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## Monday Market Monitor - China (WEEK 46) - Retarding revival

Monday, 16 Nov, 2009

The Chinese Long Product Price Index CLPPI improved by 75 point whereas the Chinese Flat Products Index CFPPI continued improving by posting gain of whopping 113 points. The overall price index CHISPI increased by more 96 points.

?Class	06-Nov	13-Nov	Change	%
CLPPI	5830	5905	75	1.3%
CFPPI	5819	5932	113	1.9%
CHISPI	5824	5920	96	1.7%

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

### Long Products

?Category	06-Nov	13-Nov	Change	%
PI-WRC	5057	5125	68	1.3%
PI-Rebar	6766	6848	82	1.2%

PI - Product Index

### Flat Products

?Category	06-Nov	13-Nov	Change	%
PI-PLTS	5029	5115	86	1.7%
PI-HR	5768	5891	123	2.1%
PI-CR	6501	6613	112	1.7%
PI-GP	6170	6264	94	1.5%

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)

But the Chinese steel market exhibited mixed tendencies during the later part of the week, which is reflected in the movement of CLPPI and CFPPI on November 12th and November 13th 2009.

?Product	11-Nov	12-Nov	13-Nov
CLPPI	5929	5926	5905
CFPPI	5921	5930	5932
CHISPI	5924	5929	5920

CLPPI - Chinese Long Product Price Index

CFPPI - Chinese Flat Product Price Index

CHISPI - Chinese Steel Price Index

While CFPPI reflects slowing down of increase of prices of flat products, CLPPI gives a warning for this week by reflecting

weakening on weekend.

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Crude steel outputs still remained at high levels in October at 51.75 million tonnes up by 42.4% YoY with exports at 2.71 million tonnes levels. As the rate in Chinese output growth continued to surpass the rate in growth of Chinese domestic demand, inventory levels remained high, thus posing a serious threat to domestic price levels.

Chinese steel price begins to rebound in October, and it is estimated that the seasonal adjustment will appear very soon due to following reasons.

#### 1. High inventories

In general, the fact of high inventories is not changed. According to the data, the yield of crude steel over ten months touched 470 million tonnes and the total volume of steel products were 565 million tonnes in 2008. In other words, China just needs to produce 70 million tonnes in the last two months in 2009 to surpass last year's levels, which is likely to happen as the profit is still more than 10% and Chinese steel mills will not cut the production.

#### 2. Negotiation of long term iron ore contract prices

This negotiation is the focus of the end of this year, which may be brought forward. As a rule, traders would increase the spot iron price and ocean freight. Therefore, the import price of iron ore and ocean freight rose since September. On the other hand, the weakened demand in winter will deter the increase of iron price.

#### 3. Continued imbalance between supply and demand

The investment in fixed assets and real estate was less than expectation in October. Although the increase of investment increased by 33.2% in the first ten months, it reduced by 13.2% monthly, which is the largest reduction over the ten years. It is said that the investment has entered into a stable development, which may be hard to promote the steel price.

Overall, it is a period of seasonal bottom, and market players may wait to mid of January 2010 looking forward to a real increase of Chinese steel price due the Spring Festival and the busy season in spring.

#### 1. Long products - Serpentine movements

The price movement in last 7 days signals that Chinese domestic steel market, which was on an upward rally, has come to terms with demand realities as prices of long products started to weaken in the last 2 working days of the week.

On the other hand, the weekly changes, in absolute terms, reflected positive sentiments. Construction steel product price showed overall rebounds last week in China. It is learnt that 55 rebar markers and 49 wire rod producers adjusted their EXW price upward last week.

