

SAMPLE

Top News:

CIS billet market confirms raw material uncertainty

Last week the CIS billet market, often used as a means of understanding the global sentiment of the steel sector, confirmed the uncertainty among market operators. Raw material prices rose but steel demand remains sluggish globally.

CIS billet suppliers' offers have risen to \$430-440/tonne fob Black Sea for March loading-ready material, with traders claiming that material at \$430/t fob would already be difficult to obtain.

One trader said it would be easy to sell at \$420/t fob today. Another seller claims to have closed a deal at this level, but there are no other offers in the market at this price any more, according to traders, as mills have raised their expectations.

The increase is cost-driven, as prices of iron ore, scrap and coking coal are all rising on the back of a perfect storm of major supply disruptions. These include Vale's projected loss of around 40 million tonnes/year of iron ore following another dam failure in Brazil and extreme snow and frost in major US scrap supplying regions.

Albeit that the producers' move to increase prices is understood by market sources, buyers are not rushing to book, as poor demand continues to drag the market down.

Most traders consider \$440-445/t cfr to be the highest achievable price level in North Africa in the short-term. Some countries however, such as Tunisia, are unlikely to pay more than \$400/t cfr, according to one trader. Egypt is no higher than \$445/t cfr, which, with Egyptian payment terms adding around \$15/t on top of any price, nets back to around \$430/t cfr. This price level is also considered to be the highest Turkish import price, "... considering their offers," traders explain.

Enquires are scarce, sources say, and no sales have been heard this week. The exception is an Algerian Qatari Steel tender for 50,000 tonnes. Offers are ranging from just over \$400/t cfr for Iranian-origin billet to \$440/t cfr for Russian product and \$460/t cfr for Ukrainian material according to sources.

CIS HRC ALSO RECOVERS

Hot-rolled coil may spike to \$500/t by the end of the first quarter, but it is likely to average around \$460-470/t in 2019, Severstal ceo Alexander Shevelev explained last week.

"We anticipate prices to stabilise at this level, which is reflective of historical production cost margin, having already undergone a substantial price correction," Shevelev says. Severstal, with its low cost base, is comfortable with this price level, but volatility and pressure from growing protectionism remain.



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Will Chinese demand be strong enough to support the
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Can safeguard measures and international market sentiment offset the sluggish outlook for EU steel?
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Could we be seeing a new, aggressive era of US diplomacy by tariff?
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Can Turkish billet compete with CIS material in North Africa?
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Will Trump opt to build the wall or to intensify trade war?

KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change **+8.01%**

01 Feb 2019	\$	86.37	high
31 Jan 2019	\$	84.22	
30 Jan 2019	\$	79.88	
29 Jan 2019	\$	77.63	
28 Jan 2019	\$	76.95	low
Average	\$	81.01	

25 Jan 2019	\$	74.85	low
24 Jan 2019	\$	74.89	
23 Jan 2019	\$	74.86	
22 Jan 2019	\$	74.94	
21 Jan 2019	\$	75.48	high
Average	\$	75.00	

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Global Overview

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North America

- US sheet prices begin to rise
- OCTG remains mired on cap ex questions
- Trump expected to ask for more tariff powers

