
Analyst view on Chinese section market

Friday, 26 Jun, 2009

It is reported that the domestic steel market presents a sound performance after entering June with the prices of rebar, wire rods, construction steel, medium plates and HRC/CRC hiking to one degree or another.

Mr Xu Huanghui GM of Shanghai Yebao Materials Co Ltd believes there will be another wave of downswing fluctuation trend in June and July section market and the prices are expected to turn better in September and October this year.

Mr Xu has lately paid some visits to the steel mills in North China and the production momentum in local was turning better than before, with the market demands to be released in some construction sites of hi-speed roads, railways, tunnels and bridges etc. It is the traditional high seasons for the constructions with the increasing demands of section steel and construction steel which is considered as the main reason behind the stable steel market at home in recent periods.

Although some slight fluctuations existed in the market, the section was yet to keep upswing trend since this year, especially after May. Along with the releasing demands in the down-stream terminal market, the section price tends to keep steady after entering June.

Mr Xu said the increasing prices of domestic oil, coke, scrap and irons ore has led the production costs to go up which sent the steel mills to frequently lift the ex works prices, even in the spot market. In addition, the section export rebates has been raised to 9% since June 1st which has also stabilized the market sentiments to some extent.

However, Mr Xu predicted that the prices would face a call-back fluctuation trend in late June and July and Mysteel has summarized the reasons as below. The first is that the hiking raw materials prices has impelled the steel mills to enhance the ex works prices, which pushes the purchase costs to edge up.

And then, the traders will remain cautious in the future purchases and the steel mills may lower the prices for sales promotion. As a result, the market prices are inevitable to fall back if it rises to some extents without any powerful terminal demands supports. The bad weathers in late June and July will bring more difficulties to the construction sites with withering steel demands in down stream enterprises.

Mr Xu revealed that the section market would turn better in Sep and Oct, with the prices moving towards stabilization. In short, the situation is certain to be better than that in the H1 of this year. No big decline here is the keynote in near future.

The oversupplies and insufficient demands are the major driver influences the future section steel market to stay in large fluctuation. When the market shows slight sign of warming up, the Steel mills' capacities will be immediately released with the increment of market resources. And the price is naturally to fall back once the contradictory between supply and demand appears.

Furthermore, due to the limited exports of section in China, the elevation of export rebates could not bring practical meanings to the section steel market. And that the global economy haven't recovered with weakening demands in the overseas market, so China is hard to reverse the present situation in a short run. It seems impossible to level off the domestic section market only depending on exportation,

In sum, the situation will perform better than that in the first half year, presenting a W-shape uptrend; however, the traders can not be blindly optimistic towards the future market because of the oversupplies at present period.

(Sourced from MySteel.net)

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