
Monday Market Monitor - China (WEEK 32) - Price explosion

Monday, 10 Aug, 2009

Chinese domestic steel prices literally zoomed last week. The steel prices in China rallied for a fifteenth week in a row bolstered by surging production and speculative demand resulting abnormally high stockpiles. The current scenario can be aptly summed up as “A crazy period featuring high production, high stockpiles and high price.”

The Chinese Long Product Price Index CLPPI improved by whooping 387 points, whereas the Chinese Flat Products Index CFPPI increased by 390 points. The overall price index CHISPI increased by 389 points.

?Class	31-Jul	07-Aug	Change	%
CLPPI	6801	7188	387	5.7%
CFPPI	6503	6893	390	6.0%
CHISPI	6632	7021	389	5.9%

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

?Category	31-Jul	07-Aug	Change	%
PI-WRC	5988	6346	358	6.0%
PI-Rebar	7786	8207	422	5.4%

PI - Product Index

?Category	31-Jul	07-Aug	Change	%
PI-PLTS	5565	5985	420	7.5%
PI-HR	6583	6994	410	6.2%
PI-CR	6963	7289	326	4.7%
PI-GP	6675	7010	335	5.0%

PI - Product Index

To know more about these indices please visit
http://steelprices-china.com/spi_services/spi.html

Most marketers admit the positive effects brought by the central government’s stimulus plans however they suspect its’ sustainability as stocks have not been effectually digested in proportion to its increment. The simmering of price debacle could be sensed with slight fall in prices towards the week end

Long Products - Surge backed by hike in mill prices

?Item	31-Jul	07-Aug	Change	%
PI - WRC	5988	6346	358	6.0%
PI - Rebar	7786	8207	422	5.4%

PI- Product Index

1. Billets: - Propelled by finished products rally

Chinese billet prices have surged supported by demand from narrow strip and rebar producers. Prices have soared by CNY 600 per tonne since end July.

In Shandong, Jiangsu area, EXW prices of 150x150mm billet in Q235 grade have touched CNY 3,900 per tonne (USD 570 per tonne), on a cash payment basis including 17% VAT.

Billets

150*150

Q235

?Location	CNY	USD
Jiangsu Province	250	37
Shandong Province	200	29
Hebei Province	270	39
Shanxi Province	250	37
Tianjin	250	37
Fujian Province	230	34

Change is on August 7th 2009 as compared to July 31st 2009

Change is per tonne

2. Rebars - Shagang leads the price explosion

Month had an august opening for Chinese rebar prices. 3rd August can be marked as a defining moment in the run up to the market revival commencing in April 2009. The spurt although anticipated astonished everybody by its magnitude.

The rebar prices hike peaked at CNY 400 per tonne (USD 58) at Jinan averaging at CNY 281 per tonne (USD 41) a leap of 6% within two days.

The rally in the re bar prices was harangued by the Eastern Chinese steelmaker Shagang announcing a massive price increase of CNY 600 per tonne (USD 88 per tonne). The ramifications of this hike was far and wide affecting the major markets

This tumult had ripples in the rebar futures prices on the Shanghai Futures Exchange SHFE which jumped by CNY 185 per tonne (7%) on 3 August from 31 July.

The sharp movements are speculative primarily driven by unexpected price hike announced by mills setting the tempo for restocking by end users and stockiest to avoid dearer purchase latter. However, fundamental reasons like healthy liquidity and real consumption have been the fountain of this turnaround.

The ballooning prices will fly high if there is no downward pressure on it. However it is apprehended that growing market inventory could provide the pressure to pull the balloon down.

However towards the week end the tide seemed to be subsiding as the stocks piled in absence of demand and the prices plummeted by CNY 150 per tonne to CNY 200 per tonne.

Rebars

20mm

HRB 400

?Location	CNY	USD
Shanghai	140	20
Hangzhou	270	39

Nanjing	400	58
Jinan	530	77
Hefei	350	51
Fuzhou	330	48
Nanchang	250	37
Guangzhou	430	63
Changsha	360	53
Wuhan	420	61
Zhengzhou	480	70
Beijing	320	47
Tianjin	450	66
Shijiazhuang	420	61
Taiyuan	450	66
Shenyang	430	63
Harbin	450	66
Chongqing	180	26
Chengdu	400	58
Guiyang	150	22
Kunming	510	75
Xian	250	37
Lanzhou	380	56
Urumchi	550	80

Change is on August 7th 2009 as compared to July 31st 2009

Change is per tonne

3. Wire Rods - In tandem with rebar prices

Wire rod market also moved in tandem with rebar prices last week

WRC

6.5mm

Common

Location	CNY	USD
Shanghai	160	23
Hangzhou	240	35

Nanjing	370	54
Changsha	240	35
Zhengzhou	300	44
Chengdu	190	28
Guiyang	20	3
Kunming	320	47
Urumchi	350	51

Change is on August 7th 2009 as compared to July 31st 2009

Change is per tonne

Flat Products - Continue golden run

?Item	31-Jul	07-Aug	Change	%
PI - Plates	5565	5985	420	7.5%
PI - HR	6583	6994	410	6.2%
PI - CRC	6963	7289	326	4.7%
PI - HDG	6675	7010	335	5.0%

PI- Product Index

1. Hot Rolled Coils - Price blows hot on hike by mills

The price hike in Chinese steel market is uncharacteristically supplier driven rather than demand pull. Mills have been unilaterally pushing prices in a bid to drum up market sentiments devoid of solid demand.

