Top News:

Raw material prices fall back to July levels

Raw material prices continued their downward trend last week, falling back to the levels registered in mid-July. The correction is putting pressure on finished steel markets across the globe with some exceptions such as Europe and Latin America.

According to Kallanish price series, iron ore lost more than -15% since beginning of September. Scrap HMS 1/2 (80:20) on the other hand fell almost -10% in the last four weeks.

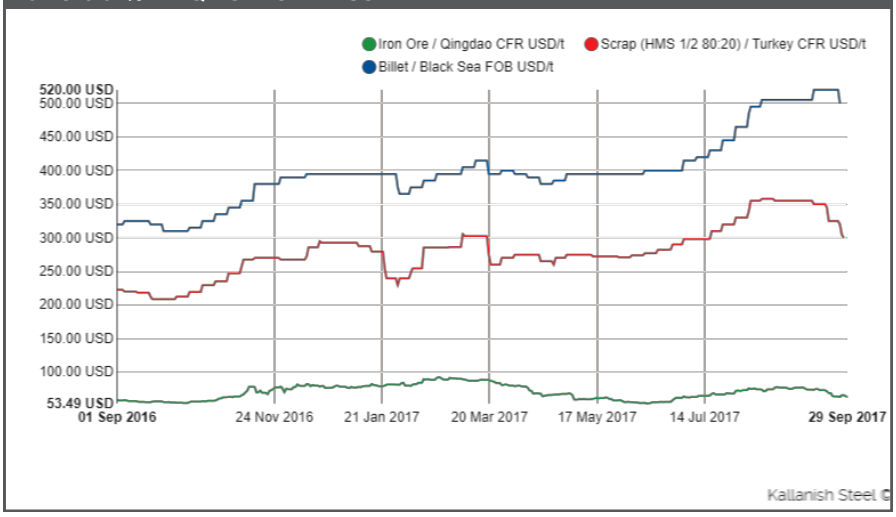
Despite the fall, it is interesting to note that the scrap market remains very strong compared to last week. Currently the price remains more than 50% above the levels registered at the beginning of October 2016. Iron ore on the other hand is currently only 15% above the level of October last year, underlining that EAF-based mills have become significantly less competitive that integrated producers during the last twelve months, even before taking into consideration the increase in the cost of graphite electrodes that has happened during the course of 2017.

The downturn in raw material prices has last week also impacted billet levels; after a few week holding firm, the Black Sea billet prices lost $20/t last week setting at some $500/t FOB Black Sea.

Looking ahead, the outlook for iron ore remains relatively bleak, due to reduction in demand expected in China on the back of the new production restrictions imposed by local government. The scrap market is also expected to correct somewhat to close the further the gap with iron ore.

This week we look at the current situation of the UK market as the local panorama of companies operating in the steelmaking business has changed dramatically during the last two years. The announcement of the merge between Tata Steel Europe and thyssenkrupp is only the last chapter of a reorganization that has made the UK falling last year for the first time the country outside of the top 20 steelmakers in the world. In 1997 the country was among the top ten steelmakers globally.

Iron Ore 62% FE/ QINGDAO CFR USD/T



In this week's issue:

Iron Ore 62% Fe / Qingdao CFR USD/t

W-o-w avg change			**-4.7%**
29 Sep 2017	$	62.88	low
28 Sep 2017	$	64.78	
27 Sep 2017	$	66.13	high
26 Sep 2017	$	65.96	
25 Sep 2017	$	63.2	
Average	**$**	**64.59**	
22 Sep 2017	$	63.98	low
21 Sep 2017	$	64.81	
20 Sep 2017	$	69.27	
19 Sep 2017	$	69.05	
18 Sep 2017	$	71.76	high
Average	**$**	**67.77**	

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Global Overview

North America:

- US sheet, plate prices under pressure
- Supply issues emerge for Q4
- OCTG prices struggle to stay still

