
Monday Market Monitor - EU (WEEK 41) - Buyers leverage from Chinese offers

Monday, 12 Oct, 2009

During week 41 the absence of Chinese offers was keeping markets quite calm, however all buyers were preparing "tools and guns" to shut out purchase proposals at very aggressive prices.

All in all, the situation is looking settled for a round of decreasing prices as all customers and buyers are strongly convinced that there is a wide room of negotiation.

This week will clearly indicate whether or not this trend will continue at the same pace in which case the price levels of March - May '09, the lowest touched since 3 years, will possibly be by-passed.

1. Plates - Feeble demand brings market to standstill

Steel plate prices in Europe continue to remain under pressure but, more than that, the most important factor influencing today market is the almost complete lack of demand and consumption.

End users have empty or very short order books and thus are trying to shrink as much as possible the stock, as well as to book raw materials only back to back with existing sale orders.

As a consequence, in a cascade sequence, SSC and distributors are substantially diminishing the average size of their purchases, proportionally with the shrinking demand need of end users.

Plates are under tremendous pressure as the lack of consumption in machine tools production and infrastructure expenditure is continuing. We have understood that a major EU producer would have delivered plates in commercial quality to sister distribution companies, at a price around EUR 350 per tonne CFR FO plus extras basis.

Although this is an intra company business and thus some how out of the market logic, it is not withstanding extremely significant as to the price level considered suitable for retail sale.

HRP

S 235 / S275JR

5-20x2000

Country	Domestic	Import
Germany	-10	0
Spain	-10	-5
Italy	-10	-10

Change is on October 9th as compared to October 2nd 2009

In EUR per tonne

2. Hot Rolled Coils - Buyers revert with fleecing proposals

It is reported that in the first salvo, after 8 day Golden Week break, Chinese traders started offering HR to European buyers at levels clearly lower than that prevailing before the holiday, although still higher than expectations of European buyers.

It is learnt that the opening shot is at EUR 360 per tonne to EUR 380 per tonne plus extras on CIF FO basis with 90 days payment term.

Whereas European buyers purchase proposal are reported to be at levels between EUR 335 per tonne to EUR 355 per tonne CIF FO with payment at 90 days from BL date.

Thus the opening shot from Chinese traders is setting the ground for negotiations to reach acceptable levels to both buyers and seller early next week.

We see quite difficult that, despite the strong aggressiveness shown by Chinese, these prices will be accepted, at least for the time being.

HRC
S235JR
2-12x1000-1500

Country	Domestic	Import
Germany	-10	-20
Spain	-10	-10
Italy	0	-10

Change is on October 9th as compared to October 2nd 2009
In EUR per tonne

3. Cold Rolled coils - Russians dominate momentarily

CRC is also edging down to low EUR 400 per tonne CIF FO based on offers coming from Russian producers at levels around USD 550 per tonne to USD 560 per tonne FON Black Sea.

CRC
DC 01
0.60 Avx1250

Country	Domestic	Import
Germany	-10	-10
Spain	-10	-10
Italy	-10	-20

Change is on October 9th as compared to October 2nd 2009
In EUR per tonne

4. Hot Dipped Galvanized - Chinese raises buyers aspirations

HDG buyers are waiting for Chinese offers with expectations to receive prices well below the EUR 500 per tonne mark. In the meantime, negotiations with the respective local producers were going on with perspectives of getting price levels close to those on import.

HDG
DX 51 D / Z100-120 / AS
0.55 - 0.57x AW

Country	Domestic	Import
Germany	-20	-10
Spain	-20	-20
Italy	-20	-10

Change is on October 9th as compared to October 2nd 2009
In EUR per tonne

5. CFR Rotterdam - Crumbling picks up

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Product	Grade	Thick mm	Change
HRP	S235JR	10-60x2500	-10
HRP	S355J2+N	10-60x2500	-10
HRC	S235JR	2-12x1250	-15
CRC	DC 01	0.60 Avx1250	-10
HDG	DX 51 D/Z 180/NA-C	0.60 Avx1250	-20

All prices are net to the final customer with following payment terms

A. Italy & Spain

1. Domestic prices are EXW or DDP with payment 90 days from delivery
2. Import prices are CIF FO with LC at 90 days from B/L date

B. Germany

1. Domestic prices are EXW or DDP with payment on the 15th of the following month
2. Import prices are CFR FO with open term payment at 30 days from date of arrival

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