

Steel market Asia: the path to recovery and global relevance

亞洲鋼材市場復蘇之路及全球影響

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Asia steel:

Risk management is key

Hong Kong – LME Asia Metals Seminar 2024

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27 June

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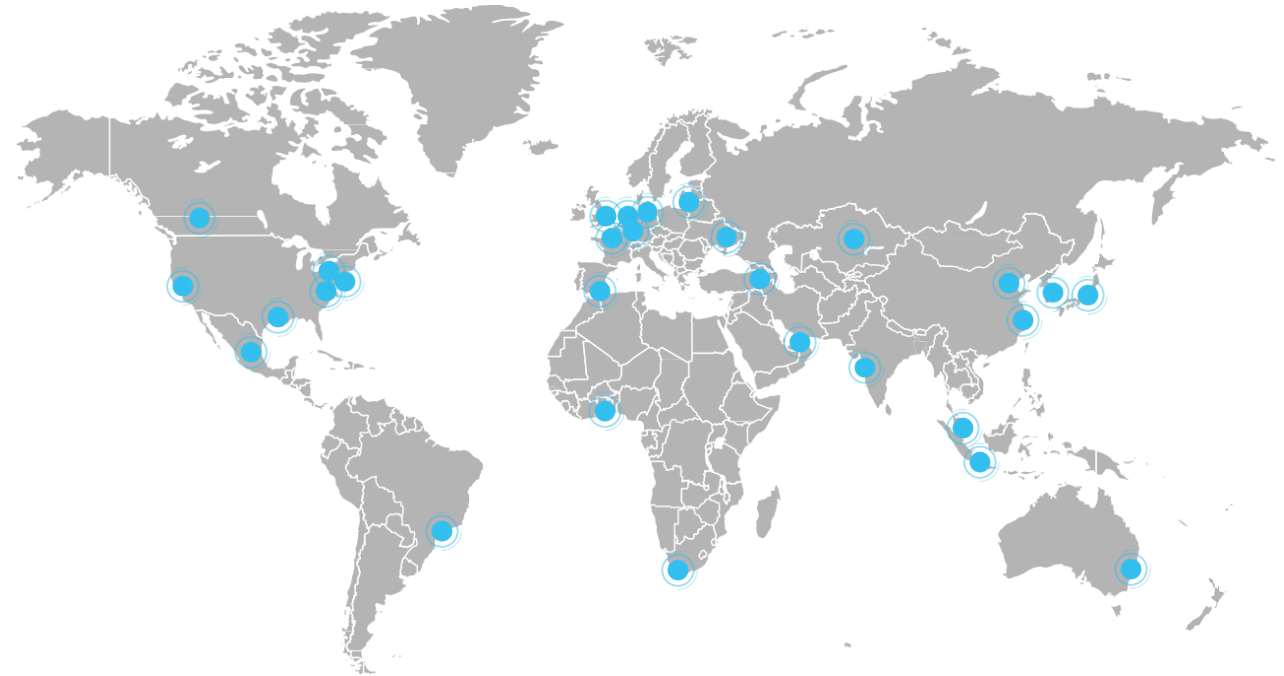
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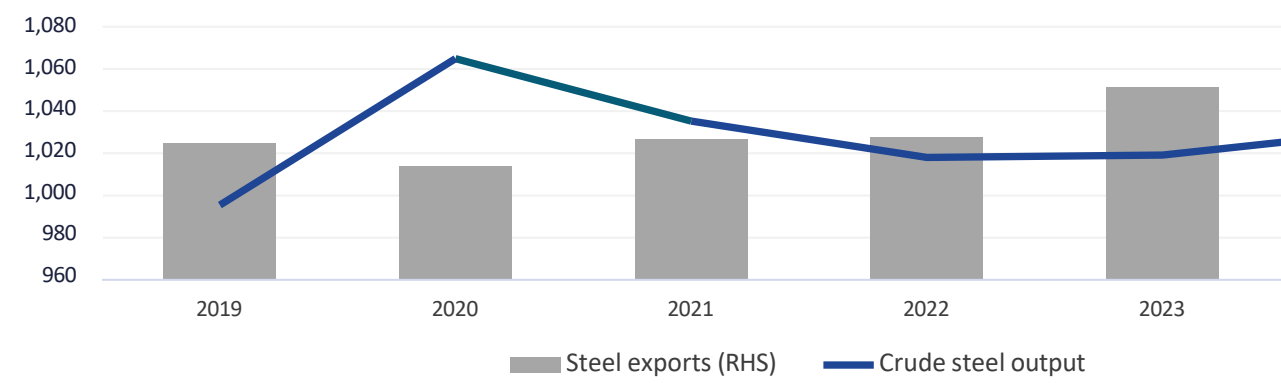
Presenter Notes
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China steel output Jan-April at 275mn t, down 1.83pc on the year, but annualized numbers show slight increases.
 Jan-May exports 45mn t, up 25pc. Growth mostly come from HRC, which accounts for 25pc of China's steel exports. China HRC is around 30% of world seaborne volumes, followed by Japan, Korea, Europe, Turkey etc
 Most Chinese volumes go to SE Asia like Vietnam for galv and other productions
 Market sentiment is cautious, seasonal weakness in June-August. China's car sales are rising but production down slightly. Expectations are that any support will come from infrastructure and manufacturing sectors in H2

