

STAINLESS STEEL REVIEW

KEYNOTE

JANUARY 2016

NEW RECORD GLOBAL STAINLESS STEEL OUTPUT FORECAST FOR 2016

Annual global stainless steel production for 2015 is estimated to have totalled just below 41.5 million tonnes. This is approximately 0.5 percent less than the all-time high figure, achieved in the previous year. MEPS predicts that worldwide output will increase by around 2 percent, in 2016, to a new peak figure of 42.3 million tonnes.

Production during the second half of 2015 fell slightly short of earlier predictions. The outturn in all of the traditional stainless steel making regions, with the exception of South Korea, was lower than in 2014. The rate of growth in China slowed but output from the countries classed as Others continued to expand strongly, reaching a total of more than 4.1 million tonnes.

COMPARISON OF NEGOTIATED DOMESTIC TRANSACTION PRICES (US\$/short ton)

PRODUCT:	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
	304	316	304	316	304	316	409	430	304	316	304	316
USA	1492	2005	1801	2313	1656	2168	1361	1406	2141	2876	2595	3248
Japan	1939	2776	2471	3308	2167	3118	—	2015	—	—	—	—
South Korea	1446	2587	1576	2549	1637	2778	1788	1826	2313	3524	2124	3333
Taiwan	1314	2066	1600	2804	1422	2189	—	1409	2421	2996	2503	3092
China	1270	1687	1524	1941	1388	1805	—	785	1746	2077	—	—
EU (average)	1693	2350	1965	2619	1837	2496	1370	1373	1899	2632	1721	2428
Germany	1731	2371	1986	2626	1878	2518	1423	1421	1832	2513	1685	2327
France	1697	2337	1942	2533	1844	2474	1383	1368	1930	2661	1877	2539
Italy	1657	2312	1980	2655	1804	2468	1321	1306	1862	2547	1646	2292
UK	1721	2383	1974	2530	1874	2543	1451	1477	2031	2864	1772	2585
Spain	1631	2312	1921	2718	1758	2439	1264	1282	1842	2575	1628	2399
Sweden	1779	2400	2056	2666	1915	2535	1369	1483	2049	2773	1889	2554
Netherlands	1678	2337	1942	2557	1815	2484	—	1387	1783	2436	1667	2290
Denmark	1702	2342	2036	2675	1849	2489	—	—	1978	2593	1758	2318

Figures in this table are calculated from the low values of the negotiated transaction prices plus applicable alloy surcharges in the current month - converted into US dollars at this month's rate.

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After years of rapid development, Chinese production in 2015 is estimated to have fallen back, a little, from the previous year's total. Following extensive capital investment, during the twenty-first century, production capacity far exceeds domestic consumption. Global demand is sluggish and several governments have imposed import tariffs on Chinese material. Consequently, some private steelmakers are withdrawing from stainless steel production and further closures of less efficient facilities are foreseen. Nevertheless, China continues to produce more than 50 percent of the world's crude stainless steel. MEPS predicts a moderate, year-on-year, increase of around 1.7 percent in the country's output for 2016.

Japan's outturn in 2015 is estimated to have been just over 3 million tonnes, which is substantially lower than the previous year's figure and represents a drop of around 25 percent from the all-time high achieved in 2006. However, we forecast that the outturn in 2016 will equate to a rise of more than 5

percent, year-on-year.

South Korea's production grew strongly, by around 9 percent, year-on-year, in 2015. However, we do not anticipate any significant, further increase in the coming year.

Stainless steel output in Taiwan fell back, slightly, in the last twelve months. A small increase, of around 2.7 percent, compared with the previous year, is forecast for 2016.

Producers in the United States recorded a marginal decrease in output, in 2015 compared with the year earlier figure. A moderate recovery is predicted, in 2016, to a figure of around 2.4 million tonnes.

Despite applying antidumping duties to some imports from the Far East, European Union production slipped by around 2 percent, year-on-year, in 2015. MEPS expects output, this year, to return to around the 2014 figure, at 7.25 million tonnes.

FLAT PRODUCTS

HOT ROLLED COIL AND PLATE

In the United States, demand from nuclear and geothermal energy projects is fair but general manufacturing activity is "spotty". Many suppliers are competing for every order and cutting prices in an effort to secure business. A number of service centres are sourcing material from master distributors rather than holding stock themselves.

Hot rolled plate production is at a reasonable level, in Japan, due to demand from the shipbuilding sector. The mills have reduced plate prices by ¥5000 per tonne as a result of falling nickel costs. Hot rolled

coil values have slipped by KRW50,000 per tonne, in South Korea. However, many customers are delaying purchases until after the Lunar New Year holidays, in the belief that prices may decline further.

Ex-mill selling figures in Taiwan have decreased by NT\$1000 per tonne, due to reduced nickel costs and weak demand. In China, market values have softened as a result of falling raw material expenditure and slowing sales. Hot rolled coil prices have dropped by less than those for the cold rolled product. Purchasing has been restrained, prior to the Chinese New Year, as buyers believe that the market may be weaker after the holiday.

