

LME Focus Day: Ferrous Metals Session

Alberto Xodo, VP Sales, LME
London, 27 October 2022

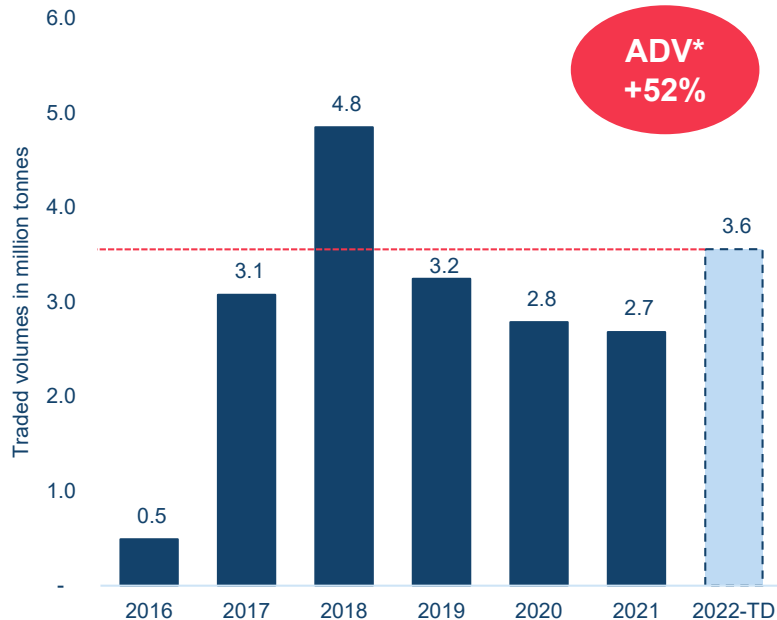


SETTING THE GLOBAL STANDARD

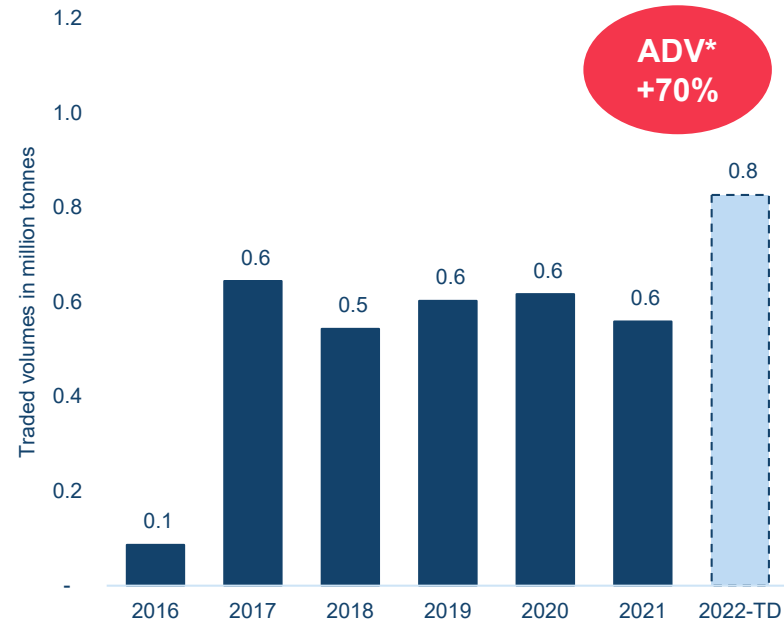


The LME steel contracts are gaining momentum

LME Steel Scrap CFR Turkey (Platts)



LME Steel Rebar FOB Turkey (Platts)

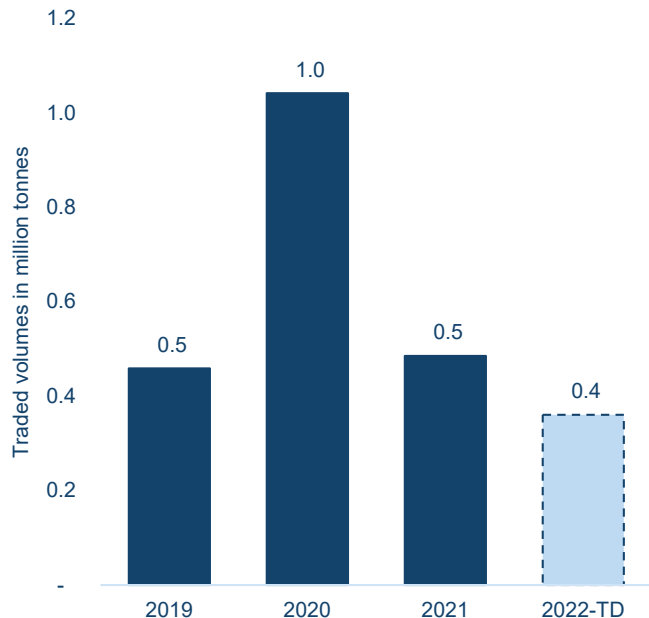


Source: LME
Notes: data as of 25 October 2022, *Year-to-date Average Daily Volume year-on-year growth

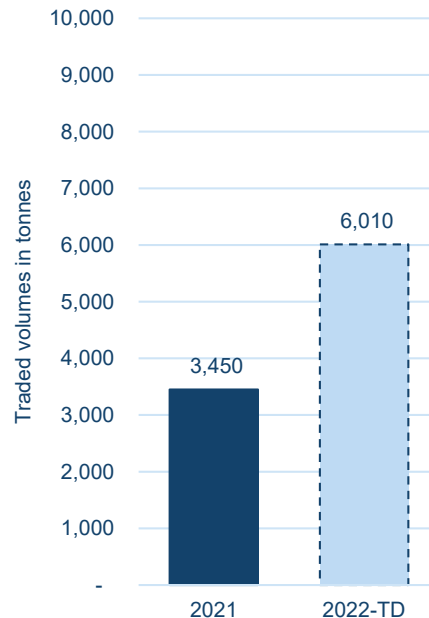


The LME steel contracts are gaining momentum

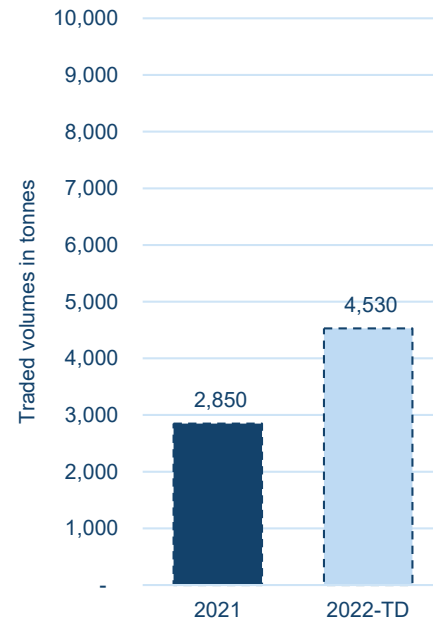
LME Steel HRC FOB China (Argus)



LME Steel Scrap CFR Taiwan (Argus)



