

## Snapshot over a Fortnight

### News Flash

- ✓ Metals on a reviving note beginning of New Year with demand improving slightly and some buyers replenishing stocks. Nickel gained 24% since Dec 31, 2008 till date, Zinc gained 14%, and Copper gained 15% at the London Metal Exchange.
- ✓ NMDC ore sales plunge as recession cuts demand. Sales declined 40% in October, 65% in November and 35% in the month of December, 2008.
- ✓ India's Iron Ore Exports fell 13% over a year on account of soft Chinese demand.
- ✓ Crude Oil prices made some recovery with NYMEX trading at 46 USD/barrel in the beginning of January Week 2, however prices again crashed to USD 40.83/barrel on Jan 09 exhibiting a drop of 16.34% over a span of four days.

### Steel Sector

Steel Prices have stabilized over a fortnight in the **domestic market** and demand has seen a slight rise both across flat and long product items. While demand has grown up by around 5 percent across flat product items, the rise has been a slight higher in long product items, around 10 percent. This may be attributed to the fact that Government has re-imposed import duty of 5% on steel items and has kept HR coil under "restricted category" to regulate its imports. Also, builders who have put their projects on hold have resumed buying but this is again a restricted buying as only the actual users who are in need of material are buying. No one wants to buy and stock the material as the liquidity crunch still exists. 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.

A wait and watch scenario persists for the moment as buyers have not regained their full confidence in the market. So, a stable market can only be expected for the time-being without much movement in prices noticed.

Prices achieved through **e-auction** have also depicted a stable trend over a fortnight. There has been a variation in the range of 1 to 3 percent across various items over a fortnight. With no real demand still coming up and buyers not ready to replenish their stocks, a stable mood can only be anticipated in the coming days.

The **International market** has depicted a stable price trend across various regions. With rise in scrap prices after a significant downturn effect, the finished steel items have also seen some momentum in the last few days. The European market has seen a steady trend with HRC prices prevailing at \$696/tonne. The Chinese import market has improved with improved market sentiment and it is learnt from sources that traders have booked around 500,000 tonnes of billet for December and January shipment. However, the overall sentiment still remains gloomy with very few buyers only willing to buy in the Chinese domestic market. The plate market continues to remain sluggish. A slight price increase can only be expected after the Chinese New Year holidays; but that is again a possibility.

## Base Metals Sector

Re-imposition of 5% import duty on Zinc makes cold rollers and galvanizers unhappy. Zinc market rebounds with a fortnightly jump of around 11 percent.

Base metals see some revival beginning of New Year after a continuous downtrend both in the domestic and international market.

Over a fortnight, Copper in Mumbai market witnessed a rise of around 16 per cent and prevailed at Rs. 168.00/ Kg (basic) on Jan 10, 2009. In LME, since its last trading in December'08, Copper started on a positive note with a positive change of around 13 percent and last traded at 3280 USD/tonne.

After a continuous dip, Nickel saw some positive movement at London Metal Exchange when fresh trading started after the holidays. Nickel in Mumbai market last traded at Rs.553/kg (basic), depicting a rise of almost 24 percent over a fortnight. Nickel at LME too witnessed a sharp rise of 23 percent over a week.

## Iron Ore Sector

Market stabilizes for the moment but it is hard to rebound in the short-term as not much activity is seen presently. After the recent slump in the market, prices have revived to some extent across various grades and are presently ruling stable. The export market has remained stable, conditions improved slightly with few buyers returning to the market, but the overall demand continues to run weak. In the last few days the market has behaved reasonably well with prices remaining stable. Fe 63% grade prevailed at 67 USD/tonne FOB Indian port in the first week of the month.

