

TOP NEWS

CIS billet prices edge further downwards

CIS mills have cut billet offers further in a bid to win business, but this has been stymied by persistently aggressive quotes from China and seasonally slower trade amid the Eid holiday across MENAT. "The Chinese are still forcing [CIS] prices down," a European trader said. His counterparts said they had seen the lowest offers from China at \$305-\$310/metric ton CFR Turkey. Turkey remained on the side lines most of last week and were expecting to return to the market more actively in the middle of this week. Sources said they considered offers pegged at \$325/mt FOB and above as no longer acceptable, but some believed \$320-325/mt FOB should be accepted by buyers. Platts lowered its daily billet assessment by \$2.50/mt to \$322.50/mt FOB Black Sea on Friday.

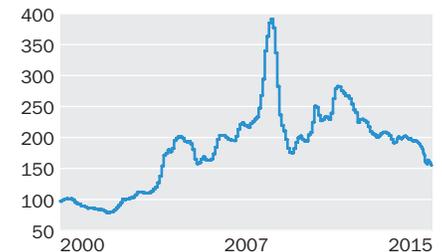
Evraz shuts African mill

South Africa's second largest steel company, Evraz Highveld Steel & Vanadium, has stopped production at its ironmaking division, citing "delayed debtors' payments, inadequate cash for raw materials for the continuation of operations, difficulties experienced with access to funding, and continued inability to pay major creditors timeously". The company said it intends to "resume production once adequate funding has been secured and steel trading conditions have improved to ensure sustained future financial viability".

Asian HRC market firms

Spot prices of hot rolled coil in Asia firmed on Monday as Chinese domestic prices jumped in line with rises in both billet and Shanghai futures prices. Traders and mills contacted by Platts remained pessimistic about trends over the long term though, citing potential falls in iron ore prices. Platts assessed SS400 HRC 3.0mm and above thickness at \$312-\$317/mt FOB China Monday, up \$4/mt from last Friday.

Platts world steel price tracker



Source: Platts

Platts steel price trackers

	Unit	21-Jul	Weekly change
World	pts*	155.11	-0.53
HRC world	\$/mt	391.77	-1.54
Rebar world	\$/mt	441.49	-4.47

*year 2000 = 100

Platts benchmark prices

	Unit	21-Jul	Weekly change
IODEX 62% fines	\$/dmt	52.50	1.75
HRC US domestic	\$/st	465.00	0.00
Billet FOB Black Sea	\$/mt	322.50	-2.50

Latest News

- **US structural tube makers file unfair trade cases**
- **Voestalpine starts reline of BF No.5 in Linz**
- **Beltrame seeks buyer for idle billet plant**

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Editorial comment

Steel industry stuck with slim margins

Falling iron ore prices have done little to ease the pressure on Chinese steel producers' margins with the Platts hot metal spread - measuring the difference between raw material and finished steel prices - moving ever further downwards.

Iron ore has recovered since the July 8 low of \$44.50/dmt but even when the market was falling, while there was some related volatility, the spread continued to trend downwards. At \$191/mt, the hot metal spread (using Platts IODEX) is \$85/mt lower than it was at the start of the year revealing just how weak domestic steel markets have been in a period where iron ore has shed \$20/dmt.

When the iron ore market began its seemingly perpetual decline at the start of 2014 most sources pointed to a natural reduction in production as the least cost effective mines would be forced out of business. While some have gone under, the overall supply has continued to increase with the major players ramping up output; weakening the market further.

The same expectation of market forces acting decisively is not there in the steel industry with few believing a serious curtailing of production in China will happen. The weak domestic margins have led to Chinese mills gatecrashing higher priced markets and the subsequent competition for market share is bringing down prices elsewhere. Steel has long been a low margin product and that reality is only being exacerbated. — Peter Brennan

GLOBAL INDUSTRY NEWS

Iron and Steelmaking

- Rongxin Iron & Steel, a billet maker in China's Hebei province, has idled one of its two blast furnaces for up to a month on low selling prices, resulting in an estimated production loss of 3,000-4,000 metric tons/day.
- China's Xinda Iron & Steel has idled two blast furnaces on weak market conditions, with a production loss of about 3,000 mt/d.
- Chinese sections and strip producer, Jinxi Iron & Steel, has halted production on one 550 cu m blast furnace for maintenance.
- Rogesa, the German pig iron producer co-owned by Saarland-based steelmakers Dillinger Hütte and Saarlöhle, is to reline and upgrade its 6,000 mt/d blast furnace No.4 in 2016.
- Eastern China's Baoshan Iron & Steel has completed trials on two converters at its Zhanjiang steelworks in southern China's Guangdong province, paving the way for the commissioning of its No.1 blast furnace there this September.
- Operations at Rizhao Iron & Steel, China's second-biggest private steelmaker, were briefly suspended following an explosion at an adjacent petrochemicals refinery.

Flats

- Turkey's largest integrated steel producer, Erdemir Group, will build a second galvanizing line at its Eregli plant in northern Turkey. The 350,000 mt/year line will start operating by end-2017.
- Turkish cold roller and galvanizer, Tezcan, will install a 350,000 mt/y hot-dip coating line at its facility in Kocaeli in August 2016.
- Tangshan Iron & Steel in northern China is planning maintenance on one of its medium plate mills from July 25 for 25-30 days.

Numbers of the Week

China produced **68.95 million** metric tons of crude steel in June, down **0.8%** year-on-year.

Chinese vehicle output in June dropped **5.8%** month-on-month and **0.3%** y-o-y to **1.85m** units. Total H1 production was up **2.7%** y-o-y.

South Korea's steel imports in H1 fell by **5%** y-o-y to **10.825m** mt. Ordinary carbon steel orders booked in Japan in May fell by **9.6%** m-o-m and **7.5%** y-o-y to **5.44m** mt.

