FIS

FERROUS WEEKLY REPORT

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Ferrous Market:

- **Iron ore IODEX CFR China**: Our view is short-run **Neutral**. Iron ore prices continued to fluctuate at low levels. Hampered by production losses, hot metal output has struggled to recover, persistently weighing on raw material demand. Ore prices are expected to remain under pressure in the near term.

- **Rebar 25mm Shanghai**: Our view is short-run **Neutral.** Driven by post-holiday demand and voluntary production cuts at steel mills, steel inventories saw notable destocking last week. However, against the backdrop of overall weakness in the real estate and infrastructure sectors, prices are expected to remain largely range-bound before the peak season concludes.

- **Hard Coking Coal FOB Australia:** Our view is short-run **Neutral**. Chinese end-users continue to maintain a cautious wait-and-see stance towards procuring seaborne coking coal, with buyers and sellers locked in a stalemate.

Price Movement:

	19 Oct	12 Oct	Changes %	FIS Sentiment
Platts IODEX CFR China ($/mt)	**91.40**	**90.60**	**+0.88%**	**Neutral**
Rebar 25mm Shanghai (Yuan/mt)	**3188**	**3187**	**+0.03%**	**Neutral**
TSI FOB Premium Hard Coking Coal ($/mt)	**266.6**	**268.8**	**-0.82%**	**Neutral**

Commentary:

Over the past week, iron ore prices continued to fluctuate within a low range. After several consecutive days of gradual decline, prices rebounded to $90.90/dmt last Friday, recouping the week's losses. At the macro level, US September CPI rose more than expected, exerting some pressure on the broader commodity market. From a fundamental perspective, against the backdrop of widespread losses and voluntary production cuts at steel mills, insufficient demand has made it difficult for iron ore prices to stage an effective rebound. On the supply side, as ore prices continued to decline, current prices have fallen to the cost levels of some small and medium-sized mines; combined with high freight rates, iron ore supply has recently declined somewhat compared with market expectations. Vale CEO Gustavo Pimenta said at a mining summit held on 14–16 October that 15mn tonnes of higher-cost marginal production had exited the market. Nevertheless, as imported iron ore inventories at Chinese ports remain at extremely high levels, the exited capacity is still unlikely to have a substantial impact on the overall relatively loose supply-demand balance.

On the freight side, as noted in last week's report, ore prices fell to low levels while freight rates remained elevated, with freight accounting for more than 20% of the CFR price of iron ore and exerting a more pronounced impact on prices. Last week, against the backdrop of relatively loose tonnage supply and demand on the Atlantic route, the Pacific route failed to generate sufficient new cargo volumes to support freight rates. Under competitive pressure among shipowners, the C5 route fell by more than 15% at one point during the week before rebounding modestly on Friday, with iron ore prices broadly tracking movements in freight rates. Given that iron ore fundamentals are not expected to change significantly in Q4, ore prices may continue to fluctuate in tandem with freight rates.

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Last week's global iron ore shipments surveyed by Mysteel reached 34.77mn tonnes, up 3.89mn tonnes WoW. Combined shipments from Australia and Brazil reached 29.82mn tonnes, up 4.79mn tonnes WoW, with Australian shipments at 20.01mn tonnes, up 1.69mn tonnes WoW, and Brazilian shipments at 9.80mn tonnes, up 3.10mn tonnes WoW. China's iron ore arrivals at 45 ports rose by 3.36mn tonnes WoW to 27.59mn tonnes. China's iron ore port inventories at 45 major ports increased by 0.54mn tonnes WoW to 165.35mn tonnes, while daily port evacuation volumes decreased by 185,600 tonnes to 3.23mn tonnes. Kpler data show that iron ore shipment schedules in Western Australia are relatively concentrated in late October, and iron ore exports from Brazil and West Africa are also expected to show seasonal growth. However, against the backdrop of narrow profit margins, overall shipment volumes in Q4 are expected to decline year-on-year.

