

## Top News:

## Global markets continue to evaluate effects of Turkish crisis

August is usually a relatively calm month for the global steel markets as most of the main producer countries take an annual summer break. This year, nevertheless, the announcement by the US authorities of the decision to double the import tariffs for steel and aluminium for Turkish products forced many observers to shorten their holidays. There is a sudden need to analyse the effects of the move on the global steel sector.

The first effect of the US announcement was a fall in the value of the Turkish lira, reaching TRY 7 per dollar in mid-August, double what it was in October 2017. During the last days the lira recovered slightly, but it still remains above TRY 6 per dollar. In this week's edition of the Kallanish Steel Weekly we analyse in more depth the effects of the crash of the value of the Turkish Lira in our feature piece. In this, we consider the views of a leading trader based between Istanbul and London.

In addition to the depreciation of the currency, the scrap market suffered a major fall with the global benchmark falling back to \$300/tonne cfr Turkey, the lowest level since November last year. While market observers are speculating that the price could drop further, the correction has already significantly changed the international steel sector.

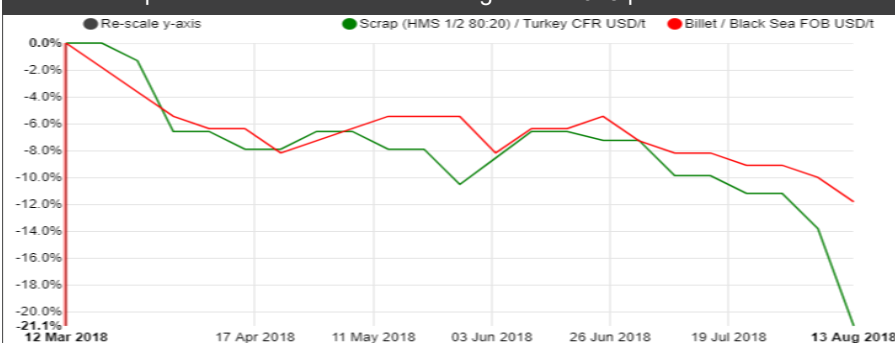
Iron ore is holding at above \$65/t cfr Qingdao meaning that EAF-based producer globally have seen their competitiveness improve significantly during the last two weeks compared with integrated producers. Currently scrap is trading at a premium compared with iron ore of only just above \$230/t; at the end of August last year the premium had risen above \$275/t.

As expected, the fall in scrap price has dragged down CIS billet prices. According to the Kallanish price index, billets out of the Black Sea were traded at \$485/t fob last week, the lowest level since beginning of December last year. Among market participants there is little expectation of a recovery in billet prices before mid-September and even then a pick-up can only be envisaged if scrap in Turkey finds a way to recover.

The fall in billet prices was strong, but not as significant as the one registered in the scrap market. Both scrap and billet reached their peak in mid-March this year, but since then scrap lost over -20% in value while billet has retreated by only just around -10%.

During the coming weeks most global steel markets will evaluate the impact of the Turkish situation. It is clear nevertheless that both scrap and longs markets globally are set to be impacted in the short term as Turkish producers lower their export prices. In Europe, for example, September scrap settlements are expected to be effected at lower prices, while in South East Asia lower rebar and billet offers from Turkey have already been reported.

Turkish Scrap and Black Sea Billet - % change from 2018 peak in mid-March



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Can the Chinese rebar market hold despite the increased competitiveness of Turkey?

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What could be the impacts on the market of a "No Deal Brexit"?

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Can current US prices stabilise without 232 support?

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Will Turkish scrap sink below \$300/t after the holiday?

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How will the latest developments impact the Turkish steel market?

## KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change **-2.55%**

17 Aug 2018	\$	66.95	
16 Aug 2018	\$	<b>65.95</b>	<b>low</b>
15 Aug 2018	\$	66.62	
14 Aug 2018	\$	67.22	
13 Aug 2018	\$	<b>68.09</b>	<b>high</b>
<b>Average</b>	\$	<b>66.97</b>	

10 Aug 2018	\$	68.58	
09 Aug 2018	\$	<b>69.20</b>	<b>high</b>
08 Aug 2018	\$	69.19	
07 Aug 2018	\$	68.51	
06 Aug 2018	\$	<b>68.13</b>	<b>low</b>
<b>Average</b>	\$	<b>68.72</b>	

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# Global Overview

## North America

- Sheet, tube prices fall
- 232 future uncertain
- US Steel invests big in Gary

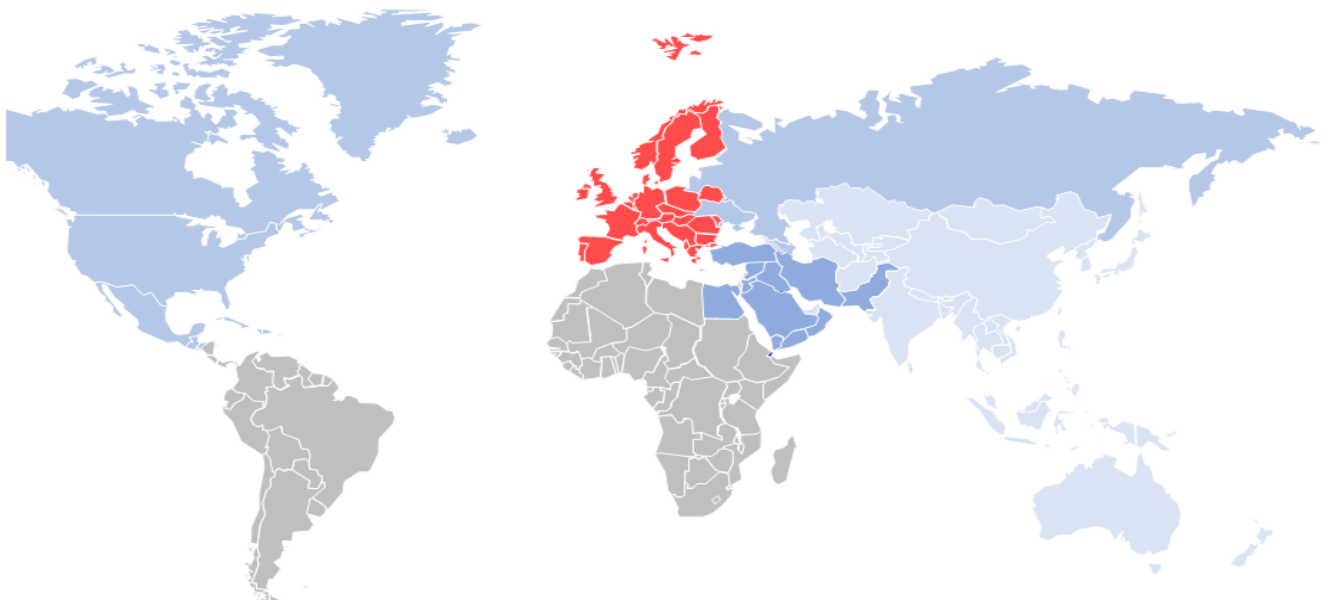
## Europe

- No Deal Brexit impacts analysed
- Spanish scrap prices looking down
- Thyssenkrupp set to boost galvanised capacity

## Asia

- Chinese rebar prices up
- Turkish offers in Asia more competitive
- Japanese steel orders recover

## Global Sentiment Map



Weak

Strong

## Middle East

- Turkish scrap sinks to \$300/t
- Erdemir to build new blast furnace
- Diversified exports boost Qatar Steel revenue

## CIS

- CIS billet feels knock-on from Turkish scrap slump
- CIS slab prices weaken



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