

Snapshot over a Fortnight

News Flash

Flat Steel prices slashed beginning of December: The Steel Authority of India Ltd (Sail) has increased rebates on some of its flat products by Rs 500/tonne (\$11/t) effective from 1st December to compete against cheaper imports. By raising rebates, Sail has reduced its end price for hot rolled coils, sheets and plates to buyers by Rs 500/t.

Steel volumes: On an upward spiral: Tata Steel and JSW Steel reported a sharp rise in volumes during November 2009, indicating healthy underlying demand. While Tata Steel's domestic sales jumped 35 per cent year-on-year to 498,000 tonnes, JSW reported a 123 per cent surge in its crude steel output to 480,000 tonnes. The higher volumes come on the back of improvement in demand from construction, white goods and auto sectors.

RSP posts record hot metal, crude steel output: The steel plant produced 1.94 lakh tonnes of hot metal and 1.83 lakh tonnes of crude steel in November 2009, thereby posting a growth of eight per cent and four per cent respectively over November 2008. RSP clocked a capacity utilization of 118 per cent and 117 per cent in its production of hot metal and crude steel respectively in November this year.

Indian pig iron tender attracts higher prices: Steel Base posted the highest bid of \$330.03/tonne fob India in MMTC's 7 December export tender for 30,000 tonnes of basic pig iron for second-half December shipment. The highest bid price of \$330.03/t fob would be equivalent to around \$360/t cfr China. Asian pig iron prices are rising because of firm scrap prices.

KIOCL sells pellet at \$108, only to Indian buyers: India's KIOCL Ltd sold about 150,000 tonnes of iron ore pellet at around \$108 per tonne fob for this month, all of which was supplied to domestic steelmakers. Last month's price was \$98.5 per tonne, but a domestic shortage of iron ore because of mining restrictions in Orissa and Karnataka has caused problems for Indian steel producers and pushed up iron ore prices.

China's November finished steel output shows strong growth: China's crude steel production in November totaled 47.2623 million mt, up 37.36 percent year on year. In the month of November, China's exports of crude steel accounted for 6.03 percent of total national crude steel production; meanwhile, crude steel exports in the first eleven months of this year constituted 4.1 percent of total domestic production. China's finished steel production for November totaled 62.9521 million mt, up 46.43 percent year on year.

Steel Sector

The Domestic Flat steel market remained sluggish over a fortnight. With Steel players slashing flat steel prices beginning of this month, the market sentiment got further affected with both buyers and sellers adopting a wait and watch attitude. Cheaper imports, dropping Chinese export prices due to overproduction and traders destocking further affected the Indian market conditions with Import prices becoming the benchmark for domestic prices. Cheaper imports are keeping the domestic prices low, impacting the margins of steel manufacturers.

Though the auto sales volumes have surged in recently and there has been a growing demand from the auto industry, however; the domestic prices are being pressurized by the international prices. After a falling trend noticed in the last month, the HRC market saw some stability recently with IS2062 3.0mm

HRC being concluded at around INR27,000/t basic (USD586/t) in Mumbai market. However, the overall market conditions remain dim at the moment and with most participants just re-entering the market after the festival of ID, demand will continue to keep weak for a few days more. Prices might further move down by Rs.300 to Rs.500 per tonne due to the sluggish market. Most of the traders are holding limited stocks and they expect market conditions to revive beginning of February next year only. Till then market is expected to keep slow during this period. Those who hold no stock plan to build some stock when the market trend gets clearer.

The domestic long steel market remained more or less stable in Dec 01 week as demand conditions improved to some extent compared to Flats market which still continued to remain down due to cheaper imports available in the market. Long steel market witnessed some buying activities as downstream demand saw some recovery and finished steel items exhibited a stable price trend over a week. The domestic wire rod prices remained unchanged to prevail at around Rs. 28,000/MT – Rs. 30,000/MT (basic). The beginning of week 02 saw further gains with TMT Bar prices surging by almost 4% over a week due to the increased prices of raw materials coupled with dealers' optimistic attitude of the forthcoming market. Prevailing market price of TMT bar is in the range of INR27,500-28,500/t (USD589-610/t). Market observers predict the price will keep firm in the following week.

