



五矿期货有限公司

Macro outlook and sentiment interplay, iron ore prices fluctuate widely.

Iron Ore Monthly Report

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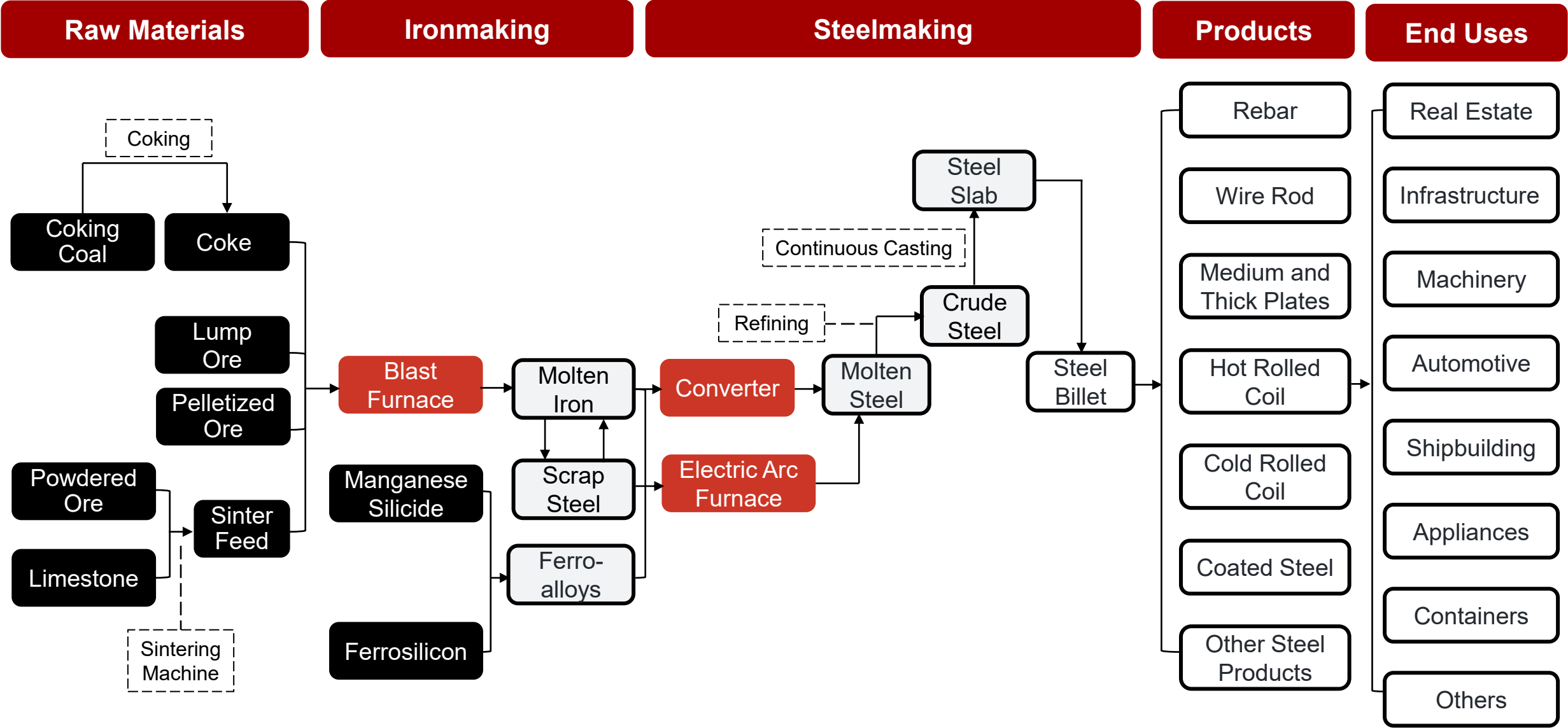
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Basis

01

Monthly Review & Strategy Recommendation

Schematic Diagram of the Ferrous Metal Industry Chain



- ◆ **Supply:** The average weekly shipment volume of iron ore globally in June was 34.3185 million tons, with a monthly increase of 2.2245 million tons. In June, Australia shipped to China an average of 17.5803 million tons per week (+1.7541 million tons MoM). Brazil shipped an average of 8.3455 million tons (+411,900 tons MoM). The average weekly arrival at the 45 major ports was 24.7988 million tons, 1.272 million tons more than last month.
- ◆ **Demand:** The average daily output of molten iron in June was 2.4193 million tons (-18,400 tons MoM).
- ◆ **Inventory:** As of the end of June, the total inventory of imported iron ore at the 45 major ports in China was 139.3023 million tons (+636,500 tons MoM). The average daily clearance volume at the 45 ports was 3.1929 million tons (+56,100 tons MoM). The inventory of imported iron ore at steel mills was 88.4747 million tons (+931,400 tons MoM).
- ◆ **Summary:** Looking ahead to July, the supply side is expected to see a decline in overseas mine shipments as the end of Q2 shipment surge is approaching. The arrival volume at the ports is likely to follow a "high at first, then low" trend due to the lag effect. On the demand side, the average daily molten iron production remains above 2.4 million tons under the CSI index, but with the weakening of demand during the off-season, the number of blast furnace maintenance activities may increase, leading to a slight decline in molten iron production. In terms of inventory, although the arrival volume has already reflected the high shipment volumes recently, the resilient demand for molten iron has kept the port clearance and steel mill consumption at relatively high levels. Therefore, while the port inventory has increased slightly, it is not significant. Looking forward, both supply and demand are expected to weaken, and the inventory may increase slightly. Overall, the iron ore price moved in a narrow range in June, supported by strong molten iron demand and suppressed by supply pressure. The basis and the month-on-month spread kept narrowing. As July approaches, the macroeconomic outlook will have a more pronounced impact on the market. The amplification effect of sentiment differences on price volatility should be closely monitored. In addition, with the recent "anti-involution" sentiment and outperformance in traditional off-season, the market's optimism has been boosted, enhancing the price elasticity. For the demand side, the news of production restrictions in Tangshan may still interfere with the market. Overall, the iron ore price is expected to fluctuate within a wide range so risk management is necessary. Subsequent attention should be paid to the realization of macroeconomic expectations and the market sentiment change, as well as the further trend of supply and demand dynamics.

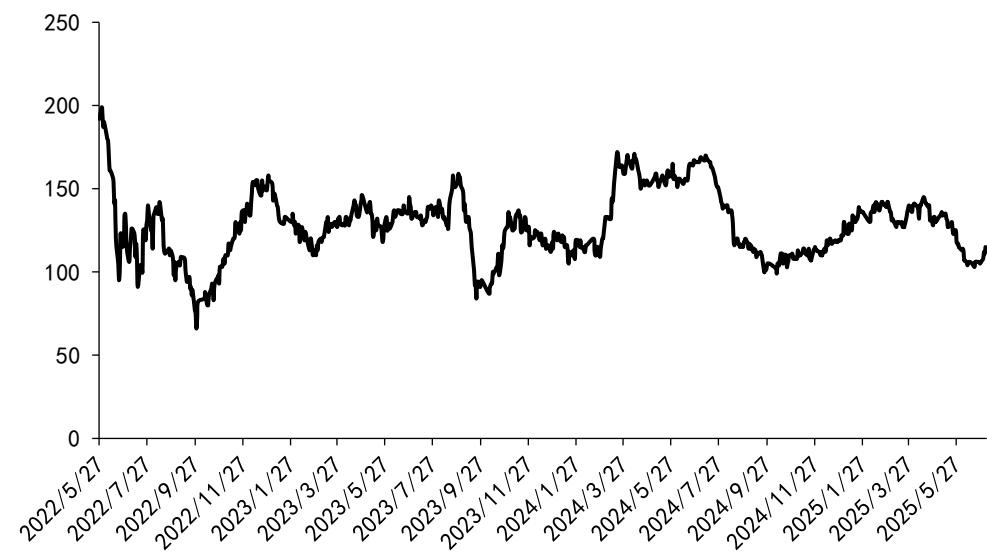
Valuation & Driving Forces

Fundamentals	Valuation		Driving Forces				
	Basis	Import Profit	Shipment	High-Low Grade Spread	Steel Mills Profitability	Molten Iron Output	45 Ports Inventory
Score	0	0	-1	0	0	1	0
Comment	Fluctuating	-	High level	Fluctuating	High-level profit	Resilience in molten iron	Slight pile-up
Summary	Looking ahead to July, the supply side is expected to see a decline in overseas mine shipments as the end of Q2 shipment surge is approaching. The arrival volume at the ports is likely to follow a "high at first, then low" trend due to the lag effect. On the demand side, the average daily molten iron production remains above 2.4 million tons under the CSI index, but with the weakening of demand during the off-season, the number of blast furnace maintenance activities may increase, leading to a slight decline in molten iron production. In terms of inventory, although the arrival volume has already reflected the high shipment volumes recently, the resilient demand for molten iron has kept the port clearance and steel mill consumption at relatively high levels. Therefore, while the port inventory has increased slightly, it is not significant. Looking forward, both supply and demand are expected to weaken, and the inventory may increase slightly. Overall, the iron ore price moved in a narrow range in June, supported by strong molten iron demand and suppressed by supply pressure. The basis and the month-on-month spread kept narrowing. As July approaches, the macroeconomic outlook will have a more pronounced impact on the market. The amplification effect of sentiment differences on price volatility should be closely monitored. In addition, with the recent "anti-involution" sentiment and outperformance in traditional off-season, the market's optimism has been boosted, enhancing the price elasticity. For the demand side, the news of production restrictions in Tangshan may still interfere with the market. Overall, the iron ore price is expected to fluctuate within a wide range so risk management is necessary. Subsequent attention should be paid to the realization of macroeconomic expectations and the market sentiment change, as well as the further trend of supply and demand dynamics.						

