



五矿期货有限公司

Terminal demand drags down iron ore prices

Iron Ore Monthly Report

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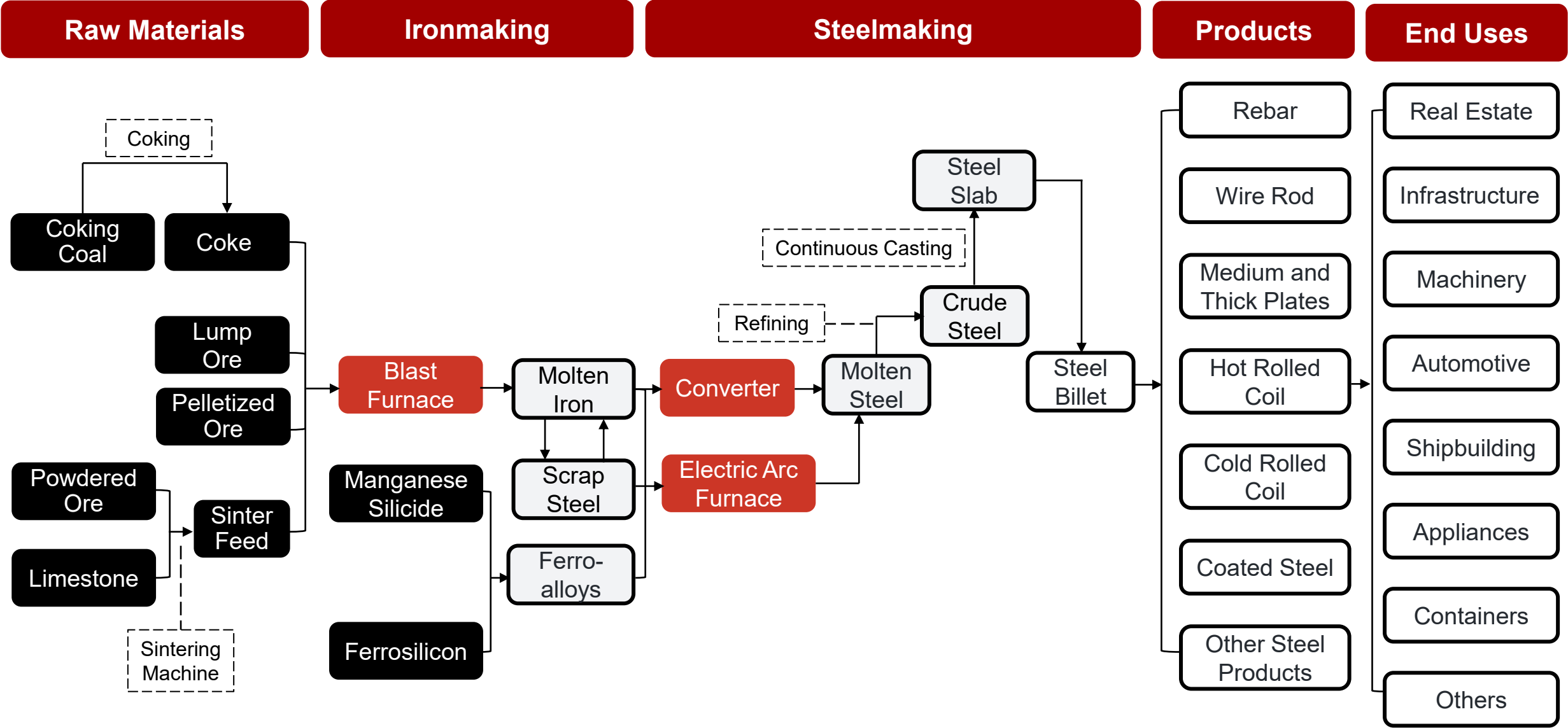
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Monthly Review & Strategy Recommendation

Schematic Diagram of the Ferrous Metal Industry Chain

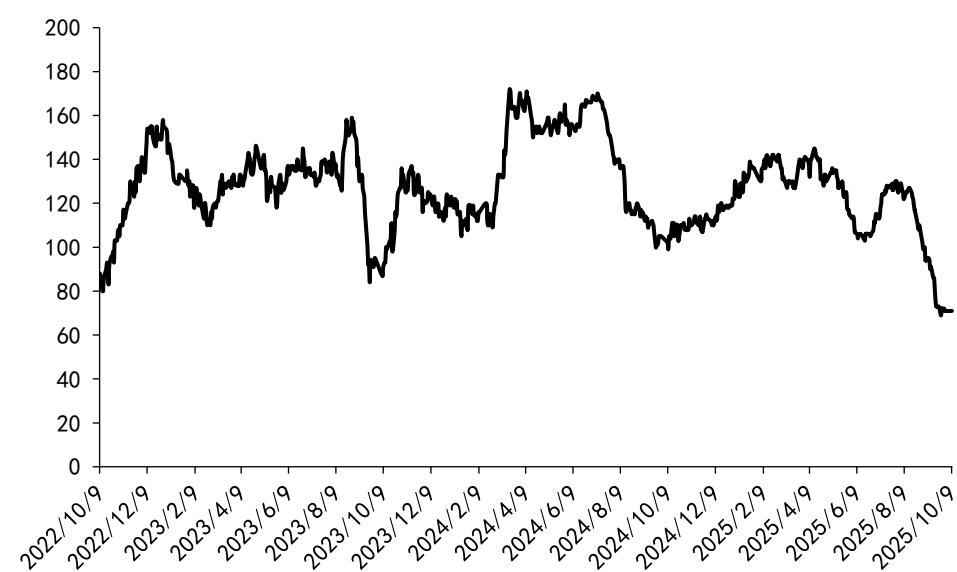


- ◆ **Supply:** Global iron ore shipment averaged 32.82 million mt/week in September (+48.4k mt m/m). The weekly average of iron ore shipped from Australia to China via 19 ports stood at 16.091 million mt (+1.4708 million mt m/m). Brazil's shipment averaged 7.531 million mt/week (-1.3968 million mt m/m). The arrival volume at 45 ports averaged 24.6145 million mt/week (+43.3k mt m/m).
- ◆ **Demand:** The daily production of molten iron domestically averaged 2.4017 million mt in September (+12k mt m/m).
- ◆ **Inventory:** By the end of September, the total imported iron ore inventory across 45 ports nationwide reached 139.7779 million mt (+2.1477 million mt m/m). The weekly average daily discharge volume of iron ore at 45 ports was 3.3116 million mt (+104.4k mt m/m). The weekly average daily consumption of imported iron ore by steel mills stood at 2.9351 million mt (-45k mt m/m).
- ◆ **Outlook for October:** Supply is expected to seasonally decline m/m following the surge at the end of Q3. The arrival volume is projected to follow a downward trend based on shipment rhythms. Demand remains robust with steel mills' molten iron output staying above 2.4 million mt daily. However, downstream demand appears relatively weak. Prices are forecasted to maintain relatively high oscillations before the holiday due to stockpiling by steel mills, with attention turning towards the growing contradiction between high molten iron levels and terminal demand post-holiday. Should finished steel inventory pressures escalate, leading to price adjustments downwards and squeezing profits of some steel mills to near loss, it may trigger negative feedback impacting raw material prices. Port inventories are expected to see a slight increase. Macroscopically, with the Fourth Plenary Session scheduled for late October, new policy directions will be crucial. Overall, October iron ore prices are likely to be dragged down by terminal demand, while being susceptible to sudden news-induced price fluctuations.

