

Top News:

Raw material prices firm despite Chinese restrictions

Last week, all eyes in the global steel markets were pointed at China, where the announced measures to restrict output during the winter season have begun to be implemented. The local authorities have decided to put restrictions on output by certain mills in order to control pollution levels during the cold months.

Market observers have been having some difficulty predicting whether the restrictions would bring a recovery in finished steel prices or mainly hit iron ore prices due to possible lower demand. During the first week of these restrictions having taken effect, the market has responded with iron ore prices stabilising at a level not seen since the 6 November. Finished steel products' prices in China meanwhile have slightly increased.

Iron ore closed last week at slightly above \$62/tonne cfr Qingdao, a relatively firm level given that the price dropped below \$60/t cfr at the beginning of November. Many market observers meanwhile were sceptical that it would recover from that level. The outlook for prices going into the beginning of next year continues to point toward a small correction. BHP Billiton, one of the main global suppliers of iron ore, has a positive outlook on iron ore markets going forward as it expects Chinese demand for high grade ores to remain strong.

Meanwhile Turkish scrap prices also rebounded last week, reaching their highest level since the end of September. This re-establishes the fact that the market remains strong this year despite having lost significant ground from this year's peak of \$358/t cfr Turkey. Many observers continue to comment that current global steel prices are mainly being driven by market fundamentals rather than raw material prices. The relative strength of both iron ore and scrap is expected to support steel prices globally as 2017 comes to an end however, and buyers prepare for the usual first quarter restocking activity.

Last week Kallanish held its annual European conference in Madrid, hosting speakers and delegates from all over the world to discuss the latest market developments and the outlook for 2018. Most speakers confirmed that 2017 has been a positive year for the steel sector, as raw material prices recovered, Chinese exports decreased and mills managed to see their margins increase to profitable levels. 2018 is also expected to be a positive year, but some uncertainty remains, specifically regarding the future development of possible trade restrictions in the US, which would strongly hit steel market sentiment.

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How are Chinese steel prices reacting to the output restrictions in the country?

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Is the EU coils market preparing for new hikes?

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Will US pricing make a surprise recovery by year-end?

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Will the latest scrap uptick break through 6-week range?

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How is the European coils import market changing due to trade barriers?

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change **-0.5%**

17 Nov 2017 \$ 62.48

16 Nov 2017 \$ 61.97

15 Nov 2017 \$ **61.87** **low**

14 Nov 2017 \$ **63.23** **high**

13 Nov 2017 \$ 63.05

Average \$ **62.52**

10 Nov 2017 \$ 62.76

09 Nov 2017 \$ 62.74

08 Nov 2017 \$ 62.82

07 Nov 2017 \$ **62.72** **low**

06 Nov 2017 \$ **63.32** **high**

Average \$ **62.87**

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Global Overview

North America:

- New prices increases made on sheet, plate
- OCTG pricing remains unchanged
- Market prepared for holiday slowdown

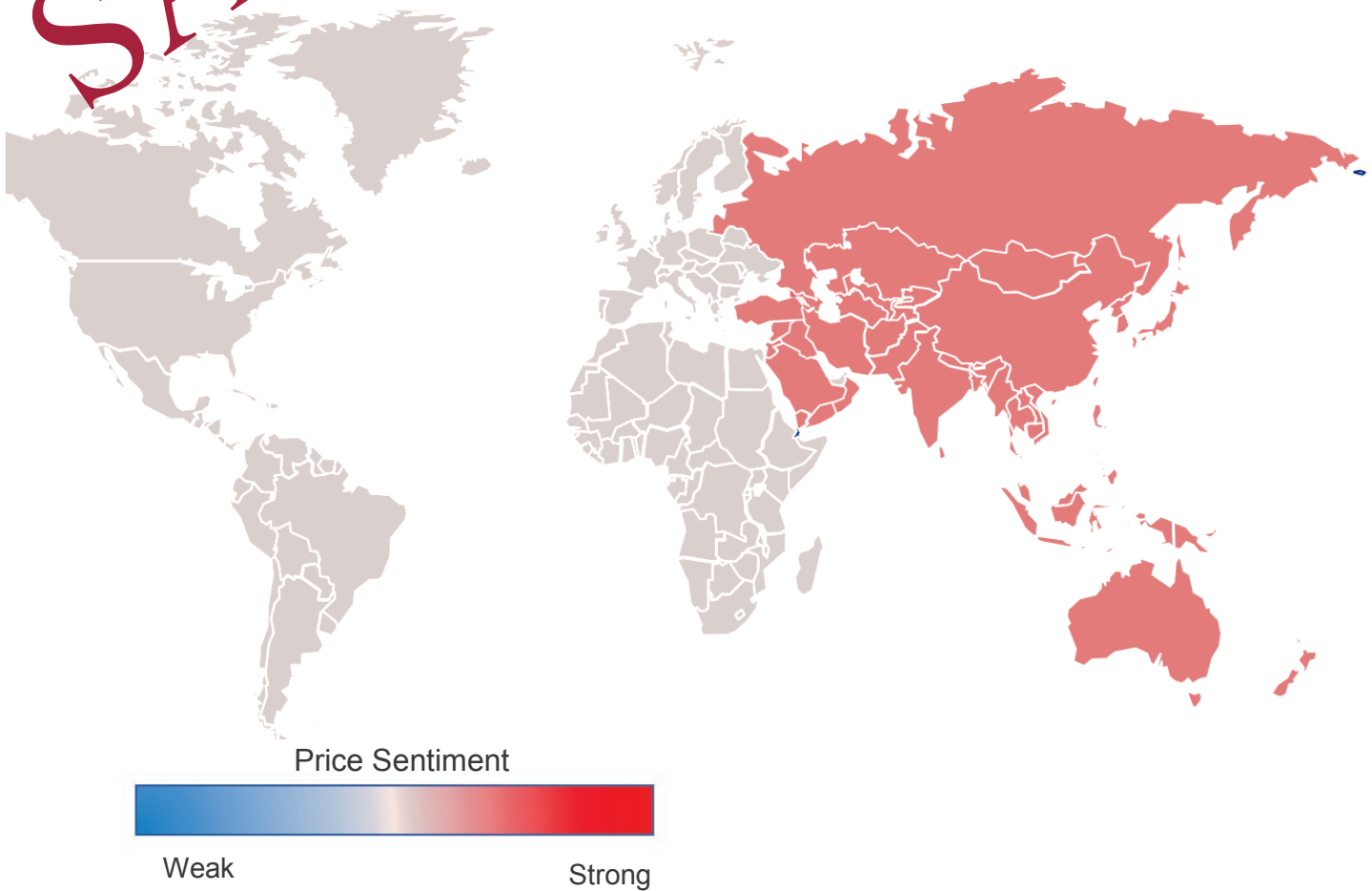
Europe:

- EU coil market confident for Q1 2018
- Scrap seen stable-to-rising in December
- Coil automotive contracts to be agreed at stable-to-higher levels

Asia:

- Chinese steel output figures give mixed signals
- Seasonal output restrictions start in China, prices firm
- Iron ore remains above \$60/t CFR Qingdao

Global Sentiment Map



Middle East:

- Turkish scrap rebounds rapidly
- Turkish domestic rebar demand supportive, exports weak
- Turkish coil prices drop
- Egyptian rebar sales slump in September

Africa:

- Fewer imports expected in South Africa
- Algerian longs import restriction continues



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