

Snapshot over a Fortnight

News Flash

Indian Steel prices remain unchanged for the month of October: SAIL (Steel Authority of India Ltd.) has chosen not to change the listed ex-works prices for any of its products for the month of October. RINL is also holding October prices at September levels. Other steel mills have also decided to keep prices unchanged.

Indian steel mills record output growth: Leading steel producers like Tata Steel, SAIL, JSW Steel have reported significant growth in steel production in the last few months. Crude steel production at Tata Steel's Indian operations grew 21% in the second quarter ended September 30. In the second quarter the company produced 1.64 million tonnes, up from 1.35 million tonnes during the same period a year earlier.

India's steel consumption up by 5.7% in April-Sep period: India's steel consumption rose by 5.7 per cent to 26.49 million tonnes in the first six months of the current fiscal over the same period a year ago on account of improved demand from sectors like automobile and consumer durables. However, the domestic steel production rose only by two per cent to 28.49 million tonnes in the reporting period as against 27.93 million tonnes in the year-ago period. The deficit was met by one per cent increase in steel imports to 3.22 million tonnes and 43 per cent decline in exports to 1.34 million tonnes.

China faces a recessionary period: Steelmakers in China, the world's largest producer, will be forced to cut output in the next two months as prices continue to decline because of oversupply. Prices may drop by between 5 percent and 10 percent for the rest of the year, Shagang Chairman Shen Wenrong said. Steel prices in China have dropped by 25 percent since reaching a 10-month high on Aug. 4, as overproduction offset rising demand created by government spending.

Crude Oil reaches 1 year high on economic optimism, weak dollar: Crude oil rose to a one-year high above \$75 in New York as confidence in the economic recovery strengthened while the weaker dollar attracted investors seeking a currency hedge. Oil rose for a sixth day, its longest winning streak since July, as the dollar declined and equities advanced around the world.

Steel Sector

The *domestic steel market* exhibited a sluggish trend across Flat segment and a softened trend across Longs segment due to the festive mood and demand remaining slow and low. The flat steel market in India has shown a sluggish trend in the opening week of October as the country is still in the festive mood. The demand in the market has remained slightly sluggish of late mainly due to approach of the Diwali across the country. According to the market sources, SAIL is pushing through a de facto price increase by cutting discounts. For hot rolled coils the company's commercial grade 2 mm product continues to sell at around Rs 31,500/MT (excluding taxes) from its stockyards in Mumbai. The imports market rate from China has also slowed down with HR Coil offers prevailing in the range of \$495-500/tonne, cfr presently, down from \$540-545/tonne, cfr in the mid of September. Indian galvanized steel export prices have fallen by at least \$15 from last week to \$760-765 per tonne fob, leading to cries that the Chinese were "spoiling" the market. "The Chinese are spoiling the market. Since their domestic market is not doing very well they have dropped prices all over from Europe to the Middle East," said an Indian galvanized steel exporter. Prices are further expected to go down as Chinese export rates are falling due to high inventory levels.

The long product prices in India have shown a downtrend in the first half of October amidst the festive season and with limited material stocking taking place. The price of wire rod went down by nearly 2 percent this week under buyers' wait-and-see attitude towards the forthcoming market. The current prevailing market price of low carbon steel wire rod is in the range of Rs. 28,500-30,500/MT (basic) in India. Market observers predict the price will run low in the coming days. The ingot prices at various places of the country too exhibited a subdued trend with a week-on-week drop in the range of 0.50 to 1.50 percent and a fortnightly drop of 3 to 4 percent.

Prices achieved through *e-auction* have remained aligned with the domestic market. In consonance with the sluggish demand from various sectors, the e-auction platform reflected a depressed price scenario over a fortnight with prices dropping by as much as 3 percent for HR, CR and Galvanized items. Further with the festival season still prevailing, not much improvement is expected to be seen in the buying activities.

