

STAINLESS STEEL REVIEW

Keynote

June 2017

DIVERGENT PRICES IN GLOBAL STAINLESS STEEL MARKETS

Stainless steel flat products ex-mill prices decreased again, this month, in most of the countries surveyed by MEPS. Further reductions are likely, in Western nations, in the near term. Market participants in Europe and North America predict that July/August is likely to represent the bottom of the current price curve.

Transaction values fell sharply, this month, in the United States, under the influence of reduced raw material costs. While nickel values have stabilised, somewhat, in recent weeks, the decrease in the European ferrochrome contract price for the third quarter will affect stainless steel selling figures in the coming months. The US mills' alloy surcharges for July,

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	1955	2622	2318	2985	2204	2871	1624	1728	2554	3443	3007	3815
Japan	2283	3179	2731	3627	2527	3545	—	2283	—	—	—	—
South Korea	1657	2668	1779	2790	1779	2790	1577	1618	2296	3622	2094	3379
Taiwan	1445	2228	1746	3041	1550	2349	—	1520	2319	2860	2409	2966
China	1406	1851	1669	2109	1533	1973	—	903	1597	1937	—	—
EU (average)	2142	3052	2393	3300	2291	3205	1655	1719	2492	3435	2249	3128
Germany	2158	3063	2412	3317	2311	3215	1711	1762	2441	3407	2227	3127
France	2146	3046	2370	3219	2299	3189	1699	1745	2441	3438	2341	3155
Italy	2135	3041	2389	3316	2287	3203	1607	1660	2441	3458	2186	3102
UK	2158	3084	2415	3236	2310	3253	1651	1736	2694	3513	2321	3110
Spain	2077	2981	2342	3368	2210	3113	1589	1673	2441	3357	2166	3152
Sweden	2185	3049	2461	3319	2321	3188	1664	1833	2511	3531	2305	3232
Netherlands	2166	3086	2430	3305	2309	3240	—	1755	2390	3317	2213	3084
Denmark	2167	3074	2495	3399	2321	3227	—	—	2602	3500	2312	3128

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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represent a further, significant cut, month-on-month. Our tabled figure for grade 304, cold rolled coil, for June, is already over 5 percent lower than the recent peak value, recorded in April. However, it should be noted that this month's price is more than 20 percent higher than that published one year ago.

Alloy surcharges continue to slide, in Europe. The recent weakness in the LME nickel cost had a negative effect on the calculations for June and July. The reduced ferrochrome contract figure is likely to result in more cuts for August. Furthermore, basis prices began to weaken, this month, and market players foresee additional discounts, in the short term. MEPS' published transaction value for type 304, cold rolled

coil, in Germany, for June, is more than 9 percent below the recent high figure, from April, but remains nearly 20 percent higher than the price recorded in June 2016.

Chinese price formulations react much more quickly to day-to-day fluctuations in raw material values, than those used in most other nations. Consequently, selling figures, in China, have risen, slightly, in recent weeks, in response to upturns in spot prices for both nickel and ferrochrome. Nevertheless, our tabled numbers, for grade 304, cold rolled coil, in June, are more than 23 percent down on the peak figure, published in December 2016, but 2 percent higher than the price reported twelve months ago.

Flat Products

Hot Rolled Coil and Plate

Market participants, in the United States, believe that real demand is holding up but purchasing activity is slowing as the summer holiday season approaches. Furthermore, buyers are cautious while transaction values are on a downward path. Basis figures for hot rolled coil plummeted, this month, as producers attempted to fill their production capacity by slashing prices.

Japanese buyers are reluctant to place orders, due to the negative price trend in the region. Domestic mills sought rollover figures, for June, but market values for 300 series coils slipped by ¥5000 per tonne. Underlying demand is fair, in South Korea, but customers are delaying order placement while they assess the effects of Chinese price movements on the local market. Selling values for type 304 coils dropped by KRW200,000 per tonne, month-on-month, in June, but may soon follow the upturn in Chinese numbers.

Taiwan's stainless steel hot rolled coil import volume increased by more than 30 percent, in May, compared with the previous month's tonnage. Falling raw material costs pushed hot rolled coil and plate prices down, in June. Chinese selling figures continued to slide, in the weeks following our last report. However, the mills succeeded in implementing rises, in recent weeks, supported by depleted inventories in the supply chain and an upturn in spot ferrochrome values.

