MEPS forecast for stainless steel in North American

- 05 Jun 2008

UK based consulting firm MEPS said that “Transaction values for type 304 are forecast to be relatively stable in June. The Alloy surcharge is predicted to fall marginally, with basis figures expected to be unchanged.”

MEPS added that “End users will, almost certainly, reduce their purchases next month in anticipation of lower surcharges from July onwards. Furthermore, distributors are likely to begin de stocking shortly as they fear being left with excessive material in a declining market. This is likely to prevent any attempts by the mills to push up basis values in the near future.”

MEPS said that “Nickel cash values on the LME have fallen by almost USD 6000 per tonne since the beginning of May, with the monthly average figure set to be more than 10% below that of April. A strengthening in the US Dollar contributed to downward pressure on prices. This is not good news for stainless steel and nickel stockiest who will now be holding overpriced material.”

MEPS added that “Considerable falls in the alloy surcharges, as a result of the nickel descent, are expected for July. However, rises in ferrochrome, scrap and energy costs should offset these decreases slightly. Further drops in nickel prices are likely over the next few months as the traditional mid year lull in the stainless market impacts on nickel consumption.”

MEPS said that “High demand for raw materials from China will, almost certainly, continue to grow. Stainless production for the first quarter in the country climbed by approximately 20% over 2007 figures. This should limit some of the falls in nickel values. However, additional pressure on supply of ferrochrome could lead to these costs moving even higher in the short term. A modest recovery in nickel cash prices is predicted for the first few months of 2009.”

MEPS added that “Transaction values are predicted to decline throughout the second half of this year. Nickel price falls, coupled with weakening demand, is likely to put downward pressure on selling figures. Consequently, cold rolled coil type 304 numbers are likely to move under $US4200 per tonne by the end of 2008. At that point, grade 316 values are expected to drop to almost USD 6500 per tonne. Uncertainty regarding the financial climate in the US will probably extend into the beginning of next year, with stainless prices drifting lower into early 2009. A modest recovery in prices is then forecast for the second quarter.”

Why global steel prices are rising to unheard levels

- 02 Jun 2008

The five main reasons for rising global steel price are

1. Demand
World steel demand continues to grow, notably from newly industrialized countries and this has put steel mills and their raw materials suppliers under pressure. While Chinese demand has abated slightly, it is still nearly double the global average.

2. Raw material costs
Constantly increasing demand puts pressure on steelmaking raw materials. Since 2004, iron ore prices have increased by nearly 300%, while coking coal prices remain at historically high levels.

3. Shipping costs
Driven by a shortage of vessels, shipping costs have escalated. By December last year, one-time charter rates were 250% higher than the 2006 average.

4. Energy costs
Like the rest of UK manufacturing, the steel industry has been experiencing high energy prices. Forward prices for both gas and electricity are showing high increases, with the UK electricity prices outstripping those on the continent.

5. Legislation
The extension of the EU's Emissions Trading Scheme may extend to even more steel companies and more installations. Environmental costs imposed will be passed down the supply chain.

Global HRB spot prices eruption slows down

- 30 May 2008

SteelBenchmarker reported that the US hot rolled band spot price for May 26th 2008 surged by 0.3% to USD 1,158 per ton, FOB the mill for the fourteenth consecutive rise totaling USD 581, world export HRB price rise by 2.6% to USD 1,051 per tonne FOB the port of export, for the twelfth consecutive rise totaling USD 470, Chinese HRB ex works price surged by 1.0% to USD 704 per tonne for the fourth consecutive rise and the Western European HRB surged by 2.8% to USD 1,119 per tonne ex works for the eight consecutive time totaling USD 406

USA
USD 1,158 per metric tonne FOB the mill
Up by USD 4 per tonne from USD 1,154 two weeks ago
Up by USD 598 per tonne from the recent low of USD 560 on August 13th 2007
Up by USD 528 per tonne from the recent high of USD 630 on April 9th 2007

China
USD 704 per metric tonne ex works
Up by USD 7 per tonne from USD 697 two weeks ago
Up by USD 234 per tonne from the recent low of USD 470 on October 22nd 2007
Up by USD 217 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe
USD 1,119 per metric tonne ex works
Up by USD 31 per tonne from USD 1,088 two weeks ago
Up by USD 456 per tonne from the recent low of USD 663 on July 23rd 2007
Up by USD 423 per tonne from the recent high of USD 696 on June 11th 2007

World Export Price
USD 1,051 per metric tonne FOB the port of export
Up by USD 27 per tonne versus USD 1,024 two weeks ago
Up by USD 501 per tonne from the recent low of USD 550 on July 23rd 2007
Up by USD 455 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.

