Recession reports - ArcelorMittal suspends purchase of ferroalloys

- 14 Nov 2008

Platts reported that ArcelorMittal vide a letter dated November 11th 2008 has told its ferroalloys suppliers that it will not accept any more deliveries of ferroalloys until further notice.

Platts reported that the letter said "We apologize for the speed with which we have had to take this action. You will appreciate that our actions are a direct consequence of the prevailing difficult business environment, which has resulted in curtailment in production at many of our plants."

As per report, the letter avoided using the word cancel or cancellation and just said that "We are unable to accept delivery of any ferroalloys tonnages until further notice."

The letter added that "Until December, operations at around 20 of ArcelorMittal's 28 blast furnaces in Europe would be curtailed and a similar situation existed at its facilities in the rest of the world. We do not know how long this situation will last."

Platts report added that traders and ferroalloys producers described the move by ArcelorMittal as unacceptable, with one European ferrotitanium supplier telling Platts that it had instructed its agent to launch legal proceedings against the steel maker on its behalf.

A US trader predicted a wave of legal actions against ArcelorMittal. He told "It is going to keep the lawyers busy for years. The thing is, you've got a lot of small businesses that won't survive because of this. They will go bust and lose everything. They've got no choice but to sue. Most people are going to draw a line in the sand and say, You can't do this, not the size that you are and they're going to fight this."

US CR sheet prices dropped by 9.5%

- 11 Nov 2008

Purchasing.com reported that some steel mills in US continued to quote an unattainable USD 1,000 per tonne for cold rolled sheet in coils in October 2008. Instead, users bought at an average price of USD 961 or about USD 100 under the September 2008 price. They also expect to see transaction prices down close to USD 80 in November at around USD 883.

That's because cold rolled sheet steel shipments are falling off a cliff, steel users are still on strike either awaiting even lower market prices or truly don't need new supplies in the collapsed metalworking economy. Meanwhile, hot rolled steel sheet price average decline of 8.5% from September to USD 854 per tonne.

In fact, prices will sink even lower in the final two months, as early reports from buyers say November delivery prices are averaging USD 800 per tonne. All this reflects the fact that only 17% of steel buyers polled in October by Purchasing plan to increase steel purchasing into early 2009.

Recession Report - One third of orders for dry bulk ships axed

- 11 Nov 2008

Reuters cited some industry insiders and analysts as saying that at least one third of orders to build dry bulk ships may be cancelled and many others delayed due to the global financial crisis and tight lending conditions.

Demand for ocean transport has plummeted due to falling demand for commodities and to fears of recession. Freight rates have tumbled and financing of projects has proved tougher in the industry as lending conditions stay tight. The massive fleet order book, built up over 5 years of booming growth, is expected to see large cuts, with many already announced. Many industry sources now say that the cut in orders could be even bigger than expected.

Mr Erik Andersen head of shipping brokerage Platou said that "We think that one third of the bulk order book will be cancelled and that the remaining orders will see quite a few delays. This was mainly for 2010 and 2011."

Mr Andersen said that as a result, the order book would grow by about 7% to 8% per year over the next few years, down from 12% to 15% in the peak years.

This week US based Genco Shipping & Trading Ltd cancelled a deal to buy 6 dry bulk vessels. Britannia Bulk Holdings Inc said in late October 2008 that it may file for bankruptcy protection due to the financial squeeze.

The Baltic Exchange's dry sea freight index, a gauge of global demand for dry commodities, sank to a 9 year low this week, as fears of global recession and tight lines of credit suffocated trade. It has fallen more than 90% from its peak in May 2008.

Nickel prices are expected to plunge well into 2009

- 10 Nov 2008

Purchasing.com reported that nickel prices have plunged almost 60% this year, as slowing global economic growth has cut demand for the alloying mineral from producers of stainless steels and other specialty metals.

With no purchasing pickup in sight, analysts polled by Purchasing.com suggest that the world price for nickel cathode will cost an average USD 10.50 per pound this year as compared with USD 17.38 last year. Next year, the new consensus average now sees the price averaging USD 6 per pound.

Royal Bank of Scotland research this month puts world finished nickel production at 1.43 million tonnes in 2007 and forecast a fall to 1.41 million tonnes in 2008. RBS analysts add that consumption was 1.3 million tonnes in 2007 and forecasts it will be 1.4 million in 2008, an implied surplus of 97,000 tonnes in 2007 moving to 15,000 tonnes this year.

But, Mr Stephen Williams, marketing director for stainless steel materials at BHP Billiton, said that that the nickel surplus could reach 22.7 million tonnes this year and rise to 47.4 million tonnes in 2009.

Scotiabank economist Patricia Mohr notes in a commodities report today that London Metal Exchange nickel prices, now under USD 5.30 per pound have retreated to breakeven costs including depreciation and interest expense. Current nickel prices are below break even level for some miners. Average production costs are estimated at about USD 5 per pound as an industry average and as high USD 6.80 for the highest cost producers. Since it now is estimated that some 40% of the nickel mining and smelting industry may be losing money.

IEA predicts oil price to rebound to USD 100 a barrel

- 09 Nov 2008

International Energy Agency will report next week that oil prices will rebound to more than USD 100 a barrel as soon as the world economy recovers and will exceed USD 200 by 2030.

The report said that while market imbalances could temporarily cause prices to fall back, it is becoming increasingly apparent that the era of cheap oil is over. Its World Energy Outlook has come to this conclusion largely because it believes companies will struggle to pump enough new oil to offset the steep production declines of the world's older fields.

The industry will have to invest USD 350 billion each year until 2030 to counter the steep rates of decline of existing fields and find enough extra oil to satisfy the growing demand of countries such as China.

