

News at a Glance

NMDC's iron ore output falls 4%: State-owned NMDC Ltd saw output fall 4% to 28.5 million tonnes for the year ended March 31 on the back of a 6% dip in sales.

Iron ore sales fell to 26.5 million tonnes, with a 7% dip in domestic sales to 22.6 million tonnes offsetting a 3% increase in exports to 3.9 million tonnes.

SAIL, RINL negotiate FY10 coking coal at 60% discount: SAIL and RINL have negotiated the current fiscal's long-term coking coal prices with global suppliers at \$115-125 per tonne, which is over 60 per cent lower than what the companies had paid in the last financial year. The new contract would be effective from April 1 this year instead of July 1, Rastogi said, adding the differential price for three months (April-June) of 2008-09 contract would be carried forward over a span of few years. As the new coking coal contract has been settled at a cheaper rate, it is expected to ease out the input cost pressure on the two steel companies.

Indian railways reduce freight on iron ore for export: Indian iron ore exporters are now paying lower rail freight rates. This follows the issuance of a notification on 1 June by Indian Railways, re-classifying iron ore meant for exports as class 180X, thereby reducing overall freight costs.

Indian pig iron attracts bidding above \$300/t fob: The bidding prices in MMTC's 25 June tender reflects improved sentiment for basic pig iron. Steel Base posted the highest priced bid at \$301.50/tonne fob in the Indian tender.

Tata Steel hikes prices amid duty cry: Tata Steel on June 19 hiked prices by Rs 500-750 per tonne for both hot-rolled (HR) and cold-rolled (CR) products. The price hike comes at a time when steelmakers are demanding safeguard duties to prevent cheap imports from hurting their bottomlines.

Steel companies may hike prices by 5% in July: Steel prices could go up by 2-5% in July, with large steel producers such as SAIL, Ispat and Jindal Steel contemplating price hikes. Prices are likely to go up in the range of Rs 500-1,000 per tonne for various products. SAIL is likely to increase prices of certain grades by Rs 500-750 per tonne. Ispat Industries is also looking at increasing the price of hot rolled coil (HRC) by Rs 700-1,000 per tonne, while JSW, Essar and Tata Steel are reviewing the situation and would take a call in the first week of July.

China's output keeps rising in June at 1.5m tonnes/day: Stimulated by rising domestic prices, crude steel output in China continues to swell. During the first ten days of June, Chinese mills produced 14.98m tonnes of crude steel, up from 14.85m t for the last ten days of May, according to estimates just released by the China Iron & Steel Association (CISA).

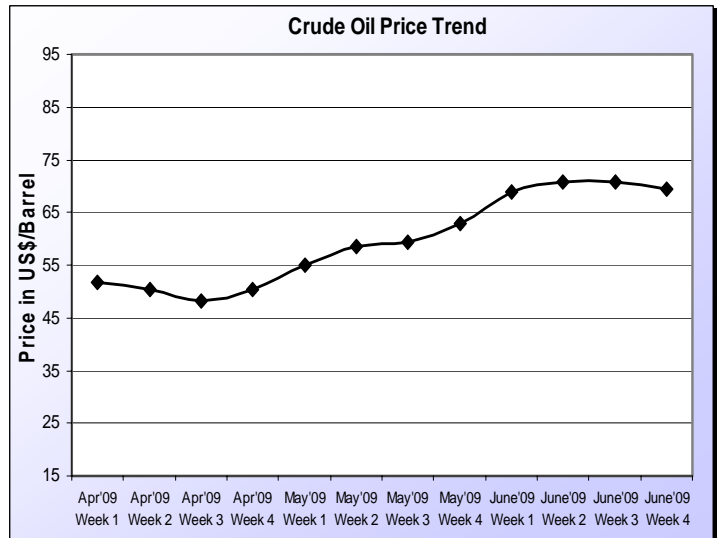
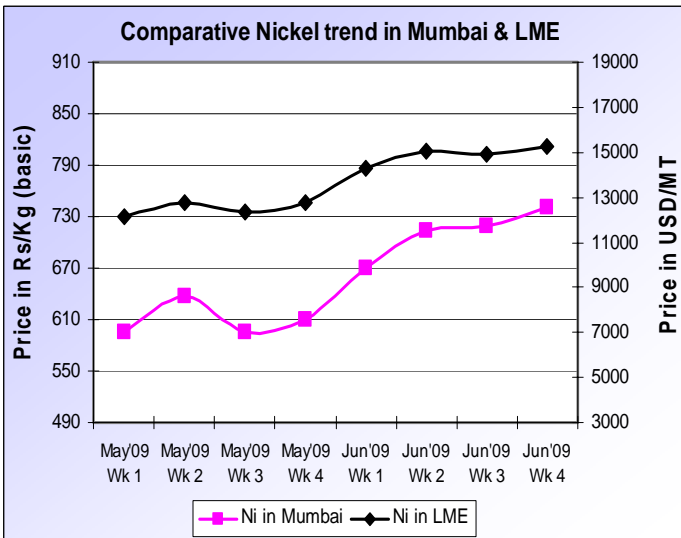
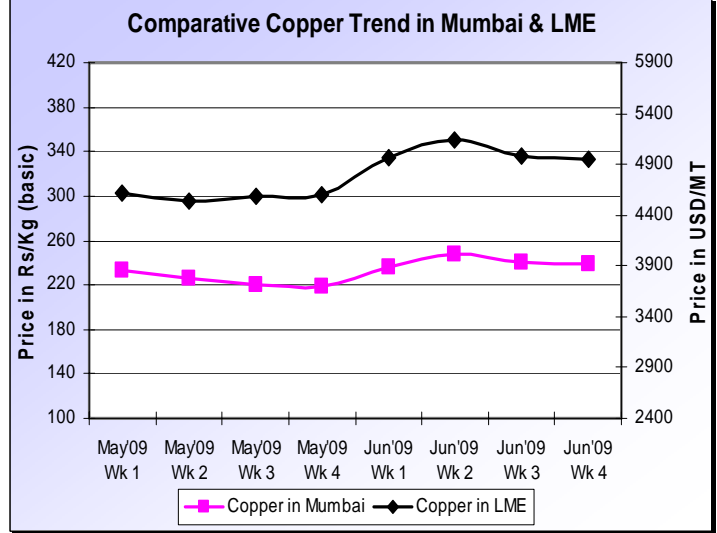
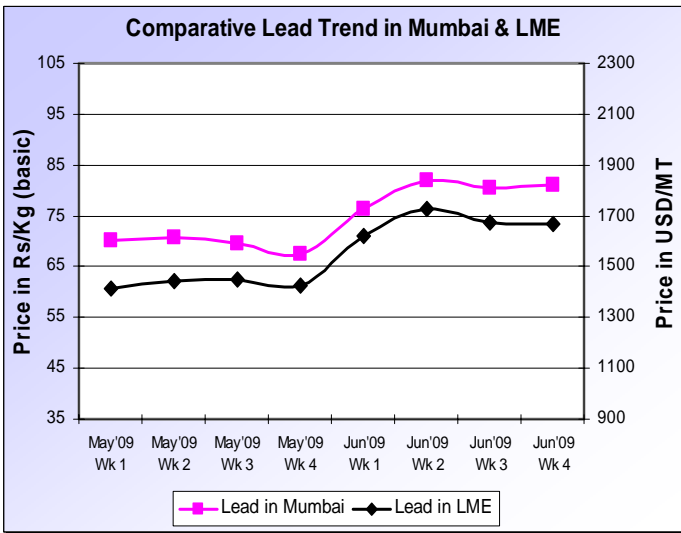
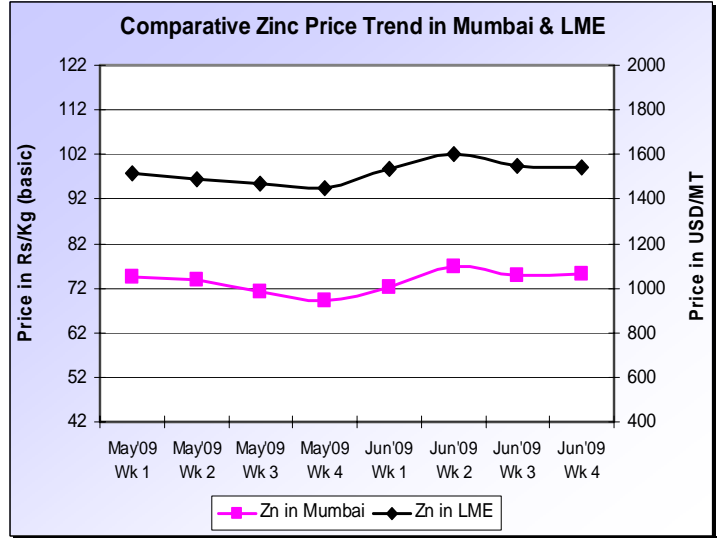
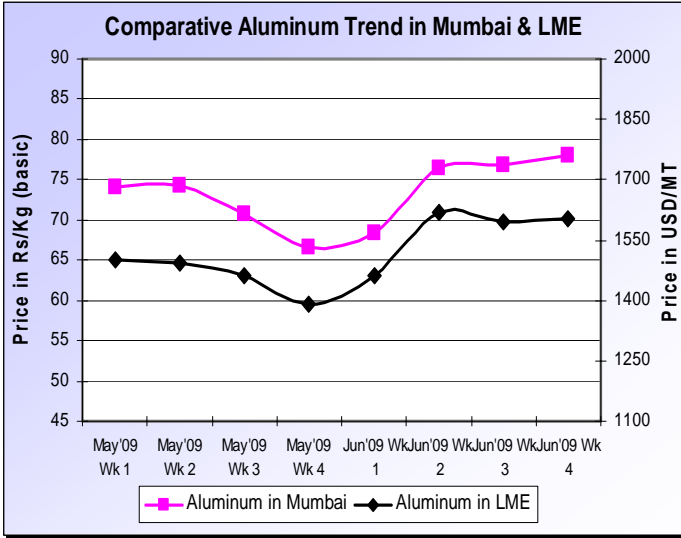
China reduces export tax on light sections: China's Ministry of Finance announced on 22 June that it is reducing the export tax on some light sections from 10-15% to 5% in a bid to support the country's exports, effective 1 July. Products benefiting from the reduction include H-beams, I-beams, channels and angles; all with a height below 80mm. China has already increased export rebates on large sections with a height of more than 80mm to 9% from 1 June.