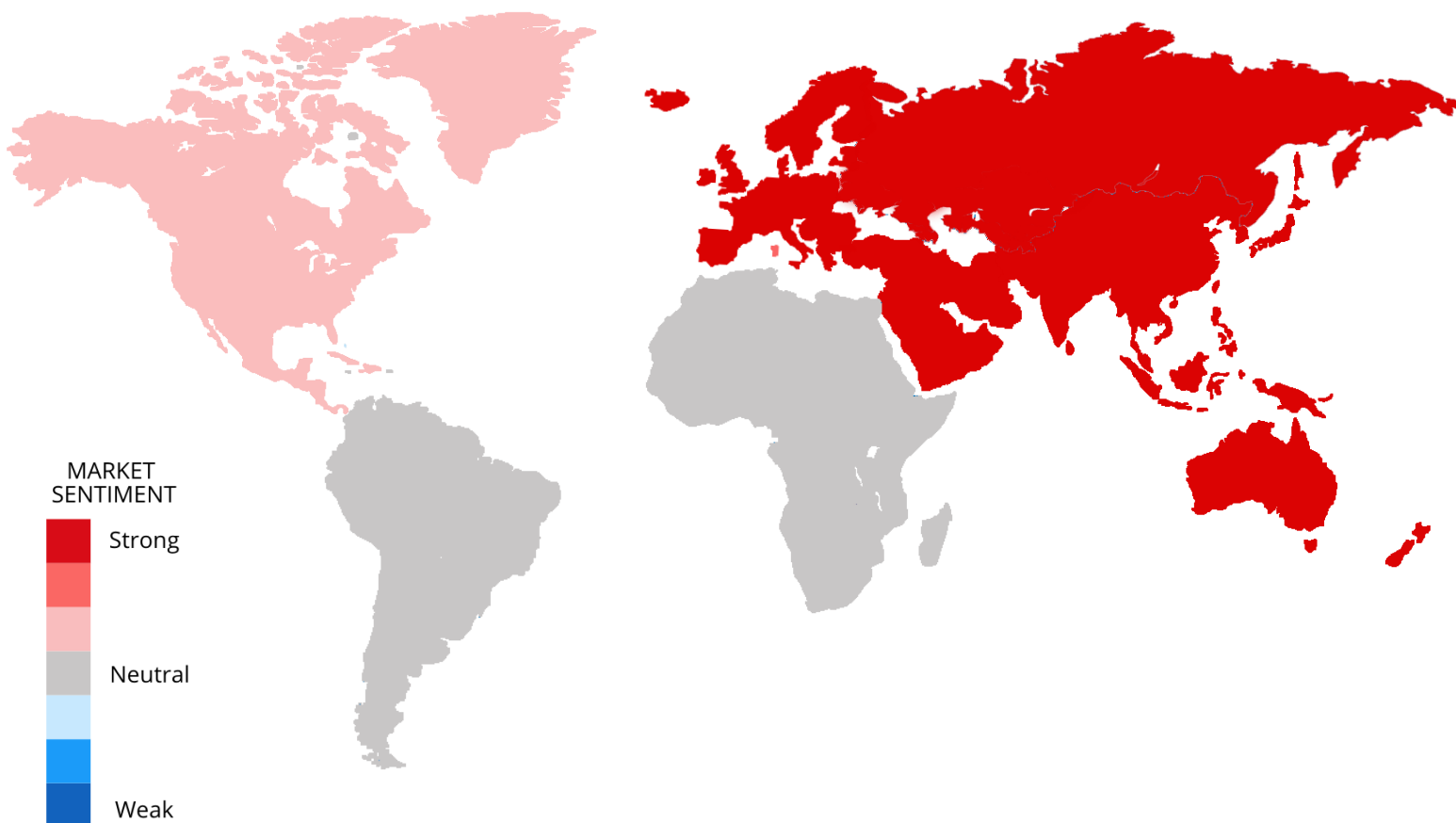
Asia

- Chinese iron ore at 22-months record
- Chinese market enters holidays firm
- SE Asian billets up

Europe

- Eurofer issues new demand outlook
- ArcelorMittal pushes coil offers up
- Tata Steel restarts BF

Global Sentiment Map



Middle East

- Turkish scrap soars further
- Turkish rebar quotes increase but sales languish
- Turkish consumption loses 5mt

CIS

- CIS billet buyers shun higher prices
- Severstal sees HRC hitting \$500/t

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Word of the Week

Bake Hardening

Bake hardening alters the properties of sheet in a car production line. The body panels are painted once they have been pressed and the paint is later cured by passing through an oven. Although the steel is already work hardened during pressing, it will be during the curing process that the arrangement of the atoms in the steel will change. The result is that after baking and cooling the steel has a higher strength than it did after pressing.

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If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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