The agency found that output from the world oil fields is declining at a natural rate of 9% the. This decline rate is curtailed to 6.7% when current investments to boost production are made. However, even with such investments, the decline rate worsens significantly to 8.6% by 2030.

The declining rates are steeper than the industry had previously assumed. They are also slightly steeper than an earlier draft of the report because the IEA has expanded the study to 800 oil fields, adding 250 smaller fields.
The stark assessment comes as companies cancel projects from Kazakhstan to Canada because the collapse in oil prices makes them uneconomical.

No respite for the molybdenum market as prices move lower again

- 09 Nov 2008

Platts reported that molybdenum prices in Europe registered another sizable drop this week as the sell off, which has seen both moly oxide and ferromoly prices shed around 60% of their value since the beginning of October, showed few immediate signs of abating.

The market continues to be pressured lower by a combination of not much consumption, supply overhang, destocking and fear.

Consumer sales were reported booked in the US at USD 11.50 per pound and USD 11.75 per pound and as low as USD 11 per pound in Europe, although one trader was able to achieve a price of above USD 13 per pound early in the week for a very prompt truckload sale, delivery November 10th 2008.

While copper miners who are also byproduct moly producers are less exposed to falling prices, the sharp drop will still have an impact on their bottom line.

The ferromoly market, which is typically more liquid, also moved lower again, with the Platts European duty paid price set at USD 26 to USD 29 per kilogram, down from USD 33 to USD 36 the previous week.

Recession reports - UBS slashes commodities outlook again

- 07 Nov 2008

Reuters reported that investment bank UBS has slashed its commodities outlook for the second time in just a few weeks, predicting a slowdown in global growth in 2009 will eat deep into industrial raw material demand. It cut forecasts for commodity prices in 2009 by an average of 37% after its economists trimmed their forecasts for global growth next year to 1.3% from an earlier forecast of 2.2%.

UBS said that "This has a meaningful impact on commodity markets, pushing surpluses up further and, over the medium term, negating the positive effects of continued poor supply growth. Key benchmark commodities oil and copper are forecast to average USD 60 a barrel and USD 1.30 a pound respectively in 2009 and iron ore faces a 40% price decline for the next year's contract."

It added that "The huge downdraft in global equity markets and the widening of corporate credit spreads that has unfolded are now likely to take an even bigger toll on economic activity than we thought possible a few weeks ago."

The report said that base metals prices were likely to fall significantly below marginal costs in 2009, given the expected slowdown in demand, while de-stocking by producers and consumers would continue.

UBS said that slowing demand for steel was likely to put pressure on iron ore suppliers, noting Chinese imports from India have fallen quickly, depressing spot prices. It added that "While the large suppliers are likely to cut back on production in order to mitigate some of the loss in demand, we expect that they will need to cut pricing, effectively giving up the price increase achieved in 2008."

UBS commodity forecast revisions for 2009

Forecast	Previous	New	Change
WTI Oil	105	60	-43%
Thermal coal	125	100	-20%
Uranium	72.5	38	-48%
Aluminum	115	75	-35%
Copper	250	130	-48%
Nickel	750	400	-47%
Zinc	80	45	-44%
Coking coal	250	180	-28%

Oil: USD per barrel
Thermal coal: USD per tonne
Coking coal: USD per tonne
Others: Cents per pound

UBS commodity forecast revisions for 2010

Forecast	Previous	New	Change
WTI Oil	117	75	-36%
Thermal coal	130	90	-31%
Uranium	90	50	-44%
Aluminum	125	90	-28%
Copper	300	155	-48%
Nickel	850	500	-41%
Zinc	90	55	-39%
Coking coal	230	130	-43%

Oil: USD per barrel
Thermal coal: USD per tonne
Coking coal: USD per tonne
Others: Cents per pound

India and China key to reduce production of ferrochrome

- 07 Nov 2008

A further fall of prices for ferrochrome in the European market is remarkable. The market price of low carbon ferrochrome produced in China and to be sold from cargoes stocked at warehouses in Europe has fallen to a level of 310 to 320 US cents per pound of Cr CIF. However, as the quality of Chinese product is not reliable, actual business to sell Chinese low carbon ferrochrome in Europe is unable to conclude and Russian low carbon ferrochrome, as a substitutive material for Chinese product, is now being offered at 370 US cents per pound of Cr CIF.

Also, high carbon ferrochrome, containing chrome of 65% and lower silicon, is still being offered at a higher price of 170 to 175 US cents per pound of Cr CIF but Indian high carbon ferrochrome with silicon content of more than 2% is offered at 135 US cents per pound of Cr CIF. Indian product is offered at a further discounted price but seems to be unable to contract even at this discounted price.

The quantities of ferrochrome stocked at stainless steel mills of Japan are excessive at present and therefore, spot business of high carbon ferro-chrome is really unable to exist in Japan but some of consumers said that, if positive sale is wanted by someone, the price has to be a lower level than 100 US cents per pound of Cr CIF Japan, because it was informed9 that South African charge chrome is now being offered at 100 US cents CIF.

Such major South African producers of ferrochrome as Samancor Chrome and Assmang have successively decided to reduce their production of charge chrome from October to December 2008 quarter. However, the production activities of ferrochrome by India and China are a key point to sustain price of high carbon ferrochrome. Unless producers in India and China join the line of battle, it is thought to be impossible to oppose a decline of the demand for ferrochrome emerged from a reduction of stainless steel production. There is a strong view in the market that a depression on production of stainless steel will continue until the first half of 2009.

Also, while South African producers have entered into the structure to decrease their production of charge chrome, the cost to produce charge chrome in South Africa is estimated to be 60 to 70 US-Cents per lb. of Cr and, therefore, this cost price is much lower than the current sales prices (the benchmark prices are 193 US-Cents per lb. of Cr CIF for Japan and 185 US-Cents on DDP (delivered and duty paid) base for Europe. These sales prices have allowed to be profitable for South African producers and, accordingly, the matter in question to be considered hereafter is how extent do South African producers reduce seriously their production of ferro-chrome. A good profitability for production of charge chrome in South Africa has a possibility to postpone a balance on supply and demand of ferro-chrome.

