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Complimentary news compendium: Featured ferrous headlines

November 2015

US ferrous scrap prices fall on weak demand

7 November - US ferrous scrap prices traded anywhere between sideways to drops of as much as $20 per gross ton in some regions and prime scrap grades were the weakest across the country. Despite upward momentum in export prices, domestic mills were able to negotiate prices down as production cuts due to seasonal maintenance outages and weak order books negated any supply concerns.

In Philadelphia and the Ohio valley, where the price fall over the past few months outpaced the drops in other regions, scrap traded sideways to down $10/gt this month. In the southeast and south central, prime scrap prices dropped as much as $20/gt, while shredded scrap prices dropped by $10-20/gt.

Chicago was by far the weakest local market for scrap this month and most scrap grades dropped at least $20/gt as demand dropped to multiple year lows. St. Louis-area dealers received some reprieve from healthy demand along the Mississippi river as demand in its local market continued to flounder.

In Detroit, prime and cut grade scrap prices dropped by $20/gt while shredded scrap prices fell by $15/gt, while in Indiana average prices dropped between $15-20/gt on most grades.

Across these regions, No. 1 busheling traded between $160-185/gt this month, shredded scrap prices ranged from $160-180/gt and 5-ft. plate and structural scrap traded at $155-175/t.

In the Ohio valley and Detroit shredded scrap prices are now $5-10/gt above No. 1 busheling prices. Mill intake of prime scrap has grown rapidly in recent months as strong automotive manufacturing has kept it well supplied during a time when steel mill capacity utilization in the two regions has dropped to 50-70pc depending on product mix.

In the Pacific northwest domestic scrap prices dropped by $20-25/gt this week from the prior month, while in the southwest cut grade and shredded scrap prices dropped by $5-10/gt and prime scrap prices fell by $15-20/gt. Shredded scrap in both regions traded in a general range of $175-180/gt.

In Texas, scrap prices into domestic mills dropped by $10/gt on average this month.

Scrap dealers and traders said that they hope the domestic market has finally found the bottom and that prices stabilize at these new levels for a few months. Scrap price stability will indicate to steel service centers that raw material prices have flattened and consequently trigger a fresh round of finished product purchasing. Steel buyers have thus far waited for mills to lower product pricing in response to several successive months of lower scrap and raw material prices. Until finished steel prices reflect the full decline in raw material prices, buyers are not expected to step in with any significant demand.

Market participants said that scrap price stability will also calm suppliers of obsolete scrap and reignite supply which has trickled to halt in non-metro regions.

Scrap freight rates to remain low for rest of year

16 November - Freight rates for transporting scrap are expected to remain low for the rest of 2015, because an oversupply of available shipping capacity across the Atlantic and Pacific basins will prevent any recovery, market participants said.

Rates for Supramax vessels holding 40,000t of scrap heading from Port Newark, the US, to Iskenderun, Turkey, were around $14.50/t at the end of last week, a fall of $1/t since 3 November, shipbrokers said. Rates for vessels holding 30,000t of scrap heading from Rotterdam, the Netherlands, to Iskenderun decreased to around $11/t over the same period.

Scrap trading between Turkish mills and sellers from the US and Europe has increased in the past few weeks, with 15 scrap deals from both completed for December shipment since 6 November. But shipbrokers insist that freight rates will remain at a low level because of the availability of vessels, along with the lack of trading activity for other key commodities such as grain and petroleum coke.

US Gulf grain exports to China usually dominate the Supramax market and drive rates in the second half of the year, but a surplus of larger Panamax vessels, which take on scrap cargoes for transport as well as Supramax vessels, has dampened any upward momentum, which has been hindered by lower than expected grain exports.

Petroleum coke prices weakened in October, because demand from cement buyers is usually low at the end of the year, although traders still hold a high quantity of materials for supply. The effect of diminished petroleum coke trading has strongly affected the available freight capacity on the US Gulf coast, where the products are regularly shipped.