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

	Actual						Estimate		
	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
CR Coil 304									
USA \$/short ton	1039	943	848	830	780	671	662	667	694
USA \$/metric ton	1145	1040	935	915	860	740	730	735	765
EU-Avg €/metric ton	1141	1068	961	978	977	897	845	845	870
CR Coil 316									
USA \$/short ton	1311	1188	1061	1021	943	821	830	848	885
USA \$/metric ton	1445	1310	1170	1125	1040	905	915	935	975
EU-Avg €/metric ton	1575	1465	1332	1328	1302	1203	1165	1180	1225

NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

		Hot Rolled Coil				Hot Rolled Plate			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
USA (US\$) /short ton	Negotiated Basis	821	930	1184	1293	1129	1238	1492	1601
	Surcharge	671	671	821	821	671	671	821	821
	Transaction	1492	1601	2005	2114	1800	1909	2313	2422
USA (US\$) /metric ton	Negotiated Basis	905	1025	1305	1425	1245	1365	1645	1765
	Surcharge	740	740	905	905	740	740	905	905
	Transaction	1645	1765	2210	2330	1985	2105	2550	2670
Japan (‘000 Yen) /metric ton	Negotiated Market	255	275	365	385	325	345	435	455
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	255	275	365	385	325	345	435	455
South Korea (‘000 KRW) /metric ton	Negotiated Market	1900	2000	3400	3630	2070	2200	3350	3500
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	1900	2000	3400	3630	2070	2200	3350	3500
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	48.0	51.0	75.5	77.5	58.5	61.5	102.5	105.5
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	48.0	51.0	75.5	77.5	58.5	61.5	102.5	105.5
China (US\$) /metric ton	Negotiated Market	1400	1500	1860	1960	1680	1780	2140	2260
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	1400	1500	1860	1960	1680	1780	2140	2260
Germany (€) /metric ton	Negotiated Basis	840	940	1190	1240	1100	1200	1450	1550
	Surcharge	927	927	1231	1231	927	927	1231	1231
	Transaction	1767	1867	2421	2471	2027	2127	2681	2781
France (€) /metric ton	Negotiated Basis	870	920	1220	1270	1120	1220	1420	1520
	Surcharge	863	863	1165	1165	863	863	1165	1165
	Transaction	1733	1783	2385	2435	1983	2083	2585	2685
Italy (€) /metric ton	Negotiated Basis	770	840	1130	1230	1100	1200	1480	1530
	Surcharge	921	921	1230	1230	921	921	1230	1230
	Transaction	1691	1761	2360	2460	2021	2121	2710	2760
UK (£) /metric ton	Negotiated Basis	630	680	910	960	820	890	1020	1100
	AA Factor	662	662	879	879	662	662	879	879
	Transaction	1292	1342	1789	1839	1482	1552	1899	1979
Spain (€) /metric ton	Negotiated Basis	820	860	1200	1300	1115	1165	1615	1715
	Surcharge	845	845	1159	1159	845	845	1159	1159
	Transaction	1665	1705	2359	2459	1960	2010	2774	2874
Sweden (SEK) /metric ton	Negotiated Basis	8105	8355	11110	11760	10700	11700	13610	14410
	AA Factor	8589	8589	11401	11401	8589	8589	11401	11401
	Transaction	16694	16944	22511	23161	19289	20289	25011	25811
Netherlands (€) /metric ton	Negotiated Basis	850	890	1220	1270	1120	1160	1445	1495
	Surcharge	863	863	1165	1165	863	863	1165	1165
	Transaction	1713	1753	2385	2435	1983	2023	2610	2660
Denmark (DKK) /metric ton	Negotiated Basis	6040	6440	8650	9150	8585	9085	11185	11485
	Surcharge	6919	6919	9184	9184	6919	6919	9184	9184
	Transaction	12959	13359	17834	18334	15504	16004	20369	20669

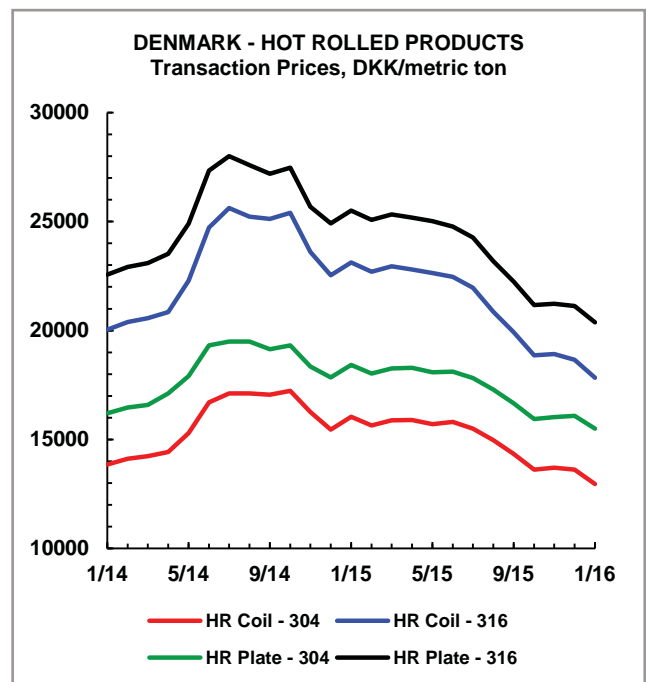
Market activity, in Germany, has not picked up as had been expected, after the Christmas and New Year break. Hot rolled plate values are unchanged, since last month, while there has been a small downward adjustment in coil prices. Demand is at a similar level to that at the end of last year, in France. Hopes of a recovery have been stymied by the weak global economy and volatile raw material prices. Business has been slow to resume, in Italy, following the holiday period. Enquires are scarce and prices depressed.