India's auto production came to **5,750,518** units in April-June, up **1.7%** y-o-y.

India's finished steel exports fell by **31.7%** y-o-y to **991,000** mt in Apr-Jun.

US mills shipped **7.91m** mt of steel in May, up **1.2%** m-o-m but down **14.6%** y-o-y.

Turkish automotive output grew **14%** y-o-y and **41%** m-o-m in June to **128,807** units.

Turkish crude steel output fell **4.2%** y-o-y to **2.92m** mt in May.

Crude steel output in Germany came to **3.8m** mt in June, up **6%** y-o-y.

New car sales in Russia fell **46%** y-o-y to **600,135** units in January-June.

New passenger car registrations in the EU rose **14.6%** y-o-y to **1,364,009** units in June.

Mexico's January-May imports of finished steel rose **11.3%** y-o-y to **5.62m** mt.

Brazil's imports of sheet products in June fell **26.6%** y-o-y to **64,496** mt.

Brazil's long steel exports came to **79,833** mt in June, up **52.4%** y-o-y.

Longs

- Hong Kong-based steel trader, Van Shung Chong Holdings, expects to begin formal operations at its 100,000 mt/y reinforcement fabricating plant on Tsing Yi Island in Hong Kong by year's end. Construction began in the first quarter of 2015.
- ArcelorMittal's Acindar, Argentina's largest longs maker, has resumed operations at its Villa Constitucion plant after a mandatory back-to-work order imposed by the Ministry of Labor. The steelmaker's main mill was completely shut on July 1 following a strike.
- ArcelorMittal Brazil will halt operation of a 500,000 mt/y rolling mill at its Piracicaba unit in Sao Paulo state in August in order to eliminate a surplus in production.
- Tunisian state-owned bar, rod and wire producer, El Fouladh, has restarted operations following a stoppage caused by late deliveries of electrodes. The company has 200,000 mt/y of billet capacity.

Tubes & Pipes

- Japan's JFE Steel, together with trader Marubeni-Itochu Steel, has fulfilled a contract to supply 2,200 mt of line pipes to Norway's Statoil Petroleum AS for use in its Cullfaks Rimfaksdalen project.
- South Korean pipemaker, Husteel, plans to start making commercial grade oil country tubular goods (OCTG) at its Dangjin plant, south of Seoul, from November. The upgraded mill will have a capacity of 80,000 mt/y.

Stainless & Speciality steels

- Tata Steel UK will mothball one of the two electric arc furnaces and cut over 700 jobs at its 1.2m mt/y Rotherham works as part of the reshaping of its engineering steel business.

Raw Materials

- Gerdau's Peruvian unit, Siderperu, has opened a new ferrous scrapyard in Lima to complement the supply of the raw material to its plant in Chimbote.

Downstream

- The European Commission has approved the acquisition by Jacquet Métal Service of six distribution subsidiaries of Swiss special steels group, Schmolz+Bickenbach, located in Germany, Austria, the Netherlands and Belgium.
- Ukrainian steelmaker, ArcelorMittal Kryviy Rih, has opened a new 10,000 mt warehouse in Kharkov.

