

World Scrap Weekly

Ferrous | Non-Ferrous

Monday, July 12, 2010 | No. 1

Ferrous Scrap Market Report

Turkish Buying To Soften, Indian Buying Buoyant

LONDON (Dow Jones)—Turkish buying of ferrous scrap cargoes is likely to remain stagnant this week as rising pricing offers deter purchases after a two-week period of heavy buying. Meanwhile, Indian buying is likely to continue throughout next week, traders informed WSW.

At present, fob Rotterdam ferrous scrap offers are pegged at \$285-287/ton. Fob Felixstowe (UK) offers (ex works) are pegged at a similar range of £187-189/ton. Both quotes are for HMS 1&2 80:20. Last week, Turkish steel producer Icdas has bought 4-5 deep sea cargoes of ferrous scrap at a \$10/ton premium to the levels of the last transacted levels. A further two cargoes were also reported concluded from Europe for HMS 1&2 80:20 material around the \$330/ton mark cfr this week. Shredded material transacted at \$332/ton cfr as well as HMS 1&2 70:30 at \$325/ton cfr.

Confusion In Turkey About \$10/ton Premium

“Many people in the Turkish market seem confused and don’t understand, what is causing the \$10/ton premium in deal levels now”, an Istanbul based trader said. “So now, most Turkish traders have replenished stock levels, so no one here will be desperate to buy at such price levels next week”, an Istanbul based trader informed WSW on Friday. He continued “so much scrap, about 1mn tons was bought last month. Who would need anymore now?” Some traders fear, that the price hikes in scrap could cause trouble later on, since most of the traders around the Black Sea region could raise their selling prices too high. As a result, purchasing mills will decline such high offers which naturally interrupts buying activity, he said. European and US export offers

of scrap cfr Turkey have now crept upwards to \$340/ton for HMS 1&2 80:20 material. A European exporter added on Friday: “I think the Turkish market will remain quiet next week for sure. I can’t see anything else going through and then, by August 11th we hit the start of Ramadan, a traditionally quiet period.”

Scrap throughput levels via the Northern European port of Rotterdam in June have posted an increase on May’s levels. Last month, 3,847,000 tons of iron ore and scrap material passed through the port compared to 3,599,126 tons in May, official port sources informed WSW.

Shredded Scrap Quoted At \$360-365/t In India

In the Indian market, “buying remains active” confirm a few European traders. According to these traders, shredded scrap is now quoted at \$360/ton cif Chennai and \$365/ton cif Nhava Sheva. A UK based trader said: “The currency is really killing us at the moment and freight costs continue to rise from the UK.” He adds: “There is no room for traders to make money unless people have taken short positions. There is a lot of pressure also on the UK, as European shredders will soon go on holiday season.”

Traders say that transacted deals were changing hands at \$360/ton last week, but in small quantities. An Indian trader however said that now only US, South American, and MENA material is available in the Indian market for HMS 1&2 80:20 grade material.

“It seems that Europeans don’t even want to offer material to us now as they are leaving for holiday,” he added. At present, we see offers from the US and South America at \$330/ton and \$320-325/ton. Indian traders expect prices for HMS to lift a further \$10-15/ton this week.

Neena Rai

Ferrous Scrap Price Monitor

Spot Market HMS 1&2 (80:20) ¹⁾		
USD/t	07/09	
cfr Turkey (Deals)	330	
fob Rotterdam (Offers)	285-287	
Eurofer Scrap Price Index		
2001 = 100	June	May
Demolition Scrap	269.00	302.00
New Arisings	289.00	306.00
Shredded Scrap	260.00	292.00
LME Steel Billet Futures (USD/t)		
	07/09	07/02
Mediterranean, Cash	415.00	420.00
Mediterranean, 3 Months	425.00	430.00
SHFE Steel Futures (USD/t)		
	07/09	07/02
Rebar		
July	554.25	562.08
Wire Rod		
August	590.02	591.64
Scrap Substitutes (USD/t)		
	07/09	07/02
SGX Iron Ore Swaps ²⁾		
(CFR China, 62% FE Fines)	114,67	118,17
July 2010		
Chinese Pig Iron (Spot) ³⁾		
Steelmaking Pig Iron	440.69	450.17
Casting Pig Iron	491.31	494.39

