US scrap market to slow down further

- 02 Sep 2008

Due to the export market softening, a US market participant is predicting that the September 2008 scrap price will fall again.

Actually, some scrap prices are already on a downward trend in the local market. Price of busheling scrap is estimated to drop by USD 200 per long tonne to USD 650 per long tonne, shredded scrap by USD 155 per long tonne to USD 400 per long tonne and HMS I by USD 145 per long tonne to USD 300 per long tonne.

Currently, with almost no foreign buyers placing orders, Turkey has become the main destination of American exports. However from this week, Turkey and Middle Easter countries are beginning Ramadan, so for September 2008, overseas market demand will continue to slow down.

Nickel risks further sharp fall on slow demand - Report

- 02 Sep 2008

Industry sources and analysts said that nickel prices could plunge by another 25% by the end of 2008, unless orders from stainless steel producers in Europe pick up in the next 2 to 3 weeks.

London Metal Exchange nickel has already experienced a steep decline in 2008, three month metal is down by 23% and traded around USD 20,060 per tonne. Undermining the market has been weaker than expected off take from the stainless steel sector, which accounts for around two thirds of nickel consumption.

Demand for stainless steel has fallen as consumers slow spending due to fears of economic recession and distributors delay restocking until the market stops sliding. Nickel demand growth from the stainless industry is likely to be just 3% to 5% in 2008 versus previous market expectations of 8% to 12%.

Mr Michael Wright chairman of stainless steel metal recycler ELG Haniel Metals said that more nickel price pain could be in store unless the stainless market recovers soon. He added that "If demand from the stainless steel mills does not pick up in the fourth quarter, we could see prices fall to USD 15,000. We are in a little bit of suspense on the market, it could go either way."

According to Macquarie Bank, roughly 45% to 48% of nickel used in stainless steel comes from scrap. European stainless steel mills were still uncertain about their fourth quarter order book.

BHP Billiton Limited shut down its 100,000 tonne per year Kalgoorlie smelter in Australia for 4 months of repairs. That has removed some 20,000 tonnes of supply from the market this year. With nickel halving in value since a USD 51,800 peak in May 2007 other producers have cut output and delayed projects.Xstrata Plc has suspended effective this month its Falcondo ferronickel operations in the Dominican Republic. Also, Australia's Minara Resources Limited said it had to defer its nickel expansion plan due to high costs. Chinese nickel pig iron producers occupy the top part of the production cost curve and they are suffering.

Brazilian mining industry booming

- 02 Sep 2008

Brazilian mining industry anticipates that USD 28 billion will be invested on equipment alone in Brazil during the next 4 years. Demand for Brazil's abundant minerals, notably iron ore and bauxite, has been increasing far faster than the historic rate during the past 5 years, largely due to the rapid growth of the Chinese economy.

Just prior to its privatization in 1997, Brazil's leading mining company Vale do Rio Doce had acquired the assets of several other important ore producers. As a result, it was responsible for 90% of the 245 million tonnes of ore exported from Brazil in 2006, 50% more than five years ago, which generated export earnings of almost USD 9 billion. CVRD plans to increase ore output by 50% in the next four years, in an attempt to keep pace with demand now increasing by 10 to 11% each year, four times the average of the past 25 years.

Several of Brazil's steel companies, notably Companhia Siderurgica Nacional, are also to increase output at their mines, both to ensure an increasing degree of self-sufficiency and to participate in the booming export business.

ArcelorMittal, an important customer for Brazilian ore, plans to open mines of its own in the country.

Estimates vary greatly as to how much longer China's steel industry will continue to grow at the current rate of 11 to 12% annually, which has propelled China's share of Brazilian ore exports from 5% until the mid 1990s to a third last year.