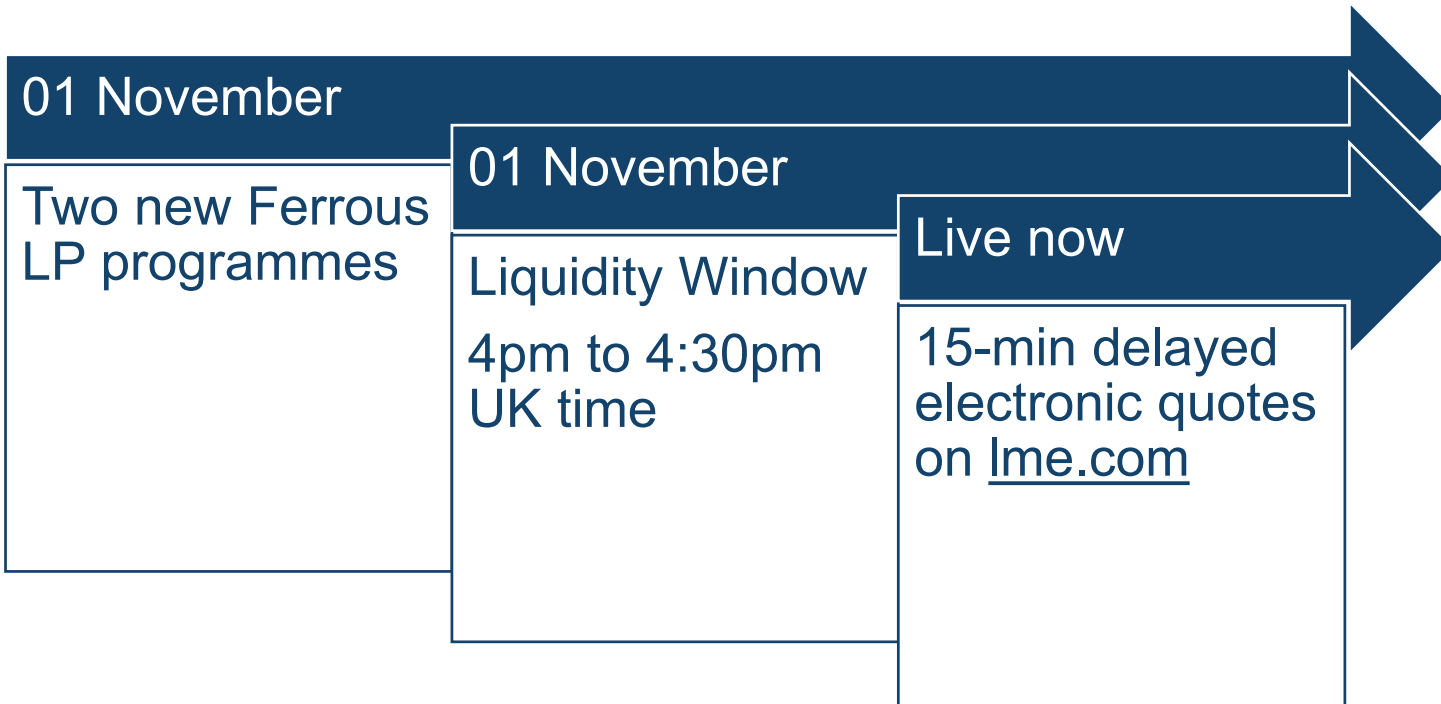
LME Steel Scrap CFR India (Platts)



Source: LME
Notes: data as of 25 October 2022



Building liquidity on screen



15-minute delayed quotes from LMEselect on LME.com

INTRADAY PRICES | Shown in US\$

26 Oct 2022

LMEselect quotes and turnover*					
Contract	Bid quantity (lots)	Bid	Ask	Ask quantity (lots)	Turnover (lots)
Month 1	1	359.50	367.00	20	0
Month 2	3	349.00	352.50	20	2
Month 3	1	345.50	354.00	1	43
Month 4	2	352.00	356.00	8	0
Month 5	2	350.00	360.00	2	0
Month 6	2	350.00	360.00	7	0
Month 7	1	353.00	362.00	2	2
Month 8	1	356.00	365.00	3	2
Month 9	2	353.00	363.00	2	0
Month 10	2	354.00	364.00	2	0
Month 11	2	350.00	360.00	2	0
Month 12	1	353.50	362.50	1	2
Month 13	1	356.00	365.00	1	2
Month 14	3	360.00	370.00	3	0
Month 15	0	0.00	0.00	0	0

*Quotes and turnover are 15 minute delayed or the latest data available.



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S&P Global

Commodity Insights

Global Steel & Scrap Market Overview

LME Week Focus Day

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Managing Editor
Ferrous - EMEA

Oct. 27, 2022



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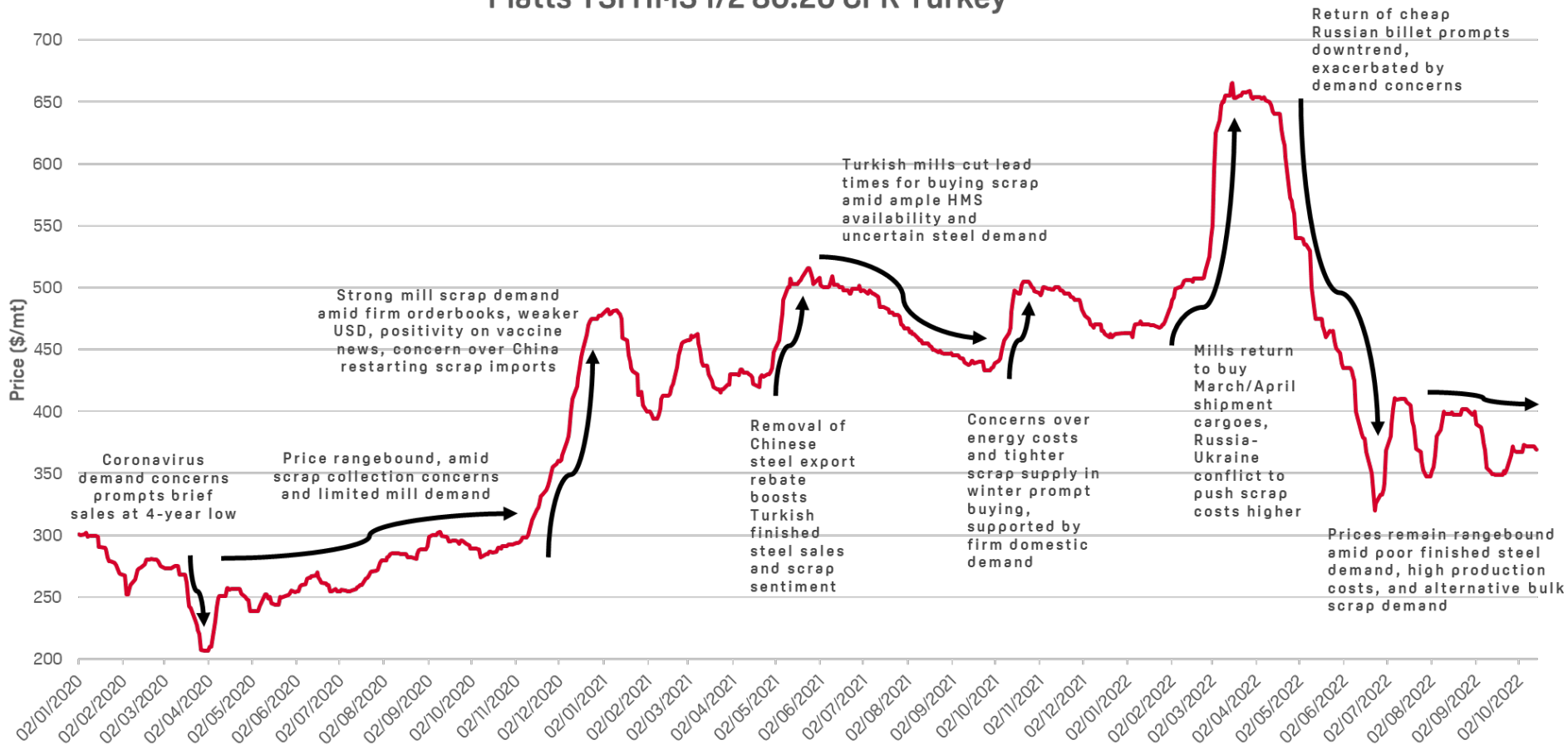
Agenda

- CFR Turkey steel scrap
- FOB Turkey rebar
- CFR India shredded containerized scrap
- EXW Ruhr North Europe HRC
- EXW Indiana US Midwest HRC
- FOB China HRC

