

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

Is The Blast Furnace Half Full Or Half Empty?

While the headline figure in the World Steel Association's April 2019 [Short Range Outlook](#) is positive, the report also has an underlying tone of uncertainty at best and pessimism at worst. First the figures: the WSA forecasts global steel demand will reach 1,735 Mt (million tonnes) in 2019, an increase of 1.3% over 2018. In 2020, steel demand is projected to grow by only 1.0% to reach 1,752 Mt. Chairman of the WSA's Economics Committee, Mr Al Remeithi, says: "In 2019 and 2020 global steel demand is expected to continue to grow, but growth rates will moderate in tandem with a slowing global economy. Uncertainty over the trade environment and volatility in the financial markets have not yet subsided and could pose downside risks to this forecast."

Yes, China and America are still at loggerheads: and yes Europe is fragile, especially with Brexit yet to resolve itself. But there are plenty of national and global indicators pointing to potentially positive outcomes. Let's commence in Australia where, admittedly, the steel industry received bad news last Friday when the Australian Bureau of Statistics announced that, in seasonally adjusted terms, total dwellings approvals declined by 15.5% in March. But these down trend figures will strongly incline the Reserve Bank of Australia to cut interest rates this week, thus making a recovery more possible. Likewise, the federal election result in a few weeks will at least restore business certainty, irrespective of the winning party.

The WSA report predicts Chinese steel demand will "continue to decelerate as the combined effect of economic rebalancing and trade tension is leading to slowing investment and sluggish manufacturing performance." But many recent figures suggest the country is entering a resurgent phase. China's steel purchasing managers' index (PMI) increased by 7.2 basis points to 52.1 in April, thus reaching its highest level in 2019. This comes as profits generally from China's industrial firms grew 13.9% year on year in March. Meanwhile, the property market is up and the decline in the Chinese economy seems to have bottomed out: with growth being ahead of expectations at 6.4% in the first quarter.

The WSA Short Range Outlook predicts steel demand in the developed economies to decelerate to 0.3% in 2019 and 0.7% in 2020, reflecting a worsening trade environment. It anticipates the growth pattern of the US economy last year will wane during 2019 as both construction and manufacturing moderate. But America's first quarter GDP figure of 3.2% and the fall in its unemployment rate last Friday to a 50-year low do not support this view. Nor does the Federal Reserve's decision last week to maintain rates on hold. Meanwhile, positivity is found in the WSA's prediction for emerging economies (excluding China) where demand is expected to grow by 2.9% and 4.6% in 2019 and 2020 respectively. India is the star economy with a wide range of infrastructure projects likely to support steel demand growth above 7% in each of the next two years. Demand in developing Asia excluding China is anticipated to grow by 6.5% and 6.4% in 2019 and 2020.

Checking out our figures this month: as the AUD falls, and with blast furnace costs up by about 5% and scrap prices down 2-3% we expect prices may not move too much. The international prices also reflect this variability, with Turkish rebar moving down a couple of percent but the Chinese product going solidly in the other direction. Locally, import prices have wavered only a few percentage points either way. The big news is in long products with the (yet to be finalised) decision Liberty received in its anti-dumping action against supply from Turkey. The 4% preliminary duty has been removed and Turkish import prices in AUD terms have all fallen back here. The anti-dumping risk on structural still exists as a decision there is delayed and generally most long product prices have been stable. In flat products, the Platts HRC East Asia index has also been fairly stable over the past month, reflected in mostly minor movements in USD import prices or AUD conversion. As is often the case, a local market full of negative sentiment in the media helps to dampen demand and pricing levels.

PRICING MOVEMENTS - Since April 1st, 2019

STEEL RAW MATERIAL

- Blast Furnace costs ¹
- EAF/Scrap costs ²

USD Change	AUD Change
+3.9%	+5.3%
-3.1%	-1.7%

STEEL FINISHED PRODUCT

- China Rebar pricing ³
- Turkey Rebar pricing ⁴
- Non-Ferrous Metals (Cu/Al/Ni/Zn) ⁵

+10.4%	+11.8%
-2.0%	-0.6%
-5.5%	-4.1%

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

	May 1, 2019	April 1, 2019	March 1, 2019	Feb 1, 2019
Blast Furnace Index in USD ¹	376	362	374	349
Blast Furnace Index in AUD ¹	537	509	534	485
EAF/Scrap Index in USD ²	342	358	362	373
EAF/Scrap Index in AUD ²	489	505	517	518

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

STEEL AND RAW MATERIALS PRICES (USD per tonne)

