

FIS Ferrous Weekly Report

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

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- ⇒ **Iron ore Fe62% CFR China:** short-run **Neutral to bearish**. Pig iron recovery was slower than expected in China.
 - ⇒ **Rebar 25mm Shanghai** short-run **Neutral**. Daily construction steel trading volume was at a seasonal low bound.
 - ⇒ **U.S. HRC Front Month** short-run **Neutral**. The investment environment improved in auto-making and infrastructure projects following slowed inflation and a better economic outlook in 2023.
- Hard Coking Coal FOB Australia** short-run **Neutral to bearish**. There was a structural shortage in HCCA. However, the general demand for PLV or PMV remains a question at a high price level.

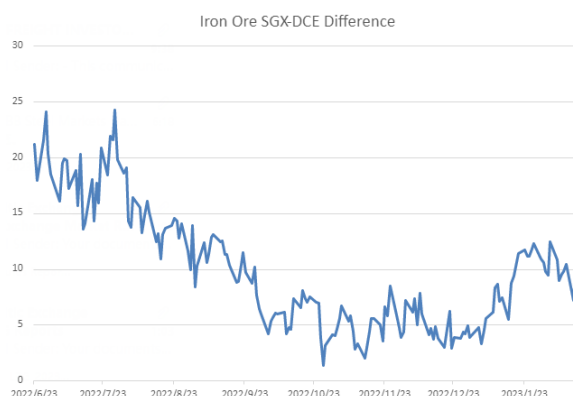
Prices Movement	13-Feb	6-Feb	Changes %	Sentiment	
Iron Ore Fe62% CFR China(\$/MT)	121.85	124.05	1.77%	Neutral to Bearish	↘
Rebar 25mm Shanghai (Yuan/MT)	4130	4140	0.24%	Neutral	-
U.S. HRC Front Month (\$/MT)	805.0	793.0	1.50%	Neutral	-
Hard Coking Coal FOB Australia(\$/MT)	380.0	360.25	5.48%	Neutral to Bearish	↘

Market Review:

Iron ore Market :

Iron ore maintained a slightly bearish trend, as expected from the last two weeks. The Chinese sample steel mills' pig iron production at 2.29 million tons recovered at a slower-than-expected pace, particularly compared with the fast pick-up of steel inventories. The Turkey-Syria earthquake might shift European steel demand to the Asian market. However, we are yet to see an immediate change in this market.

The largest iron ore loading port, Port Hedland, exported 48 million mt iron ore in January, down 2.6% from December, according to Pilbara Ports Authority. Port Hedland shipped 41.2 million mt iron ores, or 85.85%, to its biggest customer China. MySteel statistics indicated that the 19 Australia and Brazil ports total shipped 18.51 million iron ores last week, down 6.04 million tons on the week. Chinese 45 iron ore ports arrived at 28.55 million tons last week, up 4.9 million tons on the week—45 Chinese ports' iron ore inventories at 140.01 million tons, up 989,900 million tons weekly. However, Q1 and Q2 are expected to see a decreasing trend in the ports, with recovered construction season and fewer laycans. Chinese steel mills import iron ore inventories at 92.72 million tons, up 524,800 tons weekly. Market participants expected the port inventories would shift to the mill's side along with the recovered demand market.



As last week, the secondary market still faces pressure by selling February or early March laycans. Importers were showing strong interest in low-grade fines considering the cost-effectiveness. It takes time to rethink high production strategy until more numbers on physical trade or mill buying recover. The market, in general, was still in a wait-and-see mode. MB65-P62 was stable in the \$15 level from last week. Many importers said they prefer mid-grade cargoes, although high grade in Brazil has proven better cost-effectiveness and steel margin recovered. A continuous loss created a cautious mind for almost 14 months previously.

Data Sources: Bloomberg, Platts, Fastmarket, FIS

Market Review (Continued)

Downstream industries were evaluating the project size and amounts, waiting for a political conference in March and a monetary roadmap before making decisions on the production size.

