

SAMPLE

Top News:

Elevated iron ore price eats into steel profitability

As most listed steelmakers start announcing their Q2 and H1 financial results, market observers expect to notice overall that profitability has come under increasing pressure in the sector as a consequence of elevated iron ore prices coupled with under-pressure finished steel levels.

Last week the first concrete report of this problem came from South Korea, where, according to Korean market participants, Posco and Hyundai Steel, like other steelmakers, are reportedly facing heavy pressure from the rising price of iron ore.

After six months of negotiation, Posco and shipbuilding companies lead by Hyundai Heavy Industry reached an agreement to consolidate ship plate prices at the same level for the first half-year. Steelmakers had intended to lift prices by KRW 50,000/tonne (\$42/t), while the shipbuilding companies pushed back as they themselves are struggling financially.

Hyundai Steel, the supplier for Hyundai Motor and KIA Motor, was also unable to increase its offer prices on the back of heavy resistance from its clients.

The Kallanish KORE 62% Fe iron ore price index averaged \$93/dry metric tonne cfr Qingdao over January to mid-July. Prices are currently hovering at around \$120/t, without strong signs of correction. Very few in the market predicted such high iron prices this year and Posco itself, in its first quarter report, predicted that iron ore prices would average at \$85/t over 2019.

The direct effect of the high iron ore prices with the fact Korean mills are unable to increase their sales prices is that earning expectations are lowering day after day. Surveys of equity analysts, for example, show Posco is on average expected to earn operating profit of KRW 718.2 billion in the second quarter, dropping by -13% year-on-year. Hyundai Steel, meanwhile, could see profit declining by -33% y-o-y to KRW 224 billion in the second quarter.

This difficult scenario is not visible only in South Korea, but in most countries in the world. ArcelorMittal, for example, the largest steelmaker globally, is expected to post an Ebitda for Q2 of some \$1,529 million, according to the estimates by leading analysts. This would mean a fall of some -50% compared with the figure registered in Q2 2018.

Confirming this trend this week SSAB, the Swedish-based steelmaker active mainly in Europe and the US in the supply of high-valued added flat products, also posted its Q2 results, showing a drop in profitability. Operating profits overall at the company dropped to SEK 66 million from last year's SEK 907 million in Q2. "A sharp rise in iron ore prices and weaker steel prices have resulted in exceptional pressure on margins on the European market," the company explained. It added that the better performance of the American market was not enough to balance the pressure experienced in Europe

In this week's issue:

- ▶ **PAGE 3**
Is Chinese steel demand impacting steel prices?
- ▶ **PAGE 4**
How will European steel demand perform going forward?
- ▶ **PAGE 5**
Did Q2 represent a low point for the US domestic steel industry in 2019?
- ▶ **PAGE 6**
For how long will scrap remain rangebound in \$290-300?
- ▶ **PAGE 8**
Is Buy America necessarily a net positive for the US steel industry?

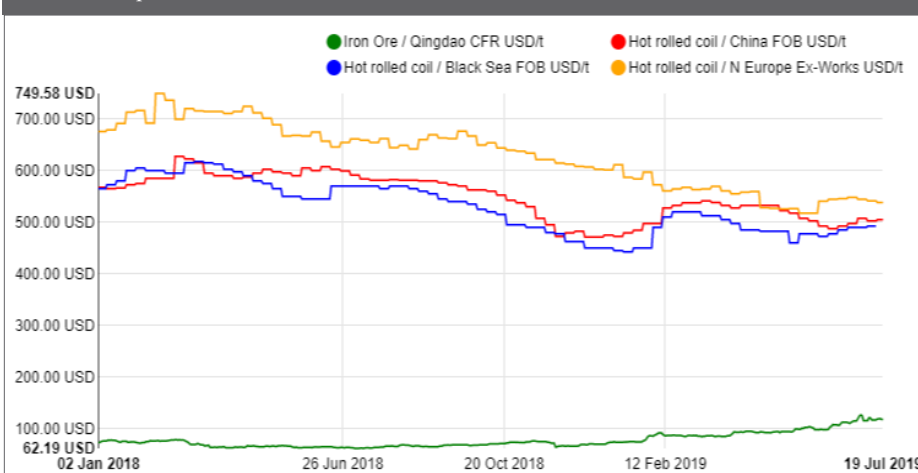
KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change **+0.32%**

