

## Top News:

# Coronavirus second wave looms on potential steel market recovery

The looming second wave of the Covid-19 pandemic is creating huge uncertainty over steel demand and pricing in the fourth quarter after the market improvement witnessed in Q3. So said International Rebar Exporters and Producers Association (Irepas) committee members at the association's virtual meeting this week.

Scrap is back to pre-pandemic levels of \$300/tonne cfr Turkey, thanks in large part to "...extreme" raw materials and semi-finished products demand from China, which has proved a "...saviour," Irepas raw materials suppliers committee chairman Jens Björkman said.

There is a lot of uncertainty over renewed lockdowns, Björkman added, but also positives such as the strong construction sector performance.

Traders committee member F.D. Baysal said the US market has stabilised from the pandemic-induced shock, but average capacity utilisation of 65% is still down on the September 2019 level of 80%. Residential construction has grown but non-residential is down with lower recovery prospects, he added. Steel prices have increased, driven by costlier scrap and low inventories, but some of these prices may not hold if the pandemic intensifies, he observed.

Producers committee chairman Murat Cebecioglu, meanwhile, said the pandemic has resulted in investment delays that have reduced demand. Chinese stimulus measures and reduced exports are driving the global market. However, there is huge uncertainty regarding the future development of the virus.

Baysal said there will be fundamental changes to economies after the pandemic, with more people working from home and companies occupying less office space. This will create office overcapacity, considering the segment was already oversupplied before the pandemic. However, there will be more warehouses and distribution centres built to cater for growing online retail.

Björkman argued China's scrap import restrictions make little sense. Although China has vast scrap reserves, they are spread throughout the nation and need to be transported long distances to areas where mills are located. Moreover, some scrap may have quality issues and therefore needs to be blended with imported material.

When it comes to steel demand, "...I guess for Turkey it is looking a lot rosier now than it did 4-5 months ago," Björkman observed. Construction activity and capacity utilisation is rebounding globally, resulting in increased raw materials demand. It remains to be seen whether supply keeps up, he concluded.

## EAF IN A BETTER POSITION THAN BF

The outlook is brighter for electric arc furnace mills than for their blast furnace-based counterparts not least because of growing environmental pressure, according to International Rebar Exporters and Producers Association (Irepas) traders' committee members.

"I would rather be someone using an EAF as the scrap supply pool is certainly bigger than the iron ore miner oligopoly," traders committee member Wilhelm Alff said. EAFs therefore have more buying power.

Moreover, the environmental costs of steelmaking are on the increase and it is becoming "...more and more fashionable" to convert scrap into new steel products, Alff observed. This process will be supported by governments rather than making investments into new iron ore mines.

"At the same time, China is the biggest iron ore consumer and one to suffer most from higher prices," Alff continued. But it is building up a huge EAF capacity in expectation of what is to come, he added.

## In this week's issue:

- ▶ **PAGE 3**  
What is happening to Chinese steel sentiment?
- ▶ **PAGE 4**  
Will European crude steel output show a clear rebound in September?
- ▶ **PAGE 5**  
How will the US market respond to changing flat-rolled demand patterns?
- ▶ **PAGE 6**  
Can Turkish scrap hold thanks to the latest revival of activity?
- ▶ **PAGE 8**  
Is China expected to restart exporting massively?

## KORE 62% Fe / Qingdao CFR USD/t

**W-o-w avg change** **-6.40%**

25 Sept 2020	\$	115.68	
24 Sept 2020	\$	115.11	
23 Sept 2020	\$	<b>114.31</b>	<b>low</b>
22 Sept 2020	\$	120.32	
21 Sept 2020	\$	<b>123.78</b>	<b>high</b>
<b>Average</b>	\$	<b>117.84</b>	

18 Sept 2020	\$	124.60	
17 Sept 2020	\$	<b>123.13</b>	<b>low</b>
16 Sept 2020	\$	124.64	
15 Sept 2020	\$	<b>129.27</b>	<b>high</b>
14 Sept 2020	\$	127.88	
<b>Average</b>	\$	<b>125.90</b>	

