

Snapshot over a Fortnight

News Flash

✓ A benchmark settlement for annual iron ore contracts may not be reached this year, with producers and mills opting in stead to trade on the spot market due to the uncertain outlook for steel and iron ore demand. Rio Tinto, the world's second largest exporter of iron ore, said it will wait for more economic stability and governments' stimulus packages to kick in before it settles annual prices.

✓ Iron ore exports from Goa, India, are expected to fall 5% to 38 million tonnes for the year ending March 31, 2009, and continue to fall next year, said the Goa Mineral Ores Exporters Assn (GMOEA). Most of India's iron ore is exported through Goa. Exports of iron ore from Goa during April 2009-March 2010 are likely to fall in volume and also in price and the situation may get worse in 2010/11, with buyers dictating terms as they did six or seven years ago, according to sources.

✓ The government has deferred the introduction of mandatory certification for construction steel — TMT bars and structurals — as well as tinplates used to pack food and medicines. The move could help secondary manufacturers, mostly concentrated in northern India, who had been seeking a relaxation in standards to increase sales.

✓ India's JSW Steel has reportedly delayed construction work on its 3 million tpy steel project in West Bengal state by a year due to weak demand and difficult economic conditions.

✓ Crude oil prices hovered around US\$46 per barrel on an average last week, marking a 7% rise from the week prior. Prices have moved northward beginning of March on reports of further supply cut by OPEC.

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 the end of the financial year. At present the buyers are unwilling to make any fresh purchases as the end of the financial year is around the corner.

Flat products continue to depreciate in value: The HRC market in Mumbai sees no progress, with the still weak demand and stable price. Currently, IS2062 5.5mm is concluded at around Rs. 28,000/tonne (basic), on the same level as that last week. Market participants predicted that not much change would happen in the coming days.

The price of steel plate stands stable in Mumbai at present, and the market still runs calm. IS2062 16mm is concluded at around Rs. 29,000/tonne (basic) currently, on the same level as that of last week. Market participants predicted that not much change would happen in the near future.

The demand of CRC remains weak in Mumbai, with the shortage of production orders from downstream industries, and the price sees a further decrease. Current price of SPCC 1.0mm is prevailing at around Rs. 30,500/tonne (basic), dropping slightly by Rs. 500/tonne as compared to that of Feb last week. Market participants predicted that sluggish situation would continue in the coming days.

The long products market too remained quiet without exhibiting any significant change in price. The market of wire rod continued to remain stagnant due to weak demand from the end users under the

backdrop of global financial crisis. Current prevailing market price of low carbon wire rod is in the range of Rs. 28,000-29,000/tonne (basic) in India.

Steel Ingot prices exhibited a drop in the range of Rs.200-400/tonne at various places over a week. The month of March has not shown any significant price movement for the metallics and over a fortnight a softened trend has continued with prices varying in the negative range of 2 to 4%.Ups and downs still continues to grip the steel market at present.

Sponge Iron market has also not made any significant movement with prices remaining almost stable over a week and over a fortnight. While the Melting Scrap market has behaved negatively over a fortnight with prices dropping by almost 3 percent. Over a week there has been a fall of 2 percent in prices at Mandi Govindgarh market.

Market conditions are expected to remain quiet without any significant price movement as the year ending is round the corner and buyers are unwilling to spend money and stock material.

Prices achieved through **e-auction** have also depicted a downward trend as compared to the last week of February. There has been a negative variation in the range of 2 to 4 percent on an average across various flat and long steel items over a fortnight. With market still remaining weak and buyers not willing to shell out enough of cash, the market remains in a quiet condition and prices will continue to remain on a softened note.

The **international steel market** continues to remain under pressure as a result of scarce demand all over the world. According to the market sources, the speed of the decline in north European plate prices continues to unsettle the market, as even large end-users look to renegotiate second quarter contracts. In Northern Europe, the commodity plate prices are currently prevailing in the range of USD 680 – 895/MT dropping from the range of USD 769-1021/MT since Feb'09. On the other hand in China the export prices for Chinese ship plates have dropped quickly since mid-February, with some offers having already fallen below production costs. Chinese domestic slab prices have decreased quickly since the beginning of March because of weakening prices for hot rolled coil and plate.

