
Monday Market Monitor - Scrap (WEEK 33) -Chinese fever comes down

Monday, 17 Aug, 2009

Although the increase in global scarp price levels, Chinese buying was the main factor, it is now reported that on the backdrop of correction in both long and flat products Chinese fever is likely to come down.

Similar situation was noticed in case of buying of old vessels for scrapping. Chinese ship breakers, who traditionally pay about at least USD 20 per LDT than India, Pakistan and Bangladesh, gulped all the available tonnages at price higher by about USD 30 per LTD.

SEA buyers have also supported the higher levels by buying shredded scrap at USD 330 and up levels.

Thus, despite surge in billet prices at Black Sea and Turkey, scrap prices are likely to remain subdued if not weaken this week, especially in case Chinese domestic prices for long and flat steel continue southward march.

However, availability being one of the main factors determining the scarp prices is reported to be tight. And the sellers would love to remain under tight supply scenario by offering limited tonnages at higher prices in their attempt to ride the wave.

Thus the outlook remains uncertain.

1. Turkey - Lull prevails on higher offers

Turkish mills have been shying from scrap purchase due to pre Ramadan slow demand in Middle East as well as high offer levels from US and other origins.

Current offer prices for HMS 1&2 70:30 are at USD 305 per tonne CNF, USD 5 per tonne higher than the last week's offers. HMS 1&2 80:20 prices are at USD 315 per tonne CNF up by USD 5 per tonne WoW, and shredded scrap is at USD 320 per tonne also up by USD 5 per tonne.

It is also reported that buying levels for domestic scrap have also gone up by about TRL 20 tonne to TRL 25 per tonne as compared to previous week.

2. China - Steel price crash reverses scarp levels

The domestic transaction prices of steel scrap in various locations exhibited major dip, after big surge in the previous week, in line with price correction seen in both long and flat steel products.

Location	Change
Zhangjiagang	-2.7%
Laiwu	-1.8%
Loudi	0.0%
Lingyuan	-3.4%
Beijing	0.0%
Jinan	-1.9%
Hefei	0.0%
Jiangyin	-2.4%
Guangzhou	-3.4%
Chongqing	-1.8%

Wuhan	0.0%
Anyang	-1.9%
Wuyang	0.0%
Liupanshui	-1.8%
Kunming	0.0%
Lanzhou	0.0%
Tianjin	-1.7%
Dalian	-3.6%
Benxi	0.0%
Acheng	-2.0%
Tonghua	0.0%
Tangshan	-5.4%

Change is on August 14th 2009 as compared to August 7th 2009

On the import front, the surge of almost 8% in the first week of August, prompted Chinese buyers to grab scarp cargoes at unbelievable price levels in the range of USD 350 per tonne to USD 370 per tonne on CFR basis from US and Japan. A similar phenomenon was seen for spot purchase of iron ore.

But with the cooling of finished steel prices, the Chinese buyers are sure to resist these levels and look for cheaper cargoes this week.

3. India - Market sluggish on dormant long products

Indian domestic scrap prices remained static last week except for dip at Mandi.

Location	Change
Chennai	0.0%
Kandla	0.0%
Mumbai	0.0%
Mandi	-2.6%
Kolkata	0.0%
Kanpur	0.0%

Change is on August 14th 2009 as compared to August 7th 2009

Indian buyers are not accepting the current import offers of scrap. It is reported that shredded scrap is being offered by overseas suppliers at USD 310 per tonne to USD 320 per tonne on CNF basis, without many transactions. HMS 80:20 offers are reported to be above USD 270 per tonne on CFR basis.

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