

MEPS forecast for North American steel prices

- 06 Dec 2006

UK based consulting group MEPS has announced that its forecast for flat products in North America for the next twelve months is little changed from their assumptions four weeks ago.

MEPS said that November was the fourth consecutive month for decrease in the Average Flat Products value and further reductions are foreseen up to the middle of 2007 as inventories remain high and will take at least six months to be depleted coupled with high volumes of imports into the region. MEPS said that customers are reducing their purchases but the mills are reacting by bringing forward planned outages for maintenance or refurbishment.

MEPS said that an improvement in prices is still anticipated in the second half of 2007 as the lower values will make exporting to the region less attractive, AD actions may also be taken against some foreign steelmakers and Chinese producers will probably reduce their supplies or face punitive action from their government in the form of taxes on exports or the elimination of rebates or both.

MEPS said that the US market for long products is now showing seasonal weakness in the construction segment. On the positive side activity on infrastructure projects should continue to be firm for the next twelve months. In contrast, housing starts in the US are in decline and could continue to drift for several months ahead. Service centers report subdued sales in Canada. MEPS retains their forecast for a further decline in the North American Average Long Products Price into Springtime of 2007 and an upturn is still forecast for the second half of the year as weather conditions improve and the construction sector picks up.

Steel not suitable for futures trading

- 06 Dec 2006

Mr Wuxichun the former chairman of China Iron & Steel Association told CBN that "There is a long way for steel sector to adopt futures practice, as many problems stand on the road."

Mr Wu said "It is hard to make a set of clear criteria for steel futures trading due to huge difference in steel grades, qualities and price in China's market. The steel forward trading, mainly involving traders in Shanghai market plays the same role as futures. The special pricing mode in domestic steel market hinders steel enterprises from futures."

Mr Wu added that it is easier for iron ore traders to adopt future practice.

(Sourced from Mysteel.net)

MEPS forecast higher SS prices in short term

- 08 Dec 2006

UK based MEPS forecast stainless steel prices moving even higher in short term mainly due to an unprecedented hike in the price of nickel on the LME during October and that this gain will impact on transaction prices in December and January. MEPS believe that the turn of the year will be the peak of the current cycle and expect stainless selling values to decline, albeit at a much slower rate than the escalation this year in the longer term.

MEPS is now anticipating the monthly average nickel cash price declining to near \$24,000 by September 2007. Nickel prices appear to show no signs of any steep fall off as they have continued to stay above the \$30,000 per tonne mark throughout November. This could signal a soft landing in nickel prices next year. Nickel stocks are still extremely low and any small capacity problems can lead to another hike in the price on the LME, causing prices to climb even higher.

PEMS said that global consumption is starting to show signs of slowing down. The Christmas period is also coming up in Europe and North America, and also the Chinese New Year is starting in the middle of February. This should be a period of lesser demand, which will ease the tight supply that has been seen in previous months. This will put pressure on the mills and as a result we should start to see an easing of prices after the New Year.

China may abolish rebate on steel exports

- 08 Dec 2006

International plate market has show sign of weakening in most regions with dull transactions and the market is likely to rebound if the rumor that Chinese steelmakers are considering lifting offer price comes true.

The rumor comes against the backdrop that Chinese mills intend to share the impact of 3% export rebate cut with customers as the end of 3 month transitional period for lower rebate rate drawing near. Thus, steel producers are stepping up efforts in persuading their foreign buyers.

Some traders suggest that price uptrend is emerging in steel plate. For example,

Chinese A36 plate is now quoted at \$500 PMT FOB up from previous offer at \$460PMT FOB to 480 PMT FOB. And FOB offer price of Q235 plate also rises to \$450PMT to 470PMT.

Moreover, market analysts expect export price of steel plate to surge, should 8% rebate on steel export be removed next year according to market rumor. The fob price for A36 plate would climb to some \$518 PMT FOB by then if assuming the removal of rebate, boding well for a wave of shock to the plate market.

(Sourced from Mysteel.net)

Precision Castparts acquires GSC Foundries

- 12 Dec 2006

Precision Castpart has announced that it is acquiring GSC Foundries. Precision will finance the acquisition with cash on hand and its existing credit facilities. Terms were not disclosed. The deal is expected to close by April 2007.