Last week, liquidity in the seaborne market improved somewhat. With prices at low levels, bottom-fishing activity increased. On Tuesday last week, Rio Tinto sold three 170,000-tonne cargoes of PBF in succession, with transaction prices rising from $89.70/dmt to $89.95/dmt. On Wednesday, a 170,000-tonne cargo of PBF was offered on the platform at $90.40/dmt, but no transaction was concluded. BHP resources also maintained relatively good liquidity, with one cargo of NHGF and one cargo of MACF transacted at $90.20/dmt and $89.70/dmt, respectively, during the week. In addition, supported by cost advantages and import margins, demand for JMBF showed relatively strong resilience. Early last week, one cargo of JMBF was transacted at a discount of $3.20/dmt, and on Thursday two additional cargoes of JMBF were transacted at a discount of $3.07/dmt, with discounts narrowing. Lump ore performance remained stable, with one cargo of NBL transacted during the week at a premium of $1.22/dmt, based on the November lump ore premium index.

The Australian coking coal market has continued its recent pattern of thin trading and slight price declines, with buyers and sellers locked in a stalemate. The core bearish factor remains the expectation that China's coking coal supply tightness may ease, driven by the supply assurance policy. Mysteel's survey of coking coal mine production early last week showed that since 23 May, a total of 206 coal mines in Shanxi have experienced production suspensions, with a combined capacity of 278mn tonnes; as of 13 October, 54 mines remained suspended, with a combined capacity of 56.7mn tonnes, representing a notable improvement from earlier levels. On 16 October, the NDRC convened a meeting in Taiyuan, Shanxi, on accelerating coal mine restarts, production increases and supply assurance, requiring Shanxi Province to expedite the resumption of production at suspended coal mines. Against this backdrop, Chinese buyers are refusing to take on forward seaborne cargoes at current price levels. Meanwhile, Indian buyers are likewise reluctant to purchase high-priced resources. Some traders told Platts that potential Indian buyers' target price for premium hard coking coal is $270/mt CFR India, while current Australian coking coal prices are close to $290/mt; therefore, aside from term contracts, transactions with India have been sparse recently.

However, the Australian coking coal market still has some supportive factors, and sellers are reluctant to lower prices. Some domestic Chinese premium coking coal prices rebounded last week; for example, the ex-works price of premium low-volatile coal in Anze, Shanxi, rose to 2,370 yuan/mt on Friday, up 120 yuan/mt week-on-week. In addition, market rumours suggest that some coking coal is being used as thermal coal. Meanwhile, although coking coal supply at production sites has recovered somewhat, safety inspections remain stringent, and China's domestic coking coal shortage will not disappear entirely. Overall, unless domestic Chinese coking coal prices fall significantly further, narrowing the price advantage of seaborne coking coal, Australian coking coal prices are expected to remain within a narrow range.

Amid heightened geopolitical tensions in the Black Sea region, shipments of Russian pulverised coal injection (PCI) coal continue to be disrupted, prompting Indian buyers to turn to Australia for alternative resources. On 13 October, a miner sold a 30,000-tonne cargo of Poitrel PCI coal to an Indian end-user at $191/mt FOB Australia. On 15 October, another miner sold a 75,000-tonne cargo of Lake Vermont PCI coal at $195/mt, driving the index higher against the broader trend.

This week, the MB65/P61 spread fluctuated within a narrow range in line with ore prices. At the time of writing, the MB65/P61 spread stood at $14.87/dmt, while the MB65/M61 spread stood at $15.27/dmt.