India and China have grasped a key for the world market of ferrochrome but the accurate data on production of ferro-chrome in these two countries are unable to obtain. India has been on a basic tone to increase their production of ferrochrome and to be eager to export more ferrochrome. India produced 9,480,000 tons of high carbon ferrochrome in the fiscal year of 2007-08, having increased by 18% compared with that in the preceding fiscal year, but has been still proceeding to increase the facilities for production of ferro-chrome in 2009. India also exported 520,000 tons of high carbon ferrochrome in the fiscal year of 2007-08, having had an increase from that in the preceding fiscal year. India is anticipated to increase further production and exports of high carbon ferrochrome in the fiscal year of 2008-09.

It is estimated at present that India has the capacity to produce 1,300,000 tons per annum of ferrochrome and actually produced 948,000 tons of ferrochrome in the fiscal year of 2007-08, corresponding to an operation rate of 73% against the total capacity. India has possessed rich reserves of chrome ore in Orissa State and, in order to maintain a power to be competitive on exports of Indian ferrochrome. Even if South African companies have reduced their production of charge chrome, the current price of high carbon ferrochrome is still profitable for production cost even in India, where has to pay a higher fee of electric power, and it is supposed that the countermeasure to reduce production of ferrochrome will be not adopted until the final phase to be not payable for production cost comes up.

China imported 4,900,000 tons of chrome ore in January to August of 2008, having increased by 19% compared to that in the same period of 2007. On the basis of this pace, China will import chrome ore on a larger scale than 7,000,000 tons in the calendar year of 2008. For a reference, China imported 6,100,000 tons of chrome ore in the preceding calendar year of 2007.

According to the survey released by International Chrome Development Association, it is estimated that China produced 1,060,000 tons of high carbon ferrochrome in 2007. However, in view of the fact that China has restricted to import ferrochrome in 2008 and is endeavoring to produce domestically more ferrochrome, China has a big probability to enlarge their domestic production of ferrochrome in 2008 to a scale of 1,500,000 tons per annum.

Global steel demand to fall by 5% in 2009 - Mr Marcus

- 05 Nov 2008

Mr Peter Marcus managing partner at World Steel Dynamics said that global steel demand will fall by 5% in 2009 as the financial crisis tips economies into recession, curbing purchases of the metal. He added that "New orders for steel in all regions of the world have had probably an unprecedented decline. We have gone from a chill to the deep freeze. Buyers have been on strike since July 2008."

Mr Marcus said that the global economic downturn is prompting consumers to delay purchases of homes and cars, driving down steel prices and forcing mills including ArcelorMittal to consider production cuts. Prices of iron ore may fall as much as 30% in the coming year and coking coal may drop as much as 50%.

He added that "Global apparent steel demand will be down 3% in 2008 and is expected to fall 5% in 2009. The steel industry is facing at least two years of significant oversupply."

US scrap price reductions fail to attract buyers

- 28 Oct 2008

It is reported that US scrap is not moving, which is forcing prices to continue their downward spiral. Prime scrap is now priced at USD 230 a long ton FBO, down from USD 400 a long ton, just weeks ago. The price for shredded scrap is USD 180 a long ton, down from USD 250 a long ton. Heavy melting scrap can now be delivered for USD 165 a long ton as compared to USD 495 a long ton at its July peak.

Even at these selling prices, buyers cannot be found. One scrap processor said as soon as word comes out on a prospective sale, scrap merchants will be on it like a pack of dogs on a bone.

Another scrap merchant said that mills normally would give him a monthly order, but he has not heard from any mills lately and expects they will give him a week's notice when they are ready to return to the market.

Efforts to contain costs on the scrap procurer's part for the last six weeks or so haven't helped much. Now there is talk about layoffs at the scrap yards and some yards shutting down altogether until the market regains some life.

Recession reports - Deutsche Bank slashes commodity outlook

- 27 Oct 2008

Reuters report that Deutsche Bank has cut sharply its forecasts for commodity prices in 2009 citing the rapid deterioration in the economic outlook.

Deutsche Bank in a report said it cut its crude oil outlook for 2009 by 35%, aluminium by 29%, copper by 37% and gold by 17% and trimmed its outlook for global growth. It now expects global GDP growth to slow to 1.2% in 2009 and believe that energy and industrial metals will be the major casualties in this environment.

Deutsche Bank said that crude oil would average USD 60 a barrel in 2009, but prices could spike below that level. The report added that "According to the nine indicators we examined, we estimated fair value for crude oil was around USD 60. However, given the tendency of markets to overshoot to the upside and downside it would imply crude oil prices trading towards USD 50 in 2009."

Deutsche further said that OPEC would cut production but previous cutbacks in 1998 and 2001 failed to rescue prices. In industrial metals, Deutsche said copper could fall to USD 3,800 per tonne and average USD 4,161 in 2009, about 15% off current prices and more than 50% from a record high struck in July 2008. The report added that aluminium could fall 16% from current prices to average USD 1,874 in 2009 and nickel would average USD 10,279 about 43% down from the previous forecast.

