

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

Sponsored By



STEEL MARKET SUMMARY - August

Section 232 Repercussions Start To Appear

Whilst Donald Trump's section 232 steel and aluminium tariffs were always going to directly affect only a small part of the overall international trade in steel – principally impacting upon Canada, Mexico, Bluescope etc – the greater worry was the indirect effects the tariffs might provoke. And those shockwaves are now starting to reverberate around the world. Already the US has seen prices shoot upwards as the 25% duty gives all local producers a sizeable advantage over their international competitors. Perhaps it's a little early to conclude a theory, but announcements to increase capacity in the US have been notably scarce as American investors weigh up the prospect of this windfall being only a short-term tonic.

Europe has imposed safeguard measures against the import of 23 different categories of steel with 25% duties payable after quotas based on a three-year average have been used up. This additional protection has seen firming prices in the EU. East Asia, and especially China, is also seeing solid demand supporting prices in spite of the effect of s232. This is happening even though scrap prices have fallen more than 5% from last month. Meanwhile, it is interesting to note that the Chinese market is sufficiently strong to the point where the bigger mills are playing around with their recipe books by adding higher quality iron ores and extra scrap to take capacity beyond 100%. The China Iron and Steel Association says this has resulted in mill profits increasing by 150%. Whilst Chinese domestic demand is so strong, cheap export deals for billets, hr coil and rods and bar are rare to behold. There is nothing like a strong domestic market to make the jobs of the Chinese export managers more difficult and less important.

Locally, OneSteel and Bluescope should be happy with the level of business being transacted. OneSteel seems to be in the market with higher levels of capacity in much of its east coast reinforcing steel production, which means the company can take increasing market share. Evidently, giving up some of the margin that might otherwise be available is an acceptable trade-off. A further contributing factor is the strength in Australia's infrastructure market which has seen strong demand for structural sections from Whyalla. Readers might imagine this strength could see the Bluescope / OneSteel anti-dumping departments taking their foot off the accelerator. Not so. A new probable 10% extra tax on imported Korean sections is evidence of this.

The irony is that when the Anti-Dumping Commission took it upon itself to do a risk assessment of how much steel might find its way to Australia due to the s232 disruptions to the international steel trade, it concluded the risks were "immaterial". It also commented that the anti-dumping system in place was adequate to protect local industry. Indeed, trade expert Dr Alan Oxley of ITS Global went even further. With reference to the raft of anti-dumping measures initiated to defend Australian steel or restrict imports which might compete with it, he said that a "very odious protectionist tool" has been created.

PRICING MOVEMENTS SINCE: July 2, 2018	USD Change	AUD Change
STEEL RAW MATERIAL - Blast Furnace costs ¹	- 2.4 %	- 2.4 %
EAF/Scrap costs ²	- 6.8 %	- 6.8 %
STEEL FINISHED PRODUCT - China Rebar pricing ³	- 1.5 %	- 1.5 %
Turkey Rebar pricing ⁴	- .7 %	- .7 %
Non Ferrous Metals (Cu/Al/Ni/Zn) ⁵	- 6.3 %	- 6.3 %
CURRENCY MOVEMENTS - The AUD has moved against the USD	+ .0 %	+ .0 % against the Euro

STEEL COST INDEX (The cost of Scrap, Iron Ore, Coal in one tonne of steel)	01-Aug-18	02-Jul-18	01-Jun-18	01-May-18
Blast Furnace Index in USD ¹	314	322	324	327
Blast Furnace Index in AUD ¹	430	441	432	435
EAF/SCRAP Index in USD ²	373	400	382	402
EAF/SCRAP Index in AUD ²	511	548	509	536

STEEL AND RAW MATERIAL PRICES (USD per tonne)	01-Aug-18	02-Jul-18	01-Jun-18	01-May-18
Iron Ore ⁶	67	64	64	65
Coking Coal ⁷	175	185	190	188
Steel Scrap Turkey (LME Turkey Imports) ⁸	330	354	338	356
Steel Rebar Turkey (LME Turkey Exports) ⁴	544	548	534	556
Steel Rebar China (Spot China SHFE tonne) ⁹	611	620	614	601

FX RATES (Source www.x-rates.com)	01-Aug-18	02-Jul-18	01-Jun-18	01-May-18
USD / AUD	0.73	0.73	0.75	0.75
Euro / AUD	0.63	0.63	0.64	0.62
NZD / AUD	1.08	1.09	1.08	1.07

