

SAMPLE

Top News:

BOF mills face closure, scrap prices unsupported: Irepas

BOF-based producers are facing severe pressure due mainly to increasing raw material costs, with closures confirmed and threats of potential closures in several regions. The only solution may be to slow down and stop inefficient facilities, says the International Rebar Exporters and Producers Association (Irepas) in its monthly market report.

Iron ore prices surged 18% in June on strong demand and supply disruptions. Some idling of blast furnace production will mean production shifting toward scrap-based electric arc furnaces, which are extending their order books. The BOF production cuts will help balance supply and demand.

The increased competitiveness of EAF-based mills could continue further as the association believes that the recent uptick in scrap prices is not expected to be sustainable because fundamentals do not support higher levels. Pig iron prices have seen a downward adjustment to match low residual scrap, which has not made any real gains. Overall, in the market there is an excess supply of slab, while for billet supply and demand are balanced.

Nevertheless, the summer will likely see some decent demand for scrap, which will mean stable pricing. The iron ore to scrap ratio is at a low point, making scrap look cheap, maybe more than it actually is. Scrap availability in the European market will draw down in summer limiting oversupply.

US

Although US long products demand has not changed, supply has increased, thereby pressuring prices. "Domestic mills face very little pressure from imports, but, ironically, they are racing against each other to offer deals to even small buyers," Irepas says. "On the other hand, US mills are trying to increase their HRC prices, which were unusually low." The closure of US Steel's blast furnace-based mills is a major factor that could support prices and confirms the potential difficulties of integrated producers as iron ore prices remain firmer than scrap levels.

Canadian mills are now offering to the US with zero duty and will soon become again the largest exporter to the country, Irepas comments.

EU/TURKEY

In Europe new quotas for the period July 2019-June 2020 have been allocated but the first issues have already arisen. New quotas have almost been used up for Turkish longs exports in just one week, for example, meaning there will be no more Turkish sales to the EU market for a year. "As a result, the supply-and-demand balance will not be in better shape than it is today for the Turkish mills," the association continues.

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How are the German steel webshops faring?

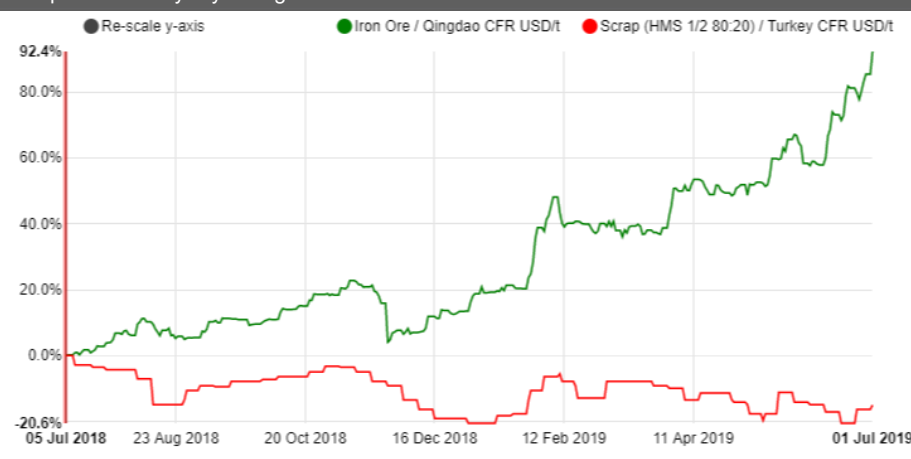
KORE 62% Fe / Qingdao CFR USD/t

W-o-w avg change +1.21%

5 Jul 2019	\$	116.10	low
4 Jul 2019	\$	125.69	
3 Jul 2019	\$	126.86	high
2 Jul 2019	\$	124.41	
1 Jul 2019	\$	119.66	
Average	\$	122.55	

28 Jun 2019	\$	115.35	high
27 Jun 2019	\$	113.95	
26 Jun 2019	\$	112.14	
25 Jun 2019	\$	110.58	low
24 Jun 2019	\$	111.82	
Average	\$	70.47	

Scrap vs Iron ore y-o-y change



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Global Overview

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North America

- US hits Vietnam with circumvention duties
- US pledges new investments in Panama
- All prices bogged down by lacklustre LatAm market