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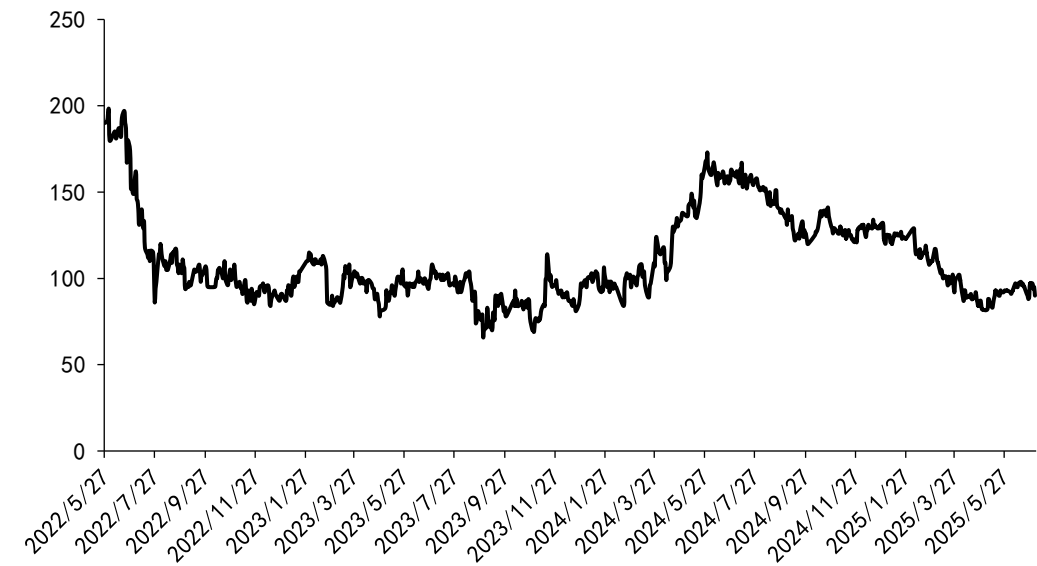
Futures Market & Spot Market

Figure 1: PB Fines-Super Special Fines spread (yuan/ton)



Sources: MYSTEEL, Minmetals Futures

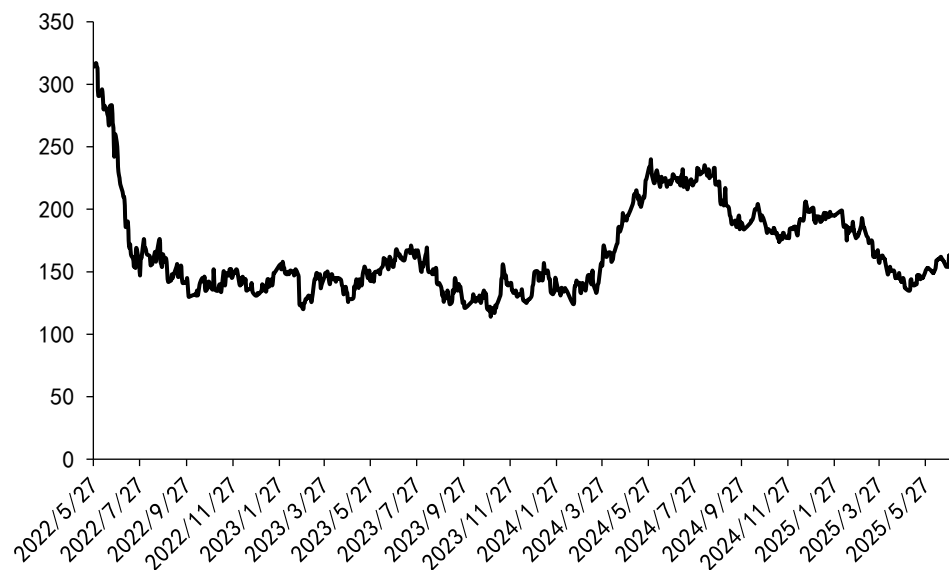
Figure 2: Carajas Fines-PB Fines spread (yuan/ton)



Sources: MYSTEEL, Minmetals Futures

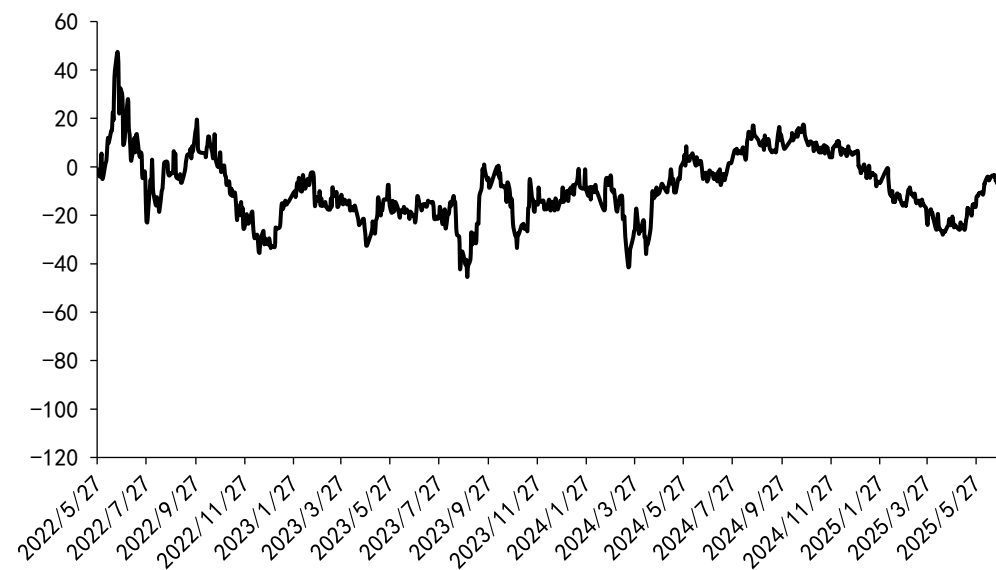
- At end-June, PB-Super Special: 108 yuan/ton (-7 yuan/ton MoM). Carajas-PB: 97 yuan/ton (+4 yuan/ton MoM).

Figure 3: Carajas Fines-Jimblebar Fines spread (yuan/ton)



Sources: MYSTEEL, Minmetals Futures

Figure 4: (Carajas + Super Special)/2-PB Fines spread (yuan/ton)

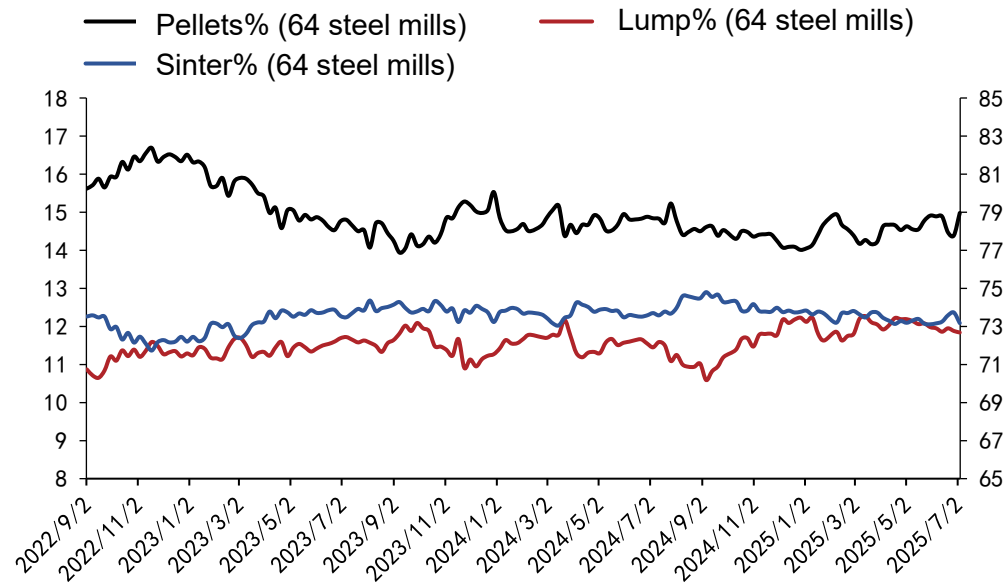


Sources: MYSTEEL, Minmetals Futures

- At end-June, Carajas-Kimbaba: 160 yuan/ton (+7 yuan/ton MoM). [(Carajas + Super Special)/2]-PB: -5.5 yuan/ton (+5.5 yuan/ton MoM).

