

# *BAINFO Ferrous Metal Weekly*

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## Market Summary & Forecast

### Steel

Domestic steel prices kept falling amid pessimistic sentiment and tepid demand in slack season. Winter cut this year was less than expected this year. Meantime, crude steel outputs refreshed the record heights frequently. As rebar futures prices stopped declining, however, market confidence restored and more deals were made gradually. Next week, domestic steel prices are anticipated to consolidate amid a narrow range.

As for macro economy, growth of industrial profit slowed down. The economy maintains growth during the past ten months in 2018. Solvency and profitability saw improvement this year and profit in steelmaking, petrochemical and non-ferrous metal industry expanded rapidly.

As for supply, daily output of crude steel climbed up slightly over last month. Social inventory kept declining but the decline slowed down. Inventory at steel plants moved higher slightly.

On feedstock end, coke prices extended the downtrend and saw the fourth round of price drop. This was mainly attributed to price drop and squeezed profit in steel industry. Coking prices remained firm and only saw limited price drops. Despite of resistance to further drops, coke plants would compromise due to better profit than steelmakers. Iron ore prices also registered great falls this week. Billet prices moved down continuously, which triggered pessimistic sentiment and brought heavy losses to steel plants. Short-term domestic iron ore prices are to remain weakly stable, while prices of imported cargoes are anticipated to see corrections.

The main contract for rebar futures closed at RMB 3,307/T, down 11.32% over last week. Hot coil contract closed at RMB 3,209/T, down 10.64%.Coke futures price closed at RMB 2,126/T, down 6.18% and coking coke contract closed at RMB 1,338/T, down 1.91% over last week. Futures price for iron ore was closed at RMB 476/T, down 8.29% over last week.

The steel market is running amid several bearish forces, including high output, accumulated inventory and price drop in upstream. As futures prices pick up, spot steel prices get support again. In short term, steel prices are anticipated to consolidate within a narrow range.

Winter cut is less than expected. The undesirable profit at steel plants might tighten the supply in near future. Due to the cold weather, demand keeps waning. However, there might be winter storage in short term.

In overall, the commodity market turns bearish in overall. As crude oil futures price slumped, panic sentiment pervaded. Policy-led production cut could not serve as a support to the steel market this year. Support from the feedstock end also softens. More steel cargoes flow into South China from the north areas. In short term, steel prices are anticipated to correct themselves within a narrow range.

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## Wire Rod

Domestic building steel prices saw big declines this week. Earlier this week, billet prices declined sharply. Coupled with the downward movement in rebar futures market, spot prices moved down gradually. However, transaction was not improved. Later, the prices stopped declining amid yet-to-recover demand. And then, prices fell again. In short term, building steel market is likely to soften further with price change within RMB 50-100/T.

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## Steel Plate

### Hot-rolled Coil

Domestic hot-rolled coil prices slumped. The sharply dropping cost blew market confidence. Combined with the financial strain at month end, pessimistic sentiment was intensified. Traders generally reduced offers amid cautious mood. Currently, production peak averting and shifting policy during heating season was carried out, but actual production cut scale failed to meet market expectation. In Jiangsu, partial steelmakers had already resumed production and inventories in each place increased. Also, due to the dramatic changes of recent prices, buyers mostly retreated to sideline and only kept purchase on rigid demand. In a short run, domestic hot rolling prices would sustain corrections in weak scenario, moving within RMB 180/T.

### Cold-rolled Coil

Domestic cold-rolled coil prices dropped substantially. Recent steel billet and futures rebar prices plunged, and market panic intensified amid pessimistic mood. Downstream demand was poor amid seasonal lull, and traders continued to reduce offers, but still with trading performance poor. It was heard that in recent period, prices plunged amid diverged market sentiment. Some traders focused on inventory clearance and partial traders temporarily held back from offers to avoid more losses. In a near term, cold rolling prices are expected to make small adjustments within RMB 150/T.

### Medium Plate

Domestic medium plate prices kept weakening. For the week medium plate prices maintained decreasing tracking the slumping futures and cost. Early this week, spot prices kept dropping across the board without improvement in deals. On the sluggish demand, traders had to start price war with low-priced cargoes more and more. Then spot prices kept moving down dramatically. In this situation, buyers became more cautious. Given that it was settlement period at month end, traders mostly focused on payment collection. In a near term, market prices are expected to be stable-to-downward by RMB 110/T.

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## Section Bar

Section bar prices decreased across the board. Feedstock iron ore and coke prices stepped down sharply. Steelmakers' profit was narrowed and buyers still adopted bargaining approach. Middlemen generally kept watching. Currently, it was getting increasingly cold in North China, and construction activities were depressed. Demand for steel was soft. In heating season, steel rolling enterprises conducted larger-scale turnaround. Near the month end, traders started to throw cargoes to avoid inventory inflation. In a near term, large-to-middle section bar market prices are expected to keep corrections in weak scenario, moving within RMB 200/T.

