

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.

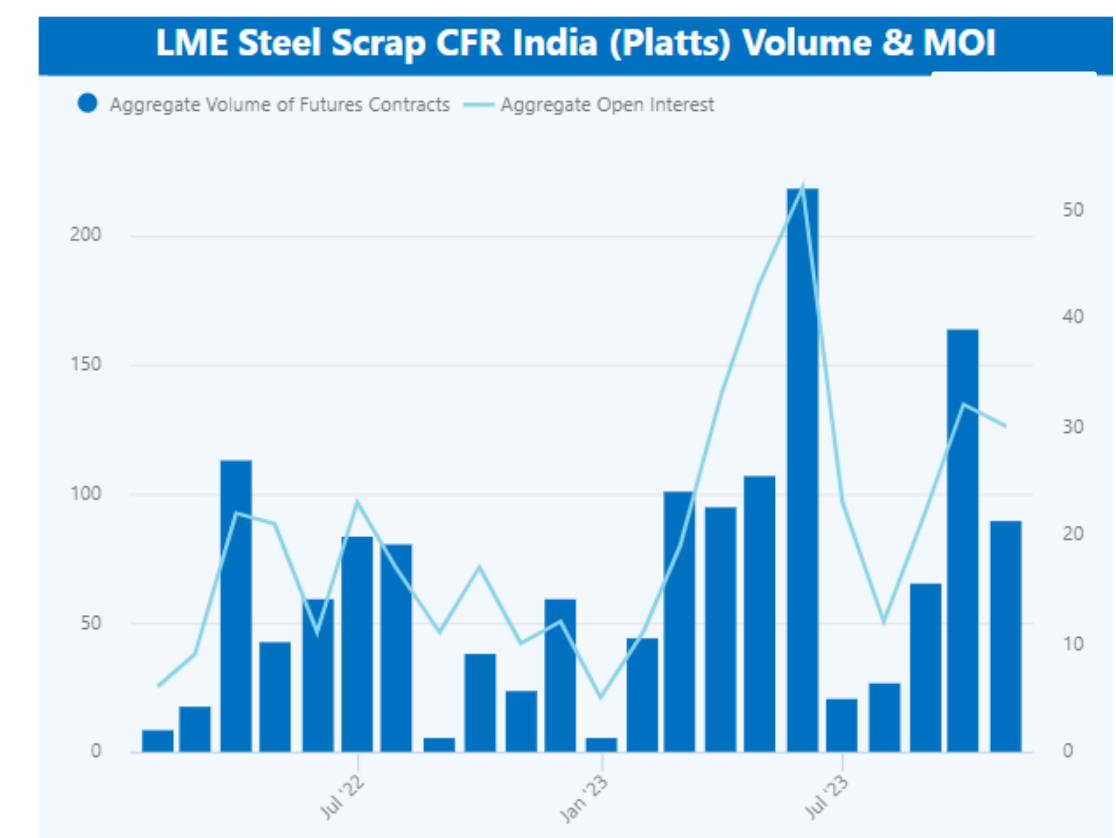
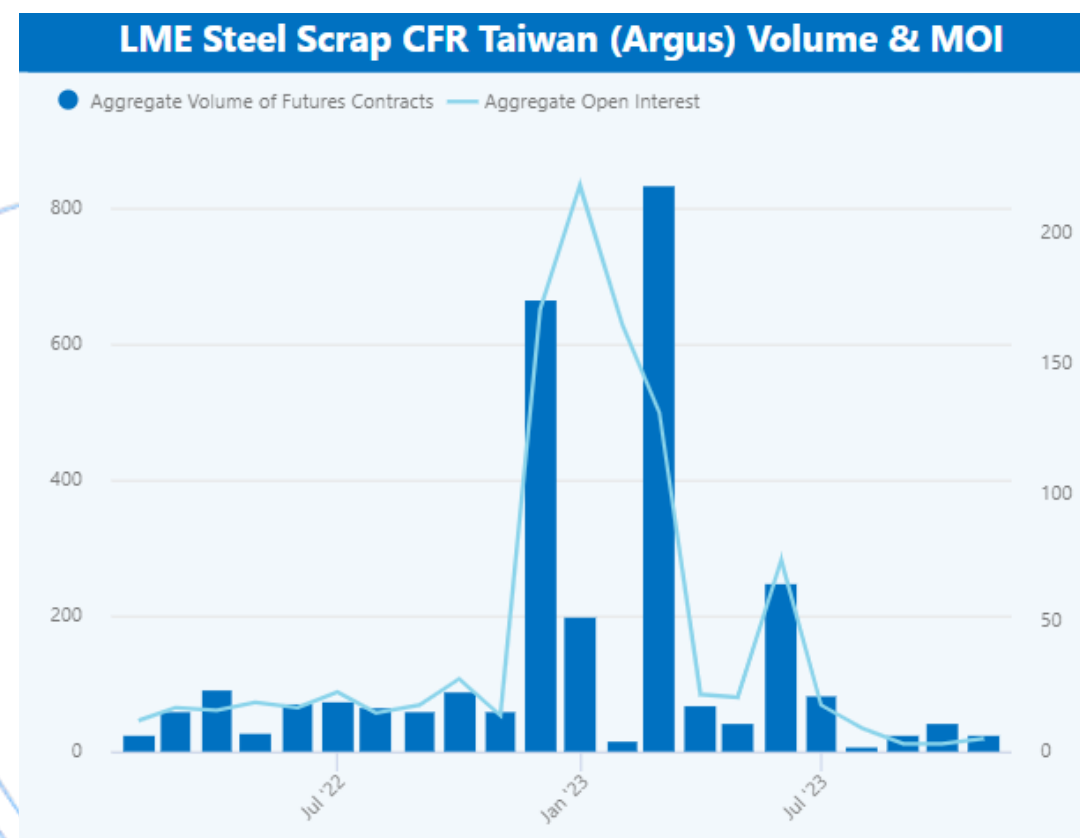
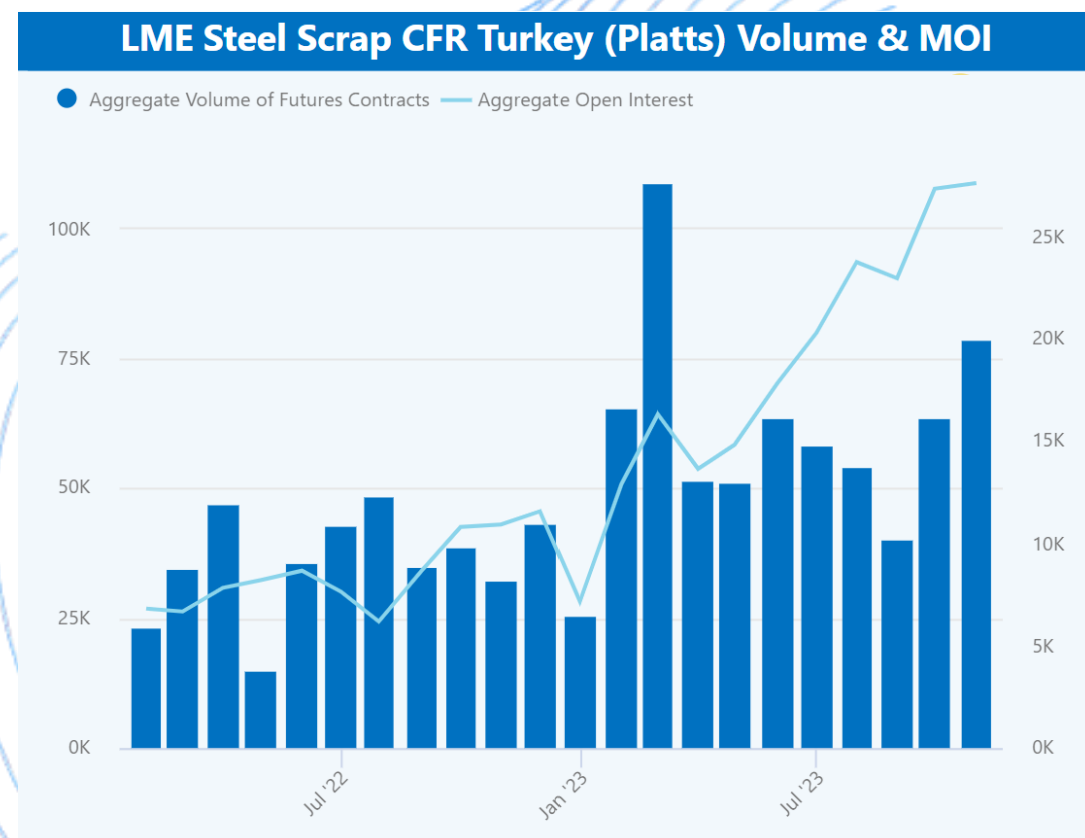
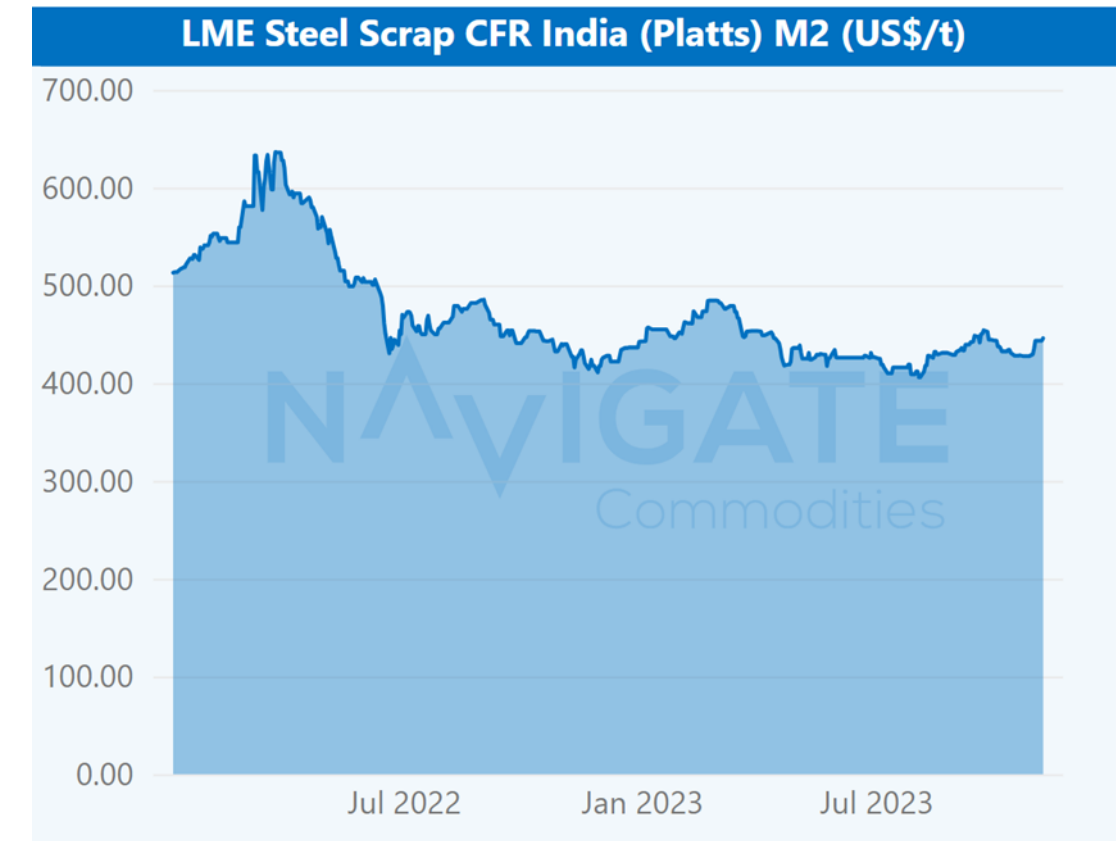
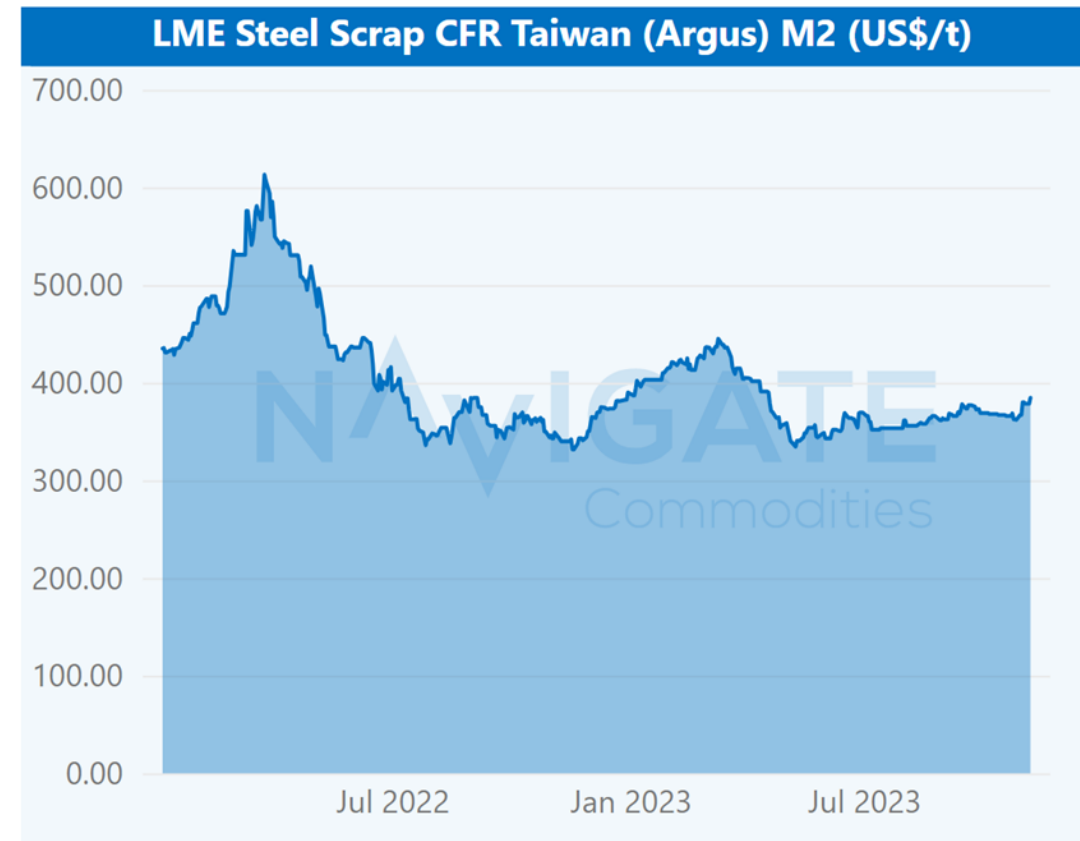
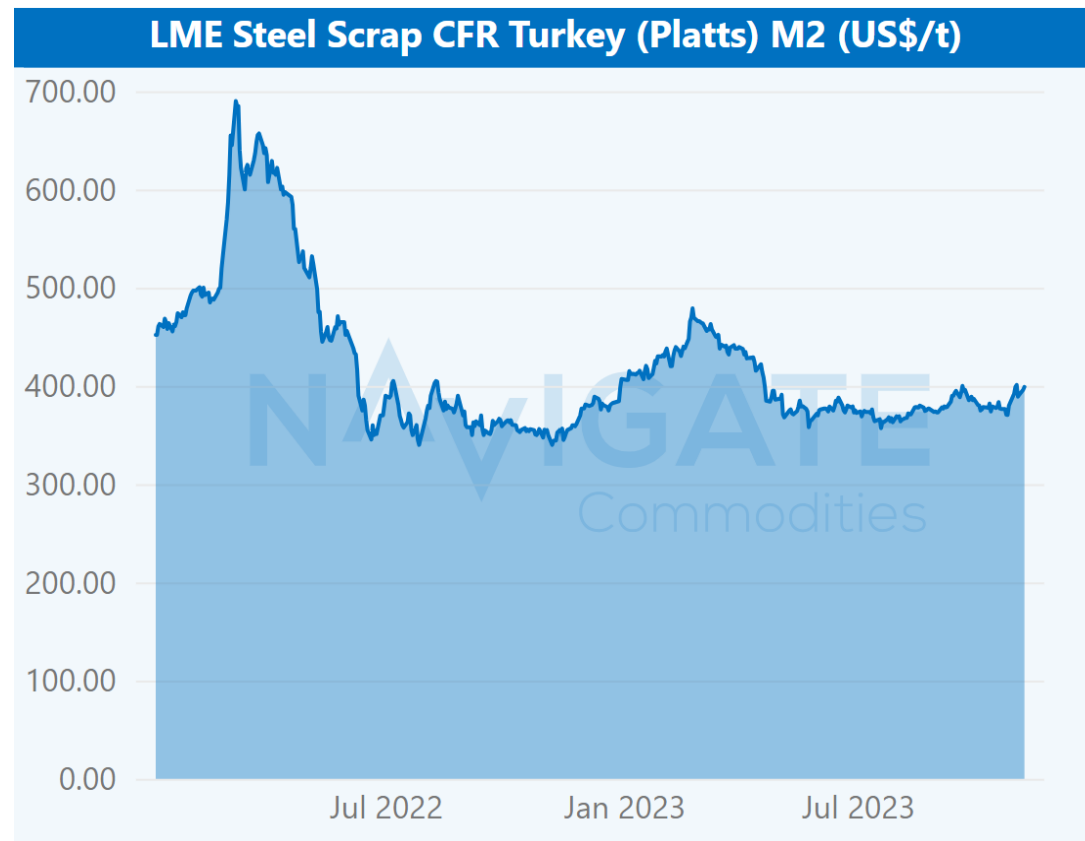
This report includes a wealth of data and provides commentary on supply chains from the key steel scrap markets of Turkey, India, and Taiwan.