The efforts have been bearing fruits over the last 20 weeks with consistent improvement in prices. The ascendancy reached a pinnacle with a jerk of CNY 232 per tonne (USD 34) or 5% in a span of 3 days during July 31st to August 4th.

In this multiplayer show, Eastern China's Shagang mill yet again emerged as the star of the show announcing a mind boggling USD 100 per tonne hike in HRC prices on month opening.

The commercial hub Shanghai responded with alacrity with a jump of CNY 200 per tonne or 5% since 31st July in HRC prices. The hike was widespread ranging from CNY 120 per tonne in Lanzhou to CNY 330 per tonne in Nanjing.

HRC

4.75mm

Common

?Location	CNY	USD
Shanghai	120	18
Hangzhou	230	34
Nanjing	300	44
Jinan	150	22
Hefei	200	29

Fuzhou	200	29
Nanchang	300	44
Guangzhou	280	41
Changsha	300	44
Wuhan	180	26
Zhengzhou	220	32
Beijing	170	25
Tianjin	200	29
Shijiazhuang	220	32
Taiyuan	240	35
Shenyang	300	44
Harbin	230	34
Chongqing	250	37
Chengdu	170	25
Kunming	250	37
Xian	150	22
Lanzhou	100	15
Urumchi	220	32

Change is on August 7th 2009 as compared to July 31st 2009

Change is per tonne

2. Plates - Prices rise on speculation

Chinese domestic plate prices improved in anticipation of increases in September prices.

Majors like Wuhan Iron & Steel increased its September EXW prices for commercial plate by CNY 300 per tonne .Eastern Chinese mills Baosteel and Shagang are also expected to revise prices on the same line.

Rapidly rising HRC prices is also responsible for the surge in plate spot price as it is viewed as an indicator of flat products market trend.

Plates

20mm

Common

?Location	CNY	USD
Shanghai	370	54
Hangzhou	290	43
Nanjing	320	47

Jinan	350	51
Hefei	400	59
Fuzhou	400	59
Nanchang	400	59
Guangzhou	260	38
Changsha	400	59
Wuhan	330	48
Zhengzhou	300	44
Beijing	350	51
Tianjin	300	44
Taiyuan	350	51
Shenyang	200	29
Harbin	200	29
Chongqing	270	40
Chengdu	260	38
Kunming	330	48
Xian	250	37
Lanzhou	180	26
Urumchi	100	15

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Change is per tonne

3. Cold Rolled Coils - Prices keep improving

CRC prices maintained an upward momentum backed by strong HRC prices. Market is rife with the expectation that steel giant BaoSteel will certainly hike September prices.

In the commercial hub of Shanghai, prices of 1.0mm CRC from a major producer went up by CNY 300 per tonne within the week. Likewise in Guangzhou, similar material from another major producer jacked by CNY 250 per tonne for the same period.

This anticipation has set in a bullish sentiment in the market as players are aiming to ratchet offer prices to maximize profit, despite fear of a burst since demand lags.

CR

1.0mm

Common

?Location	CNY	USD
Shanghai	320	47

Hangzhou	230	34
Nanjing	500	73
Jinan	300	44
Qingdao	250	37
Hefei	320	47
Fuzhou	230	34
Nanchang	350	51
Guangzhou	220	32
Changsha	250	37
Wuhan	300	44
Zhengzhou	300	44
Beijing	100	15
Tianjin	200	29
Shijiazhuang	150	22
Taiyuan	150	22
Shenyang	170	25
Harbin	300	44
Chongqing	260	38
Chengdu	200	29
Kunming	250	37
Xian	250	37
Lanzhou	250	37
Urumchi	0	0

Change is on August 7th 2009 as compared to July 31st 2009

Change is per tonne

4. Hot Dipped Galvanized - Keeps hot band trend

HDG

0.5mm

Common

?Location	CNY	USD
Shanghai	550	81
Hangzhou	730	107

Beijing	600	88
Tianjin	630	92
Boxing	400	59
Guangzhou	350	51
Zhengzhou	500	73
Xian	550	81
Shenyang	500	73
Harbin	300	44
Nanchang	370	54
Fuzhou	550	81
Chongqing	600	88
Wuhan	650	95

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