

NAVIGATE
Commodities

Steel Scrap Markets

A Bird's Eye View

Commissioned by:



In Association With:



Report Overview:

“Steel Scrap Markets – a Bird’s Eye View” is a new report commissioned by the London Metal Exchange (LME), designed to give market participants a unique perspective on the highly fragmented and traditionally often opaque world of ferrous scrap markets.

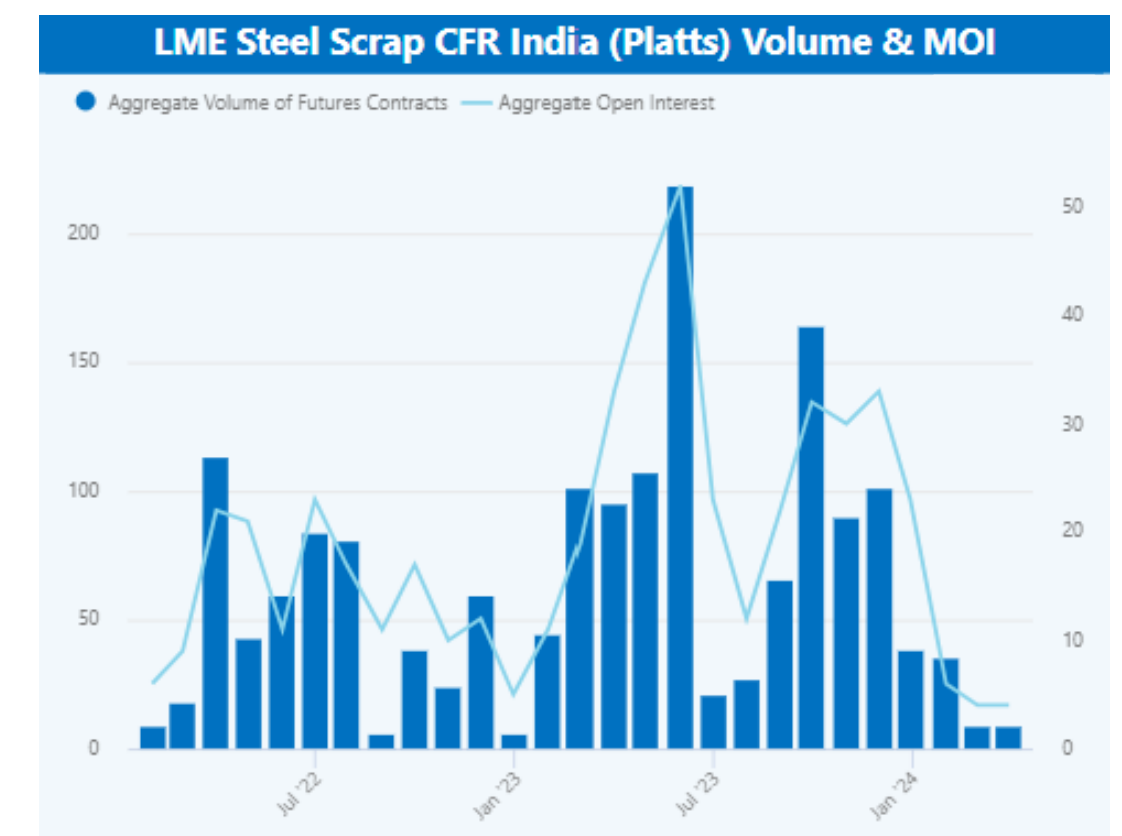
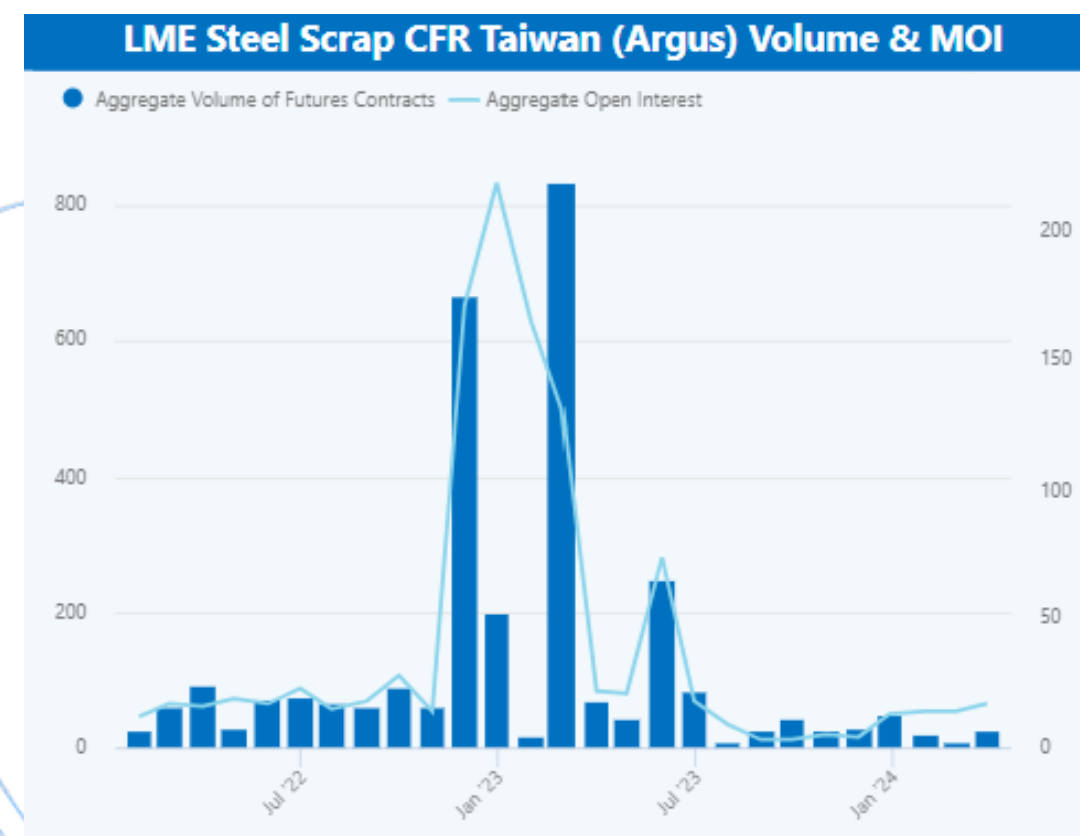
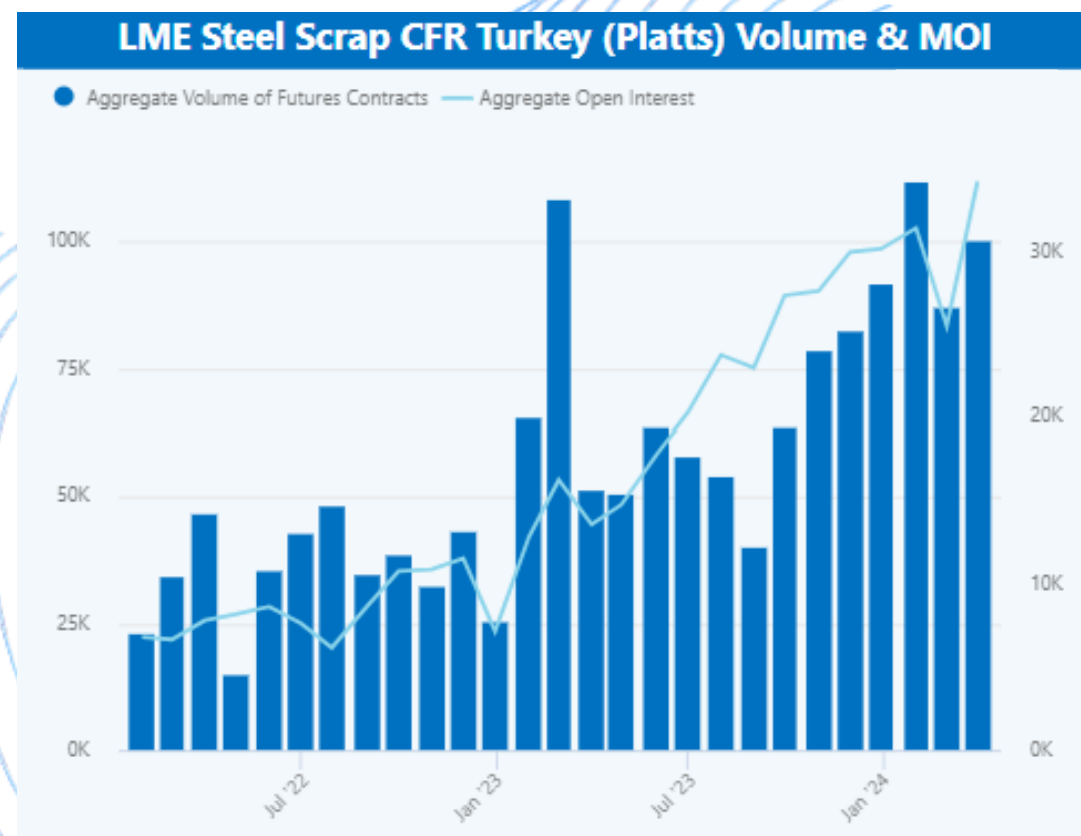
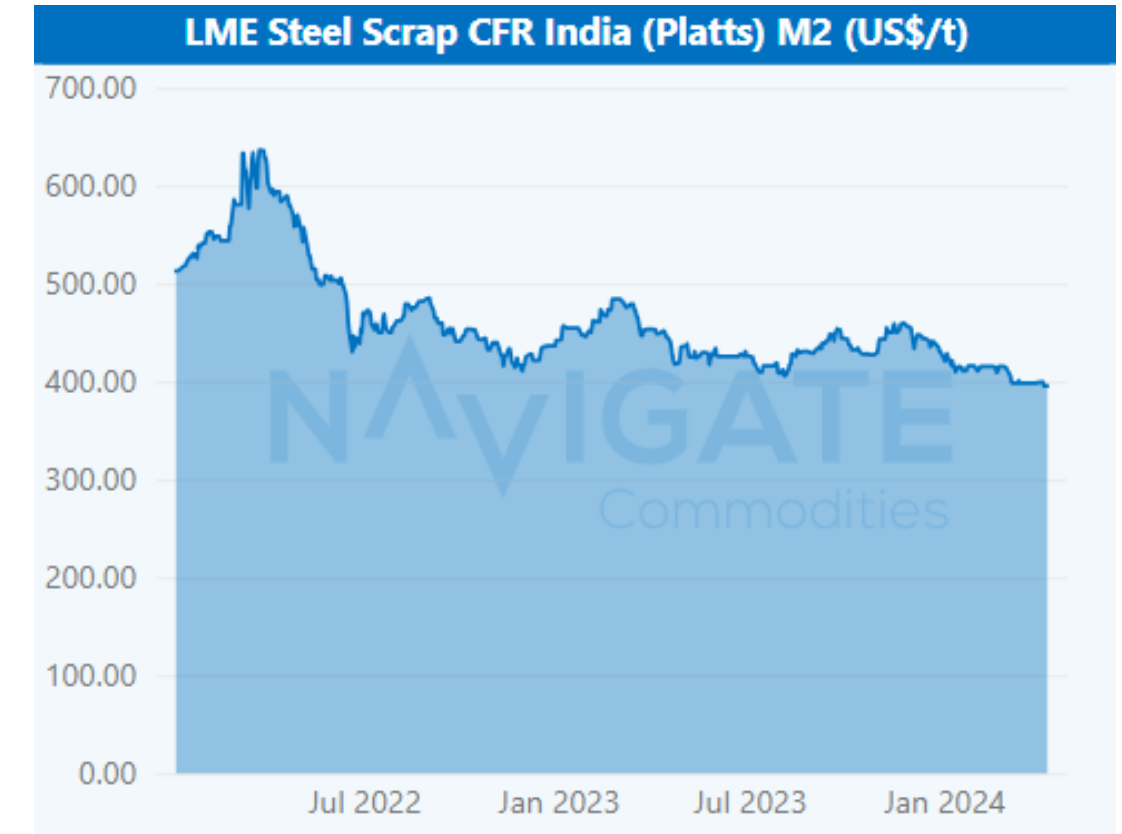
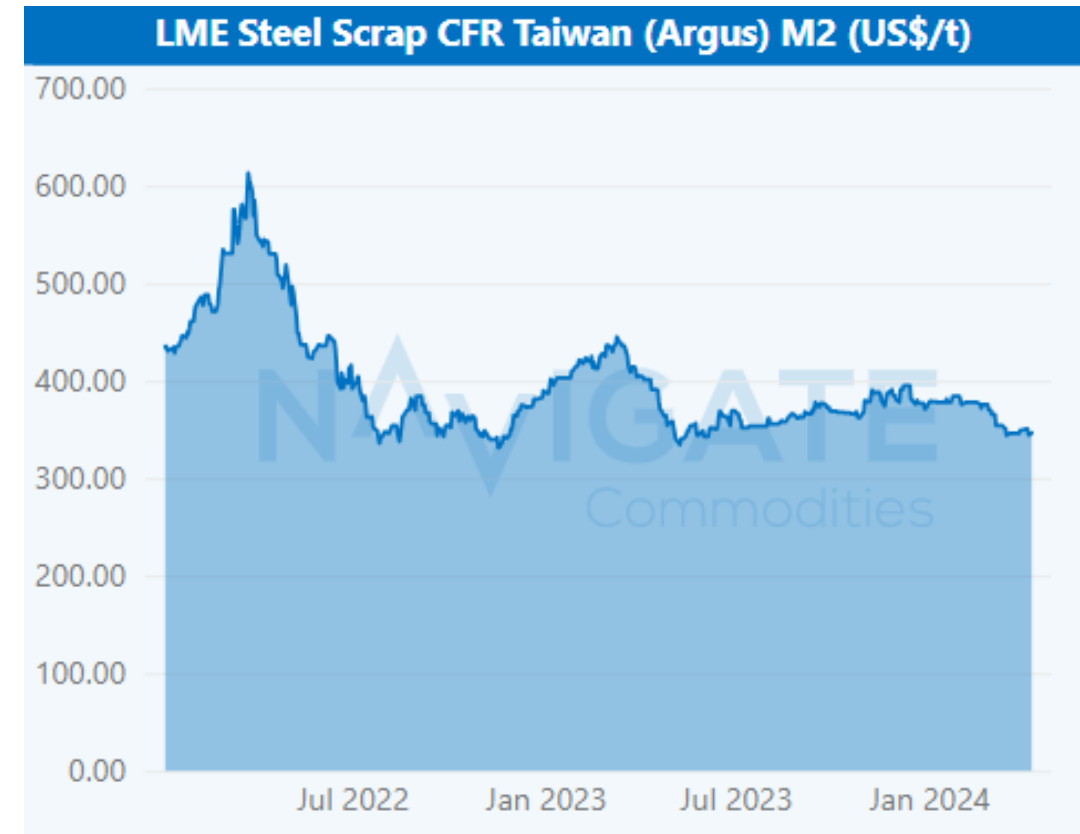
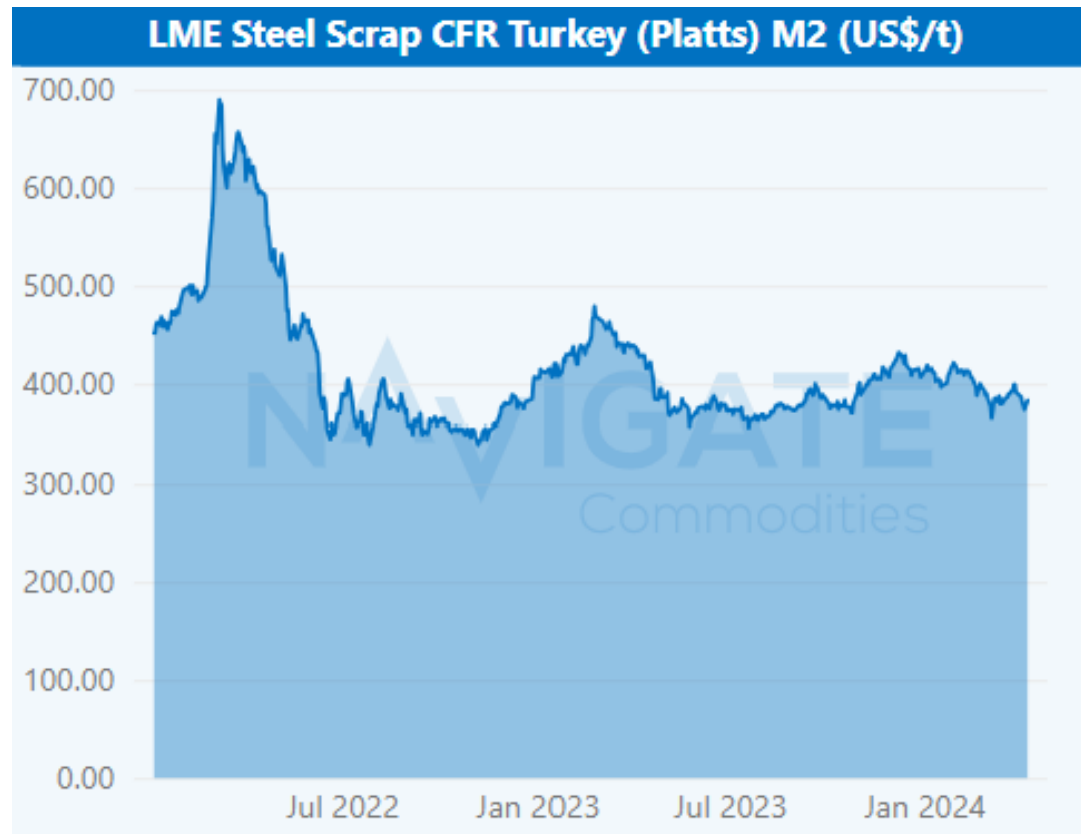
This report includes a wealth of data and provides commentary on supply chains from the key steel scrap markets of Turkey, India, and Taiwan.

Authors Navigate Commodities and Earth-i use satellite imagery, AI and machine learning to monitor and assess data from steel mills, trade routes and ports to bring transparency to and insight on the world of steel scrap.



LME Steel Scrap Futures

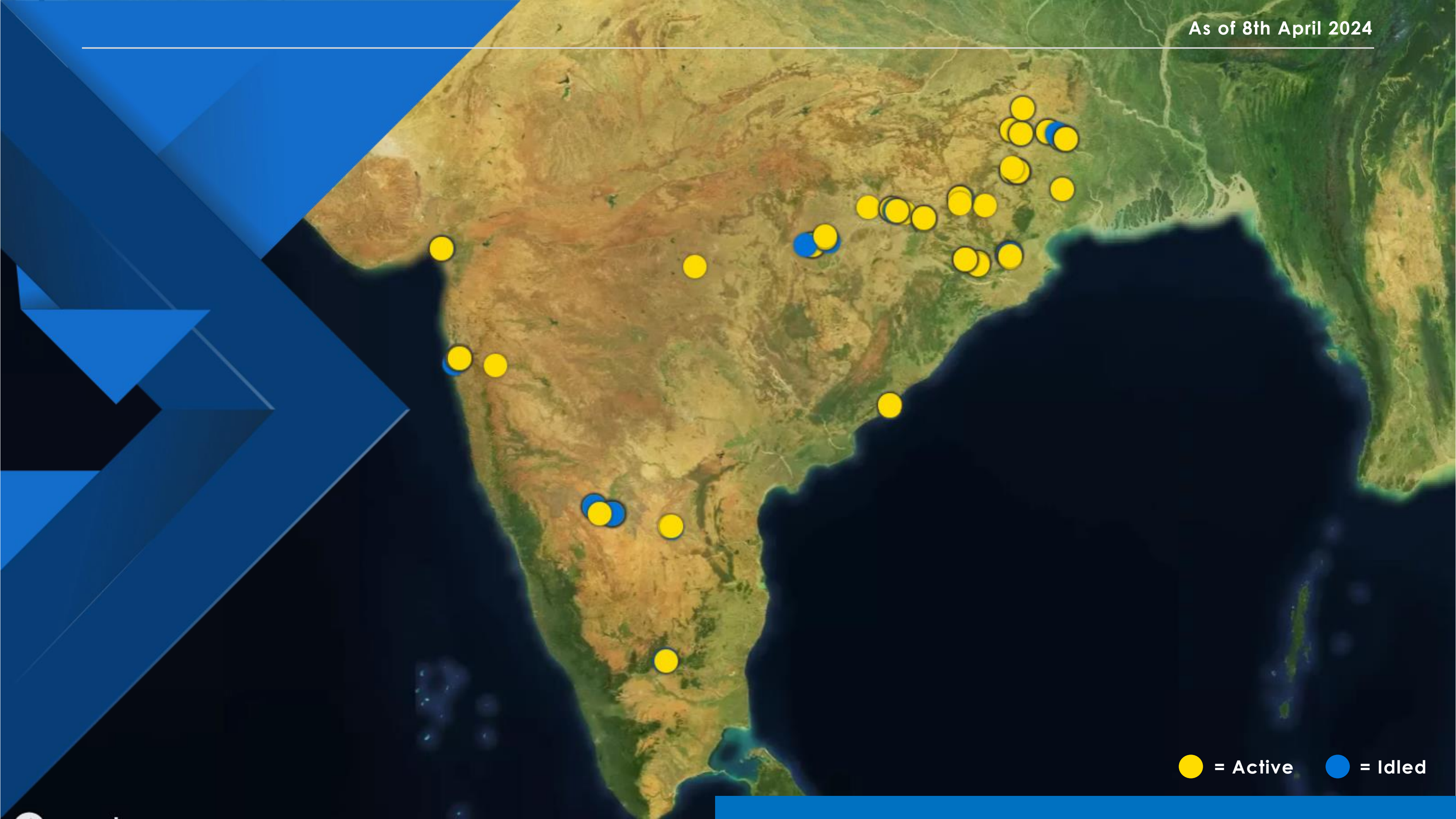






India Steel Scrap Market Overview





● = Active ● = Idled

India

While government-funded construction activity has slowed ahead of national general elections from April to June, manufacturing activity in India recorded incredibly impressive returns in March 2024.

The latest manufacturing PMI reading of 59.10pts for March was the fastest growth in factory activity since February 2008, with output and new orders expanding the most in nearly three-and-a-half years.

