

This week: The threat of sanctions impacts Black Sea pig iron trade

The rise in scrap, iron ore and hot rolled coil prices amid a notable demand absence from end-users, specifically in the EU and Turkey, has impacted overall demand for pig iron.

Reports regarding potential EU measures on Russia-origin pig iron have led some customers to delay their purchasing decisions, even though they are doubtful about the likelihood of such an imposition due to its negative impact on EU industry. Some market participants suggest this announcement might prompt immediate purchases in the EU, assuming the usual grace period would be provided. However, this assumption remained unconfirmed as no deals were reported, contributing to increased uncertainty surrounding price trends.

In Russia, the additional burden resulting from the export duty, coupled with the strengthening of the rouble, has reportedly increased the pig iron breakeven point to approximately \$380-400/tonne fob Black Sea, according to Russian producers.

The exchange rate signalled a duty at around 5.5% for December and potentially 4.5% for January, according to market participants' estimates. The export duty is at zero if the exchange rate is at RUB 80/dollar or lower, 4% if at RUB 80-85; 4.5% if at RUB 85-90; 5.5% if at RUB 90-95; and 7% if over RUB 95.

In Italy, quotes from Russian producers were at \$395-415/t cfr, whereas the most recent transactions were recorded at \$380-390/t cfr for end-December boarding. Italian mills are buying limited volumes at around \$410/t delivered from distributors. The stronger euro against the dollar could enhance the material's attractiveness.

"Turkey's market had shown recent activity [in buying pig iron]; however, the current demand has reached a saturation point," a Russian producer source says. Despite the increased prices for scrap and flat steel in Turkey, weak export sales of finished steel are adversely affecting demand for imported pig iron in the country, he adds.

The producer source evaluates the market at \$370-380/t cfr Italy and \$390-400/t cfr Turkey. Considering the recent surge in scrap prices, there is a possibility that feasible prices might rise some \$10/t or possibly more, he adds.

There were rumours on testing prices in China at \$430/t cfr and sales to India at \$375/t fob Black Sea; however, this was not largely confirmed at the time of publication.

These markets are believed to potentially become targeted markets in the event of sanctions on pig iron in the EU. Additionally, there were reports of India announcing a pig iron tender for exports. Market participants speculated that China could be a potential destination, although no price indications were provided.

As a result, Russian pig iron prices were assessed at \$350-375/t fob Black Sea, widening from \$360-370/t fob last week.

There have been reports of significant increases in Brazilian slab prices for the US market, which could eventually impact prices of pig iron in Brazil. Brazilian PI was quoted at around \$422-426/t fob with availability from January shipment. However, one source suggests that offers for February and March were presently available, with current offers at the high end of the price range.

In the US, "HRC is strong and price of busheling is anticipated to continue rising until January. By the latter half of the year, scrap is expected to experience structural tightness," a trader says.

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KORE INDEX

Index	58%	62%	65%
W-o-w % Change	4.56%	2.52%	3.31%
24 Nov	124.88	133.85	145.61
23 Nov	124.98	134.03	145.75
22 Nov	126.11	134.06	145.84
21 Nov	125.25	133.93	145.02
20 Nov	124.47	134.12	145.87
Average	125.14	133.99	145.62
17 Nov	119.06	129.97	140.34
16 Nov	122.67	132.60	143.60
15 Nov	121.71	131.80	141.93
14 Nov	117.49	130.24	140.22
13 Nov	117.49	128.91	138.65
Average	119.68	130.70	140.95

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Global Overview

Americas:

- US HRC prices climb and other flats hold
- OCTG P110 5.5-inch prices stable
- Rebar prices narrow

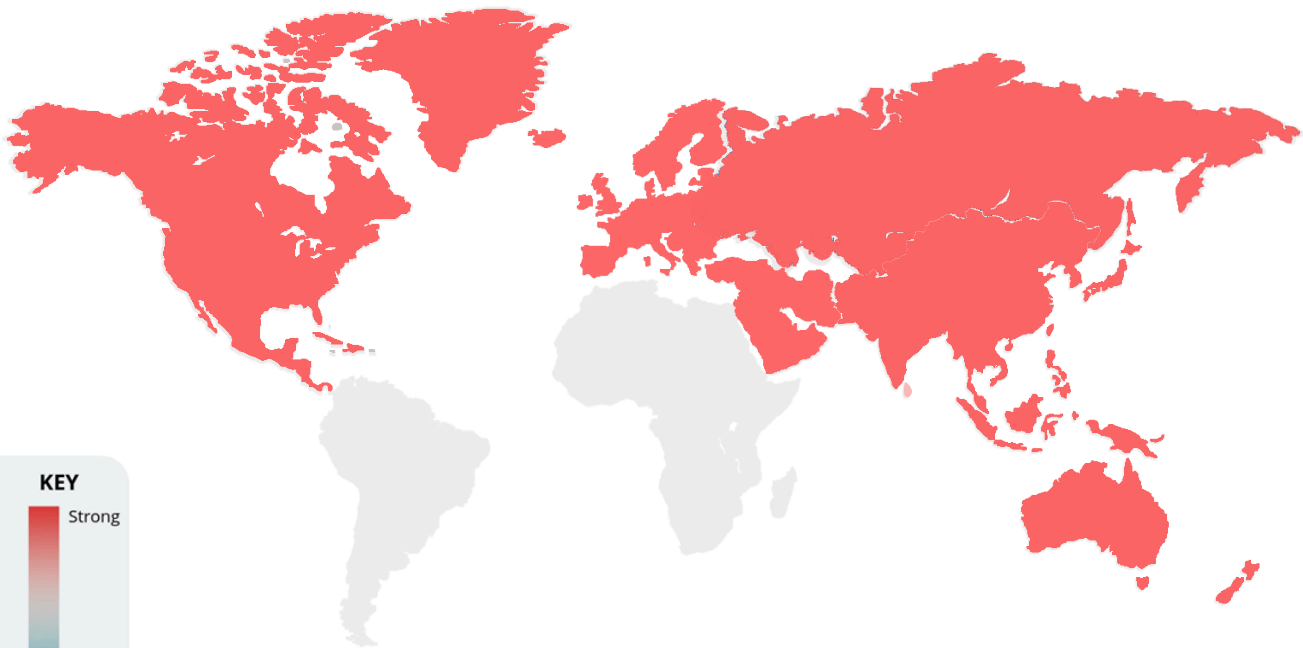
Europe:

- Italian HRC prices up again
- European scrap looks up
- Eurofer appoints new president to take over from Rubiralta

Asia:

- Chinese iron ore up again
- Optimism for 2024 Chinese demand remains
- Japanese October steel output rebounds

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



KEY



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CIS:

- Russian billet activity remains sluggish
- Russian slab players wait for HRC uptrend impact

Middle East:

- Turkish scrap uptrend pauses
- Costs drive Turkish longs hikes but demand weak
- HRC suppliers eye hikes in GCC

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Word of the week

Casting

This is the process of pouring molten metal into a mould enabling the cool and solid metal to retain the shape of the mould.



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