2009 metals pricing outlook

- 31 Aug 2008

Purchasing.com reported that metals prices overall now are in the seventh year of a bull pricing phase, a so called super cycle, that actually started in 2002. Since then, nonferrous metals traded on the London Metals Exchange have increased in price by more than 300%. Supply side issues have distinguished several nonferrous metals markets so far in 2008.

Mr Gayle Berry analyst at Barclays Capital Research said that "Fundamentals are proving, as they always do, to be the best predictor of price dynamics in the diverse commodity markets. Although there are some tentative signs of a slowing in global commodity demand, the overall picture is a robust one with strength in China and other developing regions more than offsetting weakness in North America and Europe."

Since 2002, prices of steel in all shapes and grades have increased by almost 170%. Prices of the commodity carbon steels have seen growth volatility caused by the unpredictability of scrap, iron ore and energy costs; the availability or lack of mills products; and erratic demand trends within the various metals and ores.

Mr Patricia M Mohr VP of economics and the commodity markets specialist for Scotiabank Group said that "Tight global supplies, rapidly growing demand from steel producers outside North America and Europe, especially China and emerging Asian nations and strong business investment in basic processing industries account for the strengthening of iron ore prices."

Mr Charles Bradford president of metals consultant Bradford Research said that vertical integration suddenly is becoming important for steelmakers because of the rising costs of such key raw materials as coking coal, iron ore and scrap. Indeed, a new investment arena has been scrap steel, where demand has been so strong and with it, prices.

The high cost of production and the lack of new mining or smelting projects in the pipeline have long been discussed as factors supporting nickel's dramatic LME price drop over the past year. But, a new Deutsche Bank quarterly commodities report suggests that the substitution threat from nickel pig iron, especially in Asia, was a main driver of the nickel price crash from USD 16.88 per pound in 2007 to USD 12.38 per pound at mid 2008.

The tin market is being buffeted by supply woes ranging from unexpected purchasing from LME stockpiles to dramatically reduced supply from Indonesia to China's return to being a net tin importer. Several analysts' reports all conclude that the tin supply chain will remain problematic through 2009 unless there is substantial new world supply from Indonesia or China.

Expectation to increase price of charge chrome for Q4 recedes

- 31 Aug 2008

It seems that an expectation to rise price of South African charge chrome for shipments in October to December 2008 quarter has receded. Depending on a further movement of the market situation, stainless steel mills are supposed to negotiate with suppliers on a request to reduce the price.

The reason is that spot price of high carbon ferrochrome has fallen to a lower level than benchmark price. The benchmark price of South African charge chrome settled with Japanese mills for shipments in July to September 2008 quarter is 213 cents per pound CIF and that fixed in Europe for July to September 2008 quarter is 205 cents per pound DDP, which has risen by 13 cents per pound as compared with that for the preceding quarter of April to June 2008.

However, reflecting a fall of price for high carbon ferrochrome arisen in domestic market of China, the market of this ferroalloy has been depressed in Asian region and some cargoes of Indian high carbon ferrochrome, having missed to sell, have now taken the offensive to dispose of Indian product at discounted prices in spot market. This movement has caused to weaken price of high carbon ferrochrome in spot market. The domestic price of charge chrome with Cr 50% min. in China has fallen to a level of 183 cents per pound and, following this weakened price, Indian high carbon ferrochrome is now being offered with a further discount of 10 to 20 cents.

South Africa is a major country to produce charge chrome but fee of electric power in this country has been decided on the end of June to risen by 27.5% for 2008 and factors to increase production costs have still existed in South Africa. However, the measure to reduce volumes of electric power to be supplied to industries by 10% was once worried but, as far as the production of ferrochrome in South Africa for the first half of 2008 is concerned, an influence of this reduced power supply did not come up to the surface with a serious impact .

Also, ASA Metals has been constructing two large 66 MVA electric furnaces at the plant in Dilokong of Limpopo state and already completed 26% of the whole with a target to complete all facilities in 2009.