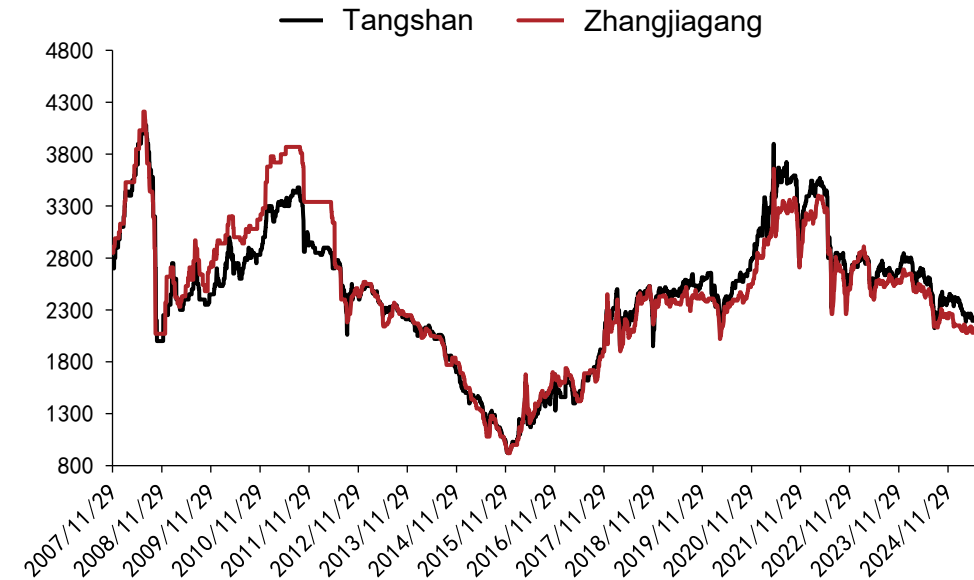
Furnace Input Ratios, Scrap Steel

Figure 5: Feed Mix Ratio (%)



Sources: MYSTEEL, Minmetals Futures

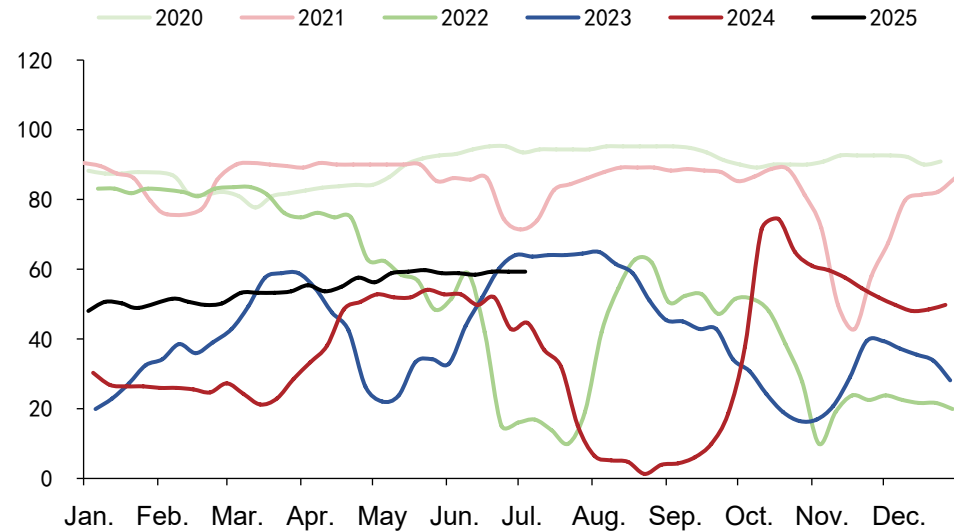
Figure 6: Scrap Price (yuan/ton)



Sources: MYSTEEL, Minmetals Futures

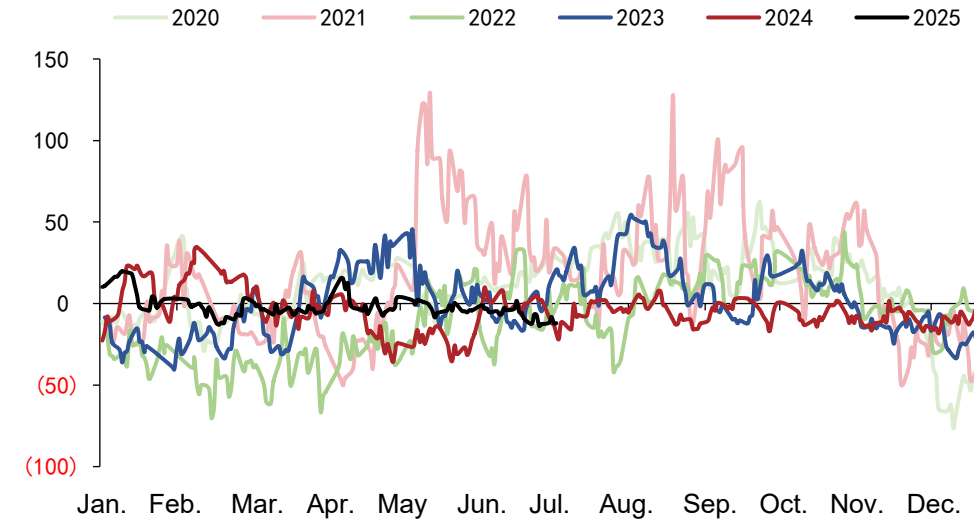
- At end-June, pellet ratio was 14.39% (-0.52pp MoM), lump ore was 11.88% (-0.1pp) and sinter was 73.73% (+0.62pp).
- At end-June, Tangshan scrap was 2,225 yuan/ton (+30 yuan/ton MoM) and Zhangjiagang scrap was 2,100 yuan/ton (+20 yuan/ton MoM).

Figure 7: Steel Mills Profitability (%)



Sources: MYSTEEL, Minmetals Futures

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

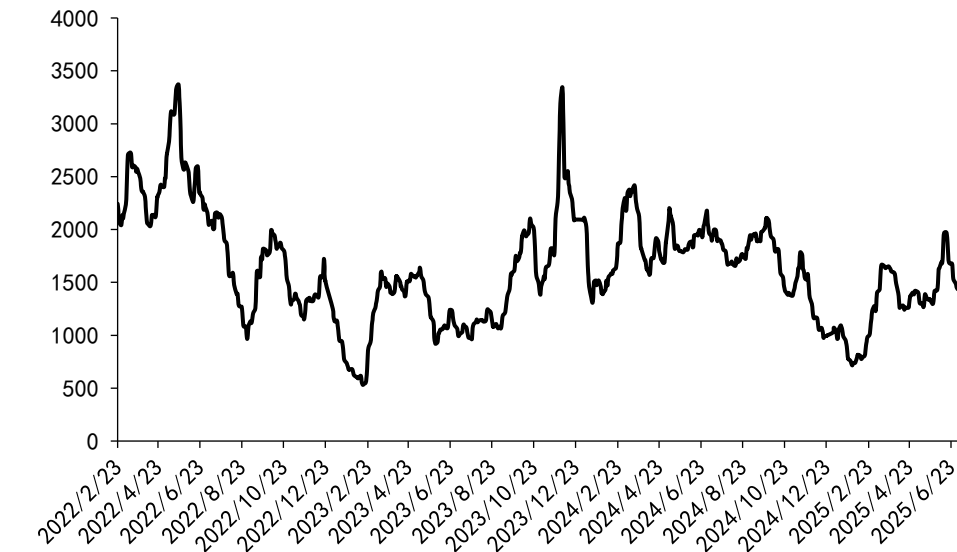


Sources: MYSTEEL, Minmetals Futures

- At end-June, steel-mills' profitability rate was 59.31% (+0.44pp MoM).