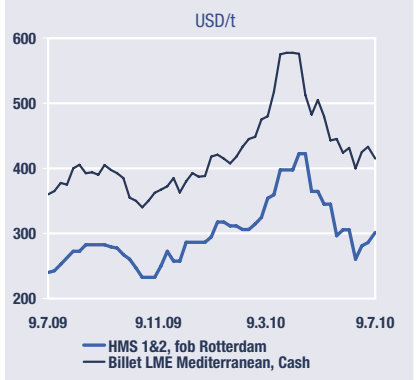
¹⁾ Compiled by Dow Jones from information provided by wholesale scrap merchants

²⁾ See Disclaimer on last page

³⁾ Source: Mysteel



Spot Scrap vs. Steel Billets



Non-Ferrous Scrap Market Report

Asian Buyers Ramp Up Purchases Before Holidays

LONDON (Dow Jones)—Asian purchasers of non-ferrous scrap material have ramped up purchases before European traders vanish for the summer holiday period, India based traders inform WSW. “The Indians are in restocking mode at the moment and as a result, price levels have been rising” said an Indian trader.

Taint/Tabor Seen At \$1,500/ton cif India

In the Indian market, prices for taint/tabor and scrap wheels (aluminium scrap) can be seen now at \$1,500/ton and \$1,850/ton cif India respectively, say traders. Last week, five transactions of aluminium scrap were heard concluded, two of which were reportedly “large deals.”

Another trader added on Friday, “the Indians are very active on the buying side at the moment, far more so than China. We expect buying to remain strong into next week.” European offers emerged as the most competitive ones last week with US offers trading at premium of \$10/ton higher.

A UK-based trader said: “Many people expect the US dollar to weaken later in the year on the back of macroeconomic insecurity, so this should boost scrap prices.” He added, as well as Asia, the Brazilians were showing a healthy appetite for scrap material, although their 2%-duty on imports made exporting tough. “Scrap supply is in fact low for non-ferrous. It’s still the recession, so industrial activity is much less subdued as well as people are still sitting on expensive stocks” he concluded.

The view that aluminium metals price levels are anticipated to rise were highlighted in a recent Dow Jones interview with Oleg Deripaska, CEO of Russian aluminium giant Rusal PLC. Aluminum prices are expected to rise to between \$2,400 a metric ton and \$2,700/ton by the middle of next year with the mar-

ket returning to balance from a current surplus around the same time, he said. Estimating the aluminum market currently to be in a surplus of around 500,000 tons, Oleg Deripaska said he’s nonetheless optimistic that the ascent in warehouse stocks has halted and low interest rates make financing of warrant material still attractive. “We hope by the middle of 2011, the market will be balanced...due to increasing demand and the permanent shutdown of inefficient capacity,” he said. Smelters in Europe and the US are most at risk of either production cuts or closures, largely based on power costs and their unsustainable short-term contracts, he added.

Aluminum prices are around \$1,900/ton on the London Metal Exchange, down some 35% from 19-month highs in April.

Non-ferrous traders in a Dow Jones survey see Milberry grade at a 2-3% premium to the LME copper price. Traders see Talon at a 2.5 -3% premium to the aluminium price. In the CIS region, Russian trading volumes remain healthy with copper scrap changing hands at \$5,500/ton and aluminium scrap at \$1,200/ton. “Collection of scrap at the moment is very good and the good weather has definitely supported that” a Russian trader says. He also confirmed that all Russian scrap was remaining local and nothing was being imported either.

Stainless Steel Scrap Prices Edged Upwards In Europe

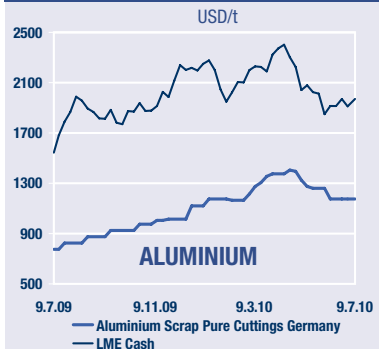
In the European market, stainless steel scrap prices edged upwards last week tracking the gains of the LME nickel market as well as firmer demand from non-European countries. European grade 18/8 solids changed hands last week at \$2,000/ton. Meanwhile, UK grade 18/8 solids transacted at levels around \$1,890-1,950/ton, say traders. The nickel contract on the LME rose 0.78% to \$19,300/ton on Friday, meaning prices are slightly firmer on the week before.

