Issue: 36-22 | Date: 06 Sept 2022

聞 This week:

Analysts review downward their medium-term outlooks for steel prices

Moody's has lowered its price assumptions for the next 12 months for steel and coking coal to reflect weakening demand resulting from the global economic slowdown.

The credit rating agency says that following their peaking in March/April and subsequent decline, steel prices could soften further. It noted, however, that prices should remain above historical levels longer term for two reasons: increased demand for scrap and metallics as steel producers focus on reducing carbon emissions; and less competitive steel sector dynamics from consolidation in some regions.

Prices have come down as post-Russia invasion panic buying recedes, supply-chain disruptions reduce global demand, Covid-related lockdowns and weaker residential construction reduce consumption in China, and inflationary cost pressures and higher interest rates weigh on sentiment and economic growth, Moody's observes.

The 12-month price assumption for Chinese domestic hot rolled coil have come down to \$600/ tonne from \$750/t previously, while Brazilian HRC is at \$800/t versus \$1,000/t, European HRC at \$750/t versus \$1,100/t and US HRC at \$800/t versus \$1,150/t.

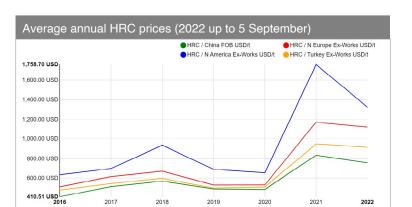
US prices could remain above historical levels because of sector consolidation and increased metallics demand. "Long product prices have held up better with more favourable supply and demand dynamics but are likely to weaken further on lower raw material prices and softening demand," Moody's says in a report.

In China, the property market slowdown has weakened demand for steel. This slowdown stems from regulatory tightening and property developers' financial struggles, which have weakened homebuyers' confidence.

In Europe, steel prices will likely continue to slide. Economic weakness, falling euro area manufacturing PMI readings and continued sluggish buying activity of distributors weigh on demand. In addition, energy cost inflation, fears over future energy supply and rising interest rates will dampen consumer sentiment and investment activity across many steel-consuming sectors such as construction or general engineering.

"While some steel producers might curtail production to adjust output to the lower demand, the recent resurgence in steel imports into the European Union (+19.5% year on year in the first five months of 2022) will likely continue to weigh on prices in the region," Moody's

Economic growth in G-20 economies will decelerate to 2.5% in 2022 and 2.1% in 2023, from 5.9% in 2021. In China, growth will be 3.5% in 2022 and 4.8% in 2023, down sharply from 8.1% in 2021.



Click here to view this graph online

In this weeks Issue:

Can Chinese steel markets overcome local negative sentiment?

Will the Indian HRC find acceptance in exports following price hikes?

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Can European mills achieve higher transaction prices supported by lower

PAGE 6

Can US scrap prices recover?

Will Turkish mills sustain production amid soaring energy costs?

How can Russia relaunch its steel production?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-5.37%	-4.19%	-3.73%
02 Sept	85.27	98.07	110.61
01 Sept	85.73	98.72	111.22
31 Aug	91.01	99.25	111.79
30 Aug	90.69	98.29	110.82
29 Aug	92.35	102.12	114.63
Average	89.01	99.29	111.81
26 Aug	94.52	105.66	118.20
25 Aug	91.78	102.21	114.77
24 Aug	94.43	103.97	116.46
23 Aug	94.65	103.52	116.00
22 Aug	94.95	102.87	115.26

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Global Overview

Americas:

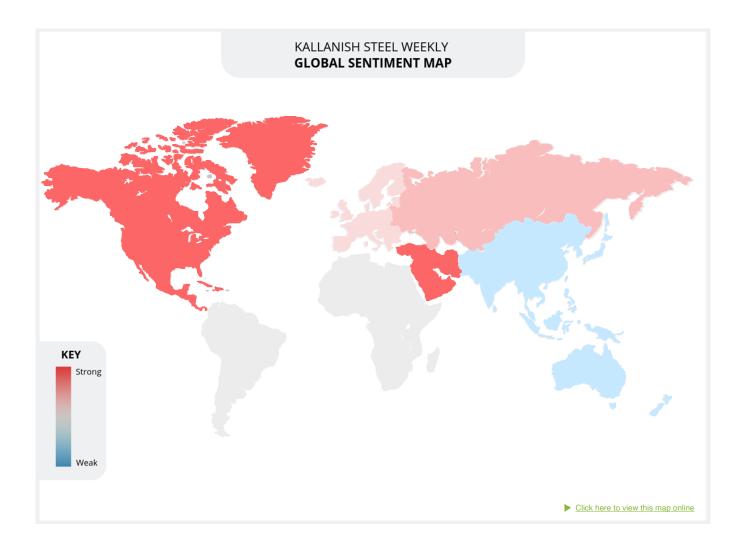
- US scrap prices uncertain US coil prices down
- Rebar holds in US

Europe:

- EU steelmakers lift coil prices
- EU longs offers up
- AM to further idle BFs in Spain and Germany

Asia:

- Chinese rebar down
- Iron ore reaches annual low
- Japanese scrap up



India:

- Indian containerised scrap offers plunge further
- Indian billets still costlier for east African market
 India HRC export offers
- withdrawn amid hike anticipation

CIS:

Black Sea billet market anticipates new deals

Middle East:

- Turkish scrap import prices fall sharply
- Energy, gas price hikes hit Turkish rebar mills
- GCC eyes billet exports to Europe

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Word of the week

Ammonia

Ammonia is a compound of nitrogen and hydrogen with the formula NH3. It has nine times the energy density of Li-ion batteries, and three times that of compressed hydrogen, creating potential as a carbon-free energy carrier and less volatile fluid than compressed or liquid hydrogen.



□ Contact

If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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