

Page 1: Price Review

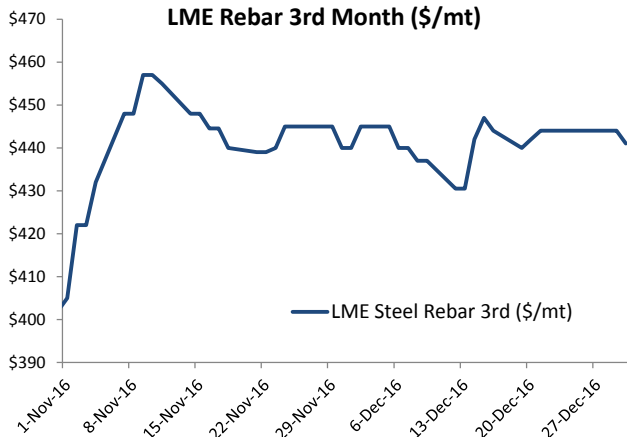
Comments:

On Friday 30 December, LME Steel Scrap and LME Steel Rebar December contracts settled at **\$277.75/mt** and **\$428.25/mt** respectively - a monthly decrease of 4.9% for scrap and a 3.3% decrease for rebar.

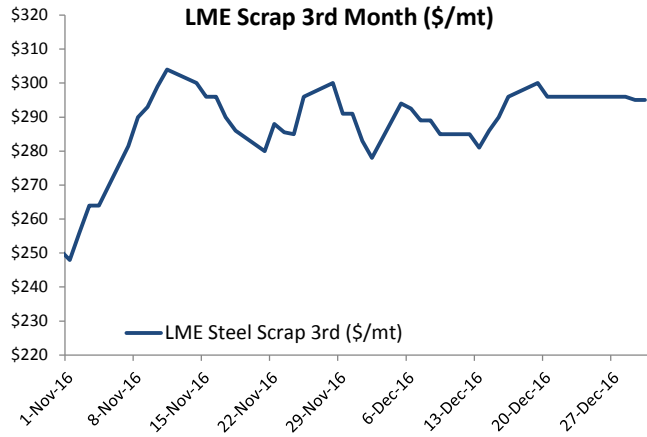
The nearer months along the forward curve decreased less than the spot month. In scrap, the January and February contracts posted gains of 2.1% and 1.4% respectively. From May 2017 onwards prices fell 3.8%. This shifted the forward curve into a steep backwardation, not seen since prices peaked in mid-November following the results of the US election. The spread between the front month and the 12 month scrap contract was \$7.75/mt at the end of December. This was only briefly surpassed after the US election results and earlier in May 2016 when SHFE volumes retreated after their March/April surge.

The ratio between LME Steel Scrap and Iron Ore prices was volatile last month ranging from a 9-month low of 3.4x to 3.8x. On average the spread between LME Steel Scrap and LME Steel Rebar ("the apparent conversion spread") was \$150/mt which was only \$5/mt down on the average spread through November. On the daily closing prices this spread ranged between \$167 and \$140/mt.

