contract prices remain higher than seaborne resources, further downside for Australian coking coal is limited

Price Movement:

	12 Oct	5 Oct	Changes %	FIS Sentiment
Platts IODEX CFR China ($/mt)	**90.60**	**91.35**	**-0.82%**	**Neutral**
Rebar 25mm Shanghai (Yuan/mt)	**3187**	**3186**	**+0.03%**	**Neutral**
TSI FOB Premium Hard Coking Coal ($/mt)	**268.8**	**272.1**	**-1.21%**	**Neutral**

Commentary:

Over the past week, iron ore prices traded in a narrow range at low levels. After the holiday, weighed down by poor production margins at steel mills, buyers remained generally cautious. Post-holiday restocking fell short of expectations, and prices continued to drift lower to a new low since September 2024, with DCE iron ore futures catching up on losses after the holiday. As peak-season characteristics failed to materialise, steel prices did not show a notable recovery, and steel mills continued to face widespread losses. According to Mysteel statistics, only around 7% of the 247 sampled steel mills were profitable, while average daily hot metal output was down 77,000 tonnes from the same period last year. However, the coke market began its second round of price cuts last week, and sellers in the spot market have shown little willingness to sell at current low prices, increasing the likelihood of near-term stabilisation in iron ore. Nevertheless, unless steel demand in October shows significant growth or special circumstances emerge on the supply side, the low-level range-bound pattern for ore prices is unlikely to reverse.

Freight rates continue to provide support to iron ore prices. According to Kpler, affected by the gradual decline in ore prices, the share of freight in the CFR China price of 62% Fe iron ore rose to nearly 23% in September, compared with only about 10% at the beginning of the year. This means that once freight rates fall rapidly, ore prices will come under greater pressure. However, elevated freight rates also, to some extent, expose sellers to buyer pressure during the tender and shipment stages, and a pullback in freight rates would provide miners with greater bargaining room. Nevertheless, given persistently high bunker fuel costs and relatively stable support from West African ore cargo volumes for Atlantic route freight rates, freight rates are expected to remain range-bound at elevated levels in Q4.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Last week's global iron ore shipments surveyed by Mysteel reached 30.88mn tonnes, down 3.99mn tonnes WoW. Combined shipments from Australia and Brazil reached 25.02mn tonnes, down 2.91mn tonnes WoW, with Australian shipments at 18.32mn tonnes, down 2.58mn tonnes WoW, and Brazilian shipments at 6.71mn tonnes, down 0.33mn tonnes WoW. China's iron ore arrivals at 45 ports rose by 1.19mn tonnes WoW to 24.23mn tonnes. China's iron ore port inventories at 45 major ports increased by 0.69mn tonnes WoW to 164.80mn tonnes, while daily port evacuation volumes decreased by 30,000 tonnes to 3.41mn tonnes. Iron ore shipments overall remained at relatively high levels, but weighed down by poor netbacks, Brazilian miners saw declines in both production and shipments. Kpler data show that Vale shipped 77.1mn tonnes in Q3, down 7% year-on-year. CSN revised its 2026 production and procurement guidance down from 45–47mn tonnes to 39–41mn tonnes, with small and medium-sized miners affected more significantly. On the other hand, the Simandou project shipped 3.78mn tonnes in September, a record high, with locomotive deliveries supporting growth in shipments from the mining area.

Affected by Golden Week, the seaborne market was relatively quiet until the middle of last week. Two cargoes of PBF were transacted at $90.60/dmt and $90.70/dmt, respectively. As Chinese buyers returned to the market after the holiday, combined with remaining import margins on seaborne resources, bottom-fishing sentiment following the sustained decline in ore prices helped improve market liquidity. On Thursday, one cargo of MACF and one cargo of NHGF were transacted at $90.50/dmt and $89.95/dmt, respectively. On Friday, trading was quite active, with multiple cargoes of mainstream fines concluded, including one cargo of JMBF at a discount of $3.50/dmt, one cargo of MACF at $90.25/dmt, and two cargoes of BRBF sold by Vale at a floating price of +$0.10/dmt, along with one cargo of PBF transacted at $89.95/dmt. Lump ore liquidity was moderate, with only one cargo of PBL transacted during the week at a premium of $0.2350/dmtu.