Shipping: Facing tighter access to funds and a global freight market that is yet to firm up significantly, Indian shipping companies have delayed some of their expansion plans. This has resulted in the domestic shipping fleet remaining flat in terms of gross tonnage (GT) in the last five months. India's shipping GT has hovered around the 9.3-million-tonne mark in the last five months, although the number of ships in the fleet has marginally increased. Industry analysts feel that the growth will remain subdued for the rest of the year, with ship owners' access to funds not likely to improve significantly. The industry is hoping to get a stimulus package in the ensuing budget that may spur their buying of marine assets — the Shipping Ministry has conveyed its plea to the Finance Ministry.

The horde of **base metals** rallied with the commencement of the month of June and the complex touched new multi-month highs on the back of the investment buying and the momentum in the market looked steady as commodity fund buying came in the very first week of June. A weaker dollar further pushed the base metals prices up. Metals like nickel and copper witnessed a price increase in the range of 7 to 8 per cent over a week while the prices of other metals like aluminum and zinc rose significantly over the same period by around 5 per cent. The base metal pack staged an impressive performance and continued its upward journey even in the second week of June. But it appeared at that moment that they are racing ahead of their fundamentals and such an enormous rise in the prices may not be sustainable in the following second half of the month which was indeed proved by the dismal movement in prices in the third week of June. The base metals bunch ended conspicuously lower in June week 03 as fresh dollar strength coupled with waves of speculative and technical selling started putting a downward pressure on the metals' prices. Almost all the major metals witnessed a price a drop in the range of 2 to 3 per cent in June week 03 as compared to week 02 mainly because of the bouncing back of dollar in the third week. The month ended on a slightly higher note at the end of the month across most of the base metals.

Zinc market staged an impressive show in the opening week of June both at home and abroad with the buoyant equity markets and relatively strong demand from the galvanizers and smelters. Zinc witnessed a price increase of around 5 per cent both at home and in LME in the first week as against the week before. A steady trend was noticed in the second week as well. Weak dollar further boosted up the market conditions during this time. In consonance with all other metals, zinc also depicted a falling trend in June week 03. Zinc prices both at home and abroad dropped in the range of 2.5 to 3 per cent in the third week. The white metal remained more or less stable in the last week of the month with the demand condition remaining by and large stagnant.

Crude oil: The Crude oil market started strengthening with the commencement of the month of June. The crude prices hit new seven month highs in the first week itself amid growing optimism over the outlook for the global economy. In June week 01, prices increased by a whopping 8.5 per cent as compared to the week before and NYMEX crude oil prevailed at around USD 68/barrel on an average mainly because of the encouraging Chinese manufacturing data for May and increased demand from different sectors of the economy. Crude oil moved further northward in the second week of June driven by the positive US government employment data and prevailed at an average of USD 71/barrel throughout the week. Crude prices remained firm in June week 03 as well with the market sentiment remaining strong. However in the final week of June, the crude oil prices exhibited a tendency to soften slightly mainly because of the stronger greenback making the dollar-priced commodity more expensive for the holders of other units and consequently dampening the demand and leading to lower crude oil prices in the international market. The month closed at USD 72.54/barrel in NYMEX.



CRU Index Behaviour (Source: www.cruspi.com)

Index	Mar'09	% Change (M-M)	Apr'09	% Change (M-M)	May'09	% Change (M-M)	June'09	% Change (M-M)	% Change (Y-Y)
Global	141.24	-7.40	130.24	-7.80	129.85	-0.30	134.36	3.50	-52.30
North America	139.53	-6.20	124.05	-11.10	114.83	-7.40	112.48	-2.00	-57.10
Europe	134.82	-8.20	125.71	-6.80	131.15	4.30	129.97	-0.90	-47.70
Asia Steel	145.80	-7.70	136.39	-6.50	137.97	1.20	149.66	8.50	-52.10
Longs	167.06	-6.80	152.18	-8.90	154.01	1.20	159.53	3.60	-49.10
Flats	128.42	-7.80	119.35	-7.10	117.85	-1.30	121.86	3.40	-54.20
Metallics	157.74	-13.30	150.67	-4.50	174.63	15.90	184.00	5.40	-62.80
Stainless	103.71	-2.00	102.11	-1.50	110.71	8.40	111.46	0.70	-45.20

The CRUspi index for finished steel products has risen a little over the past month as destocking appears to be coming to an end for many products and regions.

Prices continue to make modest gains in slow market: The CRUspi long products index has seen another moderate increase over the past month, with price rises seen in North America, while the market is more patchy in Asia and Europe.

Global sheet prices have bottomed out. This is reflected in the CRUspi for steel sheet which, after 10 months of consecutive falls, has finally made gains.

Scrap demand is improving and so are prices and this is reflected in the metallics CRUspi index.



(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

FLAT & LONG PRODUCT

Domestic Scenario

The domestic steel market saw a mixed trend with Flats market witnessing some improvement in prices, while Longs segment remaining depressed at various places.

Flat product market conditions remained stable beginning of the month. The price of HRC remained stable in Mumbai after a decrease of Rs. 500/MT end of May, with prices prevailing at around Rs. 27,500/MT (basic). Demand conditions however remained weak. The price of steel plate went down slightly in Mumbai in the second week with the demand remaining inactive in the market. However, prices stabilized in the following week of the month with 16mm Plate prevailing at around Rs.28,500/MT, basic. The market is however in a wait and watch mode as everybody is waiting to see the steps taken and the stimulus packages offered by the newly formed government in its budget to be announced in the month of July. Thus currently the market participants are also not very intent to undertake any considerable purchasing decision and are averting themselves from holding inventories at the moment.

The month however ended on a slightly improved price trend mainly because of the tight supply of materials which to some extent have pushed up the prices especially for the HR Coils across the country. At present there is a considerable crisis of HR Coils in the market across the country as most of the steel majors either don't have the material in the stock or are not intent to supply in large quantities to the market. The shortage, which is more acute in the northern part of the country, has forced the hot rolled coil producers to raise prices of late.

Long product market remained depressed in the month of June with prices fluctuating across various products.

The price of wire rod softened by 1-2% over a week because of weak demand from the end users. Ingot prices too tumbled in the range of 1 to 3 percent in the beginning of the month. The price of angle steel went down by 1-2% in the second week due to lack of demand from the end users. Price of angle steel (Q235 25-100mm) prevailed at around Rs. 27,000/MT (basic). The market for wire rod and TMT remained inactive because of limited demand from downstream customers. According to market sources, most construction projects are under slow operation with the approaching monsoon across the country which lowered down the construction steel demand for the time being. The month ended on a downtrend with semi-finished and finished steel items suffering a setback in demand and price. Billet prices went down by Rs 1,200-1,500/MT (USD 25-30/MT) as buying activity remained depressed amid weak market sentiment. Billet prices have dropped to Rs 20,000 - Rs 20,500/MT ex-plant from Rs 21,200-22,000/MT since third week. The market of wire rod remained dull over a week because of lack of demand. The demand from end users is very limited at the moment as the wire rod downstream industry runs slow under the gloomy economy. According to the market sources, the price is expected to go down slightly in the coming days. The price of TMT bar softened by 2-3% in the last week because of weak demand from the downstream customers. The annual monsoon season has slowed down the construction activity and the end users are reducing their purchase volumes.

The demand from the end users is very limited at the moment with the buying psychology remaining depressed and everybody waiting for the declaration of the Central Budget.

Price Trend as observed in the Auctions held at Metal Junction for Flat Products:

Attached below is the data table:

Week	Cobble Plate	Def.HR Plate	Semi Rolled Plate	SRP Coil Form	Def Plate	HR Sheet Cutting
May'09 Wk 1	25500	22658	23728	25780	22289	15300
May'09 Wk 2	24311	22919	25338	25667	22587	20104
May'09 Wk 3	25050	23475	25563	24733	22336	--
May'09 Wk 4	25692	23218	23818	23766	22042	--
June'09 Wk 1	25222	24016	23310	24382	21725	--
June'09 Wk 2	24865	23650	23097	24208	22062	18996
June'09 Wk 3	25397	--	23702	25968	20919	17508
June'09 Wk 4	24853	23400	22042	23973	21025	19104

Percent change (m-m & y-y basis):

Products	May'09 Price (Avg.)	June'09 Price (Avg.)	% change (June'09 over May'09)	% change (June'09 over June'08)
Cobble Plate	25138	25084	-0.22	-26.55
Def HR Plate	23068	23689	2.69	-22.83
Semi Rolled Plate	24612	23038	-6.40	-32.24
SRP Coil Form	24986	24633	-1.42	-31.92
HR Sheet Cutting	17702	18536	4.71	-33.29
Def HR Coil	24978	24129	-3.40	-27.88

