

## Snapshot over a Fortnight

### News Flash

- ✓ Indian Iron Ore miner KIOCL halts production of foundry grade pig iron and iron oxide pellets with sharp drop in international prices going below their production cost.
- ✓ Metals on a firmer note beginning of February. Over a fortnight Nickel made a positive gain of 10 percent at LME. Copper gained 11 percent and other metals have also seen gains.
- ✓ Spot Iron Ore market remained subdued in China end of January due to the holiday season. Prices however remained strong after the Chinese New Year break.
- ✓ Crude oil prices hovered around US\$40 per barrel last week, marking a 4.8% decline from the week prior. A bearish U.S. inventory report indicating that stocks mounted by more than double market expectations followed by another dreadful U.S employment report, pressured prices down.

### Steel Sector

The **domestic steel market** has remained sluggish with no major price movement seen across various products. Demand in the market continues to remain downward and a dull market sentiment is prevailing all across the domestic steel market. At present the buyers are bit suspicious about the future market behavior and are not ready to undertake any significant purchasing decisions for the time being. The HRC market continues to remain sluggish with ex-works price of 2mm HR Coil continuing to prevail in the range of Rs.27,000 to Rs.28,000/tonne, basic. CRC prices too continued to prevail at Rs.31,000/tonne, basic.

The TMT Bar prices saw a drop of 3 to 4 percent over a week due to low demand and prevailed in the range of Rs.25,000 to Rs.26,000/tonne (basic) in Mumbai market beginning of second week.

Steel Scrap prices dipped by 3 percent in Mumbai market over a week. The second week ended on a stable note for Steel Ingot market where prices have varied on an average in the range of Rs.20,000 to Rs.22,000/tonne, basic across various places.

A sluggish market condition is expected in the coming days with limited material demand coming up as and when required.

Prices achieved through **e-auction** have depicted as slightly improved trend as compared to the last week of January. There has been a positive variation in the range of 2 to 5 percent on an average across various items over a fortnight. With market still remaining dull and buyers not willing to shell out enough of cash, the market remains in a poor condition and prices will continue to remain on a softened note.

The **International market** has once again witnessed a downward trend in various regions. The Southern European plate market has hit a low, with prices around €200/MT (USD 256/MT) less than the usual average price. Current price levels are suggested to be between €600-750/MT (USD 768 – 960/MT) ex-works in Italy and Spain, and prices are expected to perhaps drop further within the next month. The US plate reference price FOB Midwest mill is \$19/short ton lower at USD 827/short tonne (USD 911/tonne), which is also a 12-month low-point. Chinese domestic hot rolled coil (HRC) prices plummeted sharply on 3 February. In Shanghai, HRC spot market prices fell by a dramatic RMB 200/MT (USD 28/MT), while HRC spot market prices in Tianjin fell by RMB 100/MT (USD 14/MT) on 3<sup>rd</sup> Feb, 2009.

## Base Metals Sector

Mixed trend in Metal prices on lack of demand from industrial users. Lack of construction activities and declining consumer confidence has affected the prices of major Base metals including Nickel adversely. After a slight rise noticed since the beginning of the month, prices once again dipped in the second week as the global economic slowdown reduced demand for industrial metals used in buildings and cars. Also, weak demand from stainless steel sector kept Nickel prices on a fluctuating note with a 4 percent drop noticed over a week both in the domestic and international market.

Copper prices had a rise in the first week of February, with Copper at LME making a jump of 11 percent over a week while Copper in Mumbai market witnessed a rise of around 3 per cent and prevailed at Rs. 162.00/ Kg (basic) on Feb 06, 2009. However, the second week once again witnessed a declining trend as demand continues to remain weak accompanied by lack of vigor in the market. A drop of 3 percent was noticed in the domestic market while a drop of around 2 percent was noticed at LME.

Over a week, the Aluminum in Mumbai market witnessed an increase of around 4 per cent and prevailed at Rs. 69/ Kg (basic) on Feb 07, 2009. In LME, Aluminum saw an increase of around 8.40 per cent over a week and prevailed at US\$ 1421/tonne on Feb 06, 2009. However, prices have again seen a dropping trend in the second week due to lower demand and lower usage boosting inventory.

## Iron Ore Sector

Market has remained stable over a fortnight. The end of the Chinese New Year saw a subdued market; however prices made a recovery after the holidays. Indian Iron Ore performed strongly well in the Chinese market, the price of Fe=63.5% has risen to around \$83-85/tonne on cfr basis after the holidays, up from \$79-81/tonne the week before the holiday. In the last few days prices have increased in the range of 2 to 4 percent across various grades.

## Coke Sector

Faring worse than oil, thermal coal prices slid 6% on the week as demand remained quite sluggish. Prices have fallen by nearly 20% since the start of the year, which pales in comparison to the 55% drop in crude oil prices. However, compared to year-ago levels, coal prices are down by almost 40%. Thermal coal prices at China's top coal shipping port inched lower in the past week, due to weak demand from power plants, as industrial activities are yet to revive from the Lunar New Year holidays at the end of January. The demand has not recovered from the holidays yet.