GSC is a private company which manufactures aluminum and steel parts for the aerospace, energy and medical industries with facilities in Ogden, Utah, and Mexico.

Mr Mark Donegan CEO of Precision Castparts said that the acquisition will complement the company's existing casting operations and expand its market share.

Portland based Precision Castparts manufactures metal parts for a variety of uses including aerospace and industrial gas turbine applications.

AISI releases report on US indirect steel trade during 1999 to 2005

- 17 Dec 2006

The American Iron and Steel Institute have completed a new analysis of US indirect steel trade for the years 1999-2005. This report identifies the volume and value of steel incorporated in finished products in eight major consumer markets imported and exported between the United States and 11 major countries and four regions.

The AISI report shows that US indirect steel imports of 36.9 million net tons and US indirect exports of steel of 20 million tons reached new highs in 2005, while the US indirect steel trade deficit last year increased to 16.9 million tons up from 15.9 million tons in 2004, though still below the all time record of 19.9 million tons in 2002.

AISI said that “America’s enormous deficit in indirect steel trade warns of increasing long term difficulties for domestic manufacturing. At the same time, it is interesting to note that, for the automotive sector, which remains the single largest source of indirect steel imports, the indirect steel trade deficit has actually been declining since 2002. The 2005 deficit for this sector of around 8.8 million net tons was over 20 percent smaller than the deficit in 2002. This sharp decline reflects in part the increasing automotive production in the United States, largely by foreign producers such as Toyota, Nissan, Honda and Hyundai, which have significantly expanded the scope and scale of their US operations. These companies rely mainly on domestically produced steel, which is a strong indication that steel quality, availability and prices in the United States are not a source of comparative disadvantage for American manufacturers.”

While the decline in the automotive sector’s indirect steel deficit since 2002 is one positive development, the significant overall deficit in America’s indirect steel trade highlights continuing structural problems for US manufacturing. Of particular concern to domestic steelmakers is the fact that US indirect steel imports from China last year of over 5.1 million tons increased by 21% from the level in 2004. Moreover, the United States’ 4.6 million ton indirect steel trade deficit with China in 2005 was 3.0 million tons greater than in 1999.

Mr Andrew G Sharkey III president and CEO of AISI said that “China and other countries continue to engage in protectionist, mercantilist industrial policies and trade practices, including through the manipulation of their currencies to subsidize their exports of manufactured products to the United States. As a consequence, the US steel industry is seeing many of its customers forced to shift production out of the United States. If this trend continues, we will witness a permanent contraction of the domestic manufacturing sector, with dire consequences for the entire US economy.”

Metal Prices (Wednesday, December 13, 2006 at 11:43)

Metal Prices

Ferro-alloy and other metals

Ferro Silicon

(per 1,000kilos) 75% Si, loose in bulk £565.00 (pallet boxes) £585.00, 75% Si scale pro rata.

Tennant Midgley Group Ltd

Ferro Silicon Briquettes

Gross 1.2kg, containing 1kg available Si, 56p per briquette (462 briquettes per pallet).

A&S

Ferro Molybdenum

Carbon free £32.80 to £34.80 per kgMo.

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Ferro Vanadium

50/80% or 70/80%, £34.00 to £36.00 per kgV.

William Rowland

Ferro Titanium

67/72% content, £13.00 to £14.50 per kgTi.

William Rowland

Ferro Niobium

70%, £10.00 to £10.75 per kgNb.

William Rowland

Ferro Tungsten

£17.50 to £19.50 per kgW.

William Rowland

Ferro Phosphorus

£330.00 to £370.00 per tonne

William Rowland

Electrolytic Manganese

99.9% minimum, £1,350.00 to £1,600.00 per tonne. 99.7% minimum, £760.00 to £900.00 per tonne.