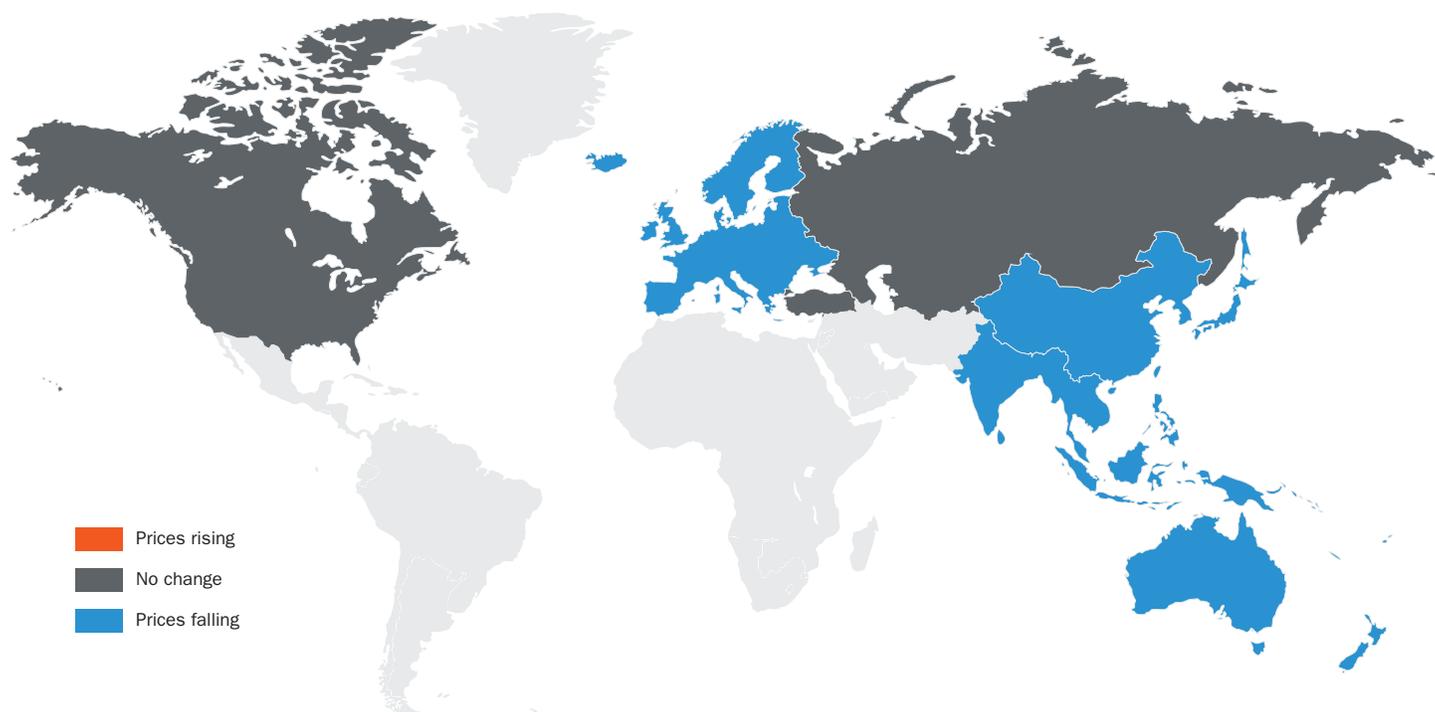
Trade

- Mexico has imposed preliminary countervailing duties of 5.15%-73% on imports of welded steel tubes from the US, Spain and India.

Finance & Management

- Venezuela's state-controlled iron and steel corporation, Corporación Siderúrgica de Venezuela (CSV), has signed steel companies Leonarda Rivas, Estructuras Metálicas Tinaquillo, Constructora Nacional de Rieles para Vías Férreas y Estructuras Metálicas and Acero del Alba into its command.

STEEL PRICE HEAT MAP



Regional steel prices

	Code	Unit	Week ending 10-Jul	Week ending 17-Jul	\$/mt	W-o-W change
US Flats						
HRC EXW Indiana	STHRI00	\$/st	460.00 - 470.00	460.00 - 470.00	507.05 - 518.08	0.00
CRC EXW Indiana	STRRI00	\$/st	580.00 - 590.00	580.00 - 590.00	639.33 - 650.35	0.00
US Longs						
Rebar EXW US Southeast	STCBC00	\$/st	550.00 - 575.00	550.00 - 575.00	606.26 - 633.82	0.00
Europe Flats						
HRC EXW Ruhr	STHRE00	€/mt	380.00 - 385.00	380.00 - 385.00	423.43 - 429.01	0.00
CRC EXW Ruhr	STRRE00	€/mt	465.00 - 470.00	465.00 - 470.00	518.15 - 523.72	0.00
Europe Longs						
Rebar EXW Northwest Europe	STCBE00	€/mt	420.00 - 428.00	410.00 - 420.00	468.01 - 476.92	-9.00
CIS Flats						
HRC FOB Black Sea	STHRB00	\$/mt	335.00 - 345.00	335.00 - 345.00	-	0.00
CRC FOB Black Sea	STRRB00	\$/mt	420.00 - 430.00	420.00 - 430.00	-	0.00
Turkey Flats						
HRC domestic EXW Turkey*	SB01154	\$/mt	410.00 - 430.00	410.00 - 430.00	-	0.00
China Flats and Longs (inc. 17% VAT)						
HRC Q235 5.5mm domestic Shanghai	SB01260	Yuan/mt	2010.00 - 2040.00	1940.00 - 1960.00	328.68 - 333.59	-75.00
Rebar HRB400 18-25mm domestic Beijing trader	SB01198	Yuan/mt	1950.00 - 1960.00	1930.00 - 1940.00	318.87 - 320.51	-20.00
East Asia Flats and Longs						
HRC imports CFR East Asia*	SB01142	\$/mt	325.00 - 330.00	320.00 - 325.00	-	-5.00
Rebar imports CFR East Asia*	SB01195	\$/mt	300.00 - 305.00	300.00 - 305.00	-	0.00

All prices are assessed daily unless otherwise stated. *Assessed weekly

STEEL MARKET ANALYSIS

Scrap free-fall aids EAFs' competitiveness amid margin pressure

While the spot iron ore market regained some ground last week, the international scrap price continued its free-fall; a trend that will please electric arc furnace based producers. However, Chinese steel prices continued to decline putting a further squeeze on the margins of steelmakers and, with production bouncing back into expansion, the supply/demand balance does not appear to be improving.

TSI's reference price for Turkish imports of HMS 1/2 80:20 scrap slumped at the start of last week before recovering slightly as mills made their final purchases before the Eid holiday marking the end of Ramadan.

The drop was instantly reflected in the offer prices of exported Turkish rebar into the Middle East and North Africa with the Platts assessment dropping by \$15.50/mt week-on-week.

The scrap market remained under pressure from low Chinese billet offers but, with iron ore gaining \$1.25/mt w-o-w according to the Platts IODEX, Chinese suppliers raised their offer prices into Southeast Asia. However, the FOB Black Sea market was still under pressure from Chinese competition.

Domestic Chinese flat and long steel prices declined further despite the bump in the cost of spot iron ore. Hot rolled coil in the Shanghai market was particularly under pressure as a result of tepid demand from downstream industries. Sentiment was particularly bearish due to extra deliveries from Wugang, a rare presence in the Shanghai spot market thus far in 2015, as the company looks to fill its order books.

Trading sources said Benxi Iron & Steel in northeastern China would begin maintenance on one of its hot strip mills cutting 300,000 mt in output and allowing the mill to maintain its HRC prices. However, the overall supply picture in China has not improved with the country's total crude steel output reaching 68.95 million mt in June, according to the National Bureau of Statistics (NBS). This was equivalent to 2.298 million mt/day, up nearly 2% from May's 2.256 million mt/d and the highest daily average since June 2014's 2.31 million mt/d.

The European flats market was stable last week as ever-lower import prices for Chinese material have had little impact on the market with buyers put off by the lead times and the added boron content. There was more fragility in the longs markets with northwest European rebar falling by €9/mt w-o-w as European scrap markets settled down by €15-€20/mt in July.

