

## Snapshot over a Fortnight

### News Flash

**Steel makers reduce Long Steel prices and increase Flat Steel prices wef August:** SAIL has reduced Long Steel prices in the range of Rs. 500-2000 per tonne while it has increased Flat Steel prices in the range of Rs.800-1000 per tonne. Tata Steel has increased Flat Steel prices in the range of Rs.500-1000 per tonne while it has slashed Long Steel prices in the range of Rs.1000-1500 per tonne. JSW Steel has also increased Flat steel prices by 2 to 3 percent while it has reduced long product prices by up to 4 percent.

**Galvanized prices increased twice in a month on account of sharp rise in Zinc prices and strong demand from automobile and white goods sector:** Uttam Galva will increase CR and Galvanized prices by Rs.2000 per tonne, effective Aug 15; second increase after a hike of Rs.2000 per tonne in the beginning of this month.

**Tata Steel records highest ever crude steel production in July:** The Company's crude steel production for July 2009 increased 27 % year-on-year to 553,000 compared to 436,000 tonnes in the corresponding period last year. Hot metal production during the month rose 24% to 597,000 tonnes compared to 482,000 tonnes in the same month last year. Saleable steel production also rose 24% to 539,000 tonnes from 435,000 tonnes in July last year. Sales during the month were reported at 478,000 tonnes, up 18% from last year.

**India steel demand in July up on auto and engineering demand rise:** India's steel consumption in July 2009 grew at its fastest pace in over six months, as demand picked up from the automobile and engineering industries on faint signs of an economic recovery. As per report India's finished steel production in July rose 5.9% on year to 4.79 million tonnes. Imports during the month were up 3.2% at 581,000 tonne while exports fell by 48% to 283,000 tonnes.

**Crude Oil Climbs Above \$70 as Asian Shares Rise on Economic Outlook:** Crude Oil prices rise on European, US economic optimism. Oil rose in New York after confidence in the world economy surged to a 22-month high in August and the Fed pledged to keep interest rates low. The dollar weakened against the euro, increasing the appeal of commodities.

### Steel Sector

The **domestic steel market** exhibited an improved market sentiment in the Flats sector while a sharp decline was noticed in the Longs segment beginning of August. The country's top steel makers – SAIL, Tata Steel, Ispat Industries and JSW Steel have increased prices of their flat steel products sold in the spot market by up to 3% w.e.f. August 1 due to higher input costs and rising metal prices globally. At the moment, 2mm commercial grade HRC from SAIL is selling at Rs. 29,500-30,000/MT ex-stockyard excluding taxes in Mumbai whereas CRC is being sold at around Rs 33,000/t ex stockyard. Tata Steel has raised the price of the same products by Rs. 500-1,000/MT, while the remaining others are also hiking their flats base prices by as much as Rs. 1,200/MT. Specialized steel maker Uttam Galva has also hiked the prices of galvanized steel products in the month of August by Rs 2,000/MT with immediate effect due to increase in the cost of raw materials.

The flat steel market across the country exhibited a rising price trend over a fortnight with almost all the major steel makers making upward revisions in their flat product items since the beginning of this month owing to improving demand both at home and abroad. A steady flow of demand from the automobile and white goods sector all across has further improved the market conditions. This has also impacted the auction platform which was evident from the improving prices; a rise of 2 to 4 percent was noticed over a week.

Long Products market continues to head southward with monsoon dampening the market sentiment: Rebar prices have fallen by as much as Rs. 1,200/MT over a week in the domestic market as heavy rains limits the construction activity. Traders reported bookings for benchmark 12mm rebar is currently around Rs. 30,800-31,200/MT, all incl. down from Rs. 32,000-32,220/MT last week. Rebar 16-25mm in diameter sold for Rs. 30,700-31,100/MT, all incl. down from Rs. 31,900-32,100/MT a week earlier. The price of wire rod too remained stagnant last week with demand remaining sluggish across the country. The current prevailing market price of low carbon steel wire rod is in the range of Rs. 26,500-28,500/MT (basic). The semi-finished items too witnessed a sluggish trend last week with Billet prices in the west dropping by Rs. 200-300/MT to prevail at Rs. 19,200- 19,300/MT (basic). According to the market sources, the prices of the end products like rebars are falling everyday as a result it is becoming extremely difficult for the billet producers to hold their prices at the moment.

