

News Headlines	Pricing Movements	Steel Cost Index	Anti-Dumping News	Key To Prices
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## STEEL MARKET SUMMARY – March

### Australian Industry Weakness In Contrast To China Indicators

The downturn in some sectors of the Australian economy and the direct effect implied on the steel industry is cause for concern. The Australian Bureau of Statistics reports that construction work done in the December quarter of 2018 fell by 3.1% after a downwardly revised 3.6% fall in the three months to the end of September. In particular, residential housing construction in the final quarter of last year dropped by 3.6% while engineering construction fell by 5%. And although there is still a sizeable amount of work in the pipeline for public engineering and residential construction, the overall economic weakness in the back end of 2018 was greater than expected. This was partly evidenced by the fact that more than 40% of listed companies reported falling profits in that period; all of which bodes poorly for the national GDP figures due out this week. And adding to the gloom is the continued and broadening decline in property prices across Australia.

But while Australia's short-term outlook might prompt a degree of pessimism, the more likely sign of things to come is found in China. The Chinese steel market sentiment has rebounded to a 10-month high on expectations of stronger orders and prices in March, according to the latest S&P Global Platts China Steel Sentiment Index (CSSI). The headline CSSI, which measures the outlook for new steel orders over the coming month, jumped by 34.47 points in February to 53.27 points out of a possible 100 points: where a reading above 50 indicates expectations of an increase/expansion and below 50 indicates a decrease/contraction. The February figure is the highest reading since last April. In parallel, China's finished steel exports reached a seven-month high of 6.188 million mt in January, up 11% on the month. Some of this positive sentiment has resulted from efforts by the Chinese central government to stimulate its economy. In January, China issued 108.8 billion yuan (\$16.1 billion) of local government special bonds to support infrastructure construction, accounting for 13% of the total 810 billion yuan special bonds planned for 2019. Analysts expect these initiatives to flow through to the steel industry; and there are already signs of a turnaround after several months of falls in global steel prices. Last week, total new orders for steel in China edged back into expansionary territory, suggesting some improvement in domestic demand. Benchmark construction steel rebar prices on the Shanghai Futures Exchange rose 0.7% to \$564. Hot-rolled coil climbed 0.6% to 3,772 yuan.

In its market summary at the end of February, MEPS was also optimistic, saying: "World steel manufacturers are likely to be supported in their efforts to lift values, by the improving market fundamentals. Rising raw material expenditure and the expectation of improved activity, during the traditionally stronger second trimester, will assist the mills' cause for higher prices." However, before getting too excited, MEPS qualifies this optimism with a warning: "...that any reversal of pricing fortunes, in Europe and North America, is likely to be modest and short-lived."

On the domestic front, BlueScope has emerged from 2018 in robust health. The company reported a \$624.3 million (US\$447 million) net profit for the first half of the Australian fiscal year, up 42% on the same period a year earlier. Strong demand and steel spreads in the US and Australia were cited by the company as the main forces behind the result. The company's CEO, Mark Vassella, said businesses had benefited from a strong macro environment and the structural change taking place in China which resulted in up to 150 million mt/year of removed steel capacity.

Australian import prices for construction steels have typically been stable over the past month. It seems that recent excess capacity at Whyalla and the east coast mills has seen Liberty moving back into the distant markets, where freight premiums had previously seen the company discount in favour of the closer higher margin markets on the eastern seaboard. This slowdown in take up and a general perceived malaise in the market is likely to see Liberty jumping at import shadows to make sure it keeps as much market share as it can. Accordingly, and unfortunately, any pricing recovery in Australia on the back of higher scrap and iron ore prices, will likely mirror the projected European and US trend: being modest and short-lived in nature.