The domestic US rebar market was also under pressure as a result of lower priced Turkish offers but was holding firm for now, while timid buying during the summer lull was holding back the flats markets.

Other forecasts

European steelmakers' association, Eurofer, expects real steel demand in Europe to grow by 1.4% year-on-year in 2015 and 2% y-o-y in 2016 and apparent demand to grow by 1.5% y-o-y in 2015 and 2% y-o-y in 2016; slightly lower than its April forecast.

Despite the small correction, the association remains positive about the development of demand in Europe, and expects recovery to gain momentum in the remainder of the year thanks to the

support of the automotive sector, low oil prices and revived private demand on the continent (passenger cars, residential properties and domestic appliances).

Eurofer nevertheless noted that third country suppliers benefited from the additional volumes in the EU steel market more than domestic steel mills, as finished steel imports rose by 8% y-o-y in Q1.

Latest business and economic news

China's second quarter economic growth beat expectations with an increase of 7% year-on-year, beating a number of poll forecasts. Property prices increased slightly in China's tier-1 cities in June but the real estate market in smaller cities – particularly those located in central China – remains depressed, National Bureau of Statistics data released at the weekend showed. The monthly survey found that prices rose in 27 of the 70 cities monitored by the NBS compared with 20 in May, while prices fell in 34 cities in June, down from 43 the month before.

Japan's central bank cut its forecast for growth in the year to April 2016 to 1.7%, down from 2%, and downgraded its inflation forecast to 0.7% from 0.8%. It left monetary policy unchanged. Industrial output was down by 2.2% in May, while an index of services activity fell 0.7%.

US industrial production rose in June with the measure of output in the manufacturing, utilities and mining sectors, up a seasonally adjusted 0.3% from May, according to the Federal Reserve. However, across the whole of the second quarter, industrial output dropped at an annual rate of 1.4%. Manufacturing, was flat m-o-m with fabricated metal products and primary metals production each declining by 0.1%.

Bearish sentiment gains ground: TSI

There were increases in the number of Asian and European respondents to The Steel Index's weekly survey who expect steel prices to decline in the next three months. But in the US, 47% of respondents (up from 31% the previous week) said they expect prices to rise and only 33% (down from 46%) expected a decrease in the survey results for the July 13-19 week.

In Europe 56% (up from 44%) believe prices will fall with only 8% looking for an increase. Among Asian respondents, 67% expect a decrease (up from 63%), but 33% forecast increased prices. Globally, 24% (up from 14%) expect higher prices and 47% (up from 45%) lower prices.

In the US, 31% (up from 23%) believe steel demand will increase in the next three months, with 56% (down from 69%) expecting no change. The demand outlook is more bearish in Asia where 56% of respondents (up from 38%) expect a decrease and 22% (down from 25%) an increase. Similarly in Europe 17% (up from 7%) expect demand to decrease, with 79% expecting no change.

GLOBAL PRICE SNAPSHOT

Longs

Billet

China's billet suppliers raised their offer prices into Southeast Asia last week following the rebound in the iron ore market, but importers, concerned about weak steel demand, generally stayed on the sidelines. Offers for 150mm Q235 billet to Thailand and Vietnam were prevailing at \$300/metric ton CFR, up \$10-20/mt on week. Platts weekly assessment of East Asian billet imports was at \$315-325/mt CFR, down \$5/mt on week. Platts assessed CIS billet at \$322.50/mt FOB Black Sea on Friday, down \$2.50/mt on day and \$10/mt on week, as prices were forced down by Chinese quotes and subdued demand around the Eid holiday.

Rebar and rod

Turkish rebar export pricing softened last week as a holiday in the Middle East and North Africa dampened demand, and falling scrap prices allowed suppliers to cut offers. Two deals were heard into Egypt at \$390/mt FOB actual weight, while Turkish traders put the market at \$400-405/mt FOB actual weight. Platts daily Turkish export rebar assessment was at \$402.50/mt FOB on Friday, down from \$418/mt FOB the week before. In Asia, rebar export prices stabilized after eight weeks of consecutive falls as Chinese domestic prices stopped sliding. Platts assessed 16mm diameter and up BS460/HRB400 rebar unchanged on week at \$287-\$292/mt FOB China actual weight.

Flats

Coil

Turkish mills' HRC export offers were down \$5-10/mt in a sluggish market dogged with competition from China and the CIS, with local offers reported at \$380-\$390/mt FOB. Meanwhile Ukrainian mills

Chinese margins squeezed tighter (\$/mt)



Source: Platts

were offering HRC at \$355-365/mt CFR Turkey with Russian mills at \$365-\$370/mt CFR. Platts weekly Turkey HRC export assessment ended the week at \$385/mt FOB, down \$5/mt on week. Spot prices of seaborne HRC in Asia stabilised last week in line with Chinese domestic price trends. Platts assessed SS400 HRC 3mm thick and above at \$308-\$313/mt on Friday, flat on day but down \$2/mt on week, as no deals were heard concluded and prevailing offers remained at \$310-\$315/mt FOB.

Plate

Chinese heavy plate export prices stabilized last week, with offers for SS400 12-30mm thick material prevailing at \$320/mt FOB and transaction prices around \$315/mt FOB. In Europe, domestic plate prices were showing little resistance to ongoing price pressure as Platts lowered its daily domestic plate assessment by €5/mt on week to €455-€465/mt ex-works Ruhr.

Raw Materials

Iron ore

Spot iron ore prices recovered slightly last week. The Platts 62% Fe IODEX was assessed at \$50/dry metric ton CFR North China on Thursday, up \$1.25/dmt w-o-w, while The Steel Index's reference price gained \$0.10/dmt to also reach \$50/dmt CFR over the same period.

