Kallanish Steel Weekly

YOUR MARKETS OUR VIEWS

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Top News:

Raw material prices seem to have peaked for 2018

The correction of global iron ore, scrap and billet prices continued last week, as the market's fundamentals remain weaker than at the beginning of this year. While the price reductions could slow down going into Q2, it is likely that the peak levels for 2018 have already been reached in the market and that further recoveries to levels beyond those registered in January/February are unlikely.

Last week, iron ore prices settled at around $63/t CFR Qingdao, $15/t below this year's peak so far at the end of February and the level registered in early April 2017. The fall has taken the prices back to the levels of April 2016, a year in which the average annual price of iron ore stood at just some $60/t CFR Qingdao.

Confirming the bleak outlook for iron ore prices going forward, Australia's Department of Industry, Innovation and Science has revised upwards its iron ore price forecasts for this year, but this still remains below the current spot levels. It now expects 62% Fe fines to average $61.80/t in 2018, compared to its previous forecast of $52.60/t. In 2019, it also expects iron ore to average $51.10/t rather than $48.80/t.

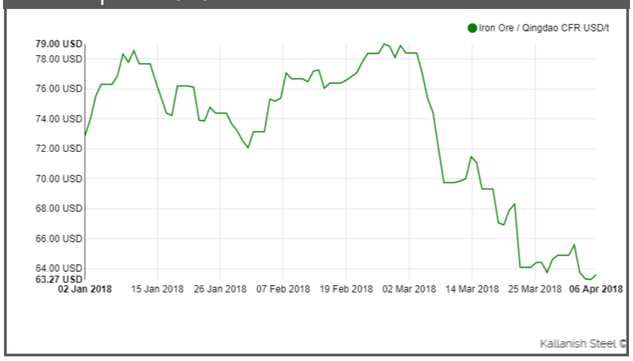
So far this year, the Kallanish 62% Fe index has averaged $73.07/dmt, suggesting prices are still set to decline into the $50s to bring the average for the year down. The Australian report notes two key factors putting pressure on prices. The first is a levelling off of China's iron ore imports. After topping out at 1.08 billion tonnes in 2018, it expects imports to dip to 1.04 billion tonnes by 2023. The second factor is higher low-cost, high-Fe supply from Brazil. That is mainly for Vale's S11D project which will eventually be shipping 90m t/y of high grade fines.

Meanwhile the value of scrap on the international market also continued to suffer last week, losing a further $10/t compared to the previous week and settling at some $355/t CFR Turkey. Compared with the last two years the scrap market remains very strong, but the latest correction is indicating that it will be very unlikely that the market will return to the record level of $380/t CFR Turkey registered in March this year. While a decrease was envisaged due to the inflated price of scrap in the global market, the speed of the fall could well raise further concerns going forward.

As for the scrap market, the billet prices have lost some $30/t during the last three weeks and the market is fast approaching a level of $500/t FOB Black Sea and levels not seen since H1 2017.

This week our editors have put together an analysis of the European rebar market, in which the Italian mills continue to be the ones struggling the most due to a slow domestic demand and decreasing export opportunities. The longs sector in Europe remains under scrutiny as it has for many years not been strongly impacted by imports, but the new tariffs imposed by the US could well open up to increasing offers from the producers in Turkey and the CIS.

Iron ore price 2018



In this week's issue:

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change			-0.79%
02 Apr 2018	$	65.59	high
03 Apr 2018	$	63.76	
04 Apr 2018	$	63.33	
05 Apr 2018	$	63.27	low
06 Apr 2018	$	63.59	
Average	$	63.91	
26 Mar 2018	$	64.41	
27 Mar 2018	$	64.41	
28 Mar 2018	$	63.74	low
29 Mar 2018	$	64.62	
30 Mar 2018	$	64.90	high
Average	$	64.42	

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Global Overview

North America

- Earnings guidance largely positive
- US flats pricing remains flat
- Mexico imposes duties on seamless pipes