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## Steel Pipes

### **Welded Steel Pipe**

Domestic welded pipe market prices slumped with weak deals. As for feedstock, steel billet prices kept decreasing consecutively, then pipe plants successively cut off prices. Market prices were also dragged down. Recent pipe prices kept dropping and market panic intensified. Thus traders slowed down shipments amid watching mood. Currently, there were no more bullish supports from macro fundamentals. Traders were pessimistic and held bearish outlook on later market. Most of them threw cargoes for inventory clearance. In a short run, welded pipe market may remain range-bound in a weak trend, moving within RMB 50-100/T.

### **Seamless Steel Pipe**

For this week seamless tube market prices moved down with deals weak. Along with the weaker cost, seamless tube prices kept going down and down. Recent steel prices slumped amid watching mood. Combined with the poor performance of ferrous metal futures, most traders held pessimistic outlook on later trend. Now seamless tube market was poor with inventories going down slowly. Oversupply was seen as main bearish contributor. As for inventories, most traders maintained low inventories and did not want to restock in a large scale, expecting for more cost decrease. In a short run, seamless tube market prices may remain range-bound in a weak trend, moving by RMB 50-100/T.

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## Steel Billet

Domestic steel billet market prices remained soft with lackluster deals of spot cargoes. Downstream demand was sluggish and buyers were resistant to current prices. Steel mills kept negative sentiment, leading to subdued transactions. Market players were pessimistic about later market, thus most of them adopted wait-and-see stance. Traders were eager to stockpile cargoes with lower prices. Environmental protection inspections got strict again, but the supports for steel billet were limited. Combined with strong watching mood, domestic steel billet market prices are expected to keep dropping with the fluctuation of RMB 110/T in the short run.

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## Strip Steel

Strip steel market prices kept bearish. End demand weakened gradually, prompting to lackluster shipment. Traders adjusted offers in tandem with overall market trend. Sellers held negative expectations for later market, leading to tepid buying interest. Social inventory stayed at a low level and some northern resources were sold to South China. However, sellers were inactive in transactions and mostly held wait-and-see approach. Considering high cost, steel mills were eager to firm prices. Environmental protection inspection turned stricter, but the support for strip steel market was subdued. In the short term, domestic strip steel market is predicted to consolidate with the movement of RMB 110/T.

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## Silicon Steel

Silicon steel market prices edged down with lackluster deals. Downstream demand remained sluggish, thus deal prices moved down further. Till Nov. 29, mainstream market offers for silicon steel ran at RMB 5,000/T, while deals were concluded with lower price level. Downstream plants were inactive in production amid bad trading performance. Sellers mainly adopted watching attitude and kept wary about transactions. With the absence of effective supports, silicon steel market was hard to turn better in a short time. Next week, domestic silicon steel prices are likely to go down by RMB 50-100/T continually.

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## Coat-plating

Domestic coat-plating market prices extended downward movement. Ferrous metal futures prices remained soft, dragging down market players' confidence. Coat-plating inventories kept increasing in most of regions. Downstream demand was still sluggish. Therefore, sellers suffered strong shipment pressure. Besides, market demand in North China will be weaker during the heating season. In East and South China, end demand will decrease continuously later. In North China, market prices are possible to slide down accordingly. Overall, domestic coat-plating prices are anticipated to sustain downtrend with the fluctuation of RMB 50-100/T in the short run.

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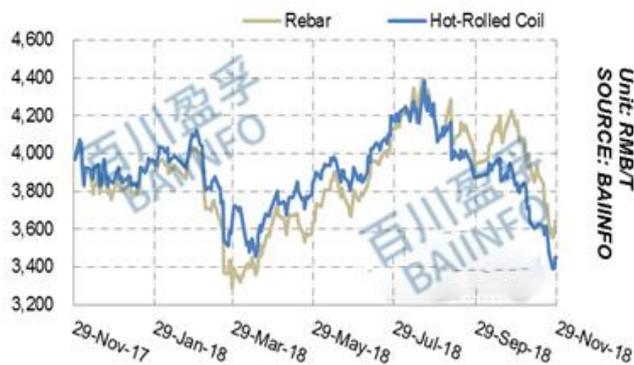
## Analysis on Ferrous Metal Futures Market

At the end of this week, rebar main contract was closed at RMB 3,307/T, down 11.32 over last week, hot-rolled coil at RMB 3,209/T, down 10.64% over last week. Settlement price of coke was at RMB 2,126/T, down 6.18% over last week. Settlement price of coking coal was at RMB 1,338/T, down 1.91% over last week and iron ore was settled at RMB 476/T, down 8.29% over last week.

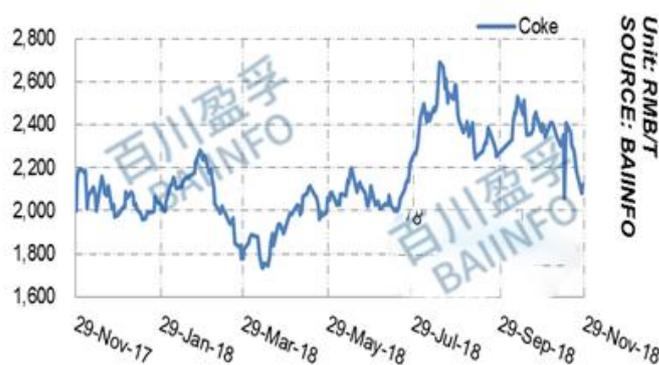
### Futures Prices of Ferrous Metals

	Products	This week	WoW	MoM	Change in Three Months
Closing Prices (Main Contract) (RMB/T)	Rebar	3307	↓ 11.32%	↓ 18.49%	↓ 19.08%
	Hot-rolled coil	3209	↓ 10.64%	↓ 15.44%	↓ 21.88%
	Coke	2126	↓ 6.18%	↓ 9.26%	↓ 10.05%
	Coking coal	1338	↓ 1.91%	↓ 3.39%	↑ 9.36%
	Iron ore	476	↓ 8.29%	↓ 8.37%	↓ 1.75%