Scrap

The Turkish scrap market tanked again last week as US East Coast merchants sold cargoes at low levels amid slack demand due to Ramadan. TSI's benchmark price for Turkish premium heavy melting scrap I/II (80:20) imports fell to \$227/mt CFR as of July 17, down \$12/mt w-o-w, while the Platts assessment fell similarly ending the week at \$226/mt CFR Turkey. The Platts shredded delivered Midwest US daily price was unchanged last week again at \$262.50/long ton (\$258.40/mt), while TSI cut its US domestic weekly shredded scrap price by \$3/lt to \$263/lt. Scrap prices weakened in Japan, with traders paying Yen 22,000/mt (\$177/mt) FAS to collect H2 for export through Tokyo Bay, down Yen 1,000/mt from the previous week. Tokyo Steel Manufacturing cut its scrap buying prices by Yen 500/mt for all grades at its Utsunomiya and Kyushu works to Yen 23,000/mt for H2. TSI's reference price for Taiwanese imports of HMS 1&2 80/20 scrap was at \$175/mt CFR Taiwan port as of July 17, down \$15/mt w-o-w.



STEEL OUTLOOK VIDEO

Few positive signs for steel and iron ore at mid-year point

With Paul Bartholomew

The steel market's weakness continues to weigh on both iron ore demand and prices. As the first half of the year comes to a close, Paul Bartholomew, Platts managing editor for steel and steel raw materials, looks at the sentiment of the Chinese steel market, the volume of exports coming out of Port Hedland in Australia which could put pressure on prices, as well as Vale's breakthrough in landing its giant ore carriers in China.

View the video here:

<http://www.platts.com/videos/2015/june/steel-iron-ore-0619>

Visit <http://www.platts.com/videos> to view all video reports.

FEATURE

Volatile iron ore pricing makes direction hard to predict

Iron ore prices appeared to defy gravity in June, holding above the \$60/mt CFR, even as steel prices continued their seemingly incessant plunge. The relative firmness was short-lived, however, as prices went back on a downwards trajectory in July, *Platts Steel Raw Materials Monthly* reports.

Chinese steel tumbles

In the week ending July 10, iron ore prices fluctuated wildly, influenced by steel and iron ore futures in China, which in turn were impacted by the daily machinations of the Shanghai Composite.

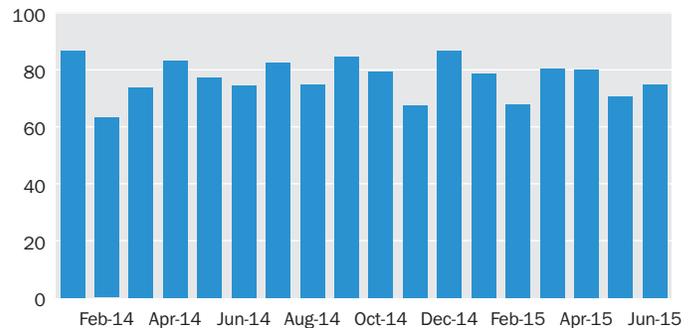
The iron ore contract traded on the Dalian Commodities Exchange in northern China experienced several days when the lower limit for the day's permitted price movements were reached. The impact has already been felt in the physical market as buyers pulled back in expectation of further losses to come.

Throughout June, finished steel prices in China tumbled sharply. The spot price of rebar in Shanghai shed nearly Yuan 200/mt (\$32/mt), its lowest level in more than 12 years. Meanwhile, more than 85% of mills in China were reported to be in the red, operating at a loss and in some cases carrying out maintenance work and telling some staff to take leave. This is typically the time when mills are wary about importing, preferring to draw down inventory or buy from port stocks rather than bid for expensive seaborne ore. Only relatively tight spot supply was able to sustain iron ore prices in June.

Australian exports strong

China's iron ore imports were stronger in June at 74.96 million mt, compared with May's 70.9 million mt. But imports over the first half of 2015 of 452.91 million mt were down 0.9% year-on-year, not a healthy situation with so much more iron ore supply due this year.

Chinese monthly iron ore imports (million mt)



Source: Platts

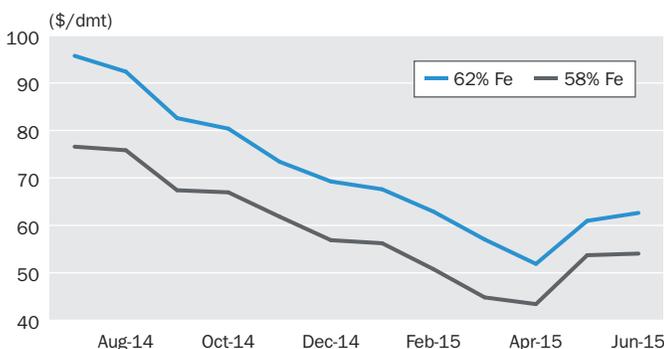
Looking at iron ore export numbers out of Australia in June it is difficult to see why Chinese buyers were complaining just a few weeks ago of a lack of prompt cargo availability. June exports were extremely strong as was spot market liquidity. Western Australia's Port Hedland reported record shipments of 38.3 million mt in June, of which 32.6 million mt went into China, also a monthly record. Despite the parlous state of the Chinese steel market, the country's appetite for Australian material shows no signs of abating, at the expense of local concentrate.

In the twelve months to June 30 (Australia's 2015 fiscal year), 439.6 million mt were shipped from Port Hedland, up 20% year-on-year. Exports from the port to China over this period rose 25% y-o-y to 369.6 million mt. Export growth slowed in the January-June half as most of Fortescue Metals Group's capacity expansion program had been completed. Exports of 220.8 million mt were up 13%, or 25.8 million mt y-o-y, while 185.8 million mt were shipped to China in the June half, up 16% or by 26.1 million mt compared with the year before, Pilbara Ports Authority data shows.