Demand from a number of large projects is boosting plate sales in the United Kingdom but day-to-day business is at a low level. Contracts that are available invite fierce competition between sellers, with buyers seeking the lowest prices possible. UK fabricators are reported to be losing work to rivals in Asia. Supply chain participants are reluctant to hold inventory while values continue to slide. Activity remains weak, in Spain. Stockists report few enquires and few orders.

The depressed offshore oil and gas sector, in Norway, has had a negative effect on the Swedish stainless steel market. Basis figures, in the latter country, are unchanged, this month, and may not rise until the second quarter. Demand has not picked up, substantially, in the Netherlands. Service centres are keeping their inventories lean and relying on material on hand at mills and distributors. Sales volumes, in Denmark, are at the same level as they were before Christmas. Stockists are attempting to turn their inventories quickly in order to protect against falling prices.

COLD ROLLED COIL

Market participants, in the United States, perceive



that sales have picked up, a little, in January. Demand from architectural applications, automotive and other manufacturing consumers is improving. However, reasonable consumption is being undermined by oversupply and weak commodity markets. The mills' basis price hikes, which came into effect this month, were more than offset, for austenitic grades, by the drop in alloy surcharges. Imports from Asia are not very competitive, at the moment.

Falling nickel values have reduced input costs for 300 series coils, in Japan. Nevertheless, the mills are reluctant to allow selling values for these coils to sink any lower. Ferritic grades are unaffected. In South Korea, market values for austenitic coils have

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

BASED ON LOW PRICES
INCLUDING ALLOY SURCHARGE
WHERE APPLICABLE

	Actual			Forecast			
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
HR Coil 304	1645	1645	1675	1700	1720	1720	1700
HR Coil 316	2512	2510	2550	2585	2615	2615	2575
HR Plate 304	1976	1975	2005	2040	2080	2080	2060
HR Plate 316	2922	2920	2960	3005	3045	3055	3015
CR Coil 304	1823	1820	1850	1880	1900	1900	1880
CR Coil 316	2726	2720	2760	2800	2830	2830	2790
CR Coil 430	1663	1660	1670	1685	1700	1700	1690

NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

		Cold Rolled Coil							
		Grade 304		Grade 316		Grade 409		Grade 430	
		Low	High	Low	High	Low	High	Low	High
USA (US\$) /short ton	Negotiated Basis	984	1093	1347	1456	1175	1266	1139	1229
	Surcharge	671	671	821	821	186	186	268	268
	Transaction	1655	1764	2168	2277	1361	1452	1407	1497
USA (US\$) /metric ton	Negotiated Basis	1085	1205	1485	1605	1295	1395	1255	1355
	Surcharge	740	740	905	905	205	205	295	295
	Transaction	1825	1945	2390	2510	1500	1600	1550	1650
Japan ('000 Yen) /metric ton	Negotiated Market	256	286	371	411	-	-	250	255
	Surcharge	29	29	39	39	-	-	15	15
	Transaction	285	315	410	450	-	-	265	270
South Korea ('000 KRW) /metric ton	Negotiated Market	2150	2275	3650	3850	2350	2450	2400	2430
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2150	2275	3650	3850	2350	2450	2400	2430
Taiwan ('000 NT\$) /metric ton	Negotiated Market	52.0	55.0	80.0	83.0	-	-	51.5	54.5
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	52.0	55.0	80.0	83.0	-	-	51.5	54.5
China (US\$) /metric ton	Negotiated Market	1530	1640	1990	2110	-	-	865	1025
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	1530	1640	1990	2110	-	-	865	1025
Germany (€) /metric ton	Negotiated Basis	990	1090	1340	1440	1090	1140	990	1040
	Surcharge	927	927	1231	1231	363	363	460	460
	Transaction	1917	2017	2571	2671	1453	1503	1450	1500
France (€) /metric ton	Negotiated Basis	1020	1070	1360	1410	1080	1130	970	1020
	Surcharge	863	863	1165	1165	331	331	426	426
	Transaction	1883	1933	2525	2575	1411	1461	1396	1446
Italy (€) /metric ton	Negotiated Basis	920	970	1290	1340	975	1025	875	925
	Surcharge	921	921	1230	1230	373	373	458	458
	Transaction	1841	1891	2520	2570	1348	1398	1333	1383
UK (£) /metric ton	Negotiated Basis	745	815	1030	1090	830	860	780	805
	AA Factor	662	662	879	879	259	259	329	329
	Transaction	1407	1477	1909	1969	1089	1119	1109	1134
Spain (€) /metric ton	Negotiated Basis	950	1000	1330	1380	1010	1040	927	957
	Surcharge	845	845	1159	1159	280	280	381	381
	Transaction	1795	1845	2489	2539	1290	1320	1308	1338
Sweden (SEK) /metric ton	Negotiated Basis	9380	9880	12380	12880	9475	9605	9650	10400
	AA Factor	8589	8589	11401	11401	3365	3365	4262	4262
	Transaction	17969	18469	23781	24281	12840	12970	13912	14662
Netherlands (€) /metric ton	Negotiated Basis	990	1040	1370	1470	-	-	990	1030
	Surcharge	863	863	1165	1165	-	-	426	426
	Transaction	1853	1903	2535	2635	-	-	1416	1456
Denmark (DKK) /metric ton	Negotiated Basis	7160	7960	9770	10570	-	-	-	-
	Surcharge	6919	6919	9184	9184	-	-	-	-
	Transaction	14079	14879	18954	19754	-	-	-	-