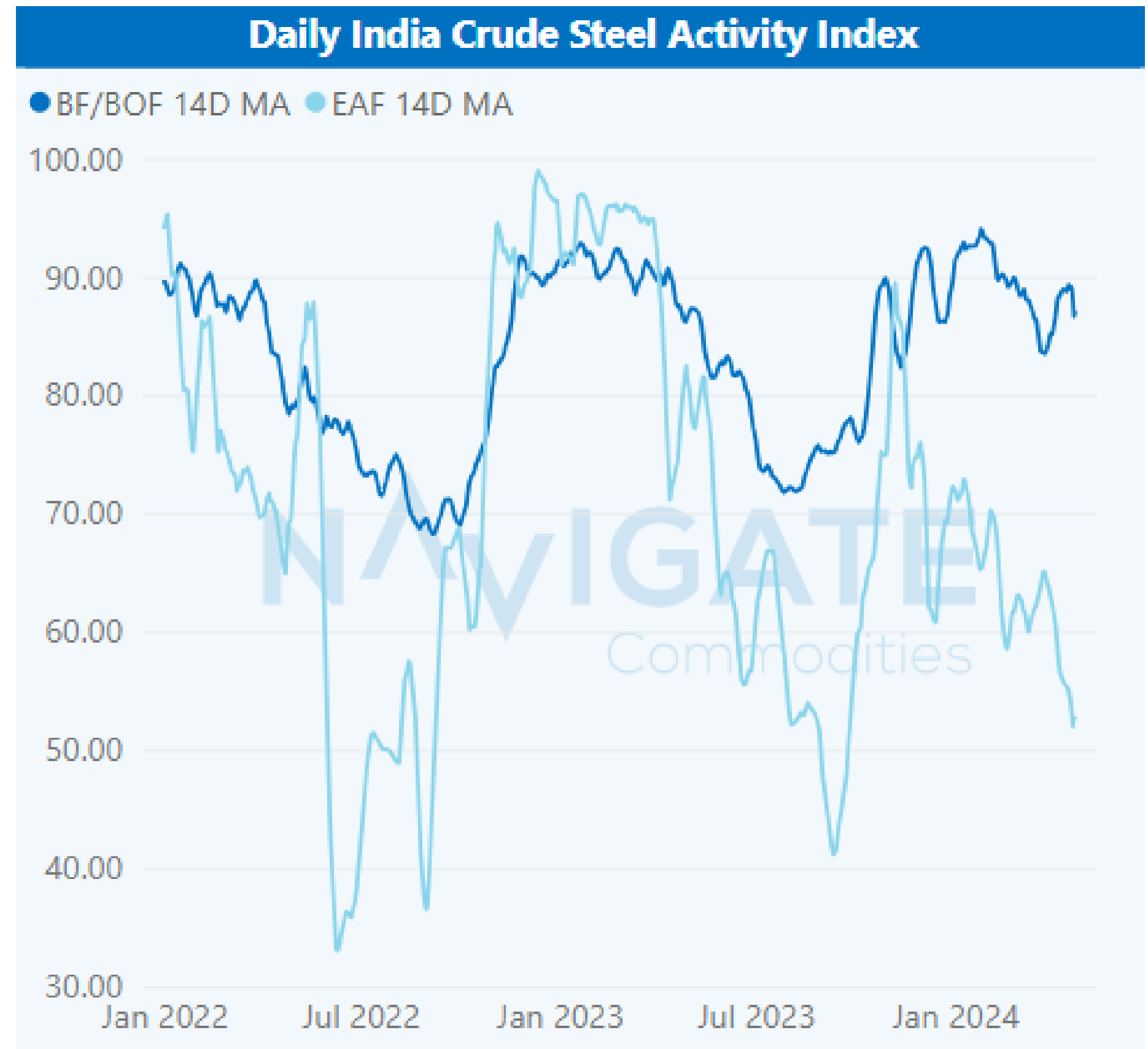
Unsurprisingly, we've detected a corresponding 7.00pts rebound in daily Indian BF/BOF Steel smelting activity to a recent peak of 89.30pts on 5th April 2024 from a four-month trough of 82.30pts on 23rd March.

These real-time daily thermal infrared satellite readings were validated by the recent strength in containerized prices for India-destined Shredded Ferrous Scrap, which expanded US\$10/t over the past month.

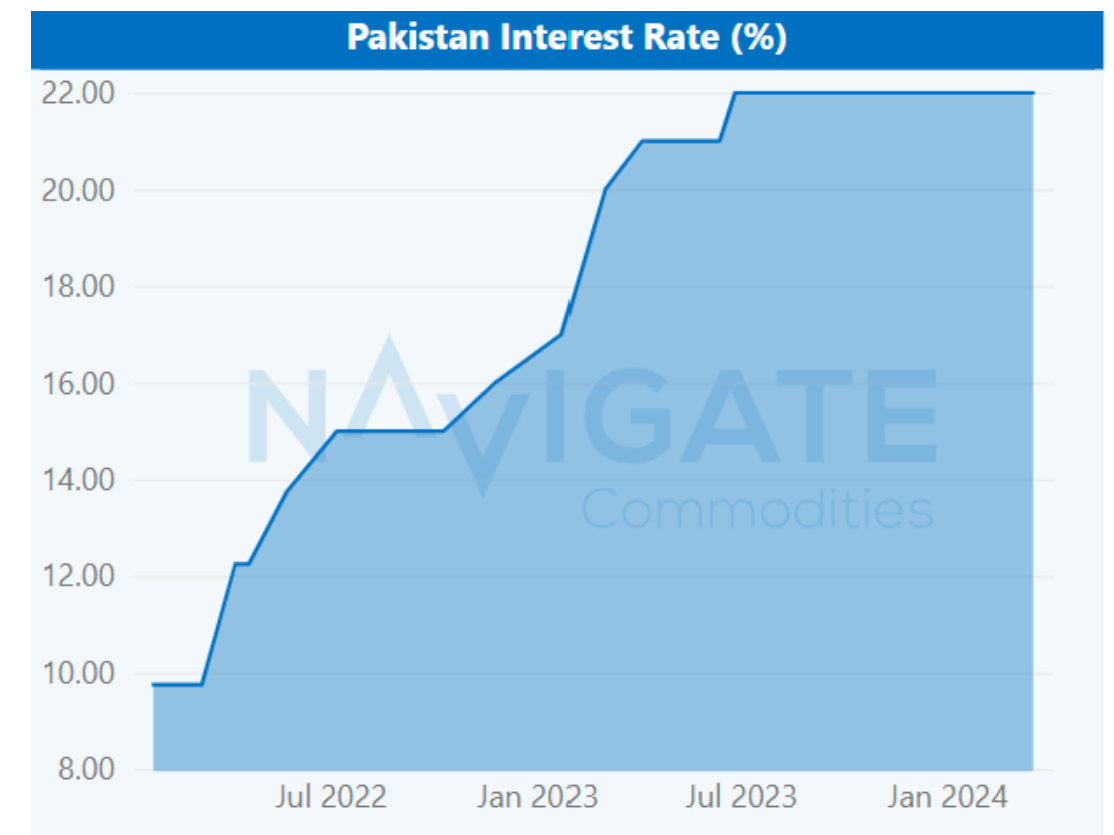
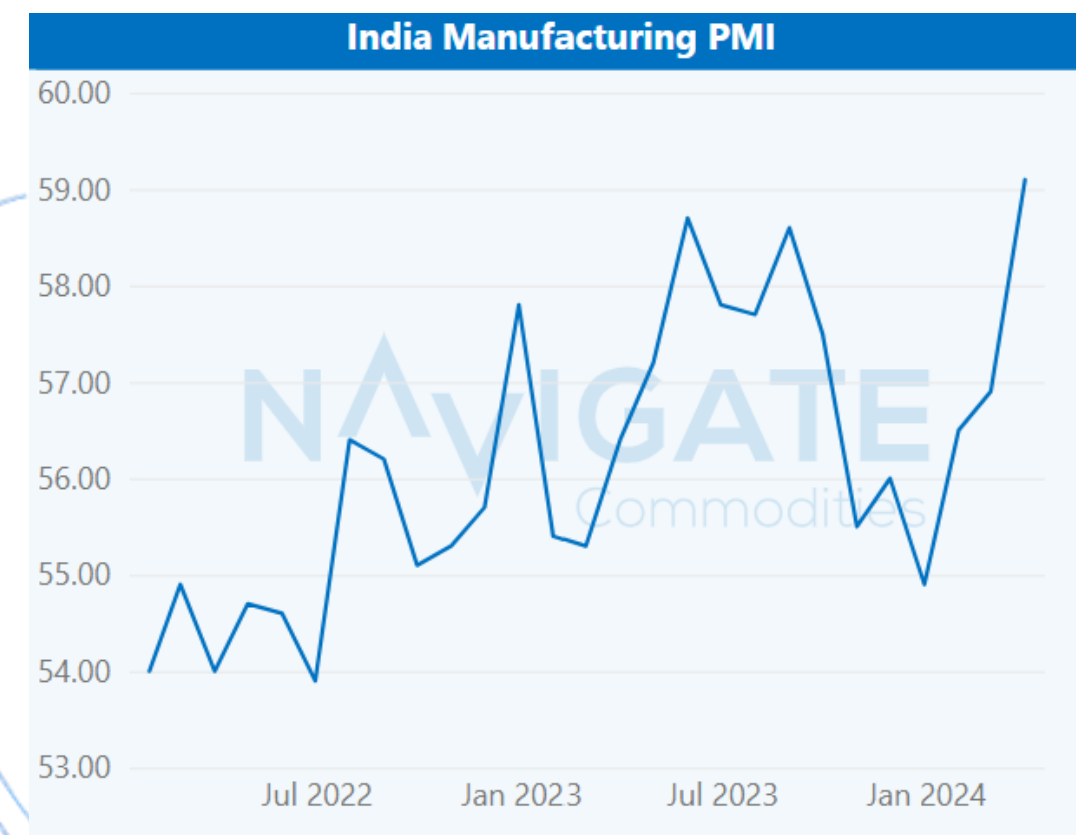
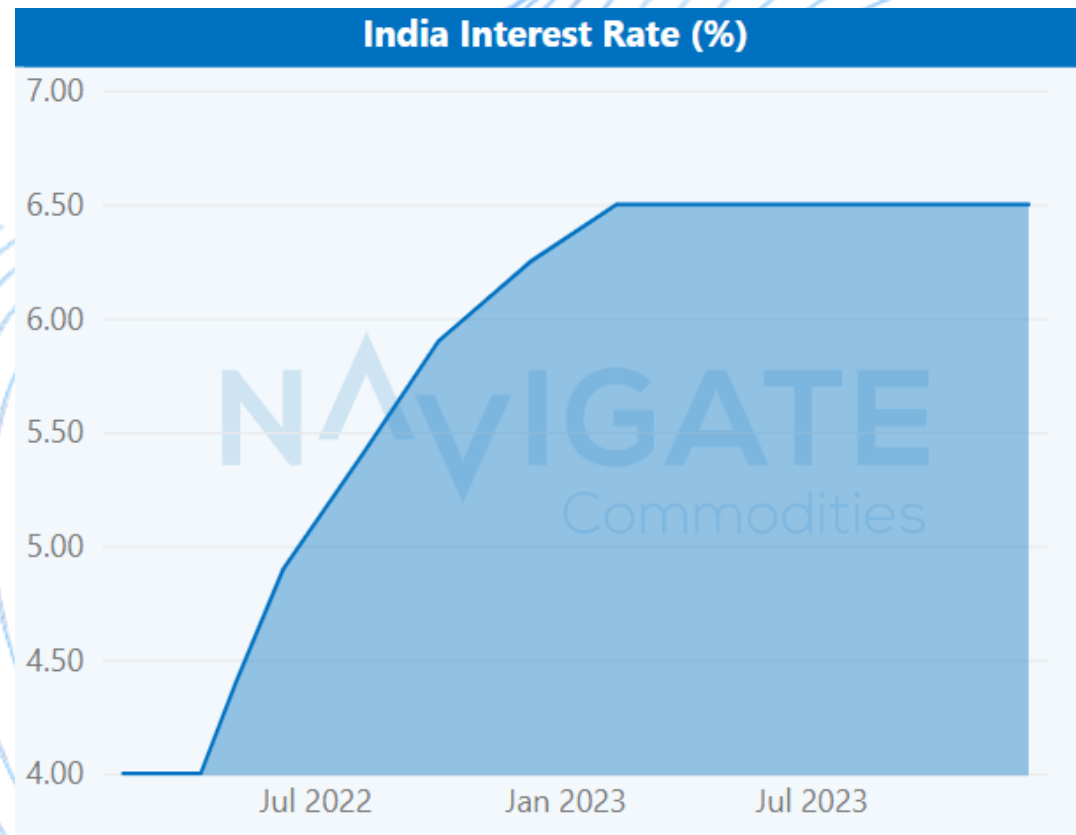
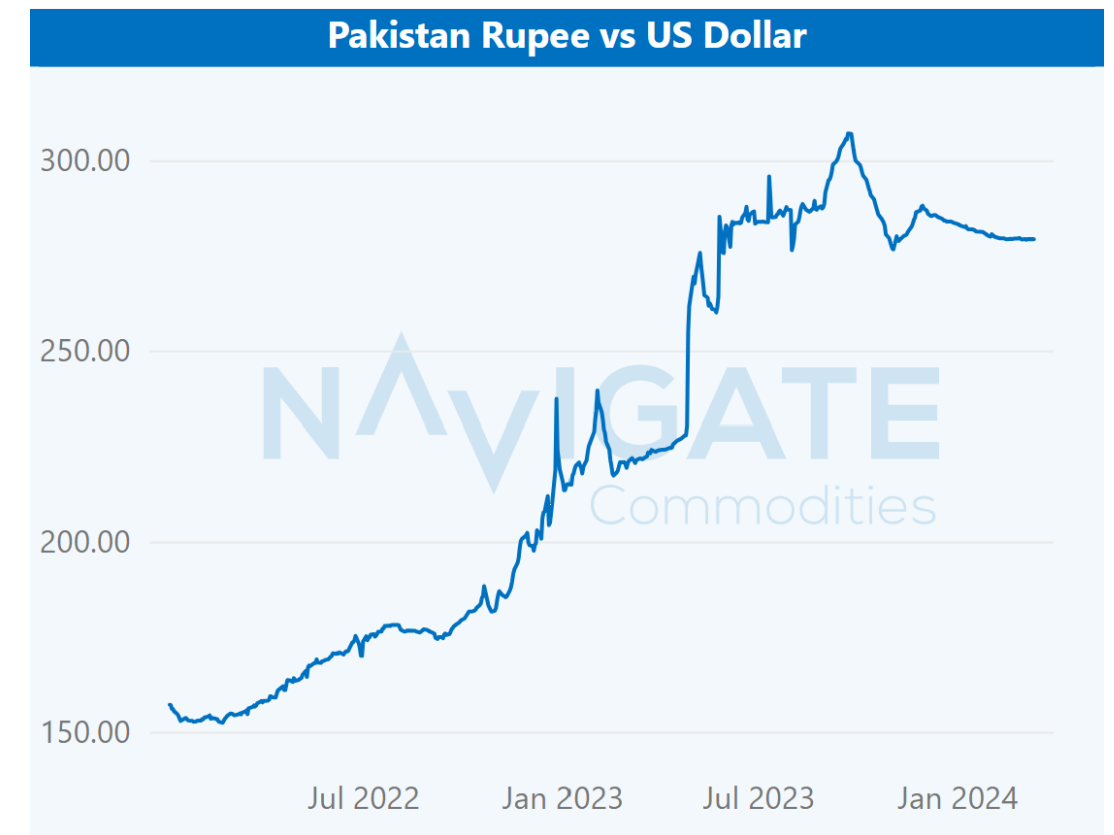
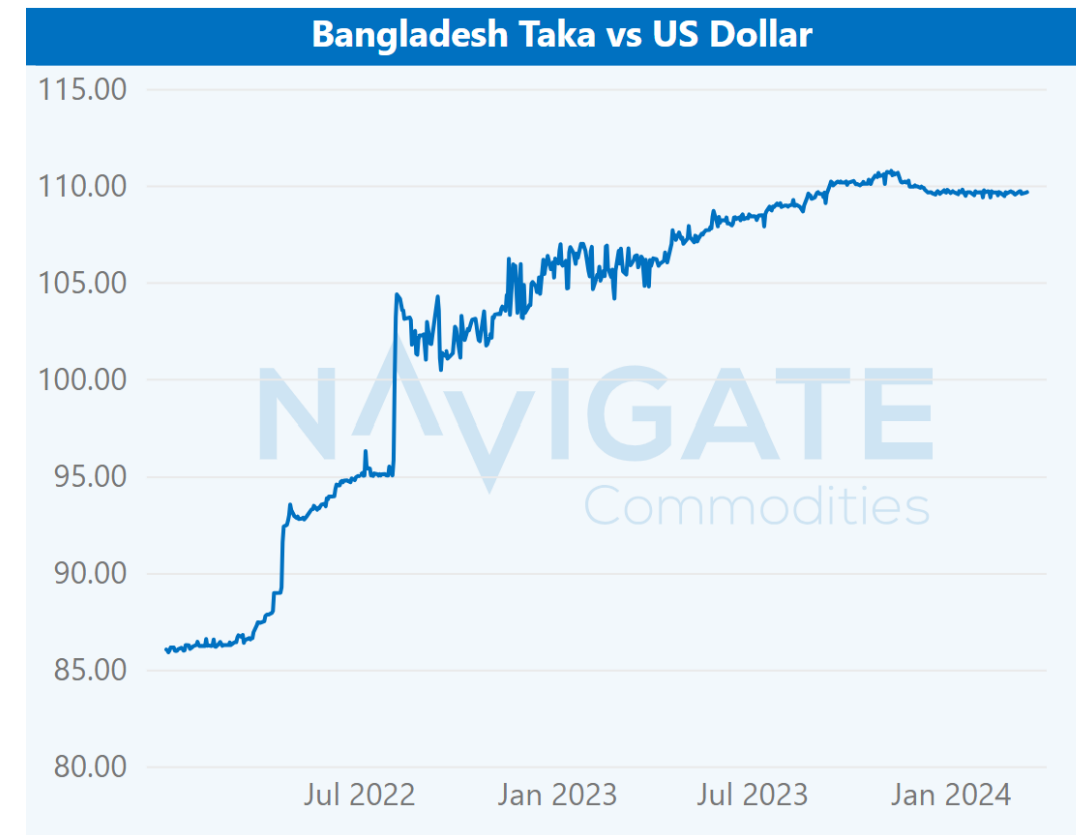
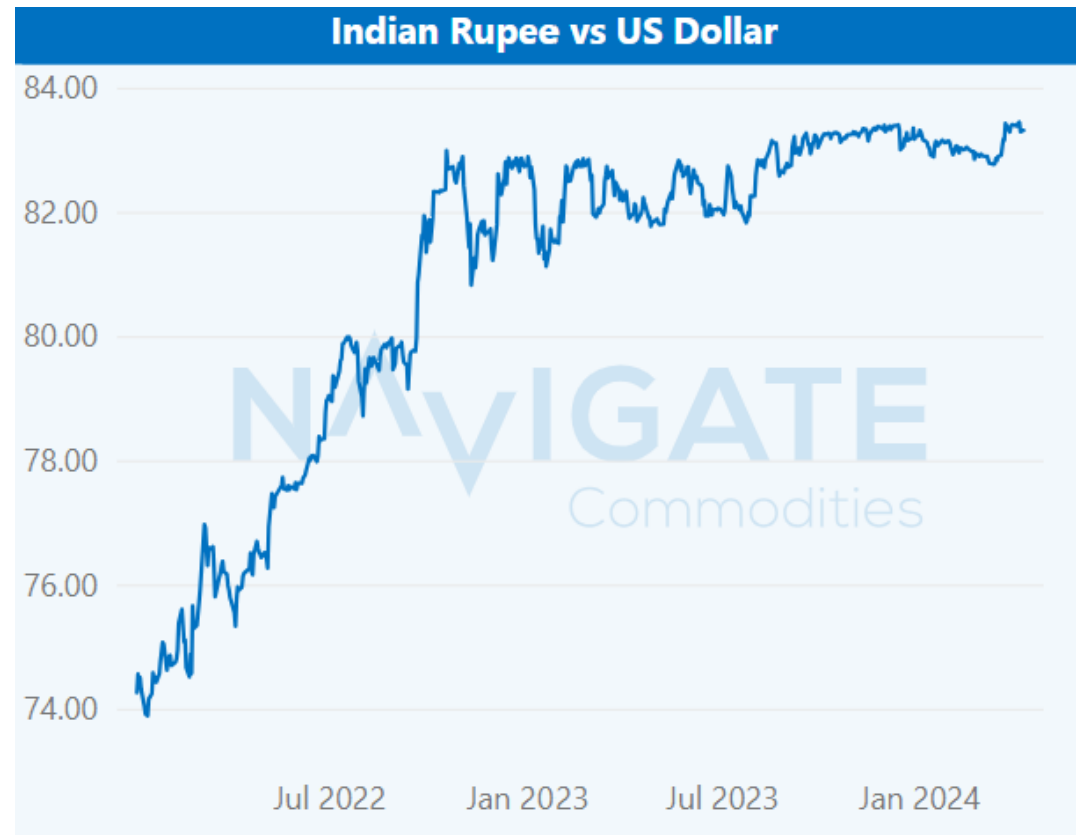
As a result, Indian Ferrous Scrap Shredded premia over equivalent Turkish grades have now widened to +US\$6.00/t compared with the inverse discounts of up to minus US\$30/t witnessed in December 2023 through February 2024.

