

# INTERNATIONAL STEEL REVIEW

KEYNOTE

JANUARY 2016

## STEEL PRICE COLLAPSE HALTED BY US AND CHINESE MILLS IN JANUARY

US flat product transaction prices have strengthened, following mill price hike announcements in late December. Further increases were instigated in early January, on the back of higher scrap costs. These helped to shore up the previous initiative. Demand is growing as inventories shrink, leading to extended mill delivery lead times. Domestic output has stopped declining. Import volumes have started to decrease in response to antidumping measures and are likely to remain constrained unless we see a significant domestic price spike. A number of service

centres welcome the higher transaction values as they will benefit from gains in the value of their inventories. The results of recent labour negotiations between the United Steelworkers Union and US Steel are expected on February 1. Talks with ArcelorMittal are ongoing.

In Canada, mill activity remains slow and delivery lead times are short. However, pricing has stabilised. Market participants believe that the bottom has been reached and that selling values will start to increase, in response to price hike announcements by several local

### COMPARISON OF DOMESTIC TRANSACTION PRICES (US\$/metric ton)

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
USA	475	525	570	663	670	465	690	530	655
Canada	426	509	501	604	NA	476	609	480	616
China	248	231	344	360	NA	251	243	243	251
Japan	478	562	553	637	671	453	562	394	545
South Korea	394	394	487	537	545	352	478	378	440
Taiwan	271	347	332	386	573	392	498	323	461
Poland	324	397	447	520	527	367	563	352	495
Cz & Slov Rep	348	400	452	516	528	368	556	372	488
EU (average)	338	401	437	495	517	363	549	380	502
Germany	356	416	459	510	517	356	572	378	497
France	356	394	459	510	528	324	540	383	502
Italy	313	356	383	434	517	367	562	373	518
UK	348	446	461	511	504	426	507	419	477
Spain	335	362	416	477	506	362	535	383	518

Based on low values

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MEPS (INTERNATIONAL) LTD  
263 Glossop Road, Sheffield, S10 2GZ, UK  
Tel: (0114) 275 0570 Fax: (0114) 275 9808  
E-mail: subs@meps.co.uk Web Site: <http://www.meps.co.uk>

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steelmakers. Offshore material will arrive in May. It will be slightly cheaper than current domestic prices.

In China, excess capacity remains the main stumbling block to profitability in the industry. Domestic steel orders have contracted as the economy slows and manufacturing activity worsens. However, prices improved from mid-December, as major producers announced increases, but they weakened a little in the first week of January. Output has been curtailed as the mills continue to incur losses. Crude steel output fell by 2.3 percent in 2015, compared with the previous year – the first annual contraction since the beginning of the 1980's. More production curbs are expected in 2016. Surplus supply at home has forced the steelmakers to export record amounts of steel at very cheap prices. The steady devaluation of the local currency has favoured exporters. However, they are now facing an unprecedented number of trade cases worldwide.

Japanese domestic demand is sluggish. Consumption fell for the fifteenth consecutive month, in November 2015, by 5.3 percent, year-on-year. Prices have remained low due to growing oversupply at home and a slowdown in export sales. Imports continue to expand. Little change in distributors' inventory levels has occurred, resulting in downward pressure on resale values.

The South Korean market continues to be troubled by excess supply from Chinese rivals. Over the twelve month period, January to December 2015, total imports fell by 3.0 percent, year-on-year. However, shipments from China grew. Competition in export markets remains intense. At home, demand from the

construction and auto sectors is recovering.

In Taiwan, integrated producer, CSC, announced that it would raise official list prices by 2.3 percent, on average, for deliveries in March. Supported by improving demand, the company also revised upwards its shipment target for this quarter by around 17 percent. Demand has rebounded from a year long slump as customers slowly regain confidence and begin to restock. Certainly, the market price situation is more positive.

Polish mills have succeeded in stabilising transaction values, in January, following significant negative movements last month. They are still talking of increases in early 2016 but buyers are not convinced that the move is viable. The Czech economy is improving quite rapidly. Steel consumption is robust. Although Chinese material has very little direct impact on domestic prices, west European mills are selling quite aggressively. So far, we detect little momentum for a rise in the near term. Exports of finished goods to Germany, an important destination for Czech manufacturers, have contracted.

West European steelmakers stabilised prices for January/February and, in some instances, rises of €20/30 per tonne are being discussed for the second quarter. Any decreases noted, since our last report, occurred towards the end of December 2015. Chinese suppliers are also looking to lift prices for new business. Buyers remain cautious. Many companies are in a position to wait and assess whether increases will actually be implemented and, if so, whether they can be maintained.

## FLAT PRODUCTS

### HOT ROLLED COIL

US demand for hot rolled coil is adversely affected by the shrinking of the energy industry. Delivery lead times are still around four weeks. Transaction prices are moving up quite rapidly, following the mills' application of two rises since late December. However, we hear from buyers that suppliers are offering discounts on freight costs and extras, in order to remain competitive. In Canada, the drop in oil prices has led to a steep decline in demand for coil.