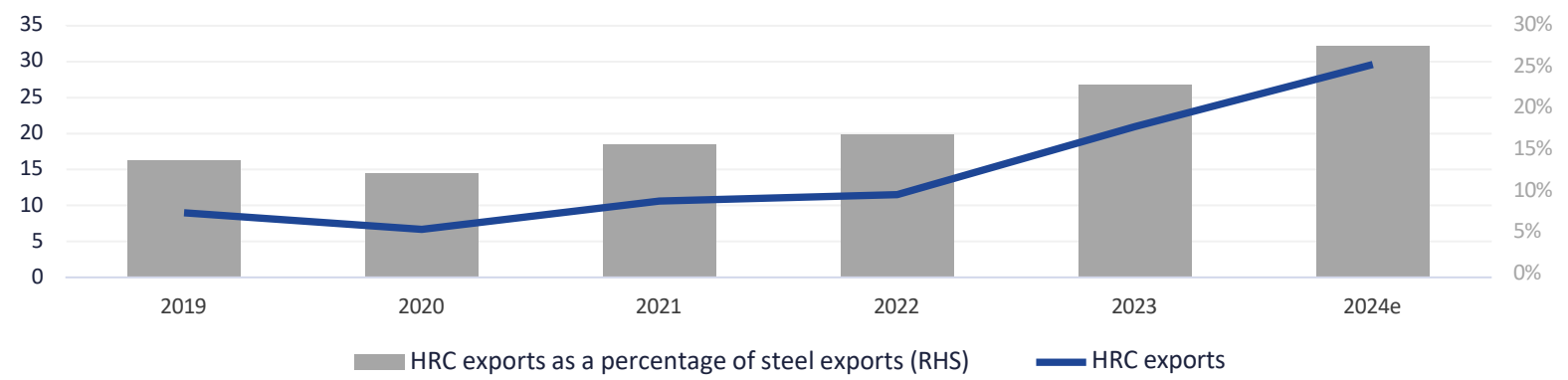
China's steel output remains at elevated levels

- Steel output rebounded in May
- Exports are rising – around 25% are HRC
- China's HRC exports represent ~30% global seaborne volumes
- Most volumes go to SE Asia
- Cautious sentiment – seasonal weakness in June-August

China's steel output vs. exports (mn t)



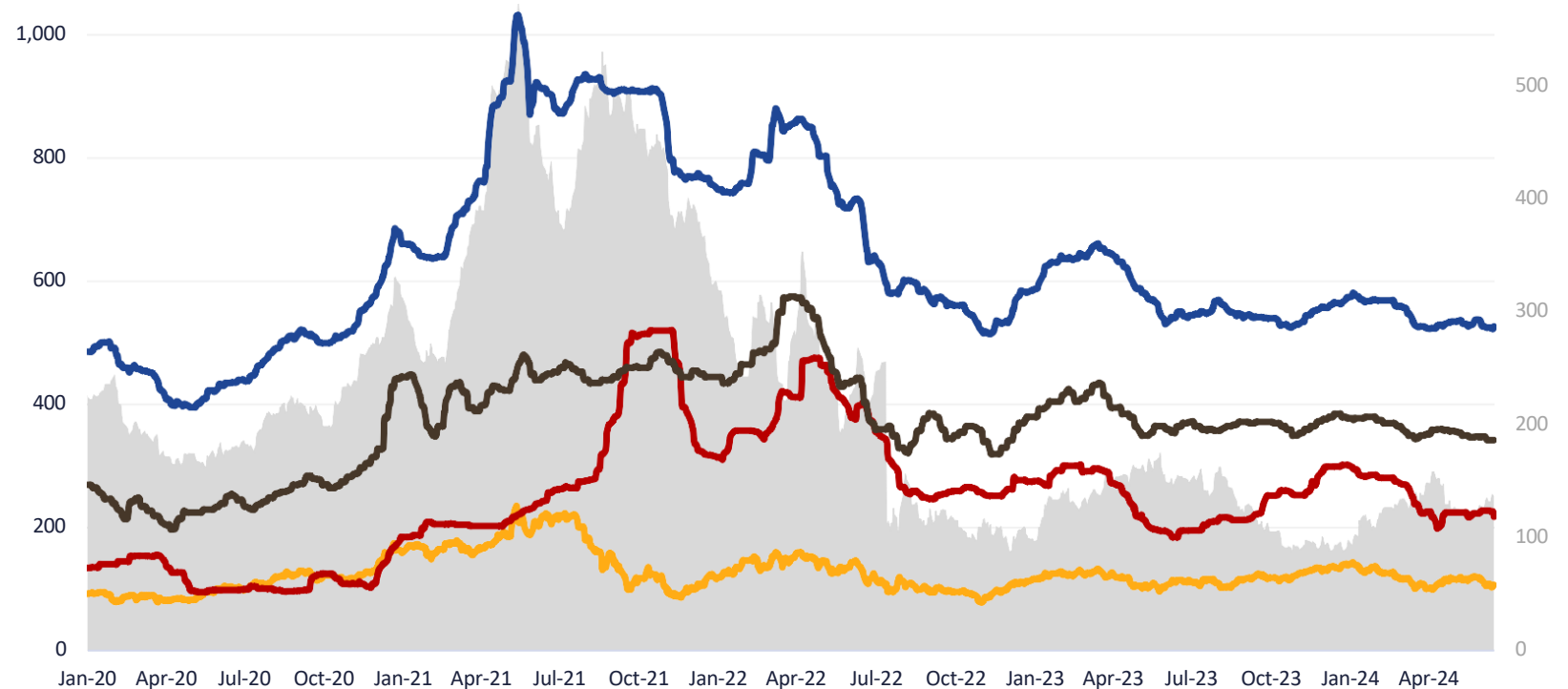
HRC account for around 25% of China's steel exports