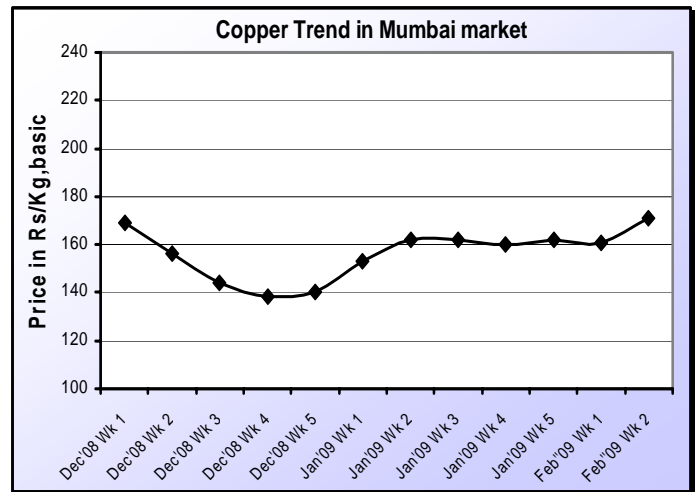
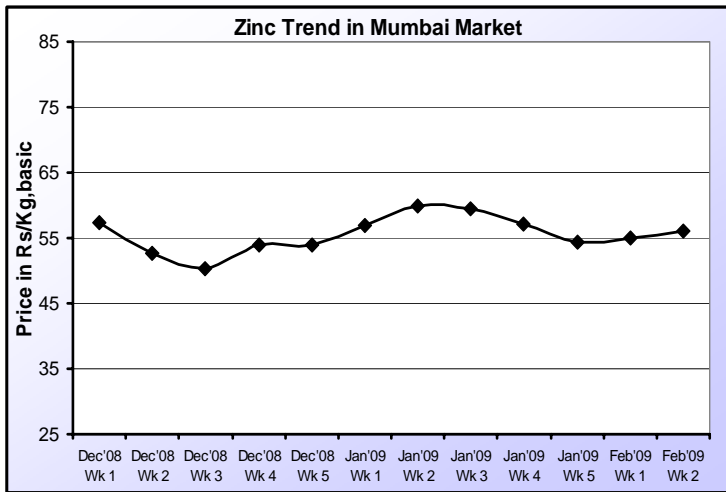
## Ferro Alloys Sector