Long steel market witnessed some improvement in the beginning of second week but the market conditions still remain volatile. The latest offers for billets were quoted at Rs. 20,500-21,000/MT ex-stock, up from Rs. 19,300-19,500/MT in the last week According to the market sources, traders have begun stocking up, the overall sentiment is good and there are more enquiries which are resulting in sales. However, the sustainability of this improvement still remains doubtful as the volatility in the market cannot be ruled out yet which is evident from the southward movement of the steel ingot prices since the beginning of this week.

Prices achieved through **e-auction** have almost remained aligned with the domestic market. In consonance with the improved market sentiment in the flats segment and with demand coming up from automobiles and white goods sector, the impact was also felt in the auction platform where prices saw an increase in the range of 4 to 8 percent over a fortnight across various HR, CR and Galvanized items. The longs segment however suffered due to poor demand with the ongoing monsoon and low market sentiment. Prices suffered in the range of 1 to 3 percent over a fortnight across Billet, Bloom, TMT and Structural items. On account of poor demand in the market, a declining scenario is forecasted in the Longs sector while the Flats sector is expected to exhibit a firm price trend.

The **international steel market** for flat steel items remained upward in the month of August with improvement in demand mainly coming up from the white goods and automobile sector. The HR Coil market in Italy is moving on a steady note at present and the tube makers are working at good levels as the automotive industry is showing some signs of recovery, and is also ordering flats and engineering steels. The Northern European strip market retains its mood of cautious optimism as order intake increases and idled capacities come back online to meet demand. The slab prices in CIS nations continue to be strong this month. US flat market also exhibited a steady trend over a week. On the other hand, the overseas hot rolled coil producers are lifting their offer prices to China in response to ever stronger domestic prices. Currently, imported HRC prices offered from Russia are heard at USD 530/MT cfr China, up by almost USD 50/MT from the last month.

The international market for long steel items witnessed an upward price trend. Merchant bar prices in north-west Europe have made gains of USD 7-14/MT to prevail at USD 564-592/MT delivered, in the first week. On the Asian front, the Chinese export offers of rebar and wire rod continued to increase as a result of higher domestic market prices. Rebar offers prevailed at around USD 560-570/MT fob in the first week, up from USD 550-560/MT, the week before; while wire rod offers have risen to USD 570-

580/MT fob from USD 560-570/MT as compared to the previous week. The major billet producers in the CIS have been booking billet at USD 430-440/MT Black Sea in the second week of the month up from last week's transacted price of USD 400-410/MT fob Black Sea. The US longs market also remained jubilant over a fortnight.

## Ferrous Scrap Sector

**Indian domestic metallics prices show upward trend:** Indian domestic demand for metallics has remained stable over the past few months, while prices have strengthened from the beginning of August. In south India, coal-based sponge iron with an Fe content of 75-80% is selling at levels of around Rs 11,000/tonne (\$228/t) ex-works without taxes. This is an increase of around Rs 500/t since the first week of August and around Rs 800-1000/t above July levels. In the same region higher grade coal-based sponge (85% Fe) is now selling at around Rs 12,200/t, up by Rs 800/t in the past two weeks. Meanwhile, steady exports of pig iron have created a shortage of domestic market supply. Foundry grade material is selling at Rs 20,000-21,000/t ex-works, whereas steel grade pig iron is selling at around Rs 19,000-19,500/t (\$393-404/t) ex-works – some Rs 1000/t higher than July levels. The main reason for the increase in prices is better domestic demand and higher input prices of iron ore and coke. Pig iron demand is fairly stable now, with major producers such as Tata Metaliks keeping offer prices for foundry grade constant at last month's levels of Rs 19,500/t ex-works.

**An improvement noticed in the domestic scrap market:** The Indian scrap import market, which was subdued throughout the month of July, has seen a slight improvement in the first week of August, although market players predict that it will be September before there is any visible upward movement in demand and prices. Until the first week of August imported containerized HMS 1&2 was being sold at levels of around USD 250-260/MT cfr. Local HMS 1&2 sold at around Rs.14,000/MT, all incl. (USD 292/MT) in south India and around Rs.15,500/MT, all incl. (USD 323/MT) in the north in the second week of the month. Melting scrap in Mandi Govindgarh market too portrayed an upward trend with prices rising by as much as 4 % over a fortnight.

