

# Ferrous metals at the LME



SETTING THE GLOBAL STANDARD

The London Metal Exchange (LME) is the world centre for industrial metals price discovery, hedging and trading. Base metals are integral to the steelmaking process, and we have a long-standing and close relationship with the steel and steel raw material industries.

One of the most widely used, versatile and durable metals in the world, steel is multi-use and multi-cyclable. As a result, steel can pass through the supply chain in various forms almost indefinitely.

The LME offers four cash-settled ferrous futures which have been designed in close consultation with the steel community to meet its price-risk management needs.

In March 2019, we added two hot-rolled coil (HRC) contracts to our established steel scrap and rebar contracts in response to market demand from the flat steel industry.

Our ferrous contracts, settled against leading industry indices from Argus Media and S&P Global Platts, provide steel producers, processors and consumers alike with innovative and effective risk management tools.

## Our ferrous contracts

	LME Steel Scrap	LME Steel Rebar	LME Steel HRC FOB China (Argus)	LME Steel HRC N. America (Platts)
<b>Status</b>	Launched November 2015		Launched March 2019	
<b>Contract code</b>	SC	SR	HC	HU
<b>Underlying index</b>	Platts TSI HMS 1/2 80:20 CFR Turkey	Platts Steel Rebar FOB Turkey	Argus HRC FOB Tianjin China	Platts TSI HRC US EXW Indiana
<b>Lot size</b>	10 metric tonnes			10 short tons
<b>Price quotation</b>	USD/metric tonne			USD/short ton
<b>Contract type</b>	Cash-settled futures			
<b>Contract period</b>	Monthly out to 15 months			
<b>Trading venues</b>	LMEselect and Inter-office telephone			
<b>Margining</b>	Realised variation margins applied			
<b>Trading and clearing fees</b>	For an exchange contract: \$0.10 per lot (\$0.01 per metric tonne/short ton) For a client contract: \$0.30 per lot (\$0.03 per metric tonne/short ton)			
<b>Bloomberg ticker</b>	JBOA Comdty	JBPA Comdty	LCYA Comdty	HUSA Comdty
<b>EIKON RIC</b>	0#CSSCF:	0#CSRRF:	0#CMHCF:	0#CLHUF:

## Why have we introduced the two HRC contracts?

The rapid growth in liquidity of the LME Steel Scrap and LME Steel Rebar, which have traded almost 11 million tonnes and 2 million tonnes respectively, have opened the way for derivatives to become an accepted risk management tool for the steel industry.

We have launched LME Steel HRC FOB China (Argus) and LME Steel HRC N. America (Platts) to reflect the steel industry's need to manage its risk exposure throughout the value chain in an increasingly volatile market.

The steady growth of our steel scrap and rebar futures, coupled with the recent launch of the regional HRC contracts, combine to offer the steel market even more opportunities to trade and hedge steel price risk.

Since launch, we have seen growing engagement in the two HRC contracts with new records for volumes and open interest in September for our whole suite of steel contracts.

## Why use LME ferrous futures?

<b>Hedge against price volatility</b>	Steel prices can be extremely volatile and create huge amounts of risk for companies with physical exposure to steel
<b>Credible, robust pricing</b>	Contracts settled using prices from leading global index providers
<b>Strong price convergence</b>	The settlement of the contracts on the monthly average of the underlying index ensures the convergence of prices with the physical spot market
<b>Link to the physical</b>	The physical market is in our DNA. Our strong ties and relations with producers and consumers shape our thinking and overall offering
<b>A reference for the market</b>	On-screen tradeable forward curves 15 months forward, up to 18 hours a day