On the other hand, owing to a sharp fall of nickel price, the world production of stainless steel, which was initially expected to recover in the second half of 2008, has a strong probability to postpone a recovery and there is an opinion in the market that a growth on global production of stainless steel in 2008 will be more or less of 5%. Also, an analyst has made a warning signal for a recovery of stainless steel production to be expected in the first half of 2009.

The price of South African charge chrome had risen for the successive three quarters from January to

March quarter of 2008 but, as far as a rise of price for October to December quarter of 2008 is concerned, a possibility to make a pause is becoming certain.

Global hot band prices on downward trends

- 29 Aug 2008

SteelBenchmarker reported that the US hot rolled band spot price for August 25th 2008 fell by 2.5% to USD 1,159 per ton, FOB the mill for the second consecutive time, world export HRB price plunged by 6.6% to USD 1,006 per ton FOB the port of export, for the second consecutive time, Chinese HRB ex works price fell by 7.4% to USD 636 per ton for the third consecutive time and the Western European HRB fell by 4.4% to USD 1,108 per tonne ex works for the third time.

USA
USD 1,159 per metric tonne FOB the mill
Down by USD 30 per tonne from USD 1,189 two weeks ago
Down by USD 44 per tonne from the peak on July 28th 2008, but up USD 599 per tonne from the recent low of USD 560 on August 13th 2007
Up by USD 529 per tonne from the previous high of USD 630 on April 9th 2007

China
USD 636 per metric tonne ex works
Down by USD 51 per tonne from USD 687 two weeks ago
Down by USD 97 per tonne from the peak on July 14th 2008, but up USD 166 per tonne from the recent low of USD 470 on October 22nd 2007
Up by USD 149 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe
USD 1,108 per metric tonne ex works
Down by USD 51 per tonne from USD 1,159 two weeks ago
Down by USD 96 per tonne from the peak on July 14th 2008, but up USD 445 per tonne from the recent low of USD 663 on July 23rd 2007 Up by USD 412 per tonne from the previous high of USD 696 on June 11th 2007

World Export Price
USD 1,006 per metric tonne, FOB the port of export
Down by USD 71 per tonne versus USD 1,077 two weeks ago
Down by USD 107 per tonne from the peak on July 28th 2008
Up by USD 456 per tonne from the recent low of USD 550 on July 23rd 2007
Up by USD 410 per tonne from the previous high of USD 596 on March 26th 2007

Global steel prices expected to peak before the year end - MEPS

- 28 Aug 2008

UK based MEPS said that World steel prices are currently at all time highs. Since August 2007, hot rolled coil average transaction values in North America have risen by almost USD 600 per tonne. EU prices have moved up by approximately USD 530 per tonne and Asian figures have advanced by more than USD 350 per tonne.

MEPS estimates that "The upturn in raw material prices for 2008 has been in the region of USD 350 per tonne. Using this figure, western flat products producers have recovered more than their increased costs. Reduced imports from Asia, coupled with restricted output by some steel manufacturers, have created shortages in the market. Consequently, local mills were able to push through considerable price improvements. This was despite weakening demand in the industrialized nations."

MEPS said that "Long products values also recorded substantial advances in all regions. Escalating scrap costs helped to propel prices higher. Strong demand from the Middle East redirected significant volumes away from western markets as selling figures rocketed in many of the Gulf States. European and Asian companies looked to export to this growing market in order to boost order books. Consequently, local supplies were restricted. This aided the mills' efforts for price advances. US values, however, suffered from declining consumption in the residential building sector."

MEPS added that "Transaction figures are expected to continue climbing in September due to higher raw material costs. However, we predict that the latest increases will signal the peak of the current cycle in western countries as reduced consumption negatively affects demand on the mills. Low construction activity is expected to result in continued cautious buying by service centers. They also fear being left with overpriced material when values begin to fall."