A firm trend was also noticed in the raw materials section including Steel Ingot prices that exhibited a price improvement in the range of Rs.800/MT to Rs.1000/MT per tonne over a week. Ingot prices opened on a slightly higher note with the commencement of the second week in the range of 400/MT to 500/MT since the close of the first week at various places. Week02 ended on a positive note thus showing a gain of almost Rs.800-1000/tonne since the opening day of the week. Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.600 to Rs.800/tonne was noticed.

Prices achieved through **e-auction** have remained aligned with the domestic market. The overall flat market conditions remained dim and with most participants just re-entering the market after the festival of ID, market remained sluggish. Most of the traders are holding limited stocks and they expect market conditions to revive beginning of February next year only. Over a week and over a fortnight the auction platform has seen a mixed trend across various products. While Def HR Plate saw a weekly rise of 2% from RSP, it saw a slight drop of around -0.05% from BSL. Def HR Coil saw a rise from RSP; while it saw a drop from BSL. Galvanized items saw a slight increase from both the plants. Over a fortnight an increase in the range of Rs200 to Rs.500 per tonne was noticed for various flat items.

The auction platform exhibited an improved price trend over a fortnight. *A firm trend was noticed in the domestic raw materials market including Steel Ingot that exhibited a price improvement in the range of 4 to 7 percent over a fortnight. Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.600 to Rs.800/tonne was noticed and a fortnightly rise of 4% and 10% was noticed respectively. Prices of various items like Billet, Bloom and TMT auctioned exhibited a price rise in the range of 2 to 5 percent over a fortnight. A stable scenario is expected in the next fifteen days and a further rise in price is anticipated in the New Year.*

The **international Flat steel market** saw an almost steady trend at various places. Chinese domestic hot-dipped galvanized coil prices remained on an upward track, rising by as much as RMB 200/t (\$29/t) from the middle of last month. Currently, 1.0mm HDG in the Shanghai market is offered at around RMB 4,950-5,000/t (\$728-735/t) with 17% VAT. The main reason behind the price rises during the last few weeks is that the CRC prices have strongly improved by an average of RMB 300-400/t since early November. Chinese domestic plate prices have dropped slightly since the beginning of this week as hot rolled coil prices have shown signs of weakening. CIS Slab market remained stable. Having edged up towards the end of last month to \$380-420/tonne fob Black Sea, prices remain at these higher levels, but the lower price has moved up to \$390/t (€263/t) fob Black Sea. The European market also showed some amount of stability with coil prices in Northern Europe remaining flat from last week and are not expected to change until after the winter break in January.

The international long steel market exhibited a positive movement in prices at various places including Asia, Europe, US market.

Billet offer prices remained steady at \$465-475/t cfr Southeast Asia Dec Week 01. Billet market prices in Tangshan in northern China's Hebei province increased slightly on the afternoon of 4 December v to about RMB 3,180/t (\$466/t). This is because raw material prices are higher, but demand for billets remains low. Another mill source suggests downstream steel prices have remained stable, but transaction levels are not very good. A low level of steel transactions is one of the major reasons behind price fluctuations in billet markets. Eastern China's rebar prices picked up slightly in the second half of the week of 7 December after slight drops in the first half to about RMB 3,650/t (\$535/t), with 17% VAT. Traders comment that market transaction levels remain low despite the price rises, and are not sure whether the upward trend could continue into the week of 14 December.

Ferrous Scrap Sector

After a month long weak movement noticed in the longs and scrap steel segment of the steel market, a slight stability was noticed in the beginning of December with demand recovering to some extent in the downstream sector. Both the raw materials and finished steel items made a slight improvement in the price movement as sales order came in and stock movement taking place.

The raw materials section also ended Week 01 on a stable note depicting an improvement in the range of Rs.300/MT to Rs.500/MT per tonne. The beginning of the second week saw further gains with TMT Bar prices surging by almost 4% over a week due to the increased prices of raw materials coupled with dealers' optimistic attitude of the forthcoming market.