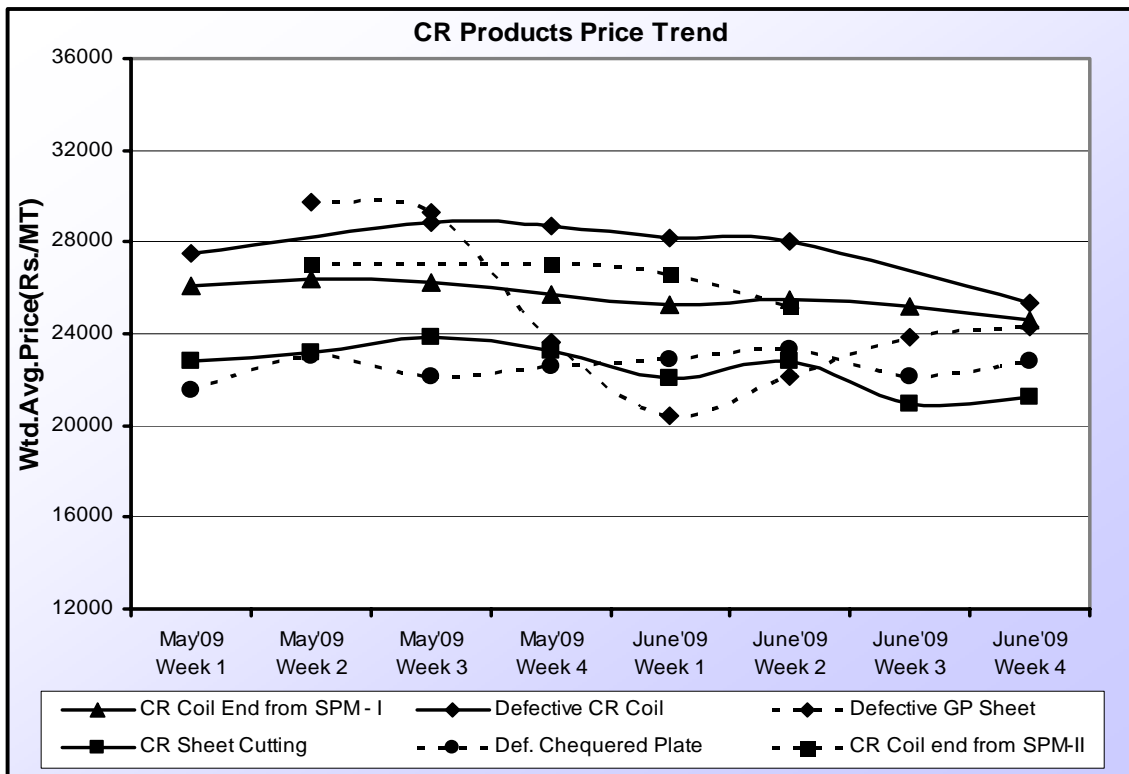
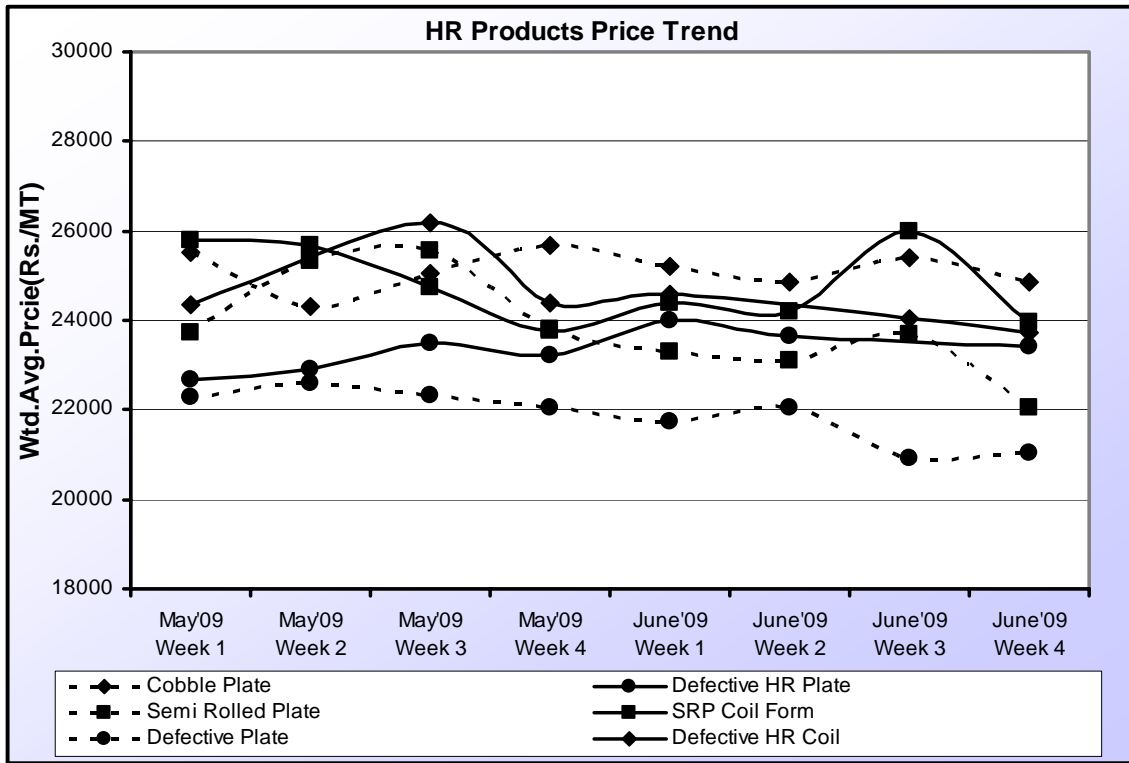
Attached below is the data table:

Week	CR Coil End From SPM-I	CR Coil End From SPM-II	Def Chequered Plate	CR Sheet Cutting	Def CR Coil	Def CRNO Sheet	Def GP Sheet
May'09 Wk 1	26066	--	21575	22771	27500	34050	--
May'09 Wk 2	26400	27050	23057	23200	--	35250	29750
May'09 Wk 3	26268	--	22162	23850	28857	--	29275
May'09 Wk 4	25715	27050	22597	23245	28700	--	23664
June'09 Wk 1	25275	26643	22897	22063	28186	37350	20426
June'09 Wk 2	25497	25166	23318	22777	28000	--	22153
June'09 Wk 3	25166	--	22100	20981	--	--	23884
June'09 Wk 4	24603	--	22791	21278	25314	--	24324

Percent change (m-m & y-y basis):

Products	May'09 Price(Avg.)	June'09 Price(Avg.)	% change(June'09 over May'09)	% change(June'09 over June'08)
CR Coil End from SPM-I	26112	25135	-3.74	-20.47
CR Coil End from SPM-II	27050	25905	-4.23	-14.15
Def CR Coil	28352	27167	-4.18	-22.00
Def CRNO Sheet	34650	37350	7.79	-3.50
Def Chequered Plate	22348	22777	1.92	-31.65
CR Sheet Cutting	23267	21775	-6.41	-25.30

Following graphs show the price trend observed in the auction services of www.metaljunction.in for the month of May 2009 & June 2009 for different HR and CR products.



Price in Rs./t is basic

Outlook: The flat steel market conditions remained stable in the beginning of June. There was not much buying in the market and the buyers did not make any huge volumes of purchase

accompanied by slow movement of material. Real demand still lacks in the market and the approach of monsoon has further aggravated the situation. HR Coil, CR Coil and galvanized items all depicted a weakening trend in Mumbai market to prevail at Rs. 27,500/MT (basic), Rs. 30,500/MT (basic) and Rs. 35,000/MT (basic) respectively in the second week of the month. The market continued to show a stable trend with some of the steel majors announcing an increase in HR Coil and CR Coil prices in the range of Rs. 500 to 750 per tonne wef June 19. Further, the shortage of HR Coil in the market has created some pressure in the prices. However, there is still lack of demand in the market and everybody is awaiting the announcement of Budget. The e-auction platform has depicted a declining price trend over a month across both HR and CR items and a softened trend is expected in the coming days.

Price Trend as observed in the Auctions held at Metal Junction for Long Products:

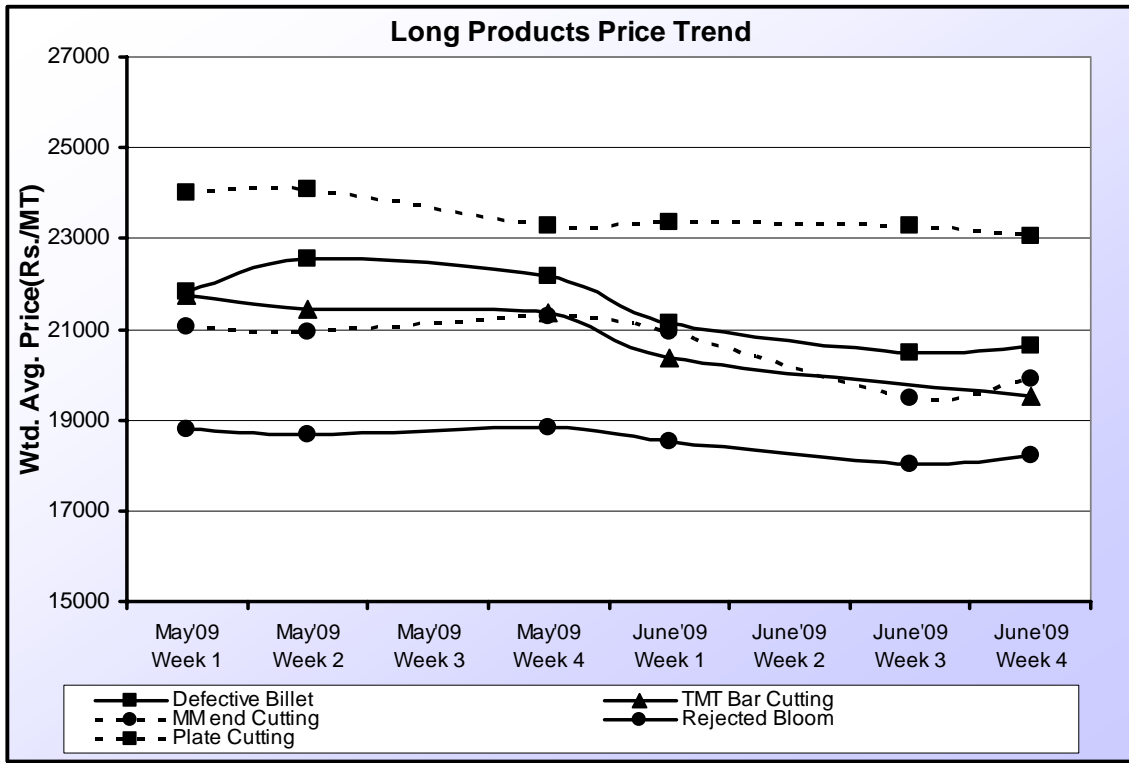
Attached below is the data table:

Week	Def Billet	TMT Bar Cutting	MM End Cutting	Rej Bloom	Plate Cutting
May'09 Wk 1	21838	21764	21050	18799	23996
May'09 Wk 2	22546	21436	20958	18689	24100
May'09 Wk 3	--	--	--	--	--
May'09 Wk 4	22178	21382	21300	18844	23299
June'09 Wk 1	21148	20361	20946	18538	23367
June'09 Wk 2	--	--	--	--	--
June'09 Wk 3	20472	--	19500	18016	23296
June'09 Wk 4	20652	19526	19918	18213	23066

Percent change (m-m & y-y basis):