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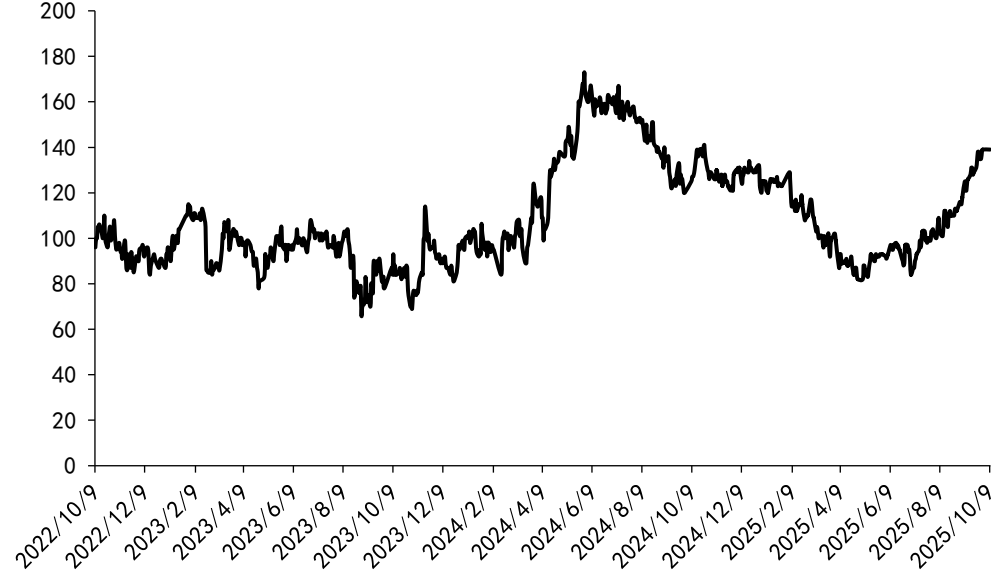
Futures Market & Spot Market

Figure 1: PB Fines-Super Special Fines Spread (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

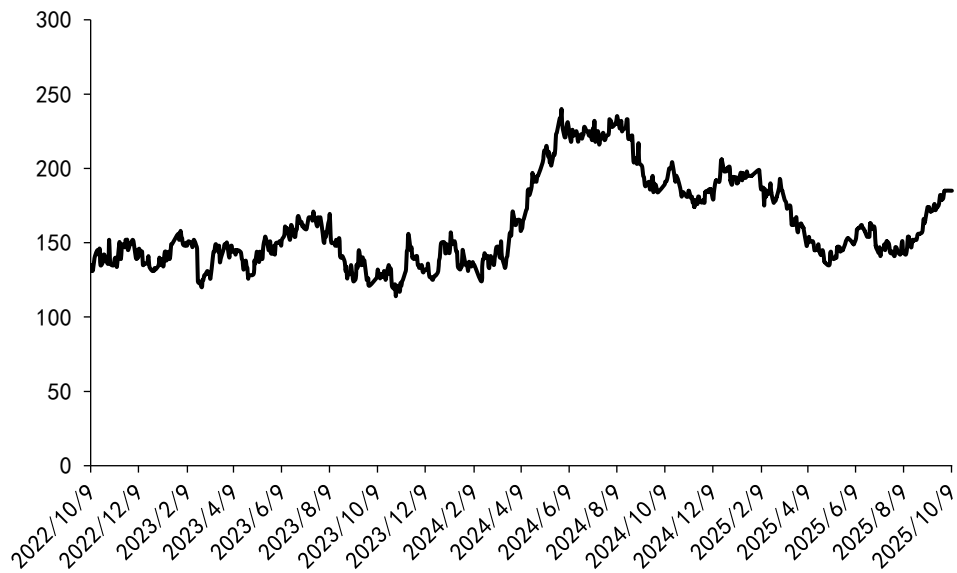
Figure 2: Carajas Fines-PB Fines Spread (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

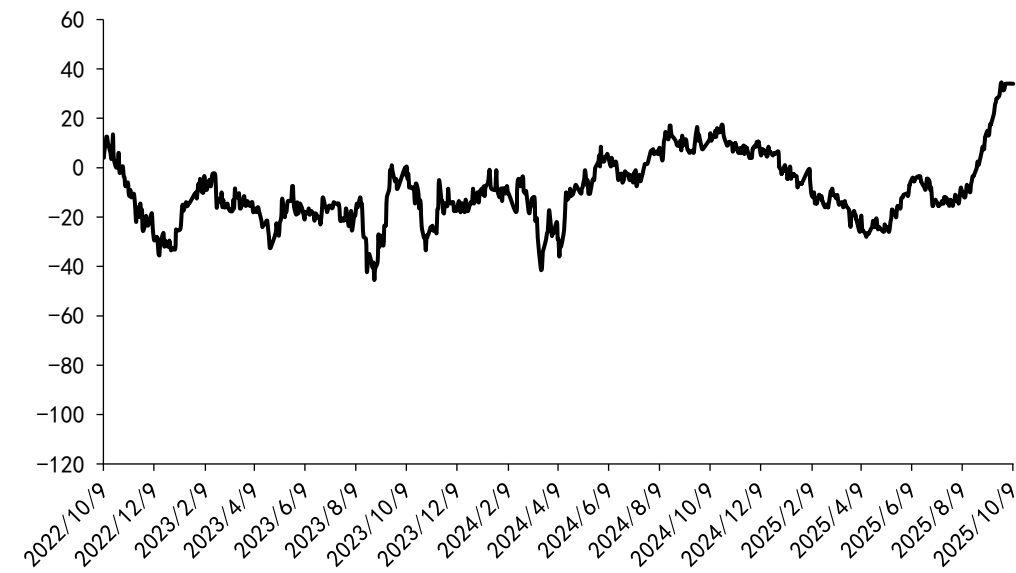
- At end-September, PB-Super Special spread: 71 yuan/mt (-37 yuan/mt m/m). Carajas-PB spread: 139 yuan/mt (+27 yuan/mt m/m).

Figure 3: Carajas Fines-Jimblebar Fines Spread (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

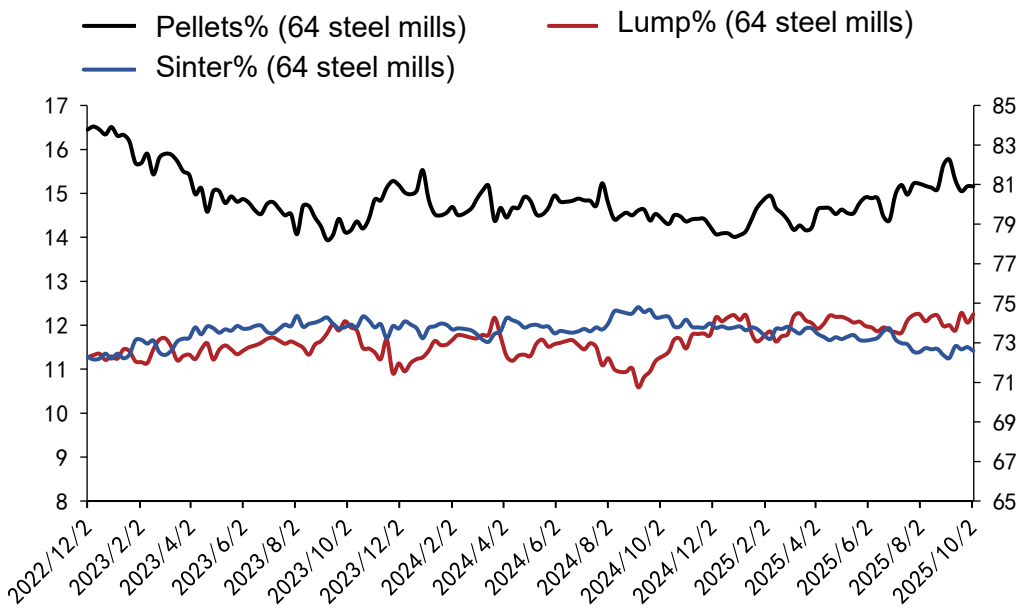
Figure 4: (Carajas + Super Special)/2-PB Fines Spread (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

- At end-September, Carajas-Kimbaba spread: 185 yuan/mt (+29 yuan/mt m/m). [(Carajas + Super Special)/2]-PB spread: 34 yuan/mt (+32 yuan/mt m/m).

Figure 5: Feed Mix Ratio (%)



Sources: MYSTEEL, Minmetals Futures

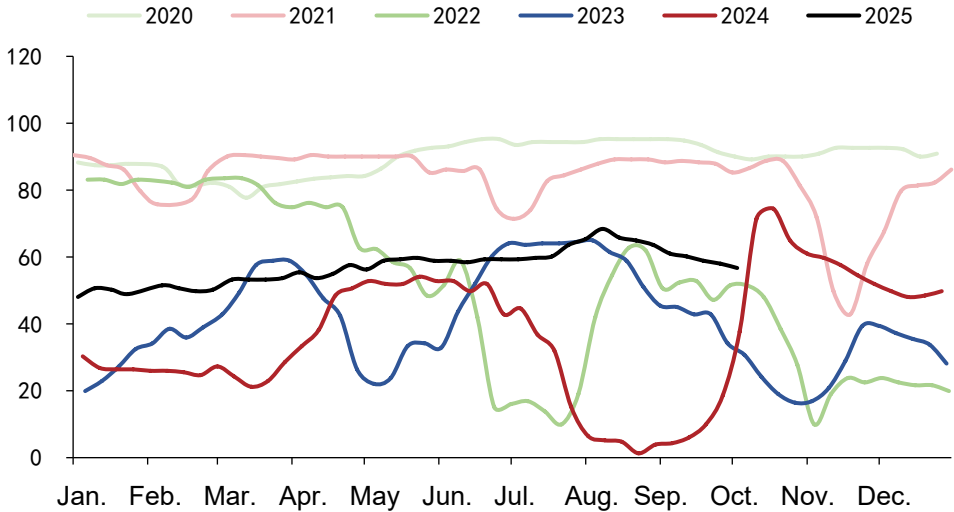
Figure 6: Scrap Price (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