	2008	Change	2009	Change	2010	Change	2011	Change
Oil West Tex	103	-6%	60	-35%	57.5	-43%	80	-24%
Natural Gas	9.27	-4%	7.75	-16%	8.25	-18%	9	-14%
Thermal Coal	108	-14%	106	-27%	85	-32%	85	-11%
Uranium	70.5	0%	70	0%	75	0%	65	0%

Metals	2008	Change	2009	Change	2010	Change	2011	Change
Aluminum	2605	-4%	1874	-29%	2249	-24%	2535	-9%
Copper	7117	-7%	4161	-37%	4740	-31%	5732	-5%
Lead	2134	-5%	1213	-32%	1257	-12%	1168	-4%
Nickel	21289	-6%	10279	-43%	13338	-31%	16865	-10%
Tin	18313	-5%	12693	-24%	11684	-12%	10692	-3%
Zinc	1889	-6%	1190	-30%	1543	-33%	2249	-5%

USD per tonne

INSG sees global nickel output up by 0.27 MTPA at 2009 end

- 27 Oct 2008

The International Nickel Study Group has released in an early part of October 2008 their estimation of nickel to be produced in the world for 2009, which will come to 1,550,000 tons by an increase of 110,000 tons from the output in 2008, and this substantial increase of nickel production is due the fact that many large nickel projects are scheduled to complete successively from the beginning of 2009. From an apparent point of view, this expansion of the world capacity for nickel production will be able to accord with a growth of nickel demand in the next 3 years.

New nickel projects expected to complete in 2009 are as per the table attached hereto. It was already pointed out from summer of 2008 that these new nickel projects will cause to grow an oversupply of nickel, and this situation is thought to connect with a fall of LME nickel prices at present.

Incidentally, LME nickel price for three month futures at October 17th 2008 fell to USD 4.79 per pound, which came to a lower level than USD 5 and recorded the historical lowest price since September 2003. When this lowered price of LME nickel would continue for a long period, some of these nickel projects might become unprofitable and developments of these nickel projects are supposed to be influenced to a considerable extent.

According to an estimation of nickel supply in the world traced by INSG, the quantities of nickel oversupplied are thought to be 120,000 tonnes in2007, 30,000 tonnes in 2008 and 110,000 tonnes in 2009. In the course of time, these new nickel projects have enlarged and are scheduled to reach a peak in 2009 but, after that, new nickel projects will still follow heel after heel. It is not clear yet on which level is nickel price able to be stabilized but, when these new nickel projects are operated in 2009 as planned, a depression of nickel market is anticipated to continue a long period.

Among the new nickel projects expected to complete in 2009, the projects to develop only nickel ore are six cases and the total quantity of nickel ore to be supplied by these six projects will come to 98,000 tonnes per annum. Some of these projects play the role of substituting alternative sources for nickel ore and, therefore, a possibility to loosen somewhat a pressure on nickel supply may come up.

The myth, concerning a growth of stainless steel production in the world, is going to be peeled off the veil and, particularly, there is a strong opinion in the market that a depression of the production is being continued from the second half of 2008 and a recovery of this aspect is expected to come up in the second half of 2009. In view of the facts that nickel demand from stainless steel sector is unable to expect an increase and approximately 300,000 tons per annum of nickel scheduled to be newly supplied from 2009 are thought to put a pressure on the market, the matter in question is at which level is nickel price stabilized in 2009.

According to the judgments of prices for base metals made recently by analysts, 20% of them estimate to bottom out the lowest ones by the end of 2009 and remaining 20% of them anticipate having its bottom out within this year. However, more than 60% of these analysts insist on a necessity to reduce the quantities of base metals to be produced in 2009.

Nickel prices to take years to recover from slump - Analysts

- 24 Oct 2008

Industry analysts said that nickel will take years to recover from a price slump that's wiped out almost 80% of the metal's value in the past 18 months.

Mr Carey Smith an analyst at corporate advisory and stock broker Alto Capital said that a realistic price over the next few years is probably about USD 15,000 to USD 17,000 a tonne.

As per report nickel fell by USD 176 or by 1.6% to USD 10,524 a tonne on the London Metal Exchange. He added that "The high nickel prices of the past two or three years are gone. The selling is not due to fundamentals, it's hedge funds and other hot money rushing to get out of the market."

According to Nickel Institute, nickel has more than halved this year as the credit crunch widened, threatening a global recession and cutting demand for metals. The falling price means some of Western Australia's 250 companies exploring for the metal in a state four times the size of France will go bust.

Mr Stephen Barnett president of Nickel Institute said that "The lower nickel price is certainly putting the industry under stress and will lead to closures, especially for some of the higher cost operations. Metals will recover when the economy recovers. When that is, is anyone's guess.''

OAO GMK Norilsk Nickel on October 17th 2008 halted operations at its Cawse mine and ore processing plant in Western Australia, blaming rising costs. The decision does not affect Norilsk's other Australian nickel operations at Black Swan, Lake Johnston and Waterloo, which continue to perform well.

Meanwhile, POSCO said that it will slash planned output by about a third this quarter and rival South Korean steelmakers may also cut production to cope with a slowdown in demand. Global consumption of nickel dropped for a fifth straight month in August to the lowest since September 2007.

Ferrous scrap continues to tumble in US - RMDAS

- 24 Oct 2008

It is reported that a slide in pricing that began in August has continued for ferrous scrap, with the October buying period revealing dramatic drops for all grades in all regions.

Transaction pricing compiled by Management Science Associates Inc for its Raw Material Data Aggregation Service showed that buyers of prompt grades in October paid less than half of what they paid per tonne in September.

Nationally, the average spot buyer of prompt ferrous scrap paid USD 261 per tonne, down from the USD 564 per tonne paid in the September buying period. The sharpest drop for this grade came in the RMDAS North Central and East region, where the average ton on the spot market sold for USD 306 less in October. The drop in the South was not far behind, with the average ton losing USD 297 in value.

Shredded Scrap also fell in value, with the average ton on the spot market dropping from USD 378 in value in September to USD 230 in the early October buying period. Similarly, number1 heavy melting scrap lost more than USD 100 per tonne in value, dropping from USD 306 per tonne in September to USD 205 in October.