	May 1, 2019	April 1, 2019	March 1, 2019	Feb 1, 2019
Iron Ore ⁶	93	86	87	76
Coking Coal ⁷	202	196	207	198
Steel Scrap Turkey ⁸	303	317	320	330
Steel Rebar Turkey ⁴	478	488	477	480
Steel Rebar China ⁹	616	558	564	562

NON-FERROUS METALS PRICES (USD per tonne. Key to Prices: 5 + 10)

	May 1, 2019	April 1, 2019	March 1, 2019	Feb 1, 2019
Copper	6396	6497	6570	6097
Aluminium	1775	1887	1890	1871
Nickel	12,125	13,150	13,155	12,455
Zinc	2905	3016	2839	2732
Vanadium FeV80 China (USD/kg)	51.00	60.50	72.30	70.90

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

	May 1, 2019	April 1, 2019	March 1, 2019	Feb 1, 2019
USD / AUD	0.70	0.71	0.70	0.72
Euro / AUD	0.62	0.63	0.62	0.63
NZD / AUD	1.06	1.04	1.04	1.04

FUTURE FX RATES (Banks' estimate of AUD value by the end of Q3 2019)

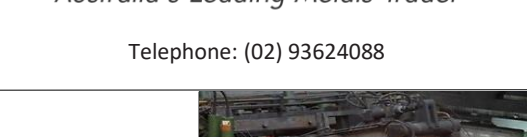
	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.73	0.70	0.68	0.72
Euro / AUD	0.64	0.64	0.62	0.62
NZD / AUD	1.07	1.09	1.05	1.04

COMPANY SHARE PRICES (Source: ASX 11)

	May 1, 2019	April 1, 2019	March 1, 2019	Feb 1, 2019
BHP Group	37.48	39.05	37.18	35.00
Bisalloy Steel	1.12	1.00	1.17	1.13
BlueScope Steel	13.28	14.23	13.52	12.51
Fletcher Building	4.92	4.81	4.77	4.74
Rio Tinto	95.58	99.53	91.59	84.50
Sims Metal Management	10.24	11.11	11.20	10.36

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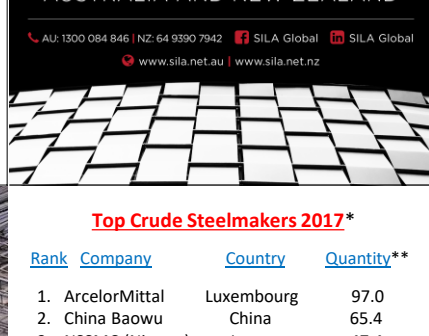
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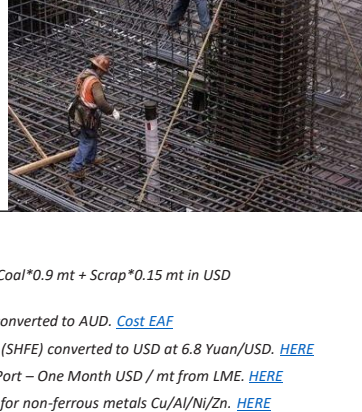


Top 10 Steel-Producing Countries*

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



Top Crude Steelmakers 2017*

Rank	Company	Country	Quantity**
1.	ArcelorMittal	Luxembourg	97.0
2.	China Baowu	China	65.4
3.	NSSMC (Nippon)	Japan	47.4
4.	Hesteel Group	China	45.5
5.	Posco	South Korea	42.2
6.	Shagang Group	China	38.3
7.	Ansteel Group	China	35.7
8.	JFE Steel	Japan	30.1
9.	Shougang Group	China	27.6
10.	Tata Steel	India	25.1

* Source: World Steel Association ** Millions of metric tonnes

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: Steel Scrap*1.13 mt in USD or converted to AUD. [Cost EAF](#)
- China Rebar Pricing: Shanghai Futures Exchange (SHFE) to AUD. Cost at 6.8 Yuan/USD. [HERE](#)
- Turkey Steel Rebar: Turkey exports FOB Turkish Port - One Month USD / mt from LME. [HERE](#)
- London Metal Exchange (LME) average price/mt for 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](#)
- China Steel Rebar: SHFE Forward one month converted to USD at 6.8 Yuan/USD. [HERE](#)
- Fine Vanadium 80% China from Vanadiumprice website. Figures are USD/kilo. [HERE](#)
- Australian Stock Exchange end of day quote in Australian dollars. [HERE](#)



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