Top News:

Global crude steel output continues on-year growth

The World Steel Association (worldsteel) says that global crude steel output from its 66 reporting countries was 145.3 million tonnes in October 2017, up 5.9% year-on-year. Capacity utilisation within the reporting countries also rose y-o-y again during the month, but dipped slightly compared to September 2017.

China produced 72.4mt in the month, an increase of 6.1% on October 2016 and now represents just under half of the world's crude steel output at 49.8%. As reported in November the local Chinese authorities have started implementing the output restrictions for the winter season, this is likely to impact crude steel output figures in the next months.

In the EU28 total October crude steel production grew by 3.4% y-on-y to 14.7mt. Estimated output in Germany grew on-year by 2.7% to 3.6mt. Monthly output in Italy grew fairly strongly y-o-y by 6.1% to 2.3mt. French crude steel output rose on-year in October by 1.6% to just under 1.4mt. Spanish output grew sharply by 11.9% y-o-y to 1.3mt.

US crude steel output was 7mt in October 2017, a sharp on-year increase of 12.0%, whilst in Brazil crude steel production was 3mt, up by 3.9% on that in October 2016.

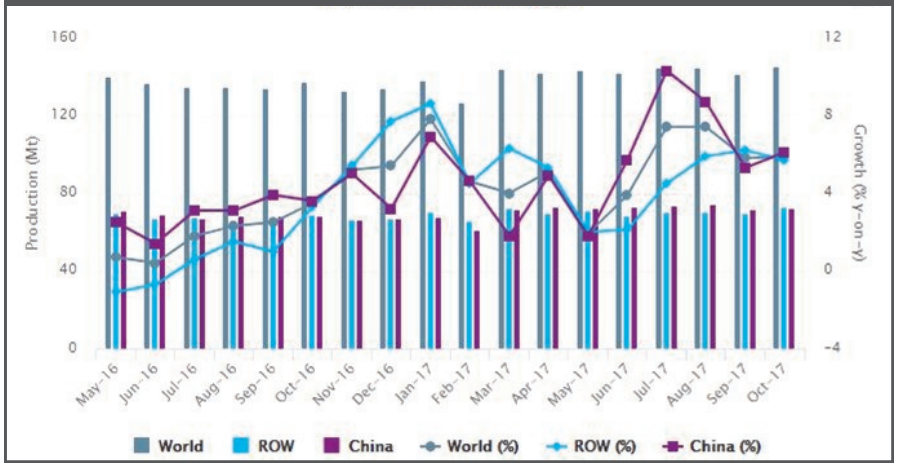
Crude steel production in Japan in October fell by -1% on-year to 9.0mt whilst that of India was 8.6mt, up by 5.3% from the same month of 2016. South Korean production grew by 4.0% y-on-y during the month to an estimated 6.2mt.

Russian production was estimated at an estimated 6.2mt in the month, up by 5% on-year. Ukraine's output slipped to an estimated 1.9mt, down by -4.7 %, same basis.

The worldsteel monthly crude steel capacity utilisation ratio for the 67 countries was 73.0% in October 2017. This was 3 percentage points higher than that in October 2016, worldsteel says, but 0.6 pp lower month-on-month.

Together with the monthly report from worldsteel, last week global markets saw raw material prices recovering significantly. Iron ore surged to surpass $65/t CFR Qingdao while scrap recovered to $325/t CFR Turkey, over $80/t above the level registered at the end of November last year.

Crude Steel Production (Source: worldsteel.org)



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Can Chinese rebar increase further after reaching a new multi-year high?

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Will consumer spending prop up steel demand in the next few months?

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How long will the new scrap uptrend last?

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How is the South East Asian coils market developing as a new player is starting up?

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change			**+4.06%**
24 Nov 2017	$	66.59	
23 Nov 2017	$	66.77	high
22 Nov 2017	$	64.84	
21 Nov 2017	$	63.48	low
20 Nov 2017	$	63.60	
Average	**$**	**65.06**	
17 Nov 2017	$	62.48	
16 Nov 2017	$	61.97	
15 Nov 2017	$	61.87	low
14 Nov 2017	$	63.23	high
13 Nov 2017	$	63.05	
Average	**$**	**62.52**	

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Global Overview

North America:

- Sheet, plate increases raise questions
- OCTG prices stabilize
- Margins set on wire rod

