Top News:

Demand accelerates 2017 growth, market prices fragile

This year the world is set to accelerate its steel demand growth despite the fact China has probably reached its peak and will soon start showing signs of demand correction. Last week the World Steel Association (worldsteel) published its outlook indicating that global demand is set to grow 1.3% y-o-y this year, up from the 1% y-o-y growth seen last year. The recovery will mainly be supported by positive numbers in the US, Russia, Turkey and India, while China, the largest consumer of steel globally, is expected to hold its demand stable this year after the 1.3% y-o-y recovery of 2016.

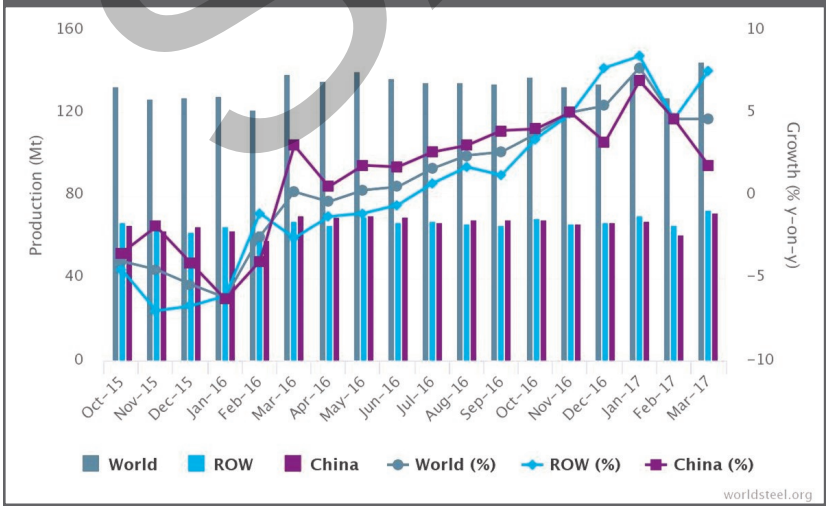
While the global outlook for both this year and the next remains relatively positive, worldsteel added that geopolitical uncertainties could hit the market and that some question marks remain over China. The Asian country has been for many years the driver of demand growth globally but in 2017 it will stabilise and in 2018 the expected fall of 2% y-o-y in demand will take the country's steel use below 2016 levels.

On the market front, last week brought mixed signals globally. Iron ore recovered somewhat, but remained well below this year's peak, while scrap prices in Turkey fell some $10/t re-starting the negative trend that initiated in March and took a pause at the beginning of April. A further decline in scrap prices is possible, to as low as $250/t cfr Turkey in the next round of deals, according to sources.

The last few weeks have been very volatile for the market, but lately the sentiment seems to be slightly stronger for flat products, as Chinese mills believe the bottom has been reached. On the other hand, the longs market remains under pressure as Turkish scrap levels could well correct further and in China the sentiment in the sector remains negative.

Meanwhile last week Donald Trump has pushed forward his attention to protecting the local US economy by launching an investigation into the national security aspects of allegedly unfairly traded steel. The so-called section 232 investigation, if it finds a pressing national security interest in steel, could allow the US Department of Commerce to levy blanket limiting measures on imports. These measures, if imposed, will not only hit China (the largest producer in the world), but a number of other key commercial partners to the US such as Canada, Brazil, Mexico and South Korea. These are among the biggest exporters of steel to the US.

Crude Steel Production



In this week's issue:

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change			**-2.96%**
21 Apr 2017	$	66.40	
20 Apr 2017	$	65.60	
19 Apr 2017	$	65.06	low
18 Apr 2017	$	64.22	
17 Apr 2017	$	68.24	high
Average	**$**	**88.47**	
10 Apr 2017	$	77.23	high
11 Apr 2017	$	72.94	
12 Apr 2017	$	72.36	
13 Apr 2017	$	68.20	low
14 Apr 2017	$	68.56	
Average	**$**	**91.09**	

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Global Overview

North America:

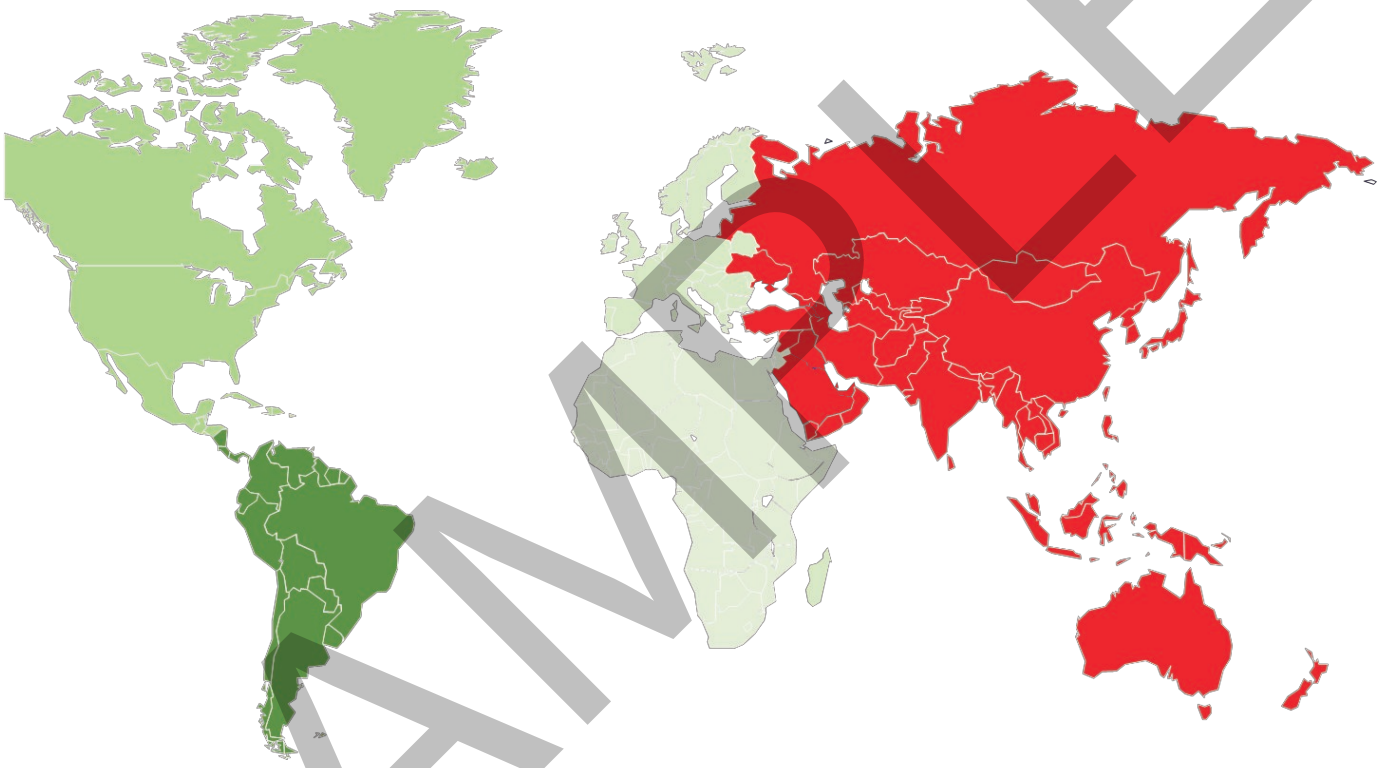
- US reaching for new, broader trade remedies
- Most mills solidly making money
- Pricing an open question, but changes are mild

Europe:

- Coil prices in N. Europe move down
- Construction activity in February rebounded
- Steel demand to continue growing in 2017/2018

Asia:

- Iron ore prices rebound
- Chinese flats market could have reached the bottom
- Chinese rebar sentiment negative



Middle East/Africa:

- Turkish scrap deadlocked, awaits China billet return
- Turkish coil prices soften on cheaper imports
- Turkish crude steel production rose 14% on-year in Q1

Russia/CIS

- China slump drags down CIS coil export prices
- Mechel secures state loan for rail, beam exports

Asia

Small rebound in Chinese prices, but uncertainty continues

Chinese steel prices rebounded at the end of last week but traders feared further falls were likely in the coming weeks. Even iron ore prices were heading back towards $70/tonne by Friday but weaker mill margins mean the rally will be difficult to sustain. The biggest impact of the price fluctuation on global markets is the return of Chinese exports, which saw more spot deals booked last week.