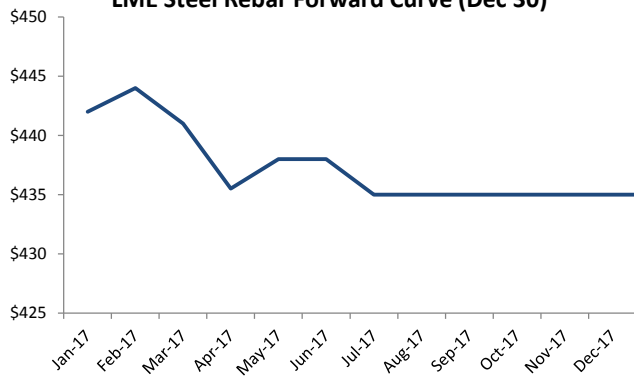
LME Steel Rebar



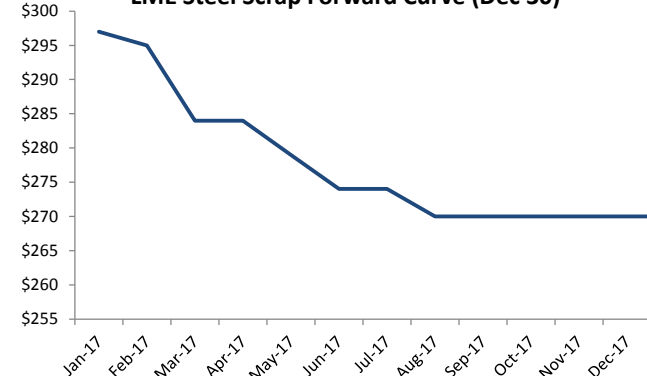
LME Steel Scrap



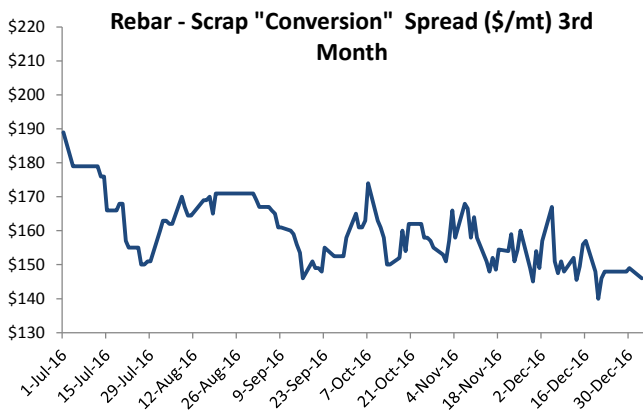
LME Steel Rebar Forward Curve (Dec 30)



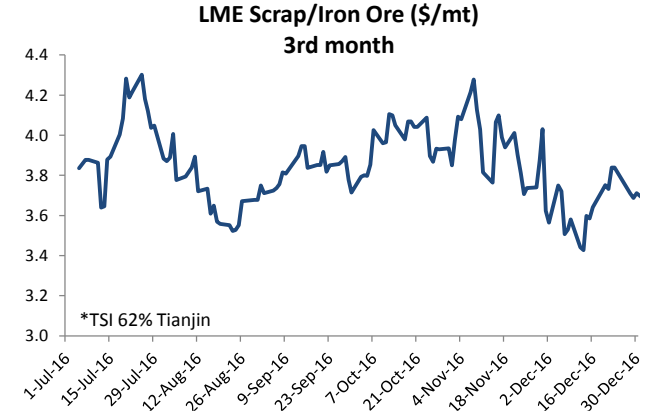
LME Steel Scrap Forward Curve (Dec 30)



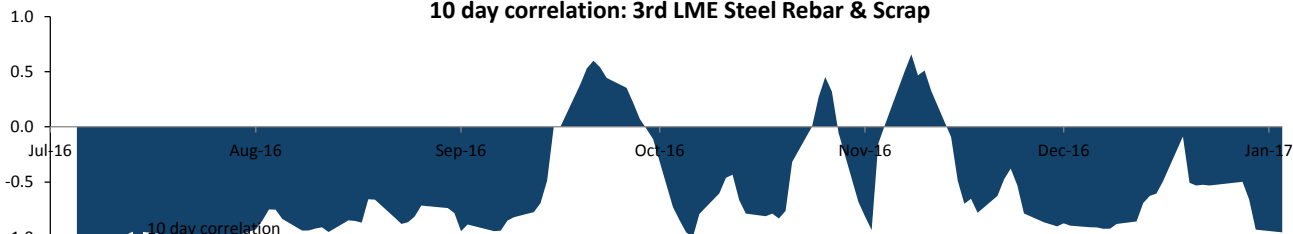
Rebar - Scrap "Conversion" Spread (\$/mt) 3rd Month