Turkish Scrap, Rebar Overview

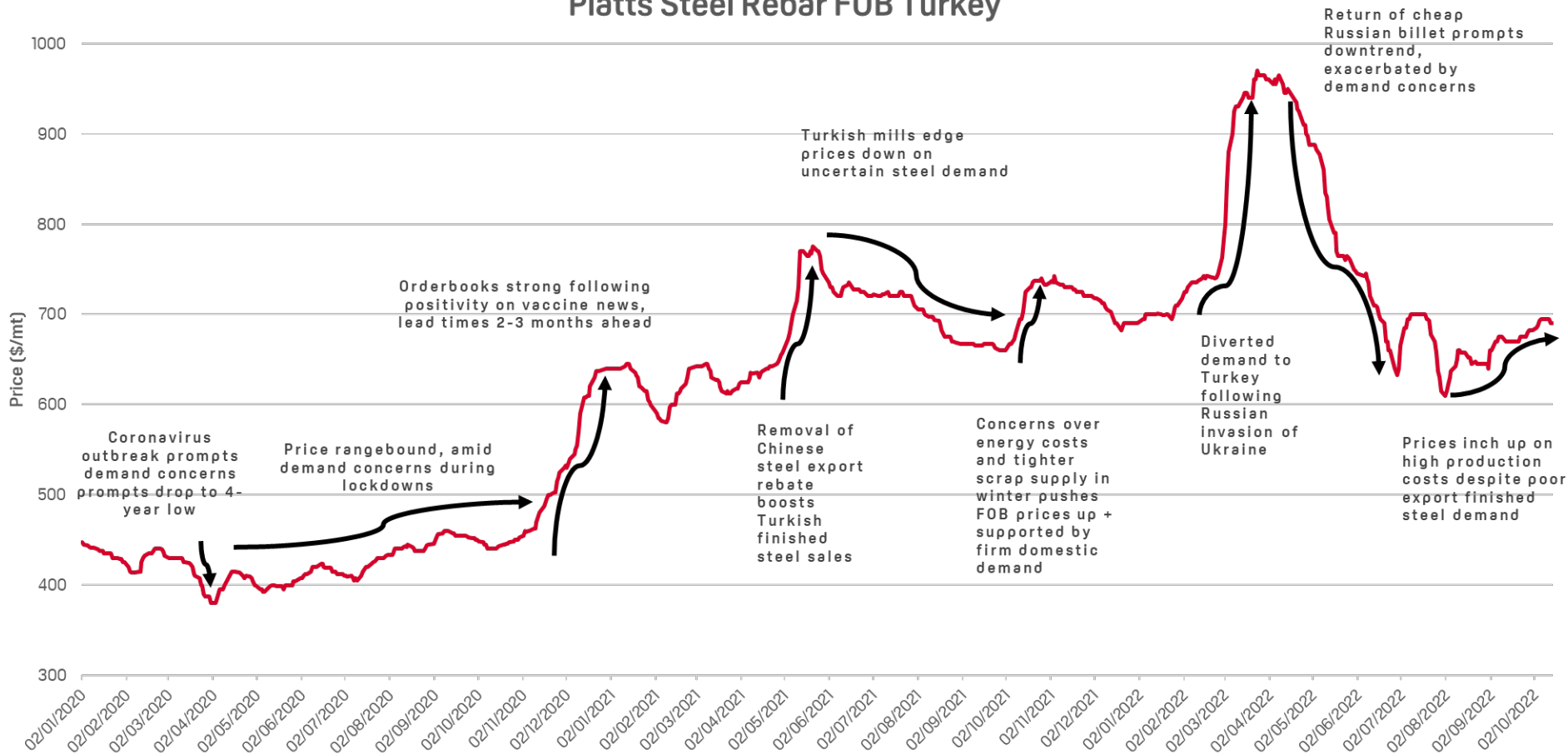
- CFR Turkey Premium HMS 1/2 (80:20), FOB Rebar price trends
- Trade flow changes
- LME Futures overview

Platts TSI HMS 1/2 80:20 CFR Turkey



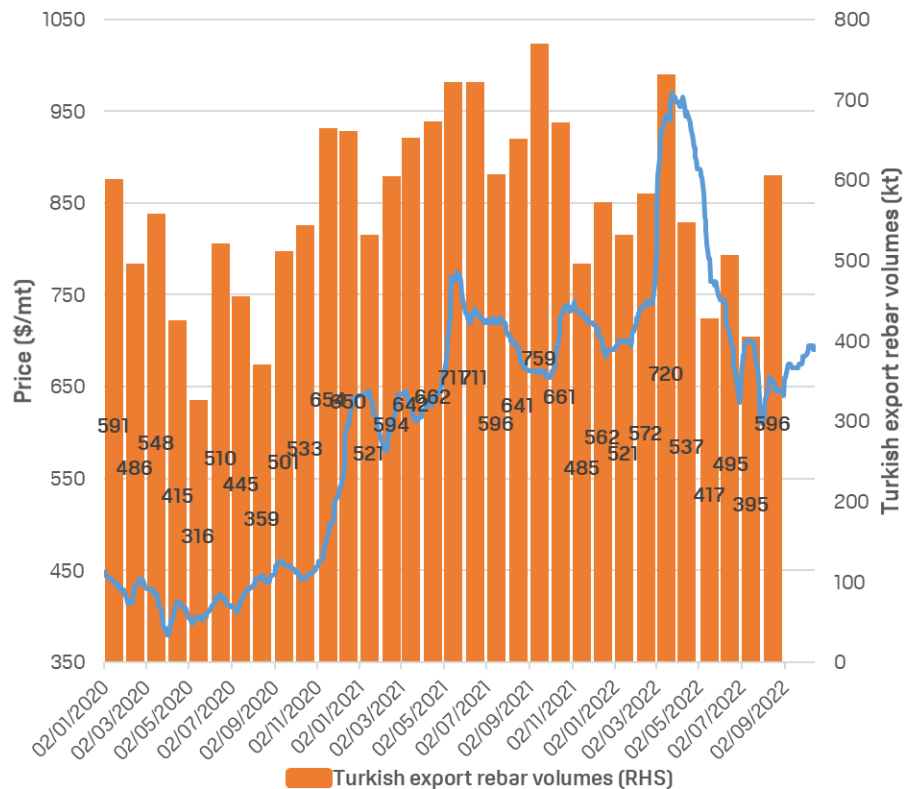
Source: S&P Global analysis

Platts Steel Rebar FOB Turkey

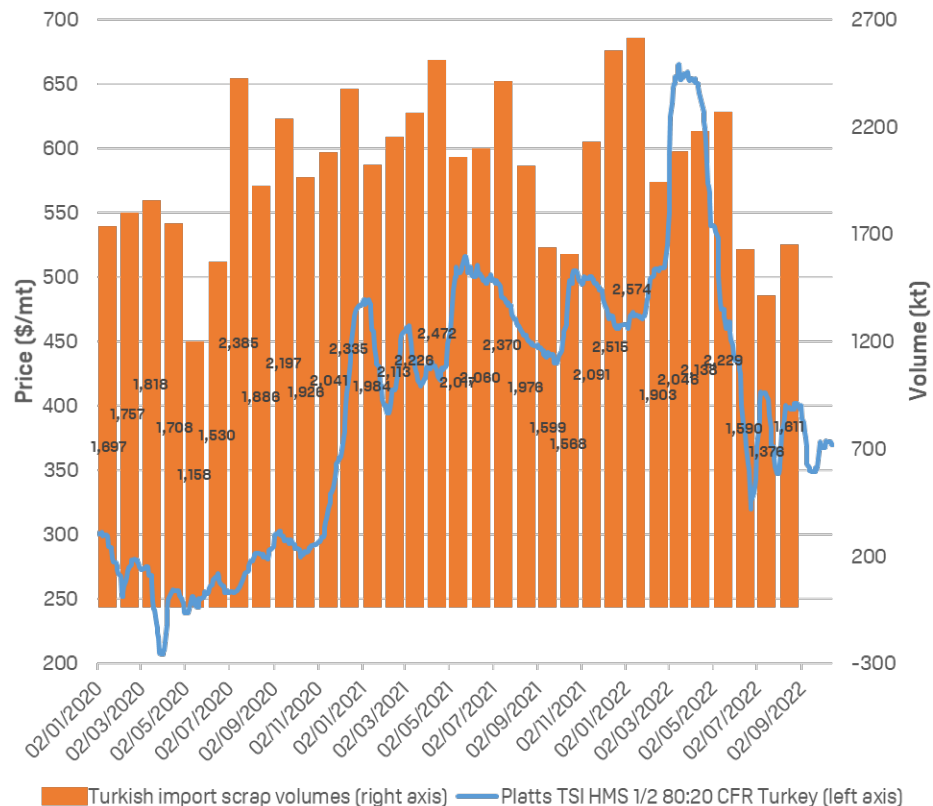


Source: S&P Global analysis

Monthly Turkish export rebar volumes vs price



Monthly Turkish import scrap volumes vs price



Source: S&P Global analysis, Turkish Statistical Institute (TUIK)

Energy price hikes cause outright scrap-rebar spread to widen

Turkish steelmaker Koc to pause output for Oct on sluggish market, high costs

Rebar | Natural gas | Steel | Electricity | Published : 30/09/2022 15:26:06 GMT

Turkish long steelmaker Koc Metalurji, which restarted production Sept. 19 after a 15-day stoppage, has decided to pause output for a month again starting Oct. 1, a company manager told S&P Global Commodity Insights Sept. 30.