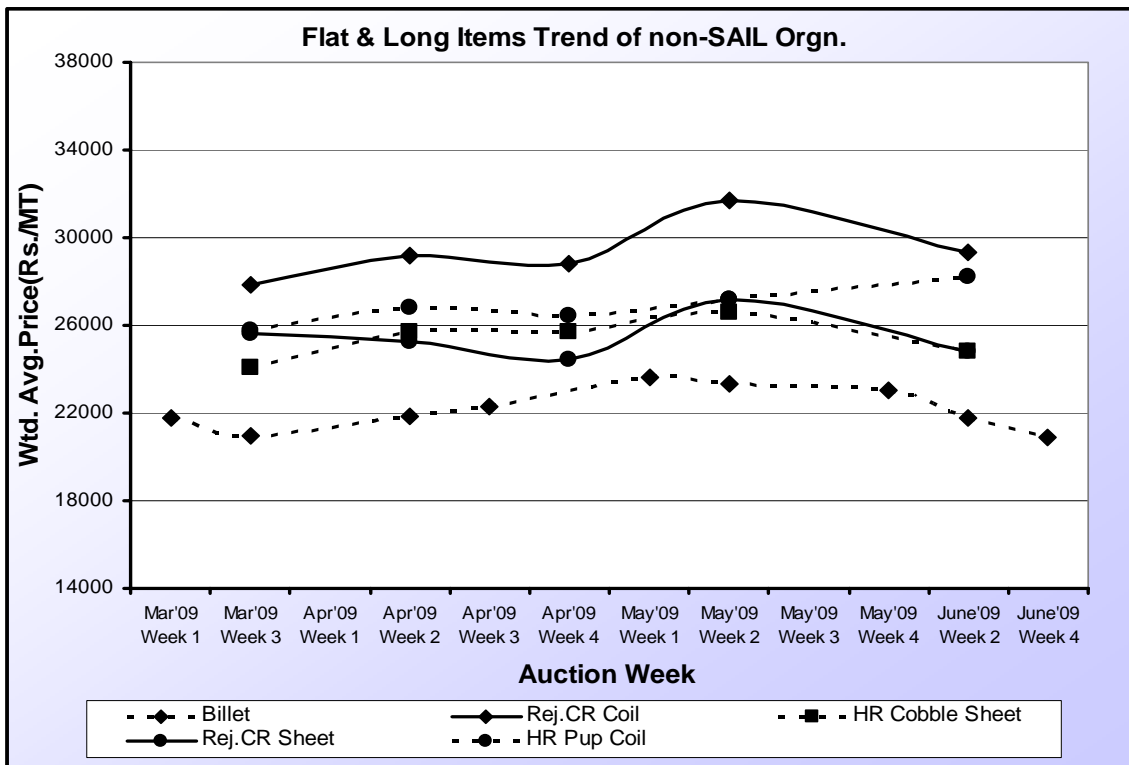
Products	May'09 Price(Avg.)	June'09 Price(Avg.)	% change(June'09 over May'09)	% change(June'09 over June'08)
Def Billet	22188	20757	-6.45	-35.00
MM End Cutting	21103	20121	-4.65	-32.00
Plate Cutting	23798	23243	-2.33	-32.00
Rejected Bloom	18778	18256	-2.78	-35.00
TMT Bar Cutting	21527	19943	-7.36	-34.00

Following graph shows the price trend observed in the auction services of Metal Junction for the month of May 2009 & June 2009 for different long products.



Price in Rs./t is basic

The graph below indicates the price trend of Flat & Long items auctioned from non-SAIL organizations



Price in Rs./t is basic

Outlook: The long product segment made a declining start beginning of the month. Over a week, finished steel item prices reduced in the range of 1 to 2 percent. Steel Ingot prices reduced in the range of 2 to 3.5 percent owing to weak demand in the market. Melting Scrap market too witnessed a falling trend with prices falling by almost 4 percent over a week. The second week of the month further depicted a softening trend as poor demand still ruled in the market. Angle steel prices went down by 1 to 2 percent with prices prevailing at Rs.27,000/tonne, basic in the second week of the month. Demand from the steel consuming segments like construction and infrastructure sectors are not that steady at the moment as monsoon is slowly creeping in across the country resulting in a slow material movement and a lower off take, which has added to the woes of the current dwindling steel market. The latter half of the month further remained stagnant as most of the construction projects are under slow operation with the prevailing monsoon across the country which lowered down the construction steel demand. The market is in a wait and watch mode as everybody is waiting for the Central Budget to be announced. The month ended on a negative note as most of the products witnessed a price drop in the range of 2 to 3 percent over a week. The auction platform remained aligned with the domestic market as prices fell in the range of 2 to 7 percent over a month. A depressed market scenario is expected in the coming days.

International Scenario

Asia: Prices improved in Asian market with signs of recovery. Export prices of Turkish-origin rebar to East Asia rebounded in the second week of the month. Offers to Singapore the week ending 12 June were up to \$470-500/t cfr compared to \$450-460/t cfr in the previous week. However, the rebar market still remains quiet in many parts of Asia and a trader said that there is still sufficient inventory in the regional markets and importers are not in a hurry to book material. The Billet import market remained quiet with bookings taking place at around \$418 per tonne cfr to the Philippines in the second week of the month. Russian billet offers were at \$425-430/t cfr, Malaysian at \$440-450/t cfr and Ukrainian were at around \$435/t cfr. However, import offers improved in the following week with trading taking place at \$430-435/tonne cfr S.E.Asia, up by \$5-10/t. Domestic scrap shortage, due to local scrap yards withholding cargoes in a rising market, is behind recent buying interest for billet, according to sources. HRC and Plate market however improved with sentiment slowly recovering. Exports of Hot Rolled Coil prevailed above \$500/tonne, cfr with demand growing up but limited offers being available. Bookings of Chinese-origin 3mm commercial quality HRC were made at \$485/t cfr Vietnam early in the week ending 19 June, down from the initial offer price of \$490/t cfr.

China: Prices improved across both Flat and Long segments as confidence returned in the market. Domestic Plate prices improved on the back of rising Hot and Cold Rolled prices. In Shanghai, Q235 14-20mm plate from Maanshan Steel was offered at RMB 3,420-3,440/tonne (\$503-506/t) with 17% VAT on June 15, up RMB 60/t from 11 June. With the introduction of 9 percent export tax wef June 1, HRC export prices made a rebound and prevailed at around \$500 per tonne, fob. Domestic CRC prices made a rise on low market inventories. In Shanghai, 1.0mm CRC from Maanshan Steel was offered at RMB 4,450/tonne (\$654/t) with 17% VAT on June 15, up by RMB 50/t over a week and the same material was offered at around RMB 4,650-4,670/tonne (\$684-687/t) with 17% VAT on June 29, up by RMB 200/t from ten days ago. Domestic HDG prices too made a rise on rising CRC prices. In Shanghai, offer prices for 1.0mm HDG from Anshan Iron & Steel (Angang) was at RMB 4,580-4,600/tonne (\$673-676/t) with 17% VAT on June 17, up by RMB 200/t from early this month. Billet prices too strengthened in the domestic market with improved sentiment. In northern China's Tangshan area, mills have raised their ex-works prices to RMB 3,250-3,260/t (\$475.6-477/t), on cash payment basis and with 17% VAT. Rebar prices too strengthened in the market. On

16 June, Hebei Iron & Steel in northern China raised 6.5mm wire rod and 16-25mm HRB335 rebar prices by RMB 50/tonne (\$7.3/t) to RMB 3,530/t (\$782.5/t) and RMB 3,630/t respectively.

CIS: Domestic prices improved on increased buying in the market. Rebar was sold at \$430-440 per tonne, ex-works in the first week of the month, up from \$420-425 per tonne that was achieved on May 15. Low inventories are causing end-users to increase their buying, one of the traders said, while a second one pointed out that the weakening dollar and a lack of offers from steelmakers themselves are pushing up prices. Billet prices too firmed up with Russian Billet being offered at \$390/tonne, fob Black Sea. Prices further firmed up in the third week of the month by \$30 per tonne with some traders quoting \$414/tonne, fob Black Sea. Demand appears to be strengthening due to seasonal re-stocking and perhaps some speculative buying. The impact of this is exaggerated by continuing steady demand from China and South East Asia, at a time when demand is exceeding supply everywhere. The month ended on a stable note with Billet offers taking place at \$410-420/t fob Black Sea. The awakening in the rebar market further enhanced the sustainability in the Billet market. The sentiment is that billet markets are unlikely to suffer any major set-back in the foreseeable future. With Russian exporters already working at full capacity, demand flourishing and scrap prices rising, the market is more likely to "plateau", than to weaken.

Europe: Mixed trend prevailed in the European market. Rebar market remained confused which attributed to sudden downturn in prices. In Germany, 12-28mm rebar went down by €340-360/tonne delivered, in the second week of the month. Optimism however prevailed in the strip market as prices for hot rolled coil remained stable and are expected to increase during the third quarter on account of rising demand. An increase in demand for coil has already been felt, especially from the passenger vehicle sector, but the construction sector is still "dead, especially for pre-painted material," said a Belgian trader. "The goods vehicle sector is also dead," added a Swedish trader. Northern European HRC prices were pegged at €360-400/t ex-works in the second week of the month. Prices of cold rolled coil for July delivery were put at €430-€440/t ex-works, while prices for August delivery could exceed €450/t. Plate prices too bottomed out in the market with prices falling by €20-30/tonne. Wire rod prices softened again by at least €20/tonne in N. Europe. Cheaper scrap and plentiful stocks have cut wire rod prices by €20/tonne and more "from one week to another". Prices prevailed at €330-340/t delivered in the third week of the month. Section prices ended steady in the fourth week of the month. Prices in both Italy and Spain have generally seen small increases of €10-20/t, with merchant bar this month at €420-450/t delivered and category 1 sections at €420-460/t. In the next few months, prices are expected to continue to rise slowly.

