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## Monday Market Monitor - China (WEEK 43) - End of gloom

Monday, 26 Oct, 2009

The market sentiments got a breather after an unbroken melt down of last 75 days. It was just when death knell seemed to have besieged the market chips showed revival due to certain dormant positivity in the market.

### 1. Production cut on cost pressures

Chinese steel mills are facing huge cost pressures due to low realization and are making very low margins. For example, the cost of rebar production by small steel factories is around CNY 3400 per tonne and the spot prices for rebars in 20mm in HRB 335 grade was hovering around CNY 3300 in Shanghai steel market for last two weeks. In other words many steel mills had been loosing money. Theoretically speaking, these loss making steel mills should cut production to contain losses reducing availability thus creating positive price scenario.

### 2. Raw materials on up trend

In all likely hood iron ore material price will be stable as China is trying to find a suitable way to handle the new negotiation of iron ore and is currently buying major quantities on spot basis, which are higher than benchmark prices. The stable trend is bound to support steel prices.

### 3. Downstream consumption increasing

The downstream consumption refers to real estate and construction industry. The real estate development is up by 11.5%. Apparent consumption of rebars increases by 34% YoY in second quarter this year. Both of these increase the confidence of the revival of Chinese steel market.

Overall, the increasing market price, improving economic situation and traders' regained confidence will help Chinese steel market to recover. But it remains uncertain that this recovery would be permanent as Chinese steel market is saddled with very high inventories and huge over capacity.

The Chinese Long Product Price Index CLPPI improved by 87 point whereas the Chinese Flat Products Index CFPPI showed a health growth of 103 points . The overall price index CHISPI improved by 96 points.

Class	16-Oct	23-Oct	Change	%
CLPPI	5627	5714	87	1.5%
CFPPI	5587	5689	103	1.8%
CHISPI	5604	5700	96	1.7%

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

### Long Products

Category	16-Oct	23-Oct	Change	%
PI-WRC	4893	4965	73	1.5%
PI-Rebar	6515	6619	104	1.6%

PI - Product Index

### Flat Products

Category	16-Oct	23-Oct	Change	%
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PI-PLTS	4884	4942	58	1.2%
PI-HR	5472	5614	142	2.6%
PI-CR	6326	6377	51	0.8%
PI-GP	6094	6120	26	0.4%

#### PI - Product Index

To know more about these indices please visit  
[http://steelprices-china.com/spi\\_services/spi.html](http://steelprices-china.com/spi_services/spi.html)

#### 1. Long products - Cost pressure helps rebound

Billets  
150\*150  
Q235

Location	CNY	USD
Jiangsu Province	50	7
Shandong Province	0	0
Hebei Province	60	9
Shanxi Province	0	0
Tianjin	0	0
Fujian Province	0	0

Change is on October 23rd as compared to October 16th 2009  
Change is per tonne

WRC  
6.5mm  
Common

Location	CNY	USD
Shanghai	140	20
Hangzhou	110	16
Nanjing	100	15
Changsha	60	9
Zhengzhou	20	3
Chengdu	30	4
Guiyang	30	4
Kunming	80	12
Urumchi	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

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Rebars  
20mm  
HRB 400

Location	CNY	USD
Shanghai	120	18
Hangzhou	110	16
Nanjing	120	18
Jinan	80	12
Hefei	90	13
Fuzhou	100	15
Nanchang	80	12
Guangzhou	60	9
Changsha	40	6
Wuhan	100	15
Zhengzhou	100	15
Beijing	110	16
Tianjin	60	9
Shijiazhuang	60	9
Taiyuan	50	7
Shenyang	-50	-7
Harbin	0	0
Chongqing	30	4
Chengdu	10	1
Guiyang	20	3
Kunming	70	10
Xian	30	4
Lanzhou	20	3
Urumchi	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

2. Flats - Market hits the floor

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**HRC**

4.75mm

Common

Location	CNY	USD
Shanghai	200	29
Hangzhou	190	28
Nanjing	140	21
Jinan	100	15
Hefei	200	29
Fuzhou	150	22
Nanchang	60	9
Guangzhou	210	31
Changsha	170	25
Wuhan	130	19
Zhengzhou	140	21
Beijing	120	18
Tianjin	150	22
Shijiazhuang	90	13
Taiyuan	70	10
Shenyang	120	18
Harbin	80	12
Chongqing	50	7
Chengdu	70	10
Kunming	50	7
Xian	100	15
Lanzhou	80	12
Urumchi	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

Plates

20mm

Common

Location	CNY	USD
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Shanghai	50	7
Hangzhou	140	21
Nanjing	50	7
Jinan	0	0
Hefei	50	7
Fuzhou	50	7
Nanchang	20	3
Guangzhou	120	18
Changsha	80	12
Wuhan	80	12
Zhengzhou	30	4
Beijing	40	6
Tianjin	40	6
Taiyuan	0	0
Shenyang	20	3
Harbin	50	7
Chongqing	0	0
Chengdu	30	4
Kunming	30	4
Xian	0	0
Lanzhou	0	0
Urumchi	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

CR

1.0mm

Common

?Location	CNY	USD
Shanghai	80	12
Hangzhou	110	16
Nanjing	-50	-7
Jinan	50	7

Qingdao	-70	-10
Hefei	80	12
Fuzhou	50	7
Nanchang	100	15
Guangzhou	20	3
Changsha	100	15
Wuhan	100	15
Zhengzhou	0	0
Beijing	0	0
Tianjin	150	22
Shijiazhuang	150	22
Taiyuan	0	0
Shenyang	50	7
Harbin	0	0
Chongqing	0	0
Chengdu	0	0
Kunming	0	0
Xian	0	0
Lanzhou	0	0
Urumchi	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

HDG

0.5mm

Common

?Location	CNY	USD
Shanghai	0	0
Hangzhou	30	4
Beijing	-100	-15
Tianjin	-150	-22
Boxing	130	19
Guangzhou	120	18

Zhengzhou	0	0
Xian	50	7
Shenyang	-150	-22
Harbin	-20	-3
Nanchang	100	15
Fuzhou	0	0
Chongqing	0	0
Wuhan	0	0

Change is on October 23rd as compared to October 16th 2009

Change is per tonne

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