May and June are often the strongest months for exports in Australia as operations fully recover from any weather-related constraints in the March quarter and producers want to maximize revenues before the end of the financial year.

With Port Hedland exports so strong amid talk of supply tightness, some market watchers wondered if Rio Tinto (which runs to a calendar financial year) output was a bit softer in June. There were some weather impacts that carried over into the second quarter. But the Platts Dry Bulk team estimated shipments from Dampier in June at around 69 million mt, similar to the month before. Analysts at UBS estimated Rio's June exports at around 29 million mt which is a jump on the previous monthly totals, and an indication the miner's capacity expansion to 360 million mt/year in the Pilbara must be near completion. The company will update the market on its production run rate when it announces its June quarter operations report later this month.

Platts 62% & 58% Fe iron ore monthly averages CFR China



Source: Platts

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FOCUS ON NORTH AMERICA

Sheet

US sheet market players continue to await a cold-rolled coil trade case, but even that may not be enough to shake off a summer slump, market sources said. One service center source described business as a lot of "mucking and grinding" until end users wrap up their seasonal shutdowns. He added that business is not slow, but is not busy. Another service center source said he was still hearing chatter about a \$20/short ton increase slated to hit as soon as a trade case is announced, but enthusiasm for both is being overshadowed by the prospect of supply disruptions stemming from ongoing labor negotiations between US Steel and ArcelorMittal and the United Steelworkers union. A buy-side source said many market players are still on summer vacation and sheet prices have essentially flat-lined. Inventory levels are becoming more normalized, but buyers remain cautious, he said.

Late import arrivals forced US service centers to dabble in the spot market to keep customers happy while they waited – effectively forcing them to double-buy. "I think there is still inventory overhang from imports," said one buy-side source. "Lots came in late. Lots got stuck at ports waiting for trucks. Lots of inventory on service center floors... and all that late steel created needs for spot buys domestically." Service centers themselves are not participating heavily in the mill spot market, said one mill source, perhaps because many service centers are relying on their mill contracts for steel. A buy-side source confirmed that many service centers structured their contracts in a flexible way to keep themselves out of the spot market. Lumping multiple product categories into a single contract structure and crafting various rebate schedules has so far insulated most service centers from the spot market, keeping prices relatively moribund.

Plate

A slowly correcting inventory overhang at steel plate service centers continues to pressure US plate pricing. Metals Service Center Institute data indicates June steel plate inventories at service centers was 1.12 million short tons, down 2.3% from May but still 11.2% ahead of June 2014 levels. Months of supply on hand at service centers decreased from 3.3 months in May to 3.0 months in June, a positive development for suppliers. Spot pricing for domestic plate was reported around \$550-\$570/st ex-works southeastern US mill. Re-rollers were offering \$520-\$540/st ex-works and import offers were heard as low as \$470/st CIF Houston.

Market sources reported muted plate import interest due to fourth quarter uncertainty and the current elevated levels of stock. "[US] mills are trying to hold the line but we are still seeing [lower prices from the big three producers]," one service center source said. Lead times are reported at three weeks, putting further pressure on pricing. "Domestic plate lead times are still weak, which kills any potential pricing power in the distribution market," another service center source said. "Right now there is no shortage of plate or people willing to do anything to turn plate into cash. Thank goodness inventories are headed on the right track." A \$20/long ton drop in July scrap pricing and further downward raw material pressure expected in August are also creating pricing challenges.

Scrap and raw materials

US containerized scrap prices into Taiwan fell further last week, reaching \$175/metric ton CFR Taiwan for HMS 80:20 on Thursday with offers being heard at \$170/mt CFR. US exporters slashed inbound pricing further, dropping as low as \$145/mt FAS Port of Los Angeles, levels not seen since October 2008. Market sources note that Taiwanese electric arc furnaces desperately need to reduce scrap prices in order to compete with Chinese billet that is being offered into the country below \$300/mt CFR.

The Platts daily assessment of US West Coast containerized HMS 80:20 fell to \$145-\$155/mt FAS Port of Los Angeles, down \$17.50/mt. Taiwanese mills were paying \$230/mt CFR for US containerized HMS 80:20 as recently as June 23. "I was buying at \$50/lt HMS," one US dealer recalled of the October 2008 market when prices were even more depressed. "Today I'm at \$100-\$120/lt for HMS. We can go lower." One trader added that, "scrap in Los Angeles has to flow. There is no room for stockpiling material and yards there are in tough shape financially."

Long products

Turkish mills lowered rebar price offers to the US slightly, but traders said they expect prices would decline further after Ramadan, which ended Friday. One trader said Turkish mills are offering rebar at \$435/mt CFR Houston, but he expects that he could book material \$2-\$3/mt lower with a firm bid. Platts lowered its daily rebar import price assessment to \$400-\$405/st (\$441-\$446/mt) CIF Houston, down from \$405-\$410/st (\$446-\$452/mt). Another trader said this price is near the bottom seen this year. In March, rebar pricing had fallen to \$435/mt CFR Houston, but he and many other traders missed the opportunity to book at this level before the downward pricing trend reversed.

Turkish rebar offers to the US decreased \$5/mt despite a larger drop in scrap pricing. The Platts daily CFR Turkey scrap assessment for HMS I/II dropped \$18/mt to \$220/mt before rising to \$226/mt late last week. A rebar and rod trader said he thinks Turkish mills will assess scrap pricing this week, post-Ramadan, and conduct new calculations for finished steel products.