According to the market sources, a decline of USD 25/long tonne in the benchmark scrap price used to set surcharges for wide flange beams, plates and other structurals will result in lower prices for those products in the US market by April. Turkish domestic rebar offer prices are reported to be around USD 449-460/tonne. The market sentiment is confusing, due to varying demand in different regions of the country. On the other hand in China, the H-beam prices have dropped below than that of rebar in the last week mainly because of high inventories and weak demand in the market as the investment in new steel projects are slowing down.

Base Metals Sector

The base metals pack lost upward momentum in the last week and four out of the six base metals ended in the red on a week-on-week basis. Copper the leader of the base metals pack lost almost 1% on the LME on a week-on-week basis, despite a sharp decline in LME inventories by 4.7% in the same period. Since economic worries are dominating market sentiments, prices are under pressure as demand is a major concern. Though there have been production cutbacks, the effect and impact of the cuts is still not experienced, as demand has yet not picked up. According to market sources, base metals may go down further in the coming week on the back of declining global demand, further reinforced by little buying support from China. Last week, barring lead and aluminium, all base metals trading on the London Metal Exchange (LME) declined on profit booking. Copper and zinc declined one per cent, while nickel and tin slumped 2.6 per cent and 6 per cent, respectively. In contrast, lead and aluminium jumped 3.3 per cent and 3.4 per cent, respectively, on bargain buying by a group of traders.

Iron Ore Sector

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. Till the second week of February prices have increased in the range of 3 to 4 percent across various grades. However, the market has again seen a dip since then with prices dropping by USD3/tonne in the last week of February. Indian fines of 63.5% ferrous content were traded thinly at \$81-83 per tonne cfr China in the spot market, down from \$84-86 per tonne in the third week. The month of March too started on a deteriorating note with prices making a significant drop across various grades. Grade Fe=63.5% saw a drop of 7 USD/tonne since the end of February and is currently prevailing at 67USD/tonne cfr China port. This is mainly attributed to the falling demand from China and reduced purchasing activity.

Many observers and traders feel that the market may further slide in the coming days.

Coke Sector

It is reported that coke industry which showed a trend of recovery from sluggish performance, has again fallen into a new round of price downswings. EXW prices in major regions of China have all slumped with price dive of some CNY 200 per tonne since late February. Some small coking enterprises in Shanxi even conduct fire sales. On March 9th second-grade metallurgical coke was offered at CNY 1650 per tonne in Taiyuan and Hejin, CNY 1750 per tonne in Tangshan, CNY 1800 per tonne in Tianjin and CNY 1750 per tonne in Huainan. Price in Changzhi and Linfen has experienced greater downswings to CNY 1400 per tonne or so. As a result, some coking enterprises start to increase output cutback to 40% to 50% or even 70%.