HRC down 48.88pc
 Rebar down 42.41pc
 IO down 54.36pc
 CC down 58.08pc
 Scrap down 40.43pc
 BOF spread, 15pc scrap charge,
 down 76.31pc, at around \$130-
 140/t – better than \$80-90/t in
 Q4 2023

Prices trending down from 2021 peak

- Prices tumbles to 40-60% of 2021 peak
- Falls in steel prices > falls in raw material prices, except for scrap
- Steelmakers' margins are squeezed
- Yet, little to no sign of meaningful output cuts in China



■ BOF spread 15% charge fob China HRC, USD/t (RHS)
■ Steel HRC fob Tianjin spot, USD/t
■ Iron ore fines 62% Fe (ICX) cfr Qingdao, USD/dmt
■ Metallurgical Coal hard coking coal cfr N China, USD/t
■ Ferrous scrap HMS 1/2 (80:20) containerised cfr Taiwan, USD/t

Presenter Notes
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2017-2020: \$200/t swing
 2021-now: almost \$500/t swing
 Prices have been more stable so far this year, but buyers are on general still losing money on long term contract, if not hedged or linked prices to indexes – e.g over \$100/t for material delivered in Jan with 12 mo lead time

Price volatility further raises risk



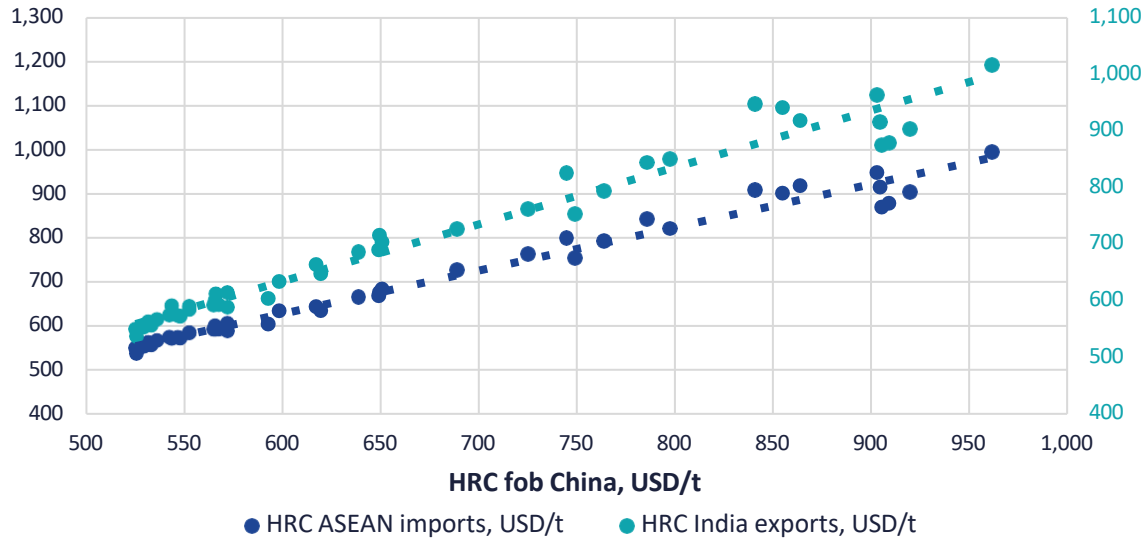
Difference between contracted and market price upon delivery could be **huge**



Presenter Notes
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Steelmakers, traders, end users in the US and Europe are increasingly willing to hedge and/or use index linked contracts to manage risks. Asia is slightly behind but interests have picked up recently China HRC is a good tool for not only regional but also global risk management given China's dominance in the steel market.