Production volumes have fallen in the Chinese market. Domestic values, although still weak, have gained 8.0 percent since our last report. However, after climbing in late December, as a result of supply tightness, they started to move down again over

### CURRENCY EXCHANGE RATES

		US dollars (US\$)	
		1-Dec	4-Jan
Canada	C\$	1.337	1.396
China	RMB	6.400	6.533
Japan	Yen	122.9	119.3
South Korea	KRW	1157	1192
Taiwan	NT\$	32.67	33.16
Poland	ZL	4.032	3.982
Czech Rep	KC	25.45	25.02
Eurozone	€	0.942	0.926
UK	£	0.664	0.681

## FLAT PRODUCTS DOMESTIC TRANSACTION PRICES

price/metric ton

		US (US\$)+ /ton	US (US\$)+ /tonne	Canada (C\$)+ /ton	Canada (C\$)+ /tonne	China (RMB)	Japan (‘000 Yen)	S Korea (‘000 KRW)	Taiwan (‘000 NT\$)	Poland (ZL)	Czech/ Slovak (KC)
Hot Rolled Coil	High	485	535	603	665	1680	61.0	500.0	12.0	1490	9600
	Low	431	475	540	595	1620	57.0	470.0	9.0	1290	8700
Hot Rolled Plate	High	531	585	708	780	1570	73.0	490.0	14.0	1730	10600
	Low	476	525	644	710	1510	67.0	470.0	11.5	1580	10000
Cold Rolled Coil	High	581	640	699	770	2340	71.0	610.0	12.5	1980	12300
	Low	517	570	635	700	2250	66.0	580.0	11.0	1780	11300
Hot Dipped Galvanised Coil	High	656	723	828	913	2440	81.0	680.0	15.1	2320	13400
	Low	601	663	765	843	2350	76.0	640.0	12.8	2070	12900
Electro-Zinc Coated Coil	High	662	730	NA	NA	NA	86.0	710.0	20.0	2400	13900
	Low	608	670	NA	NA	NA	80.0	650.0	19.0	2100	13200

+ Includes surcharge on all products in the US and Canada.

NA = Not available.

		EU AVG (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Hot Rolled Coil	High	349	365	370	330	262	356	330
	Low	313	330	330	290	237	322	310
Hot Rolled Plate	High	414	425	415	370	334	454	385
	Low	371	385	365	330	304	413	335
Cold Rolled Coil	High	448	465	465	405	349	474	425
	Low	405	425	425	355	314	427	385
Hot Dipped Galvanised Coil	High	502	512	512	452	388	527	482
	Low	458	472	472	402	348	473	442
Electro-Zinc Coated Coil	High	522	529	519	519	383	520	509
	Low	479	479	489	479	343	466	469

## PRODUCT DEFINITIONS

Hot Rolled Coil - 2-3mm thickness, width over 1.1 metres - except USA and Canada 0.08 inches thickness, width over 42 inches.

Hot Rolled Plate - 15-40mm thickness, width over 2.0 metres - except China and Taiwan width less than 2.0 metres and USA and Canada 1-1.5 inches thickness, width over 60 inches.

Cold Rolled Coil - 1mm thickness, width over 1.3 metres - except USA and Canada 0.05 inches thickness, width over 42 inches.

Hot Dipped Galvanised Coil - 1mm thickness, width over 1.1 metres, standard coating - except Eastern Europe sheet form, USA and Canada 0.05 inches thickness, width over 40 inches, coating G90 and EU coating thickness 275 gm/m<sup>2</sup>.

Electro-Zinc Coated Coil - 1mm thickness, width over 1.1 metres, standard coating - except USA 0.05 inches thickness, width over 48 inches.

## FLAT PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - WORLD (US\$/metric ton)

Based on low values	Actual		Forecast				
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
<b>Hot Rolled Coil</b>	385	393	400	403	396	389	384
<b>Hot Rolled Plate</b>	436	433	437	443	445	442	437
<b>Cold Rolled Coil</b>	475	484	491	495	488	481	475
<b>HD Galv Coil</b>	556	566	574	578	573	566	559
<b>EZ Coated Coil</b>	594	603	610	613	608	602	595

the last two weeks, as availability eased. Overseas business is difficult, with keen competition from Japan and Russia. Although sales in the Japanese home market are lacklustre, sellers have maintained prices for two consecutive months.

Despite continuing growth in import volumes, in mid-January, South Korean producer, Posco, lifted official list prices by KRW20,000/30,000 per tonne, encouraged by increases in China and the weaker won. Values in the marketplace have recorded a 2.2 percent advance. Distributors have welcomed the move. Massive cuts, over the last few months, had left them with steep stock losses. Taiwanese figures are flat at the low December level. However, the outlook is better as Chinese exporters have boosted their prices and CSC is also planning an increase of NT\$300 per tonne, for March.