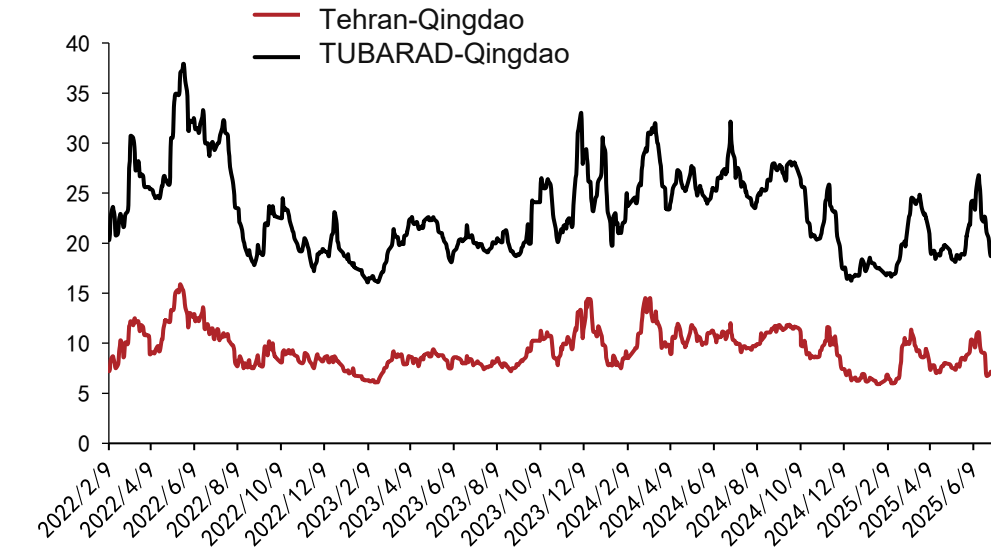


Figure 9: BDI (point)



Sources: MYSTEEL, Minmetals Futures

Figure 10: Freight Rates by Origins (USD/ton)

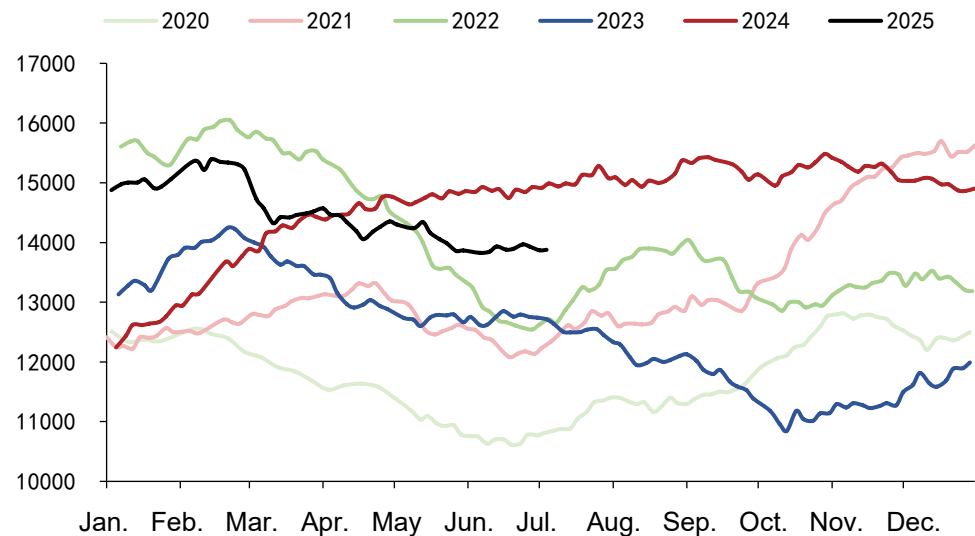


Sources: MYSTEEL, Minmetals Futures

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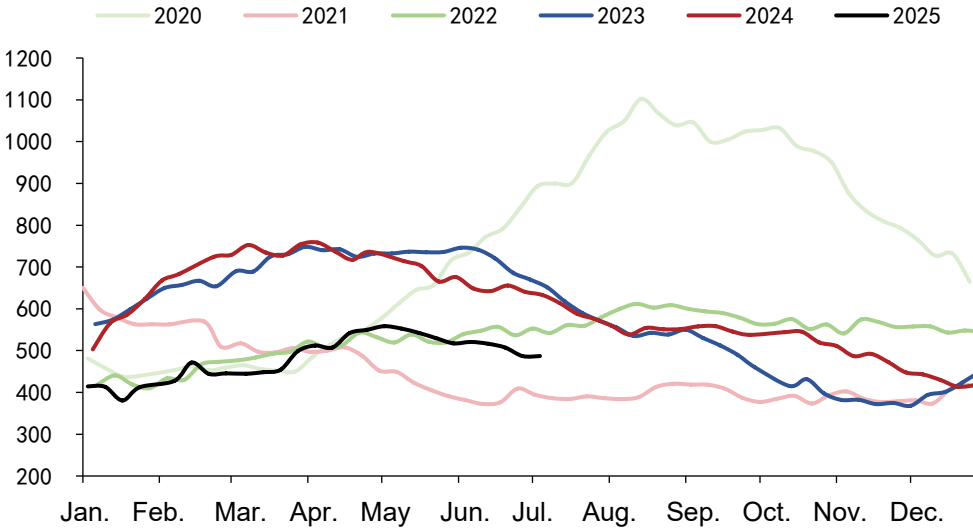
Inventory

Figure 11: Domestic port inventory (10k tons)



Sources: MYSTEEL, Minmetals Futures

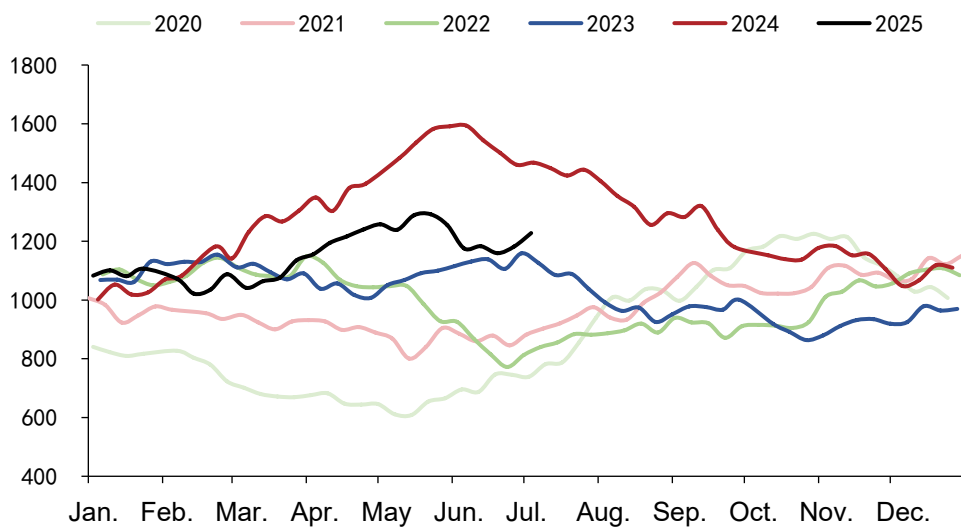
Figure 12: Port inventory: pellets (10k tons)



Sources: MYSTEEL, Minmetals Futures

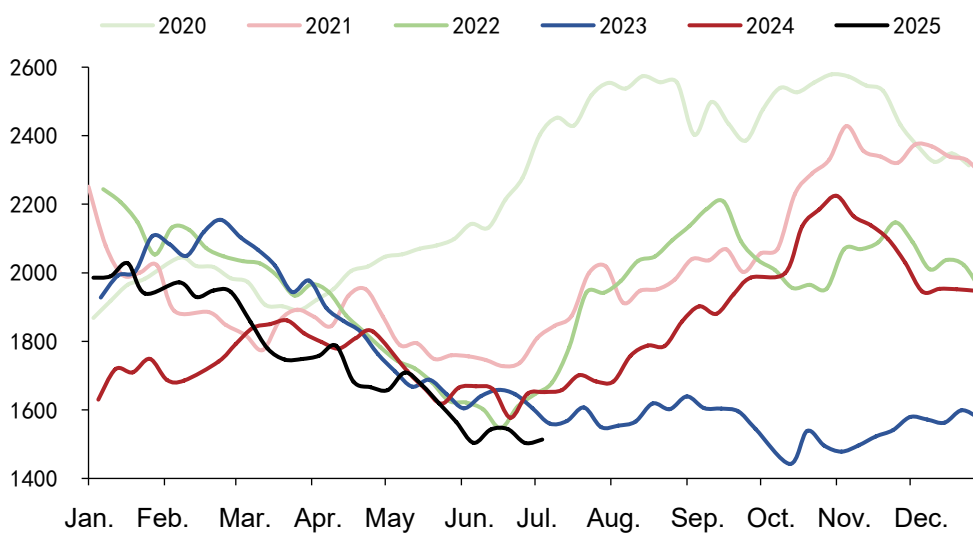
- As of end-June, imported iron ore inventories at 45 national ports stood at 139.3023 million tons (+636,500 tons MoM). Pellet inventory was 4.8682 million tons (-305,400 tons MoM).

