

Top News:

Iron ore/scrap differential drops, raw materials diverge

As anticipated, last week iron ore firmed further while scrap reached the lowest point registered so far in 2018. The diverging trends of the two raw materials has reduced the differential, this having been at record levels for most of the current year.

Iron ore once again rose above the \$65/tonne cfr Qingdao level last week, mainly driven by the recovery in Chinese futures markets. The scrap market, on the other hand was hit by lower deals confirmed for US cargoes and fell below \$340/t for the first time since the beginning of the year. While the outlook for iron ore remains uncertain, scrap is expected to fall further during the coming weeks as some traders are expressing the view it could soon touch \$320/t cfr Turkey.

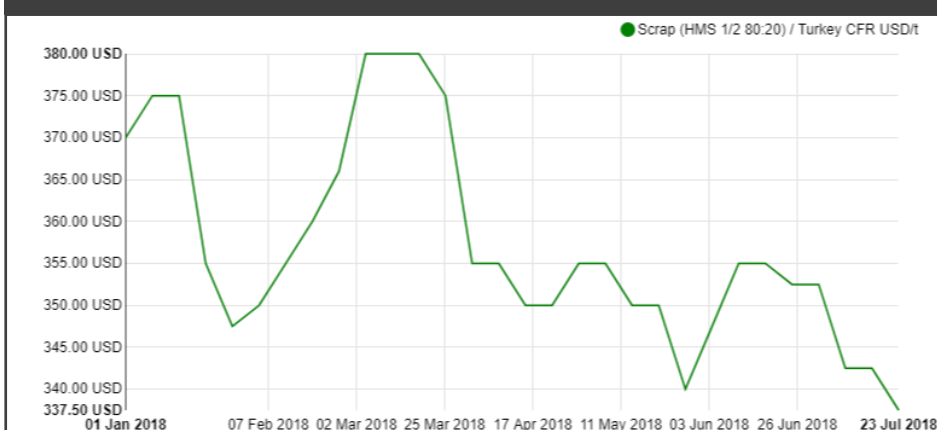
As a result of last week's price movements, the differential between scrap and iron ore also lowered significantly, reaching the lowest point seen this year and returning to a level more in line with the recent years. Last week scrap was trading at a premium of some \$270-275/t compared to iron ore; earlier this year the differential had reached levels above \$300-310/t.

Last year at the end of July, when scrap prices were rising quickly, the differential was still at some \$250/t between the two main raw materials as iron ore was following the recovery of the scrap market. Even when scrap reached its 2017 peak in August last year, the differential with iron remained at a maximum of \$280/t thanks to the corresponding recovery in iron ore prices.

It cannot be ruled out that the current diverging trends in raw materials could continue further into August. This would be the result of iron ore holding and firming, with scrap continuing to move down slightly from the very high levels registered so far this year. If this outlook is confirmed, the differential between the two raw materials could soon return to \$250/t, raising the competitiveness of EAF producers within the global market as a result.

This week, in addition to the usual market round-ups, we analyse the growth of steel production in Southeast Asia using induction furnaces. While the importance of this production route is growing in the region, it remains unclear exactly what is the installed capacity of these mills in different countries. Regional steel producers are beginning to show concern over this development as they see induction furnaces production eating into their market share and dragging down steel prices in many of the countries.

Scrap CFR Turkey



In this week's issue:

- **PAGE 3**
Will the Chinese steel market rally continue?
- **PAGE 4**
Will the EU and US reach agreement to eliminate steel tariffs?
- **PAGE 5**
Can the US steel market maintain its momentum without the 232 tariffs?
- **PAGE 6**
Can Turkish scrap fall to as low as \$320/t cfr?
- **PAGE 8**
How big is the induction furnace steel production in S.E. Asia?

