

Snapshot over a Fortnight

News Flash

Steel consumption rises 4% in August: Supported by robust demand from auto and consumer durable sectors steel consumption saw 4% growth last month compared to same period last year. Steel consumption rose to 4.59 million tonnes last month against 4.41 million tonnes in August, 2008, according to the provisional data of steel ministry.

Indian mills hike flat product prices for September: SAIL has hiked their prices of all flat products by Rs. 1,500/MT for the month of September. SAIL's commercial grade 2mm HRC is now selling at around Rs. 31,250-31,500/MT (excluding taxes) from their stockyard in Mumbai, which is up from around Rs. 31,000/MT ex-yard in August. On the other hand, Ispat Industries have increased its flats' prices by Rs. 1,500/MT while Tata Steel had hiked the spot prices of their flat products by 3-4 per cent this month. Jindal Steel & Power Ltd and Lloyds Steel Industries have also increased their prices by around Rs. 1,000/MT.

India's Orissa plans pellet plant and DRI expansion: OMDC is slated to invest nearly Rs 9bn (\$185m) in a 2m tonnes/year iron ore beneficiation and pelletizing plant in the Thakurani district in the eastern state of Orissa. In an additional expansion plan, OMDC also wants to increase its DRI capacity from the current 30,000 t/y.

Crude Oil rises towards \$72 a barrel amid stronger demand: Supported by OPEC's decision to hold output steady and forecasts by the International Energy Agency that global demand will be higher this year and next than it previously forecast prices headed northward.

Steel Sector

The *domestic steel market* exhibited an improved market sentiment in the Flats sector. With steelmaker announcing further price hike beginning of the month, the market rates saw further rise. The prices of steel plate and CR Coil increased in Mumbai market driven by the high cost as well as the improving demand from the end users. IS2062 16mm steel plate prevailed at around Rs. 31,500/MT (basic), in Sep 01, Rs. 500/MT higher over a week while IS513 CR Coil 0.5mm ruled at around Rs. 37,000/MT (basic), Rs. 500/MT higher than that of the earlier week.

The second week of the month saw further improvement in market conditions with the consistent improvement in demand scenario mainly propelled by the automobile and white goods sector. The price of HR Coil remained firm in Mumbai market, driven by the upward trend in the flat steel market. IS2062 3.0mm HR Coil prevailed at around Rs. 32,500/MT (basic), up by Rs. 500/MT over a week, and about Rs. 4,000/MT higher over a month. Market participants predict that the firm situation will continue in the near future amid the active market.

The long steel market across the country exhibited a rising trend in the beginning of September with the improvement in demand conditions from the downstream customers. TMT Bar and Wire Rod prices increased by 1 to 2 percent over a week. Various construction projects across the country which were put on hold for the last few months due to heavy monsoon across the country have now started to resume which is improving the demand situation in the market. Both semi-finished and finished steel products exhibited a northwardly movement. Ingot prices at several places too

marched northwards with the ingot prices over a week rising in the range of 2 to 4 per cent. Billet export prices moved up by USD 40 per tonne. Prices remained firm in the second week as well with market conditions remaining strong and stable.

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 2 to 5 percent over a fortnight across various HR, CR and Galvanized items.

The longs segment however managed to remain stable after a long period of lull in the market. Prices of Billet, Bloom, TMT and Structural Items exhibited a positive price movement with changes varying in the range of 1 to 3 percent over a fortnight. An improved market sentiment is further expected in the coming days both in the Flats and Longs segment with infrastructure and construction sector posing an affirmative trend.

The *international steel market* exhibited a mixed trend for Flat items at various places. The market for the flat steel items remained strong and upward in Europe and United States however, the flat market in China remained depressed. The southern European plate price ex-works rose by USD 27/MT to USD 666/MT in Sep Week 01. In United States, the plate prices rose by USD 19.8/MT to USD 683/MT over a week. Conditions remained steady in the second week as well. On the other hand, the Chinese steel market remained weak and depressed. Impacted by softer HR Coil prices, Chinese domestic CR Coil prices have also weakened since the beginning of September. In Shanghai, 1.0mm CRC from Maanshan Iron & Steel was offered in the range of USD 706-713/MT with 17% VAT, down by USD 7.3/MT since earlier week. However, Chinese market saw some improvement in the second week of the month because the end-users have accepted that the spot prices have neared bottom and are willing to resume their purchases. However, most traders believe that the price rises are only temporary, and that price volatility will remain until inventories start to come down. Currently, Q235 5.5mm HR Coil on the Shanghai market is being offered at USD 523/MT with VAT, up by USD 7/MT since last week.

