

## **Recession reports - Auto majors predict longer slump**

- 06 Oct 2008

Bayerische Motoren Werke AG, Ford Motor Co and France's Renault SA said that a slump in car sales may be more prolonged than manufacturers have anticipated.

Mr Norbert Reithofer CEO of BMW said that auto markets would not recover until at least the middle of 2009.

Mr Alan Mulally CEO of Ford said that a recovery would not begin before 2010. Mr Mulally said that the US auto market would not improve in 2009 because of a stagnant economy. He added that "The most important thing for all of us is to stabilize the US economy. The auto industry is going to be closely linked with economic development. We have a lot of things in play. We are trying to figure out what this change means for the mix as well as what it means for the volume."

Mr Carlos Ghosn CEO of Renault boss said the slowdown may last 2 years. He added that "We do not know if we're at the beginning of the end or the end of the beginning."

Auto sales plunged by 27% in the US in September 2008 as tightening credit and an economic slowdown discouraged buyers. They are also sliding in Europe, dropping 16% in August, the biggest monthly decline since 1999. Demand is even slackening in emerging markets such as Russia, Eastern Europe and Brazil, where carmakers have been investing to expand capacity.

## **Slack Chinese demand spells bleak future for steel globally**

- 06 Oct 2008

It is reported that the deterioration in global macro economic steel metals through the remainder of 2008.

As per report, in particular, would be steel, whose consumption is slowing in China, the world's largest producer and consumer of the industrial metal.

Construction activity in China has turned sluggish and this is likely to hit the steel market. Because construction accounts for about half of steel end use demand, a slowdown in construction activity is expected to exert negative pressure on steel demand and, in turn, steel prices.

An industry analyst said in the first half of 2008, prices were driven to unprecedented levels by steel shortage and speculative buying by traders and end users.

The recent weakening of the Chinese demand and a surge in Chinese exports, combined with weaker EU and US orders has led to a major price correction.

## **World nickel production in H1 2008 down by 3% YoY**

- 06 Oct 2008

According to the data surveyed and compiled by The Tex Report, the world production of nickel in January to June 2008 period came to 710,000 tonnes, down by 3% YoY as compared with 731,000 tonnes in the same period of 2007. In consequence of that nickel production in the western world ran on a full scale in 2007, the necessity to implement maintenance emerged in the first half of 2008 and some plants were driven to reduce their nickel production.

In addition, owing to an accident on energy supply in Western Australia and the strikes taken place, nickel production in the first half of 2008 was decreased. As regards nickel production in the eastern

world, Jinchuan Nickel of China was unable to produce nickel as planned and also Chinese enterprises were obliged to reduce their production of nickel-contained pig iron as this production became unprofitable. Therefore, nickel production in the eastern world decreased by 1% in the first half of 2008 as a whole.

In the course of nickel production for the first half of 2008

1. Vale Inco produced nickel on a full scale at the Voisey's Bay mine of Canada and, consequently, nickel output at this mine doubled
2. BHP Billiton started to operate the Ravensthorpe nickel project of Western Australia from October to December quarter of 2007 and QNI completed an expansion of capacity to refine nickel from this project
3. Sherritt International of Canada commissioned the Moa Bay nickel project in Cuba from April to June quarter of 2008. The operations at these three projects caused to increase nickel production

However, the movements to produce nickel in the western world had rather many cases to decrease than those to increase in the first half of 2008 and the negative cases were maintenances of electric furnaces and melting furnaces implemented in the period. Because of a shortage of raw material and an aftereffect of the accident of electric furnace, Japan produced 79,000 tonnes of nickel in the first half of 2008, having decreased by 6.4% compared with that in the same period of 2007.

An influence on nickel production emerged from an accident of gas supply occurred in June of 2008 has been rather carried over to the second half of 2008 and, in the same case as that of Cawse plant of Norilsk Nickel which was driven to suspend nickel production for a temporary time, nickel plants have been shut down for the time being.

Owing to the strikes taken place, Cerro Matoso of BHP Billiton in Colombia decreased their nickel production in the first half of 2008 by 30% from that in the same period of 2007 and the plant of AAC in Venezuela also decreased their nickel production by 50% compared to that in the same period of 2007.