The auction platform exhibited a declining trend across various long steel items auctioned in the last two weeks. At present the demand in the country remains sluggish and buying activity expected to remain down before Diwali, however, situation may improve slightly after Diwali. The market is currently on a wait-and-watch mode and the buyers at present are more interested in purchasing the material as per the demand in the market. Prices of various items like Billet, Bloom and TMT have remained down with a drop noticed in the range of 4 to 7 over a fortnight. With the prevailing conditions, the market sentiment is not expected to show much improvement in the coming days.

The *international steel market* remained depressed at various places. The flat steel items exhibited a softening trend over a fortnight. The latest reference prices from The Steel Index show that US and Southern European plate prices have fallen. The US plate reference price FOB Midwest mill fell by USD 12/short tonne to USD 618/short tonne (USD 681/MT). Southern European plate has also decreased to USD 662/MT. On the other hand in Asia, the flat steel market remained subdued with China going off to a week long national holiday while other Asian markets also exhibiting a weakening scenario. Prices in Chinese market have dropped in the range of 2 to 3 percent over a fortnight.

The international market for long steel items depicted a depressed trend over a fortnight. The prices in the north European coil market remained sluggish and are expected to weaken before the end of October on account of a continuous lack of end-user demand. Buying levels have been getting lower over the last few weeks as people have re-stocked and are waiting to see how prices develop over the next month. In USA, in light of an uncertain US scrap market, November prices for wide flange beams and other longs are uncertain as well. On the other hand in Asia, the long steel market remained subdued over a week with China witnessing a depressing trend across longs sector, a drop of around 2 to 3 percent noticed over a fortnight across various long items while other Asian markets also exhibited a weakening scenario.

Ferrous Scrap Sector

Indian Scrap market conditions remain calm in the first half of the month: Not much activity was seen in the domestic market as buyers remained away from trading with the ongoing festive season. The week on week drop was noticed at around 2.5% in Mandi Govindgarh market. The recent drop in international prices in the range of 6 to 7 percent over a fortnight has also brought down the import offers in Indian market. Presently India is importing large quantity of steel scrap from EU. The settled price of shredded scrap dropped from last week's U.S. \$310-315 per ton to U.S. \$295-300 per ton cfr Nhava Sheva and the mix heavy scrap of No.1 and No.2 (80:20) was lower by U.S. \$5-10 per ton than shredded scrap. Import offers are further expected to go down with slide in international prices. Further, it is also anticipated that poor demand of finished products would have a negative impact on scrap prices.

The *international scrap* steel market remained gloomy and depressed all across the world over a fortnight. The scrap prices declined further with the lack of demand in the world market. In United States, the shredded steel scrap suffered a drop of USD 8/MT in the last week as compared to the week before and is currently prevailing at around USD 267/MT while HMS 1&2 (80:20 mix) also witnessed a drop of USD 8/MT over a week and is currently ruling at around USD 262/MT. On the other hand the scrap steel market in Europe also remained downward on poor demand. The shredded steel scrap FOB Rotterdam has experienced a w-o-w drop of USD 8/MT and is now prevailing at around USD 262/MT while a similar scenario was also noticed for HMS 1&2 (80:20 mix) Rotterdam, which witnessed a fall of USD 7/MT over a week and is currently prevailing at around USD 258/MT. Weak sentiment continued to depress the scrap import market in S.E.Asia. Offers of containerized scrap from West Africa and the Middle East are prevailing at \$300-310/t cfr, compared with transactions at \$315-320/t in late-September. Offers of containerized HMS 80:20 from USA are prevailing at \$315/t cfr and for shredded at \$325/t cfr.