A firm trend was also noticed in the raw materials section including Steel Ingot prices that exhibited a price improvement in the range of Rs.800/MT to Rs.1000/MT per tonne over a week. Melting scrap and sponge iron prices also moved in the positive direction, a weekly improvement in the range of Rs.600 to Rs.800/tonne was noticed. Stability is expected in the coming days as some retailers return to the market and build stocks prudently with sales performance becoming better.

Indian ferrous scrap buyers turn to Middle East and Africa: Indian buyers are turning to the Middle East and Africa for cheaper ferrous scrap supplies as European and US prices remain uncompetitive. The latest deals for shredded material in containers from the UK were closed at \$315 per tonne cfr Nhava Sheva, market participants said. Offers from Europe are now at around \$320 per tonne, but Indian buyers are not willing to pay more than \$310-315 cfr. Indian customers are increasingly buying higher volumes of scrap from the Middle East and Africa, where offers for HMS 1&2 are at \$290-295 cfr Nhava Sheva and transport is quicker and cheaper. Freight from Europe to India is higher than it was a couple of weeks ago.

The international Scrap steel market too exhibited an increase in price since the beginning of December.

Scrap prices in the UK have increased this month after domestic mills came back into the market to rebuild inventories. Prices moved up around £10-15/tonne depending on grade, taking obsolete material to £150-170/t (€165-187/t) delivered. Deep-sea export prices remain relatively unchanged from last month, with shredded pegged at \$270/t cfr Turkey and HMS1&2 around \$260-265/t depending on grade. EU ferrous scrap prices rose this week on the back of the current US price rally and tight supply. Cargoes of HMS 1&2 (80:20 mix) traded in the range of \$283-290 per tonne fob Rotterdam, up from \$255-260 fob ten days ago. Shredded material sold at \$288-295 per tonne fob, up from \$260-265 per tonne fob Rotterdam previously. HMS 1&2 (70:30 mix) sold in the range \$275-280 fob Rotterdam up from \$245-250 per tonne on the same terms ten days ago. Scrap import prices into Southeast Asia have reached a new peak on tight supply and increased demand as mills stock up for next year's production. Transaction prices have jumped to \$330-380 per tonne cfr per tonne, depending on scrap quality and sources of supply, up from the average of \$290 per tonne cfr last month.

Iron Ore Sector

The month of December started on a weaker note with Indian Export market remaining thin. Transaction volumes remained thin in the first seven days with offer prices also lowering down. Fe63.5% grade saw a drop of USD 3/tonne in a couple of days. Ocean freight rates moved down gradually following the decrease of BDI, so the price of CNF price also went down. In view that the price on CNF basis decreases, many customers prefer to watch the market and wait for a lower price. Therefore, they do not place orders as actively as that in past weeks. In order to attract more customers and clear stocks, the exporter moves down the price on FOB basis slightly. Prices were quoted at USD83/t FOB Indian east coast for iron ore fines 63.5% rejection below 62.5% in the first week, USD3/t lower than the last day of November.

The export market remained quiet in Dec Week 02 as well. Iron ore production in Karnataka's Bellary-Hospet region has slowed over recent weeks due of a central government probe into nearly 40 allegedly illegal iron ore mines in the area.

The scarcity of ore supply and lack of buyer interest is also evident in the eastern state of Orissa. "There is hardly any stock at Paradip port and the waiting time for loading there is now only four days, compared to 25-30 days normally," a Shanghai-based trader.

Prices are not expected to move down sharply in a short time. Exporters will not receive so many orders in December than that in October or November because many Chinese steel mills finished building stocks for the winter production. Therefore, Indian traders do not hold any large inventory at present and are planning to clear the existing stock. However, with the bulk sea freight rates reducing and Chinese steel mills going to slow on bookings as winter sets in, prices are expected to remain on a lower note.