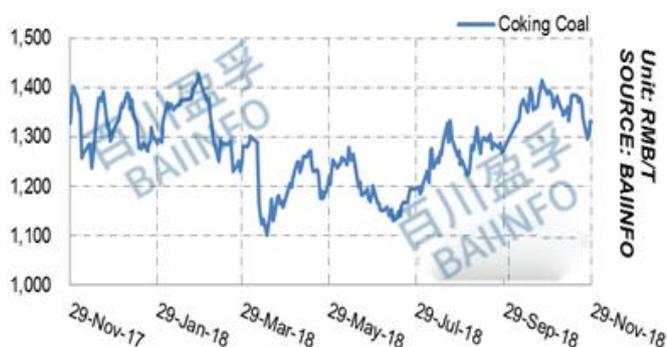
Closing Prices of Rebar And Hot-Rolled Coil



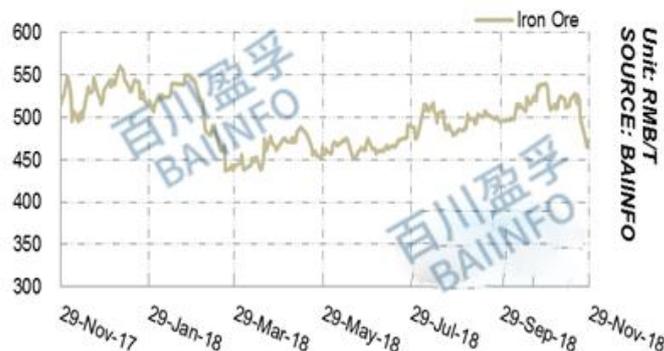
Closing Prices of Coke



Closing Prices of Coking Coal



Closing Prices of Iron Ore



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## Analysis on Raw Materials Market

This weekend, imported iron ore BDI was at RMB 492.97/T, down RMB 42.30/T compared with last week. Average price of concentrate iron fines was at RMB 705.13/T, down RMB 39.12/T. At Qingdao port, average price of imported iron ore was at RMB 458.5/T, down RMB 46.5/T. Average price of steel scrap was at RMB 2,122/T, down RMB 221/T. In Tangshan, square billet price was at RMB 3,040/T, down RMB 410/T.

As for raw materials, coke market continued to drop, affected by dropping steel products' prices and declining profit. Coking plants were not faced with inventory pressure and coking coal price kept firm, with limited downs. Iron ore market was faced with pressure and ran down. As for domestic ore, billet steel price moved down and most steel plants cut down price. It is predicted that domestic ore market will run weak. As for imported ore, steel price plunged and finished steel prices ran weak. Iron ore price was affected and went down. It is predicted that domestic iron ore market will fluctuate next week.

### Raw Materials Price (RMB/T)

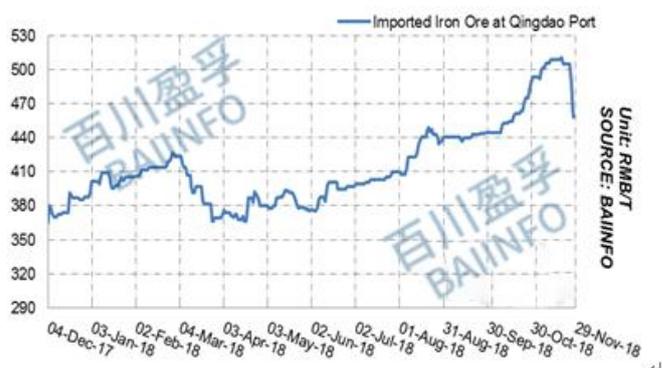
Products	This Week	WoW	MoM	Change in Three Months	Change from the Beginning of This Year
BAIINFO Iron Ore Index	492.97	↓ 7.90%	↓ 9.39%	↑ 1.45%	↑ 20.34%
Iron Ore Concentrate AVG Price	705.13	↓ 5.26%	↓ 4.36%	↑ 1.22%	↑ 0.52%
Imported Iron Ore Price	458.5	↓ 9.21%	↓ 7.09%	↑ 4.09%	↑ 18.32%

at Qingdao Port					
Metallurgical Coke (II Level) AVG Price	2286	↓ 6.62%	↓ 3.42%	↓ 4.19%	↑ 4.48%
Steel Scrap AVG Price	2122	↓ 9.43%	↓ 14.78%	↓ 8.85%	↓ 2.71%
Steel Billet Price in Hebei	3040	↓ 11.88%	↓ 23.62%	↓ 24.57%	↓ 16.71%
BDI	1330	↑ 31.94%	↓ 9.52%	↓ 15.77%	↑ 8.13%

