

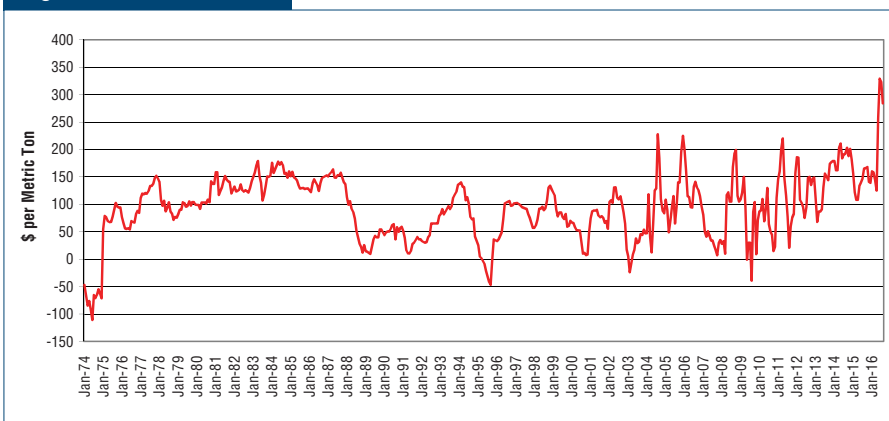
HRB home vs. world price: Price variations far exceed those for marginal cost

Chinese, EU and U.S. home-market prices versus the HRB export price

Using WSD's SteelBenchmarker™, WSD has compared home country hot-rolled band (HRB) prices in China, the EU and the U.S. to the world price, FOB the port of export. As indicated, the variation in the spreads at various points in time are often unsustainable (which will promote steel futures trading when the time is right). Interestingly, while the data is not included herein, the variation in marginal cost from country-to-country is far less than the variation in the price. Hence, the name of the game for the steel companies is to benefit from the "pricing power" in the home market.

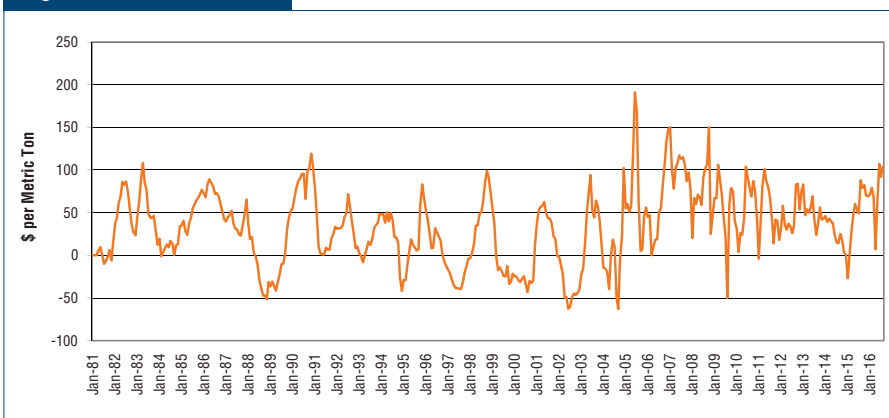
- The Chinese ex-works price in the 2001 to 2004 time frame at times tended to be about US\$50/metric ton above the world price in part because HRB was in short supply. However, given the current ex-works price (not including the cost to ship the steel to the port of export) at about US\$359/metric ton, excluding the 17% value added tax, it's now selling at a US\$41/metric ton discount to the world price of about US\$400/metric ton.

Figure 1



Spread: U.S. hot-rolled band less world export spot price. Source: WSD Price Tracker and SteelBenchmarker™.

Figure 2



Spread: Western Europe hot-rolled band less world export spot price. Source: WSD Price Tracker and SteelBenchmarker™.



is a leading steel information service in Englewood Cliffs, N.J., USA

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.



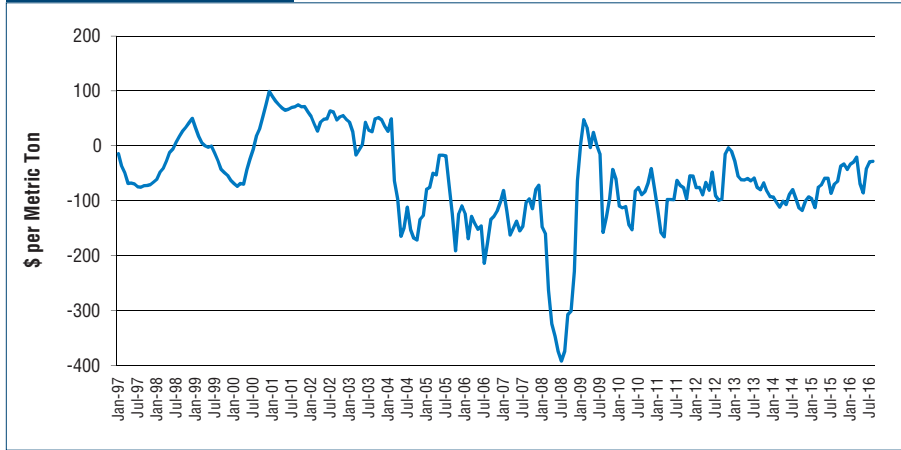
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- The U.S. price since 2004 has frequently sold at a US\$100/metric ton or so premium to the world price. Currently, the premium is about US\$260/metric ton.
- The EU price for HRB versus the world export price from 1981 to 2015 was often only US\$50/metric ton higher; or just about the cost to import the offshore HRB in Panamax vessels. In recent months, based on the reduction in foreign offerings, including a decline in Chinese offering, the HRB domestic price has climbed to US\$480/metric ton, or US\$80/metric ton above the world price. WSD thinks the spread for the EU mills will widen further.

Figure 3



Spread: China home-market hot-rolled band less world export hot-rolled band price. Source: WSD SteelBenchmarker™.

This report includes forward-looking statements that are based on current expectations about future events and are subject to uncertainties and factors relating to operations and the business environment, all of which are difficult to predict. Although WSD believes that the expectations reflected in its forward-looking statements are reasonable, they can be affected by inaccurate assumptions made or by known or unknown risks and uncertainties, including, among other things, changes in prices, shifts in demand, variations in supply, movements in international currency, developments in technology, actions by governments and/or other factors. ◆



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