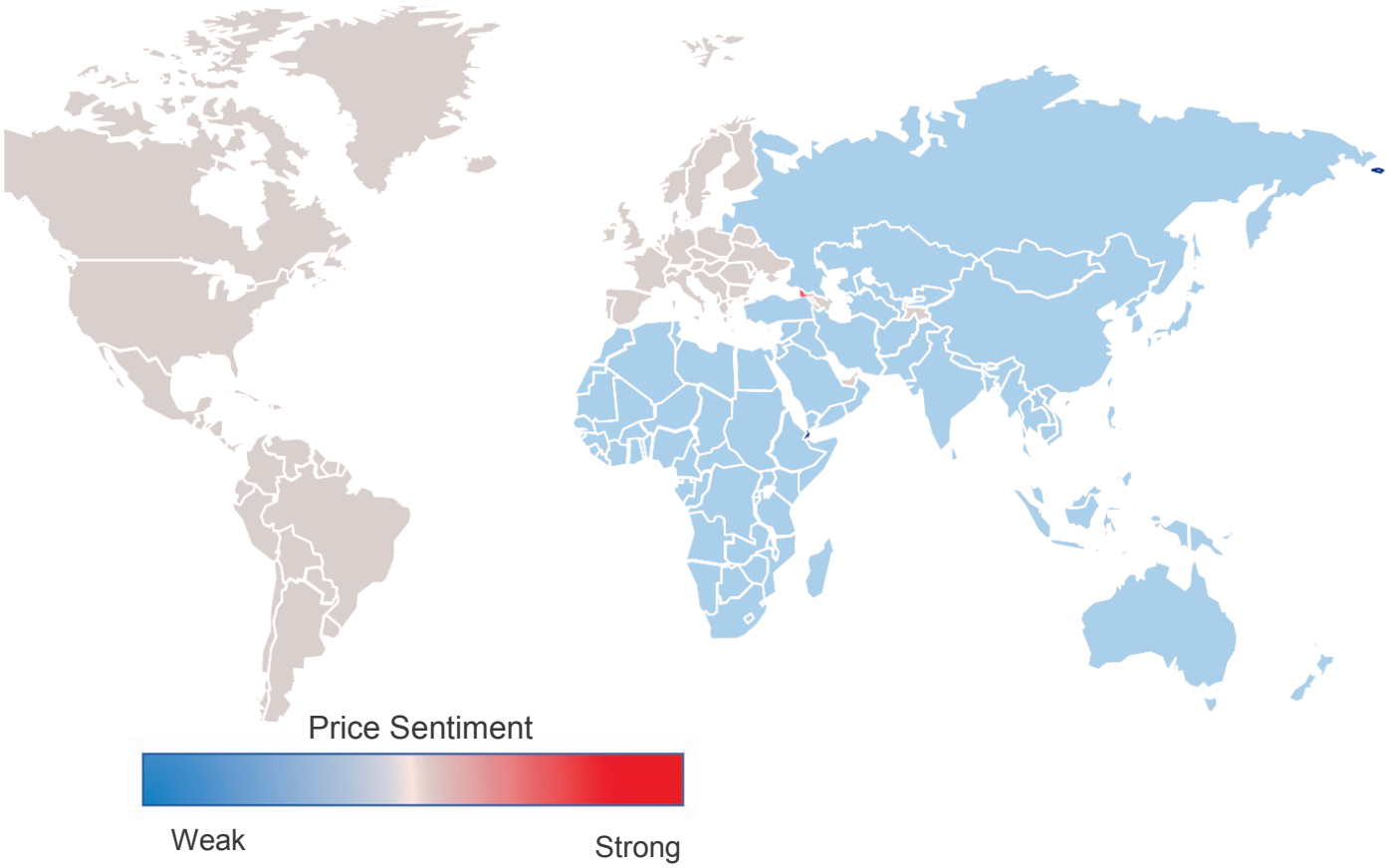
Europe:

- Scrap prices down for October
- Mills prepare coils new hike
- Longs hold on electrodes surcharge

Asia:

- Iron ore down again
- HRC recover somewhat
- Rebar price start holiday with new drop

Global Sentiment Map



Latin America:

- Consumption and production grow
- Ternium expands in Mexico and Colombia
- Brazilian authorities extend deadline for HRC AD case

Middle East:

- Turkish scrap continues fall
- Electrodes hold longs prices
- Egypt extends rebar duties

Asia

Chinese market enters holidays amid uncertain outlook

The Chinese holidays have started amid a lot of uncertainty in the market. Prices began correcting a few weeks ago and have continued to do so last week, but signals from the raw materials, flats and longs market are mixed.

Seaborne iron ore prices slipped further on Friday as the Chinese holiday heralded steelmaking restrictions and a decline in iron ore demand. The Kallanish index for 62% Fe Australian fines lost another $1.90/tonne to $62.88/dry metric ton cfr Qingdao. The index averaged $70.66/t in September, down -5.88% from August and up 24.63% year-on-year.

While iron ore has been weak in recent days, coking coal and coke has fallen more sharply. On Dalian January 2018 coking coal settled down CNY 19/t at CNY 1,125/t on Friday, while coke settled down CNY 21.5/t at CNY 1,900/t. As more and more cities announce detailed restrictions on blast furnace output, expectations for iron ore demand in the coming months are declining. The same restrictions also make it ever more important for active steelmakers to use high grade ores however, helping support the premium for 62% prices over those for 58%.

Meanwhile Chinese hot rolled coil prices firmed last week on both domestic and export markets after their decline in previous days. Buying was more active than for construction products in the last days before the October holiday.

