



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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Steel scrap price symphony: One big happy family

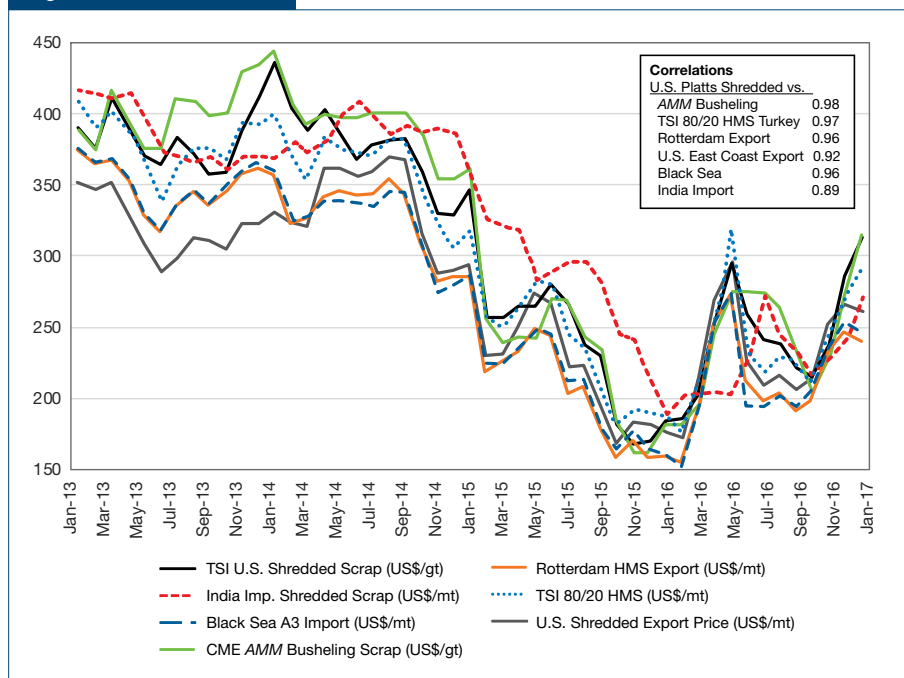
Fig. 1 demonstrates that, since 2013 on a monthly basis, the price of steel scrap in most markets has moved closely together. Not surprisingly, there's a high correlation between U.S. shredded scrap price and prices for the six other data series.

These relationships well demonstrate that all steel scrap, no matter where it's generated, resides in the same global bathtub. In fact, pig iron, iron ore, billet, slab and DRI, which are traded internationally, are also in the same global bathtub.

Interestingly, while not included in the matrix, the price of steel scrap has a good correlation with the common stocks of the leading international iron ore producers and, as well, those of United States Steel Corporation, Gerdau and POSCO.

As WSD sees it, the two best leading indicators in the steel business, when it comes to their price movements, are the steel scrap price and the iron ore price delivered to China.

Figure 1



Steel scrap price symphony. Sources: TSI, CME, SBB.

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