HRC fob China vs. ASEAN imports, India exports



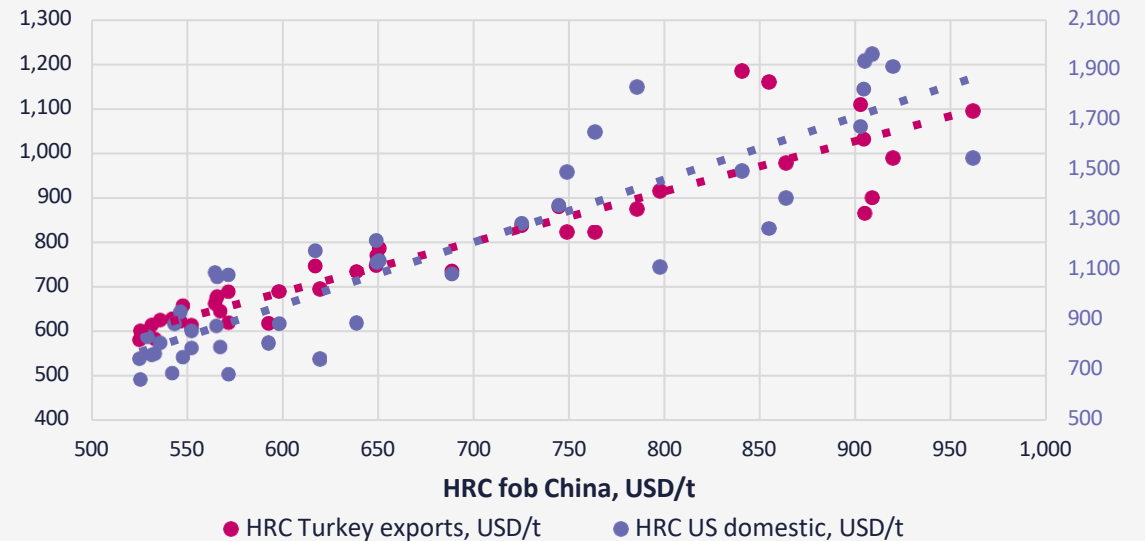
Strong correlations to other Asian markets

R2: HRC fob China							
HRC fob China	CRC China exports	HDG China exports	Plate China exports	HRC ASEAN imports	HRC India exports	HRC Japan exports	HRC Korea exports
100.00%	98.78%	99.63%	99.15%	99.01%	98.27%	99.16%	99.07%

Equally strong to longs and markets in other continents

R2: HRC fob China							
HRC fob China	HRC Turkey exports	HRC US domestic	HRC EU domestic	Rebar China exports	Rebar China domestic	Wire rod China exports	Rebar ASEAN imports
100.00%	92.89%	89.99%	90.39%	97.35%	97.13%	97.92%	90.88%

HRC fob China vs. Turkey exports, US domestic



Further information

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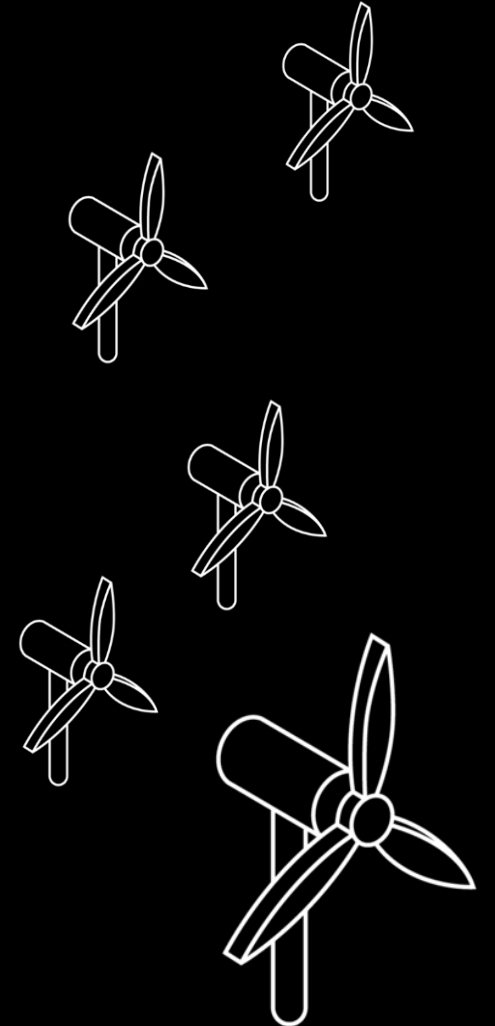
Overview of scrap market price trends and steel decarbonization