Domestic Iron Ore Price Trend



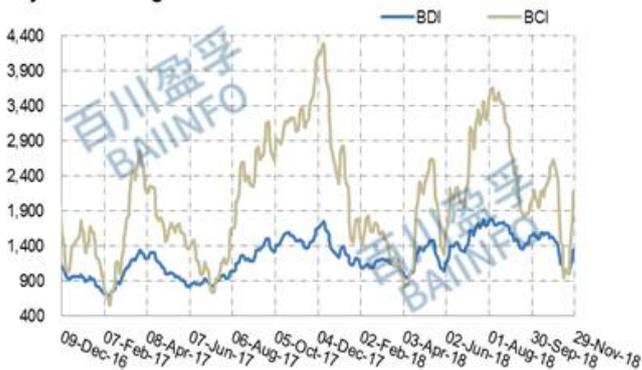
Imported Ore Prices Trend



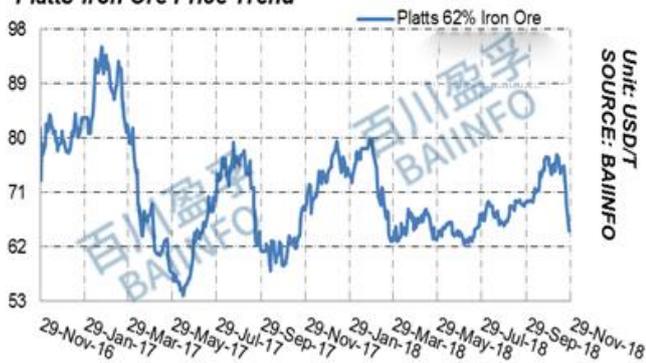
Iron Ore Ocean Freight



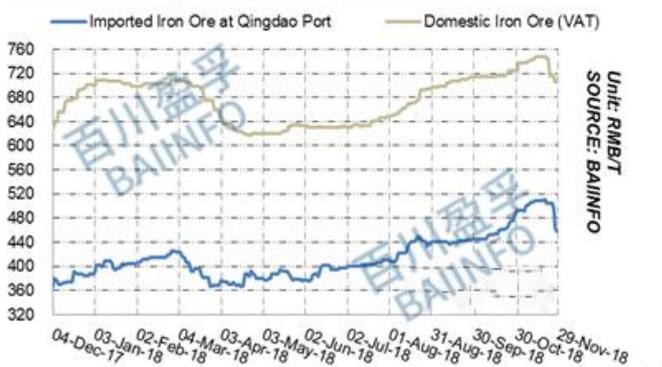
Dry & Bulk Freight Index



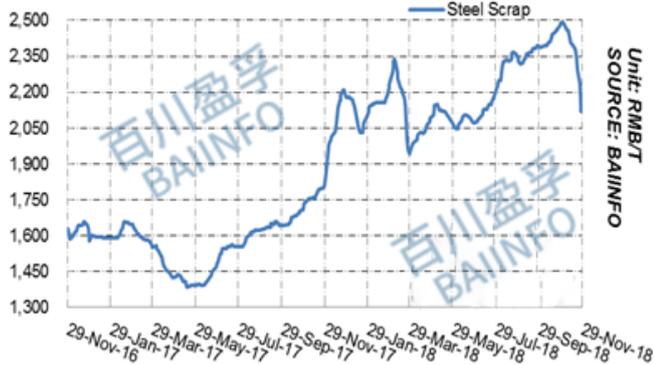
Platts Iron Ore Price Trend



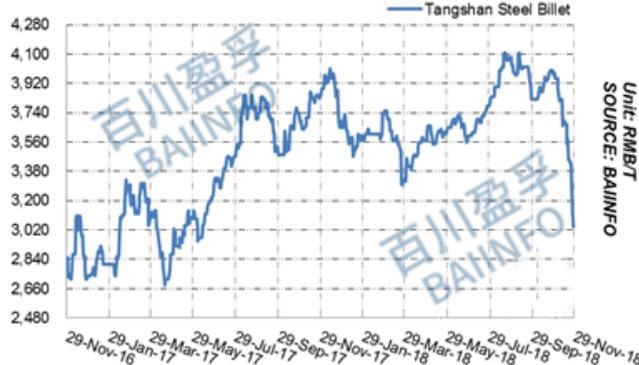
Domestic and Imported Iron Ore Price Trend



Steel Scrap Price Trend



Steel Billet Price Trend



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## Analysis on Prices of Steel Products

For construction materials, the average price of rebar was RMB 4,003/T, down RMB 329/T compared with last week, with a decrease of 7.59%; the average price of wire rod was RMB 4,268/T, down RMB 235/T compared with last week, with a decrease of 5.22%.

As for steel plate, the average price of medium and thick plate was RMB 3,818/T, down RMB 268/T compared with last week, with a decrease of 6.56%; the average price of hot-rolled coil was RMB 3,719/T, down RMB 215/T, with a decrease of 5.47%; the average price of cold-rolled coil was RMB 4,389/T, down RMB 225/T, with a decrease of 4.88%.

Section bar: The average price of large and medium section bar was RMB 4,095/T, down RMB 218/T compared with last week, with a decline of 5.05%.

