

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.

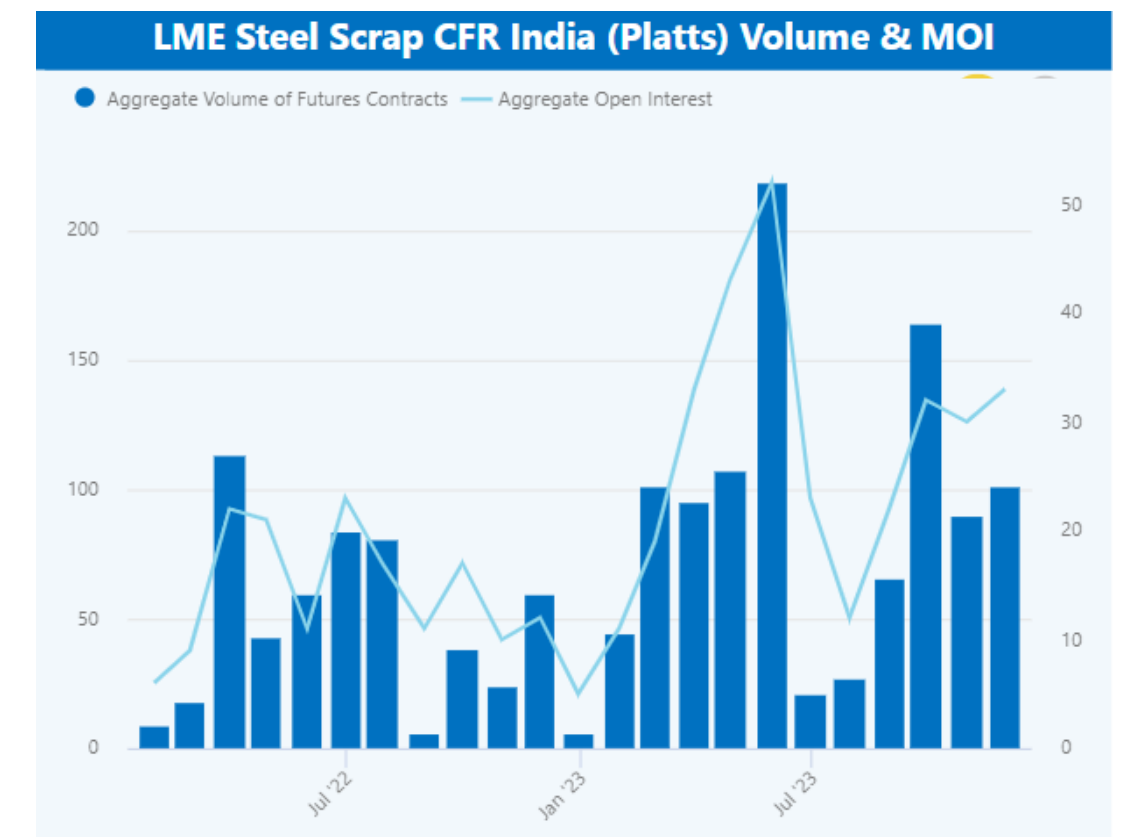
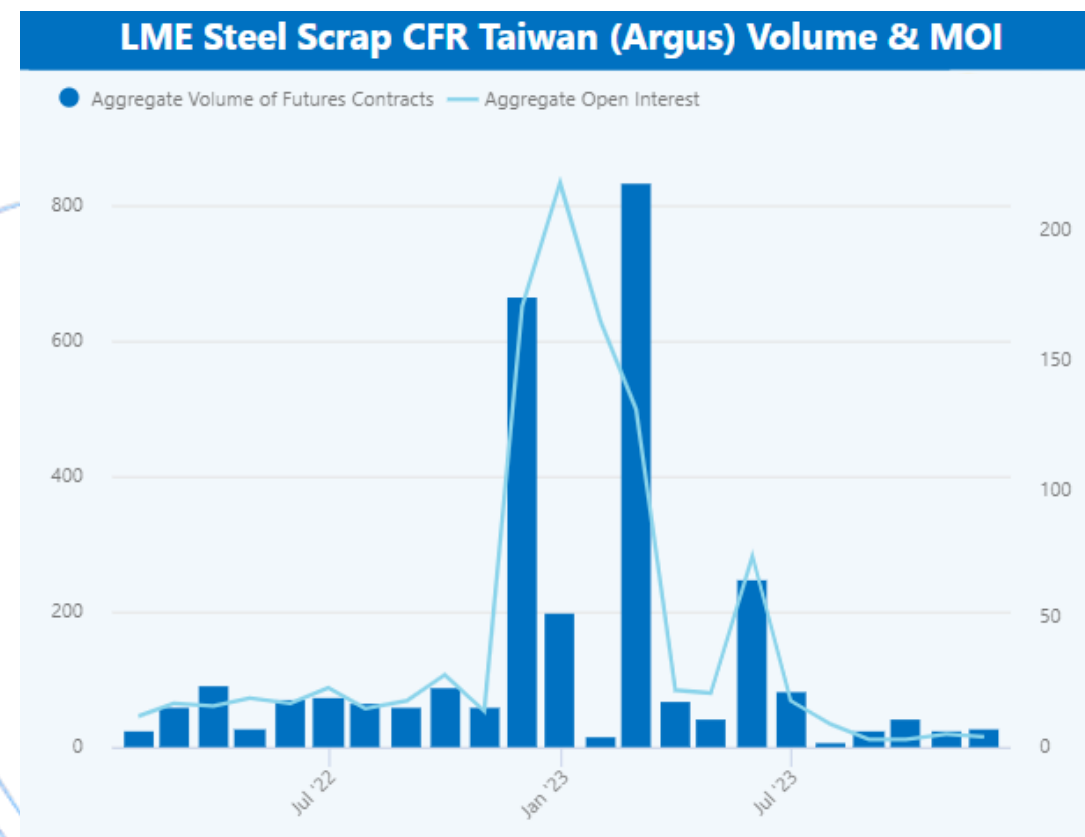
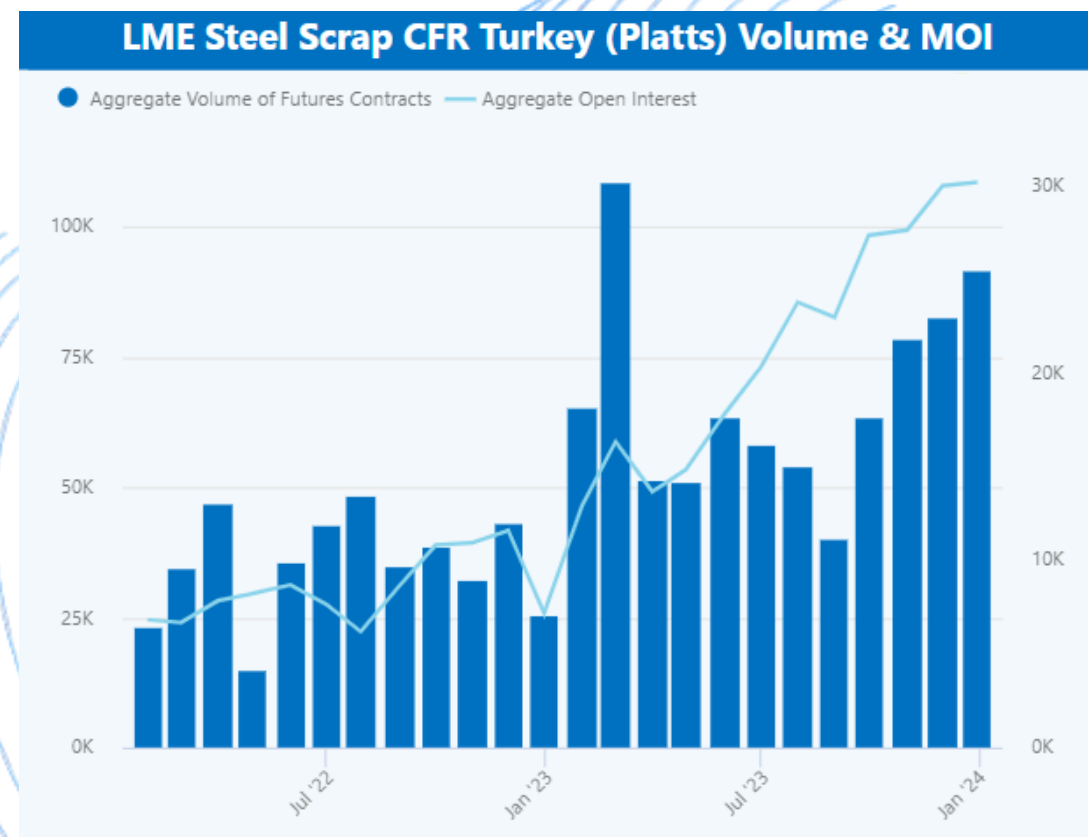
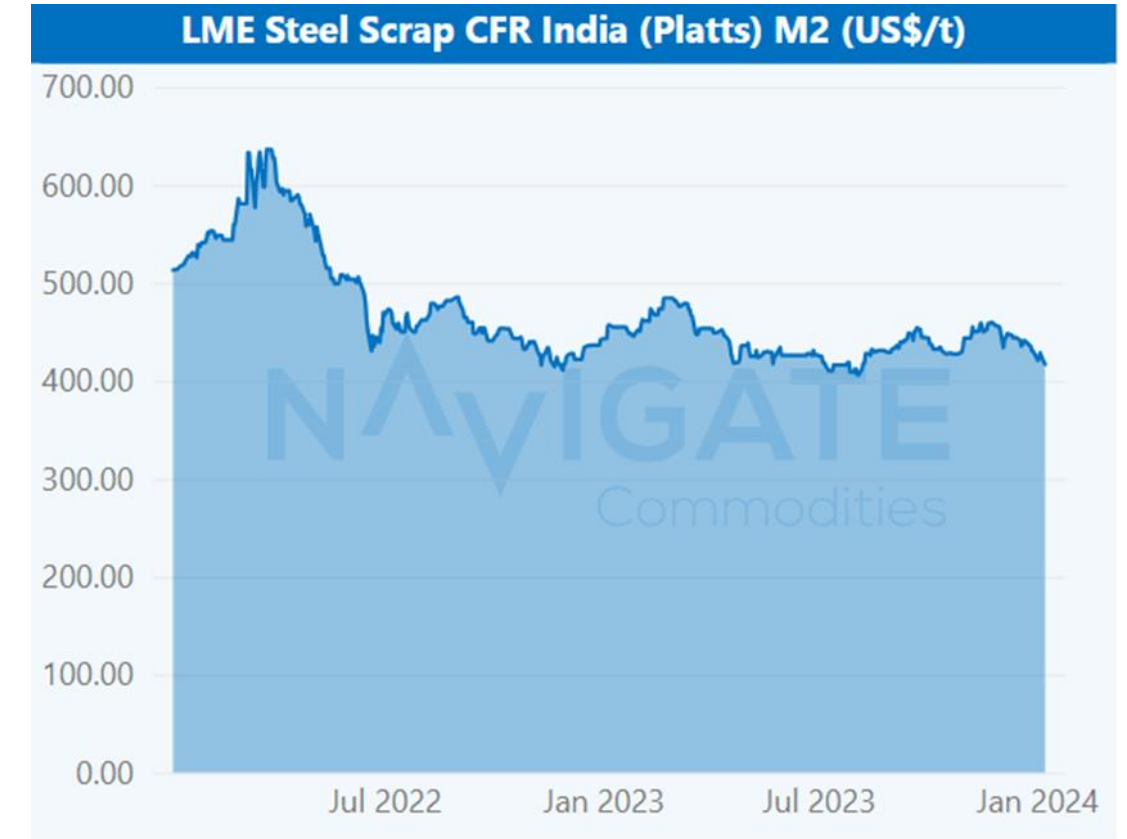
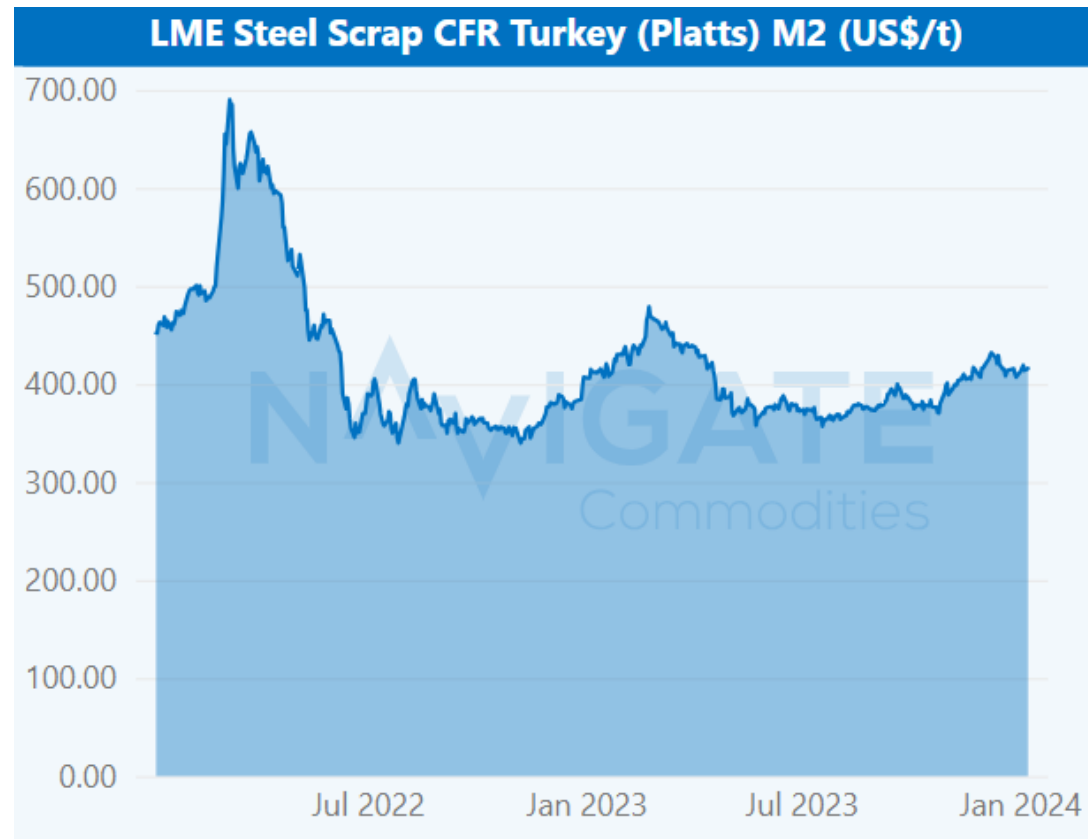
This report includes a wealth of data and provides commentary on supply chains from the key steel scrap markets of Turkey, India, and Taiwan.

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

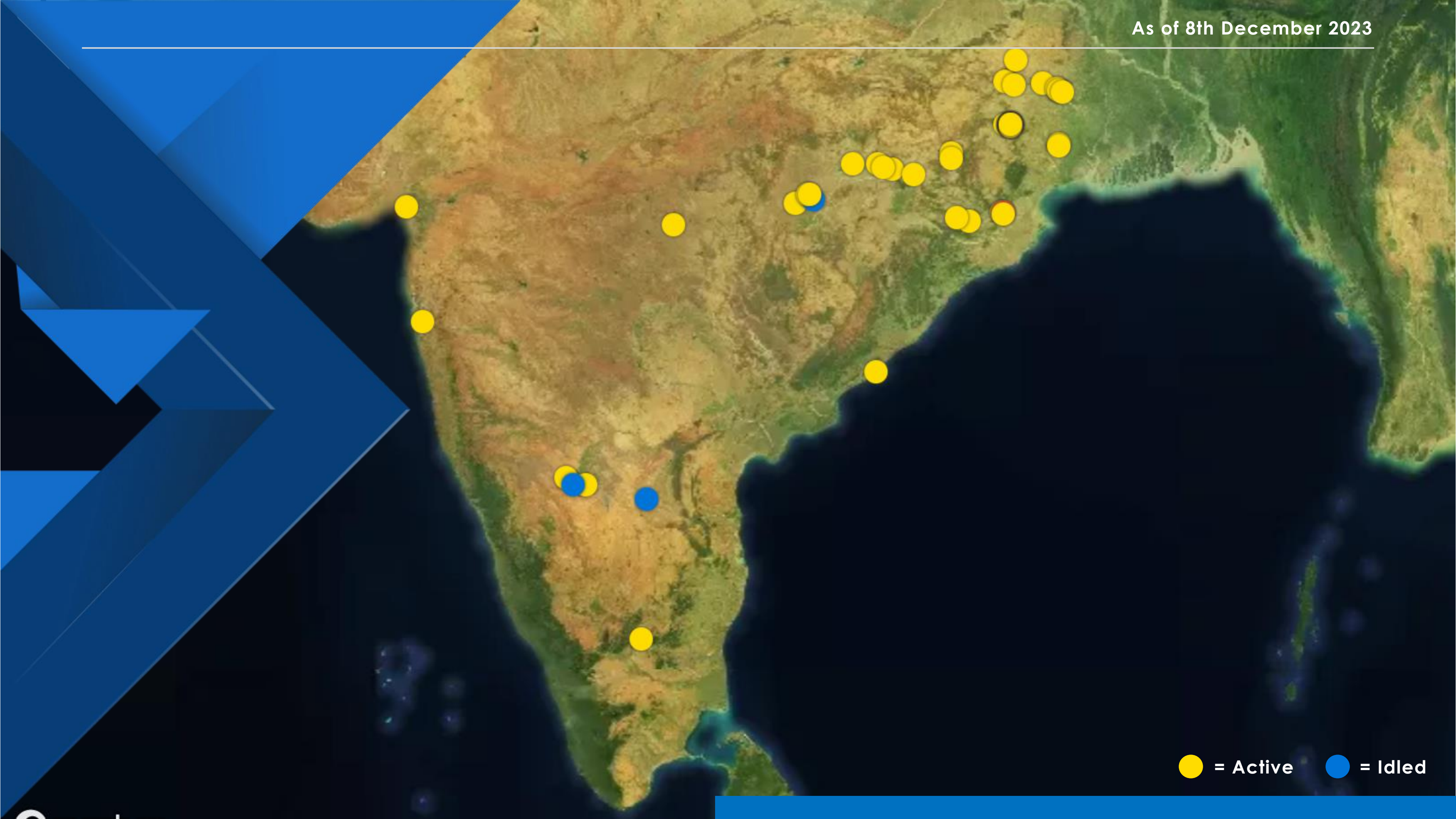






India Steel Scrap Market Overview





● = Active ● = Idled

India

Infrastructure (construction) activity in India posted strong double-digit growth of 12.10% YoY in October 2023, while the corresponding manufacturing PMI has continued to post solid expansion in November 2023 (56.00pts).

While these macroeconomic indicators are relatively lagged compared with our real-time monitoring, there's very little to suggest that growth has stalled given India's insatiable demand for Metallurgical Coal and Ferrous Scrap imports.

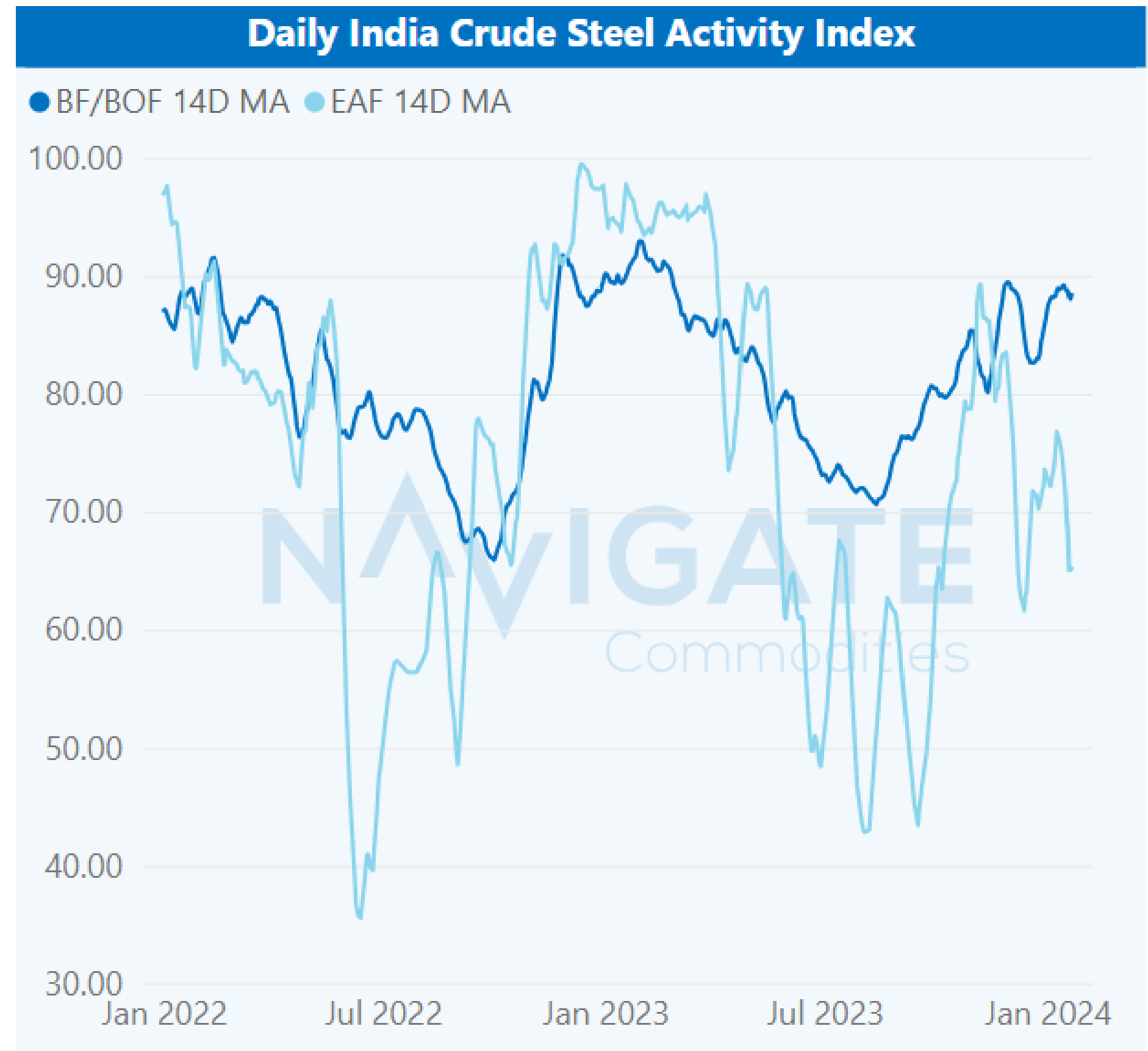
In fact, Indian Blast Furnace/Basic Oxygen Furnace (BF/BOF) Steel smelting activity recovered from its trough in early November, resuming its traditional seasonal rebound through the remainder of the fourth quarter and into the next.

While Indian-origin containerized Ferrous Scrap demand remains relatively robust, India-Turkiye spreads have inverted into negative territory as Indian pricing has been unable to keep pace with the recent price hikes in Turkish markets.