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



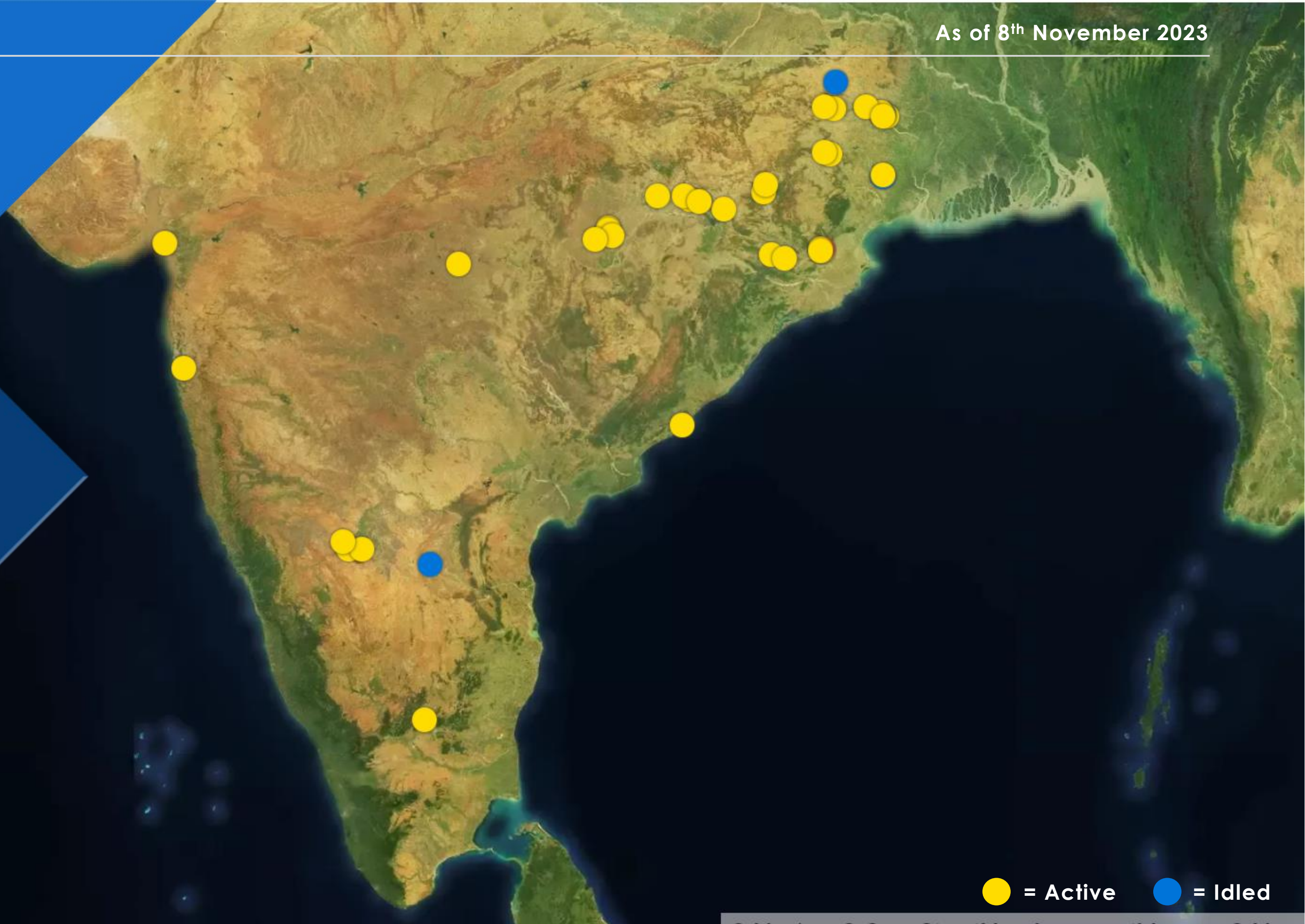




India Steel Scrap Market Overview



As of 8th November 2023



● = Active ● = Idled

India

We've witnessed a remarkable recovery in daily Indian electric arc furnace (EAF) Steel smelting over the past month, with the activity index jumping 23.05pts to 90.65pts on 8th November 2023.

However, resurgence in corresponding activity coming from the country's more dominant Blast Furnace-Basic Oxygen (BF/BOF) Steel production route has tailed off somewhat in early November after its initial exuberance in August to October.

