

STAINLESS STEEL REVIEW

KEYNOTE

JULY 2015

WORLD STAINLESS STEEL OUTPUT SET FOR SMALL INCREASE IN 2015

Global crude stainless steel production is predicted to reach a new record annual total of 42.2 million tonnes, in 2015. This would exceed the previous high figure, set last year, by 1.2 percent. The total has been revised downward, slightly, since our last forecast. This follows some lower than expected results during the

first quarter of this year – particularly from China.

The 2015 total production for that country is now expected to turn out at 22.15 million tonnes. While this represents a year-on-year increase of 2.1 percent, it is substantially lower

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	1968	2691	2436	3159	2132	2855	1523	1564	2782	3736	3236	4109
Japan	2033	2845	2772	3585	2255	3178	—	1995	—	—	—	—
South Korea	1858	3071	1996	3030	2061	3273	1955	2004	2699	3984	2497	3782
Taiwan	1616	2615	1925	3408	1734	2747	—	1514	2835	3525	2924	3629
China	1514	2377	1782	2645	1636	2500	—	827	1977	2541	—	—
EU (average)	2077	2963	2356	3241	2226	3116	1464	1459	2426	3439	2189	3133
Germany	2105	2978	2356	3230	2255	3129	1503	1487	2384	3392	2177	3109
France	2079	2942	2331	3144	2230	3083	1465	1447	2365	3385	2248	3166
Italy	2040	2925	2373	3277	2191	3086	1392	1373	2409	3436	2136	3084
UK	2171	3089	2434	3253	2334	3267	1589	1606	2606	3644	2280	3245
Spain	2013	2912	2310	3330	2144	3043	1375	1390	2366	3341	2106	3055
Sweden	2148	3004	2435	3281	2290	3145	1454	1560	2622	3697	2400	3379
Netherlands	2059	2942	2331	3169	2200	3093	—	1467	2390	3345	2208	3101
Denmark	2094	2966	2406	3278	2245	3117	—	—	2533	3473	2252	3099

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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than the figure forecast three months ago. Demand for Chinese stainless steel has been negatively affected by disappointing consumption, at home and abroad, as well as by antidumping measures in Europe.

After recovering, in 2014, to record a year-on-year increase of 5 percent, to 3.33 million tonnes, Japanese output is predicted to fall back by 3 percent, this year, to total 3.23 million tonnes.

Following better than expected results in the first half of 2015, we now forecast an annual outturn of 1.17 million tonnes, in Taiwan. While this represents a 5.2 percent advance on last year's number, it is almost 65 percent less than the peak figure, achieved in 2006.

South Korea's output has also slightly exceeded expectations during the early part of this year. Accordingly, we have adjusted our forecast, positively, to 2.08 million tonnes – an increase of 2.8 percent over last year's total.

The prediction for annual crude stainless steel output in the United States remains at 2.4 million tonnes. This equates to a 0.4 percent increase, compared with the 2014 total.

EU production has been below previous expectations during the first half of 2015, despite reduced competition from imports from the Far East. As a result, our forecast for this year's total outturn is downgraded to 7.18 million tonnes, which would be nearly one percent less than the 2014 figure.

FLAT PRODUCTS

HOT ROLLED COIL AND PLATE

Business activity is at a lower level than usual, for the time of year, in the United States. Falling prices are making buyers more cautious. Imports from Asia, with long delivery lead times, are unattractive, while domestic selling values are depressed. Market participants do not anticipate any significant pickup in sales volumes, in the short term.

The leading Japanese stainless steel producer, NSSC, cut its list price for austenitic hot rolled plate by ¥5,000 per tonne, this month, to take account of lower nickel costs. The steelmaker's mill at Yawata is reported to be operating at its maximum capacity. Persistent offers of cheap, imported material have undermined South Korean suppliers' attempts to raise their selling figures. In fact, market values have slipped, in July.

The major mills in Taiwan continue to operate at output levels of around 80 percent of their maximum capabilities. Order intake is reported to be increasing. China's economy expanded more quickly than had been expected, during the second quarter of 2015, boosted by the government's stimulus measures. Nevertheless, growth is at its lowest level for six years. Stainless steel buying activity has dropped. Coil inventories have been reduced ahead of the summer period, when lower consumption is forecast.