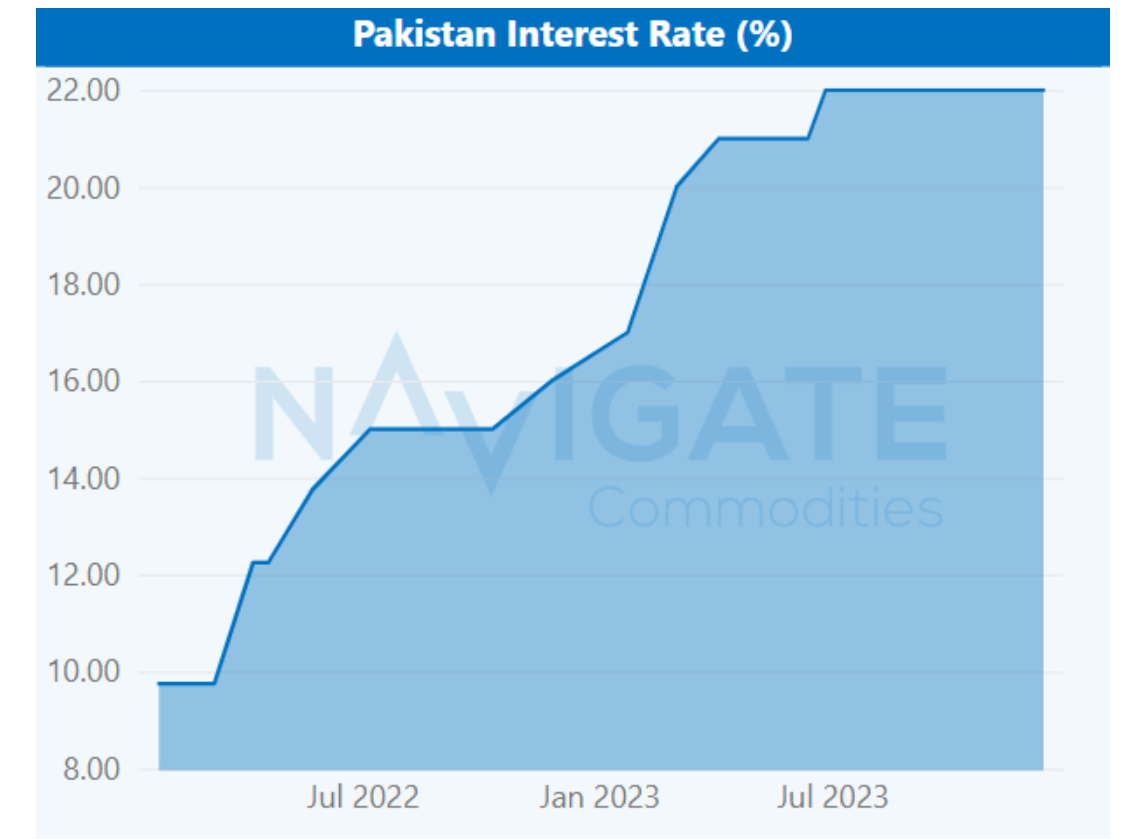
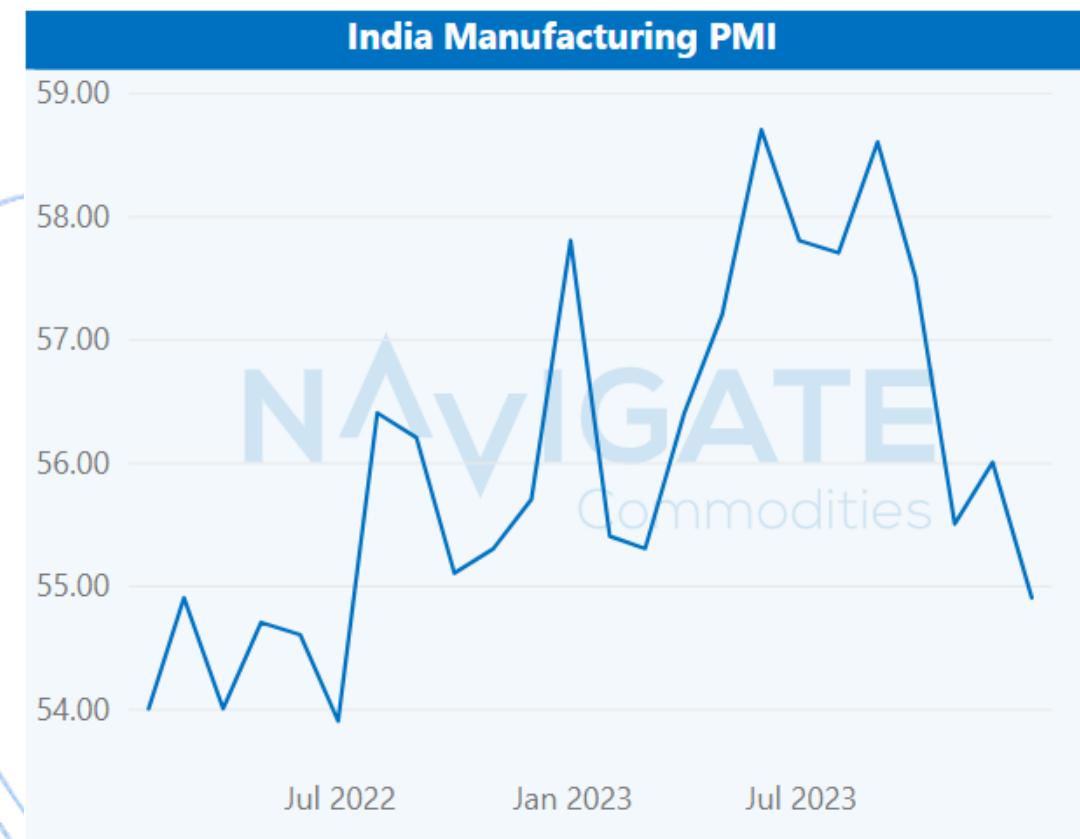
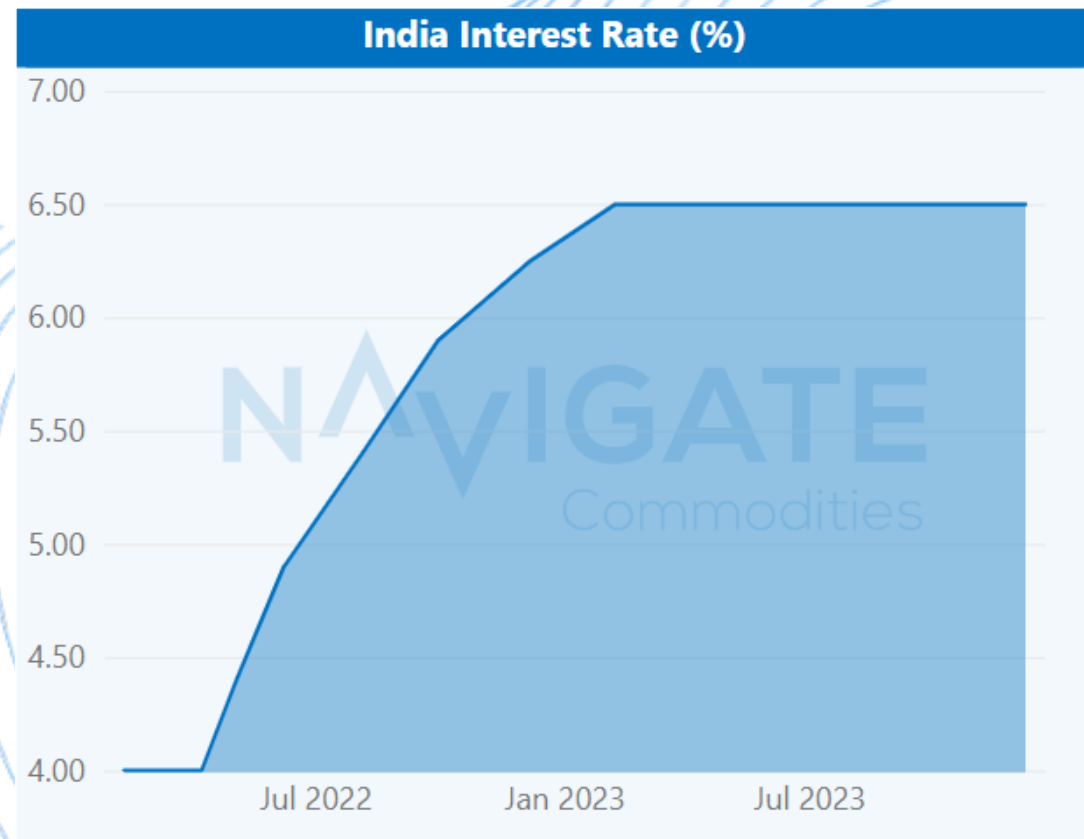
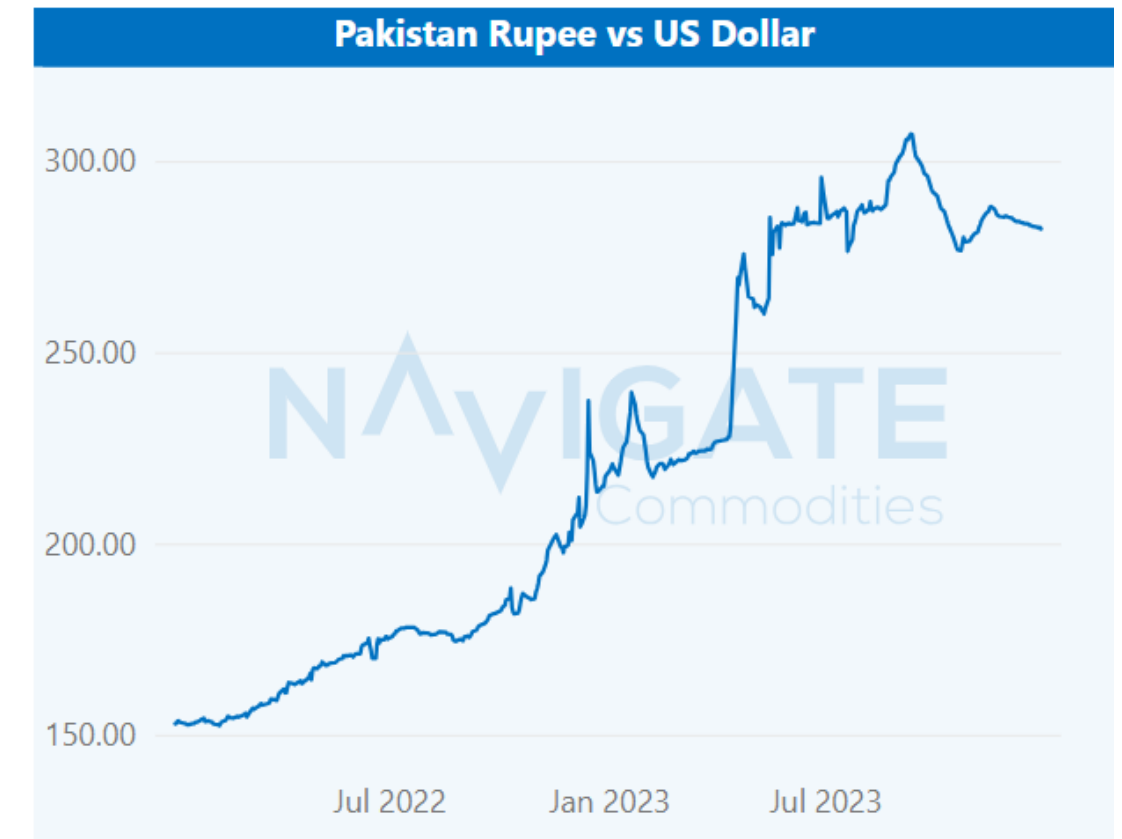
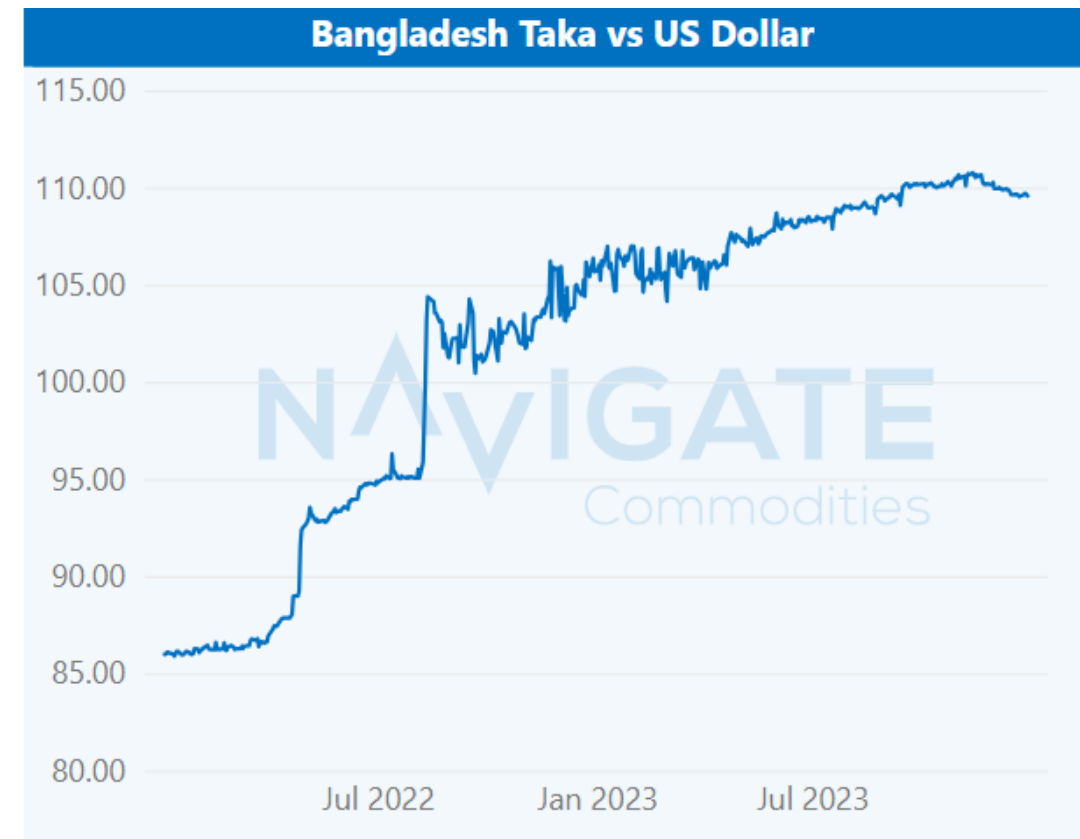
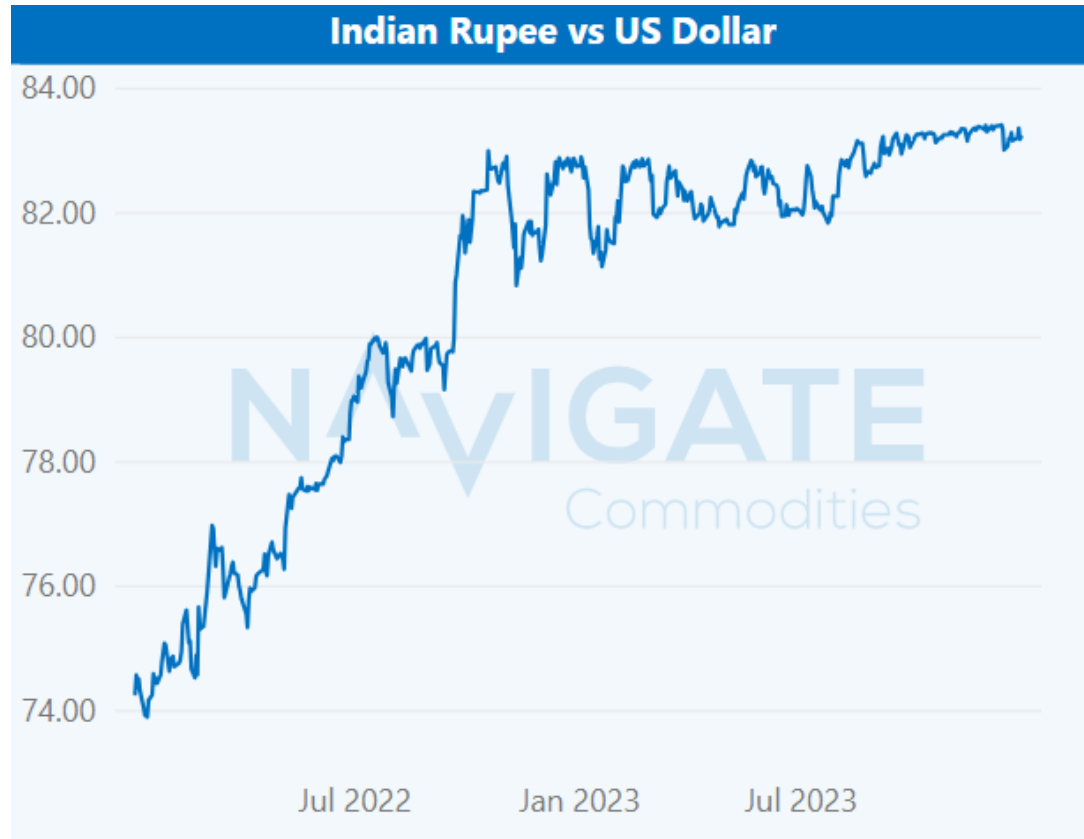
Given India's proclivity for BF/BOF capacity, robust Hot Metal production costs as a function of resurgent domestic Iron Ore and imported Metallurgical Coal prices have continued to make Ferrous Scrap far more attractive.