MONTHLY COLD ROLLED - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)

		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
United States	High	2465	2350	2130	2025	2005	1950	1945
	Low	2345	2230	2010	1905	1885	1830	1825
Japan	High	335	330	330	330	325	315	315
	Low	305	300	300	300	295	285	285
EU Average	High	2279	2206	2120	2011	2028	2028	1944
	Low	2209	2136	2051	1942	1959	1958	1875

slipped by KRW50,000 per tonne despite the leading producer maintaining its list prices. Business is slow due to competition from cheap, regional imports and the impending Lunar New Year holidays.

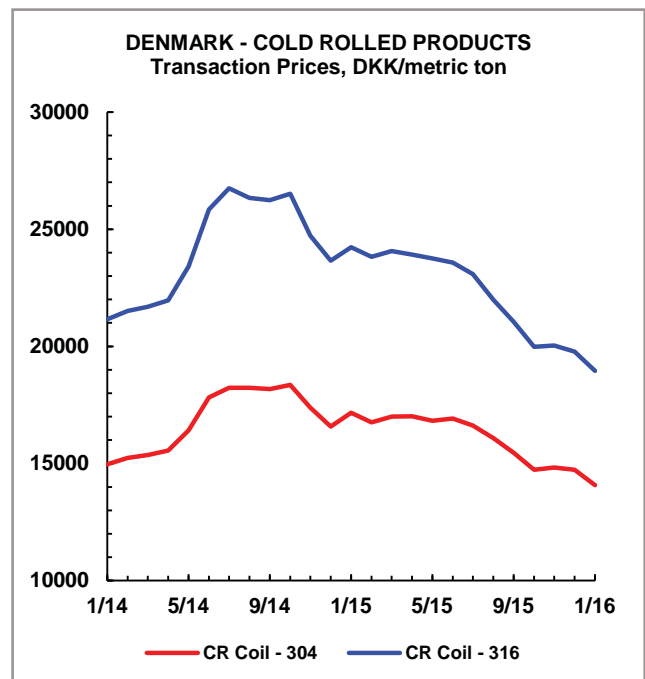
Taiwanese steelmakers have conceded discounts of NT\$1000 per tonne for 300 series coils, in the face of falling nickel costs, stiff competition and mediocre demand. The Chinese market has recorded moderate cuts in austenitic cold rolled coil prices. The mills are reluctant to make further reductions as selling values risk slipping below production costs. However, buyers believe that there may be further decreases after the Chinese New Year.

The German market remains subdued, as a result of the continued, negative global economic conditions and, in particular, the slowing growth in China. Austenitic coil values have softened, slightly. Basis figures are unchanged, this month, in France. Activity levels have not increased, in the new year. Basis values are also stable in Italy but further cuts to alloy surcharges have enabled service centres to reduce their selling prices. Imports are now quite scarce because they are not much cheaper than European material.

Stockists in the United Kingdom have noticed a

CURRENCY EXCHANGE RATES

		US dollars (US\$)	
		1-Dec	4-Jan
Japan	Yen	122.9	119.3
South Korea	KRW	1157	1192
Taiwan	NT\$	32.67	33.16
China	US\$	1.000	1.000
Eurozone	€	0.942	0.926
UK	£	0.664	0.681
Sweden	SEK	8.696	8.511
Denmark	DKK	7.025	6.908



slight upturn in sales volumes during the last two months. However, profit margins remain small. Market participants believe that the current price cycle will bottom out in February. Basis values were rolled over from December, in Spain. Buyers are uncertain about the short-term direction of the local market.

Inventories were reduced in the run-up to the year-end, in Sweden. A slight pickup in activity has been observed, in January, but fierce competition between suppliers persists. Stockists in the Netherlands report an increase in the volume of enquiries, with many turning to orders. Nevertheless, prices remain low. Alloy surcharges will fall again, in February, but transaction values may climb, thereafter. In Denmark, falling raw material costs and cheap imports from Taiwan are placing downward pressure on prices. Buyers have secured small discounts on purchases from European mills. Further reductions may be possible.