Dry bulk shipping driving inflation – Report

- 27 May 2008

Forbes reported that as soaring shipping rates drive the prices of dry bulk commodities higher, investors wonder what the breaking point will be.

As the delivered costs of raw materials rises the importers of those raw materials especially China and India are negatively impacted by the inflation. Eventually higher prices are passed on to the end users of those products, the consumer.

At the same time China exports a significant amount of finished products to the US which means the US consumer will ultimately pay higher prices on consumer goods imported from China, as well.

Mr Urs Dur analyst of Lazard Capital Markets said that in some cases the shipping prices for iron ore from Brazil to China have gone as high as 100 times the price of the iron ore itself. He said that with a good portion of the iron ore delivered to China delivered on the spot market, rates on Capesize ships which are the largest vessels have skyrocketed. Currently, the freight cost for a tonne of Brazilian ore to China is about USD 108 per tonne higher than the USD 80 per tonne price for iron ore from Brazilian miner Vale.

Ferrochrome price could rise above USD 4 per pound in Q3 – Report

- 26 May 2008

Market players attending the ICDA's annual meeting in Paris said that the ferrochromium price could rise above USD 4 per pound in the third quarter of 2008 on tight supply from South Africa and strong demand.

Mr Robert Yildirim president of Yildirim Group said that "All bets are off on how high ferrochromium prices and particularly high carbon ferrochromium prices could go in 2008."

Mr Yildirim said that the contract price for Eti Krom material could rise by up to 25 cents per pound in the third quarter from USD 3.45 to USD 3.50 per pound in the second quarter. He expects South African benchmark prices to rise by 50 cents per pound to USD 2.42 per pound in the third quarter.

Macquarie analyst Mr Adam Rowley agreed with Mr Yildirim's optimism and predicted that the price of high carbon material will average USD 3 per pound in 2008. He also said that there could be a 33.3% increase in the price of ferrochromium in 2008.

Mr Vanessa Davidson of CRU noted the soaring costs of freight and coking coal, and said that ferrochromium producers could begin buying their own ships for transport in an attempt to combat the rising freight costs.

Steel demand to stay high despite global slowdown – OECD

- 25 May 2008

The OECD's steel committee in a release said that World steel market will remain strong while global steelmaking capacity will rise from 1,560 million tonnes in 2007 to 1,849 million tonnes in 2010, representing an 18.6% increase.

Industry and government officials at the OECD's steel committee meeting said that despite signs of a global slow down, demand for steel will increase with consumption in emerging economies like India, China, Brazil and Russia growing in two digits

Mr Risaburo Nezu of Japan who is the current chairman of the OECD Steel Committee said that ''Global steel demand growth continues to be led by emerging economies, to meet the requirements of expanding industrial sectors and infrastructure growth. Demand growth in many mature economies has slowed in line with weaker economic activity. Global steelmaking capacity continues to increase

rapidly. This could impact the market negatively if demand growth slows more than expected.''

He said that “In China, apparent steel use rose by 13% in 2007 to a level of 408 million tonnes. Growth in machinery and automotive manufacturing, shipbuilding and construction are likely to continue to support steel demand going forward.”

It said that “In India, apparent steel use increased to 51 million tonnes in 2007, an 11.3% increase from the previous year. A growing industrial sector and expanding infrastructure building should continue to support steel use in India.”

In Russia, apparent steel use reached almost 40 million tonnes in 2007 and demand should continue to be supported by the oil and gas industry as well as rising household incomes.

The committee said that “Global steelmaking capacity continues to expand rapidly, a trend that is being supported by generally higher producer profitability and positive demand prospects. This development has been enhanced by increased flows of foreign direct investment, as steel companies expand their operations, particularly to emerging economies which allow such investment and where steel consumption is increasing rapidly. Although demand and cost related considerations are the main factors determining the location of investment by the steel industry, concern has been expressed that differences in existing and prospective CO2 compliance standards may also play a role.”

The committee added that “Global steelmaking capacity is projected to rise from 1,560 million tonnes in 2007 to 1,849 million tonnes in 2010, representing an 18.6% increase. Most of this increase will take place in Asia. China will account for around half of the global capacity addition in the 2007-10 period. Several emerging economies such as India, Vietnam and to a lesser extent, Thailand, also have ambitious plans to expand capacity.”

