MEPS forecast steep hike in global steel prices in 2008

- 29 Feb 2008

UK based MEPS said that US mills appear to be busy with delivery lead times stretching out to early April as customers need to replenish stocks and there is a lack of imported steel at present, although this could change later in the year. MEPS added that "Inventories at the service centers have declined but business is not so robust. However, profit margins are said to be holding. Mill transaction prices have soared since our January report, driven by volatile input costs and higher energy and transport charges. The major steelmakers have all announced further, substantial hikes for second quarter supplies."

MEPS said that "Canadian mills have solid forward order books. Transaction prices continue to advance at a rapid rate as delivery lead times move out to April. Producers have tabled further increases of CAD 30 to CAD 50 per tonne for period two. Imports are effectively non existent. This, together with recent mill consolidations and production outages, has caused supply tightness. However, service centre business is slow, creating a great deal of competition at the distribution level, where resale values are under threat. With the rising steel prices and strong Canadian dollar, manufacturing companies are feeling extreme pressure."

MEPS added that "Supply was badly restricted in China in late January and early February by inclement weather. Since the return from the New Year holidays, domestic prices have undergone further positive developments in a climate of good demand and low stock levels. In Japan, flat product demand is strong from auto and electrical appliance makers but the distribution sector is weak. Nevertheless, inventories are gradually reducing. Quayside stocks of imported flat products, at the end of January, declined for the fourth consecutive month as overseas suppliers’ diverted goods to their domestic markets or more lucrative export ones. Buying activity has picked up because of expectations of significant price hikes planned for the second trimester. Market prices are already moving up as a result."

MEPS further added that "After weeks of speculation, POSCO finally announced it would ramp up South Korean prices for hot and cold rolled coil and also heavy plate destined for non shipbuilding applications, effective February 1. The company said it may have to go for further increases after April 1 when the higher costs of iron ore and coking coal will kick in. Values continue to rise in Taiwan, where sales are robust. Domestic mills are expected to boost values inline with the international situation for second quarter business."

MEPS said that "Excellent growth rates in industrial output continue to provide good levels of demand for Polish steelmakers. Although strip mill prices are stable this month, Mittal Steel Poland has announced increases for March. The Czech and Slovak market is firm with some shortages reported. Imports are scarce and customers are ready to accept planned price hikes in the second trimester. West European mills are also benefiting from a lack of competitive third country imports. Low inventories at distributors need to be replenished. Buyers are accepting that prices must go up as producers try to recover higher input costs."

HRB spot prices moving to new highs

- 28 Feb 2008

SteelBenchmarker reported that the US hot rolled band spot price for February 25th 2008 surged by 5.2% to USD 785 per tonne, FOB the mill for the eighth consecutive rise totaling USD 208, world export HRB price rise by 5.8% to USD 767 per tonne FOB the port of export, for the sixth consecutive rise totaling USD 186, Chinese HRB ex works price rose by10% to USD 604 per tonne for the fourth consecutive rise and the Western European HRB surged by 8.3% to USD 834 per tonne ex works for the second consecutive time.

USA
USD 785 per metric tonne FOB the mill
Up by USD 39 per tonne from USD 746 two weeks ago
Up by USD 225 per tonne from the recent low of USD 560 on August 13th 2007
Up by USD 155 per tonne from the recent high of USD 630 on April 9th 2007
China
USD 604 per metric tonne ex works
Up by USD 55 per tonne from USD 549 two weeks ago
Up by USD 134 per tonne from the recent low of USD 470 on October 22nd 2007
Up by USD 117 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe
USD 834 per metric tonne ex works
Up by USD 64 per tonne from USD 770 two weeks ago
Up by USD 171 per tonne from the recent low of USD 663 on July 23, 2007
Up by USD 138 per tonne from the recent high of USD 696 on June 11th 2007

World Export Price
USD 767 per metric tonne FOB the port of export
Up by USD 42 per tonne versus USD 725 two weeks ago
Up by USD 217 per tonne from the recent low of USD 550 on July 23rd 2007
Up by USD 171 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.

