

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.

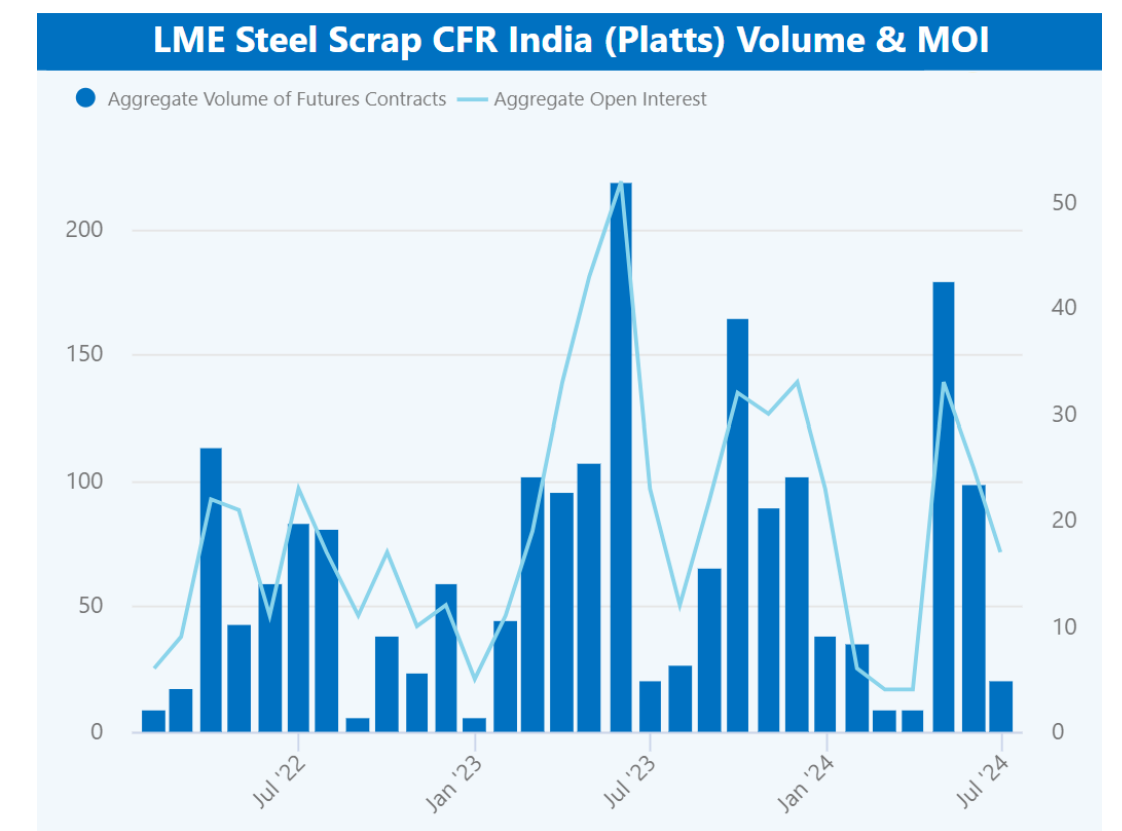
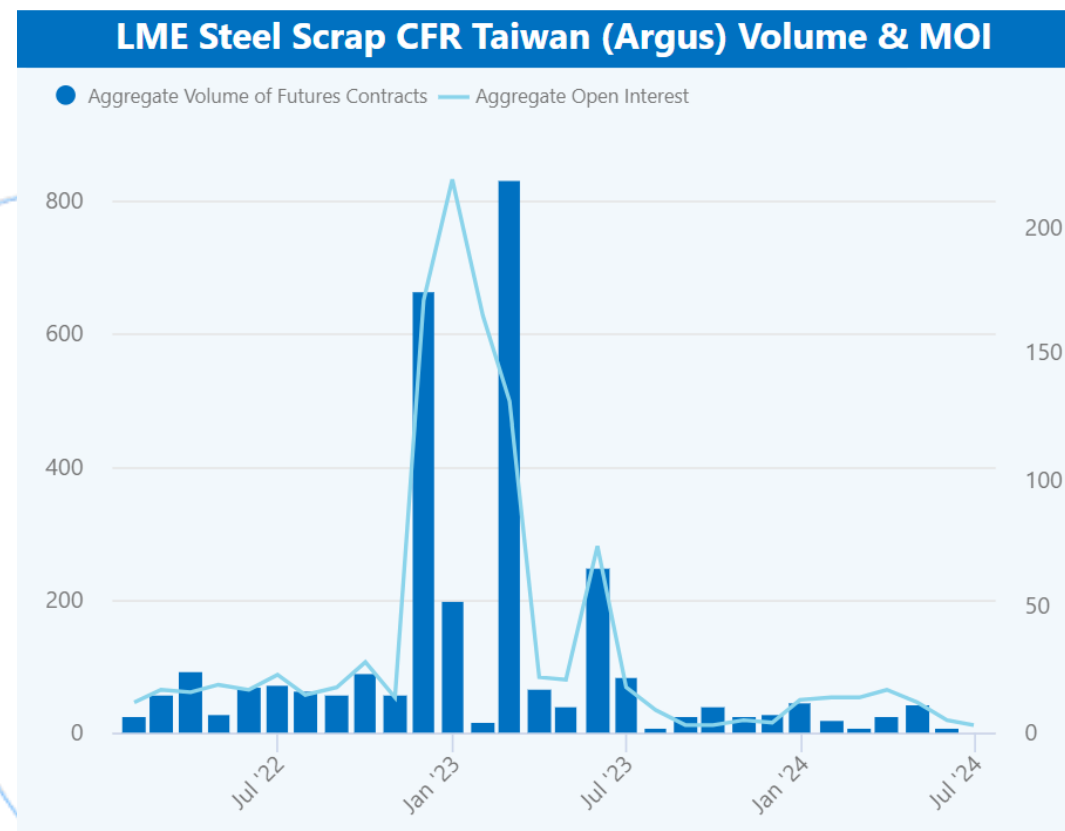
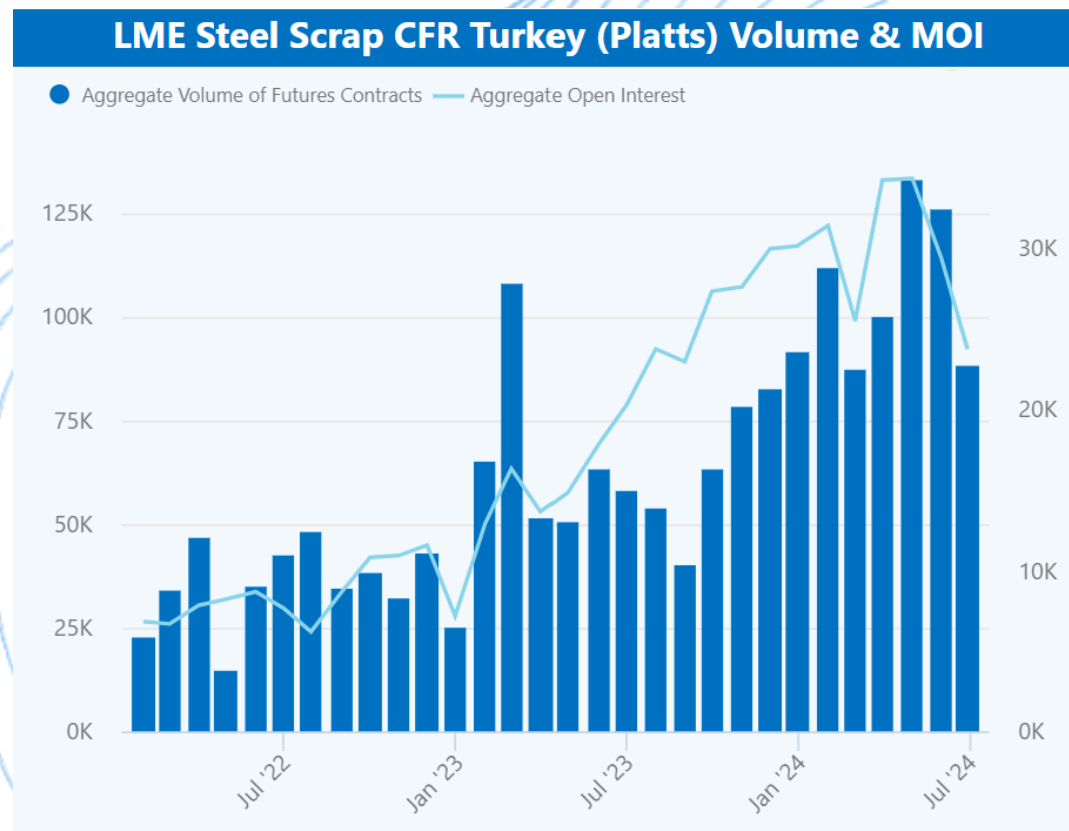
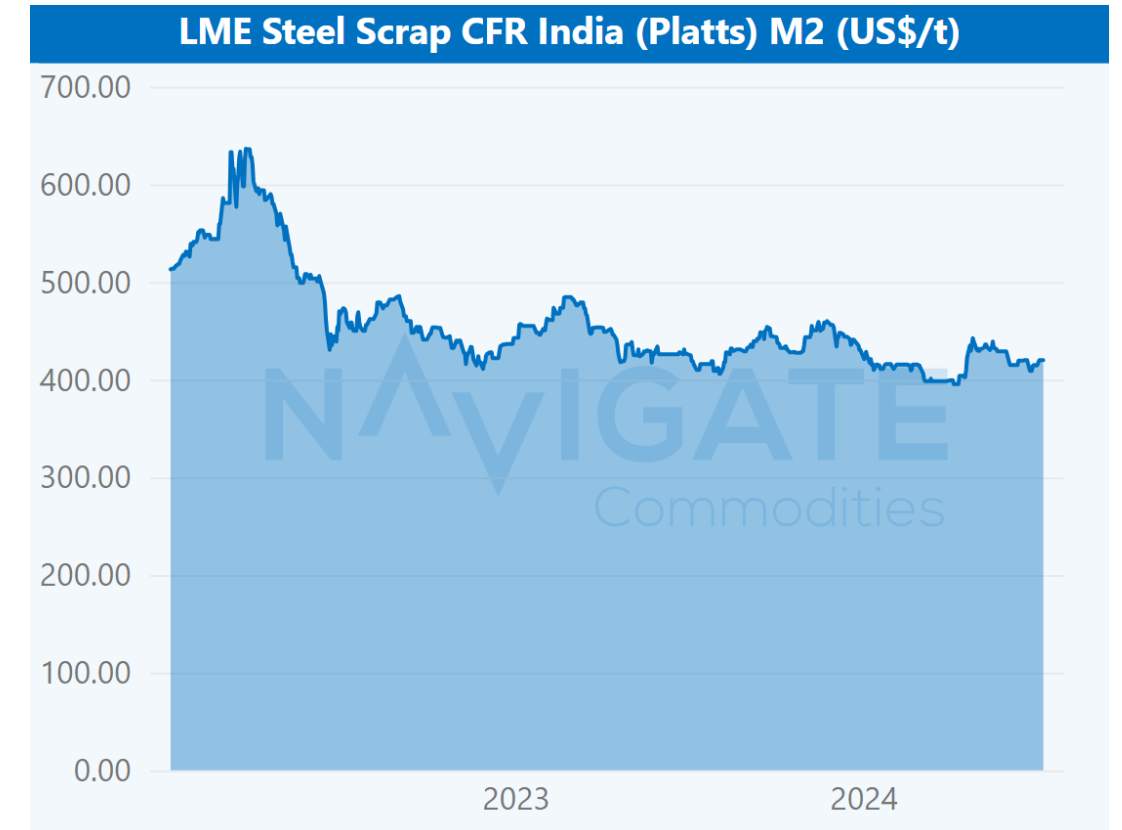
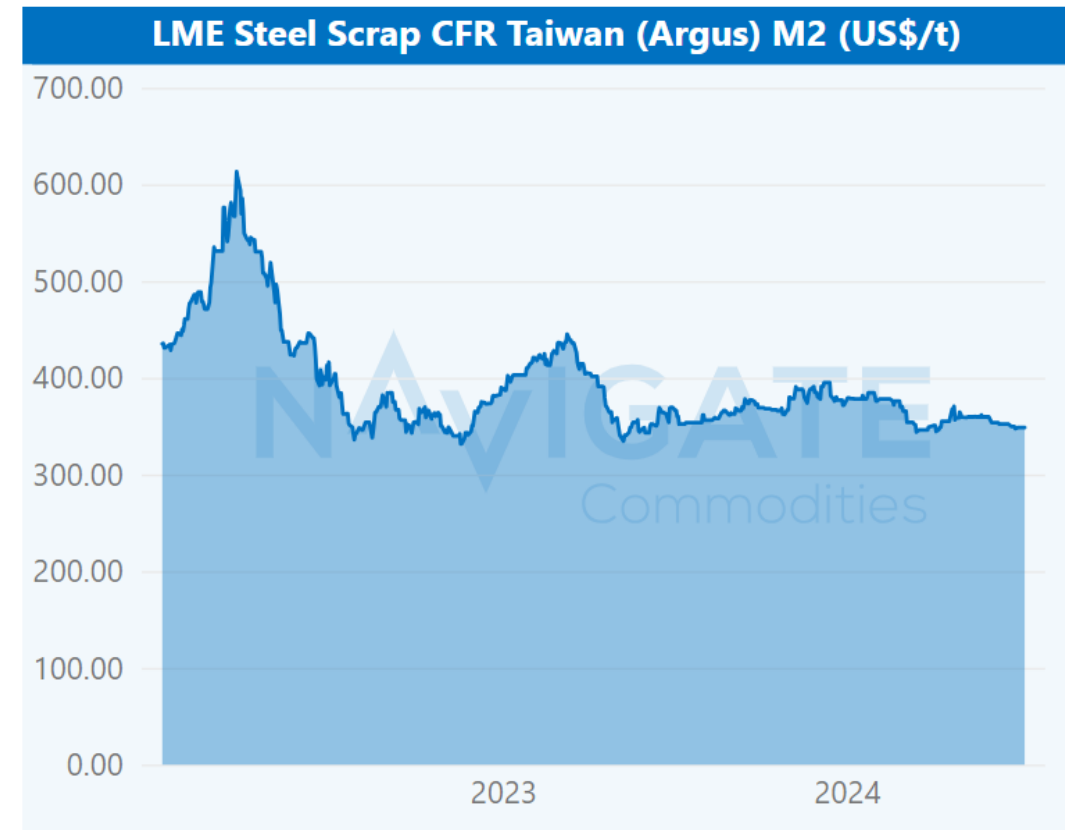
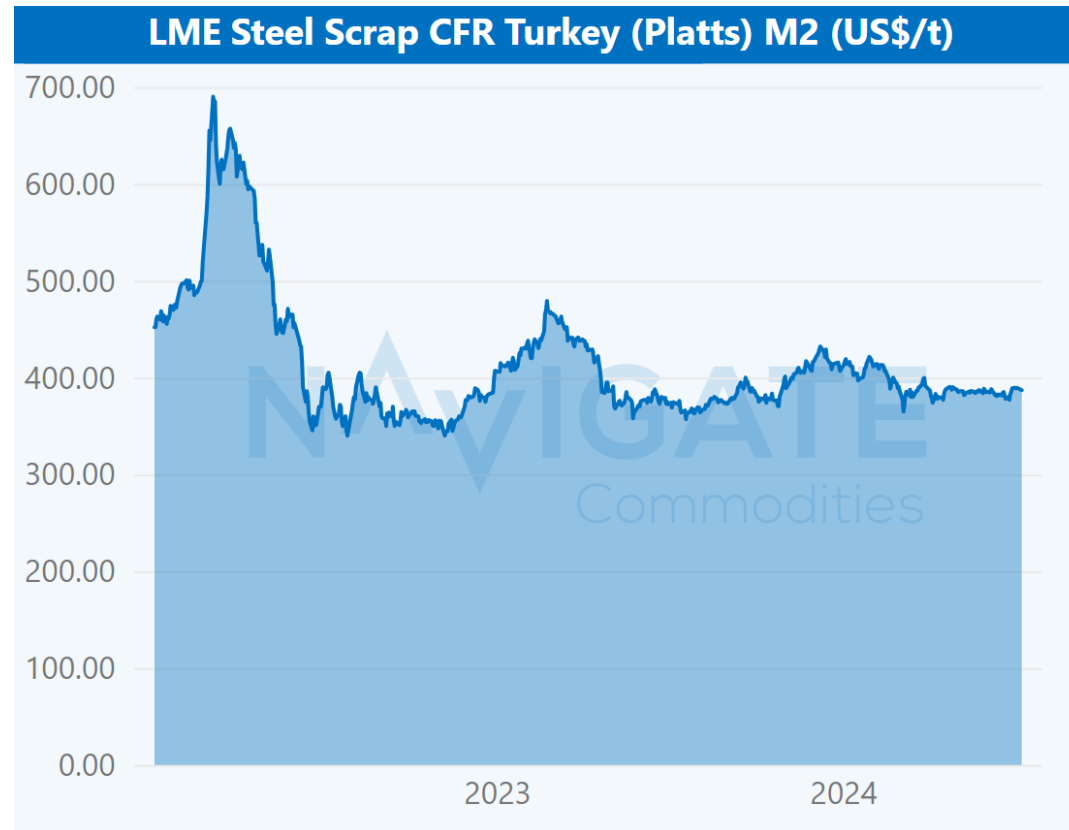
This report includes a wealth of data and provides commentary on supply chains from the key steel scrap markets of Turkey, India, and Taiwan.

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



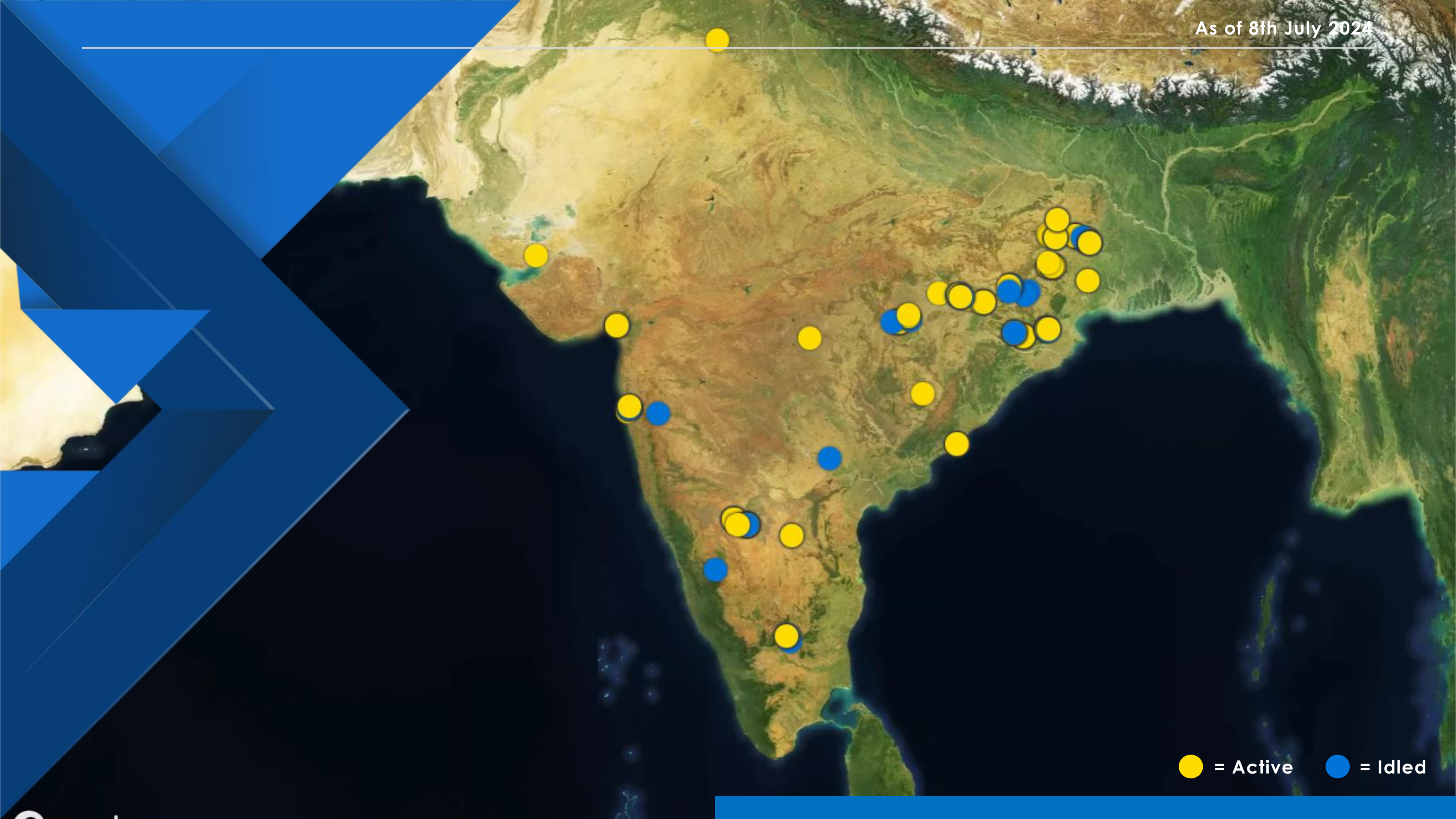




India Steel Scrap Market Overview



As of 8th July 2024



● = Active ● = Idled

India

Despite a recent but modest uptick, post-general election Indian Steel smelting has remained relatively subdued due to seasonal monsoons (Jun–Sept) afflicting local downstream construction activity and associated Steel consumption.