The table gives an overview of price movement in flat & long steel sector:

FLAT

	Apr-09	May-09	June-09	July-09*
N.Europe domestic				
HRC - Ex-Works €/t	318-399	332-411	355-420	na
CRC - Ex-Works €/t	406-459	408-469	420-480	na
HDG - Ex-Works €/t	445-505	455-540	480-555	na
Plate - Ex-Works €/t	520-650	470-570	450-550	450-540
S.Europe domestic				
HRC - Ex-Works €/t	350-400	330-350	335-355	350-370
CRC - Ex-Works €/t	390-450	390-410	395-420	400-450
HDG - Ex-Works €/t	470-520	395-450	398-450	400-460
Plate - Ex-Works €/t	450-500	450-500	450-500	na

N.America domestic				
HRC - FOB US Midwest mill \$/s.ton	403-435	372-400	372-404	420-460
CRC - FOB US Midwest mill \$/s.ton	500-540	460-500	440-480	520-560
HDG - FOB US Midwest mill \$/s.ton	585-620	547-587	500-540	540-580
China domestic				
HRC - Shanghai (incl. 17% vat) RMB/t	3145-3182	3342-3362	3562-3580	na
CRC - Shanghai (incl. 17% vat) RMB/t	3968-4012	4112-4160	4448-4500	na
HDG - Shanghai (incl. 17% vat) RMB/t	4050-4060	4280-4300	4550-4600	na
China export				
HRC - FOB Shanghai \$/t	490-500	470-480	490-500	na
CRC - FOB Shanghai \$/t	520-530	520-530	520-530	na
HDG - FOB Shanghai \$/t	530-540	530-540	530-540	na
East Asia Import				
HRC - CFR \$/t	405-425	428-440	488-502	510-520
CRC - CFR \$/t	480-500	500-560	580-600	600-630
HDG - CFR \$/t	580-600	580-620	650-700	700-730

LONG

Europe domestic	Apr-09	May-09	June-09	July-09*
Medium sections - delivered €/t	380-520	420-480	432-495	440-480
Rebar - delivered €/t	390-465	335-380	330-380	330-360
Wire Rod (mesh quality) - delivered €/t	320-390	330-370	330-370	330-360
N.America domestic				
Rebar - FOB US Midwest mill \$/s.ton	465-491	460-480	480-500	na
Wire Rod (mesh quality) - FOB US Midwest mill \$/s.ton	490-500	490-510	515-535	515-535
China domestic				
Rebar - Shanghai (incl. 17% vat) RMB/t	3172-3195	3365-3392	3552-3576	na
Seamless Pipe(219mm*6mm) - Shanghai (incl. 17% vat) RMB/t	4225-4288	4250-4300	4360-4410	na
China export				
Wire Rod (drawing quality) - FOB Shanghai \$/t	455-485	480-490	510-520	na
East Asia Import				
Rebar CFR \$/t	442-452	460-470	468-481	500-510
Wire Rod(mesh quality)-CFR \$/t	440-470	470-500	480-520	500-530
Black Sea Export				

Rebar FOB \$/t	350-425	380-430	385-440	400-440
Wire Rod(mesh quality)-CFR \$/t	350-400	370-410	390-430	400-440

Note: 1 RMB=0.15US\$, *: SBB Forecast

Outlook

International:

Market only expected to firm gradually. Price rises are only expected to proceed slowly in the near future, in line with a gradual recovery in demand forecast for the second half of the year.

Long products market set to remain subdued in near term: Long products prices seem to have reached a bottom, but with demand remaining weak across the world, the market is set to remain subdued in the coming few months.

Underlying demand still poor in Flats segment: Underlying demand remains weak in most markets, so the price turnaround is based on an end to destocking and limited supply more than anything else.

India:

TATA Steel expects demand for steel in the country to remain buoyant despite the recessionary trend in the global markets and it sees sales in 2009-10 going up by 25% YoY. The report cited Mr. B Muthuraman MD of TATA Steel as saying that "I foresee the steel demand in India to be strong with the Government's plan to invest huge amounts in infrastructure. We will sell 20% to 25% more this fiscal."

Indian mills may raise local CR prices by USD 10-21/MT in the month of July: Indian mills are likely to raise domestic cold rolled steel prices by Rs 500-1,000/MT (USD 10-21/MT) ex-mill on increased demand from the auto and consumer goods sectors.

Indian steel futures are seen steady to slightly down in coming weeks as arrival of monsoon eased demand from construction sector, but falls may be limited ahead of the union budget to be presented in July, analysts said. Construction activity slows during monsoon, pushing down demand for the alloy.

Data Sources:

- 1) NCDEX
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) MEPS
- 5) Reuters



(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

SCRAP

Domestic Scenario

Steel Scrap: The trend of recovery that was observed in the steel market across the country in the latter half of May following the formation of a stable government at the centre and the consequent improvement of the market sentiment appeared to have got arrested since the beginning of June with the demand condition slipping in to an inert mode, which in turn created a downward pressure on the steel prices. Moreover, the demand from the steel consuming segments like construction sector and infrastructure are not that steady at the moment as monsoon is slowly creeping in across the country resulting in a slow material movement and a lower off take, which has added to the woes of the current dwindling steel market.

The trading of steel scrap has remained inactive because of the sluggish steel market. At the same time, the price runs at a low level. The price of HMS1\$2 was USD265-270/t CIF Indian west coast from America, in the second week of the month. Price of the same material prevailed at USD240/t CIF Indian west coast in the third week. Melting scrap at Mandi Govindgarh witnessed a declining trend; a drop of more than 2 per cent was noticed over a fortnight and a drop of more than 9 percent over a month. On the other hand, sponge iron at Raipur market has found to taken a plunge as prices have plummeted by around 3.0 per cent over a month. Steel Ingot market too witnessed a declining momentum with prices dropping in the range of 6 to 8 percent over a month. The month ended on a slackening note with stagnancy prevailing due to low demand in the market. The demand from the end users is very limited at the moment with buying psychology remaining depressed. With no real demand in the market, the market participants are also not very keen to hold any extra stock currently. Restricted buying and optimum selling is the fundamental objective of the traders for the time being.

Indian market for imported scrap showed rising trend: Indian imports of heavy melting and shredded scrap showed a gradual rise over the past few weeks, reflecting slightly improved domestic demand. The average booking price for containerized HMS was \$260-270/tonne cfr from USA and Europe in the second week. A south Indian trader reported that he booked 500 t of containerized HMS 80:20 scrap from Poland at \$250/t cfr in early June. The stronger prices are attributed to post-Indian election optimism in the market and a spur in domestic demand. Indeed, raw materials prices have increased in the domestic market even though prices of steel products are declining. Billets that were selling for Rs 27,000/t (\$569/t) in early May were priced at Rs 24,500/t ex-mill in the mid of June. On the other hand, shredded scrap that was selling for Rs 15,000/t at end-April sold at Rs 16,000/t including taxes.

Indian domestic sponge iron prices fall by Rs 700-1,000 (\$15-21) per tonne ex-plant over a fortnight: Poor demand has led to a drop in prices. A producer, based in Calcutta, said lower scrap prices were also responsible for falling sponge iron prices. A significant quantity of domestic sponge iron production is used for making long products such as billet and bloom, which are also experiencing slack demand. The Calcutta-based producer said billet prices have also fallen drastically because of lower demand, which in turn was affecting sponge iron markets. Market participants also blamed large sponge iron producers for increasing production in May, bringing

down prices. Prices further dropped by Rs 200-300 (\$4-6) per tonne in the fourth week as supply outstripped demand.

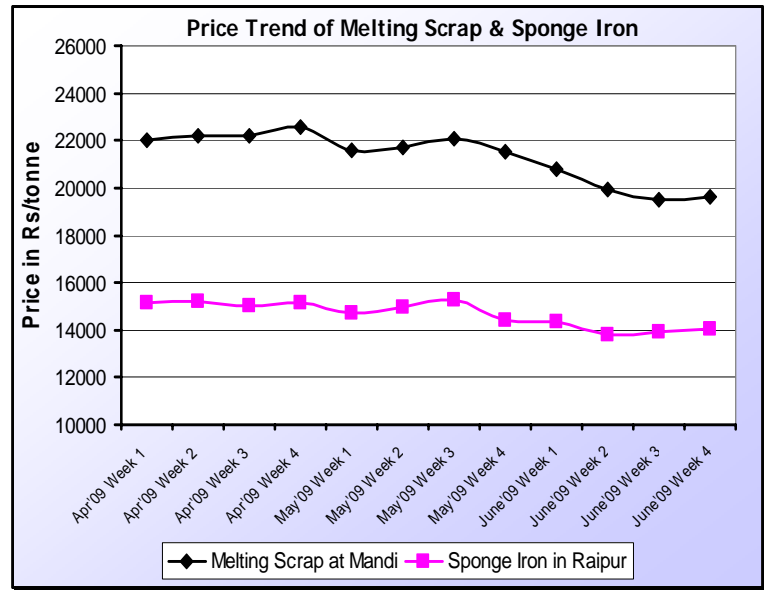
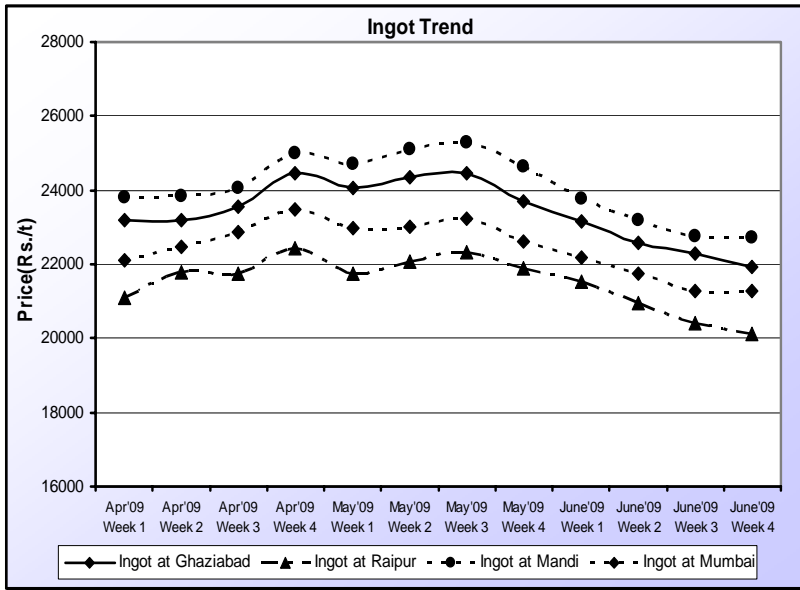
Indian coking coke import price rise to \$260-270/T cfr: India's metallurgical coke import prices have risen to \$260-270 per tonne cfr India on some supply tightness, from around \$240-250 per tonne two months ago. Material is coming from the US, Colombia and Poland, but not from Russia or China, where high export taxes have kept prices above \$400 per tonne.

Iron Ore: After depicting an upward trend in the fag end of May, the beginning of June saw a positive trend in the Iron Ore Fines Export market. Due to the increasing freight cost, devaluation of US dollars and tight supply the export price of Indian iron ore fines moved up on CIF basis. For example, China importers reported that the price of iron ore fines 63.5% rejection below 62.5% was USD72-73/t CIF Chinese main ports in the first week, up by USD4/t from that of last week of May. A Goa-based iron ore fines exporter confirmed the price increase. The source quoted USD38-39/t FOB Indian west coast for iron ore fines 58%, up by USD2/t from June 02. Besides the above factor, the source added that the tight supply also supports the price to increase. The second week of the month saw the export market stable as price of iron ore fines 63.5% rejection below 62.5% was around USD57/t FOB Indian east coast and the price of the same grade on CIF China basis was USD72-73/t, the same as those of last week. The third week of the month depicted a firm price trend with price of 63.5% rejection below 62.5% prevailing at USD56-57/t FOB Indian east coast, unchanged from earlier week. Iron Ore fines 58% prevailed at USD 42/tonne FOB Indian West Coast. The fourth week of the month depicted an improved price trend in Indian Export market mainly due to rising sea freight cost. The price of iron ore fines 63.5% rejection below 62.5% was USD74-75/t CNF China, up by USD2-3/t in a day.