The March-April 23 spread finally broke the \$0.6-0.85 area and reached \$1.05 from last week. The entire spread curve became steeper, indicating the front laycans are becoming popular again compared with back months laycans. In addition, market participants were expecting an economy and building activities recovery in the warm season in Q2 compared to the previous three years in China.

Overall, we maintain the views from last week— the high-level faced gains taking effect in the short-run from speculation investors or the financial market. The physical market tends to play a secondary role as they are still in watch-and-see mode.

Neutral to Bearish

Downstream/Policies/Industry News:

The market participants are looking to see a response from the Turkey government to evaluate the impact of the events on the steel market after an earthquake. Market participants believed that government could limit steel exports to ensure the domestic need for rebuilding. On the other hand, others feel the country might look to boost industry and generate income and foreign currency to fund the repairs by exporting more steel. Across the weekends and last Friday, the three biggest steel mills in eastern Turkey, Bastug Metalurji, Tosyali Demir Celik, and Ekinciler Holding, announced Force Majeure on February 10th.

One of the biggest iron ore miners in the world, FMG joint venture Ivindo Iron SA (Ivindo Iron) and the Gabonese Republic signed an iron ore mining convention planning to start in the late half of 2023.

The Indian government has proposed to amend offshore mining legislation, allowing production leases to grant auctions.

ArcelorMittal's whole European business has 10% offline capacity, improved from 20% capacity loss in last Q4. The company expected a significant increase in apparent demand. The European segment lost \$10 million in Q4, compared with a profit of \$1.8 billion in 2021.

Global Steel Market:

In general, the Platts North Europe HRC remained in the \$816– 828 rangebound from Jan 20th to February 13th. The energy cost decrease helped to lower the EAF's overall cost. However, the biggest steel exporter in Europe, Turkey, suffered from a disaster rebuilding period, with many steel mills announcing Force Majeur after the earthquake. Some manufacturing companies had already been looking to expand Asian exports after March. The Italy CIF HRC assessment was unchanged at €730/t for the past two weeks. Japanese HRC was heard indicatively offered at €770/t CFR. The market participants indicated a lower price for Indian HRC. Mills reported sales of \$800/t to German and Spanish markets.

China's eastern and southern areas saw demand recovery as an early entry into warm weather compared to northern regions. Physical domestic HRC and Rebar were fixed, given a fast-decreasing futures market. Thus, HRC SS400 maintained strong at \$650/mt at FOB China to Middle East and South America buyers. However, Vietnam was still looking for \$620-630/t CFR sources from China. Mills of China set higher offers in Vietnam. Trading firms kept offers unchanged at \$670-680 for SAE1006-grade coil.

Turkish deep-sea scrap prices inched down slightly as mills held on sales amid growing uncertainty in export policies. Deals for shredded scrap were between €375–385/mt delivered in Germany. The import scrap market paused after the earthquake.

The scrap price trend was highly uncertain because of the policy impact. European HRC is expected to maintain strength as Turkish export in the short run is expected to decrease.

Neutral

Sources: Argus, IHS Markit Commodities at Sea Service, FIS

Market Review (Continued)

Chinese Steel Market:

Shanghai domestic 25mm rebar inched down only 10 yuan/ton on the spot market, given a fast declining future. Therefore, the orders maintain unchanged prices.

The five major steel apparent consumption entered a brief recovery period from mid-February to mid-March. The demanding pace would largely determine the trend of the price. To break down, five typical mills' inventories followed a similar route as in 2022. However, production was picking up fast as the strong confidence in economic recovery in early 2023. HRC and Construction steel consumption was in line with the average for the last two years during the same period. There is yet to be any sign that China would increase export. But Vietnam and European buyers were increasing bids significantly on SS400 and SAE1006 coils. The daily trading volume was still 40-50% smaller than the normal number. The downstream market was still cautious about the steel stocking at this time.

Overall, rebar prices might remain at a low volatility range in the short run.

Neutral

Coal Market:

The Australia FOB market saw a significant spike by 27.18% YTD, supported by several events. The most current market was chasing bids on PLV and HCCAs because of the long wait laycans after the shipping problems caused by a train accident, cyclone, and wet weather, which essentially postponed some original February and March laycans to April and May. The structural shortage also contributed a considerable proportion to lifting the FOB index.