WCI Steel announces raw material surcharge

- 16 May 2008

WCI Steel, Inc announced that, because of continued significant increases in basic raw material and energy costs, it is revising its original raw material and energy surcharge on fixed price long term supply agreements from about USD 130 per net ton to USD 250 per net ton. The revised surcharge of USD 250 per net ton will become effective with shipments June 1st 2008 through June 28th 2008.

Mr David A Howard vice president commercial of WCI Steel said that “The surge in raw material costs that began late Q4 of 2007 has continued unabated into May 2008. This continued rise in raw material costs makes it necessary for WCI Steel to revise its raw material and energy surcharge to reflect this changing reality.”

As previously announced, the surcharge is based on the rate of escalation in costs since the fourth quarter of 2007. Any additional increases will be calculated on a month to month basis.

US ditches zinc penny for steel version

- 11 May 2008

It is reported that the US House voted to bring back the steel penny, saying it would be cheaper than the current practice whereby the government loses money on every penny it makes because of rising zinc prices.

The chamber approved legislation directing the US Mint to begin producing, within the next nine months, pennies made of copper plated steel not the zinc copper alloy currently used.

The measure also recommends phasing in steel nickels over the next two years.

Democrats, who noted that the government produced steel pennies during the Second World War when copper demand was high, said the plan would save USD 1 billion over the next decade.

MEPS increase forecast for SS prices

- 08 May 2008

UK based MEPS said that “Our forecasts have been revised upwards slightly as ferrochrome and scrap prices continue to soar.”

MEPS added that “Further rises in transaction values are likely over the next two months as mills recover these escalating costs. Declining nickel prices will not be enough to offset the increases from the other alloying elements. Austenitic alloy surcharges gains in North America and Europe of between USD 200 and USD 535 per tonne over the next two months are predicted with no significant drops anticipated until after the summer holiday period. Stainless selling figures for cold rolled coil type 304 are expected to top USD 4900 per tonne by the end of the second quarter, with type 316 values moving above USD 7500 per tonne. The market outlook is uncertain from July onwards. Although prices should remain high through the majority of the third quarter due to the increased raw material costs.”

MEPS said that “The April average nickel cash price on the LME will decrease by approximately USD 2400 per tonne compared to March. Values moved between USD 28000 and USD 29000 for the majority of the month.”

MEPS added that “Inventories in LME warehouses remain above 50000 tonnes. However, this appears to be having little impact on prices at present. Nickel values are expected to remain relatively stable next month. A downward trend is forecast from the end of the second quarter as economic worries have a negative impact on stainless demand and, therefore, production. This should lead to weakening nickel values as stockpiles begin to grow. The possibility of a strengthening dollar could also lead to profit taking and result in declining prices. Chromium and scrap costs are set to climb further in the short term, with prices remaining high throughout the course of 2008. Molybdenum figures are also expected to remain strong. Consequently, the fall in nickel is expected to be partially offset by rises in other raw material costs. Next year is likely to start positively as stainless activity increases.”

MEPS further added that “Uncertainty in the financial markets has not, so far, affected stainless steel demand. However, as the economic outlook for the second half of 2008 grows more bleak, with the threat of a US led recession remaining high, consumption is likely to decline. Consequently, downward price pressure is expected to intensify as the year progresses. This, coupled with a decrease in nickel costs, is forecast to drive transaction figures lower. A revival in prices is then anticipated early in 2009 as distributors restock after the Winter drawdown.”

Prices for 304 series SS in US to surge this month

- 08 May 2008

Purchasing.com reported that despite sluggish buying, cold rolled stainless steel in 304 grades in US could rise by 10% this month to USD 4270 per ton, 18% higher than it was in December.

It said that “The current stainless steel market is being described as confused with tight domestic supply and flat imports supporting stronger than expected transaction prices even though purchasing by end users and service centers is down 14% from year ago tonnage.”

It added that “What has not changed since March is that buying continues on an as needed basis. Demand is solid in the aerospace, energy and medical market sectors but down dramatically in the larger industrial, automotive and consumer-goods sectors. Yet, market economists anticipate further increases in stainless steel prices, perhaps even back toward the record levels of last summer, even if

market supply outweighs demand. That's because the recent moderation in alloy surcharges that have restrained the price inflation in North American stainless steel products is about to come to an end."

It said that ferrochrome is rising again and now is 25% higher than at the end of December, while nickel is 10% more expensive and stainless steel scrap supply is tight.