LME Scrap/Iron Ore (\$/mt) 3rd month



10 day correlation: 3rd LME Steel Rebar & Scrap



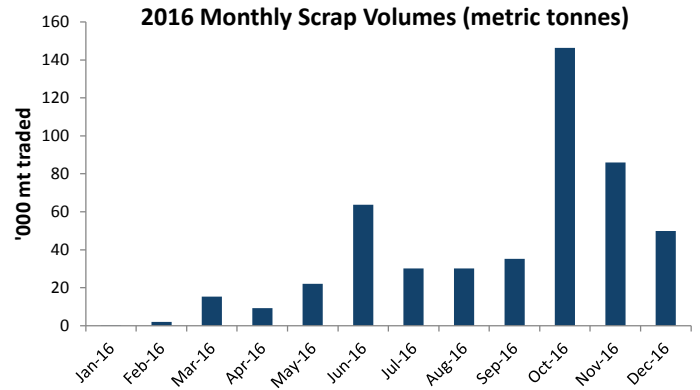
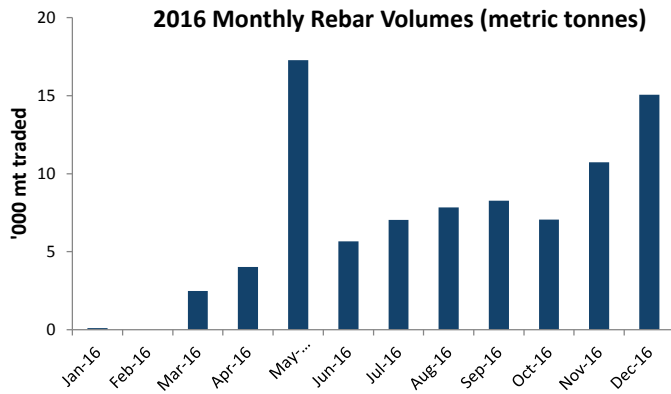
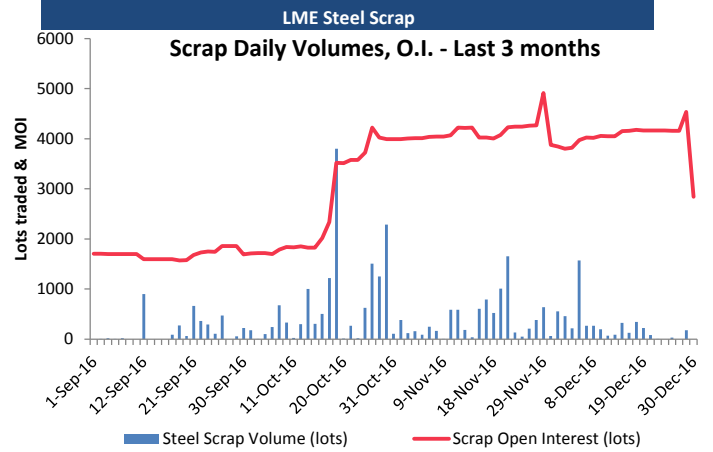
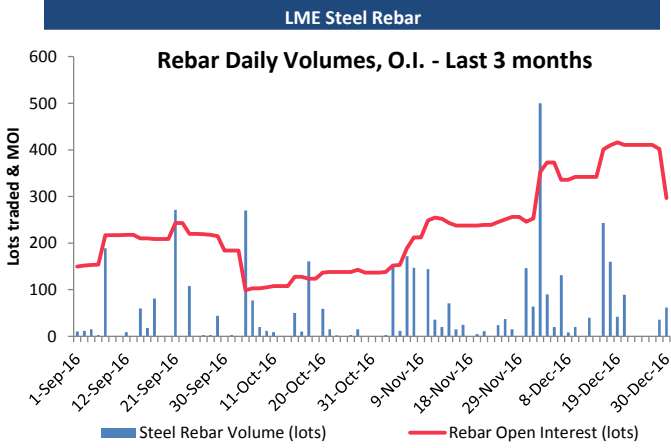
Source: Bloomberg LP, Platts TSI, LME

