

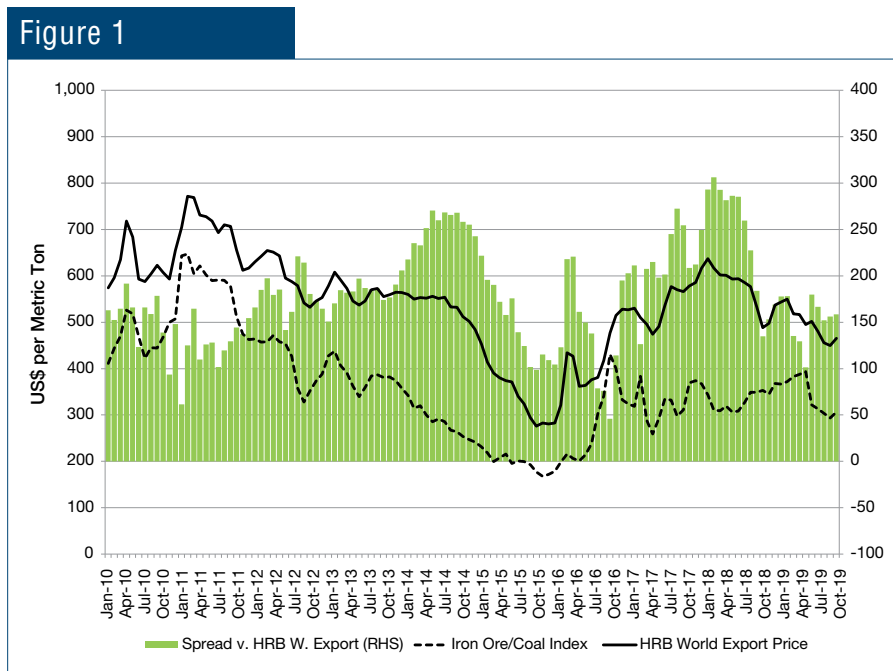
## Steel Price vs. Raw Materials Price: Which Comes First?

Fig. 1 compares graphically: (a) the hot-rolled band (HRB) export price and (b) the blast furnace (BF) cost index for iron ore and coking coal. These items from 2010 to 2016 tended to be in sync. But, starting in 2016, the hot-rolled band export price rose far more sharply — at least through early 2018. Since then, the weighted iron ore and coking coal BF cost index has fallen more sharply.

In early 2011, the premium for the HRB price over the BF cost index was narrowed. However, the opposite was the case when the HRB export price peaked in early 2018.

As of December 2019, the premium for the HRB world export price versus the BF cost index is about US\$158/metric ton, which is not an atypical figure looking back to 2010.

Looking ahead, major swings in the HRB price, the BF cost index and the “spreads” can be expected.



HRB world export price vs. iron ore/coal index and spread. Source: WSD estimates, SteelBenchmarker™, SBB.

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