LME Asia Metals Seminar 2024

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Agenda

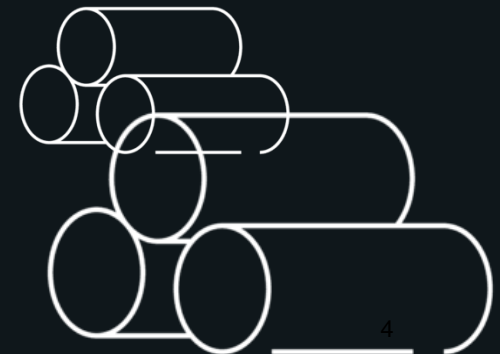
Scrap market price trends

Decarbonization in metals:

Platts carbon-accounted assessments and Asian steel decarbonization trends

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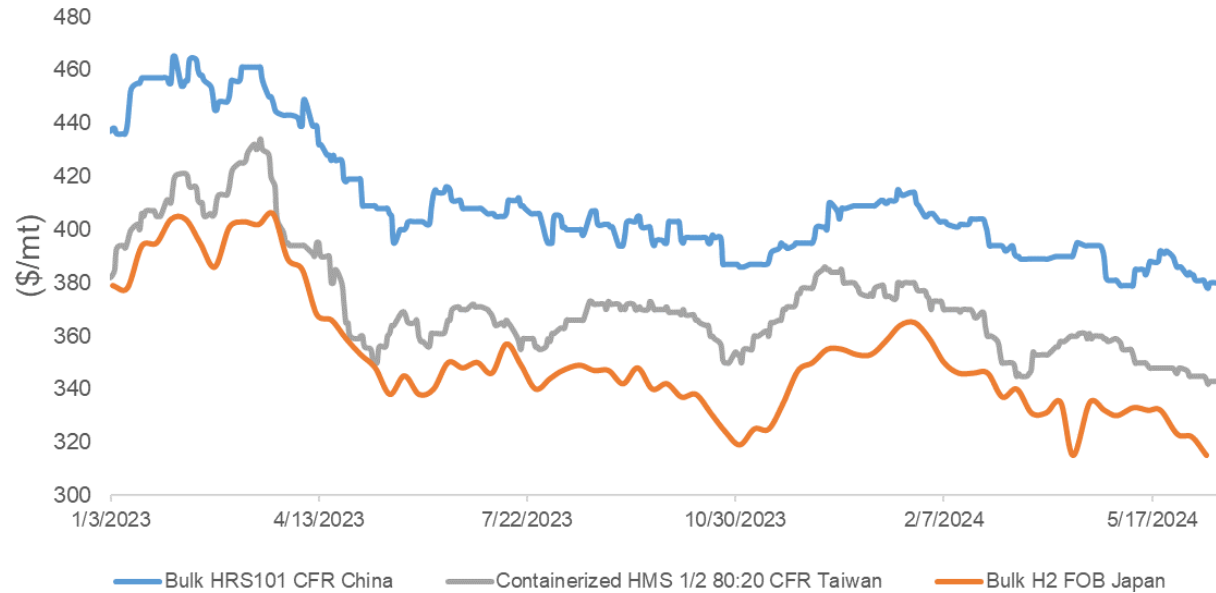
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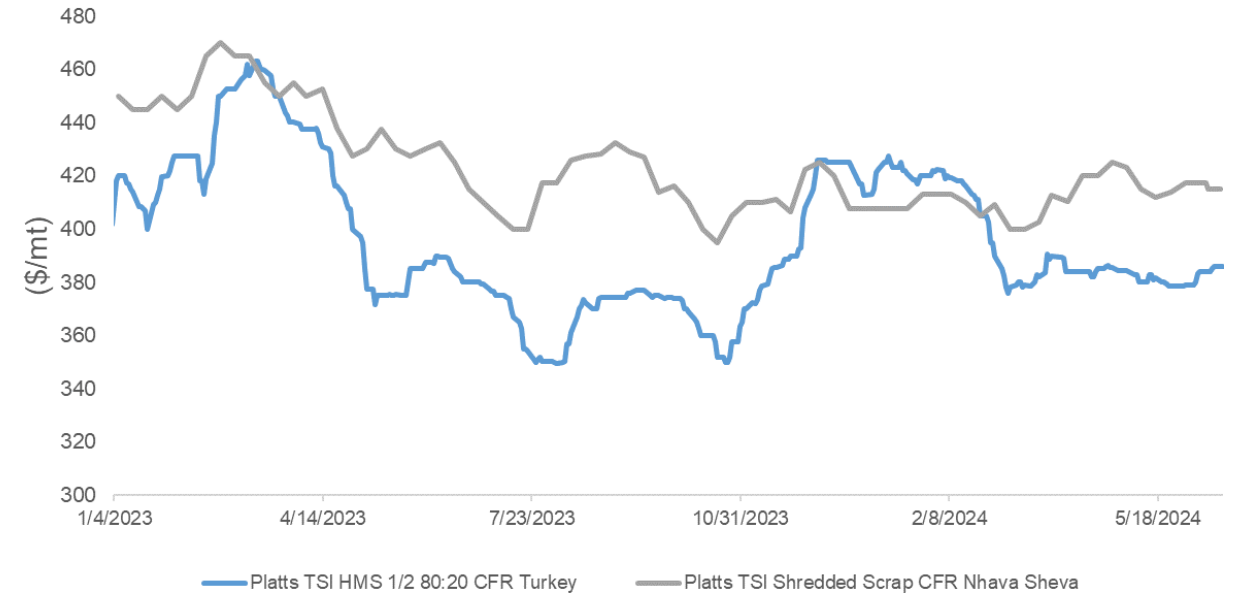
Scrap market price trends