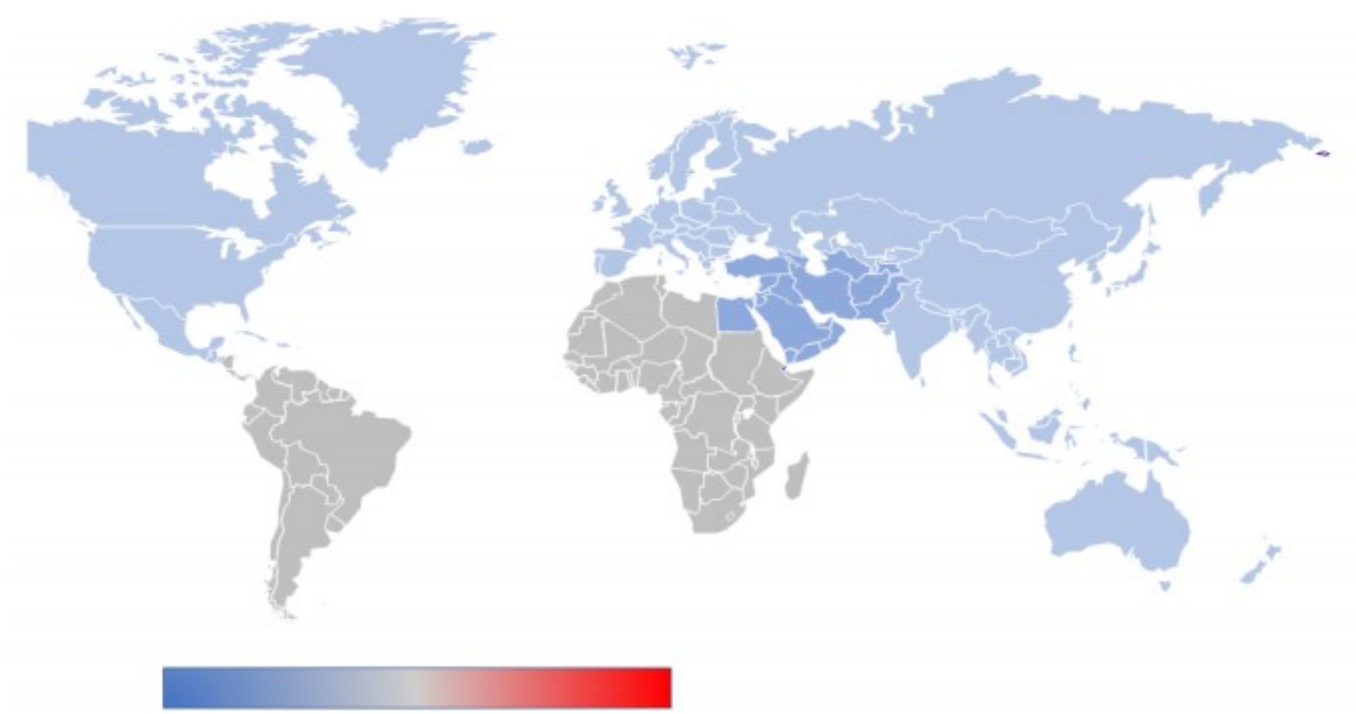
Europe

- EU flats hold despite slow market
- EU scrap/longs under pressure
- Concerns over EC investigation grow

Asia

- Essar bidding contest continues
- Iron ore stagnates in low $60s
- Australia seeks permanent US tariffs exemption

Global Sentiment Map



Weak

Strong

Middle East

- Scrap stabilises for now
- Turkish rebar offers down further, buyers unmoved
- Turkish flats mills seek increased exports
- Turkey hopes to secure US tariff relief

Asia

Chinese prices hover despite trade, infrastructure fears

Chinese steel prices held firm over the last week, which was interrupted by the three-day Tomb Sweeping holiday. In the short term, fundamentals appeared to be driving a recovery, with end-user buying picking up and inventories steadily declining. There were growing fears that local government financing would be curtailed however. Export markets were fairly quiet, although one mill recently booked large volumes of commodity grade HRC to Vietnam. Iron ore meanwhile was left to stagnate in the low $60s.

In Shanghai on Wednesday afternoon, the last day before Tomb Sweeping, 20mm HRB400 rebar was trading at CNY 3,600-3,630/tonne ($573-577/t), up CNY 60/t from the previous Friday. On Wednesday, traders were reducing their offers in line with futures prices, which were being pressured by ongoing concerns of a looming trade war with the US. The spot market was in a much healthier state than recent weeks however, with inventories now falling steadily. End-user buying was picking up and some traders were even starting to report shortages in some grades.

5.5x1,500mm Q235 HRC meanwhile was trading at CNY 3,920-3,940/tonne ($624-627/t), up CNY 70/t from the previous Friday. The HRC market in eastern China is now visibly more firm than rebar. Inventories have declined substantially and several traders are out of some specifications and only selling new arrivals in the coming days.

By Monday however the shut-down of billions of CNY-worth of public-private partnership projects was creating some concern over future infrastructure demand. China's Ministry of Finance has moved to discourage any lending to local governments other than through buying bonds, and moves to curtail PPP were seen as part of this move. The impact of a full crackdown would be enormous but most are saying any major downturn would be met by a stimulus package or the end of restrictive measures.