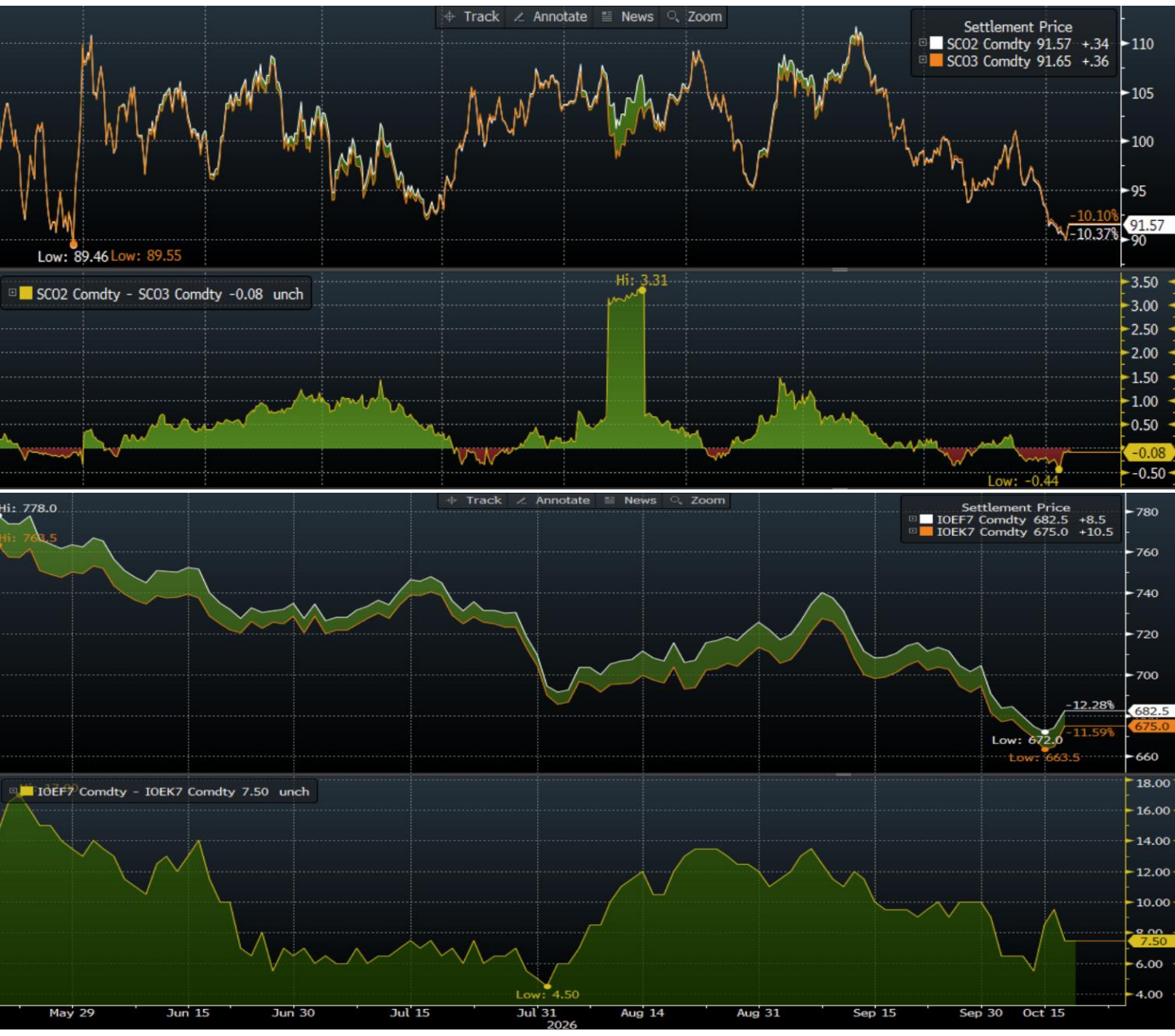
SGX iron ore continued to maintain a contango structure. The SGX front-month October/November spread closed at -$0.08/dmt. The DCE January/May spread fluctuated within a narrow range and closed at 7.5 yuan/mt.