In Europe, the low commodity price for oil is depressing the number of plate-consuming projects. Demand from the construction sector is strong, in Germany. Metalworkers and fabricators are also busy. Nevertheless, material is plentiful in the European market. In France, all plate suppliers are competing for a limited number of orders. Purchasing activity is further subdued by falling prices, as buyers wait to see how far values will slide. Demand from the oil and gas segment is weak in Italy. However, activity is at a satisfactory level in other energy sectors, as well

Stainless Steel Alloy Surcharges - Flat Products

	Actual						Estimate		
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Cold Rolled Coil 304									
USA \$/short ton	1256	1193	1188	1202	1139	1080	866	875	898
USA \$/metric ton	1385	1315	1310	1325	1255	1190	955	965	990
EU-Avg €/metric ton	1339	1425	1397	1448	1342	1233	1180	1060	1055
Cold Rolled Coil 316									
USA \$/short ton	1515	1447	1465	1520	1479	1383	1139	1129	1157
USA \$/metric ton	1670	1595	1615	1675	1630	1525	1255	1245	1275
EU-Avg €/metric ton	1853	1932	1912	2009	1923	1764	1650	1525	1525

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	875	984	1238	1347	1238	1347	1601	1710
	Surcharge	1080	1080	1383	1383	1080	1080	1383	1383
	Transaction	1955	2064	2621	2730	2318	2427	2984	3093
USA (US\$) /metric ton	Negotiated Basis	965	1085	1365	1485	1365	1485	1765	1885
	Surcharge	1190	1190	1525	1525	1190	1190	1525	1525
	Transaction	2155	2275	2890	3010	2555	2675	3290	3410
Japan (‘000 Yen) /metric ton	Negotiated Market	280	300	390	410	335	355	445	465
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	280	300	390	410	335	355	445	465
South Korea (‘000 KRW) /metric ton	Negotiated Market	2050	2150	3300	3530	2200	2330	3450	3600
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2050	2150	3300	3530	2200	2330	3450	3600
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	48.0	51.0	74.0	76.0	58.0	61.0	101.0	104.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	48.0	51.0	74.0	76.0	58.0	61.0	101.0	104.0
China (US\$) /metric ton	Negotiated Market	1550	1650	2040	2140	1840	1940	2325	2445
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	1550	1650	2040	2140	1840	1940	2325	2445
Germany (€) /metric ton	Negotiated Basis	880	980	1230	1280	1130	1230	1480	1580
	Surcharge	1242	1242	1781	1781	1242	1242	1781	1781
	Transaction	2122	2222	3011	3061	2372	2472	3261	3361
France (€) /metric ton	Negotiated Basis	870	920	1220	1270	1090	1190	1390	1490
	Surcharge	1240	1240	1775	1775	1240	1240	1775	1775
	Transaction	2110	2160	2995	3045	2330	2430	3165	3265
Italy (€) /metric ton	Negotiated Basis	850	920	1210	1310	1100	1200	1480	1530
	Surcharge	1249	1249	1780	1780	1249	1249	1780	1780
	Transaction	2099	2169	2990	3090	2349	2449	3260	3310
UK (£) /metric ton	Negotiated Basis	795	845	1130	1180	1015	1085	1260	1340
	AA Factor	1051	1051	1508	1508	1051	1051	1508	1508
	Transaction	1846	1896	2638	2688	2066	2136	2768	2848
Spain (€) /metric ton	Negotiated Basis	850	890	1230	1330	1110	1160	1610	1710
	Surcharge	1193	1193	1701	1701	1193	1193	1701	1701
	Transaction	2043	2083	2931	3031	2303	2353	3311	3411
Sweden (SEK) /metric ton	Negotiated Basis	8950	9200	12025	12675	11600	12600	14600	15400
	AA Factor	11987	11987	17195	17195	11987	11987	17195	17195
	Transaction	20937	21187	29220	29870	23587	24587	31795	32595
Netherlands (€) /metric ton	Negotiated Basis	890	930	1260	1310	1150	1190	1475	1525
	Surcharge	1240	1240	1775	1775	1240	1240	1775	1775
	Transaction	2130	2170	3035	3085	2390	2430	3250	3300
Denmark (DKK) /metric ton	Negotiated Basis	6615	7015	9225	9725	9010	9510	11610	11910
	Surcharge	9236	9236	13249	13249	9236	9236	13249	13249
	Transaction	15851	16251	22474	22974	18246	18746	24859	25159