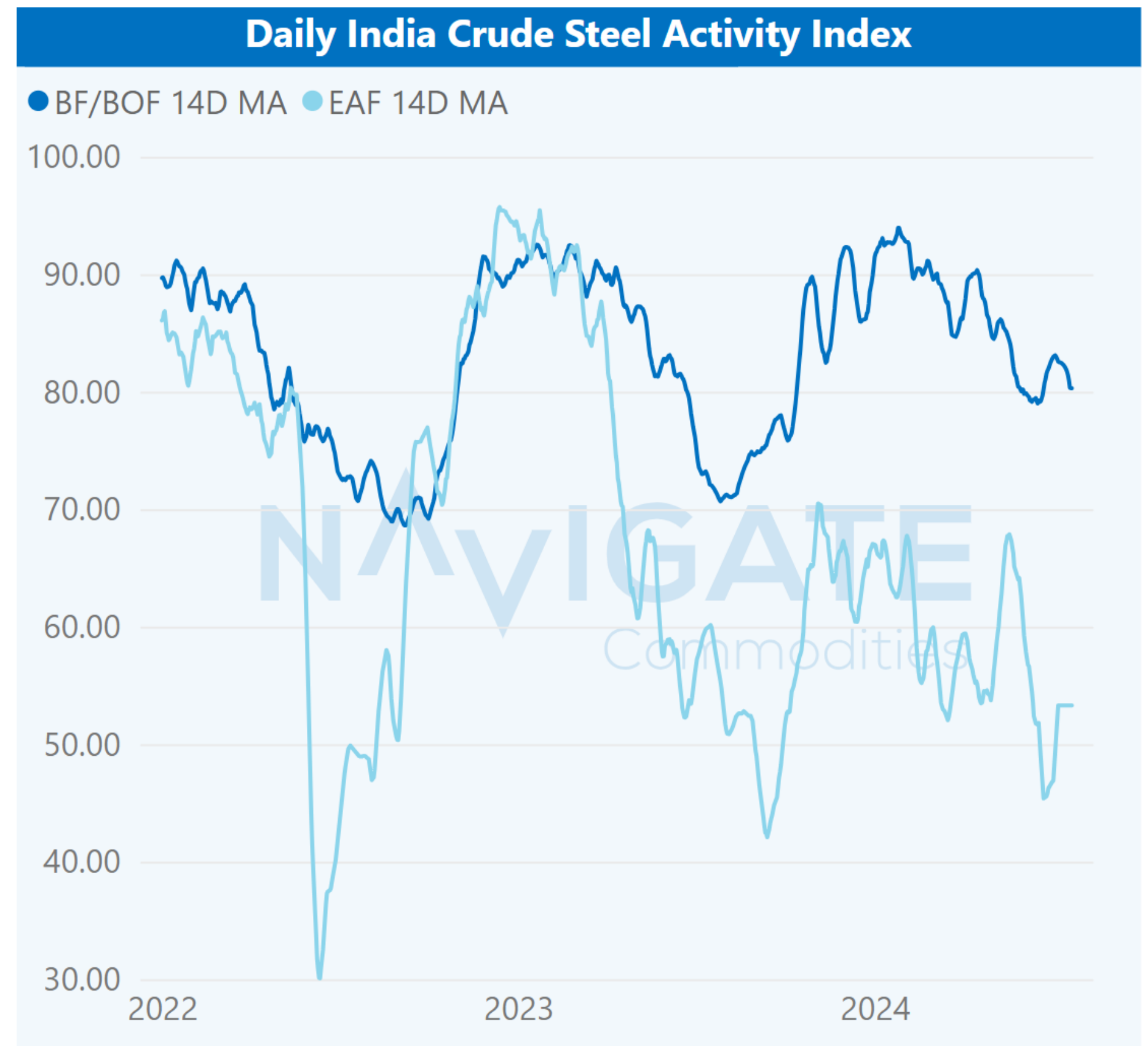
Unsurprisingly, subdued smelting activity via India's dominant integrated Steel production process has resulted in the country's Ferrous Scrap consumption falling by the wayside in recent weeks.

In fact, India Shredded Ferrous Scrap premiums over equivalent Turkish grades narrowed to a three-month low of US\$0.50/t by 8th July; indicating the weakness in Indian buying but also the unwarranted strength in the Turkish baseline.

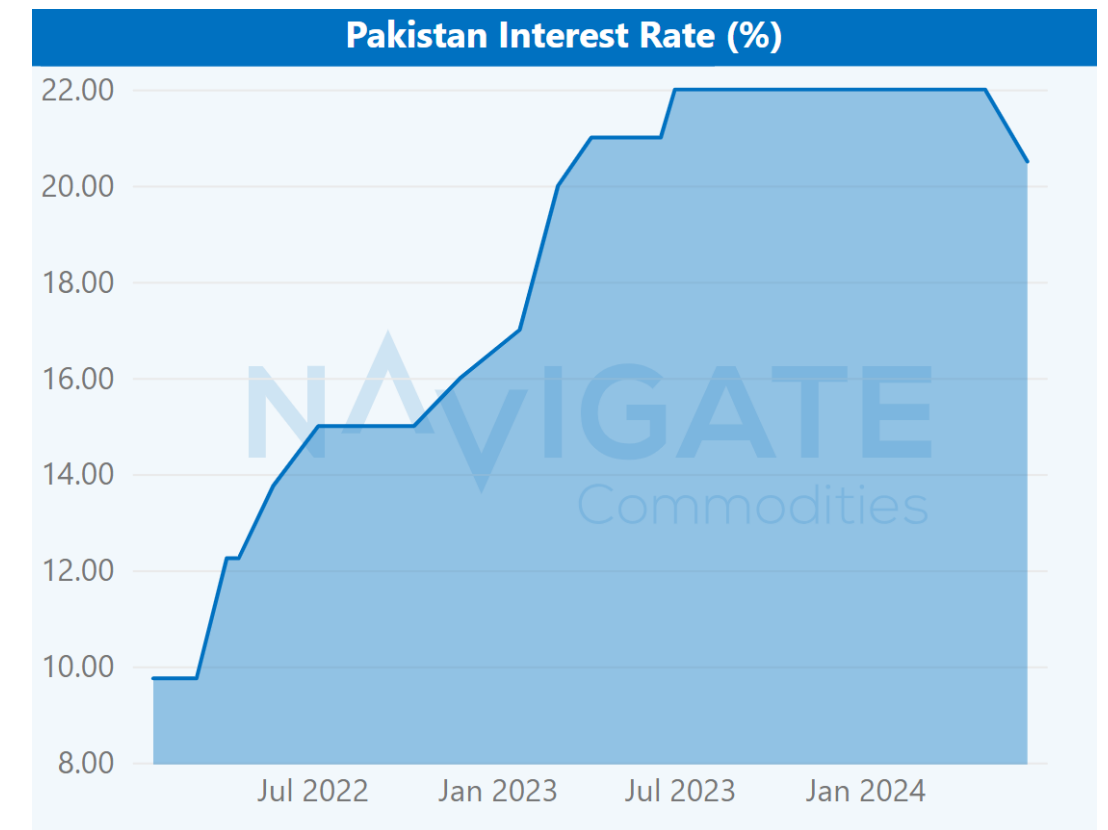
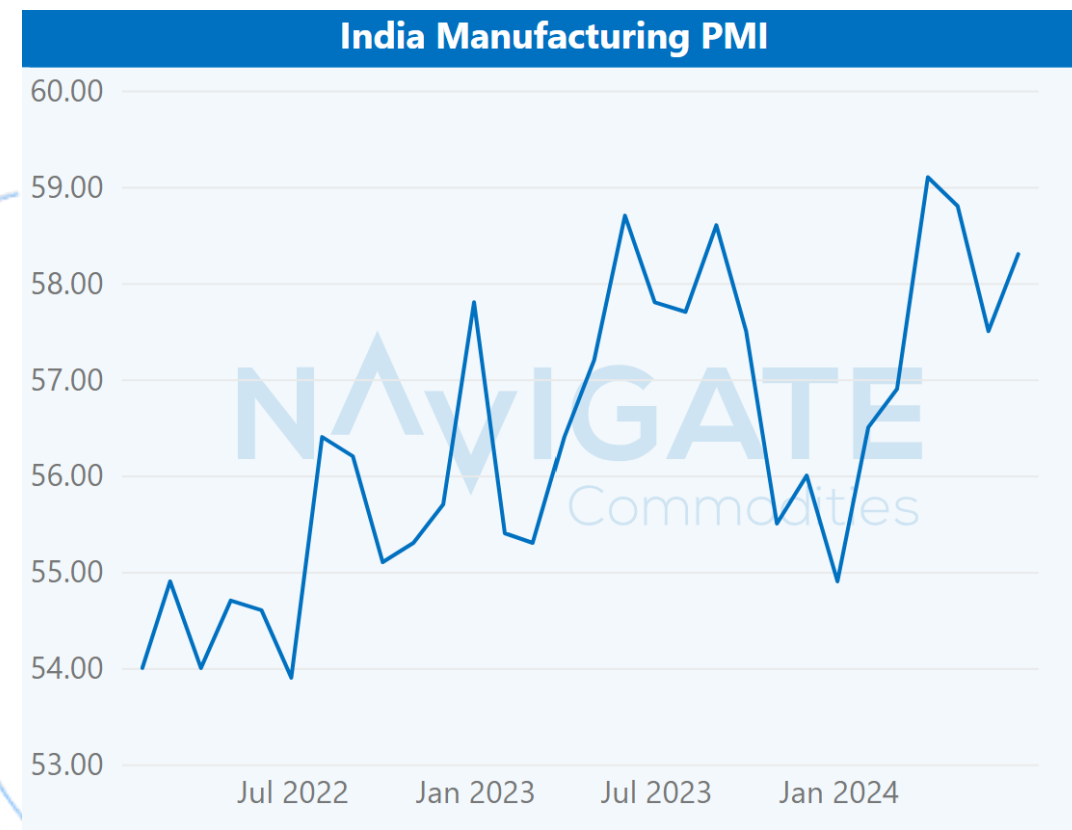
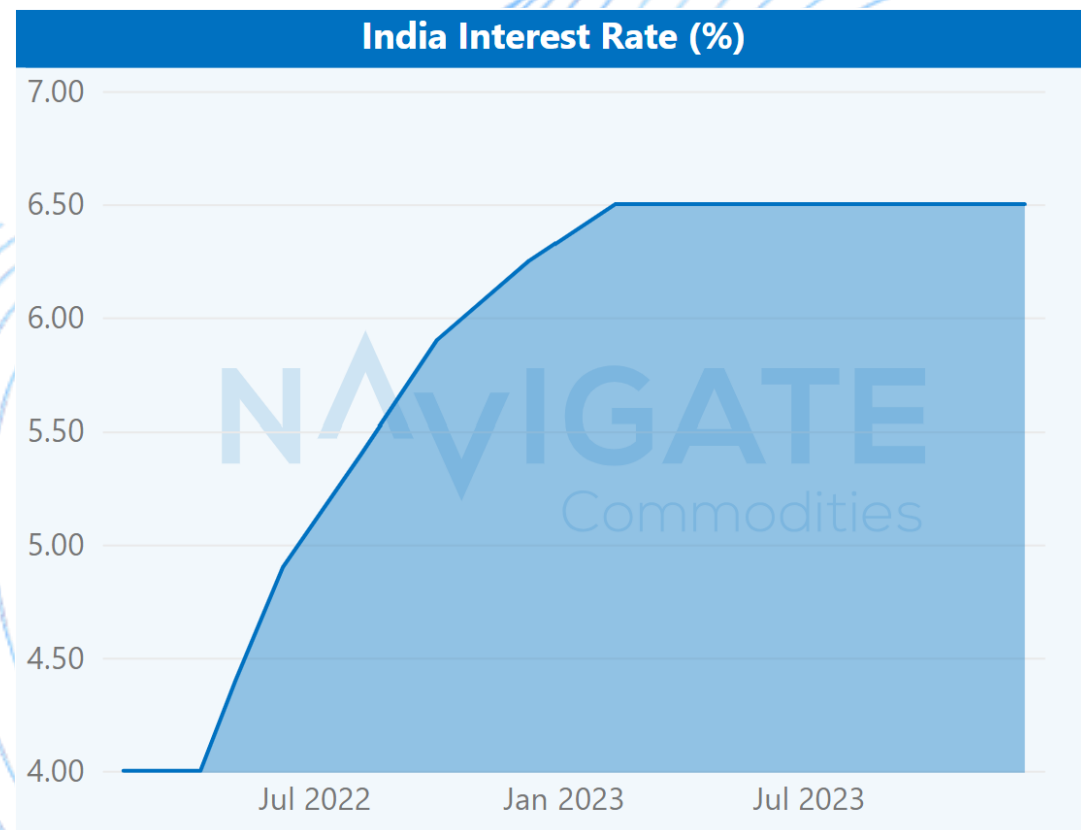
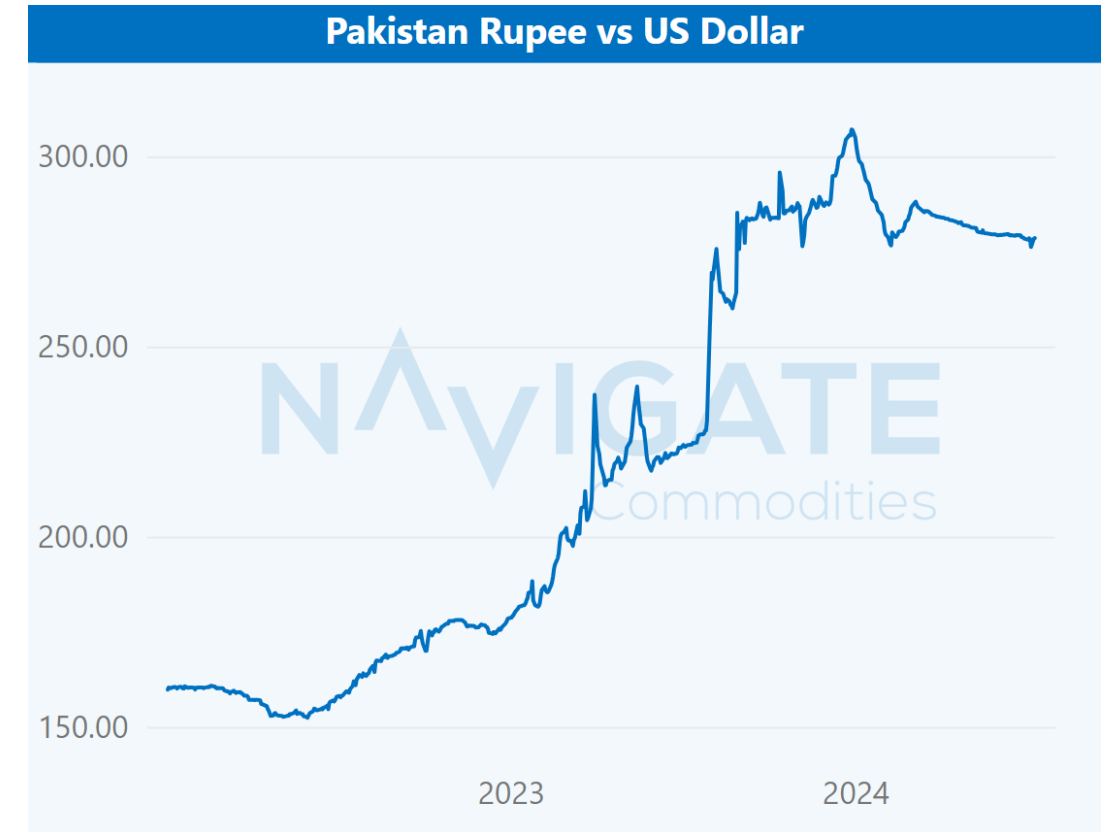
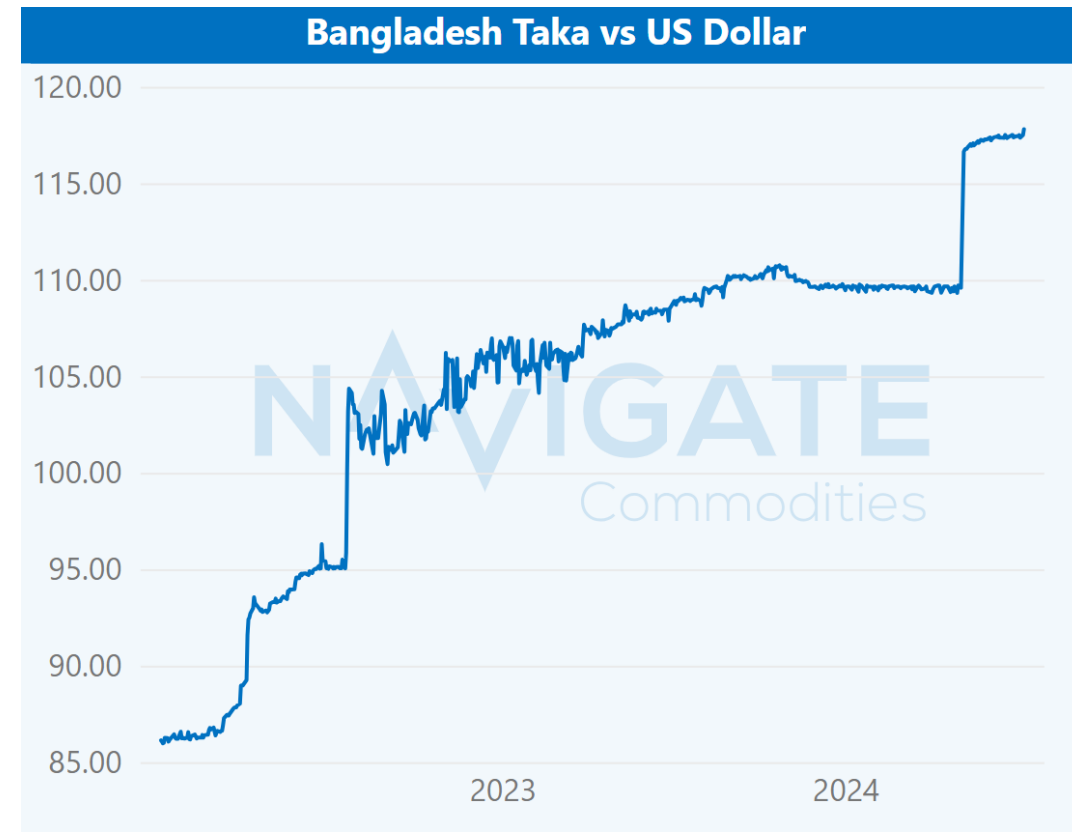
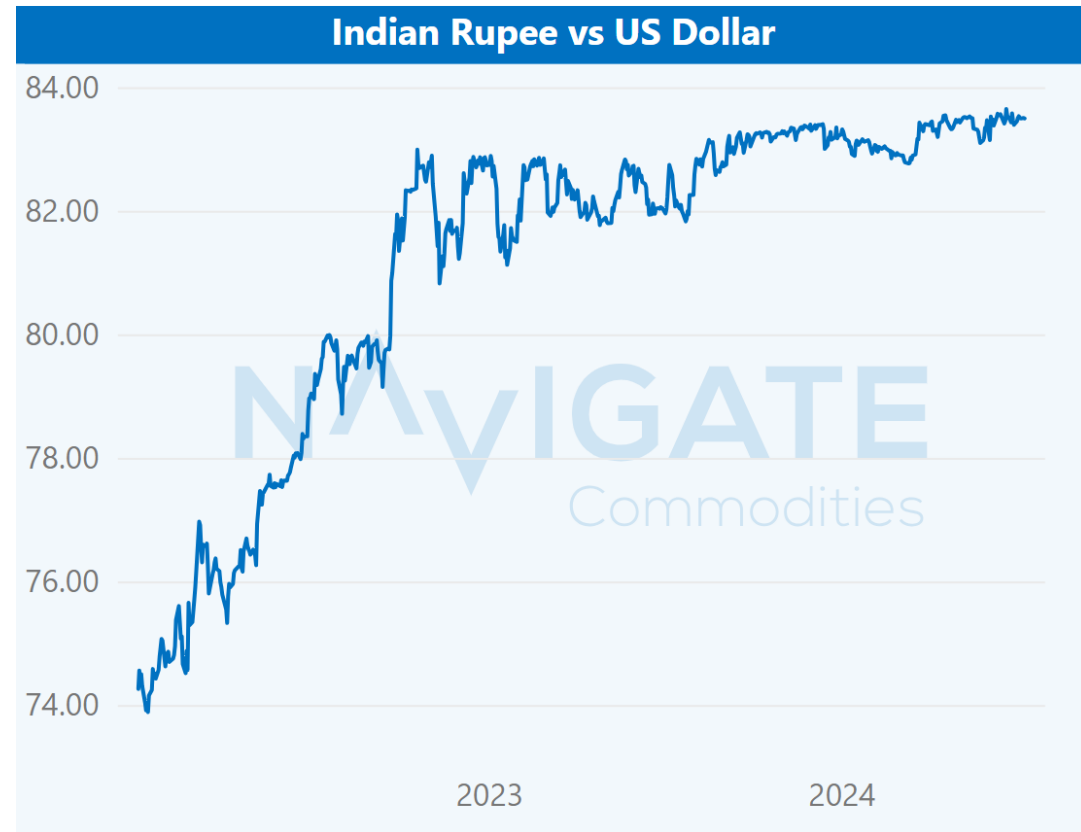
Based on eight years' worth of daily thermal infrared satellite readings, Indian integrated blast furnace–basic oxygen furnace Steel smelting activity typically records its seasonal trough almost every September – bar during COVID in 2020.