Non-Ferrous Scrap Price Monitor

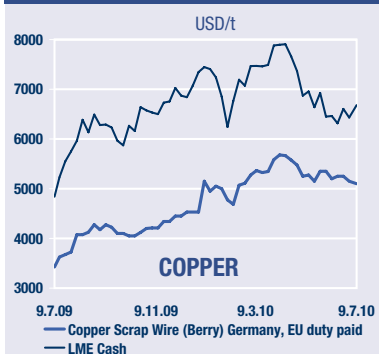
Spot Market, Premium on LME Cash		
Contract, Delivered Works ¹⁾ 07/09		
Copper Scrap, Milberry	2-3%	
Aluminium, Talon	2.5-3%	
Futures Market		
USD/t	07/09	07/02
LME Copper, Cash	6,680.50	6,430.50
LME Copper, 3 Months	6,710.00	6,480.00
SHFE Copper, July	7,969.38	7,706.29
LME Aluminium, Cash	1,970.50	1,933.00
LME Aluminium, 3 Months	1,993.00	1,956.00
SHFE Aluminium, June	2,171.92	2,147.53
LME Zinc, Cash	1,840.00	1,770.00
LME Zinc, 3 Months	1,868.00	1,803.00
SHFE Zinc, July	2,232.52	2,167.49
LME Nickel, Cash	19,130.00	19,115.00
LME Nickel, 3 Months	19,190.00	19,200.00
LME Tin, Cash	17,700.00	17,300.00
LME Tin, 3 Months	17,700.00	17,350.00
LME Lead, Cash	1,808.00	1,736.00
LME Lead, 3 Months	1,832.00	1,762.00

¹⁾ Compiled by Dow Jones from information provided by wholesale scrap merchants

Spot Scrap vs. LME Cash



Spot Scrap vs. LME Cash



Scrap Market News

Italian Steelmakers Pool To Import 180,000 t Of Scrap

MILANO (Dow Jones)--Ships carrying shredded scrap have arrived at the Italian port of Marghera (Venice) as a pool of Italian steelmakers start importing material in an attempt to make domestic prices track down, a steel carrier based in Venice told Dow Jones. "Between mid-May and the end of June, five ships of 30,000 tons of scrap each arrived in Marghera," the carrier said and added that his company has managed all cargoes. "Another cargo of 30,000 tons of shredded scrap is expected in July. The total amount of material will then be 180,000 tons. Scrap imports now have reached the level of 2007-2008," the carrier said. Material is coming from the US and Australia.

According to another shipping agent, given the rally of scrap prices in the second quarter, a number of major Italian steel mills such as Dalmine, Beltrame, Arvedi and Abs turned abroad to source raw material to find better deals. However, a scrap merchant told WSW that such scrap cargoes were bought in April, when scrap prices were globally peaking, but delivery was delayed till June. Meanwhile, Italian prices decreased consistently, so in the end the deal turned out to be not so convenient for the steelmaker pool.

According to a raw material trader based in Milan, this revival in scrap imports is likely to be temporary more than a trend. "The market is getting calmer these days as the summer period approaches. Also, in the last 10 days prices have been stabilizing after having fallen since the end of April. We are witnessing a scarce interest from buyers", he said.

In May, Turkish buyers purchased some 5,000-6,000 t of Italian scrap as domestic demand was low. "However those were spot sales," a steel trader based in Milan said. "Turkey is suffering from a scrap deficit and in the past two weeks it has been buying abroad a lot.

Valentina Caiazzo

Iran To Up Duties On Ferrous Scrap Exports

LONDON (Dow Jones)--The Iranian ministry of commerce will lift scrap export duty for ferrous scrap by 70%, a person familiar with the matter informed WSW. The decision of the ministry was fuelled by the Iranian Steel Producer Association in order to protect the domestic industry. "There have been rumours of this, but nothing has been officially confirmed, although it seems to be rather far gone in terms of the process," an Iranian steel trader told WSW. The ministry of commerce were unavailable for comment.

New Chinese Import Rules Still „Unclear“ To Traders

LONDON (Dow Jones)--The Chinese scrap steel rules introduced by customs officials on June 1 still remain "unclear and confusing" to traders sending cargoes to China, as participants fear the full extent of the regulations are still yet to emerge later this year, traders inform WSW.

On June 1, Chinese custom officials introduced new laws concerning the importation of loose scrap into the country. The law stipulates that scrap containers entering have to be separated as per grade. "The new rules were published only in Chinese, which has added great confusion to the market" a trader said. Another trader continued, "it seems that no one seems to have a clue about the rules and it's just another issue, which makes getting material to China even harder now." The problems associated with the new rules are not only affecting scrap exporters to China. "The new regulations mean that Chinese traders are now experiencing time delays to arrival of material" said Cecil Leong, the CEO of Bryan Cave International, a customs and trade consultancy, who advises the Bureau of International Recycling.