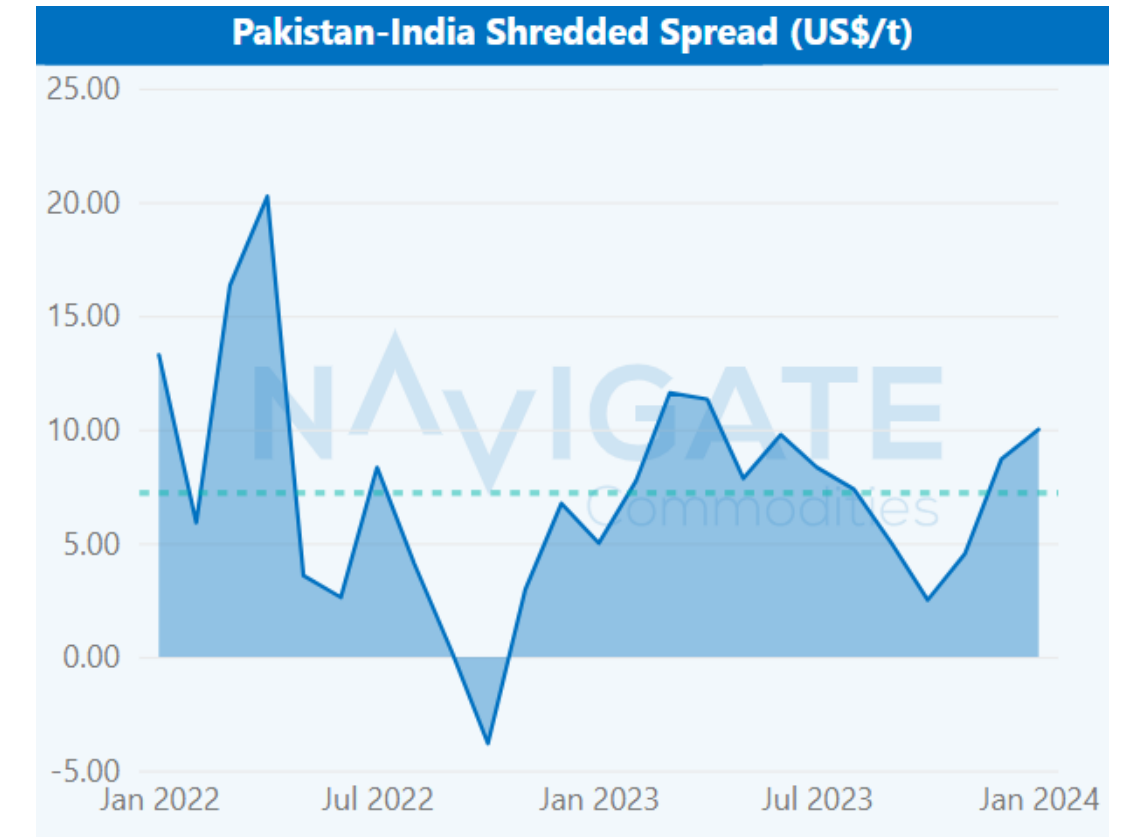
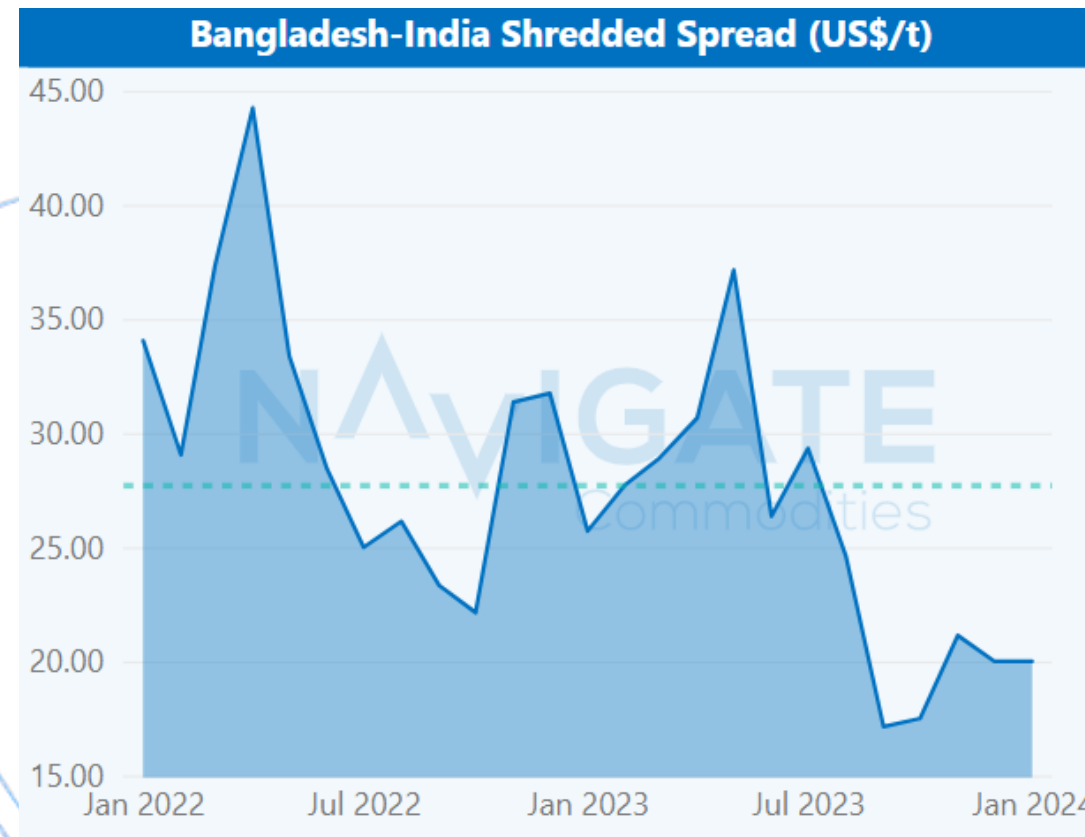
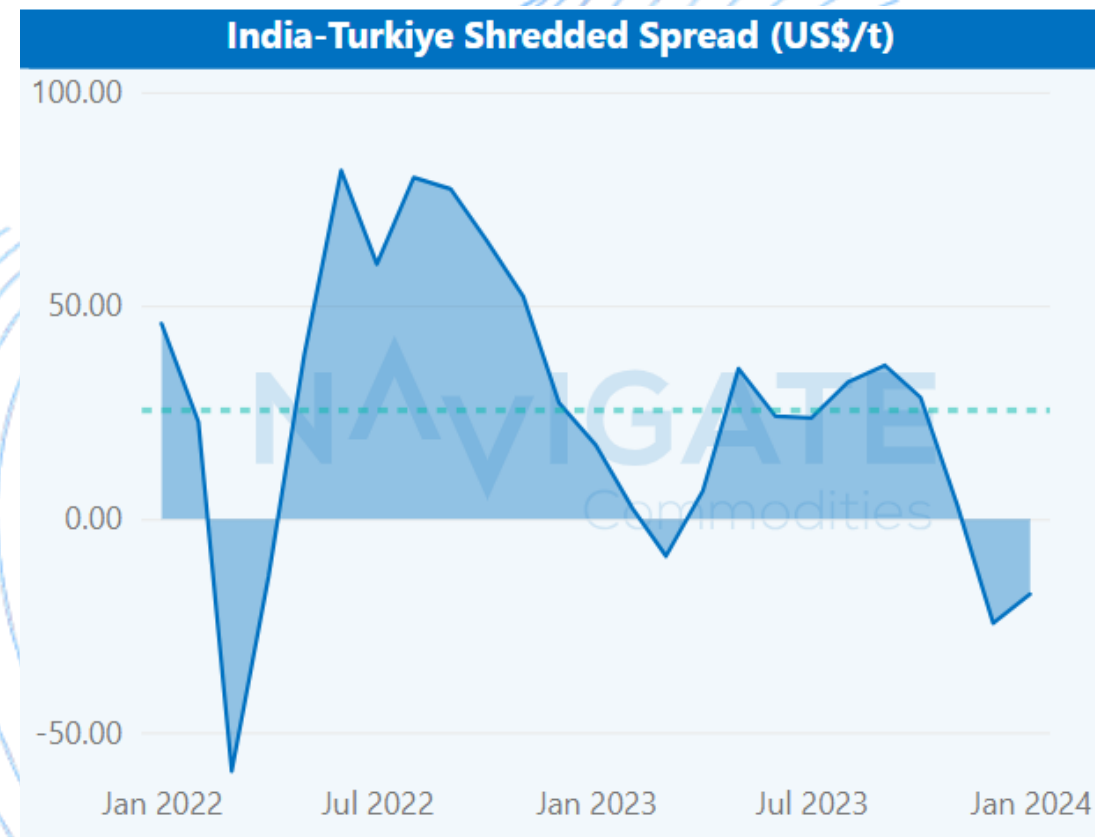
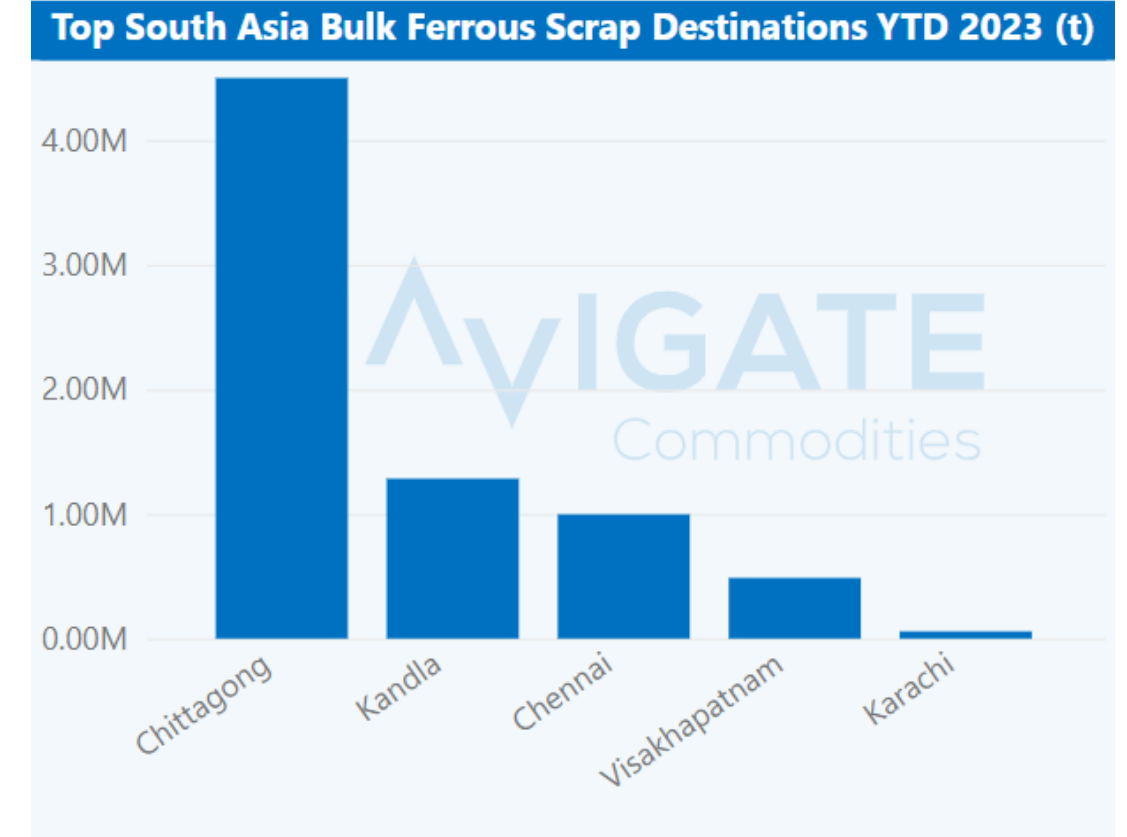
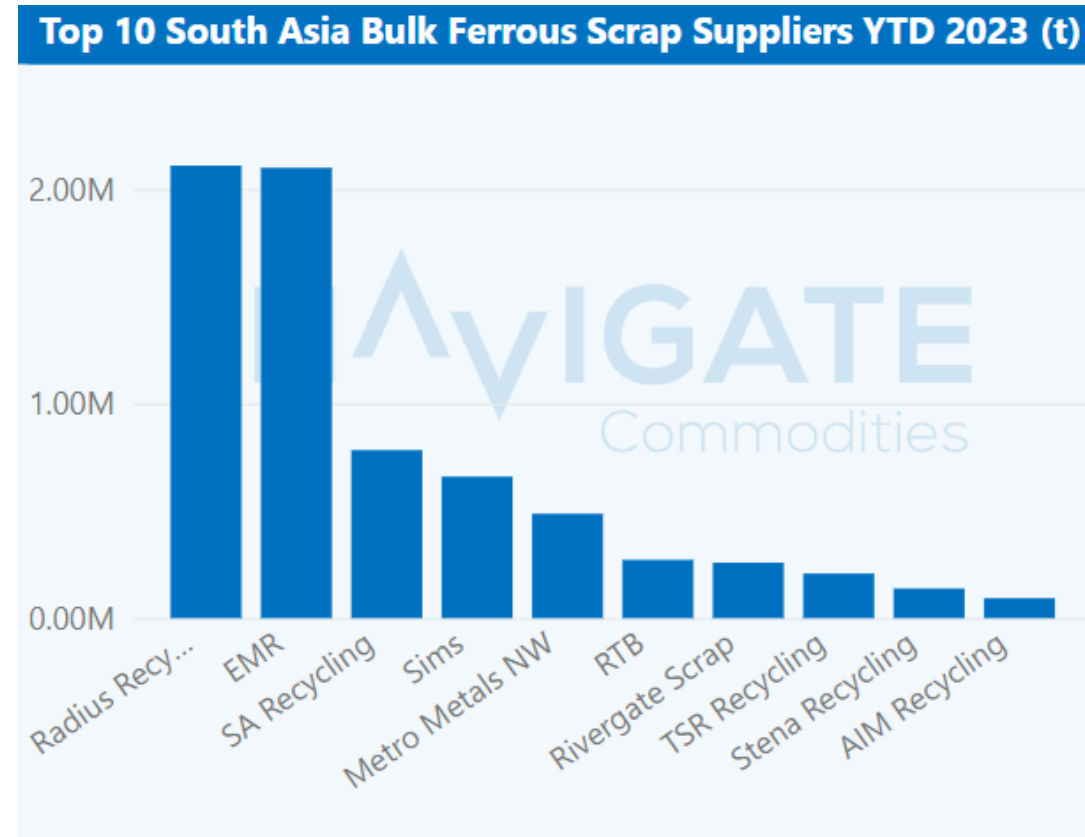
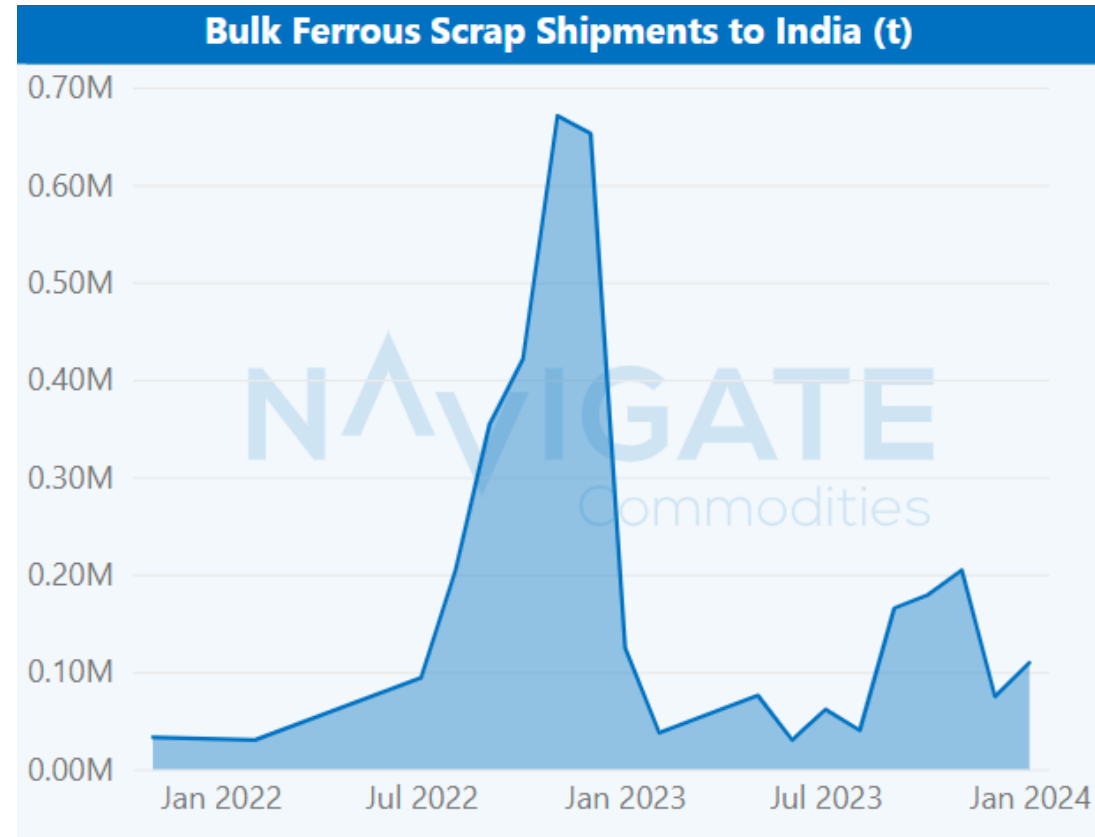
At present, we're currently monitoring approximately 6-8 deepsea vessels heading towards the South Asian peninsular; originating from Radius Recycling (Schnitzer), Rivergate Scrap, SA Recycling, and Sims Metal Management.

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).

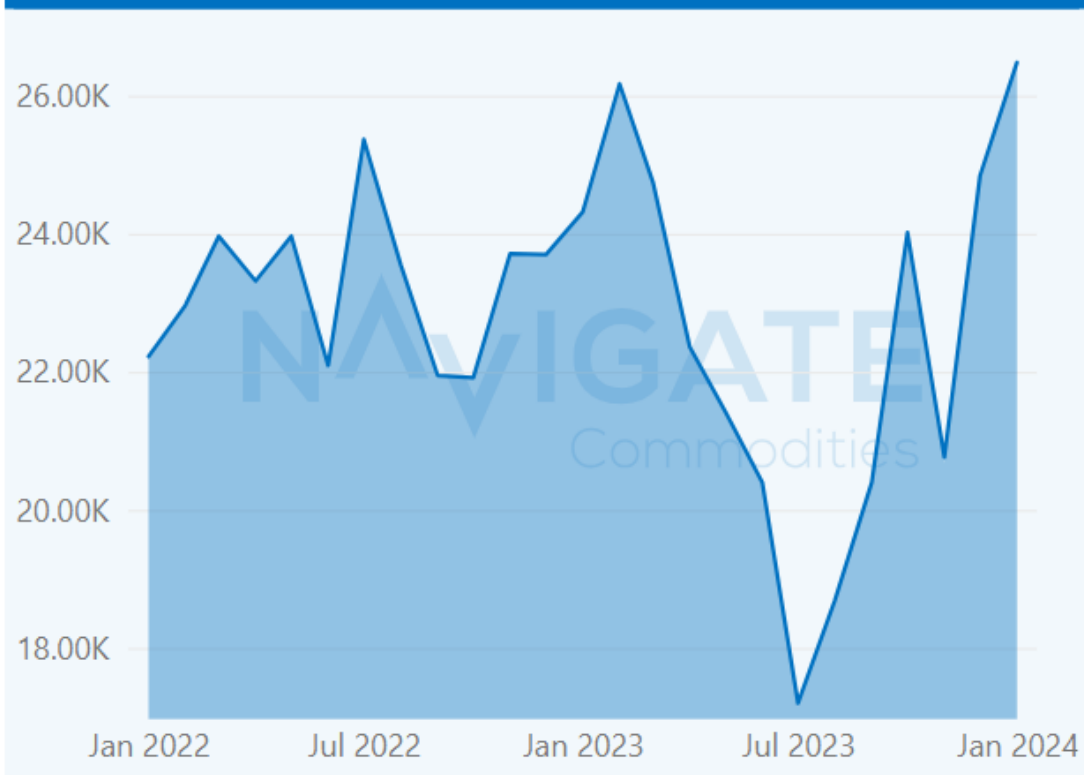


Source: Earth-i, Navigate Commodities

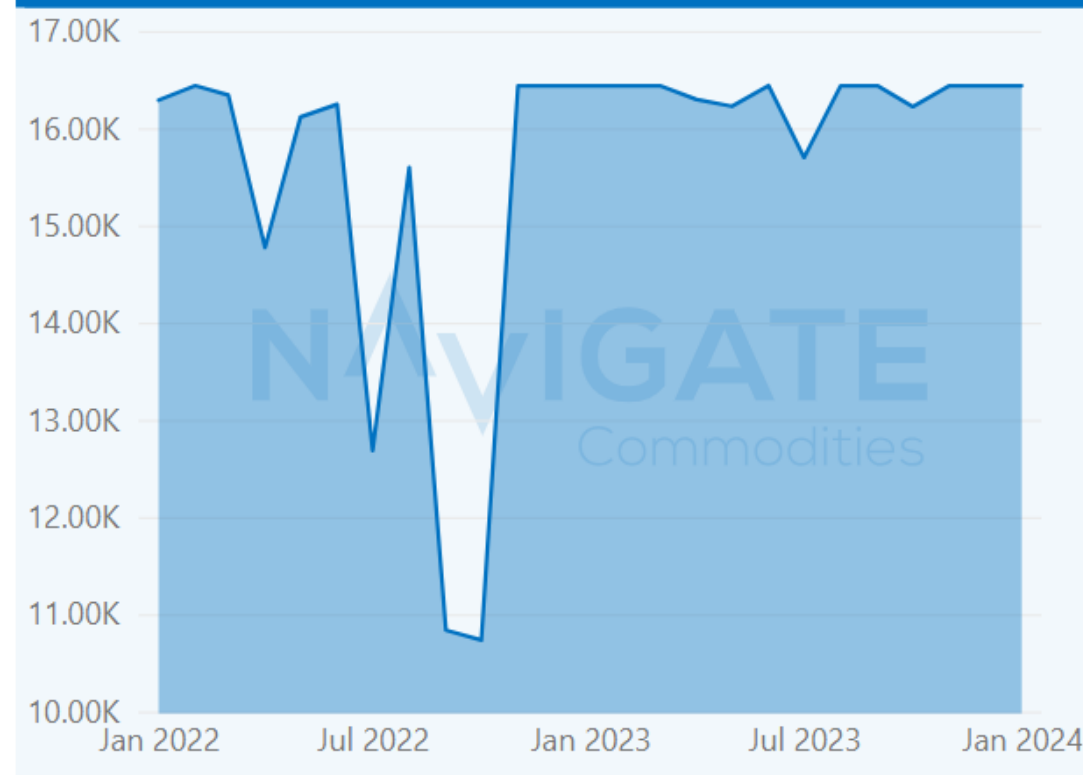




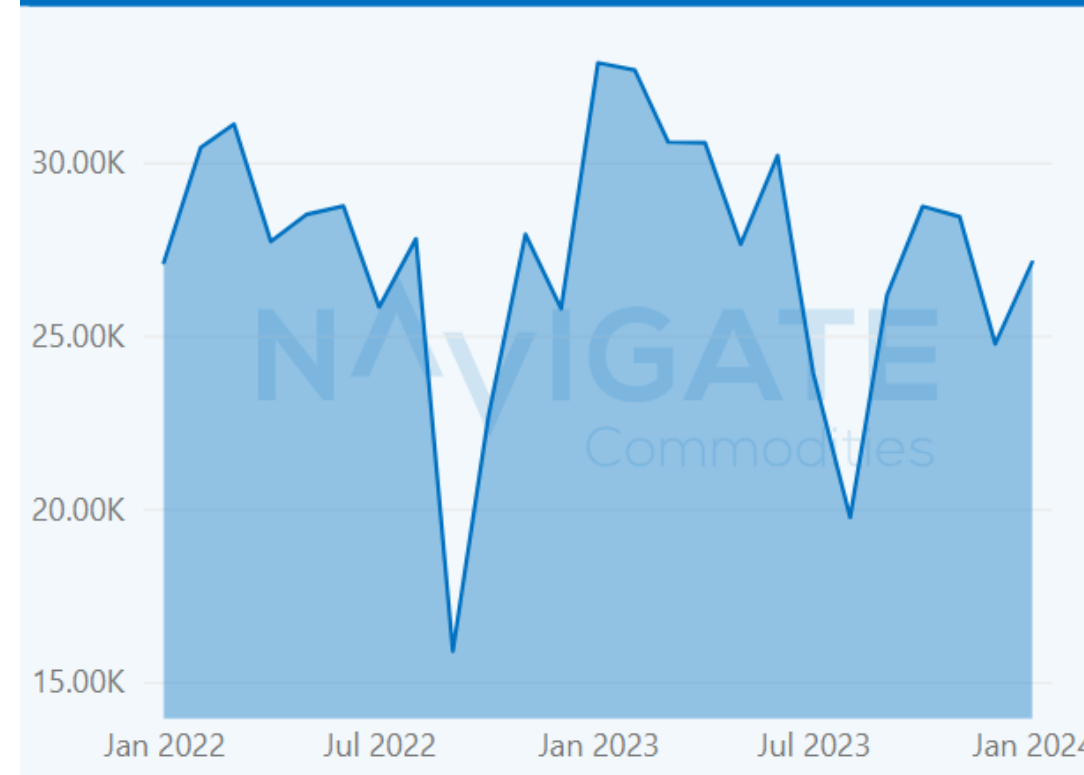
AcelorMittal Nippon Steel Output 30D MA (tonnes per day)



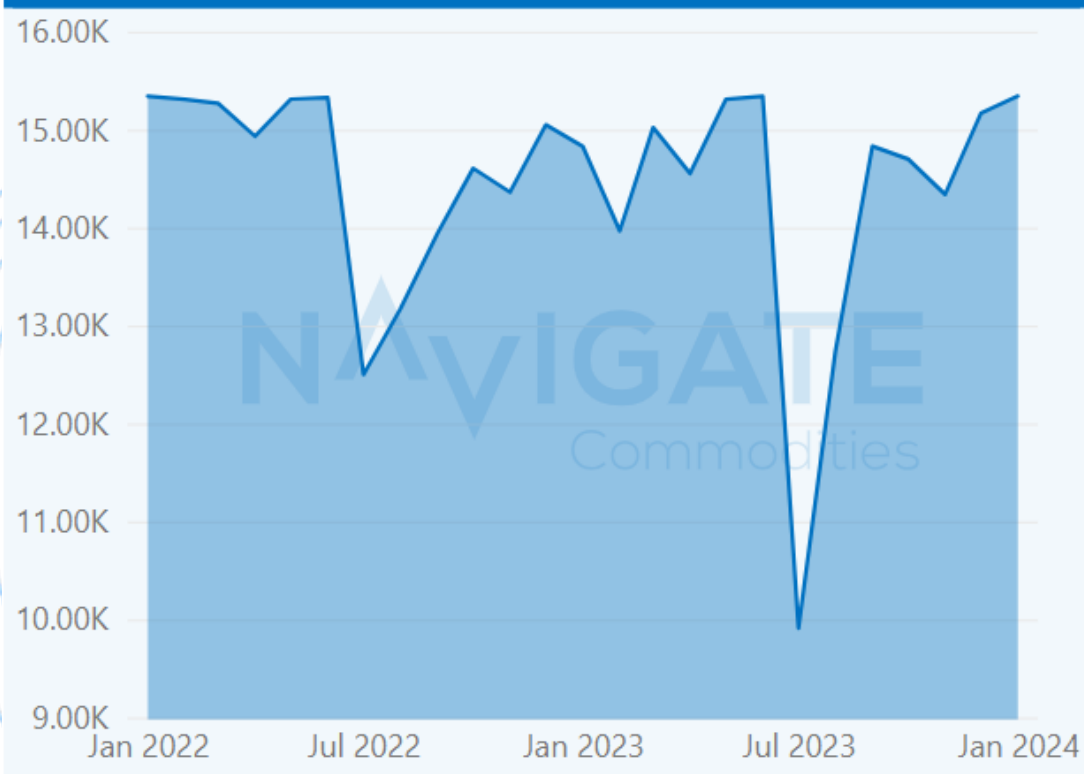
JSPL Odisha Steel Output 30D MA (tonnes per day)