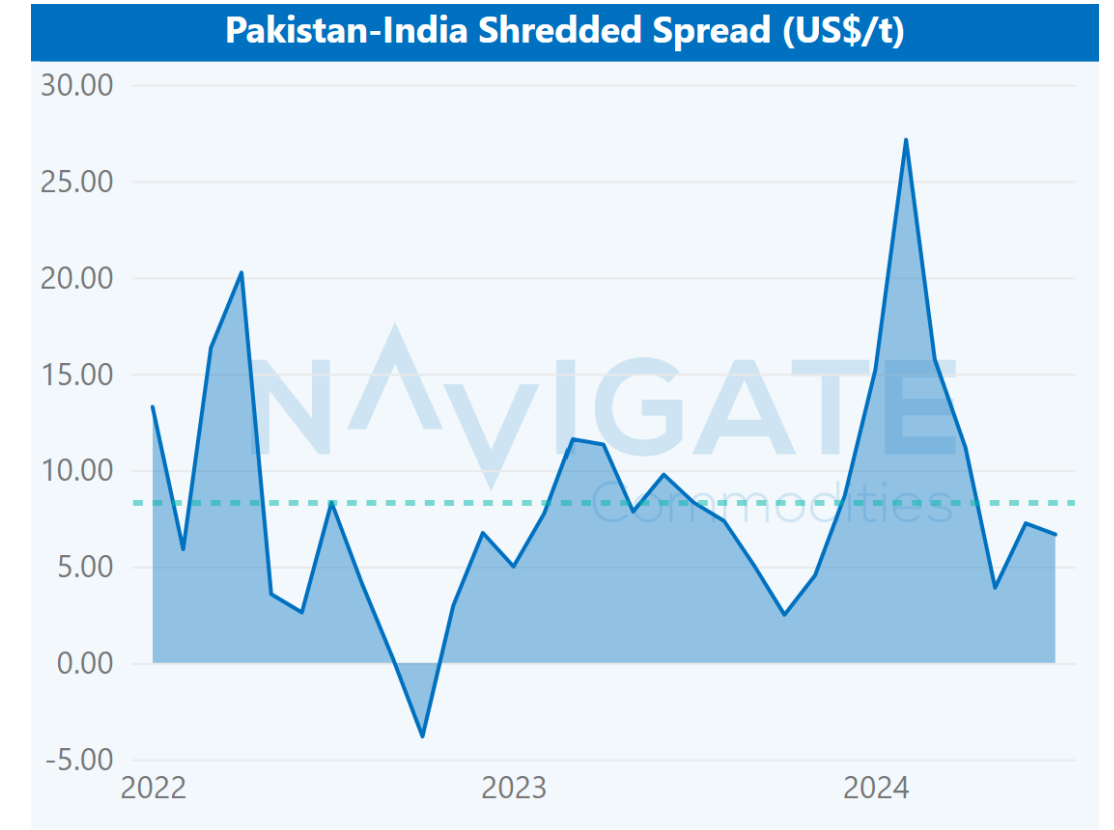
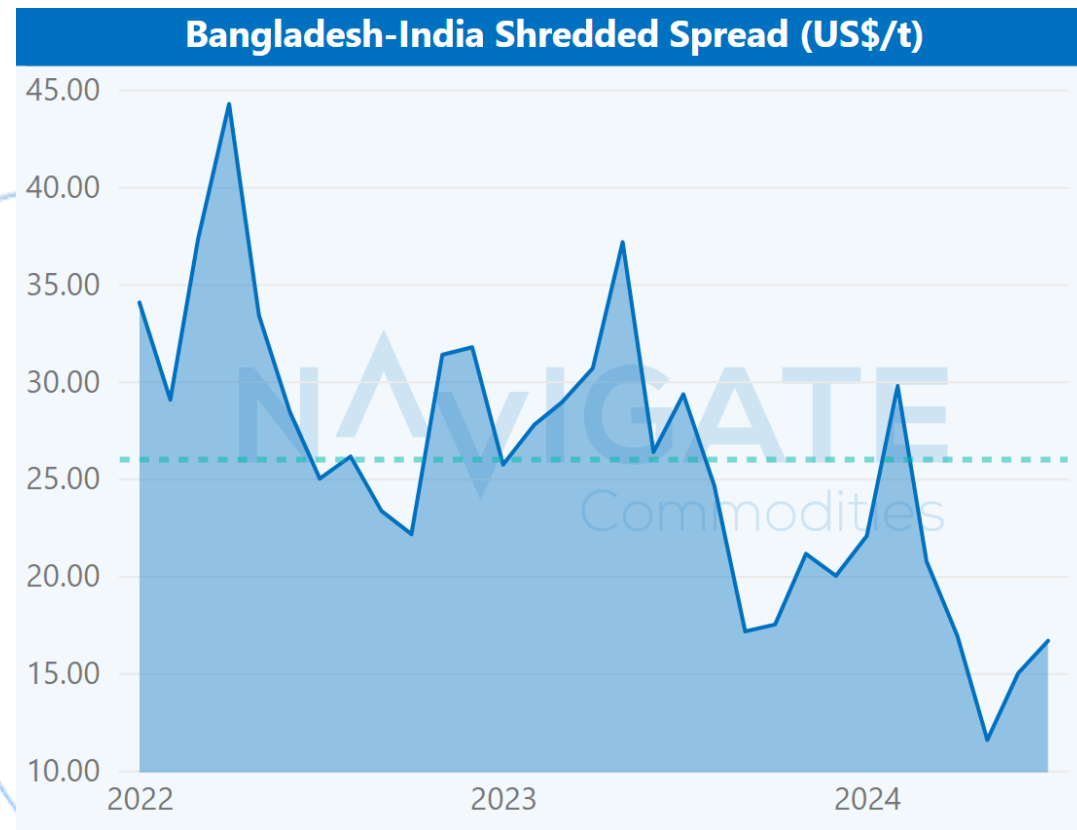
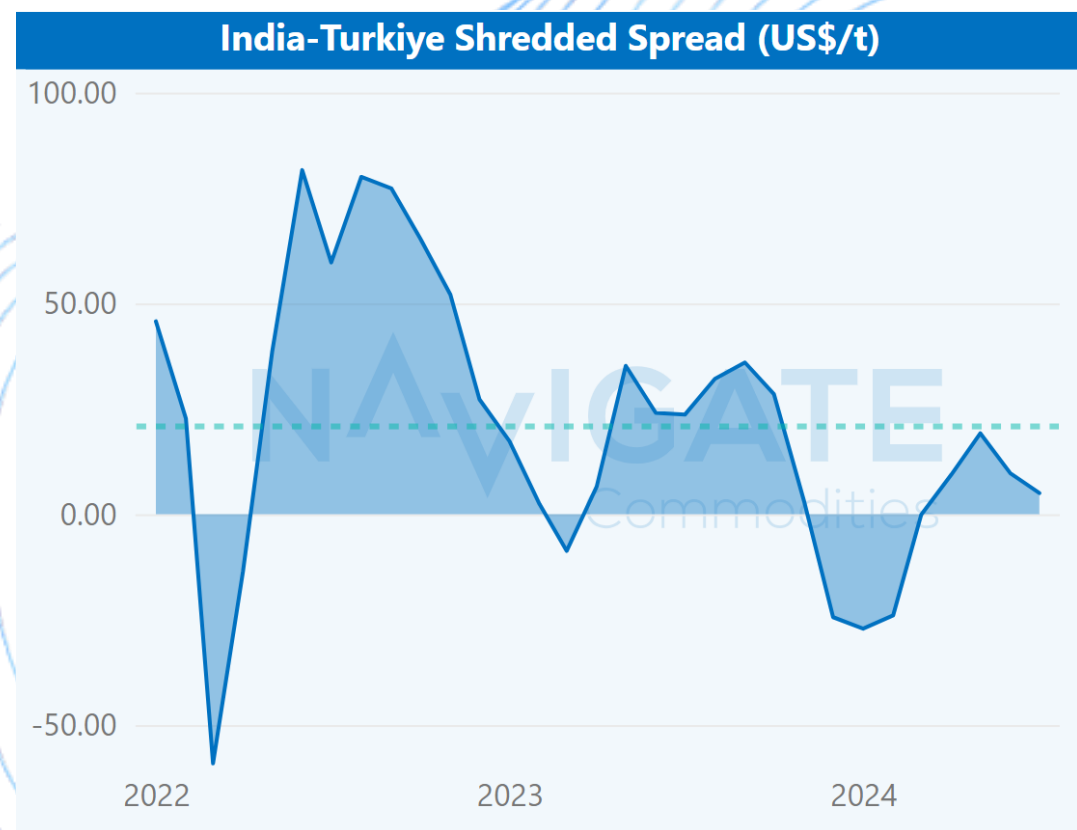
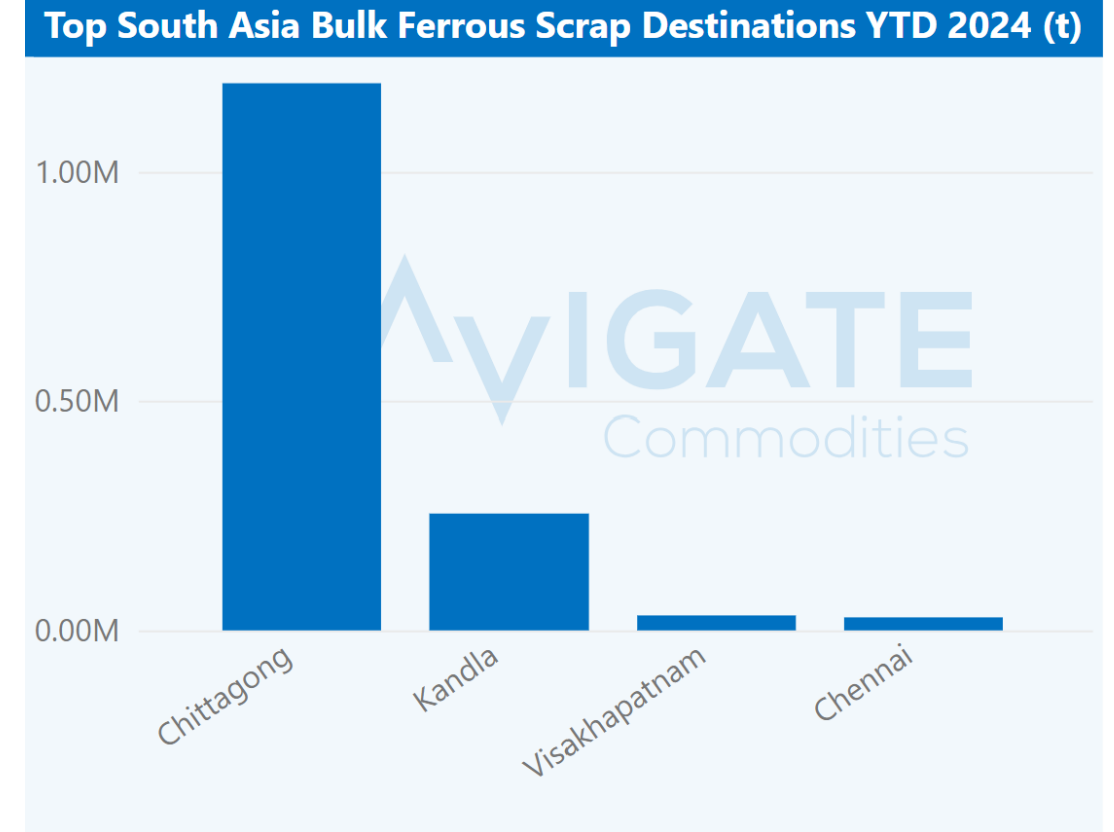
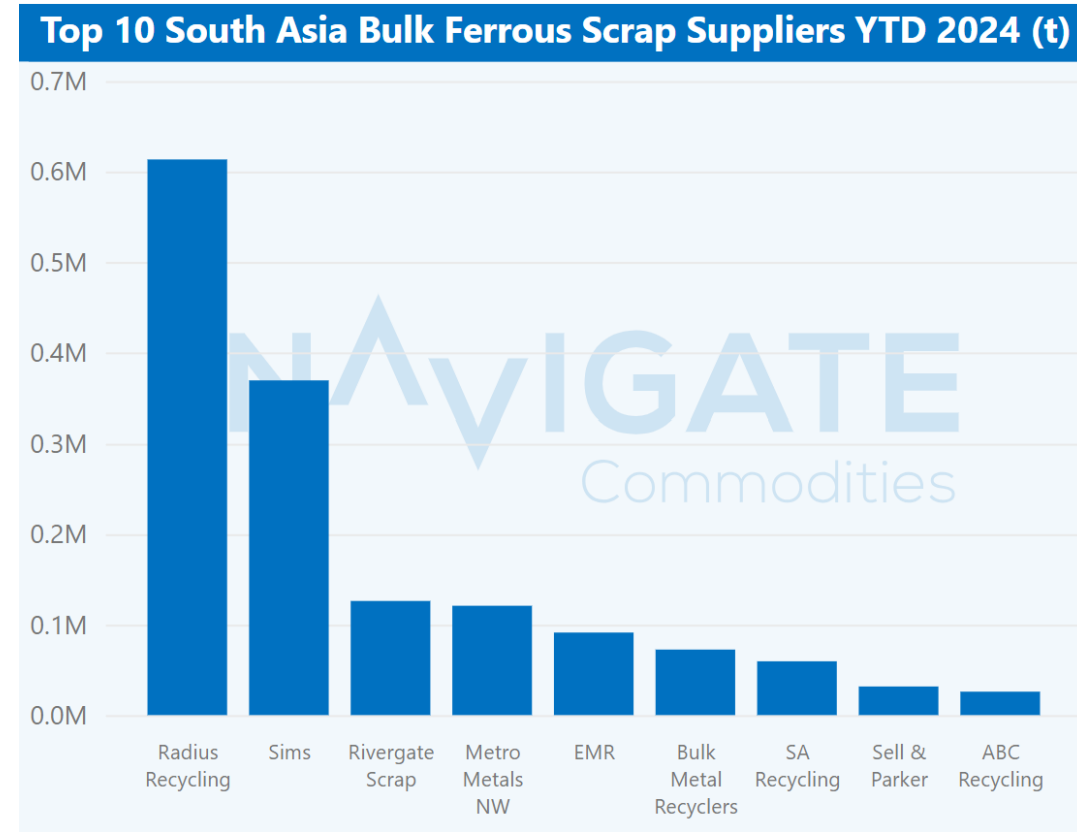
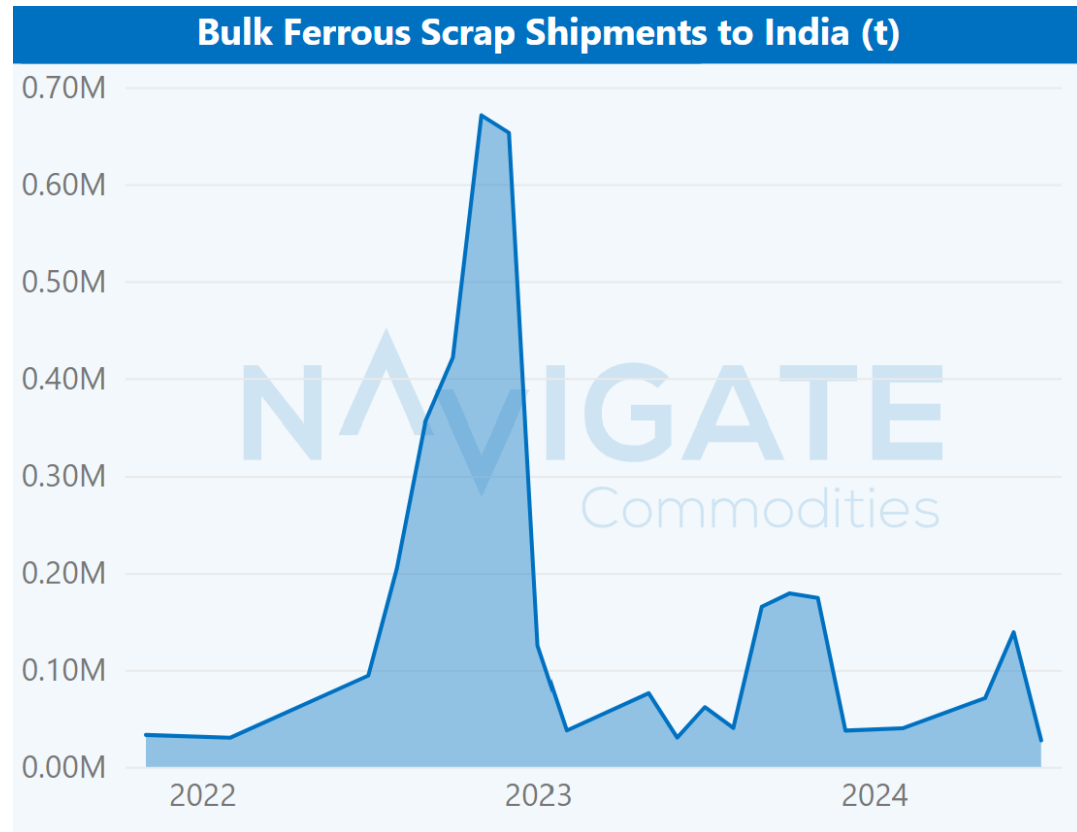
Thereafter, daily Indian–based BF–BOF Steel smelting activity and its implied consumption of Ferrous Scrap tends to ramp up aggressively post-monsoon season from October through to January.

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).

