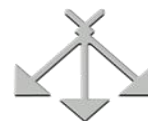


**"Key Indicators, Pricing and News
for the Australian Steel Industry"**

Sponsored By

sanwa



STEEL MARKET SUMMARY - June

Trump Against The World

The decision by the US President to apply tariffs of 25% on steel and 10% on aluminium imported into the United States from June 1st has drawn universal condemnation from world leaders, the business community, economists and even leading officials from within his own Republican party. The EU is now preparing a list of retaliatory tariffs; and China has declared that if the tariffs come into force, any bi-lateral trade agreements currently being negotiated between the two super powers will be null and void. Australia was exempted from the tariffs in March and remains so because it agreed to a maximum export volume via quota agreement.

Trump is thus becoming an increasingly isolated figure, viewed as having made a flawed international economic decision in pursuit of shoring up his domestic political base. Or, as some pundits believe, perhaps the tariffs are just a strategic move in Trump's far larger effort to dramatically shake up all the trade agreements the United States has around the world. If so, it's a dangerous and "illegal" game, according to the EU which has opened a case against the tariffs at the World Trade Organisation.

The pity is that Trump has created the possibility of a global trade war just when so many economic indicators were pointing to better times ahead. World growth is forecast to be 3.9% in 2019, the American economy is booming and the RBA predicts GDP in Australia will be 3.25% in FY19 and FY20. It would be ironic if the current strength of the world's economy - which is supported by the robust American economy and was perhaps kick-started by Trump's election to office - were to lose its "mojo" because of trade wars created by the one and the same.

A buoyant manufacturing sector prompted April's global steel demand to be up 4.1% year on year. Capacity utilisation around the world hit a five-year high of 76.9% in April and overall world crude steel production is set to continue growing beyond 2019. Steel production at works operated by China Iron and Steel Association (CISA) member companies hit its highest level ever during May 1 – 10 averaging 1.943 million mt/day. CISA estimates that China's total crude steel output over this same period averaged at 2.469 million mt/day: which is up 1.3% from late April and 6.9% higher on the year. Market analysts have said the soaring steel output will soon weigh on steel prices, in concert with weakening domestic demand amid the hot and rainy summer season. Another factor behind expectations of softer steel prices in the second half of 2018 is the high margins recently enjoyed by steel mills. Observers say rebar and hot rolled coil profits reached \$160mt and \$163 mt respectively as of May 7.

Whilst the medium-term outlook sees steel prices stable, the longer-term prospect is perhaps for a slight easing if Chinese capacity utilisation continues to strengthen. In Australia, consumer sentiment is stable and business conditions on the east coast at least are at record levels. A case in point: The Australian Performance of Construction Index (PCI) in April saw its 15th consecutive month of expansion. For 2019 and onwards, non-residential construction is tipped to improve – driven mainly by offices, shops and hotels. Meanwhile, infrastructure expenditure is forecast to be very strong thanks to high levels of government spending especially on roads and railways.

Since last month iron ore and blast furnace costs have been largely unchanged whereas scrap falls of approximately 5% have followed through to Turkish rebar index falls in the same amount. By contrast, Chinese rebar has slightly increased in value. The Australian dollar has remained stable against the greenback and has slightly increased against the Euro. The next level of domestic prices for August deliveries should reflect the relative stability of recent international prices and thus individual price rises or falls should not be substantial.

PRICING MOVEMENTS SINCE: May 1, 2018	USD Change	AUD Change
STEEL RAW MATERIAL - Blast Furnace costs¹	- .9 %	- .9 %
EAF/Scrap costs²	- 5.0 %	- 5.0 %
STEEL FINISHED PRODUCT - China Rebar pricing³	+ 2.2 %	+ 2.2 %
Turkey Rebar pricing⁴	- 4.0 %	- 4.0 %
Non Ferrous Metals (Cu/Al/Ni/Zn)⁵	+ 6.1 %	+ 6.1 %
CURRENCY MOVEMENTS - The AUD has moved against the USD	+ .0 %	and + 3.2 % against the Euro

STEEL COST INDEX (The cost of Scrap, Iron Ore, Coal in one tonne of steel)	01-Jun-18	01-May-18	03-Apr-18	01-Mar-18
Blast Furnace Index in USD¹	324	327	329	386
Blast Furnace Index in AUD¹	432	435	432	501
EAF/SCRAP Index in USD²	382	402	398	424
EAF/SCRAP Index in AUD²	509	536	523	550

STEEL AND RAW MATERIAL PRICES (USD per tonne)	01-Jun-18	01-May-18	03-Apr-18	01-Mar-18
Iron Ore⁶	64	65	66	77
Coking Coal⁷	190	188	189	229
Steel Scrap Turkey (LME Turkey Imports)⁸	338	356	352	375
Steel Rebar Turkey (LME Turkey Exports)⁴	534	556	550	600
Steel Rebar China (Spot China SHFE tonne)⁹	614	601	538	608