After winning a healthy discount, in December, Polish buyers have agreed to roll over those prices. In contrast, Czech mills have conceded a decrease, to counteract competition from west European suppliers. In Germany, Italy, UK and Belgium, the majority of business was concluded at lower figures than in the previous month but selling values have now stabilised.

### HOT ROLLED PLATE

A certain amount of seasonal stock replenishment is underway in the US but underlying consumption has changed very little. Nucor and SSAB attempted to lift transaction values prior to Christmas. A second round of hikes, of a similar magnitude, were announced in early January. Buyers appear to be postponing purchasing decisions, where possible, because they do not believe current market conditions can support a rise. Transaction numbers have crept up over recent weeks, although we see little evidence to suggest that a significant number of bookings have been taken at the higher level. Overseas producers continue to

target the US market, especially mills in Europe and South Korea. In Canada, the recent CBSA preliminary determination on the setting of antidumping duties on plate imports from India and Russia has been reversed by the CITT. Energy and mining consumption remains low due to the drop in oil and gas prices.

The Chinese domestic market started to soften, after showing strong signs of recovery in the latter half of December 2015, following rapid price falls in late November. Transaction numbers have staged a 6.3 percent revival since our last report. Demand is unlikely to improve before the Chinese New Year celebrations (February 7 to 13). The Japanese shipyards continue to provide satisfactory levels of business for local mills. However, sales to the ailing construction sector have yet to improve significantly. After conceding discounts, in early December, the platemakers have rolled over those figures for January shipments. Conditions in overseas markets are grim.

No demand recovery is envisaged in South Korea, in the short term. Domestic capacity is well in excess of current consumption. Nevertheless, local producers have achieved a rise during recent negotiations -

### MEPS - API LINEPIPE STEEL PRICE INDEX X60/65 COMPOSITE

	Hot Rolled Plate		Hot Rolled Coil	
	Q3/15	Q4/15p	Q3/15	Q4/15p
<b>EU Average</b>				
<b>Non Sour</b>	78.7	73.9	94.0	86.7
<b>Sour</b>	84.2	79.0	93.9	86.5
<b>Asia Average</b>				
<b>Non Sour</b>	83.3	79.6	97.6	93.6
<b>Sour</b>	89.2	87.5	96.8	95.0

\* Q4/06 = 100 - based on US dollar values

\*\* p = Provisional

citing more expensive import offers. In Taiwan, CSC decided to leave February AP plate prices unchanged for the second month in a row as import offers have moved up and demand has improved.

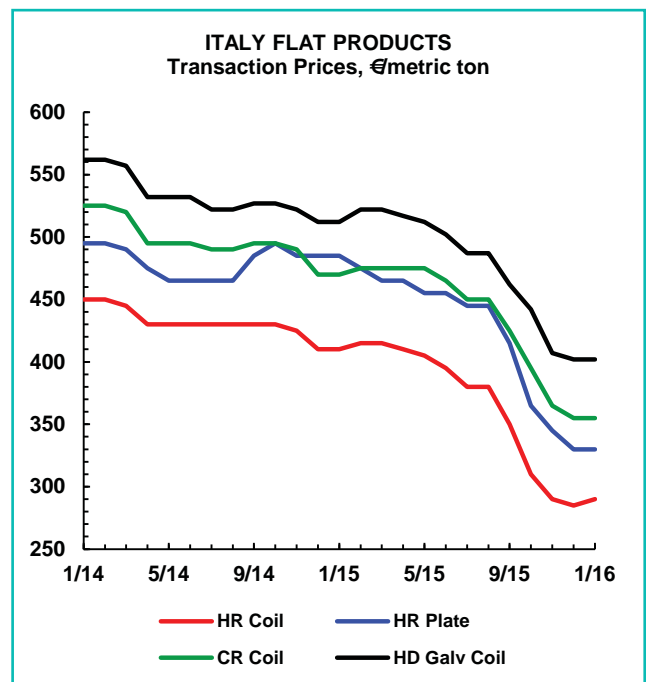
Selling figures are firm in Poland, Czech Republic and Slovakia. In western Europe, commodity plate prices have been driven down by worldwide overcapacity. The negative trend is supported by the constantly falling costs of iron ore, coal and oil. Prior to the start of the Christmas holidays, the region was inundated with imports from China, Ukraine and Russia. New bookings on the domestic mills, for January/February delivery, were at a very low level. The market is awaiting a decision from the European Commission on possible antidumping measures. This is unlikely to occur before the end of March.

### COLD ROLLED COIL

US transaction figures are 8.6 percent higher than a month ago, following firm moves by the major steelmakers to improve prices. Delivery lead times have extended to five/six weeks. However, market demand is still soft, with the exception of the auto sector. Imports are reducing in volume now that the authorities have set preliminary countervailing duties on imports of cold rolled coil from several countries. Canadian numbers have stabilised, after an extended downward tendency. Local producers will attempt to lift them during future settlements. Demand is muted.