The prospect of a looming trade war with the US has also impacted sentiment, especially on export markets. Vietnamese buyers are mostly holding off buying as any crisis could mean lower offers. Nevertheless one relative newcomer to the Chinese export market has booked some 100,000t of commodity HRC to Vietnam in the last two weeks, highlighting the fact that Chinese exports are again selectively competitive. Any downturn in prices would likely see Chinese volumes again boosting market share in Southeast Asia and other markets.

Iron ore meanwhile has been stuck in the low $60s amid doubts over supply. On Friday the Kallanish index for 62% Fe Australian fines gained $0.32/tonne to $63.59/dry metric ton cfr Qingdao, down $1.31/t from a week earlier. Australia's Department of Industry, Innovation and Science has revised upwards its iron ore price forecasts for this year. It now expects 62% Fe fines to average $61.80/t in 2018, compared to its previous forecast of $52.60/t. In 2019, it also now expects iron ore to average $51.10/t rather than $48.80/t. So far this year the Kallanish 62% Fe index has averaged $73.07/dmt, suggesting prices are still set to decline into the $50s to bring the average for the year down.

FLATS

Vietnamese HRC market remains very weak

Vietnamese hot rolled coil buyers continued to be bearish towards the situation with Chinese imports. Concerns about volatility in the Chinese steel market and uncertainties brought about the prospect of a trade war between the US and China linger in the market. Rerollers are bidding SAE 1006 2-2.5mm thickness HRC from a leading mill at $600/tonne cfr Vietnam, below the offered $615-620/t cfr. The "... most competitive" offer from another Chinese mill saw 40,000 tonnes of orders concluded on March 30 and April 2 at $605/t cfr. Bids for material from a lower-tier Chinese mill are at $580/t cfr compared to the offer at $595/t cfr. These are all for June shipments.

Prices to watch:

590	3855	3555
-0.8%	1.3%	1.1%
HRC / China / FOB / USD/t	HRC / China FOT Warehouse CNY/t	Rebar / China FOT Warehouse CNY/t

In the news this week:

CORPORATE

ArcelorMittal, Nippon submit bid in Essar sale re-run

ArcelorMittal and Nippon Steel & Sumitomo Metal Corporation (NSSMC) have through ArcelorMittal India Private Limited submitted an offer in the re-bidding process for Essar Steel. ArcelorMittal India Private Limited bid for Essar Steel in February, while last month ArcelorMittal and NSSMC agreed to partner in the bid through a joint venture. However, the bid was later rejected on the grounds ArcelorMittal remained a promoter in Uttam Galva, a loan defaulter. ArcelorMittal subsequently moved to cease being a promoter in the Indian cold roller and coil coater.

CORPORATE

JSW Steel joins Nu Metal bid for Essar

JSW Steel has joined Nu Metal's bid to acquire Essar Steel in the capacity of an investor. The re-bidding process for insolvent Essar Steel was held this week after the first round ended without result last month. "As part of its growth strategy, while expanding its capacities through brownfield expansions, it is also evaluating opportunities for inorganic growth," JSW Steel says of its joining the bid.

RAW MATERIALS

Japanese scrap prices soften

South Korea's Hyundai Steel is pushing down Japanese scrap prices. In Japan, Tokyo Steel is also doing the same for its scrap buying prices. Last Friday, Hyundai Steel lowered its bid prices by JPY 1,000/tonne ($9/t) in its weekly purchase auction. Its bid prices for HS/shredded grade scrap, Shindachi Bara and Shidachi Press were JPY 39,000/t, JPY 42,000/t and JPY 43,000/t respectively. The leading Korean EAF mill, however, skipped its purchase for H2 and H1/H2 scrap.

LONGS

Asean longs markets doze off

The rebar and wire rod markets are muted this week ahead of the Chinese long holiday weekend. Offer prices were fairly stable in the region early this week before the Chinese market closed on Thursday. Offers from Chinese mills for 10-40mm BS4449 theoretical-weight rebar were unchanged from last week at $550-560/tonne cfr Singapore, before China closed. Bids from importers remain low at $520-530/t cfr, trading sources report. "The market remains uncertain," a Singapore trader says.

CORPORATE

Australia insists US steel duty exemption permanent

Australian trade minister Steve Ciobo insists that the exemption for Australian exports to US import tariffs is permanent. The USA has imposed universal tariffs of 25% on steel and 10% on aluminium but gave several countries, including Australia, an exemption until 1 May. Although the formal US announcements give Australia the same 1 May deadline to strike a deal with the Trump White House, Ciobo says this is a mere formality. A permanent exemption has been agreed because the USA maintains an overall trade surplus with Australia. He also says Chinese steel cannot circumvent duties by passing through Australia because Australia itself has a robust system of trade protection.