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

Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

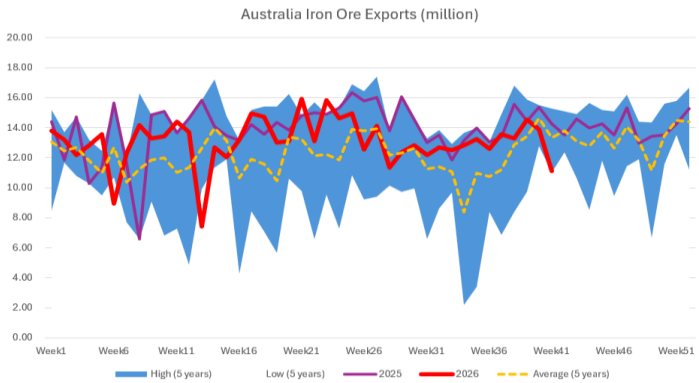
Iron Ore

	Last	Previous	% Change
Platts IODEX (Dollar/mt)	91.4	90.6	**0.88%**
MB 65% Fe (Dollar/mt)	106.27	105.92	**0.33%**
Capesize 5TC Index (Dollar/day)	27015	34115	**-20.81%**
C3 Tubarao to Qingdao (Dollar/mt)	30.72	32.95	**-6.77%**
C5 West Australia to Qingdao (Dollar/mt)	12.445	13.51	**-7.88%**
Billet Spot Ex-Works Tangshan (Yuan/mt)	2940	2960	**-0.68%**
SGX Front Month (Dollar/mt)	90.97	90.46	**0.56%**
DCE Major Month (Yuan/mt)	690	690	**0.00%**
China Port Inventory (10,000mt)	16,534.67	16,480.22	**0.33%**
Australia Iron Ore Weekly Export (10,000mt)	2,001.10	1,831.70	**9.25%**
Brazil Iron Ore Weekly Export (10,000mt)	980.40	670.60	**46.20%**



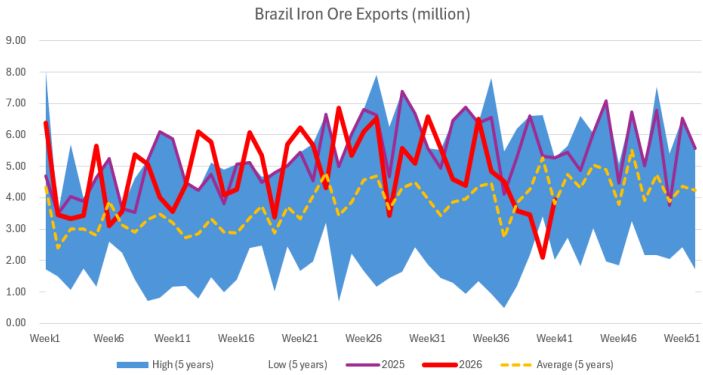
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS

Iron Ore Key Points:



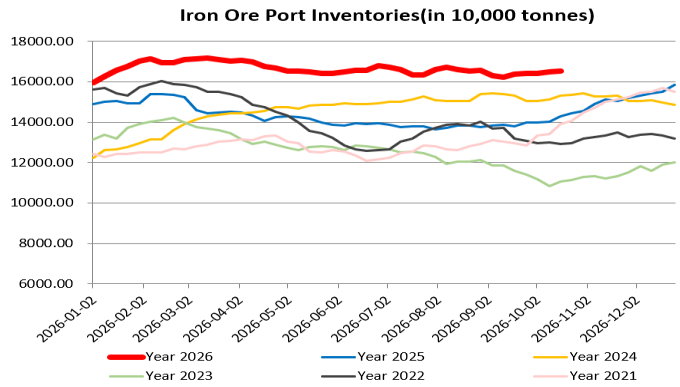
Australia Iron Ore Exports

Iron ore shipments from Australia remained broadly stable overall.



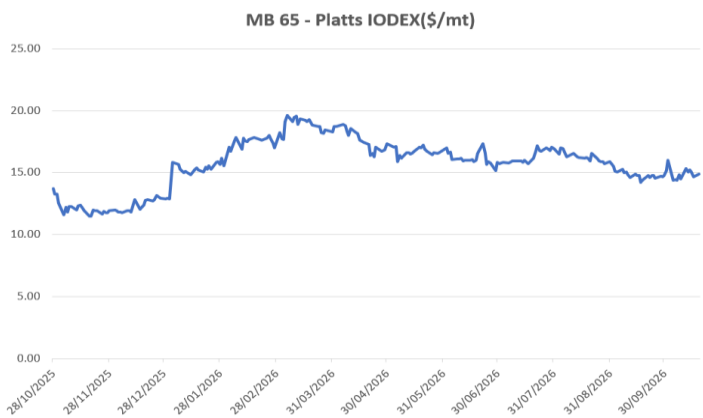
Brazil Iron Ore Exports

Affected by the dual impact of low ore prices and elevated freight rates, recent iron ore supply from Australia and Brazil has fallen somewhat short of market expectations, though it is still expected to show seasonal growth in Q4.



Iron Ore Port Inventories

Iron ore arrivals at ports remained at normal levels.