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



Sources: MYSTEEL, Minmetals Futures

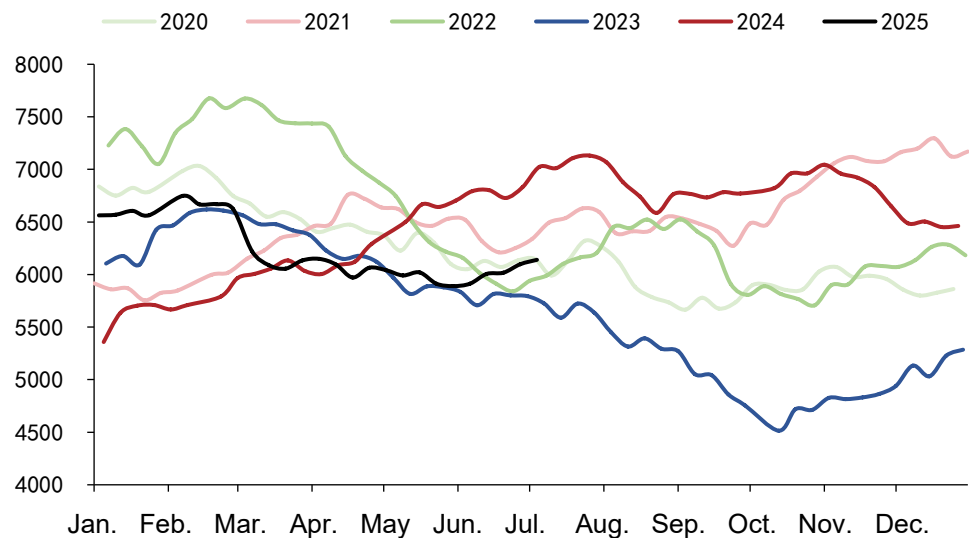
Figure 14: Port inventory: lumps (10k tons)



Sources: MYSTEEL, Minmetals Futures

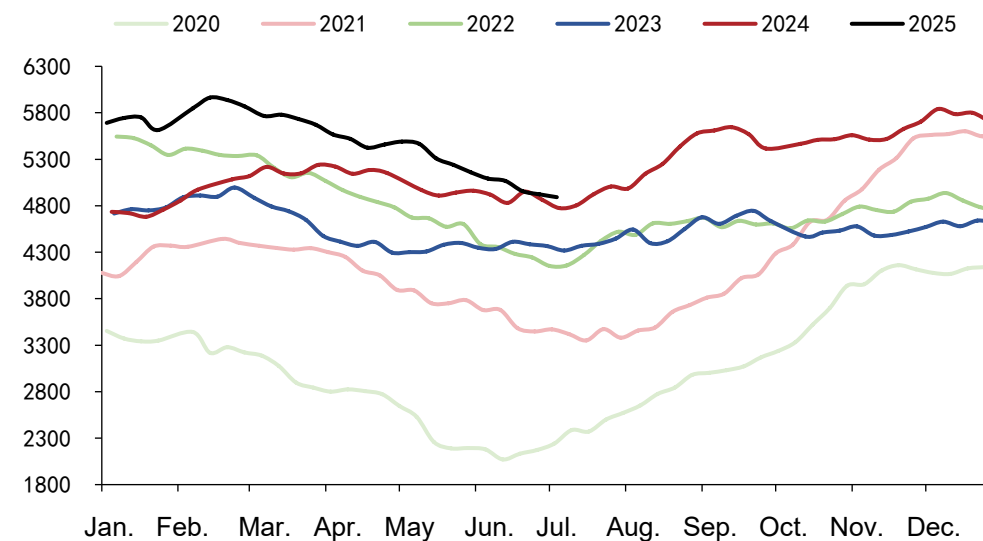
- At end-June, port inventory of iron concentrate was 11.8275 million tons (-717,600 tons MoM). Port inventory of lump ore was 15.0369 million tons (-604,600 tons MoM).

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



Sources: MYSTEEL, Minmetals Futures

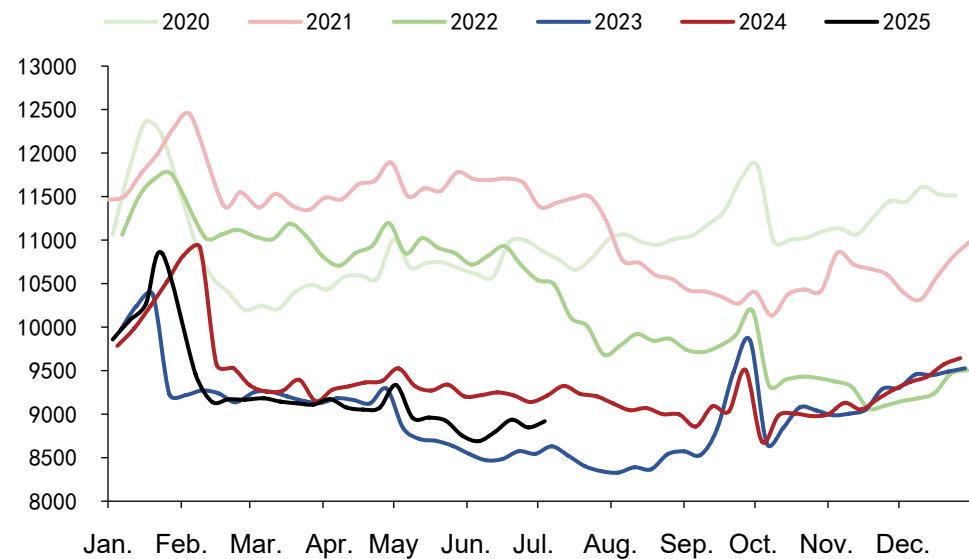
Figure 16: Port inventory of Brazilian ores (10k tons)



Sources: MYSTEEL, Minmetals Futures

- At end-June, port inventory of Australian ore was 60.9808 million tons (+2.0778 million tons MoM). Port inventory of Brazilian ore was 49.228 million tons (-2.375 million tons MoM).

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



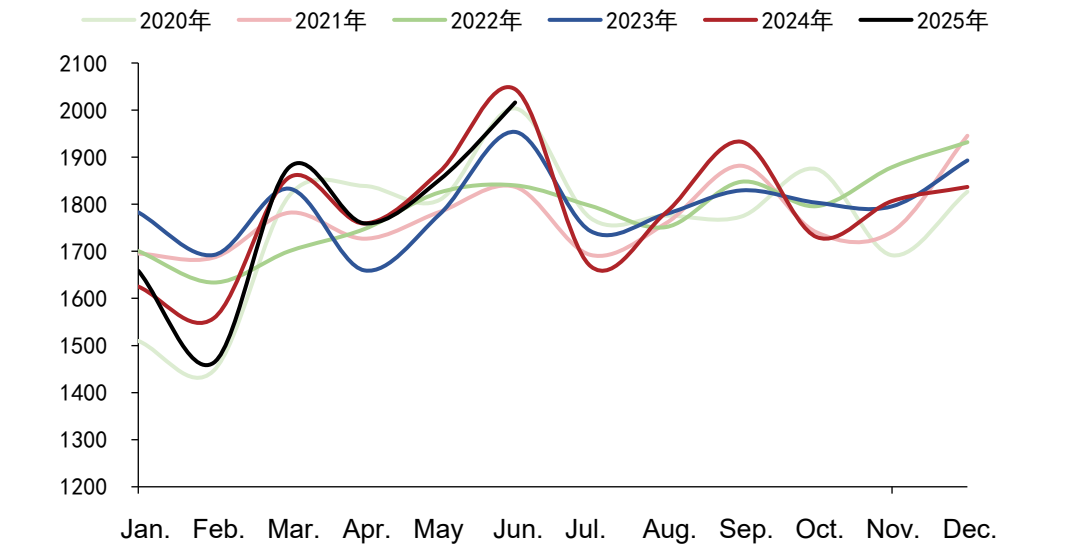
- As of end-June, imported iron ore inventory at steel-mills was 88.4747 million tons (+931,400 tons MoM).