Chinese domestic market remained stable beginning of December with transactions taking place at around \$106-110/tonne, including VAT for Fe 66% grade. Market is expected to remain firm in the short-term as demand from mills remains good; however demand is expected to reduce when mills begin their maintenance work this month.

Coal & Coke Sector

Indian coke producers are struggling with a subdued market, with many pig iron manufacturers operating below capacity, particularly in east India. Domestic coke prices in India have dipped by an average of Rs 1,200/tonne (\$26/t) from early October levels.

Low ash metallurgical (LAM) coke (12-12.5% ash content) for blast furnace use is currently selling in east India at around Rs 16,000/t (\$346/t) ex-coke works without taxes, down from Rs 17,000/t ex-works in October. In the western state of Gujarat LAM coke (6-25mm, 14% ash) used in the Ferro-alloys industry is selling at Rs 13,000-14,000/t ex-works excluding taxes. Blast furnace grade LAM coke (25-80mm, 12.5% ash) is selling at Rs 16,000/t, ex-works.

High ash metallurgical (HAM) coke (22-27% ash) is currently priced at Rs 9,500-10,000/t for December ex-plant in Dhanbad, West Bengal, down from Rs 13,000/t ex-works without taxes two months ago.

Meanwhile, offer prices for imported premium-grade hard coking coal on spot have slipped to around \$150/t cfr from Australia from \$158-162/t cfr last month and \$175/t cfr in October.

General market opinion says that the local pig iron industry – and consequently the coke market – will pick up by end-January, while the import coking coal market should turn more bullish by Q2 2010.

Base Metals Sector

The base metals depicted a mixed trend over a fortnight with not much bright indication seen in the near future.

Nickel: Nickel started the month of December on a dull note with the demand conditions remaining dim. In the first week of December, nickel saw a dip of around 3 per cent both at home and abroad as compared to the week before. Nickel market remained mostly stable in the second week of the month as the demand didn't show much movement.

Aluminium: Aluminium market saw an improved trend beginning of December with prices in both domestic and international market increasing by 4 and 2 percent respectively over a week and around 6.8 and 6.2 percent respectively over a fortnight. LME stocks for the metal, used in transport and packaging, eased 3,875 tonnes but remain near record levels above 4.5 million tonnes.

Aluminum was steady at \$2,204 a tonne from \$2,212, after rising to a 13-month peak of \$2,215 on Dec 09. The metal used in transport and packaging has been buoyed in recent weeks by rising physical premiums in parts of Europe as the bulk of record high LME inventories are tied up in financing deals.

"There's good demand for aluminum from Europe and the U.S. Stocks are still tied up in financing deals so what appears to be an oversupply is not a problem in the short term," said an analyst.

Copper: Copper market saw a falling trend beginning of December with prices in both domestic and international market decreasing by 1.6 and 2 percent respectively over a week; however the month on month gain was 6.5 and 6 percent respectively in the domestic and international market. Copper Scrap prices are hovering in the range of Rs.320 to Rs.330/kg, all inclusive. Demand worries and investor concerns about the effects sovereign debt could have on the global economic recovery, have weighed on prices in recent sessions. LME copper stocks, which rose 4,450 tonnes to 466,075 tonnes, are up about 80 percent from early July. Analysts say if the rise in inventories continues, price corrections or pullbacks can be expected in the short-term. Copper, used in power and construction, hit a two-week low at \$6,762.75 on Dec10 and is headed for its biggest weekly drop since September.

Lead: Lead remained stable in the inaugural week of the month of December with demand remaining sluggish across the globe. Lead market slumped in the second week on account of deteriorating demand across the globe and witnessed a fall of more than 3 per cent both at LME and at home as compared to week 01.

Zinc: The market for zinc remained vibrant in the opening week of the month of December with the demand from the end users remaining steady. Zinc prices exhibited a rise of around 3 per cent both at LME and at the domestic market in Dec week 01 as against the week before. However with the commencement of the second week, the zinc prices started to slump and witnessed a drop of around 1 per cent as compared to week 01.

Ferro Alloys Sector

The Ferro-Alloys sector showed some recovery beginning of December both in the domestic and international market.