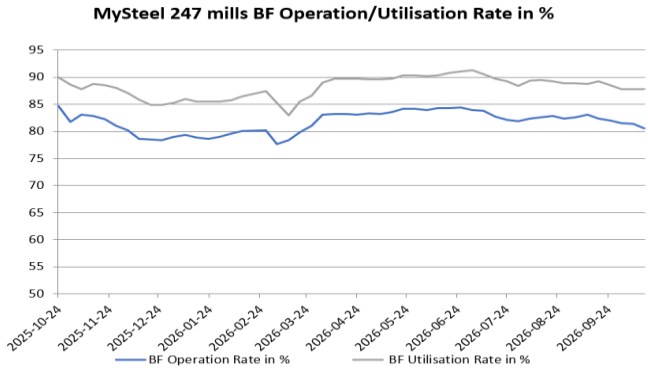
MB65/P61 Spread

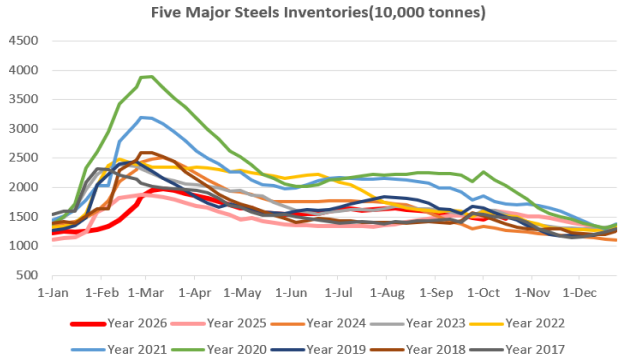
This week, the MB65-P61 spread fluctuated within a narrow range, closing at $14.87/dmt on Monday.

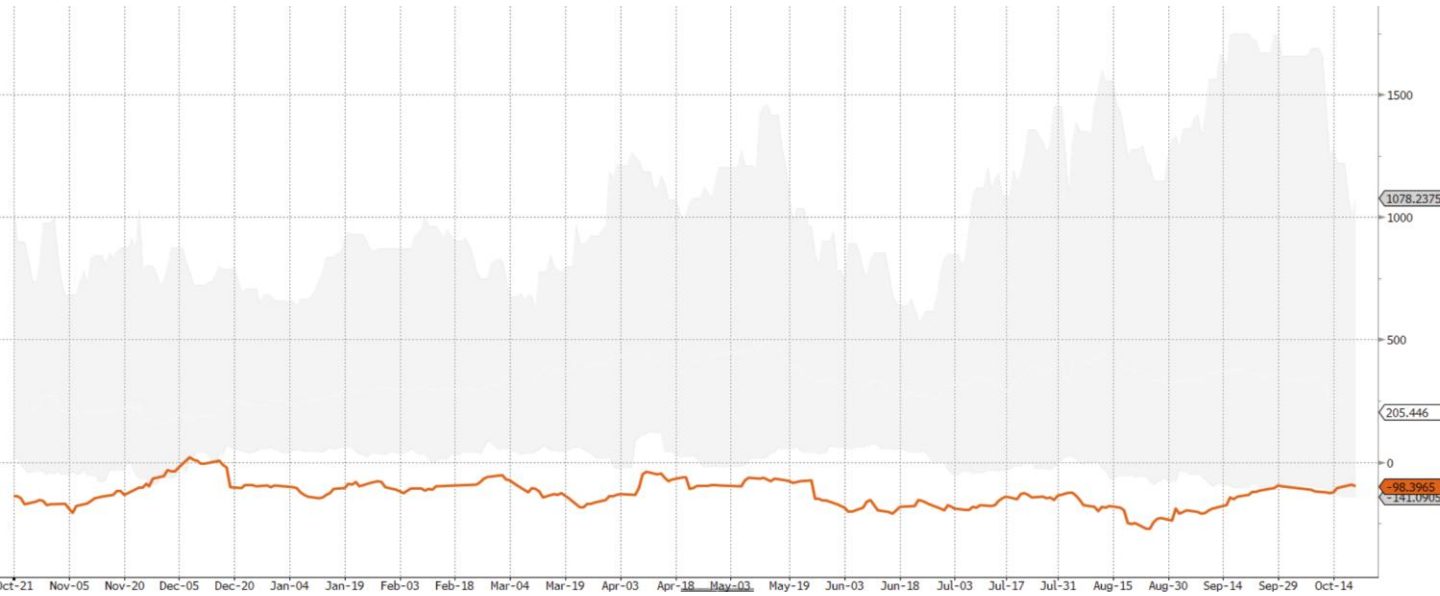
Bloomberg, Platts, Fastmarkets, Mysteel, Kpler, FIS
**Bloomberg exports data is subject to a one-week lag and may be subject to revision.*