Recently, the Australian coking coal market has predominantly experienced a gradual decline. During the Chinese holiday period, the seaborne coking coal market fell into a stalemate, with participants adopting a wait-and-see stance. At current price levels, India, a major buyer, remains reluctant to purchase Australian coal, and available resources in the market are difficult to absorb, thereby suppressing prices. At the same time, sellers believe that Chinese steel mills will have restocking demand after the holiday and therefore maintain some willingness to hold prices firm. Against this backdrop, prices have only edged slightly lower.

Currently, bullish and bearish factors are intertwined for Australian coal prices. On the bearish side, domestic coking coal prices caught up on declines after the holiday, with prices of premium low-volatile coal in production areas such as Anze, Shanxi, falling by nearly 100 yuan/mt compared with pre-holiday levels. The spread between portside spot offers and seaborne CFR prices is narrow. The second round of coke price cuts, combined with still-severe production losses, means steel mills maintain a cautious, need-based approach to raw material procurement and therefore show little interest in forward seaborne coal. On the other hand, domestic term contract coal prices remain higher than seaborne coal, and the auction market's unsold rate has decreased compared with before the holiday. After seaborne coal prices fall to a certain level, buyers may rekindle their purchasing interest.

Although Indian buying interest in high-priced premium Australian coal remains subdued, cuts to Russian coal shipment quotas have boosted Indian buyers' interest in Australian pulverised coal injection (PCI) coal, driving PCI prices higher against the broader trend. Meanwhile, some Southeast Asian end-users have voluntarily curtailed production due to elevated production costs and opted to resell their existing resources, placing further pressure on Tier 2 coking coal prices.

In terms of specific transactions, market enquiries were sparse last week due to the absence of Chinese participants. Following the holiday, a 40,000-tonne cargo of PLV Peak Downs coking coal was transacted on a partially index-linked basis, indicating that buyers believe the current price level of around $270/mt FOB Australia still has further downside.

This week, the MB65/P61 spread fluctuated within a narrow range around $14.50/dmt. Following the conclusion of an IOCJ transaction in the seaborne market on Monday, the spread widened somewhat. At the time of writing, the MB65/P61 spread stood at $15.32/dmt, while the MB65/M61 spread stood at $15.58/dmt.

SGX iron ore continued to maintain a contango structure, with the spread widening somewhat. The SGX front-month September/October spread closed at -$0.35/dmt. The DCE January/May spread narrowed after a post-holiday catch-up decline, closing at 6.5 yuan/mt.

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

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

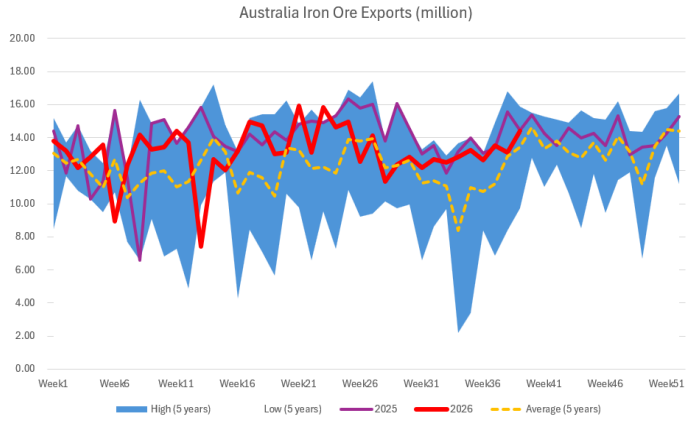
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	90.6	91.35	**-0.82%**
MB 65% Fe (Dollar/mt)	105.92	105.74	**0.17%**
Capesize 5TC Index (Dollar/day)	34115	40330	**-15.41%**
C3 Tubarao to Qingdao (Dollar/mt)	32.95	36.85	**-10.58%**
C5 West Australia to Qingdao (Dollar/mt)	13.51	14.025	**-3.67%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2960	2980	**-0.67%**
SGX Front Month (Dollar/mt)	90.46	91.16	**-0.77%**
DCE Major Month (Yuan/mt)	690	707.5	**-2.47%**
China Port Inventory (10,000mt)	16,480.22	16,410.84	**0.42%**
Australia Iron Ore Weekly Export (10,000mt)	1,831.70	2,090.00	**-12.36%**
Brazil Iron Ore Weekly Export (10,000mt)	670.60	703.20	**-4.64%**