The **international steel scrap** remained upward in the beginning of August as supply tightened and export market moved up. In USA, the prices of shredded steel scrap FOB East Coast increased by USD 15/MT over a week and USD 25/MT over a fortnight to prevail at USD 280/MT. Steel scrap HMS 1&2 (80:20 mix) in USA also witnessed a price rise of USD 5/MT over a week and USD 15/MT over a fortnight to prevail at USD 275/MT. The European scrap steel market also exhibited a rising trend. The shredded steel scrap FOB Rotterdam prices witnessed a rise of USD 10/MT over a week and a rise of USD 20/MT over a fortnight to prevail at USD 275/MT while steel scrap HMS 1&2 (80:20 mix) FOB Rotterdam prevailed at USD 270/MT.

## Iron Ore Sector

The beginning of August has seen a surge in Iron Ore prices with export market moving in a positive direction. Seeing the expanded demand of iron ore fines from China, the major Indian iron ore market, and the relatively tight supply from other countries, like Australia, to China, Indian iron ore exporters move the price up. A source from a Karnataka-based exporting company reported that the quotation of iron ore fines 63.5% rejection below 62.5% is USD99/t CIF Chinese main ports, USD4/t higher than that of last week. Meanwhile, the source predicted that the price may further increase in following days. In recent weeks, the price of Indian iron ore fines has kept increasing in China and now some Chinese importers offer USD110/t for the iron ore fines 63.5% rejection below 62.5% to Chinese buyers. The high price also stimulates Indian exporters to move up the quotation. A source from a West Bengal-

based exporting company confirmed the high price. Now the source quotes USD72/t FOB Indian east coast for iron ore fines 63% rejection below 62%, USD2/t higher than that of last week. Fe63% grade price has seen a whopping rise of around 28 percent over a month and around 11 percent over a week.

## Coal & Coke Sector

**India's coking coke import prices rise \$10:** India's metallurgical coke import prices have risen \$10 from end-June on higher demand and freight rates. Import prices have risen to \$270-280 per tonne cfr from \$260-270 at end-June and \$240-250 in April-May. Most domestic coke producers are expanding so supply is plentiful. Meanwhile, domestic producers of metallurgical coke are importing coking coal at \$130 per tonne fob Australia, said trade sources. Ennore Coke, which produces around 600,000 tpy, has agreed to buy at \$100-118 per tonne fob for soft and semi-soft coking coal and \$128 for hard coking coal.

China's domestic coke prices continue to rise on the back of strong local demand but coke exports remain gloomy. China's coke export price for first grade metallurgical coke seems to have anchored at around \$380-400/t fob since May. Traders believe strong domestic coke prices are pushing up costs for exporters and making it almost impossible for them to export.

China coking coal producer raises coal prices. Xishan Coal and Electricity Power raised prices of coking coal by around RMB 100-120/tonne (\$14.6-17.5/t) for August. This takes Xishan's coking coal prices to RMB 1,125/t for washed coking coal (up by RMB 100/t), RMB 1,210/t for washed fat coal (up by RMB 120/t), and RMB 930/t for washed thin coal (up by RMB 100/t), on an ex-vehicles basis including 17% VAT.

## Base Metals Sector

The base metals pack kick-started the month of August on a positive note with the sentiment being boosted by the strong US July jobs report coupled with weaker dollar and improving manufacturing conditions in China. However, prices saw a slow growth in the second week which is mainly due to the fresh flow of investment.

**Nickel:** Nickel is on the rising spree from the very beginning of the month of August on the back of strong US economic data released early this month and also due to healthy growth of the Chinese manufacturing sector of late. In the first week of August, nickel prices shot past the USD 20,000/MT mark at LME, the highest in the last eleven months. The domestic market also reflected a similar rising trend for the metal. Over a week Nickel made a jump of 16% at LME and 14% in the domestic market, while over a fortnight a surge of 20% and 19% was noticed at the respective places.

**Aluminium:** Aluminum market exhibited a rising trend since the beginning of the month of August as positive sentiment outweighed the negative factors like rising inventories. In Aug week 01, aluminium price at LME rose by as high as around 10 per cent as compared to the week before while its counterpart in Mumbai saw a rise of more than 8 per cent over the same period. However, in Aug week 02, a mountain of surplus stocks and the increasing likelihood of production capacity resumption have indeed found to put brakes in the metal's price ascent that was discerned in the first week of the month. Over, a fortnight a rise of 9% was noticed both at LME and in the domestic market.