Steel pipes: The average price of welded pipe was RMB 4,133/T, down RMB 225/T compared with last week, with a decline of 5.81%; the average price of seamless pipe was RMB 4,980/T, down RMB 191/T compared with last week, with a decline of 3.69%.

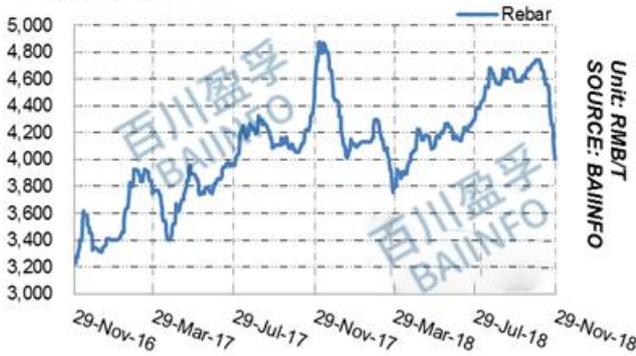
Other steels: Galvanized sheet average price was RMB 4,579/T, down RMB 175/T compared with last week, with a decline of 3.68%; color-coated sheet average price was RMB 6,120/T, down RMB 90/T compared with last week, with a decline of 1.45%; steel billet average price was RMB 3,193/T, down RMB 354/T compared with last week, with a decline of 9.98%; strip average price was RMB 3,656/T, down RMB 335/T compared with last week, with a decline of 8.39%; the average price of silicon steel was RMB 5,290/T, down RMB 110/T compared with last week, with a decline of 2.04%.

### Average Prices of Major Steel Products (RMB/T)

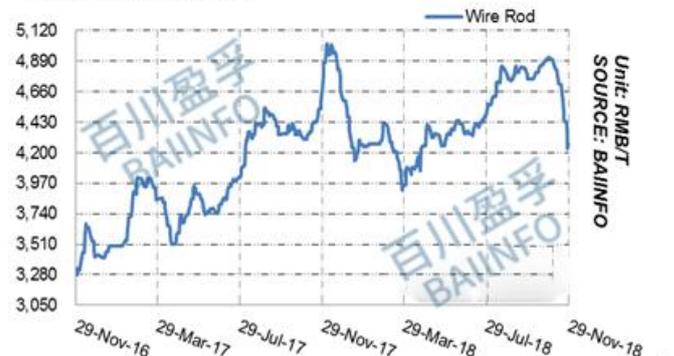
Products	This Week	WoW	MoM	Change in Three Months	Change from the Beginning of This Year
Rebar	4,003	↓ 0.076	↓ 0.156	↓ 0.1243	↓ 0.0976
Wire Rod	4,268	↓ 0.052	↓ 0.132	↓ 0.1022	↓ 0.0718
Medium Plate	3,818	↓ 0.066	↓ 0.13	↓ 0.1579	↓ 0.1178
Hot-rolled Coil	3,719	↓ 0.055	↓ 0.126	↓ 0.1628	↓ 0.1588
Cold-rolled Coil	4,389	↓ 0.049	↓ 0.098	↓ 0.1162	↓ 0.1283

Section Bar	4,095	↓ 0.051	↓ 0.105	↓ 0.1049	↓ 0.0906
Welded Pipe	4,133	↓ 0.058	↓ 0.113	↓ 0.1216	↓ 0.0842
Seamless Pipe	4,980	↓ 0.037	↓ 0.089	↓ 0.0911	↓ 0.126
Galvanized Sheet	4,579	↓ 0.037	↓ 0.103	↓ 0.1226	↓ 0.115
Color-coated Sheet	6,120	↓ 0.015	↓ 0.037	↓ 0.033	↓ 0.0159
Steel Billet	3,193	↓ 0.1	↓ 0.209	↓ 0.2186	↓ 0.1539
Strip Steel	3,656	↓ 0.084	↓ 0.165	↓ 0.1863	↓ 0.1674
Silicon Steel	5,290	↓ 0.02	↓ 0.057	↓ 0.0904	↓ 0.1426