According to sources, export market prices are expected to increase on rising freight costs. There is serious port congestion in India with vessels having to wait more than two weeks at Paradip port. Ocean freight rates for carrying iron ore from India to China is \$17-22/t, subject to the congestion situation at the loading port.

Price Trend of Ingot, Sponge Iron, Melting Scrap

	Ingot at Mandi	Ingot at Ghaziabad	Ingot at Raipur	Ingot at Mumbai	Sponge Iron at Raipur	Melting Scrap at Mandi
May'09 Week 1	24698	24043	21737	22972	14723	21583
May'09 Week 2	25106	24349	22072	23000	14979	21680
May'09 Week 3	25304	24469	22311	23227	15259	22100
May'09 Week 4	24626	23687	21876	22600	14430	21500
June'09 Week 1	23785	23162	21526	22164	14325	20783
June'09 Week 2	23178	22596	20966	21732	13779	19950
June'09 Week 3	22752	22297	20400	21286	13943	19517
June'09 Week 4	22710	21935	20135	21267	14021	19594



Price of Ingots in Rs./t is basic; Price of Melting Scrap & Sponge Iron in Rs./t is incl. excise duty

Price Trend as observed in the Auctions held at Metal Junction for Flat Products:

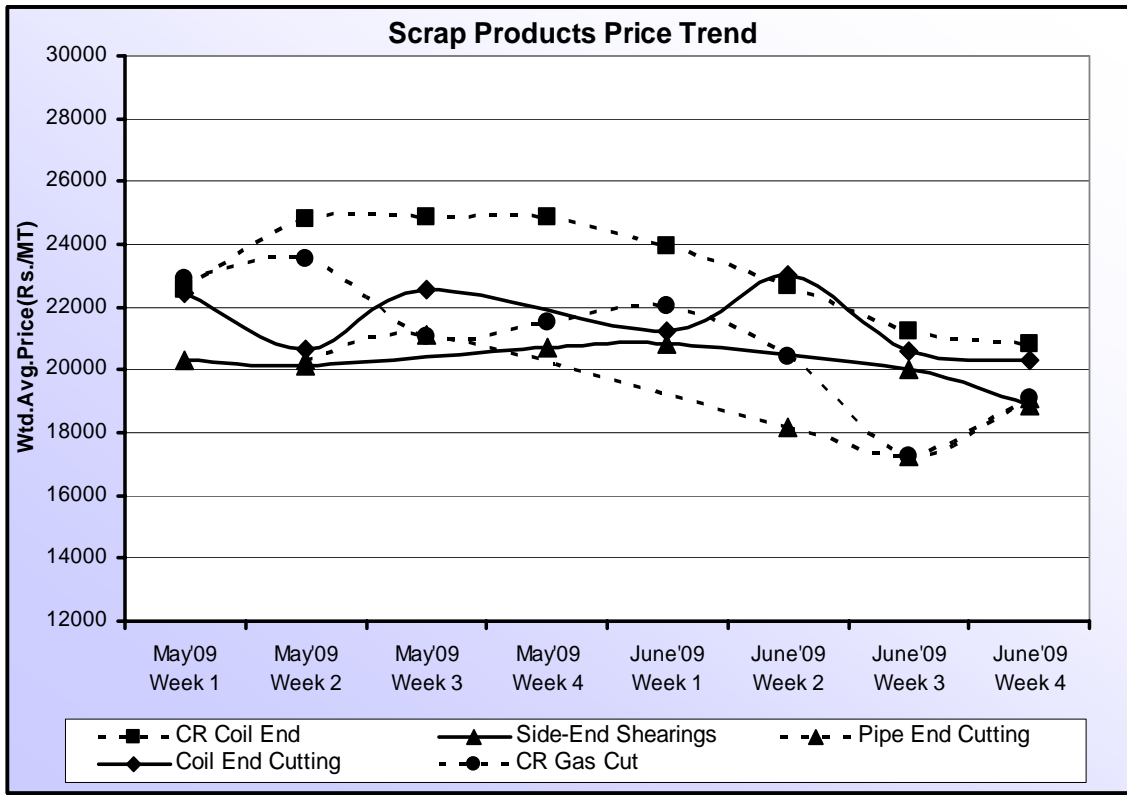
Attached below is the data table:

Week	CR Coil End	Side-End Shearings	Pipe End Cutting	Coil End Cutting	CR Gas Cut
May'09 Wk 1	22537	20300	--	22463	22913
May'09 Wk 2	24833	20137	20324	20637	23549
May'09 Wk 3	24854	--	21100	22554	21050
May'09 Wk 4	24860	20730	--	--	21528
June'09 Wk 1	23942	20819	--	21235	22050
June'09 Wk 2	22653	--	18150	23035	20450
June'09 Wk 3	21222	20046	17265	20608	17250
June'09 Wk 4	20845	18872	19103	20326	19107

Percent change (m-m & y-y basis):

Products	May'09 Price(Avg.)	June'09 Price(Avg.)	% change(June'09 over May'09)	% change(June'09 over June'08)
CR Coil End	24271	22165	-8.68	-28.00
Side-End Shearing	20389	19912	-2.34	-31.00
BP Coil End	24500	26300	7.35	-18.00
Pipe End Cutting	20712	18173	-12.26	-35.00
CR Gas Cut	22260	19714	-11.44	-28.00
Coil End Cutting	21884	21301	-2.67	-31.00

Following graph shows the price trend observed in the auction services of Metal Junction for the month of May 2009 and June 2009 for different scrap products.



Price in Rs./t is basic

Outlook: After an improved price trend noticed in the month of May, the month of June has witnessed a downward price movement across various metallic items. The prevalence of the existing volatility in the steel market has made the market participants a bit apprehensive and skeptic about the future market behavior and hence they are not very intent to make any significant or long term purchase decisions for the time being. Moreover, the demand from the steel consuming segments like construction and infrastructure sectors are not that steady at the moment as monsoon is slowly creeping in across the country resulting in a slow material movement and a lower off take, which has added to the woes of the current dwindling steel market. Over a fortnight, Steel Ingot prices made a fall of 3 to 6 percent, while Melting Scrap had a drop of around 7 percent and Sponge Iron had a drop of 4.5 percent. Market conditions deteriorated further towards the end of the month with restricted buying and optimum selling being the fundamental objective of the traders. Prices dropped in the range of 1 to 3 percent in the last week of the month. The auction platform too depicted a negative growth with prices dropping on an average by 7 percent over a month. The e-auction price trend remained aligned with the domestic market and with the prevailing market conditions accompanied by the onset of monsoon; a Southward movement of prices is expected.

International Scenario

North European scrap prices recede along with demand levels: Northern European scrap prices look set to soften as a result of slower domestic and export demand. Shredded scrap in Germany traded at around €145-150/t delivered, in the second week of June. It was priced at around €180-

190/t on a delivered basis in mid-May. In Austria, scrap prices have fallen by €15-20/t for June deliveries for most grades. Southern European scrap prices also remained weak due to low demand. The average southern European price for shredded scrap (grade E40) from the end of May till mid-June prevailed at €155-180/tonne delivered to mills.

US scrap prices creeping back up: US scrap prices have been on the rise in the second week, as domestic mills saw a bump in orders and were short on scrap inventories. Domestic shredded scrap deals averaged at around \$215-220/long ton, fob, up from between \$195 and \$210/l.t. Heavy melting scrap (HMS) deals have been around \$190/l.t fob, and \$210/l.t, delivered. That's up from roughly \$180/l.t, fob. "Steel companies have worked down their excess inventories, and even though their product demand has not increased, they are buying more scrap now than in the first four months of the year when they were destocking", said a trader.

Scrap prices into East Asia recover after recent softening: Scrap import prices in East Asia have moved up by \$5-10/tonne over a fortnight, particularly for containerized scrap. Containerized heavy melting scrap (HMS) 1&2 80:20 was booked at \$270-275/t cfr Southeast Asia and Taiwan in the first week of June. Chinese import bookings also reflected higher prices. Shagang booked several cargoes of bulk shredded from USA at \$300/t cfr in the first week, up \$10/t from the previous week.

Import prices for scrap cross USD 300/MT mark in East Asia end of June: Prices of imported scrap to East and Southeast Asia continued to rise, with new offer prices at a minimum of USD 300/MT cfr. Containerized heavy melting scrap (HMS) 1/2 80:20 was being offered at around USD 300/MT cfr, up from bookings made at USD 285-290/MT cfr by Taiwanese and Indonesian importers.

