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Editorial

Chinese government wrote another scenario last week for the steel market that caught players by surprise. The central committee has asked the coal producers of the country to raise the output no matter what, in order to ensure stable supply for the power-generating companies throughout the heating season. Authorities have also put a price ceiling for the price of coal that miners shall not exceed. The act caused panic in the entire supply chain and futures prices dived to their daily limit. The thing that has not been noticed is that the heating coal is at the center of government attention now, and nothing has been mentioned about the cocking coal, the supply of which is still tight. So, the price fall observed last week had no fundamental backup and is just a result of panic in the market. The Chinese government very well knows that the steel production tightening policy ahead would drive the prices upward and a reverse gear was needed before the next round of hikes start. This is not the first time that authorities in China use these kinds of policies to affect the market.

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Market at a Glance

Item Date	Last Month (Avr)	Last Week (Avr)	October 22th	Change % (MoM)
Iron Ore CFR China	135	121.8	120.65	-11.9
Scrap CFR Turkey	463.11	499.4	505	+9
Billet FOB CIS	616	650	660	+7.1
Slab FOB CIS	735.6	696	700	-5.1
Rebar FOB Turkey	694.2	737	740	+6.5
HRC FOB CIS	857.3	822	830	-3.2
CRC FOB CIS	1029.2	960	1000	-2.9

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Macro Economy

- **USD Index**

The US dollar index trimmed early losses and hovered around 93.7 on Friday, as traders digested remarks from Federal Reserve Chair Jerome Powell indicating the central bank is ready to begin tapering. Powell warned that the central bank's cautious approach wasn't designed for the current framework, adding that upside risks on the supply chain, inflation, and wages are likely to last longer than previously anticipated and well into 2022. Still, the greenback is close to its lowest in nearly four weeks and is on track to finish the week 0.3% lower.

- **Crude Oil**

Oil traded just below multi-year highs on Friday with bullish sentiment about low supplies tamped by concerns from world leaders that demand disruptions from the COVID-19 pandemic may not be over.

Brent crude futures rose 92 cents, or 1.1%, to settle at $85.53 a barrel. The benchmark, which touched a three-year high of $86.10 on Thursday, was up 1% in the week, its seventh weekly gain.

U.S. West Texas Intermediate (WTI) crude futures gained $1.26, or 1.5%, to settle at $83.76 a barrel, not far off a seven-year high hit this week. The contract gained 1.7% on the week and was up for a ninth straight week.

Prices have been boosted by worries about coal and gas shortages in China, India and Europe, spurring some power generators to switch from gas to fuel oil and diesel.

- **Crypto Currencies**

Crypto Predictions After a "Breakthrough" 2021

Bitcoin has rocketed through October, climbing as hype surrounding the first U.S. bitcoin futures exchange-traded fund (ETF) and fresh inflation fears galvanize investors.

The bitcoin price has added around 40% since this time last month, earlier this week hitting an all-time high of around $67,000—$2,000 per bitcoin higher than its April peak.

Now, a panel of 50 bitcoin and cryptocurrency experts has predicted the bitcoin price will continue to climb through 2021, hitting highs of around $80,000, before surging to $250,000 by 2025 and a staggering $5 million per bitcoin by 2030.

"As bitcoin continues to mature and increase in value, usability, age and trust, it will behave less like a growth stock, and more like a gold-like store of value," said panelist and founder of bitcoin ATM network CoinFlip, Daniel Polotsky, who believes bitcoin will end 2021 at $80,000. "Eventually bitcoin will dethrone gold as the king of safe-haven assets, and hopefully this changing of the guard takes place by the end of the decade.

"The bull run is different this year," said panelist Gunnar Jaerv, First Digital Trust's chief operating officer, who has an end of 2021 bitcoin price prediction of $70,000. "More innovations, more regulatory involvement (despite fear, uncertainty and doubt, known as FUD) and the ecosystem and infrastructure puzzles are falling into place quite nicely."

However, not all of the panel are bullish on bitcoin's prospects. University of Canberra senior lecturer John Hawkins said he thinks it's time to sell bitcoin, warning it's a speculative bubble and will eventually collapse.

The combined crypto market has soared this year, becoming a multi-trillion-dollar market as investors bet bitcoin will eventually replace gold as a major store of value and the likes of Ethereum and other smart contract blockchains will help form the basis of a future digital economy—pointing to their use in decentralized finance (DeFi) and non-fungible tokens (NFTs).

The blistering crypto rally, coming after governments flooded financial systems with cash to ward off the economic effects of coronavirus lockdowns, has provoked warnings of a correction from some in the crypto space.

Earlier this week, the chief executive of bitcoin and crypto exchange Binance warned crypto traders should watch out for "very high volatility." "Expect very high volatility in crypto over the next few months," Binance chief executive Changpeng Zhao, often known simply as CZ, said via Twitter.