William Rowland

Metallic Chromium

99% minimum Cr, £3,850.00 to £4,250.00 per tonne. 99.5% minimum Cr, £4,800.00 to £5,200.00 per tonne,

William Rowland

Ferro Manganese

(standard) 78%, £480.00 to £560.00 per tonne

William Rowland

Ferro Manganese Briquettes

Gross 1.80kg containing 1kg available Mn, 54p per briquette (960 briquettes per pallet).

A&S

Pig Iron

Basic, £220.00 to £230.00. Hermatite, £230.00 to £250.00. Nodular, £240.00 to £260.00

Hempel Metals

Non-ferrous metals**Aluminium Alloys**

LM2 £1,460.00; LM4 £1,540.00; LM6 £1,620.00; LM24 £1,445.00 LM25 £1,620.00; LM27 £1,515.00

Copper

Cash, Grade A, US\$7,220.00 to US\$7,220.50

Calders Limited

Lead Refined Pig

Cash: US\$1,741.00 to US\$1,742.00 Three Months: US\$1,730.00 to US\$1,731.00 Settlement: US\$1,742.00
Calders Limited

Zinc

Cash: US\$4,580.00 to US\$4,580.50 Three Months: US\$4,490.00 to US\$4,491.00 Settlement: US\$4,580.50
Calders Limited

Tin

Cash: US\$10,025.00 to US\$10,050.00 Three Months: US\$9,970.00 to US\$9,975.00 Settlement: US\$10,050.00
Calders Limited

Other metals

Magnesium Ingots

(10 tonne lots delivered) £1,640.00 to £1,740.00 per tonne
William Rowland

Antimony

99.65% min £3,000.00 per tonne

Nickel

US\$31,000.00
Calders Limited

Hot band prices see further drop in US and world

- 15 Dec 2006

SteelBenchmarker reported that the US hot rolled band spot price for December 11th fell by 1.8% to \$596 per ton FOB the mill for the ninth drop in a row, the world export hot band prices fell by 1.6% to \$499 per ton FOB the port of export for the twelfth decline in a row and the hot band ex works price increased by 0.8% to \$389 per ton.

SteelBenchmarker publishes steel benchmark prices for hot band, cold rolled coil, rebar and standard plate in the US, Western Europe, mainland China and the world export market fortnightly.

Factors affecting Chinese steel scenario in 2007

- 20 Dec 2006

According to data provided by information center in Shanxi Province, China's steel product prices tended to go down. There are four factors as follows may affect steel market in 2007.

1. Chinese government's macro control policy

It is expected that China's demand for steel products will still keep slow growth in 2007. Chinese government's macro control policy will place a cap on the demand.

Steel market prices are unlikely to show great ups and downs in 2007. At the same time, capital in steel product distribution channel will also become tighter.

2. Steel product exports

It is expected that steel product exports will keep on going up in 2007. However, changes in both steel prices in international market and China's steel product export tax rebate are possible to put some negative influence on China's steel exports.

3. Domestic steel capacity

Domestic steel capacity is one the most important factors to affect steel market. There will be no fundamental changes in a short term caused by Chinese government's obsolete capacity elimination. Besides, prices for iron ore, coal, power, oil and transportation fee drive up steel-making costs. It is expected iron ore will not show great price rise for fiscal 2007.

4. Steel product demand and modes of business operation

Chinese dealers are now strengthening customer services in terms of distribution, processing and storage. At the same time, volume of steel products directly supplied to end users climbs up gradually. However, steel product prices are still definitely decided by steel makers. Dealers begin probing into new ways.

(Sourced from Mysteel.net)

Outlook for some major steel consuming segments in China

- 20 Dec 2006

1. Structures & construction

In the following years, steel structure will observe increased usage in thermal power plants, transport engineering such as railroad, highway bridges, toll gates & traffic sign etc, municipal public facilities construction especially in big cities of Beijing, Shanghai, Tianjin, Chongqing & developed medium sized cities and residence building etc.

Amount of steel structure in Shanghai, Zhejiang and Jiangsu Province totals 3.5 million tonnes representing over one third of the nationwide processing amount, steel structure used in industrial and civilian construction takes up 60% and 40% respectively in proportion. As viewed from steel variety, medium plate including super heavy plate takes up to 50%, HR H beam takes 15%, color coated & galvanized steel takes 12%, pipe & tube 3.5% and other sections some 19%.

