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## SS prices to move downward further before September

Thursday, 28 Aug, 2008

Mr Yang Xinmin GM of Wuxi Tianmai Metalwork Co Limited said that the stainless steel prices would further move down before September comes, though at a slowed pace. The stainless market has been correcting for more than one year, starting to soften from May 2007 and having yet to level off so far. Take 304 series as an example, the market price has fallen from CNY 48,000 per tonne to CNY 26,000 per tonne.

As a specialist in stainless trading, Mr Yang said that supply and demand remains the fundamental reason behind the lasting corrections. For a long time, the downstream users keep the demand not increased, with many are cutting or suspending operations amid a list of negative factors such as tight capital, blocked export, spiking costs and limit power use. But the stainless makers are still generating a sizeable volume despite some cuts. In the first half, the major producers made a total of 593,316 tonnes of stainless steel, that by the minor or private owned mills. At the moment, stainless inventory in Wuxi is reported up to 120,000 tonnes.

Secondly, the shaky nickel market indicates an easing of stainless cost pressure. The LME future nickel went blow USD 20000 per tonne previously and is recovering, but the stainless price remains in the downward course. The nickel price is expected with further declining room, with a high stock and soft demand from stainless industry; in turn, if the nickel price does not rebound, stainless market's bottoming out is unlikely.

Thirdly, import and export of stainless products decreased, showing weak demand both at home and abroad. In the first half of 2008, China imported stainless steel sheet and strip of 522,645 tonnes, down 26.9% YoY, meanwhile, it exported a total of 386,320 tonnes, down by 37.4% YoY. In Jun 2008 alone, export of stainless sheet & strip dropped by 16.6% MoM from May to 67,570 tonnes, while that of CR sheet & strip fell by 24.79% to 42,240 tonnes. Stainless export still faces other deterring factors like anti-dumping threats.

Moreover, some steelmakers' lowering ex works price for August, by CNY 1000 to CNY 1500 per tonne, bringing 304 2.0m CR coil to CNY 28600 per tonne after the pull, also affects the market. However, the market price remains lower at CNY 26800 per tonne, explaining why the traders are not willing to place orders.

Accordingly, the 300 series stainless market is unlike to rebound in short term in Wuxi. The situation also depends on how the downstream enterprises perform in the midseason of Sep and Oct. But before Sep, the demand is unlikely to revive and thus can not support the stainless price to recover. From the macro perspective, inflation effects, tight fluidity, along with slowed export and high worker wage, would check the consumption.

(Sourced from [www.mysteel.net](http://www.mysteel.net))

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