# **Australian Steel News**

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"Key Indicators, Pricing and News for the Australian Steel Industry"\*

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## **STEEL MARKET SUMMARY** - September

# In A World Of Fluctuating Fortunes, Who Would Be A Pundit?

After sitting pretty at 81 US cents in January of this year, the Aussie dollar recently slid to 71 cents: down 11.6%. Though at the time of printing it had recovered into the 72 cents zone. Meanwhile, China's Shanghai composite stock market is down 17% year to date, yet the Nanhua rebar steel futures index is up 22%. Donald Trump might withdraw the US from the World Trade Organisation. Or he might not. And he may or may not throw tariffs on an extra \$200 billion of Chinese imports. And to top it all off, in Australia the question of "Who is our Prime Minister this week?" brings with it a range of policy and thus investment uncertainties.

Steel prices in China usually reflect the current state of the real economy, whereas stocks represent market sentiment on the growth outlook. In this vein, the Chinese industry giant, Baosteel, recently announced that profits in the first half of 2018 rose 62% year-over-year. Nevertheless, the Shanghai composite decline is a concern, even though it's expected the Chinese government will step in to shore up the economy to achieve the anticipated 6.7 – 6.8% annual GDP; tariffs notwithstanding. As that happens, prices for Chinese domestic steel – notably HRC, CRC and HDG – will probably remain on the rise. Looking at ASN's quoted figures for rebar in China and Turkey, it's evident that Chinese prices have jumped around 15% whereas Turkish prices have gone the other way by 3 to 4%.

Donald Trump's willingness to pick a fight with anyone – indeed, everyone – adds to the uncertainty in global markets. Steel and aluminium tariffs apply across the board one moment, and then are progressively watered down over the ensuing months. To wit, targeted relief was given in late August to South Korea, Brazil and Argentina for offering products not fully supplied by US manufacturers. He declares NAFTA a disaster, then warmly applauds the Mexico deal, whilst remaining obstinate to his most vital trading partner, Canada. He holds a gun to the head of smaller nations, while openly taunting China into an all-out trade war which would be catastrophic for world economies, if it ever came to pass. His apparent disinterest in consequences belies his own cocooned existence, while the rest of the world is left second guessing.

The Australian figures for building approvals in residential and non-residential reflect some concerns in the former but continuing underlying strength in the latter. In light of this local market strength and the strength in pricing in East Asia, one would expect Onesteel and Bluescope to take advantage of the situation and lift prices. However, given their higher recent output, which has seen them hit some export markets for the first time in a long time, and a seeming intent to take 110% of local markets, nothing can be taken for granted. The one thing for certain is that domestic steel producers will continue to look for the protective help of the antidumping commission if "re-locating steel" ends up heading towards Australia.

PRICING MOVEMENTS SINCE: August 1, 2018	USD Change		AUD Change	
STEEL RAW MATERIAL - Blast Furnace costs <sup>1</sup>	+ 1.2 %		+ 3.9 %	
EAF/Scrap costs <sup>2</sup>	- 3.1 %		4 %	
STEEL FINISHED PRODUCT - China Rebar pricing <sup>3</sup>	+ 15.4 %		+ 18.1 %	
Turkey Rebar pricing⁴	- 4.4 %		- 2.4 %	
Non Ferrous Metals (Cu/Al/Ni/Zn)⁵	- 3.9 %		- 1.9 %	
CURRENCY MOVEMENTS - The AUD has moved against the USD	- 2.7 %	and	- 3.2 %	against the Euro

<b>STEEL COST INDEX</b> (The cost of Scrap, Iron Ore, Coal in one tonne of steel)	<u>01-Sep-18</u>	<u>01-Aug-18</u>	<u>02-Jul-18</u>	<u>01-Jun-18</u>
Blast Furnace Index in USD <sup>1</sup>	318	314	322	324
Blast Furnace Index in AUD <sup>1</sup>	447	430	441	432
EAF/SCRAP Index in USD <sup>2</sup>	351	373	400	382
EAF/SCRAP Index in AUD <sup>2</sup>	495	511	548	509
STEEL AND RAW MATERIAL PRICES (USD per tonne)	<u>01-Sep-18</u>	<u>01-Aug-18</u>	<u>02-Jul-18</u>	<u>01-Jun-18</u>
Iron Ore <sup>6</sup>	67	67	64	64
Coking Coal <sup>7</sup>	182	175	185	190
Steel Scrap Turkey (LME Turkey Imports) <sup>8</sup>	311	330	354	338
<b>Steel Rebar Turkey</b> (LME Turkey Exports) <sup>4</sup>	520	544	548	534
Steel Rebar China (Spot China SHFE tonne) <sup>9</sup>	705	611	620	614
FX RATES (Source www.x-rates.com)	<u>01-Sep-18</u>	<u>01-Aug-18</u>	<u>02-Jul-18</u>	<u>01-Jun-18</u>
USD / AUD	0.71	0.73	0.73	0.75