Meanwhile, requirements on performance of structure steel are raised as steel

structural construction and building tend to be large sized and are commanded to endure trials of fire, wind, corrosion etc.

Trend for the development of structural steel used in large construction and buildings is: thickness of the plate is increasing and the strength and welding capacity need to be solidified; section specs are enriched to fit in with broader demands; cold formed pipe & tube remains unable to meet property norm; construction cast steel will further improve in performance and size precision; outer wallboard material and house surface plate are absent of supply.

2. Shipbuilding sector

The world shipbuilding industry sustains prosperous operation with oil tanker taking the forefront seat. During the first three quarters, transaction volume of new ships came close to 100 million deadweight tons, of which 60% was taken by oil tanker. Total transaction volume is expected to break through 120 million deadweight tons.

For the globe, new receipt of ship orders will top 300 million deadweight tons; completed transaction of new ships will by then reach 78 million deadweight tons. Ship price is driven up and will keep on a high level in a short term despite prediction of challenge in the future.

Newly built container ships tend to be large-sized, which means steel demand from small and medium sized ships may decline. LNG ship bears a bright future as more and more nations and regions start to import liquid natural gas. The demand will continue to grow in such old markets as US and Europe and its momentum will be driven up further when new countries begin importing LNG. Oil tanker spots enlarged percentage of transaction. During the first three quarters, transaction volume of new oil tanker posted 35 million deadweight tons, representing 60% of the total new ship transaction tonnage, far above last whole year figure of 27.8 million tonnes.

Offshore engineering ships keep a strong growing impetus this year, with 270 pieces concluded in the first half, nearly half up YoY. Fundamental factors for strongly growing new shipbuilding industry are attributed to solid demand for energy, raw material, corn etc under economic development and political reasons, and thus aroused far distance transport and huge shipping volume.

3. Real estate industry

Real estate industry of China is still in sustained demand, with picked up urbanization and reformation of old city zones. Every year, there will be 15 million people coming into the city.

In addition, small and medium sets of residence are advocated, which may speed up renewal of the building products.

4. Automotive sector

The automotive industry will stage stable development in 2007, at a pace of 15% as predicted, with total output to exceed 8mln vehicles to stand at 8.2 million tonne to 8.3 million tonnes.

Significant changes with the market will first involve product mix. The percentage of saloon car and passenger car will further rise.

Second is change of the market pattern. Large cities like Beijing and Shanghai may see stagnant growth of automotive demand while the second layer cities like Shangdong, Jiangsu, Zhejiang and Guangdong will enjoy wide growing extent. Third layer market is sprouting and needs to be exploited.

The third change is commercial vehicles shall see further expanded market at a faster pace than this year. Growth of commercial vehicle was 5% at the start of this year and climbed up to 10% by Sep.

(Sourced from Mysteel.net)

RMB exchange rate may appreciate by 5% in 2007

- 02 Jan 2007

According to Xinhua Economic Analysis Report released, the exchange rate of Renminbi, the Chinese currency, is expected to appreciate by some 5% to one US dollar for 7.44 yuan. The report projected that the pace of RMB appreciation would be faster in the first half of 2007 than in the second half.

The report held that the short term RMB exchange rate will be influenced by the fluctuation between the dollar and other currencies, but in the long run, it depends on the progress of China's exchange rate reforms. Stable appreciation in small steps is generally expected.

In 2006, the value of the RMB rose by 3.28% against the dollar, with an accelerating trend from 0.66% in the first quarter to 1.15% in the fourth. The central parity price closed at one US dollar for 7.8141 yuan, the lowest of the year.

Earlier in December, China's State Information Center predicted a 3.4% appreciation

of the yuan in 2007, while the Bank of America and Deutsche Bank expected a rise of 4.6% and 4.5%, respectively.

Xinhua Economic Analysis Reports are regular products by a team of more than 80 economic analysts under Xinhua Economic Information Department. The latest issue of the reports reviewed the country's ten key indices in the economic and financial sectors and made projections on possible changes in the coming year.