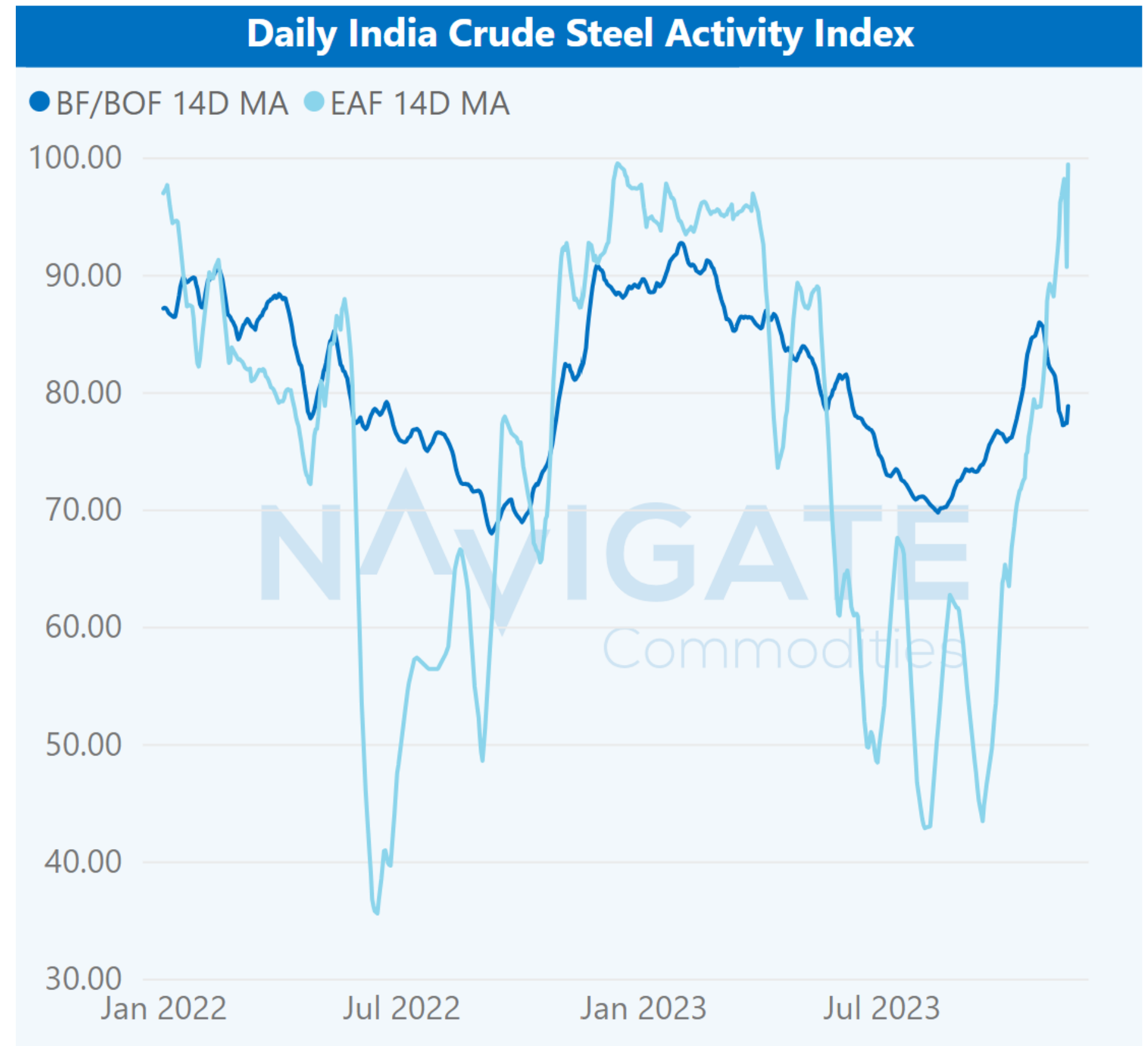
This is also largely evident in the premiums for Indian Shredded Ferrous Scrap over equivalent Turkish grades, which have contracted US\$18.25/t from an average of US\$28.45/t in October 2023 to US\$10.20/t in early November.

It's highly plausible that the developments in South Asian Ferrous Scrap benchmarks, particularly in India, have partially lagged the recent and more dramatic pricing action witnessed in Turkish markets.