The matter to produce nickel in the eastern world has had certain changes. Norilsk Nickel of Russia has taken over and consolidated two nickel producers in the western world during a period of the end of 2006 to summer of 2007, having resulted in an increase of nickel production. The two divisions, which are proper producers of nickel in Russia and have been located in Polar and Kola areas, strengthened the lines to melt nickel and increased their nickel production. Norilsk Nickel is scheduled to produce 305,000 tons per annum of nickel in 2008 and will be able to keep the largest producer of nickel in the world.

On the other hand, Jinchuan Nickel, which is a major producer of nickel in China, retreated from the target to produce 120,000 tons per annum of nickel in 2008 and it was known that this Chinese producer is anticipated to shrink their nickel production in 2008 to a scale of 100,000 to 110,000 tonnes per annum. In order to strengthen the division for copper production, nickel production at Jinchuan Nickel in the second half of 2008 is thought to have a considerable decrease. The production of stainless steel in China for 2008 is estimated to be 7.8 to 8 million tonnes, having put the brake on its growth, and the demand for nickel in 2008 as a whole of China is supposed to decrease to a scale of 345,000 tonnes per annum, which is a lower level than that initially planned.

The plans to decrease nickel production in the second half of 2008 are still sporadically seen. Xstrata Nickel has shut down the Falcondo plant of Dominicana from September and will decrease their production of nickel in ferronickel for 4 months. On the other hand, the factor to increase nickel production is the joint venture between POSCO of South Korea and SMSP of New Caledonia, which is scheduled to perform the first tapping in the middle of October and has the capacity to produce 30,000 tons per annum of nickel in ferronickel at the plant constructed in Kwangyang Works of POSCO.

## **Shredded scrap prices in US decline another USD 30 per tonne**

*- 04 Oct 2008*

Platts reported that US ferrous scrap prices softened further this past week, sending the Platts reference price of shredded scrap down USD 30 Thursday to a new midpoint of USD 305 per long ton delivered to Midwest mills.

As per Platts report "One large Eastern US scrap processor confirmed several sales early this week that netted USD 300 per long ton FOB yard, which normalizes to about USD 320 per long ton delivered with typical freight. Since then, however, inquiries are coming in at lower numbers closer to net USD 270 per long ton FOB yard, normalizing to about USD 290 per long ton delivered with typical freight."

He added that prime scrap, which sold last month around USD 575 per long ton to USD 585 per long ton, could slip as low as USD 400 per long ton.

As per report, a major Southeastern scrap processor agreed with the USD 305 per long ton shredded figure and the USD 400 per long ton prime price. He also concurred that mills would be buying less scrap as they produced less steel, leading to a massive reduction in demand, when extrapolated nationally.

## **Steel prices in US continue to slide**

*- 02 Oct 2008*

Purchasing.com reported that, with the manufacturing economy in disarray and steel purchasing in decline, warehouse inventories are accumulating, market prices are accelerating their slide and mills are reported to be begging for orders.

As North American scrap costs have dropped and are expected to drop even more, steel transaction values are falling quite rapidly. So, hot rolled steel sheet slipped to an average USD 983 in September 2008, down by 6.2% MoM from August 2008.

## **Global SS output is forecast to slip again this year - MEPS**

*- 02 Oct 2008*

UK Based MEPS predict no improvement in world stainless steel production in 2008. Market demand in the European Union held up quite well during the first half of this year. Production cuts are expected in the second period at a similar rate to those put in place during 2007 leaving the outturn for the full twelve months little changed at 8.1 million tonnes.

MEPS said that "Japanese, year on year, output tumbled by 10 percent in the first quarter but was unmoved in the second trimester. Export demand is weak and, therefore, we anticipate no improvement in stainless steel manufacturing in the second half of the year. Our forecast for 2008 remains at 3.55 million tonnes."

MEPS added that "Production of stainless steel in the United States fell by 3.6 percent, year on year, in the first half of 2008. Our estimate for the full year is 2.1 million tonnes slightly below the figure in the prior twelve month period. Demand is extremely weak, particularly from the automotive segment. Import levels remain high."