FUTURE FX RATES (Banks' estimates of AUD value at end of Q3 2018)	NAB	ANZ	WESTPAC	CBA
USD / AUD	0.73	0.72	0.74	0.72
Euro / AUD	0.63	0.63	0.63	0.63
NZD / AUD	1.07	1.04	1.08	1.07

NON FERROUS METALS PRICES (USD per tonne)(Source: London Metal Exchange Quote)¹⁰

	01-Aug-18	02-Jul-18	01-Jun-18	01-May-18
Copper	6136	6594	6813	6777
Aluminium	2035	2152	2270	2257
Nickel	13775	14570	15140	13605
Zinc	2627	2914	3088	3100

COMPANY SHARE PRICES (AUD per share)(Source: ASX)¹¹

	01-Aug-18	02-Jul-18	01-Jun-18	01-May-18
Bluescope	18.12	17.07	17.81	16.57
Sims Metal	17.21	16.01	16	16.11
BHP Billiton	35.08	33.6	33.08	28.71

ANTI-DUMPING NEWS

(Sign up for an ADC weekly update) ----->

[HERE](#)

Summary of Measures already in place

[Adcommission - Measures](#)

Latest Updates to the public record

[Adcommission - Latest Updates](#)

Details on the most recent Anti-Dumping Actions

[Adcommission - Cases](#)**STEEL NEWS HEADLINES**

(courtesy of SE AISI or sources quoted)

[SE AISI STEEL NEWS](#)[Aug 1 – Platts: Coking coal’s 8% July drop on trade worries, not steel demand](#)[Aug 7 – SE AISI: Post-safeguard EU import flood vet to materialise: sources](#)[Aug 1 – Bloomberg: China’s steel makers are smashing production records](#)[Aug 6 – SE AISI: Japan steelmakers shrug off US tariffs in earnings](#)[Aug 1 – Reuters: US tariff threat cuts Shanghai rally; iron ore slides](#)[Aug 3 – SE AISI: Message from Secretary General July 2018](#)[July 26 – MEPS: Global steel sector in turmoil](#)[July 31 – SE AISI: WTO dumps on Australian steel protection](#)[July 26 – MEPS: Temporary safeguard measures unsettle EU steel market](#)[July 27 – SE AISI: Turkish scrap falls below \\$340, rebar hikes questioned](#)[July 26 – Business Insider: Trump-EU deal averts trade war, tariffs](#)[July 26 – SE AISI: Steel firms calmer, raw material likely to stay range-bound](#)[July 26 – World Steel Assn: June 2018 crude steel production](#)[July 26 – SE AISI: Steel sector makes headway in capacity reductions](#)[July 25 – Reuters: China steel exporters delay shipments, giving space to rivals](#)[July 26 – SE AISI: Profits of Chinese steel mills surge in H1](#)[July 24 – Reuters: China’s rising output, prices meet pollution controls](#)[July 17 – SE AISI: Steel price report as of July 16, 2018](#)**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.	HERE
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

Sanwa Contacts - Telephone (02) 9362 4088

Re-inforcing Steels / David Roberts / droberts@sanwa.com.au

Stainless Steel / Howard Seligsohn / hseligsohn@sanwa.com.au

Structural Steel / PC Strand / Mark Horwitz / mhorwitz@sanwa.com.au

Flat Products / Laurie Di Medio / ldimedia@sanwa.com.au

Special Steels / Tube and Pipe / Matt Gilpin / mgilpin@sanwa.com.au

Wire and Aluminium / Steve Wade / swade@sanwa.com.au

***Disclaimer and Credit**

Prices and figures quoted should be taken as indicative numbers only. While all care has been taken in compiling this newsletter, readers acting upon the information herein do so at their own risk. Neither the publisher nor Sanwa will accept any responsibility for consequences arising from commercial decisions made by readers. Most of the numeric information in this newsletter is available at the sources quoted. Readers are urged to check figures against the original source. All comments expressed are the opinion of the editor and copyright is reserved for the full contents of the newsletter.

Australian Steel News acknowledges its two principal sources of information: National Australia Bank (NAB) and SE AISI.

Australian Steel News (ASN) is published by Caletablanca Media.

For suggestions on information you would like to see included in ASN, email: asn@caletablanca.com. To remove yourself from this list, please email: asn@caletablanca.com with the word REMOVE in the subject line. To add yourself to this list, please email: asn@caletablanca.com with the word ADD in the subject line.