Europe

EU imports investigation raises concerns among traders, processors

The steel market in Europe is becoming increasingly vociferous in some quarters against the European Commission's move towards implementing additional trade measures against steel imports.

As reported, at the end of March the European Commission launched a safeguard investigation into imports of steel products, with a specific focus on the potential diversion of trade resulting from the new US tariffs. A possible decision could include the definition of a quotas system for the imports into the EU, as requested by Eurofer. The investigation is expected to last a maximum of nine months.

The adverse response has taken some time to reach a level of public awareness.

Alexander Julius of trading company MacroMetal explained that further import restrictions are unnecessary. "The restrictions that have been implemented already have taken effect, and especially China as the supplier of 50% of volumes has been fobbed off for the next five years," he told Germany's public broadcasting services.
He added that the interests of 320,000 employees in steelmaking are being pitched against 12 million in the automotive sector, 3 million in mechanical engineering, 100,000 in steel distribution, and more in steel construction.

The London-based International Steel Trade Association (ISTA) in a written statement called the effect of the EC announcement to be "… devastating" and "… paralysing". Its members can no longer continue their daily business of fulfilling the varied steel requirements of their customers ranging from steel processors to end-users. "Members fear that on arrival their cargoes will be subject to prohibitive import duties or will have unwittingly breached any tariff free quota that may have been introduced," ISTA says.

In Italy the Italian trade association Assofermet also expressed that it is "…firmly opposed" to any safeguard action in the steel sector by EU authorities because it would be "…unnecessary and even harmful to the union's industry."

"We recognize the excellent work done by the institutions in the negotiations that allowed the exclusion of EU countries from the provisions of Section 232," Assofermet says in a note. "We need to consider the risk of a protectionist escalation in case the EU reacts with measures similar to the United States."

In the longs sector, specifically, Europe's independent wire rod processors have expressed serious concerns about the safeguard investigation. Non-integrated wire rod processors say that they are very strongly dependent on imports in order to find sufficient amounts of raw material at commercially-viable prices. Their federation Eunirpa fears that this investigation will further intensify wire rod shortage and the increasing margin squeeze that continues to severely affect independent wire rod processors.

According to association president Kris Van Ginderdeuren the initiation of the safeguard investigation will further exacerbate the existing shortage of wire rod in the market. "Independent processors will be forced to limit their wire rod imports for fear of possible import duties upon arrival of the goods within the EU, leaving them at the mercy of a handful of integrated producers," Van Ginderdeuren claims.

Prices to watch:

550	580	472.5
0%	0%	0.5%
HRC / Italy Ex-Works EUR/t	HRC / N Europe Ex-Works EUR/t	Rebar / Italy Ex-Works EUR/t

In the news this week:

FLATS

NW Europe HDG market remains strong

As north-western European mills are heard offering a wide range of prices for hot-dip galvanized coil, at least one noteworthy batch of imports is heard coming to Scandinavia. According to a local source, an undefined but "… huge amount" of HDG is expected to land in Denmark in calendar week 23, apparently from Eastern Europe. He says that the price for the material is €670/tonne ($822/t) cif, or possibly somewhat lower, whereas the price from north-western European mills is €680-730/t.

FLATS

Standstill continues in South European coil market

The South European coil market continues to be flat with buyers reluctant to place large orders but domestic mills keeping their offers firm. The domestic market in Italy has stabilised at €550/tonne ($674/t) ex-works for HRC since last week, a level below which it is not possible to buy. "Mills are firm in their offers. We have decided to only buy limited volumes at the moment, but domestic suppliers are well booked into June so they don't need to lower offers," a senior source at a service centre comments. Meanwhile import offers have corrected somewhat since mid-March, but remain at €540/t cfr for HRC and €620/t cfr for CRC both in Italy and Spain. Rumours of lower levels have been so far dismissed by sources.

CORPORATE

UK's steel trade gap shows huge 2017 deficit

UK trade association UK Steel has signalled several key data sets illustrating the performance of the UK steel sector in 2017. These are highlighted ahead of the organisation's annual summary to be published later in the Spring. The most worrying takeaway from the data by far was the UK steel trade gap. This appears to have increased almost exponentially since 2014, when there was a small positive trade balance of £200,000 ($281,180). In 2015 the surplus turned to a net deficit of £438 million which then worsened in 2016 to £1,535m. Last year this had deteriorated even further to a deficit of £2,232m. Steel imports to and from the EU remained fairly steady and were 1.136 million tonnes in the third quarter of 2017, having remained within the 1.1-1.2mt/quarter range for the last 4 years. Steel exports to the EU on the other hand weakened significantly over the second and third quarter of 2017. Shipments there by UK steel producers in Q3 17 were only 650,000 tonnes compared to around 1mt in Q1 17 and 900,000t in Q2 17.

