

Rebar prices dazzle in Chinese blitzkrieg

Thursday, 30 Jul, 2009

China spearheads the battle with recession exhibiting a valiant recovery in production and prices of most steel products defying veterans.

?Date	01-Jul	15-Jul	29-Jul	Change
PI-Rebar	6793	7073	7598	805

PI - Product Index

After the announcement of the USD 586 billion stimulus package followed by a slew of inconspicuous measures the writing was always on the wall that the revival bandwagon will commence in China. The tumult of this revival has been so astonishing that it makes even the most concerted prediction look risky. Chinese steel mills are on a record breaking spree with June steel production touching 50 million tonne likely to culminate in annual production of more than 550 million tonne. Iron ore prices look all set to break the barrier of previous peak within a week's time.

According to the latest statistics, China's rebar production in June totaled 11 million tonne up 2.7 million tonnes or 34% YoY, the second straight month in which rebar production has exceeded 10 million tonnes.

The sharp jump in fixed assets investment post unleashing of cheaper credit has created booming demand in downstream sector. This quantum jump in factual as well as anticipated demand is the main reason behind this frenzy. The ecstasy is not devoid of speculative risk as stockiest and traders are sitting over record unmitigated inventories.

Market prices in northern and eastern China picked up remarkably at a weekly average of CNY 100 per tonne to CNY 120 per tonne. The growth in prices has been phenomenally high touching up to 20% in Beijing within a month. Although July has been bullish, the gradient has been particularly steep during the last decade of July averaging around 8% to 10% across the regions.

Rebar 20mm HRB 400

?Region	01-Jul	15-Jul	29-Jul	Change	%
Shanghai	3660	3880	4100	440	12%
Chengdu	3750	4000	4330	580	15%
Zhengzhou	3770	3940	4270	500	13%
Beijing	3820	4040	4500	680	18%

Change is on July 29th 2009 as compared to July 1st 2009

Rate in CNY per tonne FOV

Inclusive of VAT

Rebar 20mm HRB 400

?Region	20-Jul	29-Jul	Change	%
Shanghai	3870	4100	230	6%
Chengdu	4020	4330	310	8%
Zhengzhou	3940	4270	330	8%

Beijing	4100	4500	400	10%
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Change is on July 29th 2009 as compared to July 20th 2009

Rate in CNY per tonne FOB

Inclusive of VAT

The Chinese mills have successively hiked their prices in the past week. Following Hebei Iron & Steel's hike of CNY 170 per tonne for rebar, Beijing's Shougang announced it is raising August prices for 16mm to 25mm HRB335 rebar by CNY 550 per tonne touching CNY 4475 per tonne.

It is reported that October rebar future contract prices at SHFE closed at CNY 4331 per tonne on 28th July, breaching the previous day's record of CNY 4236 per tonne. The magnitude of this growth in rebar fortunes is likely to transform into a windfall with prices touching CNY 4800 per tonne by early August.

Demand is far better than the previous years in current dull season, and would surge significantly in September and October, the traditional hot season.

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