

Steel outlook for 2008

- 01 Jan 2008

Globally, strong consumption trends in Brazil, Russia, India, China and the Middle East are offsetting weakness in the United States. The stage is set for steel price increases in most markets in 2008, but tight raw materials markets are likely to cause margin compression for producers who do not control their sources of iron ore, coke, pig iron and scrap. Increased iron ore, coke and freight costs are expected to add USD 60 to USD 100 per tonne to costs of blast furnace steel without vertical integration.

On an average, USD 35 to USD 50 per tonne would be needed to be passed through to the steel user to offset increased costs partially. The price increase would be supported by robust demand in Brazil, Russia, India and China and some supply discipline in China.

While growth in global steel demand is expected to run about 6% to 7% annually over the next 12 months to 18 months, excess production could drag on pricing and further pressure tight raw material markets. Regional variations in pricing and profitability will reemerge, given high freight rates and protectionism.

Base metals outlook for 2008

- 01 Jan 2008

From their lows in the early 2000s, base metals prices have soared to achieve highs in the last couple years. This rapid appreciation of base metals prices has been supported by rock solid fundamentals. Asia's modernization and industrialization is commanding massive commodities inflows. And to support its insatiable appetite for base metals in particular, an economic imbalance has crept into these markets that has simply caught the world off guard.

In a special report titled "Base Metals Outlook for 2008 - Are We There Yet?" Fitch believes that prices for base metals have peaked in 2007 after advancing since 2002 and current destocking should result in a stronger second half of 2008.

Generally, base metals prices will be underpinned by rising cost bases coupled with supply discipline. Volatility, intensified by tight supply, is expected to persist over the short to medium term. Prices in the later half of 2006 and into 2007 exceeded our expectations, while the current correction is more in line with them. Fitch expects metals prices to fall with increased supply over the next 12–18 months but remain higher than long-term averages.

Fitch Ratings expects solid results for base metals producers in 2008 even though metals prices will trend lower. Robust demand from transitional economies, in particular China and Russia, will offset weaker consumption in North America and some other industrial economies. New supply should alleviate the extreme tightness in the copper, zinc and nickel markets while cost factors should encourage disciplined supply in the aluminum market.

Tighter lending markets in the United States are expected to dampen consumer spending, which could reverberate through exporting economies, in particular, China. Deeper cuts in U.S. residential construction are translating to declines in demand for copper and aluminum. A recession in the US could prolong or deepen the downturn. China accounts for 20%-30% of the world's consumption of base metals and continued fixed asset investment underpins strong demand growth. Efforts to slow down the economy to rein in inflation may have an impact on metals demand.

Constraints on earnings include declining ore grades, high energy and fuel prices, increased capital costs, increased labor costs, and increasing governmental and nongovernmental public action to curtail production. As supply pressures ease, there may be opportunities to improve efficiency and lower production costs, but Fitch does not expect labor costs or energy costs to ease in the medium term. Persistent weakness in the US dollar tends to adversely affect margins, especially where costs are incurred in Australia, Canada, Brazil and Europe.

These fundamentals underpin a strong pricing environment for base metals over the next 12 months to 18 months

although Fitch views the pricing as having peaked in 2007. The overall ratings outlook on the industry is stable. Volatility should persist as well given the size of the markets and increased speculative volumes. Reaction to unexpected disruptions or new supply surprises has been swift and dramatic albeit short term in nature. To view the full report, please visit http://www.fitchratings.com/corporate/reports/report_frame.cfm?rpt_id=362622

New fuel standards may hurt steelmakers

- 31 Dec 2007

It is reported that the energy bill that Mr Bush President of America signed recently mandating tougher fuel economy standards sent a simple message to automakers lighten up thus putting steel makers at risk. The new law says the auto industry must raise its fleet wide fuel economy average 40% in the US, to 35 miles per gallon, by 2020. Increased mileage requirements could begin as early as 2011.

The new rules certainly give makers of aluminum, carbon fiber and other lightweight materials something to smile about, though the steel industry's piece of the auto industry pie is likely to shrink. Auto shoppers, meanwhile, can expect to pay a premium at dealerships when the new rules kick in but the impact will be mitigated somewhat by fuel savings.

Today, steel accounts for about 60% of an average vehicle's weight in the US, down from a generation ago when much more of the metal was used. Still, the popularity of trucks, minivans and SUVs has caused the average vehicle weight to rise by more than 25%, to about 4,100 pounds, over the past 20 years, helping steel providers. Even so, the percentage of aluminum in cars has been on the rise for decades since the last boost in fuel economy standards.

A 10% drop in weight yields roughly a 6 percent improvement in fuel economy.

Hot band spot prices moving towards record levels

- 28 Dec 2007

SteelBenchmarker reported that the US hot rolled band spot price for December 14th 2007 surged by 2.5% to USD 621 per ton on FOB basis after 4 consecutive rises, world export HRB price rise by 2.2% to USD 601 per tonne FOB the port of export for the second consecutive time, Chinese HRB ex works price down by 0.8% to USD 525 per tonne for the third consecutive time and the Western European HRB up by 1.6% to USD 686 per tonne ex works, after slipping last time.

