
Monday Market Monitor - China (WEEK 45) - Token revival seems deceptive

Monday, 09 Nov, 2009

The Chinese Long Product Price Index CLPPI improved by 51 point whereas the Chinese Flat Products Index CFPPI too followed suit with a gain of 43 points. The overall price index CHISPI improved by 47 points.

Class	30-Oct	06-Nov	Change	%
CLPPI	5779	5830	51	0.9%
CFPPI	5775	5819	43	0.7%
CHISPI	5777	5824	47	0.8%

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

Long Products

Category	30-Oct	06-Nov	Change	%
PI-WRC	5019	5057	38	0.8%
PI-Rebar	6698	6766	67	1.0%

PI - Product Index

Flat Products

Category	30-Oct	06-Nov	Change	%
PI-PLTS	5002	5029	27	0.5%
PI-HR	5711	5768	57	1.0%
PI-CR	6454	6501	47	0.7%
PI-GP	6196	6170	-26	-0.4%

PI - Product Index

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

Chinese steel market may have a hard time in the last quarter. The environment in general is complex. Some downstream user sector, for example the auto industry is having very strong demand despite downward pressure on prices due to overcapacity and high output.

In last few days, middle and small steel mills have increased their EXW price as a sign of confidence in the changed market conditions. As a result, prices of steel products are rising.

But with winter on the anvil, demand of construction steel may decrease because of the less construction. Thus it is predicted that the upward tendency in steel prices may be arrested leading to a stable price regime.

China Daily reported that Chinese steel output may rise 10% YoY in 2009, aggravating the steel sector's oversupply problems. Chinese steel output rose 7.5% YoY to 420 million tonnes in the first nine months of the year

China Iron & Steel Association at a media briefing that crude steel output would rise by 50 million tonnes to 550 million tonnes this year., according to official data.

Mr Luo Bingsheng vice chairman of CISA said that Chinese steel production capacity would rise by 58 million tonnes this year, from 660 million tonnes in 2008.

Mr Luo said that "Oversupply problems have weighed heavily on steel prices and squeezed profit margins. This could lead to a more difficult situation in the fourth quarter and extend to the next year also."

He admitted that "The oversupply situation will take a long time to sort out, given the fact that some steel mills are expanding capacity in the name of modernization or increasing it without necessary approval."

CISA also reported that stockpiles of steel at 26 Chinese cities grew 5.3 million tonnes to 11.1 million tonnes in the first nine months.

According to Mr Zhang Dongyong GM of Shanghai Gaiqun Trade Ltd, "We expect that the steel market price will continue fluctuation in adjustment in near future given the soft backup for deep rally based on our observation."

He said that the behavior of the market which went up first and then down in Shanghai is largely a result of the electric trade market or financial policy changes. Common carbon HR products have rebounded at CNY 3550 per tonne from earlier CNY 3250 per tonne to CNY 3280 per tonne and then swung and slip to CNY 3450 per tonne late last week and was traded at CNY 3420 per tonne on Thursday.

He added that there are absolutely no drives for the steep rise of HR price given the bleak spot market.

Mr Zhang Dongyong said "The biggest obstacles before the spot market rise would be the booming inventory and unbridled production release. Steel mills have always balked at the moves to cut production whenever the HR market kept falling in earlier period or started rally afterwards. The inventory has got substantially increased as a result. Now the HRC stockpile in Shanghai market has amounted to 1.3 million tonnes and is expected to beat 2 million tonnes."

He said that "Another factor responsible for future market behavior is the funds available in the market. Banks are now withdrawing the fund. The Central Bank will likely strengthen it to dampen the risk of inflation."

Mr Zhang said HRC price will be adjusted downward amid fluctuation. After this round of correction, expectedly in the whole November there probably will be a rally to a mild extent. Both ex-works and spot prices of HRC will remain at CNY 3500 per tonne or so.

He said that "But the market is expected to get on an even keel and start picking up from next March."

1. Long products - Faint revival

Billets
150*150
Q235

Location	CNY	USD	%
Jiangsu Province	50	7	1.5%
Shandong Province	80	12	2.5%
Hebei Province	50	7	1.6%
Shanxi Province	30	4	1.0%
Tianjin	50	7	1.6%
Fujian Province	50	7	1.5%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

WRC

6.5mm

Common			
Location	CNY	USD	%
Shanghai	50	7	1.4%
Hangzhou	0	0	0.0%
Nanjing	50	7	1.4%
Changsha	50	7	1.4%
Zhengzhou	20	3	0.6%
Chengdu	30	4	0.8%
Guiyang	60	9	1.6%
Kunming	20	3	0.5%
Urumchi	0	0	0.0%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