Demand remains subdued, in Europe. The current, low price level has had a negative effect on buyers' confidence. Despite this, many deliveries from regional plate producers are overdue – mills are undermanned but they are unwilling to employ more workers in the present business climate. Hot rolled coil shipments into Italy, from China, have not increased

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

	Actual						Estimate		
	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
CR Coil 304									
USA \$/short ton	1406	1302	1225	1134	1184	1143	1039	966	971
USA \$/metric ton	1550	1435	1350	1250	1305	1260	1145	1065	1070
EU-Avg €/metric ton	1269	1305	1299	1245	1256	1216	1140	1085	1070
CR Coil 316									
USA \$/short ton	1891	1742	1642	1529	1569	1501	1311	1229	1247
USA \$/metric ton	2085	1920	1810	1685	1730	1655	1445	1355	1375
EU-Avg €/metric ton	1863	1894	1875	1815	1796	1730	1575	1520	1515

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	823	932	1186	1295	1291	1400	1655	1764
	Surcharge	1145	1145	1505	1505	1145	1145	1505	1505
	Transaction	1968	2077	2691	2800	2436	2545	3160	3269
USA (US\$) /metric ton	Negotiated Basis	905	1025	1305	1425	1420	1540	1820	1940
	Surcharge	1260	1260	1655	1655	1260	1260	1655	1655
	Transaction	2165	2285	2960	3080	2680	2800	3475	3595
Japan (‘000 Yen) /metric ton	Negotiated Market	275	295	385	405	375	395	485	505
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	275	295	385	405	375	395	485	505
South Korea (‘000 KRW) /metric ton	Negotiated Market	2300	2400	3800	4030	2470	2600	3750	3900
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2300	2400	3800	4030	2470	2600	3750	3900
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	55.0	58.0	89.0	91.0	65.5	68.5	116.0	119.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	55.0	58.0	89.0	91.0	65.5	68.5	116.0	119.0
China (US\$) /metric ton	Negotiated Market	1665	1765	2615	2715	1960	2060	2910	3030
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	1665	1765	2615	2715	1960	2060	2910	3030
Germany (€) /metric ton	Negotiated Basis	850	950	1200	1250	1100	1200	1450	1550
	Surcharge	1238	1238	1755	1755	1238	1238	1755	1755
	Transaction	2088	2188	2955	3005	2338	2438	3205	3305
France (€) /metric ton	Negotiated Basis	870	920	1220	1270	1120	1220	1420	1520
	Surcharge	1193	1193	1699	1699	1193	1193	1699	1699
	Transaction	2063	2113	2919	2969	2313	2413	3119	3219
Italy (€) /metric ton	Negotiated Basis	790	860	1150	1250	1120	1220	1500	1550
	Surcharge	1234	1234	1752	1752	1234	1234	1752	1752
	Transaction	2024	2094	2902	3002	2354	2454	3252	3302
UK (£) /metric ton	Negotiated Basis	635	685	910	960	820	890	1025	1105
	AA Factor	893	893	1265	1265	893	893	1265	1265
	Transaction	1528	1578	2175	2225	1713	1783	2290	2370
Spain (€) /metric ton	Negotiated Basis	820	860	1200	1300	1115	1165	1615	1715
	Surcharge	1177	1177	1689	1689	1177	1177	1689	1689
	Transaction	1997	2037	2889	2989	2292	2342	3304	3404
Sweden (SEK) /metric ton	Negotiated Basis	8235	8485	11290	11940	10875	11875	13835	14635
	AA Factor	11494	11494	16293	16293	11494	11494	16293	16293
	Transaction	19729	19979	27583	28233	22369	23369	30128	30928
Netherlands (€) /metric ton	Negotiated Basis	850	890	1220	1270	1120	1160	1445	1495
	Surcharge	1193	1193	1699	1699	1193	1193	1699	1699
	Transaction	2043	2083	2919	2969	2313	2353	3144	3194
Denmark (DKK) /metric ton	Negotiated Basis	6265	6665	8875	9375	8585	9085	11185	11485
	Surcharge	9234	9234	13088	13088	9234	9234	13088	13088
	Transaction	15499	15899	21963	22463	17819	18319	24273	24573