	2007	2008 (f)	Q1 '08	Q2 '08	Q3 (f)	Q4 (f)
EU	8115	8100	2290	2300	1510	2000
Japan	3705	3550	910	940	850	850
US	2170	2100	605	580	430	485
South Korea	1910	1800	390	495	450	465
Taiwan	1425	1450	385	405	300	360
Others	3070	2800	710	720	670	700
Total W.World+	20395	19800	5290	5440	4210	4860
China/Russia	7405	7950	2070	1975	1925	1980
Global Total	27800	27750	7360	7415	6135	6840

(f – forecast)  
(in '000 tonnes)

MEPS said that "South Korean stainless manufacturing is also likely to decline marginally in 2008. Output curbs put in place during the first half are expected to remain in the second six month period. Orders from both domestic and export customers are quite poor."

MEPS said that "Taiwanese consumption is poor. Inventory levels are excessive. Supply in the first and second trimesters was down marginally. The outturn in 2008 is forecast to be slightly higher at 1.45 million tonnes. Second half cut backs were substantial in 2007."

MEPS said that "Production in the others classification is expected to decrease in 2008. Brazilian output has declined in the past two quarters. Energy shortages have constrained supply in South Africa. In contrast, Indian stainless manufacturing has improved a little in the first half and should show a slight, year on year, gain."

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## Global steel price down by 10% since July 2008 - MEPS

- 01 Oct 2008

UK based MEPS said that "In the US, underlying demand from the manufacturing and building industries is weak. Customers started to hold back from placing orders in August, expecting transaction prices to erode. Certainly, some decreases were noted during that month and the majority of steelmakers rescinded the rises announced earlier for September deliveries. More recently, as scrap costs have dropped, steel transaction values have fallen quite rapidly. Meanwhile, there is little competition from imports whilst domestic mills are benefiting from a rise in export business."

It added that "Canadian transaction values fell during August and again in early September. Buyers are being very cautious and it is likely that this slowdown in demand will cause further price erosion through the rest of this month and into October. Scrap costs are also down and expected to drop even more. Domestic mill order books are weak. Sales are sluggish due to extended automotive shutdowns and a declining manufacturing base. For now, there are no signs of growing import volumes and the material available is very similarly priced to the local product."

MEPS said that in China, the price trend turned quite negative over the summer. Steelmakers have started to cut production to try to stem the fall. Overall, market sentiment has weakened as customers worry about future growth prospects. Steel orders from manufacturing and exports continue to be high in Japan. However, dealers' shipments remain slow due to poor building demand. Nevertheless, inventories of strip mill products held by domestic mills and distributors, at end July 2008, moved down by 0.5% as compared to June 2008. Quayside stocks of imported flat products fell

by 9.9% in the same time frame. Domestic supply is expected to tighten towards the end of the year when Nippon Steel will start to build stocks ahead of the blast furnace reline at its Oita works."

South Korea's POSCO has said that there are no plans to change prices for the final quarter 2008. In Taiwan, CSC has released its domestic price list for period four. Inline with market expectations, the company raised values by an average of TWD 1170 per tonne. Meanwhile, the market has weakened over the summer and our current figures are below those reported in July 2008. However, supply is expected to remain restricted in the final trimester as maintenance will be carried out on blast furnaces in China, Japan and South Korea during that period.

MEPS said that "Although producers gained some small price advances for third quarter business in Poland, strip mill product sales fell during August due to bloated inventories. Demand has also been slow in early September. The strong zloty is starting to hurt the Polish export sector. In the Czech Slovak markets, manufacturers are coping so far with the problems of strong currencies, high energy prices and escalating raw material costs. Steel supply remains tight with stocks at minimum levels."

It further added that "In Western Europe, there has been very little movement in strip mill prices since July. However, demand over the holiday period was slower than normal for that time of year because of the poor economic climate. Most companies have sufficient inventories for the near term and are in no rush to conclude new business. The mills are likely to reduce capacity rather than chase orders for the fourth quarter by lowering prices. So far, there is no evidence of severe downward pressure from third country imports."

## **US domestic scrap market on track to rebound**

*- 22 Sep 2008*

It is reported that USA's domestic ferrous scrap market is on track to rebound as evidenced by moves this week for an increase of around USD 50 per long tonne in ex yard prices.