As dramatic as the drop-off is in the RMDAS numbers, the monthly average price is most likely higher than transaction levels as of October 20th 2008. A number of recyclers are reporting that mills continue to make very few offers for scrap, and the offers made are lower yet.

Sims Metal Management and other large recyclers have communicated to their scrap buyers to quickly change their scrap pricing formulas, and in some cases to curtail or significantly cut back their buying activity.

The Raw Material Data Aggregation Service Ferrous Scrap Price Index is based on data gathered from a statistically significant compilation of verified ferrous scrap purchase transactions.

(Sourced from Recycling today)

Nickel prices to take years to recover from slump - Analysts

- 24 Oct 2008

Industry analysts said that nickel will take years to recover from a price slump that's wiped out almost 80% of the metal's value in the past 18 months.

Mr Carey Smith an analyst at corporate advisory and stock broker Alto Capital said that a realistic price over the next few years is probably about USD 15,000 to USD 17,000 a tonne.

As per report nickel fell by USD 176 or by 1.6% to USD 10,524 a tonne on the London Metal Exchange. He added that "The high nickel prices of the past two or three years are gone. The selling is not due to fundamentals, it's hedge funds and other hot money rushing to get out of the market."

According to Nickel Institute, nickel has more than halved this year as the credit crunch widened, threatening a global recession and cutting demand for metals. The falling price means some of Western Australia's 250 companies exploring for the metal in a state four times the size of France will go bust.

Mr Stephen Barnett president of Nickel Institute said that "The lower nickel price is certainly putting the industry under stress and will lead to closures, especially for some of the higher cost operations. Metals will recover when the economy recovers. When that is, is anyone's guess."

OAO GMK Norilsk Nickel on October 17th 2008 halted operations at its Cawse mine and ore processing plant in Western Australia, blaming rising costs. The decision does not affect Norilsk's other Australian nickel operations at Black Swan, Lake Johnston and Waterloo, which continue to perform well.

Meanwhile, POSCO said that it will slash planned output by about a third this quarter and rival South Korean steelmakers may also cut production to cope with a slowdown in demand. Global consumption of nickel dropped for a fifth straight month in August to the lowest since September 2007.

MEPS sees steel price collapse in EU as credit crisis bites

- 23 Oct 2008

UK based consulting firm MEPS sees that the crisis in the financial sector worldwide is now impacting badly on the EU steel market. It said that "The tightening of credit lines and a complete breakdown of confidence has stalled all business activity. For the small amount of orders being placed, prices are weakening, despite efforts by the mills to hold them fast. Several domestic steelmakers have announced plans to curb output due to the substantial slowdown in demand for their products. Many companies are currently destocking."

MEPS said that "There is a wide range of prices in Germany following recent negotiations for the final quarter. Suppliers from Northern Europe are trying to maintain them at period three levels, especially as discussions with annual contract customers are still ongoing. So, instead of lowering prices to stimulate sales, they are cutting capacity. Mills further south have reacted quickly to the deteriorating situation, offering discounts to German buyers. Third country producers have slashed quotations significantly since August -to a minimum of EUR 100 per tonne below prevailing EU levels but customers are not willing to risk the long delivery lead times in a falling market. There has been no pick up in demand since June and none is expected in the near term. Therefore, clients are purchasing far less steel than in the first half of the year. Service centers and end users all have excess stocks. Distributors may be forced to sell very cheaply in order to generate cash."

MEPS said that "French values have been dropping substantially since the beginning of September. End user consumption remains weak, having seen no recovery after the summer holidays. Buyers have now adopted a 'wait and see' approach as prices trend downwards. Distributors have fairly high inventories and are destocking. Mills are also building up quantities of material because of poor sales. There is now a need to regulate supply more in line with demand."

MEPS said that "In Italy, activity in the market place is described as 'frozen' with most consuming sectors affected. In addition to the usual cyclical nature of steel prices, the financial crisis is making things even more difficult. The lack of available credit is becoming a major problem. Market sentiment is extremely low. Stocks have grown because of the decline in sales. Service centers report their business levels are down enormously. Riva has made no announcements so far regarding output cuts. The company has been running late on deliveries because of recent production troubles and customers are now loathe to accept the material at the high prices originally negotiated."

MEPS said that "UK demand is depressed. Order intake at the mills has reduced sharply as customers live off their inventories. Service centre business has slowed markedly, putting resale values under negative pressure. There is far too much high priced stock in the system which distributors are desperate to liquidate. They are filling any shortfalls by buying from each other. Third country offers are limited but at very low prices."

MEPS said that "The Belgian market is extremely quiet due to the financial crisis. End users are waiting to see how things develop, whilst stockholders are buying only the minimum tonnages they need because they anticipate further price slippage. Resale values are poor. Buyers purchased before the holidays in the expectation that steel would become more expensive and now have too much material because demand has dropped. Indian and Chinese mills seem to be reducing their price offers daily but are hardly selling anything."

MEPS said that "In Spain, a significant decline in domestic demand has been further exacerbated by falling international consumption and a severe financial crisis. There is real fear in the marketplace that steel values will collapse. Customers are reluctant to order even small amounts, irrespective of price. Distributors say that stocks have grown in proportion to the current downturn in sales. They are exchanging material between themselves to fill any gaps in their inventories. Credit restrictions are making the situation even worse. Traders have third country steel in the ports, or shortly to arrive, but it is moving out only very slowly."

Recession reports - Metal prices mauled as shipping sinks

- 21 Oct 2008

The Baltic Dry Index which reflects demand and prices for bulk carriers has hit its lowest point since November 2002 when metals demand was in the doldrums. The vessels that carry iron ore from Australia and Brazil constitute a large part of the index.