Region wise crude steel production estimates for 2006

- 01 Jan 2007, Monday

World crude steel production in 2006 for the 62 countries reporting to the International Iron and Steel Institute is estimated to be 1.216 billion tonnes as compared to 1.111 billion tonnes in 2005. (The estimation has been made by assuming the level of crude steel output in December 2006 at levels similar to that of November 2006)

As per estimates, Asia, EU(25), North America and CIS(6) would increase crude steel production substantially by 13.8%, 5.8%, 4.9% and 5.2% respectively. Whereas South America, Middle East and Oceania would register marginal increase and only Africa would post reduction in crude steel output.

Region	2005	2006 E	Change
Asia	569.857	648.586	13.8%
EU (25)	187.141	197.903	5.8%
North America	125.972	132.094	4.9%
CIS (6)	112.876	118.723	5.2%
South America	45.365	45.408	0.1%
Africa	17.478	16.856	-3.6%
Middle East	14.646	14.658	0.1%
Oceania	8.642	8.704	0.7%
Total	1111.970	1216.023	9.4%

Volume is in million tonnes

Source is IISI

But the growth in crude steel production is true only for Asia, which had substantial YoY growth in 2005 also and recovery for EU(25), North America and CIS(6) which had registered negative YoY growth of 3.3%, 5.2% and 0.2% respectively in 2005.

Region	2004	2005	2006 E
Asia	13.9%	17.2%	13.8%
EU (25)	5.2%	-3.3%	5.8%
North America	7.3%	-5.2%	4.9%
CIS (6)	6.5%	-0.2%	5.2%
South America	6.6%	-1.1%	0.1%
Africa	2.0%	5.9%	-3.6%
Middle East	6.3%	7.1%	0.1%
Oceania	-1.2%	4.1%	0.7%
Total	9.7%	7.1%	9.4%

Source is IISI

The share of Asia's crude steel production in 2006 is estimated to reach 53.3% as against 51.2% in 2005, resulting in reduction in share for all other regions.

Region	2005	Share	2006 E	Share	Change
Asia	569.857	51.2%	648.586	53.3%	2.1%
EU (25)	187.141	16.8%	197.903	16.3%	-0.6%
North America	125.972	11.3%	132.094	10.9%	-0.5%
CIS (6)	112.876	10.2%	118.723	9.8%	-0.4%
South America	45.365	4.1%	45.408	3.7%	-0.3%
Africa	17.478	1.6%	16.856	1.4%	-0.2%
Middle East	14.646	1.3%	14.658	1.2%	-0.1%
Oceania	8.642	0.8%	8.704	0.7%	-0.1%

Volume is in million tonnes

Source is IISI

Country wise crude steel production estimates for 2006

- 01 Jan 2007, Monday

World crude steel production in 2006 for the 61 countries reporting to the International Iron and Steel Institute is estimated to be 1.216 billion tonnes, with almost 80% coming from top 11 countries and balance 20% from 50 countries. (The estimation has been made by assuming the level of crude steel out put in December 2006 at levels similar to that of November 2006)

The estimated crude steel production for 2006 for these countries and YoY change is given below.