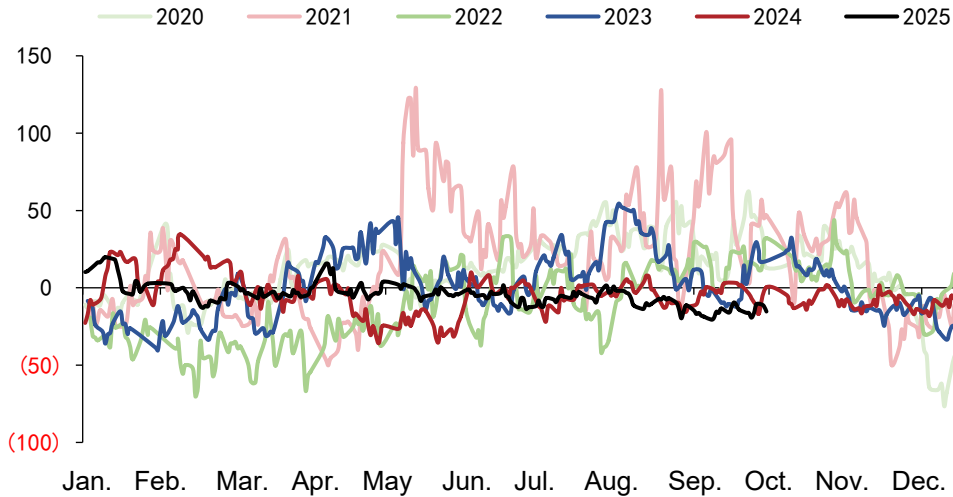
- At end-September, pellet ratio was 15.16% (-0.48 pct m/m), lump ore was 12.06% (+0.08 pct m/m) and sinter was 72.78% (+0.4 pct m/m).
- At end-September, Tangshan scrap was 2,245 yuan/mt (-50 yuan/mt m/m) and Zhangjiagang scrap was 2,150 yuan/mt (+30 yuan/mt m/m).

Figure 7: Steel Mills Profitability (%)



Sources: MYSTEEL, Minmetals Futures

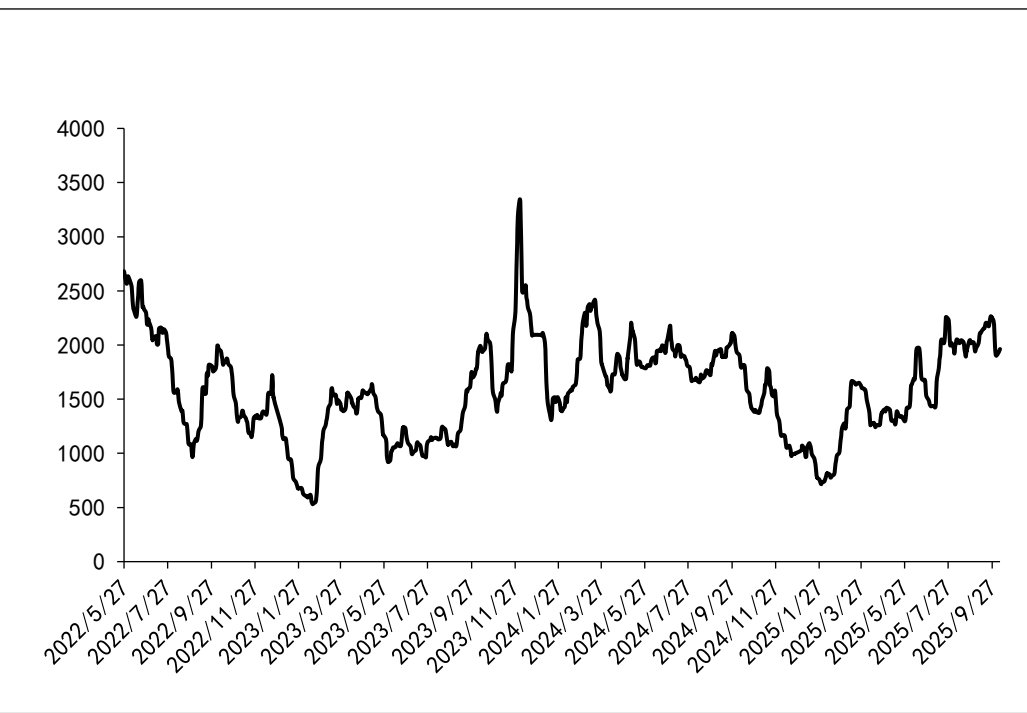
Figure 8: PB Import Profits (yuan/wet ton)



Sources: MYSTEEL, Minmetals Futures

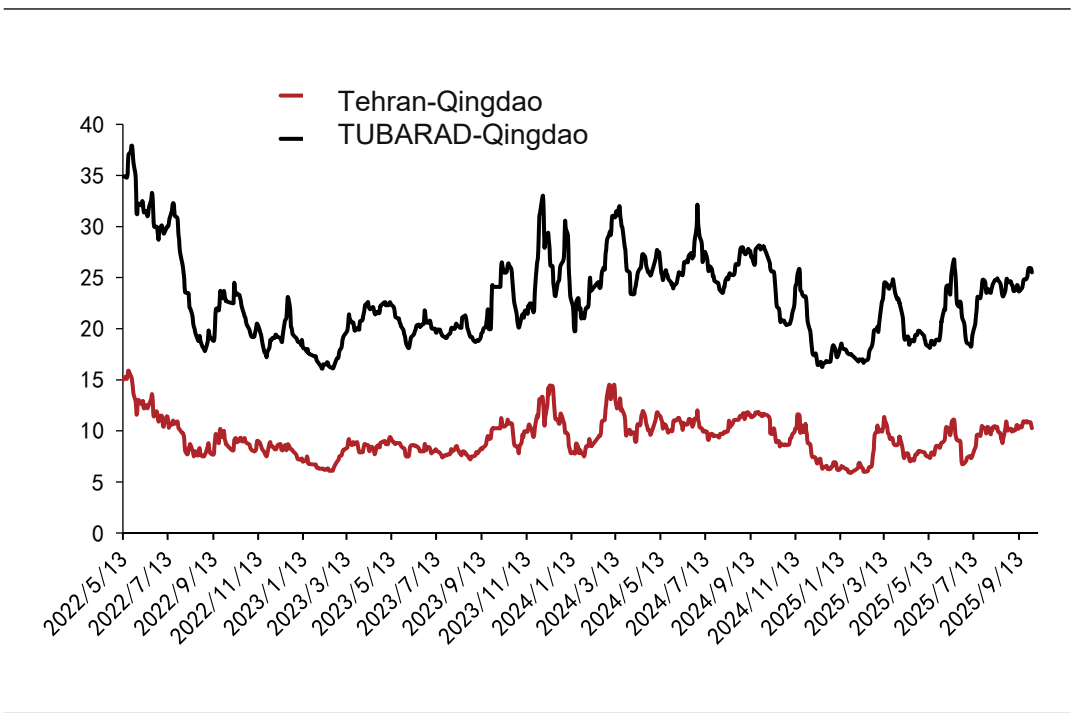
- At end-September, mill profitability rate was 58.01% (-5.63 pct m/m).