Leong continues "the new regulations were introduced to protect the domestic industry as well as to cater to environmental concerns."

He added, that as the scrap industry has big margins, China has to protect itself against small scrap dealers trying to get bad material into China and against dealers using unorthodox ways to enter material.

A Chinese scrap dealer adds "material seems to get through customs. It's more a loss of time rather than anything else... it's taking sometimes even 6-7 days longer for us to obtain the material," he said.

"China 2010 Copper Consumption To Slow"

BEIJING (Dow Jones)--China's refined copper imports are expected to significantly decrease this year to 2.3 million tons, down 28% from last year's 3.19 million tons, Standard Chartered Bank said in a note. The slowdown reflects destocking activity and the improving availability of scrap copper, commodities analyst Judy Zhu said in the note. China's refined copper imports in the first five months have fallen 4.3% on year, which suggests there is substantially more leeway for imports to slow in the second half.

China's copper consumption is forecast to fall to 6.75 million tons from 6.85 million tons last year. Copper demand typically slows in the third quarter, since the second quarter sees peak air-conditioner output from manufacturers ahead of the hot season. Also, the number of new real estate projects is expected to significantly fall in the coming eight months in response to sluggish home sales, following the government's measures to cool the property sector. The real estate sector accounts for about 10% of copper consumption, mainly in the form of underground cables for power transmission. "On the one hand, a slowdown in growth is expected in the automobile, real estate and home appliance sectors--the latter two are the key copper consumers," Zhu said. "On the other, observers believe the current pessimism is overdone, as development of the power grid continues and this is the largest consumer of copper."

Scrap Market Forecast

Ferrous Scrap Likely To Be Stable During Summer Lull

FRANKFURT (Dow Jones)—HMS 1&2 prices will most likely be stable in July. The seasonal downturn in industrial activity, coupled with economic uncertainties and China's measures to curb its buoyant economic growth, will in our view exert pressure on prices and reverse the recent firming trend of ferrous scrap prices.

In June, HMS1&2 fob Rotterdam shed some 5% in value to \$285/ton, while cfr Turkey prices plunged roughly 15% to currently \$330/ton. After a very weak start into the month of June, scrap prices rose slightly from their interim lows in the second half of the month on the back of sustained buying by Turkish mini-mills and Indian steelmakers. Scrap's firmness in the latter part of June was in contrast to London Metal Exchange (LME) Med billet prices, which declined in tandem with weaker stock markets. However, the long-term correlation between the LME steel billet Med contract and HMS 1&2 quotations remains intact.

China's Measures to Curb Growth Putting Pressure on Prices

It is this sustained dependency on long steel prices that makes us skeptical about the outlook in the ferrous scrap market— though strategic buying sprees by Turkish, Indian and Chinese buyers may temporarily push up scrap prices. Beijing's removal of steel export rebates on 48 steel products as of July 15 will depress steel output and prices in that country as exports will decline. The appreciation of the Chinese yuan vis-à-vis the US-Dollar is not favorable of Chinese exports either. In addition, latest housing data show, that property prices in China are still moving up, stirring fears of further macro-controls on the buoyant construction sector – the country's main consumer of long steels. Coupled with the seasonal downturn in building activity and unfavorable wet and hot weather conditions, we expect steel demand

to painfully slow down in July and August. In addition, inflation in China recently rose over the PBOC's 3% target, which stirred fears that the People's Bank may take steps to raise the deposit rate. In addition, Turkish buying is also expected to subside and remain muted until mid-September. Inventories at most mills there are reportedly high and will last for several weeks after producers booked over 30 deep sea cargoes in June. The upcoming Ramadan period between August 11 and September 9 will slow down industrial activity there. We hence anticipate that HMS 1&2 cfr Turkey prices will tick sideways and hover in the range between 300 and 350 USD/t in the month of July.

Higher Flat Steel Consumption In Central Europe

The Central European steel sector meanwhile looks more solid than we expected a few weeks back, though it's mostly the flat-steel consuming automotive and machinery sectors that spur consumption. Construction demand meanwhile has disappointed, and there are no indications that building activity is going to pick up any time soon. Latest German steel output data, for example, show, that long steel output declined in May by 3.4% compared to April, while flat steel output was up by 18% on month as car manufacturers' order books are full. Nonetheless, with summer holiday and maintenance period approaching, total EU 27 steel output is expected to be slow in the months of July and August.