"We have decided to pause output both at our melt shop and rolling mill as of Oct. 1 for a month due to the ongoing sluggish market environment and reduced margins amid sharp increases in energy costs," the manager said.

Citing the recent increases in natural gas prices that have significantly reduced Turkish mills' margins, the manager said the latest pricing mechanism announced by state gas distributor Botas Sept. 30 could mean a 37.2% further increase in gas prices for the steel sector.

Botas previously increased natural gas prices for industrial use by 50.8% on Sept. 1 while Turkey's Energy Market Regulatory Authority raised electricity prices for industrial use by 50%.

Energy price hikes, protectionism are major threats for Q4: Turkish steelmakers

Steel | Natural gas | Electricity | 05/10/2022 16:55:46 GMT

The last quarter of the year could be more difficult for Turkey's steelmakers as the average 18.3% month-on-month decline in crude steel output and a 14.3% drop in export volumes in June, July and August had not yet reflected the impact of sharp energy price hikes announced in early September, with rising protectionism another major threat to steel production, the Turkish Steel Producers' Association said late Oct. 4.

Turkish steel mills' input costs to rise further after gas, electricity price hikes: sources

Electricity | Flat steel | Rebar | Steel | Natural gas | 01/09/2022 22:41:39 GMT

The input costs of Turkish steel mills are expected to rise further after the country's Energy Market Regulatory Authority raised electricity prices for industrial use by 50% Aug. 31, sources told S&P Global Commodity Insights Sept. 1.

State gas distributor Botas also raised natural gas prices for industrial use by 50.8% from Sept. 1.

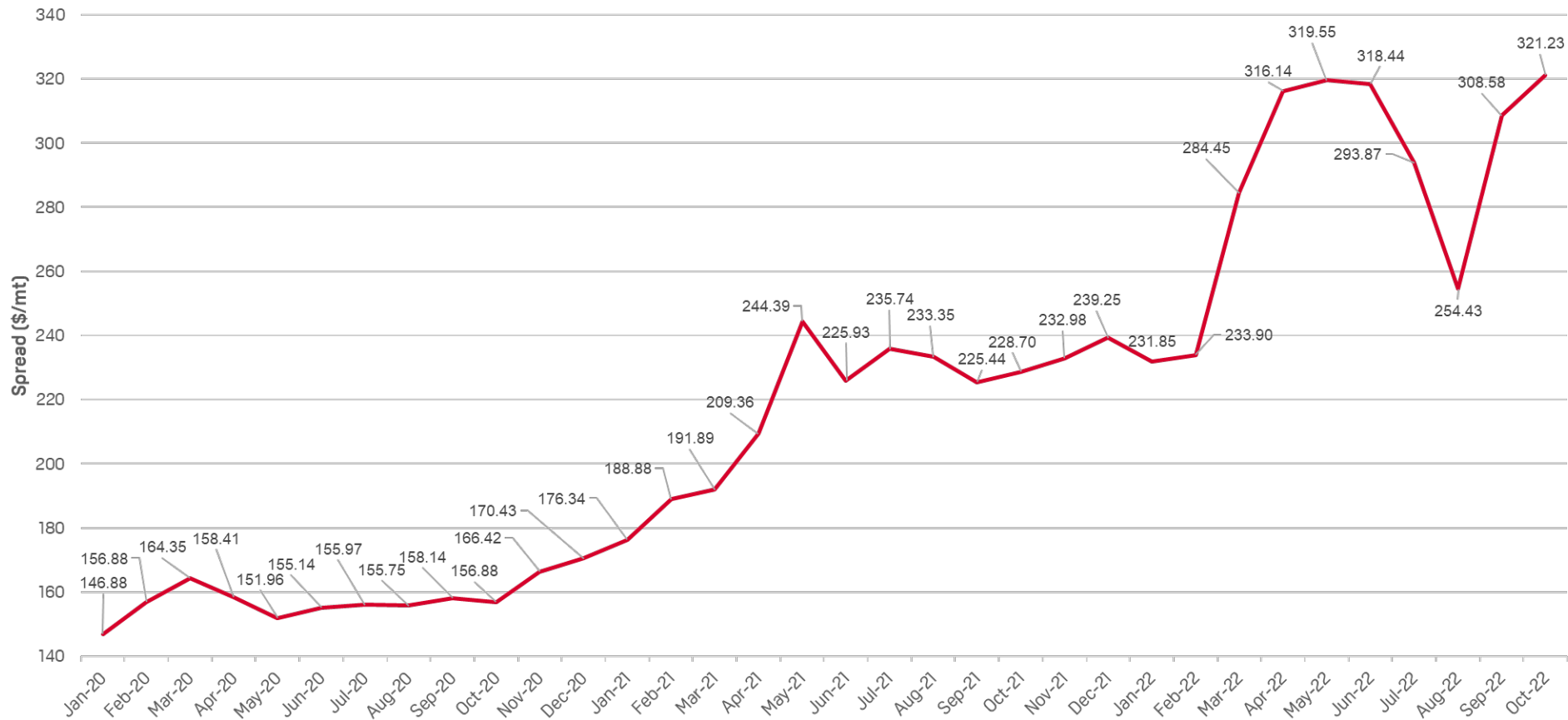
Significant increases in energy costs have been restricting competitiveness as energy was a major input cost, a sales manager at a Turkish long steelmaker told S&P Global, adding that the latest \$20-\$40/mt price increases announced by some producers would not be enough to meet rising input costs.

"The market needs time to accept these rises," the manager said, citing slow demand.

Some Turkish producers recently announced temporary output cuts at their melt shop and rolling mills for September.