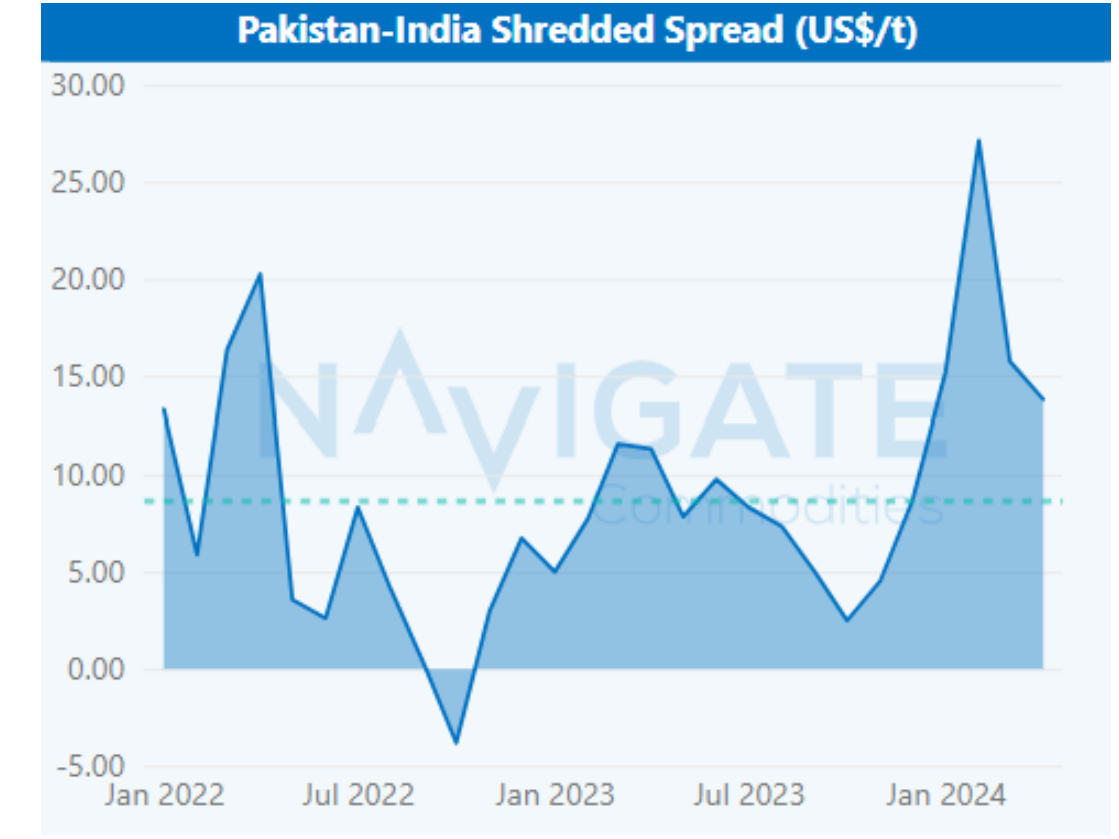
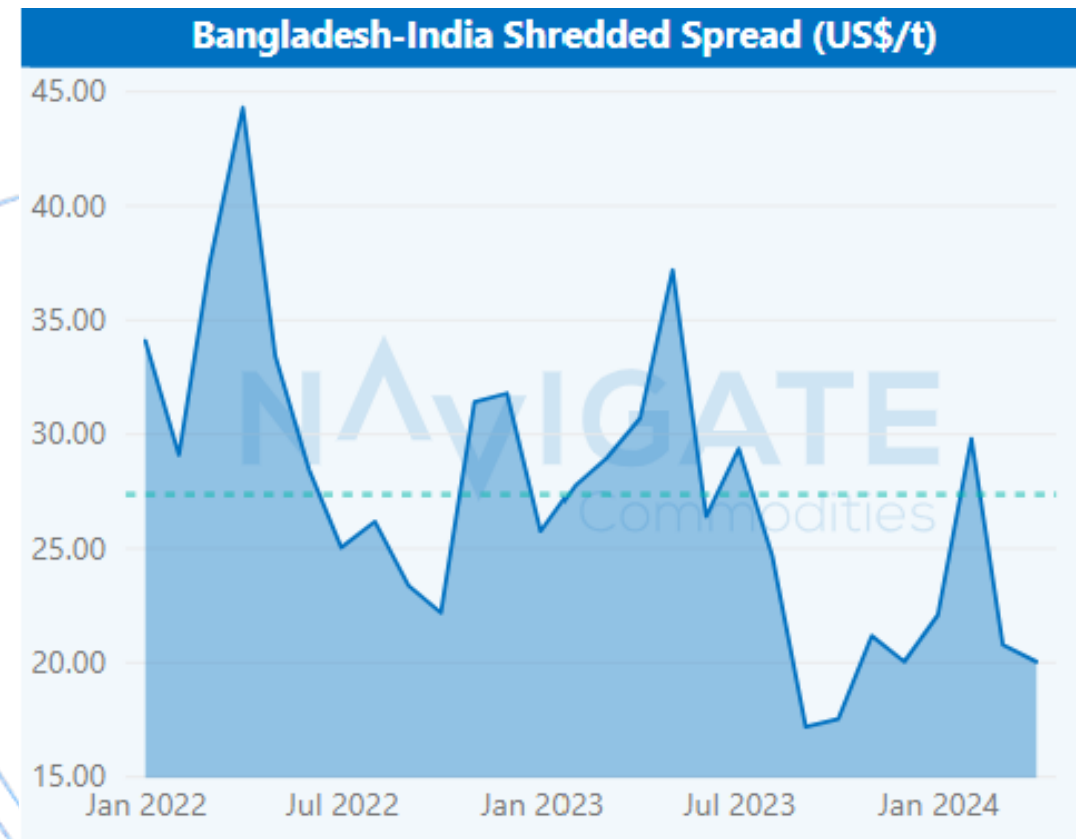
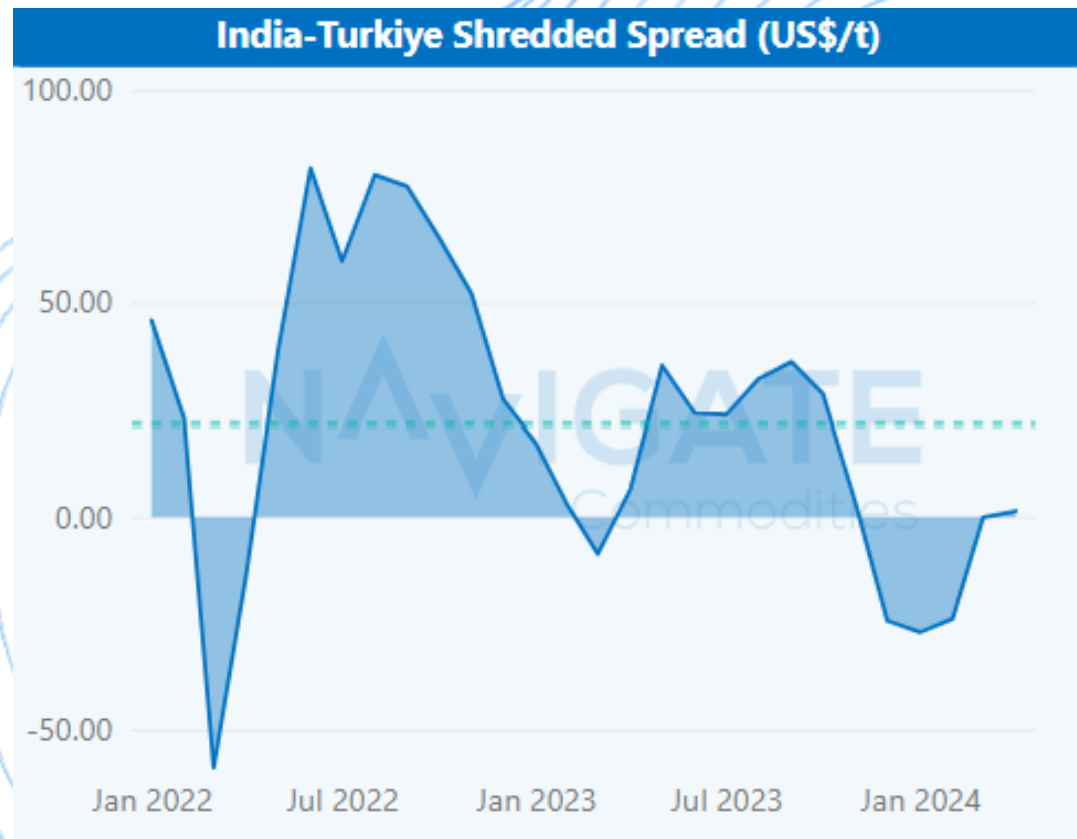
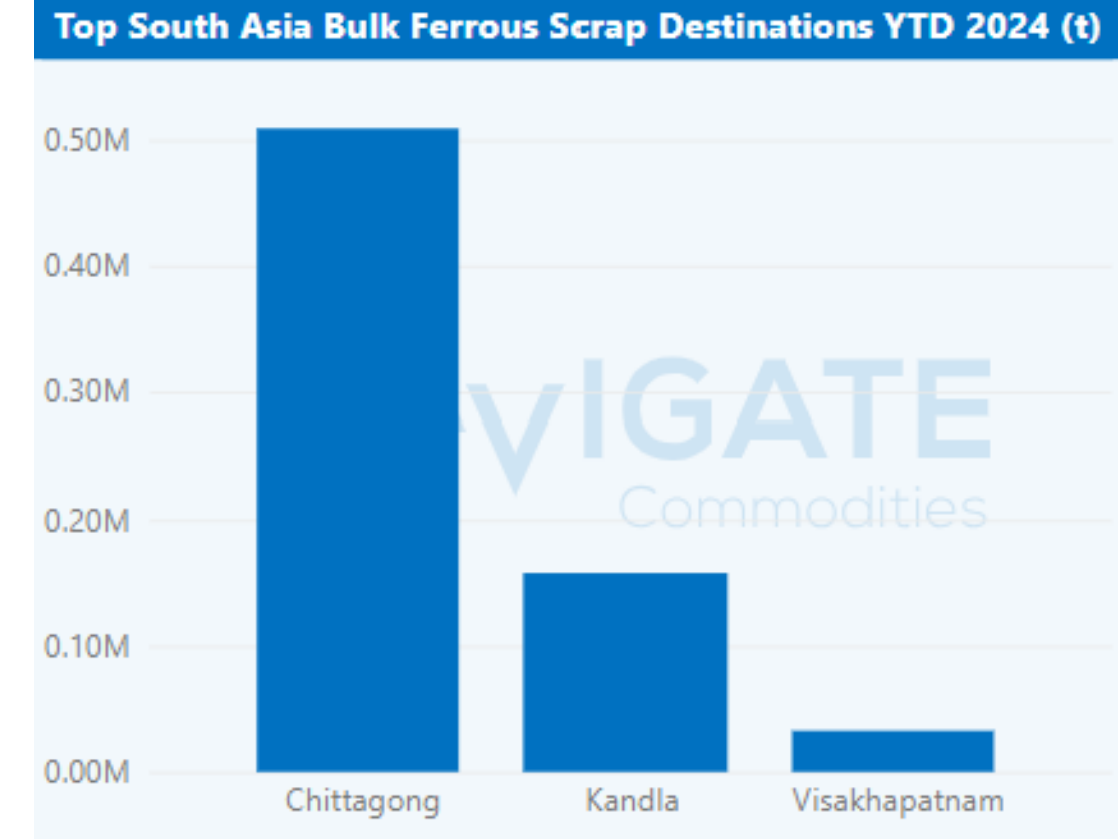
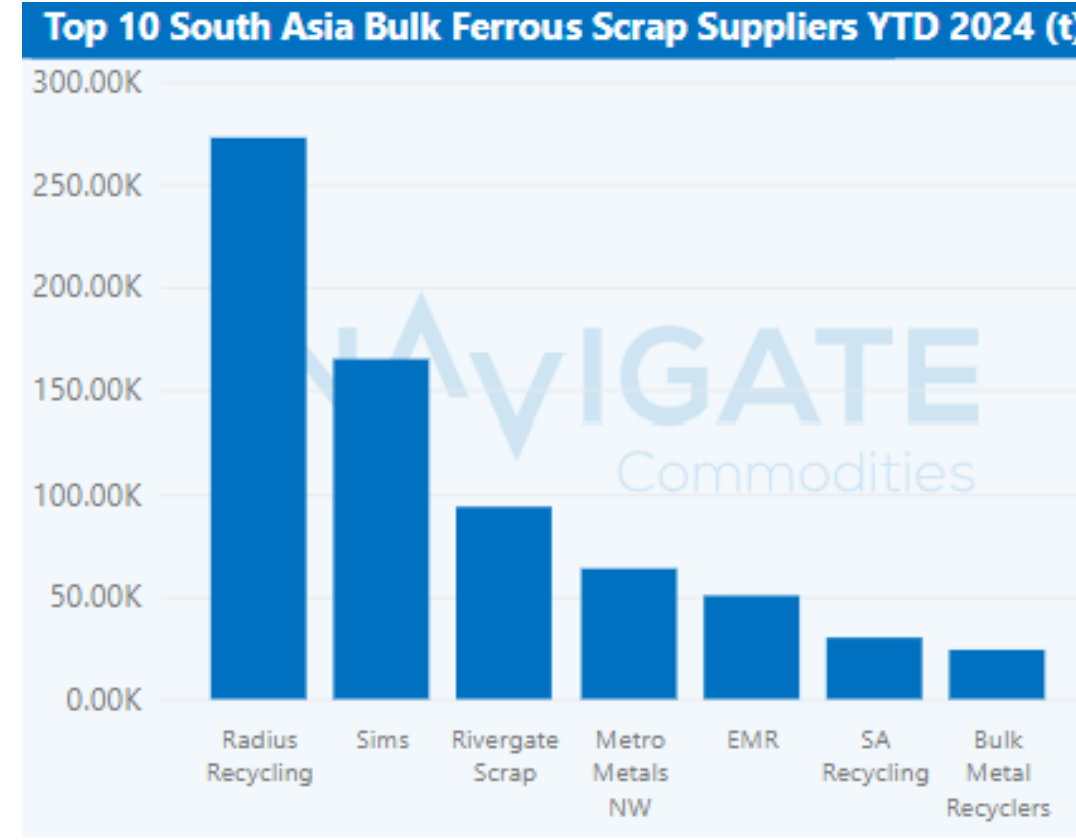
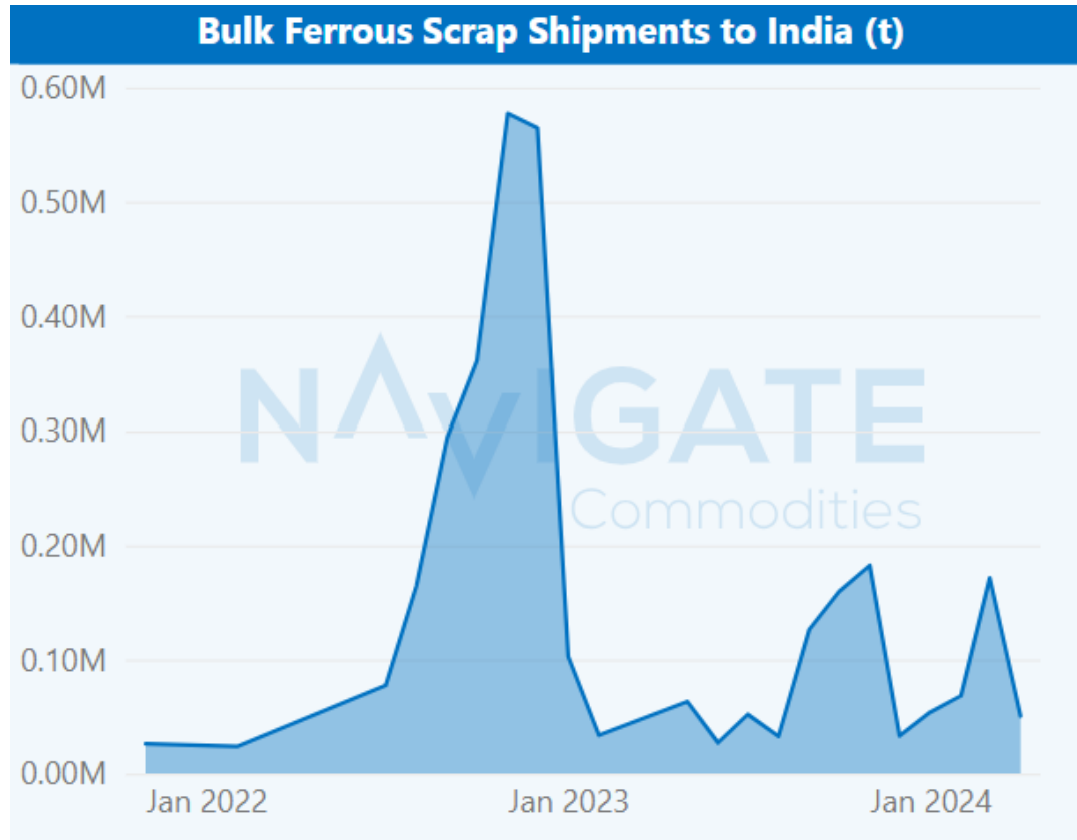
That said, it's highly unlikely Indian Ferrous Scrap consumption growth in the short to medium term will supersede the corresponding deficit in Turkish demand, given that Iron Ore & Coking Coal prices represent far greater value.

Methodology: The Daily Crude Steel Smelting Activity Index is calculated by detecting & monitoring heat signatures from unique plant-by-plant Areas of Interest (AOIs) using high-frequency Thermal Infrared Satellite Imagery (TIRS).

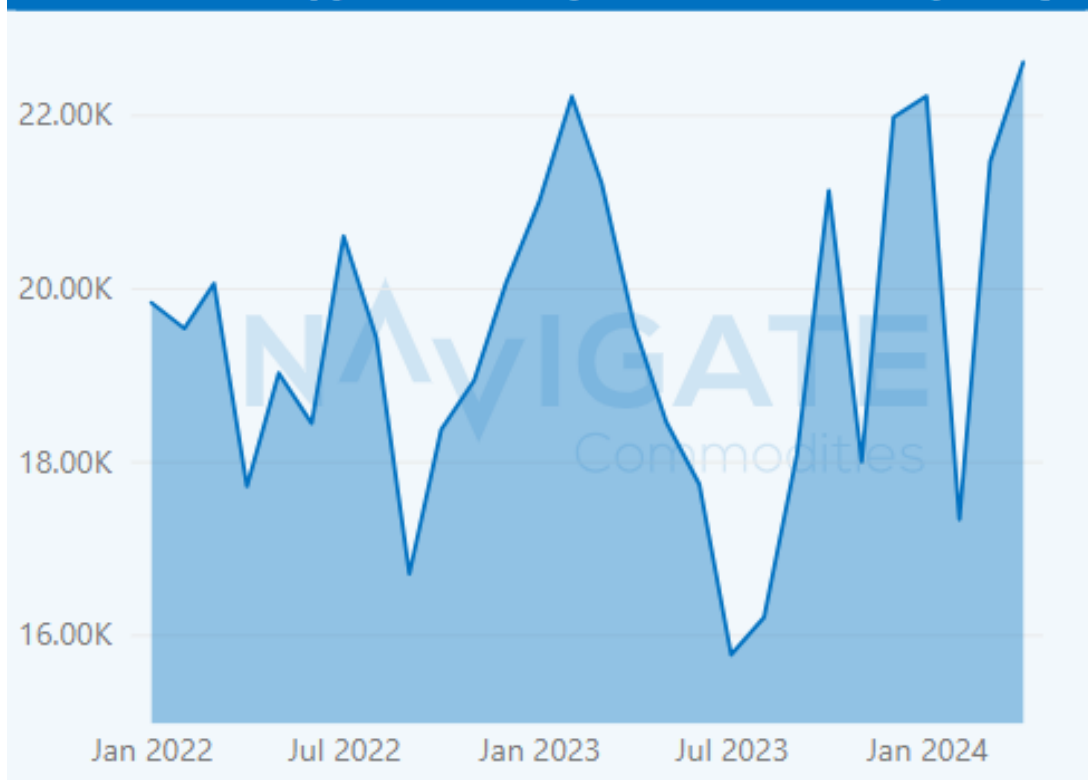


Source: Earth-i, Navigate Commodities

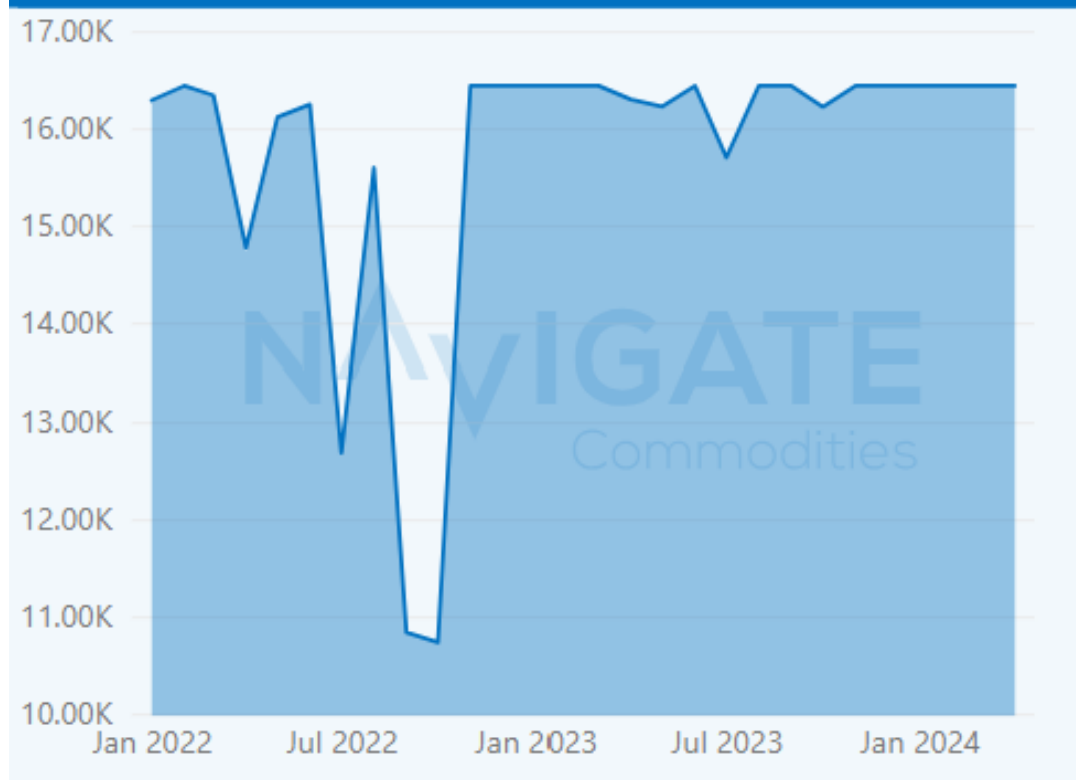




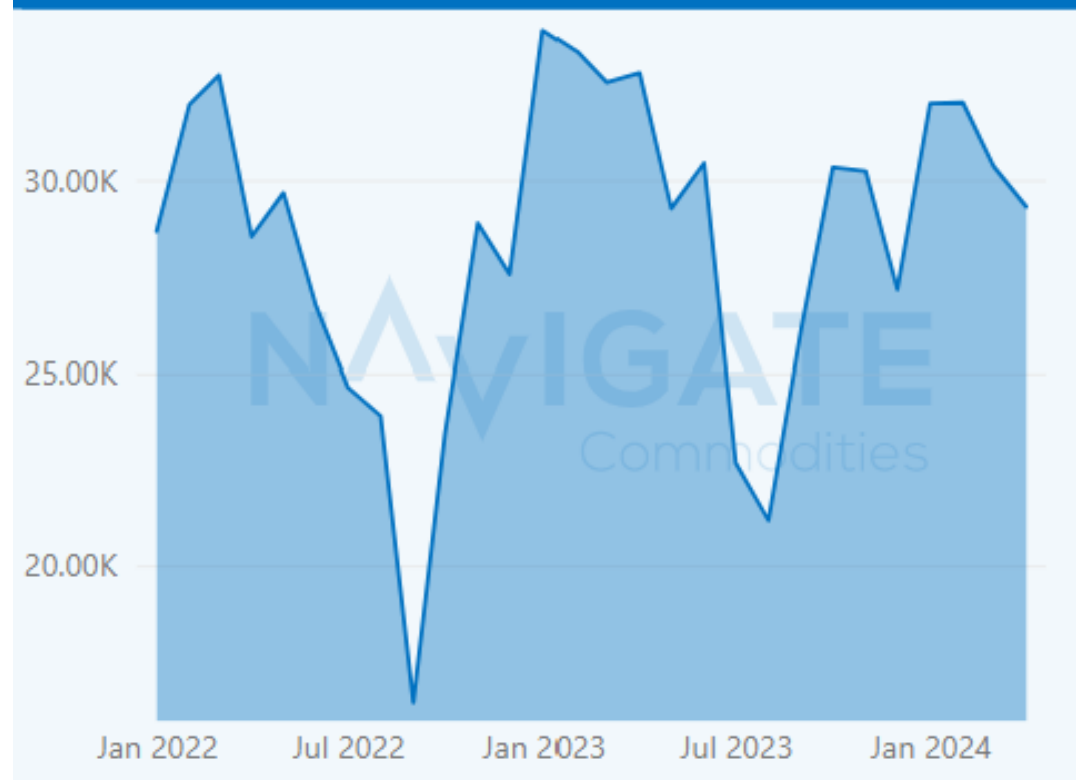
AcelorMittal Nippon Steel Output 30D MA (tonnes per day)



