

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

Sponsored By



### STEEL MARKET SUMMARY - October

#### Will the market respond more to strong demand and supply shortages, or to lower raw material costs?

A sportsman can never know if one bad game is just the start of a brief slump, or whether his entire career is in imminent decline. Likewise, the market saw an impressive fall off in raw material prices and lesser drops in finished prices during September, but the longer term trend is yet to be revealed. Notwithstanding, the immediate impact of the declines was partially diluted by the 2.1% drop of the AUD against the USD and its 1.5% decline against the Euro during the month.

Iron ore shed about 20% during September, perhaps linked to Chinese mills cutting orders ahead of capacity closures. Coking coal was also down noticeably. Meanwhile, finished product pricing declined, but to a lesser degree as producers worldwide fought to maintain margin. China rebar pricing came off 6% while Turkey rebar prices fell only 4%. International finished product prices are remaining strong in part because electric arc furnace costs have risen due to a massive increase in the cost of electrodes over the past few months; and partly because of the current supply tightness in all world markets.

All eyes will be on China in the coming weeks. The country now accounts for more than 50% of world steel output, but its central government appears to be delivering on its pledge to reduce capacity on a large scale. Whether the taste of better margins enjoyed over recent months is sufficient to keep in check the typical indiscipline in Chinese production is a key question. Possibly pollution concerns, which are always heightened over the key heating months from November to March, may pressure the government to rein in any substantial production increases, at least until the new year.

The Australian domestic finished product market is still following international prices upwards with the normal one to two months lag to account for the production process and then shipping to Australia. Given the well telegraphed international price rises, all local deliveries through to the end of 2017 are likely to show price rises month on month. In this market, short-term supply shortages will exist and quick delivery is likely to have a significant pricing premium over slightly longer-term deliveries arriving in January.

Where the January domestic prices go will depend on whether further falls in pricing or some stability greets the Chinese when they return from their Golden Week holidays (first week of October). Australia's long product market - in particular, the reinforcing market which reacted more directly and quickly to the international price rises - is more likely to experience downward pressure than the flat product market where price rises have been much more modest.

### PRICING MOVEMENTS SINCE: September 1, 2017

	<u>USD Change</u>	<u>AUD Change</u>
<b>STEEL RAW MATERIAL - Blast Furnace costs<sup>1</sup></b>	- 17 %	- 15 %
EAF/Scrap costs <sup>2</sup>	- 16 %	- 14 %
<b>STEEL FINISHED PRODUCT - China Rebar pricing<sup>3</sup></b>	- 6 %	- 4 %
Turkey Rebar pricing <sup>4</sup>	- 4 %	- 2 %
Non Ferrous Metals (Cu/Al/Ni/Zn) <sup>5</sup>	- 8 %	- 6 %
<b>CURRENCY MOVEMENTS - The AUD has moved against the USD</b>	- 2.1 %	and - 1.5 % against the Euro

### STEEL COST INDEX

(The cost of Scrap, Iron Ore, Coal in one tonne of steel)

	<u>02-Oct-17</u>	<u>01-Sep-17</u>	<u>01-Aug-17</u>	<u>01-Jul-17</u>
Blast Furnace Index in USD <sup>1</sup>	304	366	327	285
Blast Furnace Index in AUD <sup>1</sup>	390	459	409	370
EAF/SCRAP Index in USD <sup>2</sup>	329	400	379	328
EAF/SCRAP Index in AUD <sup>2</sup>	422	502	473	426

### STEEL AND RAW MATERIAL PRICES (USD per tonne)

	<u>02-Oct-17</u>	<u>01-Sep-17</u>	<u>01-Aug-17</u>	<u>01-Jul-17</u>
Iron Ore <sup>6</sup>	62	79	74	65
Coking Coal <sup>7</sup>	179	207	176	153
Steel Scrap Turkey (LME Turkey Imports) <sup>8</sup>	291	354	335	290
Steel Rebar Turkey (LME Turkey Exports) <sup>4</sup>	525	546	511	452
Steel Rebar China (Spot China SHFE tonne) <sup>9</sup>	586	624	580	559

### FX RATES

(Source www.x-rates.com)