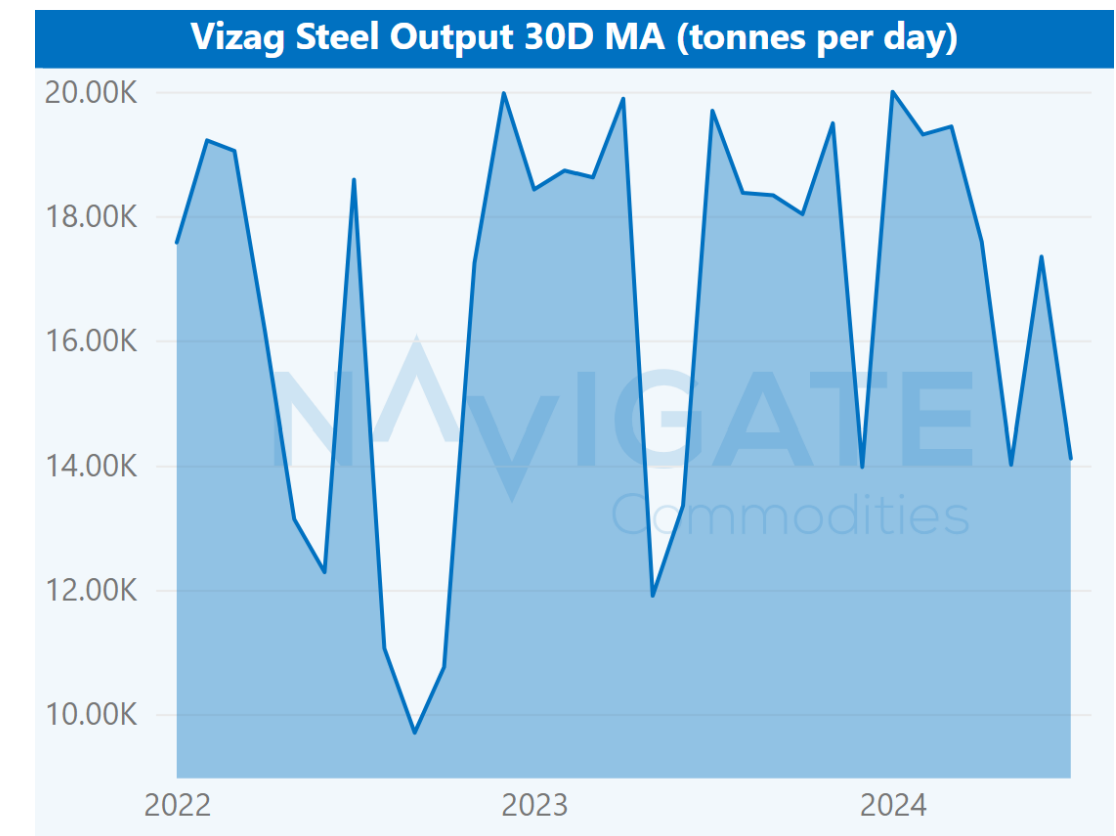
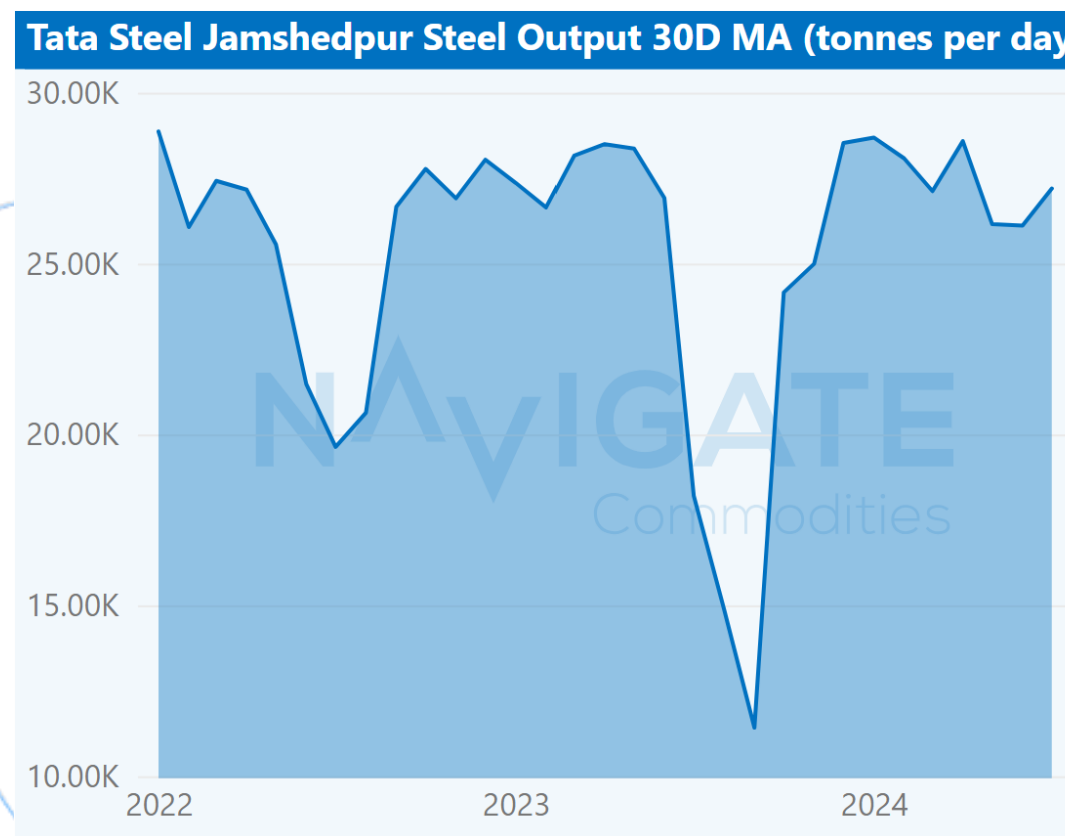
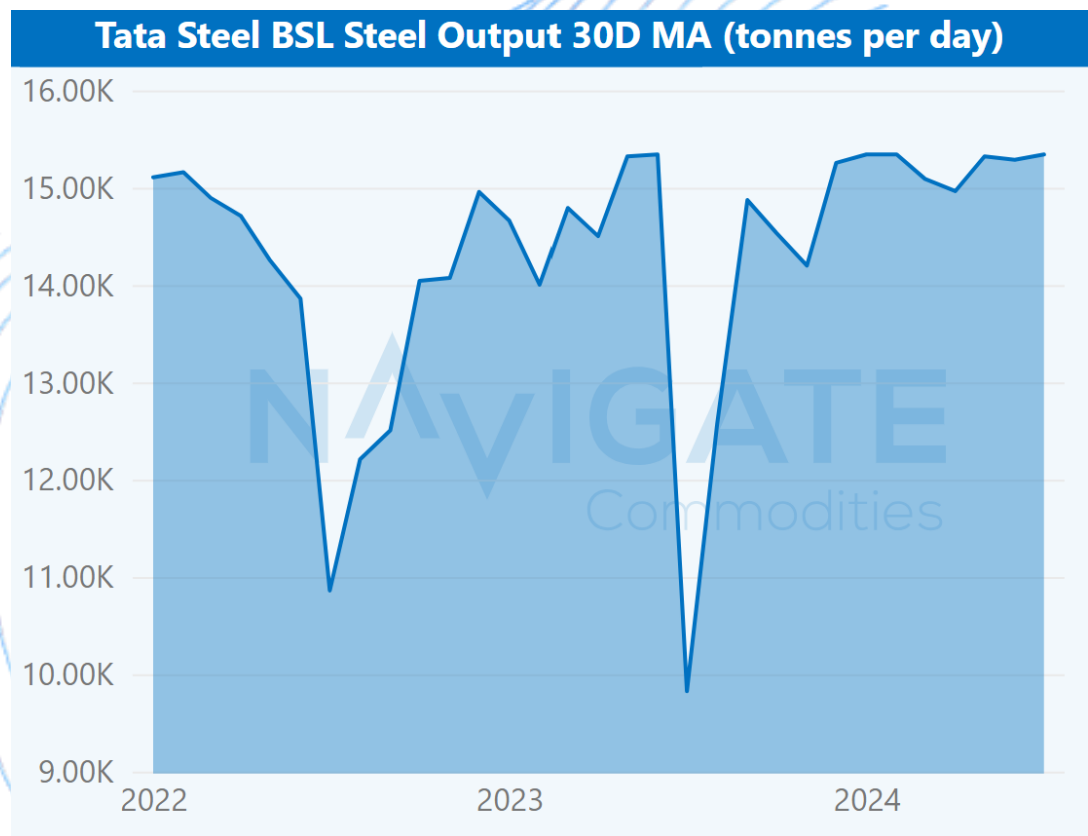
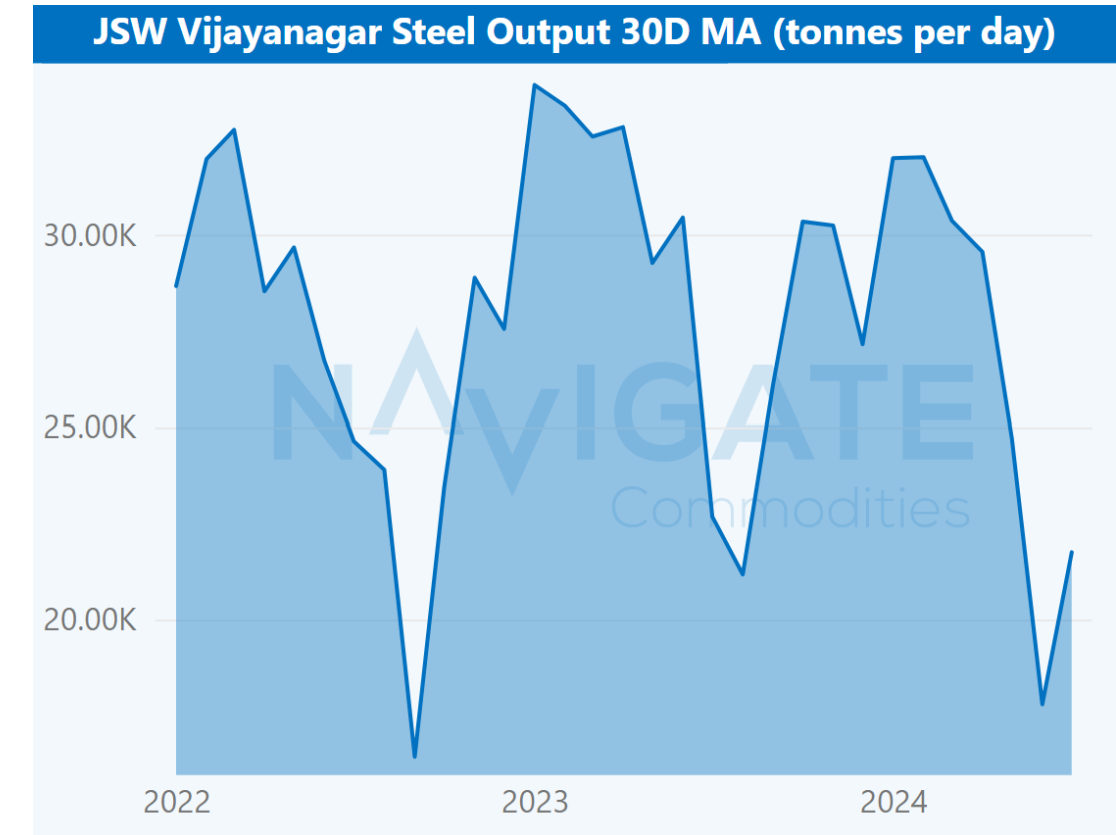
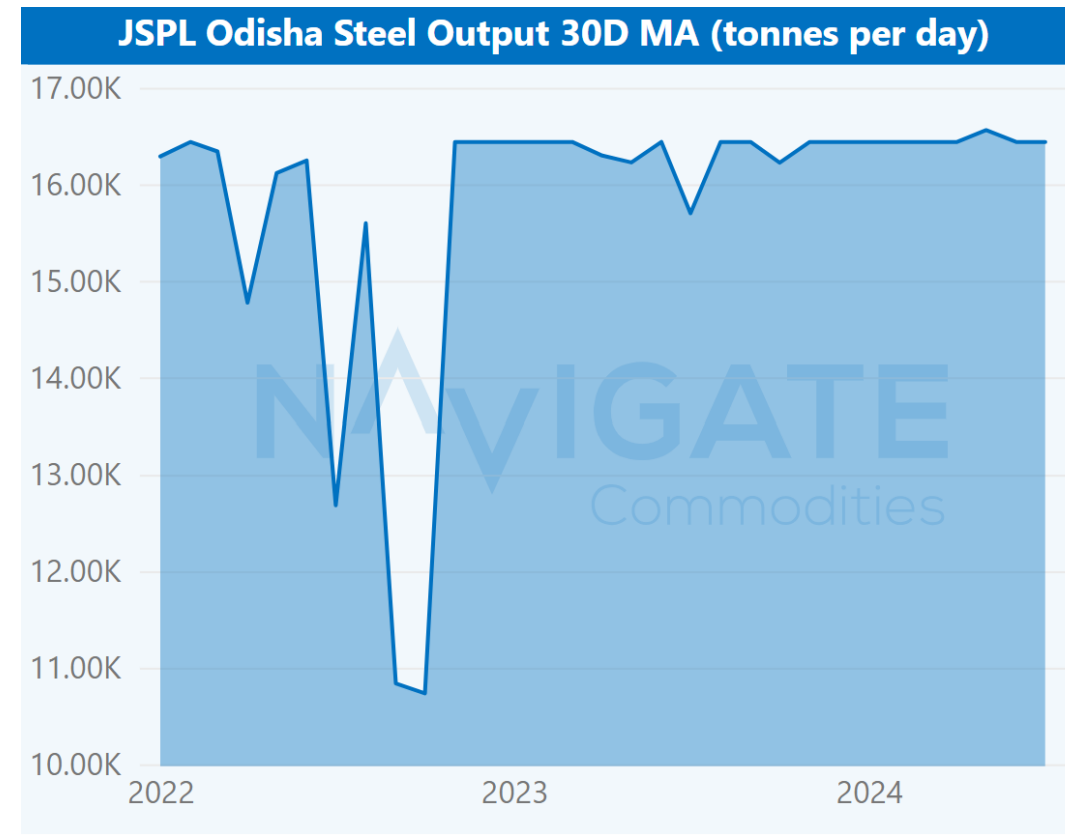
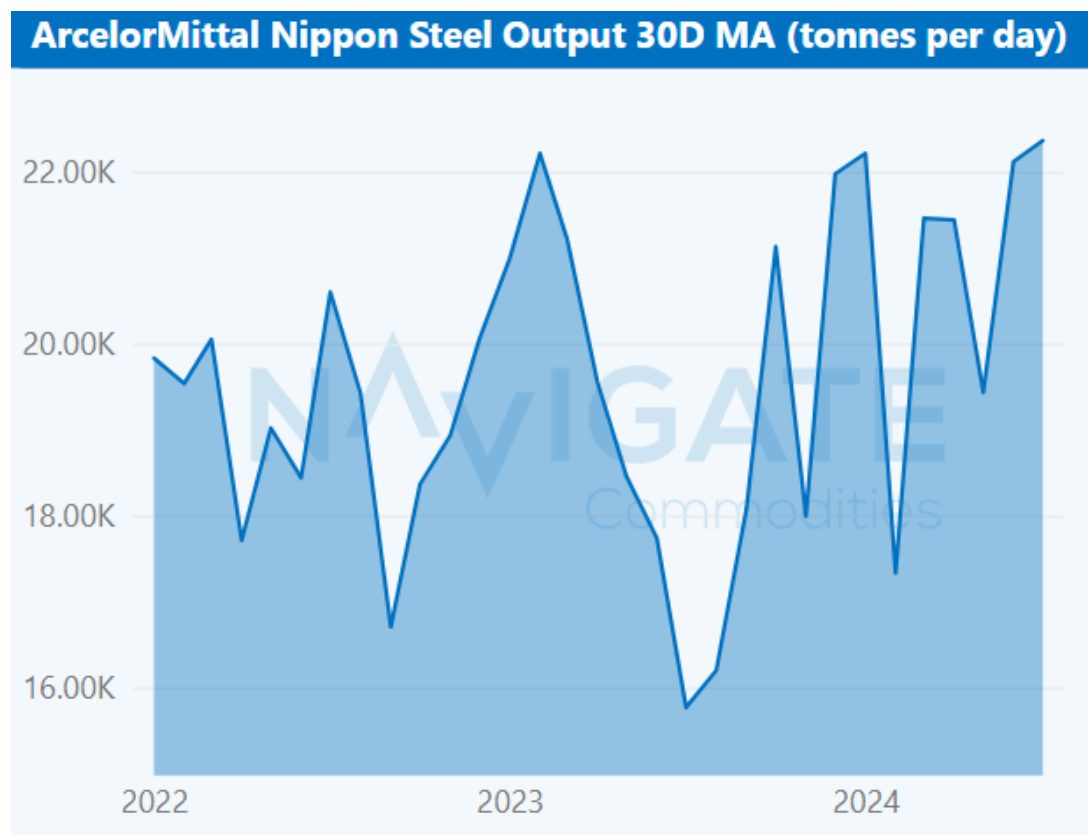


Source: Earth-i, Navigate Commodities





Source: Earth-i, Navigate Commodities, Bloomberg

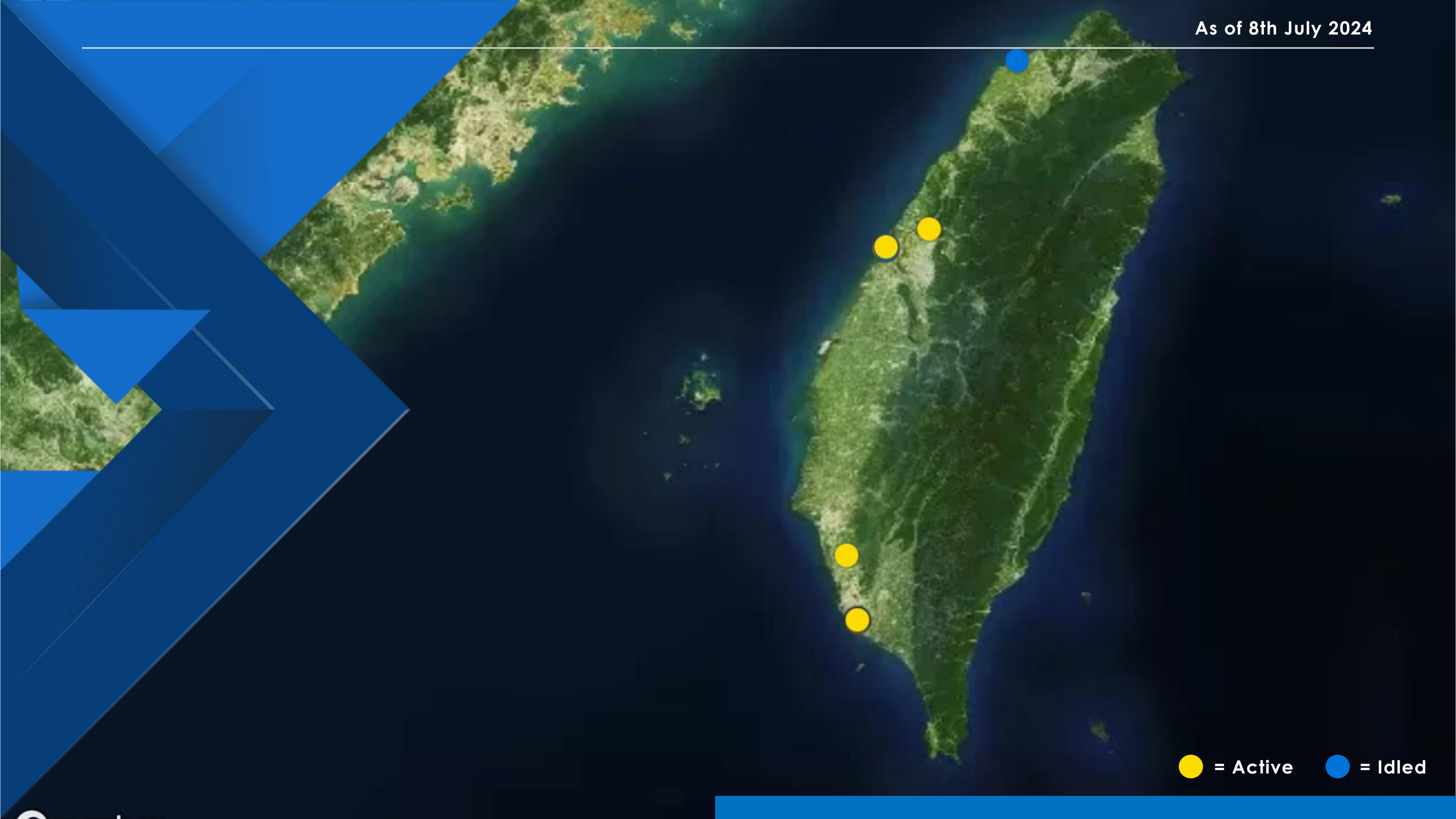




Taiwan Steel Scrap Market Overview



As of 8th July 2024



● = Active ● = Idled

Taiwan

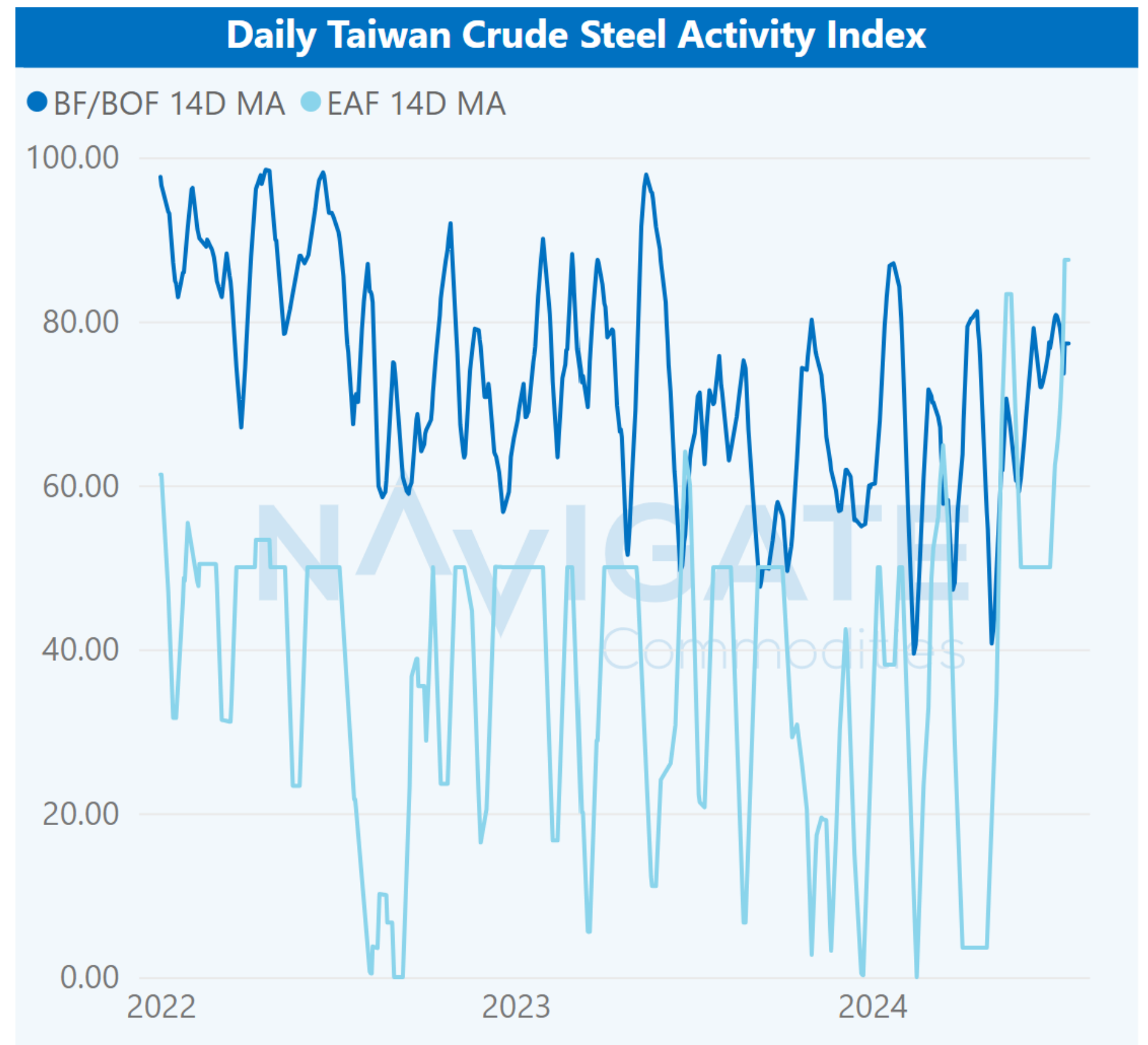
While challenging to discern from the graph on the right, we've noted a material rebound in daily Taiwanese integrated blast furnace–basic oxygen furnace Steel smelting activity over the past month.

At the same time, an increase in daily thermal heat signatures also indicate an increase in Steel melting activity from the nation's modest electric arc furnace (EAF) producers.