**MEPS forecasts substantial steel price hikes in EU**

- 27 Feb 2008

UK based MEPS said that EU mills are benefiting from a lack of competitive third country imports as low inventories at distributors need to be replenished and customers are accepting that prices must go up as producers try to recover higher input costs.

MEPS added that "ArcelorMittal has announced a 12% to 15% hike for April deliveries. First quarter order books filled up quickly as buyers placed business ahead of the anticipated price rises. Although a small number of deals have been done at higher prices, it is too early for period two settlements to be finalized. Consequently, the figures in our flat products price tables are indicative of those agreed for late first quarter orders.”

MEPS said that "Business levels in Germany are acceptable. Customers are faced with price hikes in the second trimester but it will be early March before serious discussions begin. A number of buyers believe that the mills' demands are too much and that EUR 40 to EUR 50 per tonne would be a more realistic target, with perhaps a further EUR 30 per tonne in the third quarter. Stocks at the service centers are back to normal levels now and some distributors have tried to build inventories ahead of any price advances. There are no attractive third country quotations. Chinese and Indian producers have stopped offering and Russian prices are too high.”

MEPS added that "Values are moving up in the French market as buyers express concern at the magnitude of the proposed rises. Should the situation reverse quite soon, distributors could be in trouble. Negotiations for April are not yet completed but certainly first quarter prices are no longer valid as the mills have closed their books. The figures in our table refer to the last period one deal that took place. Buyers are expecting to pay EUR 70 to EUR 80 per tonne more. The large quantities of strip products held by service centers and end users were adjusted by the end of 2007 and stocks are now close to normal levels, so customers are forced to return to the market.”

MEPS said that "The threat from Chinese imports has lessened considerably in Italy, partly due to logistic difficulties at Chinese ports and also because of the changes to export duties. In addition, maintenance closures at Italian domestic mills have also served to tighten supply. This limited availability, together with low inventories and escalating raw material costs, has enabled local producers to push through some significant increases during recent price settlements. They will be seeking further rises in the coming months, despite relatively slow demand at present.”

MEPS also said that "In the UK, Corus expects to lift second quarter strip product prices by £80/106 per tonne, depending on specification. The company said that more hikes cannot be ruled out. Although met with disbelief by
some customers, the proposed values will still be attractive compared to current International figures. Real demand is not strong and there are indications of weakening end user order books going forward, due to current difficulties in financial markets. However, the inventories that built up in the latter half of 2007 have now worked their way through the system. Consequently, distributors have started purchasing again.”

MEPS said that “Belgian customers are anticipating sharp increases as raw material expenditure soars. There is no negative pressure whatsoever from non-EU imports. The home market is strong. Inventories at service centers and end users are low and restocking continues. Demand is still good. Distributors are recouping any mill rises from their customers.”

MEPS added that “The Spanish market is quiet. Demand is slowing down because the economy is performing less well. Sales to the construction sector have fallen back dramatically. In general, service centers do not have a lot of orders but their stocks were back to normal by the turn of the year and now some gaps are appearing for certain sizes and specifications. Although the target prices proposed for period two by European suppliers are still substantially below International market levels, some buyers still feel the full amount will be difficult for the mills to implement.”

**Chinese domestic plate prices witness major surge**

- 26 Feb 2008

It is reported that steel plate prices in China, which have been on increase since start of 2007, witnessed a major jump in last few days after the announcement of 65% price hike in iron ore levels.

As per market reports, Yingkou Steel’s 16mm commercial grade plate in Shanghai market is being quoted at CNY 5780 per tonne up by CNY 480 per tonne as compared to February 13th 2008, when Chinese markets opened after Chinese Spring Festival.