Figure 9: BDI (point)



Sources: MYSTEEL, Minmetals Futures

Figure 10: Freight Rates by Origins (US\$/mt)

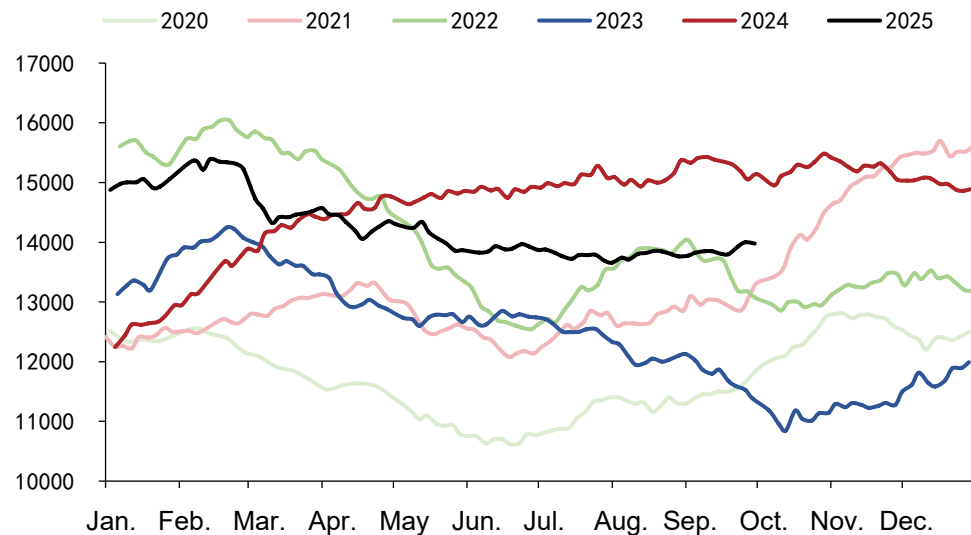


Sources: MYSTEEL, Minmetals Futures

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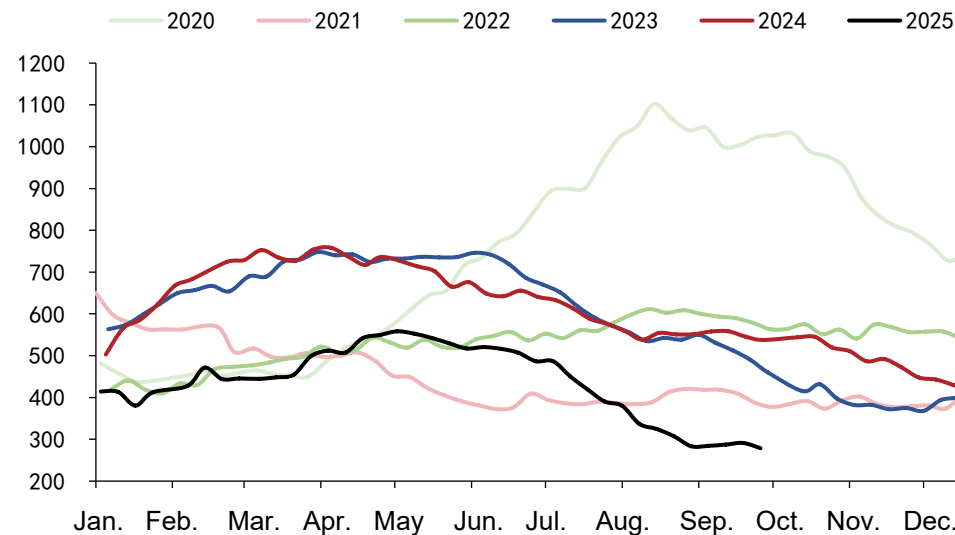
Inventory

Figure 11: Domestic port inventory (10k mt)



Sources: MYSSTEEL, Minmetals Futures

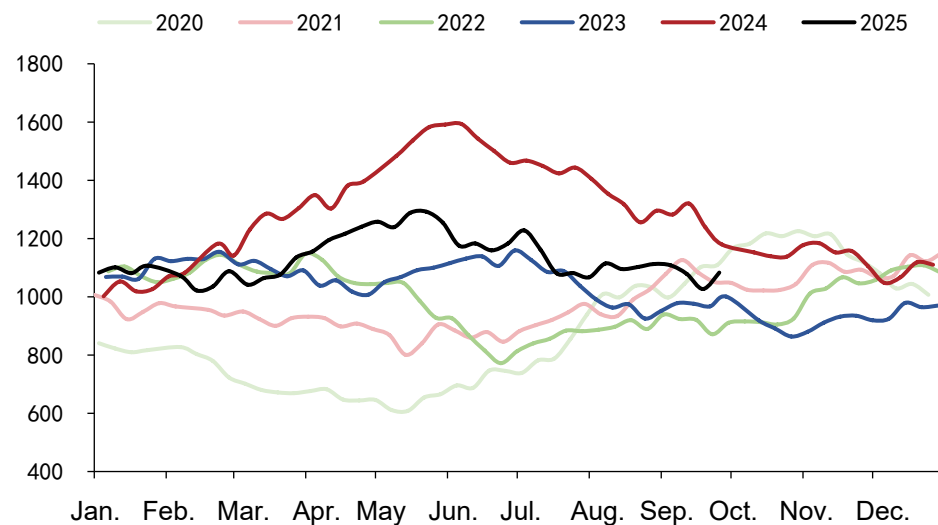
Figure 12: Port inventory: pellets (10k mt)



Sources: MYSSTEEL, Minmetals Futures

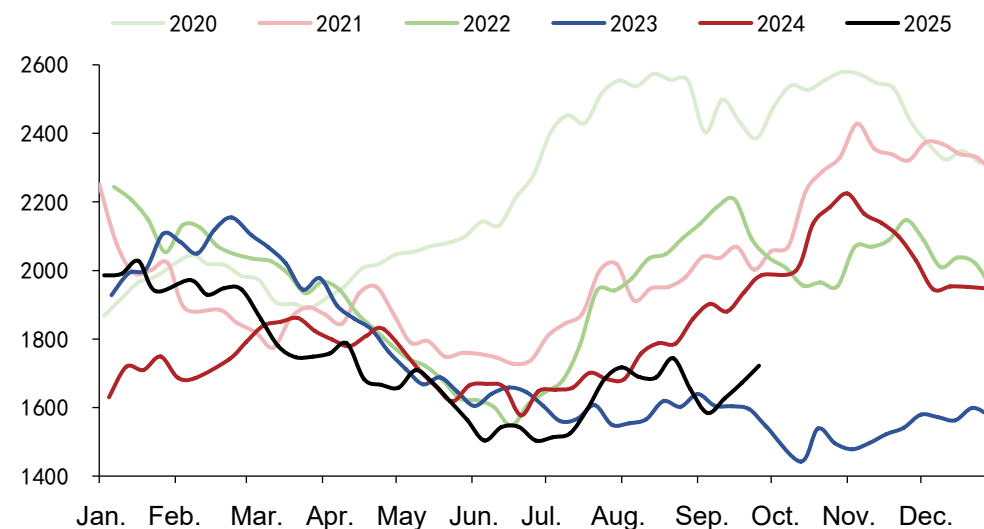
- At end-September, imported iron ore inventories at 45 national ports stood at 139.7779 million mt (+2.1477 million mt m/m). Pellet inventory was 2.7865 million mt (-47.2k mt m/m).

Figure 13: Port inventory: iron concentrate fines (10k mt)



Sources: MYSTEEL, Minmetals Futures

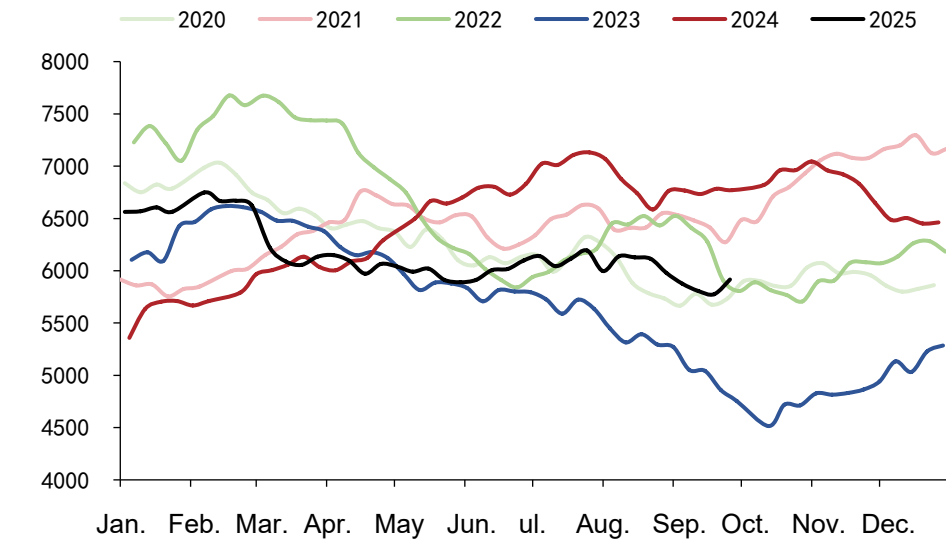
Figure 14: Port inventory: lumps (10k mt)