Sl	Country	2005	2006 E	Change
1	China	352.923	421.332	19.40%
2	Japan	112.472	116.169	3.30%
3	United States	93.216	98.888	6.10%
4	Russia	66.146	70.157	6.10%
5	South Korea	47.820	48.372	1.20%
6	Germany	44.523	47.300	6.20%
7	India	38.091	42.458	11.50%
8	Ukraine	38.641	40.687	5.30%
9	Italy	29.303	31.604	7.90%
10	Brazil	31.617	30.969	-2.00%
11	Turkey	20.960	23.202	10.70%
12	Taiwan, China	18.553	20.255	9.20%
13	France	19.479	19.941	2.40%
14	Spain	17.842	18.365	2.90%
15	Mexico	16.195	16.161	-0.20%
16	Canada	15.404	15.760	2.30%
17	UK	13.285	13.845	4.20%
18	Belgium	10.421	11.361	9.00%
19	Poland	8.443	10.077	19.40%
20	Iran	9.405	9.807	4.30%
21	South Africa	9.494	9.711	2.30%
22	Australia	7.761	7.845	1.10%
23	Austria	7.032	7.138	1.50%
24	Czech Republic	6.189	6.908	11.60%
25	Romania	6.050	6.116	1.10%
26	Netherlands	6.918	6.111	-11.70%
27	Argentina	5.391	5.555	3.00%
28	Sweden	5.723	5.325	-7.00%
29	Slovakia	4.482	5.105	13.90%
30	Finland	4.739	5.032	6.20%
31	Venezuela	4.942	5.012	1.40%
32	Egypt	5.604	4.840	-13.60%
33	Kazakhstan	4.451	4.184	-6.00%
34	Saudi Arabia	4.185	3.889	-7.10%
35	Luxembourg	2.196	2.824	28.60%
36	Greece	2.266	2.430	7.20%
37	Byelorussia	2.027	2.180	7.50%
38	Hungary	1.940	2.010	3.60%
39	Serbia and Montenegro	1.286	1.829	42.20%
40	Chile	1.534	1.601	4.40%
41	Switzerland	0.870	1.188	36.60%
42	Libya	1.255	1.137	-9.40%

43	Algeria	1.005	1.130	12.40%
44	Colombia	0.844	1.106	31.00%
45	Qatar	1.057	0.963	-8.90%
46	Peru	0.790	0.876	10.90%
47	New Zealand	0.880	0.860	-2.30%
48	Moldova	1.016	0.803	-21.00%
49	Uzbekistan	0.595	0.712	19.70%
50	Norway	0.701	0.683	-2.60%
51	Trinidad and Tobago	0.712	0.674	-5.30%
52	Slovenia	0.585	0.636	8.70%
53	Guatemala	0.208	0.290	39.40%
54	Cuba	0.245	0.265	8.20%
55	Paraguay	0.101	0.123	21.80%
56	Ecuador	0.085	0.110	29.40%
57	Croatia	0.067	0.068	1.50%
58	El Salvador	0.048	0.061	27.10%
59	Uruguay	0.064	0.056	-12.50%
60	Zimbabwe	0.119	0.038	-68.10%

Volume is in million tonnes

Source is IISI

Among the top 11 countries, contributing to almost 80% of the global crude steel output, the YoY change in crude steel output in 2005 and 2006 together shows that the real growth in 2006 has taken place for China, India and Italy, although slowed down substantially for China and to some extent India. The growth in crude steel production registered by other 8 countries is nominal after taking YoY change in 2005 into account.

Sl	Country	2004	2005	2006 E
1	China	24.8%	28.8%	19.4%
2	India	2.7%	16.8%	11.5%
3	Turkey	11.9%	-26.4%	10.7%
4	Italy	5.9%	3.1%	7.9%
5	Germany	3.5%	-4.0%	6.2%
6	United States	7.9%	-5.4%	6.1%
7	Russia	6.7%	0.9%	6.1%
8	Ukraine	4.9%	-0.3%	5.3%
9	Japan	2.0%	-0.2%	3.3%
10	South Korea	2.6%	0.6%	1.2%
11	Brazil	5.7%	-3.9%	-2.0%

Source is IISI

Top 20 global steelmakers

- 01 Jan 2007, Monday

During 2005, top 80 steelmakers produced 774.4 million tonnes of crude steel accounting for 69% of global crude steel production of 1 119.7 million tonnes.

The list for top steelmakers of 2006 is yet to come, but is going to have a big difference, as Arcelor Mittal would take the first spot with more than 109.7 million tonnes or may be bit more with a gap of about 80 million tonnes with number 2 Nippon Steel.

As the quantum jump in crude steel production in 2006 has taken place in China, mainly coming from smaller sized steelmakers, the share of top 80 steelmakers out of total global production is likely to go down.