The tradeable values for PMV in parity to PLV are concentrated at \$370–385/mt FOB Australia. The highest bid for HCCA Branded coal for 40,000mt was at \$390/mt. Looking forward, the accumulated latencies on laycans will be resolved in the next 1-2 months. The Blackwater rail line resumed operation on February 11th, which would help ease the supply tightness for Low Vol HCC and PCI coals. In addition, there has been consistent buying interest for premium coals from China, India, and European countries in recent weeks.

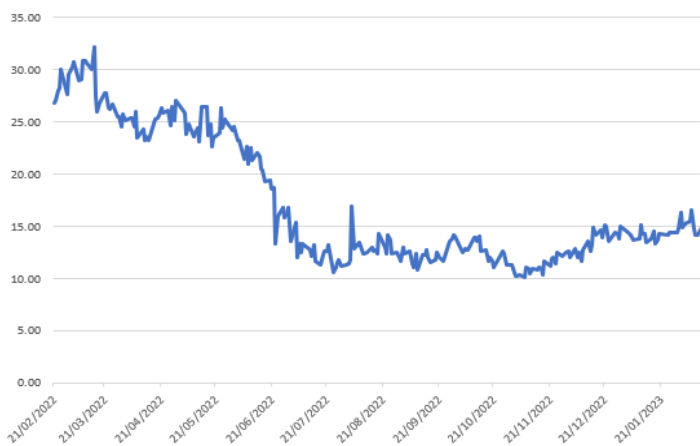
Overall, Australia FOB might face correction risk if those high physical bids are cancelled in future or vanish in the market.

Neutral to Bearish

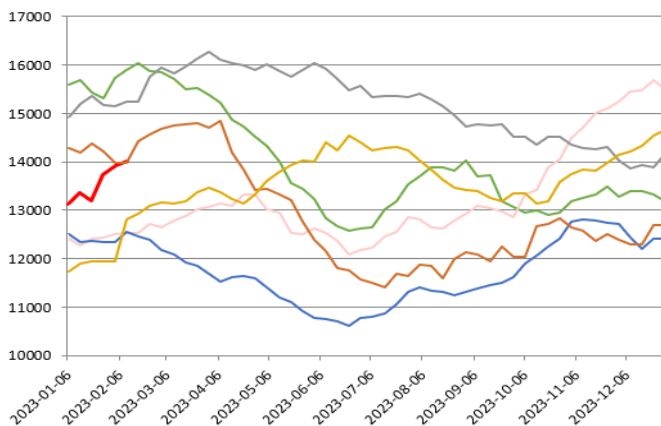
Iron Ore

	Last	Previous	% Change
Platts 62% Fe (Dollar/mt)	121.85	124.05	-1.77%
MB 65% Fe (Dollar/mt)	136.9	139.5	-1.86%
Capesize 5TC Index (Dollar/day)	4432	3475	27.54%
C3 Tubarao to Qingdao (Dollar/day)	16.683	16	4.27%
C5 West Australia to Qingdao (Dollar/day)	6.325	6.315	0.16%
Billet Spot Ex-Works Tangshan (Yuan/mt)	3790	3870	-2.07%
SGX Front Month (Dollar/mt)	124.72	124.86	-0.11%
DCE Major Month (Yuan/mt)	860.5	846	1.71%
China Port Inventory Unit (10,000mt)	14,010.28	13,911.29	0.71%
Australia Iron Ore Weekly Export (10,000mt)	1,094.30	951.40	15.02%
Brazil Iron Ore Weekly Export (10,000mt)	260.00	117.90	120.53%