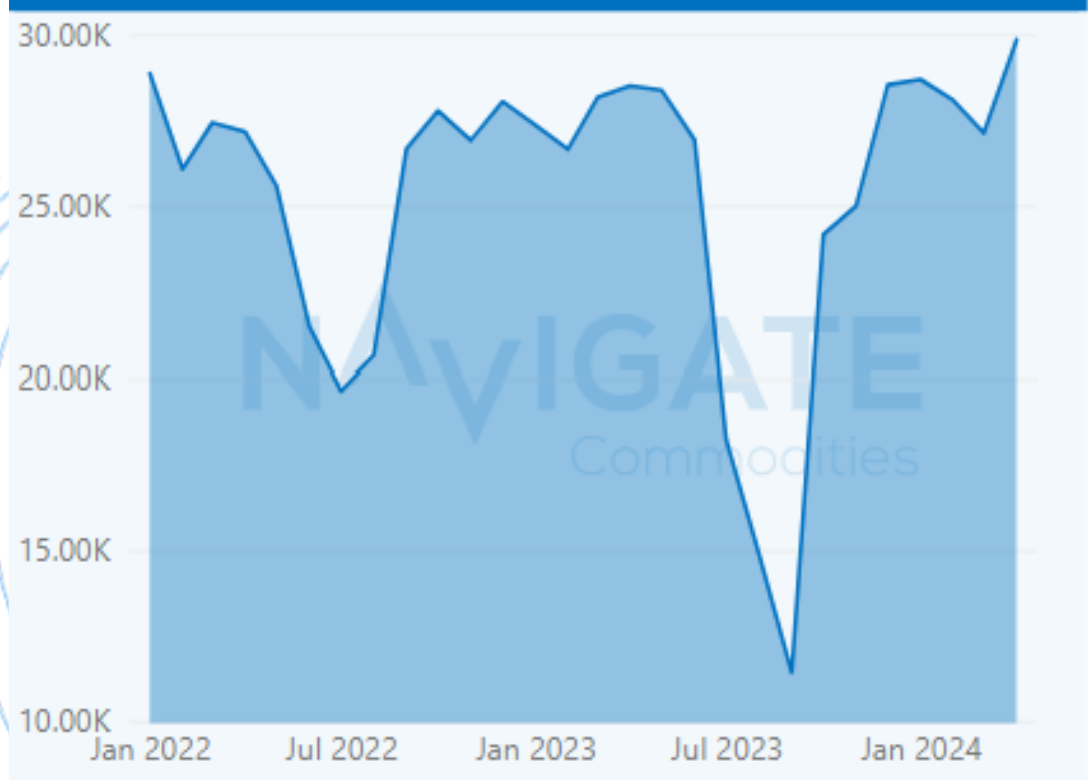
JSPL Odisha Steel Output 30D MA (tonnes per day)



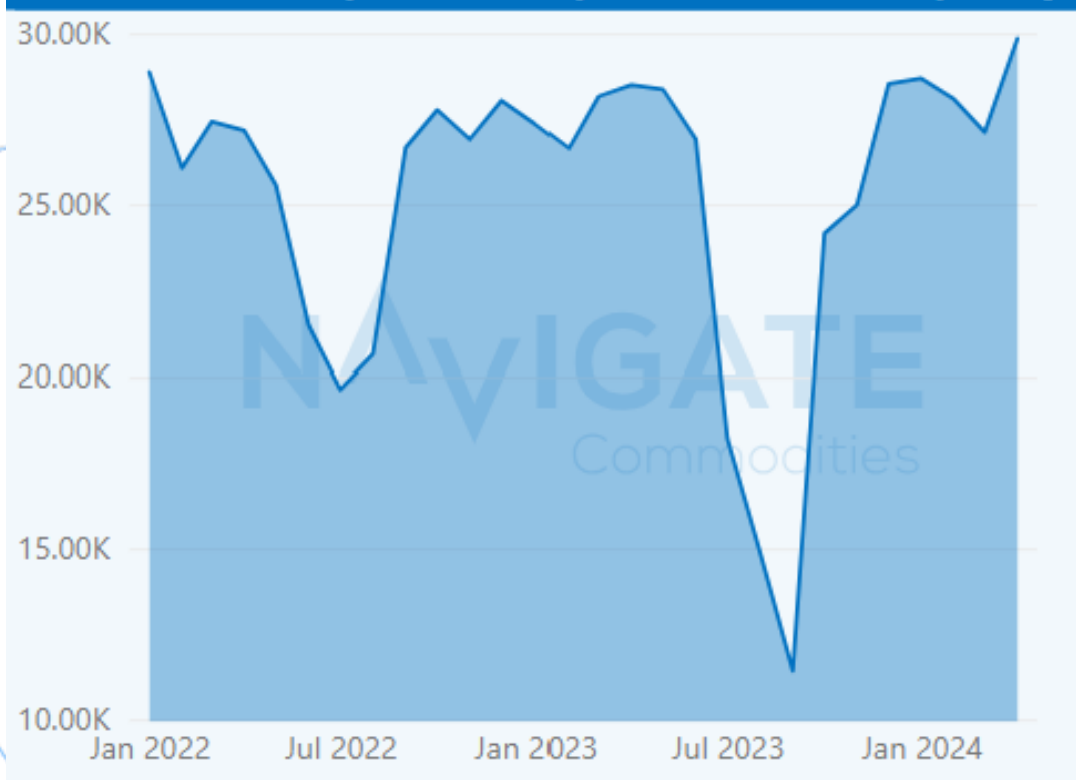
JSW Vijayanagar Steel Output 30D MA (tonnes per day)



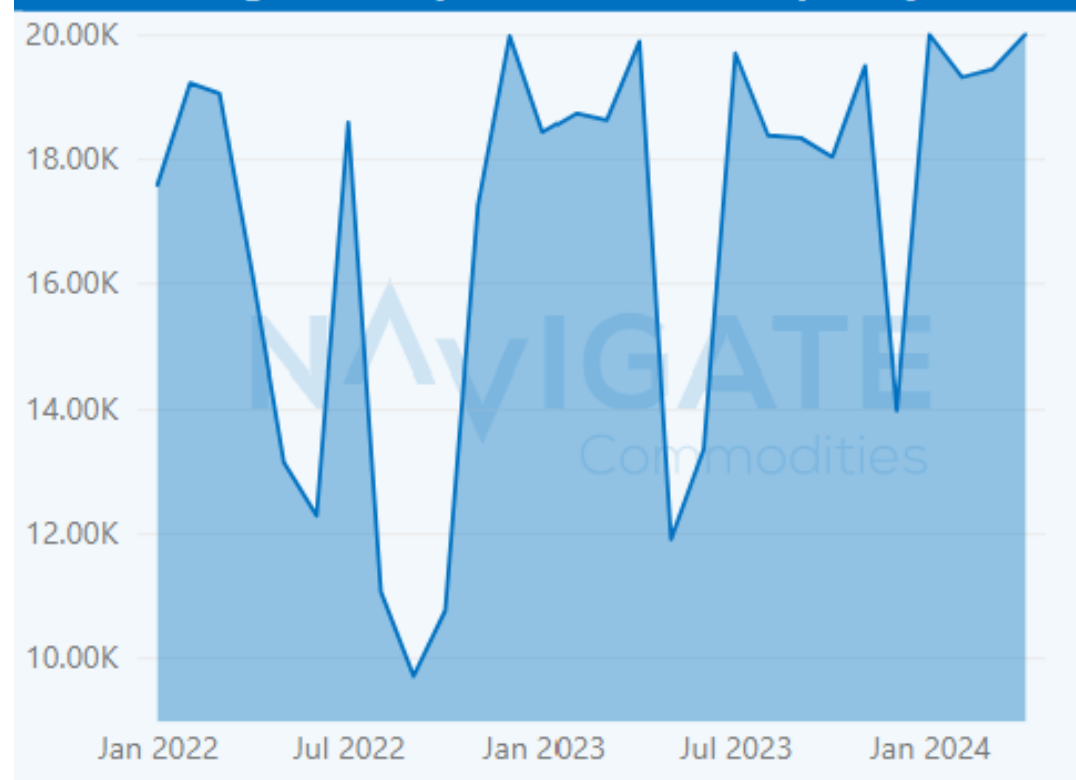
Tata Steel Jamshedpur Steel Output 30D MA (tonnes per day)



Tata Steel Jamshedpur Steel Output 30D MA (tonnes per day)



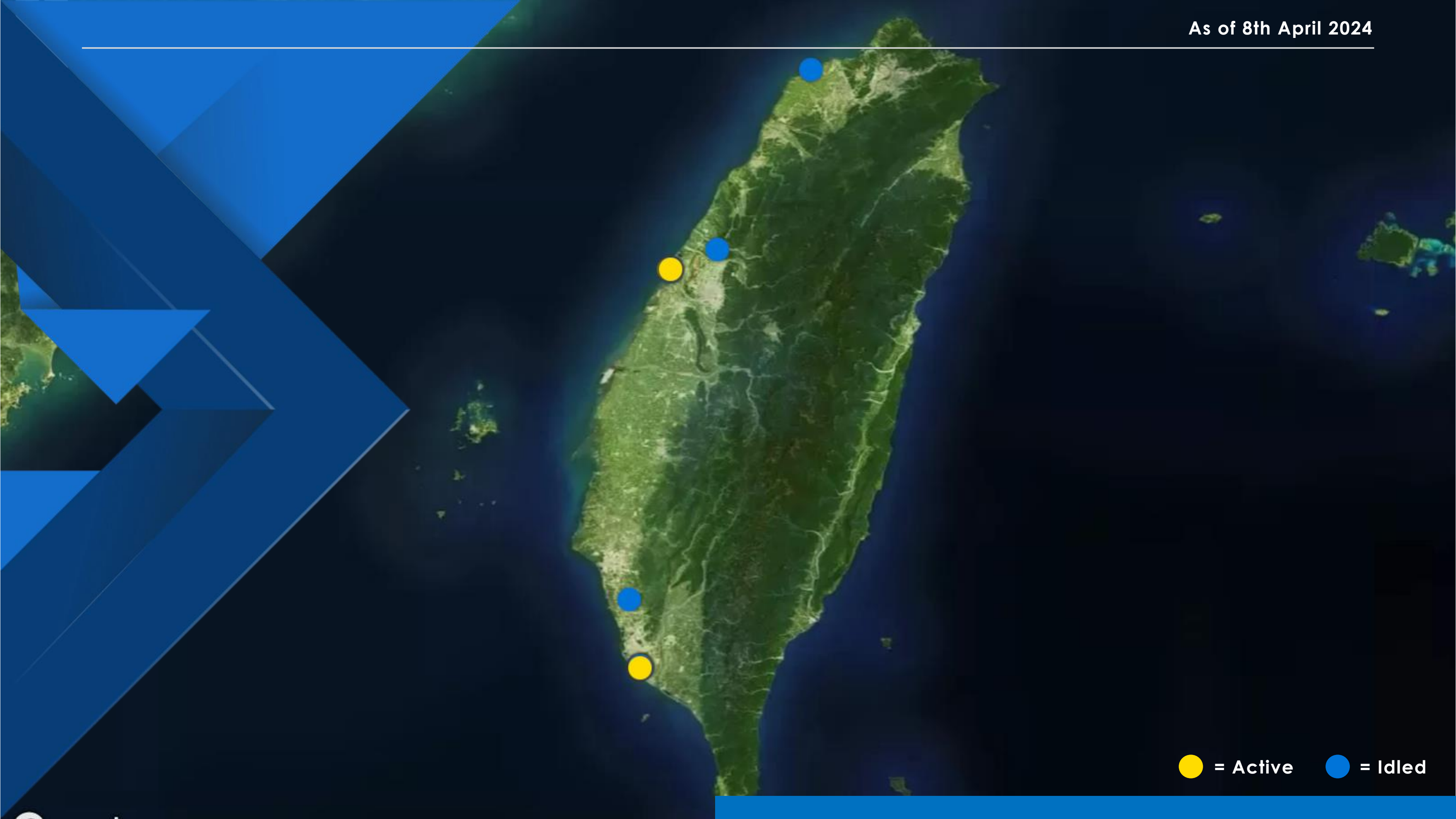
Vizag Steel Output 30D MA (tonnes per day)





Taiwan Steel Scrap Market Overview





● = Active ● = Idled

Taiwan

According to the latest thermal infrared satellite readings, Taiwan's daily blast furnace-basic oxygen furnace (BF/BOF) Steel smelting activity has rebounded to a three-month high of 85.40pts over the past month.

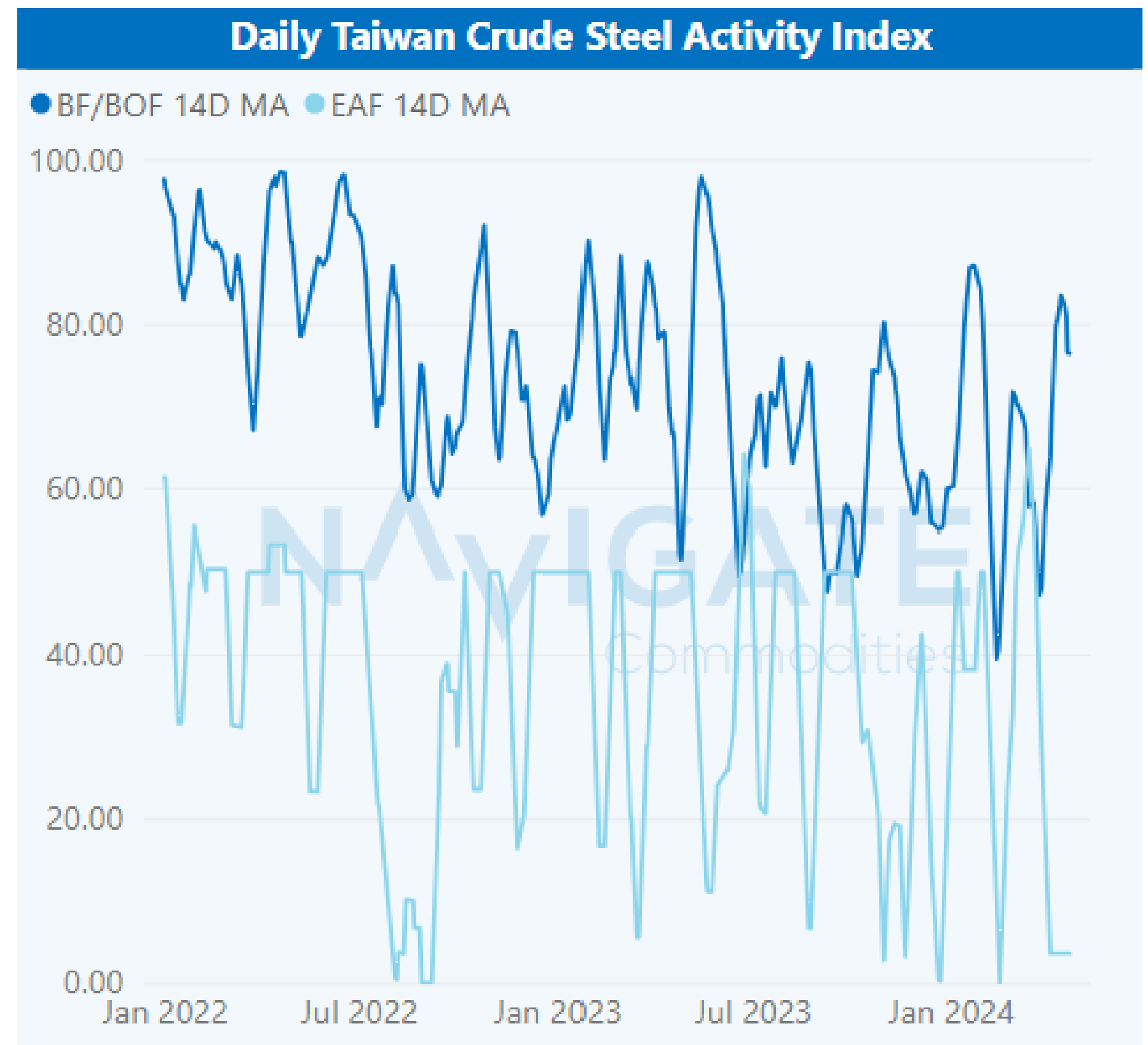
We believe a modest 0.70pts month-on-month rebound in both domestic construction and manufacturing PMIs to 58.90pts and 49.30pts in March 2024 has contributed to a partial recovery in local Steel demand.

Consequential hikes in Steel output and Ferrous Scrap consumption has caused Taiwan containerized HMS 1&2 (80:20) discounts vs. Turkish equivalents to narrow to US\$25/t in early April from as wide as minus-US\$50/t in early February 2024.