Sources: MYSTEEL, Minmetals Futures

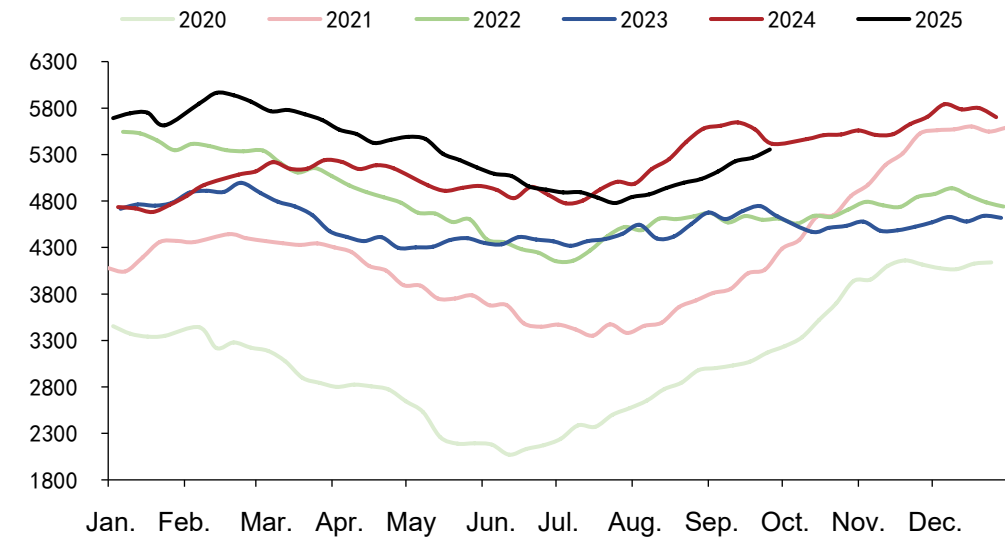
- At end-September, port inventory of iron concentrate was 10.8306 million mt (-295.3k mt m/m). Port inventory of lump ore was 17.2213 million mt (+682.3k mt m/m).

Figure 15: Port inventory of Australian ores (10k mt)



Sources: MYSTEEL, Minmetals Futures

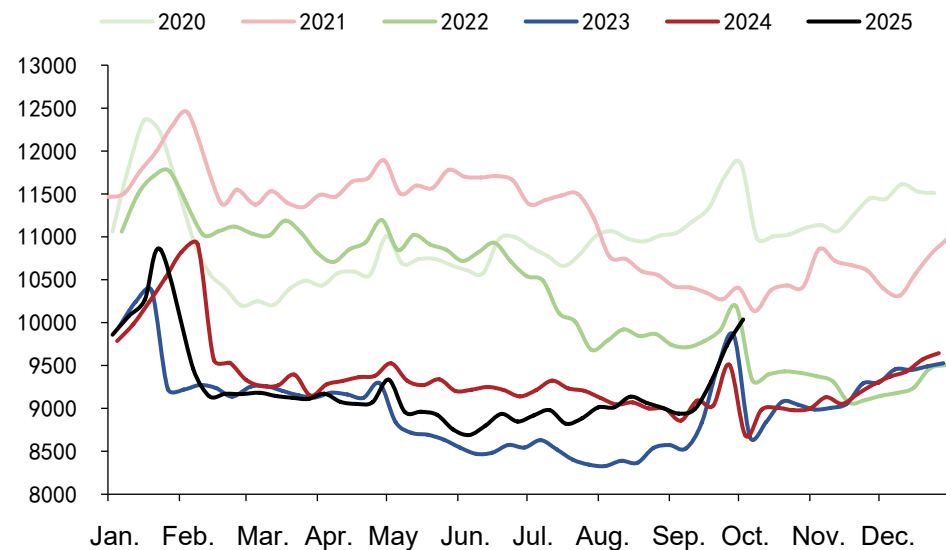
Figure 16: Port inventory of Brazilian ores (10k mt)



Sources: MYSTEEL, Minmetals Futures

- At end-September, port inventory of Australian ore was 59.1619 million mt (-621.2k mt m/m). Port inventory of Brazilian ore was 53.5452 million mt (+3.1776 million mt m/m).

Figure 17: Imported inventory of 247 steel mills (10k mt)



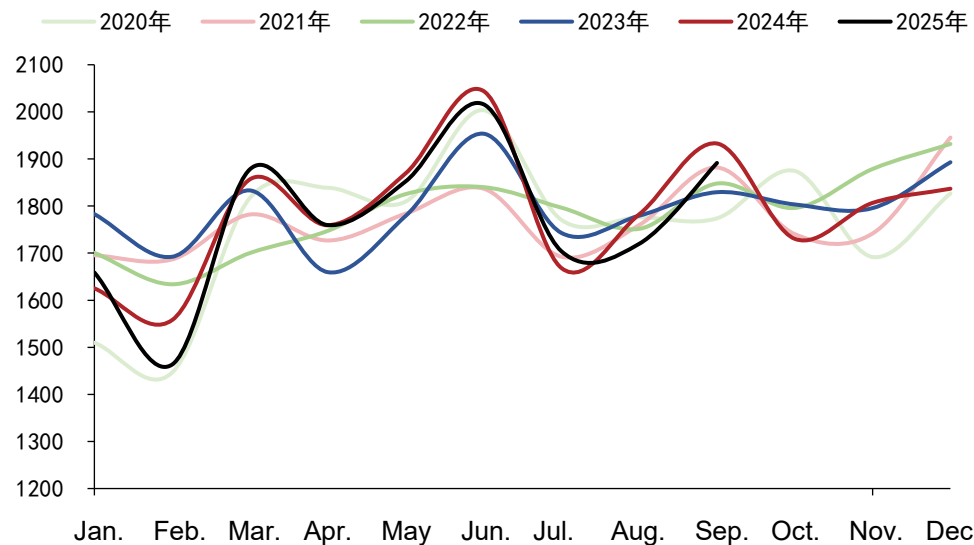
- At end-September, imported iron ore inventory at steel mills was 97.3639 million mt (+7.292 million mt m/m).

Sources: MYSTEEL, Minmetals Futures

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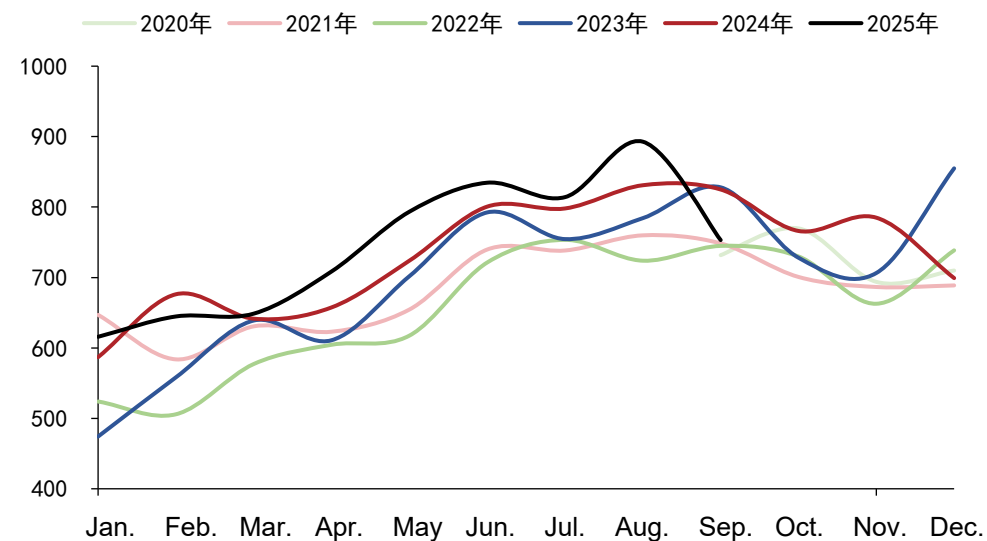
Supply

Figure 18: From Australia to China: 19 ports (10k mt)



Sources: MYSTEEL, Minmetals Futures

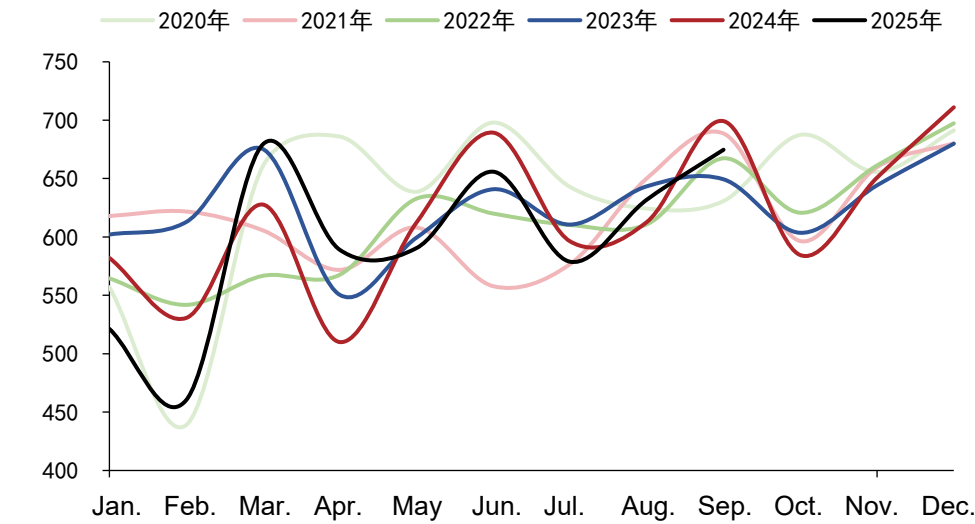
Figure 19: From Brazil to China: 19 ports (10k mt)