Sluggish long steel demand tempers global scrap prices

Weak steel demand pressures Asian scrap prices



Turkish, Indian scrap prices rangebound



Asian scrap trade flows

Turkey

18.78 mil mt (▼ 10%)

- US 4.50 mil mt ▲
- Netherlands 2.16 mil mt
- Belgium 1.51 mil mt ▲

Bangladesh

3.28 mil mt (Estimates based on exporters' data)

- US 1.44 mil mt
- UK 1.01 mil mt
- Australia 0.56 mil mt
- Japan 0.52 mil mt

SOUTH KOREA

3.79 mil mt (▼ 18.97%)

- Japan 2.67 mil mt ▼
- USA 0.42 mil mt ▼
- Russia 0.35 mil mt ▲

China

0.53 mil mt (▼ 4.61%)

- Japan 0.29 mil mt ▼
- S. Korea 0.06 mil mt ▲
- Malaysia 0.04 mil mt ▲

JAPAN (EXPORT)

6.93 mil mt (▲ 9.84%)

- S. Korea 2.63 mil mt ▼
- Vietnam 1.68 mil mt ▲
- Taiwan 0.98 mil mt ▲
- Bangladesh 0.52 mil mt ▲

INDIA

11.76 mil mt (▲ 40.4%)

- USA 1.89 mil mt ▲
- UK 1.74 mil mt ▲
- UAE 1.01 mil mt ▼

TAIWAN

3.42 mil mt (▲ 16.7%)

- USA 1.30 mil mt ▲
- Japan 0.98 mil mt ▲
- Dominican 0.24 mil mt ▲

THAILAND

1.67 mil mt (▼ 21.4%)

- USA 0.31 mil mt ▲
- Japan 0.16 mil mt
- Australia 0.13 mil mt ▼

VIETNAM

4.36 mil mt (▼ 2.48%)

- Japan 1.60 mil mt ▲
- USA 0.91 mil mt ▲
- Hong Kong 0.42 mil mt ▼

MALAYSIA

0.74 mil mt (▲ 46.9%)

- Singapore 0.18 mil mt ▲
- Australia 0.17 mil mt ▲
- Japan 0.11 mil mt ▲

INDONESIA

1.10 mil mt (▼ 8.47%)

- Hong Kong 0.33 mil mt ▼
- Australia 0.31 mil mt ▼
- Singapore 0.14 mil mt ▼

Based on latest country available data as of Mar. 2024 from Global Trade Atlas

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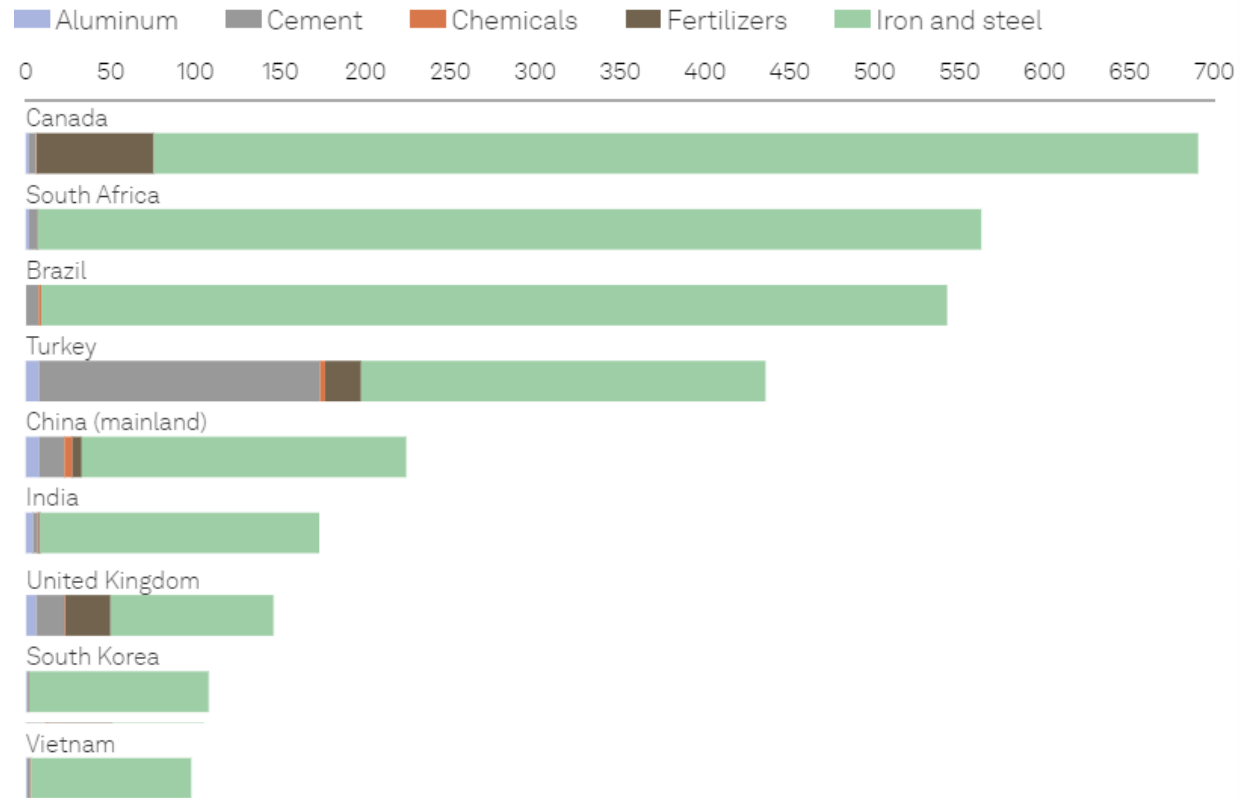
Decarbonization in metals