Chinese domestic figures have soared since our last report, albeit from a very low point, as supply tightened in the second half of December. Overseas clients started to accept higher price offers as their domestic markets improved. However, few deals have been concluded at the new values. Despite weak market conditions, Japanese steelmakers maintained transaction prices for the second consecutive month. Demand from the carmakers has finally begun to recover a little. South Korean mills have conceded further discounts, during negotiations with customers in the general market. Demand from the auto sector is still improving. In Taiwan, cold rolled coil is performing less well than the other strip mill products. Domestic sales activity is dull and export business is hindered by an abundance of cheap Chinese offers. Steelmakers have cut prices.

Polish selling values are stable, after dropping sharply, last month. Cheap Russian offers are available in the Czech/Slovak markets. Local producers have responded by reducing their prices. In western Europe, transaction figures appear to have reached the bottom, in January.



### COATED COIL

US prices have bottomed out, with the mills implementing increases of 7.3 percent and 6.3 percent for hot dipped galvanised and electro-zinc coated coil, respectively. Delivery lead times have extended to eight weeks. The auto sector continues to be healthy, with both sales and production at near record levels. Construction output is up 10 percent, year-on-year. Consequently, demand for coated steel is brisk. Local transaction values have steadied in Canada. General demand is still poor and inventories at the distributors are bloated.

The Chinese automotive industry is performing better following the September instigation of tax incentives on purchases of smaller cars. However, the construction segment shows no signs of an uptick. Although output of coated steel remains well in excess of local consumption, customers have agreed to pay more. Export activity is low as traders try to hike prices, on the back of the more expensive cold rolled substrate. Japanese vehicle production climbed by 6 percent, year-on-year, in November, for the first time in over seventeen months. Coated steel sales to the building sector are depressed, contributing to high inventories at the service centres. Nevertheless, producers have maintained selling figures for the second consecutive month.

Transaction values have fallen in South Korea, in January. Despite a weaker won deterring Chinese exporters, cheap imports still pose a problem. Car production continues to climb. Domestic sales have been aided by a reduction in consumption tax. November's galvanised supply grew by 7.1 percent,

year-on-year. Taiwanese mills have obtained a small advance during recent settlements for hot dipped material, as Chinese import prices continue to rise. Export business has suffered as a result of antidumping measures in overseas markets.

Polish auto demand is holding up well. Prices are firm, following December's large discounts. Czech

vehicle manufacturing goes from strength to strength. However, orders for passenger cars from Russian clients have declined considerably. We have noted lower coated steel prices in the Czech/Slovak general market. Sustained competition from imports forced west European suppliers to make further concessions, in late December, to customers in Germany and the UK. More recently, transaction values have stabilised.

## LONG PRODUCTS

US construction has been better than the seasonal norm as a result of a, so far, mild winter. Congress has recently passed a sizeable infrastructure spending bill for transportation improvements.

Activity in the Chinese construction market is seasonally slow. Investment in public works is lacking, in Japan. South Korean long products demand has benefitted from an upturn in the building industry, which is expected to continue throughout 2016. Taiwanese construction activity is subdued due to a lack of large projects.

There are expectations of additional spending on building work and infrastructure, in Poland, during 2016. The Czech government continues to invest heavily in construction and infrastructure. In western Europe, an unseasonably mild winter has allowed site work to continue unhindered.

### WIRE ROD

In the US, import prices are stable, with very little trading taking place at the start of 2016. Large volumes of material, ordered earlier in the year, arrived in December 2015. Buyers became less interested in overseas wire rod when domestic prices fell significantly. Moreover, local delivery lead times are quite short. Several domestic mills lifted list prices by US\$30 per short ton, for February. Although demand is sluggish and inventories are high, buyers have

already accepted a partial hike. Despite relentless import pressure, Canadian figures have stopped falling, in January.

The downward trend in Chinese selling values has been reversed, although sales activity remains tepid. Any demand improvement in Japan has not been sufficient to support a rise. However, the recent negative tendency has been halted. South Korean selling figures have plummeted, in January, driven down by low-cost scrap and overblown inventories. Producers are focussing their attention on export sales. Taiwanese local mills have been unable to lift wire rod prices, despite their higher scrap costs, due to weak market conditions. Steelmakers are attempting to sell in overseas markets, especially the US, where construction is strong.

Polish market activity was quiet in early January, with no specific signs of customers looking to replenish stocks. Transaction values softened at the end of December. January bookings were taken at the same level. Selling numbers were marked down in the Czech/Slovak market by 6.1 percent. Negative movements in western Europe have been noted, despite firming scrap costs.

### MEDIUM SECTIONS AND BEAMS

US transaction numbers are static, at present, although

#### LONG PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - WORLD (US\$/metric ton)

Based on low values	Actual		Forecast				
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
<b>Wire Rod</b>	397	400	400	406	418	418	414
<b>Medium Sections</b>	557	552	555	564	576	576	572
<b>Reinforcing Bar</b>	413	408	409	418	433	432	426
<b>Merchant Bar</b>	525	522	526	533	546	544	541

buyers report that full freight charges are not always applied. Gerdau intends to lift values by US\$20 per short ton, effective with February shipments. Customers are heartened by projections of growth in the construction sector, with a number of stadium projects bolstering demand in 2016. Canadian transaction numbers moved up as a result of more expensive scrap. Buyers are proceeding cautiously as the market remains weak.