19 July 2019	\$	118.68	
18 July 2019	\$	118.36	low
17 July 2019	\$	119.71	high
16 July 2019	\$	119.39	
15 July 2019	\$	119.05	
Average	\$	119.04	

12 July 2019	\$	117.46	
11 July 2019	\$	117.11	
10 July 2019	\$	121.25	
9 July 2019	\$	121.45	high
8 July 2019	\$	116.05	low
Average	\$	118.66	

Global HRC prices VS Iron Ore



For Subscription & Other Enquiries:

CALL
 UK: +44 207 635 6520
 Germany: +49 304280 2034
 Spain: +34 637 018 130
 Singapore: +65 9766 8175
 Bulgaria: +359 896 266 305
 US: +1 412 626-7487
 +1 412-657-2925
 China: +86 182 1728 2941

EMAIL
 General: info@kallanish.com
 Editorial: editorial@kallanish.com
 Sales: sales@kallanish.com

www.kallanish.com

Global Overview

North America

- US pricing slowly gathers momentum
- Early Q2 earnings reflect likely market bottom
- US Hot-rolled increase appears to be taking hold

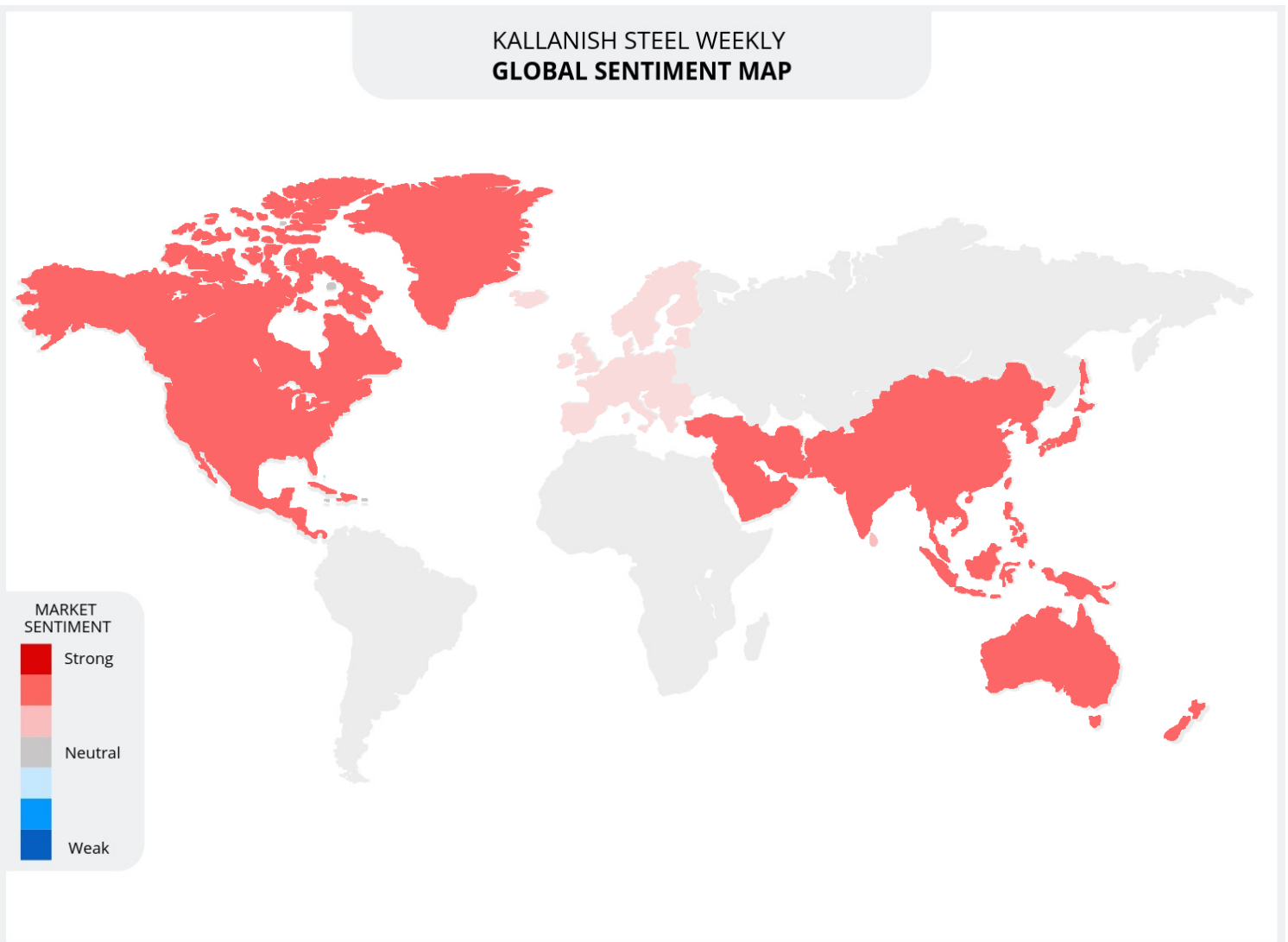
Europe

- Marcegaglia raises tubes prices
- Eurofer remains negative on EU outlook
- Liberty Ostrava cuts output, raises prices

Asia

- Nippon steel to sell assets to fund Essar acquisition
- Chinese steel prices stable
- Iron ore holds

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



Middle East

- Turkish scrap stable
- Turkish mills sell rebar and billet cheaper
- Turkish steel production drops again in June

CIS

- CIS billet mills' price reduction fails to stimulate buying
- CIS slab prices increase amid sales
- CIS HRC market awaits rebound

ORDER FORM

Subscribe to Kallanish Steel Weekly today

Start your subscription to Kallanish Steel Weekly (KSW) today

Kallanish Steel Weekly is a new weekly publication from Kallanish Commodities.

The pricing options for 12 month subscriptions are available below.

To sign up complete the form below and return to us.


Standard: Kallanish Steel Weekly US\$ 1400 / €1250

Premium: Kallanish Steel Weekly US\$ 2000 / €1760

KSW Content:

The publication is filled with market information, charts and graphs.

- Supplied in PDF
- Pricing Table
- 5-6 pages
- Special features
- Prices to watch
- Word of the week
- Global heat map



Start my subscription