MEPS said that "The weakening economies in the EU and North America will, almost certainly, result in reduced demand in the near term from the manufacturing and building industries. Credit constraints are also expected to limit purchases, particularly from smaller customers. Consequently, selling figures are forecast to soften towards the end of the year."

MEPS added that "Moreover, the reference prices in the US used to calculate scrap surcharges are predicted to drop as they are currently not following market fundamentals. However, these are liable to be realigned early next year. This adjustment should result in steel price decreases from October onwards in this region. Seasonally lower consumption is likely to exacerbate these declines in the long products categories."

MEPS said that "Further reductions are anticipated through the early part of 2009 as the mills are forecast to lower prices in an attempt to fill depleted order books. However, a substantial steel price collapse is not envisaged because exports from east to west are expected to remain restricted."

Average prices of LME Nickel in July 2008 fell to lower levels

- 26 Aug 2008

The average prices of LME nickel in July 2008 are known with USD 20,160.22 per tonne for cash and USD 20,347.39 per tonne for three month futures.

These average prices of LME nickel in July 2008 came to the lowest ones since May 2006 and renewed the lowest record in this year. In view of a considerable fall of LME nickel price arisen in April to June 2008 period, a power to purchase again LME nickel at reasonable prices revived in July.

LME nickel prices started to fall from the beginning of July 2008 and came down to a lower level than USD 22,000 per ton. After that, LME nickel prices continued to fall further. Owing to the weakened US dollar currency and the steeply risen prices of oil and gold, LME nickel price for three month futures once turned to rise to a level of USD 22,500 per ton but immediately weakened again and fell to a lower level than USD 21,000 per ton at the 14th, having fluctuated in the range of USD 20,500 to USD 20,900 per ton until the 22nd.

After LME nickel price for three month futures fell to a lower level than USD 20,500 per ton at the 23rd, the price started to fall straight and touched a lower level than US$19,000 per ton at the 24th. Then, in order to cover short position and to purchase LME nickel at reasonable prices by consumers, the purchases became active and LME nickel price for three month futures continued to move on a line of USD 18,500 per ton.

LME nickel stocks at the beginning of July 2008 came to 46,860 tonnes and, after that, continued to decrease with a sporadic increase. LME nickel stocks as of July 31st 2008 decreased to 44,526 tonnes. However, LME nickel stocks at present have been still maintained on a high level and are unable to take up a factor to rise nickel price.

In addition to oversupply of nickel, the structure to decrease production of stainless steel is enlarging in the world and, consequently, the parties concerned have felt a repugnance to the rebounded prices of LME nickel.

Prime ferrous scrap prices softer for August

- 13 Aug 2008

Platts reported that prime industrial ferrous scrap has softened by USD 35 to USD 40 per long tonne from highs near USD 900 per light tonne as more scrap processors finished their August 2008 transactions for shredded ferrous scrap within the Platts assessed range, leaving the assessed price for shredded scrap delivered to Midwest mills at a midpoint of USD 565 per light tonne.

The downward movement of prime industrial scrap mirrors pig iron price drops of approximately the same magnitude. Pig iron is now said to be selling for USD 900 per tonne Port of New Orleans, down from previous highs of USD 930 per light tonne to USD 940 per light tonne in July 2008.

While August 2008 ferrous scrap prices are softer, sources expressed caution that the market could snap back as colder winter weather curtails inbound scrap flows or if Turkish mills vigorously return to buying US scrap exports.

BHPB bid for Rio - China may increase stake in Rio Tinto

- 13 Aug 2008

The Australian Financial Review cited Mr Robert Friedland founder of Ivanhoe Mines Ltd as saying that China may seek to increase its stake in Rio Tinto Group to block BHP Billiton Ltd's hostile AUD 160 billion takeover attempt.

He said that Aluminum Corp of China, known as Chinalco may increase its 9 percent stake in Rio Tinto to prevent BHP Billiton from creating an iron ore cartel similar to the Organization of the Petroleum Exporting Countries.