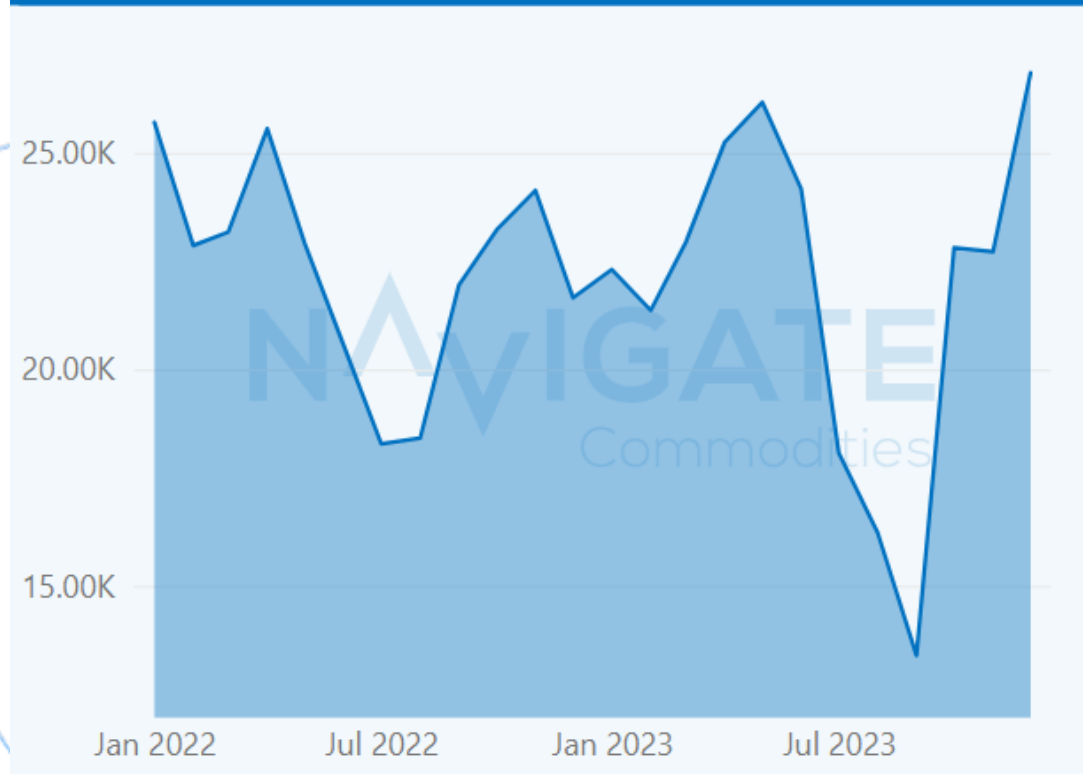
JSW Vijayanagar Steel Output 30D MA (tonnes per day)



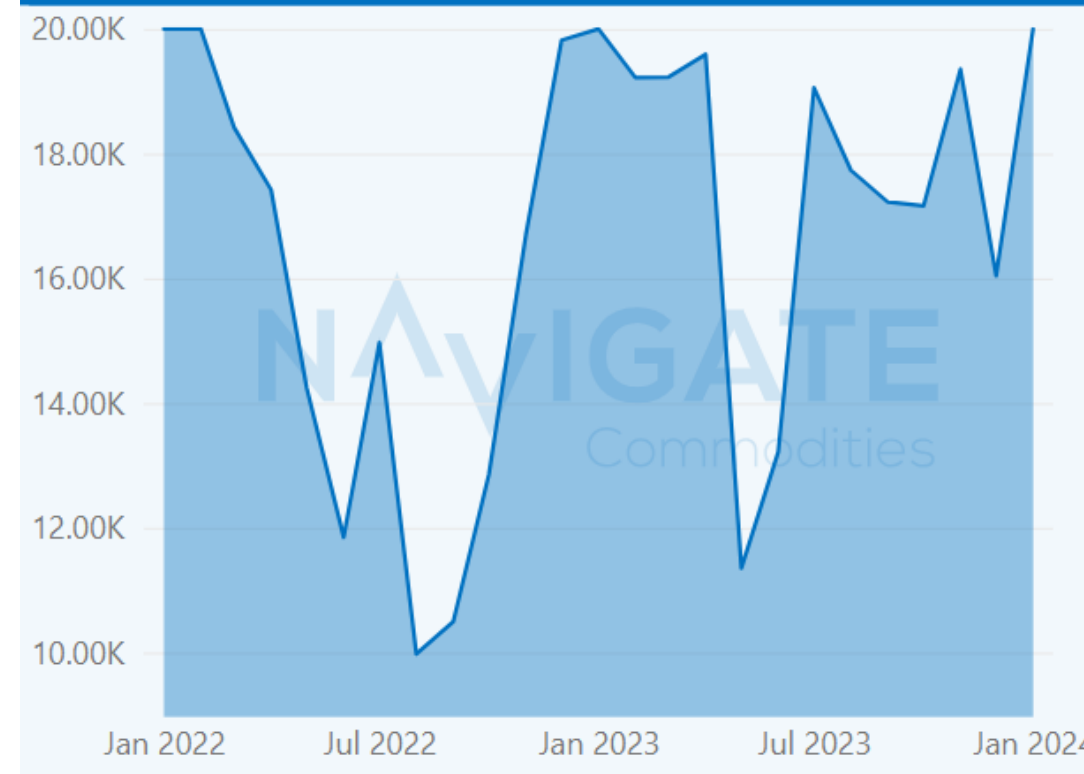
Tata Steel BSL Steel Output 30D MA (tonnes per day)



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



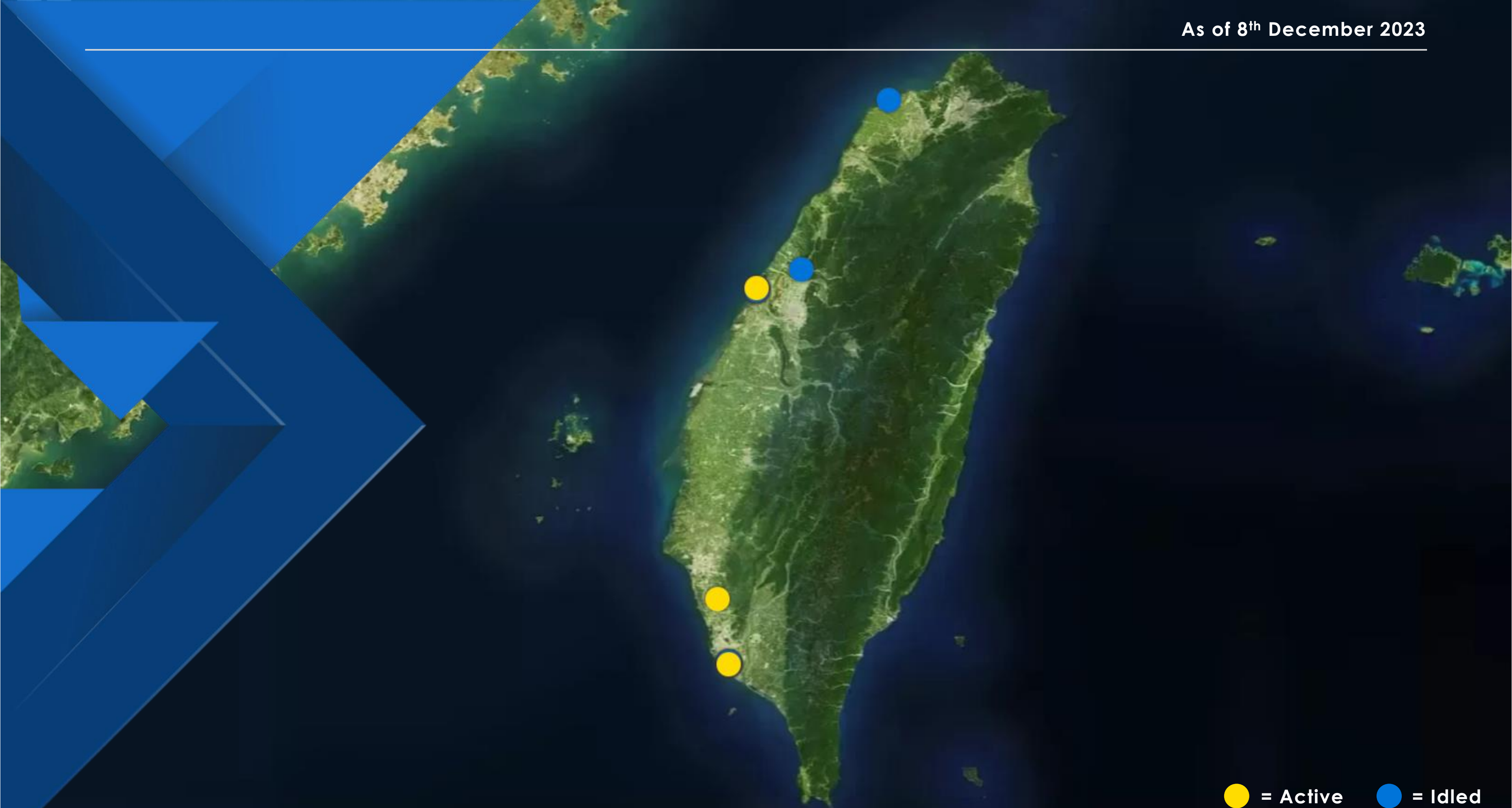
Vizag Steel Output 30D MA (tonnes per day)





Taiwan Steel Scrap Market Overview





● = Active ● = Idled

Taiwan

Taiwanese macroeconomic activity continued to show signs of marked improvement over the past month, with construction and manufacturing sectors both posting encouraging results.

For example, Taiwan's construction PMI surged 6.30pts over this period to a two-year high of 63.00pts in November, while the corresponding manufacturing PMI rose by a more modest 0.70pts to 48.30pts.

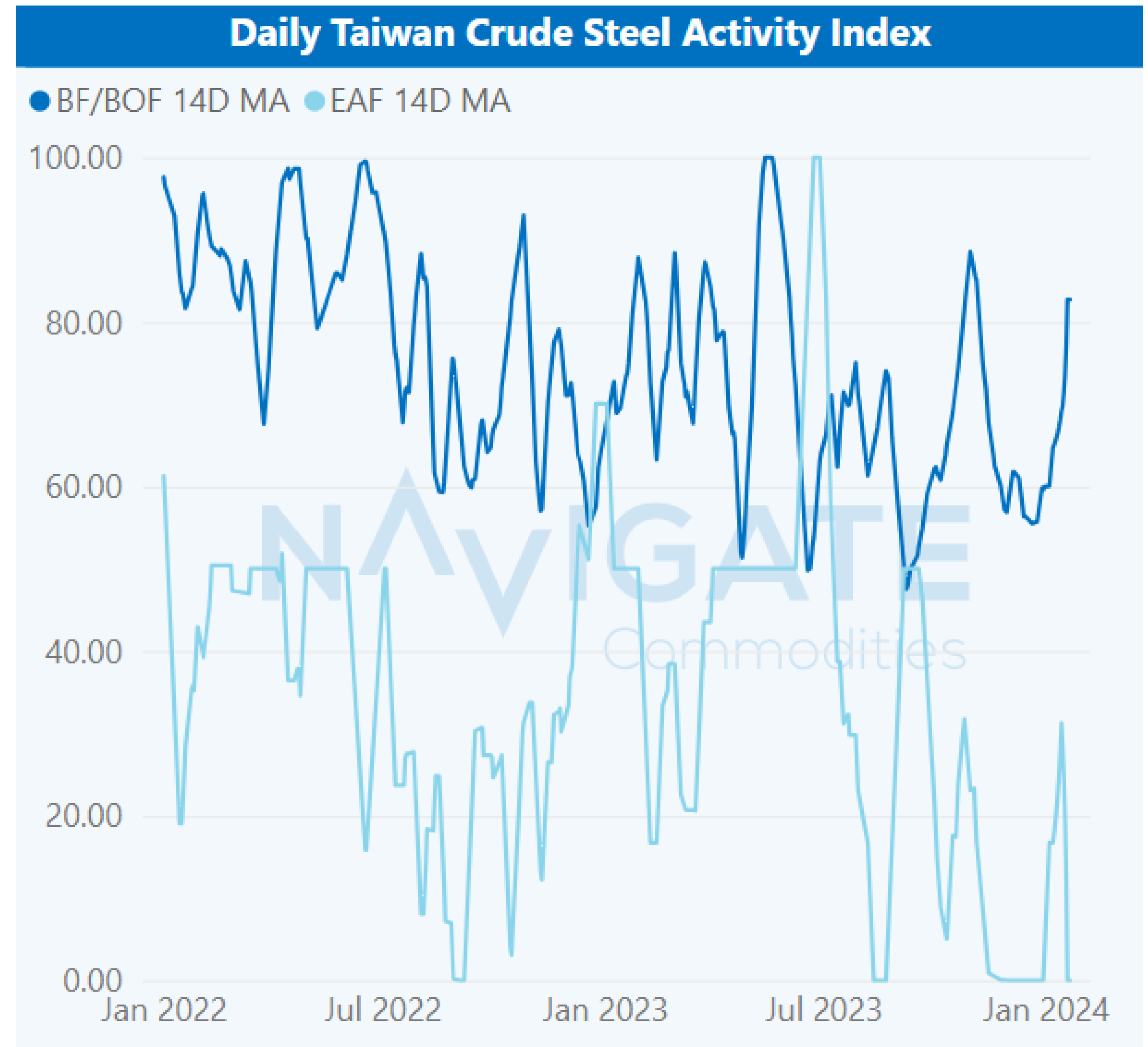
As highlighted last month, Taiwan's Steel industry has struggled to fully capture the benefits of this improvement in domestic downstream Steel consumption given the availability of cost competitive Chinese Steel.

The availability of "cheap" Chinese Steel in very close proximity has undoubtedly impacted the ability of local Taiwanese Steel producers to aggressively ramp up Steel production and underlying Ferrous Scrap consumption.

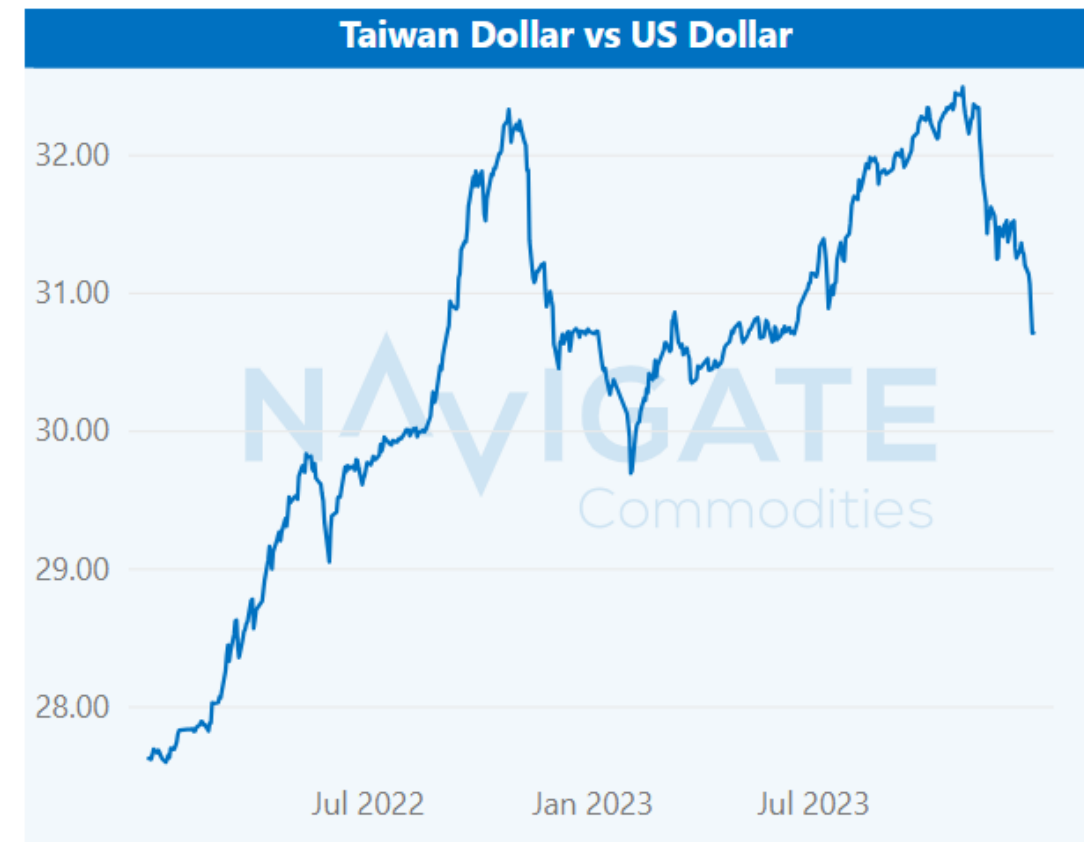
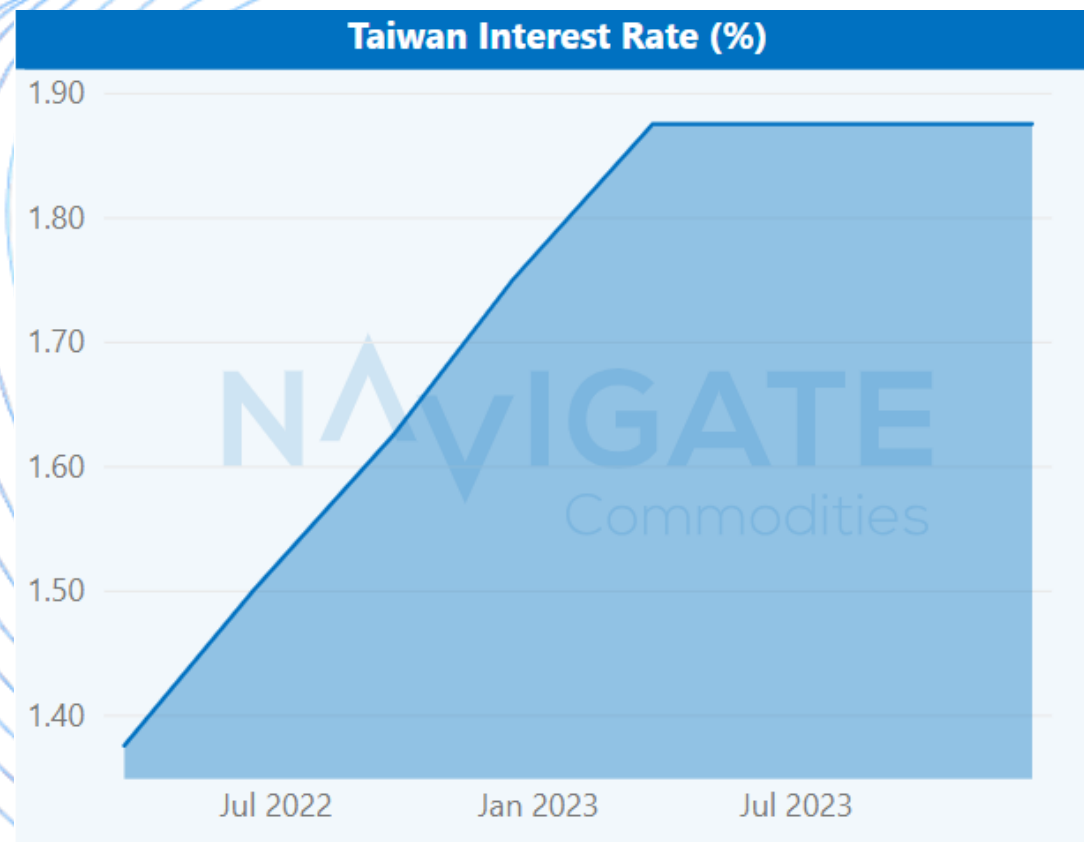
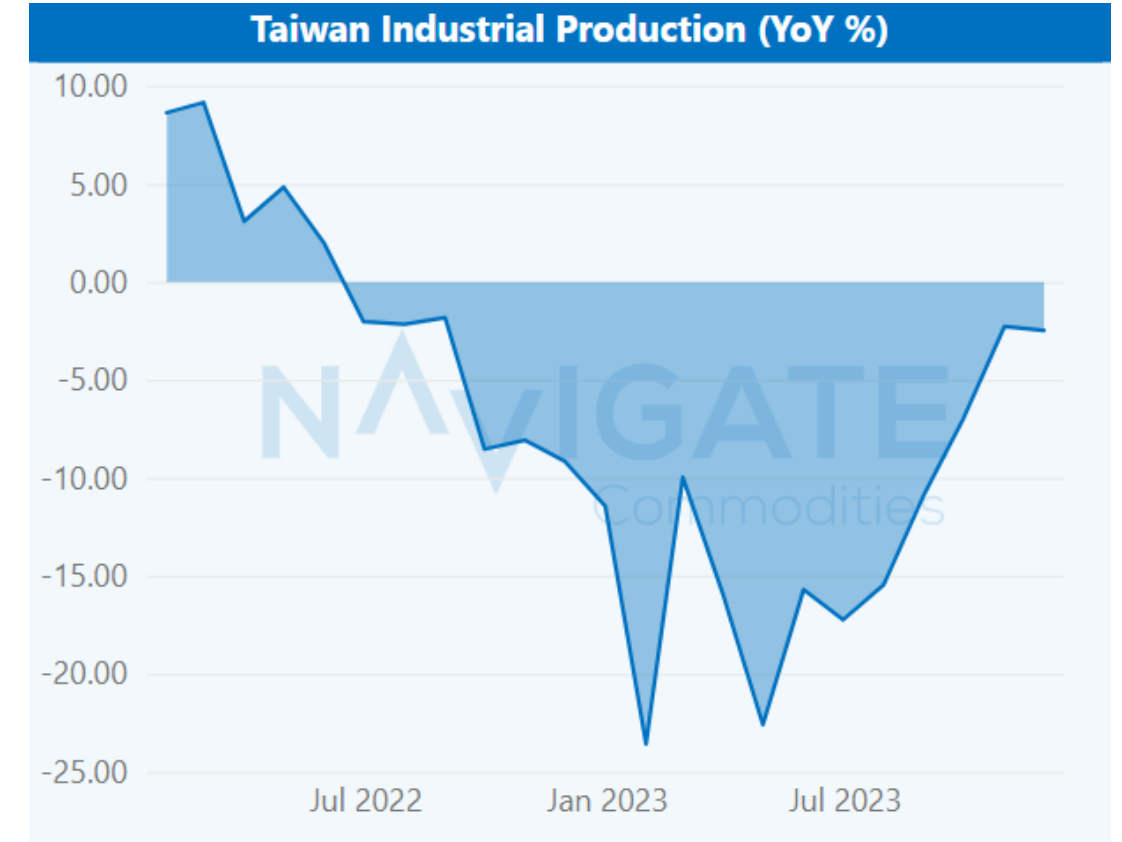
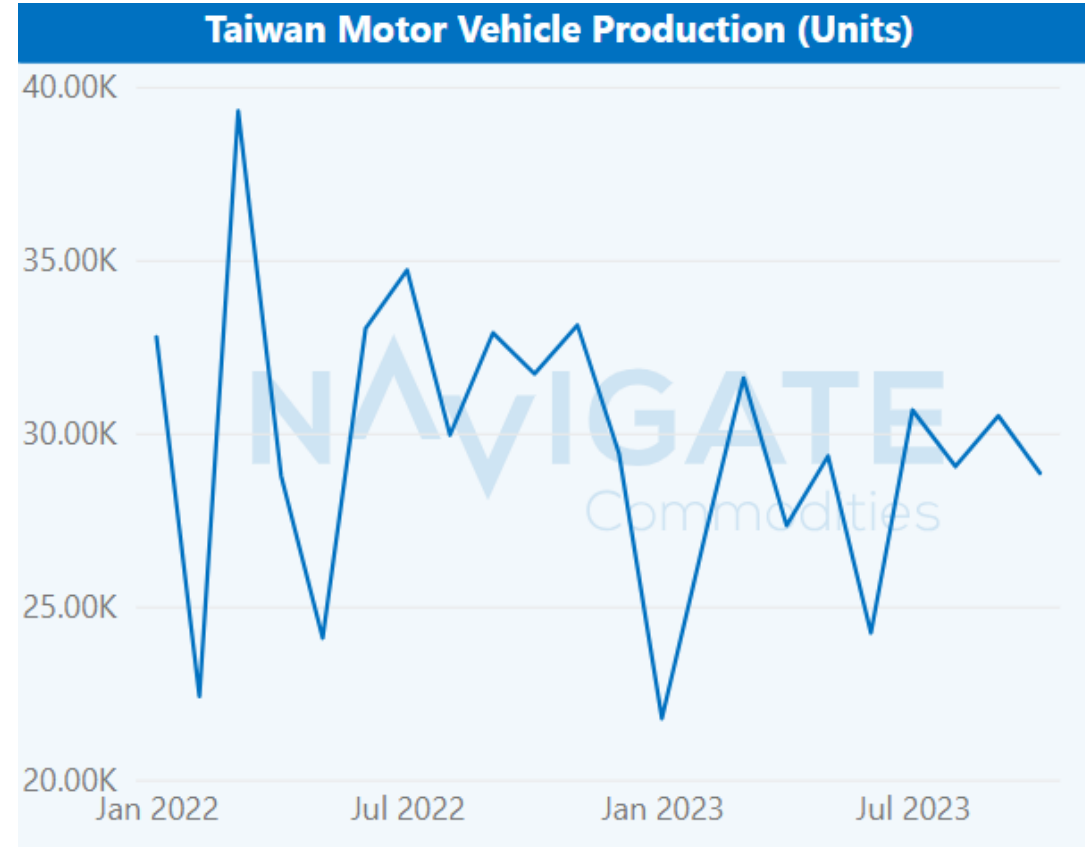
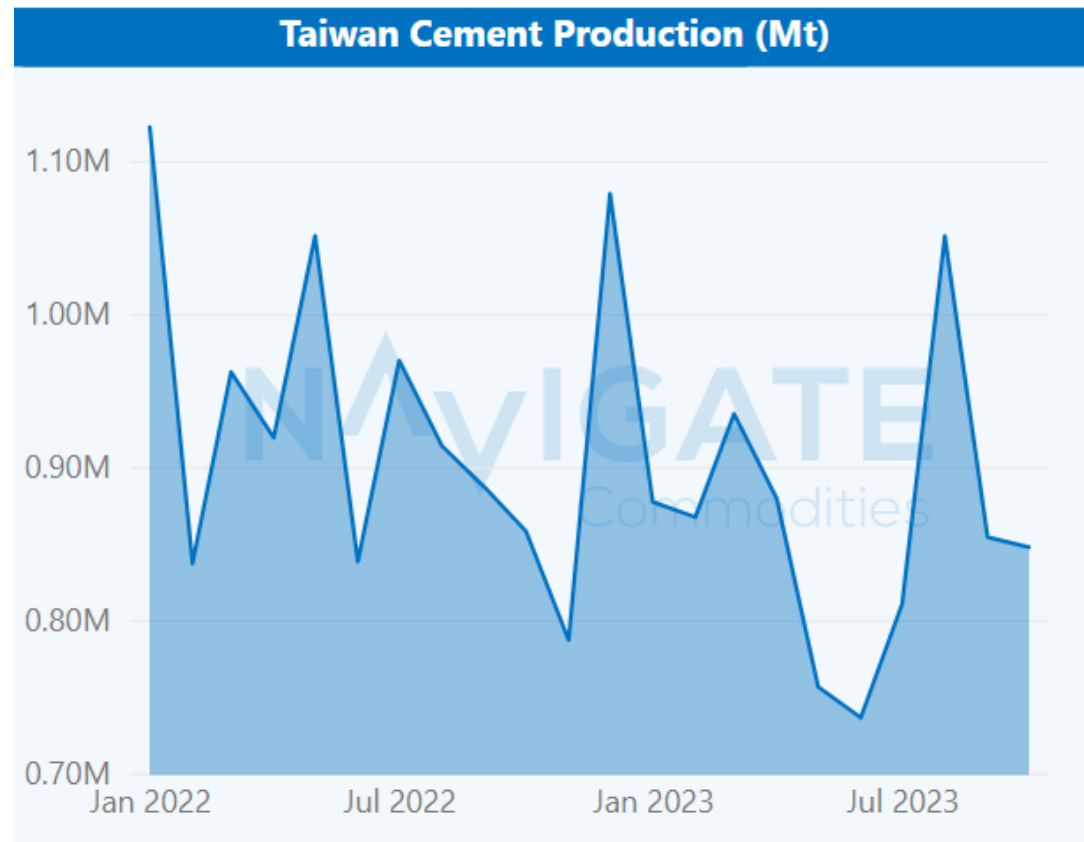
In fact, China's Steel exports to Taiwan have surged 20.19% to 0.95Mt from January to October 2023 compared with the same period last year, while already exceeding total annual volumes of 0.79Mt through the whole of 2022.