USA

USD 621 per ton FOB the mill

Up by USD 15 per ton from USD 606 two weeks ago

Up by USD 61 per ton from the recent low of USD 560 on August 13th 2007

Down by USD 9 per ton from the recent high of USD 630 on April 9th 2007

China

USD 525 per tonne ex works

Down by USD 4 per tonne from USD 529 two weeks ago

Up by USD 55 per tonne from the recent low of USD 470 on October 22nd 2007

Up by USD 38 per ton from the previous high of USD 487 on September 10th 2007

Western Europe

USD 686 per tonne ex works

Up by USD 11 per tonne from USD 675 two weeks ago

Up by USD 23 per tonne from the recent low of USD 663 on July 23rd 2007

Down by USD 10 per tonne from the recent high of USD 696 on June 11th 2007

World Export Price

USD 601 per tonne FOB the port of export

Up by USD 13 per tonne versus USD 588 two weeks ago

Up by USD 51 per tonne from the recent low of USD 550 on July 23rd 2007

Up by USD 5 per tonne from the recent high of USD 596 on March 26th 2007

SteelBenchmarker publishes steel benchmark prices for HRB, CR coil, rebar, and standard plate in the US, Western Europe, mainland China, and the world export market every fortnight.

IMF likely to cut global growth outlook

- 27 Dec 2007

Reuters reported that The International Monetary Fund will lower its growth outlook as the continued credit crisis hurts the US and European economies, while global imbalances also weigh on growth.

Mr Simon Johnson chief economist of IMF told Switzerland's Finanz und Wirtschaft business newspaper in an interview that "Given this background, the numbers will indeed be weaker than in our latest World Economic Outlook."

He added that The IMF already lowered the forecasts from its July World Economic Outlook in October. But the numbers would in all likelihood have to be revised down again at the Fund's next update in January, when it gives a preview of its April official forecasts.

Mr Johnson said that "We will not be able to stick to 1.9% 2008 Gross Domestic Product growth for the United States, nor to 2.1% for Europe. By how much we will have to lower our GDP forecasts, we will know in January."

IMF already warned in November the global economic growth outlook had dimmed, because of a troublesome mix of credit terms and rising energy prices.

US Steel to increase pipe prices in January 2008

- 27 Dec 2007

United States announced that it will raise pipe prices in January 2008.

Consequently the new prices of ASTM A 53 standard pipe and ASTM A 500 structural pipe have raised by USD 44 to USD 55 per ton to FOB USD 980 to USD 1025 per ton and USD 882 to USD 926 per ton respectively in January 2008.

US Steel said that the reason for the price up is because soaring costs of raw materials, energy and freight.

ArcelorMittal forecasts USD 800 levels for HRC in 2008

- 27 Dec 2007

Platts recently reported that according to an ArcelorMittal commercial executive, flat rolled steel prices will need to increase by USD 110 per tonne during 2008 to cover the expected escalation in steelmaking costs as compared to an estimate of USD 60 to USD 65 per tonne only a few weeks ago.

The report cited an ArcelorMittal commercial executive during an interview with Platts as saying that "The latest figure means hot rolled coil prices would have to reach nearly USD 800 per tonne EU ex works, in order to maintain the mills' current margins."

He said that "The increase in product prices is based on estimated higher input prices of materials in the steelmaking cost matrix specifically iron ore, coke, scrap, logistics and energy. The increase in costs would be similar for all steel manufacturers globally. "

The executive emphasizing that the figure of USD 110 per tonne is an average estimate said that ArcelorMittal's intention to pass the full cost increase on into the market by raising its prices.

Nickel consumption to gain 10% in 2008

- 12 Nov 2007

The International Nickel Study Group said Global consumption of nickel may gain 10% next year on rising demand from stainless steel mills in the US and China.

Mr Sven Tollin chief statistician of the Lisbon based group, at a conference in Ningbo, China that higher demand for the metal used to make corrosion-resistant steel will erode the surplus to 100,000 tonnes in 2008 from 130,000 tonnes this year.

A revival of demand from Shanxi Taigang Stainless Steel Co and rivals is needed to absorb new nickel supply coming on next year from BHP Billiton Ltd's Ravensthorpe project and to bolster prices.

Mr Zhu Limin an analyst with Shanghai Securities Co said over the phone that "Producers are shifting to low nickel products or those which hardly contain any nickel. It's too early to predict that the nickel price will rebound.

US SS scrap prices firming due to improved buying

- 12 Nov 2007

Platts reported that domestic stainless steel mills have started buying modest volumes of nickel bearing scrap for the first time in several months in what is being heralded by some processors and nickel traders as the end of the destocking phase.

But notes of caution were sounded by some scrap dealers and a consumer who said that while he had bought some scrap for November, it was a small volume. Mills have bought little or no scrap since April after record nickel prices caused orders for 300 series stainless steel to dry up at the service centers, triggering a major round of destocking. The scrap market collapsed about five weeks before the London Metal Exchange nickel market.

A large processor said "The mills did buy something for November not much, but more than October. The destocking phase is over. He said that he doubted the mills would buy much for December because of year-end inventories so January maybe more encouraging. He said that another processor concurred. The mills are back in a very small way. I still think January and February will be the real months of action. He added that right now, they're still competing with exports, which is still where the majority of tonnage is going."