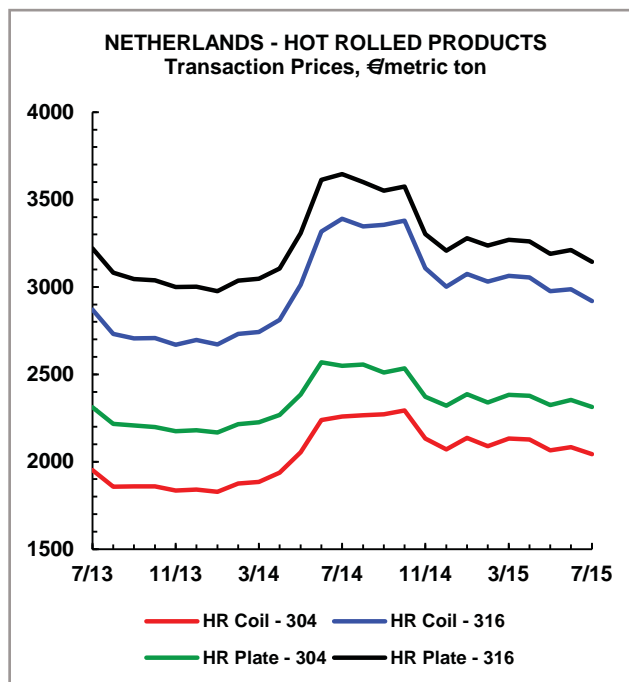
substantially since the antidumping measures on cold rolled material were introduced. The price differential between locally produced hot rolled and cold rolled coil, in Italy, is reported to be growing.

In the United Kingdom, demand from the automotive sector is strong and some white goods manufacturers are busy. Otherwise, consumption is poor. Stockists report slow day-to-day business. Selling values are depressed and traders are struggling to sell material at more than cost. Purchasing activity has picked up, a little, in Spain but remains at a lower level than at the same time, last year.

In Sweden, delivery lead times are stretching, although the underlying demand for flat stainless steel products is steady. There has been no significant change in order tonnages or basis values – in euro equivalent terms. In the Netherlands, order tonnages recorded a temporary upturn before the summer holidays but this has receded. Sellers are hoping for a revival in the market after the vacation period. Sales volumes are typically subdued for the holiday season, in Denmark. Underlying consumption, in the region, is fair but profit margins are small.

COLD ROLLED COIL

Business activity is disappointing throughout the supply chain, in the United States, although some mills report that their schedules are becoming fuller. Most market participants are operating on a hand-to-mouth basis. Destocking programmes are expected to extend into the final quarter of this year. Basis prices continue to slide. Chinese producers are making very aggressive offers. US mills are contemplating requesting antidumping action against



Asian suppliers.

In Japan, list prices for 300 series coils, from leading domestic producers, remain unchanged but market values have dropped by ¥10,000 per tonne, since June. Ferritic figures are unaltered. NSSC's mills are currently fully engaged in supplying regular customers but they expect spot order volumes to increase, in the short term. Selling values for austenitic coils continue to slip, in South Korea. As a result of the current, depressed nickel cost, many stainless steel buyers are choosing austenitic grades, rather than martensitic. Low-priced coil from China is prevalent in the South Korean market. Local producer, Posco, is considering filing an antidumping case, relating to

FLAT PRODUCTS DOMESTIC TRANSACTION PRICE FORECASTS - EU (€/metric ton)

BASED ON LOW PRICES
INCLUDING ALLOY SURCHARGE
WHERE APPLICABLE

	Actual		Forecast				
	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
HR Coil 304	2061	1990	1940	1920	1950	1920	1980
HR Coil 316	2940	2790	2740	2730	2770	2740	2820
HR Plate 304	2338	2270	2220	2200	2230	2200	2260
HR Plate 316	3216	3070	3030	3010	3040	3020	3100
CR Coil 304	2209	2140	2090	2070	2100	2070	2130
CR Coil 316	3092	2940	2890	2880	2920	2890	2970
CR Coil 430	1448	1450	1450	1450	1445	1445	1460