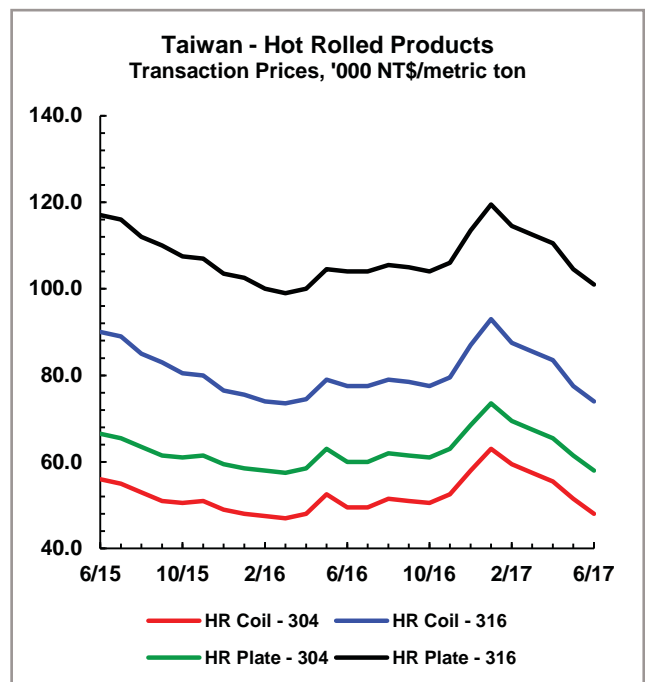
as the chemical industries and the manufacture of food processing equipment. Sales to the construction sector will hold up through the summer, as this is the industry's busiest time.

Hot rolled plate sales, in the United Kingdom, picked up, a little, in June, but remain at a mediocre level. Buyers are reluctant to commit to deals when they are unsure about the short-term price trend. Market conditions are testing, in Spain. Distributors are nervous and want to sell material quickly – even though this may lead to them making no profit from the deals. Basis values for grade 304 hot rolled coil declined by €20 per tonne, this month. Similar material, from Asia, is offered at very competitive prices.

The Swedish economy remains strong but no individual industry exhibits booming sales. The summer shutdown period will slow business activity but, for now, some "last-minute" purchases are noted. Underlying demand is fair, in the Netherlands, but the holiday season will subdue purchasing. Selling values are coming under negative pressure, exacerbated by attractive import offers. Domestic consumption is reasonable, in Denmark. Stockists report satisfactory sales tonnages but they struggle to sell material at more than its purchase price, in a falling market.

Cold Rolled Coil

Alloy surcharges fell again, in the United States, this month. The decrease in the European ferrochrome contract price will ensure further cuts in July and, probably, August, in that region. Last month's cut in the discount to the mills' list basis prices was reversed, in June. Import tonnages from China, rendered uncompetitive by antidumping duties, have been



replaced, largely, by material from other Asian suppliers. Market participants now await the government's deliberation on Section 232 measures – which would limit imports on the grounds of national security.

Demand is quite stable, in Japan, but purchasing activity is subdued as buyers observe a downward price trend. Domestic producers announced rollover figures, for austenitic coils, for June, but market values decreased by ¥5000 per tonne. In South Korea, ex-mill grade 304 coil selling numbers fell by KRW200,000 per tonne between May and June. The market may soon start to mirror the recent upturn in Chinese prices – prompting a burst in purchasing activity as buyers anticipate further increases.

Flat Products Domestic Transaction Price Forecasts - North America (US\$/metric ton)

Based on low prices
Including alloy surcharge where
applicable

	Actual			Forecast			
	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
HR Coil 304	2155	1915	2015	2035	2025	2015	2030
HR Coil 316	2890	2695	2695	2715	2715	2695	2705
HR Plate 304	2555	2235	2335	2355	2345	2335	2350
HR Plate 316	3290	2945	3015	3035	3045	3015	3025
CR Coil 304	2430	2190	2210	2230	2220	2210	2225
CR Coil 316	3165	2890	2890	2910	2910	2890	2900
CR Coil 430	1905	1720	1720	1720	1690	1660	1680

