

SAMPLE

Top News:

## Global steel prices fall year-on-year, iron ore rises by 50%

As May begins, **Kallanish** has decided to compare the current most important price indicators against prices registered in 2018. This is to understand how the market is developing in what is usually considered one of the strongest period for demand before the summer kicks in.

As expected, semis and finished steel prices are suffering compared with the record levels registered during the first half of 2018. The recovering cycle initiated in mid-2016 reached its peak between the end of the first quarter 2018 and the beginning of Q2. Since then, prices have lost ground almost continuously.

The sole exception to the general trend in ferrous prices has been iron ore, which has seen a new spike since January this year. This is supported by concerns linked with the reduction in output following the dam accident at Vale's operations in Brazil. This surge in iron ore costs has nevertheless supported global steel prices only marginally, and has brought the issue of steel suppliers' profitability back into focus.

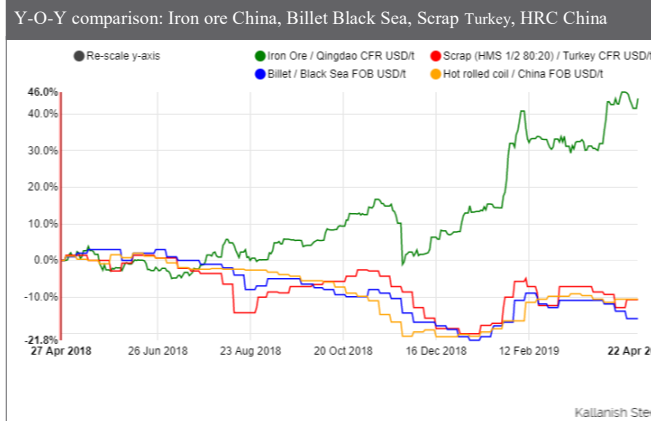
According to Kallanish price indexes iron ore is currently remaining well above \$90/t cfr Qingdao, over 40% higher than the level of some \$65/t cfr Qingdao registered at the end of April 2018. Earlier in April the level climbed above \$95/t cfr Qingdao for a short period, registering a new recent high for iron ore.

The strength of iron ore prices has nevertheless only mildly affected the rest of the industry. In particular those most directly affected by scrap in Turkey have suffered the most, as Turkish scrap values have continued to be under pressure.

Currently scrap prices remain some -10% y-o-y below the levels of \$350/t cfr Turkey registered at the end of April 2018. While a brief recovery was registered in mid-April, a new correction is again under way this week, raising further concerns for the market.

Thanks to the strength of iron ore prices, Chinese domestic prices have performed better during the first four months of this year. The effects of this good momentum nevertheless have not been felt much outside China. This is because Chinese export HRC prices are also now reported to be -10% below the levels registered at the end of April 2018.

CIS billet prices are particularly seeing some pressure. Historically billet prices in the CIS are linked strongly to scrap values in Turkey, due to the ability of Turkish mills to switch quickly from scrap to billet for raw materials supply.



Kallanish indexes indicate that CIS billet prices are more than -15% below those registered in April 2018, confirming that the pressure coming from the weakness in the Turkish market is continuing in the sector.

As iron ore supply issues are believed to be resolving, it is likely that the realignment of the markets will come from a

reduction in iron ore prices in the short term. This should ease the pressure on steelmakers somewhat, these having seen a reduction in the spread between finished steel prices and input costs following two years of positive margins.

In this week's issue:

- ▶ **PAGE 4**  
Can the European market react to the current downturn of demand from the automotive sector?
- ▶ **PAGE 5**  
How will the Trump administration's trade policies age over time?
- ▶ **PAGE 6**  
Will scrap fall to \$300/t this time?
- ▶ **PAGE 8**  
What is the status of the USMCA new trade deal?

KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change	-0.48%	
26 Apr 2019	\$ 92.95	low
25 Apr 2019	\$ 93.12	
24 Apr 2019	\$ 93.50	
23 Apr 2019	\$ 94.33	
22 Apr 2019	\$ 94.39	high
<b>Average</b>	<b>\$ 93.66</b>	
19 Apr 2019	\$ 92.61	low
18 Apr 2019	\$ 93.39	
17 Apr 2019	\$ 94.07	
16 Apr 2019	\$ 95.08	
15 Apr 2019	\$ 95.38	high
<b>Average</b>	<b>\$ 94.11</b>	

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# Global Overview

## North America

- US sheet, plate showing signs of weakness
- OCTG shakes off sluggishness
- US rebar market stable