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	986	1095	1350	1459	1227	1318	1182	1273
	Surcharge	1145	1145	1505	1505	295	295	382	382
	Transaction	2131	2240	2855	2964	1522	1613	1564	1655
USA (US\$) /metric ton	Negotiated Basis	1085	1205	1485	1605	1350	1450	1300	1400
	Surcharge	1260	1260	1655	1655	325	325	420	420
	Transaction	2345	2465	3140	3260	1675	1775	1720	1820
Japan (‘000 Yen) /metric ton	Negotiated Market	241	271	356	396	-	-	255	260
	Surcharge	64	64	74	74	-	-	15	15
	Transaction	305	335	430	470	-	-	270	275
South Korea (‘000 KRW) /metric ton	Negotiated Market	2550	2675	4050	4250	2420	2520	2480	2510
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	2550	2675	4050	4250	2420	2520	2480	2510
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	59.0	62.0	93.5	96.5	-	-	51.5	54.5
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	59.0	62.0	93.5	96.5	-	-	51.5	54.5
China (US\$) /metric ton	Negotiated Market	1800	1910	2750	2870	-	-	910	1070
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	1800	1910	2750	2870	-	-	910	1070
Germany (€) /metric ton	Negotiated Basis	1000	1100	1350	1450	1090	1140	990	1040
	Surcharge	1238	1238	1755	1755	401	401	486	486
	Transaction	2238	2338	3105	3205	1491	1541	1476	1526
France (€) /metric ton	Negotiated Basis	1020	1070	1360	1410	1080	1130	970	1020
	Surcharge	1193	1193	1699	1699	374	374	466	466
	Transaction	2213	2263	3059	3109	1454	1504	1436	1486
Italy (€) /metric ton	Negotiated Basis	940	990	1310	1360	975	1025	875	925
	Surcharge	1234	1234	1752	1752	406	406	487	487
	Transaction	2174	2224	3062	3112	1381	1431	1362	1412
UK (£) /metric ton	Negotiated Basis	750	820	1035	1095	830	860	780	805
	AA Factor	893	893	1265	1265	289	289	351	351
	Transaction	1643	1713	2300	2360	1119	1149	1131	1156
Spain (€) /metric ton	Negotiated Basis	950	1000	1330	1380	1010	1040	927	957
	Surcharge	1177	1177	1689	1689	355	355	452	452
	Transaction	2127	2177	3019	3069	1365	1395	1379	1409
Sweden (SEK) /metric ton	Negotiated Basis	9535	10035	12585	13085	9625	9755	9810	10560
	AA Factor	11494	11494	16293	16293	3726	3726	4515	4515
	Transaction	21029	21529	28878	29378	13351	13481	14325	15075
Netherlands (€) /metric ton	Negotiated Basis	990	1040	1370	1470	-	-	990	1030
	Surcharge	1193	1193	1699	1699	-	-	466	466
	Transaction	2183	2233	3069	3169	-	-	1456	1496
Denmark (DKK) /metric ton	Negotiated Basis	7385	8185	9995	10795	-	-	-	-
	Surcharge	9234	9234	13088	13088	-	-	-	-
	Transaction	16619	17419	23083	23883	-	-	-	-

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

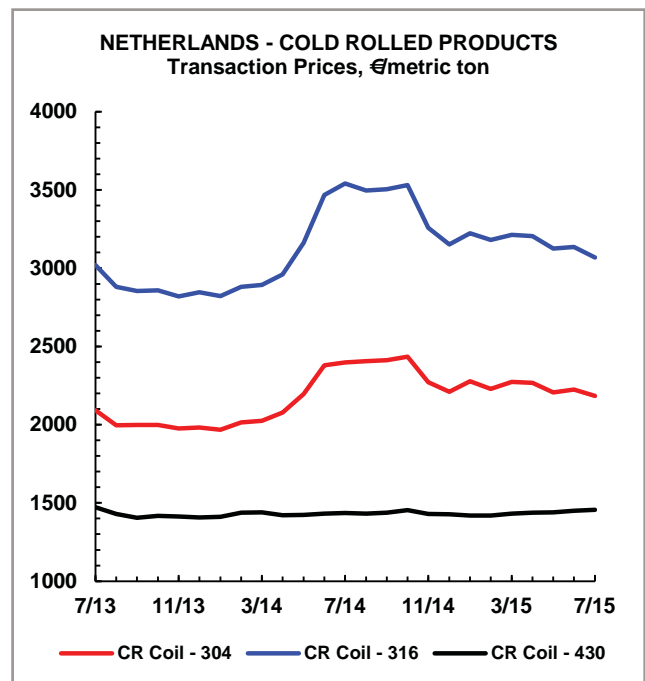
		Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15
United States	High	3115	2990	2875	2750	2650	2705	2465
	Low	2995	2870	2755	2630	2530	2585	2345
Japan	High	340	340	340	340	345	345	335
	Low	310	310	310	310	315	315	305
EU Average	High	2357	2319	2358	2359	2316	2327	2279
	Low	2289	2250	2288	2290	2247	2258	2209

the supply of this material.

Selling values for 300 series cold rolled coil softened again, this month, in Taiwan. The mills say that the current figures are close to their costs. They are, therefore, reluctant to concede any further cuts to their list prices. Although output in China has been affected by planned maintenance stoppages in recent months, this has been offset by new production units coming on stream. Local prices have decreased due to falling nickel costs and weak demand.

The German market remains subdued. Basis values are unchanged, for July. The mills have proposed basis figure hikes, in France but these had not been widely accepted, at the time of our research. Consumption is at a below average level. Sales activity is slowing, in Italy. Imports of Chinese coil have almost completely stopped. While EU mills have tried to lift basis prices, market values have, in fact, slipped, this month. Selling figures to end-users have also fallen.