The international long steel market depicted a mixed trend as the longs market in the Western world showed some further improvement while its eastern counterpart remained slightly depressed. The northern European rebar reference price remained firm over a week at USD 474/MT in Sep 01 while the southern European rebar prices improved slightly by 21/MT. Domestic CIS rebar prices have remained firm and bookings for 14-32 mm rebar from Russian mills have been made at around USD 460-490/MT ex-works in Sep Week 01, unchanged from the previous week. On the other hand, the billet export prices in Southeast Asia have dropped by USD 10-20/MT from mid-August to USD 490-500/MT fob due to slow demand. Moreover, the rebar and wire rod in Southeast Asia have seen little trading activity in recent weeks because of the downward domestic price correction in China. Conditions remained softened over a fortnight.

Ferrous Scrap Sector

Indian Scrap market conditions improve after a period of volatility in the Steel market: After witnessing a drop in price in the range of Rs.300-800 per tonne in the first ten days of the month due to slow pace in construction activities, the market conditions have improved off late as buyers return to the market. The import market has also become active as steel mills are expanding the output in succession. HMS I is prevailing at USD 280/tonne, cif Indian West Coast.

HMS 1&2 (80:20) is now selling at USD 300/MT cfr, Nhava Sheva port in Mumbai. Transactions are thin however, since Indian buyers continue to adopt a wait-and-see attitude and are refusing to pay

above \$320/t cfr. In south India, offers for containerized shredded are at over \$350/t cfr, but buyers are bidding at levels of around \$325/t cfr and very few transactions are heard.

Sponge iron market exhibits a steady trend: The demand scenario remained stable for sponge iron across the country with prices showing a marginal increase since August. Coal-based DRI with Fe content of 74-75% is currently being offered at Rs 12,900/MT ex-mill without taxes in the iron ore-rich Bellary-Hospet region of Karnataka in south India while in Chennai, the same grade is priced slightly higher at around Rs 13,300/MT ex-mill. Coal-based sponge iron originating in Raipur in the central state of Chhattisgarh and in eastern regions of the country like Orissa and West Bengal, the sponge iron price is slightly higher and is currently ruling at around Rs 13,500-14,000/MT ex-factory without taxes.

Pig iron picks up in the domestic market with the rise in demand: According to the market sources, Pig iron prices picked up this month in tandem with a rise in demand. South Indian foundry grade iron is being traded at around Rs 21,500/MT ex-mill. On average it is being traded at Rs 21,000/MT ex-mill nationwide. This compares with Tata Metaliks' sales price of Rs 19,500-20,500/MT ex-works without taxes. Steelmaking grade pig iron is currently prevailing at around Rs 18,800-20,000/MT ex-mill without taxes - around Rs 500-1,000/MT higher than of the last month.

The *international scrap* steel market remained by and large stable over a week with the steel scrap prices across the world remaining more or less steady. In USA, the prices of shredded steel scrap FOB East Coast have remained stable at USD 295/MT in the first week of September as compared to the week before. Steel scrap HMS 1&2 (80:20 mix) in USA also witnessed a firm price trend in the over a week and is currently prevailing at USD 290/MT. A similar sort of situation was also observed in the European steel scrap markets in the last week. The shredded steel scrap FOB Rotterdam remained steady and prevailed at USD 285/MT while HMS 1&2 (80:20 mix) FOB Rotterdam price too remained stable and is currently prevailing at around USD 280/MT.

Prices continued to rule stable in the second week of the month.

Iron Ore Sector

Indian iron ore price reduced 36% in three weeks: As customers in China cleared inventories and cut the purchase, Indian ore price presented a significant drop within the three weeks. 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. A fortnightly drop of 10 to 12 percent is seen across various grades with prices of Fe 63% dropping as low as 80 USD/tonne CNF China while Fe 61% dropping to 70 USD/tonne CNF China, a drop of around 20 USD./tonne over a month.

Chinese domestic Iron Ore fines prices continued to fall due to weak demand and poor transaction. Mills remain cautious about placing new orders for ore. With the week-long national holiday approaching, high inventory levels make the market risky for traders.

Coal & Coke Sector

India's coke import prices cross \$300 cfr: India's metallurgical coke import prices have crossed \$300 per tonne cfr due to short supply and better demand. Rising demand from recovering producers of Ferro-alloys and pig iron have pushed coke import prices up from \$270-280 per tonne in August. No Chinese material was available and other suppliers like US, Poland, Russia and Columbia are finding it difficult to meet India's demand, said importers. Heavy rains and shipping traffic have also led to berthing delays. prices have also risen for hard coking coal, the raw material for coking coke, to

\$150-160 per tonne in the international market, from \$120-130 per tonne three months ago, said importers.

However, the Chinese steel sector saw a slump in the recent weeks with the impact being noticed in the iron ore and coke sector also. Shanxi Coking Industry Association issued the September coke guiding price (FOT with tax) as 1,780 yuan per ton, down by 100 yuan than August, which is the first reduction in coke price after the increase in Shanxi coke for the straight three months.