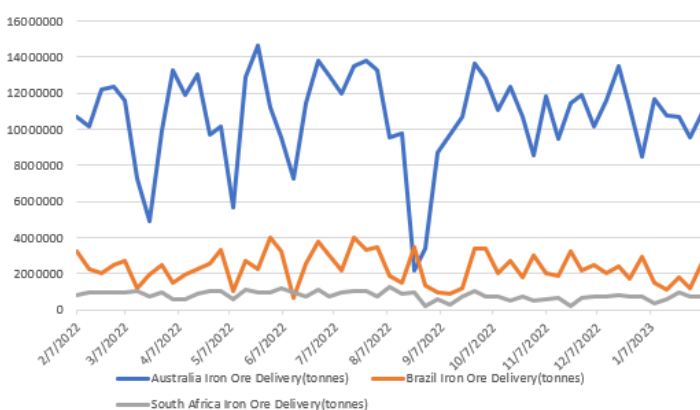
MB 65 - Platts 62(\$/mt)



Iron Ore Port Inventories(in 10,000 tonnes)



Iron Ore Delivery (tonnes)



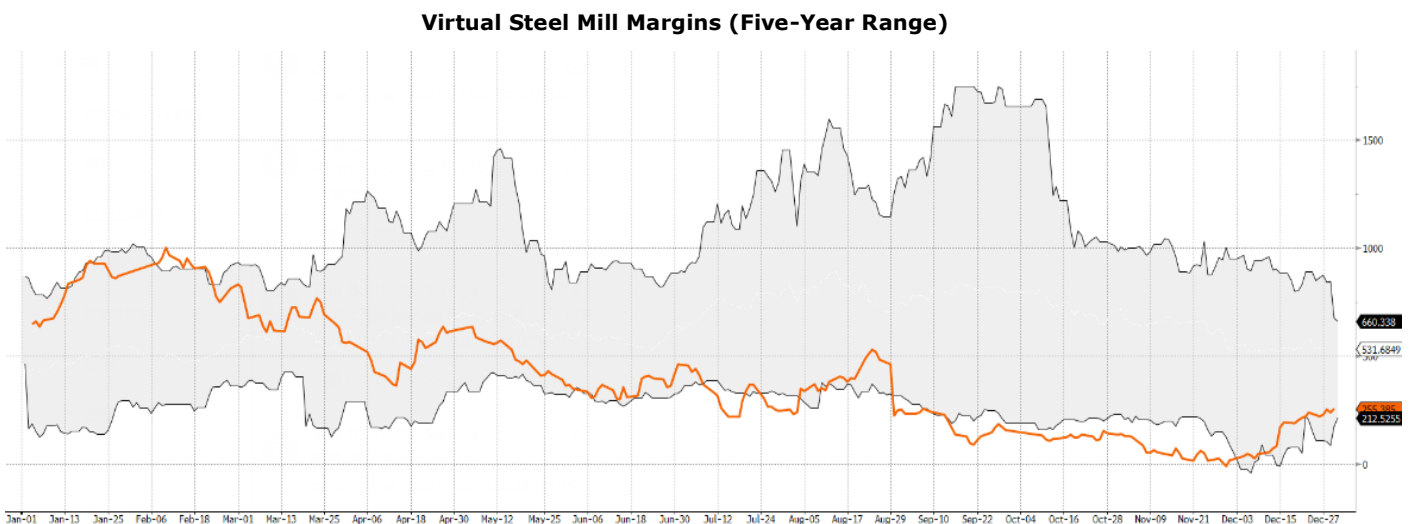
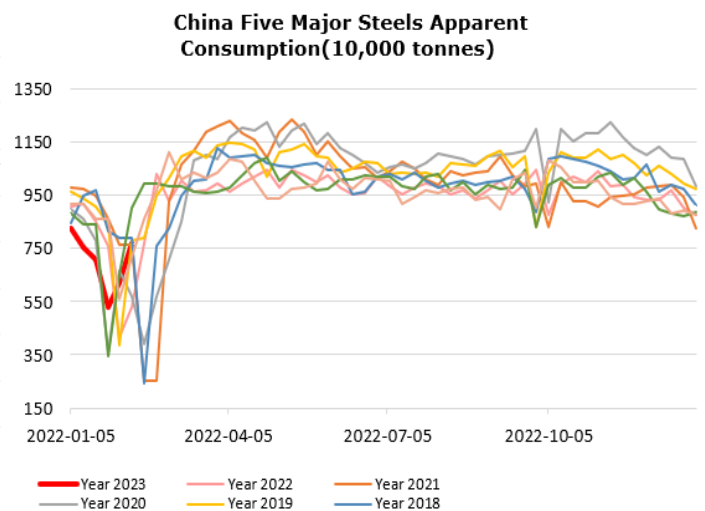
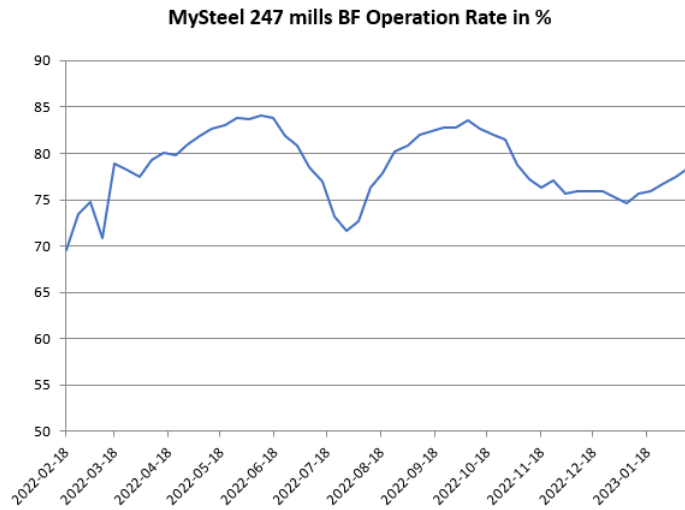
Iron Ore Key Points