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Steel

- **Semi-Finished Products**

A dreadful week passed in China with Tangshan billet quotes falling 260 RMB to close at 4990 RMB/Mt on Friday and rebar futures prices plunge to their daily limit for 2 straight days. As the government stated that it will enhance the monitoring of speculative purchases and illegal activities to maintain the prices in a reasonable range, fear burst into the market. Authorities also promised to stabilize the coal prices in order to prevent electricity hike, which may affect people's livelihood. The daily trading volume of billet fell sharply at the beginning of the week but picked up as the prices fell through the end of the week. It has been heard that a handful of vessels carrying imported billet cargoes to China have been redirected to new destinations, mostly in Southeast Asia, in search for new buyers, since their price levels were no longer competitive in Chinese market. The profitability of Chinese mills for billet also fell broadly by 254 RMB/Mt to 117 RMB/Mt, signaling halt of production for blast furnaces and EAFs.

CIS suppliers gave a cold shoulder to the developments in China and raise their levels indifferently on the back of increasing import scrap prices in Turkey. New offers from sellers are heard around 660-670 USD and some deals have been finalized at the lower end of the range. Quotes to Turkish buyers hover around 700-710 USD/Mt CFR with 30-35 USD freight rate.

Iranians remained active in selling new cargoes with 2 deals. Almost 60,000 Mt were sold mainly to China last week at 640-645 USD/Mt FOB at the beginning of the week. Another cargo was sold at 646 by the end of a week earlier as Planner reported in the last issue of PSJ. No new offers or deals have been reported to Planner by the end of last week.

In slab segment, the market changed course and prices began to rise. Recent offers are voiced at the edge of 700 USD/Mt FOB and higher, up 10-15 USD from a week earlier. The better demand from Asia and lower price fall for flats in China, as well as higher scrap quotes in Turkey are the main reasons behind the upward trend.

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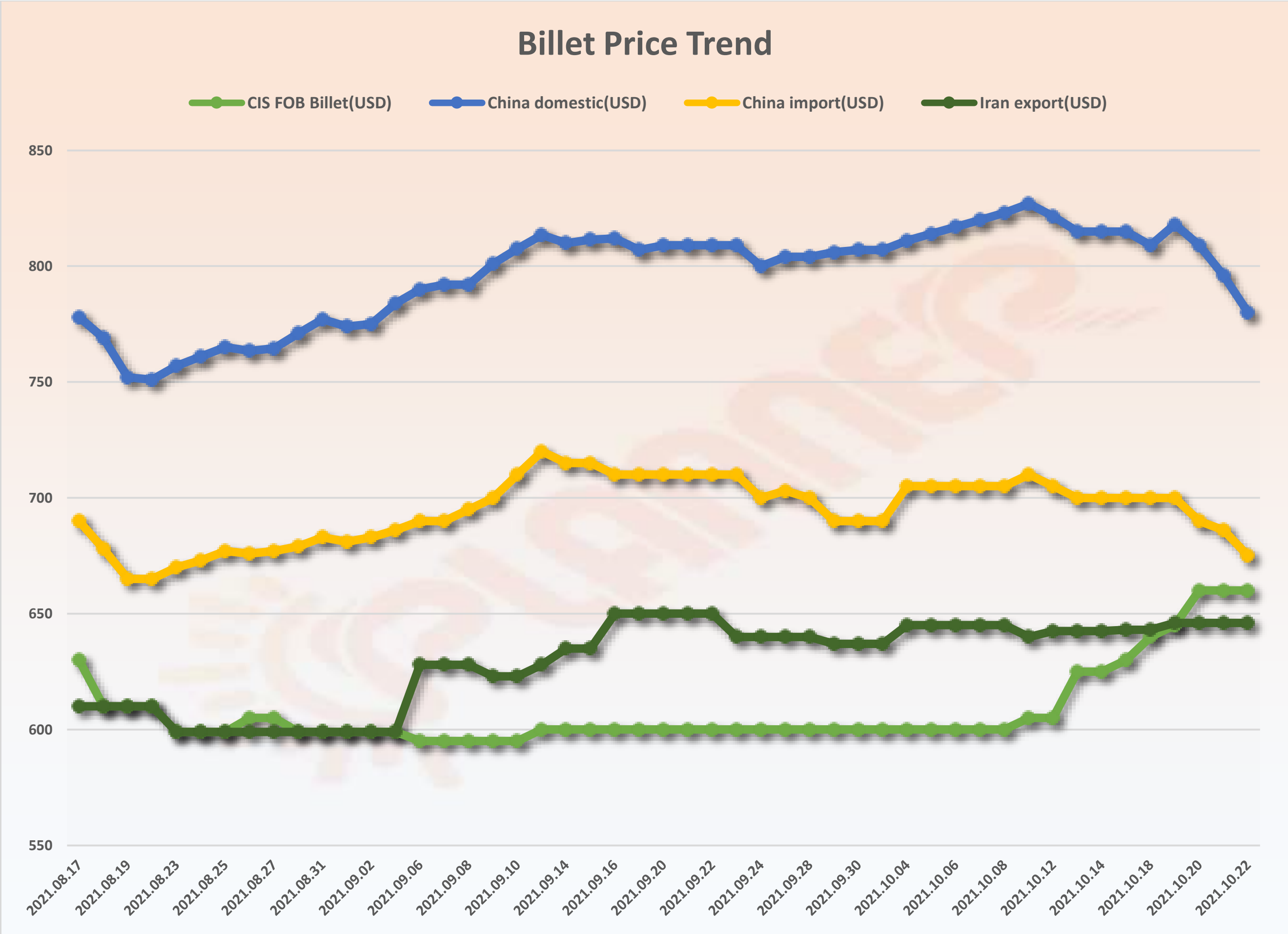