Ferro-chrome market – After remaining subdued in the month of November, the **Ferro chrome market** across the country exhibited some recovery with the commencement of December. In the second week of the month, the Ferro chrome (HC 60% min) prices witnessed an increase of Rs. 1000/MT to prevail at Rs. 47,500/MT (basic) on account of tight power supply. The prices increased further at the close of the second week of the month by another Rs. 2000/MT and prevailed at Rs. 49,500/MT (basic). The increase in the Indian prices was mainly due to the export price increase and currency fluctuation.

Ferro-Moly market – The market for **Ferro molybdenum** remained more or less stable in the first week of the month with the demand conditions remaining sluggish. However, the ferro-moly (60% min) prices depicted a dip in their prices at the close of the second week by Rs. 10/Kg to prevail at Rs. 815/Kg,

basic. Prices are mainly not coming up because one or two major Indian producers that control about 30-40% of the ferromolybdenum spot market are still holding to lower prices just below INR800/kg, basic.

Ferro-manganese – The domestic market for **Ferro manganese market** depicted by and large a steady trend with the commencement of the month of December. Ferro manganese (HC 65-70%) remained mostly stable at Rs. 48,000/MT (basic) in the first week of the month while at the close of the second week; the Ferro manganese prices witnessed a rise of Rs. 1000/MT to prevail at Rs. 49,000/MT (basic).

Ferro-vanadium – The Ferro-vanadium market started on a stable but sluggish note for the month of December with virtually no end-user demand and ferrovanadium (50%min) market remained flat and prevailed at around Rs. 605/Kg. However in the second week, the Ferro vanadium prices witnessed a drop of Rs. 30/Kg to prevail at Rs. 575/Kg.

Price Trend of Base Metals, Steel & Scrap

International Base metal Prices:

Price at LME in USD/tonne	Dec'09 Week 2	Nov'09 Week 4	Nov'09 Week 2	Oct'09 Week 4	Oct'09 Week 2
Nickel	16175	16624	16760	18910	18720
Zinc	2289	2231	2146	2257	2026
Aluminum	2147	1999	1914	1940	1879
Copper	6897	6865	6520	6558	6243
Lead	2275	2335	2267	2336	2240

Source: LME

Indian Base metal Prices:

Price at India in Rs/kg (basic)	Dec'09 Week 2	Nov'09 Week 4	Nov'09 Week 2	Oct'09 Week 4	Oct'09 Week 2
Nickel	756	771	780	889	871
Zinc	107	104	100	106	93
Aluminum	100	93	89	91	87
Copper	324	321	304	310	290
Lead	106	109	105	110	104

Source: NCDEX, MCX

International Steel & Scrap Prices:

Items	Dec'09 Week 2	Nov'09 Week 4	Nov'09 Week 2	Oct'09 Week 4	Oct'09 Week 2
China Domestic HRC Yuan/tonne	3660	3730	3620	3530	3320
China Domestic CRC Yuan/tonne	4980	4950	4720	4630	4580
China Domestic Rebar Yuan/tonne	3480	3540	3540	3420	3370
Europe Domestic HRC Ex-Works €/t	360	360	390	390	430
Europe Domestic CRC Ex-Works €/t	450	450	450	570	560
US Domestic HRC FOB \$/tonne	500	500	500	530	580
US Domestic CRC FOB \$/tonne	600	600	600	640	680
CIS Export HR Coil \$/tonne	500	500	480	490	500
CIS Export Slab Black Sea/Baltic Sea \$/tonne	400	400	400	380	490

CIS Export Billet Black Sea/Baltic Sea \$/tonne	410	410	380	380	420
CIS Export Rebar Black Sea/Baltic Sea \$/tonne	430	430	440	430	440
Shredded Scrap US fob East Coast \$/tonne	285	255	255	225	267
HMS I &II (80:20) United States fob East Coast \$/tonne	280	250	250	220	262
HMS I&II(70:30) fob Rotterdam Export \$/tonne	275	245	235	224	262
HMS I\$II(80:20mix) Rotterdam Export \$/tonne	283	255	248	230	258
IOF Fe=63.5% CNF China USD/tonne	106	106	103	94	90