The 2005 list for top 20 steelmakers, which account for almost 40% of global crude steel production, is given below as reference

Rank	Output	Company
1	63.0	Mittal Steel
2	46.7	Arcelor
3	32.0	Nippon Steel
4	30.5	POSCO
5	29.9	JFE
6	22.7	BaoSteel
7	19.3	United States Steel
8	18.4	Nucor
9	18.2	Corus Group
10	17.5	Riva
11	16.5	ThyssenKrupp*
12	16.1	Tangshan
13	13.9	Evrz
14	13.7	Gerdau
15	13.6	Severstal
16	13.5	Sumitomo
17	13.4	SAIL
18	13.0	Wuhan
19	11.9	Anshan
20	11.4	Magnitogorsk

* 50% of HKM included in ThyssenKrupp

Volume is in million tonnes

Source is IISI

Mayhem in global metals market

- 01 Jan 2007, Monday

Global metals markets have witnessed unprecedented rise in prices of almost all metals. Nickel and zinc, used in stainless steel making and galvanizing have climbed up by more than 100% over last 12 months.

Monthly average London Metal Exchange prices for cash mean showing climb between January and December are given below

Month	Ni	Zn	Sn	Cu	Al
Jan Av	14,550	2,090	7,046	4,734	2,377
Dec Av	34,559	4,405	11,149	6,673	2,813
Change	137.5%	110.8%	58.2%	41.0%	18.3%

Prices are in USD

Source LME

Monthly average LME prices for cash mean for 12 months indicate a pause in the month of June but a surge in July again.

Month	Ni	Zn	Sn	Cu	Al
Jan	14,550	2,090	7,046	4,734	2,377
Feb	14,975	2,219	7,819	4,982	2,455
Mar	14,893	2,416	7,932	5,102	2,429
Apr	17,932	3,084	8,882	6,386	2,621
May	21,065	3,565	8,830	8,044	2,861
Jun	20,747	3,225	7,889	7,196	2,477
Jul	26,569	3,339	8,410	7,710	2,512
Aug	30,728	3,346	8,492	7,694	2,459
Sep	30,117	3,402	9,031	7,601	2,472
Oct	32,693	3,822	9,759	7,499	2,654
Nov	32,100	4,381	10,070	7,028	2,702
Dec	34,559	4,405	11,149	6,673	2,813

Prices are in USD

The cause for this volatility in metal prices over the last 12 months lies in the depleting inventory stocks on LME. The depletion in stocks, especially for nickel and zinc, happened mainly due to their demand growth being much more than the growth in supply.

This situation has arisen due to very heavy growth in consumption of these metals predominantly in China, labor disputes at some of the major mines resulting in lower production or delay in start up of some major projects. Taking advantage of the situation, hedge funds also have been a big contributor to the price rally by taking heavy positions and creating an artificial scarcity.

In addition, there has been not enough investment into mining over the last few years for exploration & capacity enhancement and as mining is capital intensive with large gestation period, investment being made now will result in increased output only in years to come.

Mittal Steel SA announces price cut for some flat products

- 30 Dec 2006

Mittal Steel South Africa has announced that it has decreased the prices of hot and cold rolled coil by 4% effective from February 1st 2007 in line with the steel price in a basket of countries against which it benchmarked its prices.

Mr Rick Reato CEO of Mittal Steel SA said that although international steel prices for most products were tight, the overall movement of prices was sideways and that the stronger rand also contributed to price decreases for the domestic market.

Mr. Rick said that "In Europe, flat steel prices for most uncoated products are under pressure and are trading at marginally lower levels, due to the strengthening of the euro against major trading currencies. In the North American region, prices for all steel products are falling as industries have reduced their inventories to target levels.'

Reports said that Mittal steel SA also announced that there would be no increase in the domestic price for rebar for construction, wire rod, billets and blooms, rails and fencing products.

US steel import in 2006 to be highest ever

- 29 Dec 2006

Based on preliminary Census Bureau data, the American Iron and Steel Institute has reported that the United States imported a total of 3,389,000 net tons of steel in November 2006, including 2,766,000 net tons of finished steel down by 13% and 10% respectively as compared to October's final data.

Year to date imports in these categories are now up by 45% and 46% respectively as compared to the same period in 2005. On an annualized basis, based on YTD 2006 imports, total and finished steel imports at 46 net tons and 36.5 net tons respectively would set all time records easily surpassing the previous record of 41.5 million net tons and 34.7 million net tons set in 1998.

