



# LME Steel Billet

Providing security for volatile markets



# Trading the LME Steel Billet contract

## Trading features

### Lot size

65 tonnes (+/-3.5%)

### Quotation

US dollars per tonne

### Settlement dates

- Daily from cash to 3 months
- Weekly (every Wednesday) from 3 months to 6 months
- Monthly (every third Wednesday) from 7 months out to 15 months

### Clearable currency

US dollars

### Minimum price movement

Ring	Outright \$0.50	Carries \$0.01
LMeselect	Outright \$0.10	Carries \$0.01
Inter-office	Outright \$0.01	Carries \$0.01

### Trading platforms:

#### Ring trading

Open-outcry or Ring trading is the central platform where LME official prices are established

LME Steel Billet Ring trading times (UK time):

- 11.40-11.45
- 13.05-13.10
- 15.30-15.35
- Including daily kerb trading

#### LMeselect

LMeselect is the official Exchange-operated electronic trading platform open from 01.00 to 19.00 (UK time)

#### Inter-office telephone

The Exchange also supports an inter-dealer telephone market between LME members which operates 24 hours a day

# Providing security for volatile markets

LME Steel Billet futures provide the ferrous industry with transparent pricing and risk management tools to deal with market volatility within a regulated exchange environment.

Wherever you are in the steel supply chain, the London Metal Exchange's (LME) core services of pricing, hedging and delivery provide industry with the tools to manage the risk created by volatile prices.

**Reference pricing** – access to a transparent and credible price discovered on a regulated market

**Hedging** – futures contracts allow you to manage price risk

**Delivery** – as a market of last resort the LME can provide a source of steel billet in times of shortage and an additional sales channel in times of surplus

## Experience

The LME is the world's premier metal exchange. Prices derived from trading on the Exchange are used as reference prices in the majority of the world's physical metal markets.

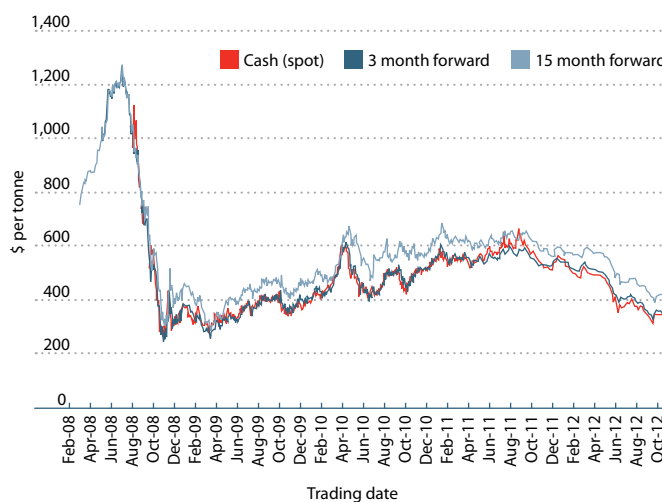
For more than 135 years the LME has enabled its members and their clients to manage the impact of price volatility in non-ferrous markets and now extend these same opportunities to the steel industry.

The LME Steel Billet contract provides access to:

- Multiple delivery locations
- A single reference price for steel billet
- Tools to manage costs and protect profit margins

# Price volatility

LME Steel Billet price



Manage price volatility by buying or selling forward on the LME

The price dropped

**\$480**

in 7 weeks





# How steel futures can help you



## Steel billet supply chain – benefits

At all stages where material is bought and sold in the steel billet supply chain, price risk exists. The industry is able to manage risk by hedging using the LME.