Demand is poor in the United Kingdom. There is fierce competition, between suppliers, for any business that does arise. Buyers' confidence has been adversely affected by the repeated monthly cuts in alloy



surcharges. In Spain, stocks are believed to be at a medium-high level, throughout the supply chain – except for a few, specific grades. The mills are struggling to maintain basis values, which dropped by around €30 per tonne, in July.

Buyers in Sweden brought about an uptick in activity by booking deliveries before the summer holidays. Now, however, they are purchasing only for ad hoc or emergency requirements. The mills are believed to be seeking basis price increases. Business activity is very slow, in the Netherlands, during the summer vacation period. Basis values are stable, while alloy surcharges continue to slide. Some customers in Denmark are placing orders for October delivery. While unchanged basis figures have been agreed for July and August shipments, buyers will need to negotiate, with the mills, for subsequent consignments. Asian suppliers are absent from the market due to antidumping duties and the strong US dollar.

CURRENCY EXCHANGE RATES

		US dollars (US\$)	
		1-Jun	1-Jul
Japan	Yen	124.6	123.0
South Korea	KRW	1116	1125
Taiwan	NT\$	30.87	30.94
China	US\$	1.000	1.000
Eurozone	€	0.916	0.902
UK	£	0.659	0.640
Sweden	SEK	8.587	8.349
Denmark	DKK	6.836	6.731

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS - EU (€/metric ton)

BASED ON LOW PRICES INCLUDING ALLOY SURCHARGE WHERE APPLICABLE	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15e
Drawn Bar 304	2614	2854	2708	2612	2501	2310
Drawn Bar 316	3738	4162	3879	3699	3556	3230
Peeled Bar 304	2342	2557	2434	2364	2257	2090
Peeled Bar 316	3391	3766	3516	3370	3237	2950

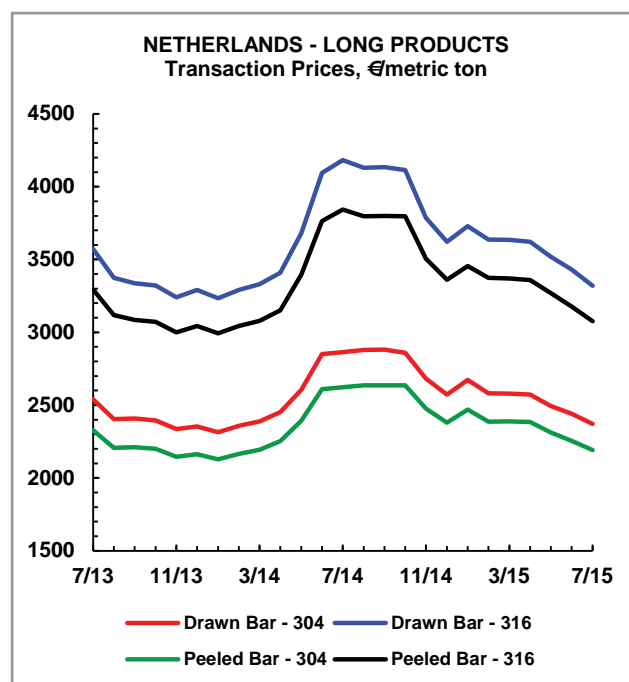
Sales volumes, in the United States, have been reasonable for most of this year but they have dropped off since mid-June. Both the size and number of orders has reduced. Buyers have been discouraged by falling nickel values. To add to the negative sentiment, the leading producer, North American Stainless, unexpectedly announced an increase in the discount to list basis prices.

Effective prices for drawn bar, in France, remain stable at approximately €2350/2450 per tonne, despite the continuing fall in alloy surcharges.

The market, in the United Kingdom, is very quiet. Buyers are delaying placing orders as they await further cuts in alloy surcharges. However, effective prices are, just about, unchanged, for July, in sterling terms. Producers are trying to sell direct to end-users. Supply chain participants do not expect a major upturn, in either consumption or values, in the remainder of this year.

In Spain, despite the continuing slide in the alloy surcharge, effective prices for grade 304 drawn bar slipped by just €50 per tonne, this month, to €2350/2400 per tonne.

Consumption has slowed, in Sweden, as is expected during the summer vacation period. Business activity may pick up, from August onward. Basis values, in July, were stable, in euro equivalent terms.