Iron Ore Sector

Indian iron ore price stabilizes end of September after a recessionary period, however market conditions still remain uncertain: The beginning of September has seen a recessionary trend in Iron ore market with demand weakening from China and more competition pouring in from Australia and Brazil. Export market conditions however improved in the third and fourth week of the month with Chinese import market expanding due to replenishment of inventories on the approach of National Day holidays; also Indian domestic market turning stronger. The end of National holidays in China still gives an unclear picture for the Iron Ore market presently. Market remains unpredictable and most traders expect volumes to grow over the next two weeks as Chinese steelmakers gradually return to work and restock raw materials. The price of Fe63% grade prevailed at around USD 71/tonne, fob Indian East coast, USD 2-3 /tonne higher than at the end of September. The general market sentiment however remains one of confusion and wariness as trading warms up again.

Coal & Coke Sector

India's coke import prices rise to \$350 cfr: India's low-ash metallurgical coke import prices have shot up to \$350 per tonne cfr amid short supply in the second week of October, from around \$300 in early September.

"Coke is difficult to obtain. China has stopped exporting and supplies from other sources like Russia, Poland and Columbia are also becoming difficult," a coke importer said. Coke prices are also supported by rising coking coal prices, said coke sellers in India. Domestic low-ash coke prices have risen to Rs 16,500-17,000 (\$358-369) per tonne, more than Rs 1,000 per tonne higher due to demand from the Ferro-alloys sector, said market participants. However, market participants believed that with the domestic and oversea ferroalloy demand weaken; the coke price may fall back in future several weeks.

Coal prices go up 11%: State-owned Coal India Ltd raised prices by an average 11 per cent wef Oct 15, which will increase the input cost of the user industries, especially steel and power. After revision, Coal India's prices will be in the range of Rs 448 per tonne to Rs 2,500 per tonne.

Base Metals Sector

The base metals depicted a mixed trend over a fortnight with not much bright indication seen in the near future.

Nickel: Nickel started off on a positive note since the beginning of the month with demand for the metal remaining more or less steady. In the first week, nickel at LME witnessed a price rise of over 5 per cent as compared to the week before, while its counterpart in Mumbai saw a rise of around 3.5 per cent over the same period. The metal depicted a rising trend even in Oct week 02 which is evident from its w-o-w rise of over 2 per cent at LME and over 3 per cent increase in Mumbai. However according to the market sources, at present the market participants hold wait-and-watch attitude towards the future market and believe that the current low consumption of the metal may not give a support to the rising nickel price in the future.

Aluminium: Aluminium depicted a sluggish trend in the first week of October as most participants held pessimistic attitude about the market and the deals kept thin during the period. In LME, aluminium remained almost stagnant in the first week with a positive w-o-w variance of 0.4 per cent while in the domestic market the metal depicted a meager rise of around 1 per cent. However, situation ameliorated slightly in the second week with the weakening of US dollar thereby boosting up the metal prices. In week 02, aluminium at LME witnessed a price rise over 5 per cent as compared to week 01 while at Mumbai; aluminium saw an increase of over 3.5 per cent. Nevertheless, at present still a chunk of the market hold a gloomy and unenthusiastic attitude towards the future market and the deals are expected to keep slow and sluggish in the coming days.

Copper: Copper depicted a stable trend since the inception of the month of October with demand across the world remaining more or less stable. In the first week, copper prices both at LME and domestic market remained stable as demand didn't show much movement either as the world's one of the largest consumer of copper, China was on a dormant mood with its week long national holiday. Not much movement was noticed in the second week either both in form of demand and prices. In the domestic market copper remained mostly stable while the LME copper witnessed a slight improvement in its prices in week 02 as compared to the week before.

Lead: Lead was a little slow to kick off with the commencement of the month of October and remained largely subdued and depressed with demand remaining slow and low across the world. Chinese week long holiday also contributed to the plight of lead's diminished demand during first week of the month. Lead at LME suffered a fall of around 0.5 per cent in week 01 as compared to week before while Mumbai experienced a fall of around 2 per cent over the same period. However, the demand conditions ameliorated slightly in the following week as is evident from lead's northwardly movement across the world. Lead at LME rose by over 3 per cent in week 02 as compared to the previous week while lead at Mumbai increased by around 1.8 per cent.