### 1. Scrap processor

- Offer a long-term fixed sales price based on the LME Steel Billet price and lock in a profit margin

### 2. Producer

- Offer a long-term fixed sales price and lock in a profit margin
- Use inventory financing and trade finance opportunities
- Access lower financing costs (banks view companies that hedge as lower risk)
- Protect the value of unsold inventory in a declining market
- Hedge physical purchases in times of strong demand

### 3. Reroller

- Offer a long-term fixed sales price and lock in a profit margin
- Hedge the timing differences between raw material purchases and the sale of finished product
- Use the Exchange delivery mechanism as a source of steel billet in times of extreme shortage

### 4. Construction

- Lock-in a forward purchase price and protect against price volatility
- Achieve more accurate budgeting for steel requirement costs

### 5. Merchant

- Hedge physical sales and purchases
- Offer a long-term fixed sales price
- Swap physical billet on a location and grade/producer basis
- Gain a competitive advantage (offering a fixed sales price)
- Protect the value of physical stock against a fall in price
- Bring over-the-counter (OTC) transactions on exchange

**The entire supply chain benefits from a transparent and accurate pricing mechanism.**

# LME Steel Billet contract specifications

LME Grade	C (%)	Si (%)	Mn (%)	S (%)	P (%)	Cu (%)	Ni (%)	Cr (%)	N (%)	CEV*
1	0.08-0.13	0.10-0.30	0.30-0.60	0.05	0.04	0.40	0.20	0.20	0.012	-
2	0.10-0.15	0.15-0.30	0.50-0.80	0.045	0.045	0.40	0.20	0.20	0.009**	-
3	0.14-0.22	0.05-0.15	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-
4	0.14-0.22	0.15-0.30	0.40-0.65	0.05	0.04	0.40	0.30	0.30	0.012	-
5	0.15-0.22	0.15-0.30	0.60-1.00	0.05	0.05	0.50	0.20	0.20	0.012	0.50
6	0.17-0.25	0.40-0.80	1.20-1.60	0.045	0.045	0.50	0.20	0.20	-	0.52
7	0.28-0.37	0.05-0.15	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-
8	0.28-0.37	0.15-0.30	0.50-0.80	0.05	0.04	0.40	0.30	0.30	0.012	-
9	0.36-0.42	0.15-0.30	1.00-1.40	0.05	0.05	0.50	0.20	0.20	-	-

All limits are max unless otherwise indicated.

\*CEV (Carbon Equivalent Value) = %C + %Mn/6 + (%Cr + %Mo + %V)/5 + (%Cu + %Ni)/15 \*\*%N max may increase by 0.001% for every 0.005% reduction in %P

## Lengths

	Metric	Inches
Short (S)	5,800mm – 6000mm (+/- 100mm)	19' 8" (+/- 4")
Long (L)	11,700mm – 12,000mm (+/- 100mm)	39' 4" (+/- 4")

## Lot size

65 metric tonnes (+/- 3.5%). Each lot to be made up of one size, length, brand and grade only

## Dimensions

100 S or 100 L	100mm x 100mm (+/- 3mm)	4" x 4" (+/- 1/8")
120 S or 120 L	120mm x 120mm (+/- 3mm)	4¾" x 4¾" (+/- 1/8")
125 S or 125 L	125mm x 125mm (+/- 3mm)	5" x 5" (+/- 1/8")
130 S or 130 L	130mm x 130mm (+/- 3mm)	5¼" x 5¼" (+/- 1/8")
140 S or 140 L	140mm x 140mm (+/- 3mm)	5½" x 5½" (+/- 1/8")
150 S or 150 L	150mm x 150mm (+/- 3mm)	6" x 6" (+/- 1/8")

## Delivery

The LME has approved storage facilities for delivery against the steel billet contracts. Current locations include:

- Antwerp – Belgium
- Bilbao – Spain
- Rotterdam – The Netherlands
- Kocaeli & Tekirdag – Turkey
- Ravenna – Italy

## Brands

All steel billets delivered must be producer brands named in the LME approved list

## Access to the LME

All trading on the LME takes place through LME member firms, which include the world's leading financial institutions and physical trading companies. Members are divided into specific categories, each with different privileges (only category 1, 2 and 4 members are allowed to issue LME contracts). They provide their clients with a wide range of tailored services which enable them to manage price volatility and benefit from risk management activities.

## What next?

Contact an LME Category 1, 2 or 4 member firm directly. A full list of our members is available on the LME website at: [www.lme.com/membership](http://www.lme.com/membership)

## Or speak to us directly

Robert Sheldon, New Products Manager  
LME Business Development

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You can also visit [www.lme.com/steel](http://www.lme.com/steel) for more information.



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