**Copper:** Copper prices at the beginning of the month of August rose to the highest levels since October, 2008; fuelled by the optimism about resumption of growth in China and on signs of a possible

US real estate market recovery. The metal used in power and construction has gained around 8 per cent over a week both at home and LME while a positive gain of 10% was noticed over a fortnight.

**Zinc:** The market for the white metal kicked off on a jubilant mood with the commencement of the month of August mainly due to renewed demand from the automobile sectors, galvanizers and other end users all across the world. In the first week of the month zinc prices increased by around 9 per cent both in the domestic market and at LME as compared to the week before while the Aug week 02 failed to borne the legacy of the skyrocketing zinc prices that were observed in week 01. Over, a fortnight a rise of 9% was noticed both at LME and in the domestic market.

**Lead:** Lead market exhibited an upward trend in the first week of August with the market sentiment being boosted by the strong US July jobs report coupled with weaker dollar and improving manufacturing conditions in China. Lead both at home and LME rose by around 8 per cent in week 01 as compared to the week before. However since the beginning of the second week, prices started softening markedly and ended up in the negative zone compared to the prior week, a drop of 2 percent was noticed. Over a fortnight, a rise of 4.5% was noticed at LME and a rise of 5% was noticed in the domestic market.

## Ferro Alloys Sector

Ferro-Alloys market witnessed a firm price trend over a fortnight.

**Ferro chrome:** The high carbon Ferro chrome market started off on a steady note for the month of August with the prices remaining stable at Rs. 61,500/MT (basic). However, prices softened slightly in the second week of August with prices falling by Rs. 1,000/MT and is prevailing at around Rs. 60,500/MT (basic) at the moment. According to the market sources, the domestic ferro chrome market is not expected to be optimistic in the coming days. Chinese market for ferro chrome is experiencing a depressing trend of late with demand being on the lower side.

**Ferro molybdenum:** Ferro molybdenum market remained upbeat since the inception of August. In the first week, prices have seen a rise of around Rs. 100/Kg to prevail at around Rs. 1,175/Kg (basic). The market has remained by and large stable in Aug week 02 with demand remaining more or less steady. Ferro molybdenum markets at China and Europe have also remained more or less stable in the last few days.

**Ferro vanadium:** The market for Ferro vanadium has remained upward since the beginning of the month of August. In Aug week 01, the Ferro vanadium price in the domestic market has increased by Rs. 10/Kg to prevail at around Rs. 840/Kg. However since the beginning of the second week, the Ferro vanadium market experienced yet another lap of price improvement by Rs. 10/Kg and is prevailing on a steady mode since then at around Rs. 850/Kg (basic). With supply remaining tight, the ferro vanadium markets both at Europe and China are firm at the moment.

**Ferro manganese:** The domestic market for ferro manganese started on a stable note with the commencement of the month of August and prevailed at around Rs. 41,000/MT (basic). However, a price improvement of around Rs. 2,000/MT was noticed for ferro manganese (60%) in Aug week 02 and is prevailing stable since then at around Rs. 43,000/MT (basic). In the European markets, the prices for manganese alloys have increased in the last few days although demand has not improved notably.

## Price Trend of Base Metals, Steel& Scrap

### International Prices:

Price at LME in USD/tonne	Aug Wk 02	July Wk 04	July Wk 02	Jun Wk 04	Jun Wk 02
Nickel	20238	16174	15261	15371	14943
Zinc	1847	1641	1508	1543	1581
Aluminum	1969	1722	1566	1606	1612
Copper	6194	5420	4878	4976	5106
Lead	1844	1693	1641	1675	1709

Source : LME

### Indian Prices:

Price at India in Rs/kg (basic)	Aug Wk 02	July Wk 04	July Wk 02	Jun Wk 04	Jun Wk 02
Nickel	966	803	732	744	713
Zinc	89	80	73	75	77
Aluminum	95	86	76	78	76
Copper	297	268	240	240	247
Lead	89	85	78	81	82