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	1125	1234	1488	1597	1139	1229	1102	1193
	Surcharge	1080	1080	1383	1383	485	485	626	626
	Transaction	2205	2314	2871	2980	1624	1714	1728	1819
USA (US\$) /metric ton	Negotiated Basis	1240	1360	1640	1760	1255	1355	1215	1315
	Surcharge	1190	1190	1525	1525	535	535	690	690
	Transaction	2430	2550	3165	3285	1790	1890	1905	2005
Japan (‘000 Yen) /metric ton	Negotiated Market	226	256	341	381	-	-	230	235
	Surcharge	84	84	94	94	-	-	50	50
	Transaction	310	340	435	475	-	-	280	285
South Korea (‘000 KRW) /metric ton	Negotiated Market	2200	2325	3450	3650	1950	2050	2000	2030
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2200	2325	3450	3650	1950	2050	2000	2030
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	51.5	54.5	78.0	81.0	-	-	50.5	53.5
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	51.5	54.5	78.0	81.0	-	-	50.5	53.5
China (US\$) /metric ton	Negotiated Market	1690	1800	2175	2295	-	-	995	1155
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	1690	1800	2175	2295	-	-	995	1155
Germany (€) /metric ton	Negotiated Basis	1030	1130	1380	1480	1100	1150	1000	1050
	Surcharge	1242	1242	1781	1781	582	582	732	732
	Transaction	2272	2372	3161	3261	1682	1732	1732	1782
France (€) /metric ton	Negotiated Basis	1020	1070	1360	1410	1100	1150	990	1040
	Surcharge	1240	1240	1775	1775	571	571	726	726
	Transaction	2260	2310	3135	3185	1671	1721	1716	1766
Italy (€) /metric ton	Negotiated Basis	1000	1050	1370	1420	985	1035	885	935
	Surcharge	1249	1249	1780	1780	595	595	747	747
	Transaction	2249	2299	3150	3200	1580	1630	1632	1682
UK (£) /metric ton	Negotiated Basis	925	995	1275	1335	920	950	865	890
	AA Factor	1051	1051	1508	1508	492	492	620	620
	Transaction	1976	2046	2783	2843	1412	1442	1485	1510
Spain (€) /metric ton	Negotiated Basis	980	1030	1360	1410	1000	1030	920	950
	Surcharge	1193	1193	1701	1701	563	563	725	725
	Transaction	2173	2223	3061	3111	1563	1593	1645	1675
Sweden (SEK) /metric ton	Negotiated Basis	10250	10750	13350	13850	10325	10455	10500	11250
	AA Factor	11987	11987	17195	17195	5615	5615	7069	7069
	Transaction	22237	22737	30545	31045	15940	16070	17569	18319
Netherlands (€) /metric ton	Negotiated Basis	1030	1080	1410	1510	-	-	1000	1040
	Surcharge	1240	1240	1775	1775	-	-	726	726
	Transaction	2270	2320	3185	3285	-	-	1726	1766
Denmark (DKK) /metric ton	Negotiated Basis	7735	8535	10345	11145	-	-	-	-
	Surcharge	9236	9236	13249	13249	-	-	-	-
	Transaction	16971	17771	23594	24394	-	-	-	-

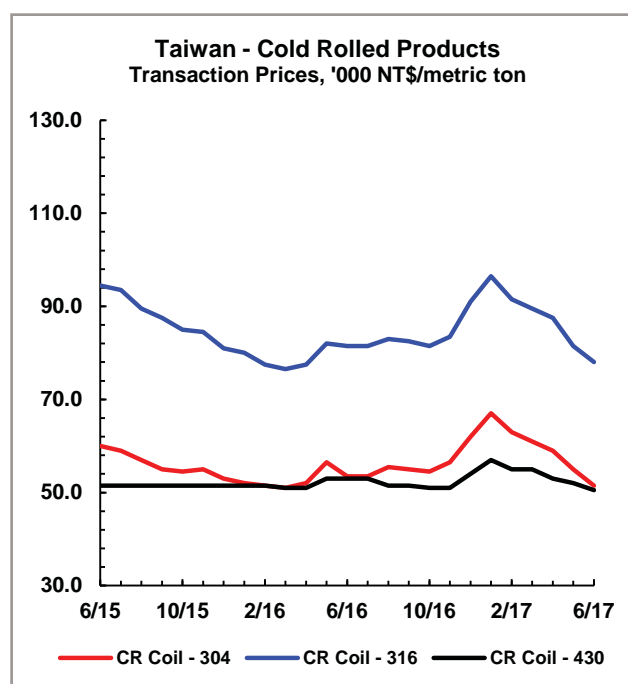
Monthly Cold Rolled - Negotiated Domestic Transaction Prices (Grade 304)

		Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
United States	High	2360	2745	2675	2670	2685	2655	2550
	Low	2240	2625	2555	2550	2565	2535	2430
Japan	High	305	315	325	335	345	345	340
	Low	275	285	295	305	315	315	310
EU Average	High	2284	2455	2541	2514	2562	2455	2318
	Low	2217	2389	2475	2448	2496	2389	2252

Falling raw material costs continued to push stainless steel prices down, in Taiwan, in June. Cold rolled coil, 300 series values slipped by NT\$3500 per tonne, compared with the previous month. The recent negative price trend, in China, led to sparse inventories, throughout the supply chain. This, along with rising spot values for ferrochrome, enabled domestic suppliers to push through moderate hikes in austenitic coil prices, since early June.

Stainless steel processors are busy, in Germany. Demand from the automotive sector is good. However, purchasing activity is subdued, as many customers ordered ahead, during the first quarter, when prices were climbing. Basis values edged downward, in France, this month. Further discounted offers are available as some sellers anticipate reduced surcharges, in July. The negative price trend persists, in Italy. Service centres are compelled to sell some material at a loss, in order to replace it with cheaper stock. Imports remain attractive.

Distributors, in the United Kingdom, are selling satisfactory volumes to carmakers and other end-users. However, competition between stockists is driving prices down. Low-priced offers from Far East suppliers are reported. Market participants fear



that political uncertainty may negatively affect the economy. Demand is subdued, in Spain. Buyers are nervous, as low nickel and chromium costs continue to undermine stainless steel values. Mills conceded basis price cuts, reluctantly, this month. Asian material is offered at €1850 per tonne, CIF, for delivery in twelve weeks.