"A month ago I said things could not get any lower, but they have," a Canada-based shipbroker said. "We do not know

where the floor is for rates, there are just too many vessels. There most certainly will not be a pick-up in rates before the end of the year."

A Germany-based shipbroker said a spike in shipments over the next month could provide a short-term boost to freight rates, but only if cargoes depart from ports with less tonnage. "We could see improvements if scrap deals come thick and fast next month, but this will only last until ships ballast to ports where rates are seeing healthier rises," the shipbroker said. "There needs to be healthy demand for cargoes in other routes too, which means that petroleum coke and grain trade need to pick up along with scrap."

Steel groups warn of China market-economy status

10 November - North America Free Trade Agreement (Nafta) region steel industry output could contract by $31.5bn and trigger up to 660,000 job losses if China is treated as a market economy in anti-dumping investigations, Nafta steel associations said today.

"China is a state-run economy and does not operate on market principles, yet it argues that it must be treated as a market economy as of the 15th anniversary of its accession to the World Trade Organization in December 2016," the six steel associations said.

According China market economy status would cause Nafta to lose about $42.5-68.5bn in "economic welfare" while causing the steel industry to shrink by $31.5bn, the associations said, citing findings from three separate studies the groups sponsored. Nafta comprises the US, Canada and Mexico.

Such a move would cause job losses of 400,000-600,000 in the US and near-term job losses in Canada of up to 60,000.

It would also make anti-dumping laws much less effective for remedying injury from dumping, since dumping margins would probably drop to zero or close to zero, as they would be based on "minimal, distorted" Chinese production costs because it is still a non-market economy (NME).

Instead, the executive summary suggests World Trade Organization members, including Nafta members, should continue to apply NME methodology used for NME countries such as former members of the Soviet bloc.

That methodology includes NME "usage rates" that would calculate how much steel is used to make a certain good in that country with the cost of that steel in a comparable, market-economy country to calculate duty margins.

Certain language in the agreement leading to China's 2001 accession to the WTO gives leeway for an interpretation that China will graduate to market economy status for purposes of anti-dumping calculations in December 2016. But that interpretation is open to dispute, and the steel associations argue that their governments should not allow such a move.

"China is a reforming economy, not a market economy, and now accounts for nearly half of global steel output," an executive summary of the studies concludes. China's share of steel output "is likely to continue growing if it is treated as a market economy for purposes of anti-dumping laws," the executive summary said.

"Allowing China the benefit of this treatment, without requiring a completion of economic reforms, would remove a powerful incentive for completion of the report program," the summary said.

"Unless China allows market forces to 'right-size' its steel industry, Chinese steel producers will increasingly rely on export markets. If forced to calculate dumping margins using market economy methodologies, Nafta production of steel is likely to decline significantly," the Mexican report said.

The summary also said that China's competitiveness in steel is "a creation of steel-oriented industrial policies that led to outsized increase in capacity, production and exports since 2002-2004."

The studies were sponsored by the American Iron and Steel Industry, the Steel Manufacturers Association, the Canadian Steel Producers Association, the Mexican Iron and Steel Industry Chamber (Canacero), the Specialty Steel Industry of North America and the Committee on Pipe and Tube Imports.

The studies were conducted by economists from Capital Trade in Washington, the Centre for Spatial Economics in Ontario and IMCO in Mexico City.

Texas DRI plant nears completion

12 November - Austria-based Voestalpine expects to complete its direct reduction plant in southeast Texas by the first quarter of 2016, the company said today.

The steelmaker plans to invest $740mn in the project, making it the company's largest ever foreign investment.

Once complete, the plant will produce 2mn t of direct reduced iron and convert it into hot briquetted iron (HBI).

Half of the HBI will be shipped to Austria for use at its own Linz and Donawitz mills, while the other half will be sold to long-term partners or held as a strategic reserve, the company said.

The plant will operate strictly on natural gas in an effort to capitalize on low prices and because the fuel is "much more environmentally friendly as a reducing agent," the company said.

Voestalpine broke ground on the project in 2014 and the plant is nearly complete as steel prices slump on global overcapacity.

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