Chinese numbers have lost another 3.0 percent, in January. Demand for non-residential construction is contracting and the market is oversupplied. Inventory adjustment continues apace in Japan. H-beam

stocks, held by distributors at the end of December 2015, shrank by 2.2 percent from the previous month – the third consecutive monthly fall. Import penetration has eased, allowing the domestic steelmakers to halt the recent downward price trend. Competition in the overseas market is quite severe. South Korean figures continue to drop as winter weather hits construction output. Imports are still attractive, although the quantities are much less than a year ago. Antidumping measures against a number of Chinese suppliers have helped to ease the pressure. Taiwanese H-beam maker, Tung Ho, announced that it would keep January prices flat because Russian

## LONG PRODUCTS DOMESTIC TRANSACTION PRICES

price/metric ton

		US (US\$)+ /ton	US (US\$)+ /tonne	Canada (C\$)+ /ton	Canada (C\$)+ /tonne	China (RMB)	Japan (‘000 Yen)	S Korea (‘000 KRW)	Taiwan (‘000 NT\$)	Poland (ZL)	Czech/ Slovak (KC)
Wire Rod	High	485	535	667	735	1710	57.0	450.0	15.0	1560	9800
	Low	422	465	603	665	1640	54.0	420.0	13.0	1460	9200
Medium Sections and Beams	High	685	755	826	910	1650	70.0	600.0	17.7	2340	14900
	Low	626	690	771	850	1590	67.0	570.0	16.5	2240	13900
Reinforcing Bar	High	517	570	671	740	1650	49.0	480.0	12.3	1500	10100
	Low	481	530	608	670	1590	47.0	450.0	10.7	1400	9300
Merchant Bar	High	621	685	807	890	1710	69.0	575.0	15.8	2070	13200
	Low	594	655	780	860	1640	65.0	525.0	15.3	1970	12200

+ Includes surcharge on all products in the US and Canada.  
NA = Not available.

		EU AVG (€)	Germany (€)	France (€)	Italy (€)	UK (£)	UK (€)	Spain (€)
Wire Rod	High	360	350	330	360	320	435	365
	Low	336	330	300	340	290	394	335
Medium Sections and Beams	High	553	580	540	555	385	523	535
	Low	508	530	500	520	345	469	495
Reinforcing Bar	High	369	370	385	355	315	428	375
	Low	352	350	355	345	285	387	355
Merchant Bar	High	498	500	485	500	345	469	540
	Low	465	460	465	480	325	442	480

## PRODUCT DEFINITIONS

Wire Rod (Mesh Quality) - 8-12mm diameter - except USA and Canada 0.3-0.5 inches and China 6.5mm (high speed).

Medium Sections and Beams - 240 x 240mm H-Beam - except USA and Canada 10 x 10 inches wide flange beam and China 300 x 300mm H-beam.

Reinforcing Bar (Deformed) - 16-20mm diameter - except USA and Canada #6 0.75 inches diameter.

Merchant Bar - 50 x 50 x 6mm equal angle - except USA and Canada 2 x 2 x 0.25 inches.

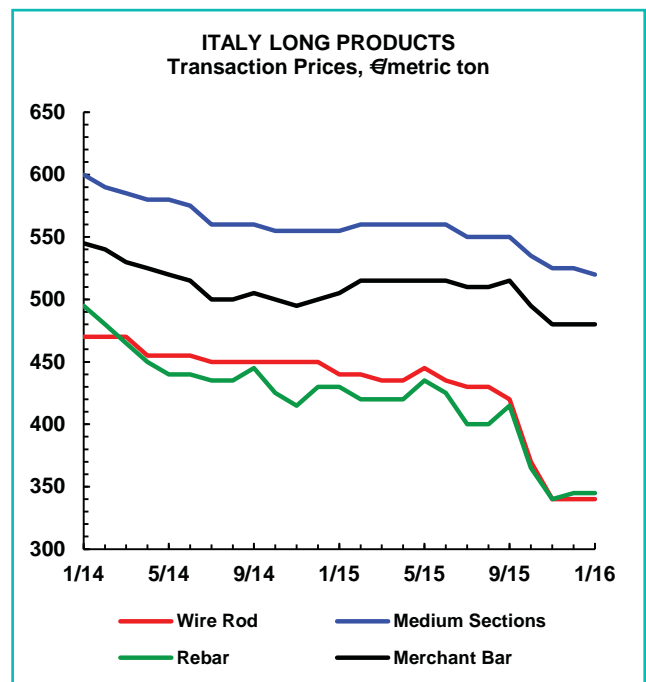
imports were very competitively priced. The move has been reflected in the marketplace.