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

		Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15
United States	High	3640	3515	3450	3315	3250	3265	3160
US\$/metric ton	Low	3540	3415	3350	3215	3150	3165	3060
Asia Average	High	3053	3058	3059	3053	2934	2811	2863
US\$/metric ton	Low	2944	2949	2950	2944	2823	2702	2754
EU Average	High	2727	2685	2694	2663	2573	2541	2499
€/metric ton	Low	2639	2595	2603	2572	2482	2449	2407

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	1805	1895	2486	2577	2259	2350	2859	2950
	Surcharge	977	977	1250	1250	977	977	1250	1250
	Transaction	2782	2872	3736	3827	3236	3327	4109	4200
USA (US\$) /metric ton	Negotiated Basis	1985	2085	2735	2835	2485	2585	3145	3245
	Surcharge	1075	1075	1375	1375	1075	1075	1375	1375
	Transaction	3060	3160	4110	4210	3560	3660	4520	4620
Japan (‘000 Yen) /metric ton	Negotiated Market	-	-	-	-	-	-	-	-
	Surcharge	-	-	-	-	-	-	-	-
	Transaction	-	-	-	-	-	-	-	-
South Korea (‘000 KRW) /metric ton	Negotiated Market	3340	3430	4930	5030	3090	3300	4680	4820
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3340	3430	4930	5030	3090	3300	4680	4820
Taiwan (‘000 NT\$) /metric ton	Negotiated Market	96.5	99.5	120.0	122.0	99.5	102.5	123.5	126.5
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	96.5	99.5	120.0	122.0	99.5	102.5	123.5	126.5
China (US\$) /metric ton	Negotiated Market	2175	2325	2795	2925	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	2175	2325	2795	2925	-	-	-	-
Germany (€) /metric ton	Negotiated Basis	800	850	1125	1225	770	820	1095	1175
	Surcharge	1565	1565	2240	2240	1390	1390	1990	1990
	Transaction	2365	2415	3365	3465	2160	2210	3085	3165
France (€) /metric ton	Negotiated Basis	725	825	1050	1100	790	840	1090	1140
	Surcharge	1621	1621	2309	2309	1441	1441	2052	2052
	Transaction	2346	2446	3359	3409	2231	2281	3142	3192
Italy (€) /metric ton	Negotiated Basis	820	870	1160	1260	720	770	1060	1160
	Surcharge	1570	1570	2250	2250	1400	1400	2000	2000
	Transaction	2390	2440	3410	3510	2120	2170	3060	3160
UK (£) /metric ton	Negotiated Basis	555	705	890	965	465	665	795	855
	AA Factor	1280	1280	1675	1675	1140	1140	1490	1490
	Transaction	1835	1985	2565	2640	1605	1805	2285	2345
Spain (€) /metric ton	Negotiated Basis	785	835	1085	1135	700	750	1050	1150
	Surcharge	1563	1563	2230	2230	1390	1390	1982	1982
	Transaction	2348	2398	3315	3365	2090	2140	3032	3132
Sweden (SEK) /metric ton	Negotiated Basis	9485	9635	13095	13295	9070	9270	12495	12695
	AA Factor	14590	14590	20860	20860	12970	12970	18540	18540
	Transaction	24075	24225	33955	34155	22040	22240	31035	31235
Netherlands (€) /metric ton	Negotiated Basis	750	810	1010	1100	750	850	1025	1075
	Surcharge	1621	1621	2309	2309	1441	1441	2052	2052
	Transaction	2371	2431	3319	3409	2191	2291	3077	3127
Denmark (DKK) /metric ton	Negotiated Basis	7075	7225	9000	9200	6300	6700	8100	8400
	Surcharge	11676	11676	16713	16713	10371	10371	14847	14847
	Transaction	18751	18901	25713	25913	16671	17071	22947	23247