## CURRENCY CHANGES

Movement Since Feb 1st, 2019  
AUD is **down** 2.8% against the USD  
AUD is **down** 1.6% against the Euro

## STEEL NEWS HEADLINES

- March 1 – Reuters**  
[Chinese steel mills delay iron ore restocking](#)
  - Feb 27 – MEPS**  
[Stainless steel recovery on raw materials hike](#)
  - Feb 27 – SEAI**  
[China's steel output eased in January 2019](#)
  - Feb 27 – SEAI**  
[Message from SEAI Sec-General, Feb 2019](#)
  - Feb 26 – Reuters**  
[US opens anti-dumping probe on China, Canada](#)
  - Feb 26 – World Steel Association**  
[January 2019 crude steel production](#)
  - Feb 26 – MEPS**  
[Tough trading persists in emerging steel markets](#)
  - Feb 26 – SEAI**  
[Bluescope says Fortescue, Grange Resources in mix](#)
  - Feb 25 – Bloomberg**  
[Bluescope's CEO on earnings, China and iron ore](#)
  - Feb 25 – Platts**  
[Japan's January steel output near 10-year low](#)
  - Feb 25 – SEAI**  
[NZ Steel earnings jump 75% on better prices](#)
- For more steel news headlines, [click here](#)



## PRICING MOVEMENTS - Since February 1st, 2019

STEEL RAW MATERIAL	USD Change	AUD Change
- Blast Furnace costs <sup>1</sup>	+7.0%	+9.8%
- EAF/Scrap costs <sup>2</sup>	-0.3%	+2.5%
STEEL FINISHED PRODUCT		
- China Rebar pricing <sup>3</sup>	+0.4%	+3.1%
- Turkey Rebar pricing <sup>4</sup>	-0.6%	+2.2%
- Non-Ferrous Metals (Cu/Al/Ni/Zn) <sup>5</sup>	+5.6%	+8.4%

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

	March 1, 2019	Feb 1, 2019	Jan 2, 2019	Dec 1, 2018
Blast Furnace Index in USD <sup>1</sup>	374	349	353	364
Blast Furnace Index in AUD <sup>1</sup>	534	485	512	498
EAF/Scrap Index in USD <sup>2</sup>	362	373	314	374
EAF/Scrap Index in AUD <sup>2</sup>	517	518	455	512

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)

	March 1, 2019	Feb 1, 2019	Jan 2, 2019	Dec 1, 2018
Iron Ore <sup>6</sup>	87	76	71	72
Coking Coal <sup>7</sup>	207	198	220	221
Steel Scrap Turkey <sup>8</sup>	320	330	278	331
Steel Rebar Turkey <sup>4</sup>	477	480	449	499
Steel Rebar China <sup>9</sup>	564	562	565	520

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

	March 1, 2019	Feb 1, 2019	Jan 2, 2019	Dec 1, 2018
Copper	6570	6097	5838	6237
Aluminium	1890	1871	1857	1934
Nickel	13,155	12,455	10,435	11,010
Zinc	2839	2732	2460	2628

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

	March 1, 2019	Feb 1, 2019	Jan 2, 2019	Dec 1, 2018
USD / AUD	0.70	0.72	0.69	0.73
Euro / AUD	0.62	0.63	0.61	0.64
NZD / AUD	1.04	1.04	1.04	1.06

## FUTURE FX RATES (Banks' estimate of AUD value by the end of Q2 2019)

	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.70	0.67	0.70	0.73
Euro / AUD	0.59	0.62	0.63	0.63
NZD / AUD	1.04	1.08	1.06	1.10

## COMPANY SHARE PRICES (Source: ASX <sup>11</sup>)

	March 1, 2019	Feb 1, 2019	Jan 2, 2019	Dec 1, 2018
BlueScope	13.52	12.51	10.85	11.23
Sims Metal Management	11.20	10.36	9.80	10.70
BHP Group	37.18	35.00	33.68	30.69

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## Top 10 Steel-Producing Countries\*

Rank	Country	2018 Mt**	2017 Mt
1.	China	928.3	870.9
2.	India	106.5	101.5
3.	Japan	104.3	104.7
4.	US	86.7	81.6
5.	South Korea	72.5	71.0
6.	Russia	71.7	71.5
7.	Germany	42.4	43.3
8.	Turkey	37.3	37.5
9.	Brazil	34.7	34.4
10.	Iran	25.0	21.2

\* Source: World Steel Association, Feb 2019  
\*\* Mt = million tonnes of crude steel



## 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 Prices: Bloomberg indicating USD CFR prices for 62 Fe shipping to Qingdao. 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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