As per report, the current plate export offers from tier 1 mills are at USD 900 per tonne on FOB basis levels and from tier 2 mills at USD 860 to USD 880 per tonne on FOB levels.

But no evident change in export offers has been reported, despite surge in domestic market, as they are finding it hard to conclude business at current levels. Most steel makers are reported to be in wait and watch mode.

**US and Canadian steel inventories decline in January**

- 25 Feb 2008

According to the latest Metals Activity Report from US based Metals Service Center Institute, despite the weak overall economy, January declines in steel and aluminum shipments from US and Canadian metals service centers were small, suggesting more strength in metals end user markets than had previously been supposed. As per report, steel shipments were down from year earlier levels just 2.7% in the United States and 2.3% in Canada.

Steel shipments from US metals service centers fell to 4.5 million tons in January. Month end inventories totaled nearly 12.2 million tons, down by 25% YoY. At current shipping rates, the number of months of supply on hand was 2.7, well below the December months of supply figure because of the onset of typical spring seasonal supply requirements.

Canadian service centers shipped 329,400 tons of steel during January, down by 2.3% YoY. Steel inventories in Canada ended the month at 1.2 million tons or 3.8% YoY, but slightly larger than in December 2007. Canadian steel inventories equaled a 3.7 month supply at current shipping rates, like the US months of supply figure well below December 2007.
The Metals Activity Report, based on data from metals service centers in the United States and Canada, is produced by the Metals Service Center Institute and a third party econometrics and strategy firm, McCoy, Scott & Co.

Founded in 1909, the Metals Service Center Institute has more than 420 members operating from about 1,200 locations in the US, Canada, Mexico, and elsewhere in the world. Together, MSCI members constitute the largest single group of metals purchasers in North America, amounting each year to more than 65 million tons of steel, aluminum, and other metals, with about 300,000 manufacturers and fabricators as customers.

**US lowers forecast for economic growth in 2008**

- 25 Feb 2008

It is reported that Federal Reserve expects the US economy to grow between 1.3% and 2% in 2008, lower than a pace between 1.8% and 2.5% it projected in October 2007. It said that “With no signs of stabilization in the housing sector and with financial conditions not yet stabilized, the committee agreed that downside risks to growth would remain even after the interest rate cuts in January.”

The Federal Reserve also expects higher unemployment for this year. It said “With the economy slowing down further, the unemployment rate is expected to rise to 5.2% to 5.3% in 2008 higher than the Fed's previous forecast rate of 4.9%.”

As energy prices are soaring, the Federal Reserve also expects inflation to be between 2.1% and 2.4% this year. It had forecast that inflation would be at around 1.8% to 2.1% for 2008 but now said that “These downward revisions to the 2008 outlook stemmed from a number of factors, including a further intensification of the housing market correction, tighter credit conditions amid increased concerns about credit quality and ongoing turmoil in financial markets, and higher oil prices.”

It said that beyond 2008, however, a number of factors are projected to buoy economic growth, including a gradual turnaround in housing markets, lower interest rates associated with the substantial easing of monetary policy to date and appropriate adjustments to policy going forward and an anticipated reduction in financial market strains.

**Timken to increase prices of seamless mechanical tubing**

- 21 Feb 2008

The Timken Company announced that it will increase prices on carbon and alloy seamless mechanical tubing by up to 15%, depending on the size and product specification. This price increase is effective with shipments beginning on April 1st 2008.

Raw material surcharges will remain in effect.

**Thompson Creek cuts molybdenum forecast for 2008**

- 21 Feb 2008

Reuters reported that Thompson Creek Metals Co Inc has cut its 2008 production forecast for molybdenum after a pit wall slide at one of its mines, but said the group's 2007 output was higher than had been expected.

Thompson Creek, one of the world's largest publicly traded pure molybdenum producers, said that it expects its 75% share of output at the Endako mine will be between 6.5 million and 7.5 million pounds in 2008. It previously estimated output would be between 7.5 million and 8.5 million pounds.