	Euro / AUD NZD / AUD	0.61 1.08	0.63 1.08	0.63 1.09	0.64 1.08
<b>FUTURE FX RATES</b> (Banks' estimates of AUD value at end of Q4 2018)	_	NAB	ANZ	WESTPAC	<u>CBA</u>
	USD / AUD	0.75	0.7	0.73	<u>0.75</u>
	Euro / AUD	0.63	0.60	0.63	0.64
	NZD / AUD	1.07	1.12	1.10	1.1

NON FERROUS METALS PRICES (USD per tonne) (Source: London Metal Exchange Quote) <sup>10</sup>	Copper Aluminium Nickel Zinc	01-Sep-18 6018 2111 12990 2503	<u>01-Aug-18</u> 6136 2035 13775 2627	<u>02-Jul-18</u> 6594 2152 14570 2914	<u>01-Jun-18</u> 6813 2270 15140 3088
<b>COMPANY SHARE PRICES</b> (AUD per share) (Source: ASX) <sup>11</sup>	Bluescope Sims Metal BHP Billiton	01-Sep-18 17.31 12.56 33.21	<u>01-Aug-18</u> 18.12 17.21 35.08	<u>02-Jul-18</u> 17.07 16.01 33.6	<u>01-Jun-18</u> 17.81 16 33.08
ANTI-DUMPING NEWS (Sign up for an ADC weekly update)> Summary of Measures already in place Latest Updates to the public record Details on the most recent Anti-Dumping Actions	<u>HERE</u> <u>Adcommission - Me</u> <u>Adcommission - Lat</u> <u>Adcommission - Ca</u>	test Updates			
<b>STEEL NEWS HEADLINES</b> (courtesy of SEAISI or sources quoted) <u>Sept 3 - Business Insider: The Aussie dollar is crumbling</u> Aug 30 - Reuters: China's steel, iron ore sectors may have peaked	<u>Aug 30 - SEAISI: Tru</u> Aug 28 – SEAISI: Ste		SEAISI STEEL NEV		

Aug 30 - Reuters: China's steel, iron ore sectors may have peaked	Aug 28 – SEAISI: Steel price report as of August 27
<u> Aug 29 – MEPS: Global steel prices stabilise amid uncertain outlook</u>	Aug 28 – SEAISI: Scrap demand in ASEAN countries
Aug 28 – CNBC: Buoyant China steel prices, yet stock market woes	Aug 28 – SEAISI: Ann Joo second quarter next profit down
<u>Aug 28 – Business Insider: Iron ore prices slump</u>	Aug 27 – SEAISI: Southern Steel's 4Q net profit jumps
Aug 28 – Business Insider: Record China July production	Aug 27 – SEAISI: China Steel hikes prices, citing demand
Aug 27 – WSA: July 2018 crude steel production	Aug 21 – SEAISI: Vietnam steel exports up 56% in seven months
Aug 24 – WSA: Implications of circular economy for steel industry	Aug 20 – SEAISI: Vietnamese steel sector in US-China trade war
Aug 22 – Platts: Tariffs hurtful, but steel scrap remains competitive	<u> Aug 17 – SEAISI: Tariffs boost Japan, South Korea steel to India</u>

Key to Prices	
1 Blast Furnace Index (Iron Ore*1.6 mt + Coking Coal * 0.9 mt + Scrap*0.15 mt ) in either USD or converted to AUD	COST - BOF
2 EAF/SCRAP Index (Steel Scrap * 1.13 mt) in either USD or converted to AUD	COST EAF
3 STEEL FINISHED PRODUCT - Chinese Rebar Pricing Shanghai Futures Exch converted to USD at 6.8 Yuan/USD	HERE
4 Steel rebar (Turkey exports FOB Turkish Port – One Month USD / MT) from LME	HERE
5 The average price / mt for the Non Ferrous Metals - Cu/Al/Ni/Zn.	<u>HERE</u>
6 Iron Ore Fines - Bloomberg indicative USD CFR prices for 62% Fe shipping to Qingdao. NAB sourced	
7 HCC - premium low-vol - Coking Coal USD per tonne. NAB sourced	
8 Steel scrap (Turkey CFR) – USD pricing per tonne from LME Closing Contract Price	HERE
9 Rebar - Shanghai Futures Exchange Forward one month converted to USD at 6.8 Y/\$	HERE
10 London Metal Exchange (LME) CASH pricing is quoted	HERE
11 Australian Stock Exchange end of day quote in Australian dollars	HERE

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