Polish figures are unchanged, whereas we have noted lower prices in the Czech/Slovak region. In western Europe, early January activity was quiet. Steelmakers are pushing for increases of around €20 per tonne, now that the trend in the cost of raw materials is more positive.

## REINFORCING BAR

Turkish suppliers lowered their offer prices to US clients to try to generate more business. Domestic mills' order books have been poor. However, fabricators were busy as, until recently, the weather has been unseasonably mild. Canadian figures steadied in January. Consumption remains slow.

Chinese billet prices have been moving up, driving rebar values with them. Domestic demand is sluggish but stock levels have reduced. Order intake at the Japanese steelmakers remains tepid, due to relative inactivity in the construction sector. However, despite falling scrap costs, suppliers have stemmed the price erosion. In South Korea, first quarter deals between domestic suppliers and the building contractors have been concluded at significantly reduced prices. Cheaper scrap has contributed to the decrease. Moreover, China's share of the South Korean market is growing rapidly, as more mills gain certification and offer at progressively lower prices. Stocks at local steelmakers are on the rise, despite temporary stoppages at some production units. Taiwanese demand for rebar is muted due to a shortage of large building projects. Major producer, Feng Hsin, implemented an increase as billet import volumes fell. Further hikes are anticipated as scrap costs are moving up.



Polish suppliers lifted list prices in late December, despite a seasonal lull in demand, citing their growing outlay on scrap. So far, the rise has not been implemented in the marketplace. Despite mild weather conditions, which have favoured building work, Czech rebar producers have been unable to maintain prices. It was a slow start to the year for business in western Europe. Consequently, very few price movements have been noted.

## MERCHANT BAR

US market values have remained relatively consistent with December levels, amidst lacklustre sales and high inventories. Although import pressure persists, overseas suppliers are more cautious, now that

## MEPS INDUSTRIAL SECTOR STEEL PURCHASING PRICE INDICES

January 2007 = 100	World		EU		North America		Asia	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
<b>Auto Body Parts</b>	61.8	62.5	52.5	52.2	71.8	75.3	62.5	61.6
<b>Construction Industry</b>	77.9	77.7	62.0	62.4	92.2	92.7	79.2	77.3
<b>Household Appliances</b>	60.4	61.0	52.6	52.4	66.9	70.0	62.5	61.6
<b>Machinery Sector</b>	71.0	71.8	56.3	56.6	82.3	84.4	78.3	78.2
<b>Shipbuilding Industry</b>	58.0	59.3	46.3	46.3	62.8	65.9	70.0	70.7
<b>Shipping Containers</b>	71.5	72.4	54.3	54.5	86.7	89.3	79.1	79.1
<b>Yellow Goods</b>	67.8	69.3	54.4	54.3	77.3	81.2	74.3	75.1



domestic numbers have declined. Gerdau has announced a US\$30 per short ton hike, effective from February 1 shipments. The move is scrap driven. Rival producer, Nucor Corp, raised its raw material surcharge from zero to US\$28 per short ton, effective January 18. In Canada, the negative price trend has reversed, reacting to rising raw material costs. Sales to the manufacturing sector remain lacklustre.

After agreeing significant decreases in mid-December, Chinese suppliers have maintained selling figures at that level. Consumption remains weak. In Japan, customers have agreed a rollover of the December price, despite the mills' lower outlay on scrap. South

Korean transaction values continue to drift downwards. Following stabilisation last month, Taiwanese prices are unchanged.

Selling figures are stable in Poland for the second consecutive month. Slow trading activity in the Czech/Slovak markets has led to a decrease. From the start of January, a number of west European producers have announced increases of €20 to €50 per tonne. Many customers ordered significant quantities in December, when they considered prices to be at the bottom. Consequently, the steelmakers, now, have good order books and think that this is an opportune time to push for advances.

## MARKET AND INDUSTRY SCENE

Hyundai Steel has commissioned a 500,000 tonnes annual capacity hot dip galvanising line at its cold rolling mill at the Dangjin steel complex. The unit will process sheet from 800mm to 1650mm wide and from 0.3mm to 2.35mm thick for supply to the automotive industry. Hyundai has invested US\$110million in this project. Meanwhile, the company has brought online a continuous bloom caster at its Dangjin Special Steel Plant. The caster has an output of 1.1 million tonnes of blooms each year. It will feed a 400,000

tonnes annual capacity wire rod mill and a 600,000 tonnes annual capacity straight bar mill, also recently installed at the site.

Bar and sections producer, Commercial Metals Co (CMC), is due to start construction of its Oklahoma based micro mill project in February. The facility is expected to cost US\$180 million and will produce up to 350,000 short tons of rebar each year when it comes on stream in 2017.