Meanwhile, a nickel trader said that he had heard North American Stainless had bought every piece of scrap in the Midwest available, although processors were unable to verify and calls to NAS were not returned. But a dealer said that he did not believe the mills had bought anymore scrap for November than they have done in recent months. He said the mills had occasionally bought small volumes over the last few months, going quietly to regular suppliers and picking up parcels of around 1,000 short tonnes.

The second processor said that the mills may have bought scrap this month as a safeguard because such a large volume of material was heading for export to Asia, because of the weakness of the dollar.

NYMEX may launch steel futures in January 2008

- 10 Nov 2007

Platts reported that The New York Mercantile Exchange is aiming to launch its long awaited steel futures contract in January 2008. The timing is said to be January 22nd 2008 but a NYMEX spokeswoman would not confirm the date.

She told Platts that "There has been no official announcement yet," she added that there has also reportedly been some internal discussion to now use Bloomberg to calculate and distribute steel prices based on an index provided by New Jersey based World Steel Dynamics, trademarked the SteelBenchmarker. This might indicate that WSD may be supplementing its earlier announced publishing partners, Metal Bulletin and AMM, with Bloomberg.

The NYMEX contract, as described at earlier steel industry conferences, would be based on hot-rolled coil of 0.2 inches thick and 48 to 60 inches wide, US Midwest delivery. Settlement would only be financial, with no physical delivery.

UBS forecasts coal demand outpacing supplies in next 2 years

- 09 Nov 2007

Mr Daniel Brebner executive director of commodity research at UBS AG in London comments on global markets for bulk commodities, including thermal coal burned for power and coking coal, a raw material in steelmaking.

Mr Brebner during an interview said that "The problem for potential buyers is they can't find supplies. The market will struggle to correct over the next two years or so and it may be longer. He added that "You have Indonesia, which has decelerated production growth' that was last year around 35%. We are looking at 10% this year. You have infrastructure' problems in Australia, although the' ship queues at Newcastle are lower than 40 and that's an improvement. The Vietnamese will cap output at 25 million tons. They need to supply themselves as they build coal-fired power."

On demand for coal, Mr Brebner said that "You have electrification growing strongly in the emerging countries, particularly India and China." He added that "Indian buying must be very considerable, considering consumption growth of 20% to 25% and I think that will continue for several years. They are bidding against traditional buyers, the Japanese and Koreans. As Indians bid for South African coal, less comes from there to Europe and" Amsterdam, Rotterdam and Antwerp prices have spiked. That's brought in coal from the US."

On the coking coal market, Mr Brebner said that "Coking coal is the same, with constraints out of Dalrymple Bay in Australia. The steel market's improving and utilization rates are improving and that will create higher demand for high-quality coking coal. Indians, because they don't really have domestic production of coking coal, are bidding with traditional buyers."

On bulk goods such as coal and iron ore Mr Brebner said that "Bulks generally are seeing significant tightening" while supply constraints and freight rates are having an effect. On a landed basis you see massive increases in prices. If you look at the spot market for thermal coal, coking coal and iron ore, you see very similar activity. I was thinking it may dampen to the end of the year and it does not look like that's happening."

US scrap spot prices to rise in 2008 amid tight supplies

- 09 Nov 2007

According to Mr Mike Locker of US based Locker Associates, domestic steel scrap prices are on pace to increase by 35% in 2007 because of solid domestic demand combined with explosive global demand that has tightened supply.

He said "Supply is tight even as domestic demand has dropped 5% because exports have been surging 24%. Looking ahead, steel scrap supply will be even tighter and prices will go even higher in 2008. Scrap demand will continue to grow in the future and that will make life difficult for the scrap buyers at the mills."

Mr Locker said that "For ferrous scrap suppliers, these are boom times. Scrap prices will do nothing but rise."

Other analysts also are looking at scrap price increases ranging from 8% to 11% next year and said that the fundamentals for scrap are decent for the remainder of the year and through 2008.

MEPS forecast World average carbon steel prices

- 08 Nov 2007

UK based MEPS said that "We maintain our belief that average world flat products prices will rise steadily over the next three months. Continued strengthening of the North American values as inventory building develops should offset any weaknesses in the EU and Asian selling figures." MEPS added that "Increasing raw material costs are expected to force mills in all regions to push through price advances in the first and second quarters of next year. The Summer of 2008 is, however, forecast to be the peak of the price cycle for all flat products."

MEPS Said that "During the second half of next year overcapacity in the Chinese market is likely to temper transaction price gains in that area, resulting in a widening of the gap between average Eastern and Western values. This will almost certainly result in exports from China increasing once again. We envisage global competition intensifying in a climate of oversupply leading to a decline in the MEPS World Average flat products price up to the end of the forecast period."

MEPS added that "A slight reduction in the MEPS World average long products price is expected over the next two months. This is due to seasonally lower demand in Europe and North America canceling out gains in Asia. The residential construction sector in the US continues to weaken which is holding back increases in selling figures from local mills. Scrap values in all regions are unlikely to rise before early 2008. The Asian market should remain strong well into the first quarter of next year."