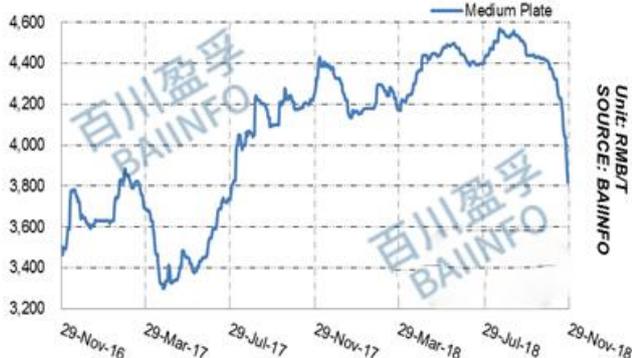
Rebar Price Trend



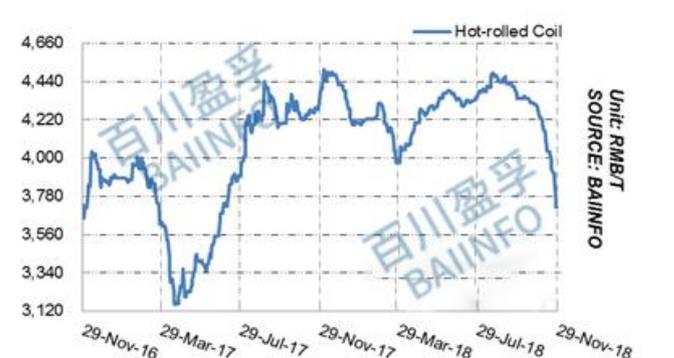
Wire Rod Price Trend



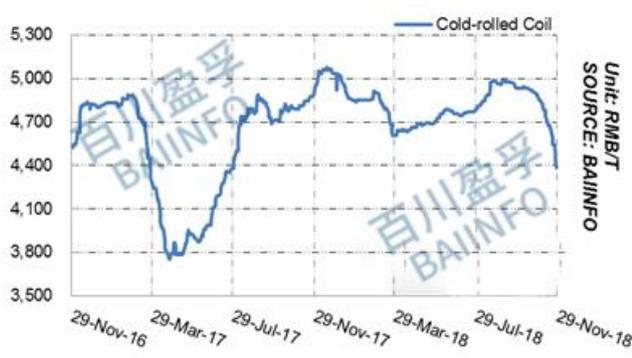
Medium Plate Price Trend



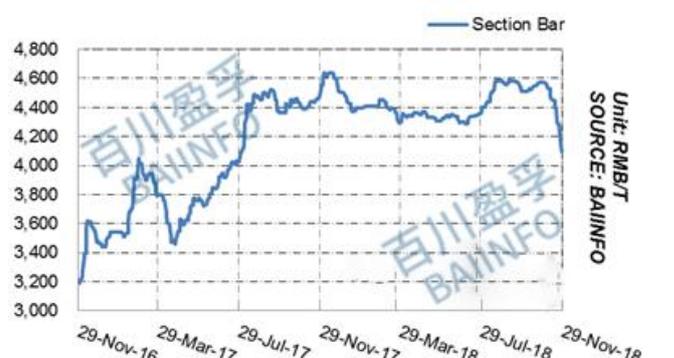
Hot-rolled Coil Price Trend

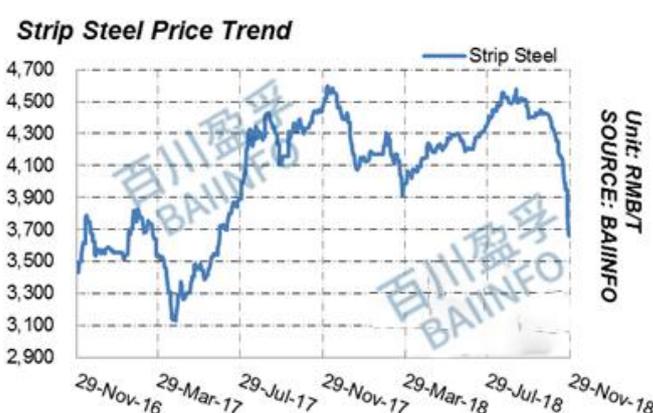
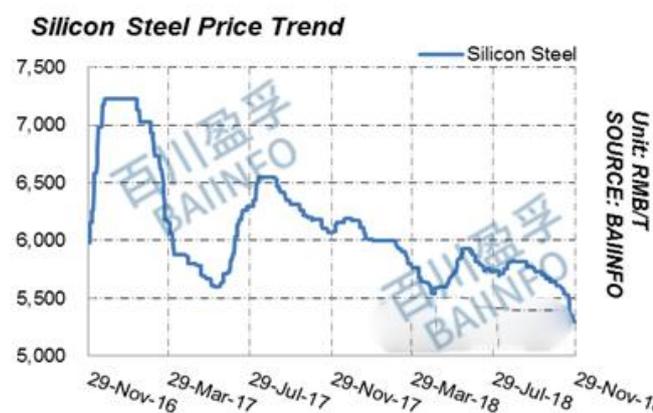
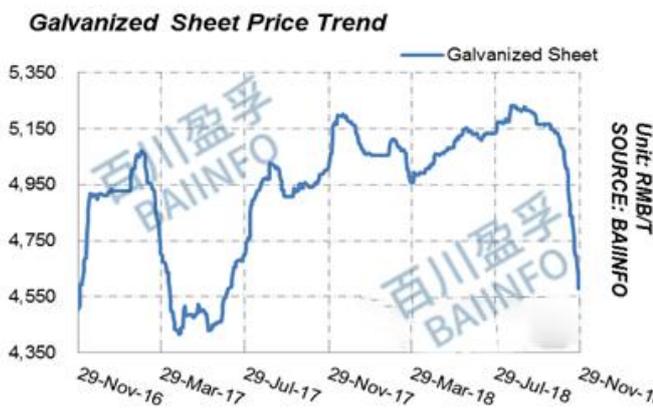


Cold-rolled Coil Price Trend



Section Bar Price Trend





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## Analysis on International Steel Market

On November 27, 2018, international steel price index was 203.3, down 2.07% week-on-week and 5.31% month-on-month, up 3.62% year-on-year. Flat rolled steel price index was 185.4, down 1.80% week-on-week and 5.98% month-on-month, up 3.29% year-on-year; Long steel price index was 248, down 2.40% week-on-week and 4.54% month-on-month, up 4.03% year-on-year. In terms of regional market, North America steel index was 225.3, down 0.84% week-on-week and 1.53% month-on-month, up 26.36% year-on-year; Europe steel index was 161.3, up 1.45% week-on-week, down 3.76% month-on-month, and up 2.35% year-on-year; Asia steel index was 224.1, down 4.52% week-on-week, 8.00% month-on-month and 3.32% year-on-year.