Thompson Creek in a statement said that "This revised guidance is based on a new mine plan necessitated by a pit wall slide experienced last November at the mine's Endako pit.”
The company did not change its guidance for production at its other operation, the Thompson Creek mine, keeping it at between 16.5 million and 17.0 million pounds for this year.

Thompson Creek's total production of molybdenum is now expected to be between 23 million pounds and 24.5 million pounds in 2008, compared with the previous estimate of between 24 million pound and 25.5 million pounds. For 2009, the company continues to expect its total molybdenum production will be in excess of 34 million pounds.

**Iron ore price negotiations – Movement in last 13 years**

- 19 Feb 2008

Following is a table on iron ore settlement prices in last 13 years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>28.3</td>
<td>6.0%</td>
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<tr>
<td>1997-98</td>
<td>28.6</td>
<td>1.1%</td>
</tr>
<tr>
<td>1998-99</td>
<td>29.5</td>
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<tr>
<td>1999-00</td>
<td>26.2</td>
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<td>2000-01</td>
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<tr>
<td>2002-03</td>
<td>27.8</td>
<td>-2.4%</td>
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<td>2003-04</td>
<td>30.3</td>
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<td>2007-08</td>
<td>80.4</td>
<td>9.5%</td>
</tr>
<tr>
<td>2008-09</td>
<td>132.7</td>
<td>65.0%</td>
</tr>
</tbody>
</table>

The prices refer to material in US cents per metric tonnes per one percent unit iron
The prices refer to Australian iron ore on a FOB
Price for 2008-09 is derived taking 65% increase

**AK Steel increase carbon steel prices by USD 30 per ton**

- 19 Feb 2008

AK Steel Holding Corp announced that it will increase spot market prices for its carbon steel products by USD 30 per ton for all new orders, effective immediately.

AK Steel said the price increase is in response to increased demand for carbon steel products as well as the need to recover higher costs for steelmaking inputs.

**MEPS forecast another record year for global steel production in 2008**

- 15 Feb 2008

MEPS forecast that world steel production in 2008 at 1420 million tonnes. This equates to a 5.7% increase on our predicted outturn of 1343.5 million tonnes in 2007. MEPS added that over the past twelve months demand continued to be firm, with output rising by approximately 7.5%.
<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008 F</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>210.0</td>
<td>215.5</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other Europe</td>
<td>30.5</td>
<td>33.4</td>
<td>9.5%</td>
</tr>
<tr>
<td>USSR</td>
<td>124.4</td>
<td>131.2</td>
<td>5.5%</td>
</tr>
<tr>
<td>NAFTA</td>
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<td>134.8</td>
<td>1.5%</td>
</tr>
<tr>
<td>South America</td>
<td>48.0</td>
<td>51.8</td>
<td>7.9%</td>
</tr>
<tr>
<td>Africa</td>
<td>18.9</td>
<td>20.1</td>
<td>6.3%</td>
</tr>
<tr>
<td>Middle East</td>
<td>16.4</td>
<td>18.5</td>
<td>12.8%</td>
</tr>
<tr>
<td>China</td>
<td>489.0</td>
<td>533.0</td>
<td>9.0%</td>
</tr>
<tr>
<td>Japan</td>
<td>119.8</td>
<td>120.0</td>
<td>0.2%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>144.9</td>
<td>152.7</td>
<td>5.4%</td>
</tr>
<tr>
<td>Oceania</td>
<td>8.8</td>
<td>9.0</td>
<td>2.3%</td>
</tr>
<tr>
<td>Total</td>
<td>1344.0</td>
<td>1420.0</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

(In million tonnes)
Source: MEPS - World Steel Outlook

MEPS said that "Blast furnace iron making in 2008 is forecast to top 1000 million tonnes 6% up on our anticipated figure of around 946 million tonnes in 2007. This represents a gain of 8% over the 2006 outturn. A substantial rise is also foreseen for direct reduced iron manufacturing in 2008 after significant improvement in the previous twelve months."