Rebars

20mm

HRB 400

Location	CNY	USD	%
Shanghai	70	10	1.9%
Hangzhou	40	6	1.1%
Nanjing	80	12	2.1%
Jinan	30	4	0.8%
Hefei	140	20	3.6%
Fuzhou	120	18	3.2%
Nanchang	50	7	1.3%
Guangzhou	10	1	0.3%
Changsha	40	6	1.0%
Wuhan	60	9	1.6%
Zhengzhou	10	1	0.3%
Beijing	20	3	0.5%
Tianjin	20	3	0.5%
Shijiazhuang	20	3	0.5%
Taiyuan	-80	-12	-2.2%

Shenyang	0	0	0.0%
Harbin	0	0	0.0%
Chongqing	60	9	1.6%
Chengdu	30	4	0.8%
Guiyang	10	1	0.3%
Kunming	0	0	0.0%
Xian	30	4	0.8%
Lanzhou	80	12	2.1%
Urumchi	50	7	1.3%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

2. Flats - Sea saw sentiments amidst stock piling

HRC

4.75mm

Common

Location	CNY	USD	%
Shanghai	80	12	2.2%
Hangzhou	70	10	2.0%
Nanjing	40	6	1.1%
Jinan	0	0	0.0%
Hefei	30	4	0.8%
Fuzhou	150	22	4.1%
Nanchang	0	0	0.0%
Guangzhou	30	4	0.8%
Changsha	0	0	0.0%
Wuhan	70	10	1.9%
Zhengzhou	20	3	0.6%
Beijing	-30	-4	-0.9%
Tianjin	-20	-3	-0.6%
Shijiazhuang	30	4	0.9%
Taiyuan	50	7	1.4%
Shenyang	0	0	0.0%

Harbin	0	0	0.0%
Chongqing	30	4	0.8%
Chengdu	30	4	0.8%
Kunming	0	0	0.0%
Xian	100	15	2.8%
Lanzhou	70	10	2.0%
Urumchi	50	7	1.4%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

Plates

20mm

Common

Location	CNY	USD	%
Shanghai	0	0	0.0%
Hangzhou	40	6	1.1%
Nanjing	30	4	0.8%
Jinan	0	0	0.0%
Hefei	40	6	1.1%
Fuzhou	50	7	1.4%
Nanchang	20	3	0.5%
Guangzhou	50	7	1.4%
Changsha	10	1	0.3%
Wuhan	20	3	0.6%
Zhengzhou	0	0	0.0%
Beijing	60	9	1.8%
Tianjin	60	9	1.8%
Taiyuan	0	0	0.0%
Shenyang	0	0	0.0%
Harbin	0	0	0.0%
Chongqing	0	0	0.0%
Chengdu	10	1	0.3%
Kunming	-10	-1	-0.3%

Xian	50	7	1.4%
Lanzhou	0	0	0.0%
Urumchi	0	0	0.0%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

CR

1.0mm

Common

?Location	CNY	USD	%
Shanghai	50	7	1.0%
Hangzhou	30	4	0.6%
Nanjing	20	3	0.4%
Jinan	50	7	1.0%
Qingdao	120	18	2.4%
Hefei	30	4	0.6%
Fuzhou	100	15	2.0%
Nanchang	50	7	1.0%
Guangzhou	100	15	2.0%
Changsha	50	7	1.1%
Wuhan	50	7	1.1%
Zhengzhou	20	3	0.4%
Beijing	50	7	1.0%
Tianjin	0	0	0.0%
Shijiazhuang	0	0	0.0%
Taiyuan	0	0	0.0%
Shenyang	0	0	0.0%
Harbin	50	7	1.0%
Chongqing	0	0	0.0%
Chengdu	80	12	1.7%
Kunming	0	0	0.0%
Xian	0	0	0.0%
Lanzhou	0	0	0.0%

Urumchi	0	0	0.0%
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Change is on November 6th as compared to October 30th 2009

Change is per tonne

HDG

0.5mm

Common

?Location	CNY	USD	%
Shanghai	150	22	3.1%
Hangzhou	100	15	1.9%
Beijing	120	18	2.4%
Tianjin	100	15	2.0%
Boxing	80	12	1.7%
Guangzhou	50	7	1.0%
Zhengzhou	0	0	0.0%
Xian	-50	-7	-1.0%
Shenyang	200	29	4.0%
Harbin	0	0	0.0%
Nanchang	0	0	0.0%
Fuzhou	0	0	0.0%
Chongqing	80	12	1.6%
Wuhan	100	15	1.9%

Change is on November 6th as compared to October 30th 2009

Change is per tonne

3. Export levels - Price firms up by USD 20 pmt

On the strength of rise in domestic levels, Chinese mills tried to increase the export levels a bit. It is learnt that the current export prices are at USD 470 per tonne FOB basis as compared to lowest heard levels of USD 450 per tonne. Kindly note that these offers are for HRC in 3 mm to 12mm in 1250/1500mm width in SS400 grade and thinner sizes & grades have substantial extras pushing the CFR prices up.

To know more details on steel prices subscribe to services of www.steelprices-china.com by registering or send a mail to admin@steelprices-china.com with contact details. Kindly note that this is a paid service with subscription charges of USD 750 for 12 months.

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