Swedish customers are working on a "hand-to-mouth" basis as they wait to see how low prices will go. Mills have tried to lift basis figures, with little success. Supply chain participants, in the Netherlands, are trying to minimise their inventories, ahead of the summer shutdown period. Basis prices are softening, as end-users demand reductions. Consumption is satisfactory, in Denmark, but customers are buying only for their immediate needs. Regional mills' schedules are quite full but offers from southern Europe and Asia are abundant. Basis values started to fall, this month, and market participants foresee further cuts.

Currency Exchange Rates

		US dollars (US\$)	
		3-May	1-Jun
Japan	Yen	112.0	111.3
South Korea	KRW	1128	1122
Taiwan	NT\$	30.03	30.13
China	US\$	1.000	1.000
Eurozone	€	0.915	0.892
UK	£	0.773	0.776
Sweden	SEK	8.808	8.693
Denmark	DKK	6.804	6.634

Long Products

Long Products - Negotiated Transaction Price Trends - North America (US\$/metric ton)

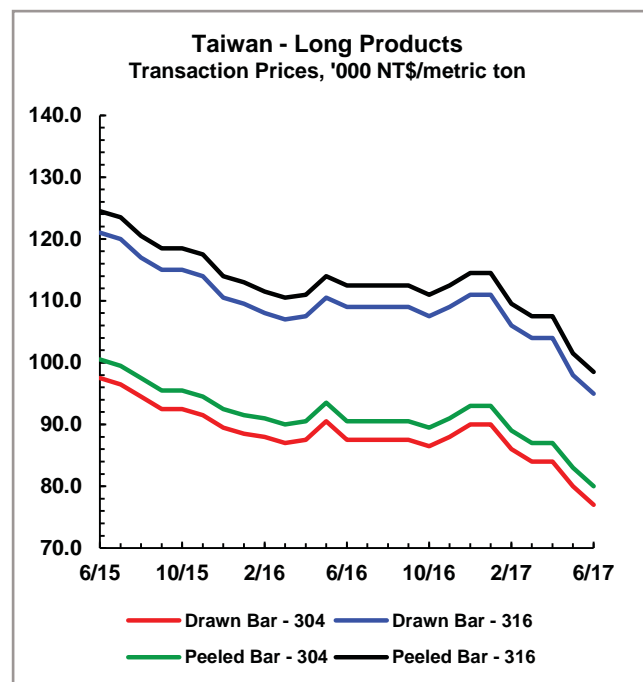
Based on low prices Including alloy surcharge where applicable	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17e
Drawn Bar 304	2388	2498	2583	2958	2880	2590
Drawn Bar 316	3243	3465	3537	3908	3885	3520
Peeled Bar 304	2888	2998	3083	3458	3380	3090
Peeled Bar 316	3653	3875	3947	4318	4295	3930

Purchasing activity, in the United States, typically slows in advance of the summer vacation period. That effect has been magnified, this year, by the negative price trend. Basis values were rolled over again, this month, but declining raw material costs continue to push alloy surcharges downward. Buyers, therefore, order no more than they need, anticipating further reductions. Stockists' inventories are lean, by historic standards, but many say that they will try to maintain these levels when the market picks up.

In South Korea, reduced raw material costs pushed grade 304 bar prices down by KRW300,000 per tonne, this month. Chinese market values, for the same product, rose by RMB500 per tonne, compared with last month, as producers took advantage of their customers' depleted stock levels and an upturn in spot ferrochrome prices.

In France, effective prices for austenitic bars decreased by less than the fall in alloy surcharges. One market player says that this brings nominal basis figures back to a "normal" level. Business is slow, in the United Kingdom. Stockists are reluctant to hold excessive inventory. Imports from Germany, Eastern Europe and India are available at very competitive prices.

End-user demand is fair, in Spain. Transaction values, for grade 304 bars, fell by only €50 per tonne, month-on-month, which is considerably less than the cut in the alloy surcharge. Asian type 304, bright bars, are offered at €1950 per tonne, CIF, for September delivery.