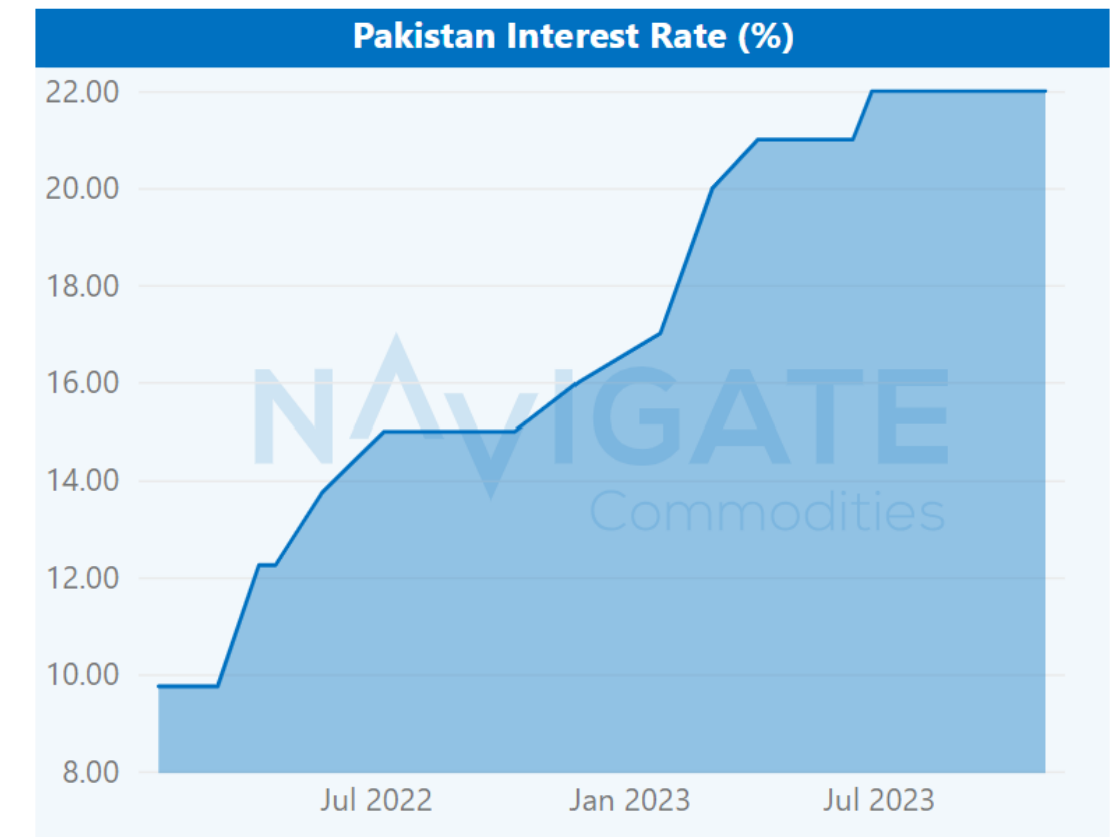
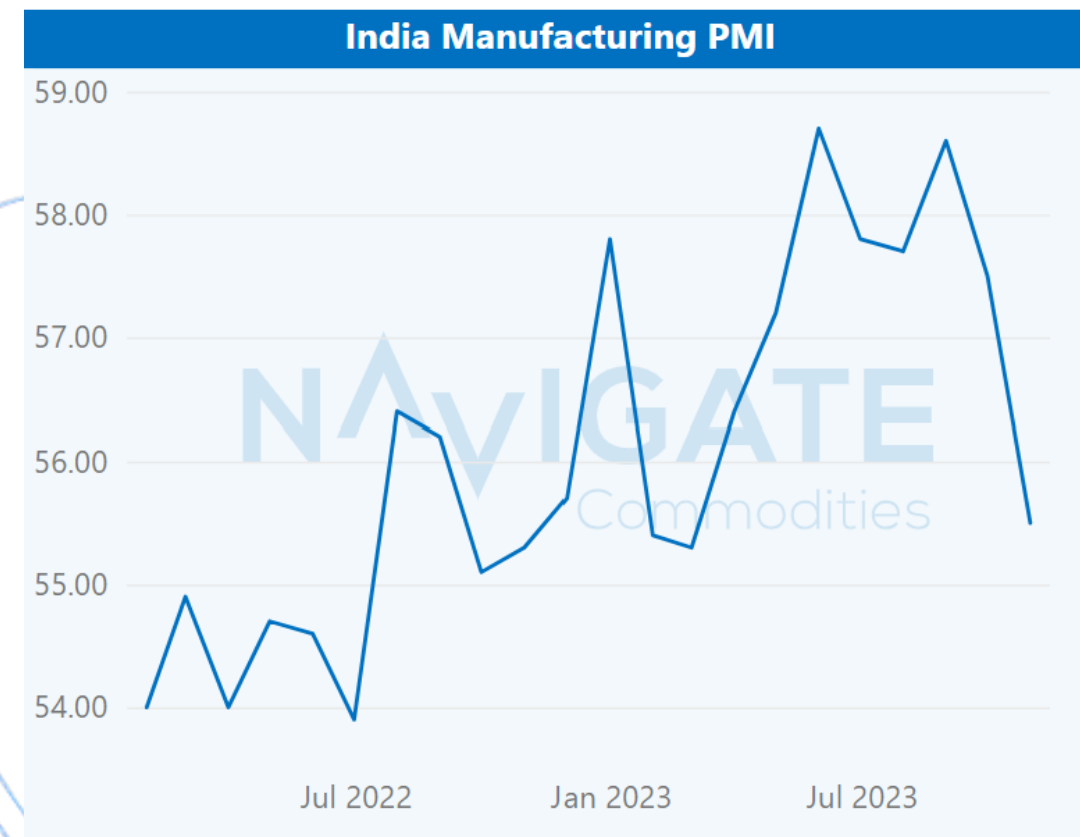
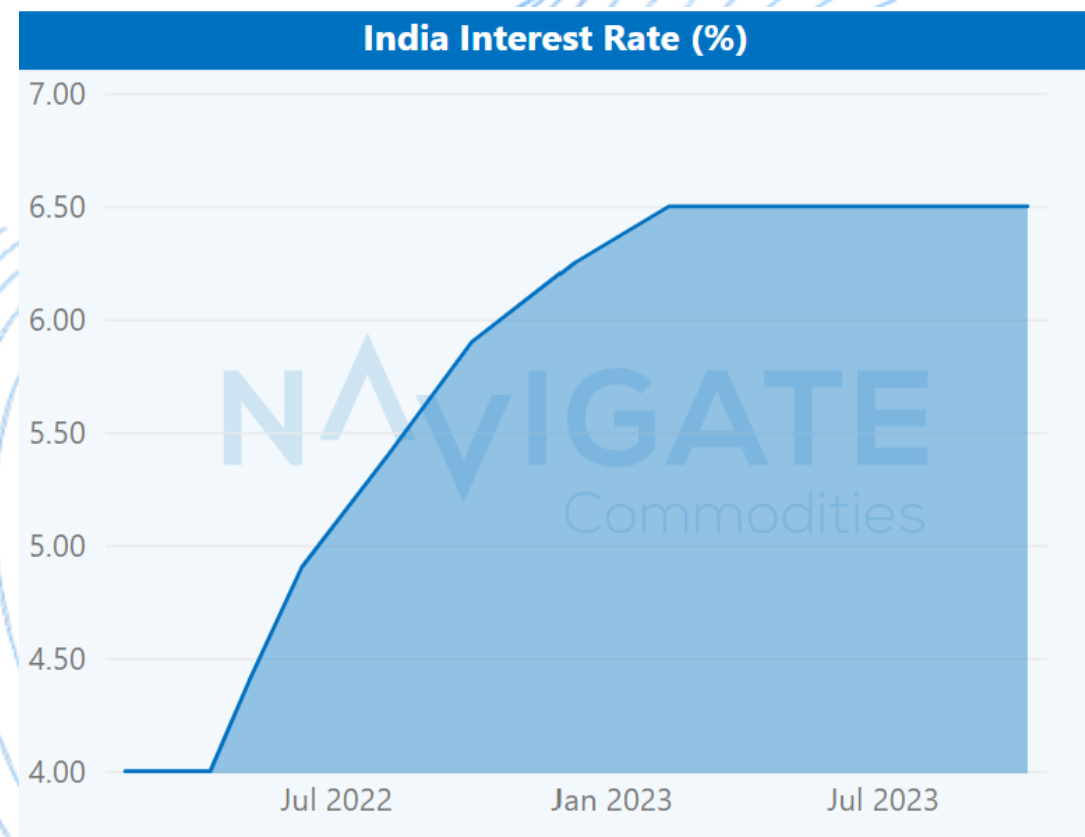
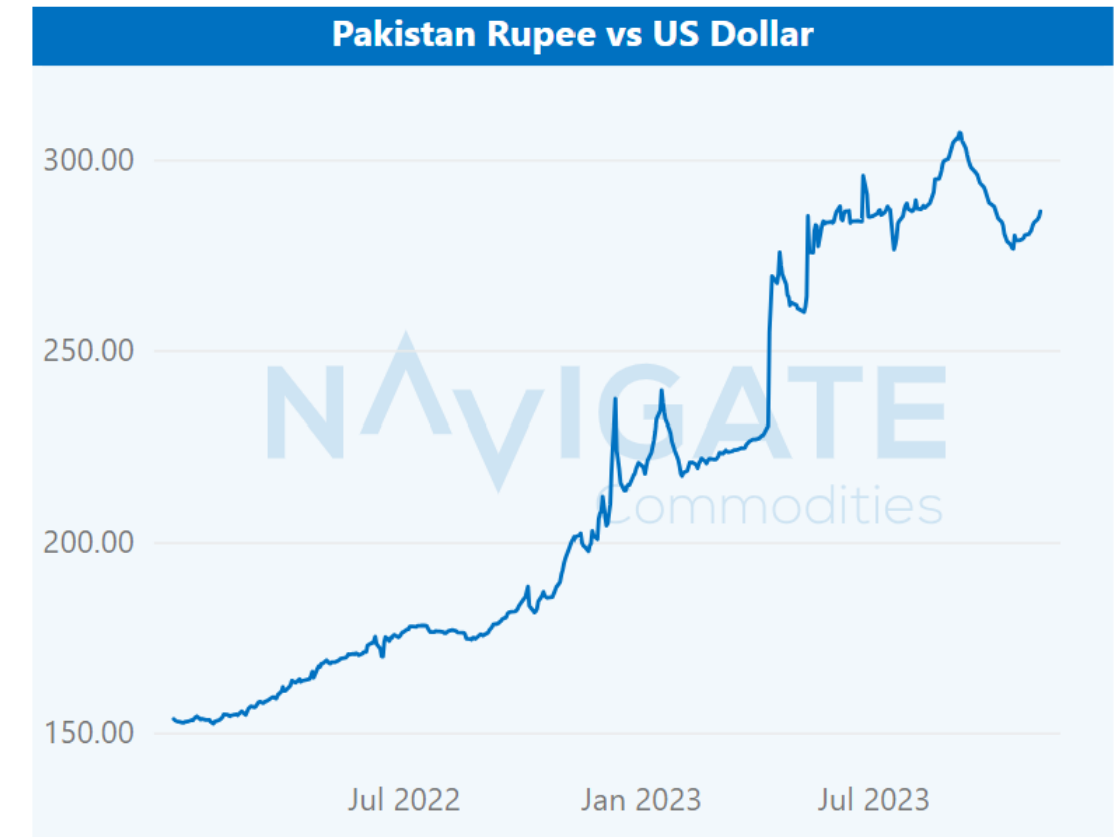
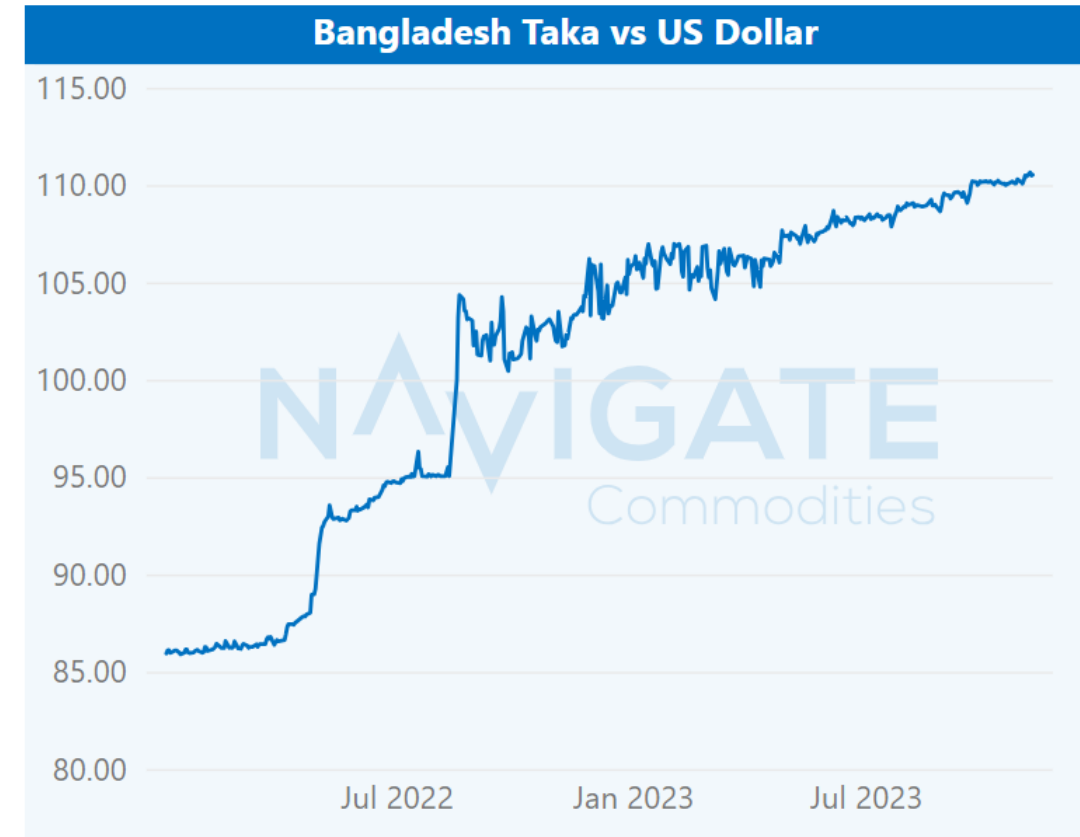
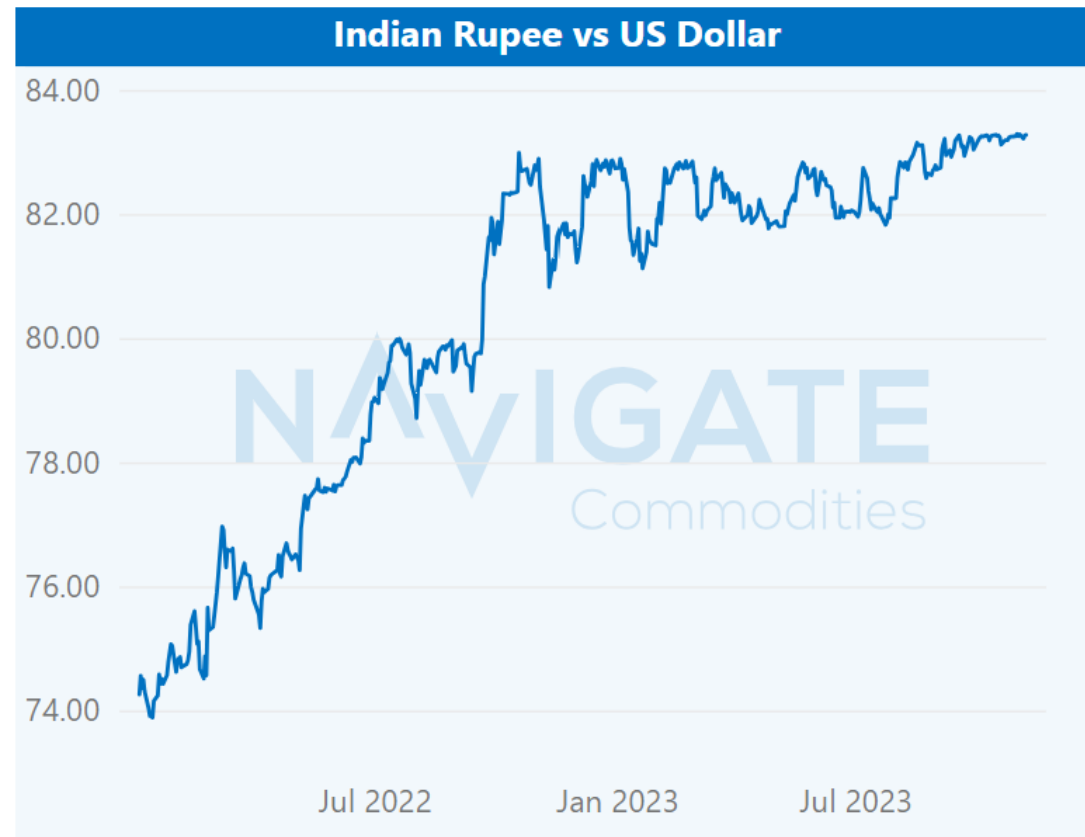
We believe the main determining factor was the surprising correction in domestic manufacturing activity as evidenced by the country's Manufacturing PMI, which dropped to 55.50pts in October from 57.50pts the previous month.