MEPS further added that "The first half of 2008 is forecast to be a period of significant gains in transaction figures. The anticipated hike in iron ore costs early next year should lead to a tightening of scrap availability and, as such, higher scrap prices. Rebar and Wire rod values are predicted to register the largest rises as demand from the construction sector in Europe and North America improves. A new high for the MEPS World average long products price is expected in the middle of next year before selling numbers cool over the summer months due to seasonal factors and growing oversupply in the world market."

Changed mechanism of SS surcharge seem to stabilize prices

- 15 Nov 2007

Reuters reported that a recent change in calculating alloy surcharges for stainless steel could reduce speculation and bring stability to the pricing, which has fluctuated due to the volatile nickel market.

Mr Philippe Baudon an executive at ArcelorMittal told Reuters that "In stainless, a lot of the instability of the market is clearly linked to speculation and we feel, by doing that, we will reduce the speculation and stabilize the market. From January 2008, ArcelorMittal's reference period for calculating the surcharge will be based on price movements in the last 30 days ending on 22nd of the previous month."

A spokesman of Outokumpu told Reuters that "The aim of the change is to bring more stability in the stainless steel market and to reduce the effects of the raw material price volatility. Indeed the new method is expected to reduce the element of speculation."

Mr Cyril Sparrow marketing manager at Cashmores, a UK based stainless steel stockholder said that "It gives less visibility to the surcharge because it is based on a closer to delivery point figure, so in that sense it makes life a little more difficult. However it does add some stability to what has been a very volatile market. Then there could be compensations in that direction, but I think we have to wait and see."

Alloying elements mainly nickel, chromium and molybdenum are used to produce stainless steel. The alloy surcharge, which reflects the costs of these metals, is added to the basic price. The alloy surcharge is a fee stainless steel producers charge their customers to recoup the cost of raw materials they buy once they exceed a certain price threshold.

The surcharge previously was based on the average raw material prices two and three months prior to delivery that is, following the nickel price with a 2 to 3 month time lag. In October, leading stainless steel producers like Outokumpu and ThyssenKrupp changed their calculation method, cutting the reference time period to around 30 days.

US scrap prices on downward trend

- 15 Nov 2007

YIEH reported US scrap prices had been on a downward trend last week. The average price of No1 scrap was at USD 259 per ton, down by USD 1.67 per ton compared to the two weeks ago. However, it is predicted that the scrap prices in the US will increase, bolstered by higher sea freight.

The average price of scrap in Japan's three regions also decreased, as Japan's No 2 scrap average price was at JPY 35,874 per ton, reducing by JPY 701 per ton than the previous week. Currently the quoted price is influenced by the movement of exchange rate and ocean freight.

China's finished steel output may be overstated

- 17 Nov 2007

Platts reported that China's finished steel output may be overstated by 100 million tonnes per year as finished steel output cannot be higher than crude production.

National Bureau of Statistics of China announced recently that China's crude steel production for October 2007 was 42.92 million tonnes and finished steel output 49.08 million tonnes.

The report cited Mr Charles Bradford of Bradford Research in New York as saying that "It is impossible. I get monthly data directly from 75 mills in China; data for pig iron output, crude steel production and finished steel and the finished steel is consistently less than crude."

Mr Bradford speculates that something goes awry between the time data is reported by the Chinese mills to the government and the release of official statistics. He said "It looks like a lot of double counting is going on. For example, a mill ships 5,000 tonnes of hot rolled coils to a re roller, which is then processed into cold rolled coil. The tonnage gets counted twice."

To reconcile the NBS data, Mr Bradford said he takes 90% of the reported crude production to arrive at a finished steel product figure. So, October's 42.92 million tonnes of crude output would mean 38.63 million tonnes of finished steel, which is nearly 11 million tonnes below the government figure of 49.08 million tonnes. He noted that on an annual basis finished output may be overstated by 100 million tons.

MEPS forecast global steel output to reach 1.6 billion tonnes by 2011

- 07 Dec 2007

MEPS forecast that the global crude steel output in 2007 at 1350 million tonnes. MEPS added that "Further growth is anticipated rising to 1600 million tonnes in 2011. This represents an increase of more than 350 million tonnes over the period from 2006. In the previous five years, the volume of production expanded by almost 400 million tonnes."

MEPS said that "Most of the increase in iron and steel production over the next five years will take place in the developing/emerging nations of Asia. We estimate that around 71% of global growth in steelmaking to 2011 will occur in these countries. In contrast, we predict that steel producers in the industrialized world will contribute less than 7% of the higher output over the period."

Crude steel production forecast

| Region | 2006 | 2007 | 2011 |
|--------------------|--------|-------|-------|
| W. Europe | 235.1 | 242.3 | 263 |
| Former USSR | 119.8 | 125.3 | 153 |
| NAFTA | 131.5 | 133.3 | 135.5 |
| South America | 45.3 | 47.5 | 61.5 |
| Africa/Middle East | 34 | 34.9 | 49 |
| China | 422.1 | 492.5 | 630 |
| Japan | 116.2 | 119.7 | 122 |
| Rest of Asia | 136.3 | 145.8 | 177 |
| Oceania | 8.7 | 8.8 | 9 |
| World | 1249.2 | 1350 | 1600 |

(In millions tonnes)

Source: MEPS - Global Iron & Steel Production to 2011

MEPS further added that "Of the 350 million tonne increase between 2006 and 2011. China is forecast to supply almost 210 million tonnes. Other significant contributors will be the former USSR with 33 million tonnes, Asia excluding China and Japan is likely to lift output by more than 30 million tonnes. Africa/Middle East are expected to supply 15 million tonnes each. These may appear to be modest tonnages but in percentage terms they are quite significant."