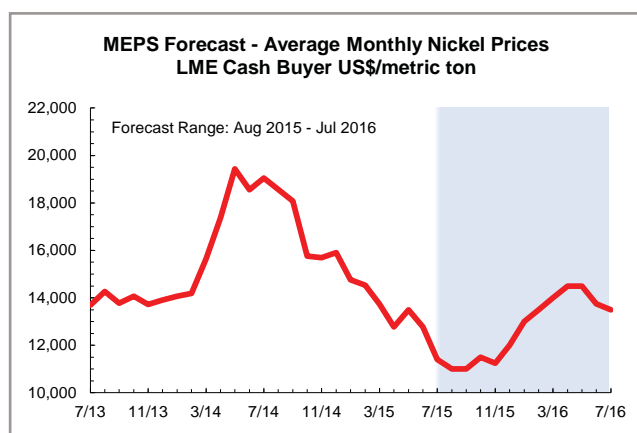
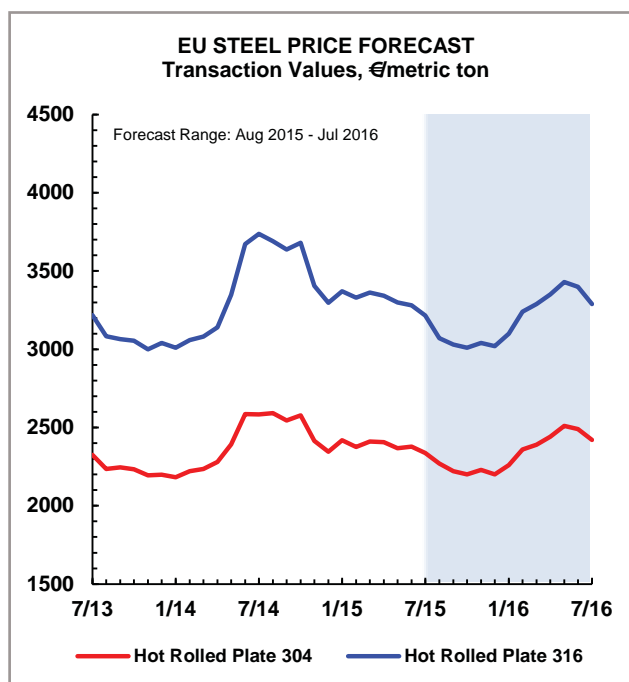
MEDIUM TERM PRICE FORECASTS

STAINLESS STEEL - EU

MEPS - EU Average Hot Rolled Plate, grade 304, transaction values decreased by €40 per tonne, in July. A decline of €65 per tonne was noted for type 316. Falling nickel and molybdenum costs pushed alloy surcharges down this month. Basis numbers were relatively stable across Europe.

Stainless steel selling figures will, almost certainly, drop significantly in August. This is because of large reductions in raw material costs, during the reference period in July. Buying activity, over the summer holiday period, is expected to remain subdued.

Sales volumes are likely to increase in September, when customers purchase for their fourth quarter requirements. However, distributors are expected to keep their inventories to a minimum due to year-end financial constraints. Consequently, EU mills may struggle to lift basis values this year. Transaction figures could, therefore, drift downwards in the short term. A revival in stainless steel prices is predicted for the first half of 2016. Mill input expenditure is forecast to rise in this period.



NICKEL

The July average cash nickel figure has plummeted by almost 11 percent. Data reported from China was weaker than expected. This put negative pressure on the commodity markets, this month. Prices are forecast to remain low in the short term. There is the potential for further decreases, towards US\$10000 per tonne. Reductions in LME inventories could help to stem the price declines. Nevertheless, we foresee little potential for upward movement in nickel values during the remainder of 2015. Some mines are announcing output cuts and closures. These are expected to take some time to filter through to the market due to weak stainless steel demand. However, a seasonal uptick in sales at the beginning of 2016 could lift nickel prices in the first half of next year.

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

	2013	2014	2015 (f)	Q3-14	Q4-14	Q1-15 (e)	Q2-15 (e)	Q3-15 (f)	Q4-15 (f)
European Union	7142	7242	7180	1613	1539	1918	1962	1650	1650
United States (e)	2030	2390	2400	605	610	600	625	600	575
China	18984	21693	22146	5336	5670	5014	5767	5690	5675
Japan	3175	3334	3233	862	790	809	749	850	825
South Korea	2109	2018	2075	500	490	535	540	500	500
Taiwan	1081	1108	1166	274	268	291	320	280	275
Others* (e)	3985	3903	4000	983	893	1000	1000	1000	1000
Global Total	38506	41688	42200	10173	10260	10167	10963	10570	10500

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

Outokumpu is carrying out a series of modernisation works at its Nirosta stainless steel strip mill operating near Krefeld, Germany. Plans include a revamp of the existing cold rolling mill, which has been in operation since 1970. An upgrade to the rolling-oil treatment plant will also be carried out. Commissioning is expected before the year-end.

Acciaierie Venete, the Italian steelmaker, has commissioned a new blooming stand at its special steels mill in Camin, near Padua. The new line can process 110 tonnes of blooms, with diameters between 350mm and 600mm, per hour.

MERGERS/ACQUISITIONS

Spanish pipemaker, Tubacex, has acquired a 68 percent stake in the stainless tube division of India's Prakash Steelage. Located near Mumbai, it produces both seamless and welded stainless steel pipes and

tubes. Tubacex invested close to US\$36 million to acquire its equity stake in the company and retains an option to purchase the outstanding shares.