CORPORATE

French construction market improves slightly

Following deterioration in January/February, the French construction business climate improved slightly in March, says national statistics association l'Institut National de la Statistique et des Études Économiques (Insee) in a report. In March fewer companies than in the previous month indicated an increase in their activity over the last three months. The outlook for expected activity in the next few months is more optimistic and the balance of opinion on expected activity has increased after three consecutive months of decrease, the report reveals.

Americas

US auto emission rollback should scare steel

Tucked between the legislative juggernauts of the 232 and the 301 trade investigations, the US government quietly announced its intentions to review – and possibly revise – its federal emission standards for 2022-2025.

The move got somewhat unexpected support from domestic steel producers, speaking via the American Iron and Steel Institute. The support is somewhat surprising because many top-tier domestic steelmakers have invested heavily in advanced high-strength steels.

The main way the US auto industry plans to reduce its emissions and raise its average mile-per-gallon to 54.5 is by cutting back on the physical weight of their fleets, a process known as lightweighting. The steel industry has responded to threats by lighter materials like aluminium with advanced high-strength steels, which are lighter and pricier. Steel also contends that its product has a lower lifecycle emission count than aluminium, but it's unclear at this point whether lifecycle would be one of the factors considered under the original Obama-era 2022-2025 standards.

Advanced high-strength steels also have the benefit of being a US-innovated product. This has sparked at least one on-going legal dispute with a Canadian manufacturer and is likely one of the stronger claims within the 301 investigation against China.

The US steel industry's support for revision and review of the standards is likely linked to the lifecycle emission review issue.

Per usual, however, the industry is tap-dancing on a knife's edge when it asks the Trump administration to step in and help out.

Should President Donald Trump follow his regulatory gut and start hacking away at Obama-era environmental regulations indiscriminately – as he seems wont to do – US steelmakers could find themselves saddled with a lot of costly new cap ex for a non-existent market.

Precedents have already been laid. President Trump has chipped away at the Obama-era red tape surrounding health care, pipeline permitting and infrastructure building. It's not really important to debate which of those strands of red tape really needed to be cut. What's important is the gung-ho attitude with which President Trump cut them. Steelmakers would do well to remember that steel is still not the be-all, end-all manufacturing goal of the Trump administration. That would be domestic manufacturing jobs, and giving automotive a freer hand produces more net jobs than ensuring a safe source of demand for steel.

It might be cynical to say out loud, but automotive lightweighting and mileage improvement initiatives by the steel industry were probably less driven by genuine concern for the environment than top-down government regulations. In fact, US mills probably pine for the days of 1960s all-steel land yachts.

But the fact remains that millions of dollars have already been spent on new lines and facilities. The aluminium industry reacted to the news with far less enthusiasm for the same reason. Investments were made in premium material undergirded with government-mandated demand. Cheering that demand's potential failure doesn't seem productive.

Prices to watch:

US HRC USD/s.ton	CRC / US USD/s.ton	OCTG P110 pipe 5.5" diameter / US FOB USD/s.ton
885	990	1700
2.35%	1.3%	0%

In the news this week:

FLATS

US sheet levels out

A sense of stability is returning to the US sheet market, but that isn't necessarily good news for market players. A service centre executive credits the 232 exemptions with returning the market to something like normalcy, as they effectively exempt much of the US' top countries-of-origin from the 232's blanket 25% tariffs.

Kallanish narrowed its hot-rolled range Monday to $870-900/short ton and its cold-rolled range to $980-1,000/st. All prices are ex-works, domestic mill.

FLATS

Plate buyers wait for signs

US plate players are still waiting on the sidelines for price direction. Kallanish held its A36 assessment level last week at $850-880/short ton, as a rumoured increase from major domestic mills failed to materialize.

"Just about everyone is employing a 'wait-and-see' attitude, including the mills," says one buyer.

CORPORATE

Gerdau sells Texas longs mill

Brazilian steelmaker Gerdau has closed on its sale of Beaumont, Texas, longs complex.

Florida steel holding company Optimus Steel LLC bought the 700,000 short ton/year mill for $92.5 million. The deal was initiated in late January, shortly after Gerdau's $600m sale of 2.5m st/y in rebar rolling capacity to Commercial Metals Company.

CORPORATE

Auto emission standards get second look

The domestic steel industry is cheering a move by the Environmental Protection Agency to reconsider its 2022-2025 federal emission standards, according to the American Iron and Steel Institute.