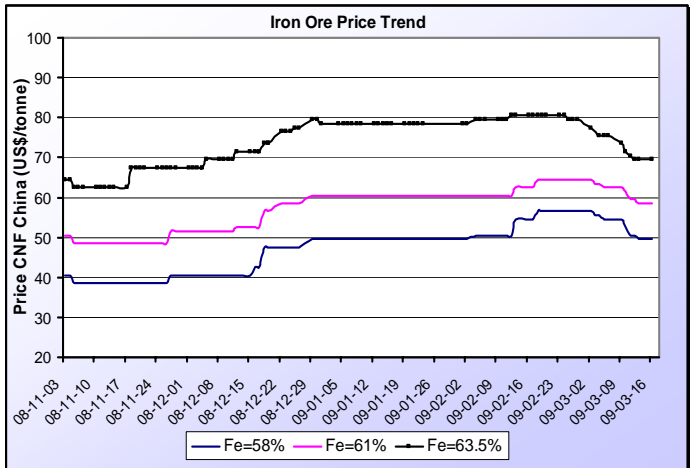
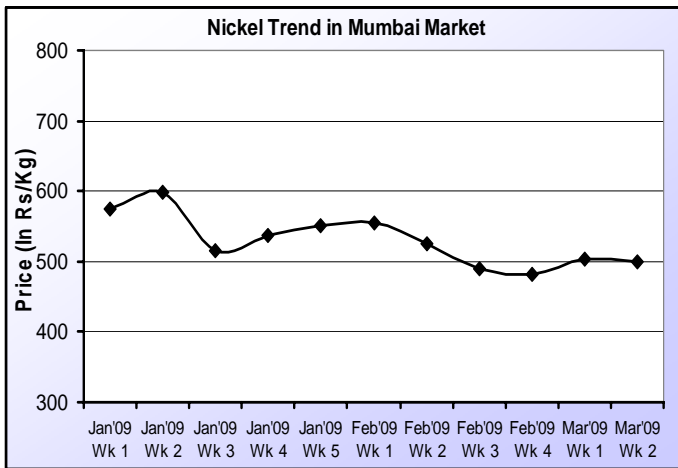
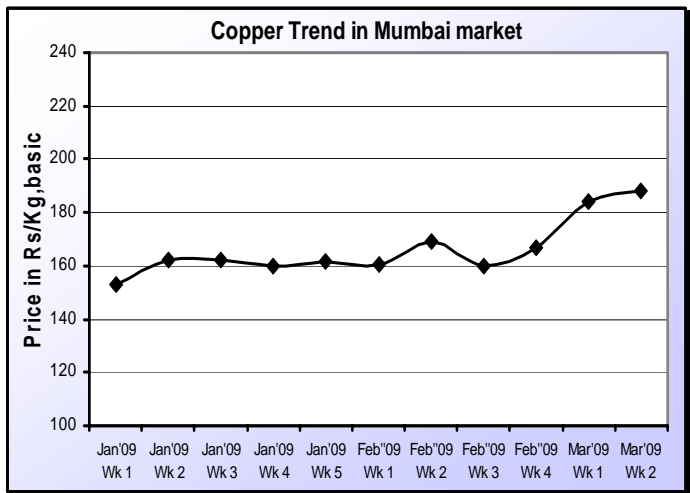
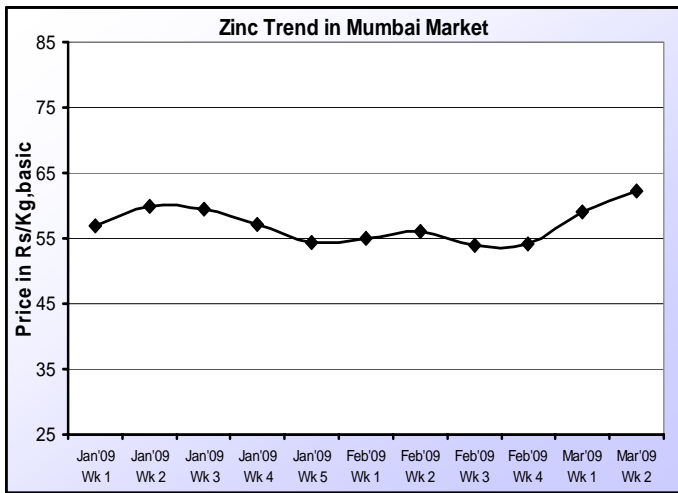
Ferro Alloys Sector