MEPS added that "EU 27 steel production in 2007 is now expected to be approximately 210 million tonnes. Our forecast for 2008 is marginally higher at 215 million tonnes. We envisage quite stable demand but the domestic producers should claw back some of the previous year’s consumption lost to third country suppliers. It added that steel demand in the rest of Europe expanded by almost 2.5 million tonnes in 2007. Strong demand in Turkey was the main driver for this advance.

MEPS said that "Crude steel production in the former USSR in 2007 is predicted to be significantly above 124 million tonnes up by almost 4%YoY. A further substantial improvement is forecast for 2008 rising to in excess of 130 million tonnes in the region.”

It added that "Nafta steel production in 2007 will be near to 133 million tonnes 1% up on the prior year. Further similar improvement is forecast for 2008 now that third country imports are restricted due to the weakness of the US dollar.”

Steel production in South America will be near to 48 million tonnes in 2007 up by 6% on the year earlier figure. This improvement is mainly due to rising local demand. Further growth to near 52 million tonnes is anticipated for 2008.

MEPS said that "Steel production in 2007 in Africa will be slightly up on the outturn in the previous year. A substantial improvement is anticipated for 2008 as new capacity comes on stream and furnace relines are limited. Production of steel in the Middle East is increasing briskly. Demand is accelerating at a rapid pace. Output in 2007 will be one million tonnes up on the year earlier figure. Gains of more than 2 million tonnes are forecast for 2008.”

MEPS further added that steel output in the Asian region will be above 750 million tonnes in 2007 rising to in excess of 800 million tonnes in the following twelve month period. Consumption from the construction industries is the main driver for this continued substantial improvement. Steel manufacturing will be marginally higher in Australia in 2007. Further modest improvement is forecast for 2008.
**Hot band spot prices moving towards record levels**

- 15 Feb 2008

SteelBenchmarker reported that the US hot rolled band spot price for February 11th 2008 surged by 5.7% to USD 746 per tonne, FOB the mill for the seventh consecutive rise totaling USD 169, world export HRB price rise by 4.6% to USD 725 per tonne, Chinese HRB ex works price rose by 0.9% to USD 549 per tonne and the Western European HRB surged by 8% to USD 770 per tonne ex works after slipping last time.

**USA**

USD 746 per metric ton FOB the mill  
Up by USD 40 per ton from USD 706 two weeks ago  
Up by USD 186 per ton from the recent low of USD 560 on August 13th 2007  
Up by USD 116 per ton from the recent high of USD 630 on April 9th 2007

**China**

USD 549 per metric ton ex works  
Up by USD 5 per ton from USD 544 two weeks ago  
Up by USD 79 per ton from the recent low of USD 470 on October 22nd 2007  
Up by USD 62 per ton from the previous high of USD 487 on September 10th 2007

**Western Europe**

USD 770 per metric ton ex works  
Up by USD 57 per ton from USD 713 two weeks ago  
Up by USD 107 per ton from the recent low of USD 663 on July 23rd 2007  
Up by USD 74 per ton from the recent high of USD 696 on June 11th 2007

**World Export Price**

USD 725 per metric ton FOB the port of export  
Up by USD 32 per ton versus USD 693 two weeks ago  
Up by 175 per ton from the recent low of USD 550 on July 23rd 2007  
Up by USD 129 per ton 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.

**US steel mills pushing for wire rod price hike**

- 13 Feb 2008

Purchasing.com reported that steels mills are citing a lack of imports and increased scrap costs for as much as USD 200 per ton in increased wire rod prices for March and April deliveries that could bring spot prices up around USD 800 per ton.

In letters to customers, US steel rod mills Keystone Steel & Wire ArcelorMittal Long Carbon North America say price increases are needed to offset scrap costs, which have risen by USD 90 to USD 100 ton when compared with 2007 average costs.