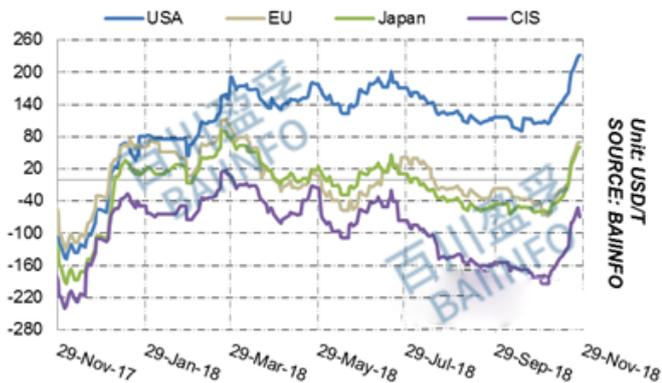
Steel Prices in Key Countries and Price Differences (USD/T) (Updated on Nov. 27, 2018)

Products	Regions	This Week	Last Week	Change Rate	Price Change for This Week	Price Change for Last Week	Difference
Rebar	USA	782	782	↑ 0.00%	↑ 69	↑ 60	↑ 9
	EU	621	615	↑ 1.29%	↓ 45	↓ 60	↑ 15
	Japan	611	611	↓ 0.57%	↑ 4	↓ 2	↑ 6
	CIS	480	500	↑ 4.82%	↓ 80	↓ 109	↑ 29
Hot-Rolled Coil	USA	871	885	↑ 1.69%	↑ 158	↑ 153	↑ 5
	EU	598	587	↓ 0.91%	↑ 40	↑ 51	↓ 11
	Japan	727	727	↓ 0.66%	↑ 96	↑ 106	↓ 10
	CIS	475	485	↑ 0.00%	↓ 63	↓ 57	↓ 6
Cold-Rolled Coil	USA	1003	1014	↑ 0.69%	↑ 294	↑ 300	↓ 6
	EU	655	655	↑ 0.00%	↑ 78	↑ 90	↓ 12
	Japan	698	702	↓ 0.57%	↑ 121	↑ 137	↓ 16
	CIS	505	500	↑ 1.00%	↓ 72	↓ 65	↓ 7
Medium Plate	USA	782	782	↑ 0.00%	↑ 291	↑ 297	↓ 6
	EU	599	616	↓ 2.76%	↑ 108	↑ 131	↓ 23
	Japan	743	747	↓ 0.54%	↑ 252	↑ 262	↓ 10
	CIS	505	505	↑ 0.00%	↑ 14	↑ 20	↓ 6

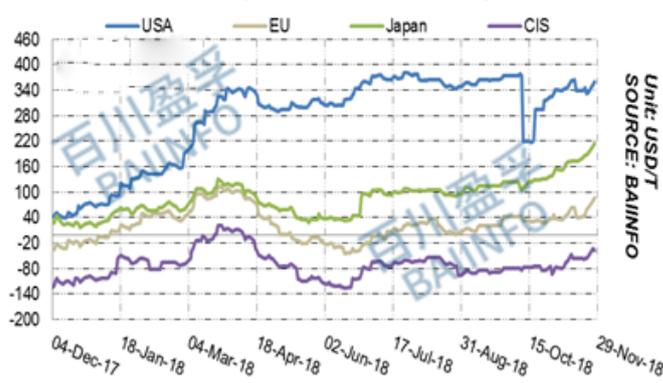
International Steel Prices Index (Updated on Nov. 27, 2018)

	Category	This Week	WoW	MoM	YoY
International Steel Price Index	Global	203.3	↓ 2.07%	↓ 5.31%	↑ 3.62%
	Flat Steel	185.4	↓ 1.80%	↓ 5.98%	↑ 3.29%
	Long Steel	248	↓ 2.40%	↓ 4.54%	↑ 4.03%
	North America	225.3	↓ 0.84%	↓ 1.53%	↑ 26.36%
	Europe	161.3	↑ 1.45%	↓ 3.76%	↑ 2.35%
	Asia	224.1	↓ 4.52%	↓ 8.00%	↓ 3.32%

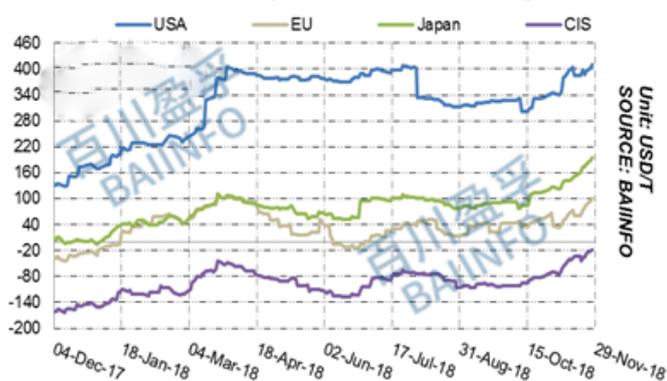
Rebar Price Gap Between China & Foreign Countries