There are strong expectations among local metal merchants for new purchases of US ferrous scrap by Turkey's electric steelmakers after Ramadan. Ramadan is the month of daytime religious fasting in the Islamic calendar. In the first week of September, Turkish electric steelmakers bought ferrous scrap cargoes from the US East Coast.

Negotiated prices are said to have stood at levels of USD 420 per tonne C&F for a mix of 80% No1 HMS/20% No2 HMS and USD 425 per tonne C&F for the shredded grade.

In the USA, local transaction prices of ferrous scrap already hit bottom on the West Coast last week. Ex yard prices there have recovered to a level of USD 300 per long tonne for No1 HMS this week, up from the earlier level of USD 270 to USD 280 per long tonne. It is understood that ex yard arrivals of material fell off in the wake of a steep fall in prices. It looks as if ex yard terms are under correction of low prices. As a result, there is a strong possibility that transaction prices will go up in new ferrous scrap exports out of the USA to Asian destinations.

Of late, a total of 7 to 8 ferrous scrap cargoes from the US West Coast are said to have sold at a price level of USD 430 to USD 440 per tonne C&F South Korea for No1 HMS. The Korean buyers concerned are seen as Hyundai Steel Co, Dongkuk Steel Mill Co, Korea Iron & Steel Co, and Yamato Korea Steel Corp.

In Japan, pricing leader Tokyo Steel Mfg Co raised what the company pays for locally available ferrous scrap by JPY 2,000 to JPY 3,000 per tonne at its four works from September 11th 2008. In this connection, chances are Japan's trading houses will have to increase offer prices by at least JPY 3,000 per tonne in their deals of ferrous scrap exports to South Korea. But it is unlikely that South Korean electric steelmakers will take action to import Japanese ferrous scrap such as No2 HMS, market observers believe.

(Sourced from TexReports)

## **US mills reduce prices of rebar as scrap prices collapse**

*- 22 Sep 2008*

With benchmark shredded scrap prices collapsing by USD 170 per tonne in September 2008 to USD 400, some steel producers have cut prices by USD 70 per tonne on rebar to USD 986 and USD 50 per tonne on merchant bar to USD 994.

Nucor and Gerdau Ameristeel have issued letters to customers indicating that they have cut prices on both steel long products while Keystone Steel & Wire has cut rebar prices by USD 70.

## **Hurricane Ike destroys 49 offshore platforms**

*- 20 Sep 2008*

Some 49 out of 3,800 offshore oil and natural gas production platforms have been destroyed by Hurricane Ike across the Gulf of Mexico. US Interior department said that the destroyed platforms were completely or partially destroyed.

The latest damage assessment indicates that the destroyed platforms accounted for 13,000 barrels of oil a day and 84 million cubic feet of natural gas a day.

The Minerals Management Service said that Hurricane Ike has damaged five gas transmission pipelines. It said that the agency has conducted survey to assess extent of damages along with unconfirmed reports of oil spills and oil sheens. The agency said that "There are no reports of oil impacting the shoreline or affecting birds and wildlife from releases in the Gulf of Mexico federal waters."

There are more than 3,800 oil and gas production platforms in the Gulf of Mexico which produces 1.3 million of barrels of oil and seven billion cubic feet of gas per day.

Threats from hurricanes since late August have already cut more than 20 million barrels of oil supply from the Gulf of Mexico and idled a quarter of the US refinery capacity.

## **Scrap cost collapse causes steel bar prices to fall**

*- 19 Sep 2008*

Purchasing.com reported that, with benchmark shredded scrap prices collapsing by USD 170 per gross tonne this month to USD 400, some steel producers have cut prices by USD 70 per net tonne on rebar to USD 986 and USD 50 per tonne on merchant bar to USD 994.

Nucor and Gerdau Ameristeel have issued letters to customers indicating that they have cut prices on both steel long products while Keystone Steel & Wire has cut rebar prices by USD 70.

Nucor said in its letter that "While we support the fact that globally the current bar market softness is due mostly to seasonal issues and that we will see a rebound in global demand in the fourth quarter, we believe a measured decrease in transaction prices is warranted at this time."

Steel scrap costs can be volatile. Prices for number 1 heavy melt scrap, a key obsolete grade, also have dropped sharply from the peak monthly average price in June 2008. The price of about USD 506 per gross tonne has now fallen slightly below USD 300. Also, buyers at Midwest steel mills say prompt industrial scrap, which had peaked at nearly USD 900, now is closer to USD 575.