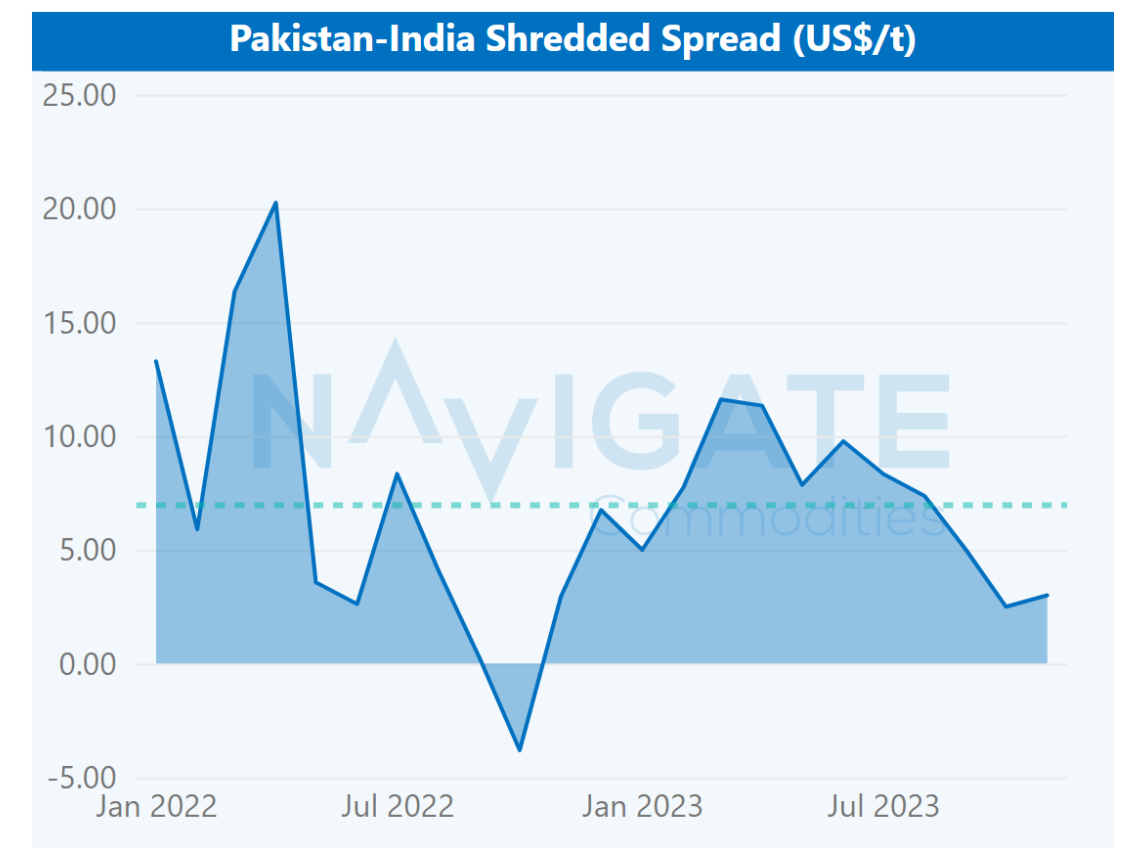
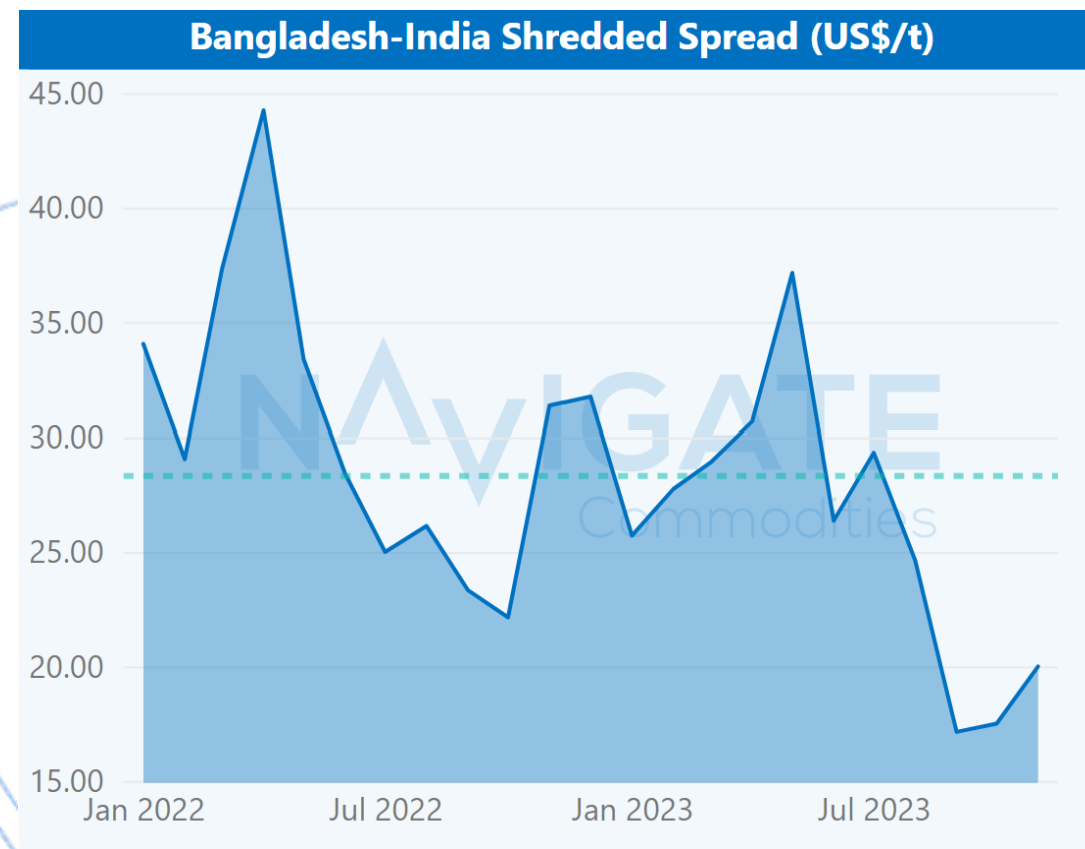
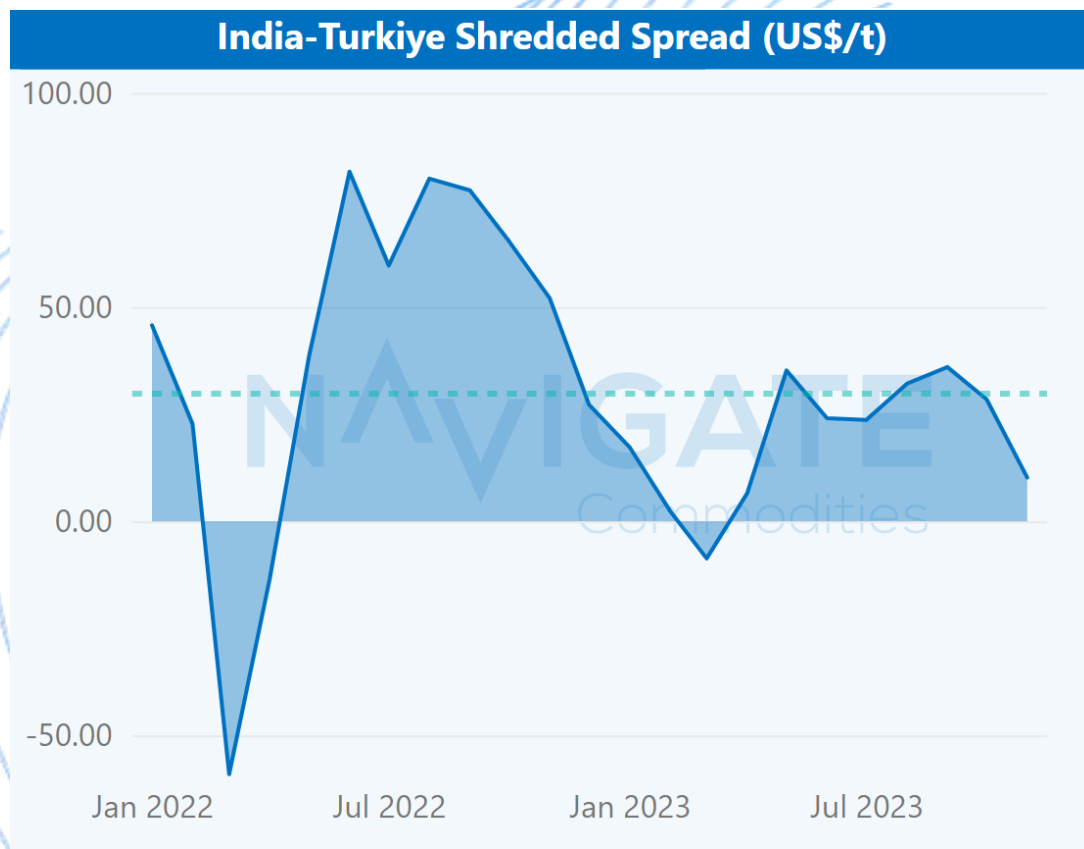
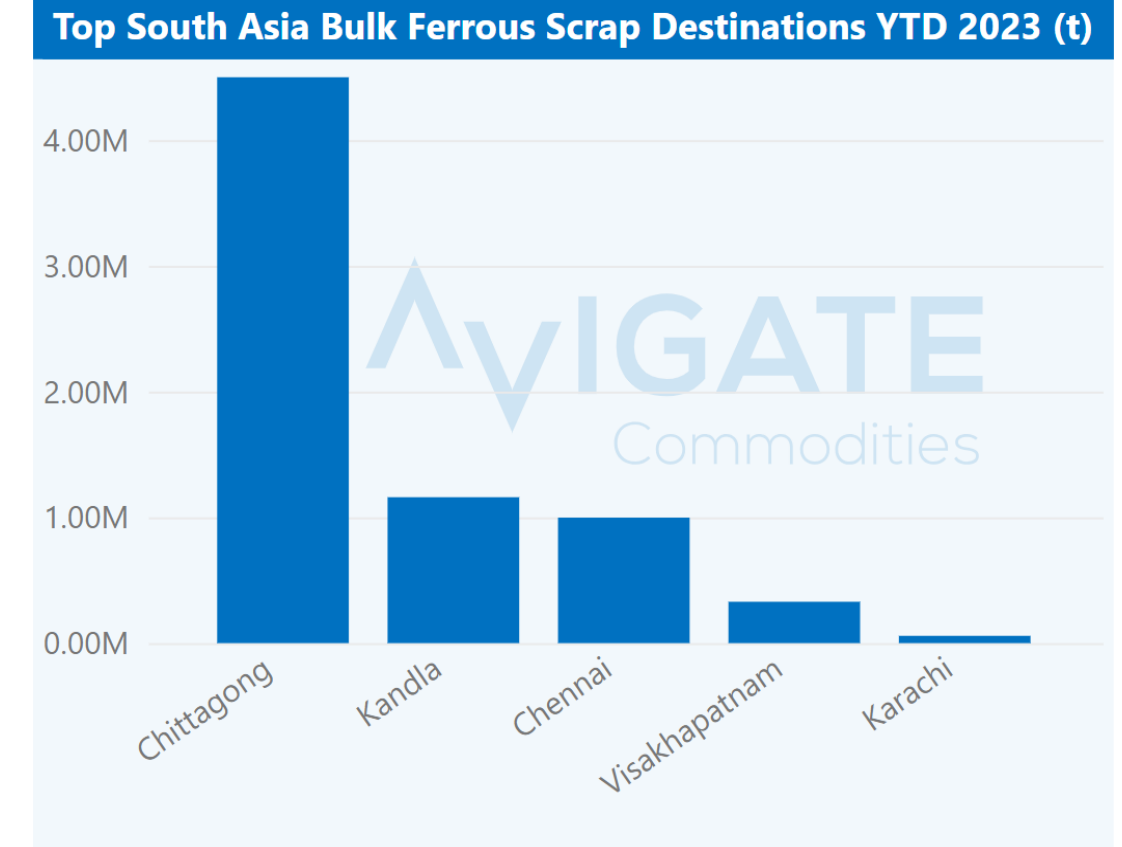
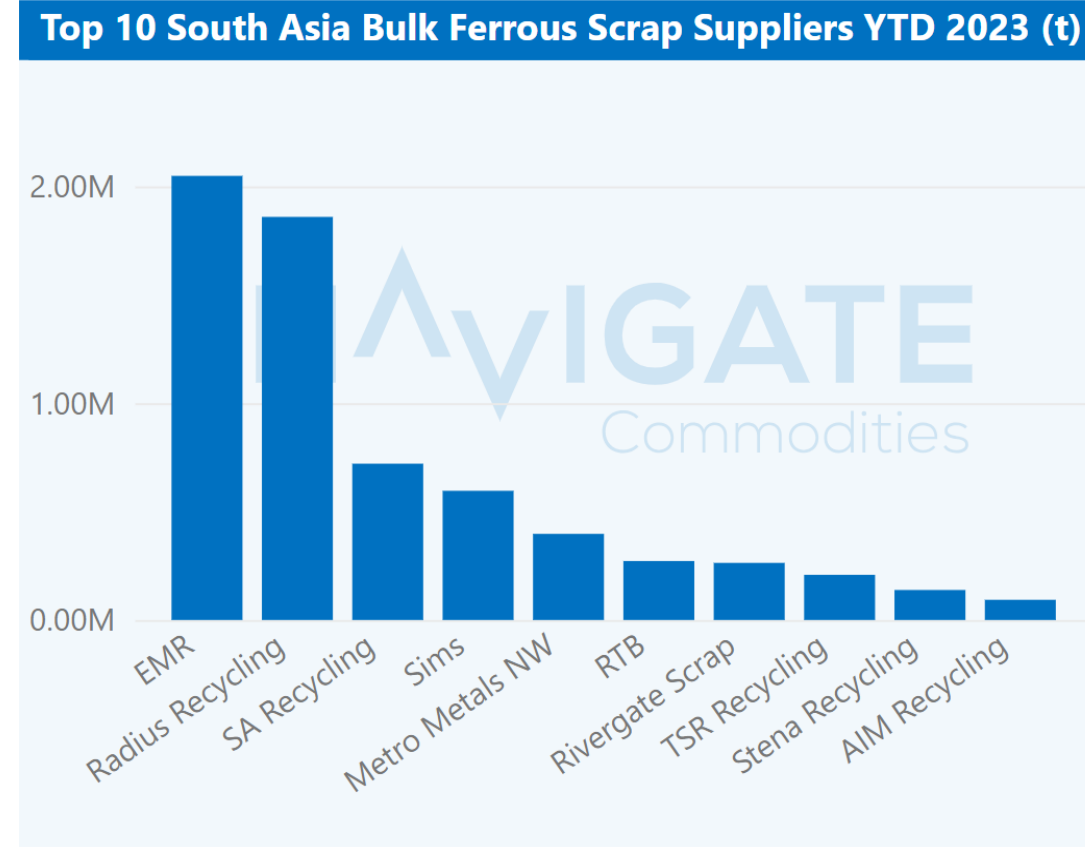
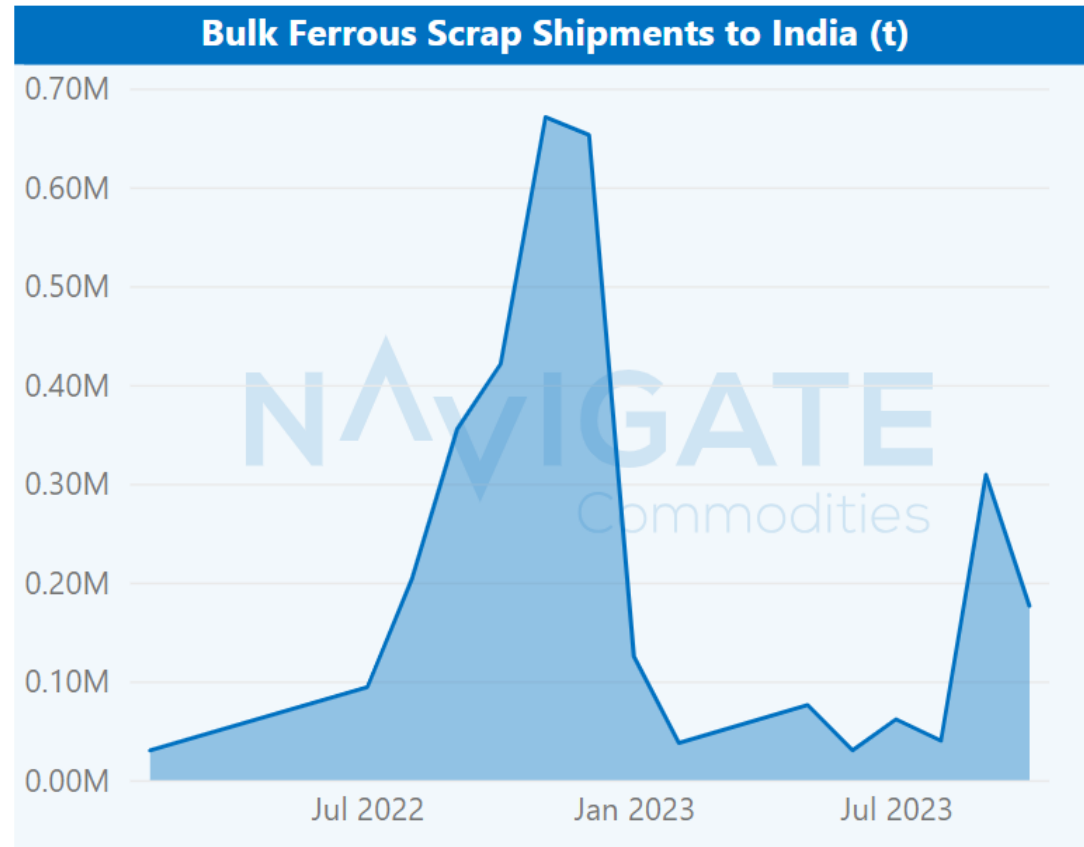
This could partly be a function of hawkish interest rates aimed at suppressing excess demand to keep a lid on inflation and any further depreciation in the Indian Rupee.