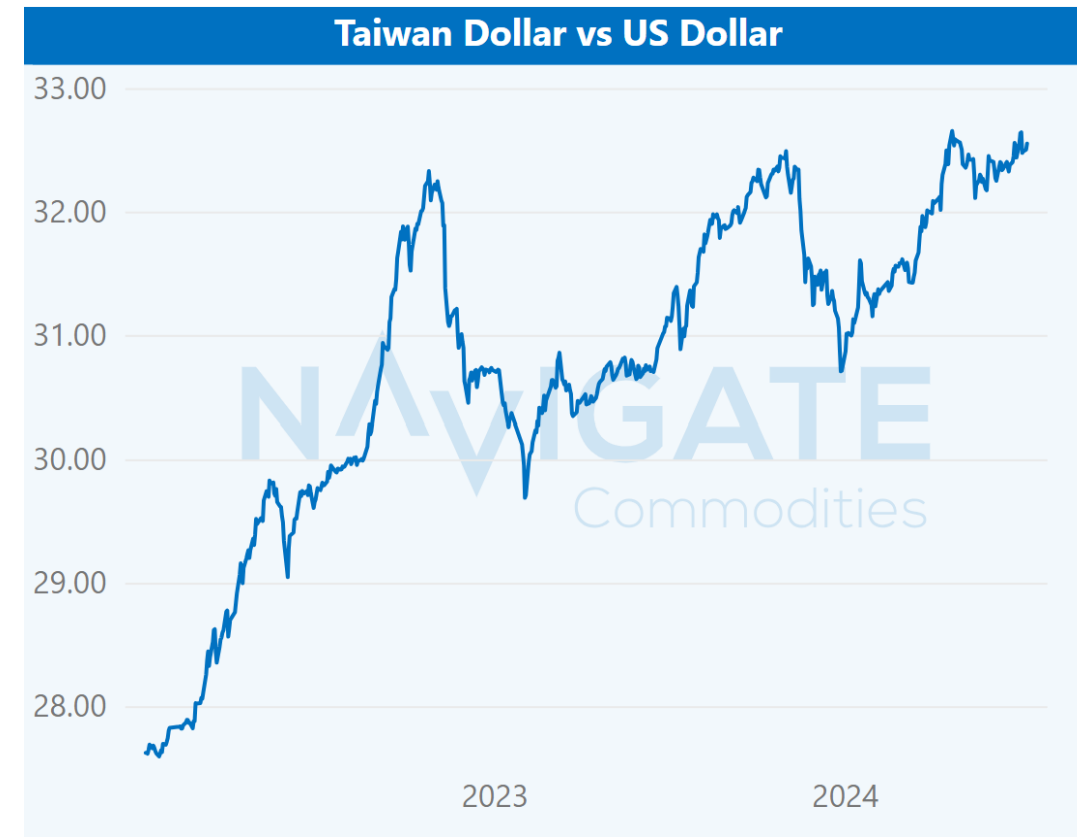
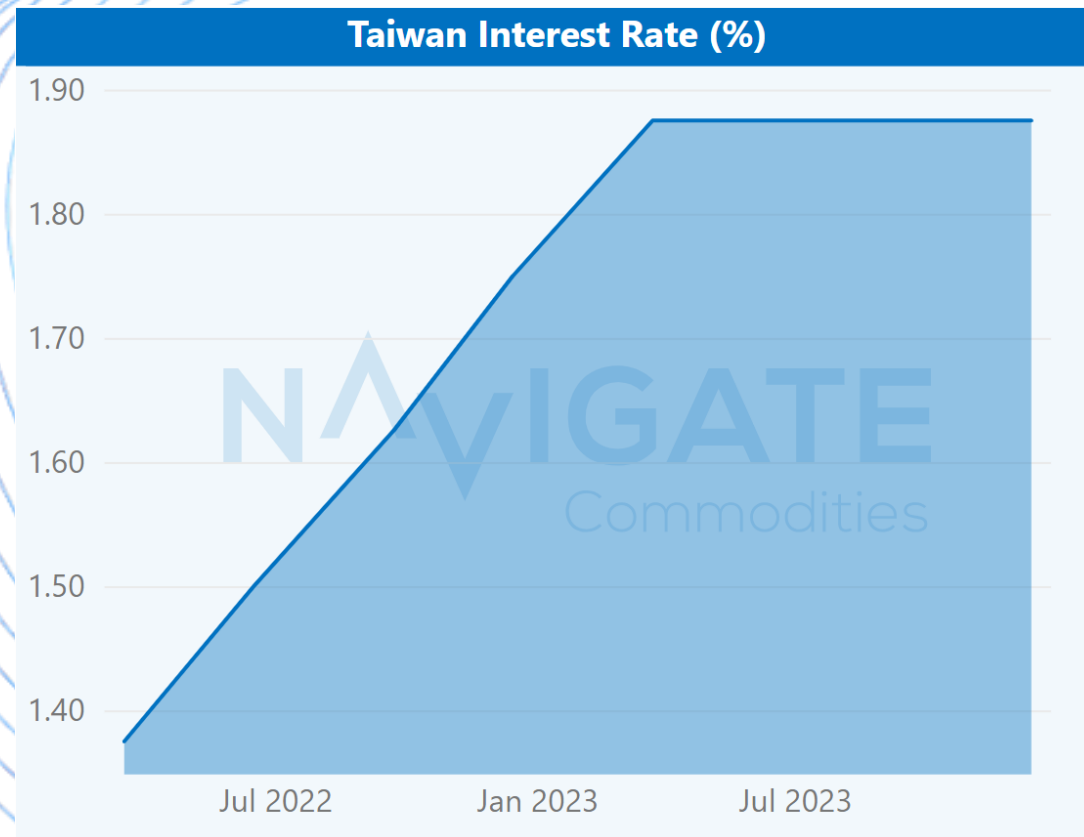
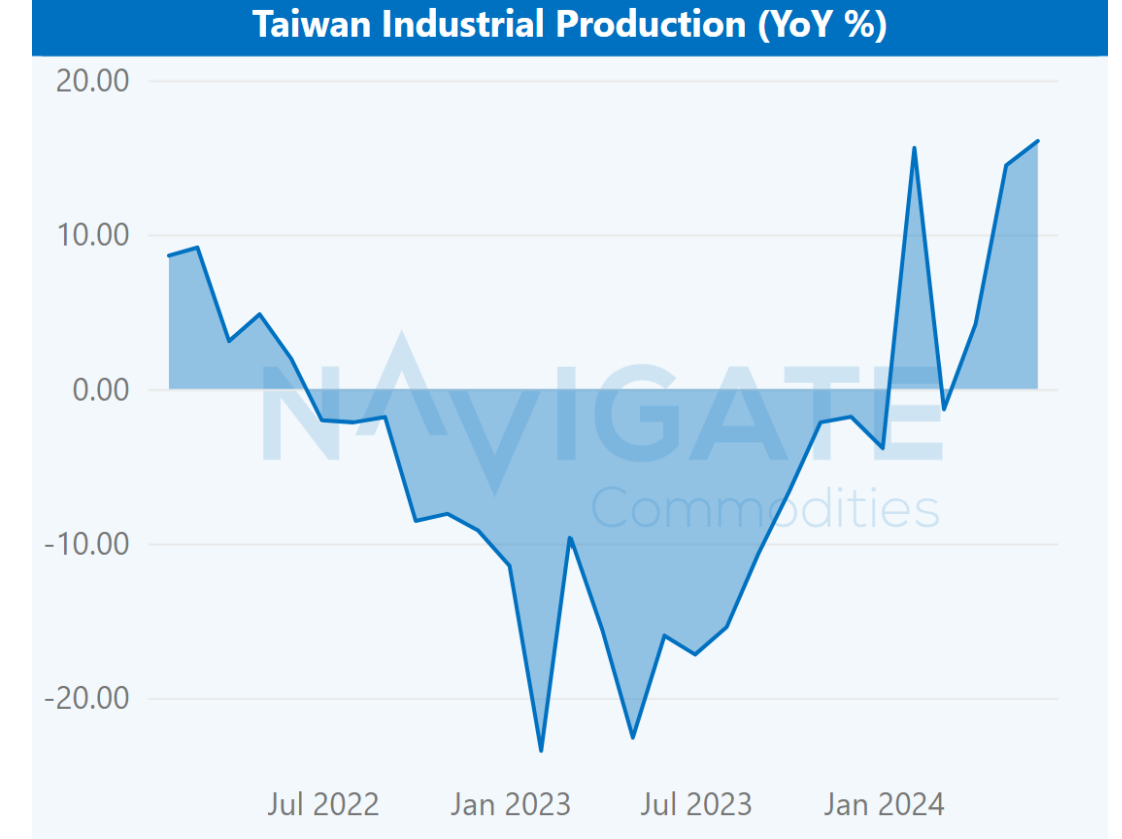
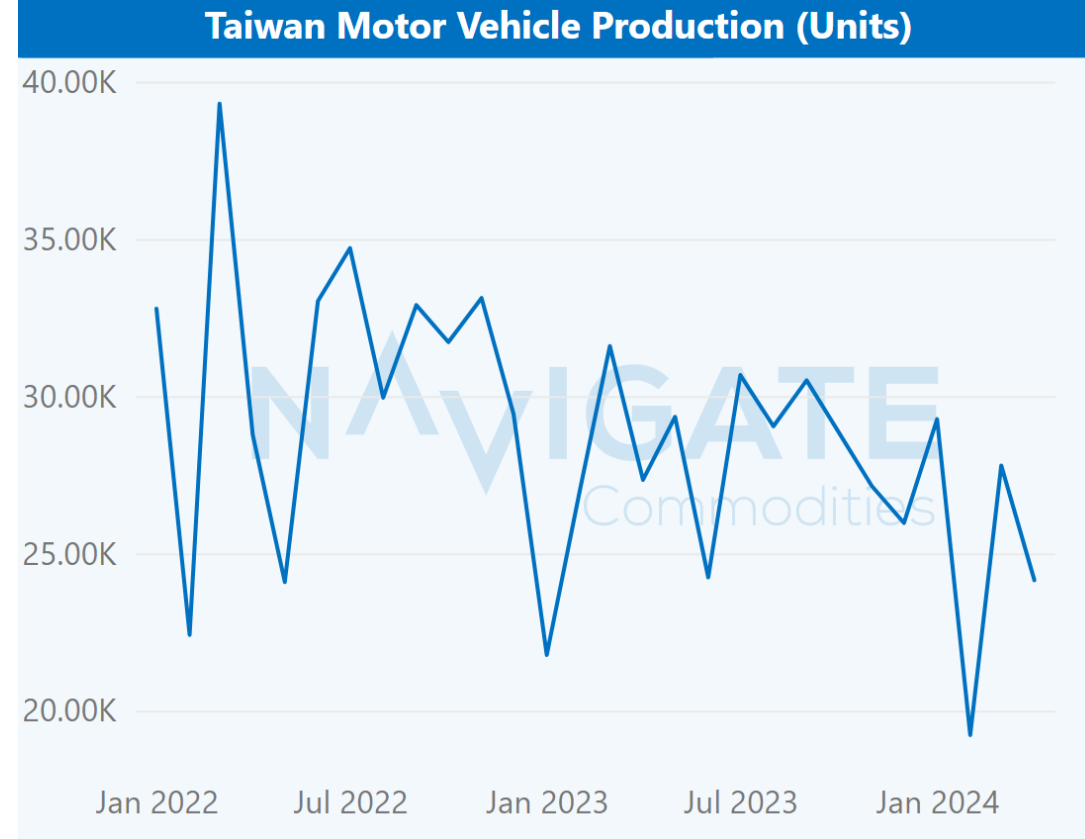
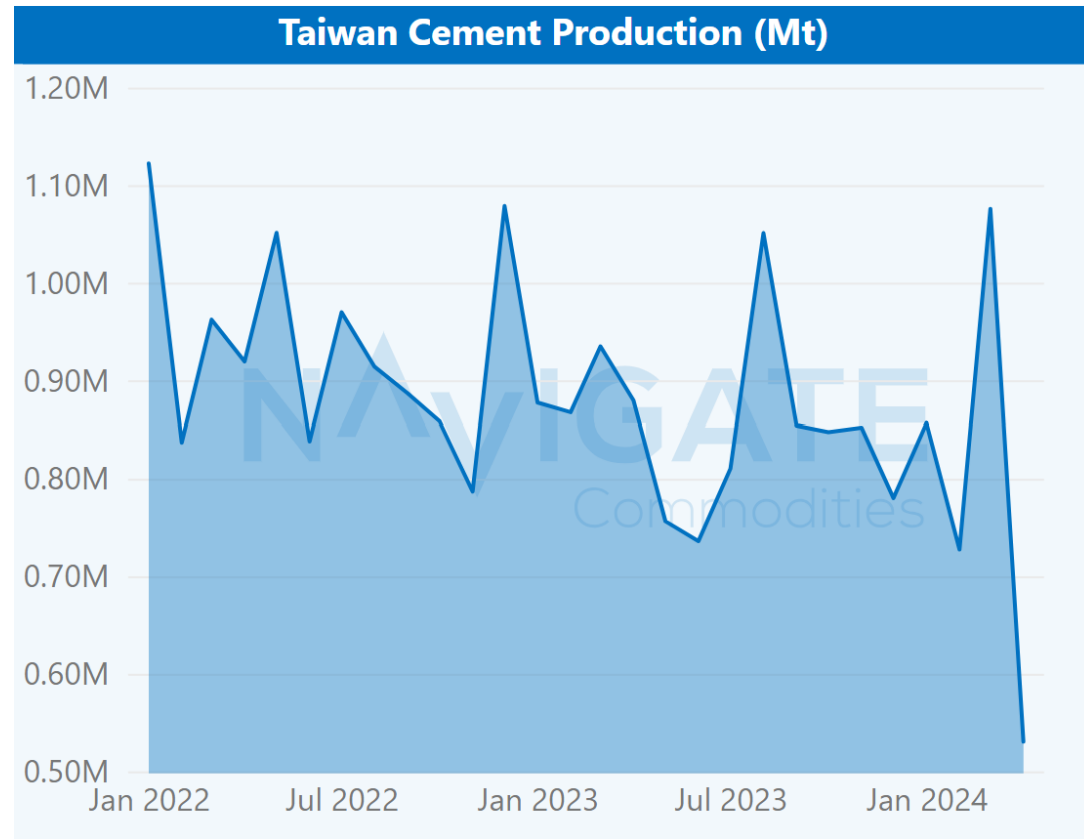
Despite the persistent import penetration of cost competitive Chinese Steel, we believe that an impressive strengthening in Taiwan's construction and manufacturing sectors has utilized a degree of spare domestic Steel capacity. That said, Taiwanese HMS 1&2 (80:20) containerized benchmarks have been trading at a greater discount to equivalent Turkish assessments over the same period, which is far more indicative of unwarranted strength in Turkish prices rather than vice versa.

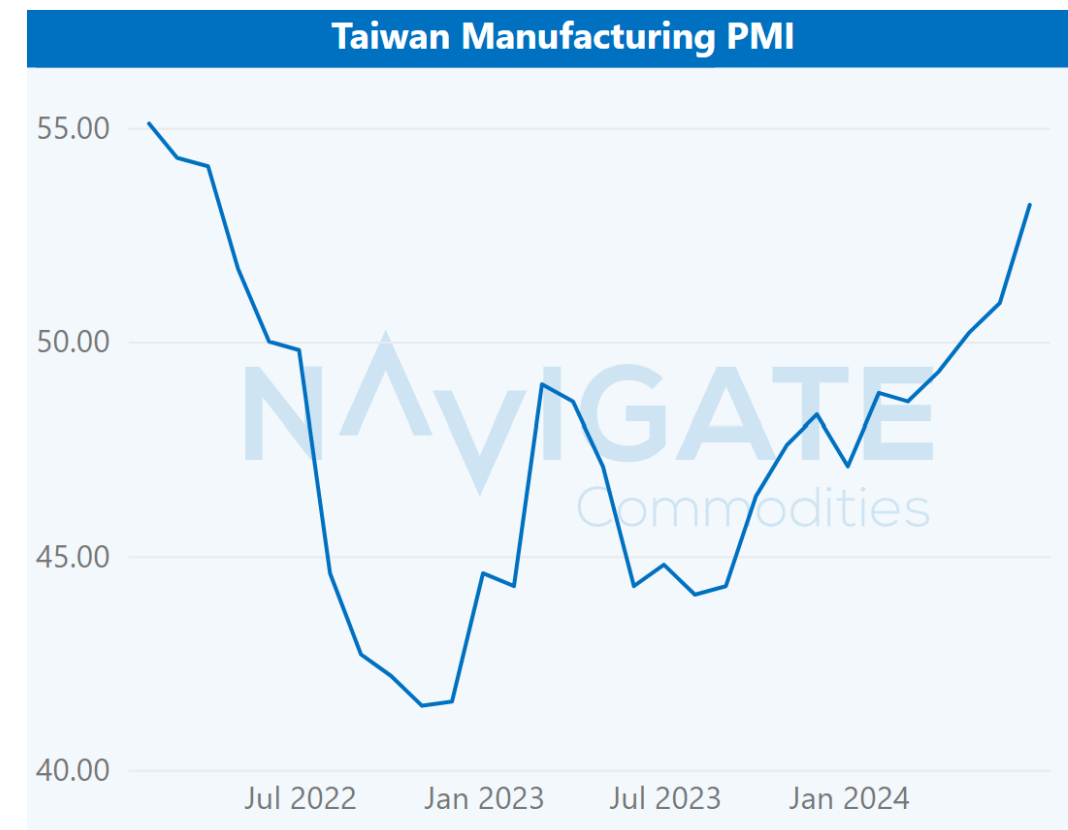
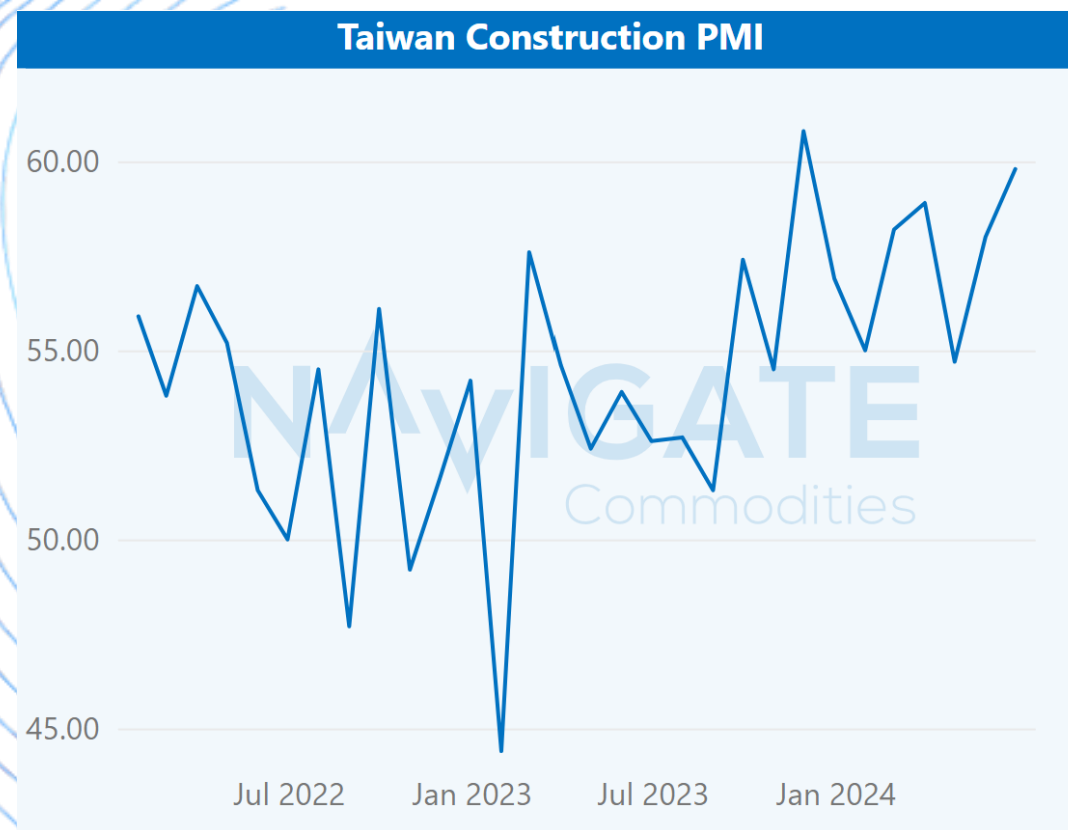
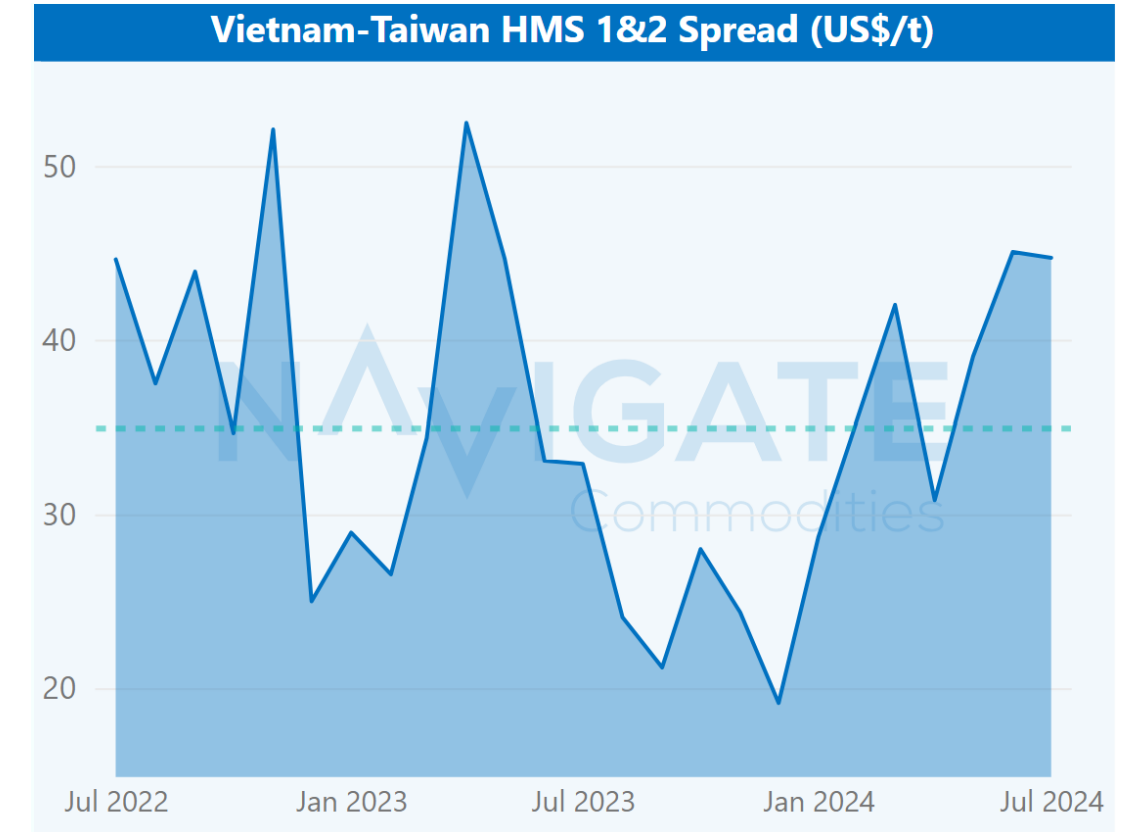
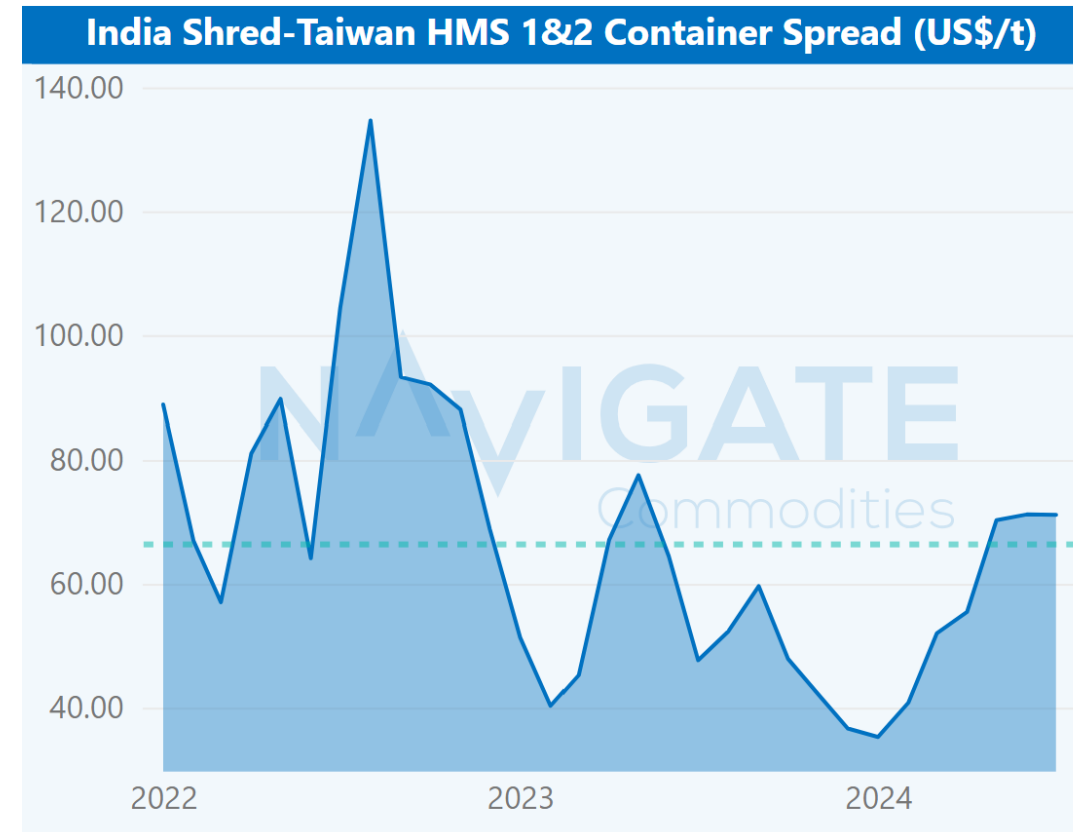
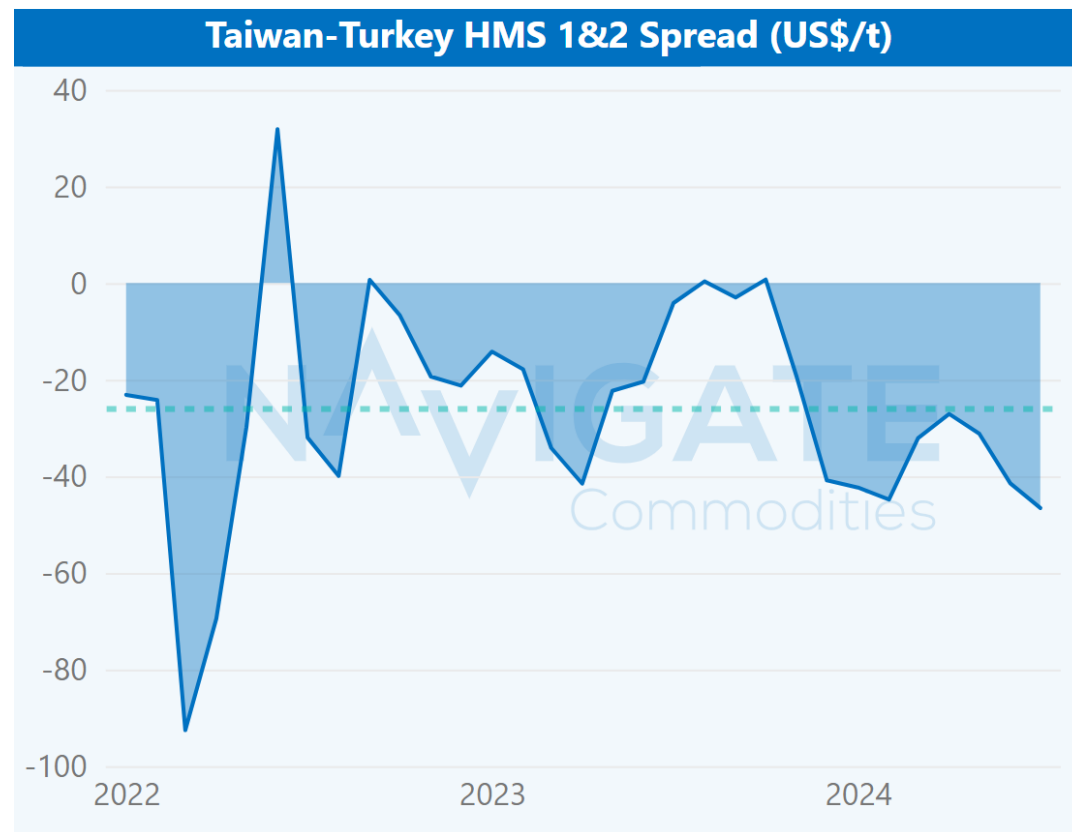
While only a modest "strengthening", Taiwanese HMS 1&2 (80:20) discounts to equivalent Indian grades have actually narrowed by US\$5/t over the past month to circa US\$68/t.