## Coke Sector

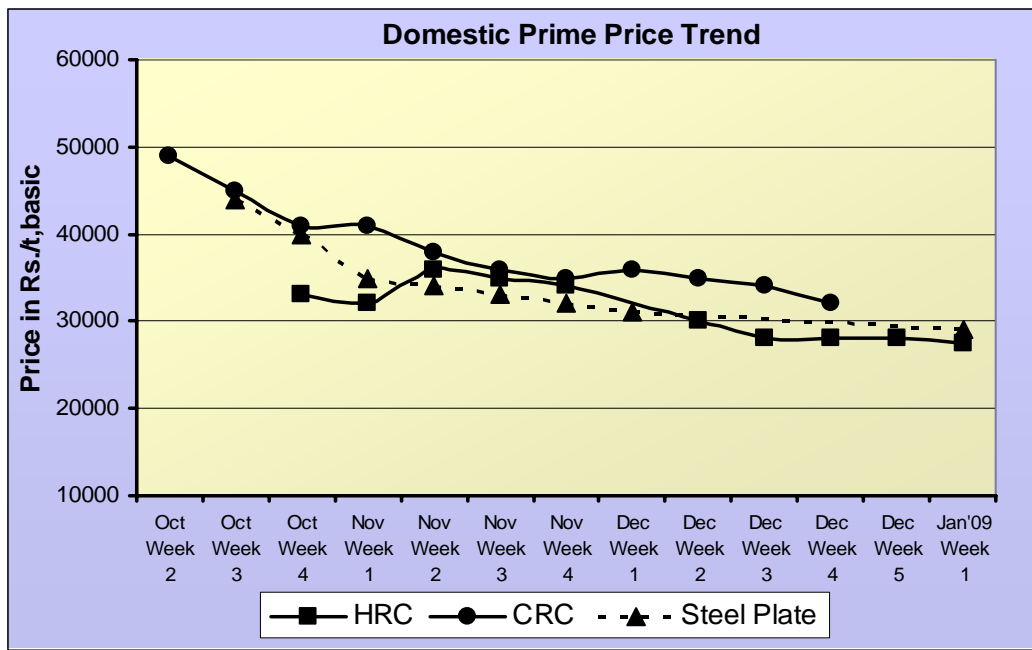
Coke prices stabilized to some extent, being largely benefited from the steel sector which struggled for quite a long time. Coke producers have benefited from an upsurge in downstream demand as a number of small sized steel mills resumed production at the beginning of December in response to growing demand for steel. The situation suggests that coke demand grew in December, which in turn caused coking coal prices to rebound recently. Coke prices in Shanxi province of China rose to between RMB 1500(\$219.30) and RMB 1600(\$233.92) per ton as of Dec30, from RMB 1100(\$160.82) to RMB 1300(\$190.06) per ton on Dec01. Prevailing price of coke(10.5 to 12.5%ash) is around 300 to 340 USD/tonne FOB China export.