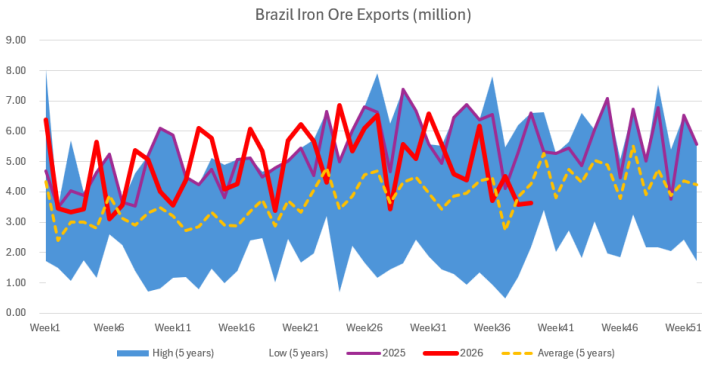
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Iron Ore Key Points:



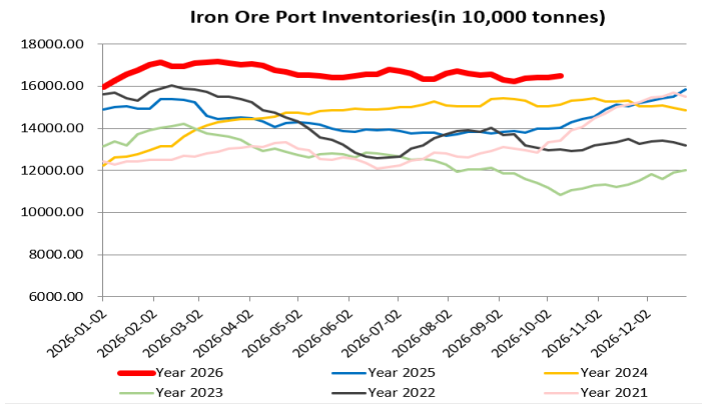
Australia Iron Ore Exports

Iron ore shipments from Australia remained broadly stable overall.



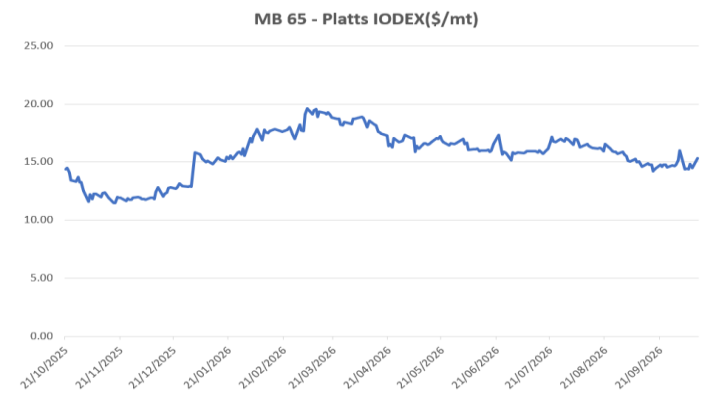
Brazil Iron Ore Exports

Affected by poor netbacks, Brazil's third-quarter shipment volumes declined compared with the same period last year.



Iron Ore Port Inventories

Iron ore arrivals at ports remained at normal levels.