Republic Steel is temporarily idling the hot-end operations at its Lorain, Ohio SBQ bar mill citing an unexpected decline in the energy market. The Lorain rolling mills will remain in operation and will receive semi-finished steel from Republic's Canton, Ohio melt shop. "We hope that



 [STEEL]

STEEL RAW MATERIALS OUTLOOK

Iron ore ascends alongside stronger billet

The spot iron ore market gained July 20 as finished steel and billet prices rebounded and buoyed buy-side sentiment. Platts 62% Fe IODEX firmed \$2.75/dry mt from July 16 to \$52.75/dmt CFR North China.

Read the news feature here:
<http://www.platts.com/news-feature/2015/metals/steel-raw-materials-pricing-analysis/index>

Visit <http://www.platts.com/news-feature> to view all news features.

FOCUS ON NORTH AMERICA

the market turns around so we can resume hot-end operations in Lorain in the future,” Republic CEO Jaime Vigil said. The hot-end idling will result in approximately 125 layoffs. Republic noted that if additional steel production is required at the rolling mills, it can restart a second EAF and caster that are idled in Canton.

US wire drawer and fabricator Insteel Industries is looking forward to capitalizing on expected pricing stability and growing demand for nonresidential construction, which was dampened by inclement weather this spring. Insteel reported net earnings for its fiscal third quarter ended June 27 of \$5.4 million on sales of \$117 million, compared with \$5.8 million profit on sales of \$113.2 million in the year-ago quarter. Regarding the impending closure of ArcelorMittal's Georgetown, South Carolina, wire rod mill, Insteel said it was well-positioned to transition to other suppliers. The mill's closure could strengthen rod prices.

Unfair trade cases

The US International Trade Commission determined there was a reasonable indication that US mills were threatened with material injury by imports of certain corrosion-resistant sheet products from China, India, Italy, South Korea and Taiwan that were allegedly subsidized and/or dumped. As a result, the US Department of Commerce will continue its investigations of imports of these products with its preliminary countervailing duty determinations due on or about August 27 and its preliminary antidumping duty determinations due on or about November 10.

The US Department of Commerce determined in an expedited sunset review that dumping of Chinese prestressed concrete strand would likely continue or recur if the existing duties were revoked. Commerce initiated the first sunset review of the Chinese PC strand duty order on May 1 and received responses from domestic producers but none from Chinese interested parties. The department ruled that dumping at weighted-average margins of up to 193.55% would likely recur if the duty order was revoked. In 2010 Commerce set cash deposit rates of 42.42-193.55% for entries of Chinese PC strand.

Platts US domestic price snapshot - latest assessments*

Flats (\$/st, FOB mill)

Hot-rolled coil	465.00
Cold-rolled coil	585.00
Hot-dipped galvanized	650.00
Plate	565.00

Longs (\$/st, FOB mill)

Rebar	562.50
Wire Rod	545.00
WF Beams	680.00
Merchant Bar	693.00

Scrap (\$/lt, delivered mill)

#1 Busheling	272.50
HMS 1/2	227.50
Shredded	262.50
Plate & Structural	252.50

*Prices based on midpoint of price range

Raw steel output

US raw steel production edged up 0.7% last week, as mills in the south and northeast ramped up production, American Iron and Steel Institute data showed. In the week ended July 18, US mills made 1.753 million st of steel, up from 1.74 million st the week before. The industry's capability utilization was 73.3% last week, up from 72.8%. Last week's output was down 8.4% from the year-ago week, when mills produced 1.914 million st operating at 79.6% of their capability.

Corporate restructuring

US Steel Canada will make a court motion on July 24 to secure a replacement debtor-in-possession (DIP) lender as it looks to shift from its current restructuring lender, a subsidiary of US Steel. The Canadian steelmaker will propose to the Ontario Superior Court of Justice that the replacement DIP facility be provided by Brookfield Capital Partners Ltd. up to a maximum principal amount of \$150 million plus interest, fees and expenses. According to court documents, USS Canada said as a result of the multiple roles of USS in relation to USS Canada, "Some interested parties have expressed concerns about the degree of influence USS has over USSC in its role as parent to the DIP lender." The court documents stated that USS has acted as the "indirect sole equity holder of USSC, parent to the DIP Lender, creditor, supplier, customer and potential bidder in USSC's sale and restructuring/recapitalization process."

Pipe and tube

The US rig count posted another loss in the week ended July 17, while the Canadian rig count posted an increase. According to energy services firm Baker Hughes, the US rig count fell by six net rigs to 857, down 1,014 year-on-year. The Canadian rig count, meanwhile, increased by 23 rigs to 192, still down 189 from last year.

Mill strategies

ArcelorMittal USA said that while no final decisions have been made with regard to an asset optimization plan, it has no intention of reducing blast furnace capacity in the US. The statement was published by ArcelorMittal USA Flat Carbon CEO Andy Harshaw on the company's website following rampant market talk and published reports of the steelmaker's plans to rationalize a portion of its Indiana Harbor operations, which "third-party industry sources speculated" could be a shutdown of both upstream and downstream operations at the steelmaker's Indiana Harbor West complex.

Service centres

US service centers' steel inventories fell month-on-month in June but are up 7.1% from last year, according to the latest report from the Metals Service Center Institute. Service centers had 2.6 months supply on hand in June, representing about 9.14 million st of steel. In May, service centers had 2.8 months on hand, or 9.34 million st. In June of last year, service centers had 2.3 months on hand, or 8.53 million st.

June US service center shipments of steel were up month-on-month but fell year-on-year, according to the MSCI. Service centers shipped 3.57 million st in June, compared with 3.28 million st in May and 3.69 million st in June of last year. Year-to-date through June, US service centers have shipped 20.84 million st of steel, down 5% year-on-year.