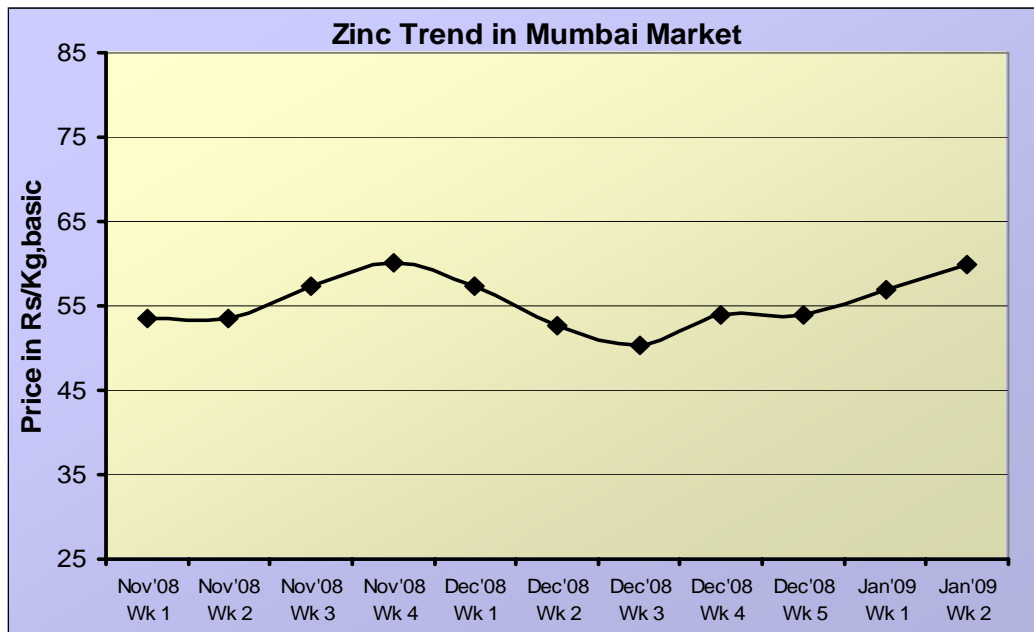
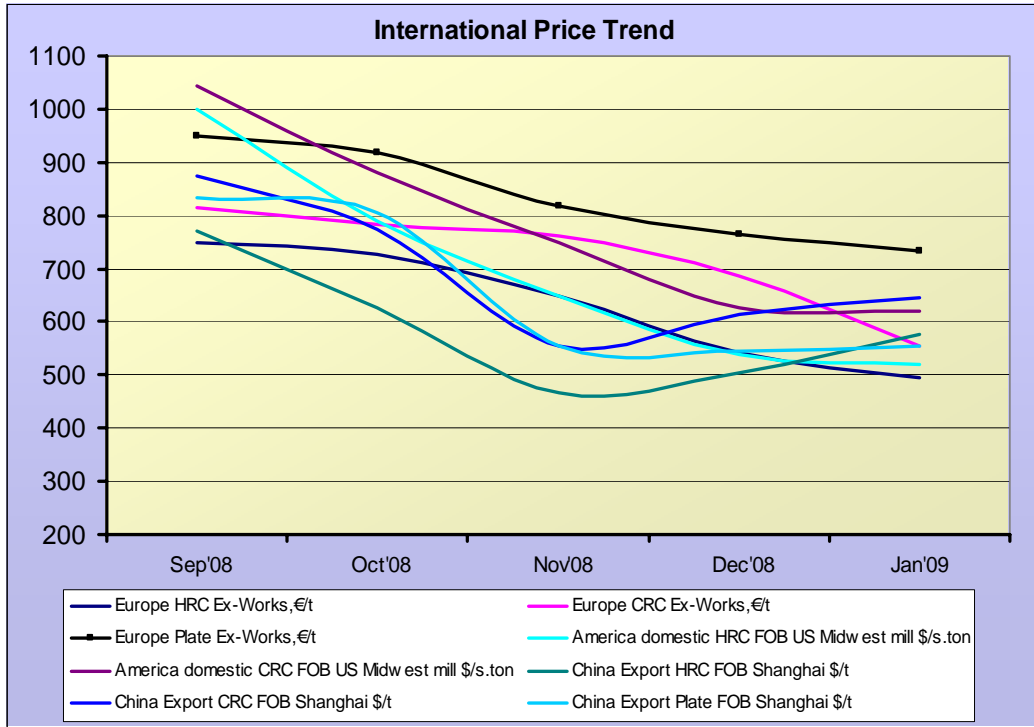
But experts stressed that the struggling steel industry had just recovered slightly and cannot give a significant momentum to the coke demand increase, for large- and medium-sized steelmakers have not fully resumed their production yet.