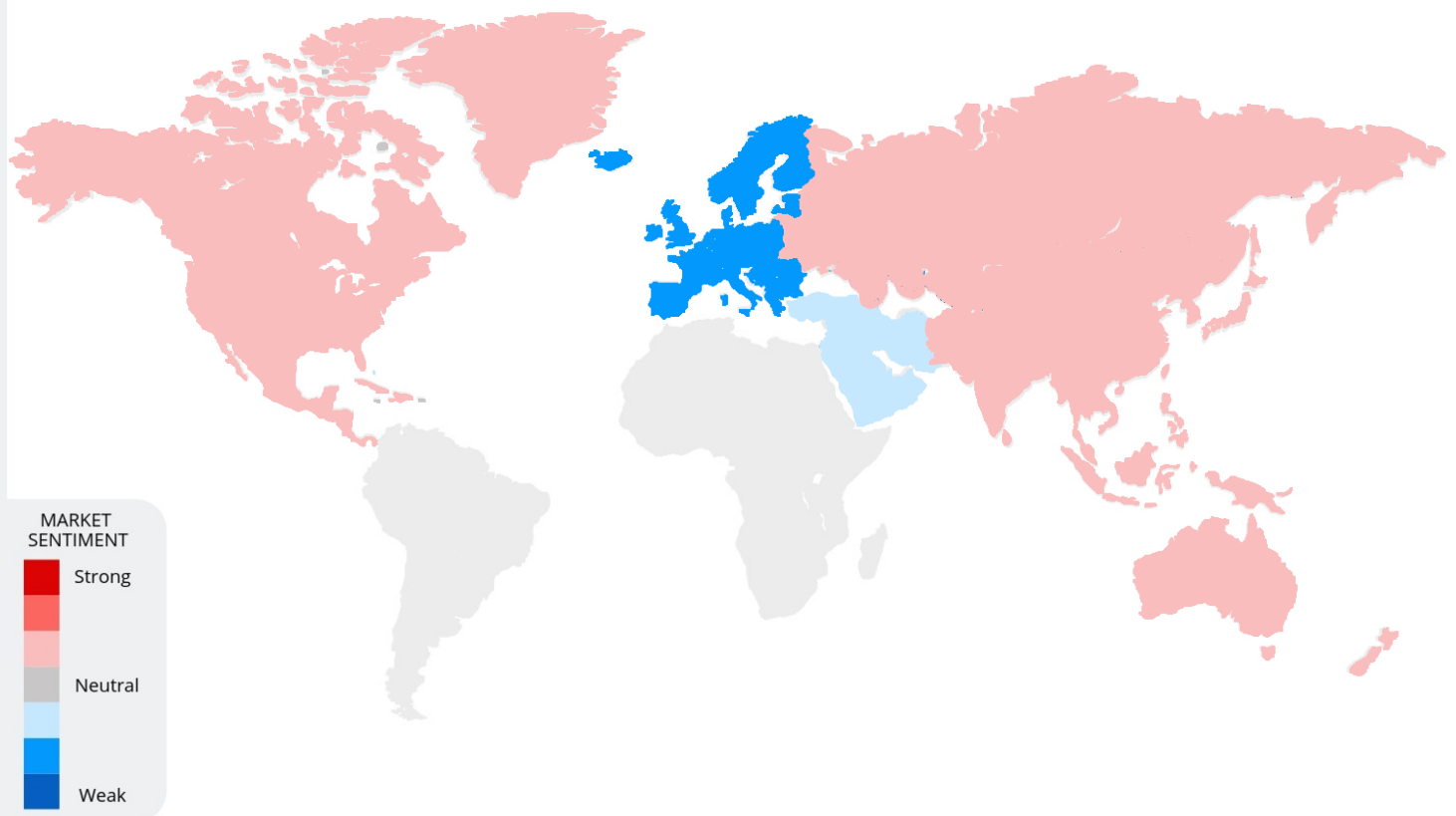
## Europe

- EU market suffers from low automotive demand
- N.EU coil prices fall
- Italian scrap looks up

## Asia

- Iron ore in the low \$90s/t
- Chinese domestic prices hold
- Japanese steel production slightly recovering

## KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



## Middle East

- Turkish scrap slumps on fresh deals
- Turkish billet sales expected
- Turkish HRC exporters mull lower bids

## CIS

- CIS billet prices rebound
- CIS HRC prices slide

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# Word of the Week

## Debar

Deformed bar, which is the most common form of reinforcing bar.

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