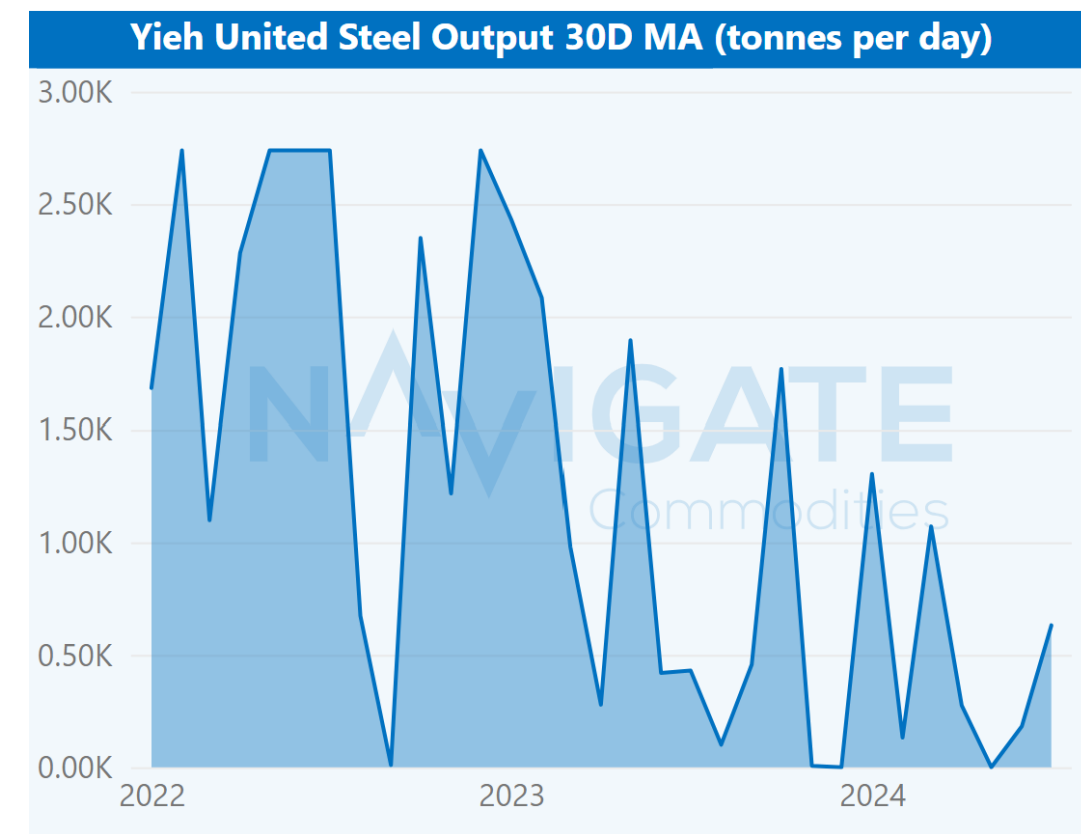
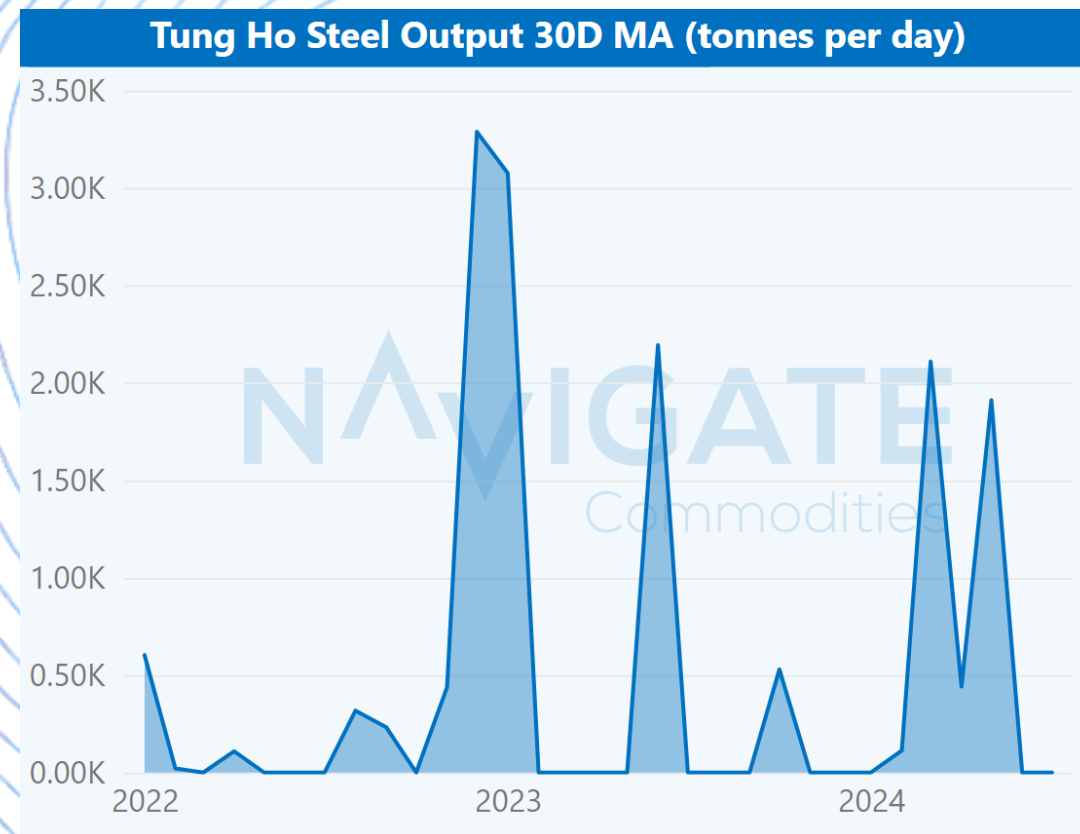
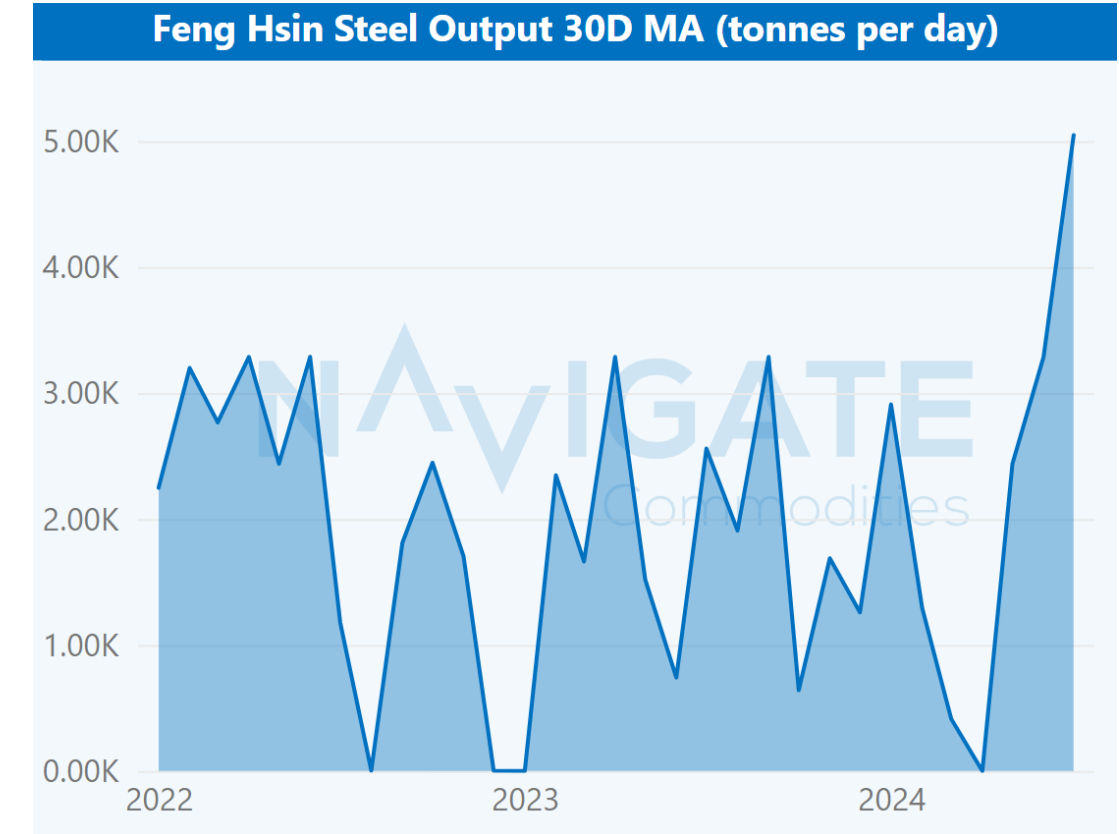
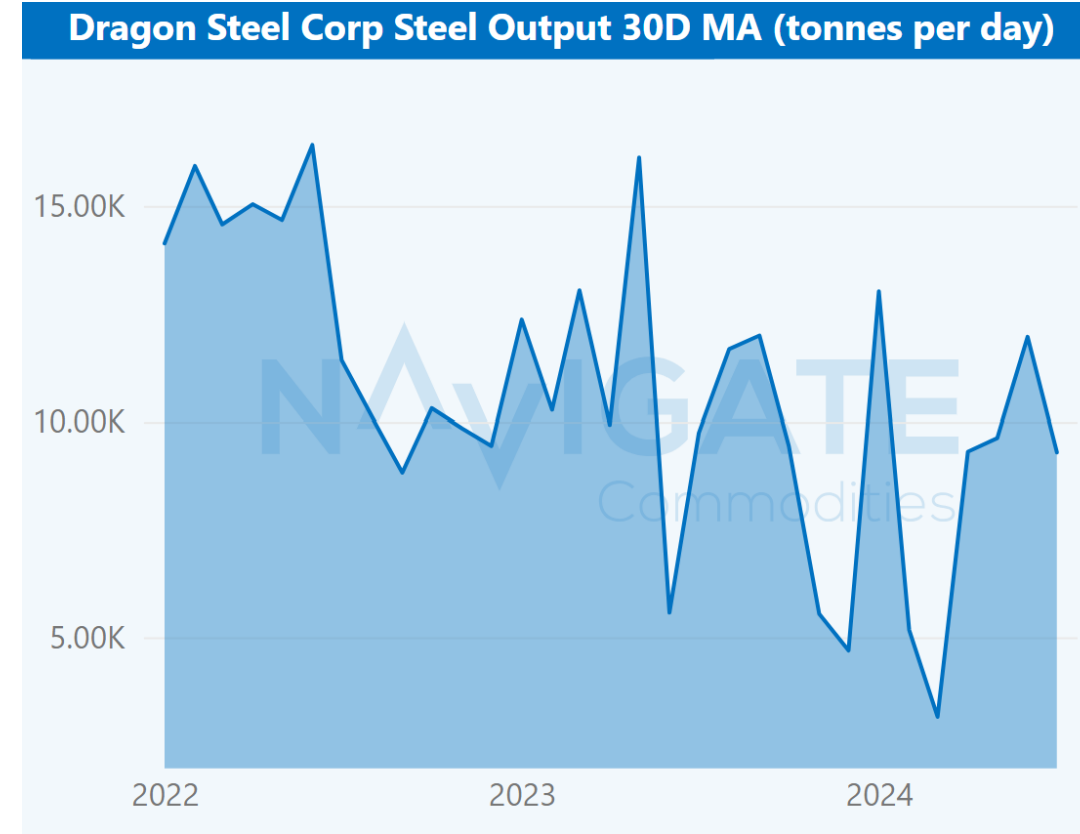
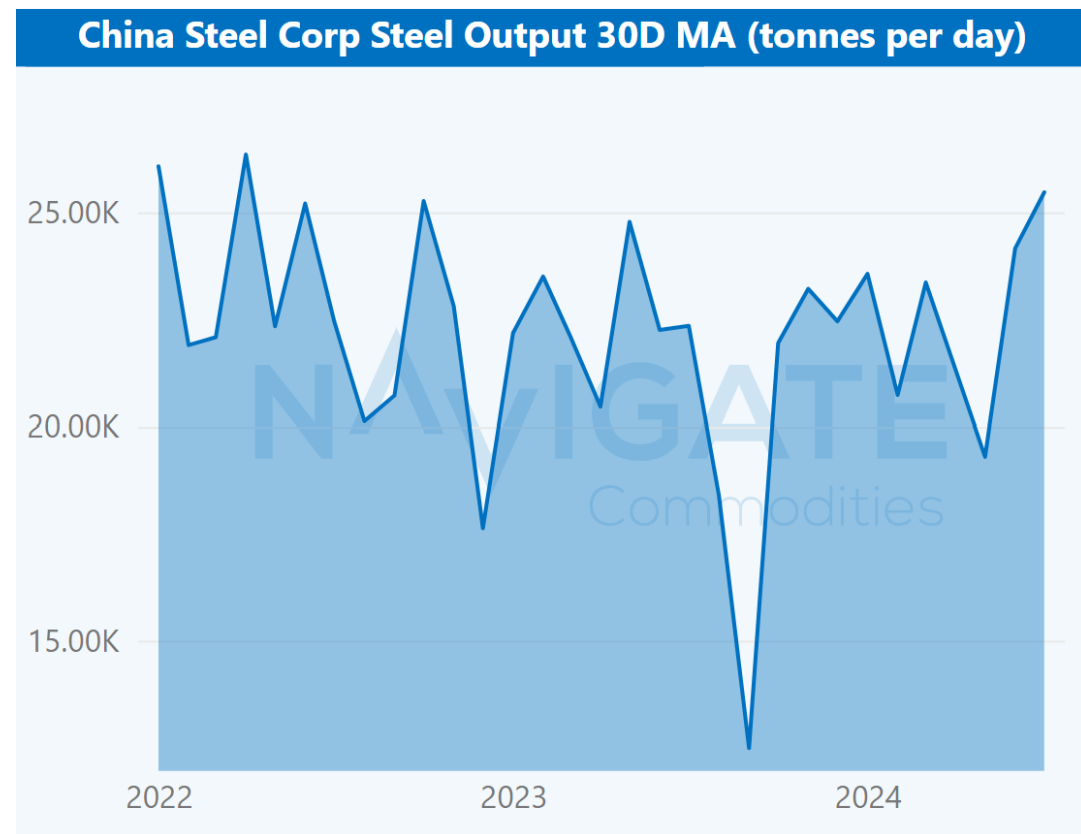
Methodology: The Daily Crude Steel Smelting Activity Index is calculated by detecting & monitoring heat signatures from unique plant-by-plant Areas of Interest (AOIs) using high-frequency Thermal Infrared Satellite Imagery (TIRS).