MEPS said that "Rapidly rising commodity prices (particularly oil, coal and industrial metals including iron ore) have changed the economic climate in recent years. Oil revenues have led to significant building activity in the Middle East. Reserves of energy and steelmaking raw materials in the former USSR have improved economic activity in that region. A similar picture has been recorded in India and Brazil. The availability of competitively priced energy and steelmaking raw materials will be a major factor in the location of steel manufacturing in the coming years."

MEPS added that "In the longer term, when blastfurnaces and converters in the industrialized nations reach the end of their useful life, a number of them will not be rebuilt. Supplies of semi finished products are likely to be made at parent companies or subsidiaries in the low cost manufacturing countries of the world."

New alloy surcharges will not stabilize EU SS prices - MEPS

- 05 Dec 2007

MEPS have opined that the new and proposed alloy surcharge mechanisms in the EU will not stabilize transaction prices in the market but on the contrary, they could lead to more volatility. MEPS added that "If steel buyers accept the principle of the new system they would be creating difficulties in quoting for new orders with the prospect of losing out to foreign competitors."

MEPS said that "Granted, the old system was not good for the mills when alloy prices started to fall. However, it was beneficial to them on the upside. At least, the customers had some idea of the alloy surcharge at the time of their delivery by referring to the MEPS estimates. These could be calculated with a strong degree of accuracy even in the highly volatile period because the make up of the figures contained a proportion of historical alloy costs."

MEPS said that "Under the new proposals, alloy costs used to calculate the surcharges would be based, mainly, on the average figures in the month prior to delivery of the finished products. The current US system uses the mean value

one month earlier than the EU proposition. This did not stabilize transaction values in that market. In fact, US selling figures were more volatile than those in the EU when using the old surcharge mechanism which is now said to be unsatisfactory."

MEPS added that "The US system created alloy surcharge hikes for type 304 cold rolled of USD 1200 per tonne in the period April to July 2007 and USD 950 between January and April of that year. This is hardly a good advertisement for shortening the period of application of the alloy costs when the equivalent figures in the EU were around USD 1000 and USD530, respectively."

AISI cautious on Chinese plan to end subsidies

- 02 Dec 2007

The American Iron and Steel Institute in a statement said that America's steel industry is encouraged, but remains cautious, in its assessment of the US Trade Representative's announcement that China has agreed to take a series of steps before the end of the year to eliminate subsidies prohibited by the WTO.

AISI said that "American steel industry is encouraged by the announcement from the Office of the United States Trade Representative that China has agreed to eliminate its WTO illegal subsidies. However, these subsidies represent only the tip of the iceberg when it comes to Chinese government subsidies to industry."

AISI said that "The government of China has been targeting steel and other manufacturing sectors with a broad range of subsidies, and these tens of billions of dollars worth of government assists have been giving Chinese steel and other manufacturers a substantial artificial competitive advantage."

AISI added that "We believe it is critical to identify all of China's trade and market distorting subsidies and that all such subsidies must be eliminated immediately if China wishes to be treated as a responsible stakeholder in the world trading system. With regard to the November 29 announcement by the USTR, from the perspective of the domestic steel industry, the proof will be in the pudding. We remain cautious in our assessment of the situation until we have had a chance to study the agreement and until we begin to see specific actions taken to meet this agreement by the Chinese government to eliminate its WTO illegal subsidies."

The release further added that "We will follow closely the upcoming high level dialogue that will take place between senior level US and Chinese officials aimed at addressing trade, energy, the environment and China's currency policy. We will be vigilant in looking for concrete actions by the Chinese government to meet its commitments, and we will continue to work closely with the Administration to that end."

China agrees to remove certain export subsidies

- 01 Dec 2007

Bowing to American pressure on the eve of high-level talks to reduce economic tensions, China has agreed to terminate a dozen different subsidies and tax rebates that promote its own exports and discourage imports of steel, wood products, information technology and other goods. The intent of the new agreement, negotiated by Ms Susan C Schwab, the top United States trade envoy, is to help American companies compete against China.

The action mostly affects exports by Chinese companies that have foreign investors or are joint ventures with foreign companies. Nearly 60% of Chinese exports are produced by these businesses. Also affected were tax breaks that China gives its own companies if they do not import goods themselves.

There are no clear indications so far that on which exports, if any, would become more expensive and which imports would benefit, since the precise amount of subsidies that different companies get is not public.

While Ms Schwab acknowledged that some of the loss of subsidies might be borne by Chinese companies owned in

part by Americans, she trumpeted the agreement as a major breakthrough. She said "This outcome represents a victory for US manufacturers and their workers. It shows that President Bush's policy of serious dialogue and resolute enforcement is delivering real results."

Ms. Schwab said she hoped that the negotiated settlement on subsidies, after months of litigation at the WTO, would improve the atmosphere on other disputes over China's currency policies, antimonopoly rules, regulations and other practices that seem aimed at discouraging foreign imports and investments.