Scrap prices in US likely to erupt

- 07 May 2008

According to calculations posted by the American Metal Market, the May delivered price for scrap steel from auto stamping plants increased USD 135 per gross ton, bringing the revised price to USD 690. As market prices for heavy melting, busheling and shredded grades of scrap generally follow auto bundle trend within two weeks, prices for scrap are about to erupt.

In analyzing the revised run up of USD 290 from USD 400 in March, analyst Ms Michelle Applebaum in Chicago told clients that "The substantial hike was a result of the limited availability of prime scrap due to the American Axle & Manufacturing strike, weaker manufacturing output especially automakers and high prices for scrap alternatives such as pig iron and HBI which are ore based and are selling for similar prices on an iron unit equivalent' basis."

Ms Applebaum added that there's also a chance that some mills may be pre buying scrap since industrial output typically declines for summer vacation shutdowns and reduced auto bundle scrap supply.

Ms Applebaum is very bullish that the auto bundle numbers will be indicative of increased future prices for US market scrap and finished steel prices.

US steel industry supports the American Steel First Act

- 02 May 2008

It is reported that the Buy America Coalition consisting of the American Iron and Steel Institute Committee on Pipe and Tube Imports, National Steel Bridge Alliance and Steel Manufacturers Association have expressed its support of new legislation introduced by Reps Pete Visclosky and Phil English.

The legislation, entitled "The American Steel First Act," which the Buy America Coalition was instrumental in helping to develop, would require federally funded construction projects under the Department of Transportation, the Department of Defense and the Department of Homeland Security to use 100% American made steel products.

This expands the successful Buy America Act requirements currently applying to Federal Transportation Administration projects to also include other projects initiated by the DOT, DOD and DHS. An important part of "The American Steel First Act" is that it requires a public comment period for all projects that seek an exemption to these requirements. This important provision would allow the domestic steel industry to verify there is no domestic steel available for the project.

By requiring the use of American made steel products in these federal construction projects, along with other important federally supported projects, this legislation will help to ensure that our national infrastructure is made with quality domestic steel products. Furthermore, the use of these steel products will create greater economic prosperity for American steelworkers and steel communities across the nation.

The Buy America Coalition is a partnership between AISI, CPTI, NSBA, and SMA. The Coalition was formed in 2006 to represent all of the domestic steel industry in order to work with Congress and the Administration to improve compliance with Buy America laws, and to improve those laws.

Global demand for mining machinery to exceed USD 33 billion

- 02 May 2008

According to a new study from the Cleveland based industry research firm The Freedonia Group Inc, Global demand for specialized mining machinery and equipment including separately sold parts and attachments is projected to increase 5.9% per year through 2011 to USD 33.6 billion.

It said that “Advances will be fueled by continued demand for commodities such as iron ore and copper. In addition, the ongoing global thirst for energy will boost global coal output. China and India will be leading sources of mining equipment demand. However, just as importantly, these nations will continue to fuel demand for mined products throughout the world, thereby providing opportunities for machinery producers.”

The study said that China has shown strong growth in mining equipment demand, a direct result of investment in its local mining industry. For example, coal output nearly doubled from 2001 to 2006, reflecting the nation’s intense need for energy. China is also a major source of commodities such as iron ore and bauxite. Other major Asia/Pacific markets for mining equipment include Australia and India. Like China, India has experienced major growth in coal output in recent years. Australia, a leading producer of bauxite and iron ore, is a major source of commodities for its developing Asian neighbors.

It said that demand for mining equipment in Asia is expected to post strong gains, as region’s rising population and industrial output will lead to increased energy and raw material needs. Africa will post healthy gains, benefiting from rising demand for precious metals and copper. Growth in demand for mining equipment in Latin America will reflect increased mining investment in nations like Peru and Chile. Eastern Europe will also post gains, benefiting from gains in the large Russian market.

Growth in North America and Western Europe will lag the industry average, reflecting the maturity of these markets. However, the largest producers of mining equipment are generally found in the United States and the industrialized nations of Western Europe. Such countries have a long history and extensive expertise in the development of capital equipment industries of all types, which many have leveraged in mining machinery. China has quickly emerged as a major producer, due in large part to the nation’s growing mining industry. China has become a net exporter of mining equipment, shipping products to both developing nations and mature markets such as the US.

Riveting story of Titanic by 2 metallurgists

- 30 Apr 2008

96 years ago, on April 14th 1912, the supposedly unsinkable Titanic hit an iceberg off the Grand Banks of Newfoundland in the Atlantic Ocean and went straight to the bottom of the sea.

