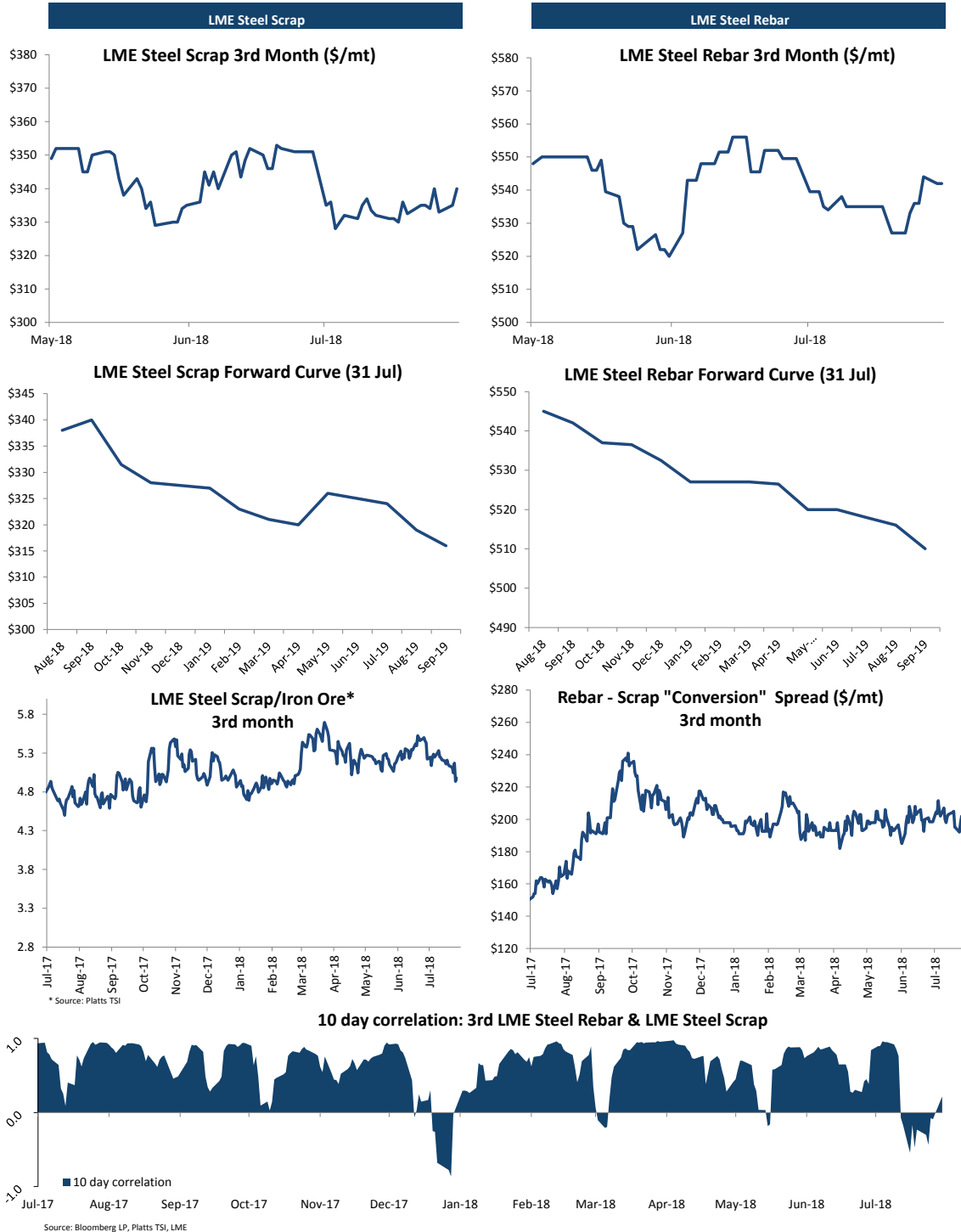


Comments:

On Tuesday 31 July 2018, the LME Steel Scrap and LME Steel Rebar July contracts settled at \$341.61/mt and \$542.48/mt respectively. This constitutes a month-on-month change of -3.5% for scrap and of -1.0% for rebar.

During July, the LME Steel Scrap forward curve flattened considerably (see below), with the front end moving downwards and the farther end shifting upwards compared to the end of June. The LME Steel Rebar curve also saw a similar shift downwards for the front two months but experienced a steady uplift of c.1-1.5% across the rest of the curve, maintaining a steep backwardation.