Source: Earth-i, Navigate Commodities









Türkiye Steel Scrap Market Overview



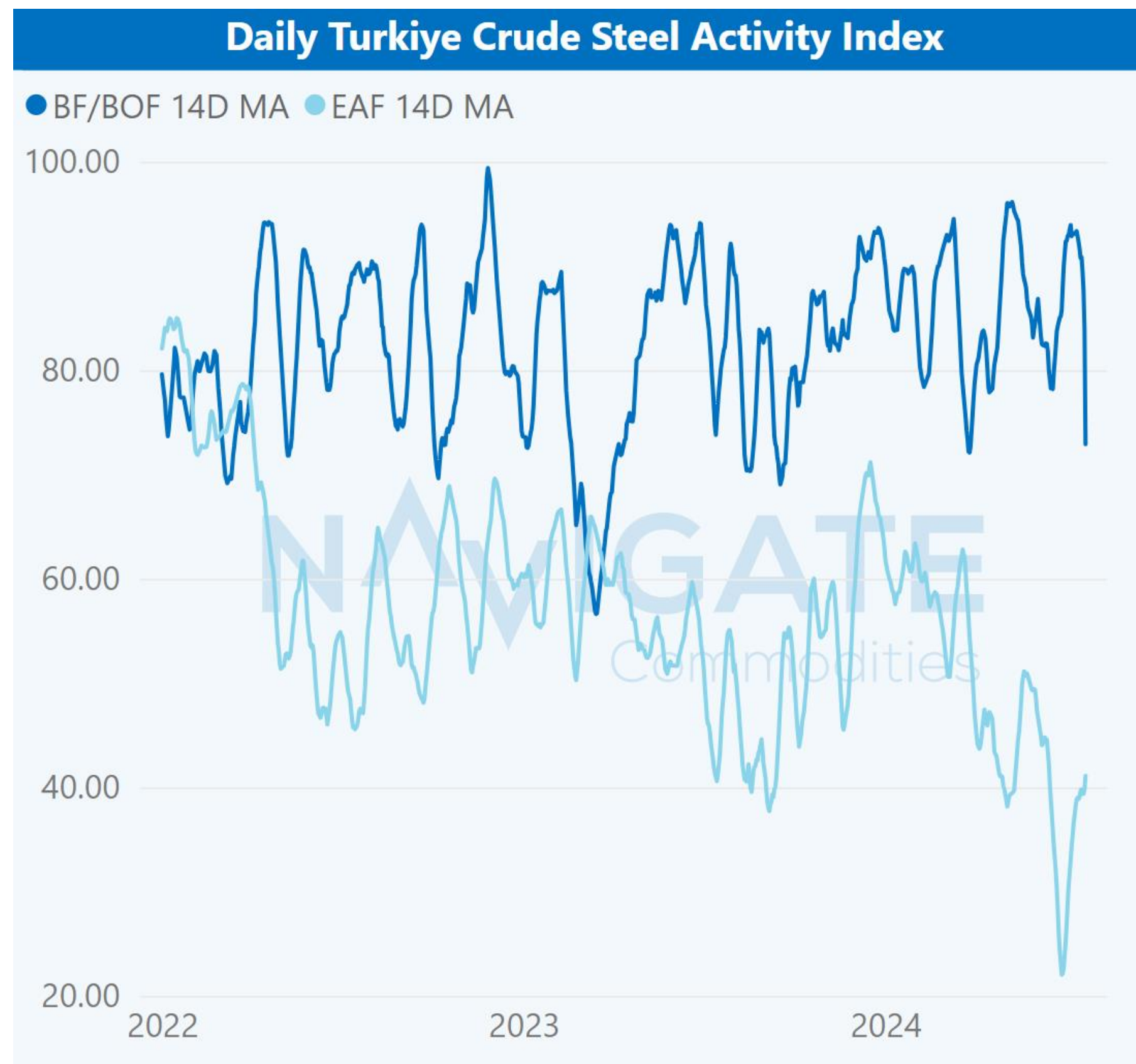


● = Active ● = Idled

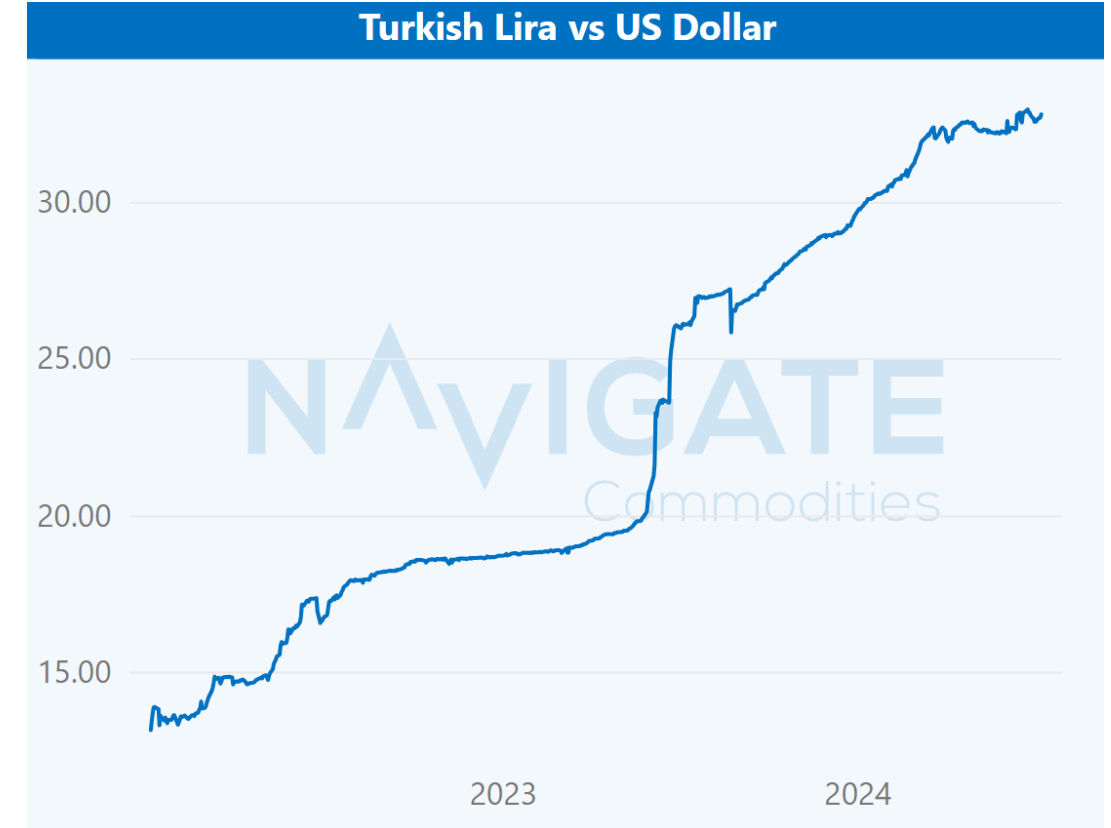
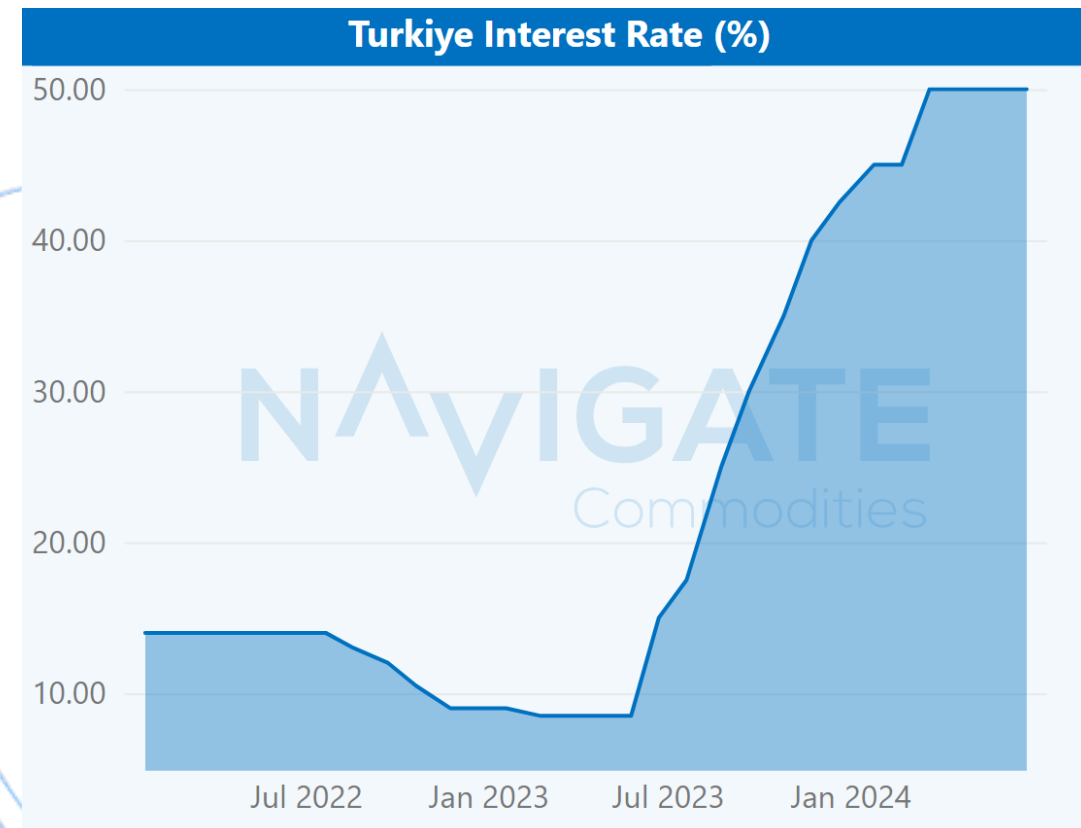
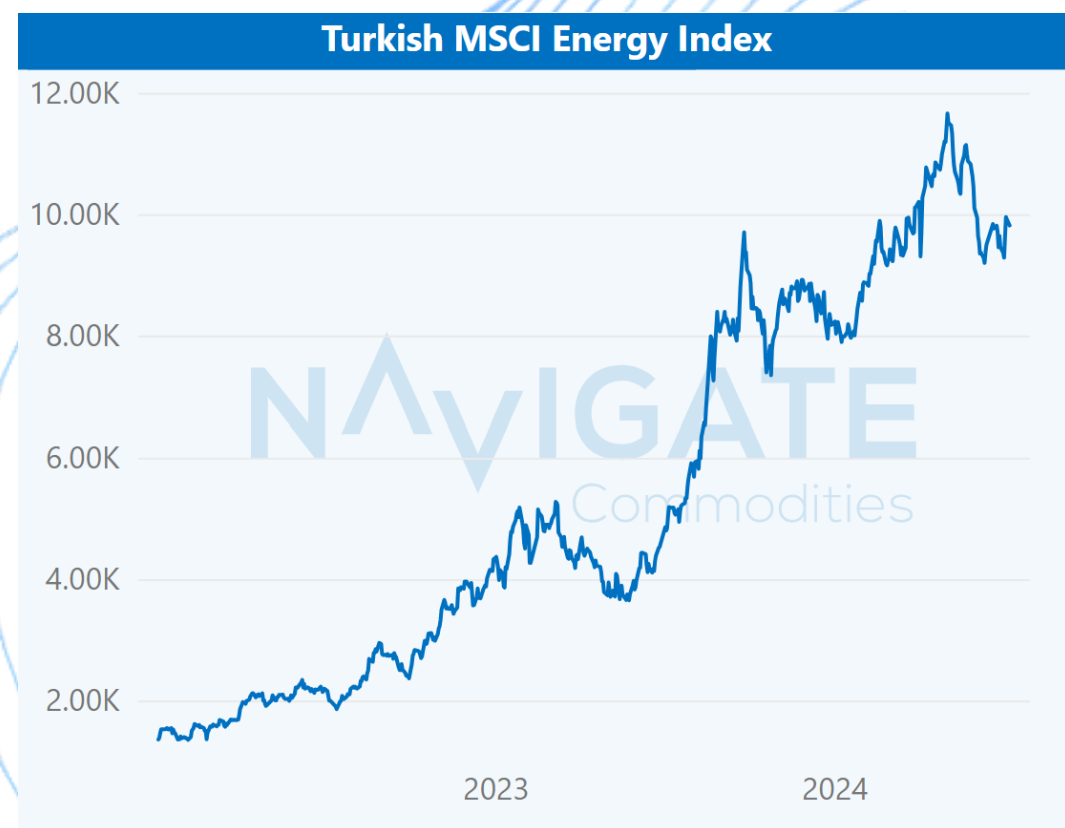
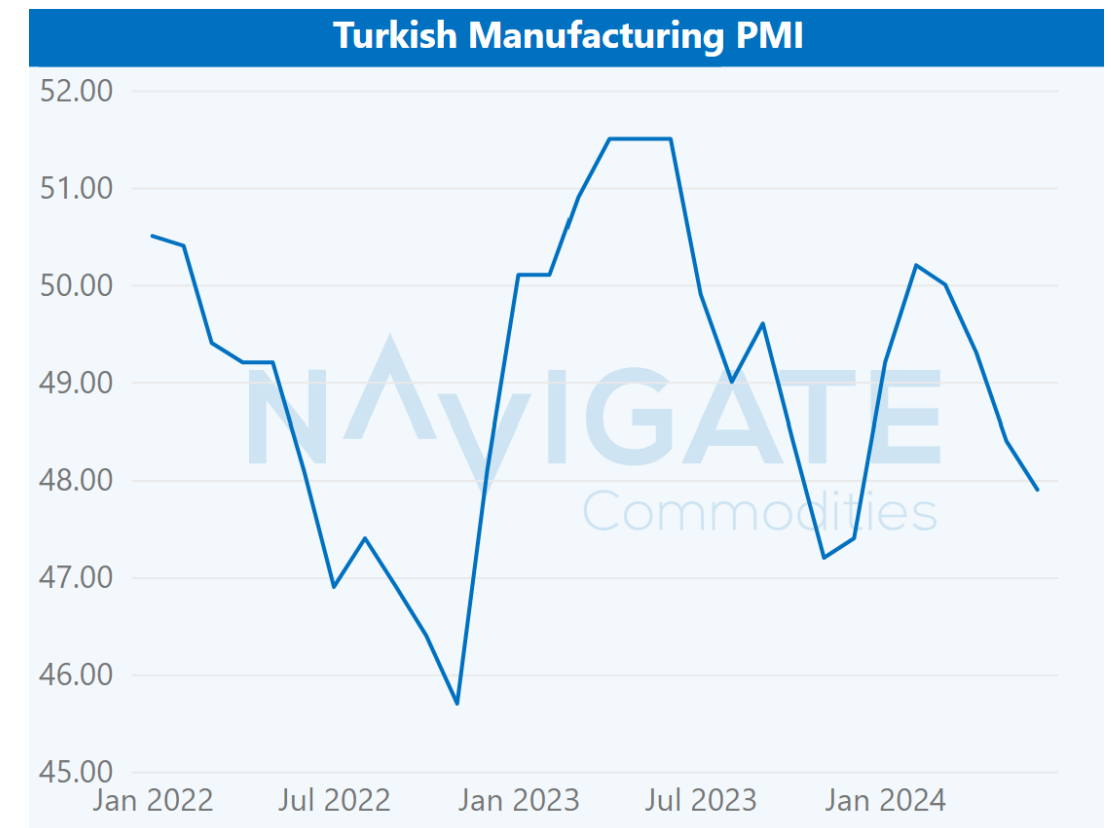
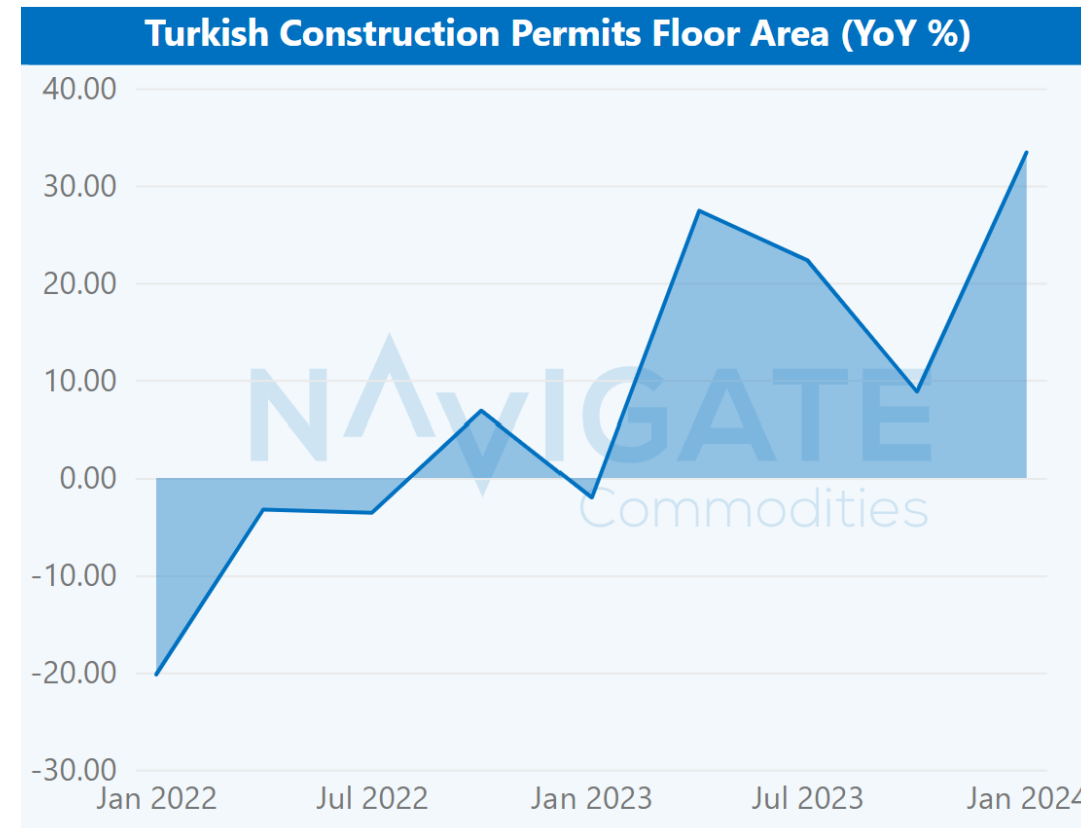
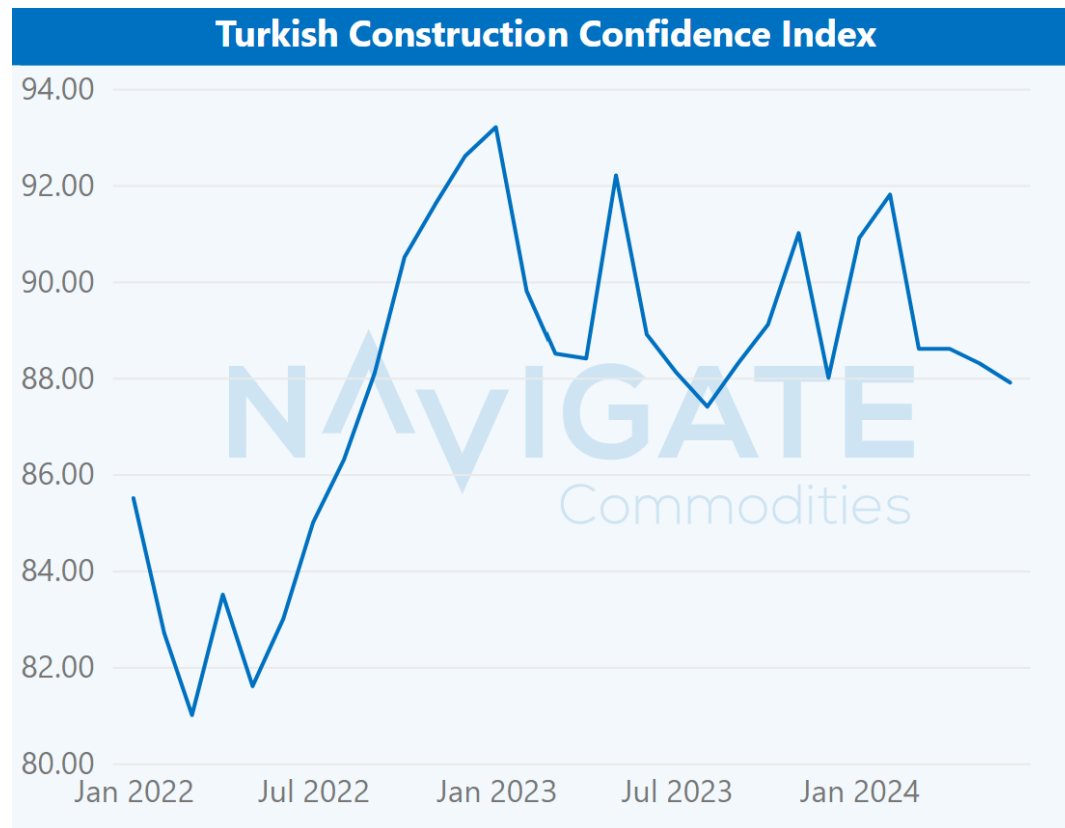
Türkiye

Turkish HMS 1&2 (80:20) prices continued to defy (our) belief & logic, climbing US\$8-12/t over the past month to US\$388-392/t CFR upon Türkiye's return from the near-week-long Eid-al-Adha religious holidays. As such, some major bulk Ferrous Scrap suppliers were able to capitalise on a situation whereby some Turkish Steel mills have been caught short of feedstock and had to pay a premium to book prompt cargoes. At the same time, it looks & feels as though most Turkish Steel producers have now lost a large degree of the purchasing power they had once commanded in this bilateral market. Given only a fraction of the country's electric arc furnace (EAF)-intensive capacity in Nemrut and Iskenderun were operational over the past month, this has clearly undermined their negotiating position. Moreover, increasing input costs are proving to be incredibly challenging for Turkish Steel producers to pass on to end users due to abysmal downstream demand. These sentiments were echoed in the Central Bank of the Republic of Türkiye's interest rate decision statement, where "recent indicators confirm domestic demand...continues to slow". Financial markets now anticipate that persistent inflation risks have pushed back expectations of interest rate cuts to either late this year or early next year. More pertinently, while the continuation of tighter monetary policy for longer is critical to ensure disinflation continues into 2025 and beyond, it will also serve to suppress excess domestic consumption.