Zinc: Zinc remained by and large steady in the opening week of October with demand remaining stable but sluggish in global markets as Chinese markets are closed for National day holidays during the said period. Zinc at LME witnessed a slight improvement in its prices while its counterpart in Mumbai market remained mostly stable. However with the roll of week 02, a slight development in the zinc market was noticed with the demand making some positive movement after remaining stagnant in the first week which was evident from the w-o-w price gains of over 5.3 per cent at LME and over 4.8 percent at Mumbai at the close of week 02. According to the market sources, zinc market remains uncertain at the moment and the market participants are slightly skeptic about the sustainability of the zinc price improvement in the future that was noticed in the second week of October.

Ferro Alloys Sector

The domestic Ferro-alloys market has remained more or less steady in the month of October so far.

Ferro-chrome market – The Ferro-chrome market across the country remained by and large steady in the first half of October. The high carbon Ferro chrome (60% min) is currently prevailing at around Rs. 56,500/MT ex works on an average. On the other hand in China, the ferrochrome market currently remains slightly weak, as many of the suppliers are unable to conclude their transaction deals of late.

Ferro-Moly market – With end-user demand being sluggish and the dealers remaining cautious to take positions, ferromolybdenum market remains sluggish but stable across the country. Ferro – molybdenum (60% min) is hovering at around Rs. 925/Kg on an average. However, with the current molyoxide prevailing at around USD13.50/lb, the expectation among the dealers is that either the molyoxide price will come down or ferromolybdenum should move up, and one thing that is certain in India is the fact that there is no cheap molyoxide material available and even though European offers could be lower now, it is not going to have immediate adjustment but more depressing effect, and if it does it will not have a large margin on the ferromolybdenum prices. In United States, the demand for Ferro-molybdenum has been on the lower side for the month of October.

Ferro-manganese – The market for Ferro-manganese has remained stable across the country in the month of October. Moreover, the manganese ore market remains generally firm in India with prices of the ore in major producing areas remaining unchanged. In India, the High Carbon Ferro-manganese (65-70%) is currently prevailing at around Rs. 53,000/MT ex works.

Ferro-vanadium – The Ferro-vanadium market across India has remained mostly stable in the month of October. In the domestic market, the Ferro-vanadium (50% min) is currently prevailing at around Rs. 875/Kg. In European markets, the Ferro-vanadium prices currently remains largely flat on the either side of USD26.00/kg V d.p., though dealers face difficulty to insist on bids at, or above, USD26.00/kg V d.p. in the warehouse of Rotterdam for prompt delivery. On the other hand, the Chinese export market of ferrovanadium 80% currently remains quiet, with almost no deals being concluded with offers of USD 29.28-32.94/kg.

Price Trend of Base Metals, Steel & Scrap

International Base metal Prices:

Price at LME in USD/tonne	Oct Wk 02	Sep Wk 04	Sep Wk 02	Aug Wk 04	Aug Wk 02
Nickel	18720	17234	17783	19538	20238
Zinc	2026	1882	1929	1820	1847
Aluminum	1879	1818	1844	1867	1969
Copper	6243	6060	6367	6340	6194
Lead	2240	2203	2306	2032	1844

Source: LME

Indian Base metal Prices:

Price at India in Rs/kg (basic)	Oct Wk 02	Sep Wk 04	Sep Wk 02	Aug Wk 04	Aug Wk 02
Nickel	875	829	864	953	966
Zinc	93	90	94	90	89
Aluminum	87	88	89	91	95
Copper	290	294	309	309	297
Lead	104	105	107	98	89

Source: NCDEX, MCX

International Steel & Scrap Prices:

Items	Oct'09 Week 2	Sep'09 Week 4	Sep'09 Week 2	Aug'09 Week 4	Aug'09 Week 2
China Domestic HRC Yuan/tonne	3320	3380	3560	3580	4260
China Domestic CRC Yuan/tonne	4580	4650	4730	4800	5400
China Domestic Rebar Yuan/tonne	3370	3380	3460	3600	4260
Europe Domestic HRC Ex-Works €/t	430	430	430	400	400
Europe Domestic CRC Ex-Works €/t	500	500	500	470	470
US Domestic HRC FOB \$/tonne	580	580	580	520	500
US Domestic CRC FOB \$/tonne	680	680	680	620	600
CIS Export HR Coil \$/tonne	500	565	565	535	520
CIS Export Slab \$/tonne	490	490	490	390	390
CIS Export Billet \$/tonne	420	440	440	440	430
CIS Export Rebar \$/tonne	440	470	470	470	450
Shredded Scrap US fob East Coast \$/tonne	267	285	295	295	280
HMS I&II(50:50) fob Rotterdam Export \$/tonne	238	245	250	250	240
HMS I&II(80:20mix) Rotterdam Export \$/tonne	258	275	280	280	270
IOF Fe=63.5% CNF China USD/tonne	90	88	82	85	110

Source: Metal Bulletin

Indian Steel & Scrap Prices:

Items	Oct'09 Week 2	Sep'09 Week 4	Sep'09 Week 2	Aug'09 Week 4	Aug'09 Week 2
Pig Iron at Kolkata	22772	22872	22175	21499	21278
Pig Iron at Delhi	24200	24200	23200	22800	23300
Sponge Iron(Coal Based) at Kolkata	16220	16350	15470	14635	14375
Sponge Iron(Coal Based) at Delhi	14000	14000	14000	13500	13500
Melting Scrap(HMS I) at Kolkata	18340	18340	16640	16310	15600
Melting Scrap(HMS I) at Delhi	17000	17000	17000	16800	15200
Billet(100mm) at Kolkata	25778	25778	25594	25536	26324
Billet(100mm) at Mumbai	25364	25804	26004	25804	26784
Bloom(150*150mm) at Kolkata	25576	25628	25422	25520	26194
Bloom(150*150mm) at Mumbai	23748	24088	24268	24068	25048
Wire Rod(6mm) at Kolkata	32682	32682	32353	31928	33643
Wire Rod(6mm) at Delhi	32709	32709	32709	32639	33559
TMT Bar(10mm) at Kolkata	32359	32359	32165	31915	33166
TMT Bar(10mm) at Delhi	32818	32818	32818	32503	33379
Angles(50*50*6mm) at Kolkata	33832	33832	33520	33251	33048
Angles(50*50*6mm) at Delhi	33998	33998	33998	33648	33368
Plate(6mm) at Kolkata	34201	34136	34190	34054	33330
Plate(6mm) at Delhi	35288	35288	35248	35148	34314
HR Coil(2mm) at Kolkata	34751	34616	34563	34484	34008
HR Coil(2mm) at Delhi	35563	35633	35593	35443	34569
CR Coil(0.63mm) at Kolkata	38106	38422	37711	37594	36090

CR Coil(0.63mm) at Delhi	39614	39774	39614	38374	36648
GP Sheet(0.63mm) at Kolkata	42497	42497	42415	41666	40788
GP Sheet(0.63mm) at Delhi	41888	42128	41588	40388	39688

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

Outlook

The international steel scenario remains weak in the forthcoming days. European flats demand will need to improve during Q4 to absorb current production and possible increased imports. Flats demand is unlikely to improve in US, and prices could fall more sharply. Prices in Asia could still fall before rebounding in the New Year. Long products prices should nearly hold in Asia, but European and US levels are likely to weaken.

Outlook for ferrous scrap also remains dim as prices continue to slide.

The outlook for India's steel sector has brightened as the worst of the global economic slowdown has passed, and demand is expected to show annual growth of 10 percent soon, said Steel Secretary P.R. Rastogi. India's steel demand is expected to increase underlined by rising production of steel firms. The outlook would be sideways to positive on demand.

Source: Asian Metal, SBB, Metal Bulletin, Reuters, NCDEX, MCX, JPC, LME, Business Standard.