Billets  
150\*150  
Q235

?Location	CNY	USD
Fujian Province	40	6
Hebei Province	70	10
Jiangsu Province	50	7
Shandong Province	20	3
Shanxi Province	100	15
Tianjin	50	7

Change is on November 13th as compared to November 6th 2009

Change is per tonne

## WRC

6.5mm

Common

?Location	CNY	USD
Changsha	10	1
Chengdu	120	18
Guiyang	40	6
Hangzhou	40	6
Kunming	30	4
Nanjing	90	13
Shanghai	180	26
Urumchi	0	0
Zhengzhou	50	7

Change is on November 13th as compared to November 6th 2009

Change is per tonne

Rebars

20mm

HRB 400

?Location	CNY	USD
Beijing	40	6
Changsha	70	10
Chengdu	80	12
Chongqing	40	6
Fuzhou	70	10
Guangzhou	20	3
Guiyang	70	10
Hangzhou	70	10
Harbin	0	0
Hefei	-10	-1
Jinan	120	18
Kunming	20	3
Lanzhou	20	3
Nanchang	40	6

Nanjing	50	7
Shanghai	70	10
Shenyang	70	10
Shijiazhuang	30	4
Taiyuan	0	0
Tianjin	40	6
Urumchi	50	7
Wuhan	30	4
Xian	50	7
Zhengzhou	80	12

Change is on November 13th as compared to November 6th 2009

Change is per tonne

## 2. Flats products - Pretentious revival

Chinese price trend setter Baoshan Iron and Steel Co Ltd signaled positives by announcing December price increase of 2.5% for HR and 6.4% for CR. Wuhan Steel raised its EXW price by CNY 300 per tonne. Rizhao Steel, Anyang Steel, Laiwu Steel, Jinan Steel, Taizhou Steel and Panzhihua Steel also lifted up their EXW price.

### HRC

4.75mm

Common

?Location	CNY	USD
Beijing	130	19
Changsha	150	22
Chengdu	120	18
Chongqing	100	15
Fuzhou	100	15
Guangzhou	90	13
Hangzhou	100	15
Harbin	70	10
Hefei	130	19
Jinan	100	15
Kunming	100	15
Lanzhou	80	12
Nanchang	100	15

Nanjing	90	13
Shanghai	70	10
Shenyang	80	12
Shijiazhuang	100	15
Taiyuan	80	12
Tianjin	100	15
Urumchi	30	4
Wuhan	50	7
Xian	30	4
Zhengzhou	80	12

Change is on November 13th as compared to November 6th 2009

Change is per tonne

Plates

20mm

Common

?Location	CNY	USD
Beijing	90	13
Changsha	50	7
Chengdu	60	9
Chongqing	70	10
Fuzhou	70	10
Guangzhou	100	15
Hangzhou	70	10
Harbin	0	0
Hefei	0	0
Jinan	70	10
Kunming	130	19
Lanzhou	70	10
Nanchang	70	10
Nanjing	120	18
Shanghai	50	7
Shenyang	120	18

Taiyuan	20	3
Tianjin	90	13
Urumchi	0	0
Wuhan	40	6
Xian	20	3
Zhengzhou	70	10

Change is on November 13th as compared to November 6th 2009

Change is per tonne

CR

1.0mm

Common

?Location	CNY	USD
Beijing	200	29
Changsha	100	15
Chengdu	50	7
Chongqing	40	6
Fuzhou	50	7
Guangzhou	50	7
Hangzhou	70	10
Harbin	200	29
Hefei	130	19
Jinan	150	22
Kunming	50	7
Lanzhou	0	0
Nanchang	100	15
Nanjing	130	19
Qingdao	50	7
Shanghai	100	15
Shenyang	50	7
Shijiazhuang	100	15
Taiyuan	20	3
Tianjin	150	22

Urumchi	0	0
Wuhan	120	18
Xian	0	0
Zhengzhou	100	15

Change is on November 13th as compared to November 6th 2009

Change is per tonne

HDG

0.5mm

Common

?Location	CNY	USD
Beijing	30	4
Boxing	90	13
Chongqing	70	10
Fuzhou	100	15
Guangzhou	50	7
Hangzhou	70	10
Harbin	100	15
Nanchang	250	37
Shanghai	100	15
Shenyang	0	0
Tianjin	40	6
Wuhan	100	15
Xian	100	15
Zhengzhou	100	15

Change is on November 13th as compared to November 6th 2009

Change is per tonne

### 3. Export levels - Audacious revival

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 490 per tonne FOB basis as compared to lowest heard levels of USD 480 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.

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