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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.



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Chinese steel prices: "All over the lot"

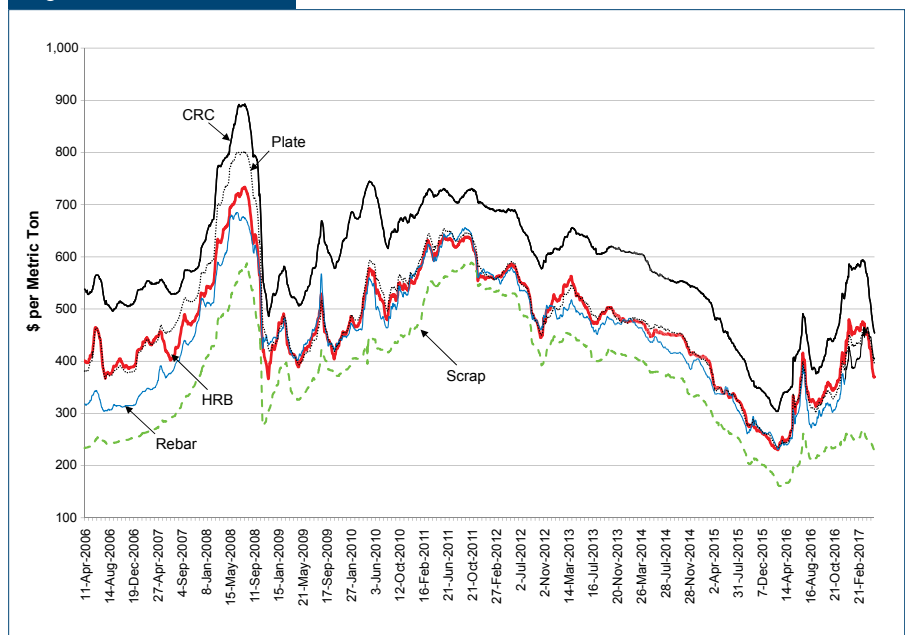
China's ex-works prices are impacted by supply/demand factors, steel industry sentiment and futures prices. There are many day-traders in China, further adding to volatility. When the futures price is rising, this may pull up the mills' ex-works prices; and the opposite occurs when the futures prices are falling. Here's what happened to the prices for five products since mid-February 2017 — as of 24 April 2017:

- Hot-rolled band (HRB): The price is down US\$106/metric ton to US\$370/metric ton from US\$476/metric ton (February 17th), a 22% decline.
- Cold-rolled coil: The price fell US\$118/metric ton to US\$454/metric ton from US\$594/metric ton (23 February 2017), a decline of 24%. The spread between cold-rolled coil and HRB narrowed to US\$84/metric ton from US\$118/metric ton.

Why the lessened spread? One answer could be diminished demand for cold-rolled coil relative to HRB. However, WSD thinks the most likely reason is the massive overproduction of hot-rolled band — up 10–15% on a year-to-year basis — that's inundated the cold rolling mills with so much HRB supply that the production of cold-rolled coil became excessive.

- Discrete plate: The price fell just US\$59/per metric ton to US\$393/metric ton from US\$452/metric ton (17 February 2017), a drop of 13%. Because the product is produced almost exclusively by integrated steel-makers and the outlook for ship-building activity is diminished, perhaps the product is prone to less speculative influence.
- Rebar: The price fell US\$59/metric ton to US\$406/metric ton from US\$465/metric ton

Figure 1



Chinese ex-works daily prices. Source: SteelHome.

(17 February 2017), which was a decline of 13%. Hence, the cessation of billet production by induction furnace steelmakers has helped to better sustain this price than is the case for HRB and cold-rolled coil.

- **Steel scrap:** The Chinese price fell only US\$25/metric ton to US\$229/metric ton from US\$254/metric ton, for a drop of 10%. Perhaps the relatively high price on the world market helped to sustain the Chinese price even though the country's export duty is 40%. In mid-April 2017, shredded steel scrap in the United States was about US\$295/metric ton.

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