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# Global Overview

**SAMPLE**

## North America

- Cleveland-Cliffs buys ArcelorMittal USA in \$1.4 billion deal
- US sheet pricing continues to tick up
- US rig count bounces slightly off bottom

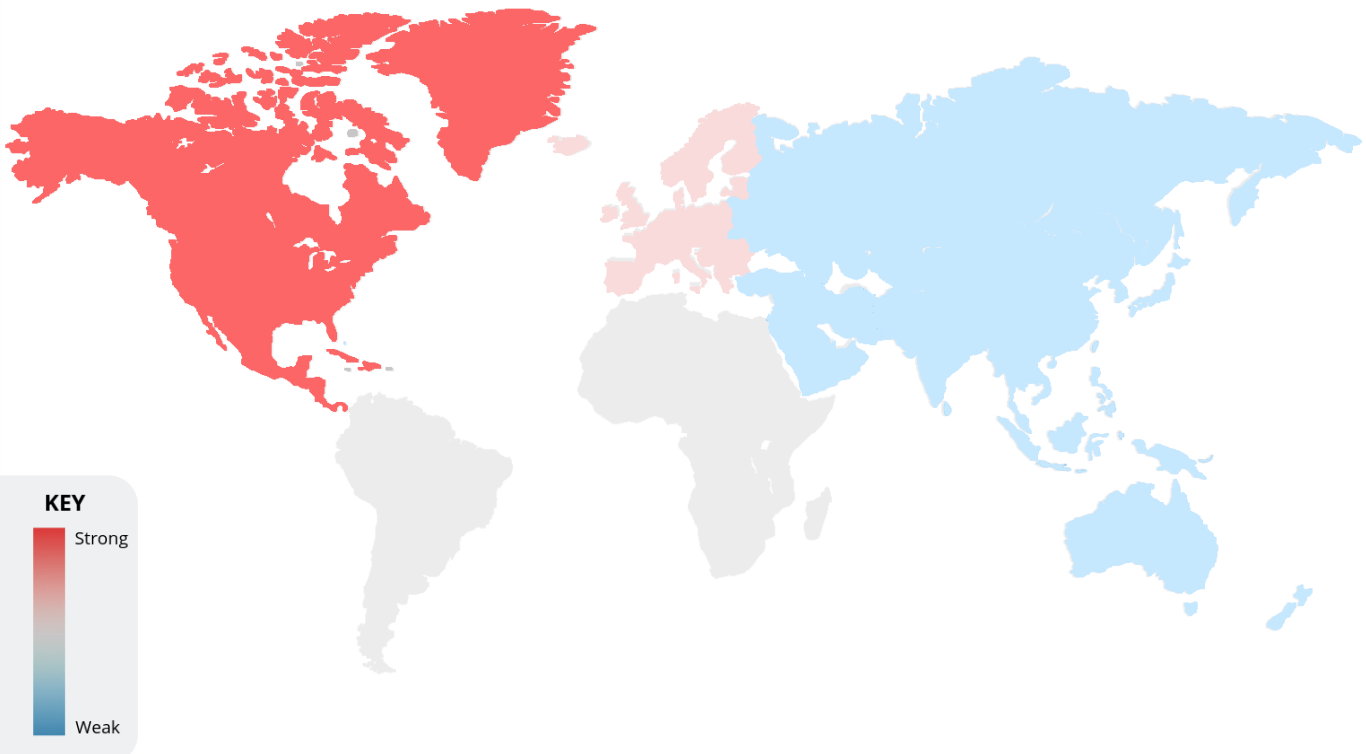
## Europe

- Crude steel production in Europe remains under pressure
- Longs continue recovery in Europe
- Scrap could move down in Spain in October

## Asia

- Iron ore continues correcting
- JFE restarts BF
- Chinese steel sentiment down

## KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



[See the interactive version online](#)

## Latin America

- ArcelorMittal restarts BF in Brazil
- Mexico starts AD probe on slab imports

## Middle East

- Turkish mills resume scrap bookings
- Turkish rebar buyers remain on sidelines

## CIS

- CIS billet market remains quiet
- CIS HRC market foresees correction

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