## Historical spot prices for the underlying physical market

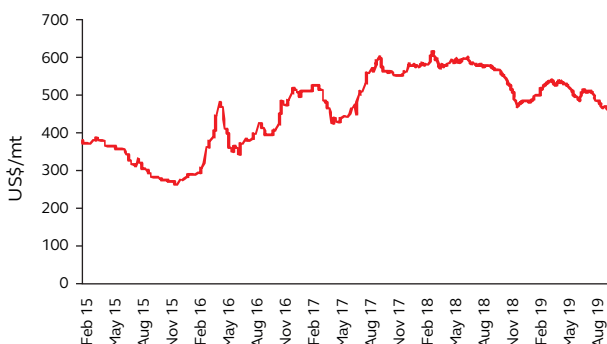
Platts TSI HMS 1/2 80:20 CFR Turkey



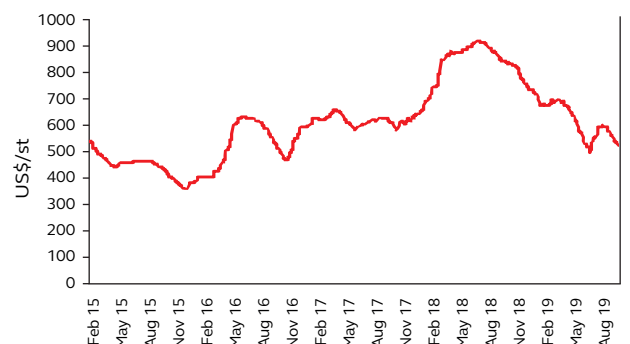
Platts Steel Rebar FOB Turkey



Argus HRC FOB Tianjin China

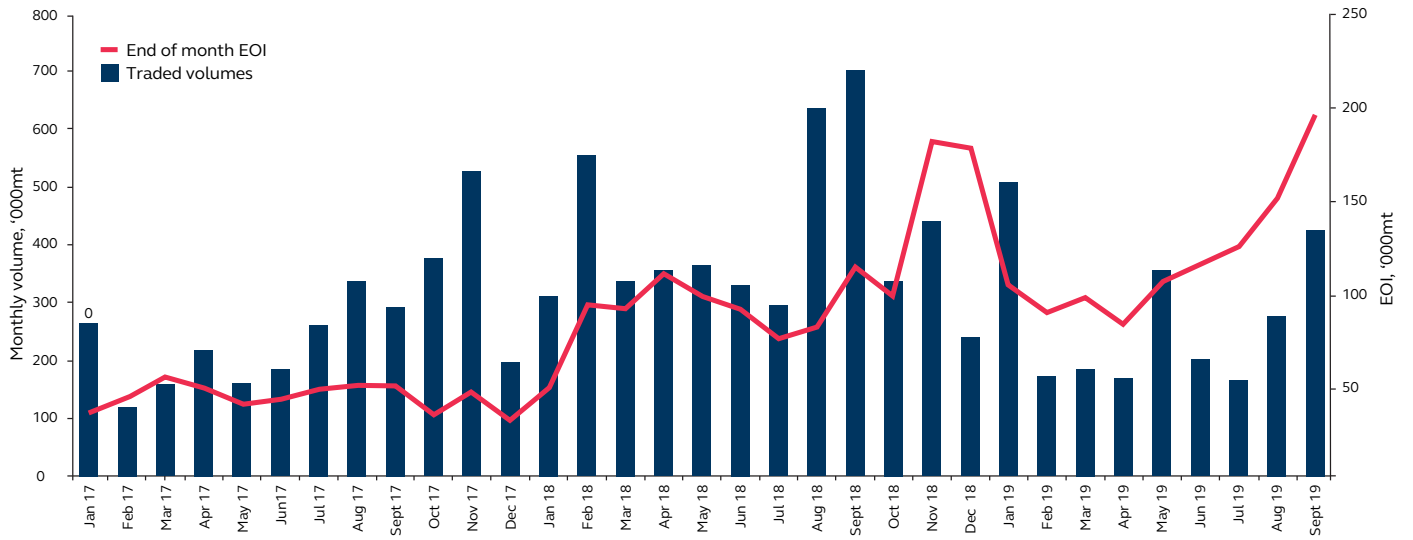


Platts TSI HRC US EXW Indiana

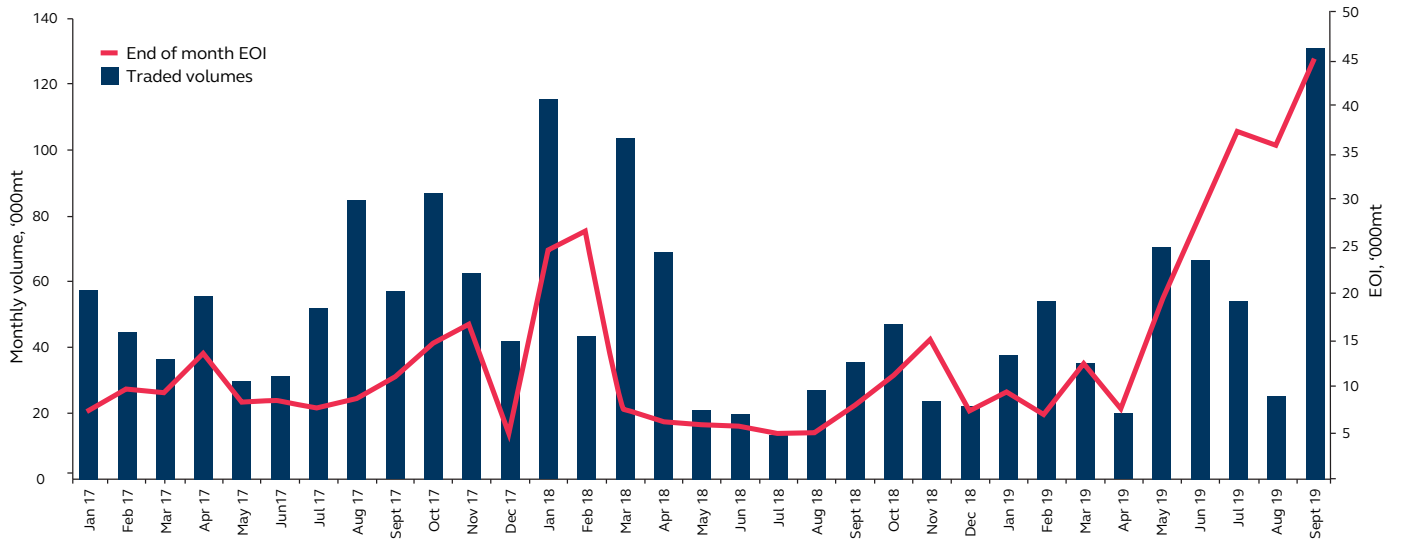


# Volumes and Exchange Open Interest

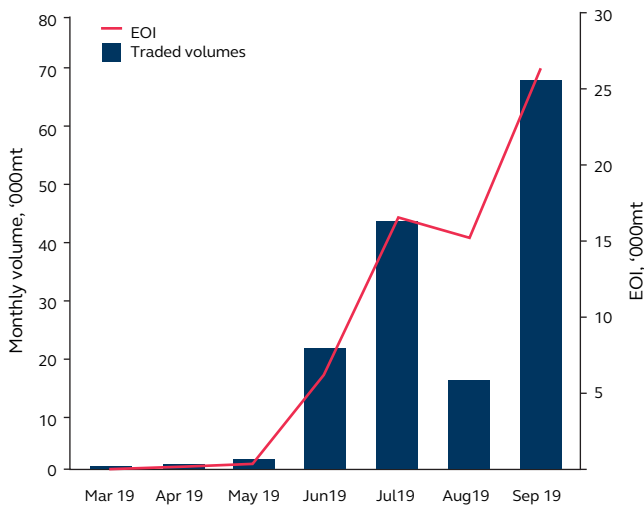
## LME Steel Scrap



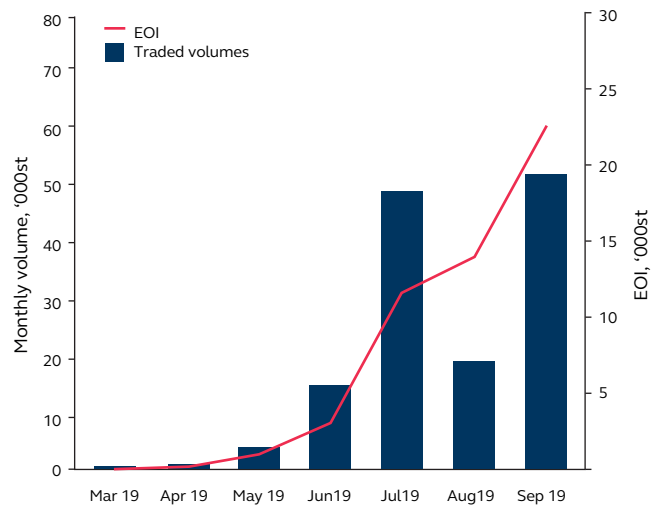
## LME Steel Rebar



## LME Steel HRC FOB China (Argus)



## LME Steel HRC N. America (Platts)



## LME ferrous contracts – forward curves

The snapshots below are from LMEselect, our electronic trading platform, and show top-of-the-book bids and offers for outright contracts and carries for scrap and rebar, and for outright only for the two HRC contracts.

Carries, sometimes known as calendar spreads, are instruments which combine the purchase of one contract and the simultaneous sale of another contract for a different maturity.