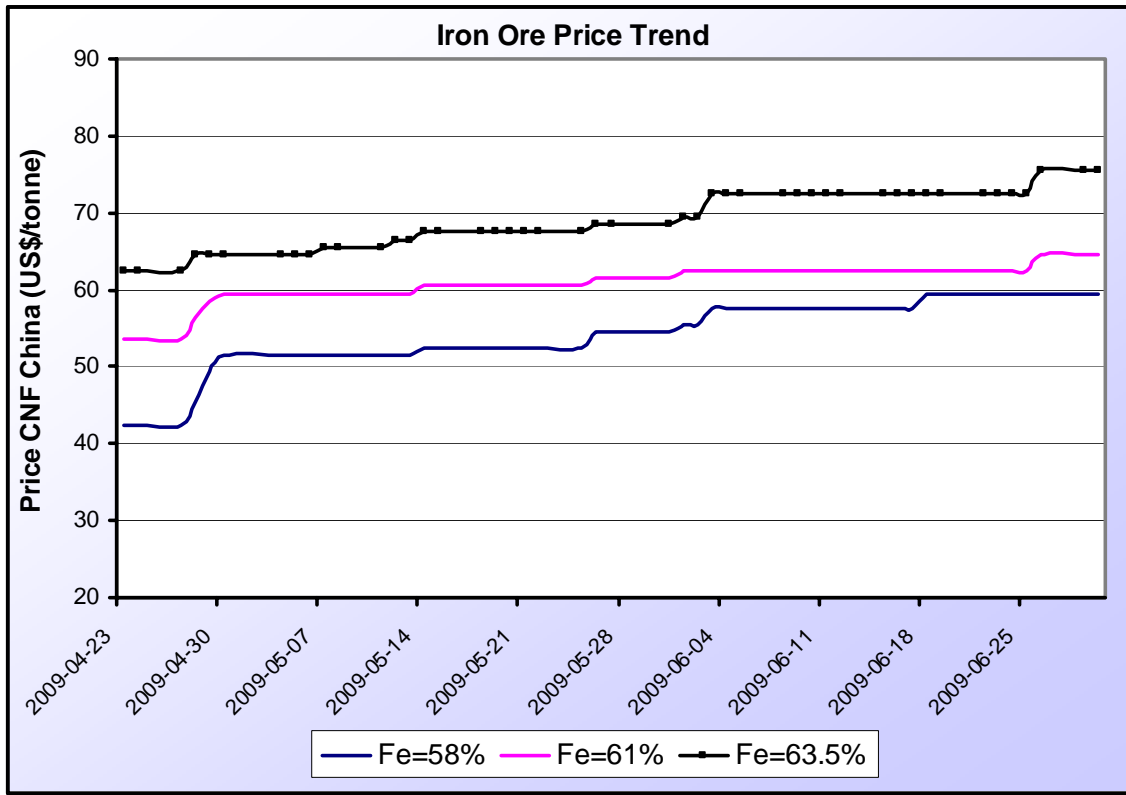
Pig Iron import prices rises in E. Asia: Chinese importers booked pig iron from Russia and Brazil at \$290-295/tonne cfr, in the beginning of June. Market sentiment is improving despite traders pointing out that pig iron import prices are low when compared with ferrous scrap. There is more buying interest from China. They are anticipating higher production costs," said a trader. New offer prices of pig iron are around \$300/t cfr to the region, he adds.

Regional demand for pig iron in Southeast Asia should improve when finished steel prices pick up and regional mills reduce production cutbacks.

China's domestic prices for steelmaking pig iron have continued to rise since May in line with stronger demand. The ex-works price of pig iron in northern China's Hebei province was around RMB 2,550-2,600/tonne (\$373-380/t) in the fourth week of the month, up from RMB 2,400-2,450/t in May, including 17% VAT. The rising cost of raw materials for pig iron making, such as iron ore and coke, have pushed up prices, as have stronger domestic steel prices.

The demand recovery has also stimulated imports. In the first five months of this year, China imported 1.38mt of pig iron, up by a massive 617% on the same period in 2008.

The graphs below give the Iron Ore Fines trend of Indian origin CNF China port



Price is CNF China in US\$/t

The tables below give the Scrap & Pig Iron price trend across various regions:

Steel Scrap No 1 Heavy melting United States Iron Age composite - d/d Pittsburgh/Philadelphia/Chicago \$ per long ton

Month	Average Price(\$ per long ton)	Price movement
Mar-09	178.00	
Apr-09	146.00	↓
May-09	168.00	↑
June-09	186.00	↑

Steel Scrap No HMS I &II (80:20 mix) United States Export fob East Coast \$ per tonne

Month	Average Price(\$ per long ton)	Price movement
Mar-09	210.00	
Apr-09	214.00	↑
May-09	228.00	↑
June-09	216.00	↓

Steel Scrap Shredded United States fob East Coast \$ per tonne

Month	Average Price(\$ per long ton)	Price movement
Mar-09	215.00	
Apr-09	220.00	↑
May-09	234.00	↑
June-09	221.00	↓

HMS 1 & 2 (80:20 mix) Iron and Steel Scrap Rotterdam Export \$/tonne

Month	Average Price(\$ per tonne)	Price movement
Mar-09	198.00	
Apr-09	219.00	↑
May-09	233.00	↑
June-09	228.00	↓

Steel Scrap HMS 1&2 fob Rotterdam Export (50:50 mix)

Month	Average Price(\$ per tonne)	Price movement
Mar-09	168.00	
Apr-09	189.00	↑
May-09	203.00	↑
June-09	198.00	↓

Steel Scrap Shredded fob Rotterdam \$ per tonne

Month	Average Price(\$ per tonne)	Price movement
Mar-09	204.00	
Apr-09	224.00	↑
May-09	238.00	↑
June-09	233.00	↓

Steel CIS Export Pig Iron \$ per tonne Black Sea/Baltic Sea

Month	Average Price(\$ per tonne)	Price movement
Mar-09	220.00	
Apr-09	210.00	↓
May-09	260.00	↑
June-09	239.00	↓

Outlook

US scrap market to push higher in July: US mills and scrap merchants are unanimous that scrap prices will increase in July but it is unclear as to how much. The increase is forecast to be anywhere between \$15 and \$50 a long ton. Exports are one reason for the anticipated uptick. China has been paying up to \$300 a long ton, delivered, and their buys have been strong this year. China's presence in the US scrap market has surged. Scrap exports to China and Hong Kong in the first quarter reached 1.8m tonnes, with 1.1m t of this amount shipped in March. In 2008, exports to China were highest in October at 366,800 t.

And domestic mills are out shopping to replenish depleted inventories at a time when order books are showing signs of improvement. "Dealers are definitely bullish and overall inventories are low. We are waiting to hear about the demand side from the mills for July," said one scrap merchant. "Scrap dealers are holding what little scrap tons they have in anticipation of prices rising," said another. Some sources indicate that prices will return to the \$300 range in the near future and when they finally top out, they will be higher than the record prices seen in July 2008.

Dim conditions are expected in the Indian market with market sentiment seeing no recovery. Further, the onset of monsoon will create a downward pressure in the market and with the announcement of Budget yet to take place, a mixed sentiment prevails both in the sellers and buyers community.

Data Sources:

- 1) Steel Town Weekly, Mandi Govindgarh
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) Asian Metal



(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales

STEEL INDUSTRY MARKET SCENARIO

STAINLESS STEEL

Domestic Scenario

The stainless steel sector continued to saw revival in the market with positive indicators prevailing in the month of June.

With the government's focus on infrastructure, demand is coming from sectors such as the railways – which require stainless steel coaches – and construction, and erection and fabrication works at airports. However, according to experts demand for Ferro-alloys remains sluggish, which also produces stainless steel. While the export market remains challenging, the domestic market will show good growth in the current year, says an expert.

The beginning of June has seen a rise in Nickel price by around 5 to 7 percent both in the domestic market and at LME. Prices continued to inch up in the following weeks with consumers regaining confidence in the stainless steel market. According to market sources, purchasing is taking place in good quantity and conditions are expected to remain firm in the coming days.

Nickel futures rise as demand picks up: Nickel prices gained further by 0.46 per cent on the Multi Commodity Exchange (MCX) on June 29, on increased buying by speculators, driven by pick up in demand in the spot market. Similarly, the metal for delivery in June contract traded higher by 0.42 per cent to Rs 762.40 per kg with an open interest of 4,726 lots. Marketmen said increased buying by speculators due to pick up in demand from stainless steel makers attributed rise in nickel prices at futures market.

JSL hikes steel prices by 6 to 10%: JSL has stopped offering discounts to dealers, pushing prices up by 6% across product categories that they operate in and increased prices by 10% on products that are completely import dependent. The analyst said JSL might have raised prices also because of the hike in nickel rates. "Increase in nickel prices also works in favour of JSL as they increase prices across the board if nickel goes up.

JSL Hisar stainless plant operating near 95%: The operation rate at the Hisar works of India's largest stainless producer, JSL Ltd (formerly Jindal Stainless), has hit almost 95% following a recovery in stainless demand in the January-March quarter, the company says in a 24 June statement. However, production at Hisar fell 19.6% to 466,834 tonnes for the fiscal year ended March 2009 as compared to 580,554 t a year ago. The fall is due to the shutdown of its hot rolling mill for a capacity upgrade.

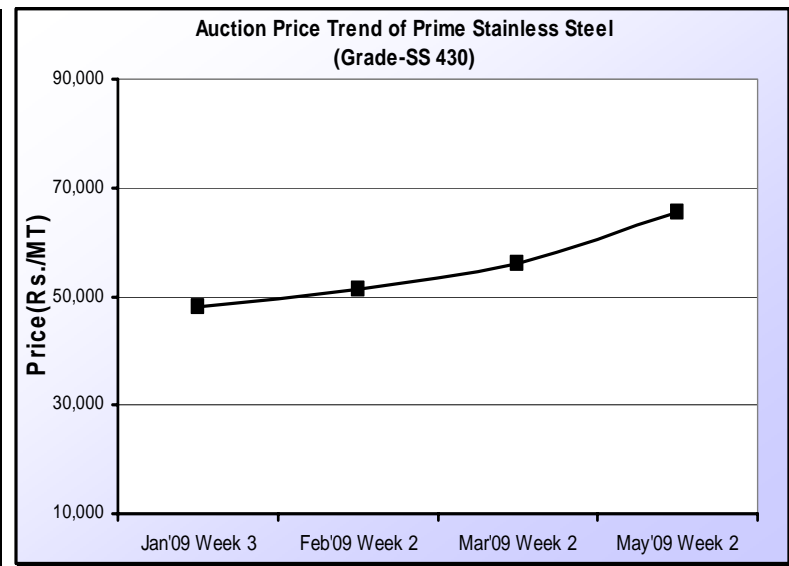
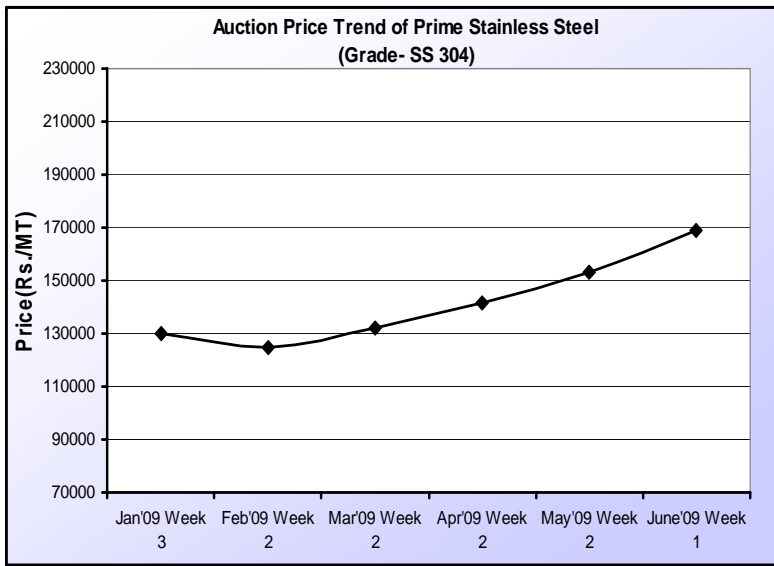
JSL also posted a net loss of Rs 5.8bn (\$120m) for the fiscal year – as compared to a Rs 2.4bn net profit in the previous year – on sluggish demand, the drop in nickel, chromium and scrap prices which led to inventory write-downs, and the depreciation of the Indian Rupee.