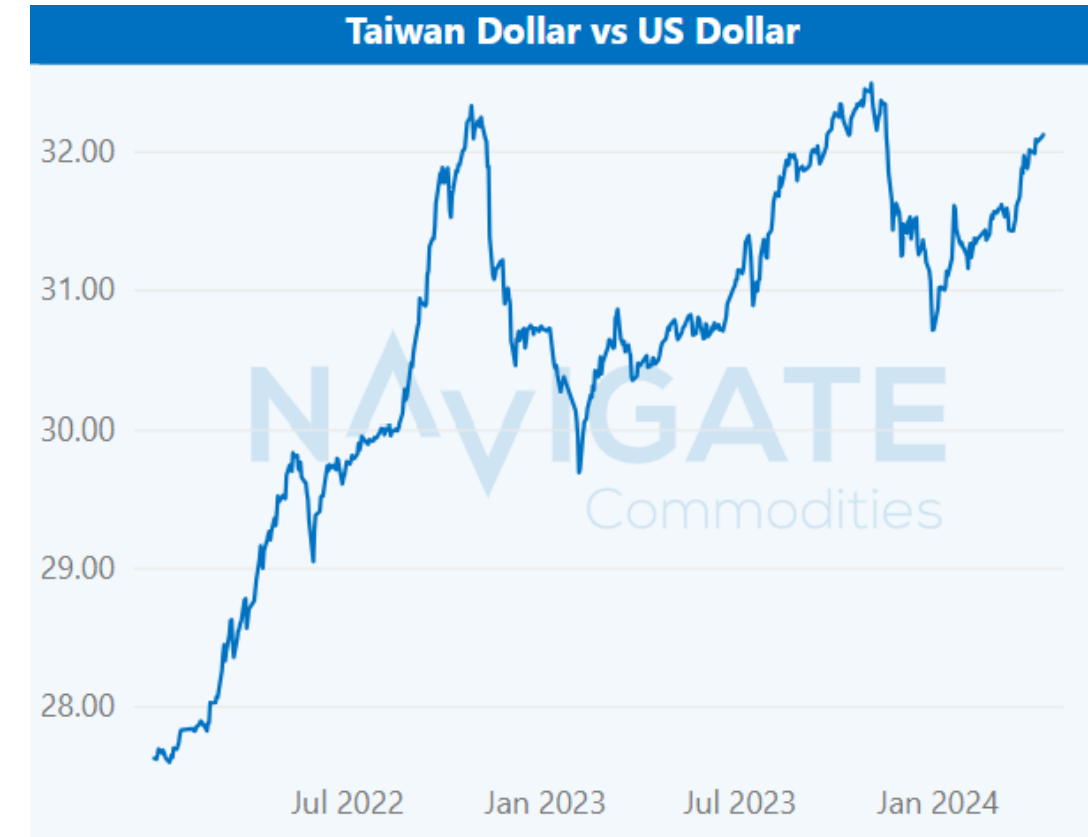
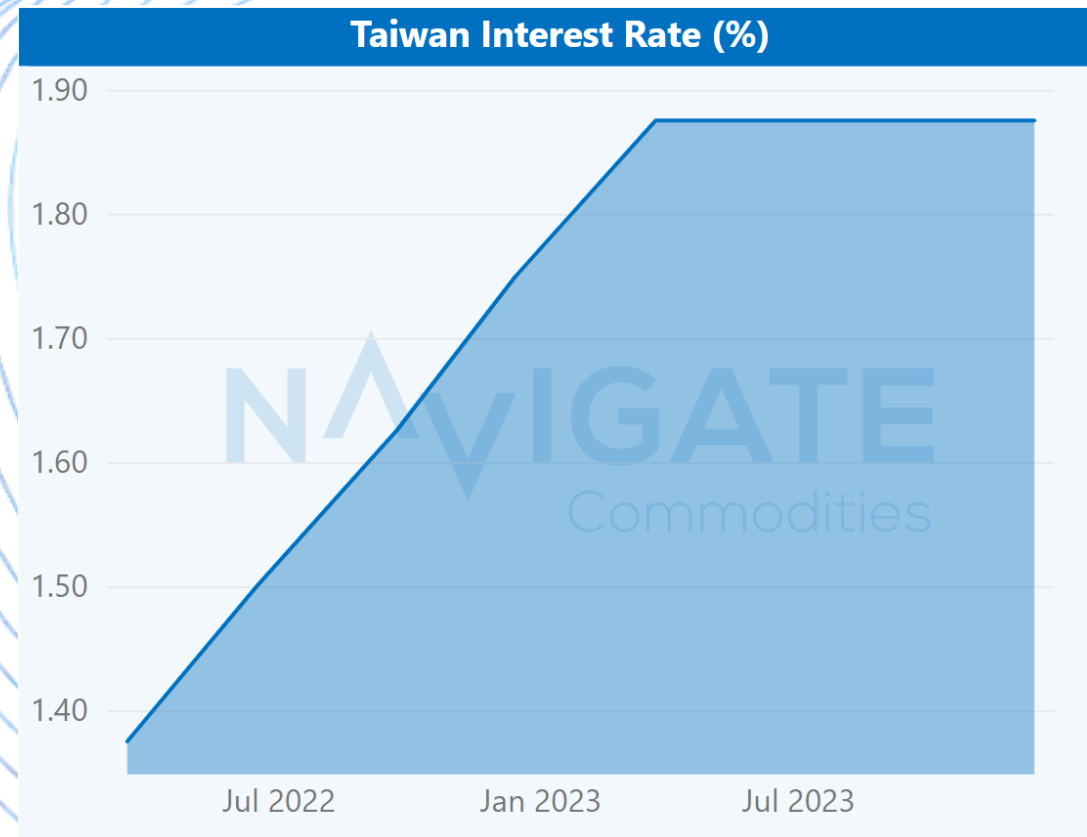
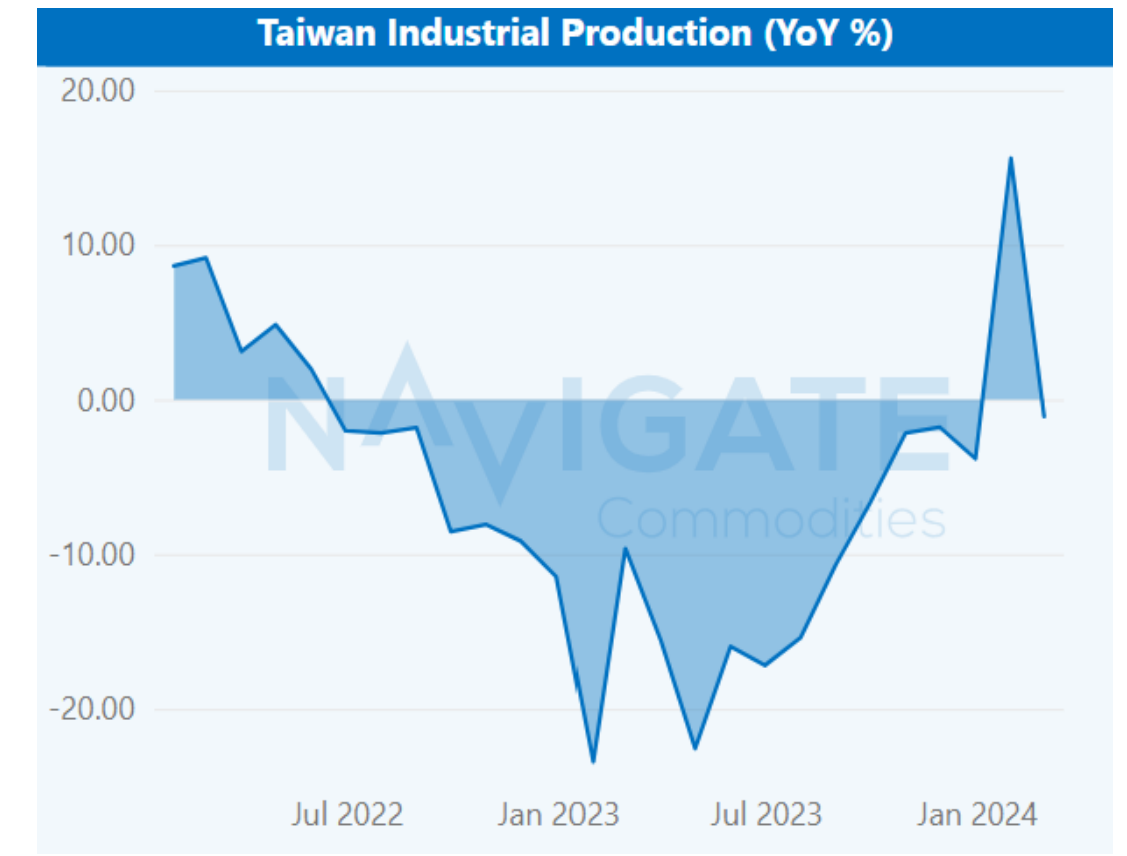
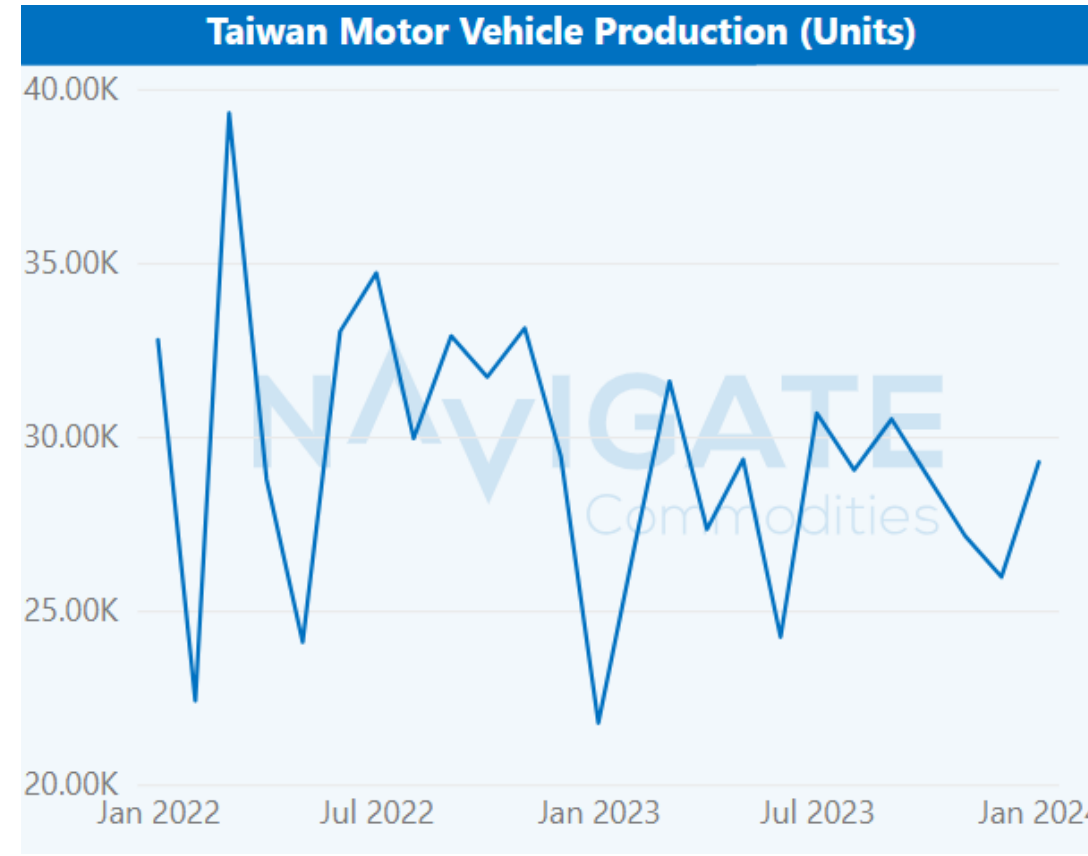
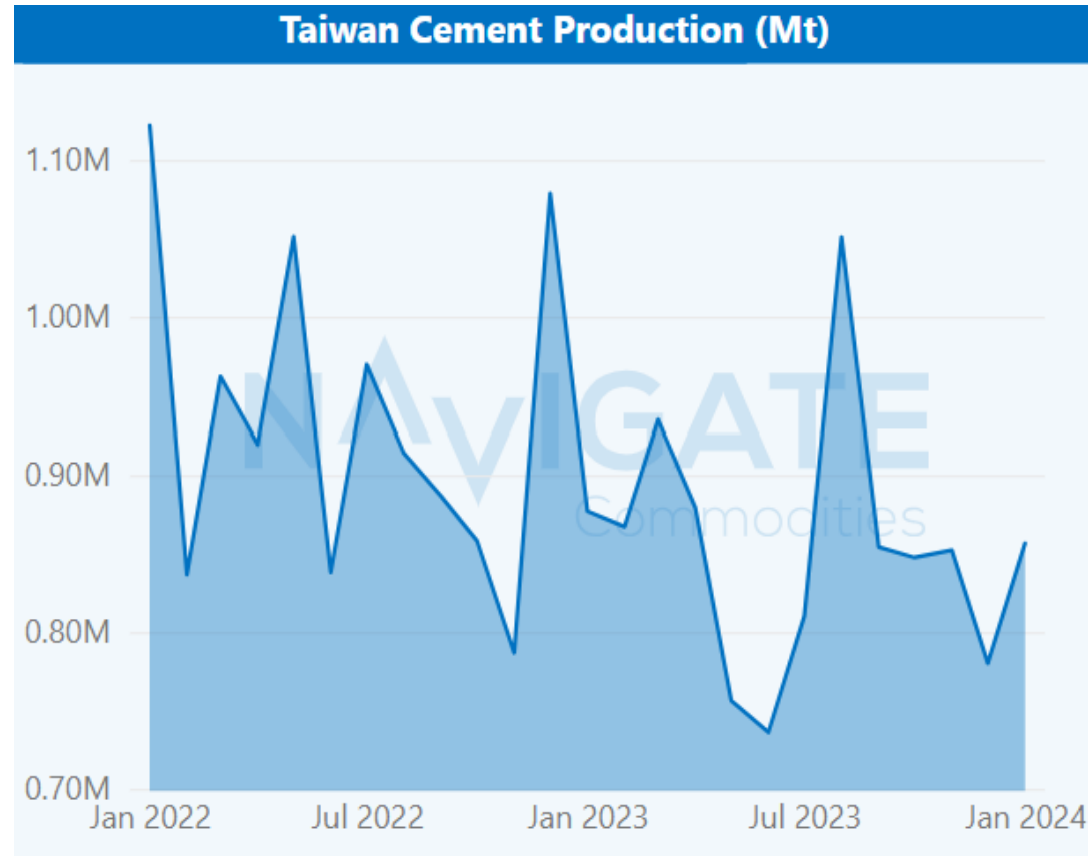
That said, the propensity for a material and sustained expansion in domestic Steel production continues to be capped by import penetration and substitution of cost-competitive Chinese-origin material.

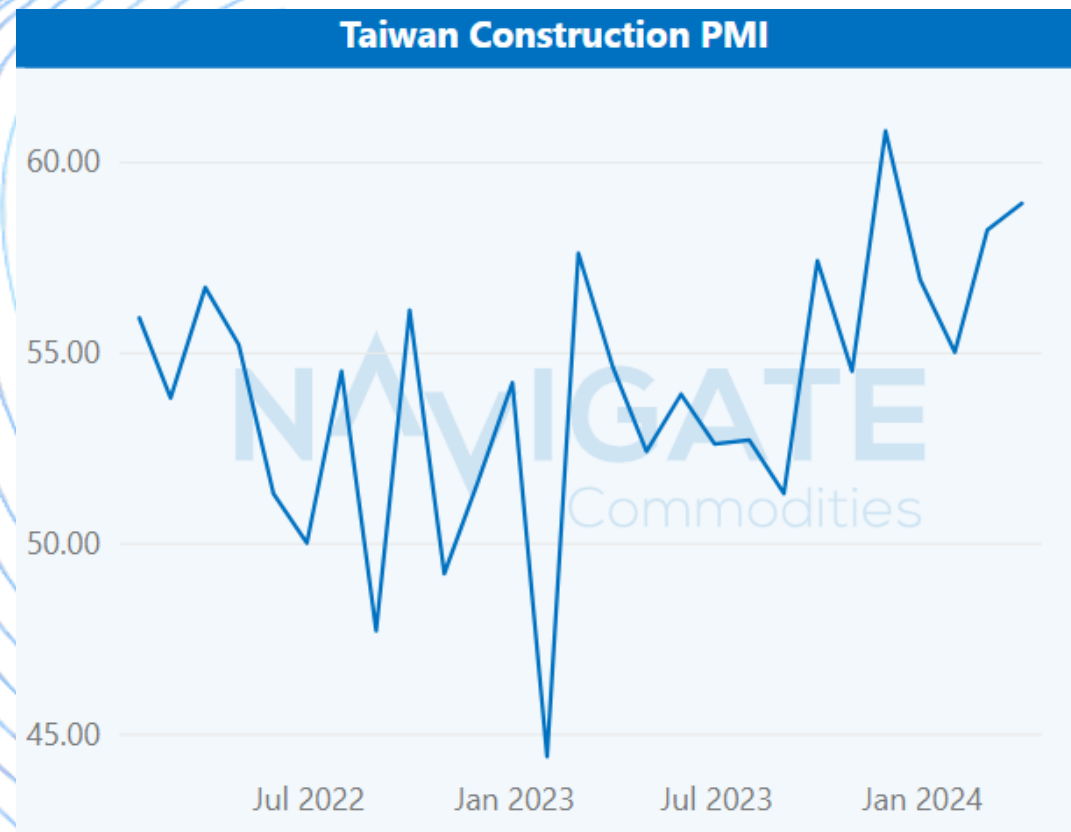
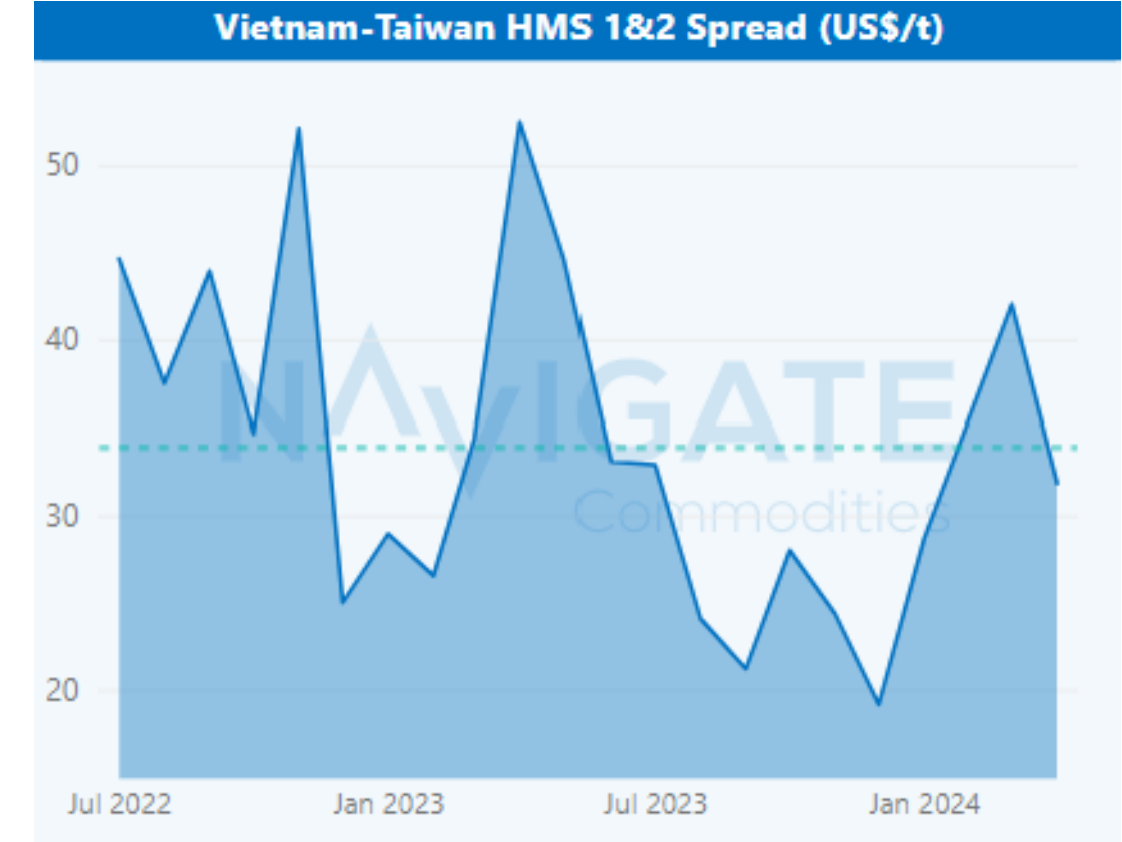
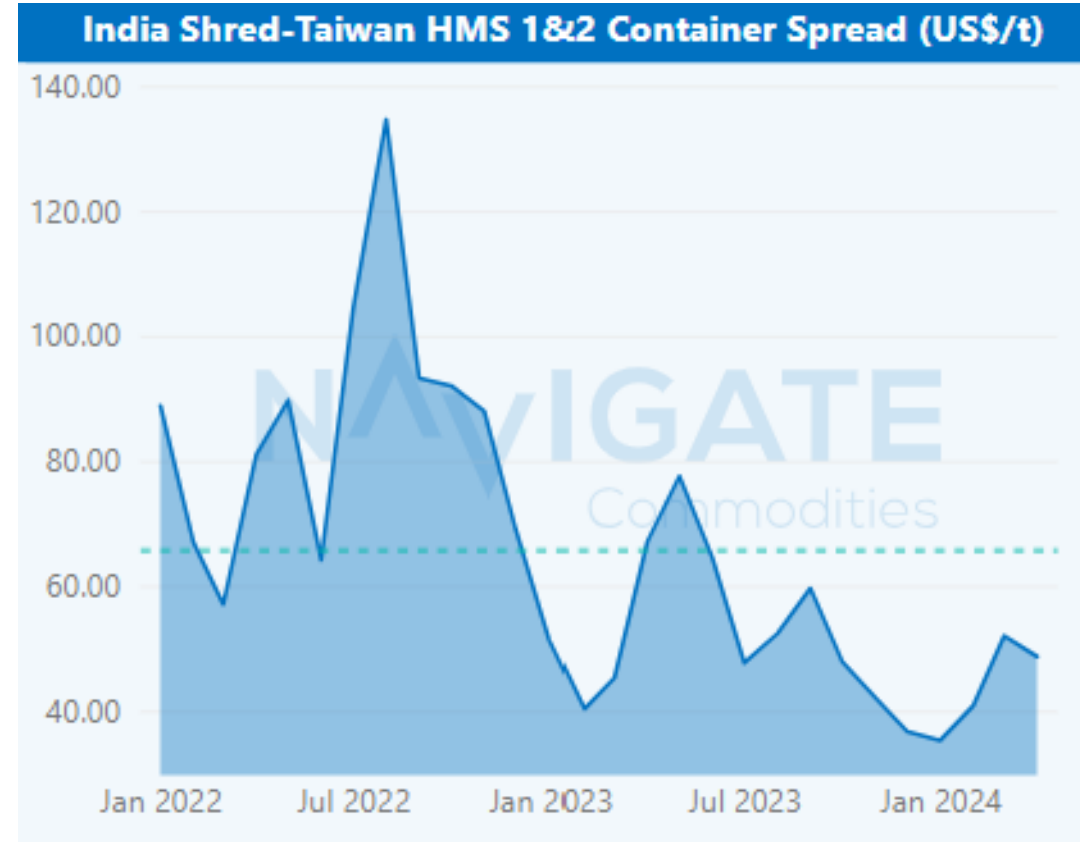
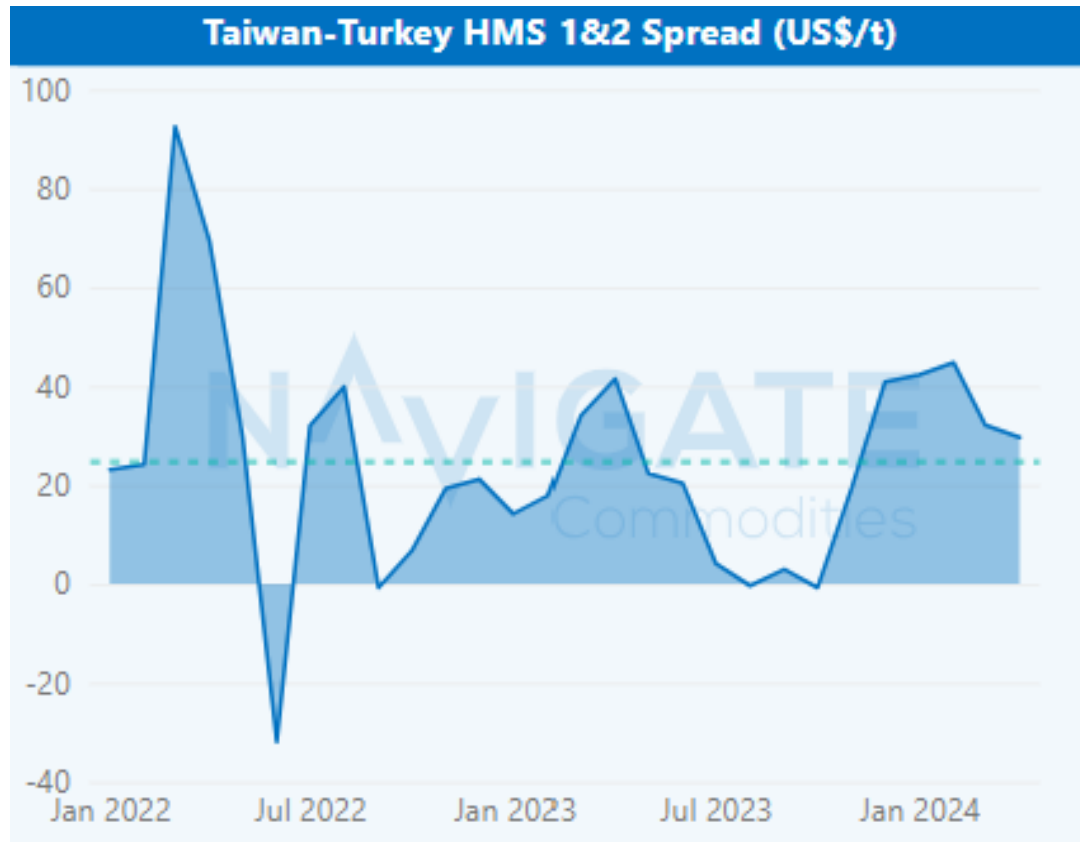
Until Chinese authorities can sufficiently curb "ineffective" Steel production – as stated by the NDRC, MIIT, and CISA, particularly for construction Steel/long products, the regional supply-demand balance will remain skewed.