Source: NCDEX, MCX

### International Prices:

Items	Aug'09 Week 2	July'09 Week 4	July'09 Week 2	June'09 Week 4	June'09 Week 2
China Domestic HRC Yuan/tonne	4260	3920	3660	3600	3450
China Domestic CRC Yuan/tonne	5400	5000	4630	4580	4400
China Domestic Rebar Yuan/tonne	4260	3920	3780	3680	3500
Europe Domestic HRC Ex-Works €/t	400	380	380	350	350
Europe Domestic CRC Ex-Works €/t	470	450	450	420	420
US Domestic HRC FOB \$/tonne	500	480	460	400	370
US Domestic CRC FOB \$/tonne	600	580	560	500	480
CIS Export HR Coil \$/tonne	520	510	490	490	380
CIS Export Slab \$/tonne	390	380	370	320	320
CIS Export Billet \$/tonne	430	390	390	400	360
CIS Export Rebar \$/tonne	450	400	400	440	400
Shredded Scrap US fob East Coast \$/tonne	280	260	235	235	220
HMS I&II(50:50) fob Rotterdam Export \$/tonne	240	220	210	210	190
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	270	250	240	240	220
IOF Fe=63.5% CNF China USD/tonne	110	94	86	81	74

Source: Metal Bulletin

### Indian Prices:

Items	Aug'09 Week 1	July'09 Week 4	July'09 Week 2	May'09 Week 4	May'09 Week 2
Pig Iron at Kolkata	21278	21926	22526	22675	22487
Pig Iron at Delhi	23300	23400	23000	23200	22500
Sponge Iron(Coal Based) at Kolkata	14375	14750	15500	16710	16735
Sponge Iron(Coal Based) at Delhi	13500	13800	13800	17000	16500

Melting Scrap(HMS I) at Kolkata	15600	16536	17680	18980	18720
Melting Scrap(HMS I) at Delhi	15200	15000	16000	20000	19500
Billet(100mm) at Kolkata	26324	26468	28136	28032	27928
Billet(100mm) at Mumbai	26784	26984	28124	28044	27984
Bloom(150*150mm) at Kolkata	26194	26236	27704	27704	27600
Bloom(150*150mm) at Mumbai	25048	25008	26488	26368	26228
Wire Rod(6mm) at Kolkata	33643	33755	33846	34171	34486
Wire Rod(6mm) at Delhi	33559	33489	33979	35068	34893
TMT Bar(10mm) at Kolkata	33166	33334	33465	34365	34147
TMT Bar(10mm) at Delhi	33379	33274	34009	35438	35403
Angles(50*50*6mm) at Kolkata	33048	33755	34141	33874	33993
Angles(50*50*6mm) at Delhi	33368	33228	33823	34593	34453
Plate(6mm) at Kolkata	33330	33344	33422	33370	33280
Plate(6mm) at Delhi	34314	34184	34284	34184	34114
HR Coil(2mm) at Kolkata	34008	34008	33990	33991	33997
HR Coil(2mm) at Delhi	34569	34419	34489	34329	34329
CR Coil(0.63mm) at Kolkata	36090	36138	36058	37310	36282
CR Coil(0.63mm) at Delhi	36648	36568	36968	36568	36248
GP Sheet(0.63mm) at Kolkata	40788	41190	40647	40788	40290
GP Sheet(0.63mm) at Delhi	39688	40588	40588	40588	39688

Price quoted above in Rs./tonne is all inclusive. **Source: JPC**

## Outlook

The international outlook for flats prices is expected to firm up in most regions. Northern European flats demand will need to improve during Q4 to absorb current production levels. Flats demand may also improve slowly in US but prices appear to be at their limit unless scrap prices increase. Prices in Asia should continue to be slightly firmer. Long products prices should slowly increase in Asia, and potentially in US too, but European levels are likely to weaken further.

SAIL chairman gives cautious outlook on steel prices: Steel Authority of India Limited does not expect steel prices to fall but is cautious on prospects of improvement in prices.

Mr. SK Roongta chairman of SAIL told reporters that 'We do not see any pressure on prices at this moment but we have to be cautious when we are talking of improvement in prices also.'

Base metals outlook remain mixed: Given the sharp rise in prices, correction could come in. While nickel has been performing reasonably well of late and fundamentals are seen to be improving, it remains particularly vulnerable to any stuttering in the global economic upturn.

**Source: Asian Metal, SBB, Metal Bulletin, NCDEX, MCX.**