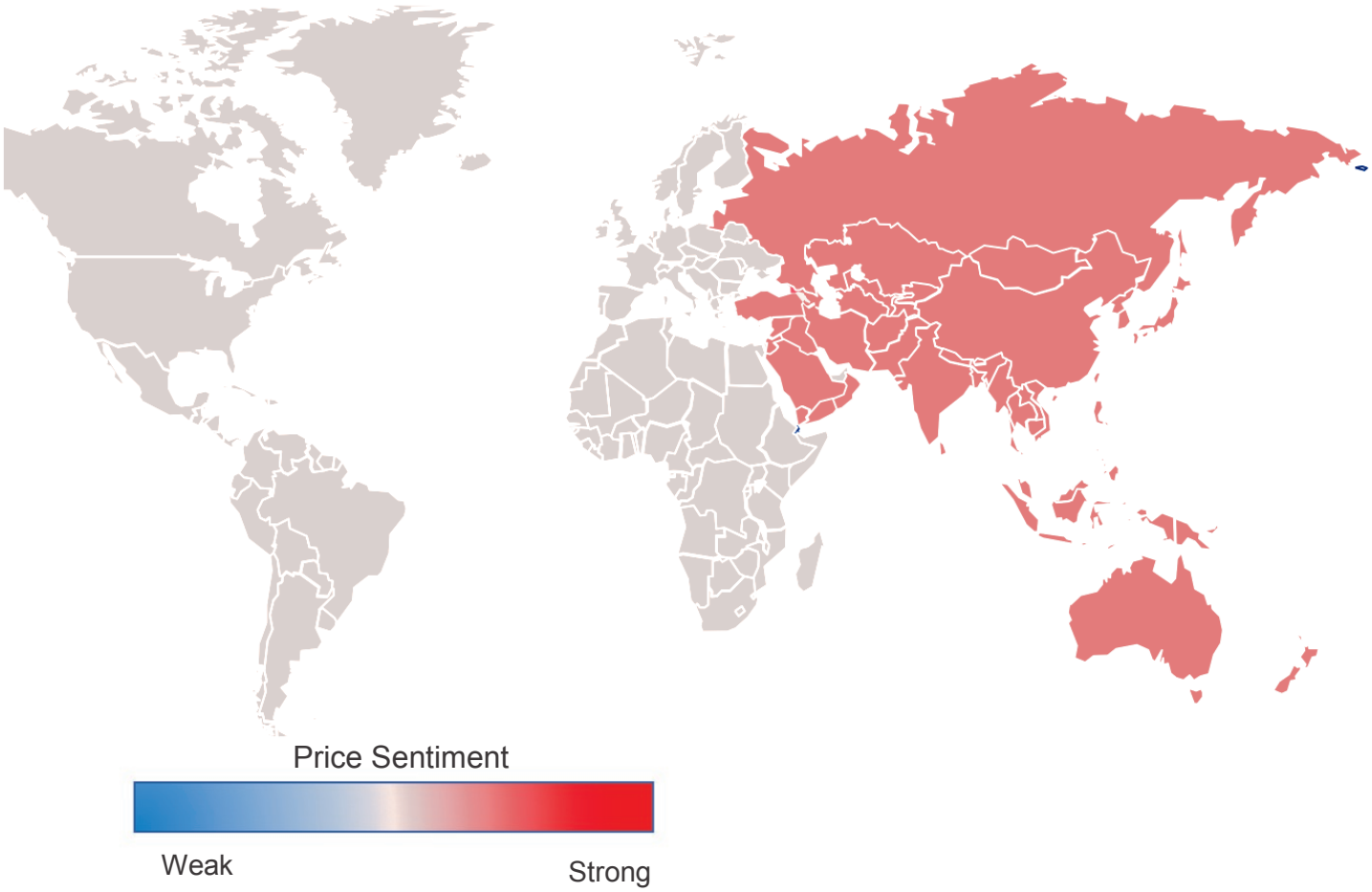
Europe:

- S.EU coil prices up, N.EU stable
- EU scrap looks up for December
- Ascometal files for bankruptcy

Asia:

- Chinese rebar above HRC
- Indian SAIL targets more exports
- Iron ore up during the week

Global Sentiment Map



Middle East:

- Turkish scrap breaks through $315/t ceiling
- Strong Turkish domestic rebar demand continues
- Turkish coil prices slip further
- King Abdullah Port handles first rebar export
- Mid-East steel production surges in October

CIS:

- CIS coil prices arrest downtrend

Asia

Chinese rebar shoots past HRC

Chinese rebar prices leapt last week to reach multi-year highs and overtook hot-rolled coil prices for the first time since June.

HRC prices meanwhile barely increased domestically and in export markets firm Chinese offers meant few deals could be signed. Iron ore, however, also managed a dramatic increase over last week, despite settling slightly on Friday, as the confident steel market allowed traders to talk up prices.

In Shanghai on Friday afternoon 20mm HRB400 rebar was trading at CNY 4,240-4,300/tonne ($641-650/t), up CNY 165/t week-on-week. Buying was not at a particularly high level, but was enough to bring down inventory levels amid tight supply. This week has seen a clear slowdown in shipments to market as a result of steelmaking restrictions in northern China. With restrictions in place until mid-March, it is expected that the market will remain tight and prices should be strong in the near term. Around 40% of traders contacted in the Shanghai area had sold out of particular grades of rebar or were unable to supply particular brands from their stocks

5.5x1,500mm Q235B hot rolled coil meanwhile was trading at CNY 4,120-4,160/ tonne ($623-629/t), up just CNY 5/t from a week earlier. Traders increased offers by CNY 10-20/t on Friday afternoon on continued buying and firm futures prices. Traders said buying was continuing, especially from large traders and for thicker grades. There remained a large number of traders in the market with some inventory and so the impact of production restrictions was not felt as much as for rebar. HRC prices in Shanghai fell below rebar for the first time since June.