- Iron ore port inventories recovered and maintained a balanced mode in winter. However, port inventories are expected to decrease from late Q1 due to reduced shipments and faster mill consumption.
- The 65% and 62% iron ore saw a slight recovery, followed by the steel margin rebound.
- The pig iron production is expected to recover gradually after the Chinese holiday, as no further mill maintenance or production cut was heard in February.

Data Sources: Platts, Fastmarkets, MySteel, Bloomberg, FIS

Steel

	Last	Previous	% Change
US HRC Front Month (Dollar/mt)	798	797	0.13%
LME Rebar Front Month (Dollar/mt)	707	711	-0.56%
SHFE Rebar Major Month (Yuan/mt)	4058	4031	0.67%
China Hot Rolled Coil (Yuan/mt)	4198	4174	0.57%
Vital Steel Mills Margin(Yuan/mt)	255	255	0.00%
China Five Major Steel Inventories Unit (10,000 mt)	2489.64	2371.33	4.99%
Global Crude Steel Production Unit (1,000 mt)	77900	74500	4.56%
World Steel Association Steel Production Unit(1,000 mt)	140,700	139,100	1.15%



Data Sources: Bloomberg, MySteel, FIS

- Virtual steel mill margins recovered steadily from 0 areas in early December to 255-260 yuan/ton this January and February. The physical margin is also followed by a virtual margin from a negative to a positive area.
- The five weekly types of steel consumption started recovery mode, and the pace of consumption essentially directed the market sentiment in the next few weeks.

Coking Coal

	Last	Previous	% Change
TSI FOB Premium Hard Coking Coal (Dollar/mt)	380	360.25	5.48%
Coking Coal Front Month (Dollar/mt)	372.67	348	7.09%
DCE CC Major Month (Yuan/mt)	1842.5	1802.5	2.22%
Top Six Coal Exporter Weekly Shipment	19.06	20.95	-9.02%
China Custom total CC Import Unit mt	6,464,859	5,732,165	12.78%