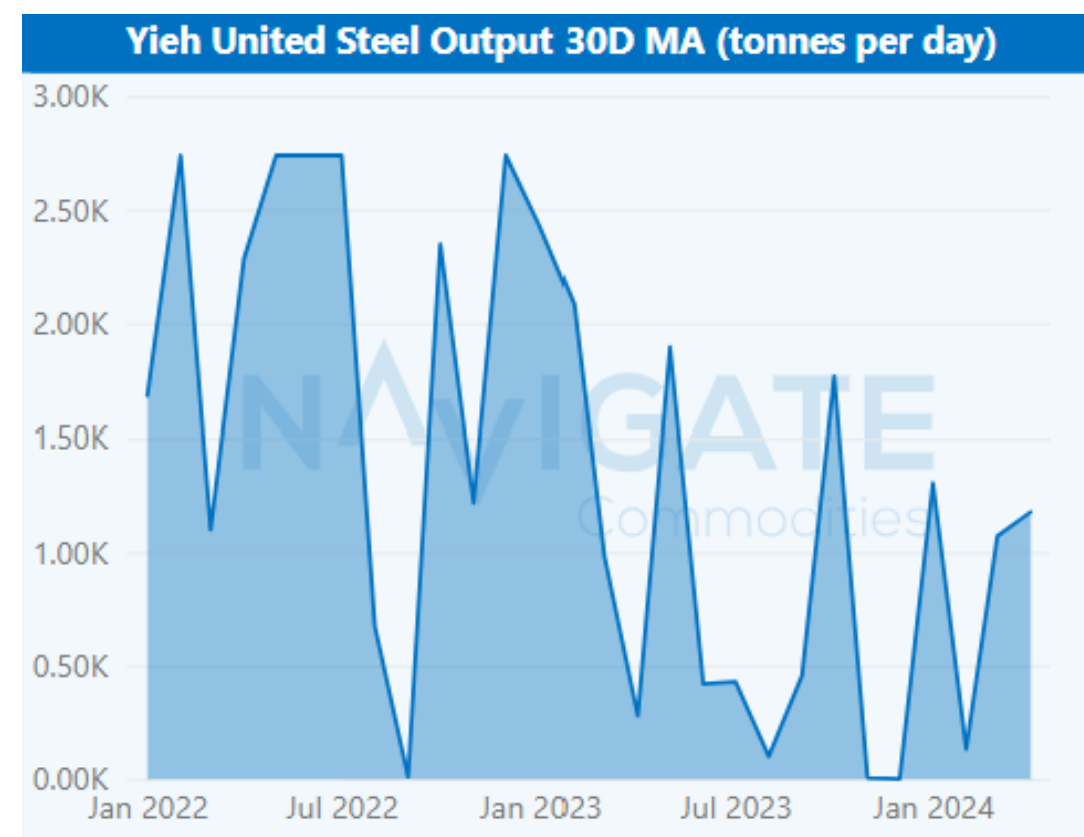
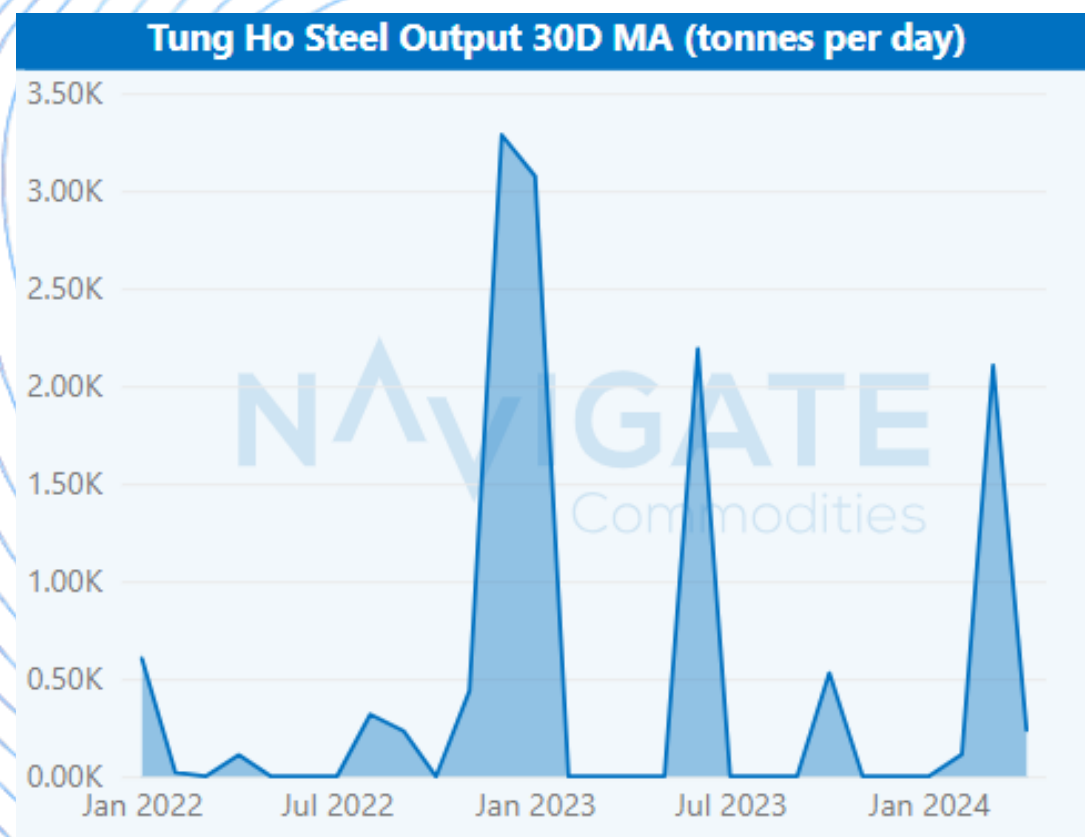
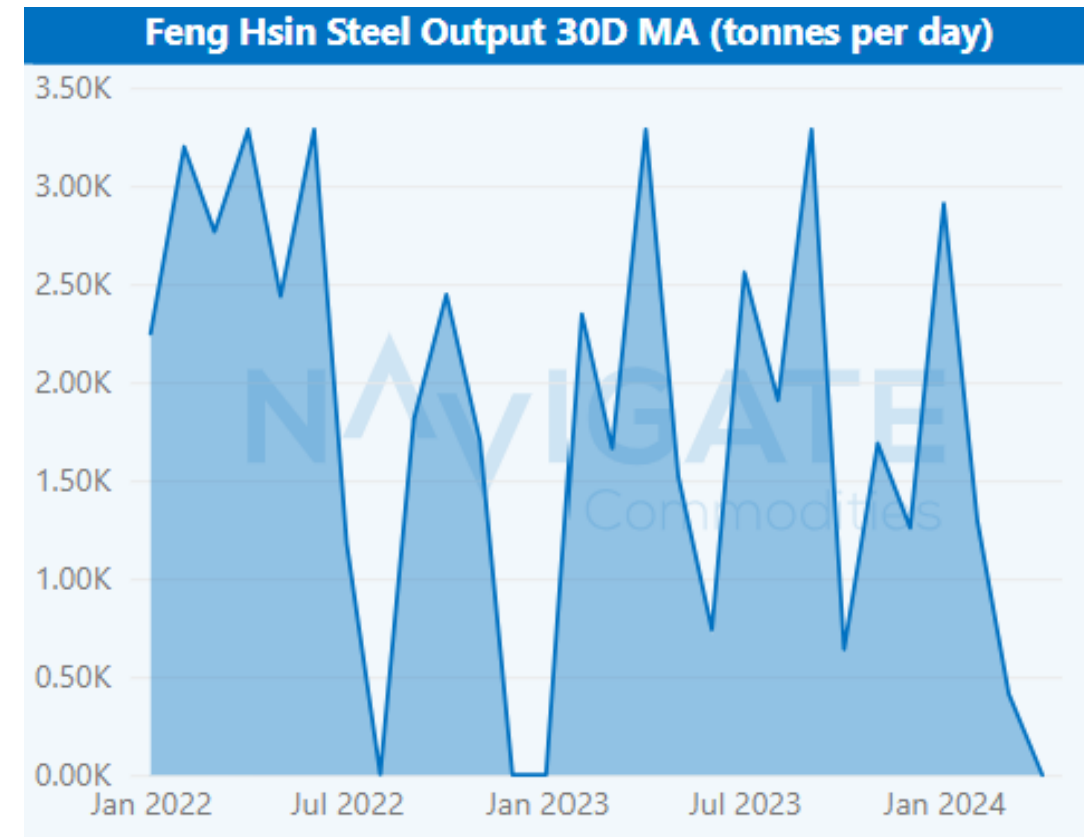
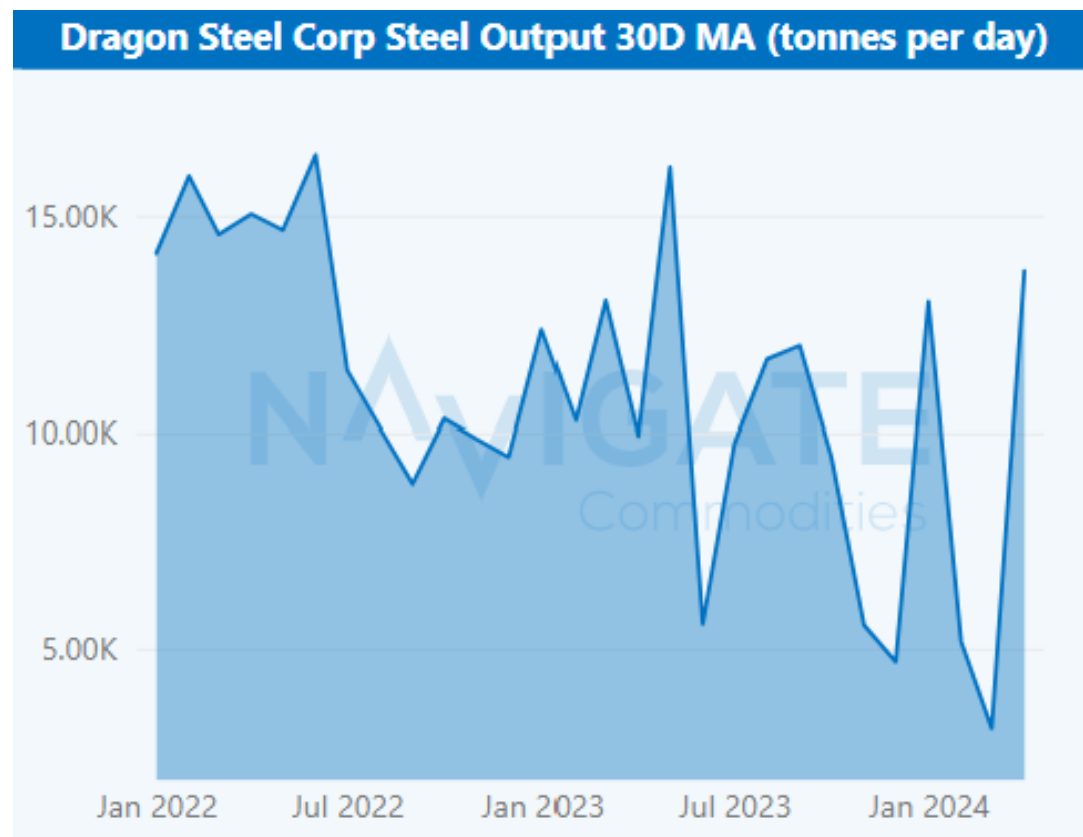
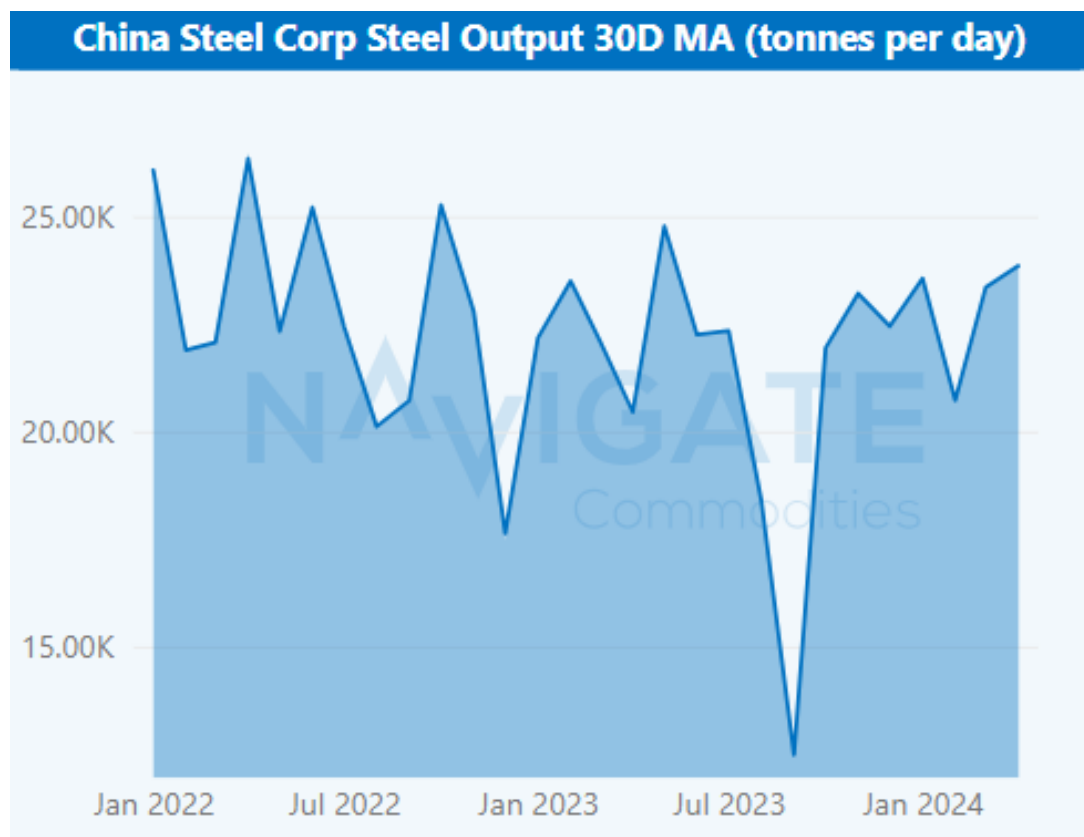
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Source: Earth-i, Navigate Commodities



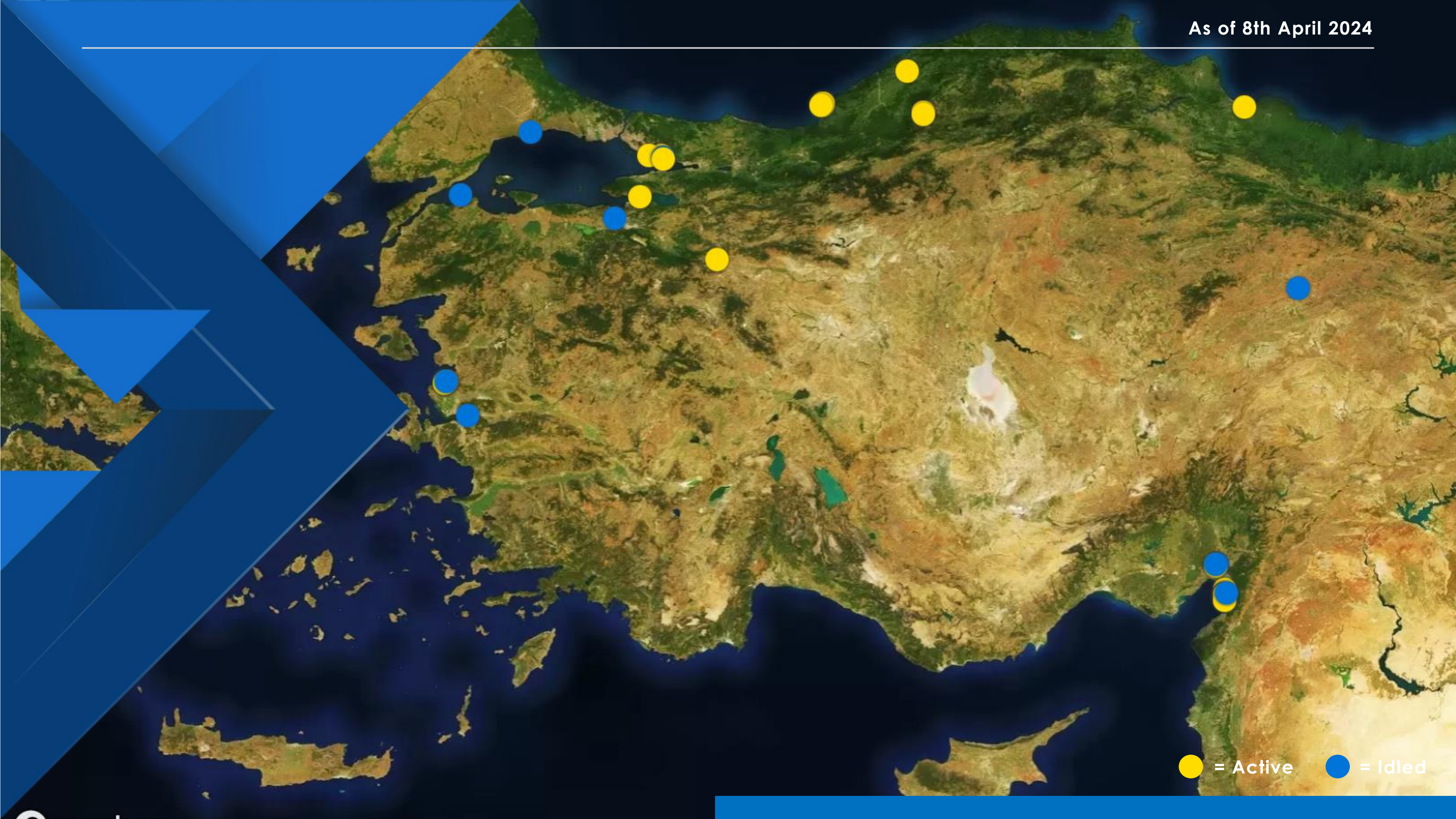






Türkiye Steel Scrap Market Overview





● = Active ● = Idled

Türkiye

Turkish HMS 1&2 (80:20) import prices expanded to highs of US\$391-392/t CFR Türkiye over the past month, before settling back down at US\$384/t on the same basis in the first week of April 2024.

This modest expansion was largely driven by a temporary bout of restocking activity, as Turkish electric arc furnaces once again reverted to operating in a reactive manner to intermittent batches of downstream Steel demand.

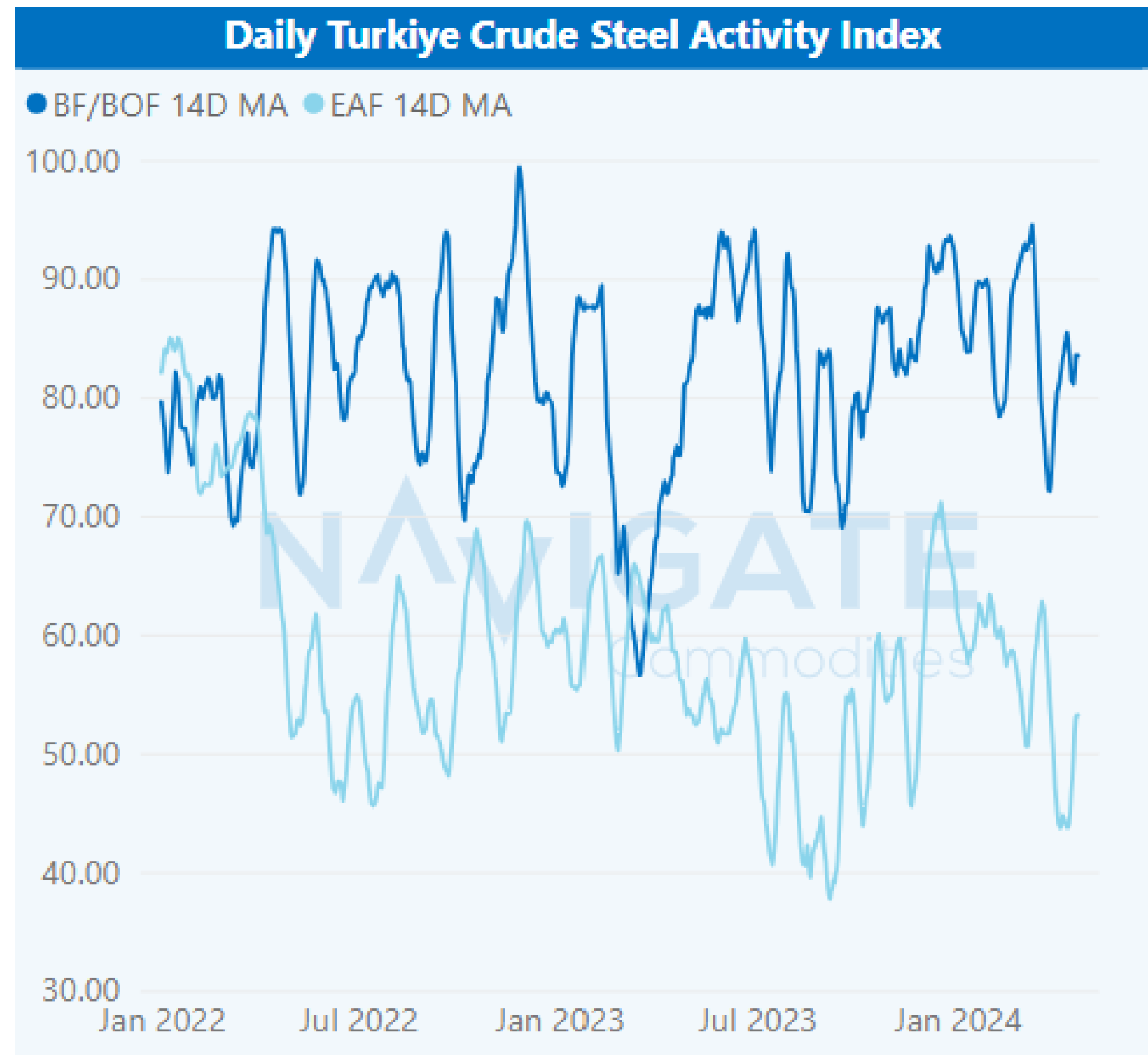
More recently, however, partially substitutable Hot Metal production costs have sunk following material declines in Iron Ore and Coking Coal prices; undermining relatively elevated Ferrous Scrap benchmarks.

Elsewhere, the health of domestic construction activity in Türkiye continues to disappoint to the downside, as authorities attempt to cool inflation by suppressing excess demand through tighter fiscal and monetary policies.

