

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

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STEEL MARKET SUMMARY - May

Global Steel Demand Continues Its Broad Recovery

In its April 2018 Short Range Outlook, the World Steel Association (*worldsteel*) estimates global steel demand will reach 1,616.1 Mt in 2018, an increase of 1.8% over 2017. The 2019 forecast is for demand to grow by 0.7% to reach 1,626.7 Mt. *worldsteel* attributes the modest increase to the favourable global economic situation coupled with a strengthening recovery of investment levels in advanced economies. In the developing markets, as China's central government steers the country from investment-led to consumption-led growth, *worldsteel* expects Chinese demand for steel to stay flat during 2018 at 736.8 Mt and to contract by 2% in 2019 to 722.1 Mt. In sharp contrast, demand in India, the world's third-largest steel consumer, is set to grow 5.5% this year and 6% next year. On a monthly level, *worldsteel* says that within the 64 countries reporting to it, crude steel production was 148.3 Mt in March 2018, a 4% increase on March 2017. China's crude steel production for March 2018 was 74 Mt, an increase of 4.5%. India produced 9.2 Mt, Japan 9.1 Mt and South Korea 6.1 Mt, an increase of 4.7% on March 2017. The Short Range Outlook is released twice annually. View the full report in our Steel News Headlines section.

A caveat to *worldsteel*'s forecast is the potential effect of trade tensions arising from President Trump's proposed steel and aluminium tariffs: on which subject he fluctuates as to which countries and to what degree the tariffs will be imposed. The EU, Canada and Mexico must now wait until June 1st to discover – at the President's pleasure – the nature of their exemption status or otherwise. Australia is currently exempt, but the details are yet to be finalised and White House officials have warned the issue will always be open to review.

As is well known, the steel manufacturing industry in Australia (Bluescope/OneSteel) is already well protected. The Trade and Assistance Review recently estimated the sector as a whole receives more than \$1 billion annually in research and development, tariff, anti-dumping and direct subsidy support from taxpayers. Nevertheless, the fear of a wave of import tonnes from the old exporters to the US sparked cries for protectionist help locally. Politicians on both sides, along with steel company executives, competed to promote the notion of even bigger price imposts on steel importers here: all in the name of supposedly saving jobs (steel manufacturing jobs at least). The Turnbull government spoke of a willingness to ramp up anti-dumping assistance - for the third time this decade. Meantime, the Opposition queried whether the Productivity Commission should have its role of reviewing safeguard tariff applications withdrawn. Safeguards are a statutory mechanism under which unilateral increases in tariffs can be imposed above and beyond anti-dumping duties tariffs (producing the same effect as Trump's S232 action). Given Mr Turnbull's policy of supporting free trade, it's hard to see this idea gaining traction: nor in the writer's opinion, would it be likely to see Opposition support, if Labor were to ever come to power.

Meanwhile, most of the indexes and prices in this issue of ASN do not show substantial movement, except Chinese rebar prices which have rebounded upwards by 11% against the USD and more than 13% against the Aussie, reflecting the continuing decline in the value of that currency. Domestically, recently released statistics from the ABS show residential building approvals in Australia rose 2.6% month-on-month in March, though the recent period has been choppy. The figures also indicated that non-residential approvals are trending down.

Looking forward: local prices should be reasonably stable, given that Chinese construction steel increases have not yet filtered through to import prices. That said, next month might see movement upwards in import prices (and shortly thereafter Australian domestic prices) on the back of recent Chinese stock shortages, Chinese domestic price hikes and also the continuing decline in the Australian dollar.

