

News Headlines	Pricing Movements	Steel Cost Index	Anti-Dumping News	Key To Prices
----------------	-------------------	------------------	-------------------	---------------

STEEL MARKET SUMMARY – December

Cool Wind Of Change Runs Through China Steel Prices

After recent years of solid profit taking, steel mills in China are faced with a new reality – plummeting prices. From the end of October to December 1st, rebar spot prices in China fell 21%. Hot rolled coil prices in Shanghai dropped 12% in the same period, to their lowest level in 16 months. When the Chinese cold rolled coil price fell for the 11th week in a row during November, it was to a level not seen since August 2017. Analysts say some Chinese steel producers have run up losses for the first time in three years during the price slide.

Hardly surprising, therefore, that the Platts China Steel Sentiment Index fell dramatically in November to a 28-month low, being just 15.23 out of a possible 100 points. This chimes with the obvious cooling in the broader Chinese economy which has seen the Shanghai Composite fall 21% so far this year. Meanwhile, the International Monetary Fund has cut its forecast for China’s 2019 GDP to 6.2%.

The price slide coincides with Chinese crude steel output hitting a record 82.55 million mt in October. Rebar production in the same month reached a record 19.13 million mt, up 15% on year. National Bureau of Statistics data showed rebar output over January-October totalled 172.11 million mt, up 7.7% on year. Meanwhile, China’s wire rod output hit 13.31 million mt in October, up 15% from a year earlier. Wire rod output equated to 119.38 million mt in the first 10 months of this year, up 10.2% on year. Usually any glut of supply is soaked up by the winter cutbacks on production mandated by the Chinese central government to reduce pollution. However, this year production levels will be left to the discretion of local authorities: and it’s feasible that self interest might prevail over global responsibility.

On the domestic front, it is believed the steelmaker now known simply as Liberty may be about to list various of its assets publicly. Liberty is responsible for all the construction steel produced in Australia and whilst its east coast operations are assumed to be profitable, less is known about the viability of its Whyalla plant. News of the IPO comes as the Australian Financial Review claims the insurer QBE has slashed the level of trade credit cover being offered to some Liberty suppliers: because Liberty has not been as forthcoming about its parent company accounts as QBE would like.

Liberty is an arm of GFG (Gupta Family Group) Alliance which itself is owned by Liberty House Group, a private, UK-based company run by Sanjeev Gupta. During November, The Financial Times newspaper reported that various UK suppliers to GFG Alliance were struggling to get credit insurance and were owed millions of pounds. The newspaper reported on the complex web of debt financing stretching across GFG Alliance’s growing empire which includes 14,000 staff worldwide and \$15 billion in turnover. That empire is set to expand further with the imminent purchase of steelworks across Europe from ArcelorMittal, plus the \$500 million acquisition of an aluminium smelter in Dunkirk from Rio Tinto. Some in the industry believe Sanjeev Gupta is stretched too far. A veil of mystery hangs over GFG Alliance. There are no consolidated accounts, since GFG Alliance is not a single legal entity, rather it is a complex international assortment of privately-owned companies. Whether this opacity dampens enthusiasm for Liberty at an IPO remains to be seen. In any event, organising the IPO could take at least six months; so if Gupta’s motive is to free up funds for other acquisitions or to relieve pressure, he’ll be waiting a while.

In a parallel development, Liberty has been successful in having its anti-dumping application against Turkish deformed bar accepted by the Anti-Dumping Commission. This factor could play into and partially reverse some of the recent decline in Chinese prices. Added to that, the US-China trade truce achieved at the G-20 has produced a “bounce”, with rebar and HRC futures rising about 5% on the Shanghai Stock Exchange in the early days of this week. All these elements combine to suggest Australian prices are likely to rise at least in the short term.

ASN Principal Sponsor



CURRENCY CHANGES

Movement Since Nov 1st, 2018
AUD is up 2.8% against the USD
AUD is up 3.2% against the Euro



STEEL NEWS HEADLINES

- Dec 3 – CNBC
[Base metals jump on Sino-US trade truce](#)
 - Dec 3 – SEAISS
[Steel barriers to stay as trade tensions simmer](#)
 - Nov 29 – Platts
[East Asia mills see high-priced scrap imports](#)
 - Nov 28 – MEPS
[Trading activity drops in emerging steel markets](#)
 - Nov 27 – Reuters
[Margins tumble, China mills brace for hard times](#)
 - Nov 27 – Platts
[China’s Q3 ferroous scrap exports slump](#)
 - Nov 27 – MEPS
[Falling Chinese steel prices raise global fears](#)
 - Nov 26 – Platts
[Taiwanese domestic scrap, rebar prices down](#)
 - Nov 23 – CNBC
[China says WTO faces “profound crisis”](#)
 - Nov 23 – World Steel Association
[October 2018 crude steel production](#)
- For more steel news headlines, [click here](#)

PRICING MOVEMENTS - Since November 1st, 2018

STEEL RAW MATERIAL

	USD Change	AUD Change
- Blast Furnace costs ¹	-0.9%	-3.7%
- EAF/Scrap costs ²	-5.3%	-8.1%

STEEL FINISHED PRODUCT

- China Rebar pricing ³	-22.7%	-25.6%
- Turkey Rebar pricing ⁴	-2.9%	-5.7%
- Non-Ferrous Metals (Cu/Al/Ni/Zn) ⁵	-1.6%	-4.4%