Various news sources are reporting that supply deals with lower prices are being terminated by the mills, claiming there is tight supply in the U.S. market due to reduced inventories and imports. However, demand has weak for some months and the rate of inflation hasn't matched mill announced price hikes.
**ArcelorMittal USA to increase steel plate prices by USD 80 per short tons**

- 12 Feb 2008

Platts reported that ArcelorMittal USA will increase spot market prices for its steel plate products by USD 80 per short ton, effective with shipments from March 30th 2008.

Ms Shelby Pixley CEO of Arcelor Mittal USA Plate said that the price hike covers all as rolled carbon and HSLA plate up to 3 inches thick. The price increase also includes wide coil plate.

Ms Pixley said both domestic and global plate demand is strong, but raw material costs are also rising. The current spot price of shredded auto scrap a major feedstock for plate mills is USD 397 per long ton in the Midwest, up USD 82 since the beginning of the year.

The current Platts assessment for grade A36 carbon plate is USD 830 to USD 840 per short ton ex works US Southeast, following a USD 30 per short tons price increase last month.

**Nippon Steel to raise steel prices as much as 20%**

- 11 Feb 2008

The Nikkei newspaper without saying where it got the information reported that Nippon Steel Corp plans to increase steel sheet and plate prices by 10% to 20% in April 2008 because of soaring raw material costs.

The report said that Nippon Steel will soon start negotiations with customers on prices for steel used to make cars and home appliances.

According to the newspaper, the increase, if followed by competitors, may increase costs for customers by JPY 1 trillion (USD 9.3 billion) and push up Nippon Steel's prices to the highest since the early 1990s.

**1.5 million manufacturing jobs lost in US in past 7 years - AAM**

- 10 Feb 2008

A new analysis by the Alliance for American Manufacturing on the 24 states holding caucuses or primaries on February 5th 2008 found that

1. The 24 states have lost approximately 1,568,600 manufacturing jobs in the past 7 years
2. These 24 states have lost a total of 914,400 jobs across all sectors between 2001 and 2006 as a direct result of the US trade deficit with China
3. Manufacturing is the top contributor to the economies of 15 of these states.

Mr Scott Paul director of AAM said that “Jobs and the economy will be the top issues that drive voters to the polls on Super Tuesday. The Super Tuesday states have lost more than 1.5 million manufacturing jobs good paying jobs that can’t really be replaced by lower paying service sector jobs. The presidential candidates would be wise to directly address these issues and let the voters know what they will do to strengthen American manufacturing, challenge China’s unfair trade practices, and reform our broken trade policy.”

The Alliance for American Manufacturing is a unique non partisan, non profit partnership forged to strengthen manufacturing in the US. It brings together a select group of America’s leading manufacturers and the United Steelworkers to promote creative policy solutions on priorities such as international trade, energy security, health care, retirement security, currency manipulation and other issues of mutual concern.
US SS alloy surcharges up in February

- 08 Feb 2008

According to SSB reported, the America stainless alloy surcharges of grade 304 and 316 increased in February 2008. However, the grade 430 has increased since last October.

As the Allegheny Technologies Incorporated one of the biggest specialty metals maker has announced to raise its alloy surcharges of grade 304 from USD 1.30 per short ton to USD 1.41 per short ton, North American Stainless raised its alloy surcharges of grade 304 from USD 1.29 per short ton to USD 1.40 per short ton.

Besides, ATI has also lifted its alloy surcharges of grade 316 from USD 2.20 per short ton to USD 2.35 per short ton. North American Stainless increased it alloy surcharges of grade 316 from USD 2.19 per short ton to USD 2.34 per short ton.