"Today's announcement by Administrator Pruitt is a positive development for the steel industry and our partners in the auto sector," says institute ceo Thomas Gibson.

RAW MATERIALS

Anglo American halts Brazil iron ore production again

Anglo American has again halted iron ore production in Brazil's Minas Gerais only two days after having restarted operations. This happens following a new incident involving a pipeline transporting the mined material to the port in Rio de Janeiro on 29 March.

TUBES AND PIPES

Mexico imposes definitive duties on seamless pipes

Mexico has imposed definitive countervailing duties (CVD) on imports of seamless carbon steel pipes from South Korea, Spain, India and Ukraine. The product under investigation is classified under HS codes 7304.19.01, 7304.19.02, 7304.19.99, 7304.39.05, 7304.39.06 and 7304.39.99.

Middle East

Turkey receives lower billet offers, rebar freeze continues

Winter may have turned to spring but the deep freeze continues in Turkey's rebar export market as most buyers refuse to commit to tonnage until the consequences of US trade action become clearer.

Since the Baltic-origin scrap cargo reported two weeks ago that dragged down scrap prices around $20/tonne, two further Baltic and two European-origin deals were concluded at stable prices. HMS 1&2 80:20 scrap remains assessed at $355/t cfr Turkey. This suggests the scrap price fall has been arrested for now. But, with rebar demand weak, prices remain under downward pressure.

Turkish mills subsequently reduced rebar export offers slightly to $570/t fob Turkey, but with no success thus far in attracting buyers. Some sources said $565/t fob is available, and one Turkish trader indeed divulged he bought 5,000t from a local mill at $565/t fob for shipment to East Africa. There are rumours that $560/t fob may even be available, although this is yet to be confirmed.

CIS billet offers also came down following the scrap fall. Last week CIS mills were officially quoting at $520/t fob Black Sea for May shipment. However, Turkish mills received offers from traders at $525/t cfr Turkey, equating to around $505-510/t fob Black Sea.

One major issue hampering trade is the potential closure to Turkish exporters of the US market. The Turkish government is in talks with its US counterpart to agree some relief to US tariffs, with a decision expected this week, Turkish economy minister Nihat Zeybekci told local media last week. If the outcome is negative for Turkey, it will retaliate, Zeybekci added.

At the Yisad Flat Steel Conference & SteelOrbis Market Talks event in Istanbul attended by Kallanish last week, Turkish flat steel exporters expressed their concern over the global wave of protectionism. Yisad chairman Gokhan Demiruz said at the event: "The US and the EU are working on trade measures against steel imports… We will work to overcome this with higher export volumes, if possible. If not, with the same volumes or with the least possible harm."

New Turkish Steel Exporters' Association (CIB) data, meanwhile, showed Turkey's steel exports fell -5.1% on-year in the first quarter to 4.9 million tonnes, including a -15% y-o-y decrease in March alone to 1.7mt. Shipments to the US in Q1 dropped -40% to 371,000t.

In January-February Turkish long product output rose 7% y-o-y to 4.2mt and flats output was up 11% to 2.4mt, according to the Turkish Steel Producers' Association (TCUD). Longs consumption surged 19.4% to 2.7mt but flats use inched down -0.1% to 2.9mt.

In Saudi Arabia, meanwhile, the kingdom's largest publicly-listed construction company, Abdullah A. M. Al-Khodari Sons Co., said it is uncertain over its ability to continue as a going concern due to the construction sector slowdown.

Saudi Arabian billet imports dropped to a multi-year low of 165,143t in 2017. Domestic crude steelmaking regained competitiveness over billet imports which surged in previous years due to low Chinese prices. However, the Saudi construction sector slowdown also took its toll on steel demand.

Prices to watch:

520	565	745
-1.9%	-1.7%	-1.3%
CIS billet FOB Black Sea $/t	Rebar FOB Turkey, $/t	Turkey CRC ex-works $/t

In the news this week:

LONGS
Turkey receives lower billet offers, rebar freeze continues
Winter may have turned to spring but the deep freeze continues in Turkey's rebar export market as most buyers refuse to commit to tonnage until the consequences of US trade action become clearer.

CORPORATE
Turkey contacts US over Section 232 tariffs: minister
Turkey is in contact with the US over its decision to impose tariffs on steel imports, with results expected this week, Turkey's economy minister Nihat Zeybekci told local media last week.

FLATS
Protectionism worries Turkey's flat steel industry
The global wave of protectionism wave is the current main concern of Turkey's flat steel industry, which aims to raise its share in global flats trade volume, industry representatives said at a recent meeting.