The Baltic Dry Index stood at 1506 as the week ended a massive fall from the 11,893 points at which it stood as recently as May 2008. The problem is not just the market's view on forward demand for commodities, although that is a large part of it. Rather, it's the global credit crunch. Reports from London indicate that ship owners are having trouble getting banks to sign off on letters of credit for the cargoes.

Then, on the demand side, it seems that the US consumer downturn is having its effect. In September 2008, inbound container numbers at the Port of Long Beach in California were down 15.8% on the same time in September 2007.

Bloomberg reported that China's second largest container line is expecting a 10% downturn in volumes for the full year, with exports to Europe and North America falling since the start of August. An official of China Shipping Container Lines, Zhang Denghui, was quoted, saying that global economic slowdown had hurt demand for Chinese products.

Nickel managed a weak bounce of just USD 20 per tonne to close at USD 10,800 per tonne less than a third of the price the metal was fetching a year ago. The International Nickel Study Group said that use of the metal fell in August, the five month of decline in a row. Copper managed to gain USD 160 to close at USD 4810 per tonne. While lead and zinc also made small gains, their levels of USD 1440 per tonne and USD 1230 per tonne will put extra pressure on companies that mine those metals.

Mr Gavin Wendt an analyst at Fat Prophets said that zinc and lead miners would be forced to close more capacity or postpone developments. He said that "It's just not sustainable at this level", adding that the falling nickel price would also hit high cost producers, particularly those working or developing the complex laterite ores.

Mr Wendt further said that the Australian nickel industry was more vulnerable now because of the large number of small producers who could not afford to close down capacity.

London based metals analysts GFMS said that "Platinum will see a fundamental surplus of anything up to 150,000oz and, given the state of the global economy, one has to concede that the risks lay on the downside."

304 series SS prices in US collapse due to demand vacuum

- 20 Oct 2008

Platts reported that prices of 18/8 or 304 series stainless steel scrap in the US market have fallen by more than 50% this week amid a trade and demand vacuum, with one processor saying the market could fall to zero cents and that dealers and processors could go bust.

The Platts assessment for 18/8 stainless steel scrap, normally based on inter dealer and processor business, fell to USD 448 to USD 560 per long tonne delivered from USD 896 to USD 1,120 per long tonne a week earlier, with virtually no business reported. Scrap prices displayed an even steeper decline than nickel on the London Metal Exchange this week. In recent months, price moves in nickel bearing stainless scrap grades have mirrored nickel moves on the LME.

A raw materials buyer at a stainless and alloy steel producer agreed that nickel production needed to be cut and said that the squeeze on cash flows and credit would accelerate the production cuts.

Global hot band spot prices continue to crash

- 18 Oct 2008

SteelBenchmarker reported that the US hot rolled band spot price for October 13th 2008 dropped by 8.8% to USD 981 per ton, FOB the mill for the fifth consecutive, world export HRB price dropped by 11.1% to USD 799 per tonne FOB the port of export, for the fifth consecutive time, Chinese HRB ex works price dropped by 23.5% to USD 458 per tonne for the second time and the Western European HRB dropped by 8.5% to USD 920 per tonne ex works for the sixth consecutive time.

USA
USD 981 per metric tonne FOB the mill
Down by USD 95 per tonne from USD 1,076 three weeks ago
Down by USD 222 per tonne from the peak of USD 1,203 on July 28th 2008
Up by USD 421 per tonne from the recent low of USD 560 on August 13th 2007
Up by USD 351 per tonne from the previous high of USD 630 on April 9th 2007

China
USD 458 per metric tonne ex works
Down by USD 141 per tonne from USD 599 three weeks ago
Down by USD 275 per tonne from the peak of USD 733 on July 14th 2008
Down by USD 12 per tonne from the recent low of USD 470 on October 22nd 2007
Down by USD 29 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe
USD 920 per metric tonne ex works
Down by USD 85 per tonne from USD 1,005 three weeks ago
Down by USD 284 per tonne from the peak of USD 1,204 on July 14th 2008
Up by USD 257 per tonne from the recent low of USD 663 on July 23rd 2007
Up by USD 224 per tonne from the previous high of USD 696 on June 11th 2007

World Export Price
USD 799 per metric tonne FOB the port of export
Down by USD 100 per tonne versus USD 899 three weeks ago
Down by USD 314 per tonne from the peak of USD 1,113 on July 28th 2008
Up by USD 249 per tonne from the recent low of USD 550 on July 23rd 2007
Up by USD 203 per tonne from the previous 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.

Nucor leads retreat on rebar prices in US - Report

- 16 Oct 2008

Platts reported that the average price of rebar for sale in the US took another dive as Nucor notified its customers that it would decrease net transaction prices by USD 130 per short tonne for concrete reinforcing bar effective with shipments beginning October 13th 2008.

Nucor is the largest producer of rebar in North America with an estimated 35% market share. It is widely acknowledged as having a major influence on industry pricing.

The Platts reference price of standard 20 foot number 6 rebar declined USD 100 per short tonne to reflect the market sentiment and the strong likelihood that other mills will lower their prices over the next few days. The Platts price for US made rebar plots a narrow range between USD 795 and USD 805 per short tonne ex works Southeast, down from last week's range of USD 895 to USD 905.

Nucor in a letter posted on its web site explained that its new rebar transaction levels were based on a reduction of its raw material surcharge for scrap metal to USD 83 per short tonne from USD 213 per short tonne a month ago, a drop of USD 130.

It is the first time in recent memory that Nucor's mill price adjustment fully matched the monthly decline in scrap prices. In August and again in September, Nucor only remitted about one-half of the drop in scrap prices.

Nucor said that its raw material surcharge is calculated by subtracting the company's baseline scrap price of USD 162 per short tonne from the monthly benchmark price for shredded auto scrap sold in the Chicago market, which is currently USD 245 per short tonne.