Market Outlook: Predicted by Planner, the semis prices rose in Black Sea market in line with stronger scrap. However, some doubts about Chinese price outlook cast shadow over the expectations. Planner believes that the semis have still room to rise despite the fears in China.

- **Finished long products**

Once again, rebar prices in Chinese domestic market was hit by policy makers. As the news spread about stabilizing the coal market by all means, rebar futures contract 2201 fell sharply below 4900 RMB/Mt to close at 4889 RMB/Mt on Friday, down 512 RMB over a week. In spot market, the average domestic price of rebar in 31 cities was 5586, down 295 RMB compared to last Friday. The main rebar contract 2201 has plunged almost 1000 RMB in 2 weeks. Its discount to physical market is 697 RMB, which shows the physical market doubts if the futures market price fall would continue. As the prices fell, the daily transaction of rebar increased and the cheap material were of the interest of traders.

Turkish export rebar prices jumped by $30/mt from $ 710/mt fob in the beginning of the week to $740/mt fob at the end week despite weak demand in export markets. In the promising domestic market, with multiple increases recently, offers are at the level of $740-755/mt EXW. On Thursday, the Central Bank of Turkey cut one-week repo auction rate from 18% to 16% causing the lira to depreciate by more than 2% against the US dollar. However, some players believe the move could boost rebar demand in Turkey. In the meantime, after the fall in China futures, Southeast Asian markets, as one of the main destinations of Turkish rebar, have remained silent refusing $780/mt CFR offers from Turkish suppliers. Alongside with soaring price of scrap, the shortage of domestic and imported billet has spurred price $20-30/mt compared to last week aggregate rebar situation.

Planner expectation for next week based on the increase in raw material prices and the general growing price of steel products in most regions except China is on continuing in upward trend in Turkish rebar prices next week.