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change **+2.69%**

27 July 2018	\$	66.42	high
26 July 2018	\$	65.19	
25 July 2018	\$	64.68	
24 July 2018	\$	64.62	
23 July 2018	\$	64.58	low
Average	\$	65.10	

20 July 2018	\$	63.91	
19 July 2018	\$	64.03	high
18 July 2018	\$	63.28	
17 July 2018	\$	63.01	
16 July 2018	\$	62.72	low
Average	\$	63.39	

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Global Overview

North America

- Sheet, tube pricing remains flat
- 2nd manoeuvres give market pause
- Q2 earnings surge continues

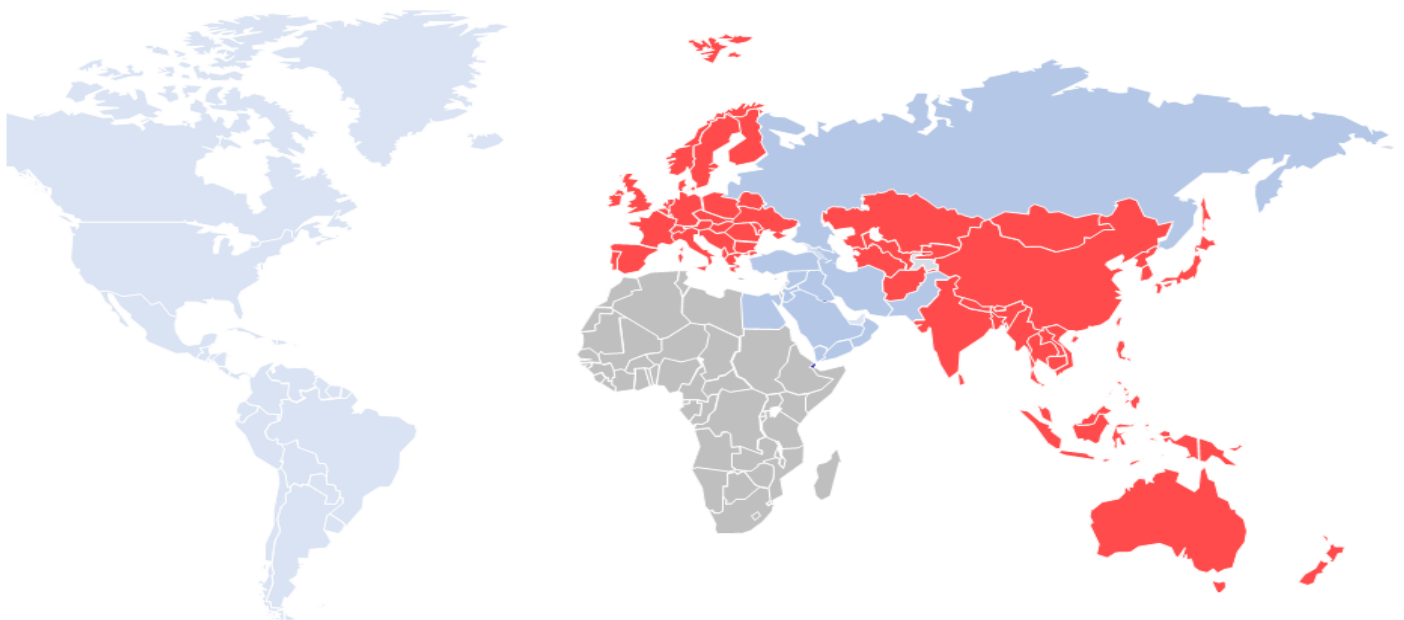
Europe

- EU and US re-open trade talks
- NW EU rebar prices rise
- JSW concludes acquisition of Aferpi

Asia

- Domestic Chinese prices up
- Iron ore strengthen
- Chinese stainless output could grow

Global Sentiment Map



Weak

Strong

South America

- Brazilian association reduces 2018 outlook
- Brazilian mills attempt to lift flat prices again

Middle East

- Turkish scrap falls below \$340/t
- Kardemir raises rebar offers
- Emirates Steel reduces rebar prices

CIS

- Ukrainian production up
- Billet prices down further



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