Monthly Drawn Bar - Negotiated Domestic Transaction Prices (Grade 304)

		Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
United States	High	2760	3110	3035	3030	3050	2975	2915
US\$/metric ton	Low	2660	3010	2935	2930	2950	2875	2815
Asia Average	High	2650	2617	2630	2594	2649	2526	2425
US\$/metric ton	Low	2510	2478	2489	2452	2506	2383	2282
EU Average	High	2423	2517	2586	2663	2711	2642	2545
€/metric ton	Low	2337	2432	2492	2568	2616	2546	2450

Negotiated Domestic Prices - Long Products

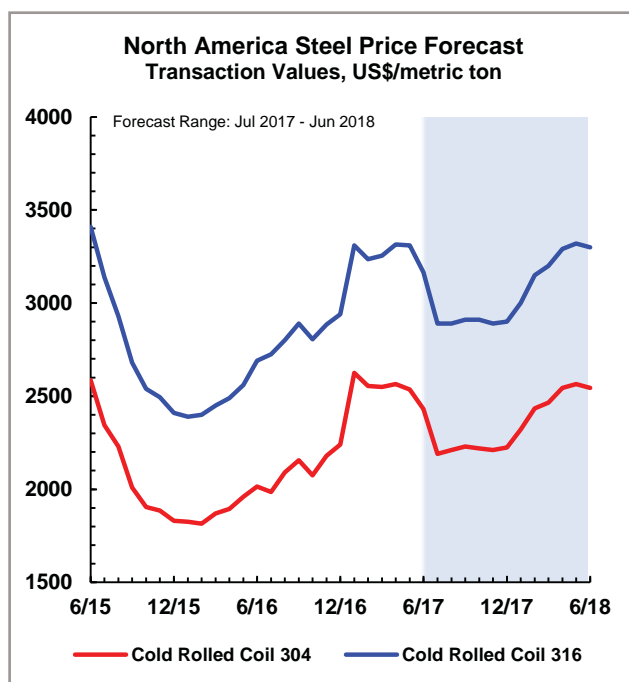
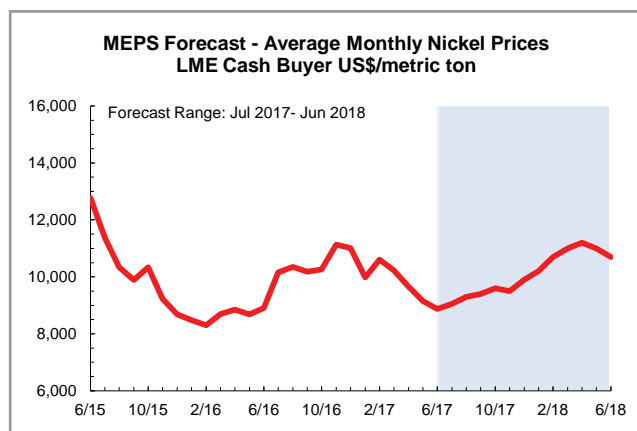
		Drawn Bar				Peeled Bar			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
USA (US\$) /short ton	Negotiated Basis	1642	1733	2322	2413	2096	2186	2694	2785
	Surcharge	912	912	1120	1120	912	912	1120	1120
	Transaction	2554	2645	3442	3533	3008	3098	3814	3905
USA (US\$) /metric ton	Negotiated Basis	1810	1910	2560	2660	2310	2410	2970	3070
	Surcharge	1005	1005	1235	1235	1005	1005	1235	1235
	Transaction	2815	2915	3795	3895	3315	3415	4205	4305
Japan (‘000 Yen) /metric ton	Negotiated Market	-	-	-	-	-	-	-	-
	Surcharge	-	-	-	-	-	-	-	-
	Transaction	-	-	-	-	-	-	-	-
South Korea (‘000 KRW) /metric ton	Negotiated Market	2840	2930	4480	4580	2590	2800	4180	4320
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2840	2930	4480	4580	2590	2800	4180	4320
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	77.0	80.0	95.0	97.0	80.0	83.0	98.5	101.5
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	77.0	80.0	95.0	97.0	80.0	83.0	98.5	101.5
China (US\$) /metric ton	Negotiated Market	1760	2010	2135	2385	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	1760	2010	2135	2385	-	-	-	-
Germany (€) /metric ton	Negotiated Basis	870	920	1210	1310	830	880	1170	1250
	Surcharge	1530	1530	2140	2140	1360	1360	1905	1905
	Transaction	2400	2450	3350	3450	2190	2240	3075	3155
France (€) /metric ton	Negotiated Basis	880	1030	1230	1330	950	1050	1190	1290
	Surcharge	1520	1520	2151	2151	1351	1351	1912	1912
	Transaction	2400	2550	3381	3481	2301	2401	3102	3202
Italy (€) /metric ton	Negotiated Basis	930	980	1290	1390	850	900	1180	1280
	Surcharge	1470	1470	2110	2110	1300	1300	1870	1870
	Transaction	2400	2450	3400	3500	2150	2200	3050	3150
UK (£) /metric ton	Negotiated Basis	995	1145	1150	1225	820	1020	1010	1070
	AA Factor	1310	1310	1855	1855	1165	1165	1650	1650
	Transaction	2305	2455	3005	3080	1985	2185	2660	2720
Spain (€) /metric ton	Negotiated Basis	893	943	1169	1219	790	840	1206	1306
	Surcharge	1507	1507	2131	2131	1340	1340	1894	1894
	Transaction	2400	2450	3300	3350	2130	2180	3100	3200
Sweden (SEK) /metric ton	Negotiated Basis	9900	10050	13500	13700	9500	9700	12900	13100
	AA Factor	14160	14160	20330	20330	12590	12590	18070	18070
	Transaction	24060	24210	33830	34030	22090	22290	30970	31170
Netherlands (€) /metric ton	Negotiated Basis	830	890	1110	1200	825	925	1120	1170
	Surcharge	1520	1520	2151	2151	1351	1351	1912	1912
	Transaction	2350	2410	3261	3351	2176	2276	3032	3082
Denmark (DKK) /metric ton	Negotiated Basis	7645	7795	9680	9880	6795	7195	8705	9005
	Surcharge	11380	11380	15917	15917	10116	10116	14169	14169
	Transaction	19025	19175	25597	25797	16911	17311	22874	23174