Base Metals Sector

The base metal complex remained depressed in the first week of September. Almost all the metals took a plunge in week 01 after exhibiting remaining jubilant in the month of August. Prices retreated at the close of September week 02 as the complex was hammered by technical and fund liquidation. Dollar strength also weighed on prices.

Nickel: After remaining vibrant in the month of August, nickel market across the world gradually started to slip into the shell with the commencement of the month of September. At present, the demand is weak and supply is loose for nickel. In the first week of September, Nickel at LME witnessed a drop of around 7.14 per cent as compared to the week before while over the same period nickel at Mumbai market suffered a fall of around 6 per cent. The fall in the metal's prices remained unabated even in the second week of the month.

Aluminum: The softening trend in the aluminium market that was observed in the latter half of August continued to hang around even in the opening week of September with weak demand for the material all over the world. Aluminium prices across the world declined on increased arrivals from producers while industrial off take remained weak. In LME, the sentiment was weakened by burgeoning aluminium stocks and with the buyers preferring to remain on the sidelines. In week 01, aluminium in both LME and Mumbai witnessed a drop of around 2.5 per cent. The metal remained more or less stable in the second week.

Copper: Copper prices shot up to its highest across the world at the end of August but the fundamentals remained weak and rising inventories was another factor of concern which affected the metal in the following month. Copper kicked off on a lower note with the beginning of the month as the market sentiment remained a bit dull all over the world. In week 01, copper at LME witnessed a drop of around 2 per cent while that of in Mumbai witnessed a fall of around 0.7 per cent. Situation ameliorated slightly in week 02 and copper both at home and abroad managed to close in the green. Copper in LME witnessed a rise of nearly 2.5 per cent in second week as compared to the previous week while over the same period its counterpart in Mumbai market gained by around 1.5 per cent.

Lead: Lead remained upbeat in the month of September and continued to outperform as China's Henan province was recently reported to have shut up to 240,000 tonnes per year of lead smelting capacity following poisoning incidents, with other smelters currently under threat of closure. This created a fear of lead supply shortage which in turn swelled the lead prices all across the globe. In week 01 lead at Mumbai and LME witnessed a rise 6 per cent on an average as compared to the week before, while in the second week the lead prices shot up further all over the world.

Zinc: The market for the white metal started off on a positive note mainly due to a steady demand from the automobile sectors, galvanizers and other end users all across the world. In week 01, zinc at both home and LME witnessed an increase of around 1.5 per cent. With the improvement in the demand scenario further in week 02, zinc prices rose further by 4 per cent all over the world.

Ferro Alloys Sector

Ferro-Alloys market exhibited a mixed trend over a fortnight with some losing its sentiment beginning of September while few others trying to gain stability in the market.

Ferro-chrome market - The domestic Ferro-chrome market remained depressed since the beginning of the month of September witnessing a price fall of Rs. 1,000/MT in each of the first two consecutive weeks on the back of declining demand. Currently high carbon Ferro-chrome (60% min) is prevailing at around Rs. 57,500/MT ex-works (a drop of over 1.5 per cent in the last five days). The Chinese market for Ferro-chrome is currently moving on a softened note as most of the buyers are still watching the market so the purchase for chrome ore in Chinese market remains inactive.

Ferro-Moly market - The market for Ferro molybdenum across the country remained more or less stable in the last couple of weeks after witnessing a price fall of Rs. 50/Kg at the beginning of the third week of August. Currently Ferro molybdenum (65%) is prevailing at around Rs. 1,125/Kg, ex-works. On the other hand, the Chinese ferromolybdenum prices remained unchanged and the mainstream offers are in the range of USD35.38-36.60/kg Mo for ferromolybdenum 60% currently.

Ferro manganese - Indian manganese alloy market is moving on a steady note at present after witnessing a significant price increase in September week 01 by Rs. 10,000/MT. Currently Ferro-manganese HC 65-70% prices are ruling at around Rs. 55,000/MT ex-works.

Ferro-vanadium - After exhibiting some frequent rounds of price increases in the month of August, the Ferro-vanadium market across the country witnessed a depressed scenario since the last week of August. Prices depicted a softening trend even in the first week of September as the prices dropped by Rs. 70/Kg on a w-o-w basis. However, the market managed to remain more or less stable in week 02 and is currently prevailing at around Rs. 920/kg, ex-works for FeV (50% min). On the other hand, the international market for Ferro vanadium also exhibited a similar dejected scenario. The European market remained dormant with hardly any trading activity taking place while the Chinese market also remained quiet with almost no deals concluded of late.