ABARE forecasts 26.5% drop in nickel price in 2008

- 10 Dec 2007

According to the latest forecast from Australian government research house ABARE, The average nickel prices will drop by 26.5% to USD 27,500 per tonne in 2008 from an expected USD 37,421 per tonne in 2007

ABARE said that year 2007, has been characterized by super high prices in the first part and much lower prices in the second part, largely reflecting the stainless steel de stocking cycle.

ABARE sees a similar split in fortunes next year. The world supply demand balance is expected to remain tight early in the year, providing support for prices above USD 30,000 per tonne.

MEPS global forecast for SS prices

- 08 Dec 2007

MEPS said that EU and US basis numbers are expected to strengthen over the coming months as demand on the mills increases.

MEPS said that "Producers are already receiving some orders for the first quarter of 2008 deliveries as distributors look to replenish inventories. Customers are expected to re evaluate their stock levels early in the New Year which should encourage further buying during the first half of 2008. High inventories and low demand remains a feature in some areas of the Asian market. This is likely to slow the upward price movement in the region. However, capacity cuts by mills in China and Japan are expected to avert declines in the Asian average. Transaction prices are, therefore, forecast to rise steadily through to next summer."

MEPS said that "The nickel market remains uneasy, with inventories continuing to climb. Stock levels reached a seven year high this month, finally topping 40,000 tonnes. As such, the nickel cash price dropped by over USD 5000 per tonne during the last two weeks of November. This should result in the monthly average figure being little changed from October. A decrease in the average value is expected in December, although daily cash figures are forecast to move up. Nickel prices are still forecast to rise in the first half of 2008 as stainless producers return to the market. However, LME values are likely to fall in the second half of next year due to a growth in nickel supply and seasonally lower stainless demand. High chrome and molybdenum prices are also affecting the alloy surcharges and these are expected to rise or remain high throughout 2008. Type 316 products could be harder hit by these escalating costs, with some customers looking to alternatives."

MEPS added that "We predict that exports from East to West will remain at low levels in the short term as demand in the EU and US continues to be subdued. Lower nickel prices, coupled with a weaker global economic climate, are forecast to result in peak stainless selling values falling short of those recorded during 2007. The world average type 304 cold rolled coil figures are, therefore, forecast to move above USD 4900 per tonne by next summer. Grade 316 should top USD 7700 per tonne. Prices for both products are expected to fall through the final quarter due to oversupply in the market. Asian average prices will almost certainly move below those in the other two regions by the beginning of the second quarter of 2008."

market every fortnight.

Rio Tinto to develop Eagle nickel mine in US

- 18 Dec 2007

Rio Tinto is planning to invest USD 300 million in the development of Eagle, a high grade nickel and copper mine in Michigan State of USA. The project is located in northwest Marquette County near the City of Marquette.

As per release, Eagle will be the only primary nickel mine in the US and first production is expected to begin in late 2009. Eagle is projected to deliver 16,000 tonnes of nickel per year over seven years until 2016. It will also produce valuable co products of copper, platinum, palladium and cobalt.

A two year project construction phase will get underway in 2008, upon receipt of additional approvals expected in 2008. Three required permits were granted on December 14th 2007. Eagle's mine permit is the first issued by the State of Michigan under the state's 2004 nonferrous metallic mining law, considered among the most stringent in the US.

Mr Bret Clayton CEO of Copper Group of Rio said that "Eagle gives Rio Tinto a valuable opportunity to enter the market for nickel, a key input into stainless steel, demand for which is rising strongly led by the development of new infrastructure in developing economies, as well as rising demand for consumer products and the development of associated processing plant and equipment.

He added that "Eagle is just one of many projects that will add to Rio Tinto's growth and value. It is a 4.1 million tonne high grade nickel resource (3.6% nickel, 2.9% copper) in a highly prospective region for additional nickel discoveries. Our exploration team discovered Eagle in 2002 and we are now reviewing over 450,000 acres of mineral title we have in the area. Our focus is on six further adjacent prospects that may have the potential to extend significantly the mine life at current planned production rates."

Rio Tinto is also in final contract negotiation to develop a nickel mine at Sulawesi in Indonesia, with an initial operation of 46,000 tonnes per year with first production commencing by 2015. There is additional potential at Sulawesi of a similar size.

Region wise crude steel production estimates for 2007

- 01 Jan 2008

World crude steel production in 2007 for the 67 countries reporting to the International Iron and Steel Institute is estimated to be 1.315 billion tonnes up by 7.1% YoY as compared to 1.227 billion tonnes in 2006. The estimation has been made by assuming the level of crude steel out put in December 2007 at levels similar to that of November 2007. The estimates and YoY change is as under

| Region | 2006 | 2007E | Change |
|---------------------|----------|----------|--------|
| Total | 1227.466 | 1315.074 | 7.1% |
| Asia | 654.334 | 727.135 | 11.1% |
| European Union (27) | 202.627 | 210.566 | 3.9% |
| North America | 131.547 | 132.579 | 0.8% |
| C.I.S. (6) | 119.455 | 123.563 | 3.4% |
| South America | 45.297 | 47.965 | 5.9% |
| Africa | 18.392 | 18.684 | 1.6% |
| Middle East | 14.766 | 15.750 | 6.7% |
| Oceania | 8.691 | 8.790 | 1.1% |
| | | | |