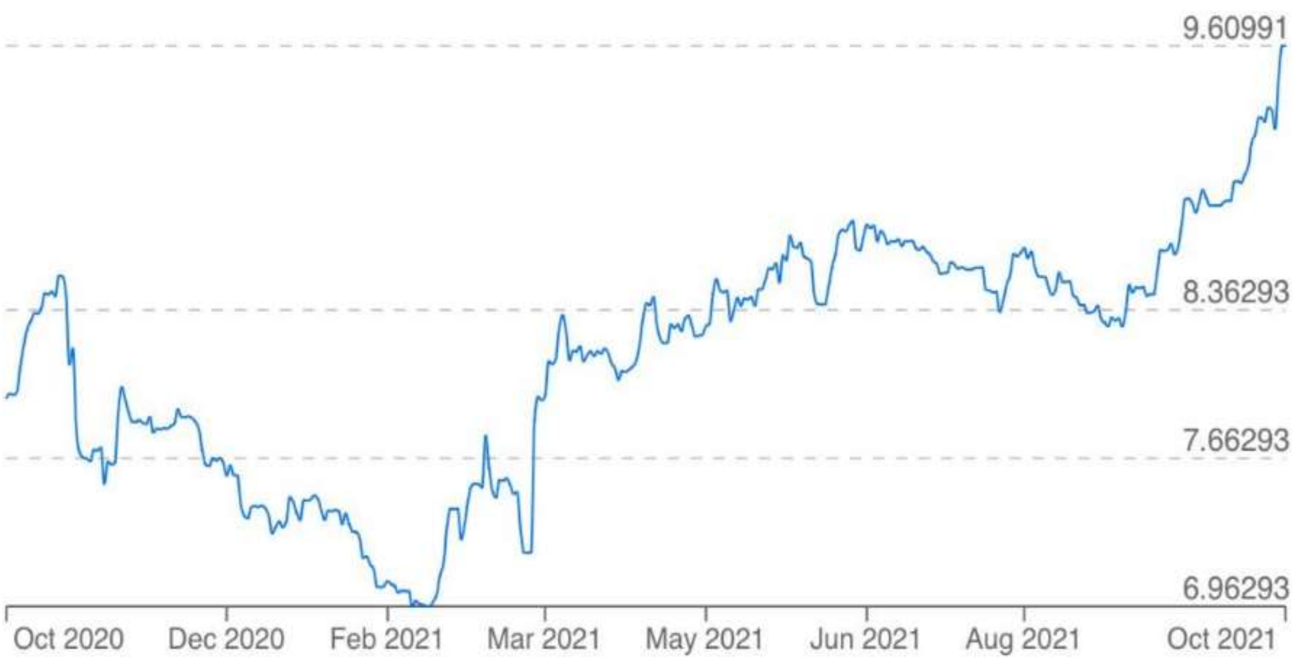

Figure 1: USD/TRY

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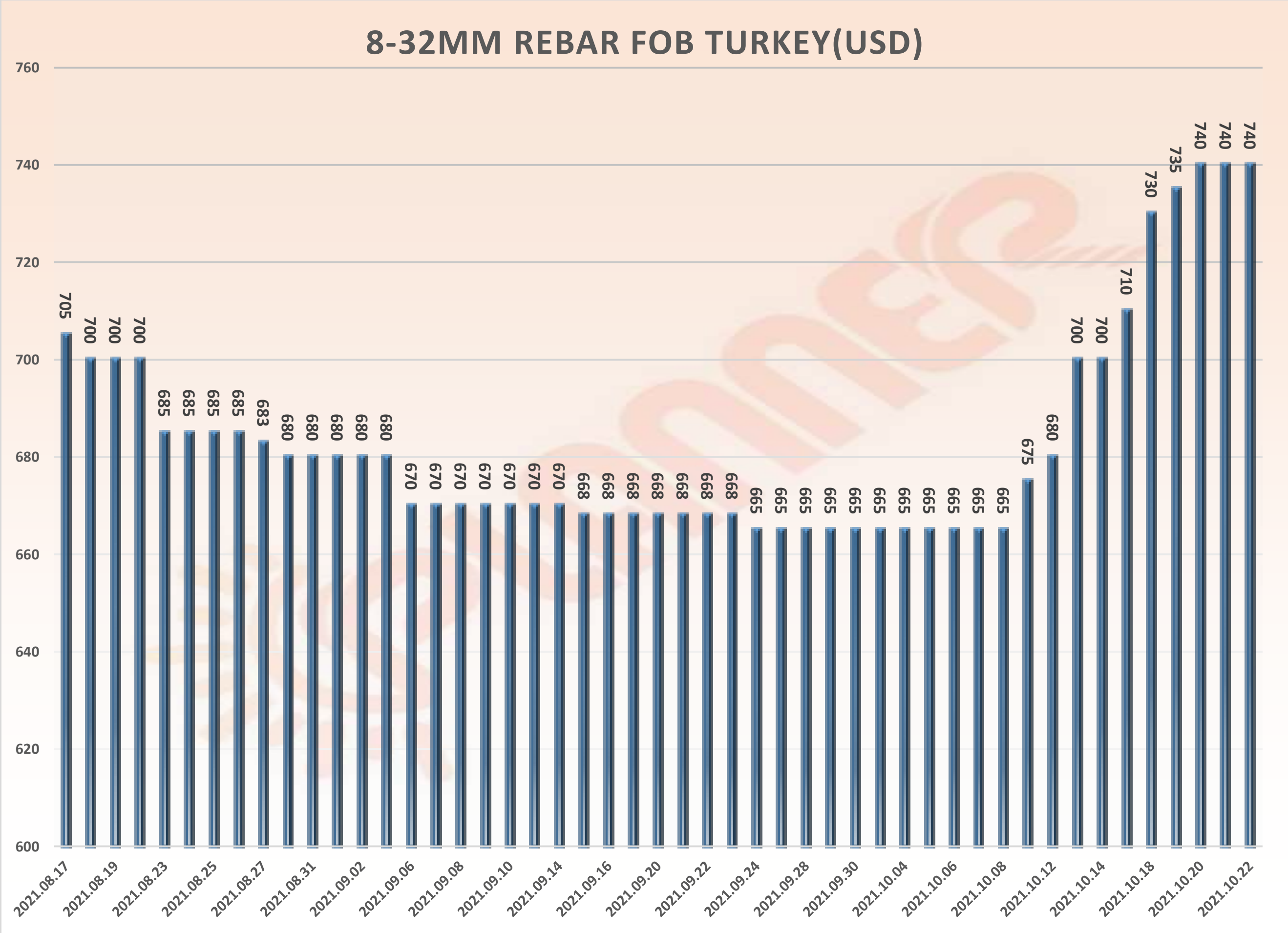

In wire rod market, the trend did not change and got more steep. Wire rod from CIS sellers are quoted around 830 to 870 based on the grade and the delivery time, up 35-40 USD in a week. The trend is likely to continue in the next week.