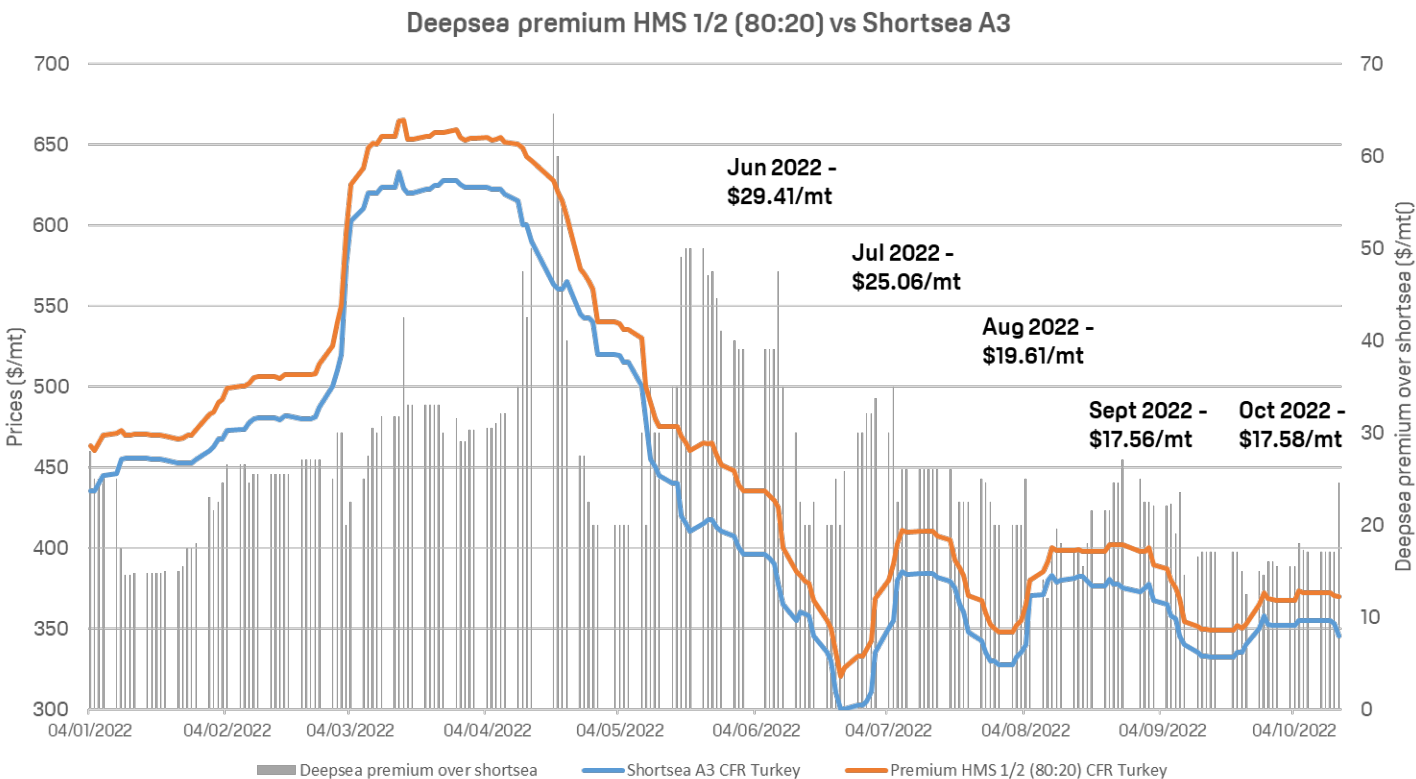
Source: S&P Global CI

Platts Outright Turkey Rebar-Scrap Spread Monthly Average



Source: S&P Global CI

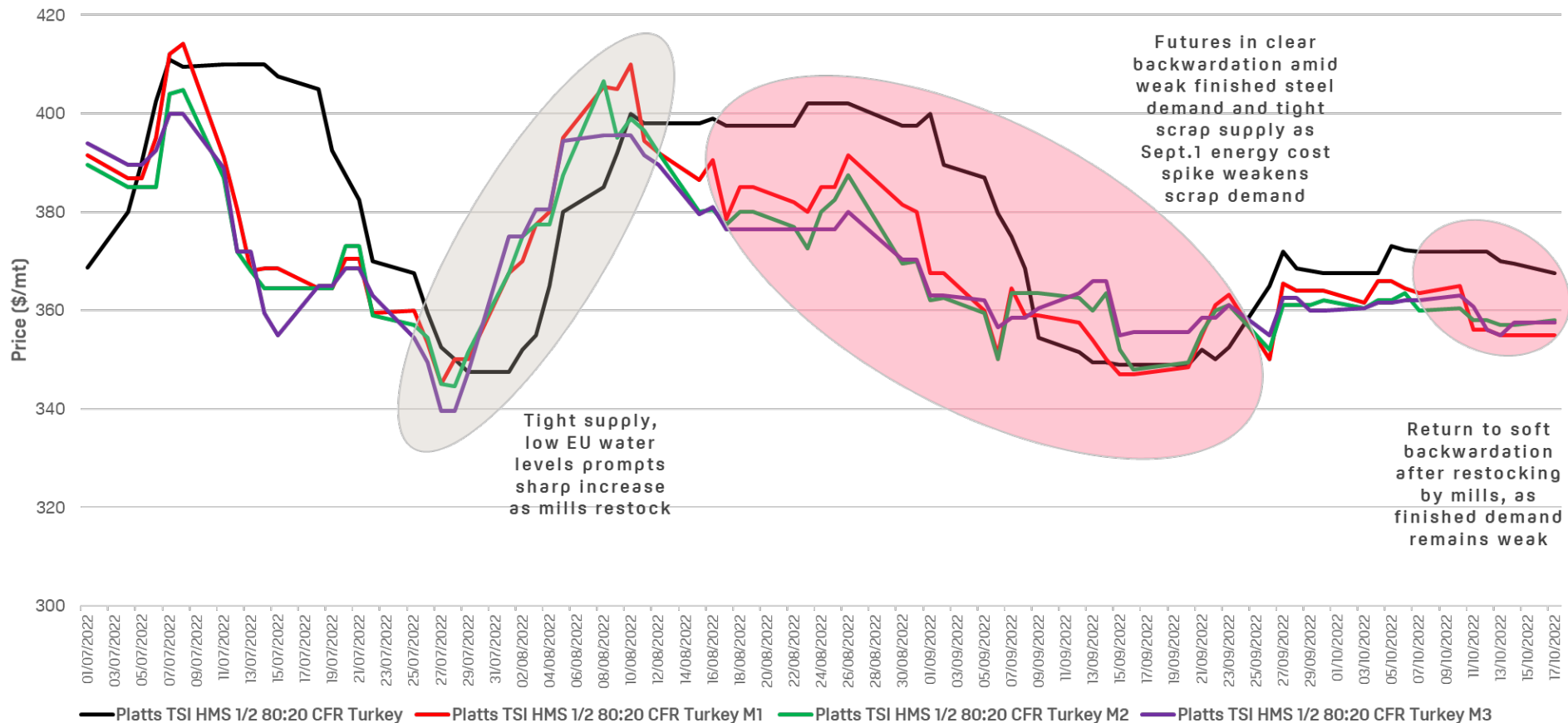
Narrower spread between shortsea and deepsea prices



Country	Jan-Aug 2021	Jan-Aug 2022
Romania	866,420	810,439
Bulgaria	345,143	296,245
Italy	247,429	237,236
Spain	92,912	81,331
Libya	374,993	318,509
Israel	349,657	325,882
Lebanon	0	78,954
Croatia	341,887	367,427
Greece	62,820	78,941
TOTAL	2,681,262	2,594,964

