Kallanish Steel Weekly

Date published: 8 Aug 2017

Top News:

Raw material price rally continues

The rally of ferrous raw material prices continued last week supported by the good momentum in most global markets. Both iron ore and scrap international benchmarks jumped again, surpassing again the market expectations.

Scrap reached last week $330/t CFR Turkey for HMS 1/2 (80:20 blend), matching the highest point ever registered by the Kallanish index, reached in May 2016. Some sources expect the uptrend to continue to $350 or even $360, but it is worth noticing that only few weeks back many believed the top of the market would be at just above $300/t CFR.

Iron ore, on the other hand, surpassed the $70/t CFR Qingdao, taking the recovery since the bottom touched this year at the beginning of June to almost $20/t. While this year's peak at above $90/t CFR Qingdao remains distant, the market is now some $10/t above the levels registered in August 2016 and $15/t above August 2015.

Goldman Sachs, the global investment bank, in a recent analysis of the iron ore market confirmed that the expectation in the short term is for iron ore prices to remain firm as Chinese economy performs better than expected and steel production is absorbing the high inventories of iron ore in the market. As a result the bank increased its outlook for the next three months to $70/t, from the previous $55/t. Despite this bullish view of the market in the second part of 2017, the bank expects 2018 iron ore average level to drop to $50-55/t due to a slowdown in steel demand in China and a strong supply growth of iron ore.

The strength of raw material prices is supporting finished steel levels across the world. In China the market remains strong both for longs and flats, in Europe the usual summer silence has been substituted this year by price increase announcements by mills hoping to recover their margins as soon as the buying activity restarts steadily at the end of August.

This week our feature article focuses on the state of the manufacturing sector in the UK and its future after Brexit. The sector is performing relatively well, but has a long way to go given it only produces 10% the local gross added value. During the first part of this year the output in the manufacturing sector has been supported by exports and the weakness of the pound, but a clear direction to boost the sector further is yet to be seen in the political arena.

In this week's issue:

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change		**+6.98%**	
04 Aug 2017	$	73.62	high
03 Aug 2017	$	72.54	
02 Aug 2017	$	72.34	low
01 Aug 2017	$	73.23	
31 July 2017	$	72.37	
Average	**$**	**72.82**	
28 July 2017	$	68.44	
27 July 2017	$	68.78	
26 July 2017	$	69.06	high
25 July 2017	$	67.06	
24 July 2017	$	67.03	low
Average	**$**	**68.07**	

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Global Overview

North America:

- US sheet prices hold ground
- Longs increases on horizon
- Sims loses top executives

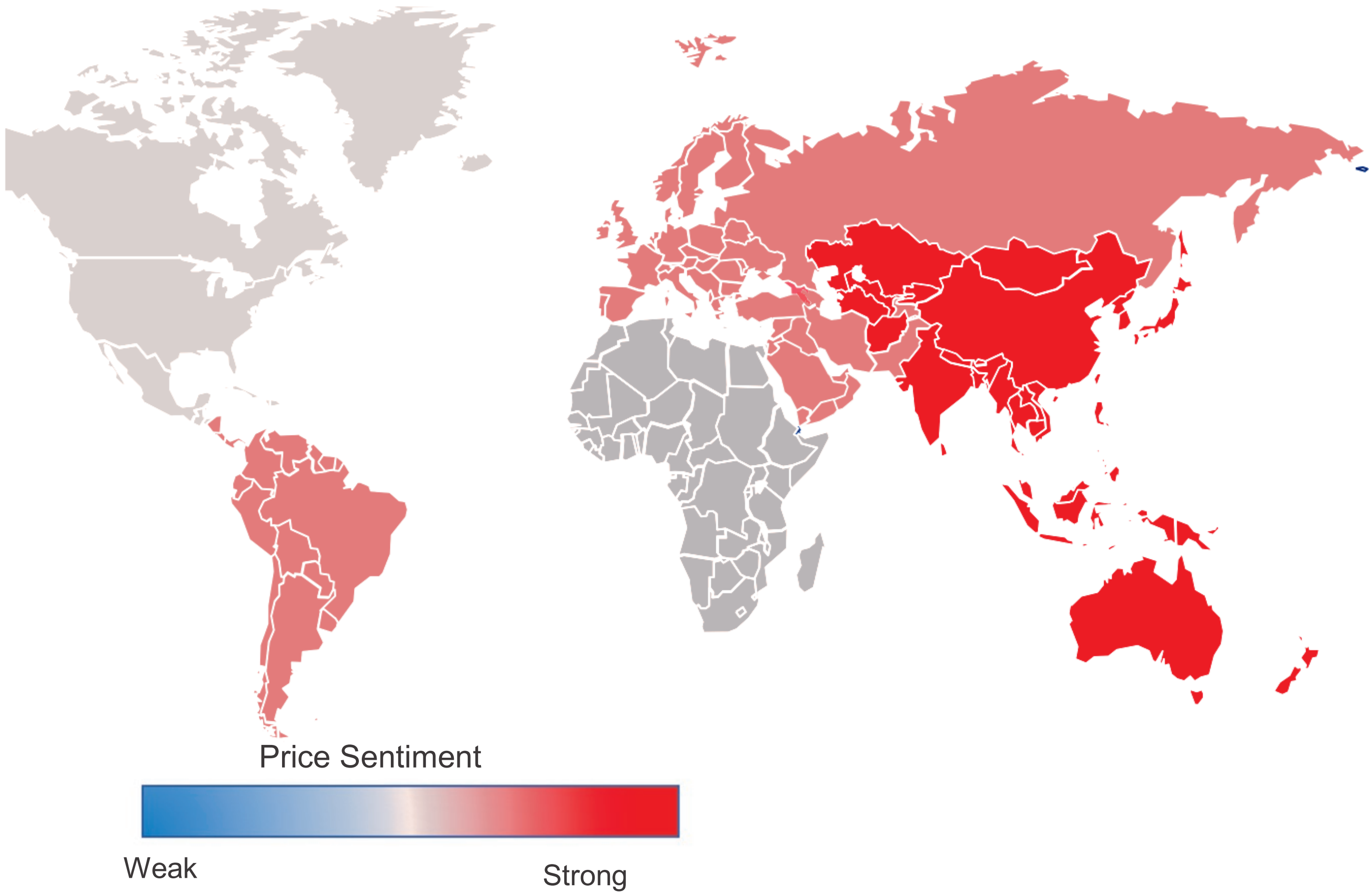
Europe:

- Longs lead recovery in Europe
- ArcelorMittal announces new longs price hike
- Italian mills target higher flat levels

Asia:

- Iron ore above $70/t CFR Qingdao
- China could cut taxes on steel exports
- Chinese pricing sentiment still strong

Global Sentiment Map



South America:

- Imports continue to increase
- Ternium's acquisition of CSA approved

Middle East:

- Scrap hits 2016 peak in Turkey
- Turkish domestic rebar demand still strong but exports quiet
- Sabic hikes rebar, Saudi exports expected
- Esco considers billet exports over pig iron

CIS:

- CIS coil prices rise on tight supply
- Metinvest output down

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