Mr Friedland said that "The merger of Rio Tinto and BHP creates an OPEC. OPEC controls about 41% of the world's oil production. He said that you put BHP and Rio Tinto together and you have about that same concentration in iron ore.''

2.3 million US jobs lost to China since 2001

- 12 Aug 2008

According to a study released today by the Economic Policy Institute, the increasing US trade deficit with China has cost 2.3 million American jobs between 2001 and 2007, including 366,000 last year alone. These displaced workers lost an average of USD 8,146 last year a total of USD 19.4 billion as they moved to lower paying jobs.

The EPI study reveals that workers producing exports are not earning as much as those in industries hurt by imports. US exports to China are heavily concentrated in commodities, including scrap products and agricultural goods, while 98% of Chinese imports were manufactured products. Average wages earned producing US exports to China paid 4.4% less than jobs lost to imports from China. Thus, continuing trade deficits with China are shifting jobs from higher wage manufacturing to low wage commodities.

Mr Leo W Gerard International president of the United Steelworkers said that "Since China gained entry into the World Trade Organization in 2001, the United States has lost millions of good-paying jobs. He said that this new study shows how trade with China, on their terms, is undermining hard working American families' earnings. This is an unbalanced trade relationship that must be changed, and Congress should act now."

Mr Scott Paul executive director of the Alliance for American Manufacturing said that "Our flawed trade relationship with China is destroying good jobs throughout the US manufacturing sector. He said that what may surprise people in these numbers, however, is how much workers in advanced technology are being affected. As China diversifies its export base and it's already expanding into electronic products, aircraft, auto parts and machinery more American products will be unfairly disadvantaged."

Rapidly growing imports of computers and electronic parts accounted for nearly half of the USD 178 billion increase in the trade deficit with China between 2001 and 2007. More than a quarter of last year's trade deficit, USD 68 billion, was due to advanced technology products, nearly six times the deficit in 2002. In contrast, the United States has a USD 15 billion trade surplus with the rest of the world in advanced technology products.

More than half of the jobs displaced by trade with China were in the top half of American wage earners. Nearly a third of the jobs lost were among workers with a college degree. A dramatic example is the loss of 200,000 scientists and engineers within the manufacturing sector down by10.7%.

The job losses are having a major impact on minority Americans. The growing trade deficits displaced 230,065 African American workers and 339,065 Hispanics. Asian American and other minorities lost 219,235 jobs.

Ferrochrome prices could hit fresh record in next 6 months

- 12 Aug 2008

Merafe Resources recently said that ferrochrome prices could beat the record USD 205 per pound level reached for the third quarter of this year in the following 6 months.

Mr Steve Phiri CEO of Merafe Resources said that he was confident that the market would remain buoyant, with stainless steel production expected to pick up during the last four months of 2008, coupled with a supply deficit. He added that "We will see some picking up in the fourth quarter."

He commented that it was encouraging that the Chinese government was still committed to growth.

Meanwhile, supply constraints on South African producers were expected to cause a supply deficit in the ferrochrome market for 2008, going into 2009.

Mr Phiri stated that the rise in prices and higher production for the second half of 2008 would lead to even stronger earnings a share for Merafe than the first six months of the year.

Merafe Resources, which has a ferrochrome JV with Xstrata, said that profit for the 6 months to end June 30th 2008 had shot up to ZAR 602 million, which was 540% YoY higher than the figure for the same period in 2007.

NYMEX to launch HR futures in Q4

- 05 Aug 2008

New York Mercantile Exchange Inc, a subsidiary of NYMEX Holdings Inc, has announced it plans to launch, early in the fourth quarter, a futures contract based on market prices for hot rolled steel coil in the US Midwest. It said that the contract will help manage market risk by providing greater transparency and preventing problems associated with speculation.

The steel futures contract will trade on the CME Globex electronic trading platform. Off-exchange transactions can be submitted for clearing via NYMEX ClearPort.