Source: Metal Bulletin

Indian Steel & Scrap Prices:

Items	Dec'09 Week 2	Nov'09 Week 4	Nov'09 Week 2	Oct'09 Week 4	Oct'09 Week 2
Pig Iron at Kolkata	21350	20990	21744	22400	22772
Pig Iron at Delhi	22800	23500	24000	24500	24200
Sponge Iron(Coal Based) at Kolkata	15330	15690	15650	16220	16220
Sponge Iron(Coal Based) at Delhi	13800	12800	13000	14000	14000
Melting Scrap(HMS I) at Kolkata	16700	15600	16640	16060	18340
Melting Scrap(HMS I) at Delhi	15000	15000	15600	15600	17000
Billet(100mm) at Kolkata	27680	26870	27576	25546	25778
Billet(100mm) at Mumbai	27130	27190	27188	25364	25364
Bloom(150*150mm) at Kolkata	26350	25600	26456	25274	25576
Bloom(150*150mm) at Mumbai	24600	24600	24600	23768	23748
Wire Rod(6mm) at Kolkata	31510	31690	31831	32191	32682
Wire Rod(6mm) at Delhi	33120	31710	34710	32429	32709
TMT Bar(10mm) at Kolkata	31670	31590	31761	32359	32359
TMT Bar(10mm) at Delhi	31940	31940	32258	32328	32818
Angles(50*50*6mm) at Kolkata	33020	33010	33140	33716	33832
Angles(50*50*6mm) at Delhi	32950	32950	33046	33788	33998
Plate(6mm) at Kolkata	35830	35810	35677	34162	34201
Plate(6mm) at Delhi	36810	36810	36580	35288	35288
HR Coil(2mm) at Kolkata	34640	34640	34701	34701	34751
HR Coil(2mm) at Delhi	35260	35290	35343	35503	35563
CR Coil(0.63mm) at Kolkata	38510	37910	38056	38156	38106
CR Coil(0.63mm) at Delhi	38690	38690	39014	39614	39614
GP Sheet(0.63mm) at Kolkata	42320	42400	42854	42647	42497
GP Sheet(0.63mm) at Delhi	41170	41170	41648	41888	41888

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

Outlook

Revival anticipated in the global steel market in the New Year: Leading producers in Europe and US must see the start of the New Year as an opportunity to set new, higher prices and begin the task of

returning to price levels achieved earlier in 2009. Firmer prices will be essential, as raw materials are going to be considerably more expensive than during 2009. The early Q4 weakness in the China domestic market has been short-lived and prices have already rebounded upwards, which has the additional side-effect of reducing possible export activity. The rise in Scrap prices has further boosted the finished steel prices. Long products' pricing is expected to move upwards in US and Europe as producers seek to reclaim higher scrap prices, despite feeble demand. Prices in Asia have been stable for several months, but higher billet price levels may also drive longs prices firmer. There is likely to be a lull in activity in Middle East during the next few months, as buyers will be cautious until the latest problems in Dubai are clearer.

Indian Steel companies consider price increase in January 2010: Leading steel companies like SAIL JSW, Essar and Bhushan Steel may hike prices next month to cash in on the demand surge in domestic markets. "Internationally, steel prices have improved by about USD 30 a tonne (to USD 450 a tonne) in the past one month.

Steel producers have cut prices by about Rs 2,000 a tonne in the past two months following a fall in global prices and threat from cheaper imports. "There is no threat of cheaper imports now. Globally, prices have bottomed out," said an expert. Bhushan Steel said the price increase could be in the range of Rs 500-1,500 a tonne. Though none of the steel makers confirmed the quantum of the hike. An Essar Steel official said the prices could be revised upwards next month but refused to give a figure to the possible hike. SAIL Chairman S K Roongta said prices are likely to be increased in January.

Source: Asian Metal, SBB, Metal Bulletin, Reuters, NCDEX, MCX, JPC, LME, The Economic Times.