Market Outlook: As Planner predicted last week, the positive dynamics of the market caused the prices to increase. It is believed that there is still room for further increase next week.

- **Finished flat products**

The flats prices also plunged by the news about enhanced monitoring of deals by the government as well as putting a price ceiling for different types of coal, albeit at a lower rate. The main HRC contract in Chinese futures market fell 305 RMB to 5322 RMB/Mt, while the average spot price in 24 main cities was 5691 RMB/Mt, down 170 RMB over a week. The mentality of the market stabilized by the end of the week, however, the fear still rules the transactions. The production of HRC fell dramatically last week, diving to 2.82 million Mt from above 3.2 million Mt during late September. The weekly consumption also fell hard since the power rationing policy is affecting the production of downstream industries.

In CIS region, producers considered last week offers not workable and set new targets around 855-875 USD/Mt FOB. The better demand from EU and some Asian nations, as well as higher raw material costs helped sellers to increase their levels.

In CRC market, quotes gained another round of increase, with offers from CIS rose above 1000 USD/Mt once again. The uptrend is believed to continue since the demand has revived in the EU and there are no signs of Indians due to electricity shortage they face.

Market Outlook: As predicted last week, flat prices witnessed a rise, except for China. Given the strong scrap quotes, further price increase is not ruled out.

Raw Materials

- **Iron Ore**:

Iron ore fluctuated and corrected downward last week as the inventory of ports broke through 140 million Mt, showing strong supply from main producers. The iron ore fines 62% price decreased by 4 USD to 120.5 USD/Mt CFR on Friday. Despite the heavy plunge in Chinese futures market for coal, coke and steel products, iron ore preserved its level to some extent. The reason behind it was that with lower quotes of cocking coal and coke, the demand for iron ore increases. Plus, with further steel production tightening in China, high and medium grade iron ore are of more interest, supporting the current level.

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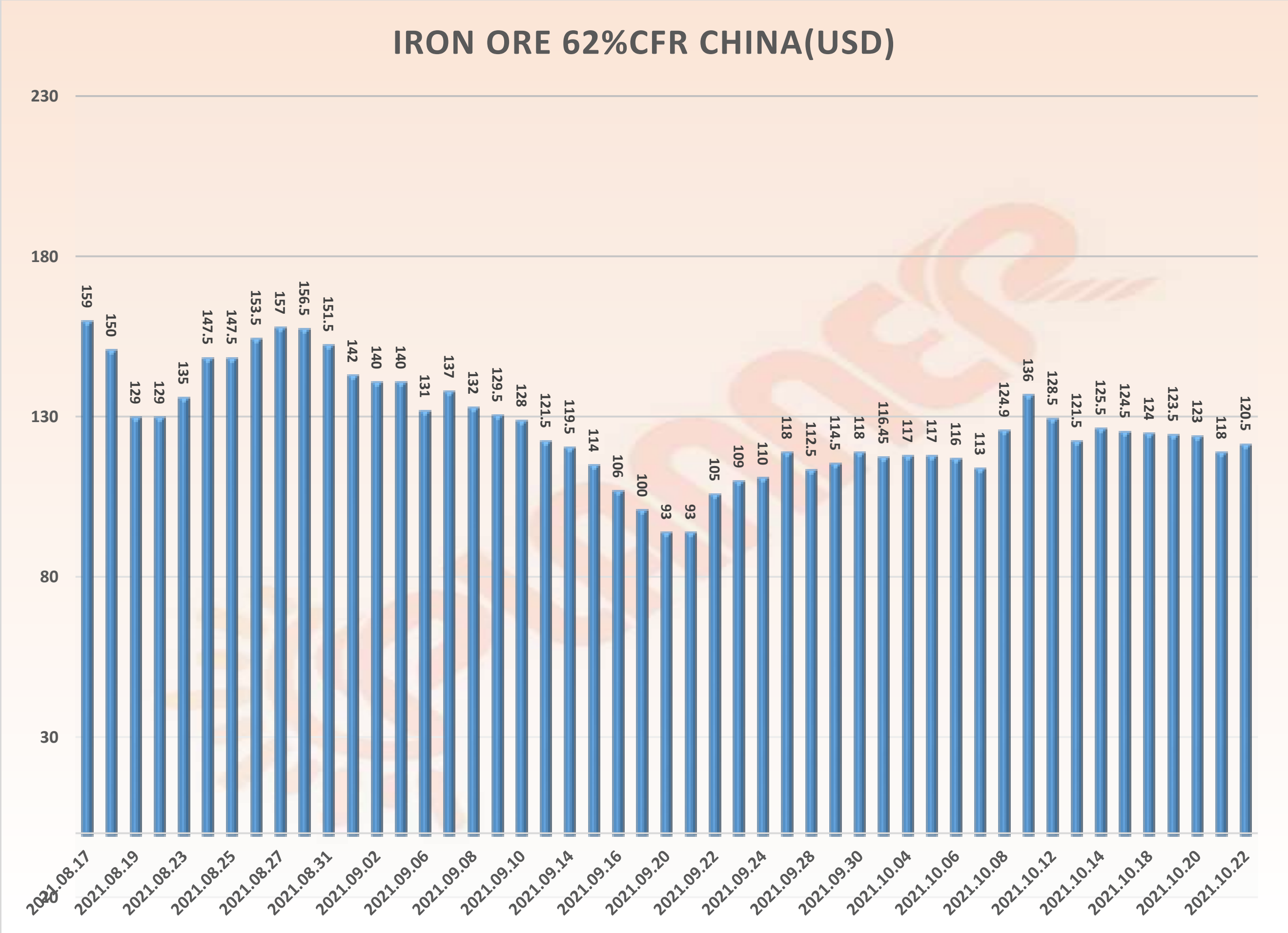