Key products with large increases in November as pared to the month before include pipe for piling up by 527%, rails standard up by 84%, bars hot rolled up by 14%, structural pipe and tubing up by 14% and strip hot rolled up by 13%.

The rise in YTD 2006 imports compared to the previous year remains pronounced for countries especially in Asia including Taiwan up by 213%, Thailand up by 164%, China up by 135%, India up by 95%and South Korea up by 60%.

In November, for the fifth month in a row, China was the single largest source of steel imports to the United States at 521,000 net tons 274% higher than in November 2005.

Mr Andrew G Sharkey III president and CEO of AISI said “While imports are down slightly in November, the real story here looking at the year to date totals is that steel imports are on a pace to reach over 46 million net tons setting an all time record level far outreaching the previous record of 41.5 million net tons set in 1998. We also see the same disturbing pattern with year to date steel imports from Asian nations up 100%, led by China. This trend underscores the need for the NAFTA governments to more aggressively press China to abandon its currency manipulation, export subsidies, trade barriers and other anti-competitive practices that deny North American steel producers a level playing field. It is imperative that the problem of unfair trade, which continues to confront this and many other US manufacturing industries, be fully and firmly addressed.”

Nickel deficit estimated at 95,000 tonnes in January to October

- 27 Dec 2006

It is reported that nickel market has recorded a deficit of 95,000 tonnes in January to October 2006 with reported stocks some 32,000 tonnes lower.

Mine production was, at 1,146,000 tonnes 45% above the 2005 total. Refined production was fractionally below the comparable total for 2005 due mainly to reduced output in Oceania.

World demand was 58,000 tonnes higher than in the first ten months of 2005. No allowance is made in the consumption calculation for unreported stock changes.

In October, world production was 103.7 kilo tonnes and demand totaled 114.8 kilo tonnes.

MEPS sees surge in SS prices in short term

- 26 Dec 2006

MEPS has forecast that stainless steel prices would be moving even higher, due to further nickel price rises on the LME during December.

MEPS said that this gain will impact on transaction values into the second quarter of 2007 and that March should be the highest month with cold rolled 304 transaction figures reaching almost \$4,900 per tonne and grade 316 figures topping \$7,300 per tonne.

MEPS, in the longer term, expects stainless selling values to decline as nickel prices reduce and the US economic slowdown begins to take its toll on stainless consumption in the US, which will affect exports into the region from Asia and the EU and sees a leveling out from across the regions as the US peaks in February, EU in March and Asia in March & April.

MEPS anticipates that the nickel supply shortage would continue into 2007, but stainless demand may begin to drop off in the new calendar year, which would in turn will mean less demand for nickel and we should see stocks increase.

Global SS output growth estimates at 14% in 2006

- 23 Dec 2006

MEPS estimate that the world's stainless steel sector will record an unprecedented jump in crude production in 2006 to 27.8 million tonnes increase of 3.4 million tonnes or 14% as compared to 2005.

A substantial rise in output will be recorded in the EU this year. The gain will be almost 12%. A significant increase was expected after the decline in 2005 but not a double digit percentage gain. A noteworthy production rise will also be reported for the United States this year expanding to an estimated 2.55 million tonnes from 2.2 million tonnes twelve months earlier. New capacity pushed the growth to above 15%.

MEPS see a biggest jump in Asia due to momentous expansion in crude steel output has occurred this year in China. It is now expected that the full 2006 outturn will top 5 million tonnes making it the largest producing country in the world. Moreover, the

steelmakers are running below their rated capacity. Furthermore, additional plants are due to come on stream over the next few months. The massive rise in Chinese stainless steelmaking has stifled any serious output rises in the other main Asian producing nations. No significant gains are anticipated in South Korea and Taiwan this year. Japan will record a modest improvement of around 2.7% in strong market conditions.

MEPS concluded that with production of stainless steel rising at such a pace the demand for nickel has been at extraordinary levels. Nickel prices have jumped to record highs. In the US and EU, alloy surcharges apply. Customers can forecast the level of extra cost to be imposed on future sales and have often bought steel in advance.