Medium Term Price Forecasts

Raw Materials

The June average cash nickel price is likely to be approximately 3 percent below the May figure. Indonesian nickel ore smelters announced production cuts, due to low selling prices. Reduced availability is expected to provide upward pressure to nickel selling values, in the short term. Nevertheless, monthly average prices are forecast to remain below US\$10,000 per tonne for the remainder of 2017.

Chinese chromium prices declined, in June. This, coupled with low priced offers from Indian producers, put downward pressure on European spot prices. Ferrochrome producers, in several countries, cut production. This helped to lift Chinese spot values towards the end of June. The third quarter chromium contract price was settled at US\$1.10 per lb. We anticipate no further reductions in contract prices, this year. Spot molybdenum values continued to soften, in June. Low demand pushed EU selling values down to levels last recorded at the beginning of 2017. Further reductions are likely in the short term. However, supply tightness may limit the size of any price decreases.



Stainless Steel - North America

MEPS - North American average coil rolled coil transaction values for grades 304 and 316, decreased by more than 4 percent, in June. Austenitic alloy surcharges declined, this month, due to reductions in nickel and molybdenum costs.

Effective prices are expected to fall substantially, in July. These decreases will be driven by significant reductions in alloy surcharges. Values are likely to stabilise during the summer months. Selling figures are forecast to soften, in the final quarter of 2017. However, protectionist measures, following the Section 232 investigation, could result in higher domestic steel prices than we are currently forecasting.

Stainless Steel Production - Crude Steel Equivalent ('000 Metric Tons)

	2014	2015	2016	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Q4-16
European Union	7242	7168	7282	1592	1693	1866	1928	1661	1827
United States (e)	2390	2345	2480	590	510	550	610	690	630
China	21693	21562	24938	5371	5324	5214	6551	6321	6852
Japan	3334	3062	3093	787	744	775	745	791	782
South Korea	2018	2224	2269	556	567	526	567	588	588
Taiwan	1108	1109	1263	274	275	299	324	302	338
Others* (e)	3903	4077	4454	1024	1038	1044	1104	1130	1175
Global Total	41688	41547	45778	10194	10151	10274	11828	11484	12192

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 & Industry Scene

Capacity/Investment

Slovenia's SIJ Acroni, a producer of stainless quarto plate, has started up a new 95-tonne argon oxygen decarburization (AOD) converter at its Jesenice facility. The investment raises annual production capacity by more than 20 percent. An automated dedusting system was also installed. The modernisation cost €30 million and was undertaken during the past two years. The SIJ Group's metallurgy division, which includes the Acroni and Metal Ravne plants, recorded production of cast steel at 448,497 tonnes in 2016 – an increase of 1.4 percent, compared with the previous twelve-month period.

Stainless steel bar producer, Walsin Lihwa, is installing a new peeling machine at its plant in Yenshui, Taiwan. It can process bright bar up to 160 millimetres in diameter – double its current capability. Commissioning is set for the first quarter of 2018. Walsin Lihwa has a total annual production capacity

of 700,000 tonnes of stainless products, of which, almost 25,000 tonnes are peeled bar.

South Korea's SeAH Changwon Integrated Special Steel (SeAH CSS) has commissioned a new tube extrusion press. It has a capacity of 35,000 tonnes per year of tubes, with a diameter of between 2 and 10 inches. Construction started in July 2015. SeAH CSS produces up to 1.2 million tonnes of stainless, special and carbon grade steels each year.