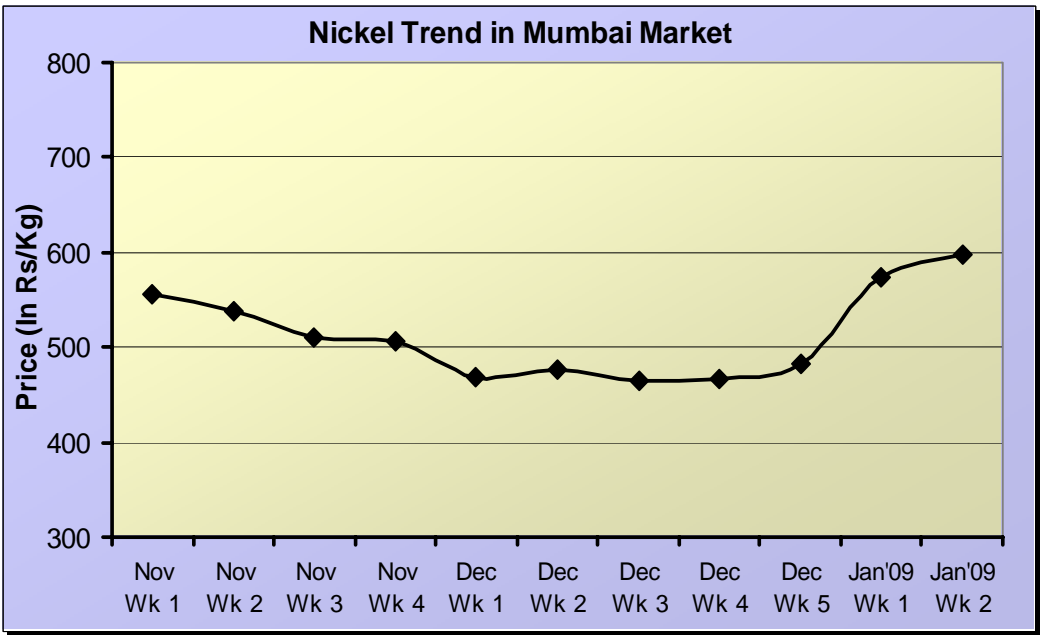
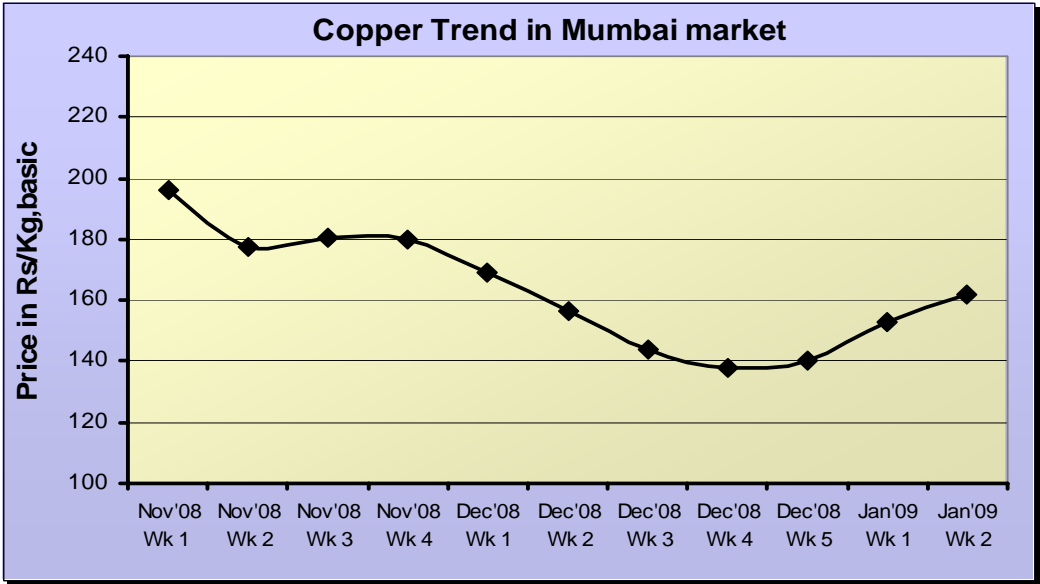
The Indian coke industry also revived to some extent with Mid-December spot prices for metallurgical coke with an ash content of 12-13% hovering at around Rs 18,000/tonne (\$384/t) ex-works in East India. With steel market expected to further stabilize in the coming days, the coke prices are expected to remain stable.