## **Goldman Sachs slashes oil price forecast**

*- 19 Sep 2008*

Reuter reported that Goldman Sachs has slashed its forecast for WTI crude oil prices to USD 123 barrel on average in 2009 from a previous USD 148 a barrel forecast.

The investment bank that "The market has overshot to the downside and is now substantially oversold as a combination of financial concerns, skepticism and real and perceived demand weakness has pushed prices below the long term economics of the petroleum industry."

## **US steel makers respond to antitrust class action suit**

*- 17 Sep 2008*

Platts reported that US steelmakers have responded swiftly to a class action lawsuit filed September 12th in US District Court, Northern Illinois, seeking damages under the antitrust laws of the United States.

ArcelorMittal spokesman told Platts that "ArcelorMittal complies with all legal requirements wherever it does business and expects to strongly and successfully defend itself in the lawsuit."

A US Steel spokesman said that "United States Steel Corporation has reviewed the allegations. US Steel conducts its business unilaterally, and in keeping with all applicable laws. We intend to defend vigorously against any claims to the contrary."

Mr Douglas Gunson general counsel of Nucor' told Platts "We have learned that Nucor Corporation has been named in a lawsuit. We are in the process of analyzing the complaint. This lawsuit alleges a conspiracy among members of the American steel industry to reduce output and raise prices. We believe that any such allegations are without merit and we intend to defend vigorously against them. Because this is pending litigation, we believe it is not appropriate to make any further comments at this time."

The plaintiff, Scranton, Pennsylvania based Standard Iron Works, a steel fabricator, filed the suit as a class action, consisting of all persons and entities who purchased steel products directly from defendants between January 1st 2005 and the present."

The action alleges that "Defendants conspired to fix, raise, maintain and stabilize the price at which steel products were sold in the United States during the Class Period. The plaintiffs allege a scheme "designed to, and which had the effect of, artificially restricting the supply of steel products in the United States, thereby allowing defendants to charge supra competitive prices to the plaintiff class."

Standard Iron Works also alleges that the steel companies met with each other to discuss the need to impose industry production discipline and to adjust their production rates so the price of steel doesn't drop."

The defendants named in the suit are

1. ArcelorMittal
2. ArcelorMittal USA
3. US Steel
4. Nucor
5. Gerdau Ameristeel
6. Steel Dynamics Inc
7. AK Steel Holding
8. SSAB Swedish Steel
9. Commercial Metals

## **Nucor drops rebar prices by USD 70 per short tonne for October**

*- 14 Sep 2008*

Platts reported that in a market leading move, US mini mill steel producer Nucor has notified customers that it would decrease net transaction prices by USD 70 per short tonne for concrete reinforcing bars, and by USD 50 per short tonne for merchant bars and structural products effective with shipments from September 10th 2008. The new transaction pricing will remain in effect for shipments through October 31st 2008.

Nucor explained in a letter faxed to customers that the new transaction levels were determined in a two step calculation involving a raw material surcharge adjustment followed by a mill base price adjustment.

Nucor said it was lowering its raw material surcharge by USD 171 per short tonne to USD 213 per short tonne from the mid August level of USD 384 per short tonne. The scrap surcharge is calculated by subtracting the company's baseline scrap price of USD 162 per short tonne from the monthly published benchmark price for shredded auto scrap in the Chicago market, which is currently USD 375 per short tonne.

At the same time, Nucor said the mill base price of rebar would increase by USD 101 per short tonne. The base price for merchant bars and structural products would increase by USD 121 per short tonne.

Mr Ronnie L Johnson sales manager at Nucor Steel Birmingham said that "While we support the fact that globally the current bar market softness is due mostly to seasonal issues and that we will see a rebound in global demand in the fourth quarter, we believe a measured decrease in transaction prices is warranted at this time."

## **US ITC institutes investigation on cast steel railway wheels**

*- 14 Sep 2008*

US International Trade Commission has voted to institute an investigation of certain cast steel railway wheels, certain processes for manufacturing or relating to same and certain products containing same. The products at issue in this investigation are cast steel railway wheels that are used in railcars and locomotives, and their respective axles.