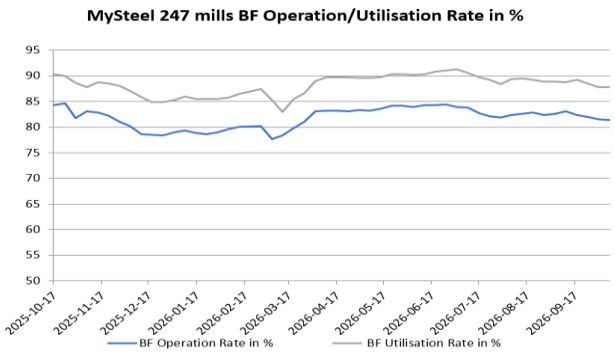
MB65/P61 Spread

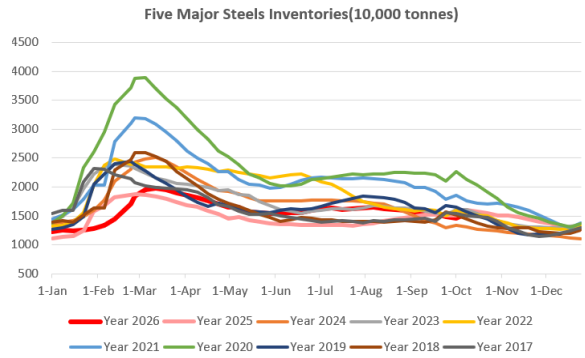
This week, the MB65-P61 spread widened following a IOCJ transaction, closing at $15.32/dmt on Monday.

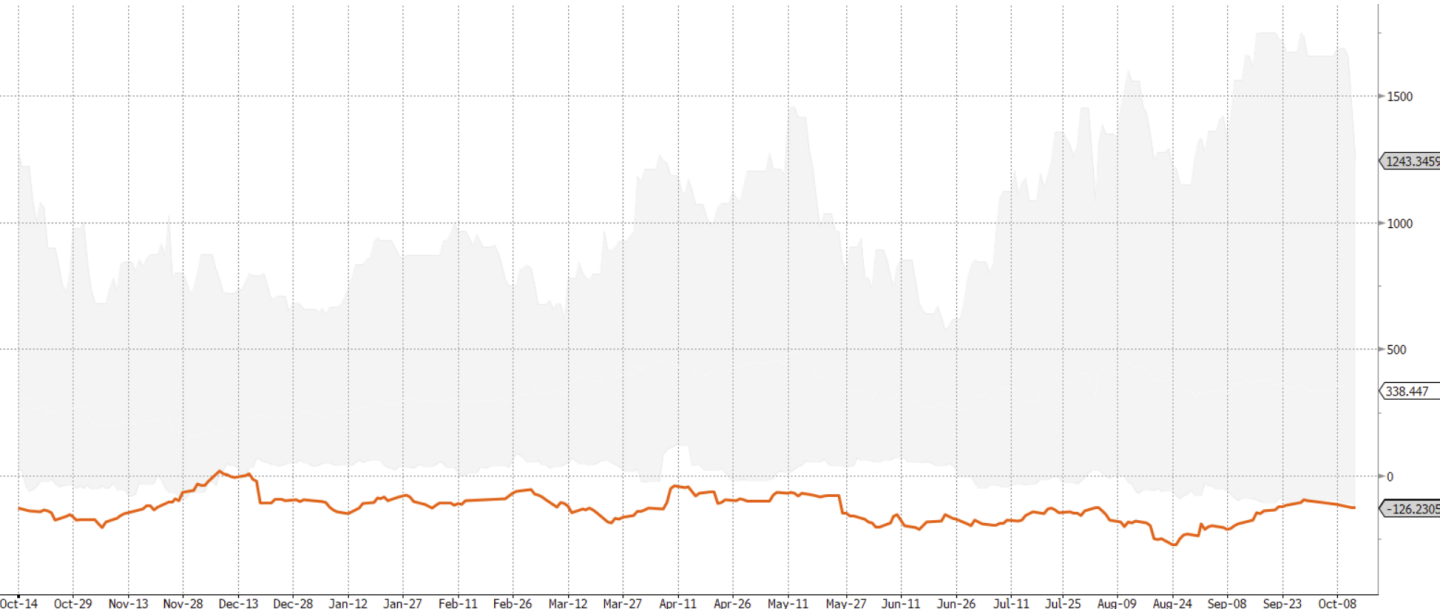
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**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1276	1275	**0.08%**
LME Rebar Front Month (Dollar/mt)	617.5	618	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	2998	3038	**-1.32%**
China Hot Rolled Coil (Yuan/mt)	3281	3299	**-0.55%**
Virtual Steel Mill Margin (Yuan/mt)	-126	-96	**-31.25%**
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%**