Comments:

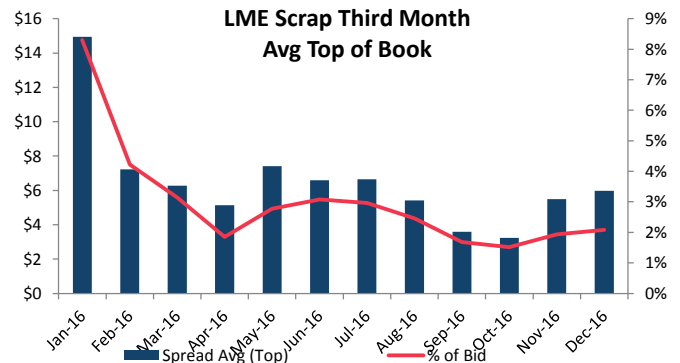
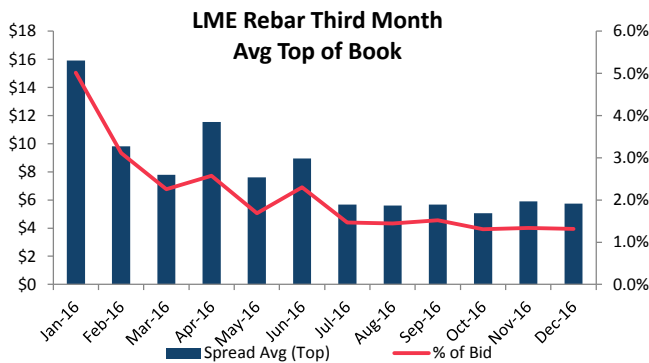
LME Steel Scrap volumes were the equivalent of 49,810 metric tonnes last month, taking the 2016 total to 489,920 metric tonnes. LME Steel Scrap open interest averaged over 40,000 metric tonnes for the second month running, but dropped to below 30,000 mt on the December expiry.

LME Steel Rebar traded the equivalent to 15,050 metric tonnes last month; the second highest month since launch. Open interest also reached new highs of 4,110 metric tonnes, which is equivalent to over 5 days trading volume. Total 2016 volumes reached 85,510 metric tonnes.

Scrap bid-ask spreads at the top of the book continued to average below \$6/mt for both LME Steel Scrap and LME Steel Rebar. In notice 16/407: A400, new market making programmes commencing 1 January 2017 were announced.



Bid-Ask Spreads (Third Month)



	Spread Avg (Top)	% of Bid	Bid Size Average	Ask Size Average
January-16	\$15.9	5.0%	6.2	8.6
February-16	\$9.8	3.1%	6.8	10.1
March-16	\$7.8	2.3%	10.5	10.4
April-16	\$11.5	2.6%	8.8	11.5
May-16	\$7.6	1.7%	8.0	10.5
June-16	\$9.0	2.3%	8.1	8.5
July-16	\$5.7	1.5%	1.5	2.0
August-16	\$5.6	1.4%	5.5	7.2
September-16	\$5.7	1.5%	5.2	1.2
October-16	\$5.1	1.3%	3.0	4.5
November-16	\$5.9	1.3%	4.3	2.5
December-16	\$5.7	1.3%	6.0	3.7

	Spread Avg (Top)	% of Bid	Bid Size Average	Ask Size Average
January-16	\$14.9	8.3%	8.0	7.2
February-16	\$7.2	4.2%	7.7	7.8
March-16	\$6.3	3.1%	5.0	14.0
April-16	\$5.1	1.8%	6.0	10.6
May-16	\$7.4	2.8%	5.8	14.4
June-16	\$6.6	3.1%	6.9	9.6
July-16	\$6.6	3.0%	2.4	3.7
August-16	\$5.4	2.5%	4.5	4.7
September-16	\$3.6	1.7%	2.8	8.4
October-16	\$3.2	1.5%	2.4	19.5
November-16	\$5.5	1.9%	6.4	3.4
December-16	\$6.0	2.1%	4.6	4.8