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS - TAIWAN (NT\$/metric ton)

BASED ON LOW PRICES INCLUDING ALLOY SURCHARGE WHERE APPLICABLE	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16e
Drawn Bar 304	102.0	100.0	96.8	94.5	91.2	88.5
Drawn Bar 316	126.0	124.0	120.3	117.3	113.2	109.5
Peeled Bar 304	105.0	103.0	99.8	97.5	94.2	91.5
Peeled Bar 316	129.5	127.8	123.8	120.8	116.7	113.0

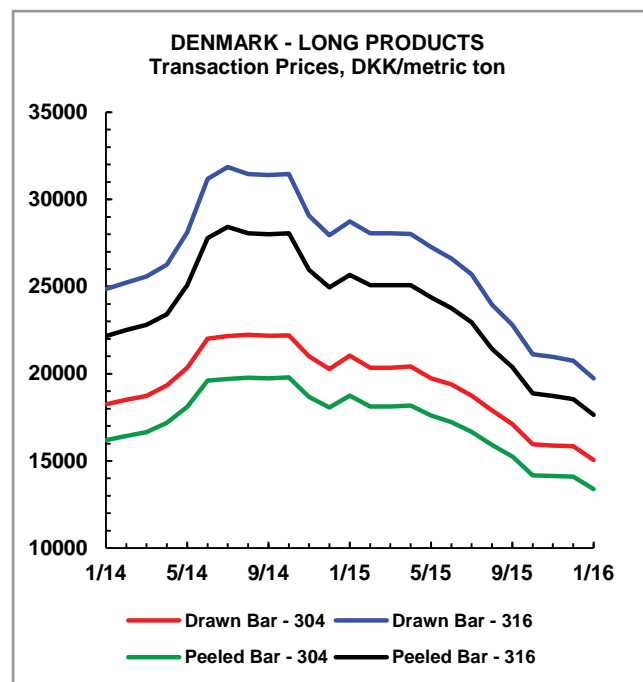
Demand for stainless steel bar is quite weak, in the United States, but is perceived to have stabilised. The producers' basis price reductions came into effect on January 1. This should encourage orders on the mills and enable depots to achieve some profit. US traders and distributors report offers from producers in all parts of the world.

Mills in South Korea lifted austenitic bar prices by KRW100,000 per tonne, this month, although this can be largely explained by the weakening of the won against the US dollar. Taiwanese producers cut their domestic ex-mill values by NT\$1000 per tonne, for January, citing reduced nickel costs. The lower prices have not boosted sales volumes. Bar values in China are unchanged, this month, in local currency terms.

End-user demand is subdued, in Germany. Nevertheless, stockists continue to place orders on mills and distributors. European transaction values have slipped close to those for Asian imports. The lower alloy surcharges, in January, have pushed effective prices, in France, below €2000 per tonne, for 304 cold drawn bars.

The market is generally slow, in the United Kingdom. Some niche products are profitable and becoming

scarce but commodity grades are plentiful and strong competition is driving prices down. Nickel costs continue to depress transaction values in Spain. Delivery lead times are very short. In Sweden, sales activity has failed to pick up, in January. Basis figures are stable.



MONTHLY DRAWN BAR - NEGOTIATED DOMESTIC TRANSACTION PRICES (GRADE 304)

		Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
United States	High	3160	3045	2940	2855	2815	2755	2460
US\$/metric ton	Low	3060	2945	2840	2755	2715	2655	2360
Asia Average	High	2863	2744	2663	2654	2609	2522	2487
US\$/metric ton	Low	2754	2637	2557	2548	2502	2415	2381
EU Average	High	2499	2384	2350	2182	2179	2163	2029
€/metric ton	Low	2407	2292	2259	2091	2087	2070	1938

NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

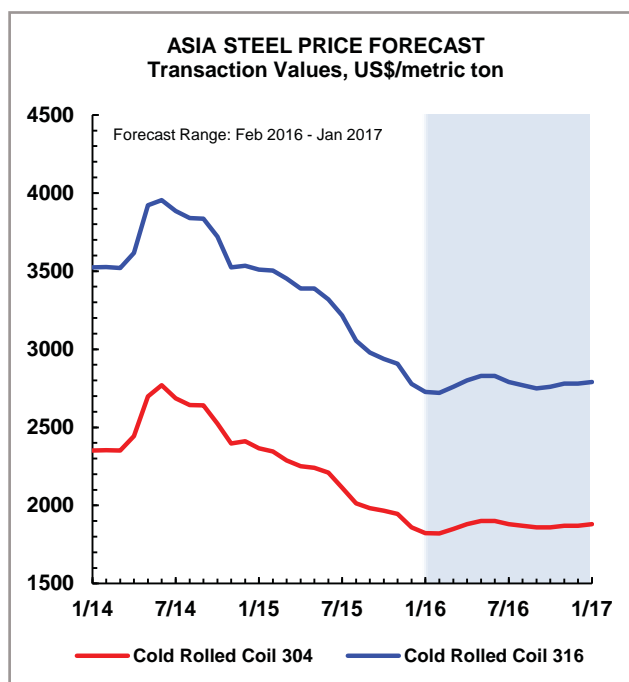
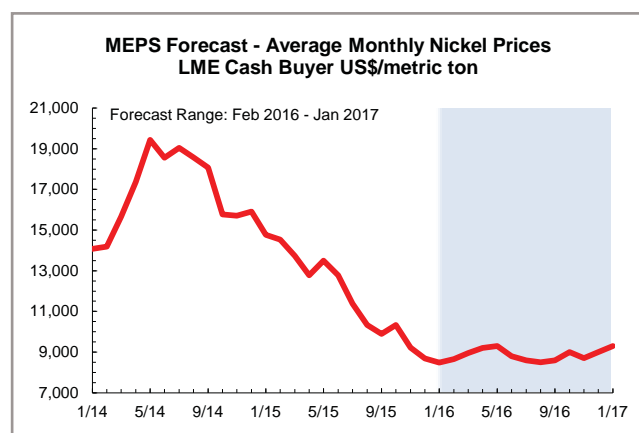
		Drawn Bar				Peeled Bar			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
USA (US\$) /short ton	Negotiated Basis	1642	1733	2322	2413	2096	2186	2694	2785
	Surcharge	499	499	553	553	499	499	553	553
	Transaction	2141	2232	2875	2966	2595	2685	3247	3338
USA (US\$) /metric ton	Negotiated Basis	1810	1910	2560	2660	2310	2410	2970	3070
	Surcharge	550	550	610	610	550	550	610	610
	Transaction	2360	2460	3170	3270	2860	2960	3580	3680
Japan (‘000 Yen) /metric ton	Negotiated Market	-	-	-	-	-	-	-	-
	Surcharge	-	-	-	-	-	-	-	-
	Transaction	-	-	-	-	-	-	-	-
South Korea (‘000 KRW) /metric ton	Negotiated Market	3040	3130	4630	4730	2790	3000	4380	4520
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3040	3130	4630	4730	2790	3000	4380	4520
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	88.5	91.5	109.5	111.5	91.5	94.5	113.0	116.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	88.5	91.5	109.5	111.5	91.5	94.5	113.0	116.0
China (US\$) /metric ton	Negotiated Market	1925	2075	2290	2420	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	1925	2075	2290	2420	-	-	-	-
Germany (€) /metric ton	Negotiated Basis	800	850	1125	1225	770	820	1095	1175
	Surcharge	1070	1070	1440	1440	950	950	1280	1280
	Transaction	1870	1920	2565	2665	1720	1770	2375	2455
France (€) /metric ton	Negotiated Basis	900	1000	1240	1290	965	1015	1280	1330
	Surcharge	1070	1070	1476	1476	951	951	1312	1312
	Transaction	1970	2070	2716	2766	1916	1966	2592	2642
Italy (€) /metric ton	Negotiated Basis	820	870	1160	1260	720	770	1060	1160
	Surcharge	1080	1080	1440	1440	960	960	1280	1280
	Transaction	1900	1950	2600	2700	1680	1730	2340	2440
UK (£) /metric ton	Negotiated Basis	625	775	1090	1165	530	730	995	1055
	AA Factor	900	900	1060	1060	800	800	945	945
	Transaction	1525	1675	2150	2225	1330	1530	1940	2000
Spain (€) /metric ton	Negotiated Basis	820	870	1190	1240	720	770	1170	1270
	Surcharge	1060	1060	1438	1438	942	942	1278	1278
	Transaction	1880	1930	2628	2678	1662	1712	2448	2548
Sweden (SEK) /metric ton	Negotiated Basis	9190	9340	12695	12895	8790	8990	12115	12315
	AA Factor	10040	10040	13320	13320	8930	8930	11840	11840
	Transaction	19230	19380	26015	26215	17720	17920	23955	24155
Netherlands (€) /metric ton	Negotiated Basis	750	810	1010	1100	750	850	1025	1075
	Surcharge	1070	1070	1476	1476	951	951	1312	1312
	Transaction	1820	1880	2486	2576	1701	1801	2337	2387
Denmark (DKK) /metric ton	Negotiated Basis	7075	7225	9000	9200	6300	6700	8100	8400
	Surcharge	7984	7984	10745	10745	7089	7089	9551	9551
	Transaction	15059	15209	19745	19945	13389	13789	17651	17951

MEDIUM TERM PRICE FORECASTS

The MEPS - Asian Average Cold Rolled Coil, grade 304, transaction value declined by almost 2 percent in January. A similar decrease was noted for cold rolled coil, grade 316. Falling nickel cost was the main factor behind the reductions in stainless steel prices.

We believe that we are close to the bottom of the current price cycle. Raw material costs are unlikely to fall much further and are forecast to move upwards over the coming months. Nevertheless, prices could slip in February, particularly for grade 316 products.

Output cuts, ahead of the Chinese New Year, should help to alleviate oversupply pressures in the region. Asian demand is expected to pick up slightly after the holiday break. Export sales may also grow as market activity in western nations improves. Consequently, increases in Asian average selling figures are predicted between March and May of this year. The anticipated recovery in stainless steel values is expected to be short lived. Production volumes will remain above what is required in the market. The price trend could, therefore, turn negative, once again, during the second half of this year.