By Friday afternoon in Shanghai 5.5x1,500mm Q235B hot rolled coil was trading at CNY 4,020-4,050/tonne ($603-607/t), CNY 55/t higher than a week earlier. On the Shanghai Futures Exchange the January 2018 HRC contract closed up CNY 79/t at CNY 3,978/t, CNY 213/t higher than a week earlier. Spot market offers increased on Friday after solid deals in the morning. Some traders clearing their stock had offered as low as CNY 4,010/t in the morning and quickly sold out. By the afternoon there were no offers below CNY 4,030/t.

On export markets HRC prices stabilised ahead of the holiday, in part because of light trading activity and in part because of new Indian offers stabilising the market. 2mm SAE1006B was assessed at $550-560/t fob, down $15/t from a week earlier. Traders had also heard Indian SAE1006 HRC offered to Vietnam at $570/t cfr last week, leaving Chinese mills with the lowest offers for the first time in many weeks.

The negative trend continued however in the rebar market. Chinese rebar prices continued to slide right up to the start of the holidays over the weekend. Fears over construction restrictions and heavy rain hurt sentiment, while the holiday meant end users were not buying.

In Shanghai on Friday 20mm HRB400 rebar was trading at CNY 3,820-3,870/tonne ($573-580/t), CNY 55/t lower than a week earlier. On the Shanghai Futures Exchange the January 2018 rebar contract closed up CNY 54/t at CNY 3,695/t , CNY 141/t higher than the close the previous Friday. Tangshan billet prices meanwhile fell CNY 20/t over the day to CNY 3,480/t, the lowest level since 23 September.

Few traders were making public offers on Friday as construction buyers were not buying ahead of the holiday. This was not because there was no inventory, as traders continued to have a variety of grades and specifications when asked. Traders do not want to books losses however.

Traders still hope for better buying after the holiday but there are growing concerns about the impact of restrictions on construction across much of northern China. Furthermore, heavy rains in the coming weeks are likely to dampen both construction activity and demand.

Prices to watch:

4035	555	3845
+1.4%	-2.6%	-1.4%
HRC / China FOT Warehouse CNY/t	HRC / China / FOB / USD/t	Rebar / China FOT Warehouse CNY/t

In the news this week:

CORPORATE

Chinese steel output increasing

Major Chinese steelmakers were increasing their crude steel output modestly in the first 10 days of September, according to the China Iron and Steel Association (CISA). An inventory build-up has been justified in light of stronger demand after the October holiday, but the strength of that demand is in doubt. CISA figures show major mills produced on average 1.87 million tonnes/day of crude steel over 1-10 September, 1.1% higher than over the last eleven days of August.

FLATS

Australia may cancel duties on Japanese, Malaysian HRC

Australia is likely to allow anti-dumping duties on hot rolled coils imported from Japan and Malaysia to lapse this year, while extending duties on coils from South Korea and Taiwan, according to a notice from the Australian Anti-Dumping Commission. The commission has also extended the deadline to issue a final report on dumping of bar-in-coil from Korea and Vietnam.

LONGS

India launches anti-dumping investigation into Chinese alloy bar/rod

Indian has launched an anti-dumping investigation into imports from China of straight-length alloy steel bar and rod following a petition from six domestic producers. The product under consideration (PUC) is "…alloy bars and rods in straight length, whether or not hot rolled, hot drawn, cold drawn, cold extruded, peeled bar, surface machined, polished, bright bar, forged," the Directorate General of Anti-Dumping & Allied Duties (DGAD) says.

FLATS

Vietnamese HRC market flattens out after sharp fall

Chinese hot rolled coil export prices fell early this week as a certain Chinese mill lowered prices to sell off export allocations ahead of the Chinese long holiday. The HRC market in Vietnam may have hit bottom because the mill has since withdrawn offers at these low numbers. While Kallanish was unable to find consensus among traders, some sources report they heard around 30,000-40,000t tonnes of SAE 1006 2-0-2.5mm thickness HRC from China transacted at $560-565/t cfr during the past two days.

CORPORATE

More northern Chinese cities issue steel restrictions' guidance

Northern China's Shandong province and Hebei's Cangzhou city both recently issued their autumn-winter season industrial production restriction guidance, according to the respective government websites. Most of the 28 cities ordered to cut production by the Ministry of Environmental Protection have publicly issued their plans to cut steel production by 50% over October 2017 to March 2018.

RAW MATERIALS

China's scrap export surge continues

China continued to export more scrap in August as graphite electrode costs and regulatory hurdles cast doubt on the start-up of new EAF capacity. Most exports are

going to Southeast Asia, where induction furnaces are

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