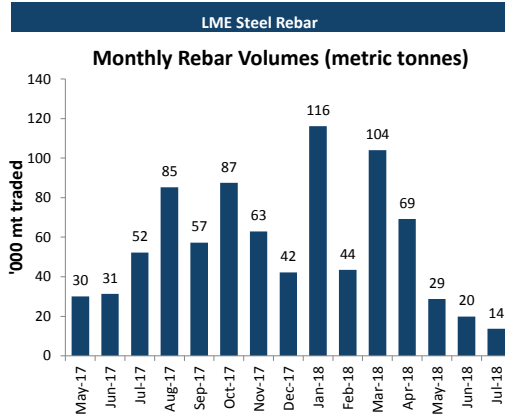
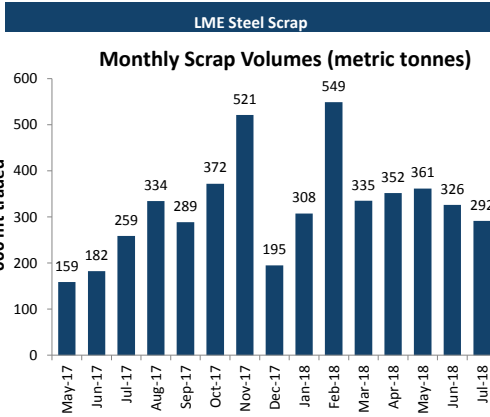
Both the "scrap/iron ore" ratio and the "apparent conversion" spread (i.e. LME Steel Rebar - LME Steel Scrap) consistently remained within their running 12-month average trading range, possibly suggesting that a new relative equilibrium may have been reached between input and outputs in the long steel market.



Comments:

LME Steel Scrap traded the equivalent of 291,610 metric tonnes last month, showing a small decline compared to the average of the past six months. This could be attributed to the seasonal slowdown of scrap trading activity in the physical market. LME Steel Rebar traded 13,620 metric tonnes.

Both contracts continue showing open interest along the entire forward curve, with positions open up to over one year forward. The presence of open interest on further-dated prompts often suggests that the financial derivatives have been used to hedge physical exposure to the underlying commodity.



LME Steel Scrap (metric tonnes)

	Price	Month Change (%)	Monthly Volume	Open Interest EOM	Open Interest '000 mt
Jul-18	\$341.61	-3.5%	10,130	Expired	
Aug-18	\$338.00	-3.7%	111,950	10,110	10
Sep-18	\$340.00	-1.2%	74,270	10,520	10
Oct-18	\$331.50	-0.5%	14,610	7,840	8
Nov-18	\$328.00	0.0%	7,670	6,450	7
Dec-18	\$327.50	0.2%	15,570	6,720	7
Jan-19	\$327.00	2.0%	11,970	4,270	4
Feb-19	\$323.00	1.9%	14,580	6,610	7
Mar-19	\$321.00	1.9%	11,140	4,170	4
Apr-19	\$320.00	1.9%	7,540	5,320	5
May-19	\$326.00	4.2%	3,630	5,570	6
Jun-19	\$325.00	4.2%	3,360	5,270	6
Jul-19	\$324.00	4.2%	1,950	2,290	2
Aug-19	\$319.00	2.6%	1,710	2,210	2
Sep-19	\$316.00		1,530	510	0.5
Aggregate:			291,610	77,860	

LME Steel Rebar (metric tonnes)

	Price	Month Change (%)	Monthly Volume	Open Interest EOM	Open Interest '000 mt
Jul-18	\$542.48	-1.0%	1,590	Expired	
Aug-18	\$545.00	-0.8%	1,890	2,050	2
Sep-18	\$542.00	0.5%	1,860	1,100	1
Oct-18	\$537.00	3.3%	3,180	510	0.5
Nov-18	\$536.50	3.2%	1,140	570	0.6
Dec-18	\$532.50	1.8%	1,170	480	0.5
Jan-19	\$527.00	1.1%	1,410	80	0.1
Feb-19	\$527.00	1.5%	480	50	0.05
Mar-19	\$527.00	1.7%	120	70	0.08
Apr-19	\$526.50	1.6%	390	50	0.05
May-19	\$520.00	1.0%	120	30	0.03
Jun-19	\$520.00	1.6%	120	20	0.02
Jul-19	\$518.00	1.2%	90	40	0.04
Aug-19	\$516.00	1.4%	30	10	0.01
Sep-19	\$510.00		30	10	0.01
Aggregate:			13,620	5,070	

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 16.30 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 "Platts TSI HMS 1/2 80:20 CFR Turkey" assessment, which is available from 16.30 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 Steel Rebar FOB Turkey" assessment, 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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THE LONDON METAL EXCHANGE 10 Finsbury Square, London EC2A 1AJ | Tel +44 (0)20 7113 8888