Note: Bid-Ask spreads are taken during active market making quoting hours 10am - 5pm only

Average Bid-Ask spreads are taken across the top bids and asks

LME Steel Rebar						
	Price	Month Change (%)	Monthly Volume (lots)	Open Interest end of month	Open interest (lots)	
Dec-16	\$428.30	-3.3%	123	Expired	0	
Jan-17	\$442.00	-0.7%	764	157	Jan-17	157
Feb-17	\$444.00	-0.2%	198	68	Feb-17	68
Mar-17	\$441.00	-0.2%	380	14	Mar-17	14
Apr-17	\$435.50	-1.2%	27	28	Apr-17	28
May-17	\$438.00	-0.5%	45	9	May-17	9
Jun-17	\$438.00	-0.5%	54	15	Jun-17	15
Jul-17	\$435.00	-1.1%	7	1	Jul-17	1
Aug-17	\$435.00	-1.1%	7	1	Aug-17	1
Sep-17	\$435.00	-1.1%	7	1	Sep-17	1
Oct-17	\$435.00	-1.1%	7	1	Oct-17	1
Nov-17	\$435.00	-1.1%	7	1	Nov-17	1
Dec-17	\$435.00	-1.1%	7	1	Dec-17	1
Jan-18	\$435.00	-1.1%	2	0	Jan-18	0
Aggregate:			1505	297		
Number of trades:			485			

LME Steel Scrap						
	Price	Month Change (%)	Monthly Volume (lots)	Open Interest end of month	Open interest (lots)	
Dec-16	\$277.80	-4.9%	789	Expired	0	
Jan-17	\$297.00	2.1%	2698	1,710	Jan-17	1,710
Feb-17	\$295.00	1.4%	456	302	Feb-17	302
Mar-17	\$284.00	-1.0%	225	251	Mar-17	251
Apr-17	\$284.00	-0.7%	281	145	Apr-17	145
May-17	\$279.00	-3.8%	192	55	May-17	55
Jun-17	\$274.00	-3.9%	283	160	Jun-17	160
Jul-17	\$274.00	-3.9%	12	100	Jul-17	100
Aug-17	\$270.00	-5.3%	9	100	Aug-17	100
Sep-17	\$270.00	-5.3%	9	4	Sep-17	4
Oct-17	\$270.00	-5.3%	9	4	Oct-17	4
Nov-17	\$270.00	-5.3%	9	4	Nov-17	4
Dec-17	\$270.00	-5.3%	9	4	Dec-17	4
Jan-18	\$270.00	-5.3%	0	0	Jan-18	0
Aggregate:			4,981	2839		
Number of trades:			872			

Rebar Average Top Bid-Ask Spread \$/mt, Size in lots					
	Prompt Month			Avg Bid Size	Avg Ask Size
	Dec	Jan	Feb	(lots)	(lots)
1-Dec	4.8	6.6	6.5	3.5	5.0
2-Dec	6.6	6.7	7.3	3.3	2.5
5-Dec	7.0	4.9	5.2	2.7	1.9
6-Dec	5.5	6.7	7.0	2.7	3.1
7-Dec	3.7	3.5	4.1	3.5	2.3
8-Dec	3.7	6.8	7.0	2.3	3.7
9-Dec	7.5	6.8	7.1	3.0	4.0
12-Dec	10.0	9.4	9.5	10.6	10.4
13-Dec	9.7	6.6	5.5	2.9	5.2
14-Dec	9.1	7.2	7.3	5.9	4.5
15-Dec	9.9	6.5	6.0	3.8	7.8
16-Dec	7.9	5.8	4.8	4.4	4.2
19-Dec	8.3	6.3	6.2	3.7	3.8
20-Dec	10.0	6.2	6.3	5.8	5.4
21-Dec	9.5	8.5	8.6	6.8	5.1
22-Dec	10.0	6.6	6.4	4.4	2.1
23-Dec	8.4	6.8	6.8	4.1	2.5
28-Dec	10.0	5.1	5.8	3.2	4.8
29-Dec	10.0	4.6	6.8	3.7	3.3
30-Dec	10.0	7.1	6.8	2.5	3.9
Nov Average	7.4	6.1	6.2	4.0	4.3
	Nov	Dec	Jan	Bid Size	Ask Size
Nov Average	7.1	5.8	5.9	3.8	3.7
MoM change	0.3	0.3	0.2	0.1	0.6