The January average cash nickel figure is on course to record a reduction of approximately 2 percent, month-on-month. A weakening Chinese economy and a stronger US dollar put negative pressure on prices. After falling to under 400,000 tonnes in early December, inventories held in LME warehouses have now gone back above 450,000 tonnes. The prolonged period of low nickel values is now resulting in mine closures. This should help to alleviate oversupply in this sector. However, we believe that it will take time to filter through to the market due to bloated stock levels and weak demand for the metal. Nevertheless, it should result in selling figures moving upwards, albeit modestly, over the next few months. A traditional summer lull in the stainless steel market is expected to lead to some softening in nickel prices over this period.

STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 METRIC TONS)

	2014	2015 (e)	2016 (f)	Q3-15	Q4-15 (e)	Q1-16 (f)	Q2-16 (f)	Q3-16 (f)	Q4-16 (f)
European Union	7242	7100	7250	1585	1635	1950	2000	1625	1675
United States (e)	2390	2350	2400	585	550	675	575	600	550
China	21693	21560	21925	5371	5430	5100	5625	5450	5750
Japan	3334	3050	3225	787	732	850	775	825	775
South Korea	2018	2200	2200	556	543	550	550	550	550
Taiwan	1108	1100	1125	274	266	300	275	275	275
Others* (e)	3903	4100	4175	1025	1027	1000	1075	1050	1050
Global Total	41688	41460	42300	10183	10183	10425	10875	10375	10625

Note: * - Others include Brazil, India, South Africa and CIS. (e) - ESTIMATE. (f) - FORECAST. r - REVISED. Source: ISSF, EUROFER, JISF, KOSA, TSIIA AND MEPS ESTIMATES

MARKET AND INDUSTRY SCENE

CAPACITY/INVESTMENT

Long products processor, Ugitech, has announced plans to modernise the rolling mill at its plant in Ugine, France. A new twenty tonne vertical coil compactor is being installed along with a new automated coil handling mechanism. Ugitech, part of the Schmolz and Bickenbach group, operates seven sites in France, Italy and Germany. Each year the company produces close to 250,000 tonnes of stainless steel bars, wire and wire rod.

Acerinox is investing €180 million modernising the production facilities at its Campo de Gibraltar site in southern Spain. The company has approved plans for a new cold rolling mill and an annealing and pickling line which it plans to commission in 2017. The Spanish-based stainless steelmaker is also investing €116 million installing a rolling mill and heat treatment line at its US subsidiary, North American Stainless. The Acerinox Group produced 1.77 million tonnes of crude stainless steel in the first three quarters of 2015

- down 2 percent, year-on-year.

Tsingshan Stainless Steel Group, China's largest stainless steel producer by volume, is set to expand its production further with the installation of a new wire rod line at its existing facility in Fujian province. The unit is expected to have an annual capacity of 50,000 tonnes. A contract for this work has been awarded and work will commence once the final approval is granted by local authorities.

RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
USA	US\$/metric ton	594.5	644.1
Japan	'000 Yen/metric ton	133.42	139.19
Germany	€/metric ton	840.3	810.9

Definition - The conversion margin is the difference between current transaction price and the intrinsic value of the raw materials.

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

		World		EU		North America		Asia	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
HR Coil 304	High	1677	1650	1807	1757	1606	1601	1618	1592
	Low	1587	1559	1745	1693	1497	1492	1519	1492
HR Coil 316	High	2350	2311	2478	2422	2132	2114	2439	2397
	Low	2251	2211	2407	2350	2023	2005	2322	2279
HR Plate 304	High	2005	1954	2097	2053	1978	1910	1940	1899
	Low	1904	1852	2009	1965	1869	1801	1834	1793
HR Plate 316	High	2694	2632	2759	2709	2504	2422	2821	2765
	Low	2591	2527	2670	2619	2395	2313	2707	2651
CR Coil 304	High	1845	1816	1953	1904	1769	1764	1813	1780
	Low	1745	1716	1886	1837	1660	1656	1686	1654
CR Coil 316	High	2530	2490	2615	2560	2295	2277	2682	2634
	Low	2419	2379	2550	2496	2186	2168	2520	2473
Drawn Bar 304	High	2290	2158	2083	1988	2499	2232	2288	2256
	Low	2197	2067	1993	1899	2409	2141	2191	2160
Drawn Bar 316	High	3023	2875	2824	2710	3248	2967	2997	2948
	Low	2938	2791	2744	2632	3157	2876	2913	2866