Volume is in million tonnes

Source is IISI

2007E- The estimation has been made by assuming the level of crude steel out put in December 2007 at levels similar to that of November 2007

The crude steel figures for European Union are bifurcated as under

| Region | 2006 | 2007E | Change |
|---------------------|---------|---------|--------|
| European Union (15) | 173.463 | 176.239 | 1.6% |
| Other Europe | 27.867 | 30.043 | 7.8% |
| Other EU (25) | 1.297 | 3.991 | 207.7% |
| | | | |

Volume is in million tonnes

Source is IISI

2007E - The estimation has been made by assuming the level of crude steel out put in December 2007 at levels similar to that of November 2007

The share of Asia's crude steel production in 2007 is estimated to reach 55.3% as against 53.3% in 2006, resulting in reduction in share for all other regions.

| Region | 2006 | Share | 2007E | Share | Change |
|---------------|---------|-------|---------|-------|--------|
| Asia | 654.334 | 53.3% | 727.135 | 55.3% | 2.0% |
| EU (27) | 202.627 | 16.5% | 210.566 | 16.0% | -0.5% |
| North America | 131.547 | 10.7% | 132.579 | 10.1% | -0.6% |
| CIS (6) | 119.455 | 9.7% | 123.563 | 9.4% | -0.3% |
| South America | 45.297 | 3.7% | 47.965 | 3.6% | 0.0% |
| Africa | 18.392 | 1.5% | 18.684 | 1.4% | -0.1% |
| Middle East | 14.766 | 1.2% | 15.750 | 1.2% | 0.0% |
| Oceania | 8.691 | 0.7% | 8.790 | 0.7% | 0.0% |
| | | | | | |

Country wise crude steel production estimates for 2007

- 01 Jan 2008

World crude steel production in 2006 for the 67 countries reporting to the International Iron and Steel Institute is estimated to be 1.315 billion tonnes, with almost 80% coming from top 11 countries and balance 20% from 52 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.

| Rank | Country | 2006 | 2007E | Change | Share |
|------|---------------|---------|---------|--------|-------|
| 1 | China | 423.302 | 486.005 | 14.8% | 37.0% |
| 2 | Japan | 116.228 | 119.925 | 3.2% | 9.1% |
| 3 | United States | 98.539 | 97.613 | -0.9% | 7.4% |
| 4 | Russia | 70.755 | 72.156 | 2.0% | 5.5% |
| 5 | South Korea | 48.456 | 50.989 | 5.2% | 3.9% |
| 6 | India | 46.261 | 49.714 | 7.5% | 3.8% |
| 7 | Germany | 47.223 | 48.816 | 3.4% | 3.7% |
| 8 | Ukraine | 40.797 | 42.658 | 4.6% | 3.2% |
| 9 | Brazil | 30.901 | 33.648 | 8.9% | 2.6% |
| 10 | Italy | 31.554 | 31.971 | 1.3% | 2.4% |
| 11 | Turkey | 23.307 | 25.463 | 9.3% | 1.9% |

| | | | | | |
|----|------------------------|--------|--------|--------|------|
| 12 | Taiwan, China | 20.092 | 20.501 | 2.0% | 1.6% |
| 13 | France | 19.857 | 19.393 | -2.3% | 1.5% |
| 14 | Spain | 18.629 | 18.959 | 1.8% | 1.4% |
| 15 | Mexico | 16.313 | 17.255 | 5.8% | 1.3% |
| 16 | Canada | 15.403 | 16.036 | 4.1% | 1.2% |
| 17 | United Kingdom | 13.931 | 14.570 | 4.6% | 1.1% |
| 18 | Belgium | 11.632 | 10.670 | -8.3% | 0.8% |
| 19 | Poland | 10.008 | 10.642 | 6.3% | 0.8% |
| 20 | Iran | 9.788 | 10.018 | 2.3% | 0.8% |
| 21 | South Africa | 9.718 | 9.203 | -5.3% | 0.7% |
| 22 | Australia | 7.881 | 7.943 | 0.8% | 0.6% |
| 23 | Austria | 7.127 | 7.569 | 6.2% | 0.6% |
| 24 | Netherlands | 6.371 | 7.294 | 14.5% | 0.6% |
| 25 | Czech Republic | 6.861 | 7.079 | 3.2% | 0.5% |
| 26 | Egypt | 6.027 | 6.376 | 5.8% | 0.5% |
| 27 | Romania | 6.340 | 6.252 | -1.4% | 0.5% |
| 28 | Sweden | 5.466 | 5.681 | 3.9% | 0.4% |
| 29 | Argentina | 5.533 | 5.387 | -2.6% | 0.4% |
| 30 | Slovakia | 5.094 | 5.120 | 0.5% | 0.4% |
| 31 | Venezuela | 4.866 | 4.843 | -0.5% | 0.4% |
| 32 | Kazakhstan | 4.208 | 4.748 | 12.8% | 0.4% |
| 33 | Saudi Arabia | 3.976 | 4.629 | 16.4% | 0.4% |
| 34 | Finland | 5.053 | 4.398 | -13.0% | 0.3% |
| 35 | Luxembourg | 2.802 | 2.906 | 3.7% | 0.2% |
| 36 | Greece | 2.416 | 2.740 | 13.4% | 0.2% |
| 37 | Byelorussia | 2.181 | 2.392 | 9.7% | 0.2% |
| 38 | Hungary | 2.047 | 1.997 | -2.4% | 0.2% |
| 39 | Chile | 1.627 | 1.693 | 4.1% | 0.1% |
| 40 | Serbia and Montenegro | 1.837 | 1.601 | -12.8% | 0.1% |
| 41 | Algeria | 1.158 | 1.308 | 13.0% | 0.1% |
| 42 | Switzerland | 1.250 | 1.272 | 1.8% | 0.1% |
| 43 | Libya | 1.152 | 1.267 | 10.0% | 0.1% |
| 44 | Colombia | 1.221 | 1.266 | 3.7% | 0.1% |
| 45 | Qatar | 1.004 | 1.103 | 9.9% | 0.1% |
| 46 | Moldova | 0.784 | 0.963 | 22.8% | 0.1% |
| 47 | Peru | 0.895 | 0.877 | -2.0% | 0.1% |
| 48 | New Zealand | 0.811 | 0.846 | 4.3% | 0.1% |
| 49 | Norway | 0.679 | 0.705 | 3.8% | 0.1% |
| 50 | Trinidad and Tobago | 0.674 | 0.670 | -0.6% | 0.1% |
| 51 | Uzbekistan | 0.730 | 0.646 | -11.5% | 0.0% |
| 52 | Slovenia | 0.627 | 0.641 | 2.2% | 0.0% |
| 53 | Bosnia and Herzegovina | 0.412 | 0.563 | 36.7% | 0.0% |
| 54 | Morocco | 0.313 | 0.500 | 59.7% | 0.0% |
| 55 | Macedonia | 0.295 | 0.369 | 25.1% | 0.0% |
| 56 | Guatemala | 0.292 | 0.364 | 24.7% | 0.0% |
| 57 | Cuba | 0.258 | 0.267 | 3.5% | 0.0% |
| 58 | Paraguay | 0.118 | 0.097 | -17.8% | 0.0% |