STEEL COST INDEX (The cost of scrap, iron ore, coal in one tonne of steel)

	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018	Sept 1, 2018
Blast Furnace Index in USD ¹	364	367	337	318
Blast Furnace Index in AUD ¹	498	517	468	447
EAF/Scrap Index in USD ²	374	384	355	351
EAF/Scrap Index in AUD ²	512	541	493	495

For a detailed explanation of ASN’s unique Steel Cost Index, [click here](#)

ANTI-DUMPING NEWS

Measures already in place:

[ADC – Measures](#)

Updates to the public record:

[ADC – Updates](#)

Recent anti-dumping actions:

[ADC – Actions](#)

Request a weekly update from the Australian Government Anti-Dumping Commission website: [here](#)

STEEL AND RAW MATERIALS PRICES (USD per tonne)

	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018	Sept 1, 2018
Iron Ore ⁶	72	74	68	67
Coking Coal ⁷	221	220	201	182
Steel Scrap Turkey ⁸	331	340	314	311
Steel Rebar Turkey ⁴	499	514	505	520
Steel Rebar China ⁹	520	673	671	705



NON-FERROUS METALS PRICES (USD per tonne. Source: LME 10)

	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018	Sept 1, 2018
Copper	6237	6068	6170	6018
Aluminium	1934	1959	2047	2111
Nickel	11,010	11,550	12,320	12,990
Zinc	2628	2584	2617	2503

FX RATES (Source: www.x-rates.com)

	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018	Sept 1, 2018
USD / AUD	0.73	0.71	0.72	0.71
Euro / AUD	0.64	0.62	0.62	0.61
NZD / AUD	1.06	1.08	1.09	1.08

Promote Your Business

Advertise In This Space

Contact Mark Maccallum
markm@caletablanca.com

FUTURE FX RATES (Banks’ estimate of AUD value in Q1 2019)

	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.72	0.68	0.72	0.73
Euro / AUD	0.60	0.60	0.62	0.63
NZD / AUD	1.11	1.11	1.11	1.10



COMPANY SHARE PRICES (Source: ASX 11)

	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018	Sept 1, 2018
Bluescope	11.23	14.29	16.93	17.31
Sims Metal Management	10.70	11.59	12.51	12.56
BHP Billiton	30.69	33.11	34.61	33.21

SANWA CONTACTS

- Reinforcing Steels / David Roberts / droboters@sanwa.com.au
- Structural Steel / PC Strand / Mark Horwitz / mhorwitz@sanwa.com.au
- Special Steels / Tube and Pipe / Matt Gilpin / mgilpin@sanwa.com.au
- Stainless Steel / Howard Seligsohn / hseligsohn@sanwa.com.au
- Flat Products / Laurie Di Medio / ldimedia@sanwa.com.au
- Wire and Aluminium / Steve Wade / swade@sanwa.com.au

ASN Principal Sponsor



Telephone: (02) 93624088

KEY TO PRICES

- Blast Furnace Index is: Iron Ore*1.6 mt + Coking Coal*0.9 mt + Scrap*0.15 mt in USD or converted to AUD. [Cost BOF](#)
- EAF/Scrap Index is: Steel Scrap*1.13 mt in USD or converted to AUD. [Cost EAF](#)
- Chinese Rebar Pricing is: Shanghai Futures Exchange converted to USD at 6.8 Yuan/USD. [HERE](#)
- Steel Rebar is: Turkey exports FOB Turkish Port – One Month USD / mt from LME. [HERE](#)
- The average price / mt for the non-ferrous metals Cu/Al/Ni/Zn. [HERE](#)
- Iron Ore Fines: Bloomberg indicative USD CFR prices for 62 Fe shipping to Qingdao. NAB sourced.
- HCC: premium low-volume coking coal USD per tonne. NAB sourced.
- Steel Scrap (Turkey CFR): USD pricing per tonne from LME closing contract price. [HERE](#)
- Steel Rebar: Shanghai Futures Exchange Forward one month converted to USD at 6.8 Yuan/USD. [HERE](#)
- London Metal Exchange (LME) Cash pricing is quoted. [HERE](#)
- Australian Stock Exchange end of day quote in Australian dollars. [HERE](#)



*DISCLAIMER and CREDIT

Prices and figures quoted should be taken as indicative numbers only. While all care has been taken in compiling this newsletter, readers acting upon the information herein do so at their own risk. Neither the publisher nor Sanwa will accept any responsibility for consequences arising from commercial decisions made by readers. Most of the numeric information in this newsletter is available at the sources quoted. Readers are urged to check figures against the original source. All comments expressed are the opinion of the editor and copyright is reserved for the full contents of the newsletter. Australian Steel News acknowledges its two principal sources of information: National Australia Bank (NAB) and South East Asia Iron and Steel Institute (SEAISS).

SUBSCRIBE / CONTACT

Australian Steel News (ASN) is published by Caletablanca Media. Website: www.caletablanca.com. For suggestions on information you would like to see included in ASN, email: asn@caletablanca.com. To remove yourself from this list, email asn@caletablanca.com with the word REMOVE in the subject line. To add yourself to this list, email asn@caletablanca.com with the word ADD in the subject line.