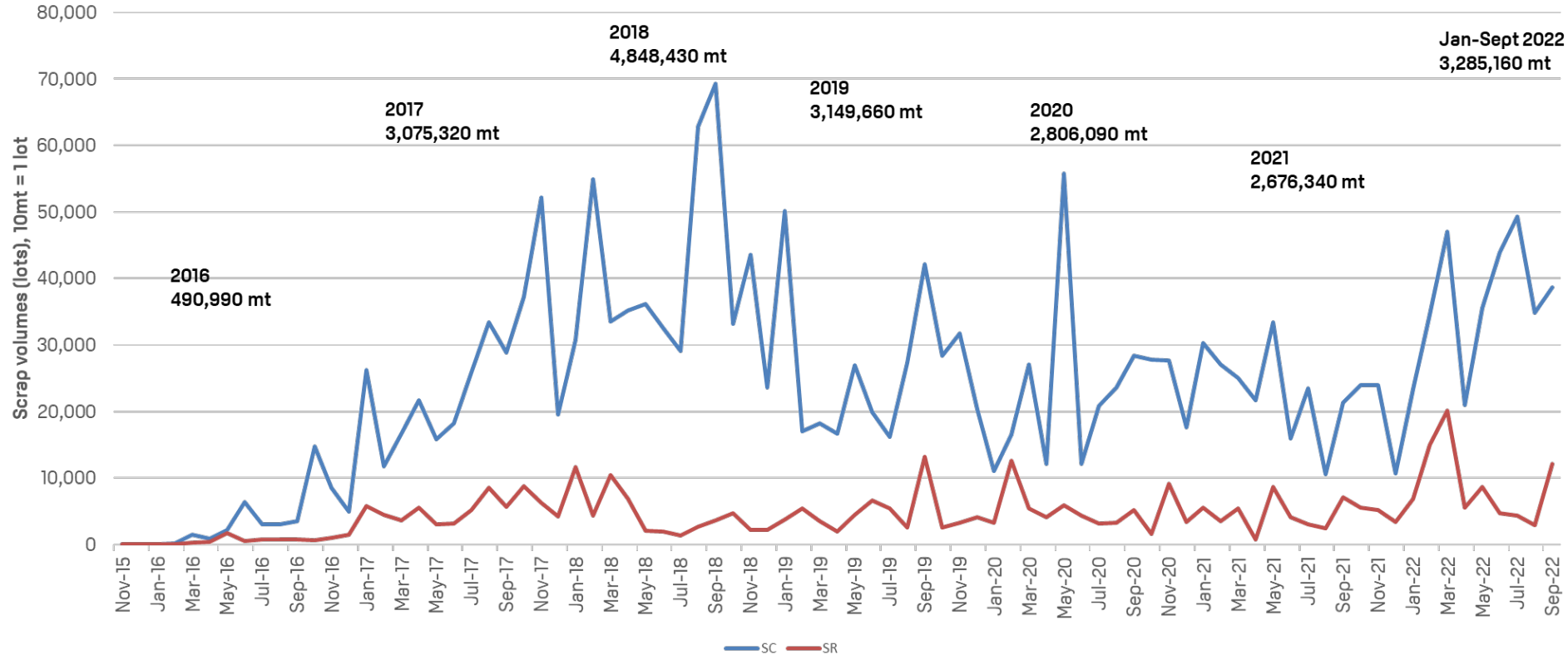
Source: S&P Global CI

Platts TSI premium HMS 1/2 (80:20) VS Futures contracts



Source: S&P Global CI

LME futures scrap trading volumes at highest annual level since 2018, Rebar annual volumes at all-time high



Source: S&P Global CI

Key Turkish market movers

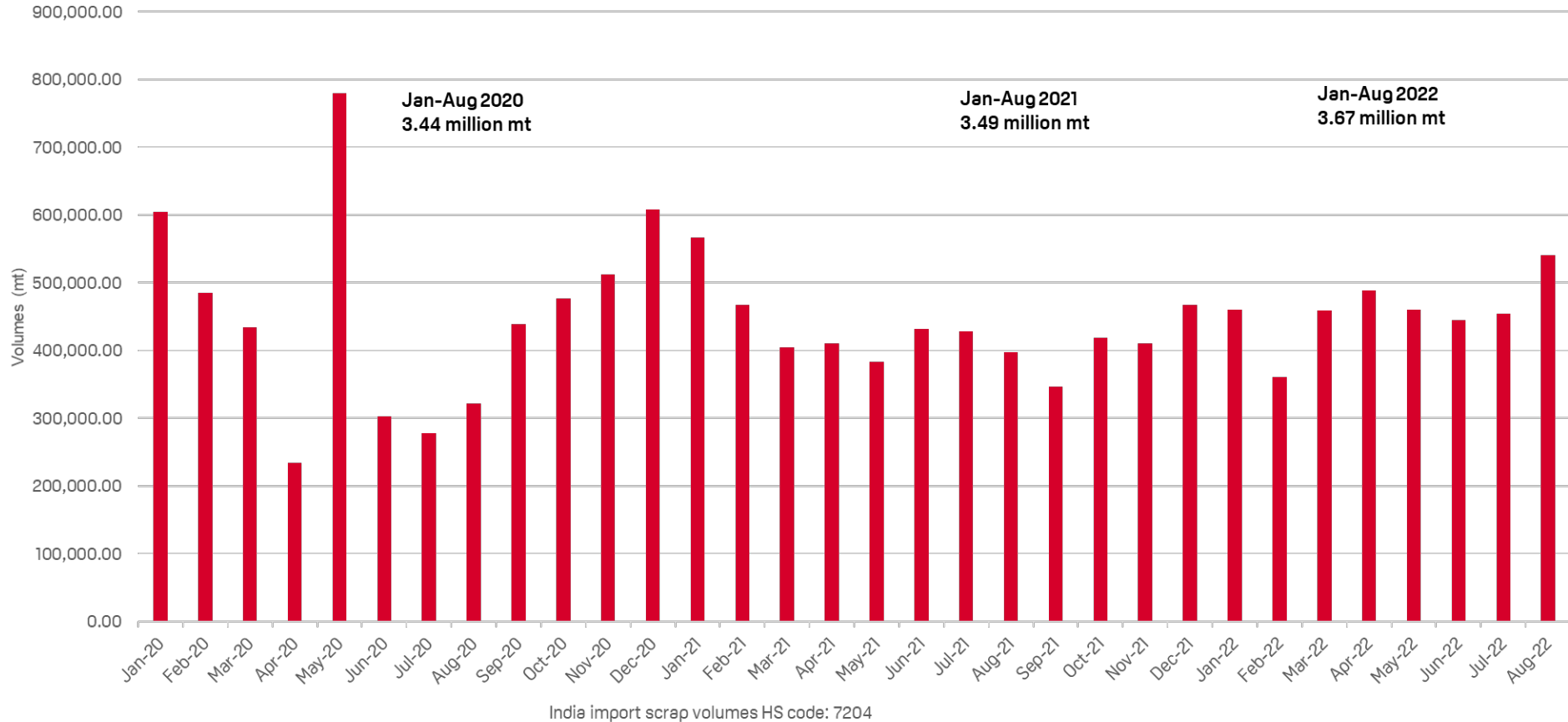
- Implications on Russian semis flows into Turkey - Turkish banks exit Mir payments system, strong ruble, concern over treatment of Russian substrate in Turkish exports
- Strong US dollar (weak euro, pound)
- Expectations of further electricity/gas hikes to come – further capacity cuts/stoppages?
- Alternative bulk cargo demand from South Asia to continue (especially for shred/PNS)
- Scrap suppliers continue to cite slow inflow amid recession-like market
- Impact of upcoming EU Waste Shipment Regulation

Source: S&P Global CI

Indian Scrap Overview

- CFR Nhava Sheva Shredded Scrap Price trend
- Trade flow changes

India import scrap volumes up on year over Jan-Aug period



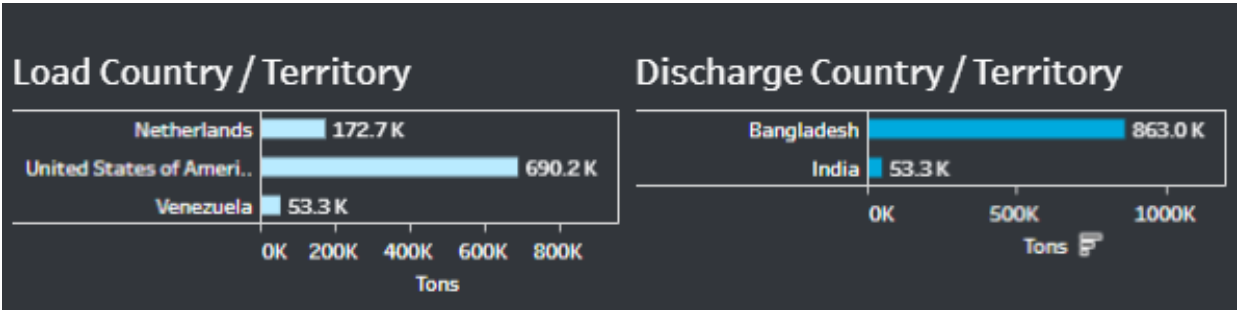
Source: S&P Global CI, Indian Ministry of Commerce