Platts carbon-accounted metals assessments and Asian steel decarbonization trends

CBAM puts focus on carbon-accounted metals

Volume of CBAM-covered CO2 emissions by metric ton, 2026-2040

Million metric tons



Data as of Feb. 24, 2023.

Source: S&P Global Commodity Insights.

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Platts carbon-accounted metals assessments

Carbon-accounted steel

- Carbon-accounted steel premium (Europe)
- First carbon-accounted steel assessment globally

Carbon-accounted aluminum

- Low-carbon and zero-carbon aluminum assessments in US, Europe
- Zero-carbon aluminum premium (Europe) is first-of-kind and represents voluntary cost of offsetting emissions to zero

Full specifications guide:

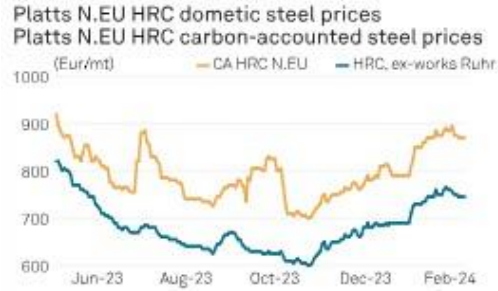
[Global Steel, Ferrous Scrap, Ferroalloys and Noble Alloys | S&P Global Commodity Insights \(spglobal.com\)](#)

[Specifications Guide Global Nonferrous Metals | S&P Global Commodity Insights \(spglobal.com\)](#)

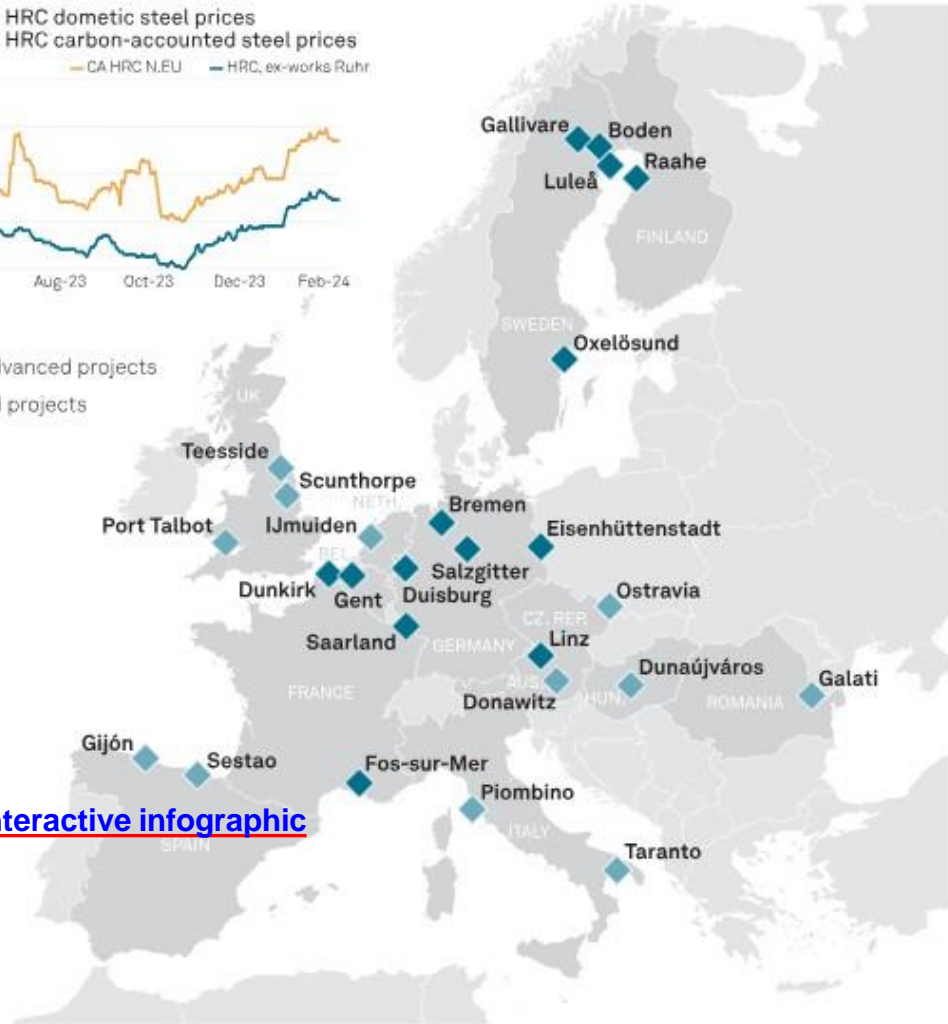
Mapping out the steel decarbonization landscape across Europe and Asia