Sources: MYSTEEL, Minmetals Futures

04

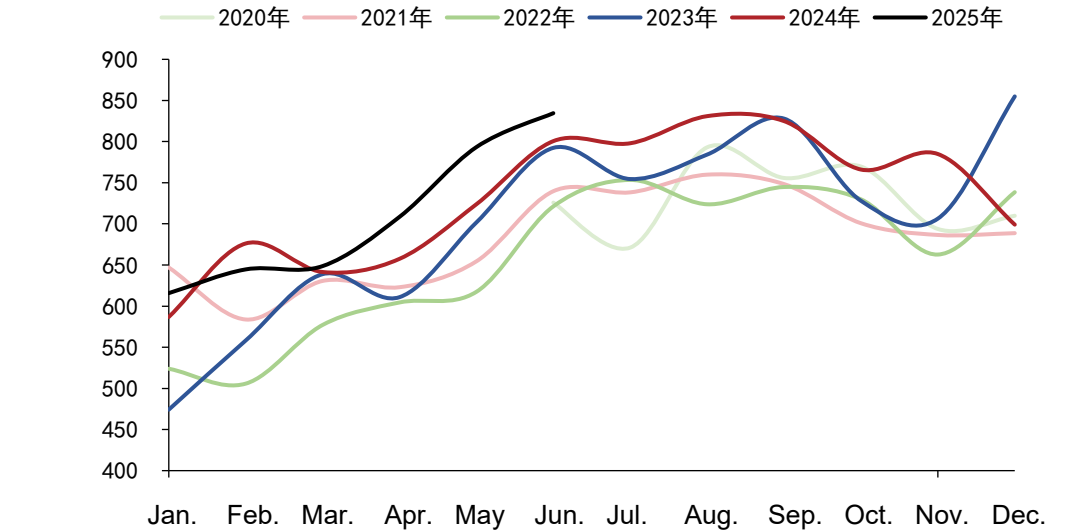
Supply

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



Sources: MYSTEEL, Minmetals Futures

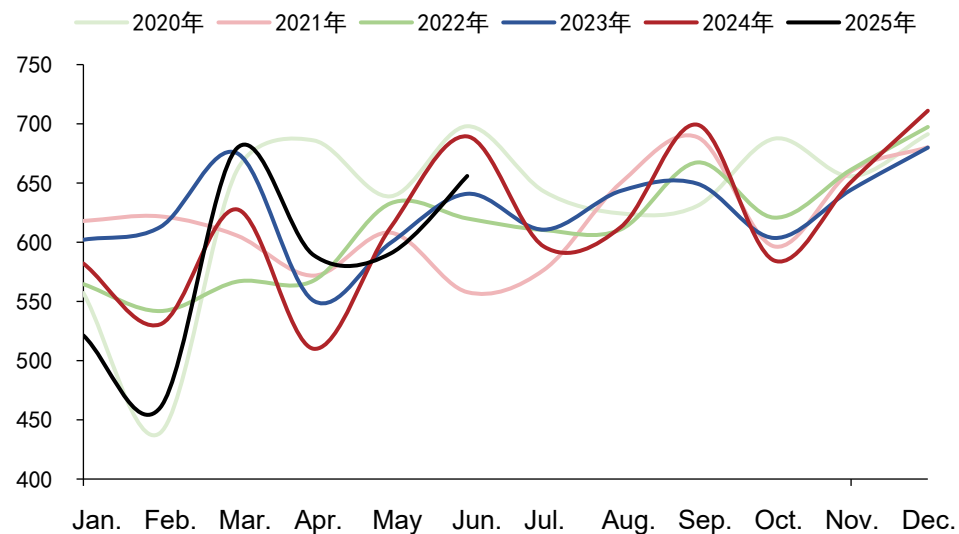
Figure 19: From Brazil to China: 19 ports (10k tons)



Sources: MYSTEEL, Minmetals Futures

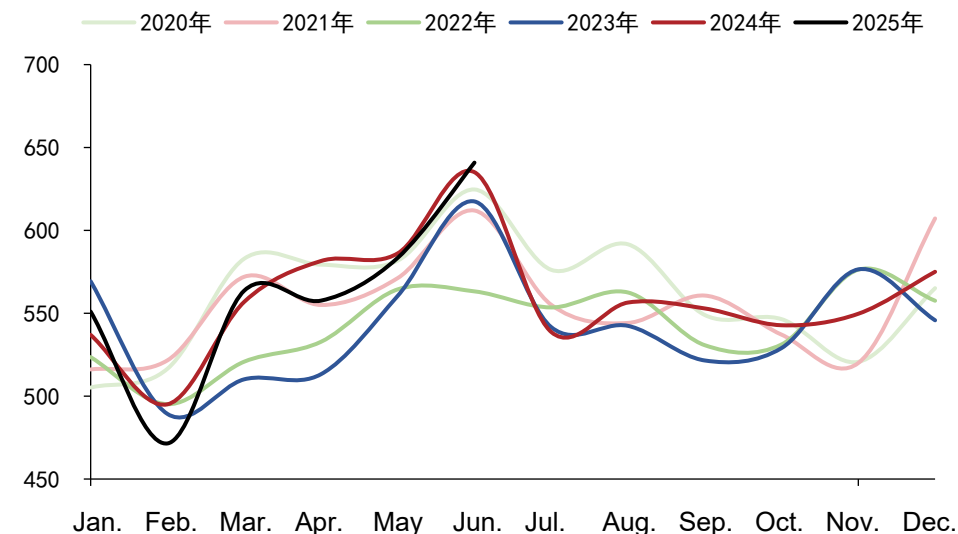
- In June, the weekly average of Australian shipment to China was 17.5803 million tons (+1.7541 million tons MoM). The weekly average from Brazil was 8.3455 million tons (+411,900 tons MoM).

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



Sources: MYSTEEL, Minmetals Futures

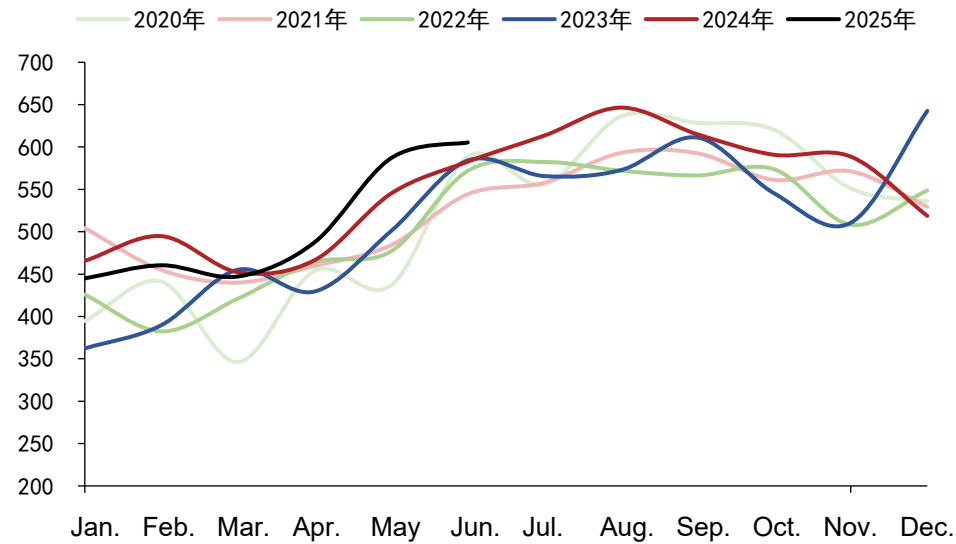
Figure 21: From BHP Billiton to China (10k tons)



Sources: MYSTEEL, Minmetals Futures

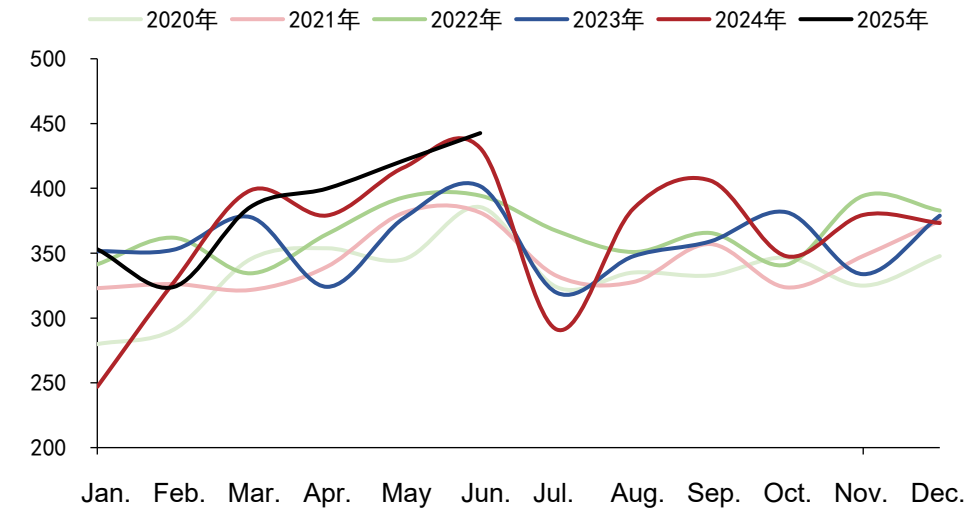
- In June, the weekly average shipment from Rio Tinto was 6.559 million tons (+654,400 tons MoM). The weekly average from BHP was 6.4088 million tons (+574,200 tons MoM).

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



Sources: MYSTEEL, Minmetals Futures

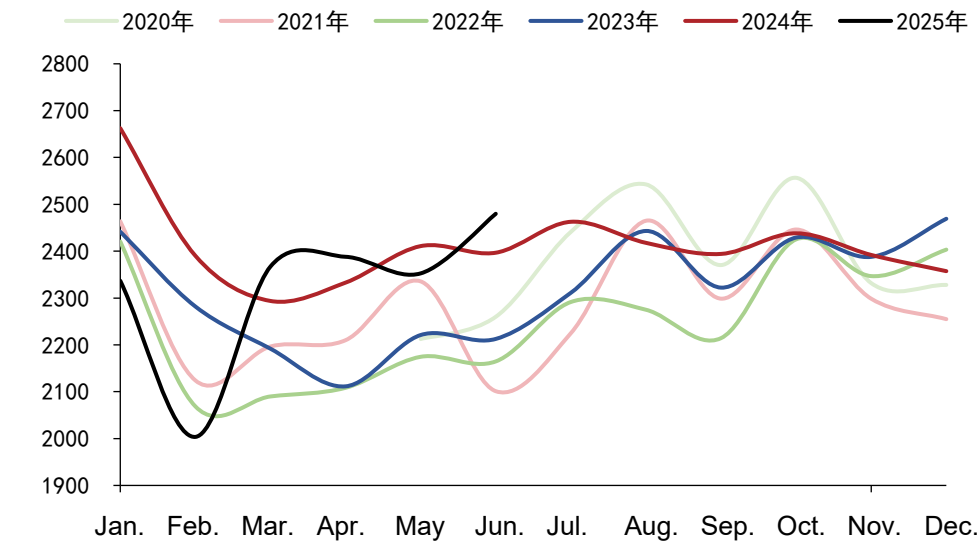
Figure 23: From FMG to China (10k tons)