- **Scrap**

The Planner index of imported HMS 1/2 (80:20) scrap jump this week from $490/ mt to $505/ mt CFR. Rising price in collection side in winter and high freight rates are among the problems that exporters are still struggling with, which, along with growing tags for Turkish steel products and reduced offers, has allowed scrap prices to rise. The news of the probable extending and increasing the export duties in Russia for scrap from 5% or at least 70 Euros/mt effective for the five-month period of August-December 2021 in new year will further reduce the presence of Russians as one of the major suppliers of raw materials to Turkey, which fuels price. In addition, rising demand and better quotes of scrap in the Japanese domestic market that lead to a surge in export offers could lead to a stronger presence of American suppliers in Asia and exacerbate the problem of scrap shortages. Evaluating the market reality Planner expect that new scrap deals to be in line with exporters' willing despite buyers 'resistance to further price increases.

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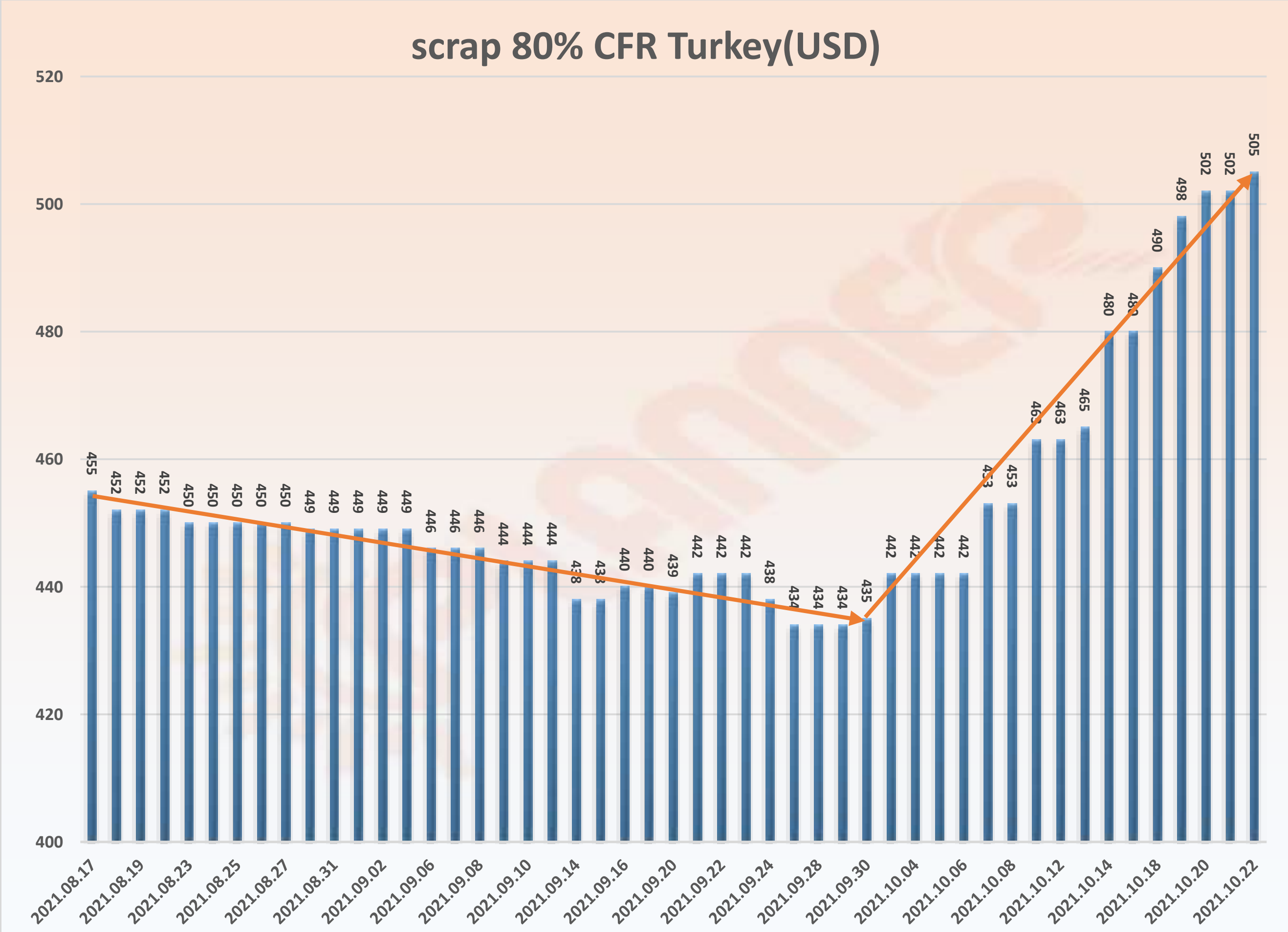