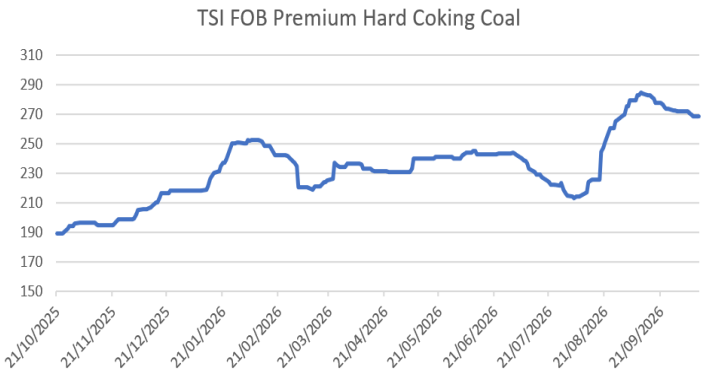
Source: Bloomberg, Mysteel, FIS

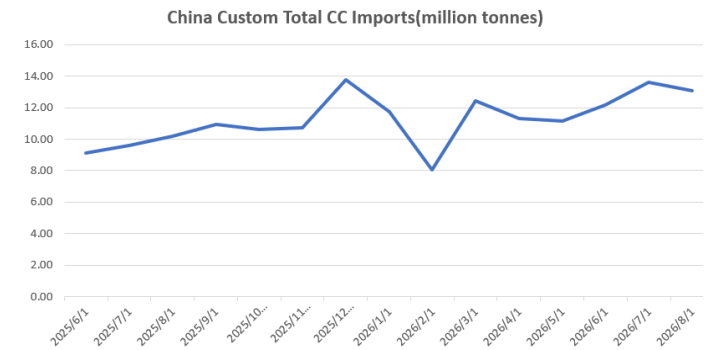
On the raw materials side, coking coal futures prices rebounded modestly after consecutive declines, while rebar prices fluctuated within a narrow range amid weak downstream demand. The negative virtual steel mill margin moved deeper into negative territory, from -96 yuan/mt to -126 yuan/mt.

Blast furnace hot metal output at steel mills was broadly flat week-on-week, performing slightly better than market expectations, but remained constrained by widespread losses across steel mills and was down nearly 80,000 tonnes year-on-year. In the near term, blast furnace utilisation rates are expected to see little meaningful improvement.

Coking coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	268.8	272.1	**-1.21%**
Coking Coal Front Month (Dollar/mt)	270	262.5	**2.86%**
DCE CC Major Month (Yuan/mt)	1502.5	1392	**7.94%**
Top Six Coal Exporter Weekly Shipment (Million mt)	6.29	6.22	**1.13%**
China Customs Total CC Imports (mt)	13,070,743	13,615,932	**-4.00%**





Coking Coal Key Points:

At present, Chinese buyers remain cautious about procuring premium Australian coking coal. Nevertheless, seaborne coking coal prices still offer an advantage over domestic coking coal term contract prices. A moderate price correction could potentially entice buyers to step in and make purchases.

Hampered by elevated production costs, some Southeast Asian steel mills have voluntarily curtailed output and resold coking coal resources in the market, thereby weighing on Tier 2 coking coal prices in recent sessions.

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.

Written by **Yifan Zhuang**
FIS Research Analyst
yifanz@freightinvestor.com

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