A study of the disaster and a new book, “What Really Sank the Titanic” by Ms Jennifer Hooper McCarty who started researching the Titanic's rivets while working on her Ph.D. at Johns Hopkins University in 1999 and Mr Timothy Foecke form a metallurgist at the U.S. government's National Institute of Standards and Technology who has been studying the Titanic for a decade argue that substandard rivets used in the ship's construction was a main cause for its sinking.

Ms McCarty and Mr Foecke claim to have uncovered new evidence from archives in London, the shipyard and the wreck that Belfast’s Harland and Wolff shipyard overreached itself with three projects to build White Star Line ships The Titanic, The Olympic and The Britannic and resorted to buying batches of poor quality iron to save money.

As a result, the authors say, the 46,000 tonne ship was constructed using cheaper rivets which popped prematurely when it collided with an iceberg. While exploring the wreck, the expedition did not find a large gash, but rather narrow slits where the metal plates of the hull had split apart. This stood

in contrast to what was previously suspected to be the cause of the wreck.

Examining the iron rivets from the wreck, Ms McCarty and Mr Foecke found high levels of slag which under pressure can make steel brittle and therefore weak. Approximately 3 million rivets were used in the Titanic, which measured 882 feet 9 inches long and displaced 52,310 tonnes.

Mr Foecke said that “Under the pressure to get these ships up, they ramped up the riveters, found materials from additional suppliers, and some was not of quality.”

Ms McCarty said "The company knowingly purchased weaker rivets, but I think they did it not knowing they would be purchasing something substandard enough that when they hit an iceberg their ship would sink.”

The authors noted that at the time the Titanic was built, there were not a whole lot of skilled riveters around so the work was substandard work. Riveters were making the transition to steel rivets, which are much stronger than iron, but they were used only in the central hull, where stress was expected to be the greatest. Of course, the Titanic took its blow to the front, where the rivets were the weakest.

Had the rivets been stronger, some have speculated, rescue boats could have arrived in time to rescue passengers. More than 1,500 people died in the shipwreck.

MEPS sees record hike steel prices in US

- 30 Apr 2008

UK based MEPS said that “US transaction prices are going through the roof with gains over the last four weeks as high as USD 145 per tonne for some products and more substantial hikes planned by the mills for June deliveries.”

MEPS added that “Domestic values have now caught up with average world prices. Although real demand is no more than satisfactory as the economy weakens, supply is being allocated by the local mills. The availability of imports is virtually nil, due to the weak US dollar, high ocean freight rates and soaring prices in other regions. OEM's complain that expected delivery times are not being met. Inventories at the service centers are described as low to medium. They are unlikely to be rebuilt in the short term as buyers are unwilling to speculate when steel is so expensive.”

MEPS said that “In Canada, domestic order intake is strong. Producers need to offset the large increases in raw materials, such as iron ore and scrap. Consequently transaction values continue to advance, despite alarm amongst customers. Current imports and permits for the future remain low. Whilst local demand is reasonable but not overly strong, reduced foreign supply has helped keep the market in balance. Distributors' inventories dropped 10 percent in February to the lowest volume in more than a year. Stocks are depleted enough to require the service centers to keep purchasing, although they hesitate to do so with prices so high. The mills have tabled more increases for June.”

MEPS added that “International values are rising more swiftly than those in China at present, spurring on producers to look again at export opportunities. However, local demand remains solid. Output cuts at steel mills around Beijing, ahead of this Summer's Olympic Games, are expected to further strengthen values. In Japan, steelmakers have reduced shipments to the distribution sector in order to service the requirements of contract customers at home and abroad. Service centers are looking for alternative sources overseas. Further, upward price adjustments are expected in the third trimester. Inventories of strip mill products held by the mills and distributors went down by 2.3 percent in February compared to the previous month. Imports declined by 14.4% in the same time frame. Export business continues to expand. In South Korea, as expected, POSCO has compensated for huge raw material cost rises by ramping up steel prices by an average of over 20%. Taiwan's Chung Hung Steel announced sharp increases on all flat products for April business. CSC is already warning

domestic customers of further price hikes to come in period three."

MEPS further added that "The upward price trend continues in the three East European countries under review. Monthly pricing is now commonplace amongst domestic mills. There is concern that the strength of local currencies against the Euro will have a negative impact on exports of both steel and manufactured goods. In Western Europe, despite relatively muted consumption, steel prices continue to escalate, sustained by supply-side restrictions. There are virtually no workable offers from third country sources. Moreover, many market players believe that the EU mills are maintaining low output in order to drive values up using higher input costs as justification. The producers are talking of another round of price advances for period three."