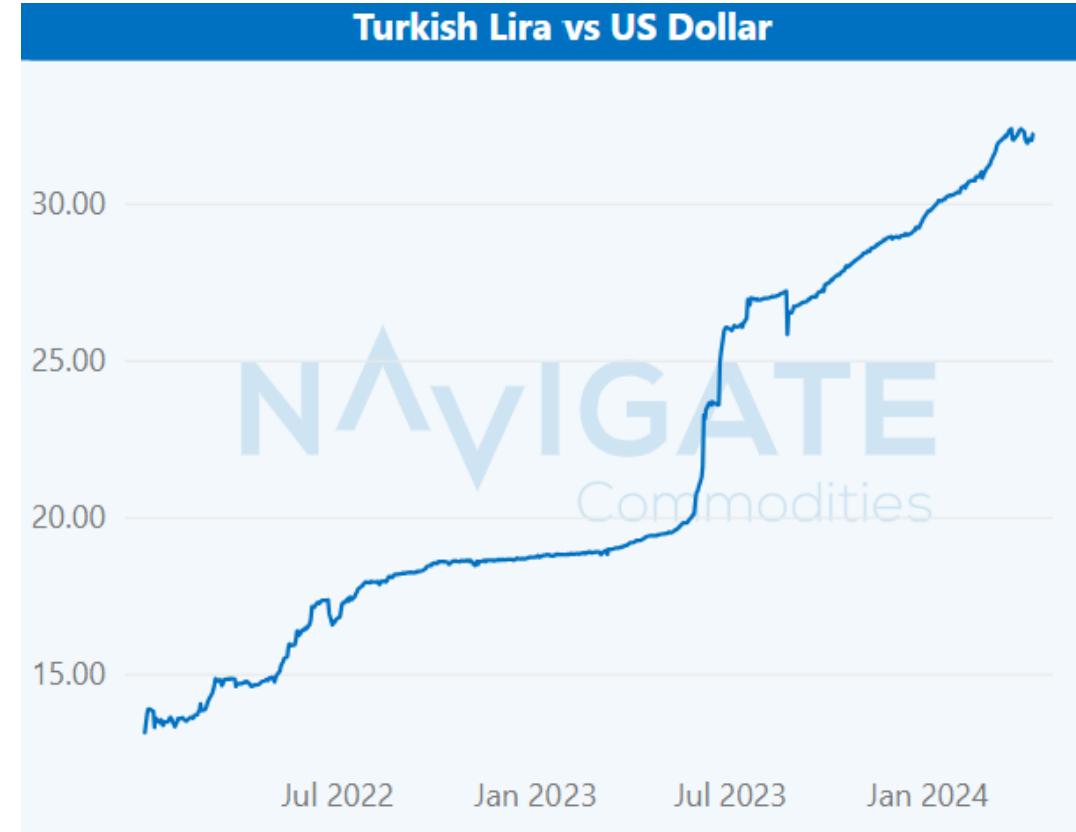
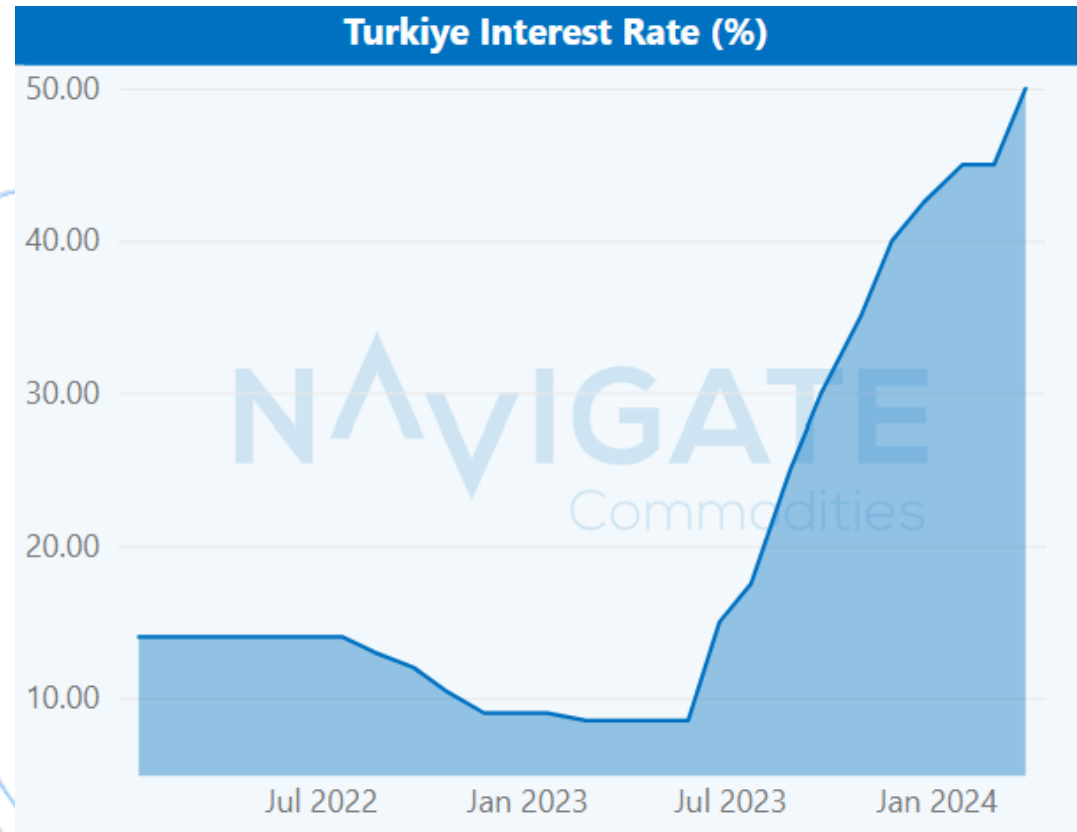
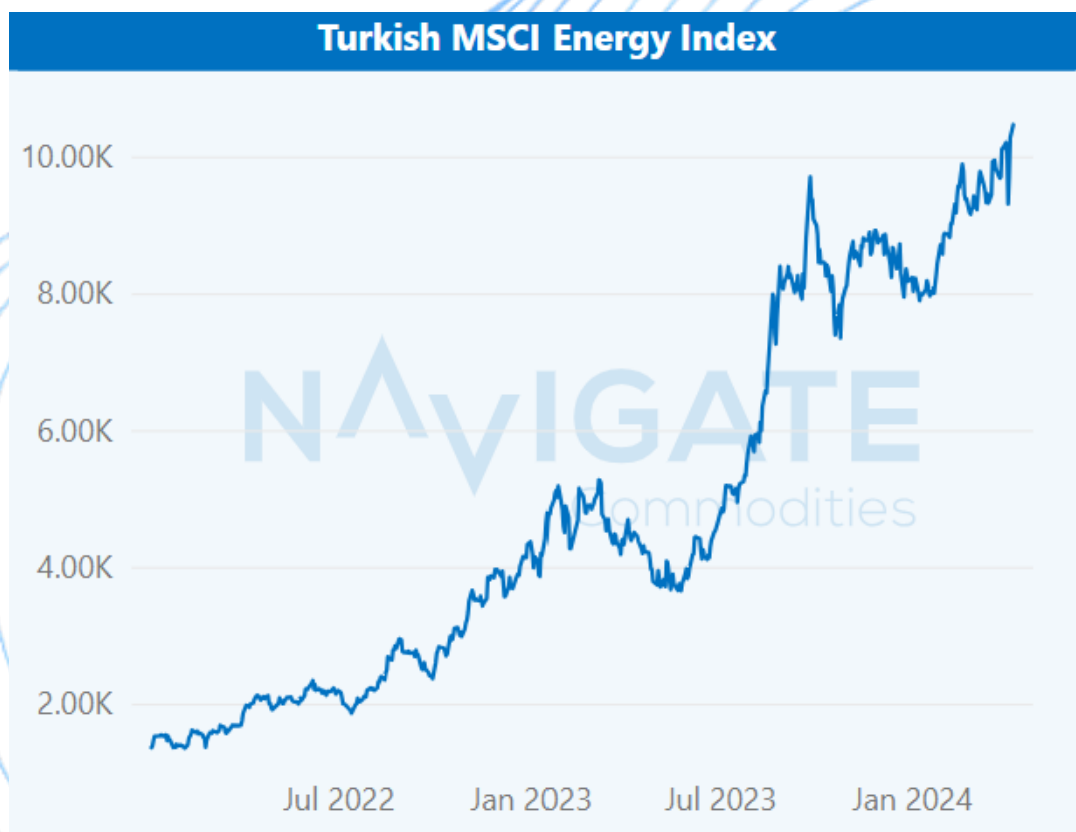
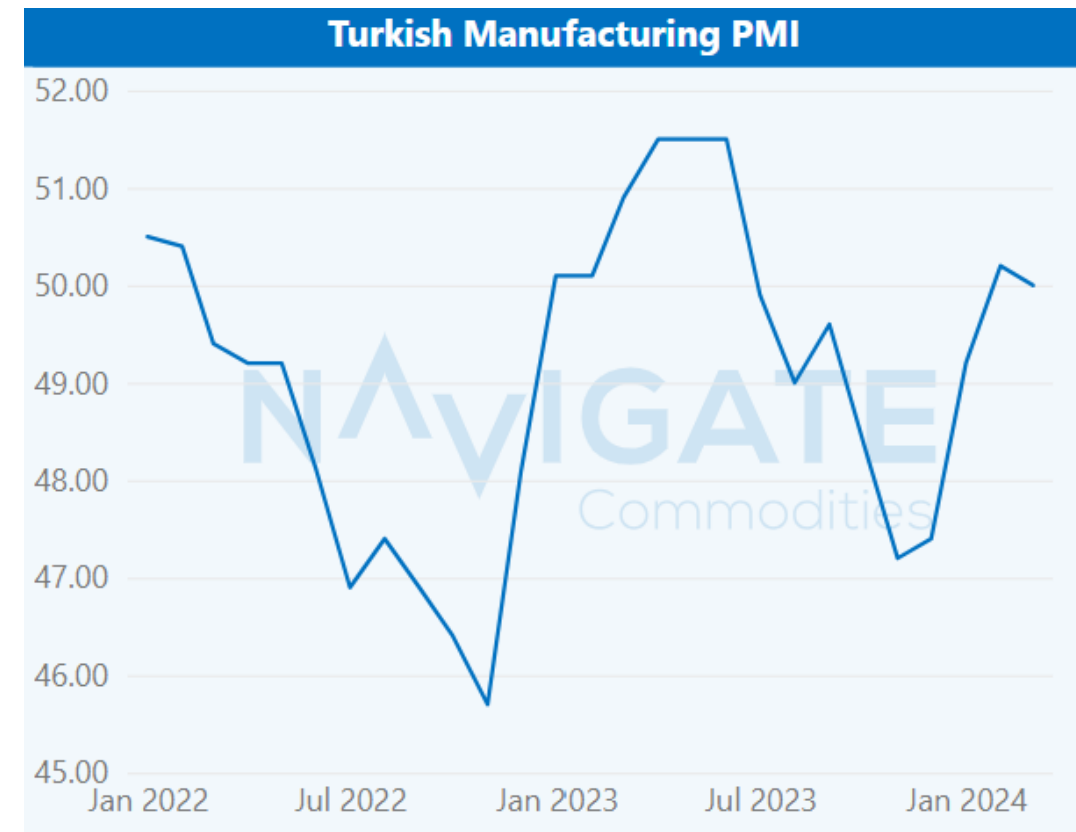
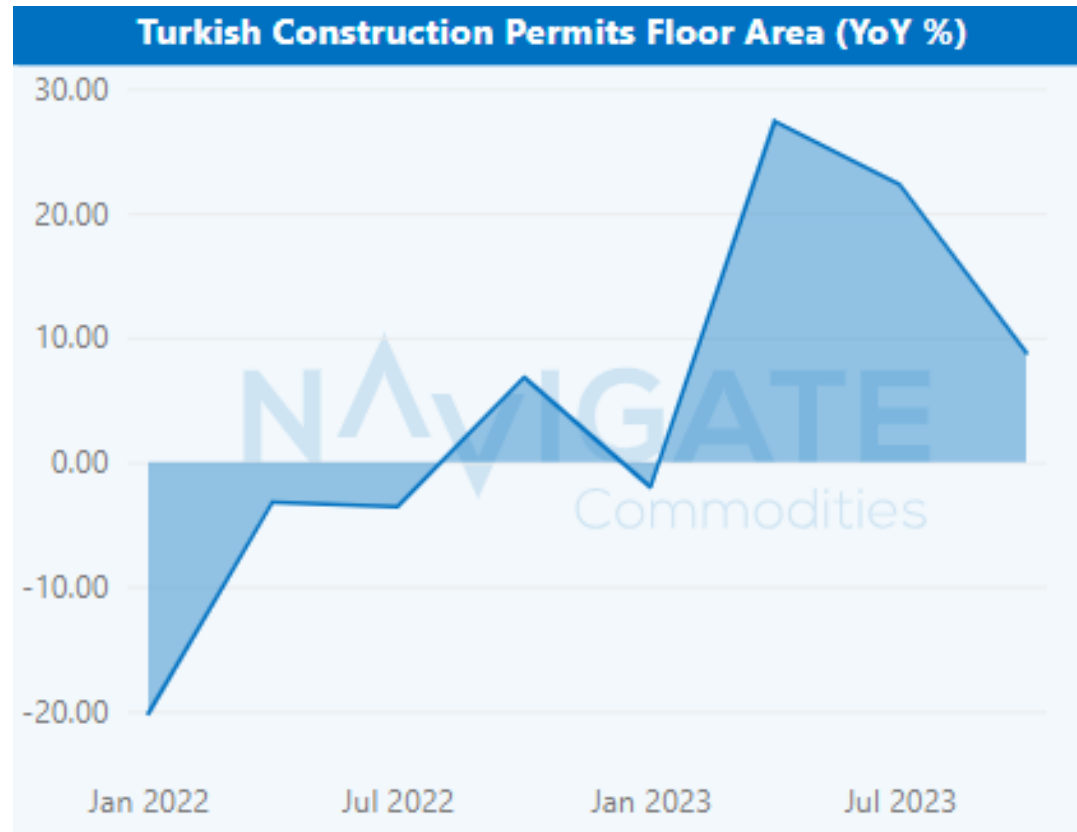
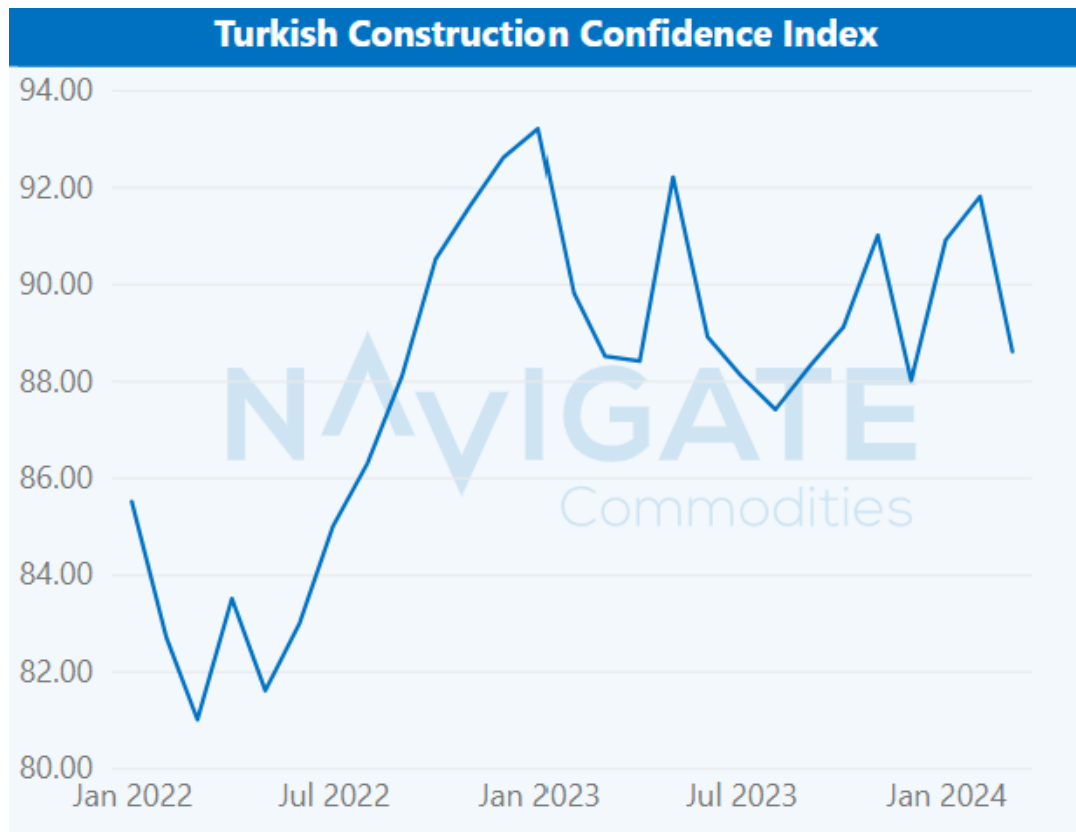
While Türkiye's municipal & provincial elections resulted in a crushing blow for the incumbent party, it's unlikely to have any major impact or cause a change in direction for central government on fiscal & monetary policy.

In fact, Finance Minister Mehmet Şimşek stated he would ringfence funds for earthquake-related reconstruction efforts, though he did note government spending would be tightened in most other areas.