CORPORATE
US drives Turkey's first-quarter steel exports drop
Turkish steel exports declined in the first quarter, affected by a plunge in shipments to the US, according to a statement by the Turkish Steel Exporters' Association (CIB).

CORPORATE
Turkey's steel output, consumption rise in January-February
Turkish finished steel production and consumption increased on-year in January and February.

CORPORATE
Saudi economic slowdown threatens construction giant's survival
Saudi Arabia's largest publicly-listed construction company says there is "… material uncertainty" over its ability to continue as a going concern. This comes after Abdullah A. M. Al-Khodari Sons Co. posted more losses in 2017 due to the Saudi economic slowdown.

LONGS
Saudi billet imports drop to multi-year low
Saudi Arabian billet imports dropped to a multi-year low in 2017. Domestic crude steelmaking regained competitiveness over billet imports which surged in previous years due to low Chinese prices. However, the Saudi construction sector slowdown also took its toll on steel demand.

Price Series

Type	Product	Frequency	Latest Update	Latest Price	Change
Flats	CRC / N America Ex-Works USD/s.ton	Weekly	09 Apr 2018	980 - 1000 USD/s.ton	0.0%
Flats	HRC / N America Ex-Works USD/s.ton	Weekly	09 Apr 2018	870 - 900 USD/s.ton	0.0%
Flats	Plate / N America Ex-Works USD/s.ton	Weekly	09 Apr 2018	900 - 920 USD/s.ton	5.2%
Flats	HRC / Vietnam CFR USD/t	Weekly	06 Apr 2018	600 - 605 USD/t	0.0%
Flats	Plate (low grade) / E Asia CFR USD/t	Weekly	06 Apr 2018	580.00 USD/t	0.0%
Flats	CRC / E Asia CFR USD/t	Weekly	06 Apr 2018	670.00 USD/t	0.0%
Flats	HRC / E Asia CFR USD/t	Weekly	06 Apr 2018	625.00 USD/t	0.8%
Flats	HRC / Turkey Ex-Works USD/t	Weekly	06 Apr 2018	650 - 660 USD/t	-0.8%
Flats	CRC / N Europe Ex-Works EUR/t	Weekly	06 Apr 2018	640 - 670 EUR/t	0.0%
Flats	HRC / N Europe Ex-Works EUR/t	Weekly	06 Apr 2018	570 - 590 EUR/t	0.0%
Flats	HDG / Italy Ex-Works EUR/t	Weekly	05 Apr 2018	640 - 640 EUR/t	0.0%
Flats	CRC / Italy Ex-Works EUR/t	Weekly	05 Apr 2018	620 - 630 EUR/t	0.0%
Flats	HRC / Italy Ex-Works EUR/t	Weekly	05 Apr 2018	550 - 550 EUR/t	0.0%
Flats	HRC / S Europe CIF EUR/t	Weekly	03 Apr 2018	530 - 550 EUR/t	-2.7%
Longs	Rebar / Italy Ex-Works EUR/t	Weekly	02 Apr 2018	470 - 475 EUR/t	0.5%
Longs	Rebar / Middle East CFR USD/t	Weekly	05 Apr 2018	560 - 570 USD/t	-1.7%
Longs	Rebar / Turkey FOB USD/t	Weekly	05 Apr 2018	560 - 570 USD/t	-1.7%
Longs	Rebar / Singapore CFR USD/t	Weekly	05 Apr 2018	540 - 545 USD/t	0.0%
Longs	Merchant Bar / Italy Ex-Works EUR/t	Weekly	02 Apr 2018	560 - 570 EUR/t	0.0%
Scrap	Shredded Scrap (E40) / Italy Delivered Basis EUR/t	Weekly	02 Apr 2018	330 - 335 EUR/t	0.0%
Scrap	Scrap (HMS 1/2) / Turkey CFR USD/t	Weekly	05 Apr 2018	350 - 360 USD/t	0.0%
Scrap	Demolition Scrap (E3) / Italy Delivered Basis EUR/t	Weekly	02 Apr 2018	280 - 280 EUR/t	-0.9%
Scrap	Heavy Demolition Scrap (E1) / Italy Delivered Basis EUR/t	Weekly	02 Apr 2018	290 - 295 EUR/t	0.0%
Scrap	Scrap (HMS 1/2) / Taiwan CFR USD/t	Weekly	03 Apr 2018	335 - 340 USD/t	-1.5%
Semis	Billet / Manila CFR USD/t	Weekly	06 Apr 2018	535 - 535 USD/t	0.0%
Semis	Slab / E Asia CFR USD/t	Weekly	06 Apr 2018	540.00 USD/t	0.0%
Semis	Billet / CIS-Black Sea FOB USD/t	Weekly	05 Apr 2018	515 - 525 USD/t	-1.9%
Semis	Billet / Italy Ex-Works EUR/t	Weekly	02 Apr 2018	440 - 440 EUR/t	-0.6%
T&P	Welded Tubes & Pipes / N America Ex-Works USD/s.ton	Weekly	06 Apr 2018	1020 - 1040 USD/s.ton	2.0%
T&P	OCTG P110 pipe 5.5" diameter / N America FOB USD/s.ton	Weekly	06 Apr 2018	1600 - 1800 USD/s.ton	0.0%