Increased bulk shipment scrap demand from South Asia

2021

24 bulk shipments to Bangladesh

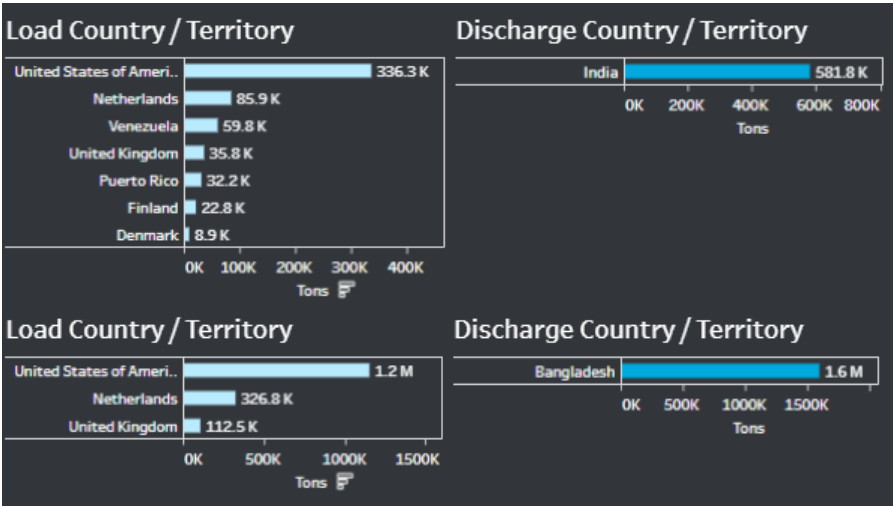
2 bulk shipments to India



2022 to date

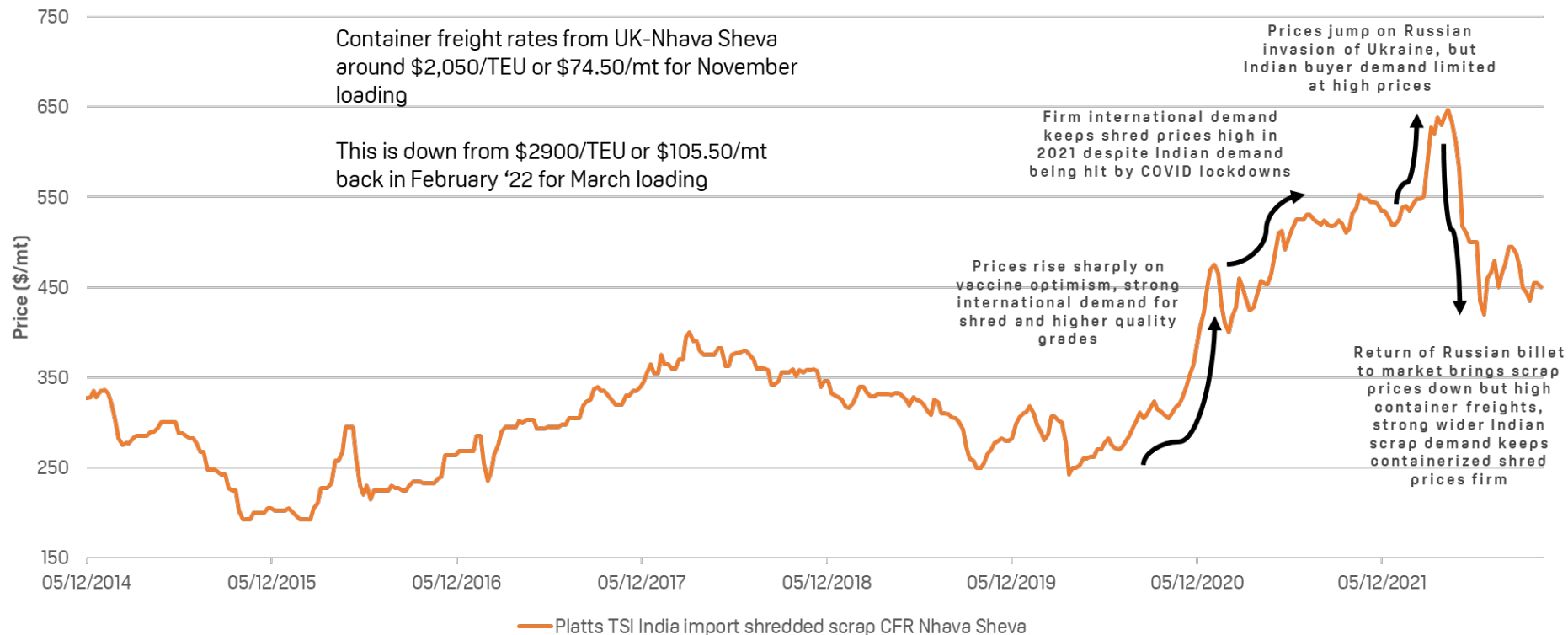
45 bulk shipments to Bangladesh
(inc. one 38kt USWC origin cargo currently in transit)

15 bulk shipments to India (inc. one 41.2kt Netherlands-origin cargo currently in transit)



Source: S&P Global Commodities At Sea

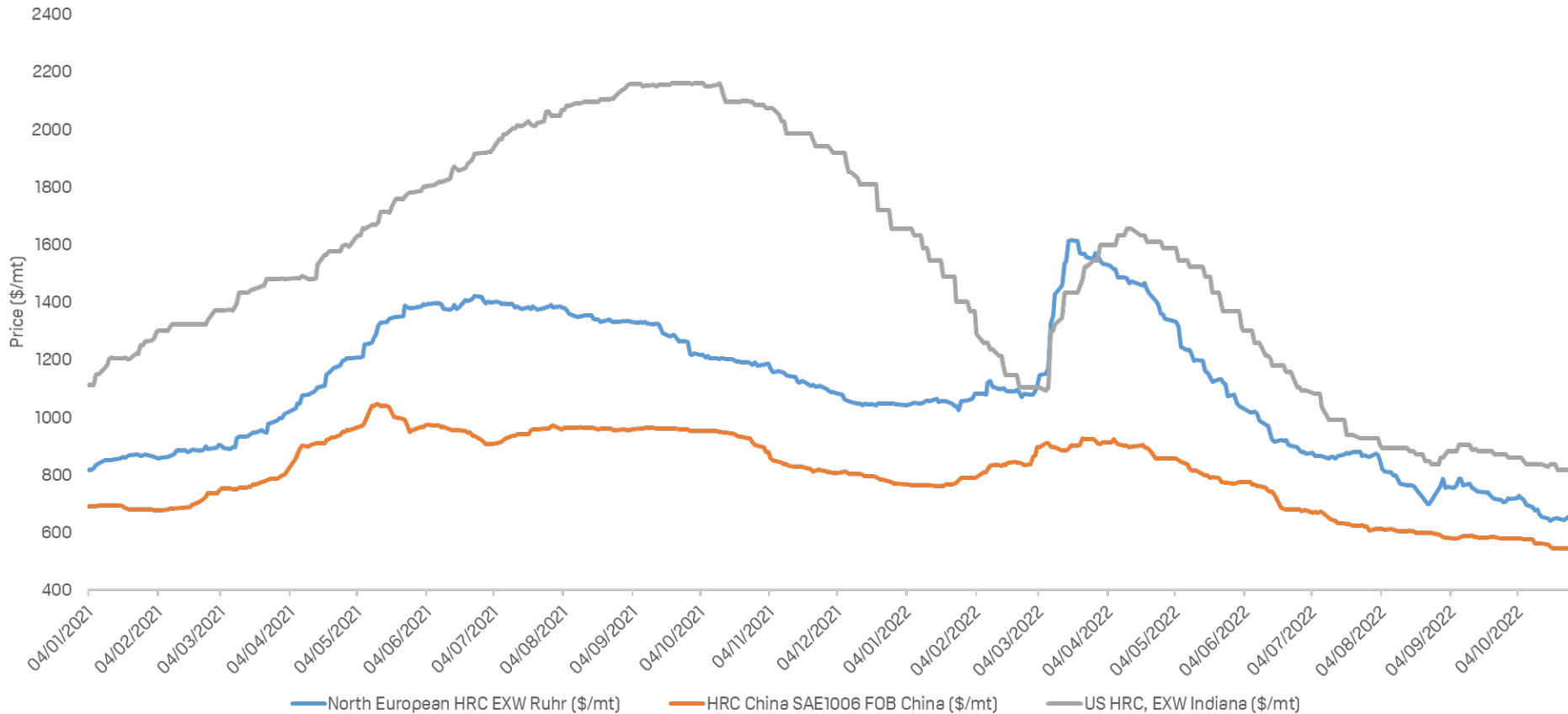
Platts TSI India import shredded scrap CFR Nhava Sheva