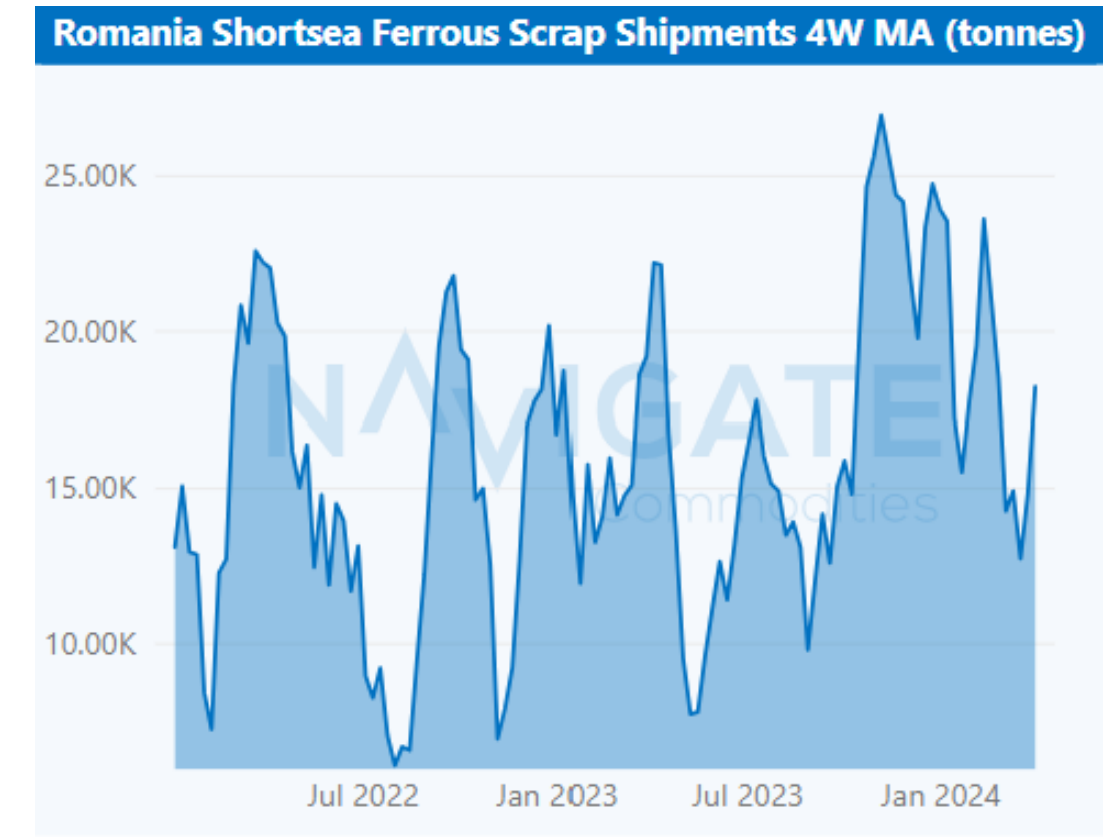
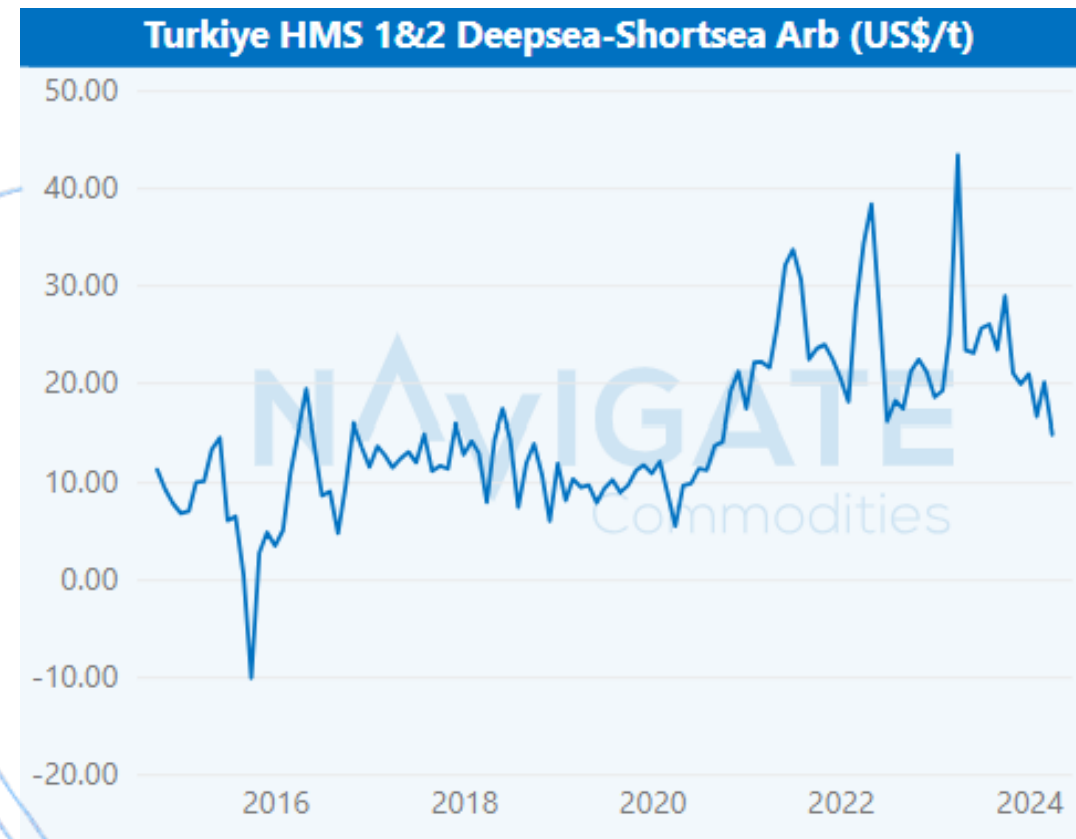
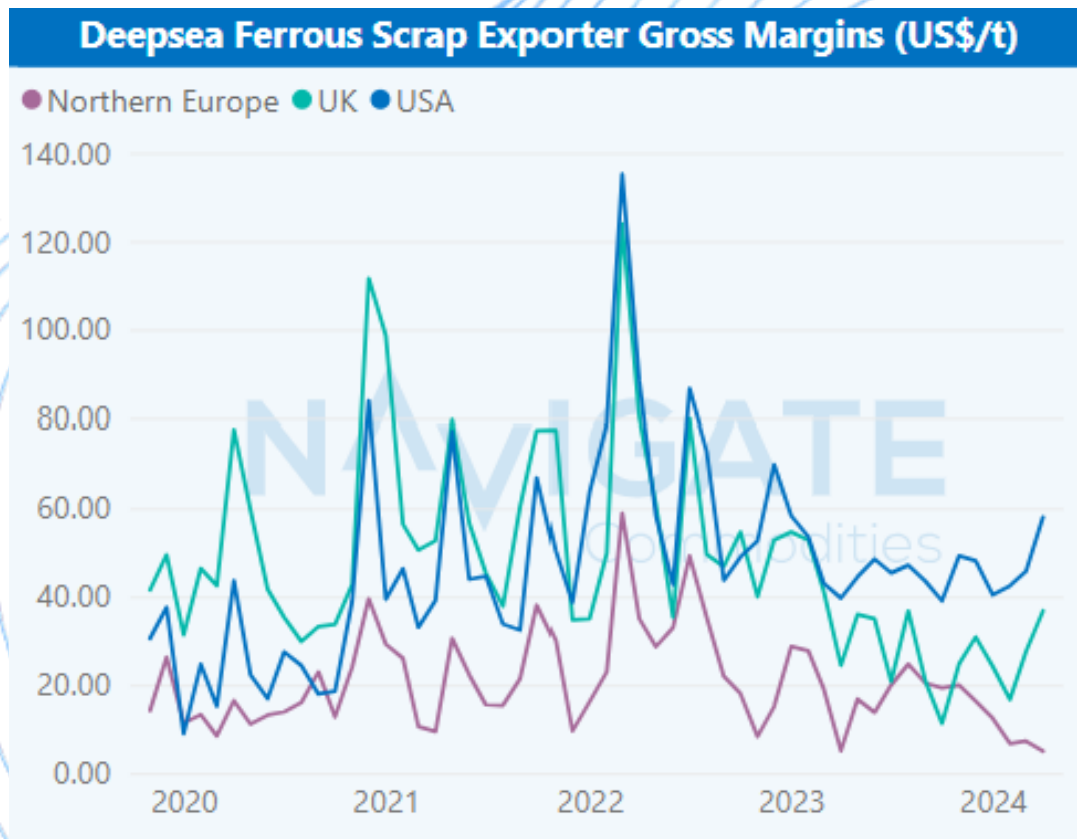
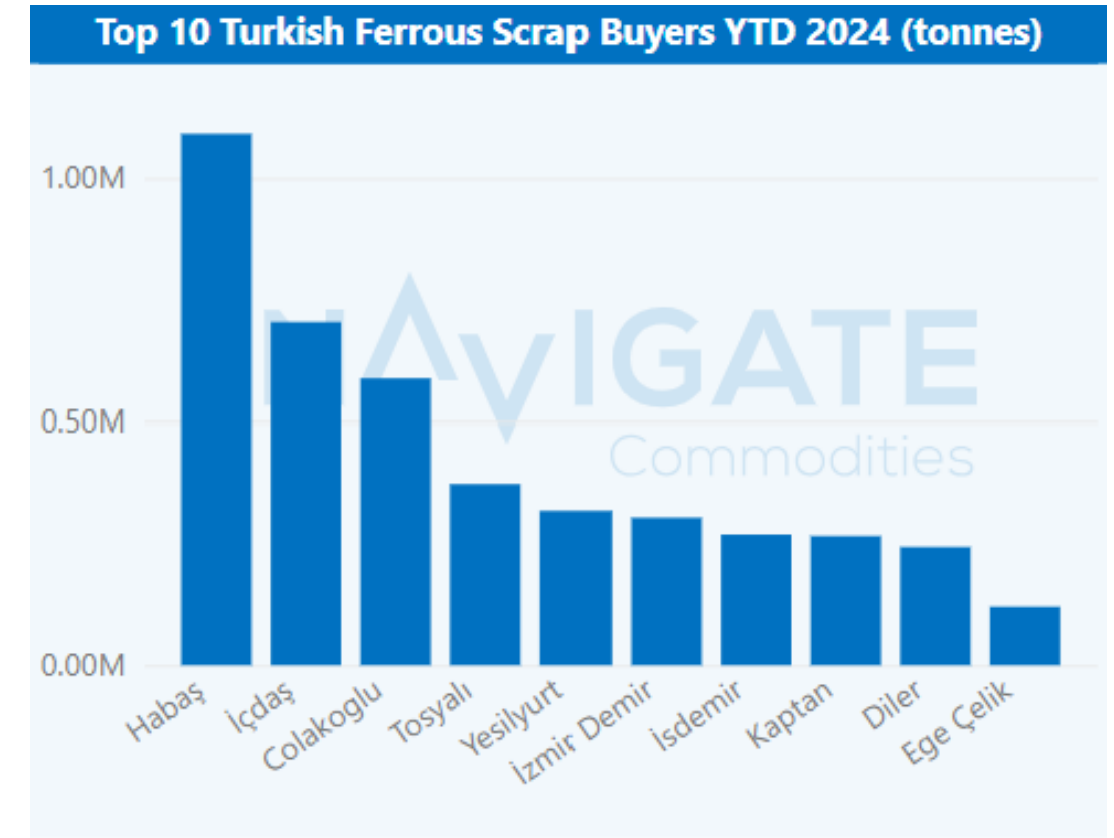
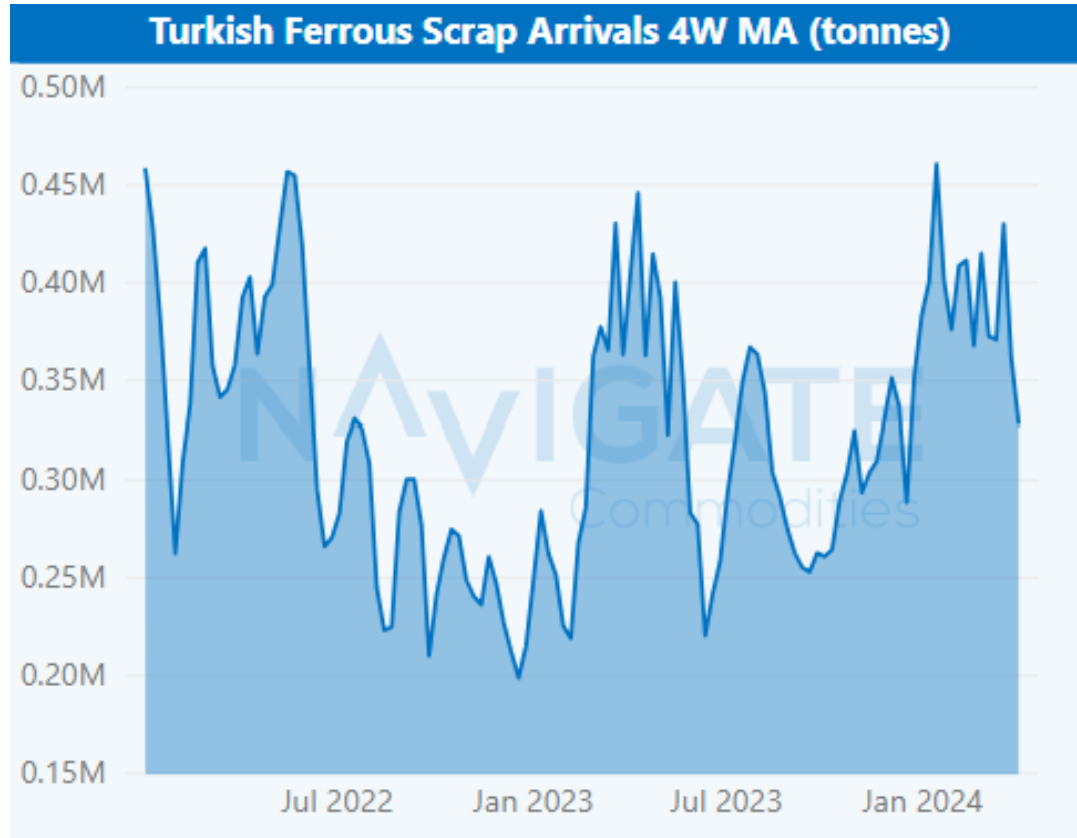
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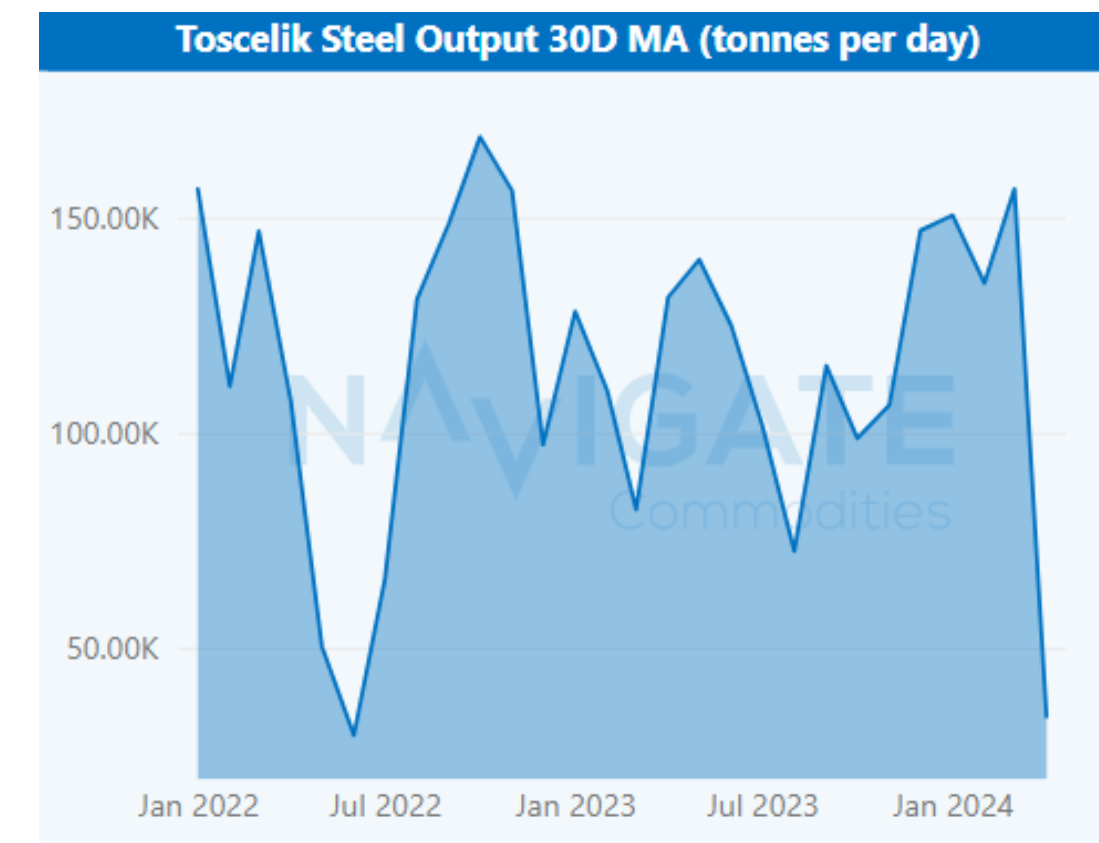
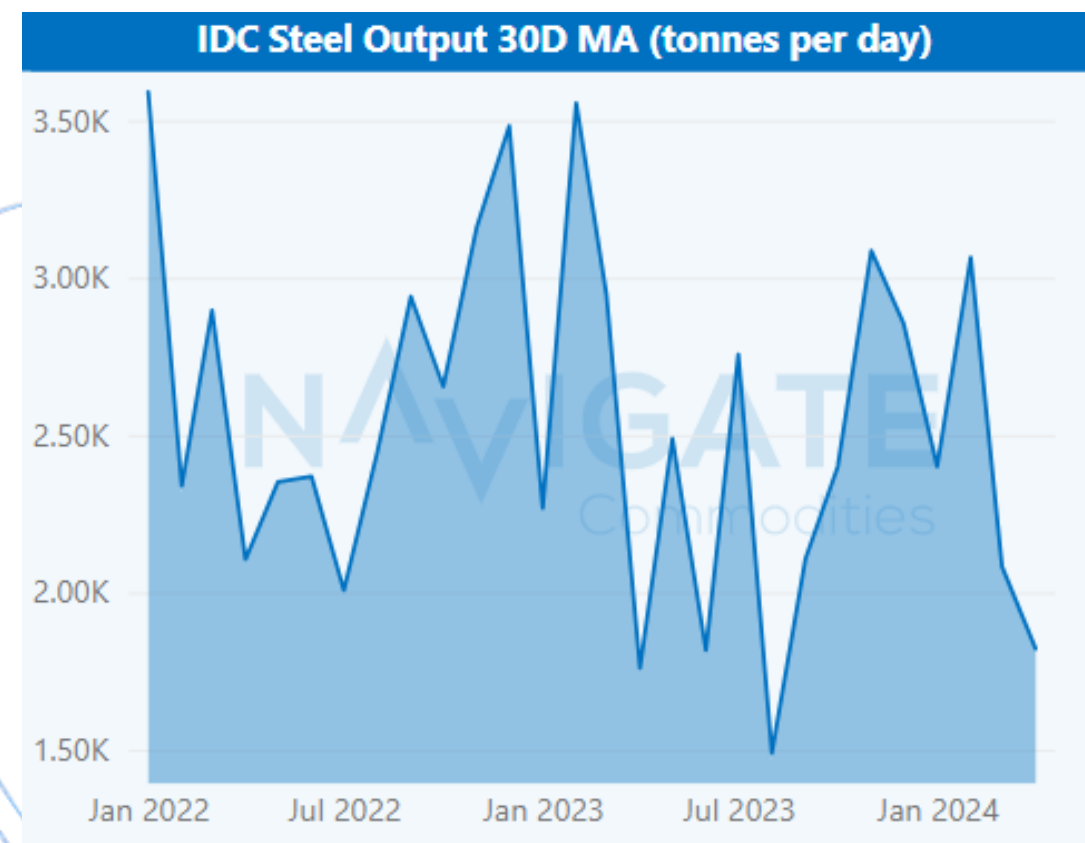
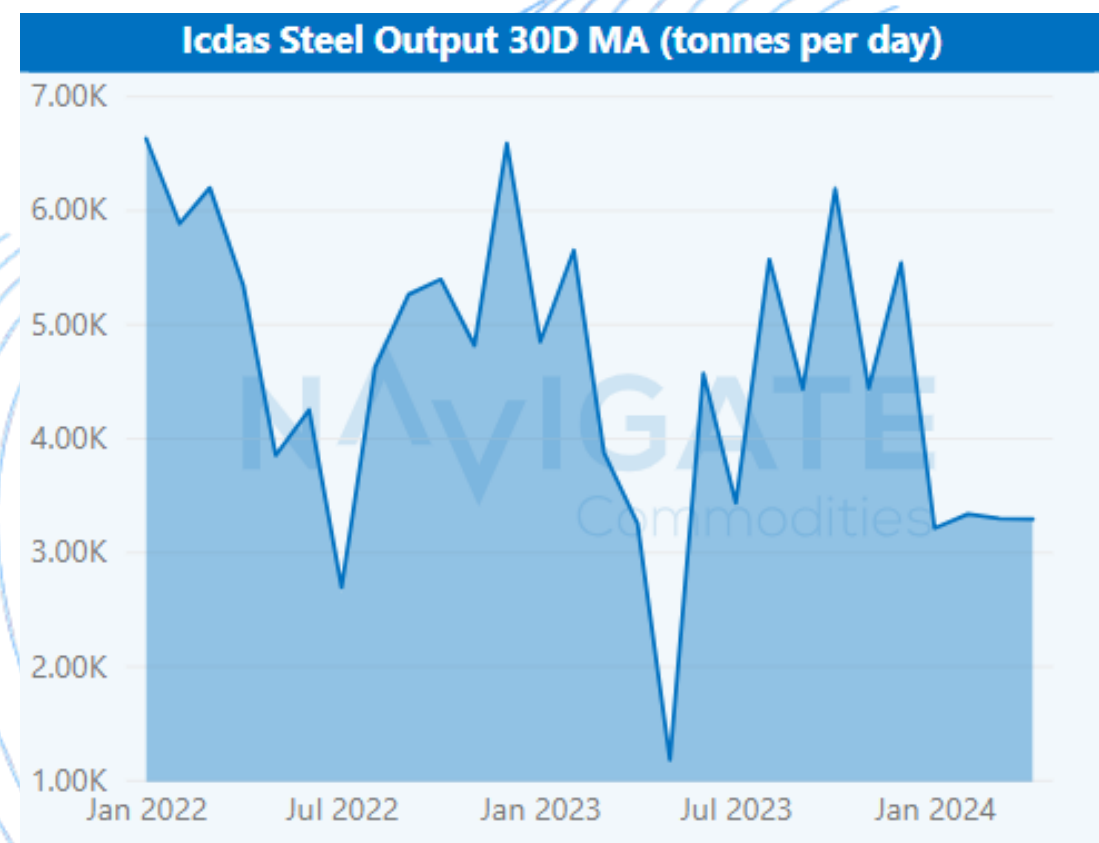
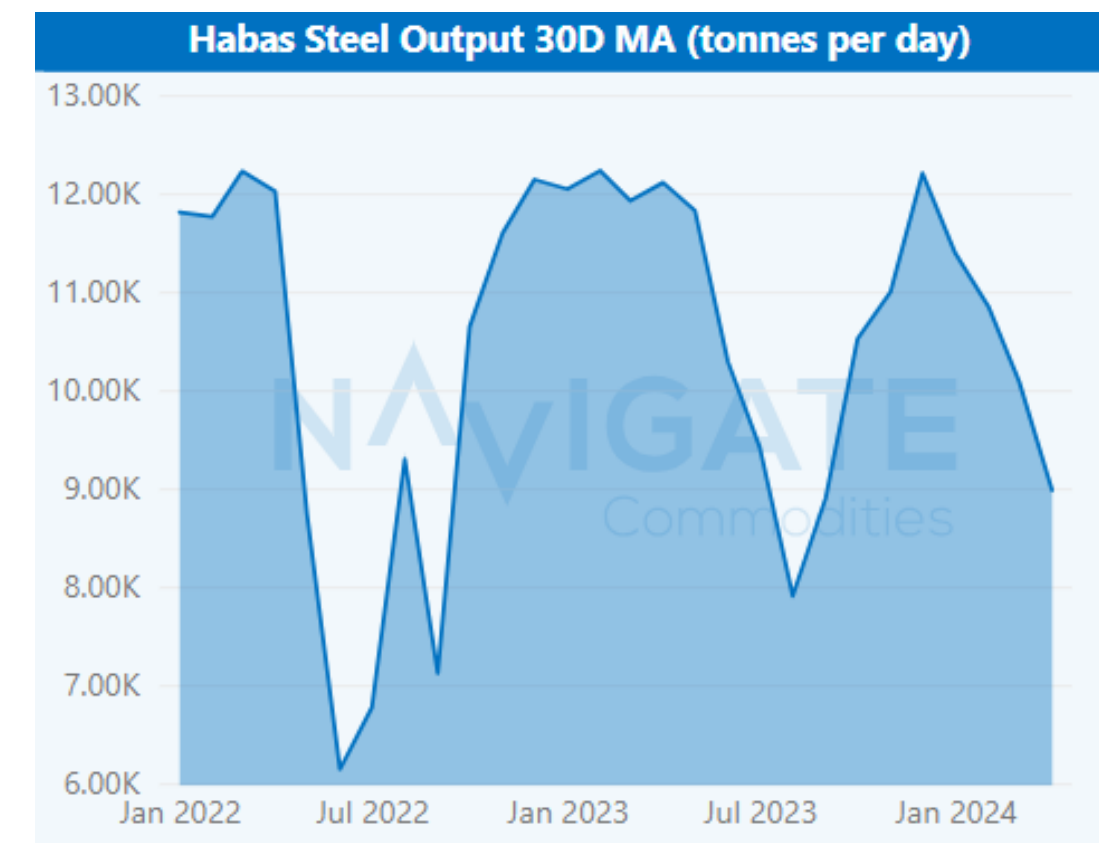
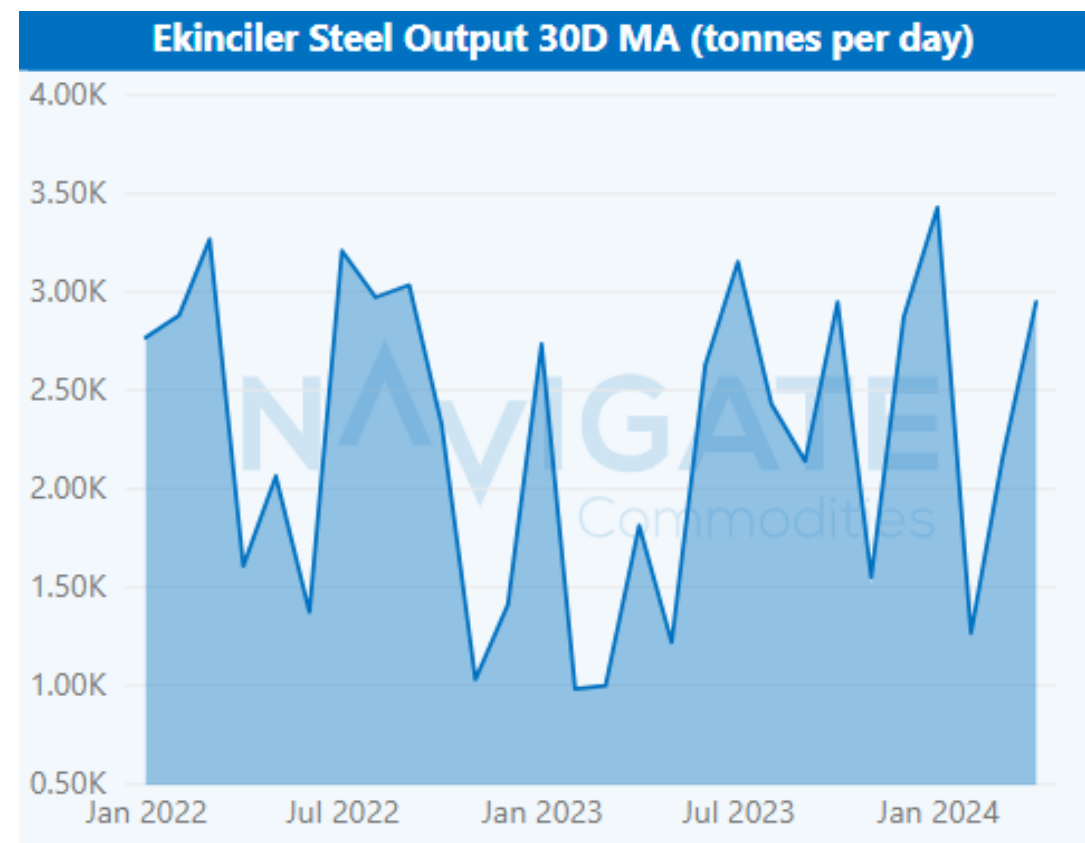
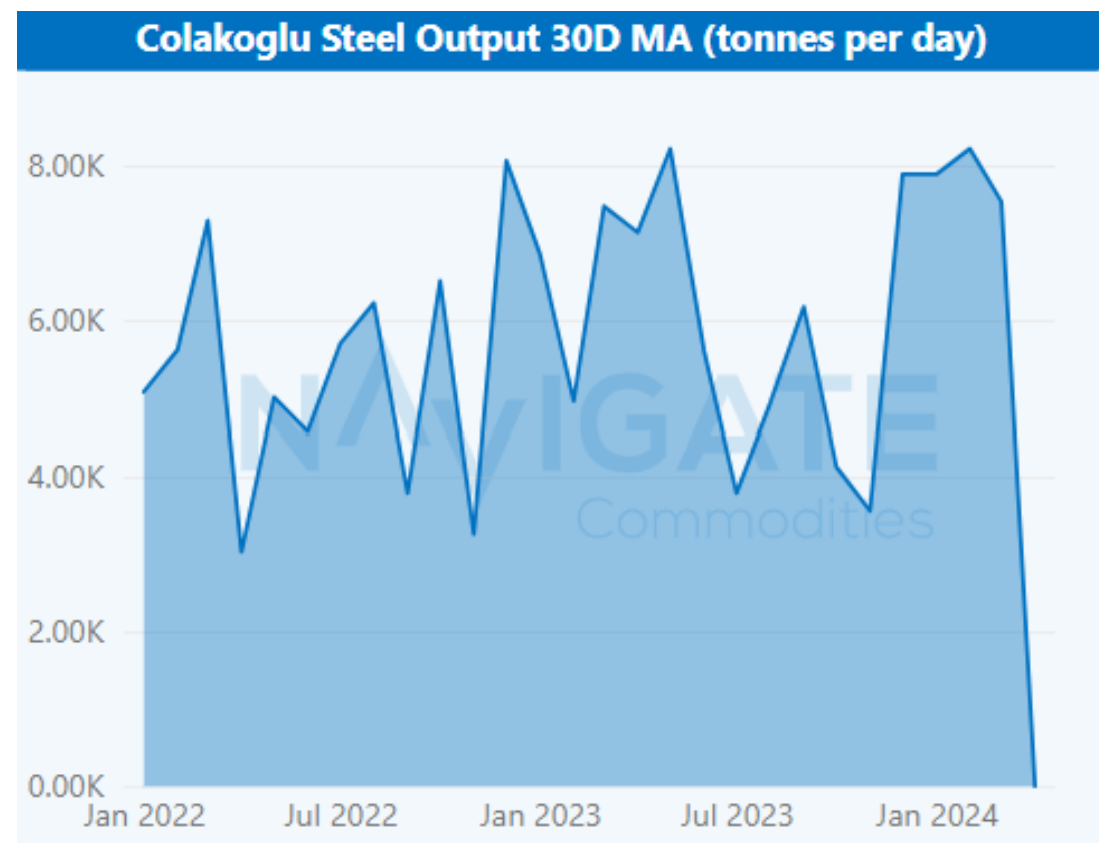


Source: Earth-i, Navigate Commodities



Source: Earth-i, Navigate Commodities, Bloomberg







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