The investigation is based on a complaint filed by Amsted Industries Incorporated of Chicago on August 4th 2008. The complaint alleges violations of section 337 of the Tariff Act of 1930 in the importation into the United States of certain cast steel railway wheels and certain products containing same that misappropriate Amsted trade secrets. The complainant requests that the ITC issue an exclusion order and a cease and desist order.

The ITC has identified the following as respondents in this investigation

1. Tianrui Group Company Limited of China
2. Tianrui Group Foundry Company Limited of China
3. Standard Car Truck Company Inc of Park Ridge
4. Barber Tianrui Railway Supply LLC of Park Ridge

By instituting this investigation, the ITC has not yet made any decision on the merits of the case. The ITC's chief administrative law judge will assign the case to one of the ITC's five administrative law judges, who will schedule and hold an evidentiary hearing. The ALJ will make an initial determination as to whether there is a violation of section 337, that initial determination is subject to review by the commission.

The ITC will make a final determination in the investigation at the earliest practicable time. Within 45 days after institution of the investigation, the ITC will set a target date for completing the

investigation. ITC remedial orders in section 337 cases are effective when issued and become final 60 days after issuance unless disapproved for policy reasons by the US Trade Representative within that 60 day period.

## **Molybdenum prices expected to rise 10% this year**

*- 13 Sep 2008*

Producers expect molybdenum prices to stay above USD 30 per pound in 2008 because demand for the metal, which is used to strengthen steel, has strengthened in the face of six month world crude steel production that has increased 5.7% over the first six months of the year.

Mr Kevin Loughrey CEO of Thompson Creek Metals said that "The outlook for molybdenum demand continues to be good. The molybdenum market remains strong (and) prices have been very stable."

Mr Loughrey said that "The occasional customer is taking a bit less this year, citing in particular foundries that sell castings to the automotive industry. Most of our customers are taking toward the top end of what they're entitled to take."

He said that his company's average realized price on molybdenum sales was USD 32.69 per pound in the first half of 2008, up by 21.4% YoY from USD 26.93 per pound in the first half of 2007. Sales prices have remained in excess of USD 30 per pound during 2008 and are expected to remain at approximately these levels for the remainder of the year.

Molybdenum production at the Thompson Creek Mine during the second quarter of 2008 was 4 million pounds, up by 11.1% QoQ from 3.6 million pounds in the first quarter of 2008 and up by 73.9% YoY from 2.3 million pounds in the second quarter of 2007.

Thompson Creek mine in Idaho is on track for full year output of between 16.5 million and 17 million pounds, while its Endako mine in British Columbia is on target to produce between 6.5 million and 7.5 million pounds. However, there is a lag of up to 2.5 months between the time a pound of molybdenum is mined to when it is processed, smelted and sold.

## **Global hot band prices continue on downward trends**

*- 11 Sep 2008*

SteelBenchmarker reported that the US hot rolled band spot price for September 8th 2008 fell by 3.2% to USD 1,122 per ton, FOB the mill for the third consecutive time, world export HRB price plunged by 4.9% to USD 1,006 per ton FOB the port of export, for the third consecutive time, Chinese HRB ex works price rose by 0.6% to USD 640 per ton after dropping three consecutive times and the Western European HRB fell by 4.0% to USD 957 per tonne ex works for the fourth time.

