Issue: 33-21 | Date: 24 Aug 2021

聞 This week:

Iron ore falls back to Q4 2020 levels - what's next?

Iron ore prices should ease further in the coming months after the iron ore price rally started to show signs of weakening, according to Fitch Solutions. Demand from Chinese steel producers peaked in the first half of 2021 and this is coinciding with improved global supply.

The research firm has nevertheless revised upwards its 2021 iron ore price forecast from \$160/tonne to \$170/t, as prices rallied slightly above its expectations in H1. Beyond 2021, the firm expect iron ore prices to follow a multi-year downtrend, with prices forecast to decline to \$75/t average by 2025.

As for China, "we expect the demand impact from stimulus to start wearing off from late 2021 as construction projects reach completion and the pipeline of further new projects lessens, with the Chinese Government focusing on tightening credit lines," Fitch Solutions says in a note seen by Kallanish. "Additionally, the government is on a steel production limiting drive as an avenue to decarbonise the economy, where the aim for 2021 steel production is to total around 2020 levels."

With China's steel production increasing by 11.4% year-on-year in H1, however, H2 production would have to decline by approximately the same levels, which Fitch Solutions believes is realistically unattainable. Nevertheless, steel production will slow down in H2, dragging on iron ore demand.

The agency simultaneously expects Chinese domestic production of iron ore to increase as China attempts to reduce import dependency, especially as diplomatic relations remain frosty with Australia.

On the supply side, improving production growth from Brazil and Australia has started to loosen tight supplies on the seaborne market, though Vale will take longer to return to pre-Brumadinho dam collapse capacity levels, Fitch Solutions says. "With all miners holding onto production guidances, we expect better production figures throughout the rest of the year, compared to H121 in order to meet targets," it concludes.

According to Kallanish price series, the KORE 62% FE CFR Qingdao lost some \$80/t since mid-July, returning to levels of \$140-150/t CFR, not seen since Q4 2020.



► Click here to view this graph online

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How are Chinese steel prices reacting to falling iron ore?

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Can the EU steel demand recovery continue at this pace until the end of the year?

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Will September's US scrap trading follow August's decline, or has market sentiment changed?

Will the post-summer rebound materialise in CIS and ME?

What is having more impact on Chinese steel: lower iron ore prices or government interventions?

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How is the Brazilian steel sector preparing for 2022 and greener steel?

KORE INDEX

Index	58%	62%	65%
W-o-w % Change	-16.65%	-19.90%	-19.37%
_			
20 Aug	118.90	140.73	165.48
19 Aug	115.20	132.37	158.22
18 Aug	133.60	157.92	187.57
17 Aug	135.34	162.00	192.52
16 Aug	135.51	162.15	192.79
Average	127.71	151.03	179.32
6 Aug	137.95	166.54	197.11
5 Aug	149.76	181.00	214.04
4 Aug	151.93	185.63	219.13
•	101.00	100.00	210.10
3 Aug	152.45	186.10	219.89
3 Aug 2 Aug			

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Global Overview

North America:

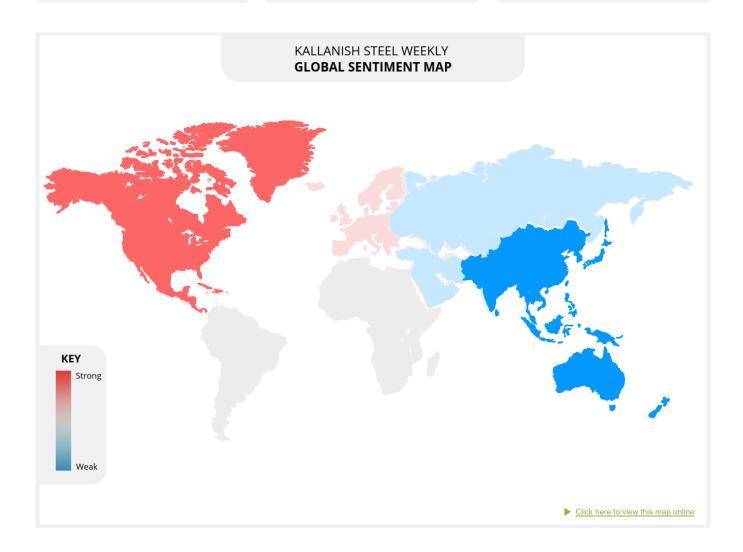
- US sheet pricing advances, cold-rolled prices push higher US plate prices hold flat; buyers expect future infrastructure boost
- Skelp upholds sky-high oil-country tubular pricing

Europe:

- Thyssenkrupp restarts BF Eurofer confirms EU demand recovery
- EU scrap keeps correcting downward

Asia:

- Iron ore prices crash in China Chinese export HRC prices move
- ASEAN markets suffer from uncertainty



Latin America:

- Vale and Ternium to develop
- green steel Brazilian steel production outlook positive

CIS:

- CIS billet nosedives CIS HRC mills hold quotes despite lower bids

Middle East:

- Turkish scrap slumps
- Turkish rebar lull continues
- UAE state projects stipulate ESI rebar

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Word of the week

Wide Flange Beams



These heavy duty structural sections are often referred to as H-beams and I-beams (because of their cross-sectional appearance). They are mainly used in the frames of industrial and hi-rise structures, are internationally traded and are a stockholder item in standard lengths. Dimensions are in metric, except in the USA where they are sold as "W" shapes in inches.

□ 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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