

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

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STEEL MARKET SUMMARY - September

World prices for iron ore, coal and scrap have all risen sharply, but even that has been surpassed by increases in finished product pricing in Asia and the rest of the world. It now remains to be seen how quickly Australian domestic pricing will catch up.

The Australian dollar began August at about 80 US cents and remains close to that mark. Likewise, it has barely moved against the Euro, but has picked up slightly against the NZ dollar. In remaining high, the Aussie dollar has prompted some banks to revise upwards their forecast for its level at year's end.

The feed stock costs for blast furnace and scrap based producers increased noticeably during August. A tonne of finished blast furnace steel rose by more than 10% and by 30% over the past two months. Massive increases in the cost of EAF electrodes (not reflected in the Scrap Steel Cost Index) have also impacted all steel produced from electric arc furnaces, which have increased 6% in the last month and 22% from two months ago.

Consequently, finished product prices have risen sharply in all international markets. The LME and SHFE indexes for Turkey rebar show a 6% rise during August and more than 20% over the last two months; and this does not include the jump of more than 10% in the 24 hours from July 31 to August 1. China rebar futures rose around 6% during August and double that over the past two months.

Further big news is that China has pulled out of various markets for the supply of billets. Along with the feed stock increases, this withdrawal has given all major steel producing countries an excuse and reason to substantially lift prices. Most regional producers have pushed up prices at a rate higher than the futures indexes indicate, taking full advantage of a seller's market mentality. Presently, getting access to export supply at reasonable prices is challenging because various suppliers have declined orders while waiting for market increases to flow through. Protectionism, through anti-dumping actions or safeguard measures, throughout East Asia has further dried up the supply of various steels into Australia.

The Australian domestic market is still strongest on the east coast. The market's overall strength is likely to severely test domestic supply capacity and lead times in the short term. Restrictions are already in place for various types of steel for quick deliveries so that later local deliveries can earn higher prices in following months. It's expected Australian domestic producers will continue to announce price rises, following international levels upwards. So, what will domestic steel prices do after that? Unless the Australian dollar increases well above 80 cents or international prices collapse as quickly as they have risen, prices will consolidate towards the end of 2017; though this will depend on how much of the international price catch up they take in September and how much the international markets move in September. Based on the strong seller's market sentiment in existence and increases in all the steel raw materials, international markets still may have some room to move upwards.

PRICING MOVEMENTS SINCE: AUGUST 1, 2017

	USD Change	AUD Change
STEEL RAW MATERIAL - Blast Furnace costs ¹	+ 12 %	+ 12 %
EAF/Scrap costs ²	+ 6 %	+ 5 %
STEEL FINISHED PRODUCT - China Rebar pricing ³	+ 7 %	+ 7 %
Turkey Rebar pricing ⁴	+ 7 %	+ 7 %
Non Ferrous Metals (Cu/Al/Ni/Zn) ⁵	+ 14 %	+ 14 %
CURRENCY MOVEMENTS - The AUD has moved against the USD	+ .1 %	and - .5 % against the Euro

STEEL COST INDEX

(The cost of Scrap, Iron Ore, Coal in one tonne of steel)	01-Sep-17	01-Aug-17	01-Jul-17	01-Jun-17
Blast Furnace Index in USD ¹	366	327	285	264
Blast Furnace Index in AUD ¹	459	410	371	357
EAF/SCRAP Index in USD ²	400	379	328	308
EAF/SCRAP Index in AUD ²	501	475	426	418

STEEL AND RAW MATERIAL PRICES

(USD per tonne)	01-Sep-17	01-Aug-17	01-Jul-17	01-Jun-17
Iron Ore ⁶	79	74	65	57
Coking Coal ⁷	207	176	153	146
Steel Scrap Turkey (LME Turkey Imports) ⁸	354	335	290	273
Steel Rebar Turkey (LME Turkey Exports) ⁴	546	511	452	448
Steel Rebar China (Spot China SHFE tonne) ⁹	624	580	559	588

FX RATES

(Source www.x-rates.com)	01-Sep-17	01-Aug-17	01-Jul-17	01-Jun-17
USD / AUD	0.80	0.80	0.77	0.74
Euro / AUD	0.67	0.68	0.67	0.66
NZD / AUD	1.11	1.07	1.05	1.05

FUTURE FX RATES

(Banks' estimates of AUD value at the end of 2017)	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.75	0.73	0.76	0.77
Euro / AUD	0.64	0.61	0.65	0.69
NZD / AUD	1.07	1.05	1.09	1.07

NON FERROUS METALS PRICES (USD per tonne) (Source: London Metal Exchange Quote) ¹⁰	01-Sep-17	01-Aug-17	03-Jul-17	01-Jun-17
Copper	6775	6300	5893	5636
Aluminium	2114	1886	1917	1929
Nickel	12000	10150	9365	8825
Zinc	3146	2769	2779	2544

COMPANY SHARE PRICES (AUD per share) (Source: ASX) ¹¹	01-Sep-17	01-Aug-17	03-Jul-17	01-Jun-17
Bluescope	10.78	13.43	13.49	11.66
Sims Metal	14.99	15.65	15.42	13.18
BHP Billiton	27.42	26.16	23.23	23.73

ANTI-DUMPING NEWS (Sign up for an ADC weekly update) ----->	HERE
Summary of Measures already in place	http://www.adcommission.gov.au/measures/Pages/default.aspx
Latest Updates to the public record	http://www.adcommission.gov.au/Pages/default.aspx
Details on the most recent Anti-Dumping Actions	http://www.adcommission.gov.au/cases/Pages/default.aspx

STEEL NEWS HEADLINES (courtesy of SEAIISI or sources quoted)	SEAIISI STEEL NEWS
AUG 1 CHINA Steel price report as of July 31, 2017	SEPT 1 -- 'Whyalla celebrates new ownership for steelworks-- ABC NEWS
AUG 1 China's iron and steel overcapacity slashed	AUG 18 -- Moody's upgrades Asia steel industry outlook to stable from negative
AUG 3 China shuts down illegal steel production, stays tough on overcapacity	AUG 10 - China's 'bubble' steel prices seen holding advance, for now
AUG 3 How Trump's 'Hammer' on Chinese Steel Could Hit the U.S.	AUG 14 -CISA decodes steel rise, raps speculators
AUG 21 Steelmaking materials prices surge amid rising demand in China, Japan	AUG 17 China steel output hits record in July at 74 million tonnes: stats bureau
AUG 28 Australia to issue dumping notice on galvanized steel from Vietnam	AUG 21 BlueScope doubles profit but warns of rising energy costs, cartel investigation
AUG 28 - 'Global Steel Output Surged 6.3% on Record Chinese Yield	AUG 25 - WorldSteel Association: July 2017 crude steel production

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 Fut 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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