

## Hot rolled band export price: it's often the key to steel company common stock performance

As indicated in Fig. 1, there is a strong correlation between WSD's "Global Steel Finance" composite performance of steel equities and the hot rolled band (HRB) export price. The HRB export price is a key indicator since: (a) most of the major steel companies in the world are steel sheet producers, with HRB being the key "substrate" for non-HRB products; and (b) the HRB export price usually takes into account the steel mills' operating cost due to changes in the prices of iron ore, coking coal and steel scrap.

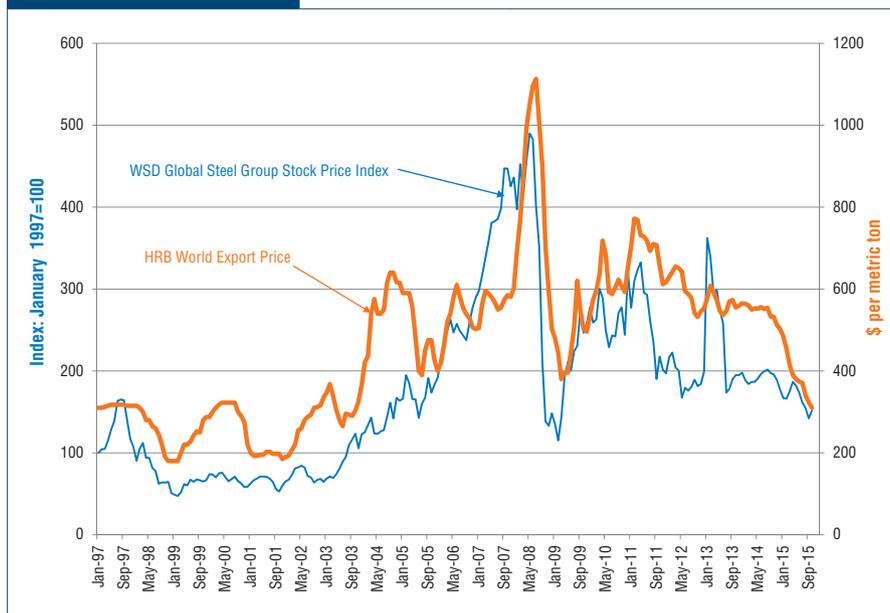
As indicated, the WSD Steel Group Stock Price Index of steel mill common stocks in 2003–2004 lagged the HRB price; in 2007–2008, it well preceded it; and, since the summer of 2008, has often moved in line with

it — although, in 2013, the stock price index had a sharp rally when the export price was about flat.

Currently, WSD thinks that the HRB world export price is close to bottoming because, on an ex-works basis, it's well below the marginal cost of many steel mills — except for steel mills in countries with low operating costs in part due to currency devaluations.

WSD's composite stock price index consists of unweighted price index for the common stocks of 54 steel companies in 16 countries from eight different regions. The index was 100 as of January 1997. In general, the HRB export price is 2.4 times more volatile than the common stock index.

Figure 1



WSD Global Steel Group Stock Price Index vs. HRB world export price.

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WSD's steel experience, steel database and availability of steel statistics are the principles for performing steel forecasts, studies and analysis for international clients. WSD seeks to understand how the "pricing power" of steel companies the world over will be impacted by changes in the steel industry's structure. The views and opinions expressed in this article are solely those of World Steel Dynamics and not necessarily those of AIST.



### Authors

**Peter Marcus** (left)  
managing partner, World Steel Dynamics  
pmarcus@worldsteeldynamics.com  
+1.201.503.0902

**John Villa** (right)  
research strategist, World Steel Dynamics  
jvilla@worldsteeldynamics.com  
+1.201.503.0911

### Correction

In the January 2015 issue, the acronym for China Iron and Steel Association (CISA) was inaccurately referenced in this section. *Iron & Steel Technology* apologizes for this error.