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	1285	1276	**0.71%**
LME Rebar Front Month (Dollar/mt)	617.5	618	**0.00%**
SHFE Rebar Major Month (Yuan/mt)	3098	2998	**3.34%**
China Hot Rolled Coil (Yuan/mt)	3270	3281	**-0.34%**
Virtual Steel Mill Margin (Yuan/mt)	-98	-126	**22.22%**
China Five Major Steel Inventories (10,000 mt)	1480	1548	**-4.39%**
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%**





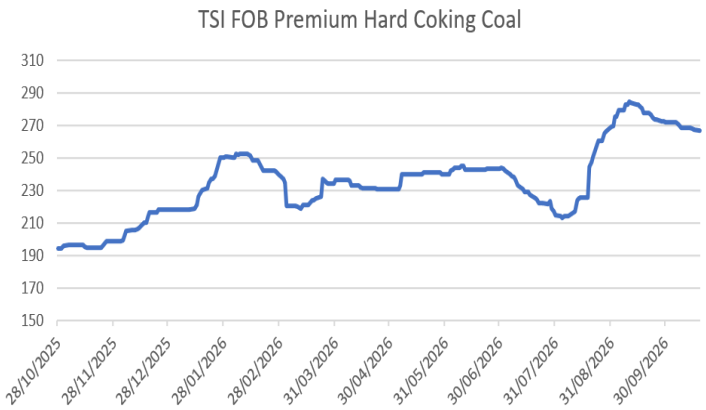


Source: Bloomberg, Mysteel, FIS

Coking coal futures prices fell sharply again under the impact of the supply assurance policy, while rebar prices were broadly flat. The negative virtual steel mill margin narrowed from -126 yuan/mt to -98 yuan/mt.

Coking coal

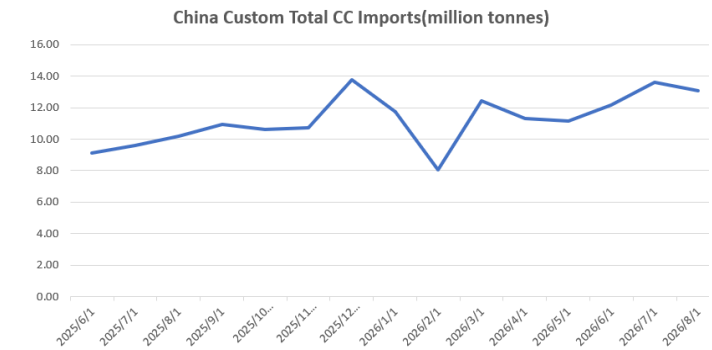
	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	266.6	268.8	**-0.82%**
Coking Coal Front Month (Dollar/mt)	267	270	**-1.11%**
DCE CC Major Month (Yuan/mt)	1514	1502.5	**0.77%**
Top Six Coal Exporter Weekly Shipment (Million mt)	4.62	7.03	**-34.28%**
China Customs Total CC Imports (mt)	13,070,743	13,615,932	**-4.00%**



Coking Coal Key Points:

Chinese premium coking coal prices have rebounded, but against the backdrop of the supply assurance policy, the market expects supply to improve. Meanwhile, steel mills are currently operating at a loss and largely procure raw materials on an as-needed basis, with domestic buyers reluctant to bear the risk of high-priced seaborne cargoes. Sellers are likewise unwilling to lower their offers, leaving the market in a stalemate.

On the Indian side, disrupted shipments of Russian PCI coal have led to a notable increase in demand for Australian resources recently, driving Australian PCI coal prices higher against the broader trend.



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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