ANTIDUMPING

The European Commission is set to cut antidumping duties on cold rolled stainless steel coil imported into the EU from Taiwan. The rate will be cut from 12 percent to 6.8 percent beginning in the third quarter.

RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
USA	US\$/metric ton	926.2	724.9
Japan	'000 Yen/metric ton	115.42	107.34
Germany	€/metric ton	783.2	802.9

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	2133	2026	2159	2144	2295	2077	1945	1857
	Low	2041	1934	2094	2077	2186	1968	1843	1755
HR Coil 316	High	3017	2895	3065	3038	3045	2800	2942	2848
	Low	2916	2794	2991	2963	2936	2691	2821	2727
HR Plate 304	High	2470	2406	2449	2446	2659	2545	2303	2226
	Low	2368	2304	2360	2356	2550	2436	2195	2119
HR Plate 316	High	3375	3295	3348	3335	3409	3268	3365	3284
	Low	3269	3189	3256	3241	3300	3159	3250	3167
CR Coil 304	High	2302	2195	2310	2297	2459	2241	2135	2049
	Low	2200	2094	2241	2226	2350	2132	2008	1922
CR Coil 316	High	3199	3078	3207	3184	3209	2964	3182	3088
	Low	3086	2965	3141	3116	3100	2855	3018	2925
Drawn Bar 304	High	2682	2665	2522	2519	2968	2873	2555	2603
	Low	2588	2571	2431	2426	2877	2782	2456	2504
Drawn Bar 316	High	3645	3595	3535	3521	3959	3827	3438	3436
	Low	3558	3508	3455	3439	3868	3736	3352	3350

**TRANSACTION PRICES - MONTH ON MONTH % CHANGE (Local currencies per metric ton)
July 2015 versus June 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	-10.0	-8.4	-4.5	-4.3	-9.3	-7.9	-4.6	-4.2	-3.3	-3.4	-2.9	-3.1
Japan	-3.5	-2.5	-1.3	-1.0	-3.2	-2.3	—	0.0	—	—	—	—
South Korea	-4.2	-2.6	-3.9	-2.6	-3.8	-2.4	0.0	0.0	-2.9	-2.0	-3.1	-2.1
Taiwan	-1.8	-1.1	-1.5	-0.9	-1.7	-1.1	—	0.0	-1.0	-0.8	-1.0	-0.8
China	-10.2	-7.6	-8.8	-6.9	-9.5	-7.4	—	-9.9	16.6	6.1	—	—
EU (average)	-2.3	-2.4	-1.7	-2.0	-2.1	-2.3	0.5	0.5	-1.7	-2.0	-1.5	-1.8
Germany	-1.9	-2.2	-1.7	-2.0	-1.8	-2.1	0.6	0.7	-3.5	-3.4	-3.4	-3.4
France	-1.9	-2.2	-1.7	-2.1	-1.8	-2.1	0.4	0.5	-0.9	-1.8	-0.6	-1.5
Italy	-2.5	-2.7	-1.8	-2.1	-2.3	-2.6	0.7	0.6	-3.6	-3.7	-3.2	-3.5
UK	-2.6	-2.8	-2.3	-2.6	-2.4	-2.6	-0.4	-0.3	0.0	0.0	0.0	0.0
Spain	-3.3	-3.1	-1.7	-1.8	-3.1	-2.9	0.1	0.1	-2.1	-2.2	-1.9	-2.1
Sweden	-2.6	-2.9	-2.4	-2.7	-2.5	-2.8	-0.4	-0.4	-3.9	-4.1	-3.9	-4.1
Netherlands	-2.0	-2.2	-1.7	-2.1	-1.8	-2.1	—	0.5	-2.9	-3.2	-2.8	-3.1
Denmark	-1.9	-2.2	-1.7	-2.0	-1.8	-2.1	—	—	-3.3	-3.3	-3.2	-3.4

The August issue of the MEPS Stainless Steel Review will be dispatched on 27 August, 2015.

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.

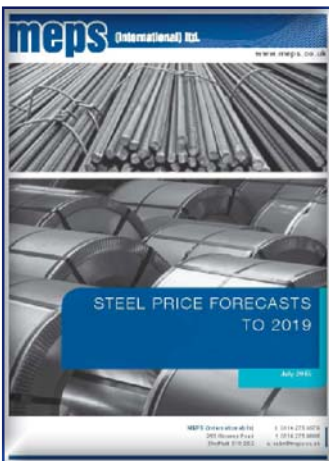


INTERNATIONAL STEEL REVIEW (monthly)

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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