**TRANSACTION PRICES - MONTH ON MONTH % CHANGE (Local currencies per metric ton)
January 2016 versus December 2015**

PRODUCT:	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
	304	316	304	316	304	316	409	430	304	316	304	316
USA	-0.3	-0.9	-3.6	-3.4	-0.3	-0.8	2.4	3.0	-11.1	-8.9	-9.4	-8.0
Japan	0.0	0.0	-1.5	-1.1	0.0	0.0	—	0.0	—	—	—	—
South Korea	-2.6	-1.4	-2.4	-1.5	-2.3	-1.4	0.0	0.0	3.4	2.2	3.7	2.3
Taiwan	-2.0	-1.3	-1.7	-1.0	-1.9	-1.2	—	0.0	-1.1	-0.9	-1.1	-0.9
China	-2.4	-4.1	-4.0	-4.9	-4.1	-5.2	—	0.6	-2.0	-1.9	—	—
EU (average)	-4.6	-4.0	-3.8	-3.6	-4.2	-3.8	0.5	0.5	-6.4	-5.8	-6.3	-5.6
Germany	-4.7	-4.4	-3.7	-3.6	-4.4	-4.1	0.9	0.8	-5.3	-5.0	-5.2	-4.8
France	-5.6	-4.8	-4.9	-4.4	-5.1	-4.5	-1.1	-1.4	-6.8	-5.8	-6.2	-5.4
Italy	-4.1	-3.7	-3.5	-3.2	-3.8	-3.4	0.8	0.9	-5.0	-5.1	-5.1	-5.3
UK	-2.3	-1.8	-1.4	-1.5	-1.8	-1.4	4.2	4.1	-4.7	-3.8	-5.0	-3.5
Spain	-4.1	-3.4	-3.5	-2.9	-3.8	-3.3	1.1	1.2	-5.8	-4.7	-5.8	-4.5
Sweden	-4.7	-4.5	-4.1	-4.1	-4.4	-4.3	0.7	0.5	-5.2	-5.4	-5.0	-5.2
Netherlands	-5.6	-4.8	-4.9	-4.4	-5.2	-4.5	—	-1.4	-7.3	-6.3	-6.9	-5.9
Denmark	-4.8	-4.4	-3.6	-3.6	-4.4	-4.2	—	—	-4.9	-4.8	-5.0	-4.8

The February issue of the MEPS Stainless Steel Review will be dispatched on 26 February, 2016.

PRICE AND PRODUCT DEFINITIONS

All prices in this publication relate to those to be paid by consumers and stockholders for prime material, ex-mill. Prices are for regular business between customers and their local steel mills, negotiated during the current month for delivery in the future. Delivery charges and local taxes are excluded. Contract deals arranged in the domestic market or special negotiations for quantities of imported material are also excluded. A market or basis price can be defined as our analysis of the value negotiated for the specified products including extras for grade and form of supply. The transaction price is the total amount to be paid including alloy surcharges or alloy adjustment factor (if applicable). All price and market information is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices between major and minor customers. Price tables relate to deliveries in different time periods. It is important these are read in conjunction with the text in the newsletter.

Please note the reference for steel prices differs, slightly, in the various regions of the world:

Japan - In this publication, market price relates to spot deals negotiated between the mills and consumers or first tier service centres.

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

World prices are an arithmetic average of the values identified in three regions (EU, Asia and North America). EU prices are an arithmetic average of the values identified in Germany, France, Italy, UK and Spain. North America prices are derived from the values identified in USA. 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.

Hot Rolled Wide Coil - Grades 304 and 316 in standard widths and finish. Thickness 3-12mm except USA 0.125-0.5 inches.

Hot Rolled Quarto Plate - Grades 304 and 316 in standard widths, length and finish. Thickness 13mm and above except USA 0.5 inches and above.

Cold Rolled Wide Coils - Grades 304, 316, 409 and 430 in standard widths. Thickness 2mm except USA 0.10 inches. Grade 430 - BA finish except USA and China 2B finish. Grade 304 and 316 - 2B finish all countries.

Bright Drawn Bar - Grades 304 and 316. Diameter 25mm except USA 1 inch.

Peeled/Rough Turned Bar - Grades 304 and 316. Diameter 50-100mm except USA 2-4 inches. South Korean figures are for precision bar.

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.

MEPS PUBLICATIONS

EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for flat and long products is supplied in each edition. Prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.

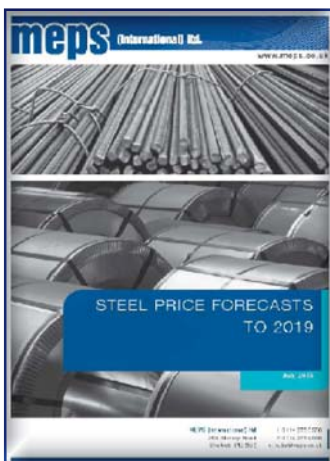


INTERNATIONAL STEEL REVIEW (monthly)

Each edition carries domestic steel pricing data in eleven countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech/Slovak Republics and the main five EU member states - covering 70 percent of world consumption. Details of World and Regional Average Steel Prices are incorporated together with regular forecasts.



MEPS STEEL PRICE FORECASTS TO 2019 - FIVE YEAR FORECAST - NOW AVAILABLE



The predictions in this report have been prepared using the key factors which MEPS have found to be statistically significant in affecting steel prices. They have been extensively researched and developed through rigorous formal analysis of the global market.

The research commenced with an evaluation of economic forecasts from a number of authoritative institutions. This was followed by an examination of the likely long term demand for steel. We then had discussions with a wide range of steel buyers to obtain their opinion of short and medium term market requirements. The final part of the research program involved an assessment of raw material supply, demand and costs to meet the anticipated consumption of steel products.

The data was drawn together for analysis by our experienced staff in the UK. It was incorporated in the unique model developed by MEPS for the preparation of steel price forecasts for clients over the past ten years. The final report was prepared giving the reasoning behind our predictions, together with charts and tables.

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