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).

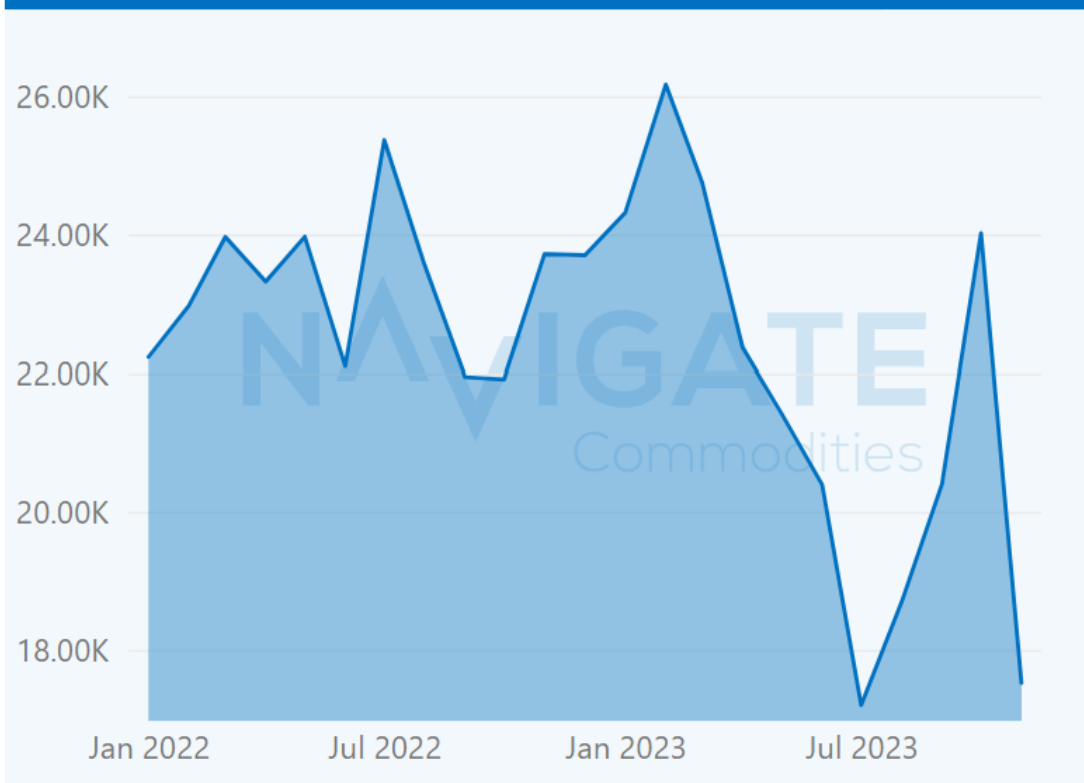


Source: Earth-i, Navigate Commodities

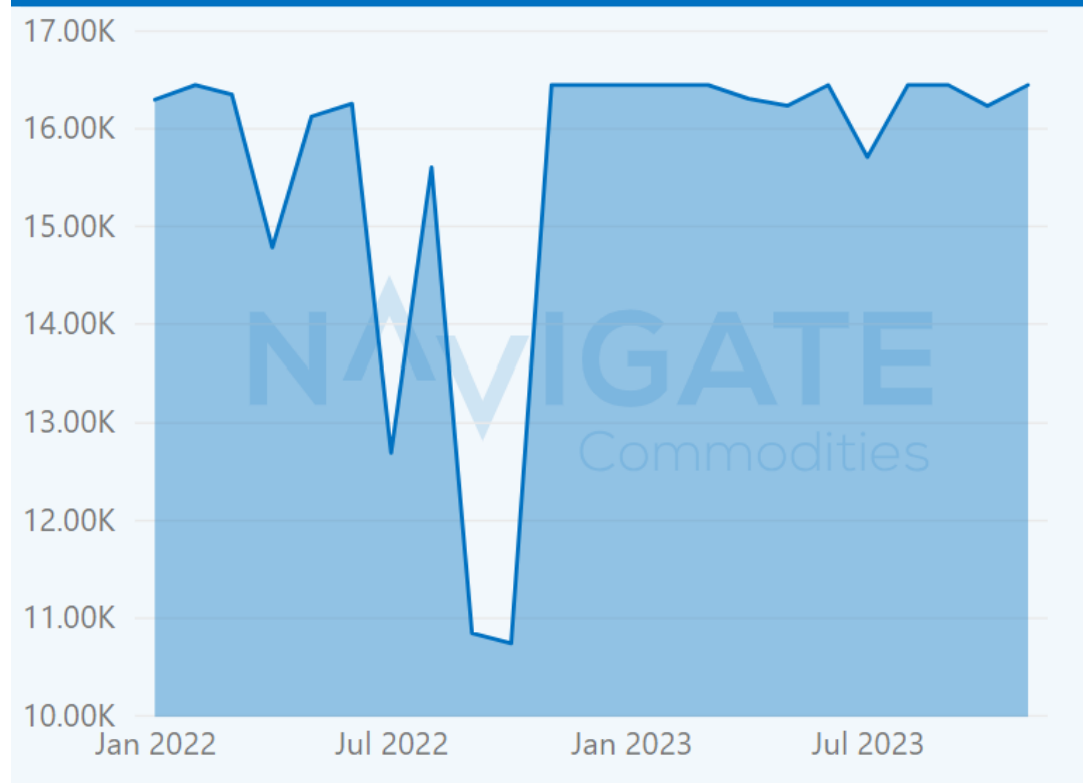




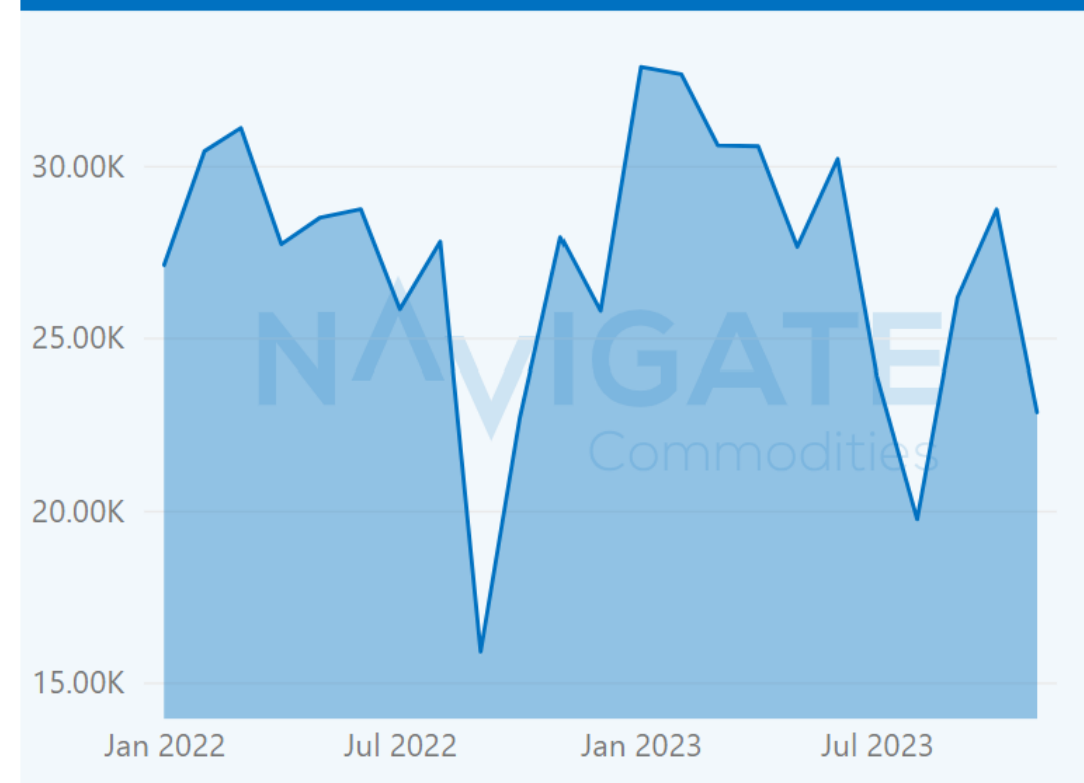
ArcelorMittal Nippon Steel Output 30D MA (tonnes per day)