Price Trend of Base Metals, Steel& Scrap

International Prices:

Price at LME in USD/tonne	Sep Wk 02	Aug Wk 04	Aug Wk 02	July Wk 04	July Wk 02
Nickel	17783	19538	20238	16174	15261
Zinc	1929	1820	1847	1641	1508
Aluminum	1844	1867	1969	1722	1566
Copper	6367	6340	6194	5420	4878
Lead	2306	2032	1844	1693	1641

Source: LME

Indian Prices:

Price at India in Rs/kg (basic)	Sep Wk 02	Aug Wk 04	Aug Wk 02	July Wk 04	July Wk 02
Nickel	864	953	966	803	732
Zinc	94	90	89	80	73
Aluminum	89	91	95	86	76
Copper	309	309	297	268	240
Lead	107	98	89	85	78

Source: NCDEX, MCX

International Prices:

Items	Sep'09 Week 2	Aug'09 Week 4	Aug'09 Week 2	July'09 Week 4	July'09 Week 2
China Domestic HRC Yuan/tonne	3560	3580	4260	3920	3660
China Domestic CRC Yuan/tonne	4730	4800	5400	5000	4630
China Domestic Rebar Yuan/tonne	3460	3600	4260	3920	3780
Europe Domestic HRC Ex-Works €/t	430	400	400	380	380
Europe Domestic CRC Ex-Works €/t	500	470	470	450	450
US Domestic HRC FOB \$/tonne	580	520	500	480	460
US Domestic CRC FOB \$/tonne	680	620	600	580	560
CIS Export HR Coil \$/tonne	565	535	520	510	490
CIS Export Slab \$/tonne	490	390	390	380	370
CIS Export Billet \$/tonne	440	440	430	390	390
CIS Export Rebar \$/tonne	470	470	450	400	400
Shredded Scrap US fob East Coast \$/tonne	295	295	280	260	235
HMS I&II(50:50) fob Rotterdam Export \$/tonne	250	250	240	220	210
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	280	280	270	250	240
IOF Fe=63.5% CNF China USD/tonne	82	85	110	94	86

Source: Metal Bulletin

Indian Prices:

Items	Sep'09 Week 1	Aug'09 Week 4	Aug'09 Week 2	July'09 Week 4	July'09 Week 2
Pig Iron at Kolkata	22175	21499	21278	21926	22526
Pig Iron at Delhi	23200	22800	23300	23400	23000
Sponge Iron(Coal Based) at Kolkata	15470	14635	14375	14750	15500
Sponge Iron(Coal Based) at Delhi	14000	13500	13500	13800	13800
Melting Scrap(HMS I) at Kolkata	16640	16310	15600	16536	17680
Melting Scrap(HMS I) at Delhi	17000	16800	15200	15000	16000
Billet(100mm) at Kolkata	25594	25536	26324	26468	28136
Billet(100mm) at Mumbai	26004	25804	26784	26984	28124
Bloom(150*150mm) at Kolkata	25422	25520	26194	26236	27704
Bloom(150*150mm) at Mumbai	24268	24068	25048	25008	26488
Wire Rod(6mm) at Kolkata	32353	31928	33643	33755	33846
Wire Rod(6mm) at Delhi	32709	32639	33559	33489	33979
TMT Bar(10mm) at Kolkata	32165	31915	33166	33334	33465
TMT Bar(10mm) at Delhi	32818	32503	33379	33274	34009
Angles(50*50*6mm) at Kolkata	33520	33251	33048	33755	34141
Angles(50*50*6mm) at Delhi	33998	33648	33368	33228	33823
Plate(6mm) at Kolkata	34190	34054	33330	33344	33422
Plate(6mm) at Delhi	35248	35148	34314	34184	34284
HR Coil(2mm) at Kolkata	34563	34484	34008	34008	33990
HR Coil(2mm) at Delhi	35593	35443	34569	34419	34489
CR Coil(0.63mm) at Kolkata	37711	37594	36090	36138	36058
CR Coil(0.63mm) at Delhi	39614	38374	36648	36568	36968
GP Sheet(0.63mm) at Kolkata	42415	41666	40788	41190	40647
GP Sheet(0.63mm) at Delhi	41588	40388	39688	40588	40588

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

Outlook

Rising costs of steelmaking raw materials will encourage the recession-hit steel industry to seek further price increases this year, despite slow end-user demand, as the sector recovers from one of its worst ever downturns. International market conditions are expected to stabilize as inventory correction takes place.

According to experts, demand outlook for domestic steel sector is strong in the coming months with strong signs of an economic recovery. Growth in steel consumption by 4% in the month of August signals a better road ahead for the metal. The rising price of Flat and Long Steel products is also an indicator that the demand is strong.

The base metals complex is correcting and pausing after a summer rally that saw prices over-extended given the fundamental backdrop of the global economy, which is mixed. Some regions are still in the initial stages of recovery, compared with others. Also, the anticipated final quarter physical re-stocking has yet to emerge, given the bloated metal stockpile, with copper stocks in particular having risen every day this month.

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