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## Rebar prices in Shanghai to edge down in future - Trader

*Tuesday, 09 Jun, 2009*

According to Mr Liang Taigeng GM of Shanghai Hualei Enterprise Development Co, a construction steel trader, rebar prices would enter into an adjusting period in days to come and the climatic change would deal direct impact on market trend.

Mr Liang also depicted the market behavior in the first week of June. Construction steel prices posted overall uptrend on Monday and Tuesday with trades also turning better. However, the upturn has ceased with deals falling down since Wed, and some traders also revised down prices. Trades in the weekend were also slim.

He said that the slowing down construction progress in view of the college examination is the root cause that ended the price uptick, after survey, which reduced demand for construction steel. And the progress would not speed up until after next Tuesday when the examination comes to an end.

Mr Liang said local construction steel market would face tough pressure in short term, with prices likely to continue vibrating or edging down slightly. And the manager also listed some factors to support his forecast.

1. The bad weather would impact the market movement. Shanghai has embraced the flood season now, and the tide, typhoon and rainstorm would drag down construction progress for outdoor projects.

2. The reviving production would weigh on market. Steel mills, especially the medium and small-scaled ones, have rushed to ramp up construction steel production triggered by the rising prices of the product in May, leading to mounting up supplies.

Statistics show China produced 28.19 million tonnes of wire rod in the first four months up by 8.6% from a year ago; rebar output in the period amounted to 36.69 million tonnes up by 19.9%. And combined output of the two products in the period is 14.72%, or 8.33 million tonnes higher than the same period of last year far beyond the growth of steel products production.

And the output for rebar and wire rod is likely to increase further in May. Therefore, the mounting up stockpiles would arrest the price uptrend in June. So far, stocks for III rebar in Shanghai still stay firm above 0.19 million tonnes.

3. The surging freight rate. Shipping rate for Brazil-China route surged to USD 43.625 per tonne recently versus merely USD 10 per tonne in earlier period while fixture for Western Australia-China has climbed 53.7% to USD 19.737 per tonne on last weekend since May 26th when the 2009 iron ore price was settled.

(Sourced from MySteel.net)

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