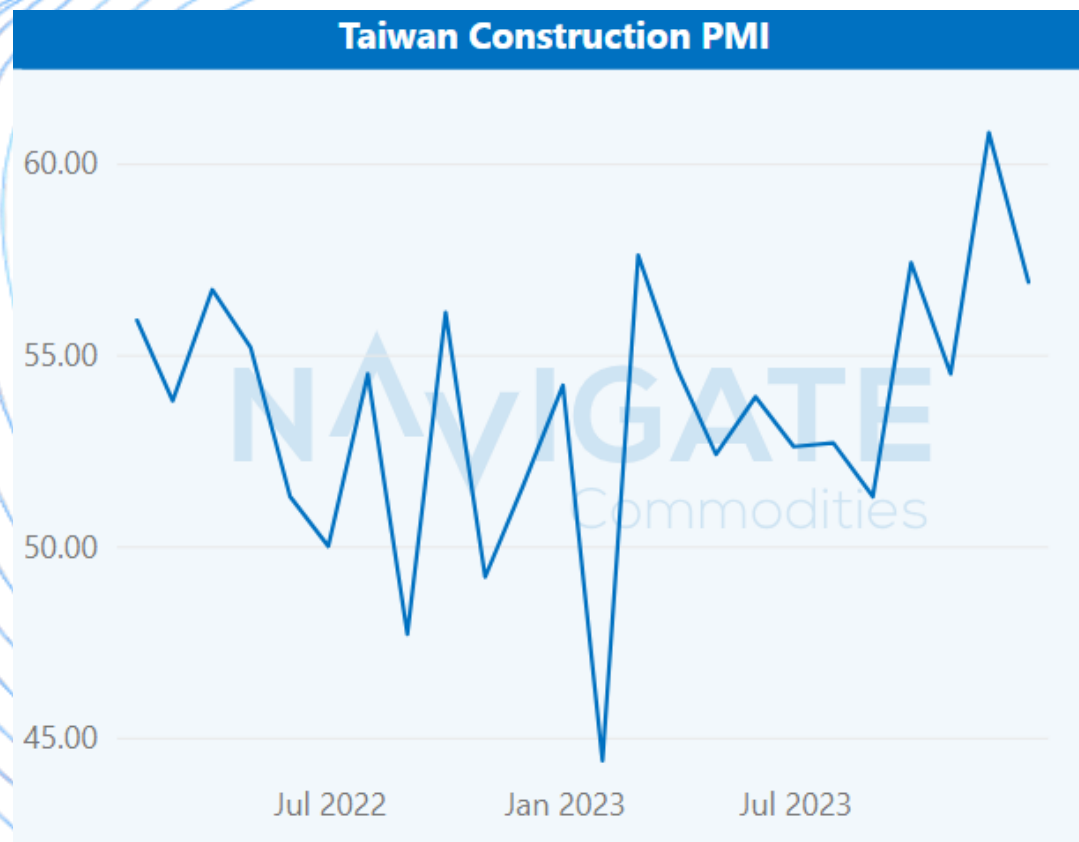
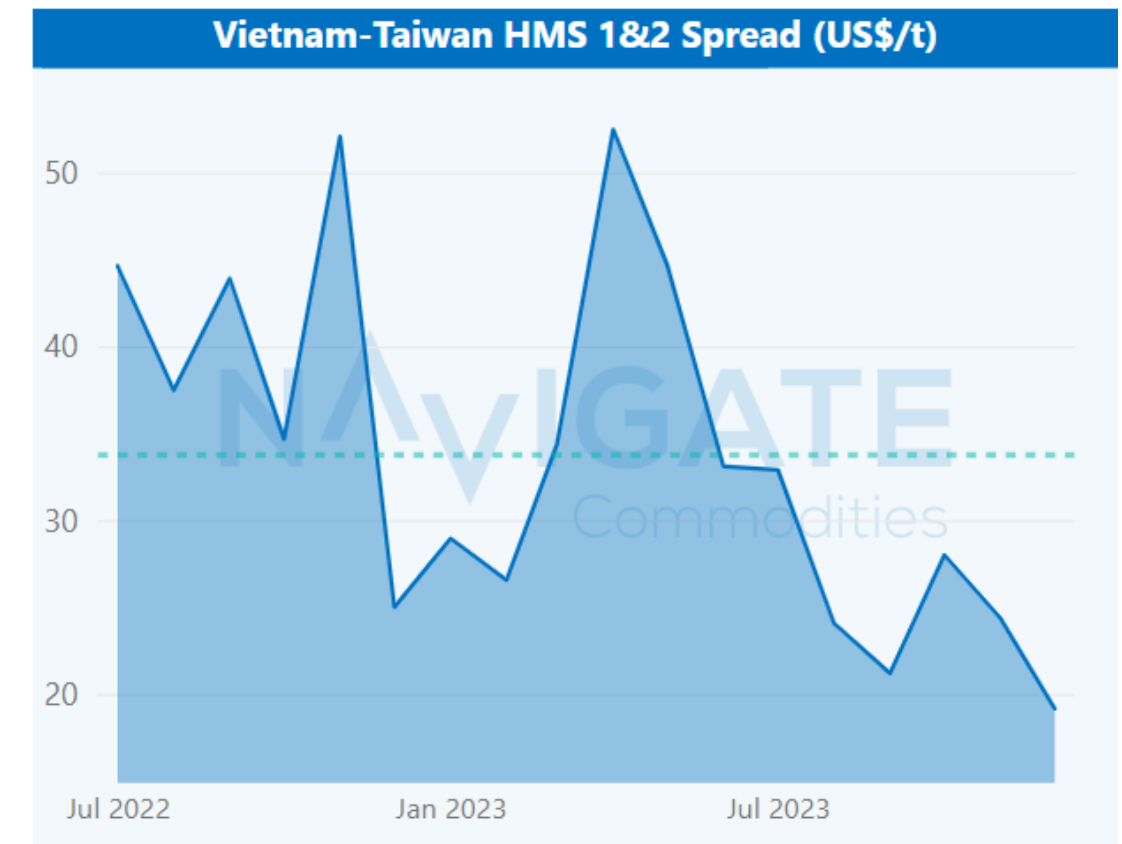
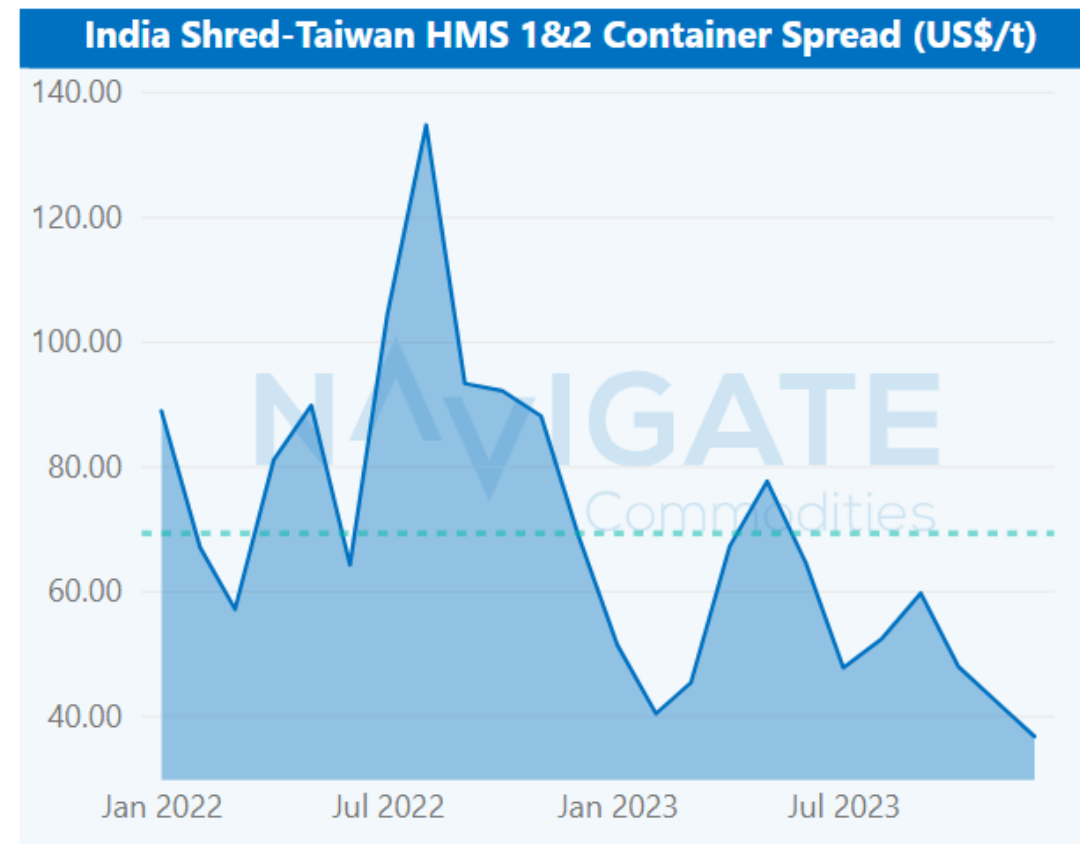
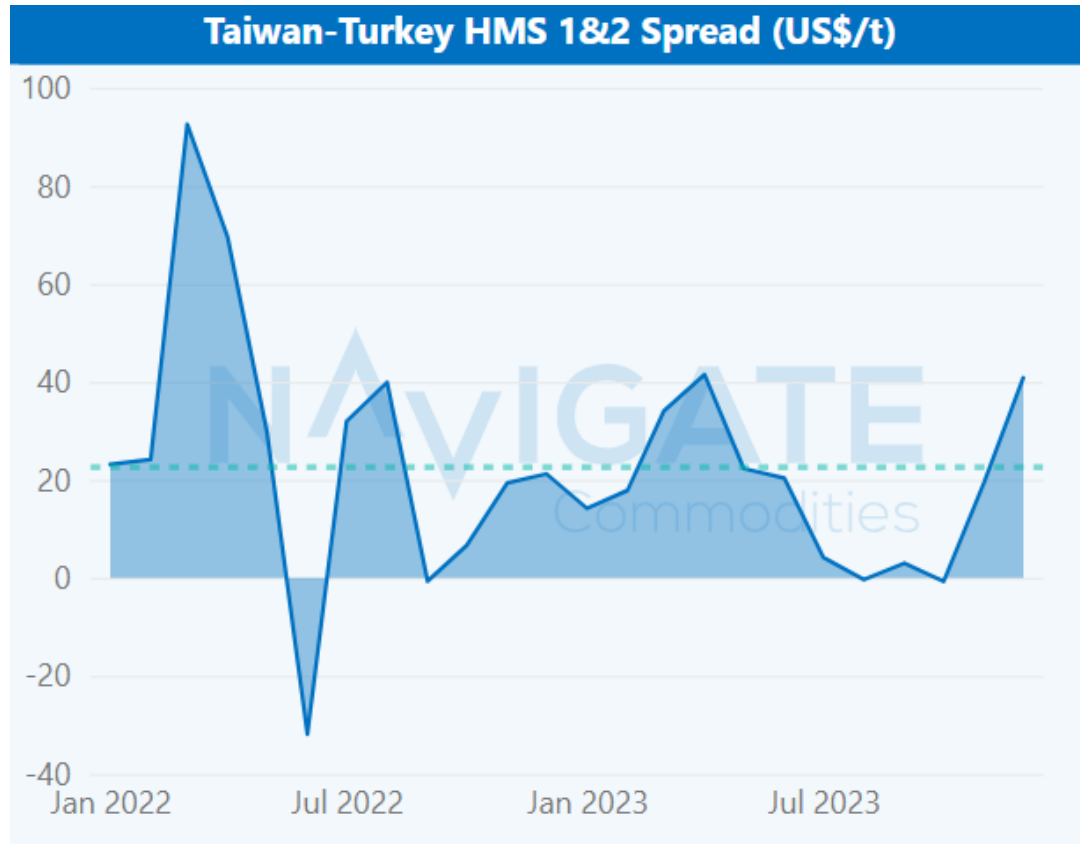
That said, Taiwan-Turkiye Ferrous Scrap spreads widening to almost US\$40/t in early December 2023 potentially indicates that Taiwanese Steel producers may be becoming more bullish on their current outlook.