	<u>02-Oct-17</u>	<u>01-Sep-17</u>	<u>01-Aug-17</u>	<u>01-Jul-17</u>
USD / AUD	0.78	0.80	0.80	0.77
Euro / AUD	0.66	0.67	0.68	0.67
NZD / AUD	1.08	1.11	1.07	1.05

### FUTURE FX RATES

(Banks' estimates of AUD value at the end of 2017)

	<u>NAB</u>	<u>ANZ</u>	<u>WESTPAC</u>	<u>CBA</u>
USD / AUD	0.75	0.82	0.76	0.8
Euro / AUD	0.64	0.67	0.64	0.65
NZD / AUD	1.07	1.12	1.08	1.17

**NON FERROUS METALS PRICES** (USD per tonne)(Source: London Metal Exchange Quote)<sup>10</sup>

	<u>02-Oct-17</u>	<u>01-Sep-17</u>	<u>01-Aug-17</u>	<u>03-Jul-17</u>
Copper	6454	6775	6300	5893
Aluminium	2066	2114	1886	1917
Nickel	10365	12000	10150	9365
Zinc	3235	3146	2769	2779

**COMPANY SHARE PRICES** (AUD per share)(Source: ASX)<sup>11</sup>

	<u>02-Oct-17</u>	<u>01-Sep-17</u>	<u>01-Aug-17</u>	<u>03-Jul-17</u>
Bluescope	11.16	10.78	13.43	13.49
Sims Metal	13.54	14.99	15.65	15.42
BHP Billiton	26.12	27.42	26.16	23.73

**ANTI-DUMPING NEWS**

(Sign up for an ADC weekly update) -----&gt;

[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](#)[Sept 29 - ArcelorMittal to invest \\$1 billion in Mexico](#)[Oct 2 - Iron ore tumbles on China concern](#)[Sept 26 - Indian steel output trends positive](#)[Sept 28 - China 2017 steel demand set to rise 3 - 4 percent](#)[Sept 21 - World Steel Association: August 2017 crude steel production](#)[Sept 26 - China's biggest steelmaker plans to boost capacity](#)[Sept 20 - Bloomberg: Tata Steel & Thyssenkrupp to merge European steel](#)[Sept 26 - ASEAN steel sector boom to boost ferrous scrap demand](#)[Sept 20 - MEPS: European steel scene](#)[Sept 20 - Chinese steel firms see improved profitability](#)[Sept 18 - Malaysian steel roaring back in earnings](#)[Sept 18 - World Steel Price Report](#)[Sept 12 - Platts: China steel sentiment hits 12-month high](#)[Sept 11 - Taiwan records 30% growth in steel output in H1](#)[Sept 1 - Roller coaster steel ride in China](#)[Sept 8 - India `steel industry to reach growth rate of 8% in 3 years`](#)**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	<a href="#">.COST - BOF</a>
2 EAF/SCRAP Index (Steel Scrap * 1.13 mt) in either USD or converted to AUD	<a href="#">.COST EAF</a>
3 STEEL FINISHED PRODUCT --Chinese Rebar Pricing Shanghai Fut Exch converted to USD at 6.8 Yuan/USD	<a href="#">HERE</a>
4 Steel rebar (Turkey exports FOB Turkish Port – One Month USD / MT from LME	<a href="#">HERE</a>
5 The average price / mt for the Non Ferrous Metals -Cu/Al/Ni/Zn.	<a href="#">HERE</a>
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	<a href="#">HERE</a>
9 Rebar - Shanghai Futures Exchange Forward one month converted to USD at 6.8 Y/\$	<a href="#">HERE</a>
10 London Metal Exchange (LME) CASH pricing is quoted	<a href="#">HERE</a>
11 Australian Stock Exchange end of Day quote in Australian dollars	<a href="#">HERE</a>

**Sanwa Contacts - Telephone (02) 9362 4088**

Re-inforcing Steels / David Roberts / droberts@sanwa.com.au

Stainless Steel / Howard Seligsohn -- / hseligsohn@sanwa.com.au

Structural Steel / PC Strand / Mark Horwitz / mhorwitz@sanwa.com.au

Flat Products / Laurie Di Medio - / ldimedio@sanwa.com.au

Special Steels / Tube and Pipe / Matt Gilpin / mgilpin@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.

Australian Steel News acknowledges its two principal sources of information: National Australia Bank (NAB) and SEAIISI.

**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.