Sources: MYSTEEL, Minmetals Futures

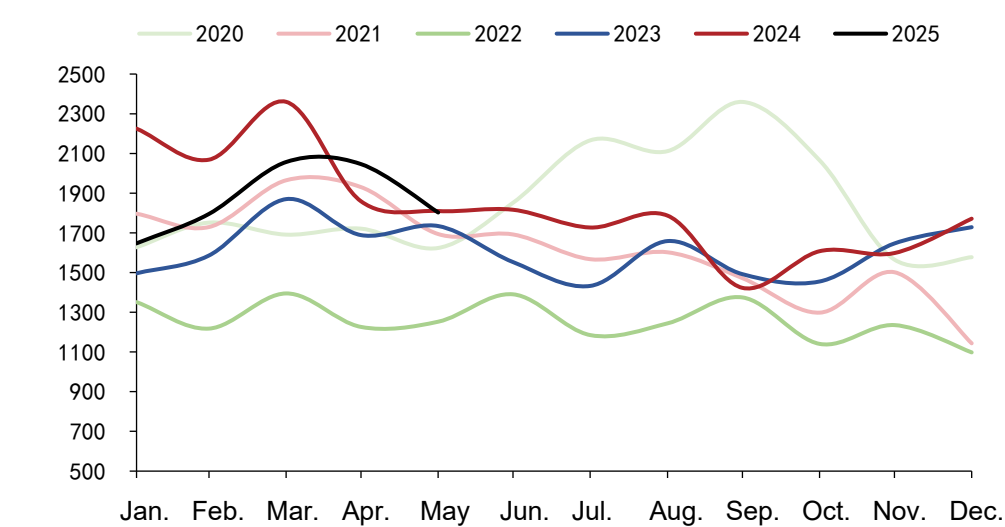
- In June, the weekly average shipment from Vale was 6.054 million tons (+184,800 tons MoM). The weekly average from FMG was 4.4265 million tons (+211,900 tons MoM).

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



Sources: MYSTEEL, Minmetals Futures

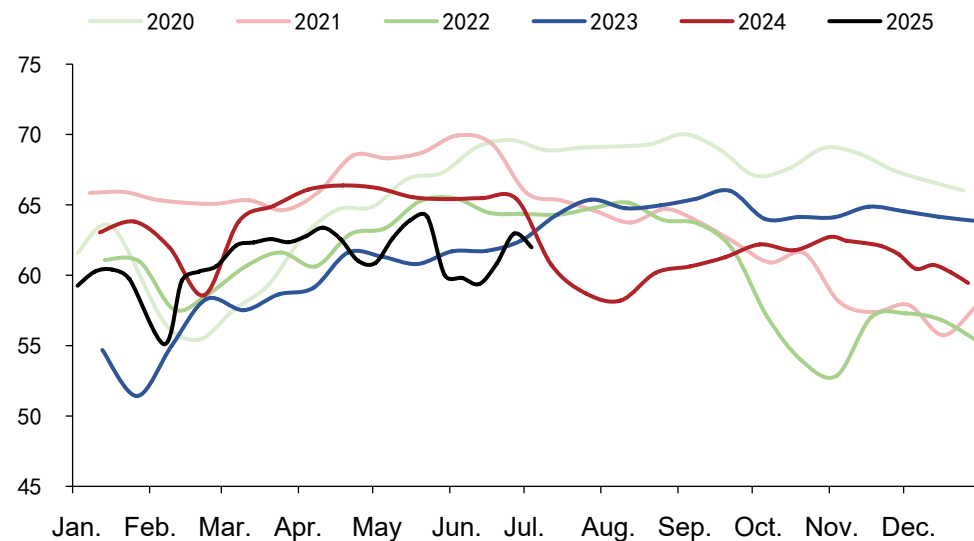
Figure 25: From non-mainstream mines to China (10k tons)



Sources: MYSTEEL, Minmetals Futures

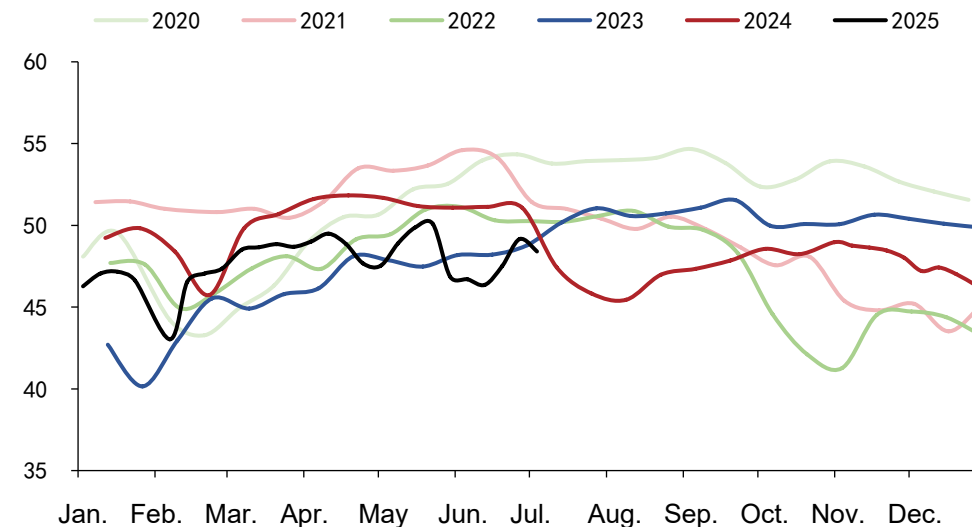
- In June, the weekly average arrival at 45 ports was 24.7988 million tons (+1.272 million tons MoM). China’s non-Australia/Brazil iron ore imports in May were 18.0254 million tons (-2.4401 million tons MoM).

Figure 26: Domestic Mines Operating Rate (%)



Sources: MYSTEEL, Minmetals Futures

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



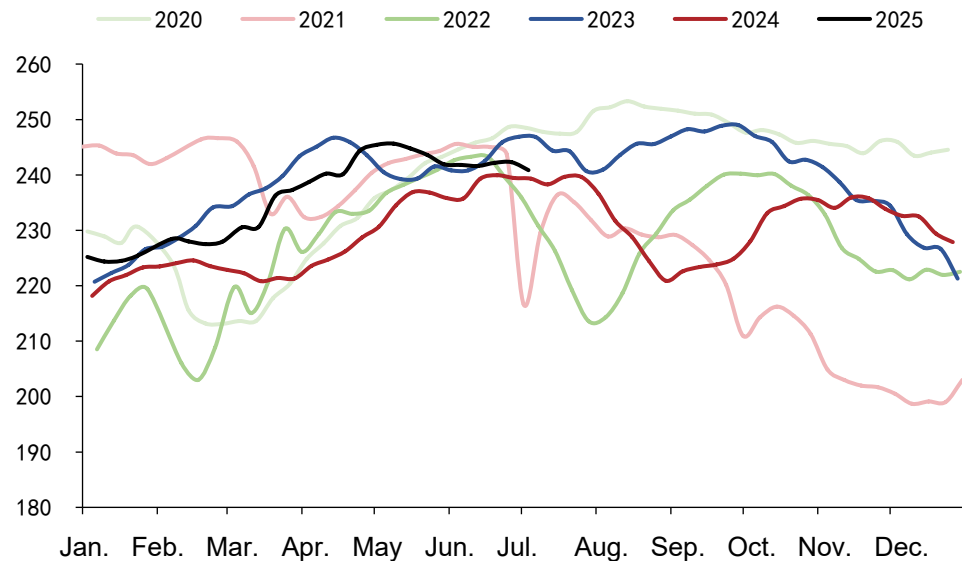
Sources: MYSTEEL, Minmetals Futures

- At end-June, domestic mine capacity utilization was 62.96% (+2.95pp MoM). Daily average output of domestic iron concentrate was 491,600 tons (+23,000 tons MoM).