The Chicago price was USD 300 per short tonne at the beginning of October and USD 375 per short tonne in September. There was a frenzy of rebar buying activity earlier this year as buyers tried to build up inventory ahead of rising prices. Rebar prices took a big jump between the first and second quarters this year, and the average price in the US rose to USD 1,000 per short tonne ex-works Southeast mill in July. International prices spiked as high as USD 1,485 per tonne FOB Turkey this summer.

But prices have weakened since then, as buying interests retreated amid a slowdown in primary construction activity. This has resulted in a surplus of supply against falling demand.

Nickel market seen in surplus until mid 2009 - Norilsk

- 16 Oct 2008

Mr Viktor Sprogis executive at OAO Norilsk Nickel said that it is likely that the world nickel market would continue to be in surplus until the middle of 2009. However he felt that it would take some time for the demand to improve in the face of the present financial crisis.

Mr Sprogis said that "Where prices currently are, that surplus will vanish and the market will become more balanced."

It would be worthwhile to note that prices of nickel on the London Metal Exchange have declined heavily recently and are at present nearly 75% less from their May 2007 high of USD 51,800 a tonne at USD 12,800 per tonne.

Norilsk Nickel is at present not planning any reduction in its production operations. However, Mr Sprogis said that it is likely that other companies would be forced to reduce output. He added that "Producers are in a difficult position. They are currently in discussion on what to do. They are discussing 2009 plans and the possibility of closures. We think we will be the last company to cut production."

He further added that a substantial amount of the material produced depends on prices which are above current levels and some operations require prices which are above USD 20,000 per tonne. He said "If prices stay lower, we will see output cuts. We assume certain stagnation and that, we will face certain problems. It will take time we are talking years, not months. Demand will recover it is just a question of time."

Mr Sprogis said that the supply and demand fundamentals will make it more difficult to negotiate with customers. He added that "We do not expect this market to be easy for us to negotiate with our customers. There is reason to expect the amount delivered to customers long term to be lower. Today, not everyone is willing to take long term contracts."

US flat steel prices plunge but buyers not ready - Report

- 15 Oct 2008

Platts reported that the prices of all flat rolled sheet products in the US market plummeted amid just a handful of transactions and offer bid chatter as domestic mills scrambled to lure buyers with attractive offers.

Several buyers told Platts that mill sales representatives are calling frequently prompting steel consumers to virtually name their own price. As a result, the prices of hot rolled coil plunged USD 85 to a midpoint of USD 850 per short tonne ex works Indiana and declined USD 65 to USD 840 per short tonne CIF Houston.

The prices of cold rolled coil declined even more, by USD 95 to a midpoint of USD 930 per short tonne ex works Indiana and by USD 75 to a midpoint of USD 920 per short tonne CIF Houston.

Several buyers insisted that the two biggest suppliers in the North American sheet market, ArcelorMittal USA and US Steel, were trying to maintain their respective prices of HRC in a range of USD 900 to USD 920 per short tonne ex works.

Recession Report - Goldman cuts oil forecast

- 15 Oct 2008

Reuters reported that Goldman Sachs has turned a near term bear after conceding that global financial turmoil would take a far bigger toll on demand than first anticipated.

Goldman Sachs commodity markets research team lead by Mr Jeffrey Currie said that "We have underestimated the depth and duration of the global financial crisis and its implications on economic growth and commodity demand."

It said in the report that it now expects US crude oil prices to end the year at around USD 70 a barrel, down from a previous forecast of USD 115 a barrel. It added that "However, should the financial and evolving economic crisis cut deeper into demand, the market could fall as low as USD 50, which we believe to be the industry's cash cost and shut in level."

Goldman also cut its 2009 end price target to USD 107 a barrel from USD 125 and made an even deeper USD 37 cut to its average 2009 forecast, which it now put at USD 86 a barrel, making it the third most bearish forecaster as of Reuters last poll on September 26th 2008. It also cut its forecast for copper prices in three months to USD 3,500 a tonne versus and old forecast of USD 7,960, but predicted a recovery to USD $6,625 in 12 month's time.

American scrap prices fall again

- 15 Oct 2008

It is reported that American scrap has been suffering from a serious price plunge since September 2008 because of lower demand in both domestic and global markets, the price will drop again during October but buyers are still waiting to see what the future trends will be.

At present, the angle scrap price is USD 320 to USD 330 per tonne in the eastern gulf, the fragment scarp price is USD 245 to USD 255 per tonne and the H1 scrap price is USD 210 to USD 220 per tonne. Due to the uncertain financial situation, nowadays most steel enterprises have ceased their purchases.

America mainly sells scrap to Turkey but the export volume has been successively reduced because Turkey has just finished Ramadan and due to weak domestic market demand; however, American scrap suppliers are still optimistic, they would be glad to offer USD 300 per tonne CFR, which is USD 110 per tonne lower than last month, if buyers would like to purchase.

(Sourced from YIEH.com)

Nucor reduces rebar prices by USD 130 per short ton

- 14 Oct 2008

Platts reported that US steel producer Nucor notified customers on Friday that it would decrease net transaction prices by USD 130 per short ton for steel reinforcing bars effective with shipments beginning on October 13th 2008.

Nucor, in a letter to customers said that the new transaction levels were based on a reduction of its raw material surcharge for scrap metal to USD 83 per short ton from USD 213 per short ton.

The scrap metal surcharge is calculated by subtracting the company's baseline scrap price of USD 162 per short ton from the monthly benchmark price for shredded auto scrap in the Chicago market, which is currently USD 245 per short ton down from USD 375 per short ton in September.

Nucor previously lowered prices by USD 70 per short ton on September 10 and USD 30 per short ton on August 13.