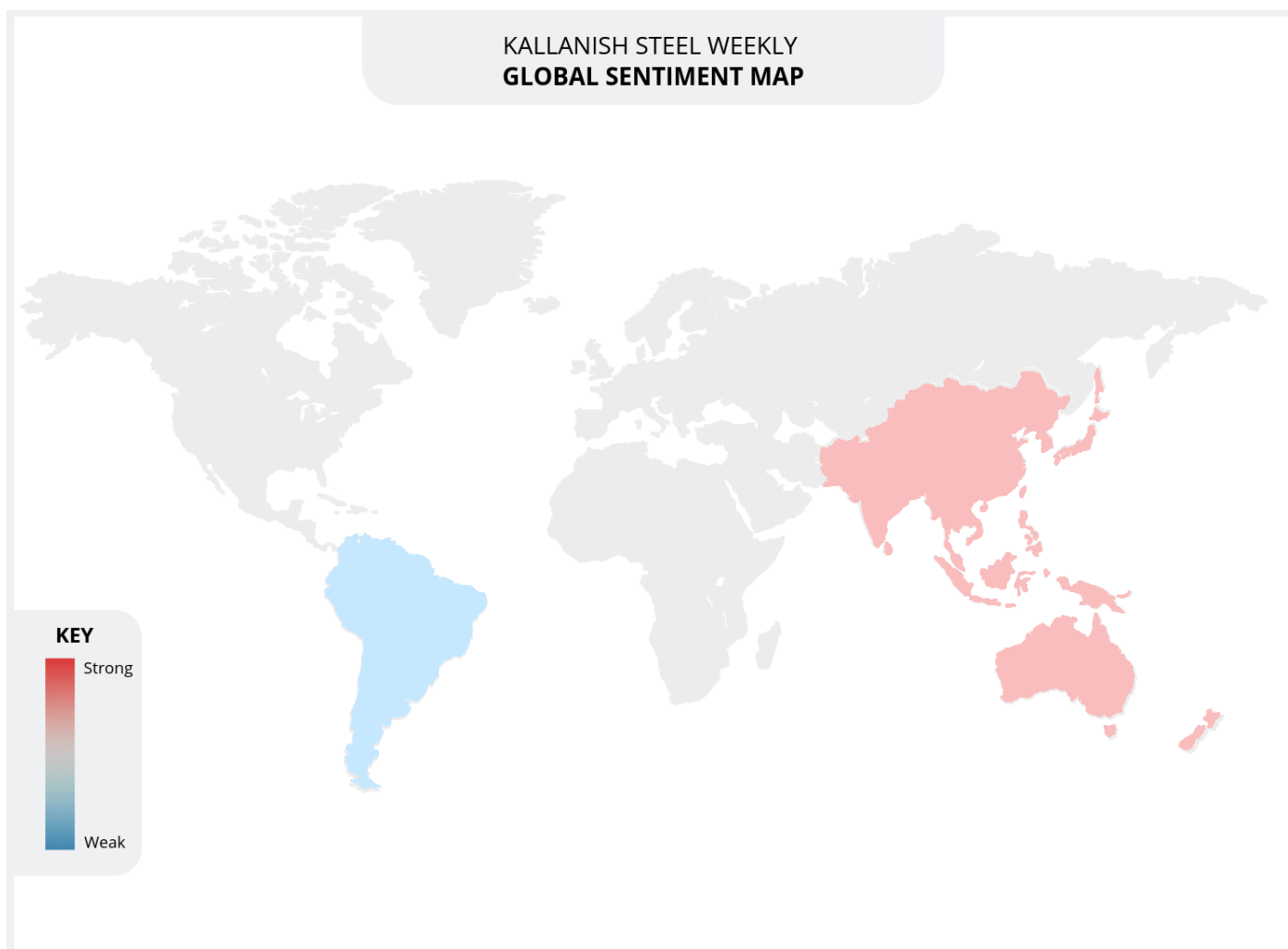
Europe

- New quotas for safeguard measures allocated
- ArcelorMittal completes sales of assets to Liberty
- Spanish rebar prices look up

Asia

- Chinese prices rollercoaster
- Iron ore corrects
- Baowu to be largest steelmaker by 2020

KALLANISH STEEL WEEKLY GLOBAL SENTIMENT MAP



South America

- Brazilian pig iron prices look up
- ArcelorMittal Brazil starts maintenance
- Brazilian iron ore exports to recover by 2021

Middle East

- Turkish scrap within touching distance of \$300
- Turkish mills' higher rebar export quotes yet to be accepted
- Egypt suspends billet safeguard duty

CIS

- CIS billet mills raise offers, eye Egypt
- CIS slab prices fail to rise, bids even lower

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Word of the Week

Hydroforming

A forming process in which a tube is placed into a forming die. The tube is then formed to the shape of the die through the application of internal water pressure. The hydroforming process allows for severe shape deformation, making it ideal for automotive structural parts such as engine cradles, radiator supports, and body rails. Various shaped and sized holes can be punched in the tube almost anywhere during the process.

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If you found this issue of Kallanish Steel Weekly interesting please let us know, we would love to hear from you.

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