Looking further ahead, it is important to monitor China's efforts to curb emissions and encourage its polluting steel industry to upgrade. This should immensely push up the country's scrap demand. We therefore expect, that the world's largest consumer and producer of steel, which is not a big user of scrap so far, will gradually expand the share of steel output from scrap. Compared to an average consumption of scrap of 40% of the crude steel output, China's use is currently only at 15%.

Dow Jones Research

Scrap Freight Rates

Spot market in USD/t based on Container Capacity of 30-35,000 t steel scrap 07/09	
USA/Turkey	55.00
USA/China	80.00
Europ. Continent/Turkey	45.00

Foreign Exchange

LME Settlement		
Conversion Exchange Rates	07/09	07/02
GBP/USD	1.5142	1.5197
USD/JPY	88.54	87.61
EUR/USD	1.2658	1.2535
Interbank Exchange Rates 07/09 07/02		
USD/EUR	0.78960	0.8090
USD/GBP	0.65980	0.66560
USD/RUB	30.91630	31.20820
USD/UAH	8.01710	8.03380
USD/INR	46.81430	46.56550
USD/TRY	1.55260	1.58470
USD/CNY	6.78560	6.79170

²⁾ **Disclaimer:** This information, including but not limited to the Daily Settlement Prices („DSP“), is for general information only. It does not constitute any financial advice or recommendation and is not an offer or solicitation to buy or sell any investment product. While SGX and its affiliates have taken reasonable care on the accuracy and completeness of the information provided, they will not be responsible or liable for any loss suffered due to any omission, error, inaccuracy, incompleteness, or otherwise any reliance on such information.

SGX and its affiliates may make changes to the information provided from time to time. You may not copy, store, either in hardcopy or in an electronic retrieval system, transmit, transfer, perform, broadcast, publish, reproduce, create a derivative work from, display, distribute, sell, license, rent, lease or otherwise transfer the information provided, including the DSP, to any third person whether for direct commercial or monetary gain or otherwise without the prior written permission of SGX. "

Imprint

Publisher: Dow Jones News GmbH, Wilhelm-Leuschner-Straße 78, 60329 Frankfurt am Main; HRB 58631 Frankfurt

Management Board: Dr. Matthias Paul, Volker Schneider, James Rhyu, Clive MacTavish und Adam Tuckman

Responsible for content: Kai Moll, Tel.: +49(0)69/29725-420, Fax: -440, Internet: www.djnewsletters.de

Subscriber Service: service.europe@dowjones.com or +49(0)69/29725-166

The business newsletters are based on extensive own reporting as well as news items from inter-national news agencies) and charts, rates and prices from www.aid-net.de. All news is acquired with journalistic accuracy. No liability is assumed for delays or errors. Copies, reprints and other duplicates are subject to approval by the publisher.

Frequency: weekly

Dow Jones World Scrap Weekly

Sind sie auf der Suche nach einer **detaillierten, wöchentlichen Übersicht** aller aktuellen Entwicklungen auf dem globalen **Eisen und NE-Metalle Schrott** Markt?

Wollen sie, schon Heute, wissen welche **Marktbewegungen** die **nächste Woche** bereit hält?

Suchen sie eine, auf Ihre Bedürfnisse angepasste, Übersicht aller wichtigen Marktdaten **auf einen Blick** in handlichem Format?

- Ja, ich möchte den World Scrap Weekly 2 Wochen lang unverbindlich testen.
- Ja, ich möchte den World Scrap Weekly zum Einführungspreis von **€ 499 p.a.*** abonnieren

Fokussierte Information zum globalen Schrottmarkt – World Scrap Weekly:

- Insidersicht des weltweiten Eisen und NE-Metalle Schrott Marktes
- News & Stories – umfangreich, fokussiert, relevant, gründlich, exklusiver Marktausblick
- Abdeckung der Haupthandelsrouten
- Kassamarkt- und Terminhandelsdaten, inklusive Preis Charts
- Detaillierte Preisangaben zu Eisen und NE-Metall Schrott
- Preisdaten zu Schrottsubstitutiven, wie z.B. Eisenerz und Roheisen

Frequency: weekly
Volume: 4 pages
Format: PDF
Price: € 749 p.a.



Contact:
Stefanie Fay
+49 (0) 69-297-25-162
stefanie.fay@dowjones.com

Dow Jones News GmbH
Wilhelm-Leuschner-Str. 78
60329 Frankfurt / Germany

Please fill in your contact details here:

.....
Name

.....
Company

.....
Postal Address

Country

.....
Email (relevant for delivery)

.....
Signature

Telephone

* Offer valid until August 31, 2010
(Subscription price for first 12 months)