Special Feature

Italy continues to have lowest European rebar prices

The presence of many producers and imports at lower prices has made rebar prices in Italy more fragile compared to neighbouring countries Germany, France and Spain, and extremely sensitive to scrap price changes.

Italian rebar prices and sales volumes have been on a significant downward trend over the past weeks due to falling domestic and European scrap prices. Current domestic rebar values are also deteriorating as a consequence of a domestic weak real and apparent demand which in March and April has been visibly lower compared to the beginning of the year. Whilst showing slight improvement, the level of construction activity in the country continues to disappoint as demand from the sector remains subdued and unreliable.

The Italian market has gone from the peaks of January at €270/t base ex-works, to €240/t in February to a current transaction level of €210/t base on average, or €470/t ex-works including size extras.

Domestic demand remains weak while producers compensate for struggling sales by increasing exports with higher export prices particularly to Germany and France. This week's domestic prices remain stable at €210/t base ex-works. The market is experiencing stagnation and is at risk of further price falls. The weak outlook is exacerbated by the fact demand in Algeria is continuing to reduce, becoming less and less a significant market for Italian rebar mills.

FRANCE

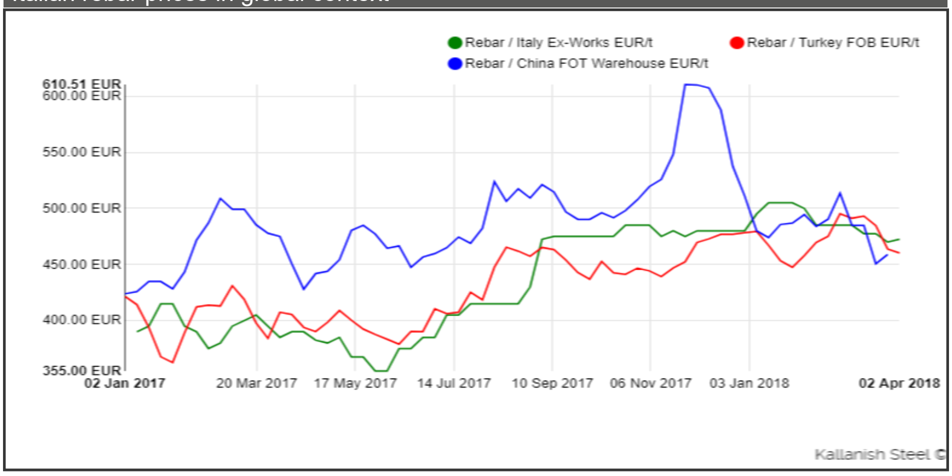
While Italian rebar has been suffering in a highly competitive market, the sun is shining on French rebar. Quotations have kept stable on high levels with «satisfactory » sales volumes despite March and April's demand being slower than the first two months of the year.

The high rebar prices seen lately in France are the consequence of a changed commercial policy at the country's market leading rebar producer Riva. Until last year the producer's fast changing prices were connected to the company's changing stock levels. However, the renewed commercial strategy this year aims at following German price levels, amongst the highest in Europe, and being less reactive to the constant scrap values changes. Despite see-sawing scrap values, French rebar prices have kept stable also supported by increasing demand from a healthy construction sector that is slowly going back to pre-crisis levels. French domestic rebar is now at €280/t base delivered or €265/t base ex-works, or €520-530/t ex-works including size extras.

SPAIN

Meanwhile at the end of March Spanish rebar prices decreased by some €20/t since the record high levels seen at the beginning of March. Despite the fall, demand has been considered good and the market relatively stable. At the end of March rebar was sold domestically in Spain at €240-245/t ex-works base, equating to some €490-495/t delivered. Italy, with its fragile and sliding rebar prices, low construction activity and high sensitivity to scrap price changes, remains the sick man of Europe.

Italian rebar prices in global context



Word of the Week

OCTG

This stands for oil country tubular goods and refers to the group of steel tube products (both seamless and welded) used in vertical oil well applications such as casing, drill pipe, and well tubing

Contact

If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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