- **Hard Cocking Coal**

The problem of low met coal supply is still overshadowed the steel market which continued the upward trend of prices. In Dalian Commodity Exchange, the price of coking coal surge on October 11 from 3409 yuan /mt ($ 529/mt) to 3614 yuan/ mt ($561.5 / ton) on October 15 due to heavy rains in Shanxi Province which caused several mines closure and logistic problems, the decline in imports from Mongolia due to quarantine conditions imposed by the country led to a shortage of drivers and reduced entry trucks to China. In the mea time high margins of coke production keep the raw material in high demand, as evidenced by the sealed of new contracts in imported markets, this week 50,000-70,000 tons of us low-volume Oak Grove was traded at $605-610/ ton CFR China with late November laycan. For lower grades of ex- Russia coal 20,000-30,000 tons of low volume PCI with late October delivery concluded at $301/mt CFR China and Russian semihard coal K10 prompt shipment heard at $431/mt CFR China.

The Chinese government may agree to the custom clearance of Australian met coal in Chinese ports due to compensate shortage of supply and price controls. After the unofficial ban on Australian met coal imports, ships were unloaded in ports and barred from entering China, where they were mostly reloaded and re-exported. However, due to the persistent imbalance between supply and demand, the price trend of metallurgical coal is expected to remains upward.

Steel Supply Chain in Focus

2021/10/22

Commodity	Origin	Currency, Delivery term	Price	Daily change
Iron Ore, 62%	Australia	$/t, CFR China	120.5	+2.5
Ferrous scrap HMS I/II 80:20	USA	$/t, CFR Turkey	505	0
Coking coal Premium low vol	Australia	$/t, FOB	390	0
Coking coal Premium low vol	-	$/t, CFR China	610	0
Billet Q235	China	CNY/t, EXW	4,990	-100
Billet Q235	China	$/t, EXW	780	-16
Slab	China	CNY/t, EXW	5250	-80
Slab	China	$/t, EXW	820	-14
Imported Billet BOF/3SP 150mm	-	CFR China	686	-10
Billet	CIS	$/t, FOB	660	0
Slab	CIS	$/t, FOB	700	+5
HRC	CIS	$/t, FOB	830	+10
Rebar	Turkey	$/t, FOB	740	0
Billet	Iran	$/t, FOB	646	0
Slab	Iran	$/t, FOB	662	0
Rebar	Iran	$/t, EXW	605	0

Transactions of construction steel(rebar, wire rod and bar-in-coil) in 237 Trading house of china

Yesterday's trading volume (tons)	118030
Today's trading volume (tons)	218764

Steel Industry Admired Producers

16) Hyundai Steel

Hyundai Steel is a South Korean steel making company, it established in 1953, in fact, Hyundai Steel is the oldest steel making company in South Korea. Hyundai Steel is the world's second-largest EAF steel producer after Nucor. Its headquartered is in Incheon and Seoul, South Korea, and a member of the Hyundai Motor Group. The CEO of this company is Mr. An Tong-il. It manufactures a wide variety of products ranging from H-beams, rail and reinforcing bars, to hot coil, cold-rolled steel, and stainless cold-rolled sheet. Hyundai Steel now has four steel plants, three in South Korea in Incheon, Dongjin and Pohang, and one in Changdu, China. It also has many overseas offices such as China, Vietnam, Singapore, UAE, India, Brazil, USA, Mexico, Slovakia, Czech Republic, Turkey and Germany. This company has about 11,540 employees.