Roadmap of Europe's low carbon steel projects

Click on a location for more detail



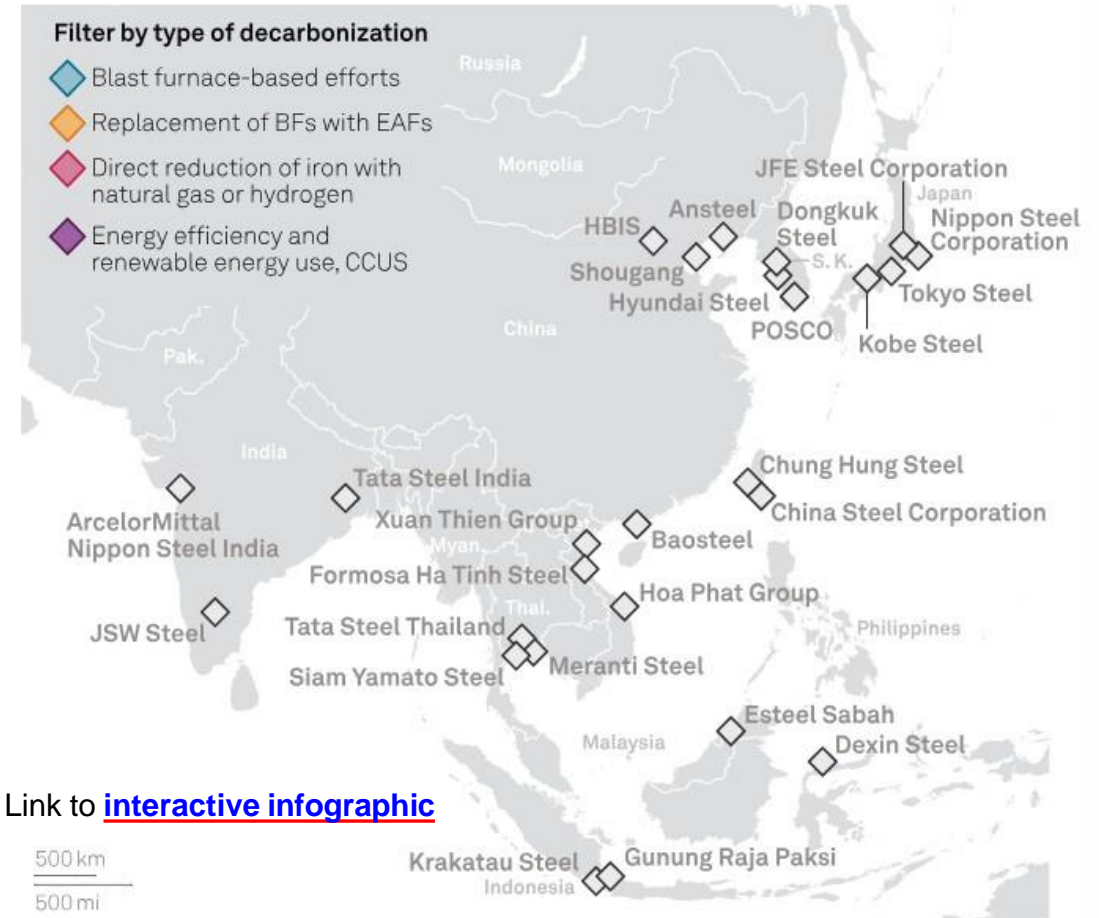
- Category**
- ◆ More advanced projects
 - ◆ Planned projects



Link to [interactive infographic](#)

Asia's burgeoning steel decarbonization landscape

Select a steelmaker to see details of decarbonization measures.



Link to [interactive infographic](#)

500 km
500 mi

Note: Each steelmaker is represented by one of their works in the map. • Source: S&P Global Commodity Insights, Company and government reports, China Metallurgical News.

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Thank you!

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