#### <sup>™</sup> This week:

## Scrap market pins hopes on fourth quarter after a challenging first part of the year

Unfavourable conditions prevail in the recycled steel market, with hopes for improvement resting on the last quarter of the year, says Bureau of International Recycling (BIR) Ferrous Division president Denis Reuter.

Positives could come from effective economic stimulus measures in China, a confident economic policy from the Turkish government and an end to the cycle of interest rate hikes by large central banks, Reuter notes in BIR's latest Ferrous Mirror.

"A mild winter and tax incentives prevented an energy crisis in Europe; the Chinese economy has been recovering more slowly and hesitantly than hoped; a banking crisis in the USA and Switzerland did not escalate, as feared, into a global financial crisis; and there has been an unprecedented tightening of monetary policy by central banks and a gradual decline in inflation," Reuter says of the first half-year.

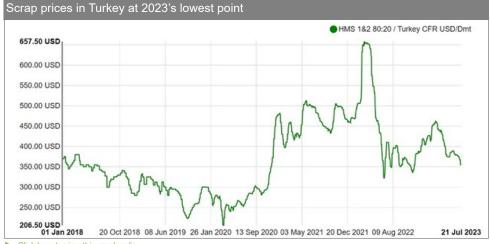
After a satisfactory first quarter for scrap, Q2 saw increasingly clear signs of slowing steel demand, weak industrial data and a continued depressed real estate market dampening Chinese sentiment. Chinese steel output nevertheless still rose 1.6% on-year in January-May, with Chinese exports also growing and pressuring international steel prices, Reuter observes.

The eurozone optimism seen at the beginning of the year seems to have given way to a greater sense of reality, Reuter notes. Production expectations have weakened further, order books have become much thinner despite the recovery in May, and the build-up of inventories has not yet come to an end. Energy-intensive industries were hit particularly hard, with their output 12% lower than a year earlier.

Turkey's steel industry lost its competitiveness in the international steel market given the uncertainties created by the energy crisis, the impact of the Ukraine conflict on the supply chain and economic instability exacerbated by February's earthquake. The outlook for the third quarter remains subdued in view of the multiple problems.

"The Turkish government faces a mammoth task: the necessary reconstruction of the areas destroyed by the earthquake requires substantial investment, and this is happening at a time when spending cuts and a move away from low interest rates are urgently needed to get a grip on inflation and the massive devaluation of the Turkish lira," Reuter comments.

The trend of the Kallanish index for Turkish HMS 1/2 scrap prices confirms the words of Reuter. During the first quarter prices recovered to reach the 2023 peak at slightly above \$460/t CFR Turkey. Q2 and Q3 have been charachterized by decreasing prices, with a stabilisation in May and June. At above \$350/t CFR Turkey prices remain significantly above the average levels registered during the pre Covid-19 years, but the latest negative record registered in June 2022 at some \$325/t CFR Turkey could well be in sight during Q3 if the market continues to remain uncertain.



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When will US OCTG prices reach bottom?

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#### Global Overview

#### Americas:

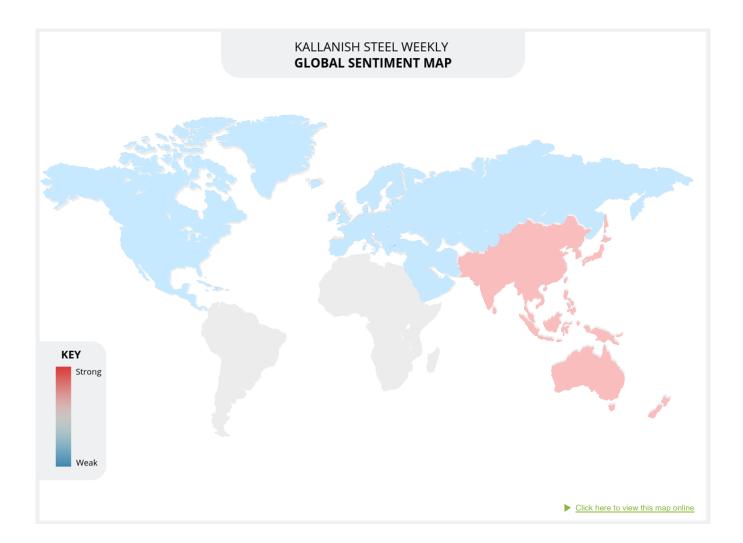
- US HRC price slips as sources' assessments diverge
- US plate prices hold, Nucor Brandenburg fired up
- US OCTG market source predicts pricing bottom

#### **Europe:**

- Metinvest pushes forward plan for new plant in Italy with Danieli Benelux scrap prices remain
- under pressure
- EU importers rapidly use HRC

#### Asia:

- Coking coal recovery lifts Chinese steel prices Vietnamese HRC market picks
- Iron ore prices slightly down



#### India:

- India withdraws HRC offers amid supply shortage
- Pakistan scrap picks up amid
- inventory shortage Bangladesh mills reduces their bulk scrap bids

#### CIS:

Weak sentiment impacts Russian billet prices

#### Middle East:

- Turkish scrap falls again Turkish HRC prices drop as buyers hold off HRC quotes to GCC become
- limited

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#### Word of the week

#### **Precipitation Hardening**

This is a heat treatment technique which is used on certain forms of stainless steel, as well as certain non-ferrous metals like aluminium, nickel and titanium. The technique, often called age hardening, increases the strength and hardness of the metal. At the end of the heating period the metal is cooled using air, oil or water.



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