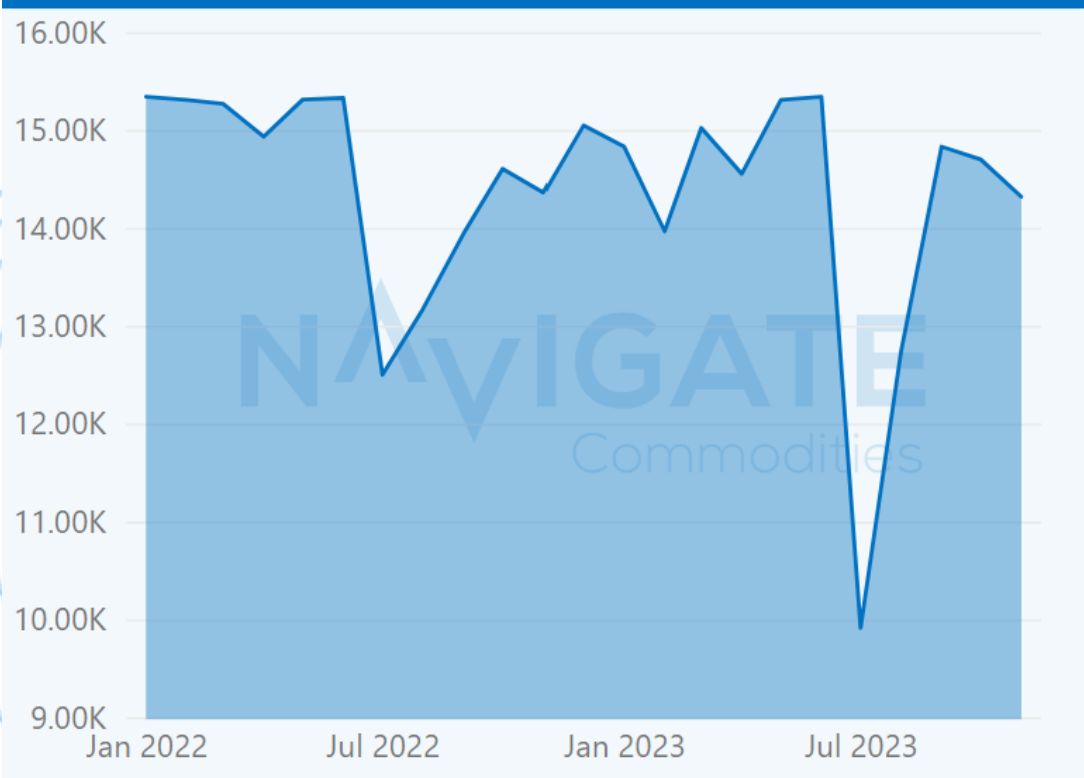
JSPL Odisha Steel Output 30D MA (tonnes per day)



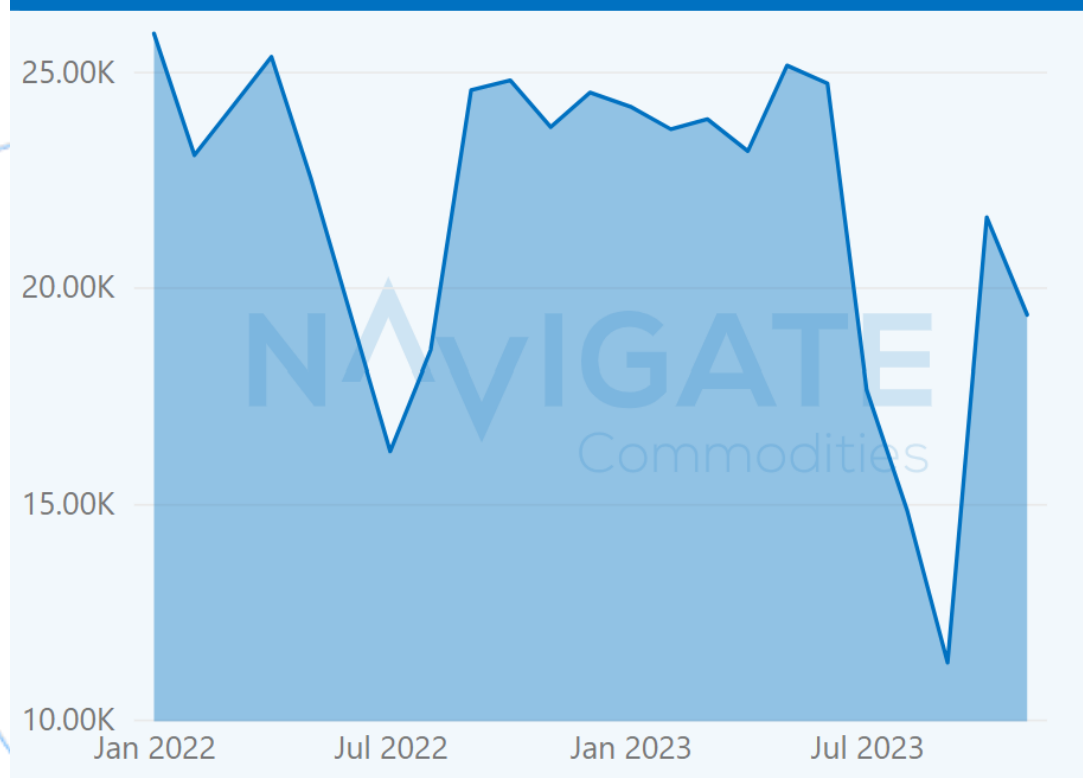
JSW Vijayanagar Steel Output 30D MA (tonnes per day)



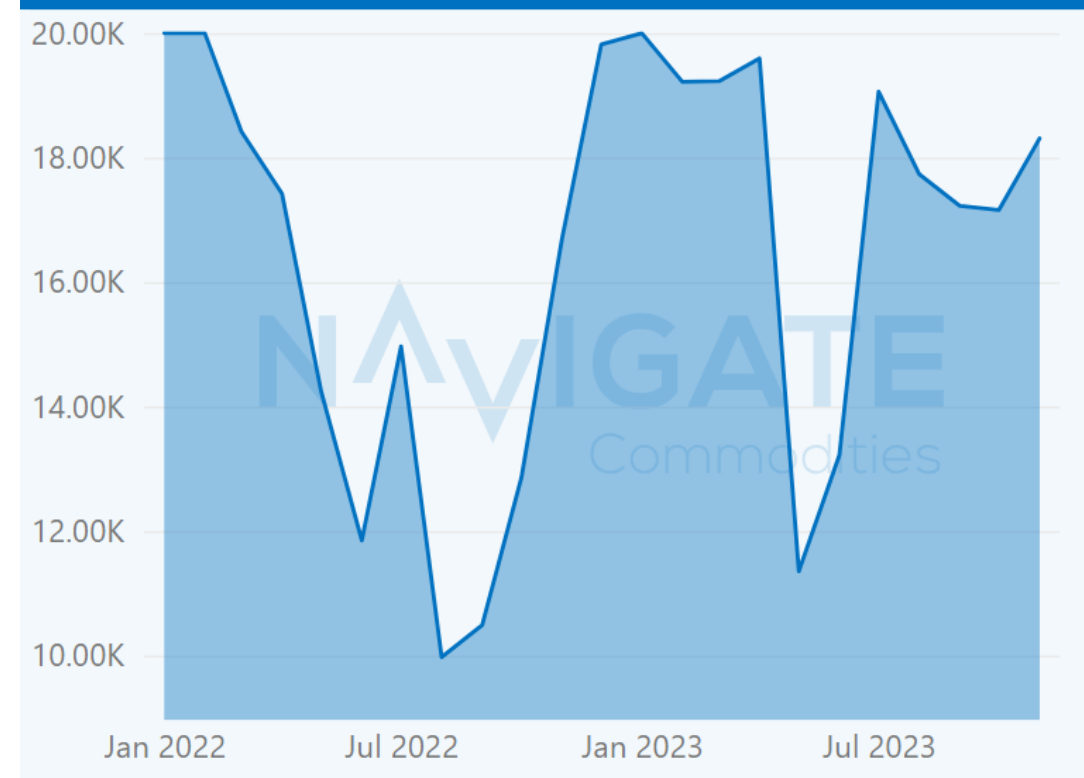
Tata Steel BSL Steel Output 30D MA (tonnes per day)



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



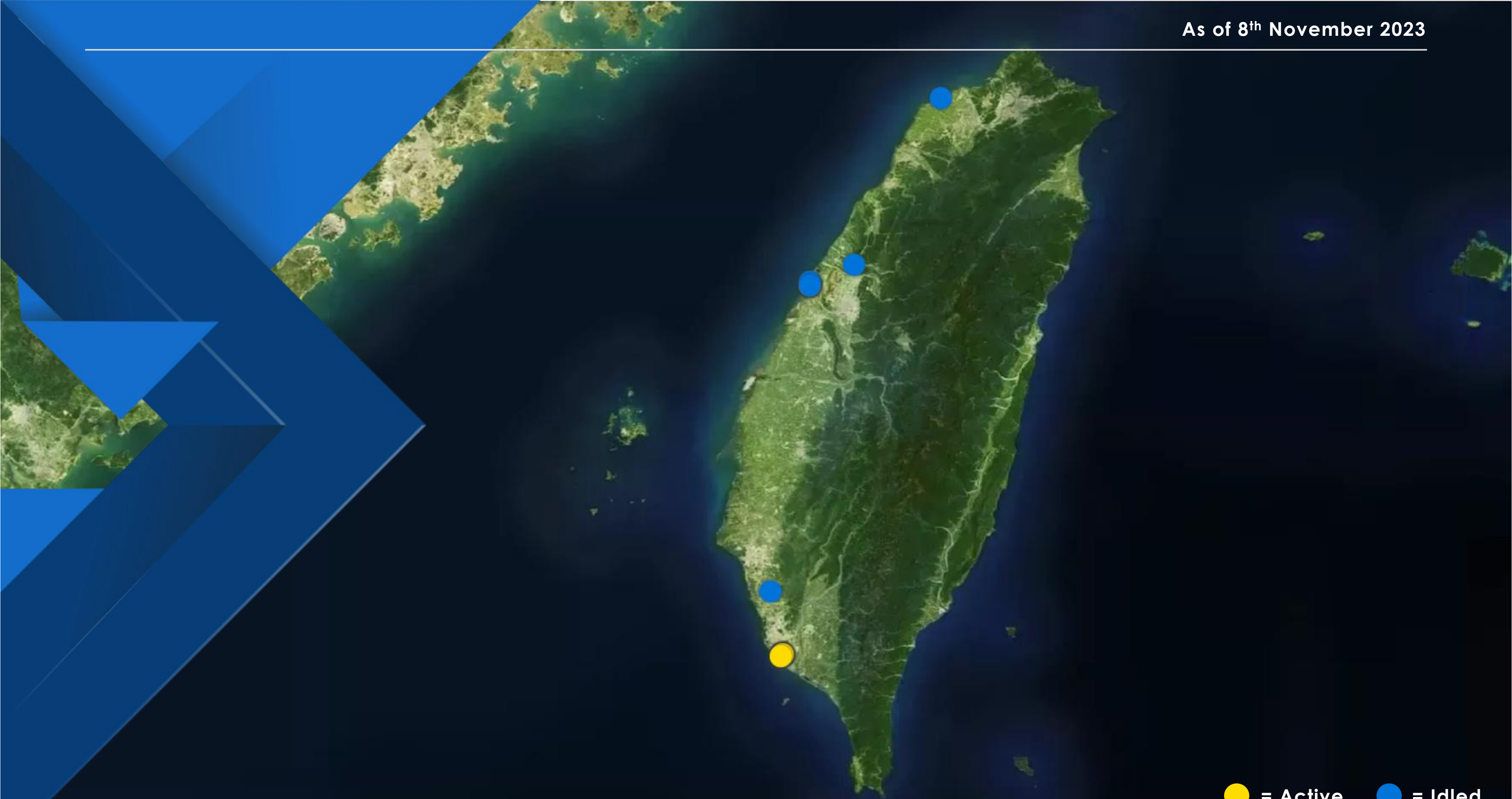
Vizag Steel Output 30D MA (tonnes per day)





Taiwan Steel Scrap Market Overview





● = Active ● = Idled

Taiwan

Elevated construction activity in October, coupled with a modest rebound in manufacturing, painted a more optimistic picture for downstream Steel consumption in Taiwan over the past month.