	USD Change	AUD Change
STEEL RAW MATERIAL - Blast Furnace costs¹	- .7 %	+ .6 %
EAF/Scrap costs²	+ 2.6 %	+ 3.9 %
STEEL FINISHED PRODUCT - China Rebar pricing³	+ 11.7 %	+ 13.0 %
Turkey Rebar pricing⁴	+ 1.1 %	+ 2.1 %
Non Ferrous Metals (Cu/Al/Ni/Zn)⁵	+ .5 %	+ 1.5 %
CURRENCY MOVEMENTS - The AUD has moved against the USD	-1.3 %	and +.0 % against the Euro

STEEL COST INDEX (The cost of Scrap, Iron Ore, Coal in one tonne of steel)	01-May-18	03-Apr-18	01-Mar-18	01-Feb-18
Blast Furnace Index in USD ¹	327	329	386	390
Blast Furnace Index in AUD ¹	435	432	501	487
EAF/SCRAP Index in USD ²	402	398	424	411
EAF/SCRAP Index in AUD ²	536	523	550	514

STEEL AND RAW MATERIAL PRICES (USD per tonne)	01-May-18	03-Apr-18	01-Mar-18	01-Feb-18
Iron Ore ⁶	65	66	77	75
Coking Coal ⁷	188	189	229	239
Steel Scrap Turkey (LME Turkey Imports) ⁸	356	352	375	364
Steel Rebar Turkey (LME Turkey Exports) ⁴	556	550	600	564
Steel Rebar China (Spot China SHFE tonne) ⁹	601	538	608	571

FX RATES (Source www.x-rates.com)	01-May-18	03-Apr-18	01-Mar-18	01-Feb-18
USD / AUD	0.75	0.76	0.77	0.80
Euro / AUD	0.62	0.62	0.63	0.64
NZD / AUD	1.07	1.06	1.07	1.08

FUTURE FX RATES (Banks' estimates of AUD value at end of Q2 2018)	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.78	0.76	0.77	0.81
Euro / AUD	0.63	0.60	0.63	0.65
NZD / AUD	1.08	1.08	1.06	1.1

NON FERROUS METALS PRICES (USD per tonne) (Source: London Metal Exchange Quote) ¹⁰	01-May-18	03-Apr-18	01-Mar-18	01-Feb-18
Copper	6777	6755	6851	7100
Aluminium	2257	2008	2142	2224
Nickel	13605	13555	13500	13550
Zinc	3100	3284	3404	3589

COMPANY SHARE PRICES (AUD per share) (Source: ASX) ¹¹	01-May-18	03-Apr-18	01-Mar-18	01-Feb-18
Bluescope	16.57	14.98	16.17	14.8
Sims Metal	16.11	14.25	17.18	16.87
BHP Billiton	31.25	28.71	30.1	30.66

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 SEAIISI or sources quoted)	SEAIISI STEEL NEWS
May 2 - Platts: China's Shagang raises May 1 – 10 rebar, wire rod list prices	May 2 - SEAIISI: US delays tariffs, but not for Taiwan
May 2 - Business Insider: Steel and Iron ore futures are surging	May 2 - SEAIISI: CSC reports net profit rose 6%
May 1 - BBC: Trump delays decision on steel and aluminium tariffs	April 30 - SEAIISI: EU to extend anti-dumping tariff on S Korean steel products
April 30 - MEPS: Global growth in stainless steel output to continue	April 30 - SEAIISI: Hoa Phat steel exports to Australia surge
April 27 - Platts: East Asia containerized heavy melting ferrous scrap price rise	April 30 - SEAIISI: China steel sector eyes second half supply surplus
April 25 - WSA: March 2018 crude steel production	April 26 - SEAIISI: Japan's March crude steel output rises 2% on year to 9.08 Mt
April 25 - Platts: ArcelorMittal sees blast furnace growth driving coke demand	April 24 - SEAIISI: India's crude steel output to soar by 38% to 140 Mt in 2018
April 17 - WSA: Short Range Outlook, April 2018	April 23 - SEAIISI: Vietnam: steel sector has potential for 22% growth
April 16 - Reuters: Tokyo Steel to keep product prices steady in May	April 17 - SEAIISI: China steel mills boost output as winter curbs end

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

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