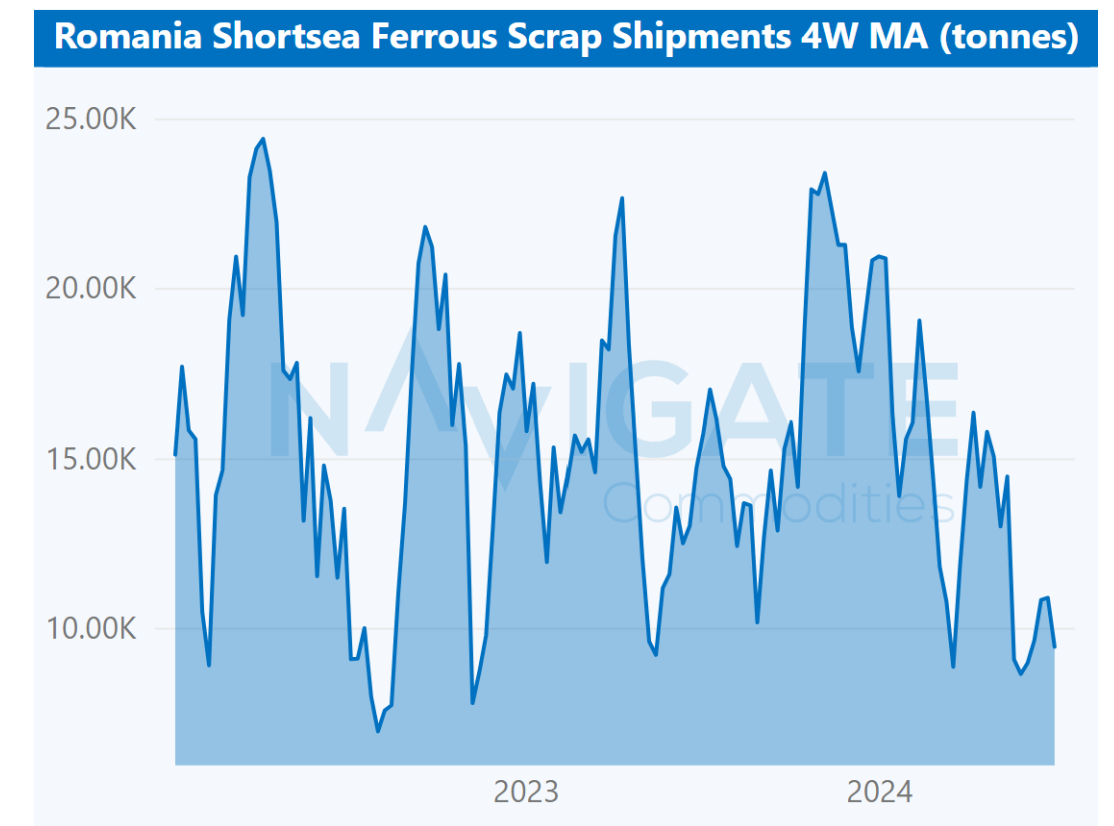
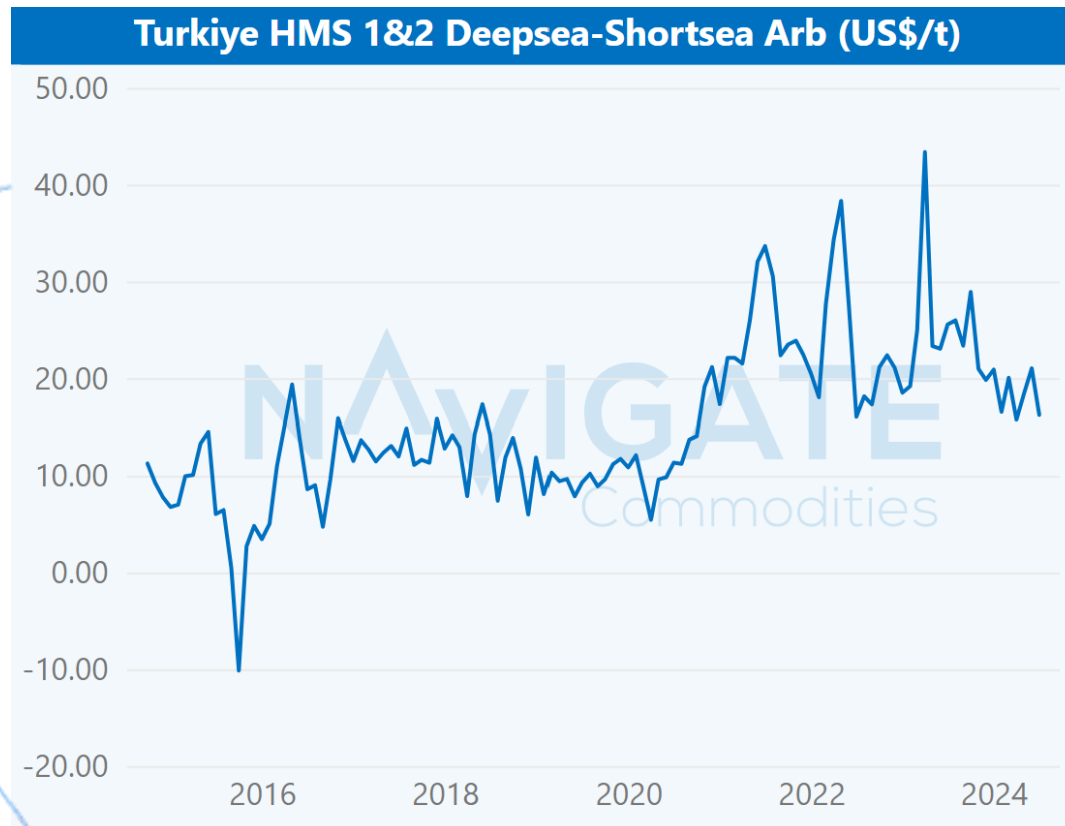
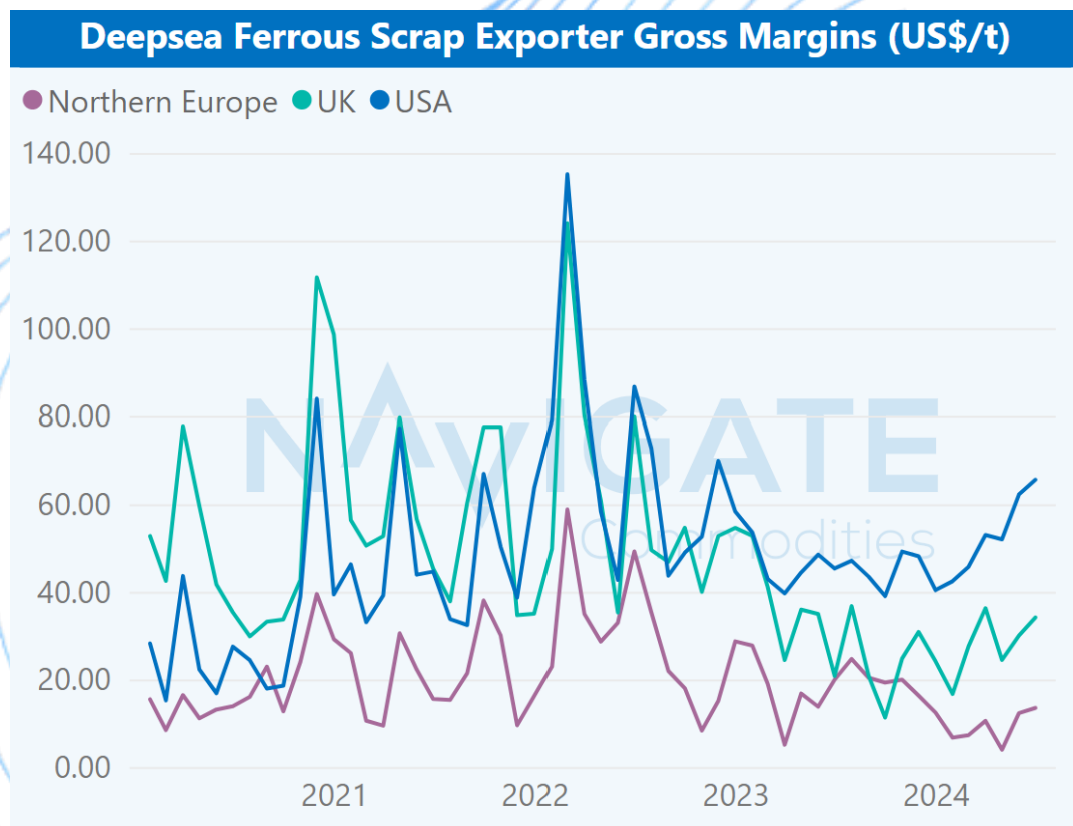
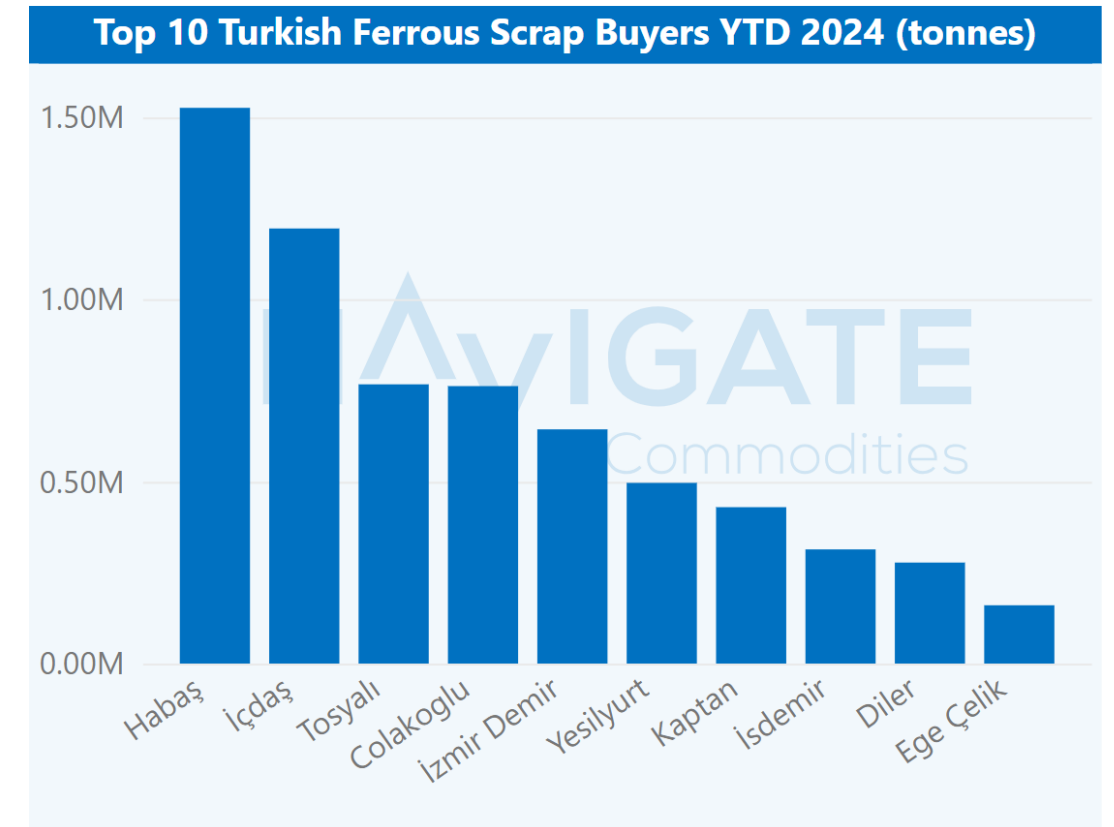
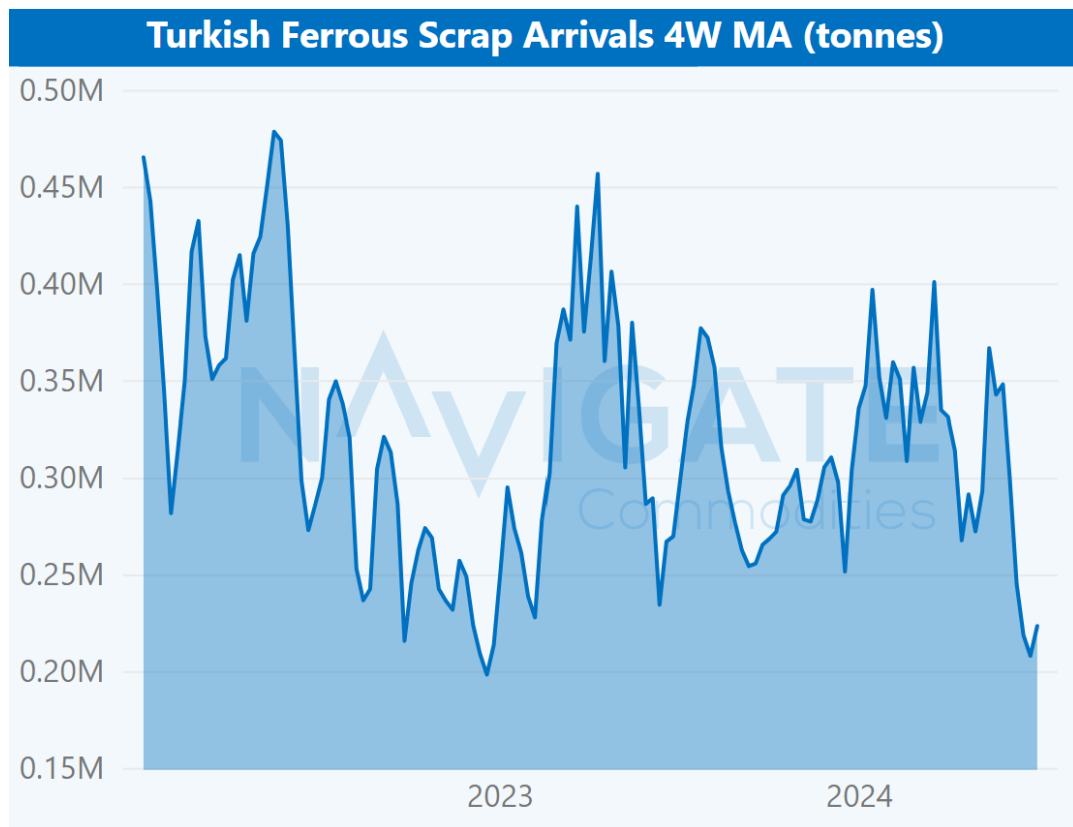
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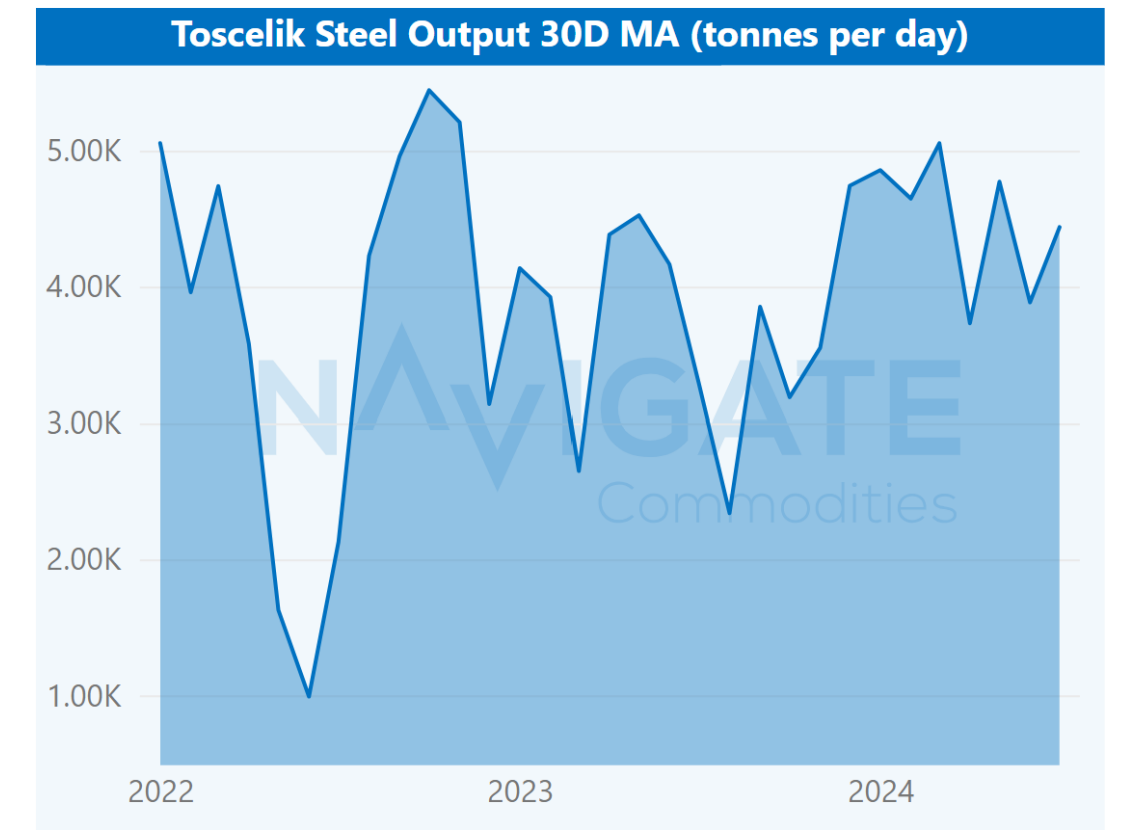
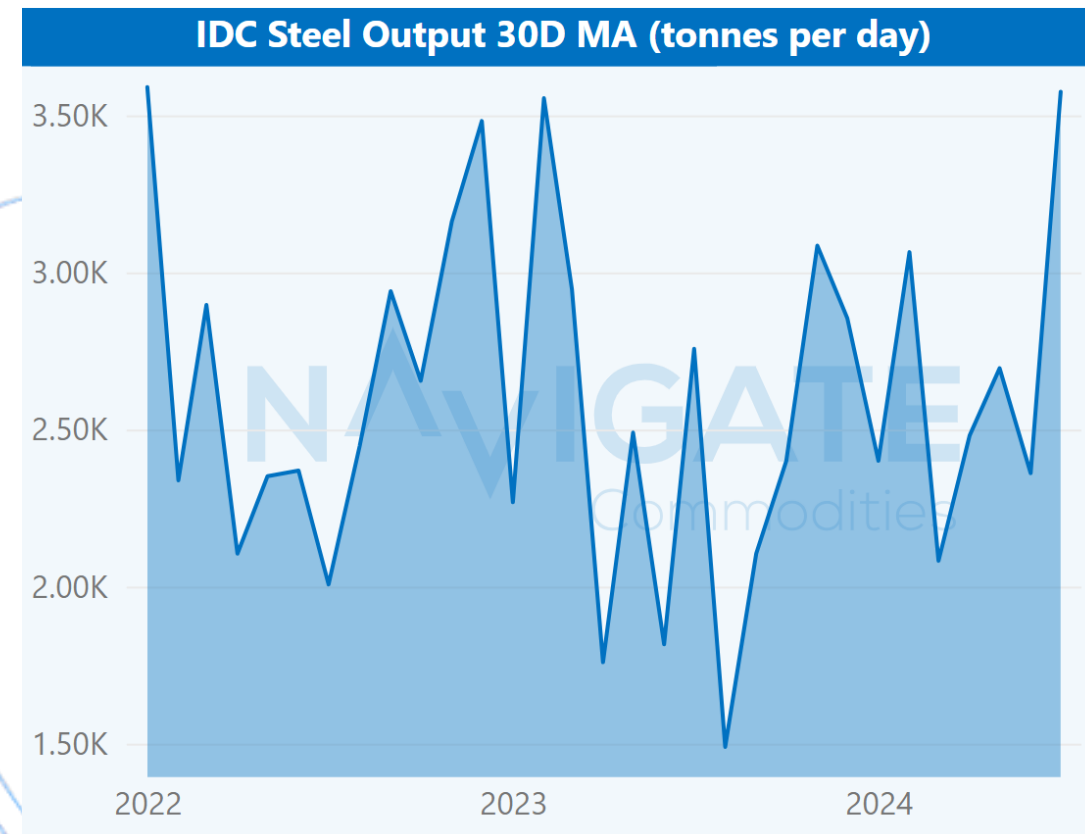
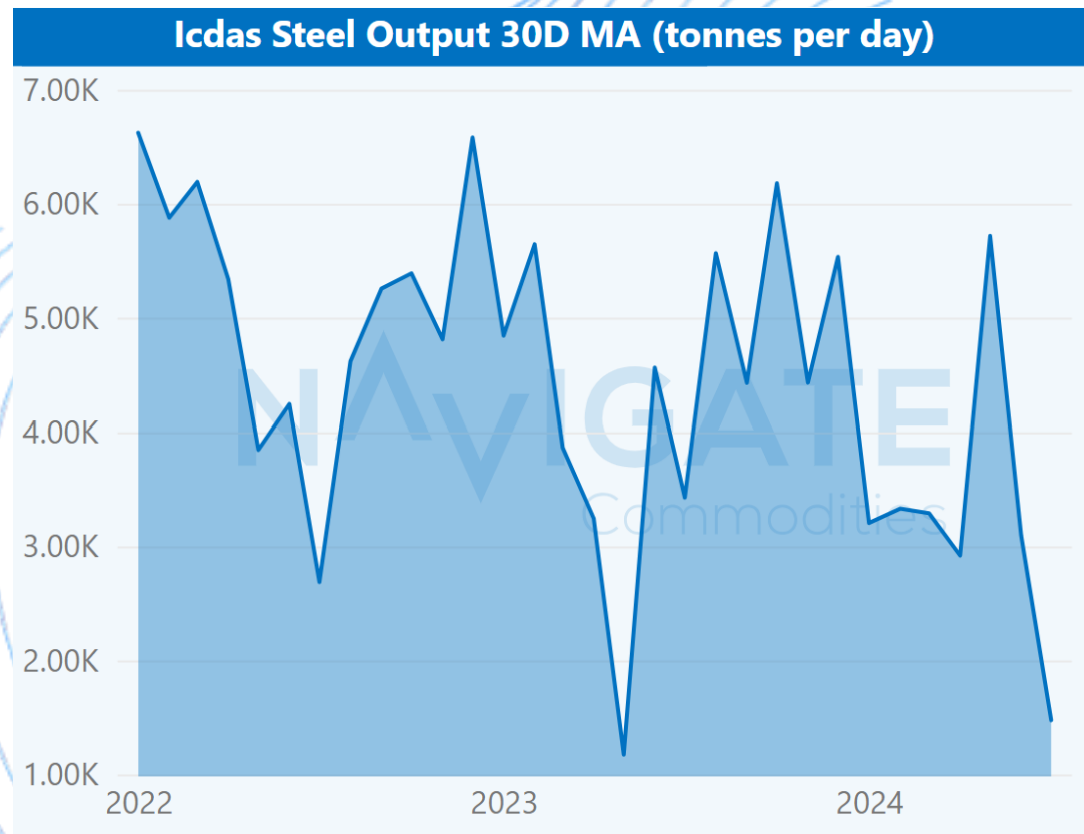
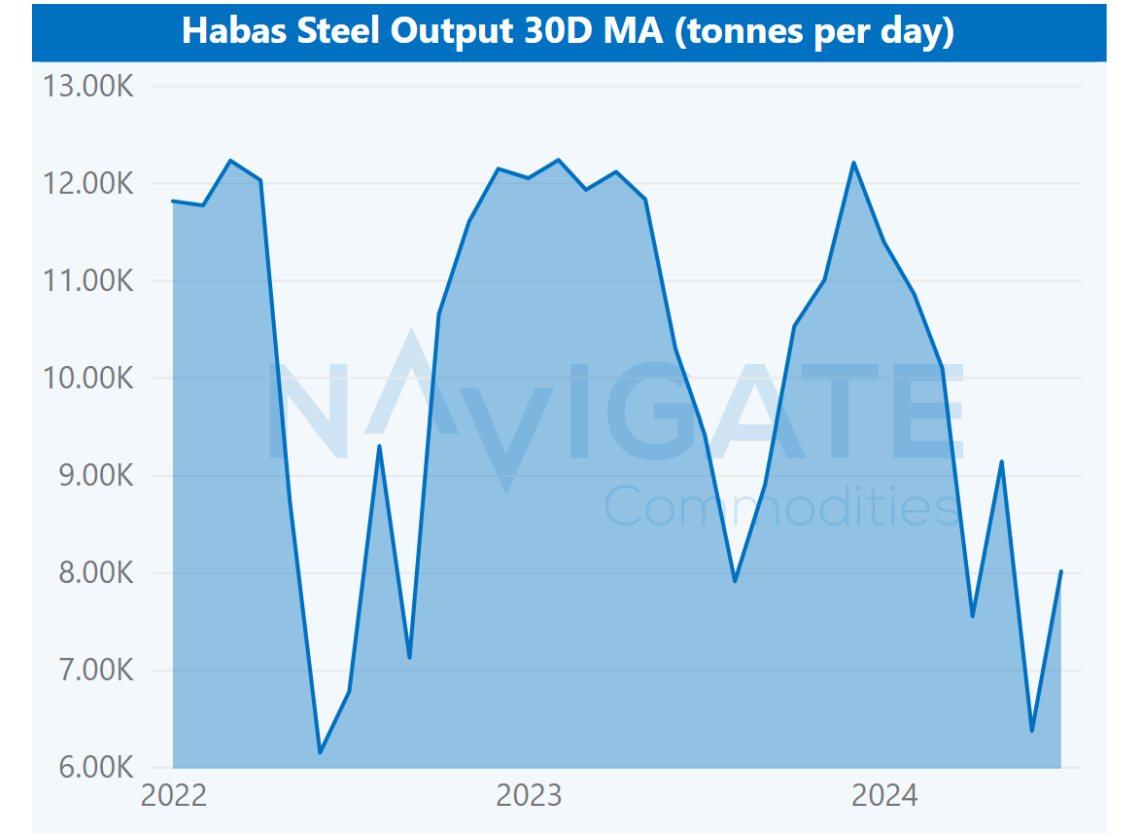
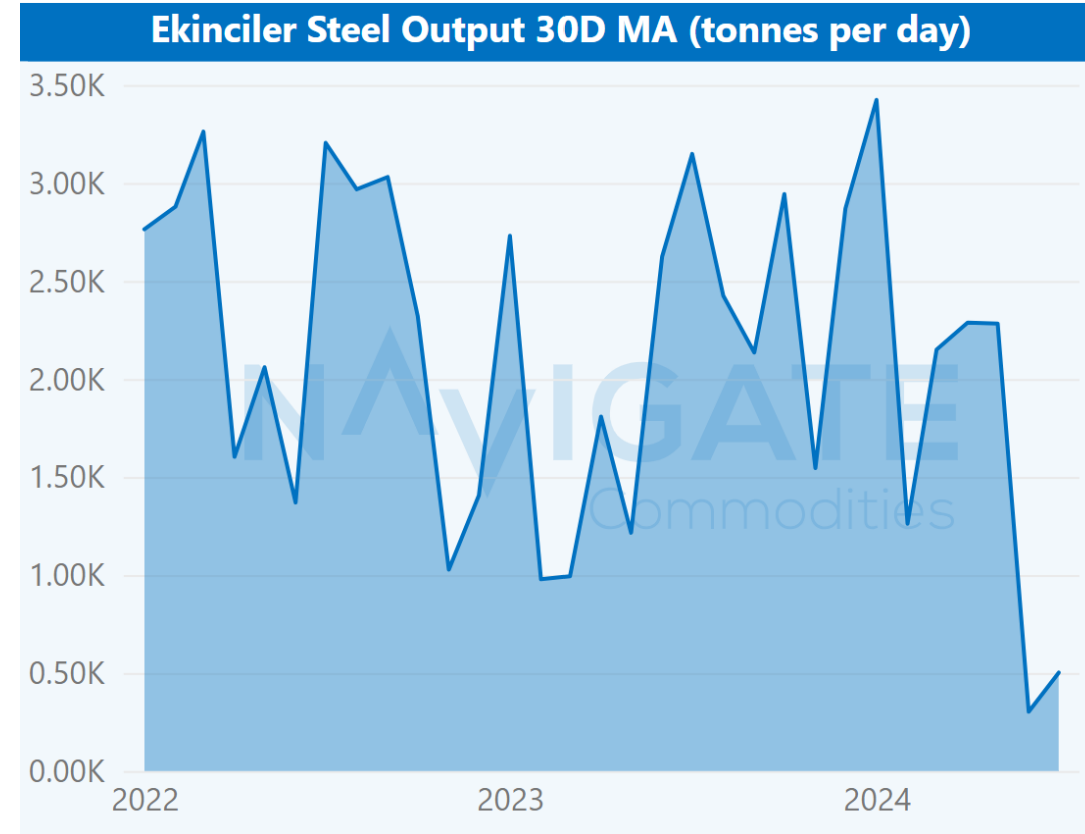
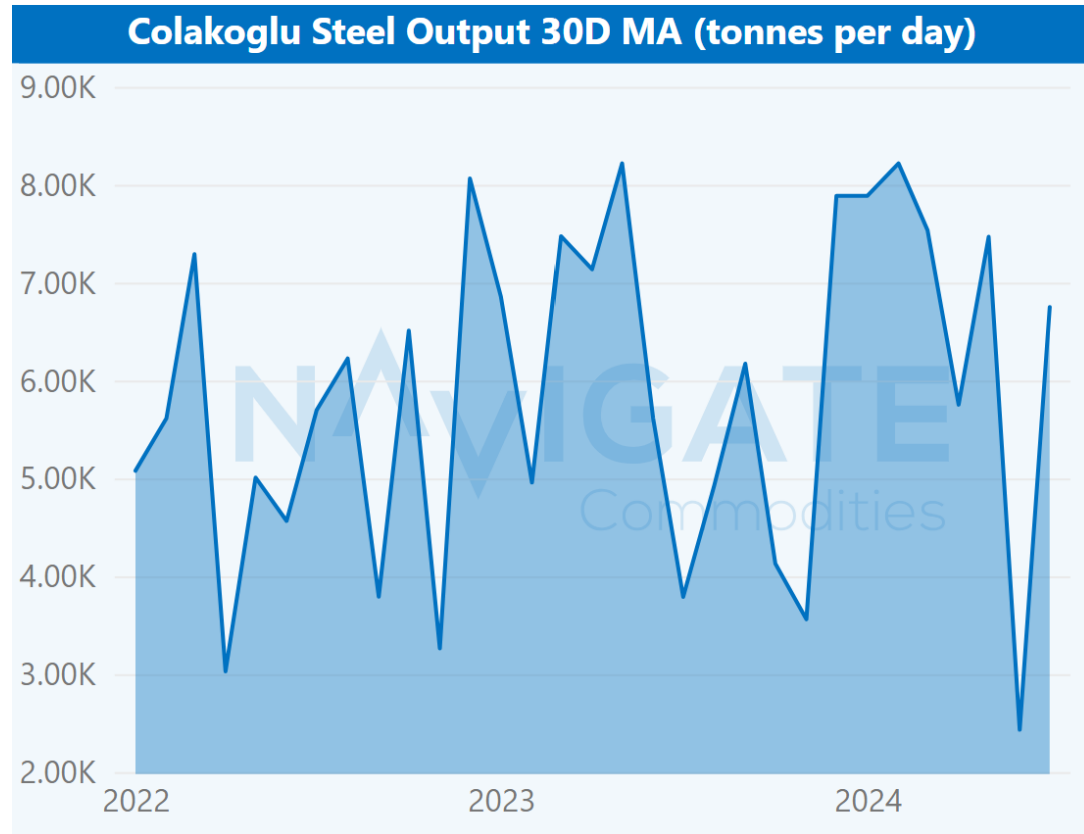
Source: Earth-i, Navigate Commodities



Source: Earth-i, Navigate Commodities, Bloomberg



Source: Earth-i, Navigate Commodities, Bloomberg





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