STEEL MILL ECONOMICS

Chinese spreads continued to decline last week as finished steel prices softened further. The HRC market in Shanghai fell by RMB 75/metric ton week-on-week, while the decline in rebar also continued, albeit at a slower rate, shedding RMB 20/mt week-on week.

The China Flat Steel spread (IODEX) is down by around \$150/mt year-on-year. Of that \$125/mt was lost at the start of 2015, with the flats market experiencing record lows in the face of little demand and weak buying.

Turkish imported scrap fell by \$12/mt last week. However, rebar producers could not enjoy the benefits of such a sizeable decline in spot input costs as the prices of rebar took a deeper plunge of \$15.50/mt, with demand sluggish ahead of Eid celebrations.

The Turkey Scrap-Black Sea Billet spread has fallen by \$25/mt year-on-year.

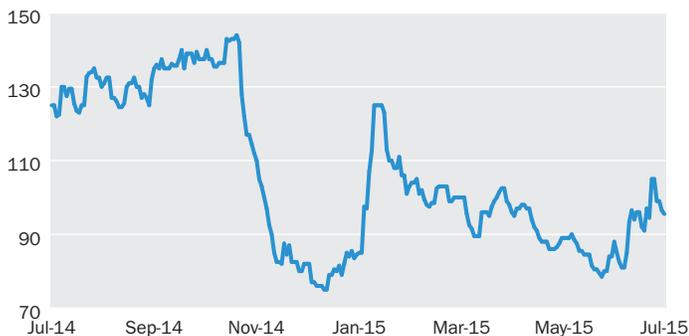
Stability in the US finished steel and raw materials markets kept the associated spreads steady.

Steel Mill Economics

	17-Jul	Weekly change	Weekly % change	\$/mt
China Flat Steel (IODEX)	192.29 \$/mt	-12.44	-6.08	-
China Flat Steel (TSI)	192.29 \$/mt	-10.60	-5.23	-
China Long Steel (IODEX)	189.84 \$/mt	-3.45	-1.78	-
China Long Steel (TSI)	189.84 \$/mt	-1.61	-0.84	-
China Hot Metal (IODEX)	191.07 \$/mt	-7.95	-3.99	-
China Hot Metal (TSI)	191.07 \$/mt	-6.11	-3.10	-
China Billet-Rebar	205.00 Yuan/mt	-40.00	-16.33	40.06
Turkey Scrap-Rebar (Platts)	176.50 \$/mt	-3.50	-1.94	-
Turkey Scrap-Rebar (TSI)	175.50 \$/mt	-3.50	-1.96	-
Turkey Scrap-Black Sea Billet (Platts)	96.50 \$/mt	2.00	2.12	-
Turkey Scrap-Black Sea Billet (TSI)	95.50 \$/mt	2.00	2.14	-
US Scrap-HRC	230.64 \$/st	0.00	0.00	254.24
US Scrap-HRC Futures	234.19 \$/st	0.68	0.29	252.41
US Scrap-Rebar	328.14 \$/st	0.00	0.00	361.71

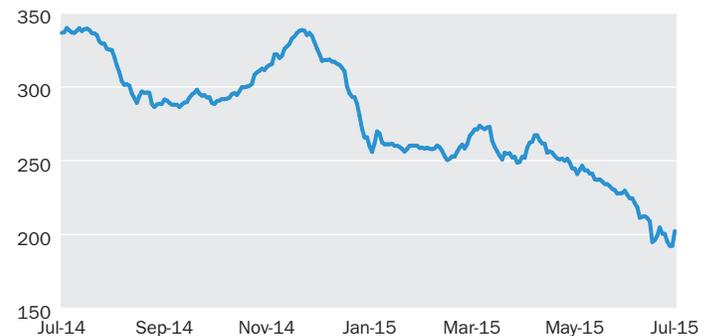
For spreads calculation and assessment methodology, please go to: <http://platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/steel.pdf>

Turkey scrap – Black Sea billet spread (Platts) (\$/mt)



Source: Platts

China flat steel spread, weekly (IODEX) (\$/mt)



Source: Platts



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FOCUS ON BRAZIL

Brazilian scrap prices up on reduced availability

A sudden reduction in metals scrap generation and collection has forced prices in Brazil to go up amid poor market conditions, sources said.

The Platts domestic clean steel scrap assessment is priced at Real 480-530/metric ton (\$150-\$166/mt), while HMS is being priced at Real 450-480/mt. All prices are on a delivered-to-mill basis.

The Brazilian economic crisis is driving market participants crazy, a source from a big recycling company said.

"The small scrap dealers are tired [of picking] up scrap on the street, and I have no doubts we will have a shortage by the end of next year due of the large disincentive that exists," the source said.

A source from a tube and pipe plant who sells excess clean steel scrap said, "I cannot say that prices are increasing, but I sold my scrap with a little higher price this week. But I am still waiting for a market reaction."

Meanwhile, others point to a reduction in scrap generation from the automotive sector. The general sentiment is that there is still an absence of negotiations in the market.

"I see lot of companies suspending purchases, and scrap dealers being pressured to reduce prices. I don't believe that scrap market will have a reaction soon," a source said.

The last price fall occurred in early March, when scrap dealers cut prices by \$10/mt due to the sluggish Brazilian economy that hit several steel-consuming industries.

Pig iron and charcoal

Charcoal	158-160
Pig Iron	245-270
Prices in \$/mt FOB	

Ferrous scrap

Clean steel scrap	480-530
HMS	450-480
Turnings	320-350
Prices in Real/mt, delivered. Taxes not included.	

Market Overview

Brazilian domestic charcoal prices have dropped 0.58% for July bookings on a lack of deals concluded, market participants said. Charcoal is being traded domestically at Real 510/mt FOB mill (\$159/mt), compared with Real 513/mt in June, the Platts monthly assessment showed.