Source: S&P Global CI

Global HRC Steel Overview

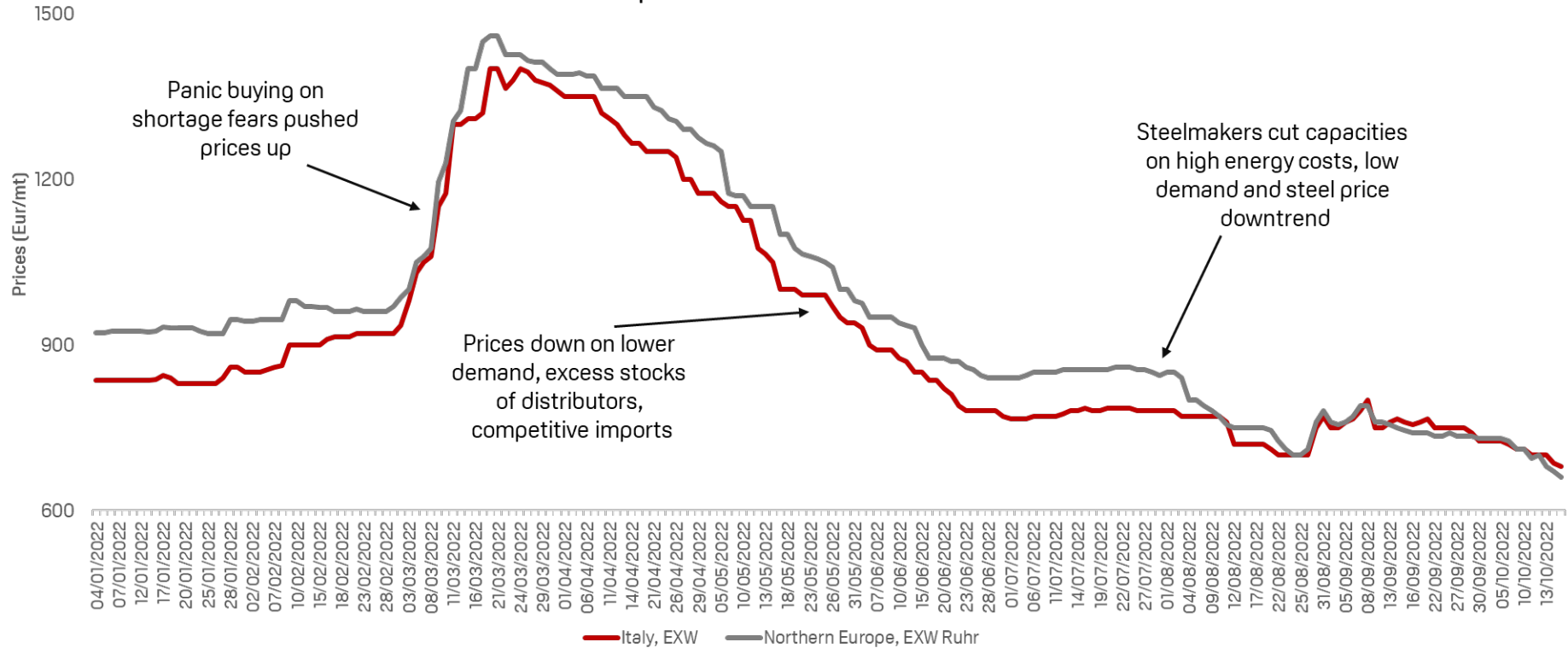
S&P Global Platts key daily HRC assessments



Source: S&P Global CI

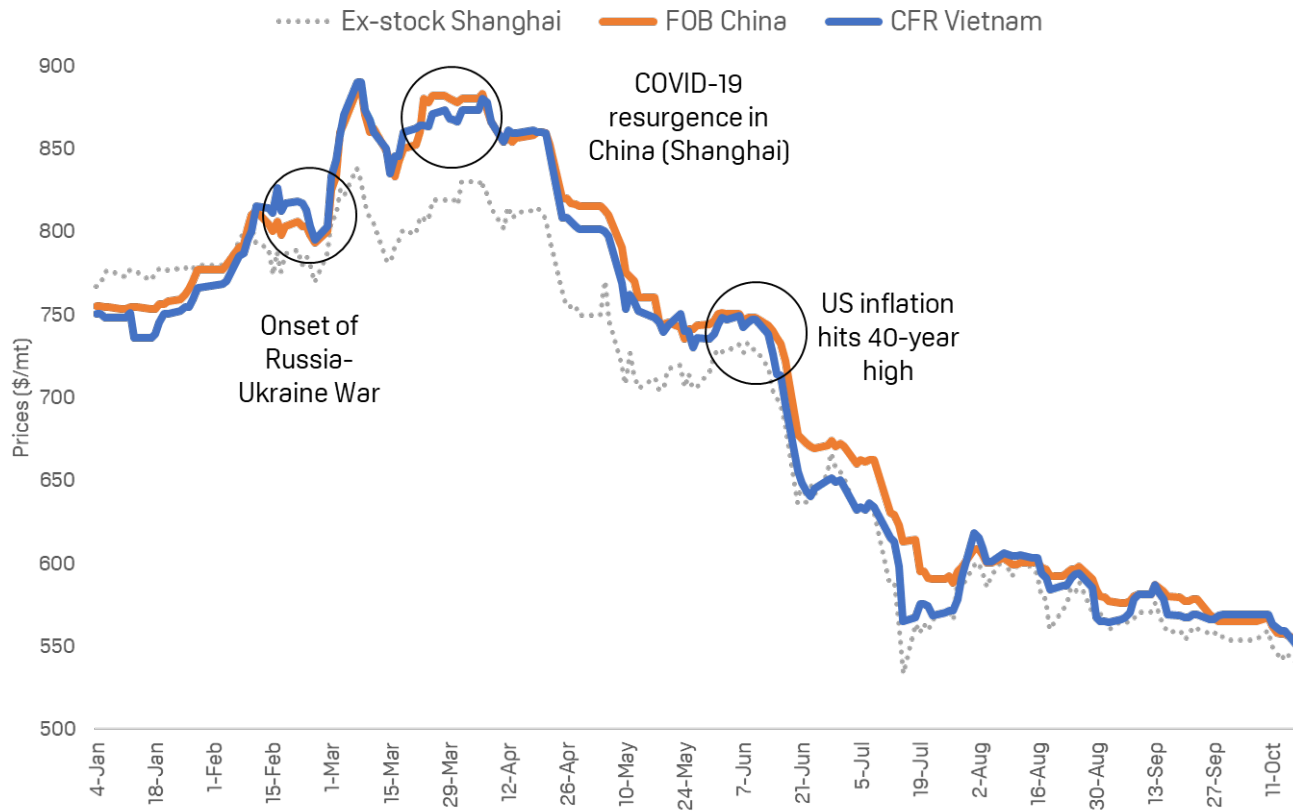
2022 European domestic HRC prices, Eur/mt

NEU assessment dropped **Eur730/mt** and SEU – **Eur675/mt** from peak on Mar 21



Source: S&P Global CI

Asia HRC prices in decline



Source: S&P Global CI

Key Asia HRC market movers

- Domestic demand in China dragged down by sluggish property and manufacturing sector and threat of COVID-19 resurgence
- Mills margins largely negative in Q3 (average: -\$28.4/mt), falling further from Q2 (average: -\$16.4/mt)
- Limited price support expected from winter production restrictions with concerns over mill profitability
- Policy stimulus targeting China's domestic industries and consumer spending yet to come into fruition
- Vietnam import activity hindered tight credit supply, weakening VND to USD and sufficient inventory levels amongst end-users

Thank you!

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Panel discussion



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LME Focus Day 2022

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