MEPS global forecast for SS prices

- 06 Feb 2008

MEPS said that "World average stainless selling values are forecast to move lower again in February." It added that "Rises in the EU and Asia are expected to be outweighed by falls in North America. Large drops in the US alloy surcharges of USD 400 per tonne for type 304 and USD 550 for grade 316 are anticipated. Gaps in distributor inventories in the West are expected to be replenished soon. However, uncertainty regarding the economic outlook for 2008 is likely to limit stock building. Transaction values in Asian should move up slowly over the coming months as output curbs begin to take effect. Weaker demand and reduced nickel costs should result in world transaction figures remaining significantly below previous highs. Grade 304 cold rolled coil prices are forecast to reach approximately USD 4400 per tonne by the middle of the year, with type 316 values reaching almost USD 7050 per tonne.

MEPS said that "As predicted last month, the monthly average cash nickel value increased this month. Nickel stocks began to level out at the beginning of January before trending downwards during the middle of the month but climbed again over the last week. An imminent revival in the world stainless steel market should spur nickel prices to move higher in the short term. However, weaker demand for primary nickel from China is forecast for 2008. This, coupled with a difficult economic climate in the West, is unlikely to lead to values moving above the USD 30000 per tonne mark. New capacity, due on stream later this year, could force prices lower during the final two quarters. As such, stainless transaction values are forecast to fall during the final two quarters despite increased chrome, molybdenum and scrap costs."

MEPS added that "The rise in stainless selling figures over the early part of 2008 is expected to be erased during the second half of this year. Oversupply in China is likely to cause exports from East to West to increase, once again. Reduced demand, as a result of a weaker world economy, could also add further negative pressure. Consequently, average prices this year are forecast to be lower than in 2007 recording a decrease of approximately USD 630 per tonne for type 304 cold rolled coils and almost USD 700 per tonne for grade 316. These represent declines of approximately 13% and 9% respectively."

US domestic scrap price may drop in February

- 06 Feb 2008

YIEH reported that the US scrap market as well as the Japanese scrap export are holding stable without continuously moving upwards at this moment, after the previous price jump of global scrap market, it is believed that the current period is properly the restructuring time for scrap market. In February, the US bundle scrap price may fall by USD 10 per tonne.

South Korean Hyundai Steel Company also lowered its bid to Japanese sourced scrap by JPY 500 per tonne at the end
of January. The export price from US Western Coast is down to USD 77 per tonne as well. It is anticipated that the US scrap market will experience further uncertainty and fluctuation in coming few months.

**JPMorgan Chase raises 2008 coal prices forecast**

- 04 Feb 2008

JPMorgan Chase & Co last week said annual coal contract prices will rise more than earlier forecast because of an increase in demand from India and constraints on global exports. It raised its estimate for 2008 contract prices for power station coal to USD 90 per tonne from earlier USD 70 per tonne.

Mr David George analysts for JPMorgan said "Given the strong growth in demand for seaborne coal with limited new supply, we see overall strength for the international coal market. In addition to China we expect growth in Indian demand. Contract prices for thermal coal are presently USD 55.65 per tonne for the year that started April 1st 2008 while coking coal contract prices are USD 98.38.”

According to the globalCOAL NEWC index prices for thermal coal burnt in power stations, jumped 3.9% to a record USD 93.35 per tonne last week at Australia’s Newcastle port. Coking coal prices are being driven up by reduced output in northeastern Australia due to flooding.

**Global supply issues impacting US coal prices and supply**

- 04 Feb 2008

It is reported that a rash of major coal supply issues around the world has made US export coal more attractive and more expensive.

BNP Paribas’s Lance He said about the Chinese market, “Given the tight supply, we believe incremental coal demand would mainly trade at spot prices. We expect large coal makers’ spot sales to increase in 2008. We expect coal makers to enjoy average selling price hikes in 2008.”

Floods in Australia, the world’s second largest coal exporter, temporarily shut down mines and forced several producers to declare force majeure, driving coal prices in that region most headed to China to record highs on limited supply. Also affecting global markets was the news that China announced a two month halt to coal exports, as it becomes more concerned with its domestic power needs. Turning off the Chinese supply for two months has impacted global prices.