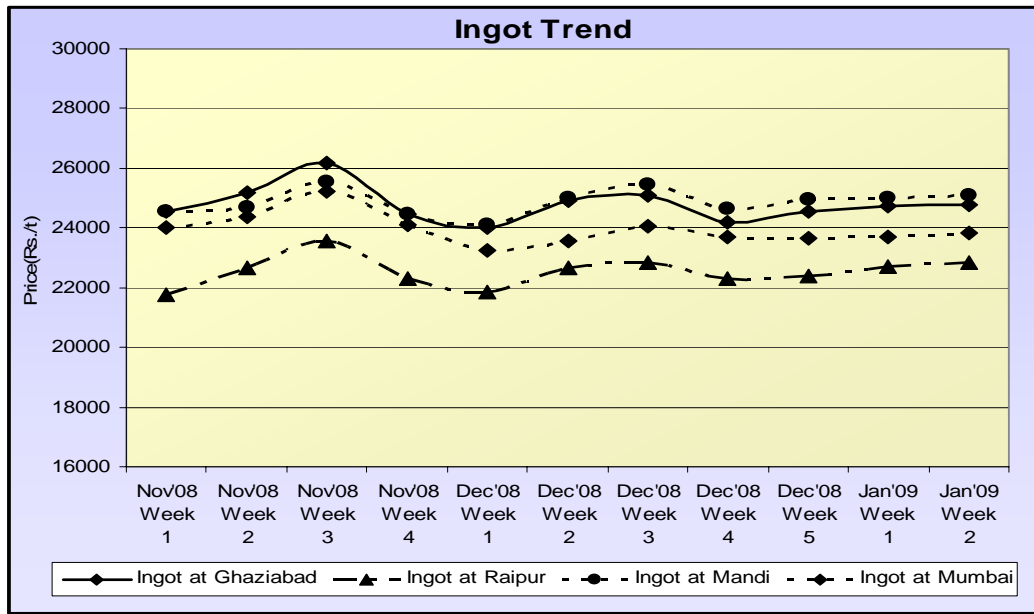
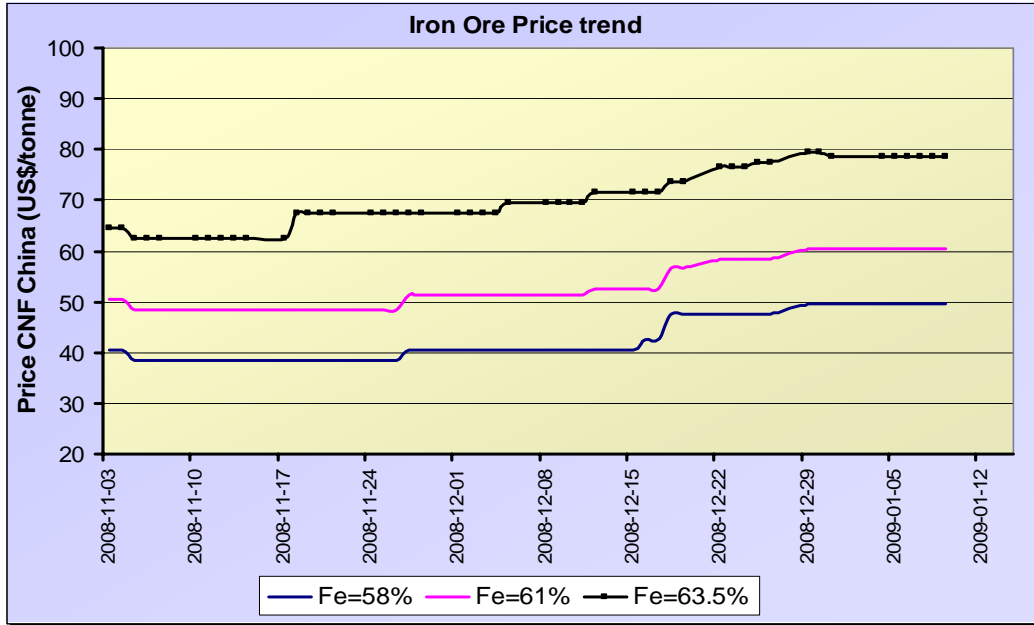
## Price Trend of Major items

Items	Jan'09 Week 1	Dec'08 Week 3
N.Europe Domestic HRC Ex-Works €/t	495	542
N.Europe Domestic CRC Ex-Works €/t	555	685
N.America Domestic HRC FOB \$/tonne	520	540
N.America Domestic CRC FOB \$/tonne	620	625
CIS Export HR Coil \$/tonne	370	450
CIS Export Billet \$/tonne	400	350
CIS Export Rebar \$/tonne	480	430
Shredded Scrap US fob East Coast \$/tonne	260	225
HMS I&II(50:50) fob Rotterdam Export \$/tonne	230	190
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	260	210
IOF Fe=63.5% CNF China USD/tonne	78	76









All domestic prices quoted above are basic.

## Outlook

No major fluctuation is seen ahead in the steel market. Experts predict the steel market to remain stable in the coming months and the last quarter of this fiscal is expected to be better than the current period. Raw material supply is in abundance to check the prices of finished goods. Iron ore prices are expected to remain stable in the short-term and it will be very hard for export price to increase as importers cannot accept higher price. Metals to see a stable trend in the short-term.

Source: Asian Metal, SBB, Metal Bulletin, NCDEX