Plea to roll back anti-dumping duty on stainless steel : Stainless steel importers have sought the intervention of Prime Minister Manmohan Singh for taking steps to immediately roll back the anti-dumping duty on the alloy stating the tax barrier posed closure threat for thousands of export-oriented units that ship high-grade stainless steel unavailable here. In a letter to the Prime Minister, importers owing allegiance to All India Stainless Steel Industries Association (AISSIA) said

the provisional duty of up to \$1,823 a tonne on cold-rolled flat stainless products, used by utensils and cookware makers, had made imports far beyond the reach of user-industries. Due to imposition of anti-dumping duty on stainless steel products not manufactured in India, the user industry was facing closure as orders for exports had been cancelled in the absence of requisite grade imported stainless steel,” AISSIA Vice-President Paresh Mehta said in a statement.

The stainless steel cookware and cutlery industry claims to export products worth over Rs. 2,000 crore annually.

The graph below gives the auction price trend of Stainless Steel:



Price (Rs./tonne) is basic

As seen from the above graphs, stainless steel price has picked up in the month of June accompanied by a rise in Nickel price.

Outlook: The auction platform witnessed a rising price trend in the month of June with improvement in demand conditions and raw material prices seeing a rising price trend. With Nickel and chrome prices improving both in the domestic and international market and with demand coming up from various sectors, the stainless steel market showed a considerable gain. The international market also picked up with various mills announcing a price rise. With market conditions improving and government taking various initiatives to boost the infrastructure and construction sectors, the stainless steel market is expected to firm up in the coming days.

International Scenario

Stainless Steel market picking up: Global stainless steel production has picked up from extremely low levels in the first quarter, where output had fallen by 35%, said Citi Investment Research and Analysis.

Utilization rates at Japanese stainless steel mills have improved from around 50% to 60% over the past month while the decline in stainless consumption in the US has eased from 50% year-on-year in December to 40% in February. China’s stainless production in the first quarter was down 10% y-o-y but had increased by 21% quarter-on-quarter, it said.

Asian stainless prices increased in the first week of the month by another \$100 per tonne:

This was mainly boosted by the rising Nickel price and a surge in demand which is mostly concentrated among traders and stockists. Demand from end-users has only slightly picked up which however is real demand or not remains doubtful.

Prices of East Asian-origin stainless 304 cold rolled sheets for delivery in one-to-two months increased by \$100/tonne to \$2,300-2,400/t cfr China in the second week as producers lifted prices on rising nickel prices. Prices continued to increase by another \$100 per tonne in the third week of the month. Market participants are optimistic that prices could continue rising in the next few weeks as mills appear determined to support prices. “The mills don’t see a need to give way to buyers now. They would rather reduce sales volumes than sell at lower prices,” says a trader. Nickel prices staying above \$15,000/t will also remain crucial in supporting stainless prices.

China: Stainless Steel prices surged in the first week across various grades on rising raw material prices and increase in demand. Domestic prices for grade 202 and 430 stainless coils rose RMB 1,500/tonne (\$220/t) and RMB 300/t (\$44/t) respectively. The increase is largely driven by an increase in nickel and Ferro-chrome prices, and the increase in 300-series price. Further, the Chinese mills lifted the prices by \$51 per tonne in the second week. Prices retreated in the fourth week of the month by \$44-59 per tonne as buyers resist steelmakers’ rising offer prices. In southern China’s Foshan market, prices of 3mm thick 304 HRC prevailed at RMB 17,700-18,000/t (\$2590-2,634/t), down RMB 400/t from RMB 18,100-18,400/t in early June. CRC 2mm thick 304/2B prevailed at RMB 18,900-19,200/t (\$2,765-2,809/t), RMB 300/t lower than the RMB 19,200-19,500/t two weeks ago. Prices include 17% VAT. 430 series too dipped by around \$15 per tonne following 300 series decline. Prices for 2mm thick 430/2B CRC in South China’s Foshan market were at RMB 9,400-9,600/t (\$1,375-1,405/t) in the 22 June week, compared to RMB 9,500-9,700/t (\$1,390-1,419/t) in early June. All prices include VAT.

According to industry participants, the outlook is not very clear. Ups and downs could be expected in the near future. Concerns still remain as stainless steel demand traditionally slows down in July and August and nickel prices may also face some correction and put downward pressures on stainless prices, according to market participants.

EU stainless prices strengthen on better demand, higher nickel: European stainless steel prices are set for a boost from healthy export demand and strengthening nickel prices. Stainless steel base prices in Europe have posted €100 per tonne month-on-month gains since March. There is a lot of export taking place to India and the Far East and there are also signs of demand coming up in the domestic market. Prices continued to rise in the latter half of the month. Most market sources see no improvement in underlying demand, which is described as “stable at a low level”, but neither do they see it weakening. If mills hold to their current course, any firming of underlying demand in the autumn should allow them to achieve further price increases.

The tables below give an overview of stainless steel prices worldwide

Chinese Domestic Stainless Coil Prices, RMB/t FOB Foshan (incl.17% VAT)

Type	Mar'09	Apr'09	May'09	June'09	July'09*
HR 304	14300-14800	13300-13800	15000-15300	18100-18400	17700-18000
CR 304 2B	15700-16200	14400-14900	16000-16500	19200-19500	18900-19200
CR 202 2B	13900-14100	13000-13200	14200-14400	15600-15800	16400-16600
CR 430 2B	9000-9200	8900-9100	9200-9400	9500-9700	9400-9600

Europe

CR 304 2B 2mm,Euro/t Ex- Works	Mar'09	Apr'09	May'09	June'09	July'09*
N.Europe	870-950	930-980	930-1060	1000-1100	1030-1130
S.Europe	900-940	940-960	940-1030	980-1100	1030-1130

Europe

CR 430 BA 2mm,Euro/t Ex- Works	Mar'09	Apr'09	May'09	June'09*	July'09*
N.Europe	910-950	950-980	950-1050	980-1100	1000-1100
S.Europe	900-960	920-960	940-1020	980-1100	1000-1100

East Asia import

Type	Mar'09	Apr'09	May'09	June'09*	July'09*
CR 304 2B 2mm CFR\$/t	1870-1950	1875-1950	2025-2112	2360-2450	2525-2600

(*): SBB forecast **Note:** 1US\$= Rs.48.00, 1Euro= Rs.67.58, 1 RMB=0.15US\$

Raw materials scenario:

Nickel Trend: Nickel prices shot up with the inception of the month of June all across the world mainly in response to the bullish advices from abroad and because of relatively increased demand from the stainless steel mills. Nickel at both LME and home saw a rise of more than 7 per cent in the June week 01 as compared to the week before. Nickel depicted a steady rising trend in the second week of the month as well supported by a weaker dollar. However, the metal failed to sustain its upward movement in the third week of June as dollar gradually started gaining its strength once again. On the macroeconomic front, the US weekly jobless claims were reported at 608,000, reflecting the prevalent dejected situation in the labor market which further depressed the market sentiments and the nickel prices witnessed a drop of over 1 per cent as compared to the buoyant previous week. However in June week 04, nickel witnessed some recovery with the nickel prices once again swinging northwards as dollar once again started showing a slight weakening tendency. According to the market sources, nickel market generally enters into a slack season in the month of July hence the consumer demand is expected to remain soft in the coming days with most buyers adopting a wait-and-watch attitude towards the future market.

Nickel price trend at London Metal Exchange:

Month	Average Price of Nickel	% Change(m-m)	% Change(y-y)
Jan-09	11,298	16.64	-59.17
Feb-09	10,399	-7.96	-62.78
Mar-09	9690	-6.82	-68.95
Apr-09	11,150	15.07	-61.22
May-09	12,623	13.21	-50.93
June-09	14,951	18.45	-33.78

Ferro-Alloys market across the country remained by and large steady throughout the month of June: The Ferrochrome market witnessed a stable trend thought out the first half of the month till the high carbon ferrochrome prices moved northward by Rs. 2,500/MT in the late third week of June to prevail at Rs. 44,000/MT ex works due to the increasing demand from the foreign buyers. Since then the ferrochrome market across India has remained firm with a slight improvement in the

ferrochrome demand from the foreign markets. The domestic Ferro-molybdenum market also depicted a stable trend in the beginning of June before witnessing a rising trend in June week 02 because of good demand for Ferro-molybdenum across the country, coupled with tight supply for moly oxide. The domestic market for Ferro-manganese managed to put up a stable show through out the month of June and prices of high carbon Ferro-manganese (65 – 70%) prevailed at around Rs. 41,000/MT ex-works in the fourth week of the month. The price of Ferro-vanadium in Indian market kept on increasing throughout the month of June, with the mainstream prices ruling in the range of Rs. 590-620/kg. However, the sustainability of this rise in the Ferro-vanadium price is bit doubtful as the current price rise is being stimulated by the slump in supply while the fundamental demand from end users has not improved greatly in the recent past, which is really a matter of concern for the Ferro-vanadium producers in the future.

Outlook

Market fundamentals would suggest an orderly growth in price and consumption of stainless steel. Real demand is still weak in most countries. According to the MEPS analysts' estimations SS demand in Western countries will remain low till the end of 2009; the forecast for Asia is more positive, although the crisis will finish not earlier than in 2010. Nevertheless, due to the absence of SS offer excess it will be possible to remain at the June level. If the metallurgists' hopes for the situation improvement in carbon steel market in the second half-year come true, SS manufacturers will try to continue price increasing. Chinese stainless prices are likely to continue adjusting in the few hundred RMB range and in synch with prices of 300 series which are now closely pegged to those of nickel. The market continues to be driven by traders accumulating stocks in anticipation of higher prices, with demand from end-users staying weak. But market observers believe prices are unlikely to dip substantially as producers are looking to support prices by limiting sales volumes.

Data Sources:

- 1) www.lme.co.uk
- 2) Steel Business Briefing
- 3) Metal Bulletin
- 4) NCDEX
- 5) MEPS



(UJJAL BHATTACHARYA)
Senior General Manager – Steel Sales