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## Chinese steel demand sets global scrap market agog

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The rally in domestic steel market since mid October has ignited demand for input material as mills are back in the arena with vigor. The prices of rebar and HRC have shown healthy average correction of CNY 300 per tonne during the last one month.

Chinese mills are back in the fray as the stocks with EAF owners has briskly depleted during this flurry. It is reported that some small steel mills are having for 2-3 days only. Taking Shagang as an example, by November 16th, 2009, purchasing price of charging scrap with size larger than 6mm and 4mm stood at CNY 2,710 and CNY 2,680 per tonne respectively, and that of HMS stayed at CNY 2,620 per tonne (VAT included), up CNY 330 per tonne over Oct.30, 2009.

Scrap

6-8mm

Foundry

Origin

?Chongqing	0
Zhangjiagang	230
Tangshan	20
Laiwu	0
Loudi	40
Lingyuan	30
Beijing	30
Jinan	0
Hefei	100
Jiangyin	130
Guangzhou	100
Wuhan	0
Anyang	0
Wuyang	90
Liupanshui	0
Kunming	50
Lanzhou	0
Tianjin	0
Dalian	50
Benxi	0
A'cheng	0

Change is on November 16th as compared to November 2nd 2009

Change is in CNY per tonne

VAT included

Rates are FOT

Due to better price parity, leading domestic steel mills have shown propensity for imports. According to trade sources HMS 1 from USA has been imported at USD 300 per tonne CIF and USD 285 per tonne CIF from Japan lower than domestic levels. Presently these prices have zoomed to USD 315 per tonne and USD 300 per tonne respectively from USA and Japan.

This has been a prime factor for appreciation in international price of scrap in the last 1 month despite sluggish demand from Turkey where mills still grappling with acute recession in Middle East.

However with the arrival of winter when the construction activity retracts but with the raw material prices remaining firm ( iron ore , coke and scrap ) the mills will find it difficult to sustain as their margins vanish rapidly. This will definitely cause a backlash in the input material demand and prices during the ensuing month.

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