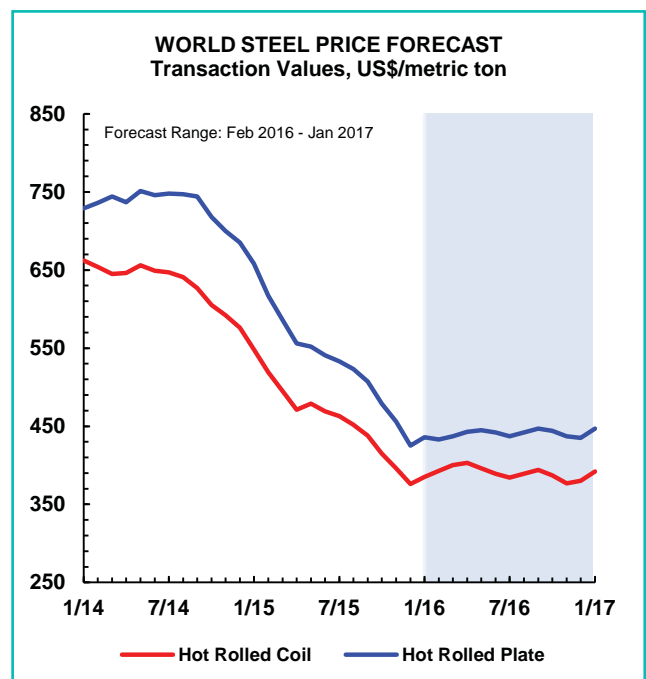
## MEDIUM TERM PRICE FORECASTS

MEPS - World average hot rolled coil and plate transaction values moved up by approximately 2.5 percent, in January. Prices increased in Asia and North America as demand began to improve, particularly in the US. However, reductions in EU selling figures were noted, this month.

Further advances in hot rolled coil prices are envisaged over the next few months. Domestic mills in western countries will, almost certainly, push for rises in their local markets. A slowdown in purchasing activity ahead of the Chinese New Year could delay further gains in Asia until later in the first quarter. Nevertheless, oversupply pressures will restrict the size of any potential increases, in all regions, in 2016. Weak demand from the energy sector, coupled with ongoing competition between global steelmakers, could lead to price negativity setting in, once again, around the middle of the year. Consequently, world average selling figures are expected to end the year close to where they started it.

After falling dramatically over the past few years, hot rolled plate values are expected to remain relatively

stable, at a low level, through 2016. Some modest price improvements could be recorded if raw material costs move upwards.



**WORLD/REGIONAL AVERAGE TRANSACTION PRICES (US\$/metric ton)**

		World		EU		North America		Asia	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coil	High	421	430	377	377	504	526	383	387
	Low	376	385	339	338	445	468	343	348
Hot Rolled Plate	High	473	483	447	447	555	581	417	421
	Low	425	436	401	401	496	523	379	384
Cold Rolled Coil	High	511	524	486	484	592	627	455	461
	Low	463	475	441	437	525	560	423	429
Hot Dipped Galvanised Coil	High	602	608	548	542	679	713	580	568
	Low	551	556	501	495	620	654	532	520
Electro-Zinc Coated Coil	High	636	645	566	564	690	730	653	640
	Low	586	594	519	517	630	670	610	596
Wire Rod	High	440	439	393	389	525	535	403	393
	Low	398	397	366	363	455	465	372	362
Medium Sections and Beams	High	604	602	592	597	740	740	481	469
	Low	559	557	544	549	678	678	456	445
Reinforcing Bar	High	443	441	393	398	567	564	370	360
	Low	415	413	374	380	526	523	344	335
Merchant Bar	High	554	555	529	538	678	678	456	450
	Low	525	525	495	502	649	649	430	424

World prices are an arithmetic average of the values identified in three regions (EU, Asia and North America). EU prices are a weighted average of the values identified in Germany, France, Italy, UK and Spain. North America prices a weighted average of the values identified in USA and Canada. Asia prices are an arithmetic average of the values identified in Japan, Taiwan, South Korea and China. All prices are collected in national currencies and converted into US dollars to provide a basis for comparison. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>.

**WORLD/REGIONAL AVERAGE TRANSACTION PRICE INDICES**

	World		EU		North America		Asia	
	Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
Hot Rolled Coil	106.8	109.4	104.6	104.3	111.3	117.0	103.6	105.1
Hot Rolled Plate	108.1	110.9	112.3	112.3	109.0	114.9	103.3	104.6
Cold Rolled Coil	97.5	100.0	97.6	96.7	101.9	108.7	92.2	93.5
HD Galv Coil	95.0	95.9	87.6	86.5	103.9	109.5	93.2	91.1
EZ Coated Coil	99.3	100.7	99.2	98.9	94.0	100.0	105.5	103.1
Wire Rod	128.4	128.1	124.5	123.5	146.8	150.0	113.8	110.7
Medium Sections	130.3	129.8	125.6	126.8	154.1	154.1	110.4	107.7
Reinforcing Bar	136.1	135.4	132.6	134.8	159.4	158.5	113.5	110.6
Merchant Bar	156.7	156.7	154.7	156.9	202.8	202.8	117.8	116.2

Note:- Price indices are calculated using the low figures in the above table - January 1997=100. Individual product price forecasts are available. Please visit <http://www.meps.co.uk/world-price.htm>. Please note - EU price indices in this table are calculated using dollar values and will differ from the euro figures listed on our website.