**MEPS reports SS price dip in January globally**

- 04 Feb 2008

MEPS reported that January transaction prices for austenitic stainless grades fell in most parts of the world.

MEPS said that “Exceptions were the United States and Spain. Mills in these countries currently use a reference period for surcharges based on alloy costs recorded two months prior to delivery of the steel. The remaining nations have either no alloy surcharge or the term for calculation is based on the price of inputs in the month before delivery of the stainless product.”

MEPS said that “Surcharges are not universally applied but it is said that stainless producers in China, Taiwan and South Korea are seriously considering introducing them in the near future. A limited system is in force in the Japanese market. Acerinox, the Spanish producer, which maintains the previous EU method for alloy surcharge calculations, is said to be prepared to move in line with the other major regional flat products manufacturers.”
MEPS added that "If Acerinox do introduce a system for calculating alloy surcharges similar to that undertaken by its competitors, it will simplify the current complex situation across the EU. This month, Spanish and US alloy surcharges for the 300 series are just below the December outturn. However, in the remainder of Europe, figures decreased significantly. In February, US and Spanish austenitic surcharges will be lower but in the rest of Europe a higher value will be recorded."

**Rising raw material cost to push steel price to new high - MEPS**

*31 Jan 2008*

UK based MEPS reported that although US inventories are down at the distributors, the business is not robust. It said "However, margins are holding. Supply side tightness and ongoing escalating costs for raw materials, energy and freight are driving transaction prices up as producers announce a series of increases at USD 30 per ton in January 2008 to be followed by USD 40 per ton for February 2008 shipments. Import volumes are massively reduced and the price of foreign steel is soaring."

MEPS said that “Canadian imports in the first half of 2008 are expected to continue at a low level as prices remain above domestic values and freight costs increase. Rising input expenses are creating a strong impetus for steelmakers to boost their prices, overshadowing relatively soft consumption. The strong local currency is still adversely affecting the country’s manufacturing base.”

MEPS added that “Chinese ministry of finance finally issued new export tax rates on December 26th 2007 with effect from January 1st 2008. Domestic market prices have undergone further positive developments over the last month in a climate of good demand and relatively low stock levels. Increasing costs of production continue to drive the mills to push for price rises. Inventories are gradually reducing in Japan as producers limit output to the general market because of poor construction activity. Stocks throughout the supply chain are decreasing. Demand from the auto and electronics sectors is good.”

MEPS said that “Despite strengthening downstream consumption, South Korean producers kept flat product prices steady but in late January proposed significant hikes. As expected, values are on the rise in Taiwan, where sales are robust and raw material prices and shipping costs are climbing. CSC had already tabled price advances for the first quarter. Triggered by the Chinese ingot export tax rise of 25%, the gains were higher than the market expected.”

MEPS said that “In Poland, ArcelorMittal has pushed through a small increase on strip mill products for February delivery. The tendency for the next couple of months is likely to be upwards as the economy continues to prosper. Prices in the Czech Republic and Slovakia are slightly down, influenced by business in neighboring countries and the strong local currency. Although economic growth has slowed, it is still good. Steel stocks are low at service centers, consumers and mills. Market players are optimistic about conditions in 2008.”

MEPS further added that “Import offers are now well above those pertaining in Western Europe for the first quarter of 2008. This will certainly leave the domestic mills with opportunities to lift prices when period two discussions open.”

**EU SS surcharge to increase by EUR 100 per tonne in February**

*30 Jan 2008*

YIEH reported that main European stainless steelworks are going to raise alloy surcharges on 304 grades by EUR 100 for February 2008 deliveries to between EUR 1,696 per tonne and EUR 1,740 per tonne.

Although the increase range reaches EUR 100 per tonne, the surcharge is still lower than the December 2007 surcharge of EUR 1,884 and EUR 1,635 per tonne.