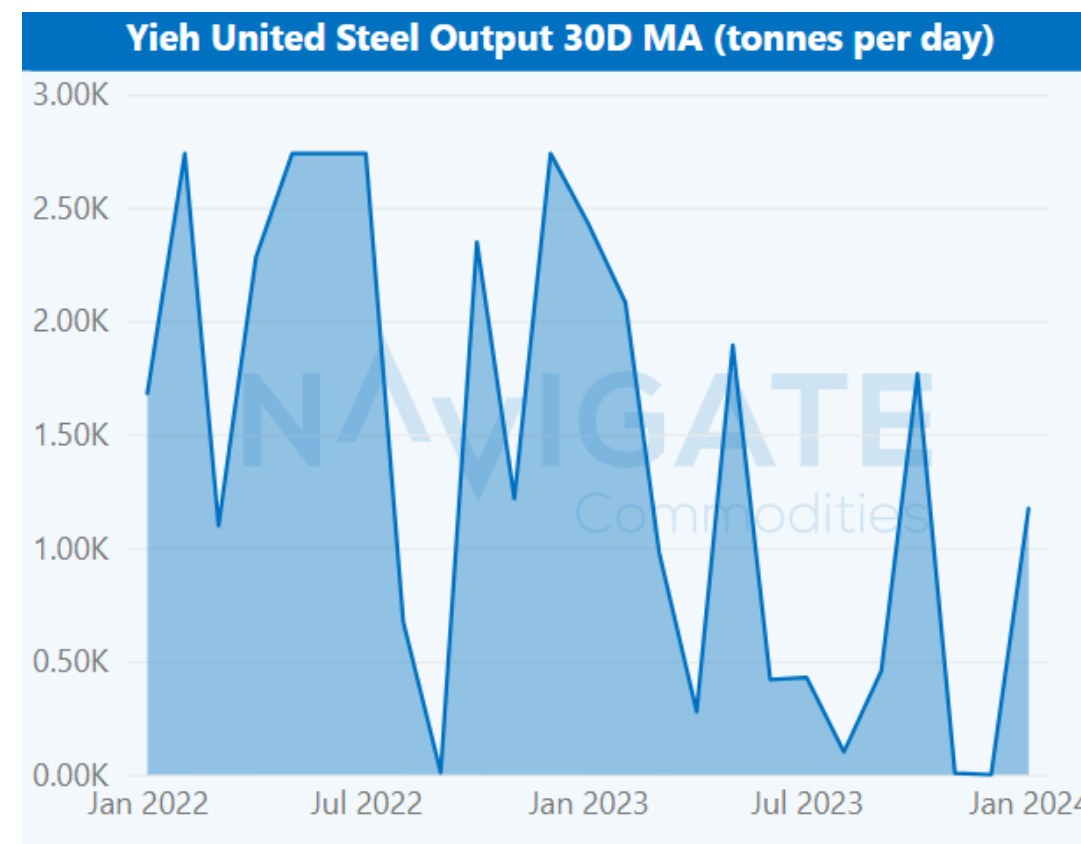
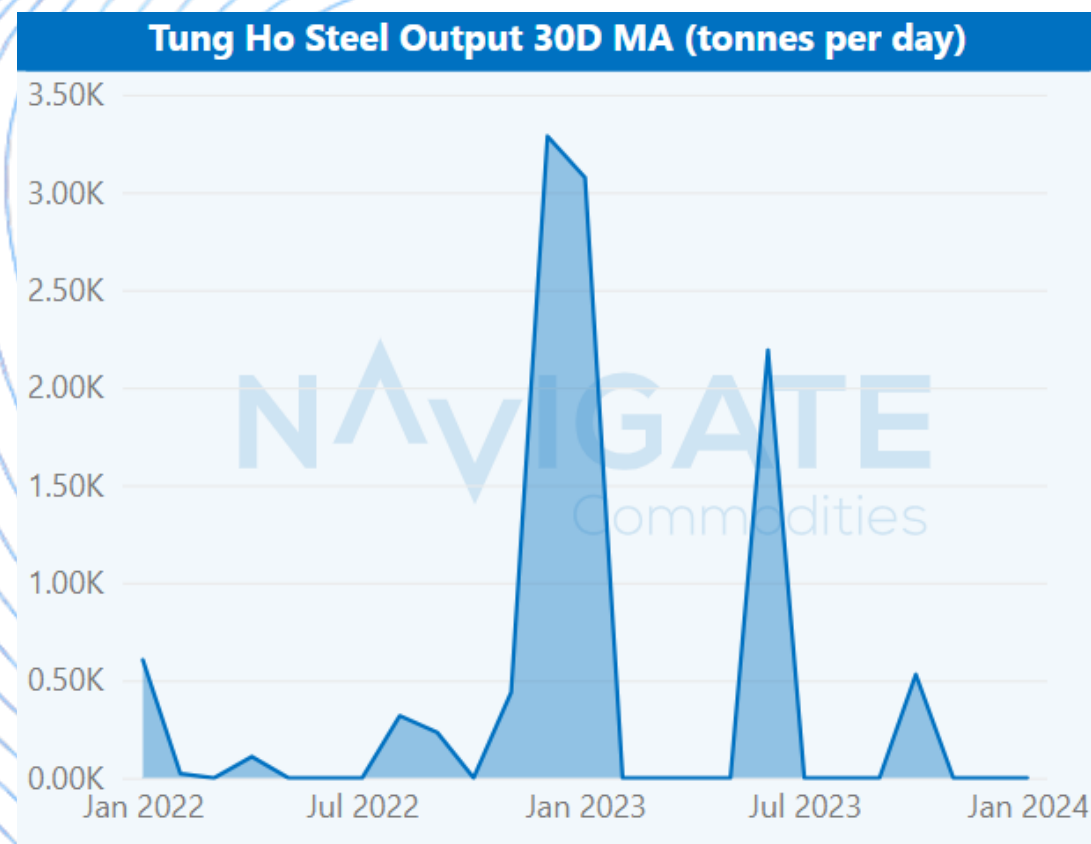
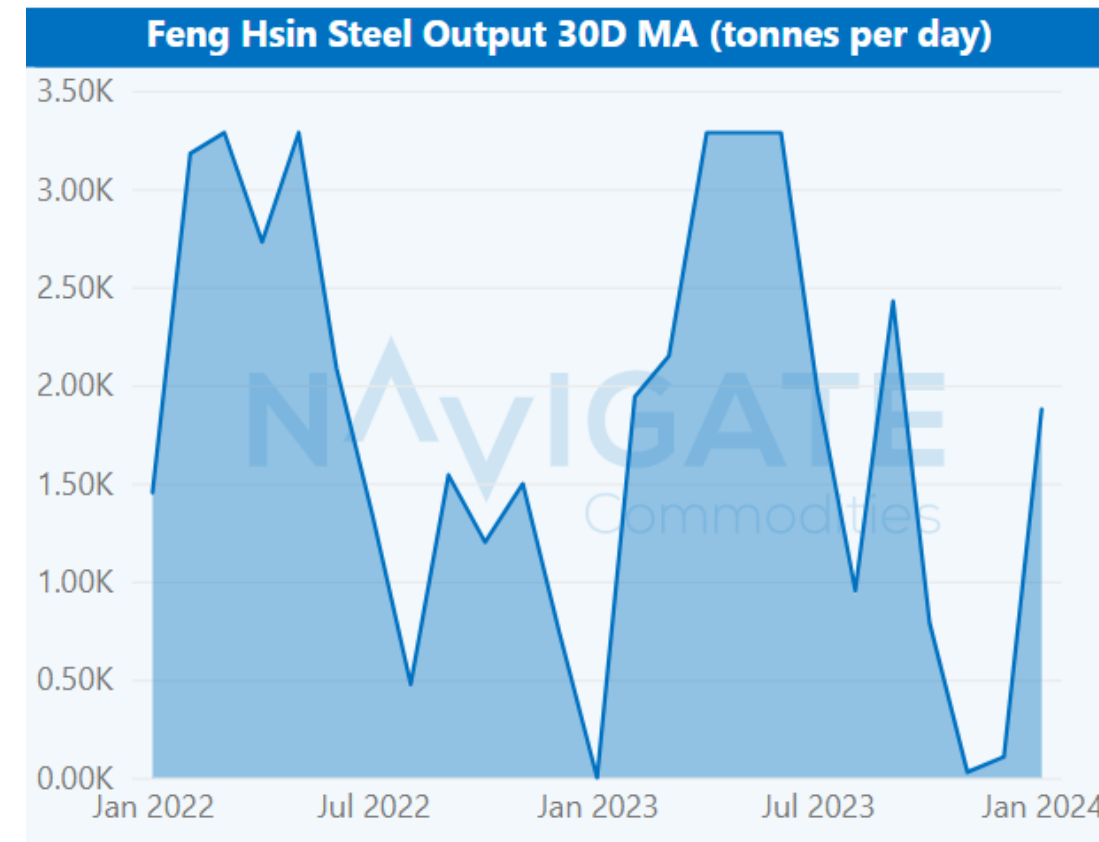
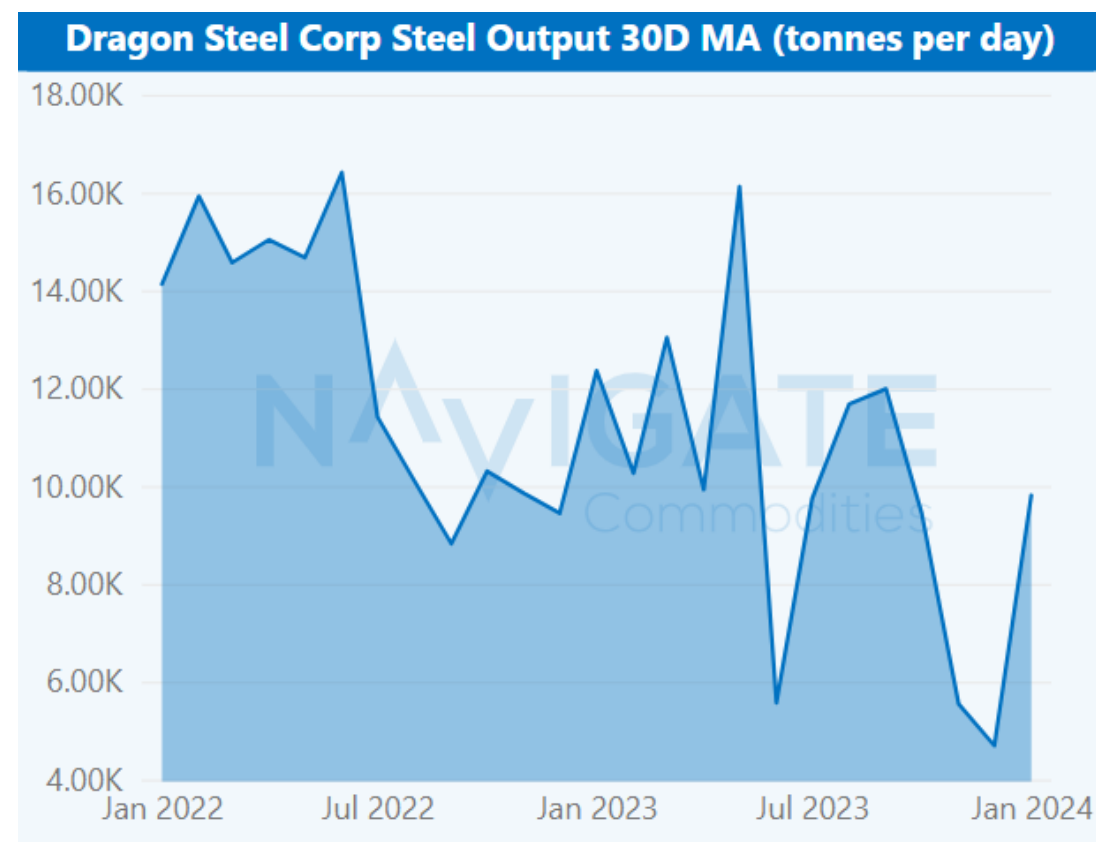
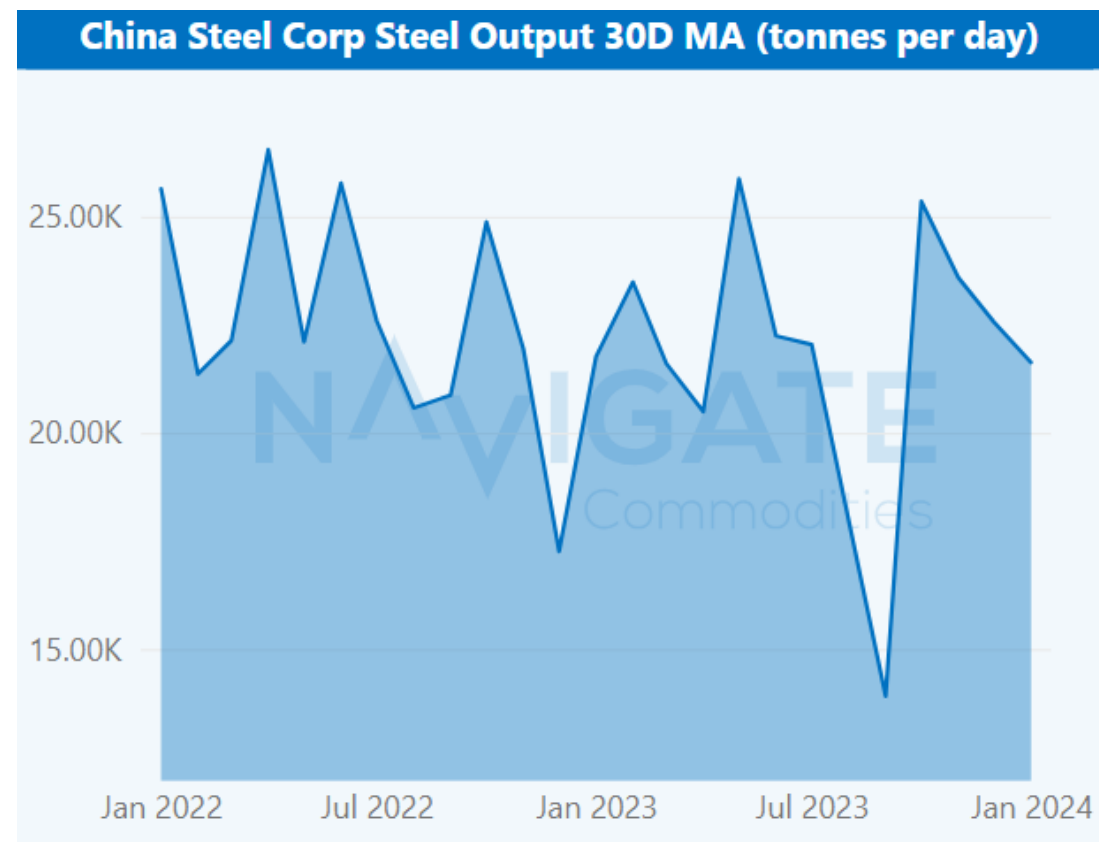
Methodology: The Daily Crude Steel Smelting Activity Index is calculated by detecting & monitoring heat signatures from unique plant-by-plant Areas of Interest (AOIs) using high-frequency Thermal Infrared Satellite Imagery (TIRS).



Source: Earth-i, Navigate Commodities





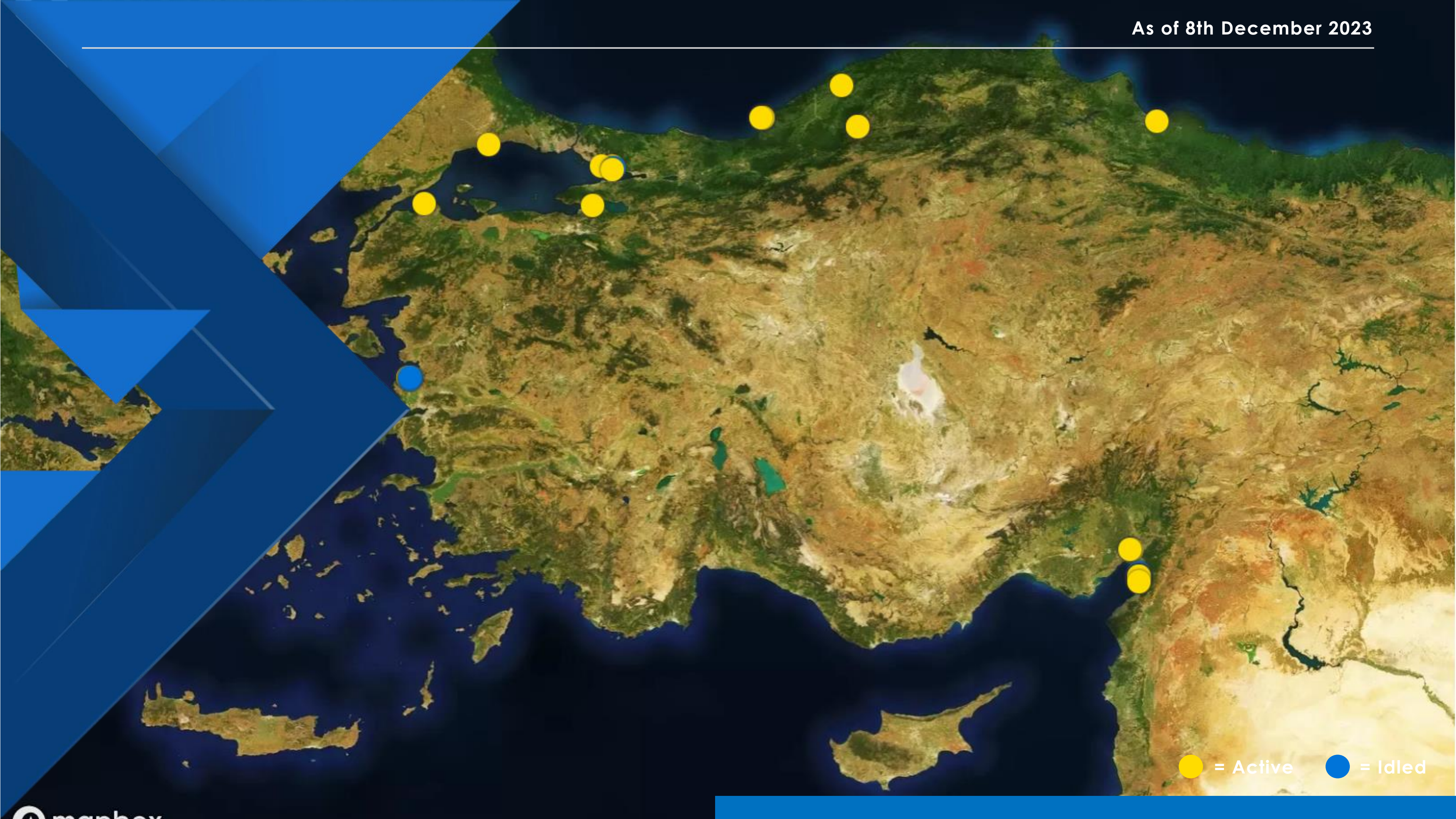




Türkiye Steel Scrap Market Overview



As of 8th December 2023



● = Active ● = Idled

Türkiye

Turkish HMS 1&2 (80:20) prices extended their recent rally by US\$52-53/t over the past month to the lofty heights of U\$427-428/t CFR Türkiye (TKY), as they realigned with partially competing Hot Metal production costs.

Recent Turkish Steel production cost inflation has had very little to do with localized fundamentals and more to do with developments further afield in China (Iron Ore) & India (Metallurgical Coal).

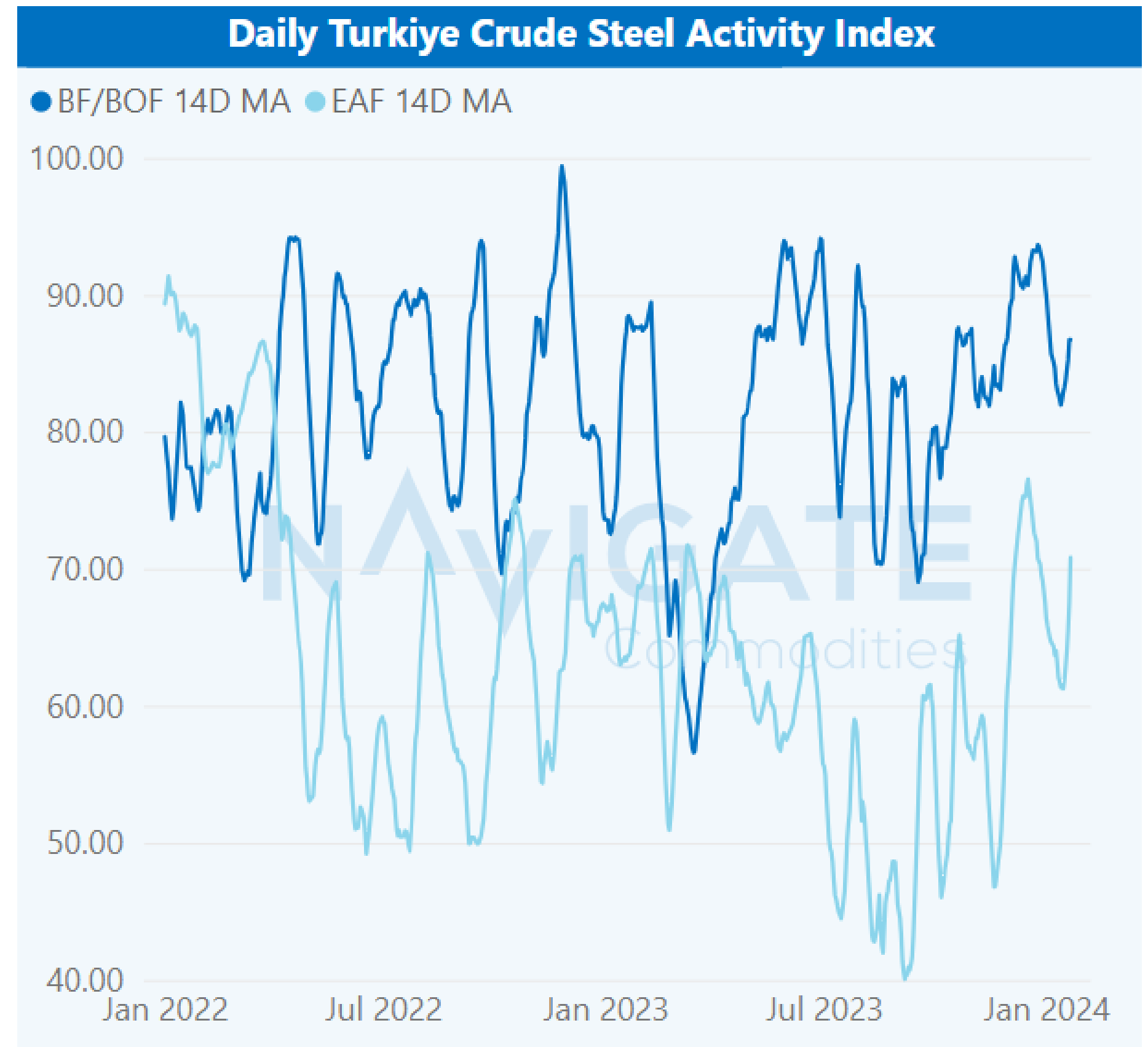
That said, and potentially more importantly, daily electric arc furnace (EAF) Steel smelting activity in Türkiye appears to have broken out of its medium- to long-term intermittent oscillating production cycle.

For example, the daily Turkish EAF Steel smelting activity index (light blue line) has surged by an incredible 35.10pts over the past month to a six-month high of 76.40pts on 8th December 2023.