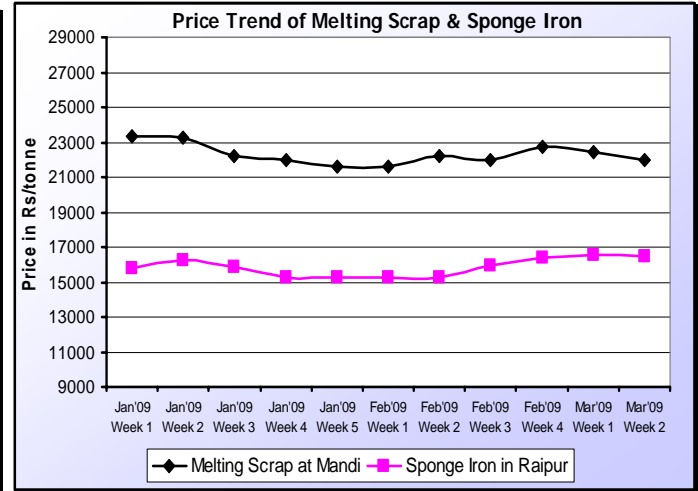
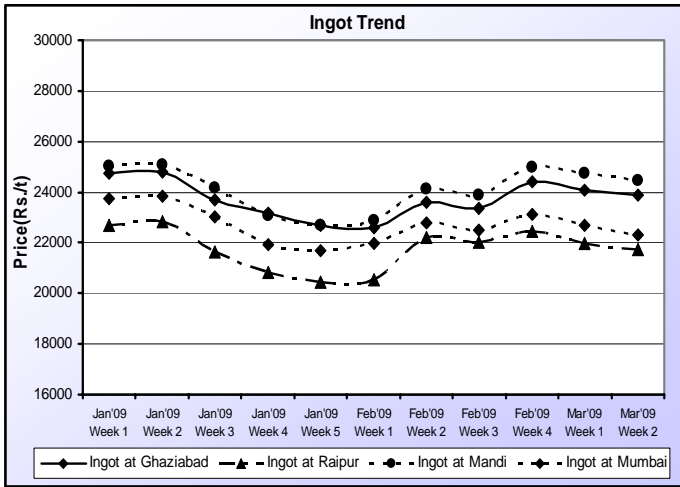
The ferro-alloys sector remains stable without much price changes being noticed. Ferromolybdenum prices remain more or less stable at present in India, and the price has stabilized at around Rs. 810-820/kg for ferromolybdenum 60% in domestic market. After experiencing a drop of more than 2.45 per cent in the third week of February, the Indian Ferro chrome prices have remained more or less stable till now. Indian Ferro vanadium market remained quiet over a month with the prices not depicting any significant movement as the demand remains sluggish all around. On the other hand, the European market for Ferro vanadium is also moving along at a sluggish pace with limited demand in the market resulting in the conclusion of only a handful of deals in the last few days.

Price Trend of Major items

Items	Mar'09 Week 2	Feb'09 Week 4	Feb'09 Week 2	Jan'09 Week 4	Jan'09 Week 2
China Domestic HRC Yuan/tonne	3280	3350	3650	3980	3800
China Domestic CRC Yuan/tonne	4030	4100	4490	4650	4580
Europe Domestic HRC Ex-Works €/t	350	380	390	380	350
Europe Domestic CRC Ex-Works €/t	410	430	425	500	480

US Domestic HRC FOB \$/tonne	480	520	520	520	520
US Domestic CRC FOB \$/tonne	560	620	620	620	620
CIS Export HR Coil \$/tonne	370	370	400	320	400
CIS Export Billet \$/tonne	290	350	360	390	360
CIS Export Rebar \$/tonne	390	400	440	460	460
Shredded Scrap US fob East Coast \$/tonne	215	235	265	265	275
HMS I&II(50:50) fob Rotterdam Export \$/tonne	165	190	218	218	238
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	195	220	248	248	268
IOF Fe=63.5% CNF China USD/tonne	67	74	84	79	81





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

Market to remain quiet in the domestic market without any significant change in prices. India steel long futures are likely to trade sideways to lower on absence of signs of demand recovery in the domestic market. A clear trend and pick up in the steel demand might take some time. And, till then, not all companies will be able to grow. The correction in steel prices has already compelled inefficient and non-integrated players to cut production. Steel prices have corrected by about 50 per cent since their peak in June 2008, and many believe there is less room for them to correct further as prices are near cost of production; companies have also started lower production.

Source: Asian Metal, SBB, Metal Bulletin, NCDEX