**NEGOTIATED DOMESTIC TRANSACTION PRICES - MONTH ON MONTH % CHANGE**  
**January 2016 versus December 2015**

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
<b>USA</b>	6.7	7.1	8.6	7.3	6.3	2.2	0.0	0.0	0.0
<b>Canada</b>	0.0	0.0	0.0	0.0	NA	0.0	3.7	0.0	4.9
<b>China</b>	8.0	6.3	17.2	8.3	NA	4.5	-3.0	3.9	0.0
<b>Japan</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>South Korea</b>	2.2	2.2	-1.7	-5.9	-5.8	-10.6	-5.0	-10.0	-2.8
<b>Taiwan</b>	0.0	0.0	-2.7	0.8	0.0	0.0	0.0	0.9	0.0
<b>Poland</b>	0.0	0.0	0.0	0.0	0.0	-2.0	0.0	0.0	0.0
<b>Cz &amp; Slov Rep</b>	-6.5	0.0	-5.0	-4.4	-3.6	-6.1	-2.1	-3.1	-4.7
<b>EU (average)</b>	-1.9	-1.9	-2.4	-3.0	-2.0	-2.6	-0.8	0.0	-0.2
<b>Germany</b>	-4.3	-2.5	-4.5	-4.1	-3.0	-2.9	0.0	0.0	0.0
<b>France</b>	0.0	0.0	0.0	0.0	0.0	-9.1	0.0	-1.4	1.1
<b>Italy</b>	1.8	0.0	0.0	0.0	0.0	0.0	-1.0	0.0	0.0
<b>UK</b>	-2.1	0.0	0.0	-5.4	-2.8	0.0	0.0	-1.7	0.0
<b>Spain</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	2.1

**TRANSACTION PRICE INDICES (based on local currency per metric ton values)**

	HR Coil	HR Plate	CR Coil	HD Galv	E Zinc	W Rod	M Sect	Rebar	M Bar
<b>USA</b>	83.3	59.7	89.1	77.7	84.8	60.4	75.8	80.3	69.7
<b>Canada</b>	87.2	64.5	90.9	90.6	-	78.2	85.0	88.2	81.9
<b>China</b>	49.8	48.9	63.0	63.5	-	55.2	48.3	49.7	52.9
<b>Japan</b>	85.1	83.8	83.0	83.5	87.0	83.1	85.9	67.1	79.3
<b>South Korea</b>	58.0	53.4	63.7	65.3	66.3	63.6	67.9	63.4	75.0
<b>Taiwan</b>	56.3	63.9	55.0	62.4	95.0	78.8	76.7	69.0	82.7
<b>Poland</b>	72.5	64.2	84.4	90.8	97.2	88.5	89.6	100.0	98.5
<b>Cz &amp; Slov Rep</b>	69.6	55.9	74.8	81.6	85.2	82.9	81.8	85.3	87.8
<b>Germany</b>	73.3	55.4	78.0	80.5	81.6	75.0	90.3	76.1	86.0
<b>France</b>	71.7	52.5	78.0	80.5	81.9	75.0	95.6	82.6	86.9
<b>Italy</b>	70.7	54.1	76.3	81.0	90.9	79.1	83.5	82.1	88.1
<b>UK</b>	58.4	51.2	69.3	70.4	71.0	72.5	50.7	77.0	70.7
<b>Spain</b>	73.8	50.5	82.8	85.7	90.7	81.7	85.3	86.6	86.5

Price indices are calculated using the low figures in the transaction price tables - January 2009 = 100

## TRANSACTION PRICE DEFINITIONS

Transaction values relate to those agreed by steelmakers and service centres for prime material in the specified steel products. Prices are for regular business between customers and their local steel mills, negotiated during the current month for delivery in the future.

Transaction prices include extras for size and coating, where applicable, for the lowest priced grade of steel - sold ex-works/ex-mill. Additional extras for processing, packaging, testing and inspection are excluded. Delivery charges and local taxes are not included in the quoted prices. Contract deals arranged in the domestic market, or deals for lots of imported steel, are specifically excluded from our price evaluation.

All price and market data is researched by MEPS staff and its local correspondents. High and low values are provided to reflect the range of prices in the market between major and minor customers.

Please note the transaction references in the different geographic areas:

USA - Midwest spot transaction prices from the domestic mills.

China - spot transactions between the mills and first tier distributors across the main consuming regions.

Japan - spot transaction prices between mills and first tier stockholders or consumers.

Korea - the low price relates to deals between the mills and large steel consumers and the high price refers to ex stock mill sales through selected outlets.

Poland - ex-mill to consumers or to selected sales outlets.

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) Ltd cannot be made liable for any loss resulting from the use of our published data, however it may arise.

***The February issue of the International Steel Review will be dispatched by post & PDF on 25 February, 2016. Express Price Tables will be dispatched by e-mail in excel format on 18 February, 2016.***

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