NYMEX said the contract will be financially settled against an index developed by CRU Indices Ltd, a subsidiary of CRU International Ltd, which provides research and information on the steel industry. CRU's price assessments will be based on actual spot transactions. NYMEX added that final settlement on the monthly contract will be the average price calculated for all available prices published for a given month.

NYMEX said the steel contract's size will be 20 short tons, with a minimum price fluctuation of USD 0.50 per short ton. The contract will be listed for 18 consecutive months.

Mr Richard Schaeffer chairman of NYMEX said that "Managing price volatility has become a necessity for everyone involved along the steel supply chain and these contracts will assist the US manufacturing industry in dealing with this issue."

NYMEX said that "The US domestic steel sheet market includes about 12 major steel mills that produce more than 50 million short tons of sheet steel annually. Hot rolled coil represents nearly 20 million tons of that market, Nymex said.

Increasing global demand has impacts on price hike - AISC

- 05 Aug 2008

According to a data release by American Institute of Steel Construction Inc, increasing global demand for both structural steel and steel scrap has triggered significant domestic increases in the producer price of structural steel during 2008. During 2008 the mill price for wide flange structural steel has increased by 28% YoY to just over USD 1000 per ton. Other structural materials such as HSS and plate have experienced increases into the USD 1100 to USD 1200 per ton range. This increase is typical of the price volatility that has been experienced by all construction materials since early 2004.

The current increase in the cost of structural steel products can be traced to an expanding global marketplace combined with increased competition for the purchase of steel scrap, iron, coke and metallurgical additives that are used in the production of various types of steel. Scrap index prices have increased from USD 290 per ton in December of 2007 to a current level of USD 555 per ton. The recycled content of wide flange structural steel is nearly 90%, which equates this USD 265 per ton increase directly to the USD 220 increase in the per ton price of structural steel. At the same time domestic structural steel as a result of the weakened US dollar remains USD 20 to USD 40 per ton lower than the global price, which discourages imports.

At the present time, structural steel remains readily available in the US market with service centers holding over 3 months of inventory available for immediate delivery. Direct mill shipments of wide flange shapes continue in the range of 12 to 14 weeks while HSS is available from producers in 4 to 6 weeks.

The transition from a domestically driven market for construction materials to a global market requires significant changes in how construction projects are managed.

Pacific Steel to hike prices by 18% in September

- 05 Aug 2008

New Zealand's steelmaker Pacific Steel Group has announced a price rise by 18% on its rebar and wire rod products effective from September 1st 2008.

According to Pacific Group general manager, price increases are caused from soaring cost of scrap metal and additional factors are higher freight charges, price boost for electrodes, carbon and vanadium and weak NZ dollars.

The new price adjustment is followed by previous 25% rise in May 2008 and 60% increase for the year. Although prices climb dramatically, the demand in New Zealand and Australia continues to exceed supply.

Stainless steel demand and prices are in a slide - MEPS

- 03 Aug 2008

UK based MEPS said that "US stainless steel consumption dropped by 12.5% YoY in second quarter and may have dropped even more when April to June quarter data is tabulated. In fact, global demand growth for stainless steel mill products slowed so much in the second quarter that there now is world oversupply, according to a market review by Finnish stainless steel producer Outokumpu, which produces stainless steel at plants in Finland, the United Kingdom and the US."

It added that global production of stainless steel in the second quarter increased by around 2% from the first quarter despite hefty production cuts in Asia, especially in China. Also, uncertainty about the global economic situation has affected buyer behavior and softened demand.

MEPS said that "Stainless steel prices have stabilized and are falling slightly in North America as distributors are delaying purchases during summer holiday period and are hoping that declining nickel prices will drive stainless lower. Bloomberg news service adds that buyers of the alloy, used in buildings because of its resistance to corrosion, also have reduced purchases as global construction slows in the face of the credit crunch."