| | | | | | |
|----|-------------|-------|-------|-------|------|
| 59 | Ecuador | 0.087 | 0.085 | -2.3% | 0.0% |
| 60 | Croatia | 0.081 | 0.076 | -6.2% | 0.0% |
| 61 | Uruguay | 0.057 | 0.075 | 31.6% | 0.0% |
| 62 | El Salvador | 0.074 | 0.071 | -4.1% | 0.0% |
| 63 | Zimbabwe | 0.024 | 0.031 | 29.2% | 0.0% |
| | | | | | |

Volume is in million tonnes

Source is IISI

2007E - The estimation has been made by assuming the level of crude steel out put in December 2007 at levels similar to that of November 2007

Among the top 11 countries, contributing to almost 80% of the global crude steel output, the YoY change in crude steel output in 2006 and 2007 together shows that the real growth in 2007 has taken place for China, Turkey, Brazil and India, although all other countries in this club registered positive growth except USA

| Country | 2006 | 2007E | Change |
|---------------|---------|---------|--------|
| China | 423.302 | 486.005 | 14.8% |
| Turkey | 23.307 | 25.463 | 9.3% |
| Brazil | 30.901 | 33.648 | 8.9% |
| India | 46.261 | 49.714 | 7.5% |
| South Korea | 48.456 | 50.989 | 5.2% |
| Ukraine | 40.797 | 42.658 | 4.6% |
| Germany | 47.223 | 48.816 | 3.4% |
| Japan | 116.228 | 119.925 | 3.2% |
| Russia | 70.755 | 72.156 | 2.0% |
| Italy | 31.554 | 31.971 | 1.3% |
| United States | 98.539 | 97.613 | -0.9% |
| | | | |

Among the 11 major steel making nations, the share of China's crude steel production in 2007 is estimated to reach 37% as against 34.5% in 2006, resulting in reduction in share for all other major steel producing countries.

| Rank | Country | 2006 | Share | 2007E | Share | Change |
|------|---------------|---------|-------|---------|-------|--------|
| 1 | China | 423.302 | 34.5% | 486.005 | 37.0% | 2.5% |
| 2 | Japan | 116.228 | 9.5% | 119.925 | 9.1% | -0.3% |
| 3 | United States | 98.539 | 8.0% | 97.613 | 7.4% | -0.6% |
| 4 | Russia | 70.755 | 5.8% | 72.156 | 5.5% | -0.3% |
| 5 | South Korea | 48.456 | 3.9% | 50.989 | 3.9% | -0.1% |
| 6 | India | 46.261 | 3.8% | 49.714 | 3.8% | 0.0% |
| 7 | Germany | 47.223 | 3.8% | 48.816 | 3.7% | -0.1% |
| 8 | Ukraine | 40.797 | 3.3% | 42.658 | 3.2% | -0.1% |
| 9 | Brazil | 30.901 | 2.5% | 33.648 | 2.6% | 0.0% |
| 10 | Italy | 31.554 | 2.6% | 31.971 | 2.4% | -0.1% |
| 11 | Turkey | 23.307 | 1.9% | 25.463 | 1.9% | 0.0% |
| | | | | | | |