

Iron Ore Futures Iron Ore Options

Dalian Commodity Exchange launched iron ore futures and options in 2013 and 2019 respectively. In 2018, iron ore futures became the first listed product on DCE that was opened up to overseas investors. Since listing, DCE iron ore futures and options have maintained stable operation and high liquidity and served as crucial tools for risk mitigation and hedging of related industrial enterprises.

Supply and Demand

Currently, Australia, Brazil are two major iron ore producers and exporters, which together accounted for over 50% of the global output. Iron ore consumption has been increasing along with the escalating steel output, while China, Japan and South Korea remained as the top 3 largest importers of iron ore.

In the past few years, China's steel industry has witness rapid development and has become the largest steel producer worldwide. China' demand for iron ore has climbed dramatically and is heavily dependent on imported iron ores. As the largest iron ore importer, China's import has reached over 1 billion MT per annum, which accounted for over 60% of the overall export with Australia, Brazil and India being main exporting sources.

Main Applications

Iron ore serves as one of the primary materials for steel manufacturing and the source of the ferrous elements in blast furnace ironmaking. Based on physical form, iron ore can be divided into fines, concentrates, lumps, pellets, etc. Based on iron content, iron ore then can be classified into low grade (58%), medium grade (62%) and high grade (65%). The underlying of the DCE iron ore futures is iron ore fines.



Key Price Influence Factors

Supply

As one of the most crucial bulk commodities worldwide, iron ore is widely distributed globally. However, the high-quality iron ores are mainly located in a few countries including Australia and Brazil, which results in relatively strong bargaining power of major miners within those two countries. Despite the fact that China's iron ore output was relatively high worldwide, the quality and grade, on the other hand, seemed to be relatively low.

Consumption

Global consumption of iron ore has climbed dramatically as rapid increase of consumption of downstream steel products, especially in China and India. As the largest importer of iron ore, China has imported over 60% of the global iron ore export and 80% of its iron ore demand were met by import.

Industry Structure

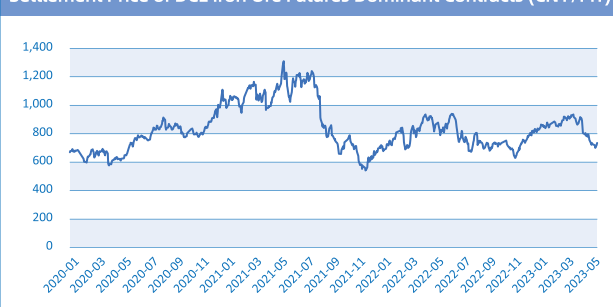
In domestic iron ore trading, main products included fines, concentrates and lumps. The structural change between various ore choices is mainly depending on the processing technic of steel mills, Chinese steel mills preferred fines while concentrates and lumps were more widely used in other countries. Besides, iron ore prices would be influenced by seasonality issues, in winter season, Chinese domestic steel mills would switch to concentrates and lumps in order to meet government environmental requirements during the production restriction period. Steel mills would adjust the processing technic and ratio of ores based on the cost-benefit analysis.

Seaborne Shipping

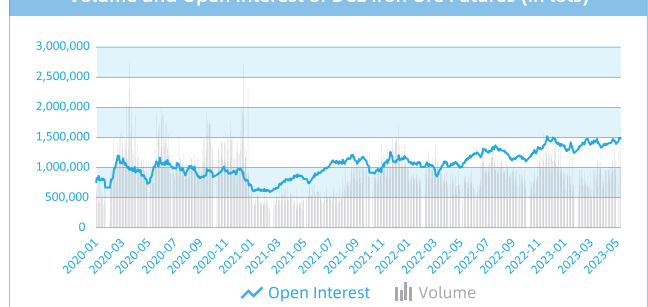
Due to the fact that China's consumption of iron ore is heavily dependent on imports, hence its domestic iron ore pricing is mainly comprised of imported iron ore fines of which the price would be affected influence factors of seaborne shipping which includes weather, shipping freight, etc. Escalating shipping freight would naturally give rise to higher import costs of iron ore.

Trading Statistics

Settlement Price of DCE Iron Ore Futures Dominant Contracts (CNY/MT)



Volume and Open Interest of DCE Iron Ore Futures (in lots)



