

## News Headlines

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## Key To Prices

### STEEL MARKET SUMMARY – January

Three men walk into a bar – an Englishman, an Irishman and a steel buyer. The Englishman says: Trump is vulgar and irrational. The Irishman says: To be sure, I can't work out this Trump fella. And the steel buyer says: With Trump around, who needs uncertainty. Whether they know it or not, our friends at the bar have encapsulated the mood of the steel industry as 2019 commences, with its attendant geo-political and economic volatility. Indeed, a glance at the second half of 2018 and the early days of this year provides incentive aplenty for concern into the future.

Last month's issue of Australian Steel News reported a 22% drop in USD terms in the price of steel rebar from China. And yet this month we see an 8.7% recovery in that product. But this comes as the Chinese economy continues to cool. Its GDP is currently at 6.5% and, according to some analysts, it might reach 6.1% by mid-year. In further worrying news, China's manufacturing sector recently shrank for the first time in 19 months: the Caixin/Markit PMI (purchasing managers index) showing a decline in December from 50.2 points to 49.7, where a number below 50 represents contraction. China's stock market, the Shanghai Composite, was the world's worst performer in 2018, losing about 27% of its value.

Meanwhile, scrap prices have also moved significantly over the past two months. East Asian scrap has fallen more than 5% since December 2 and 11% since November 1. Turkish scrap has come off even more: down 9% since the beginning of December and 15% since early November.

The US steel tariffs and ongoing trade tensions with China in particular, and the steep fall in global stock markets generally since last September, have rattled economic sentiment. Little surprise then that Dr Copper (as copper is known, for its gauge of the health of the world economy) has fallen 5.6% on the London Metal Exchange from its peak in June last year. In the same period, nickel has fallen 33% on the LME.

As a consequence of the US steel tariffs, the European Commission has announced it will impose definitive, tariff-rate quotas on a country-specific basis on the biggest steel-supplying countries, while exempting hot rolled coil imports which will receive a global tariff rate quota. The measures are intended to be in place for three years, backdated to July 2018. Once a quota has been reached, a 25% duty will apply. The safeguards are aimed at the redirection of steel import flows following President Trump's Section 232 decision.

It is rich irony that Trump's initiative to make the American steel industry great again may have backfired – at a producer and consumer level. S&P Global Platts observed that in the period January 2, 2018 to December 18, 2018 integrated steelmakers saw their share prices plunge an average of 47%. AK Steel's stock value fell 58%, US Steel was down 46%, and ArcelorMittal was down 36%. Mini-mill producers were down an average of nearly 24% in the same period. Nucor, the biggest producer of steel on US soil, declined by 17%, and Commercial Metals Company was off by the same amount. Meanwhile, Platts says the stock price at eight major steel consumers fell by an average of 30% from January 2 to December 18 last year. General Motors share value was down 16%, while Ford's was off by 33%. The stock price of appliance giant Whirlpool also fell by nearly one third.

Fortunately, the Australian steel market still has underlying strength, even if some short-term indicators are negative. Liberty is maintaining its anti-dumping pressure on all imports sources, whereas Bluescope has allowed its hot rolled plate market share to come under pricing threat by not pursuing a continuance of its plate dumping duties. There should be some price bargains available in the market, though overall international market direction will most likely have to wait until after the Chinese New Year in early February.

We've just passed a time of year when three wise men came bearing gifts. On a global basis, if our three men at the bar are correct in their prognosis, we'd do well for the wise men to return with any left-over gifts and as much sage advice as they are willing to offer.

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### CURRENCY CHANGES

Movement Since Dec 1st, 2018  
AUD is **down** 5.5% against the USD  
AUD is **down** 4.7% against the Euro



### STEEL NEWS HEADLINES

- Jan 3 – Platts**  
[EC proposes country-specific tariff safeguards](#)
  - Jan 3 – Platts**  
[Global steel raw materials costs jumped in Q4](#)
  - Jan 2 – Platts**  
[China widens restrictions on scrap imports](#)
  - Dec 24 – Reuters**  
[Rio Tinto to list Canadian iron ore unit: sources](#)
  - Dec 24 – CNBC**  
[Aluminium hits 16-month low](#)
  - Dec 20 – MEPS**  
[Stainless steel coil suppliers hope for better 2019](#)
  - Dec 18 – SEAISI**  
[Steel prices likely to witness further correction](#)
  - Dec 18 – SEAISI**  
[GFG Alliance bids to acquire Stemcor: sources](#)
  - Dec 17 – Reuters**  
[NZ's Fletcher sells Formica for \\$840M](#)
  - Dec 14 – SEAISI**  
[Liberty PS to "transform" Whyalla steelworks](#)
- For more steel news headlines, [click here](#)

### PRICING MOVEMENTS - Since December 1st, 2018

#### STEEL RAW MATERIAL

	USD Change	AUD Change
- Blast Furnace costs <sup>1</sup>	-2.9%	+2.5%
- EAF/Scrap costs <sup>2</sup>	-11.1%	-5.6%

#### STEEL FINISHED PRODUCT

- China Rebar pricing <sup>3</sup>	+8.7%	+14.1%
- Turkey Rebar pricing <sup>4</sup>	-10.0%	-4.5%
- Non-Ferrous Metals (Cu/Al/Ni/Zn) <sup>5</sup>	-5.6%	-0.1%



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

	Jan 2, 2019	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018
Blast Furnace Index in USD <sup>1</sup>	353	364	367	337
Blast Furnace Index in AUD <sup>1</sup>	512	498	517	468
EAF/Scrap Index in USD <sup>2</sup>	314	374	384	355
EAF/Scrap Index in AUD <sup>2</sup>	455	512	541	493

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)

	Jan 2, 2019	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018
Iron Ore <sup>6</sup>	71	72	74	68
Coking Coal <sup>7</sup>	220	221	220	201
Steel Scrap Turkey <sup>8</sup>	278	331	340	314
Steel Rebar Turkey <sup>4</sup>	449	499	514	505
Steel Rebar China <sup>9</sup>	565	520	673	671



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

	Jan 2, 2019	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018
Copper	5838	6237	6068	6170
Aluminium	1857	1934	1959	2047
Nickel	10,435	11,010	11,550	12,320
Zinc	2460	2628	2584	2617

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

	Jan 2, 2019	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018
USD / AUD	0.69	0.73	0.71	0.72
Euro / AUD	0.61	0.64	0.62	0.62
NZD / AUD	1.04	1.06	1.08	1.09

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### FUTURE FX RATES (Banks' estimate of AUD value at end of Q1 2019)

	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.71	0.68	0.71	0.73
Euro / AUD	0.61	0.60	0.63	0.63
NZD / AUD	1.04	1.12	1.08	1.10



### COMPANY SHARE PRICES (Source: ASX 11)

	Jan 2, 2019	Dec 1, 2018	Nov 1, 2018	Oct 1, 2018
Bluescope	10.85	11.23	14.29	16.93
Sims Metal Management	9.80	10.70	11.59	12.51
BHP Group	33.68	30.69	33.11	34.61

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### 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](#)



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