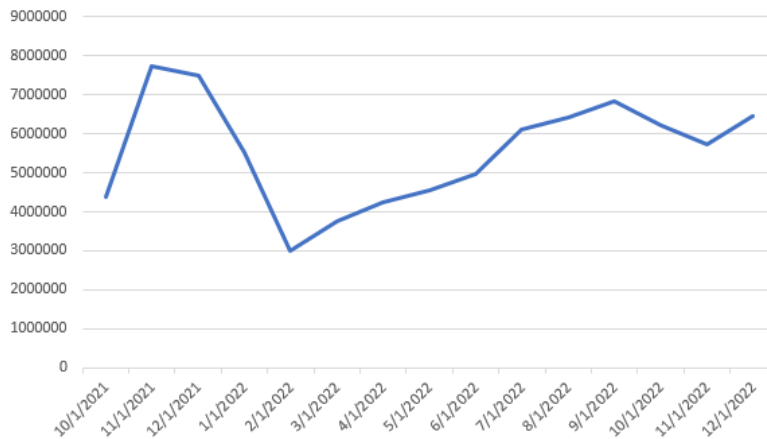
Coking Coal Front Month Forward Curve



Coal Key Points

- The previous laycans of Australian seaborne coals were postponed to April and May, which supported high prices and structural shortages in HCCA and PLV.
- Mongolia hauled more coal trucks compared to last Q4. China, India, and Europe are all looking for high-quality blend coals as demand grows.

China Custom Total CC Imports(tonnes)



Data Sources: IHS Commodities at Sea Service, Bloomberg, FIS

FIS Ferrous Fact Sheet

Australia HCCLV Peak Downs: An important hard and low volatility coking coal benchmark brand in Australia with prime quality and higher price.

Backwardation Market: when futures prices are lower than the underlying physical prices or front months are higher than deferred months contracts.

Contango Market: when futures prices are higher than the underlying physical prices or front months are lower than deferred months contracts.

Cost Saving Strategy: refers to steel mills focusing on lower variable costs to maintain profit margin.

Ferrous Industry Chain: Upstream materials included iron ores concentrates/lumps/pellets, scrap/pig iron/HBI/DRI, Coking coal, semi-soft coals or other coals, Ferroalloys, and different furnace or EAF materials. Midstream commonly refers to semi-finished steels, including crude steels, or finished steels, structured steels, flat steels, HRC/CRC, rebar, etc. Downstream meant the end-users of steels, including housing, infrastructure, auto-making, energy market, shipbuilding, housing appliances, containers, and mechanics.

Flat Steel: Finished steels are categorised by wide-belt and narrow belts—normal flat steel including hot-rolled steel or cold-rolled steel. Downstream markets are auto making, electrical appliances and thin and flat steel-using industries. Flat steels are the most active international trading steel type.

Iron Ore Lump: Natural bulks iron ore. Lumps are directly added to a blast furnace, which has premiums to iron ore concentrates.

Iron Ore Pellets: Semi-processed iron ore to make concentrates into pellets after sintering. Pellets are acidic, which adjusts the acidity and alkalinity of a blast furnace. Pellets have premium to iron ore concentrates.

Long Steel: Finished steel, including wire rods and rebar, is generally related to the housing building market.

More or Less Clause: Trade Terms. In iron ore seaborne trading, the weight could differ from loading to arrival ports because of increased moisture rates. For example, some customs accept a 10% maximum moisture rate on some brands of iron ore. In steel trading by trucks or trains, there is usually a certain percentage of weight difference tolerance between quality test and contract.

Rebar 25mm Shanghai: The most volatile physical steel product traded in China and the major exported brand. SGX's rebar contract was highly correlated to this physical brand.

Steelmaking Process: The process typically included the BF-Converter process and EAF process. The U.S. and West Europe are using EAFs. Pig iron/scrap is a significant input for EAFs. China, Japan, and India are using BF-Converter majorly. The materials include iron ores, cokes, and coking coals.

SGX—DCE Difference: The SGX settlement price minus the DCE value after normalised by VAT, ferrous grade, and foreign exchange.

Virtual Steel Margin: Calculating the futures steel margins by a complex of rebar, iron ore and coking coal to represent the leading indicator of physical steel margin.

Written by **Hao Pei**,
FIS Senior Research Analyst

Edited by **Mopani Mkandawire**,
FIS Content Manager

News@freightinvestor.com, +44 207 090 1120