Sources: MYSTEEL, Minmetals Futures

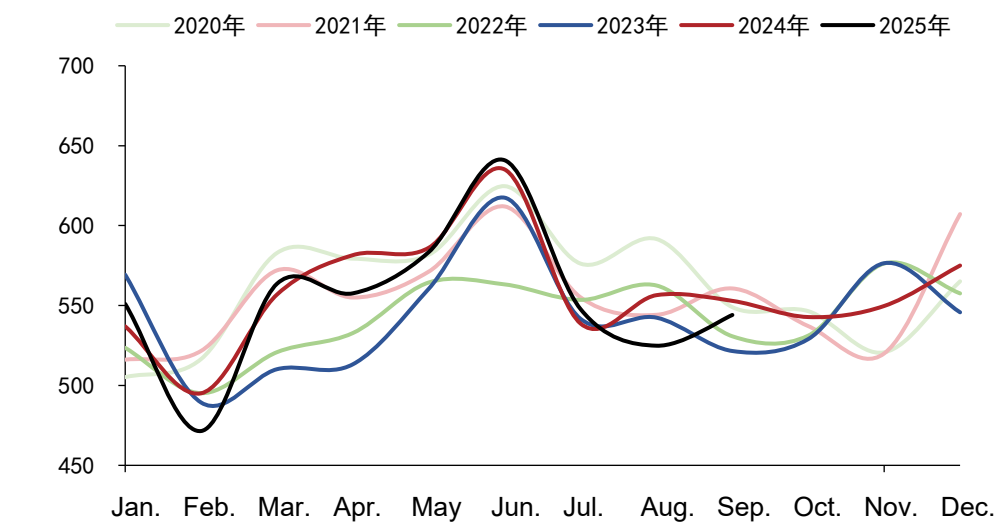
- In September, weekly average of Australian shipment to China at 19 ports was 16.091 million mt (+1.4708 million mt m/m). The weekly average from Brazil was 7.531 million mt (-1.3968 mt m/m).

Figure 20: From Rio Tinto to China (10k mt)



Sources: MYSTEEL, Minmetals Futures

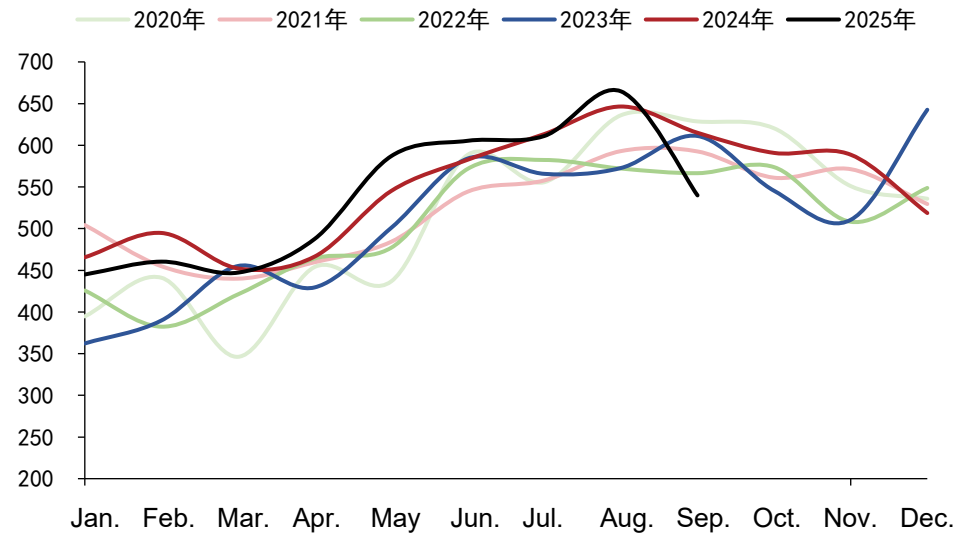
Figure 21: From BHP Billiton to China (10k mt)



Sources: MYSTEEL, Minmetals Futures

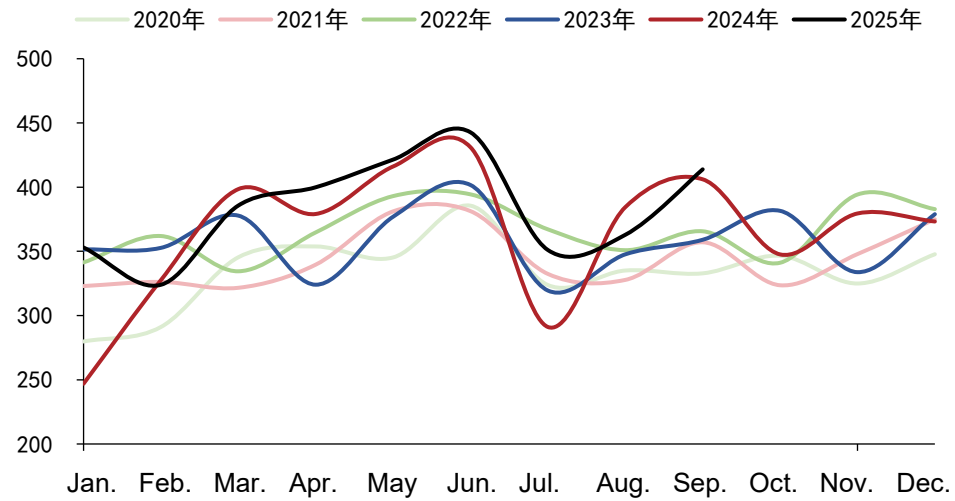
- In September, weekly average shipment from Rio Tinto was 6.319 million mt (+428k mt m/m). The weekly average from BHP was 5.4408 million mt (+192.4k mt m/m).

Figure 22: From Vale to China (10k mt)



Sources: MYSTEEL, Minmetals Futures

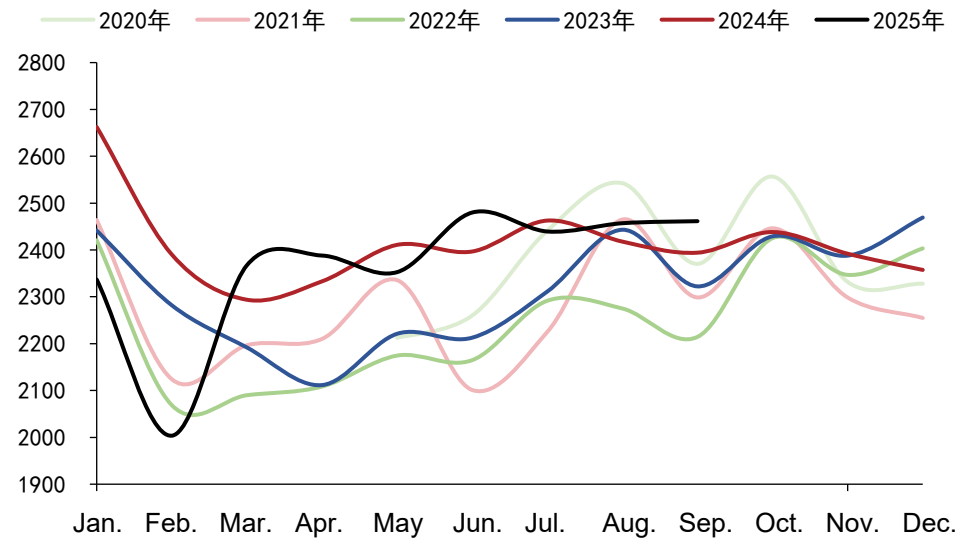
Figure 23: From FMG to China (10k mt)