MEPS said that "Demand is traditionally weak at this time of year, especially in Europe, as the stainless steel industry’s major customers close down for their summer holidays. This year, that traditional dip in consumption has been magnified by such external influences as the collapse in US construction, which reduced demand for furniture, kitchens and white goods and slowing motor vehicle manufacture in North America and Europe."

MEPS also said that "The current high price of stainless steel has slowed the growth in its consumption in emerging economies like India and China. The threat from substitution by other materials is greatest in these countries. All of these factors may undermine conventional projections of expanding global stainless use."

It further added that "Underlying demand for stainless steel from most end-use segments is stable at a low level, As a result of the increasing uncertainty related to the global economic turmoil some weakness is evident in consumer-driven segments such as white goods and construction. Demand from investment-driven segments continues generally healthy but some projects have been postponed because of the economic uncertainties."

US coal prices drop by USD 13

- 03 Aug 2008

Reuters reported that US benchmark coal skidded more than USD 20 a short ton before rebounding to close down USD 13 in a Europe led sell off.

Mr Jim Thompson managing editor of Coal & Energy Price Report said that "When they did, that caused some other sell offs. The US guys saw the USD 20 drop and the market reacted to it."

Mr Tom Hiemstra director of coal for Evolution Markets said the drop was not unexpected after an explosive run up last month. He added that "We were up USD 40 in June 2008. It's just a natural correction."

Hot band prices start correcting in China and Europe

- 01 Aug 2008

SteelBenchmarker reported that the US hot rolled band spot price for July 28th 2008 surged by 1.6% to USD 1,203 per ton, FOB the mill for the sixteen consecutive rise totaling USD 610, world export HRB price rise by 0.2% to USD 1,113 per ton FOB the port of export, for the sixteenth consecutive rise totaling USD 532, Chinese HRB ex works price fell by 1.6% to USD 721 per ton for the second consecutive time and the Western European HRB fell by 1.2% to USD 1,190 per tonne ex works for the eleventh consecutive time totaling USD 491.

USA
USD 1,203 per metric tonne FOB the mill
Up by USD 19 per tonne from USD 1,184 two weeks ago
Up by USD 643 per tonne from the recent low of USD 560 on August 13th 2007
Up by USD 573 per tonne from the recent high of USD 630 on April 9th 2007

China
USD 721 per metric tonne, ex works
Down by USD 12 per tonne from USD 733 two weeks ago
Up by USD 251 per tonne from the recent low of USD 470 on October 22nd 2007
Up by USD 234 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe
USD 1,190 per metric tonne ex works
Down by USD 14 per tonne from USD 1,204 two weeks ago
Up by USD 527 per tonne from the recent low of USD 663 on July 23rd 2007
Up by USD 494 per tonne from the recent high of USD 696 on June 11th 2007

World Export Price
USD 1,113 per metric tonne FOB the port of export
Up by USD 2 per tonne versus USD 1,111 two weeks ago
Up by USD 563 per tonne from the recent low of USD 550 on July 23rd 2007
Up by USD 517 per tonne from the recent high of USD 596 on March 26th 2007

Bradken to acquire 83% stakes in AmeriCast

- 01 Aug 2008

It is reported that mining industry equipment and services provider Bradken has entered in to a deal to acquire the 83% stake that it does not already own in US company AmeriCast Technologies from private equity firm Castle Harlan and the AmeriCast management for USD 114 million to strengthen its presence in the resources sector.

As per report, Bradken will fund the acquisition almost entirely from a USD 110 million share placement underwritten and sole managed by Goldman Sachs JBWere. The total transaction costs are estimated at USD 5 million. The acquisition will significantly expand Bradken's capabilities in large steel castings and provide an American base from which to expand some of Bradken's mining consumable products.