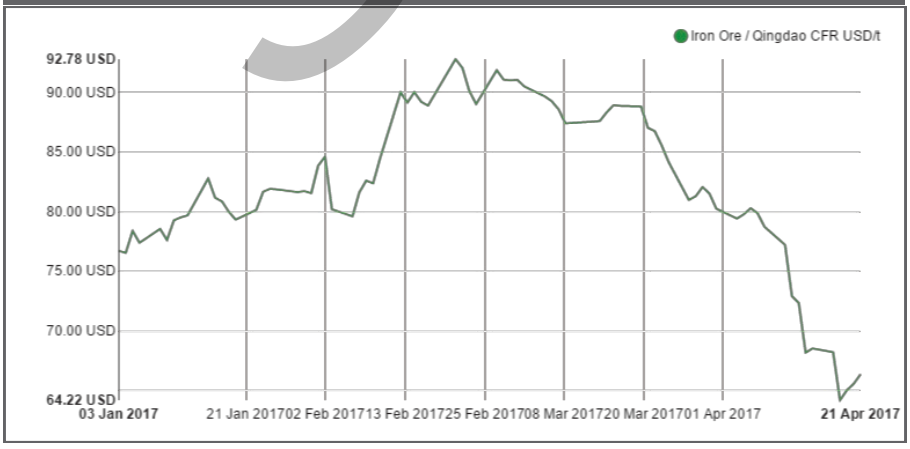
In Shanghai, 20mm HRB400 rebar as trading at CNY 3,140-3,190/t ($456-463/t), down CNY 130/t week-on-week but increasing slowly from Wednesday onwards. 5.5x1,500mm Q235B hot rolled coil was trading at CNY 2,970-3,010/tonne, down CNY 65/t from a week earlier, but also up from mid-week lows.

HRC traders are now more confident on the coming week than rebar traders. They believe the market has bottomed out, at least for now, while rebar traders see little hope of the price rally being sustained. 2mm SAE1006B HRC for export was trading at around $410-420/t fob on Friday, down $22.5/t week-on-week. Mills around Tangshan increased their export offers by $5/t on Friday and deals were heard in the range of $420-430/t cfr Vietnam. Earlier in the week deals had been heard as low as $410/t cfr Vietnam for coil, and hot rolled sheet had been heard booked at $415/t fob on Tuesday. The stronger prices have also seen booking levels increase, showing that mills' more aggressive offers over recent weeks should help to boost export volumes over the coming months.

Over the coming months the government is expected to continue cracking down on illegitimate steelmakers and it has already threatened to remove approvals from facilities that have been slow to cut capacity. But unlike earlier in the year, when closures coincided with increasing demand. Closures over the next quarter will come as demand declines into the summer. Considering high steel inventories, closures are unlikely to be enough to generate another spike in prices.

One other factor suggesting weaker prices is iron ore, which rebounded to $66.40/ dry metric ton cfr Qingdao on Friday but remained well below the highs of $92.78/ dmt seen in February. As mills will take delivery of cheaper iron ore in the coming weeks, they are already showing they are willing to cut their ex-works prices for May and beyond. Despite the rebound in the last few days there is little evidence therefore of a more broad-based improvement in pricing.

Iron Ore 62% FE / QINGDAO CFR USD/T



Prices to watch:

66.40 +1.2%
Iron Ore 62% Fe / Qingdao CFR USD/t

410 -5.1%
HRC / China / FOB / USD/t

3165
Rebar / China FOT Warehouse CNY/t

In the news this week:

CORPORATE

Japanese steel orders weaken in February
Japanese steelmakers booked 5.35 million tonnes of steel orders in February, down -5.8% from January and down -6.2% year-on-year, according to the Japan Iron and Steel Federation (Jisf). February did see a seasonal improvement in construction steel orders however, which is helping to keep demand in the current financial year roughly flat.

CORPORATE

Posco sees soft Korean demand, firmer global market
South Korea's Posco says in its first quarter earnings release that South Korean domestic steel demand is likely to see another slight year-on-year decline in Q2. A recovery in exports however will allow for higher production in the period. Reform in China and better than expected demand growth elsewhere means global demand should increase slightly.

CORPORATE

Chinese steel and seaborne iron ore firm slightly
Chinese steel and seaborne iron ore markets enjoyed a rare day of increase on Thursday after markets turned on Wednesday. Fundamentals still look weak as markets head into summer however, and unease on financial markets poses a risk of an unexpected hit to investment.

FLATS

Chinese domestic, export HRC rebounds
Chinese domestic steel prices rebounded in the second half of last week, and export offers also increased sharply in response. Traders expect prices to be steadier in the coming week but still see prices sliding further into the summer.

CORPORATE

Sichuan province motors on with induction furnace removal
China's Sichuan province has cut 10.7 million tonnes/year of induction furnace steel capacity since December 2016, according to the provincial Economy & Information Commission. Official data from the National Bureau of Statistics shows it produced 4.91 million tonnes of crude steel over January to March, an increase of 8.24% year-on-year.

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