# Chinese steel market cools down on plenty supply amid thin demand

*Monday, 29 Sep, 2008*

It is reported that the start of autumn witnessed price cuts by a list of steelmakers, including Baosteel and Shagang the top domestic steel producer and the largest private one followed by the traders' markdown in selling.

The spot market displayed indications much earlier with the HRC price falling from CNY 7400 per tonne to below CNY 6000 per tonne in the previous period. The traders first found the weakening signs from end users. Prosperity index of the property industry fell MoM for the eight straight months in August automobile sales volume touched the lowest in 40 months while household appliance inventory was a pile up.

Collective bearish sentiment pushed the stock up and the steel price down during these two months. In the first half year, the steelmakers grudged supplies to the traders, only to make them pile up stocks till realize the shrinking demand. Then, the traders rush to sell the goods out of poor expectations, accelerating the price fall.

The steelmakers start to offer preferential or guarantee policies to secure sales volume. They promised to give subsidy to make up the price gap of market price and EXW price if the traders can fulfill a certain amount of purchase, in an attempt to clear up inventory at the mills and boost the market. But traders may still suffer some loss if the price plunges.

Mr Zhou Xizeng with CITIC securities said that post quake reconstruction in Sichuan area and Shanghai exhibition are two pillars for steel demand for the moment. After a few months of the sluggishness, the steel market may slightly rebound by end of this year or early next spring.

Steel price declines may foresee downtrend of the PPI, the analysts believe, and in turn, the cost reduction as a result of main materials price drop is lucrative to the manufacturing industries.

(Source: 21 Century Business Herald)