Tin slumps to lowest in a year at LME

- 14 Oct 2008

Bloomberg reported that tin dropped to the lowest in over a year and nickel plummeted to a 33 month low on the London Metal Exchange as the credit crisis deepened, raising concerns that a slowdown in the global economy will curb demand for raw materials.

Tin, the best performer on the London Metal Exchange this year, dropped to a 1 year low. The metal, used mainly in soldering, slumped 41% from a record USD 25,500 a tonne reached on May 15th 2008 and is down 8.1% this year.

Tin for delivery in three months fell 6.8% to USD 15,100 a tonne, the lowest since September 19th 2007. Until the end of last week, tin was up for the year as stockpiles fell and China and Indonesia, the two biggest producers, curbed supplies.

Nickel, the worst exchange's worst performer this year, declined 2.8% to USD 13,801 a tonne, the lowest since January 2006. The metal has fallen 47% this year as demand from the stainless steel industry, which accounts for two-thirds of total nickel use, weakened.

Copper plunged by the exchange imposed daily limit for a third day in Shanghai as equities tumbled on concern more banks will topple as they run short of money. Japan's Nikkei 225 Stock Average dropped the most in over 20 years and Indonesia halted stock trading after the benchmark index slumped 10%.

Copper dropped as much as 4.4% to USD 5,380 a tonne, the lowest intra day level since February 8th 2007. It traded at USD 5,420. Copper for December 2008 delivery on the Shanghai Futures Exchange dropped by CNY 2,920 or 6% from the previous settlement price to CNY 45,720 a tonne.

Among other LME traded metals, aluminum slipped 1.8% to USD 2,251 a tonne, zinc was down by 0.3% at USD 1,545 and lead lost 2.6% to USD 1,588.

Recession reports - IMF predicts major global slowdown

- 13 Oct 2008

IMF in its latest World Economic Outlook October 2008 report, which was released two days prior to the IMF-World Bank Annual Meetings in Washington, said that growth in emerging economies is also weakening after years of strong growth, though it will still drive global growth.

The world economy is entering a major downturn in the face of the most dangerous financial shock in mature financial markets since the 1930s, according to the WEO, which now expects world growth to slow to 3.0% in 2009 0.9 percentage point lower than forecast in the July 2008 WEO Update.

Following sluggish growth through the remainder of 2008 and early 2009, the anticipated recovery later in 2009 will be exceptionally gradual by past standards. This is because financial conditions are expected to remain very difficult, even assuming that actions by the U.S. and European authorities succeed in stabilizing financial conditions and in avoiding further systemic events.

Mr Olivier Blanchard chief economist of IMF while speaking at the WEO press conference emphasized the importance of implementing joint financial and macroeconomic policies at this point to stem the negative momentum on multiple fronts.

He said that "On the financial side, this implies the design of comprehensive programs to deal with systemic problems, while on the macroeconomic side, "this implies the use of monetary and fiscal policies to support growth and break negative feedback loops between the financial and real sectors."

He said that "With the right macro and financial policies and these policies are available we can ride the storm and expect a recovery to start in the course of 2009."

He also welcomed the October 8 announcement by the U.S. Federal Reserve, the European Central Bank, and four other central banks to lower interest rates by a half percentage point. He said that "It is a step in the right direction."

Analysts expect ferrochrome prices to soften for two years

- 12 Oct 2008

Analysts said that ferrochrome prices are expected to soften in the next two years, but they were more robust than those of other commodities. However, they expected ferrochrome companies to benefit from a simultaneous drop in coking coal prices and the rand weakening.

Analysts forecast the fourth quarter ferrochrome contract price with European buyers to be settled at between USD 1.85 and USD 1.93 a pound this week, following the trend of USD 1.93 per pound agreed on with Japanese buyers. In the September quarter, the price agreed on was a record USD 2.05 per pound.

Ferrochrome company executives were all locked in meetings yesterday. Merafe Resources finance director Mr Stuart Elliot said he could not comment, but Merafe would make an announcement in the next day or two.

Another ferrochrome company executive confirmed the European price settlement was at USD 1.85 per pound, and said the lower price reflected fear of a global slowdown in stainless steel manufacturing.

Stainless steel research group MEPS said last week that European and Japanese stainless steel production this year was expected to be the same as last years. US output would fall slightly on weak demand from the automotive sector, and South Korea's production would be similarly lower as domestic and export orders were weak.

Mr Simon Toyne analyst at Numis Securities said that he expected ferrochrome prices would average USD 1.78 per pound in the 12 months to June 2009, USD 1.50 per pound in the following year and USD 1.18 per pound from 2013 onwards. He expected IFM's unit costs to decline to below USD 0.70 per pound from 2010 on weaker coke prices and a long term rand assumption of ZAR 8.80 to the dollar.

SA is the world's biggest producer of ferrochrome, which gives hardness to stainless steel. Local producers include the Xstrata Merafe JV, Hernic Ferrochrome, Samancor Chrome Kermas and International Ferro Metals.

Global nickel market surplus to widen in 2009 - Report

- 11 Oct 2008

International Nickel Study Group said that nickel production may outpace demand by 110,000 tonnes in 2009 as usage by stainless steel makers is slow to recover. It added that the surplus widens from 30,000 tonnes in 2008.

It said that world production may increase by 10% to 1.55 million tonnes in 2009 as facilities in Brazil, Korea and New Caledonia comes on stream. Global usage may increase by 4% to 1.44 million tonnes with gains in demand from China. It added that output and demand for stainless steel dropped from the middle of 2008 in most of the world, including China, because of global economic turmoil, including tighter credit.

International Nickel Study said that "It was considered unlikely that any material improvement will take place this year. Any recovery in primary nickel demand and stainless steel production is at this point of time, not anticipated for until well into 2009."

More than 70 government and industry representatives from study group members, including observers and international organizations, participated in the meeting.