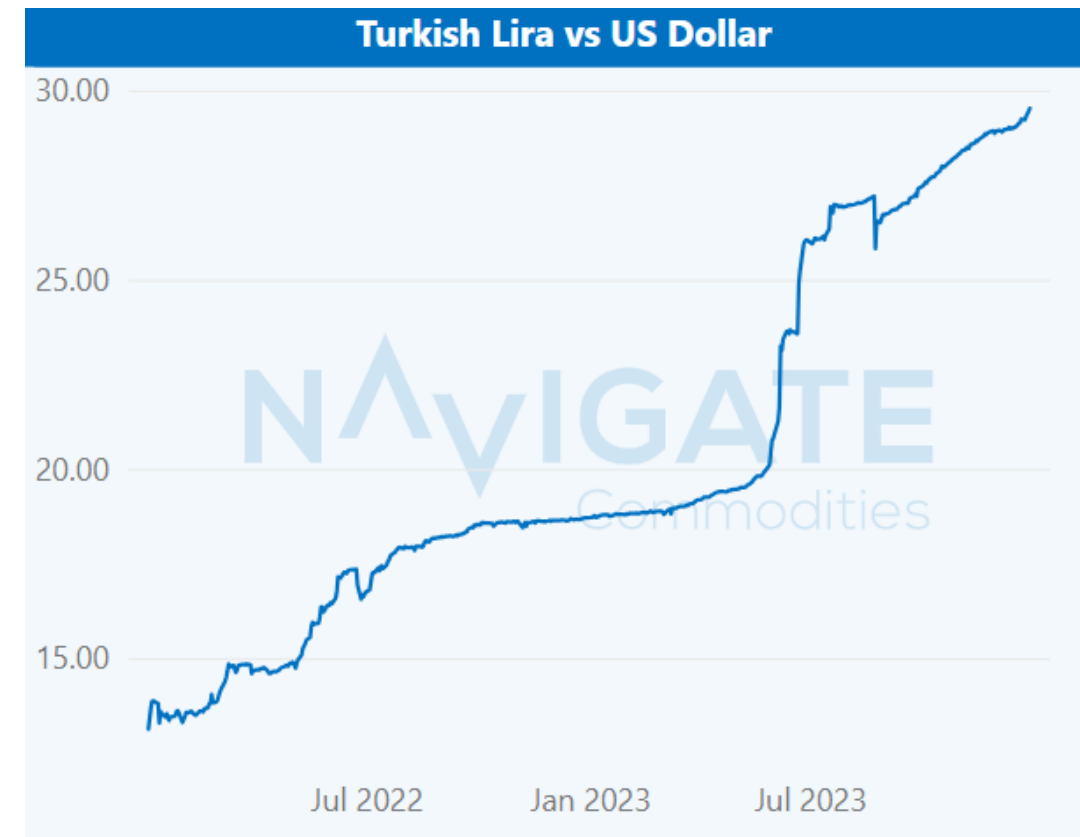
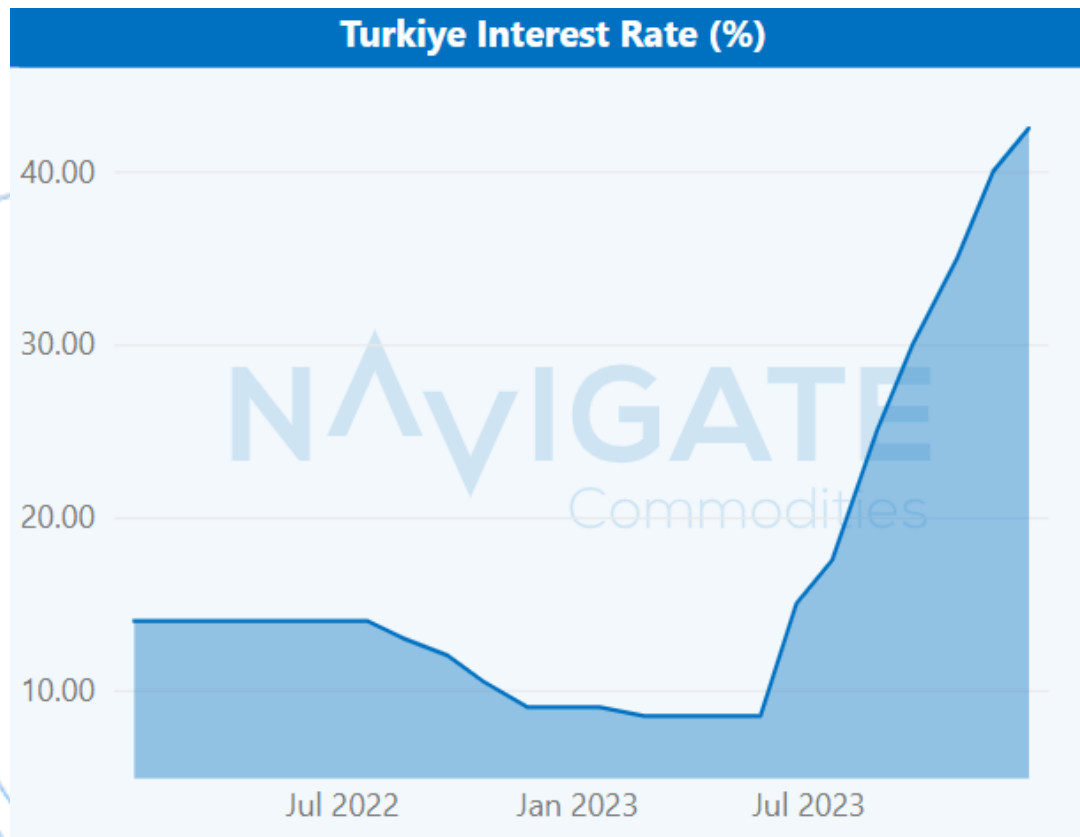
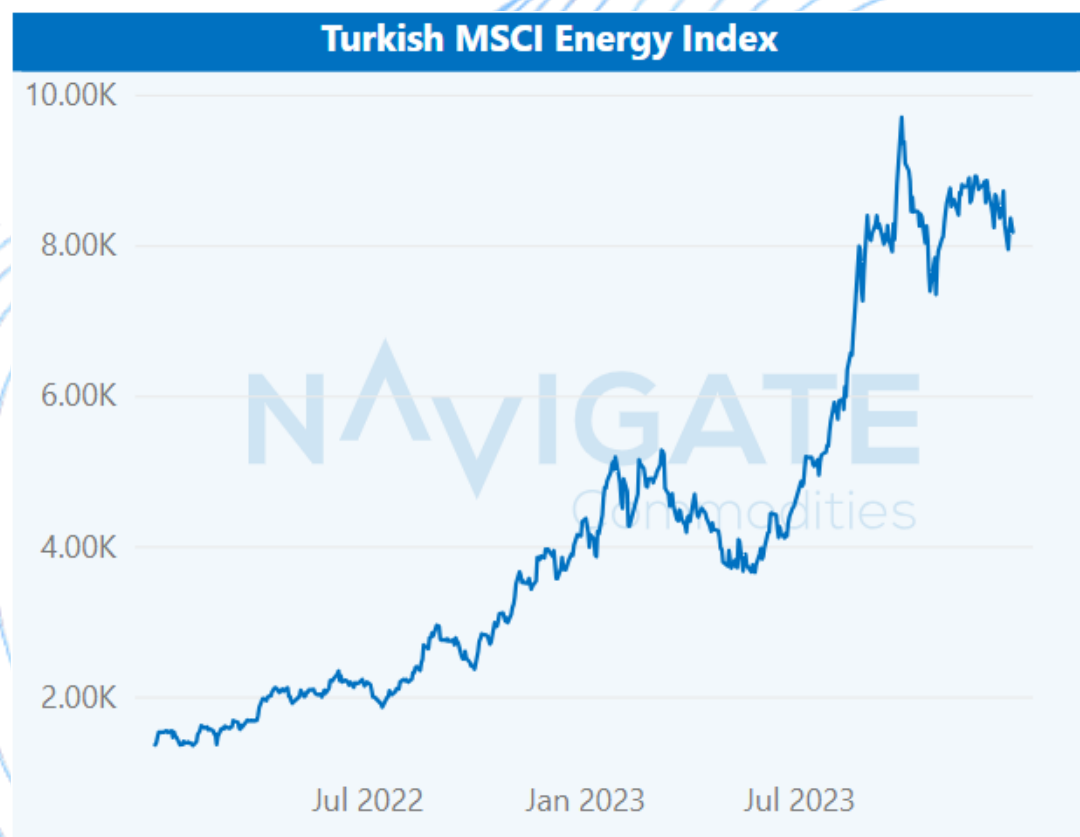
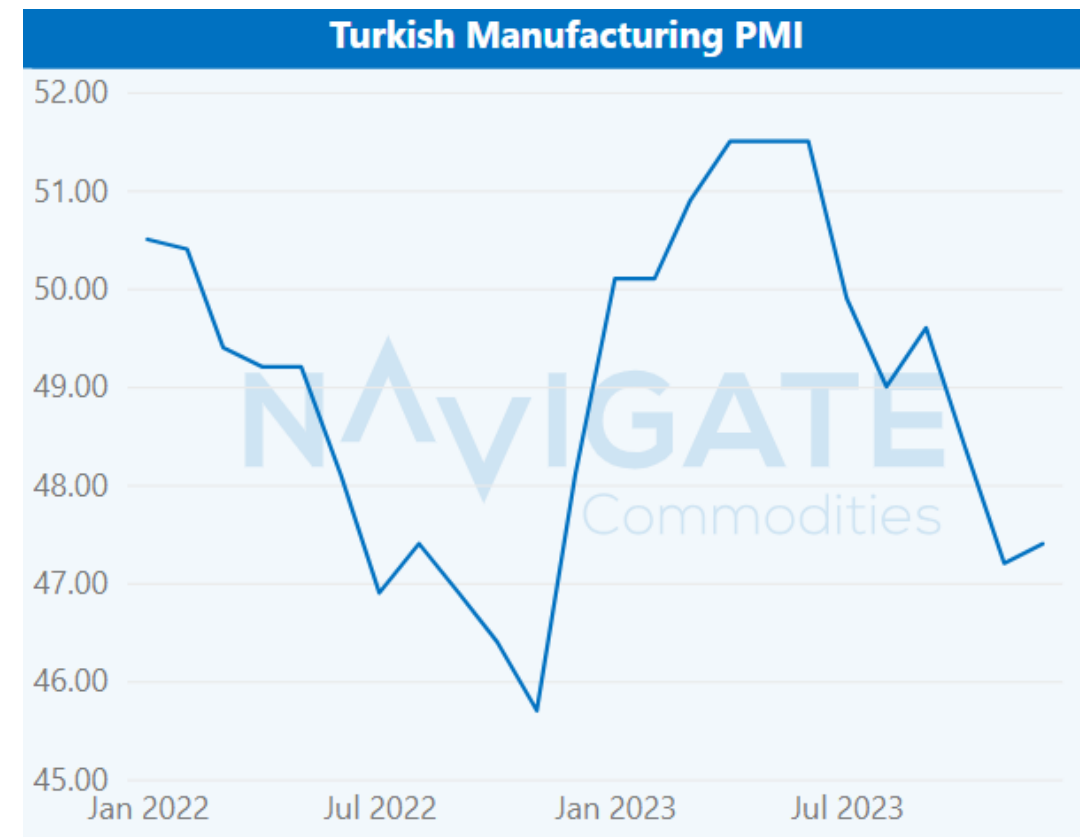
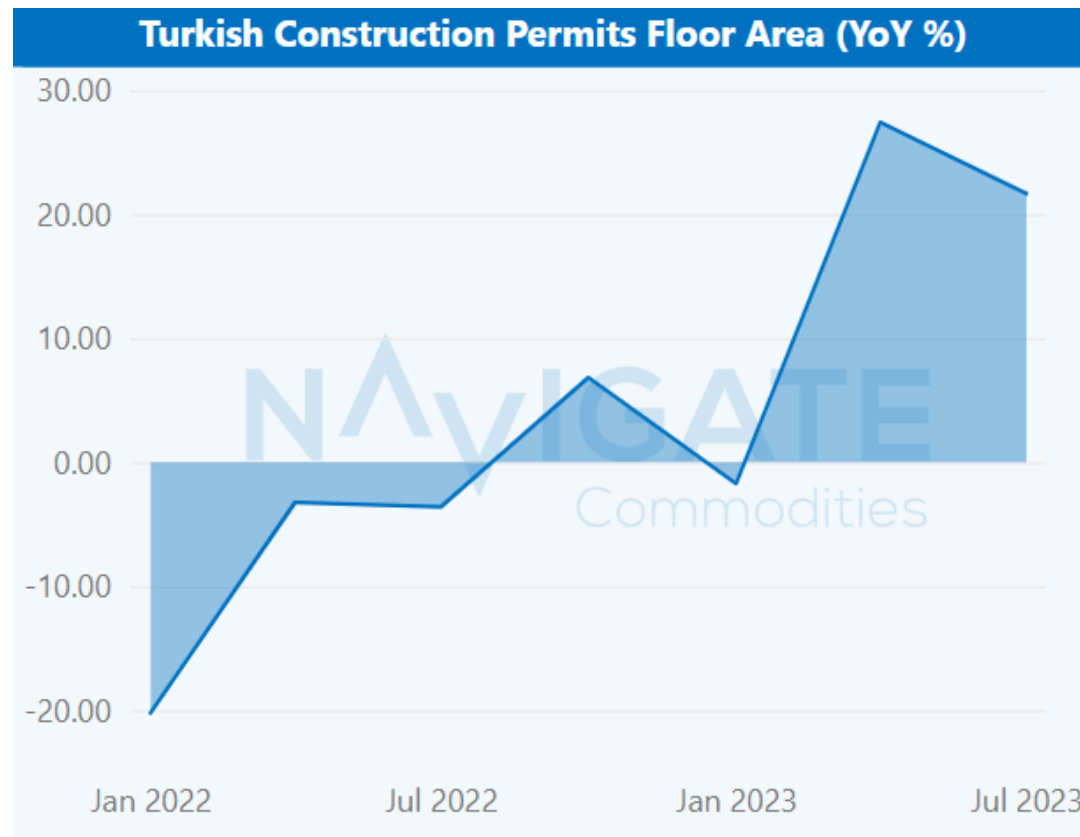
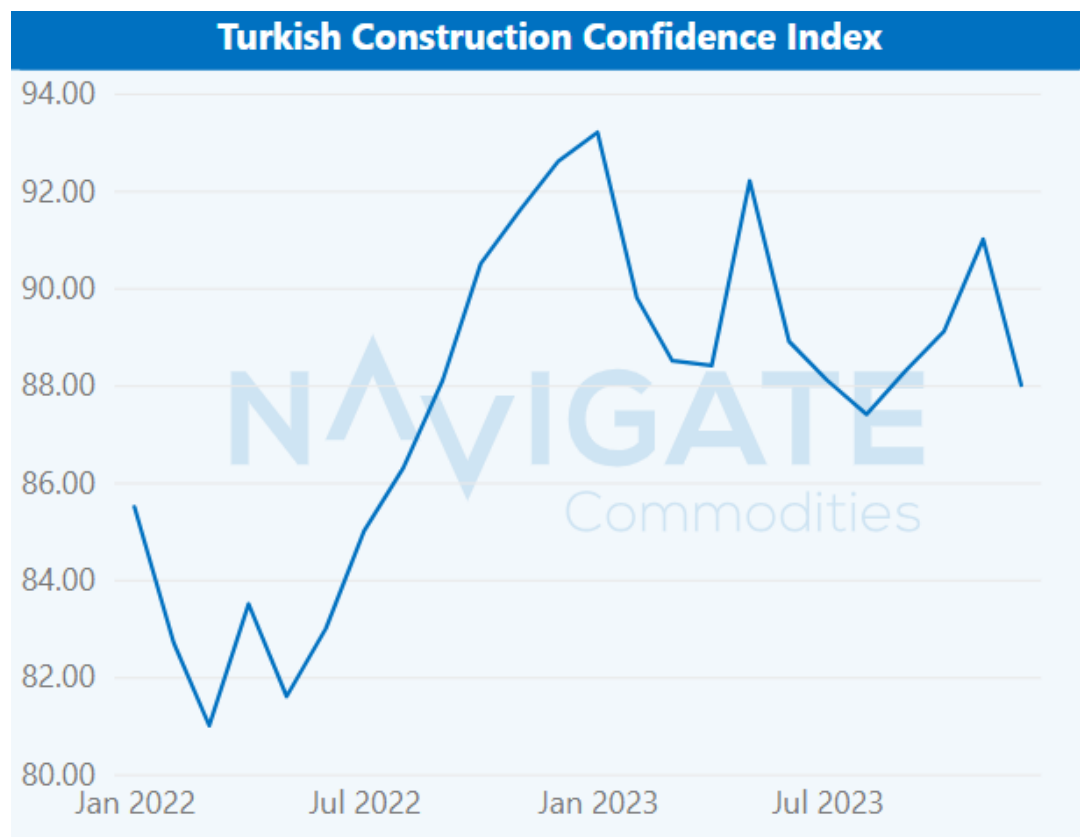
What we may be seeing now is the effect of seasonably robust downstream domestic construction Steel consumption that is traditional of the fourth quarter. Moreover, Turkish construction confidence improved by nearly two percentage points MoM to 91.00pts in November 2023, according to Turk Stat (TÜİK).

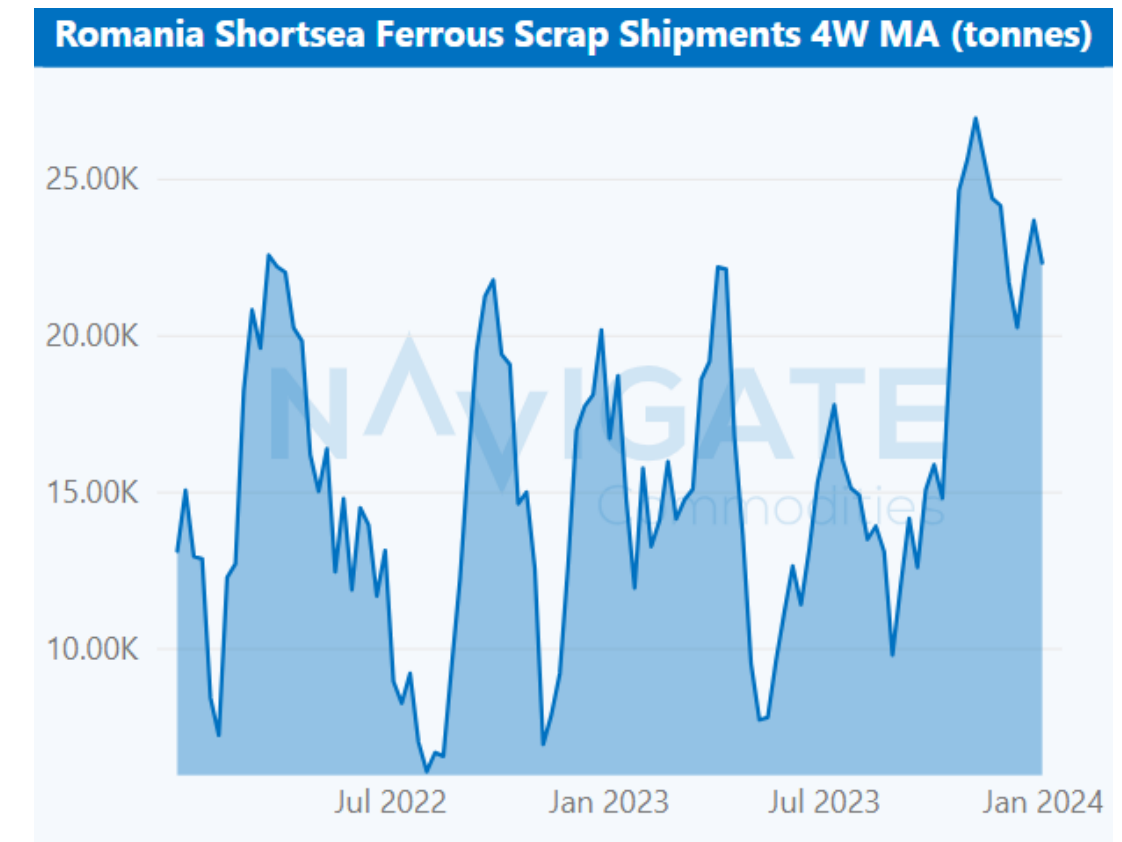
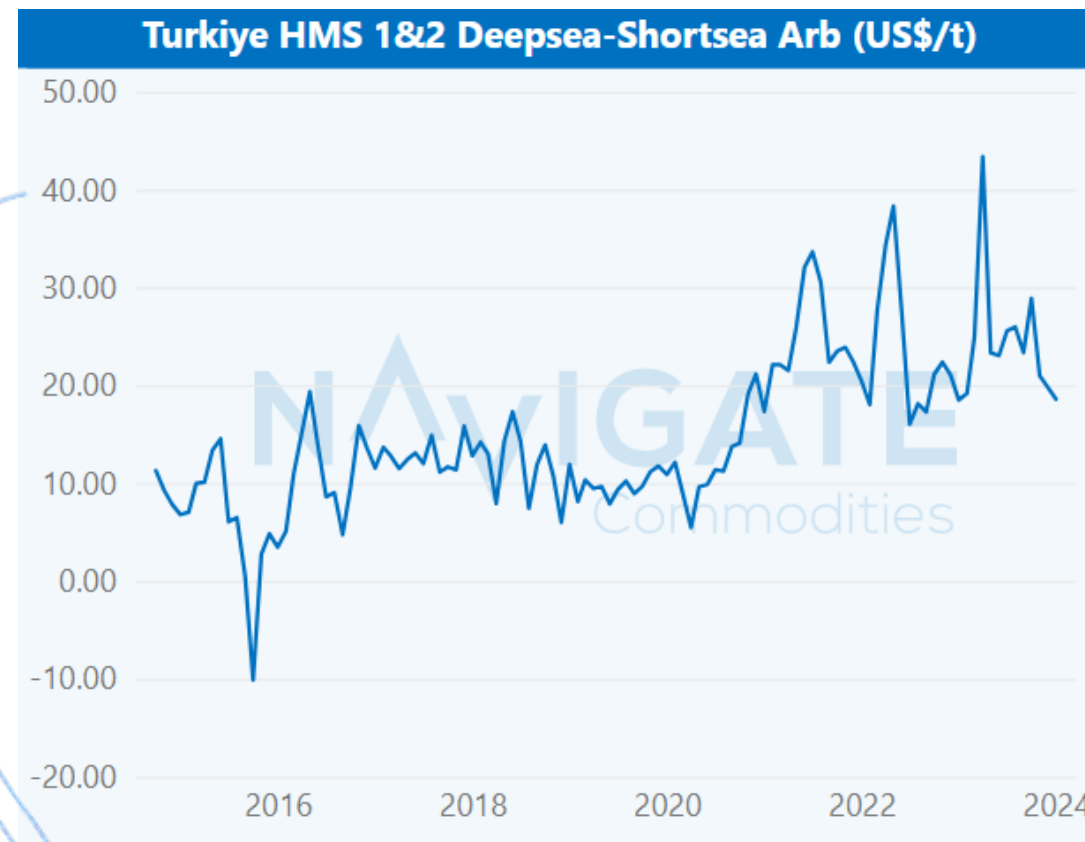
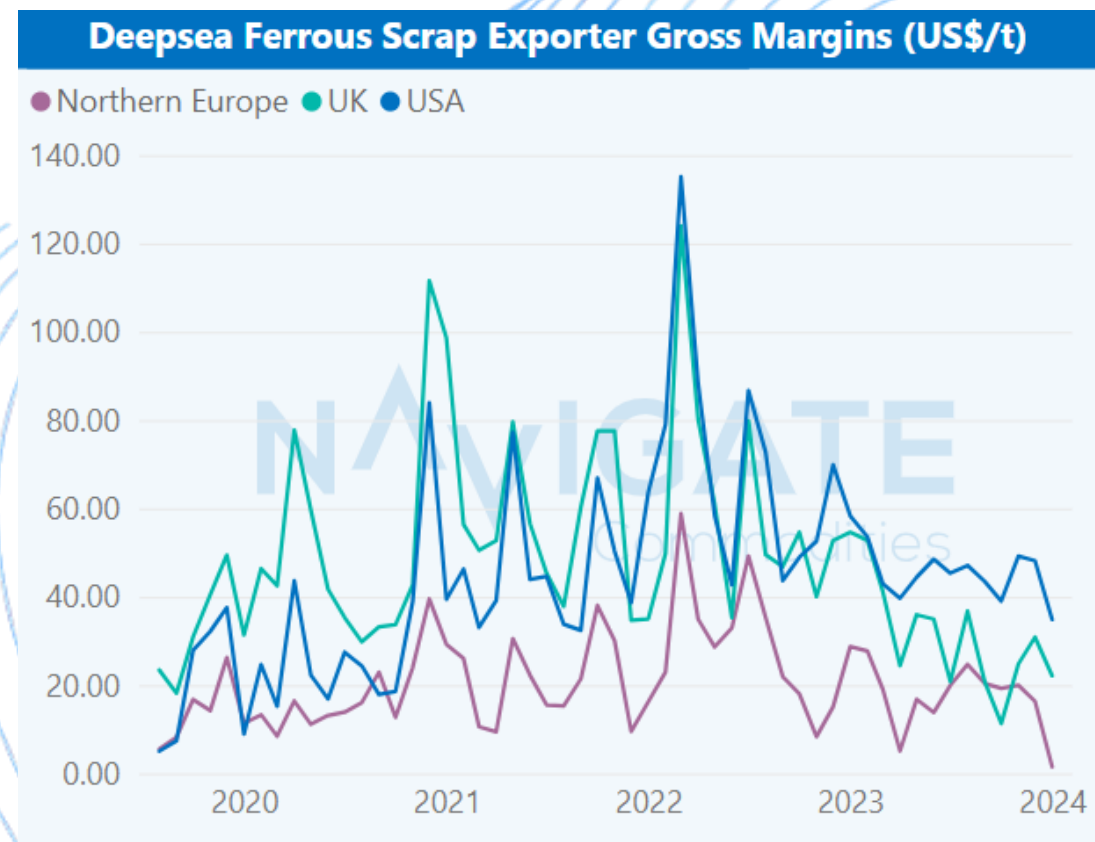
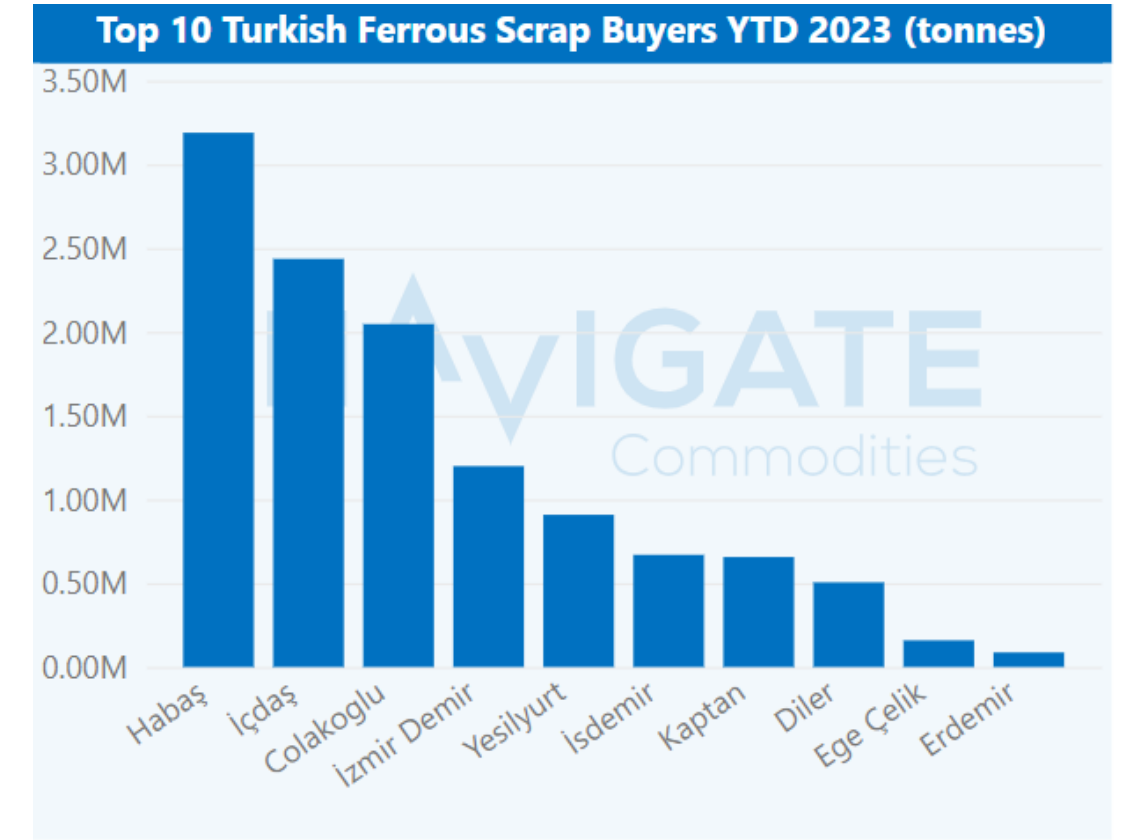
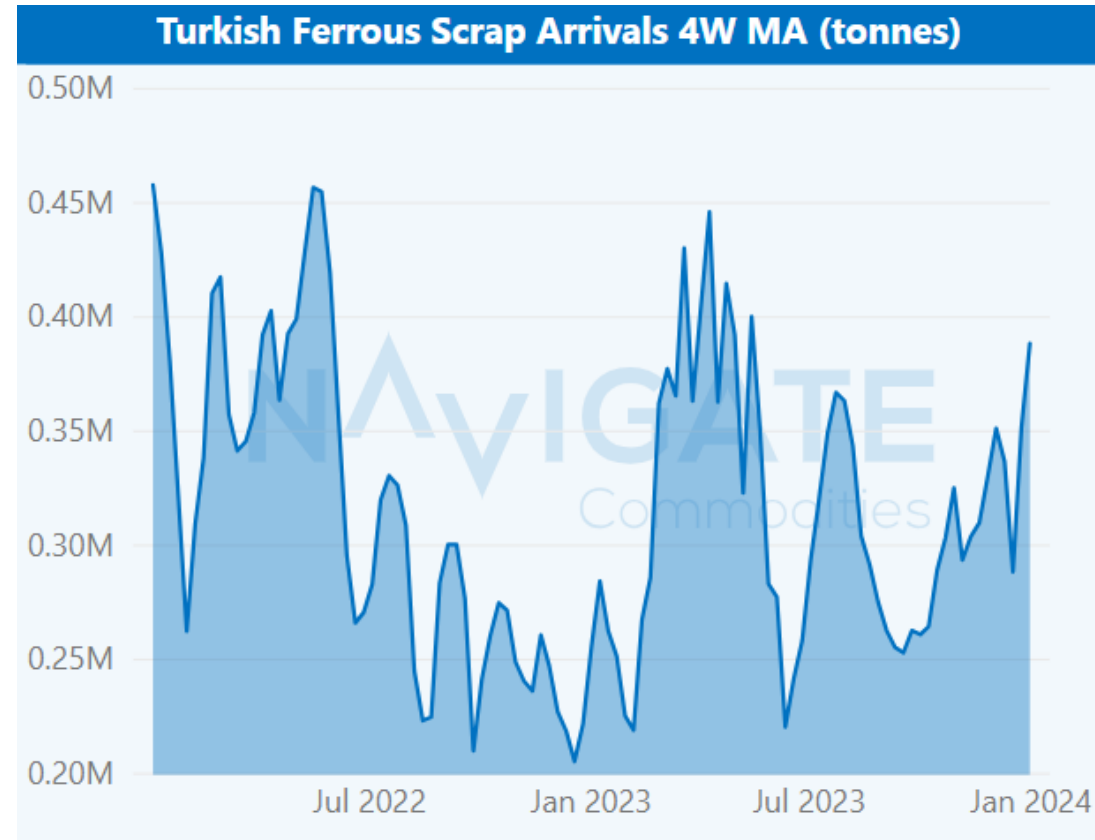
At the same time, historical trends confirm that the issuance of building permits for the construction of new buildings & dwellings traditionally expand by double-digit QoQ growth in Q4.