Scrap Average Top Bid-Ask Spread \$/mt, Size in lots					
	Prompt Month			Avg Bid Size	Avg Ask Size
	Dec	Jan	Feb	(lots)	(lots)
5.4	6.8	5.9	4.2	3.2	
5.8	5.0	4.6	3.6	4.9	
7.1	8.1	6.9	3.0	3.1	
6.4	5.8	6.2	9.5	5.9	
9.4	5.4	5.9	3.5	3.1	
9.1	4.3	6.6	7.8	5.3	
10.3	5.7	6.6	4.1	3.8	
14.0	9.3	9.5	9.3	8.8	
5.7	6.4	6.4	6.2	5.2	
8.5	6.2	4.9	4.1	4.9	
9.3	6.7	6.5	8.3	6.3	
8.9	6.5	6.8	5.3	4.4	
8.5	4.0	6.3	3.8	3.1	
7.7	4.9	6.0	4.5	4.1	
7.8	5.9	5.9	4.8	4.3	
9.3	4.5	6.2	4.6	4.6	
7.9	4.6	6.5	3.7	4.4	
10.0	5.8	5.8	7.6	5.4	
9.3	4.9	5.1	3.7	3.4	
10.0	7.2	7.7	4.5	4.5	
Nov Average	7.8	5.9	6.2	4.6	4.1
	Nov	Dec	Jan	Bid Size	Ask Size
Nov Average	7.1	5.8	5.9	4.1	3.9
MoM change	0.7	0.1	0.2	0.5	0.2

Contract specifications

Contract names and codes	LME Steel Scrap	SC	
	LME Steel Rebar	SR	
Contract type	Futures		
Delivery type	Cash settled		
Lot size	10 metric tonnes		
Contract period	Monthly out to 15 months		
Price quotation	US dollars per metric tonne		
Clearable currencies	US dollars		
Minimum price fluctuation (tick size) per tonne	Venue	Outright	Carries
	LMEselect Inter-office	\$0.50 \$0.01	\$0.01 \$0.01
Termination of trading	LME Steel Scrap - Last business day of the contract month until 13.30 London time		
	LME Steel Rebar - Last business day of the contract month until 16.30 London time		
Daily settlement procedure	LME Market Operations will calculate daily settlement values based on its published procedure		
Final settlement procedure	LME Steel Scrap - Final settlement, following termination of the trading for a contract month, will be based on the Monthly Average Index Price of the "TSI Scrap HMS#1 and HMS#2, 80:20 Turkish Imports CFR Iskenderun Port" Index, which is available from 13.30 London time on the last trading day		
	LME Steel Rebar - Final settlement, following termination of the trading for a contract month, will be based on the Monthly Average Index Price of the "Platts Rebar, Turkish exports, FOB Turkey port" Index, which is available from 16.30 London time on the last trading day		
Trading venues	LMEselect and Inter-office telephone		
Trading hours	LMEselect	01.00-19.00 London time	
	Inter-office telephone	24 hours a day	
Margining	Realised variation margins applied		

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