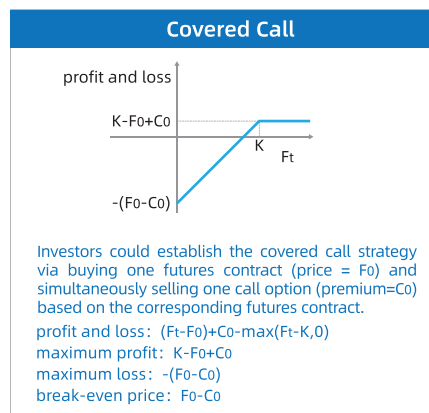
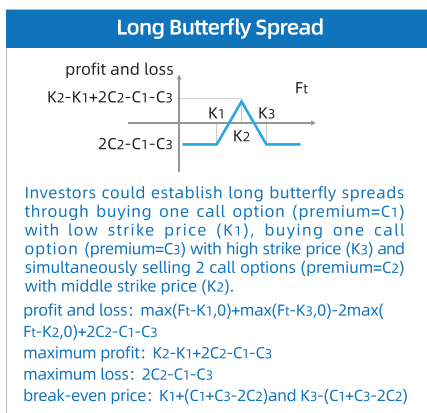
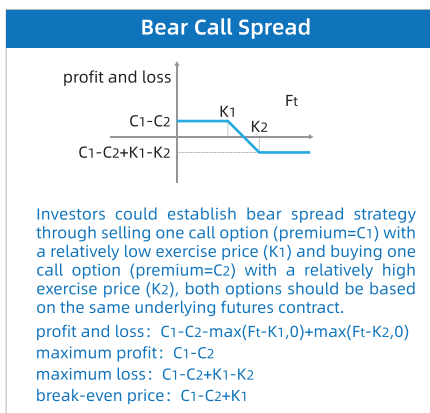
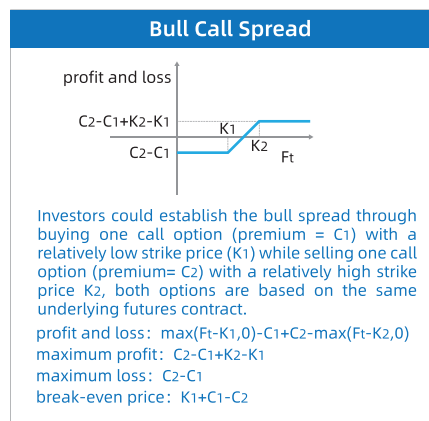
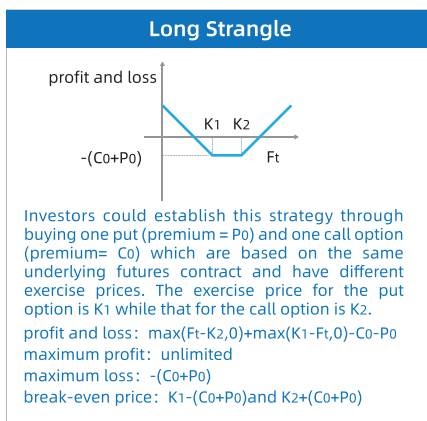
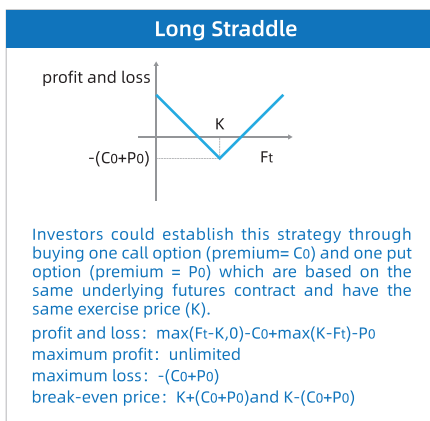
Contract Specifications

Iron Ore Futures (Applicable since I2205)	
Product	Iron Ore
Trading Unit	100 MT/Lot
Price Quote Unit	CNY/MT
Minimum Tick Size	0.5 CNY/MT
Daily Price Limit Range	4% of last settlement price
Contract Months	Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec
Trading Hours	9:00 - 11:30 a.m., 1:30 - 3:00 p.m., Beijing Time, and other trading hours announced by DCE
Last Trading Day	The 10th trading day of the contract month
Last Delivery Day	The 3rd trading day after the last trading day
Deliverable Grades	Iron Ore Delivery Quality Standard of DCE(F/DCE I004-2021), the deliverable brands and the brand discounts and/or premiums will be separately prescribed by DCE.
Delivery Point	The delivery warehouses and delivery locations of iron ore designated by DCE
Minimum Trading Margin	5% of the contract value
Delivery Form	Physical delivery
Ticker Symbol	I

Iron Ore Options	
Underlying Instrument	Iron Ore Futures Contract
Contract Type	Call option, Put option
Trading Unit	One lot (100 MT) of iron ore futures contract
Price Quote Unit	CNY / MT
Minimum Tick Size	0.1 CNY / MT
Daily Price Limit Range	The same as the daily price limit range of underlying futures contract
Contract Months	January, February, March, April, May, June, July, August, September, October, November, and December
Trading Hours	9:00 - 11:30 a.m., 1:30 - 3:00 p.m., Beijing Time, and other trading hours announced by DCE
Last Trading Day	The 12th trading day of the month immediately preceding the delivery month of the underlying futures contract, DCE may adjust the last trading day according to national holidays
Expiration Day	The same as the last trading day
Exercise Price	The exercise price shall be in the range of the settlement price of the underlying futures on the last trading day \pm (1.5 \times daily price limit range of the same day) The option contracts corresponding to the immediate six calendar months: If exercise price \leq 300 CNY/MT, exercise price interval = 5 CNY/MT; If 300 CNY/MT < exercise price \leq 1,000 CNY/MT, exercise price interval = 10 CNY/MT; If exercise price > 1,000 CNY/MT, exercise price interval = 20 CNY/MT. The option contracts corresponding to the seventh and subsequent calendar months: If exercise price \leq 300 CNY/MT, exercise price interval = 10 CNY/MT; If 300 CNY/MT < exercise price \leq 1,000 CNY/MT, exercise price interval = 20 CNY/MT; If exercise price > 1,000 CNY/MT, exercise price interval = 40 CNY/MT.
Exercise Style	American style. The options buyer can apply to exercise the options in the trading hours of any trading day prior to the expiration date, and before 3:30 pm on the expiration date.
Contract Symbol	Call Options: I-Contract Month-C-Exercise Price Put Options: I-Contract Month-P-Exercise Price

Establishing Flexible Trading Strategies Through Futures and Options

Investors could establish flexible trading strategies through combining various futures and options contracts, which would better help with price risk mitigation. Meanwhile, DCE portfolio margin system already supported multiple trading strategies including straddles, strangles, spreads, etc.



For more information, please visit our official website www.dce.com.cn