### **USA**

USD 1,122 per metric tonne FOB the mill

Down by USD 37 per tonne from USD 1,159 two weeks ago

Down by USD 81 per tonne from the peak on July 28th 2008

Up by USD 562 per tonne from the recent low of USD 560 on August 13th 2007

Up by USD 492 per tonne from the previous high of USD 630 on April 9th 2007

### **China**

USD 640 per metric tonne ex works

Up by USD 4 per tonne from USD 636 two weeks ago

Down by USD 93 per tonne from the peak on July 14th 2008

Up by USD 170 per tonne from the recent low of USD 470 on October 22nd 2007

Up by USD 153 per tonne from the previous high of USD 487 on September 10th 2007

Western Europe

USD 1,064 per metric tonne ex works

Down by USD 44 per tonne from USD 1,108 two weeks ago

Down by USD 140 per tonne from the peak on July 14th 2008

Up by USD 401 per tonne from the recent low of USD 663 on July 23rd 2007

Up by USD 368 per tonne from the previous high of USD 696 on June 11th 2007

World Export Price

USD 957 per metric tonne FOB the port of export

Down by USD 49 per tonne versus USD 1,006 two weeks ago

Down by USD 156 per tonne from the peak on July 28th 2008

Up by USD 407 per tonne from the recent low of USD 550 on July 23rd 2007

Up by USD 361 per tonne from the previous high of USD 596 on March 26th 2007

## **Price of coal could weaken as steel cools off worldwide**

*- 11 Sep 2008*

Global demand for coal has shown some signs of slack, leaving investors to wonder what's next for US producers who've seen prices at times triple over the past year.

Ocean freight rates, the US dollar and other factors behind the big jump have begun to ease. Meanwhile, analysts are questioning whether a global slowdown has begun to hurt the steel industry, which uses high-priced metallurgical coal to fire blast furnaces.

Investment bank Goldman Sachs downgraded the entire US steel industry, citing risks such as the strengthening dollar and concerns about demand from China.

St Louis based coal giant Peabody Energy offered a more bullish assessment during a presentation at a Lehman Brothers investor conference. Peabody said that world coal demand continues to exceed supply and prices remain strong and rising.

Mr Don Blankenship CEO of Massey said that "Despite some of the more recent publications we find it to be extremely tight. So tight, that Massey has sold 7 million tonnes at an average price of USD 173 for 2009 and 2010 delivery. We will see coal prices in the USD 220 to USD 250 range. It could be higher. It will depend to a great extent again on what the Australians are doing and what the Chinese are doing."

## **Steel producers shares retreat in US**

*- 10 Sep 2008*

AP reported that shares of steel producers fell after an analyst said declining prices for scrap metal, an important feedstock for many companies, may force producers to cut their prices.

Mr Charles Bradford Soleil Securities Group analyst, citing steel scrap price data from the weekly American Metal Market, said that the trade publication's data may seriously understate the extent of falling scrap prices.

Mr Bradford said that some steelmakers have a surcharge system that changes their steel prices as the price of steel scrap changes. This is largely geared to prime scrap grades that have fallen more than USD 300 per tonne during the last week, to USD 550 a tonne.

He added that "It will be interesting to see if the mills drop their prices as fast as they raised their prices when scrap prices soared. We believe that the steel stock prices will follow steel prices, although lower scrap costs help company profit margins and will eventually offset the reduced revenues."

## **Global steel market will grow - Mr LN Mittal**

*- 09 Sep 2008*

Mr LN Mittal CEO and chairman of ArcelorMittal, who received the Malcolm S Forbes Lifetime Achievement Award, believes that despite the slowdown, the global steel market will continue to grow at 3% to 5% per annum.

Mr Mittal at the Forbes Global CEO Conference gala dinner in Singapore said that "The demand in China will make up for the slack in growth in the US, Europe and Japan. China makes up one third of the world demand. There will be 221 cities by 2025 and they will need 40,000 to 50,000 skyscrapers."

He said that "All these will be made of steel and it gives me confidence that the demand will grow albeit not at double digits."

He added that demand from India would also come from the small to medium industries

## **Recession reports - US auto sales slide in August**

*- 08 Sep 2008*

According to research firm Autodata, automakers saw another painful slide in US sales in August 2008 with consumers cautious amid a weak economy, raising the odds for a government aid plan for the industry. Total new car sales in August amounted to 1.249 million units, down by 15.5% YoY.

General Motors reported August US sales slumped by 20.4% YoY to 308,817 vehicles, although it pointed out that sales were up a significant 31% from a month earlier.

Ford Motor Co's August US sales slid 26.6% YoY, citing a weak economy and sluggish demand for large trucks and sport utility vehicles. Ford cited higher demand for fuel efficient small cars and SUVs but this was offset by other factors.

The Big Three Detroit carmakers reported hefty double digit declines from a year ago, and Japan's Toyota and Honda saw single digit losses, while Nissan bucked the trend with an increase in sales. The Detroit companies are preparing to launch a campaign for assistance next week. The goal is to have Congress approve at least USD 25 billion in loans by the end of September 2008.