Yes, please start my subscription so that I can read the Kallanish Steel Weekly. Please choose your option below:

Option 1: Standard KSW US\$ 1400

Option 2: Premium KSW US\$ 2000

<p>Name <input type="text"/></p> <p>Job Title <input type="text"/></p> <p>Company <input type="text"/></p> <p>Address <input type="text"/></p> <p>City <input type="text"/></p> <p>Phone <input type="text"/></p> <p>Email <input type="text"/></p>	<p>Payment type: <input type="checkbox"/> Pay by invoice <input type="checkbox"/> Pay by credit card</p> <p>Credit card: <input type="checkbox"/> Visa <input type="checkbox"/> AMEX <input type="checkbox"/> Mastercard</p> <p>Card number <input type="text"/></p> <p>CCV <input type="text"/> Exp <input type="text"/></p> <p>Name on card <input type="text"/></p> <p>Signature <input type="text"/></p>
---	--

Please tick below:

I confirm I am signing up for a 12 month subscription to KSW

I have read and agreed to the Kallanish Terms and Conditions.

Signature: _____ Date: _____

Word of the Week

Cut-To-Length

Cut-To-Length is the process where sections of flat-rolled steel is cut into a particular or desired length or shape. Such product that is cut to length is normally shipped flat-stacked.

Contact

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

Kallanish – Spain
Madrid
t: +34 91 0062451

Kallanish - UK
London
t: +44 (0) 208 735 6520

Kallanish - Germany
Berlin
t: +49 304280 2034

Kallanish - Bulgaria
Sofia
t: +359 896 266 305

Kallanish - China
Shanghai
t: +86 182 1728 2941

Kallanish – United States
PA
t:+1 412 626-7487
t:+1 412-657-2925

General:
info@kallanish.com
www.kallanish.com

Kallanish – Singapore
Singapore
t: + 65 97668157



Copyright 2019 Kallanish. No distribution is permitted without the prior consent of Kallanish. To find out about multiple user accounts or corporate subscription packages please contact us on info@kallanish.com or on +44 208 735 6520. Use of any information or material provided by Kallanish is entirely at your risk and in no circumstances is Kallanish responsible for any loss, damage or other negative consequence of use of information or material by you or anyone else.