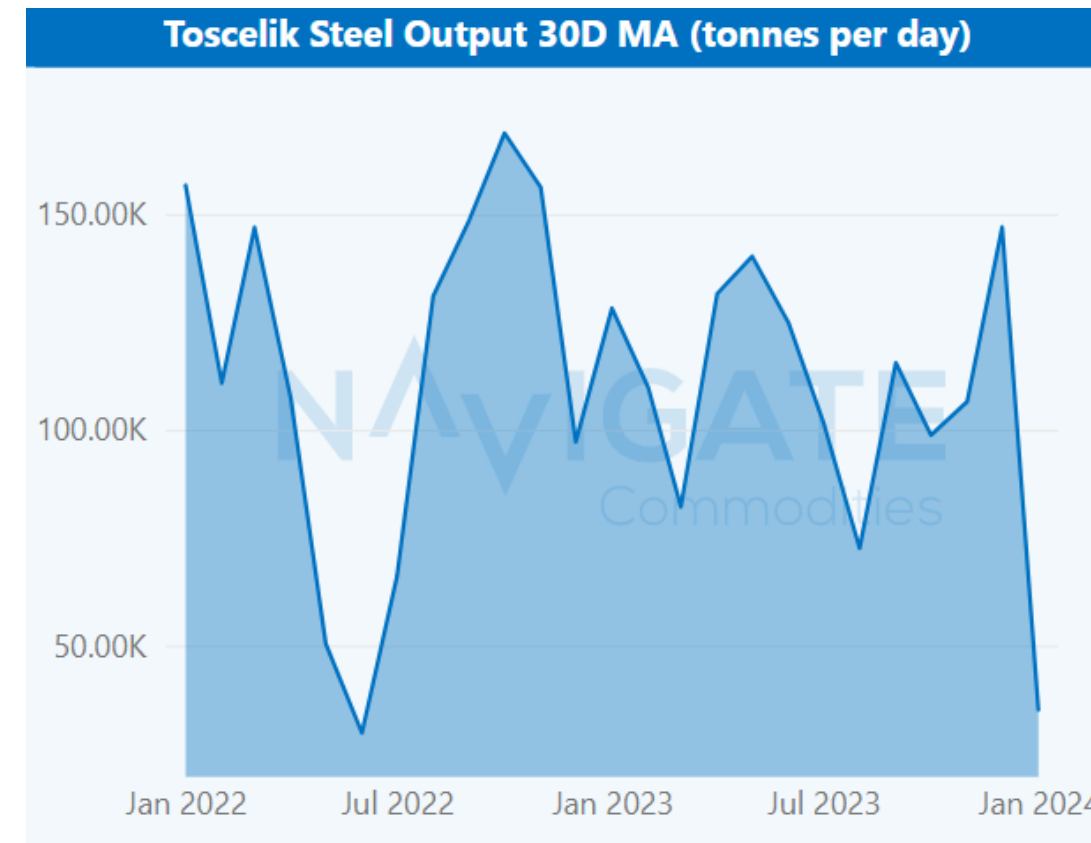
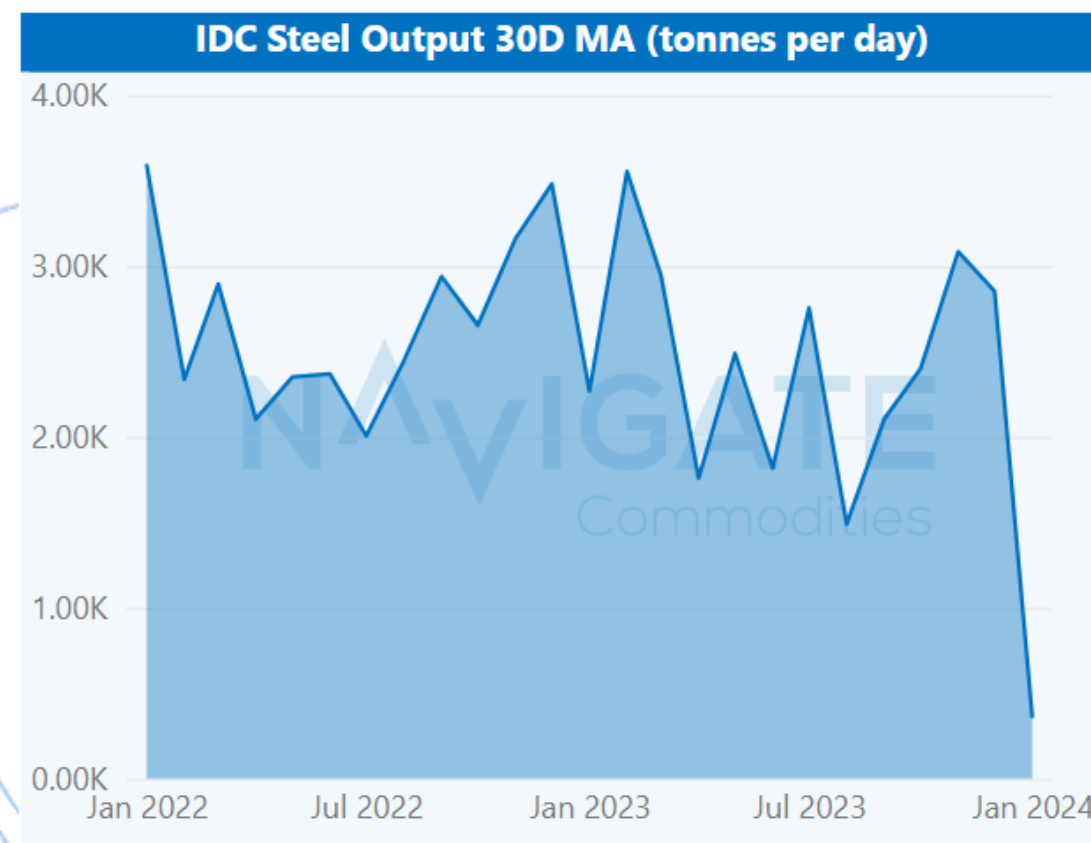
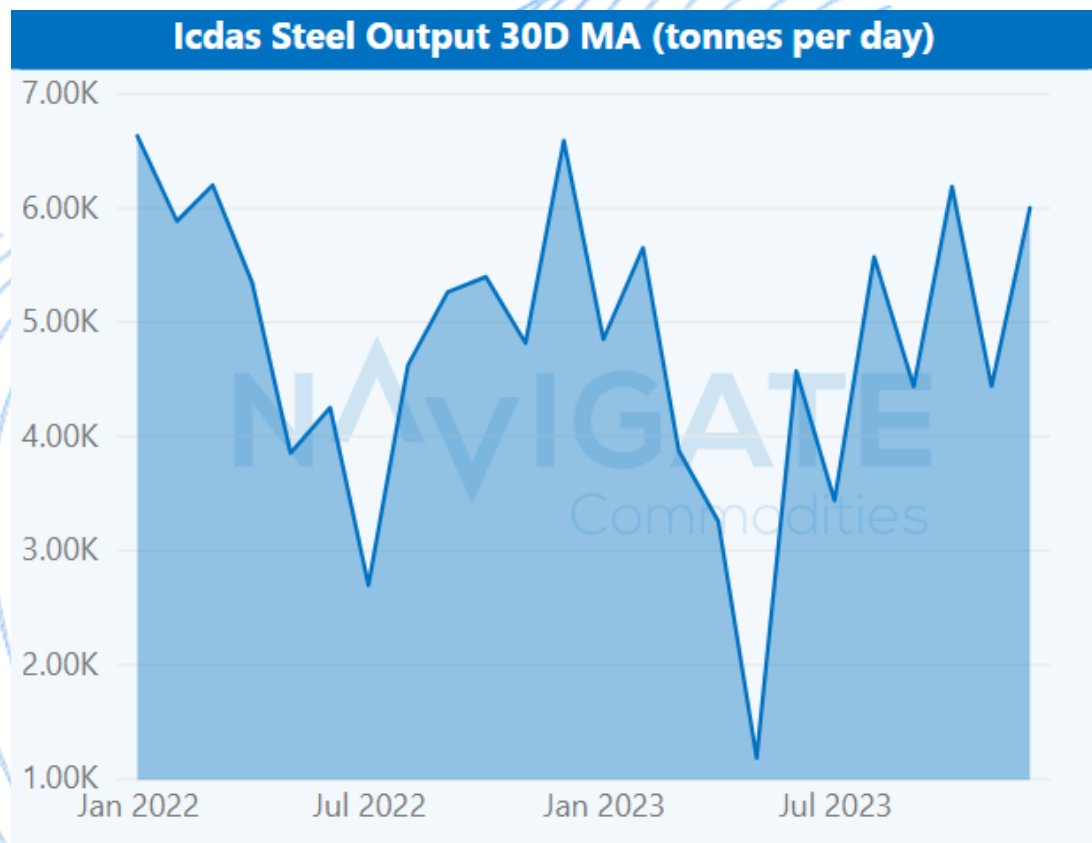
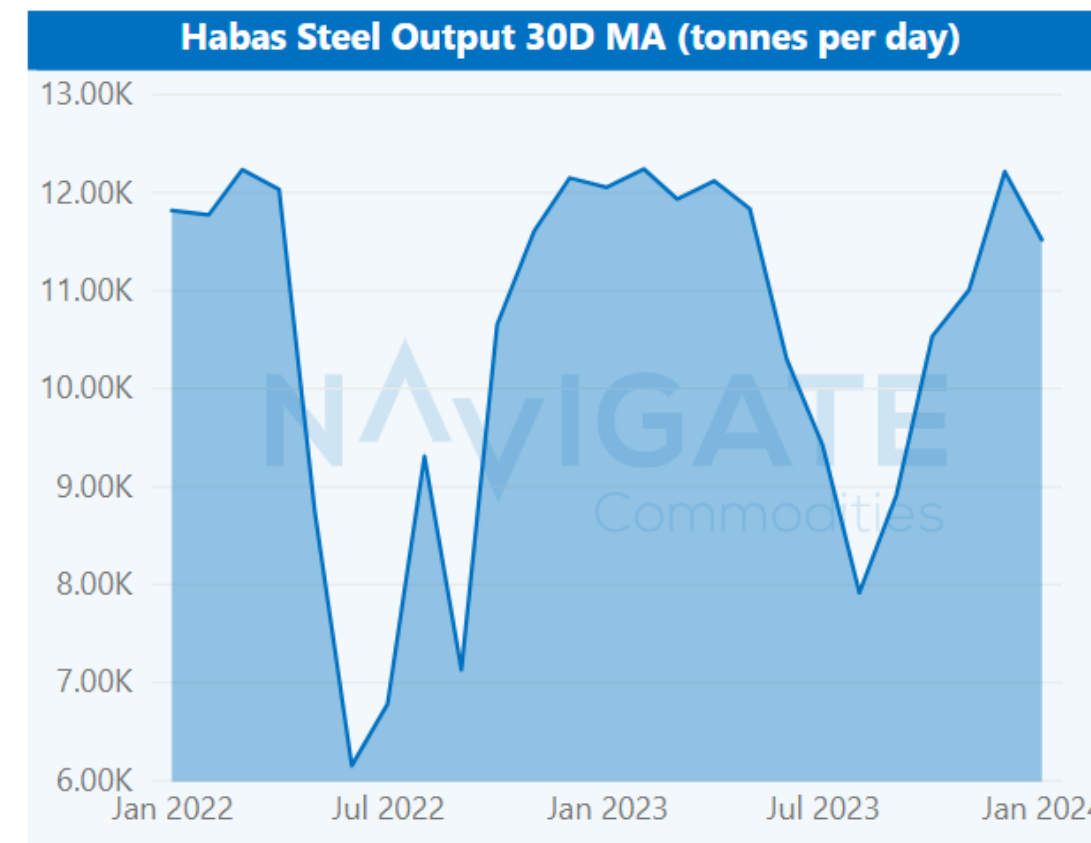
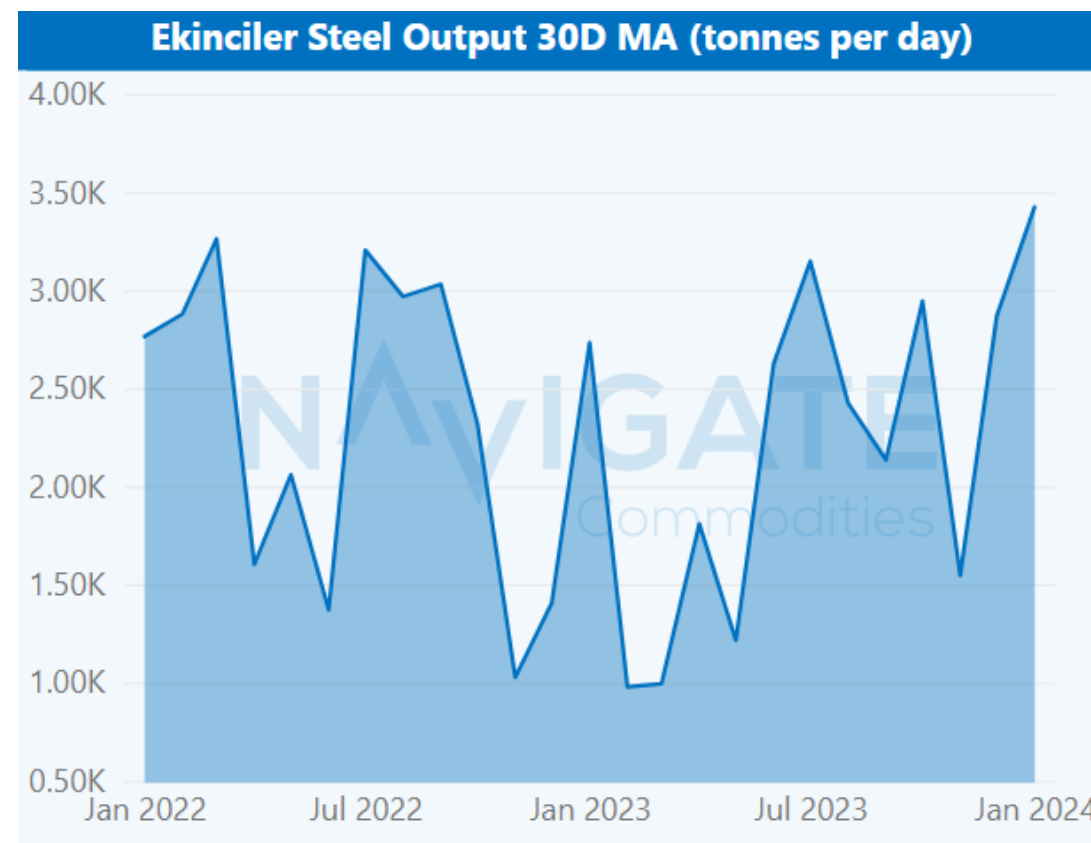
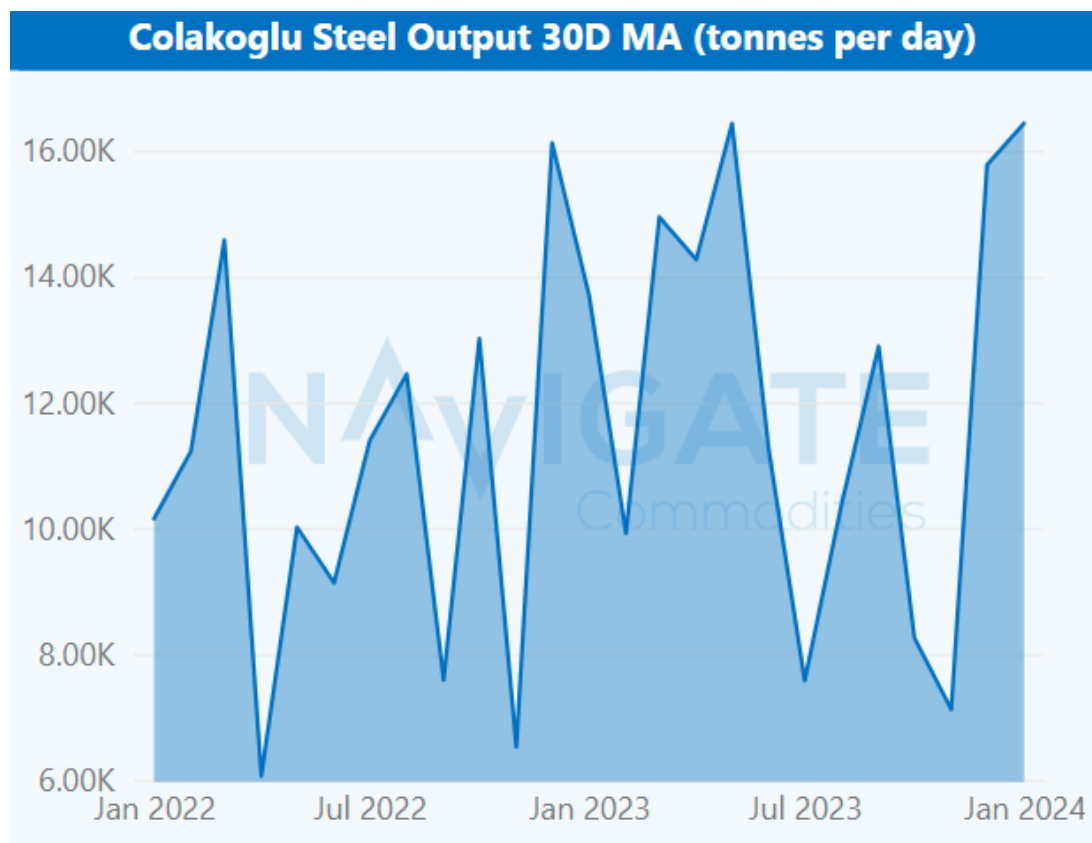
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Source: Earth-i, Navigate Commodities









Contact Us

Address

Navigate Commodities Pte Ltd
UIC Building, 5 Shenton Way #10-01, Singapore 068808

Phone Number

+65 8318 2835

Email Address

phyllis.shung@navigatecommodities.com





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