Raw Material Conversion Margin Grade 304 Cold Rolled Coil

Country		Last Month	This Month
USA	US\$/metric ton	958	1025
Japan	'000 Yen/metric ton	142.6	142.1
Germany	€/metric ton	1015	1083

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	2126	2025	2286	2206	2232	2064	1862	1804
	Low	2034	1931	2223	2142	2123	1955	1756	1698
HR Coil 316	High	2945	2820	3234	3125	2935	2731	2665	2606
	Low	2843	2718	3162	3052	2826	2622	2541	2481
HR Plate 304	High	2412	2333	2555	2480	2522	2427	2160	2094
	Low	2310	2231	2468	2393	2413	2318	2048	1981
HR Plate 316	High	3263	3165	3494	3390	3225	3094	3070	3013
	Low	3157	3059	3406	3300	3116	2985	2949	2892
CR Coil 304	High	2297	2217	2434	2358	2409	2313	2049	1981
	Low	2195	2114	2369	2291	2300	2204	1916	1847
CR Coil 316	High	3133	3028	3376	3270	3112	2980	2909	2836
	Low	3017	2914	3311	3205	3003	2871	2738	2664
Drawn Bar 304	High	2537	2478	2619	2588	2699	2644	2292	2200
	Low	2431	2372	2525	2492	2608	2554	2162	2070
Drawn Bar 316	High	3405	3328	3576	3523	3633	3534	3004	2929
	Low	3304	3228	3489	3435	3543	3443	2880	2807

**Transaction Prices - Month On Month % Change (Local currencies per metric ton)
June 2017 versus May 2017**

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	-7.9	-7.2	-3.9	-4.2	-4.1	-4.4	-2.2	-2.1	-2.1	-2.8	-1.8	-2.5
Japan	-1.8	-1.3	-1.5	-1.1	-1.6	-1.1	—	0.0	—	—	—	—
South Korea	-8.9	-7.0	-8.3	-6.8	-8.3	-6.8	-4.9	-4.8	-9.6	-5.3	-10.4	-6.7
Taiwan	-6.8	-4.5	-5.7	-3.3	-6.4	-4.3	—	-2.9	-3.8	-3.1	-3.6	-3.0
China	4.0	4.6	1.1	4.5	0.9	1.2	—	1.5	3.5	3.1	—	—
EU (average)	-6.1	-5.9	-5.5	-5.5	-5.7	-5.7	-2.0	-2.4	-3.8	-4.0	-3.7	-4.7
Germany	-5.7	-5.5	-5.1	-5.1	-5.3	-5.2	-1.7	-2.1	-5.3	-5.8	-5.2	-5.7
France	-5.9	-6.0	-5.4	-5.7	-5.5	-5.7	-1.2	-1.7	-4.0	-2.0	-4.1	-5.1
Italy	-5.8	-5.5	-5.2	-5.1	-5.5	-5.2	-1.3	-1.9	-1.2	-3.1	-0.9	-3.2
UK	-6.2	-6.0	-5.5	-5.7	-5.8	-5.7	-2.2	-2.6	-2.9	-3.2	-3.2	-3.3
Spain	-6.2	-6.1	-5.6	-5.5	-5.9	-5.9	-2.0	-2.6	-2.0	-2.9	-2.3	-3.1
Sweden	-4.2	-4.3	-3.7	-4.0	-4.0	-4.1	-1.4	-1.6	-3.8	-4.3	-3.7	-4.2
Netherlands	-5.4	-5.6	-4.9	-5.2	-5.1	-5.3	—	-1.7	-5.7	-6.2	-5.5	-5.9
Denmark	-5.7	-5.5	-5.0	-5.0	-5.3	-5.2	—	—	-5.0	-5.6	-5.0	-5.7

The July issue of the MEPS Stainless Steel Review will be dispatched on 28 July, 2017.

Price & 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. 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 thirteen countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech Republic 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.

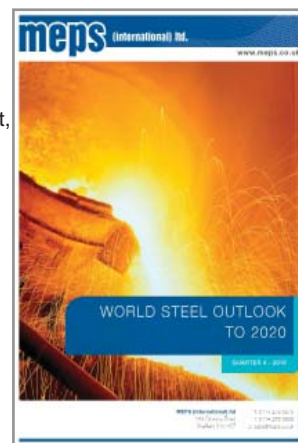


World Steel Outlook to 2021 (Quarterly)

One-year and five-year forecasts for crude steel, pig iron and DRI production for all main producing countries/regions. Also included is detailed statistics for finished steel production for the ten main rolled steel products (Hot Rolled Coil, Hot Rolled Plate, Cold Rolled Coil, Metal Coated Sheet, Electrical Sheet, Tinplate, Wire Rod, Sections and Beams, Rebar and Merchant Bar) in the EU, China, India, Japan, South Korea, Taiwan, Brazil and the US. From trade data we are also able to prepare estimates for apparent consumption.

The report briefly comprises of:

- Steel Market Overview
- Economic Overview (Including GDP forecasts)
- Iron and Steel Production (Short and long-term forecasts for crude steel, pig iron and DRI)
- Finished Steel Production, Trade and Consumption
- Regional Steel Price (Charts)
- Historical Data Tables



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