### LME Steel Scrap

	Bid quantity	Bid price	Ask price	Ask quantity
Oct-19	1	234	239	5
Nov-19	1	243.5	249	2
Dec-19	1	243	249	1
Jan-20	5	248	249	10
Feb-20	2	246	251.5	1
Mar-20	10	252.5	254	5
Apr-20	1	250	254	5
May-20	1	248	253	2
Jun-20	1	245	254	2
Jul-20	1	245	254	2
Aug-20	3	244	254	3
Sep-20	1	244.5	254	3
Oct-20	1	245	254	2
Nov-20	1	245	254	2
Dec-20	1	245	255	1
Oct-19-Nov-19	1	15.00c	4.50c	1
Nov-19-Dec-19	1	5.50c	6.00b	1
Nov-19-Jan-20	1	5.50c	1.00b	2
Nov-19-Feb-20	1	8.00c	3.00b	2
Nov-19-Mar-20	1	10.50c	3.50c	2
Dec-19-Jan-20	1	6.00c	1.00b	1
Jan-20-Feb-20	1	3.50c	3.00b	2
Feb-20-Mar-20	2	8.00c	1.00c	1

### LME Steel Rebar

	Bid quantity	Bid price	Ask price	Ask quantity
Oct-19	10	406	411	5
Nov-19	1	409	414.5	6
Dec-19	1	411	417	1
Jan-20	1	413.5	417.5	1
Feb-20	1	412.5	415	1
Mar-20	1	413	418.5	6
Apr-20	1	413	417	1
May-20	2	409	418	1
Jun-20	3	407.5	417.5	3
Jul-20	2	407.5	416.5	1
Aug-20	2	405.5	414.5	3
Sep-20	3	406.5	416.5	3
Oct-20	3	405	415	3
Nov-20	2	405.5	415.5	2
Dec-20	1	406	415	1
Oct-19-Nov-19	6	8.50c	2.00b	1
Nov-19-Dec-19	1	8.00c	3.50b	1
Nov-19-Jan-20	1	8.50c	1.00b	1
Nov-19-Feb-20	1	6.00c	2.00b	1
Nov-19-Mar-20	1	9.50c	1.50b	1
Dec-19-Jan-20	1	6.50c	3.50b	1
Jan-20-Feb-20	1	1.50c	5.00b	1
Feb-20-Mar-20	1	6.00c	2.00b	1

### LME Steel HRC FOB China (Argus)

	Bid quantity	Bid price	Ask price	Ask quantity
Oct-19	7	442	449.5	10
Nov-19	3	436.5	439.5	1
Dec-19	1	430	433.5	2
Jan-20	1	434	437.5	1
Feb-20	1	425	428.5	5
Mar-20	1	423	428.5	1
Apr-20	1	422	427.5	1
May-20	4	418.5	428	2
Jun-20	2	417.5	427	3
Jul-20	3	416	425.5	1
Aug-20	2	415.5	424.5	1
Sep-20	3	415	424.5	1
Oct-20	3	415	425	3
Nov-20	3	420	430	3
Dec-20	1	420	430	1

### LME Steel HRC N.America (Platts)

	Bid quantity	Bid price	Ask price	Ask quantity
Oct-19	5	495	504	1
Nov-19	1	492	494	1
Dec-19	1	504	508	1
Jan-20	1	514	520	1
Feb-20	1	518	524	1
Mar-20	1	522	528	1
Apr-20	1	529	535	1
May-20	2	532	541	2
Jun-20	2	533.5	543	1
Jul-20	2	535	545	2
Aug-20	2	536	546	2
Sep-20	2	539	548.5	1
Oct-20	2	539	548	1
Nov-20	1	540	549	2
Dec-20	1	539	549	1

## Accessing LME markets

Whether you are an industrial hedger, physical market trader or proprietary trader there are two ways of accessing our markets:

- By trading as a client through an existing LME member
- By becoming an LME member

The decision as to which route to choose will be determined by a number of factors including what level of access you require, whether your firm is trading for its own book and / or executing on behalf of clients, what your regulatory permissions are and what your capital requirements might be.

## Finding a member

The London Metal Exchange has seven categories of membership for the Base service, three categories of membership for the LMEprecious service, and two categories of memberships for Registered Intermediating Brokers (RIBs), each with its own criteria and capabilities. If you are a firm looking to become a member of the LME, we would encourage you to familiarise yourself with the different categories of membership on our website and the benefits they may afford you and your clients.

There's a full list of LME member firms who offer ferrous contracts at [lme.com/findamember](https://lme.com/findamember).

## Registered Intermediating Brokers (RIBs)

RIBs are brokers that can facilitate trades between market participants. There are two types of RIB membership which offer different levels of access to our markets. To become a RIB, candidates should contact the Market Access team by email at [market.access@lme.com](mailto:market.access@lme.com).

## Contact us

For more information on our ferrous contract suite, please visit [lme.com/ferrous](https://lme.com/ferrous) or contact our team at [ferrous@lme.com](mailto:ferrous@lme.com)



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