Sources: MYSTEEL, Minmetals Futures

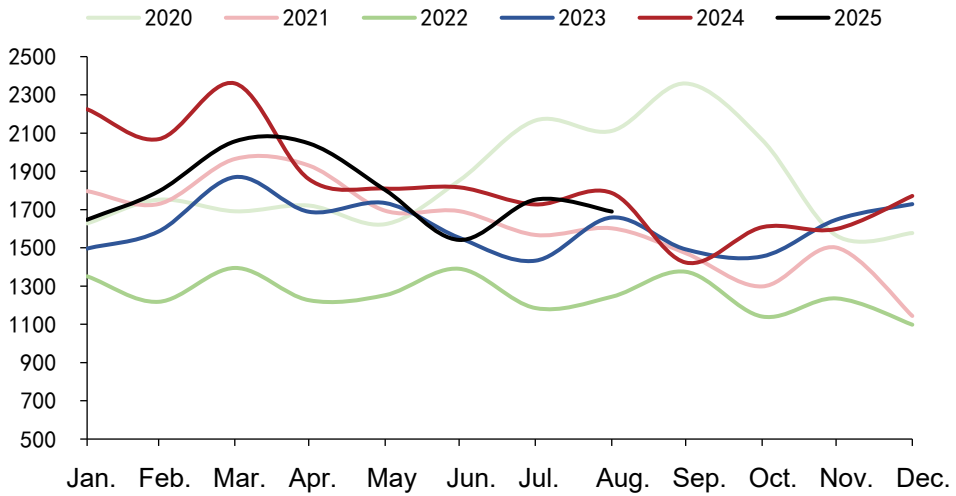
- In September, the weekly average shipment from Vale was 5.3985 million mt (-1.2485 million mt m/m). The weekly average from FMG was 4.1385 million mt (+509.7k mt m/m).

Figure 24: Arrival volume to China ports (10k mt)



Sources: MYSTEEL, Minmetals Futures

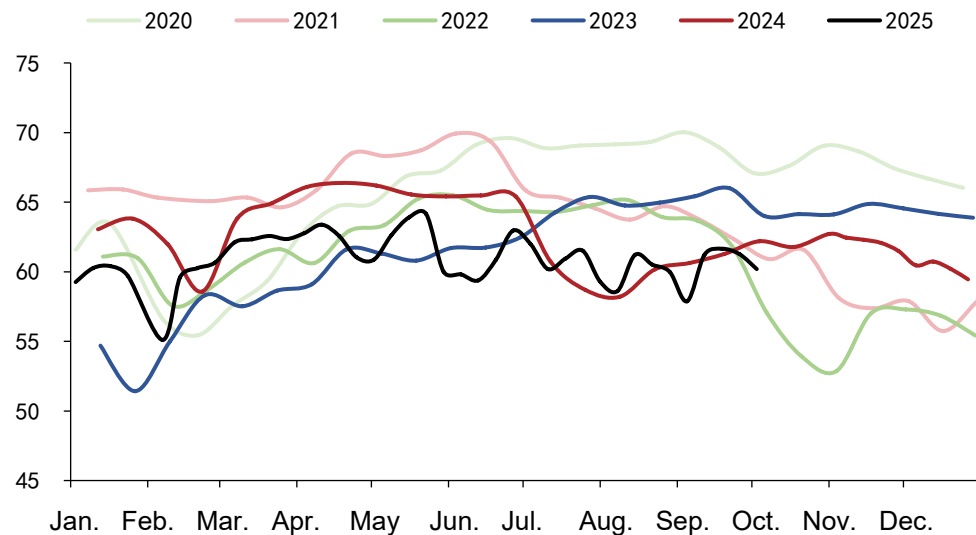
Figure 25: From non-mainstream mines to China (10k mt)



Sources: MYSTEEL, Minmetals Futures

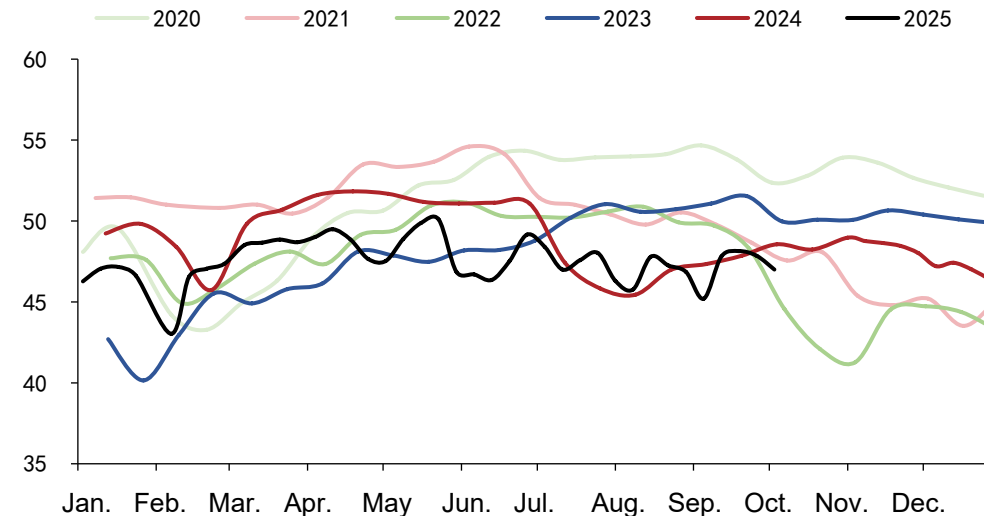
- In September, the weekly average arrival at 45 ports was 24.6145 million mt (+43.3k mt m/m). China’s non-Australia/Brazil iron ore imports in August were 16.899 million mt (-622.7k mt m/m).

Figure 26: Domestic Mines Operating Rate (%)



Sources: MYSTEEL, Minmetals Futures

Figure 27: Daily Average Output of Iron Concentrate Fines in 186 Miners (10k mt)



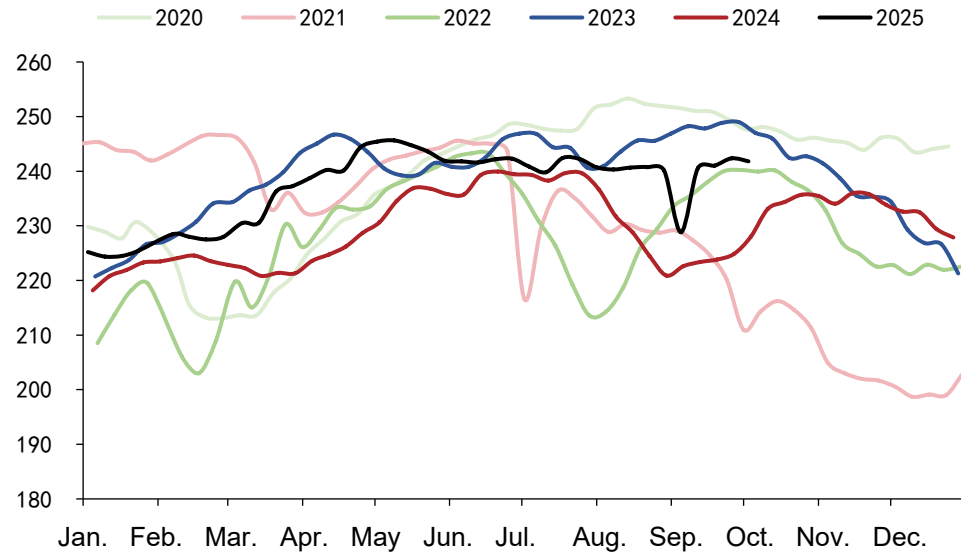
Sources: MYSTEEL, Minmetals Futures

- At end-September, domestic mine capacity utilization was 61.27% (+1.28 pct m/m). Daily average output of domestic iron concentrate was 478.5k mt (+10k mt m/m).