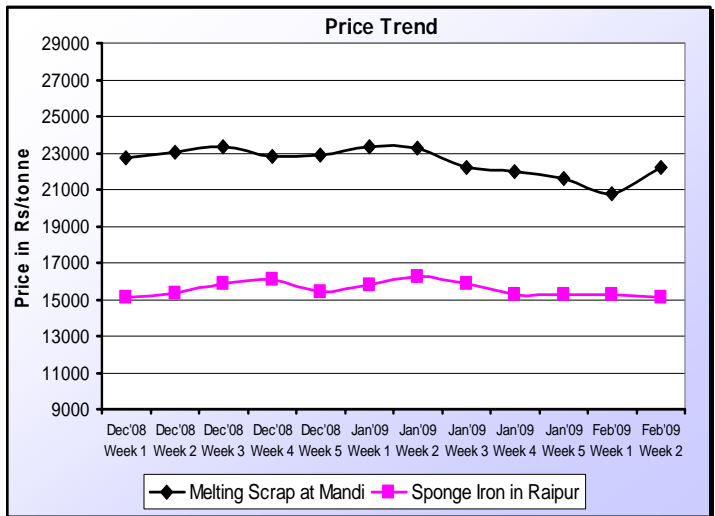
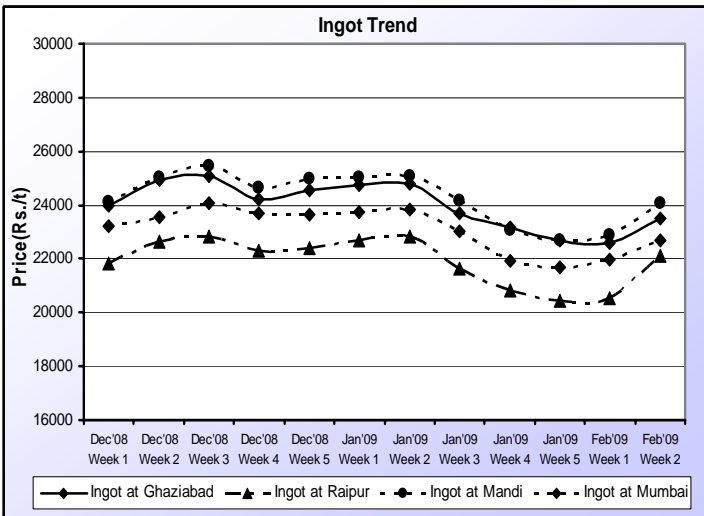
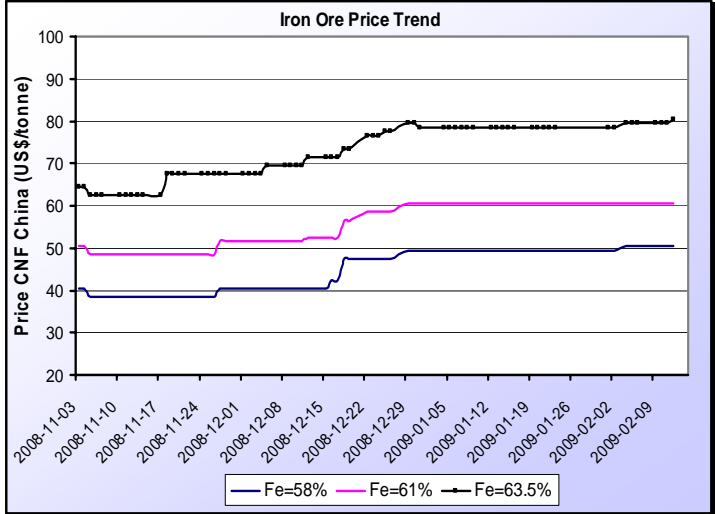
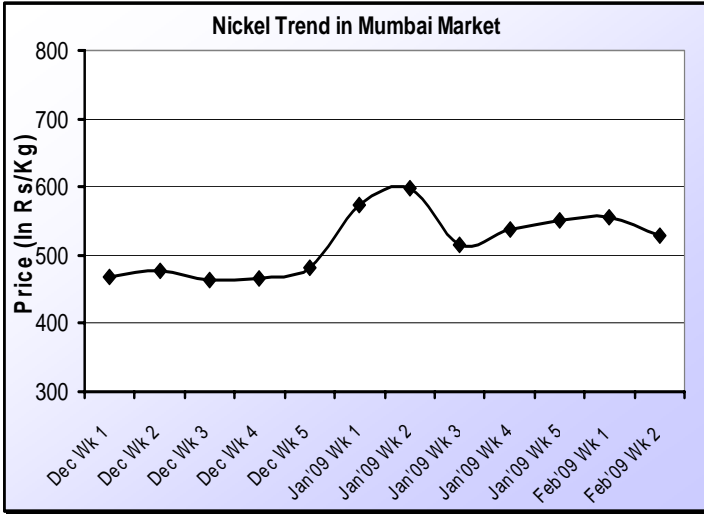
The ferro-alloys sector remains stable without much price changes being noticed. Currently Indian ferrochrome market remains stable with the price of INR40,000-42,000/t (USD833-875/t) ex works for high carbon ferrochrome 60%, Si 4%max, but the demand from domestic and foreign buyers keeps weak. The Chinese ferro-alloy export market is quiet in the first week after the Chinese New Year holidays but producers and traders are reporting more overseas enquiries.

Domestic demand and prices of ferro-silicon, electrolytic manganese metal (EMM) and silico-manganese remains strong. Overseas enquiries for these products have increased, but they have not translated into deals yet. Domestic and export demand for high carbon ferro-manganese of 6-8% C are both quiet.

### Price Trend of Major items

Items	Feb'09 Week 2	Jan'09 Week 4	Jan'09 Week 1
China Domestic HRC Yuan/tonne	--	3980	3500
China Domestic CRC Yuan/tonne	-	4650	4050
Europe Domestic HRC Ex-Works €/t	390	380	350
Europe Domestic CRC Ex-Works €/t	425	500	480
US Domestic HRC FOB \$/tonne	--	520	520
US Domestic CRC FOB \$/tonne	--	620	620
CIS Export HR Coil \$/tonne	400	320	370
CIS Export Billet \$/tonne	360	390	400
CIS Export Rebar \$/tonne	440	460	480
Shredded Scrap US fob East Coast \$/tonne	258	258	260
HMS I&II(50:50) fob Rotterdam Export \$/tonne	218	218	230
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	248	248	260
IOF Fe=63.5% CNF China USD/tonne	80	78	78





Note: All prices of items represented in graphs are in Rs./t, basic except Sponge Iron and Melting Scrap where Price is incl. Excise Duty.

## Outlook

Modest increase can only be expected in the rest of the month. The slowdown in sales activity is likely to limit any potential price rises in the short term. Steel consumption is likely to remain subdued in most Asian countries throughout the year. The problems in the automotive sector are expected to continue. Raw material costs are predicted to decrease for 2009 contracts. This is likely to limit the potential for significant upward movement in steel prices and could result in downward pressure being applied in the second half.

Source: Asian Metal, SBB, Metal Bulletin, NCDEX