Although domestic HRC was much less strong than rebar, firm prices still meant few opportunities to export. The lowest Chinese offers for 2mm SAE1006B HRC were at around $565/t cfr Vietnam but buyers in most regions had more competitive offers of Indian or Russian material. With Chinese mills less flexible in their offers, Kallanish assessed 2mm SAE1006B up $3/t at $548-553/t fob.

Seaborne iron ore prices settled back slightly on Friday after a dramatic week of increase. The Kallanish index for 62% Fe Australian fines dropped $0.18/tonne to $66.59/dry metric ton cfr Qingdao on Friday but was still up more than $4/t over the week. The price surge for high grade fines has been fuelled by optimism and winter steel restrictions but these factors have not supported lower grade ores. The commodity is caught in a sweet-spot between buying by mills for the end of the winter restriction period, and the start of the restriction period pushing up iron ore prices. How far iron ore can go will likely depend on steel prices more than anything else. The end of the winter restriction period should be matched by seasonally strong demand, giving mills the confidence to buy at higher prices.

This is true at least for the higher grade ores which they are after. Lower grade iron ore prices have remained weak in recent days, almost ignoring the surge in prices for higher grades. High Fe domestic concentrates are also seeing supply tightened by mine closures over the winter, adding to the spread between high and low grade imported prices. FMG recently altered the discount to 62% Fe indices for its core 58.6% Fe material to 29% for December contracts, from 25.5% in November. That leaves its margins well below those of its higher grade competitors. .

LONGS

Singapore rebar market rebounds on rising offer prices

Suppliers have raised their offer prices for BS4449 500B 10-40mm rebar to Singapore this week. Buyers will need to raise their bid prices if they want material, trading sources say. Last Thursday, 20,000 tonnes of Indian rebar concluded at $508/tonne cfr Singapore. Earlier last week, 50,000t of Middle Eastern rebar was ordered at around $506/t cfr. These deals are believed to be traders' position cargoes. This week, offers are heard at $520/t cfr and $525/t cfr for Indian and Middle Eastern rebar respectively. Offers from China are prevailing at $540-550/t cfr, up $10/t on week. All

Prices to watch:

HRC China FOT Warehouse CNY	HRC / China / FOB / USD/t	Rebar / China FOT Warehouse CNY/t
4140	450	4270
0.1%	0.5%	4%

In the news this week:

LONGS

Wire rod prices firm in the Philippines

The Manila wire rod import market is rising. Prices had slumped last month and traders expect overseas suppliers to further hike prices. Earlier this week, a booking for Chinese SAE1008 6.5mm diameter wire rod concluded at $575/t cfr Cebu, and suppliers are now aiming to export at $575/t cfr Manila, up from $570/t cfr previously. Wire rod from Vietnam was offered recently at $565-575/t cfr Manila but material at this price level is likely unavailable now. Vietnamese wire rod was introduced into the Philippines market earlier this year and its pricing has been competitive with Chinese material.

CORPORATE

Japanese steel exports slide again in October

Japan exported 2.99 million tonnes of iron and steel in October, down -10.4% year-on-year, according to preliminary customs data published by the Ministry of Finance. Export volumes have continued to drag on Japanese demand despite a recovery in domestic demand. Of these exports 2.43mt went to Asian markets, down -3.3% y-o-y, while exports to China were down -2.5% to 437,000t. South Korea was again the largest market, taking 443,000t of iron and steel, despite a -24.6% y-o-y slump. Asean, meanwhile, saw volumes fall -4.2% y-o-y to 1.03mt.

CORPORATE

Sail to hike exports after narrowing September-quarter loss

Steel Authority of India (Sail) plans to hike the share of exports in saleable steel production to 10%, targeting new markets such as Africa, the Philippines, Indonesia, Thailand, Sri Lanka and Bangladesh. The state-owned Indian steelmaker reported a -2% on-year decline in shipments in the second fiscal quarter through September (FQ2) to 3.54 million tonnes. Revenue, though, rose 8% to INR 13,617.42 crores ($2.09 billion) and net comprehensive loss narrowed 26% to INR 538.32 crores.

RAW MATERIALS

Coking coal prices hike on port disruption

Seaborne coking coal prices have also been buoyed by the tighter and more confident Chinese steel markets in recent weeks. In addition to sentiment, delays at Australia's Dalrymple Bay Coal Terminal are also pushing up prices. On globalCOAL 75,000t of hard coking coal sold at $200.75/tonne fob Australia for January 2018 shipment on Wednesday. That compares with a similar deal at $185/t for December shipment on the same platform on 10 November. On the Dalian Commodity Exchange meanwhile January coking coal futures settled at CNY 1,262.5/t (191/t), up CNY 45/t, while coke futures settled up CNY 43.5/t at CNY 1,955.5/t.

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