Mr Howard Morgan a senior MD at Castle Harlan who leads the firm's AmeriCast team said that based on the value of this transaction, Castle Harlan and the AmeriCast management will make collective gain of more than three times on their original invested capital, which represents an IRR of more than 90%. He added that "AmeriCast has been an excellent investment for Castle Harlan and its limited partners, and we are pleased that we have been able to add significant value to the company during our 21 month period of ownership. Annual EBITDA has grown more than 100% through both organic growth and strategic acquisitions. We are confident this growth will continue."

Bradken had purchased a 19% minority equity interest in AmeriCast when Castle Harlan acquired a controlling stake in the company in November 2006. Until it went public in August 2004, Bradken had been a portfolio company of Castle Harlan's Australian affiliate CHAMP Private Equity in Sydney. Bradken is based in Newcastle, New South Wales, about 90 miles north of Sydney. Bradken currently has revenues of approximately USD 800 million.

After acquiring AmeriCast in November 2006, Castle Harlan assisted the company in purchasing Atlas Castings and Technology in April 2007 and AG Anderson in April 2008. Atlas makes large specialty steel castings for the energy and defense industries; A.G. Anderson produces castings in stainless steel and complex ferrous alloys, primarily for the energy industry. In January 2008, Castle Harlan assisted the company in divesting its Prospect division, which had been identified as non core to the AmeriCast business.

September spot price hikes working through system - US Steel

- 01 Aug 2008

Platts cited Mr John Surma chairman & CEO of US Steel as saying that a flat rolled steel spot market price increase for September 2008 deliveries is working its way through the system. He confirmed that the company intended to move up prices by USD 40 per short ton.

Mr Surma stopped short of saying the company made an official announcement about the increase, noting that US Steel prefers to advise customers quietly, but somehow it gets out to the trade press.

He also said that US Steel has made progress in implementing price adjustments with some flat rolled contract customers. After ArcelorMittal announced a USD 250 per short ton raw material surcharge this spring, most other integrated steelmakers followed suit in private talks with term customers. He added that "We have implemented some price increases on existing contracts, some in the second quarter, and there will be more in the third and fourth quarters."

He noted that about 8 million tons of US Steel's flat rolled business is contract based, describing it as a 50:50 blend with the spot market. Of that 8 million tons of contract business, about 5 to 6 million tons is likely to be reset in 2009 calendar year negotiations.

Mr Surma noted that last December's HRC spot prices were about USD 500 short tons for HRC and now exceeds USD 1,000 per short tons. He added that "So, you can judge where they are today and where the opportunity might be."

Global stainless steel demand and prices in downward trends

- 01 Aug 2008

UK based MEPS said that US stainless steel consumption dropped by 12.5% YoY in the April to June 2008 quarter from the year ago period and may have dropped even more when data is tabulated. It said that “In fact, global demand growth for stainless steel mill products slowed so much in the second quarter that there now is world oversupply.”

It added that "Global production of stainless steel in the second quarter increased by around 2% from the first quarter despite hefty production cuts in Asia, especially in China. Also, uncertainty about the global economic situation has affected buyer behavior and softened demand."

MEPS said that "Demand is traditionally weak at this time of year, especially in Europe, as the stainless steel industry’s major customers close down for their summer holidays. And even though prices are falling on the back of reduced nickel costs, stainless steel still is pricey at a world price average of USD 1.78 per pound for hot rolled sheet grade 304. That’s mainly been the result of the increase in the world ferrochrome price."

MEPS said “The current high price of stainless steel has slowed the growth in its consumption in emerging economies like India and China. The threat from substitution by other materials is greatest in these countries. All of these factors may undermine conventional projections of expanding global stainless use. Underlying demand for stainless steel from most end-use segments is stable at a low level.”

It further added that “As a result of the increasing uncertainty related to the global economic turmoil, some weakness is evident in consumer driven segments such as white goods and construction. Demand from investment driven segments continues generally healthy but some projects have been postponed because of the economic uncertainties.”