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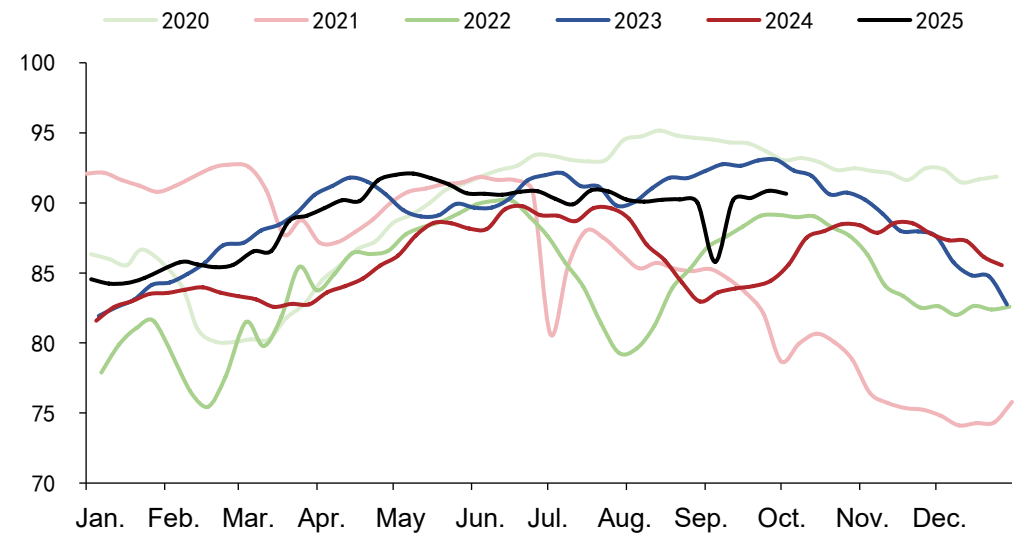
Demand

Figure 28: Daily Average Domestic Molten Iron Output (10k mt)



Sources: MYSTEEL, Minmetals Futures

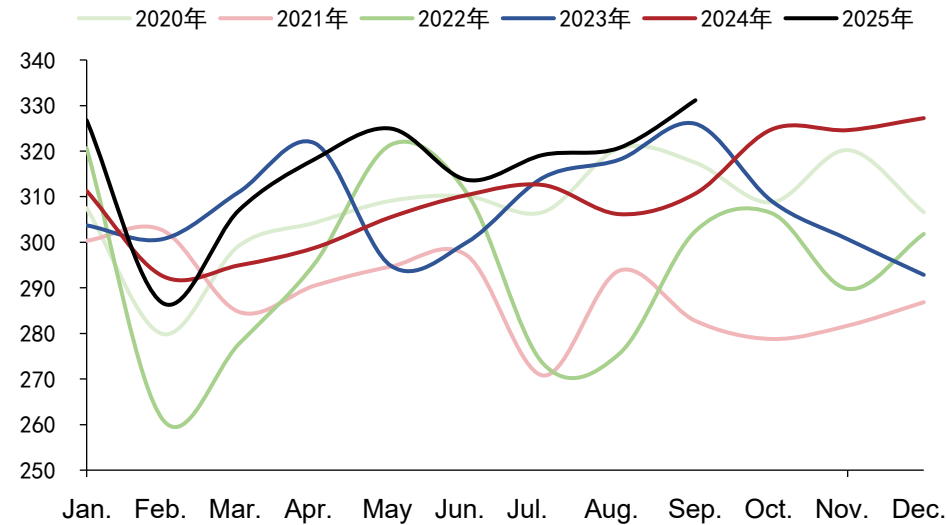
Figure 29: Blast Furnace Utilization Rate (%)



Sources: MYSTEEL, Minmetals Futures

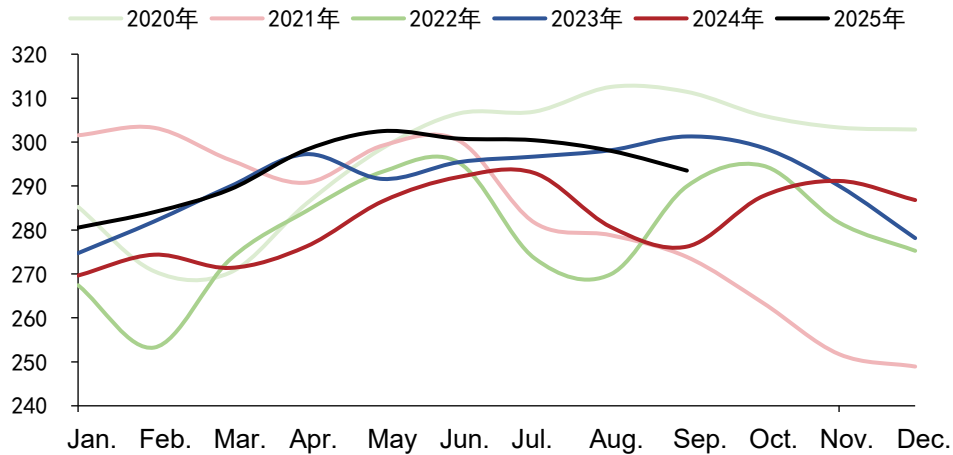
- Estimated domestic molten iron output in September was 72.05 million mt, with daily average output at 2.4017 million mt (+12k mt m/m). At end-September, blast furnace capacity utilization was 90.86% (+0.84 pct m/m).

Figure 30: Average Daily Withdrawals (10k mt)



Sources: MYSTEEL, Minmetals Futures

Figure 31: Daily Consumption of Imported Iron Ore of 247 Steel Mills (10k mt)



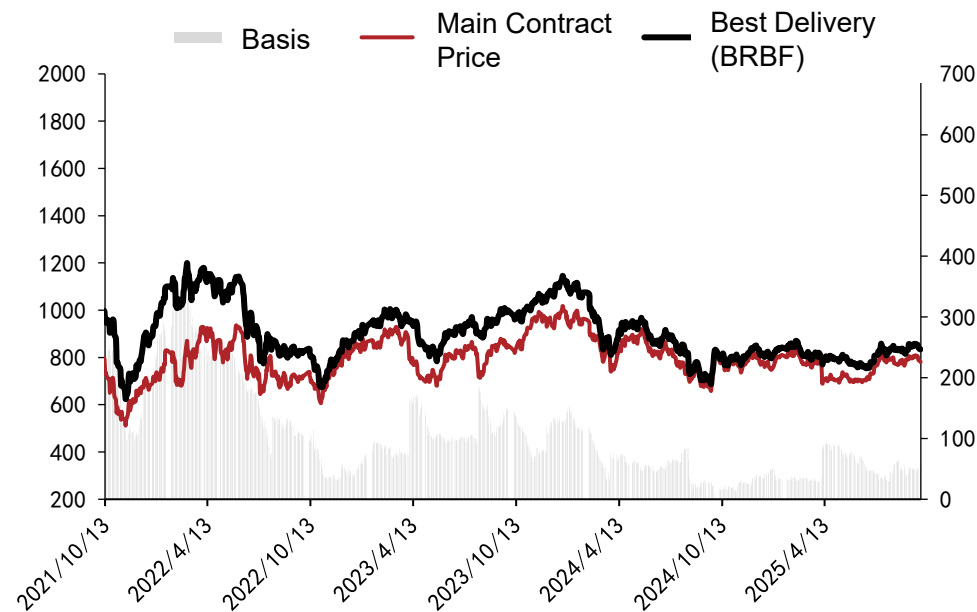
Sources: MYSTEEL, Minmetals Futures

- In September, weekly average daily port withdrawal of iron ore at 45 ports was 3.3116 million mt (+104.4k mt m/m). The weekly average of imported iron ore daily consumption by steel mills was 2.9351 million tons (-45k mt m/m).

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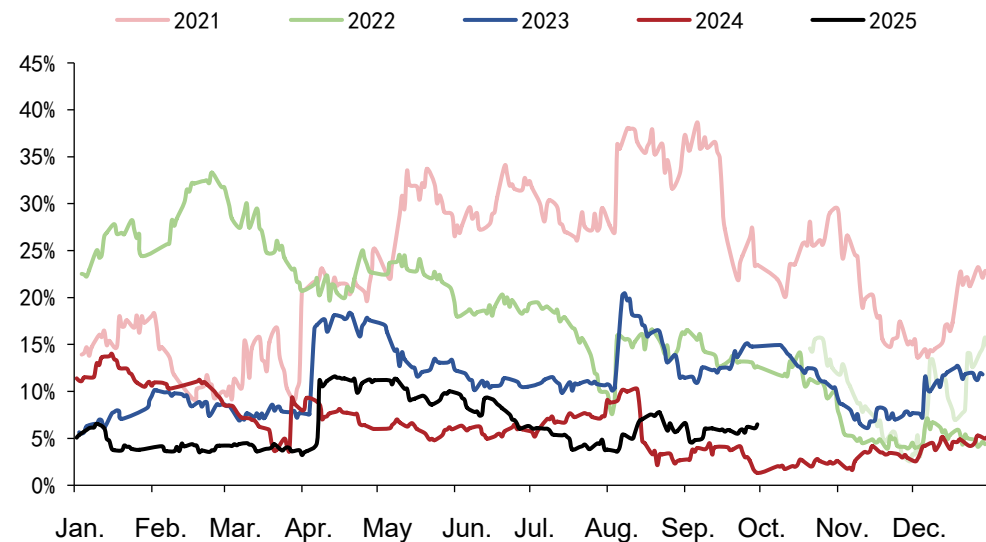
Basis

Figure 32: Iron Ore Basis (yuan/mt)



Sources: MYSTEEL, Minmetals Futures

Figure 33: Basis Rate (%)



Sources: MYSTEEL, Minmetals Futures

- As of September 30, the basis for iron ore BRBF main futures contract was 54.21 yuan/mt, with a basis rate of 6.49%.

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