FX RATES (Source www.x-rates.com)	01-Jun-18	01-May-18	03-Apr-18	01-Mar-18
USD / AUD	0.75	0.75	0.76	0.77
Euro / AUD	0.64	0.62	0.62	0.63
NZD / AUD	1.08	1.07	1.06	1.07

FUTURE FX RATES (Banks' estimates of AUD value at end of Q3 2018)	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.77	0.74	0.75	0.82
Euro / AUD	0.63	0.64	0.63	0.65
NZD / AUD	1.08	1.07	1.08	1.1

NON FERROUS METALS PRICES (USD per tonne) (Source: London Metal Exchange Quote) ¹⁰	01-Jun-18	01-May-18	03-Apr-18	01-Mar-18
Copper	6813	6777	6755	6851
Aluminium	2270	2257	2008	2142
Nickel	15140	13605	13555	13500
Zinc	3088	3100	3284	3404

COMPANY SHARE PRICES (AUD per share) (Source: ASX) ¹¹	01-Jun-18	01-May-18	03-Apr-18	01-Mar-18
Bluescope	17.81	16.57	14.98	16.17
Sims Metal	16	16.11	14.25	17.18
BHP Billiton	33.08	31.25	28.71	30.1

ANTI-DUMPING NEWS (Sign up for an ADC weekly update) ----->	HERE
Summary of Measures already in place	Adcommission - Measures
Latest Updates to the public record	Adcommission - Latest Updates
Details on the most recent Anti-Dumping Actions	Adcommission - Cases

STEEL NEWS HEADLINES (courtesy of SEAISI or sources quoted)	SEAISI STEEL NEWS
June 3 - Bloomberg: Trump and Allies set for showdown over trade and tariffs	June 1 - SEAISI: Turkish scrap falls further, rebar demand remains concern
June 1 - BBC: US tariffs a dangerous game, says EU	June 1 - SEAISI: US steel and aluminium tariffs to take immediate effect
June 1 - Bloomberg: Half Europe's steel bound for US will need new market	May 31 - SEAISI: Vale sees iron ore price staying above US \$60 per tonne
June 1 - ABC: US steel and aluminium tariffs prompt retaliation from allies	May 30 - SEAISI: Aussie scrap sellers may benefit as China responds to 232
May 31 - MEPS: Stainless steel price trends derive from Section 232	May 25 - SEAISI: India takes US steel tariffs complaint to WTO
May 30 - Platts: Global steel scrap usage up further in 2017 on EAF rise	May 23 - SEAISI: China steel nears lowest price in a month on demand worries
May 29 - World Steel Assn: 2018 world steel figures	May 15 - SEAISI: China's steelmaking raw materials extend gains
May 25 - World Steel Assn: April 2018 crude steel production	May 8 - SEAISI: India finished steel exports surge 17% in FY18
May 2 - World Steel Assn: The future of global scrap availability	May 8 - SEAISI: Global steel industry poised for stable growth in 2018

Key to Prices	
1 Blast Furnace Index (Iron Ore*1.6 mt + Coking Coal * 0.9 mt + Scrap*0.15 mt) in either USD or converted to AUD	COST - BOF
2 EAF/SCRAP Index (Steel Scrap * 1.13 mt) in either USD or converted to AUD	COST EAF
3 STEEL FINISHED PRODUCT - Chinese Rebar Pricing Shanghai Futures Exch converted to USD at 6.8 Yuan/USD	HERE
4 Steel rebar (Turkey exports FOB Turkish Port - One Month USD / MT) from LME	HERE
5 The average price / mt for the Non Ferrous Metals - Cu/Al/Ni/Zn.	HERE
6 Iron Ore Fines - Bloomberg indicative USD CFR prices for 62% Fe shipping to Qingdao. NAB sourced	
7 HCC - premium low-vol - Coking Coal USD per tonne. NAB sourced	
8 Steel scrap (Turkey CFR) - USD pricing per tonne from LME Closing Contract Price	HERE
9 Rebar - Shanghai Futures Exchange Forward one month converted to USD at 6.8 Y/\$	HERE
10 London Metal Exchange (LME) CASH pricing is quoted	HERE
11 Australian Stock Exchange end of day quote in Australian dollars	HERE

Sanwa Contacts - Telephone (02) 9362 4088

Re-inforcing Steels / David Roberts / droberts@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

*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 SEAISI.

Australian Steel News (ASN) is published by Caletablanca Media.

For suggestions on information you would like to see included in ASN, email: asn@caletablanca.com. To remove yourself from this list, please email: asn@caletablanca.com with the word REMOVE in the subject line. To add yourself to this list, please email: asn@caletablanca.com with the word ADD in the subject line.