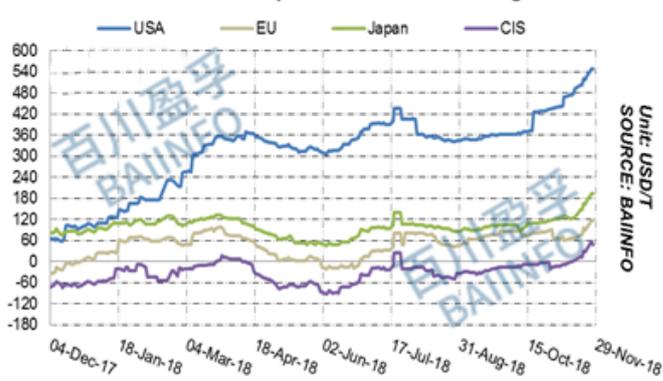
Hot-Rolled Coil Price Gap Between China & Foreign Countries



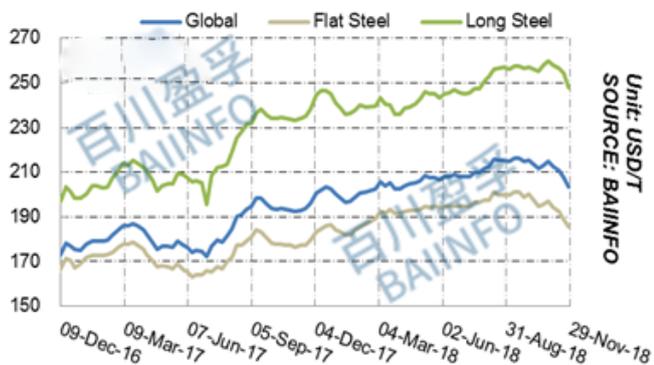
Cold-Rolled Coil Price Gap Between China & Foreign Countries



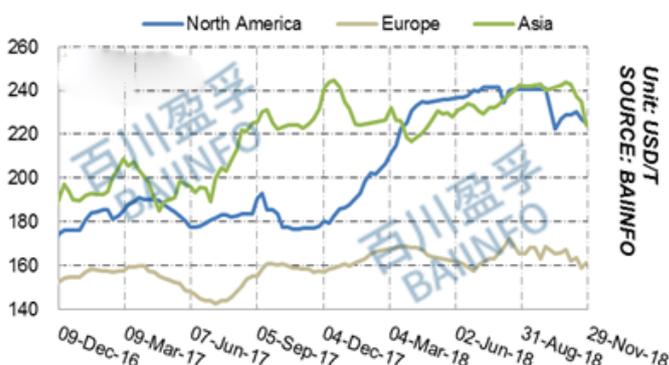
Medium Plate Price Price Gap Between China & Foreign Countries



International Steel Price Index (1)



International Steel Price Index (2)



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## Market Highlights

- 1 Recently, Steel Market Prices Might Fluctuate to Go down
- 2 National Development And Reform Commission: over RMB 800 Billion Was Spent on Large-Scale Infrastructure Projects
- 3 Including 30 Steel Mills, Steel Billet Prices Slumped by RMB 130/T And It Would Keep Falling
- 4 Ministry of Industry & Information Technology: Supporting Tourism Projects by Using The Country's Industrial Heritage Resources
- 5 Steel Billet Prices Slumped by RMB 660/T, Terrifying Players And Might Reach The Expectation of Winter Reserve
- 6 Ministry of Finance: Standardizing Accounting Liabilities to Strengthen Government Debt Risk Management

- 7 As Steel Prices Keeping Falling, Market Was Seen to Be Bearish
- 8 China Banking Regulatory Commission: Dismantling Shadow Banking to Improve Market
- 9 State Administration of Taxation: Avoiding Improper Taxation Making Enterprises Shut Down
- 10 Ministry of Commerce: Financial Sanctions Would Weaken US Dollar Hegemony
- 11 Concentration Ratio in China's Top 10 Steel Mills Would Reach 60% in Three Years
- 12 Whether Steel Billet Could Be Bought, As Prices Rebounded, Spot And Finished Products Had Different Trends
- 13 Including 30 Steel Mills, Steel Dropped by RMB 300/T, without No Signs For Stopping
- 14 Turning Point Did Not Appear in Steel Market, Prices Might Be Downtrend Later
- 15 Rebar Futures Prices Created A New Low Point in Four Months, While It Might Rebound Later
- 16 As Steel Billet Fell by RMB 310/T, Steel Would Follow in This Month
- 17 Domestic Steel Prices Enlarged Downward Range, Iron Ore Market Ran Stable-And-Weak
- 18 The Reason For Steel Mills Losing Was Clear
- 19 After Steel Market Was in Miserable And Players Were Pessimistic, It Would Be Weak-To-Strong Next Week

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