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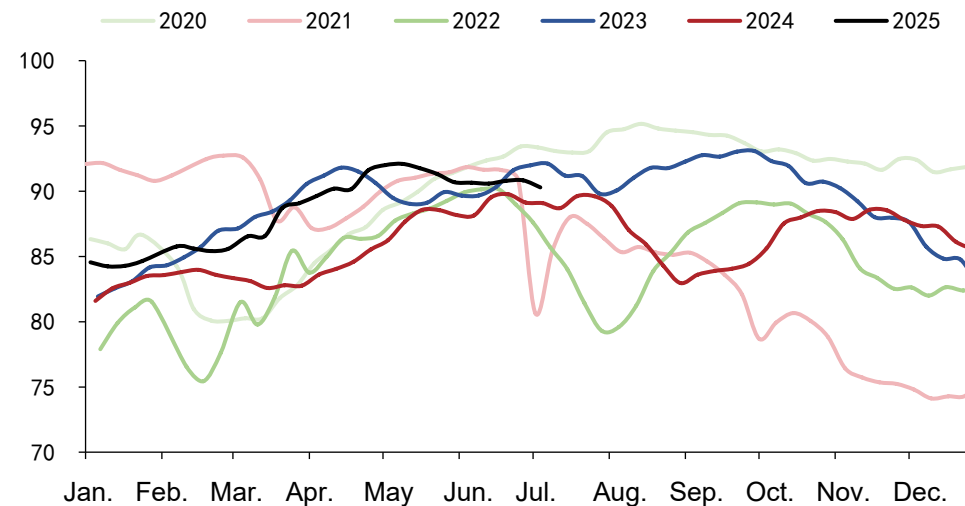
Demand

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



Sources: MYSTEEL, Minmetals Futures

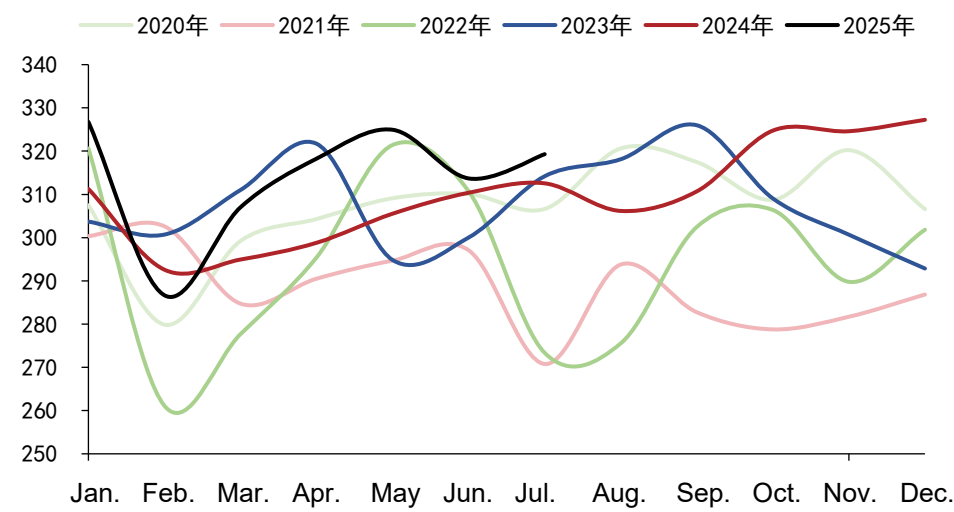
Figure 29: Blast Furnace Utilization Rate (%)



Sources: MYSTEEL, Minmetals Futures

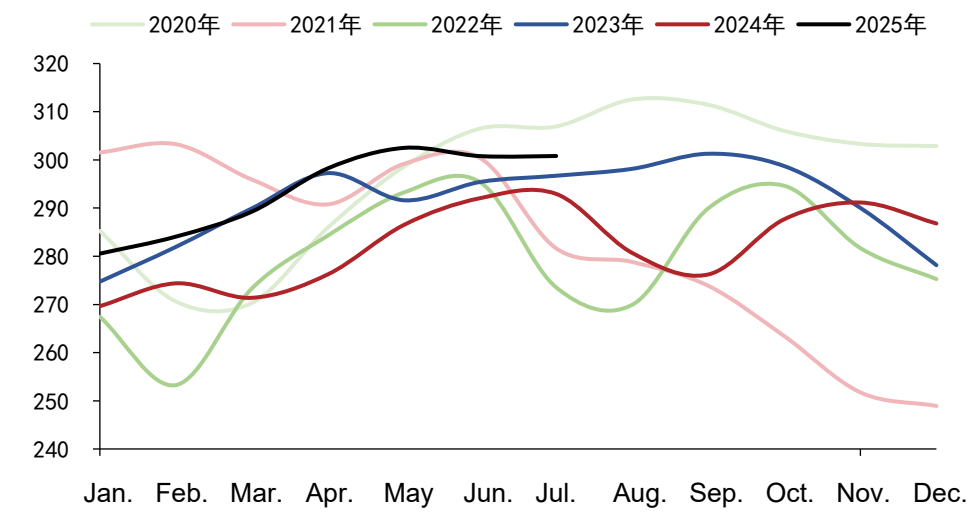
- Estimated domestic molten iron output in June was 72.58 million tons, with daily average output at 2.4193 million tons (-18,400 tons MoM). At end-June, blast furnace capacity utilization was 90.83% (+0.14pp MoM).

Figure 30: Average Daily Withdrawals (10k tons)



Sources: MYSTEEL, Minmetals Futures

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



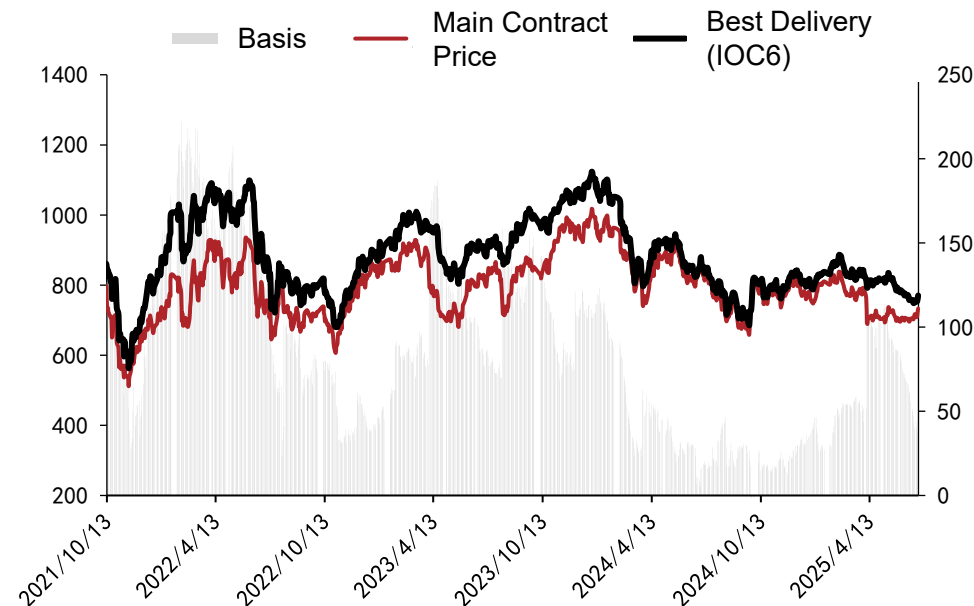
Sources: MYSTEEL, Minmetals Futures

- In June, weekly average daily port clearance of iron ore at 45 ports was 3.1929 million tons (+56,100 tons MoM). Weekly average daily consumption of imported iron ore by steel mills was 3.0081 million tons (+200 tons MoM).

06

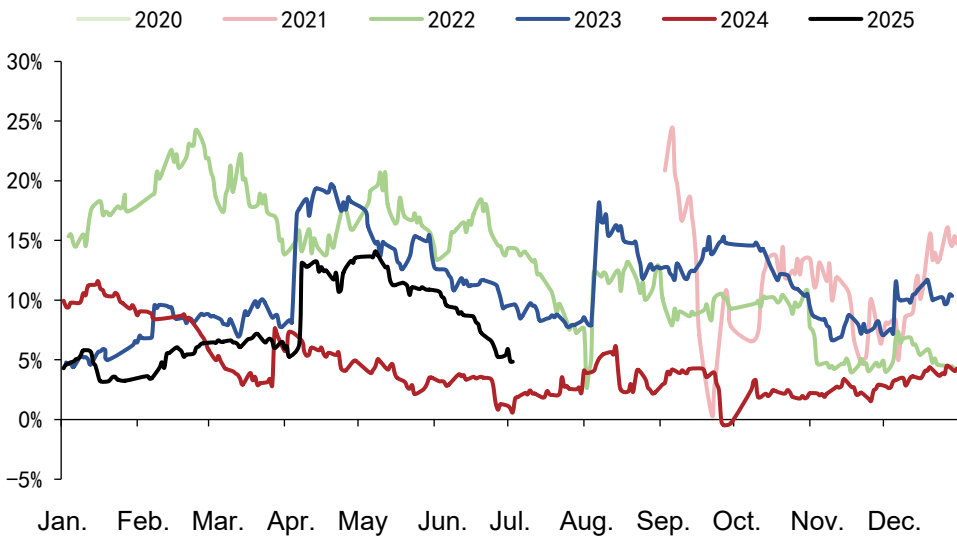
Basis

Figure 32: Iron Ore Basis (yuan/ton)



Sources: MYSTEEL, Minmetals Futures

Figure 33: Basis Rate (%)



Sources: MYSTEEL, Minmetals Futures

- As of June 30, the basis for the main IOC6 iron ore contract was 40.74 yuan/ton, with a basis rate of 5.39%.

Please refer to international@minfutures.com for any comment or suggestion.

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