<2013 First tapping for Blast Furnace No. 3>

According the latest information which released by world steel association, this company produced 19.81 m/t crude steel in 2020 and has ranked the sixteenth among top steelmakers in the world. Its net income is $ 706 Million and revenue of $ 14.4 Billion. “As an eco-friendly and resource-circulation company, we will lead a new era for the steel industry by providing high value-added products and services, and by achieving global competitiveness based on cooperation with all our customers” Hyundai says. The symbol "H" highlighting the company name of HYUNDAI STEEL represents High Spirit, Harmony, and Humanity. Production of steel products with a useful life of one hundred years is one of the aims of this company.

Shipping Market

- **Capesize**

The week ended on a negative note with continuous downward momentum in both basins. The BCI broke the barrier of 10,000 points upon opening on Monday and closed at 7767 by Friday, whilst the average of five-time charter routes declined from $82,722 to $64,417 throughout the week. The Pacific west Australia to Qingdao run moved sharply lower with the last done currently at the level of $16.7 per ton, reflecting a rate at about $54,813 per day on the relevant transpacific round voyage. Typhoon Kompasu was said to be causing some disruption to vessel schedules in the Taiwan, Philippines, South China region. In the Atlantic, transatlantic trips had not seen signs of recovery since last Friday. It was suggested few cargoes are left in the Atlantic but tonnage also remained relatively starved. Brazil to China run saw trades at $48 per ton early on in the week, with limited transparency in the mid-week. This subsequently dropped to $40 on Friday with tonnage reportedly fixing at such level on second half November loading dates.

- **Panamax**

The Panamax market returned a mixed week. Rates in the Atlantic were largely seen under pressure during the first half but rebounded as the week came to an end. Solid demand from NoPac kept rates in Asia well supported throughout. And with healthy coal demand as well, ex-Indonesia enabled the market to end on a high note. A long tonnage count and a lack of demand from the North Americas were largely the contributing factors to start the week in the North Atlantic. But it reached a floor midweek with nearby tonnage able to fix away as the demand returned. US Gulf grains appeared to be back in focus again with numerous accounts of November arrivals being concluded by differing grain houses. Asia again proved to be dominated by solid levels of activity from the NoPac with $41,000 being agreed for a nicely described 82,000-dwt delivery Japan on a NoPac round trip.

- **Ultramax/Supramax**

A stronger week than previously as key areas such as the US Gulf saw a shortening list of prompt tonnage and increased fresh enquiry from South East Asia. This again led to tighter tonnage. Overall BSI gained with a weekly increase of 159 points from last Friday. Period activity was seen with a 63,000-dwt open US Gulf fixing about one year's trading redelivery Atlantic in the mid $30,000s. From the Atlantic, stronger numbers surfaced as Ultramax size saw in the mid to high $50,000s for trips from the US Gulf to Far East. Elsewhere, demand increased from West Africa a 52,000-dwt fixing a trip to the US Gulf in the mid-low $30,000s. Backhaul interest remained from Asia and an Ultramax open China fixing a trip via Taiwan to the Continent in the low-mid $30,000s. From South East Asia, a 60,000-dwt fixing a trip from Indonesia to China at $49,000. There was positive movement in the Indian Ocean, a 63,000-dwt fixing a trip from South Africa to China with redelivery Indonesia at $32,000 plus $1,175,000 ballast bonus.

- **Handysize**

After a prolonged period of positive moves the BHSI made some negative moves this week. In the Mediterranean, a 37,000-dwt fixed a trip from Tuapse to West Africa with an intended cargo of grains at $46,000 and a 37,000-dwt was fixed from Canakkale via the Black Sea to Tunisia with an intended cargo of grains at $35,000. East Coast South America has been more active with a 38,000-dwt fixing from Vila Do Conde to Norway with an intended cargo of alumina at $38,000 and a 39,000-dwt fixed for a coastal run from Bahia Blanca to North Brazil at $42,000. A 35,000-dwt open in Rio De Janerio fixed for two laden legs and Atlantic redelivery at $32,000. In Asia, a 32,000-dwt was fixed for a trip from Taiwan to the Continent at $35,000. A 35,000-dwt was fixed basis December delivery in the Atlantic for 12-months period at $27,750 and worldwide redelivery.

Weekly Review of Iran Domestic Market

Although the US dollar exchange rate was somewhat stable over the past week and did not increase very much, the global and domestic growth of export prices, and also, given that the base rate is calculated based on 80% of the CIS export rate, buyers were confident in the subsequent transactions, Prices will be higher, so we saw a good competition at IME market and eventually an increase in domestic steel prices.

The weekly average price for billet in physical market was equal to 144320 IRR, which has increased by about 4950 IRR compared to the earlier week (139370 IRR). In the case of rebar in spot market, the weekly average price increased by 2581 IRR.

Rising prices also occurred at IME market for both billet and rebar transactions. The average price for traded rebar, compared to the last average price of last week, showed an increase of about 3950 IRR.

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