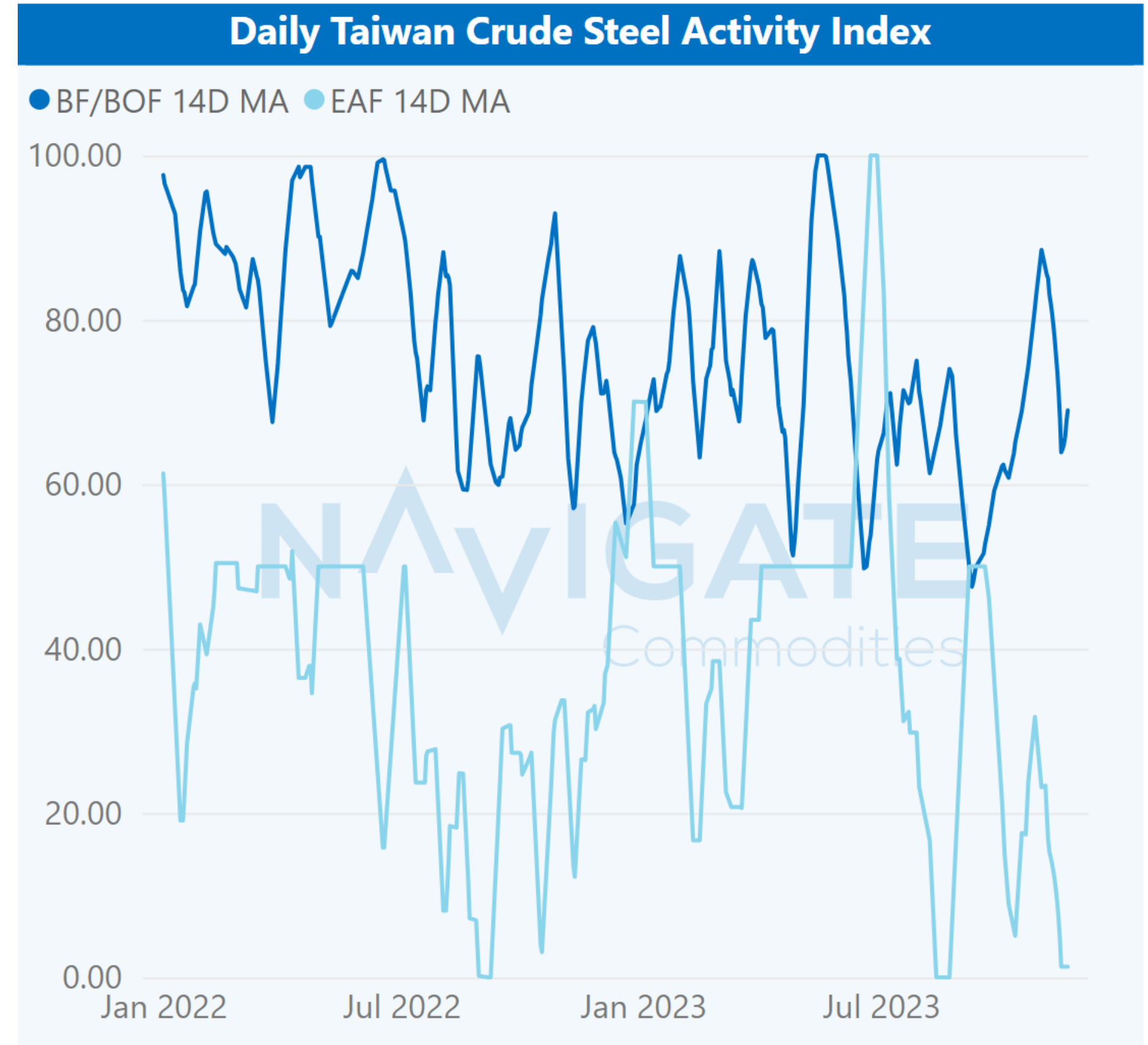
For example, Taiwan's Construction PMI hovered around the mid-50's in October while the corresponding Manufacturing PMI has steadily climbed back up towards expansionary territory, with a reading of 47.60pts last month.

At the same time, domestic Cement production surged 29.67% MoM to 1.05 million tonnes in August 2023 – while this is a heavily lagged indicator, it is a strong precursor for future construction Steel demand.

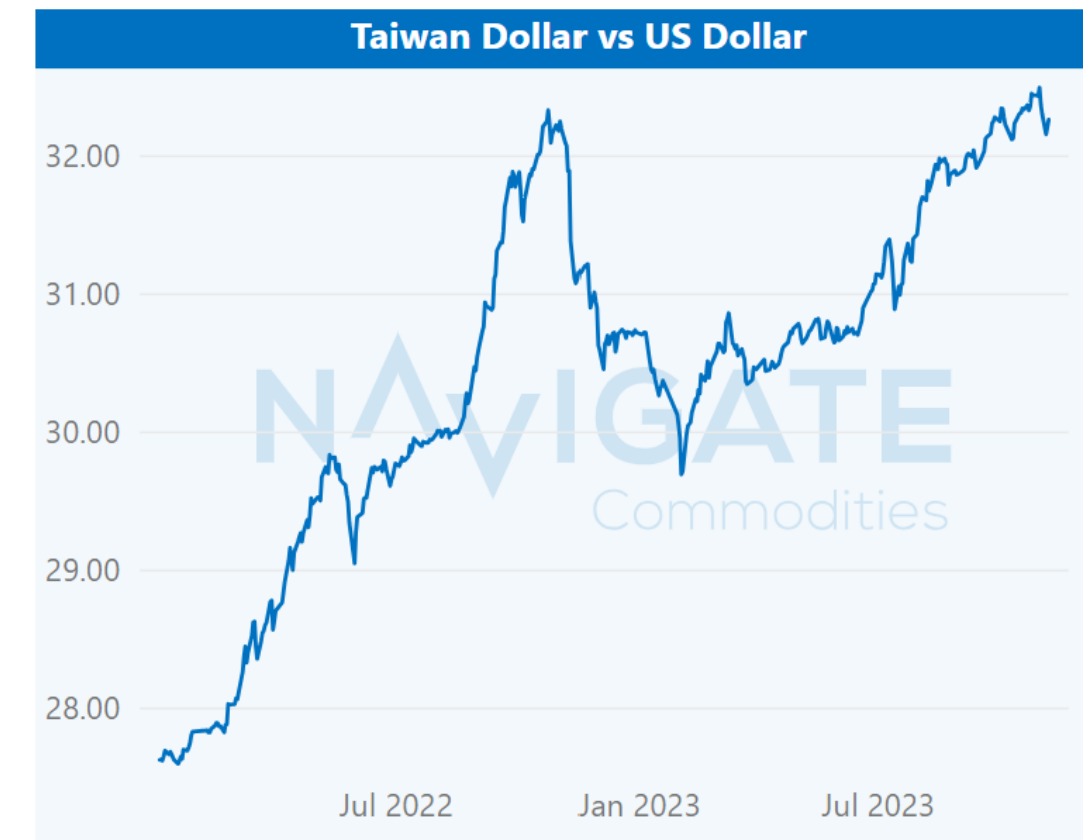
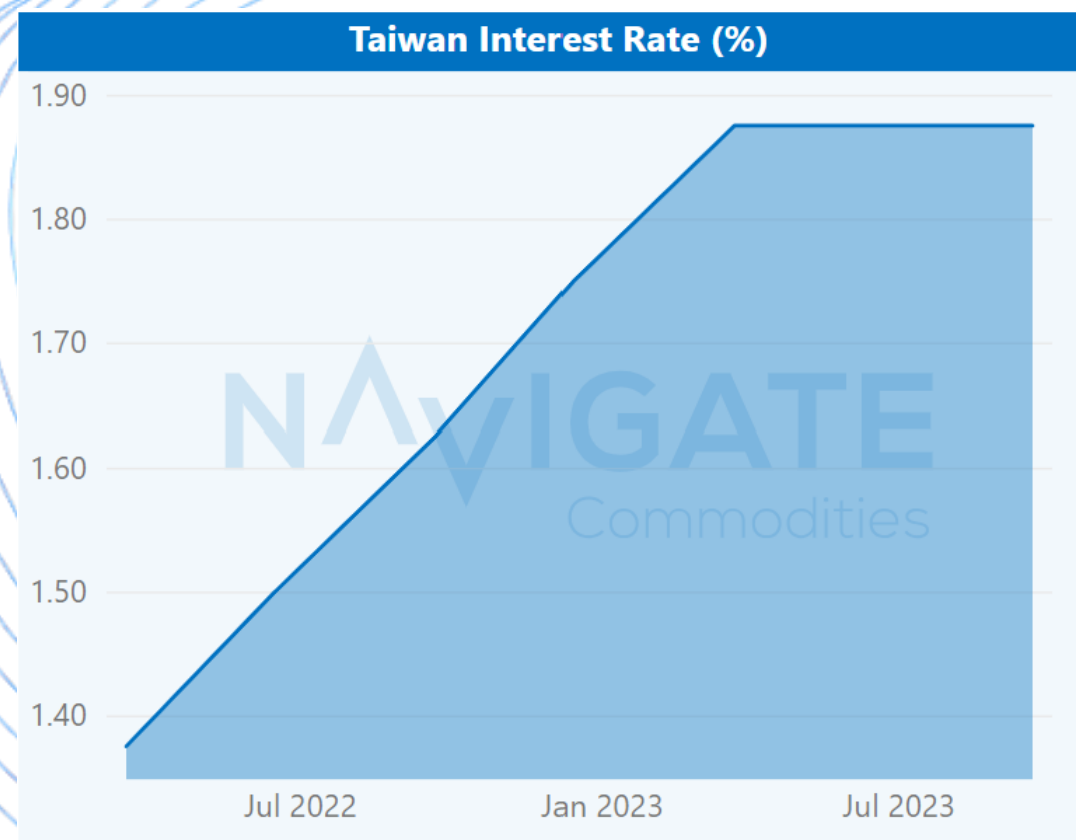
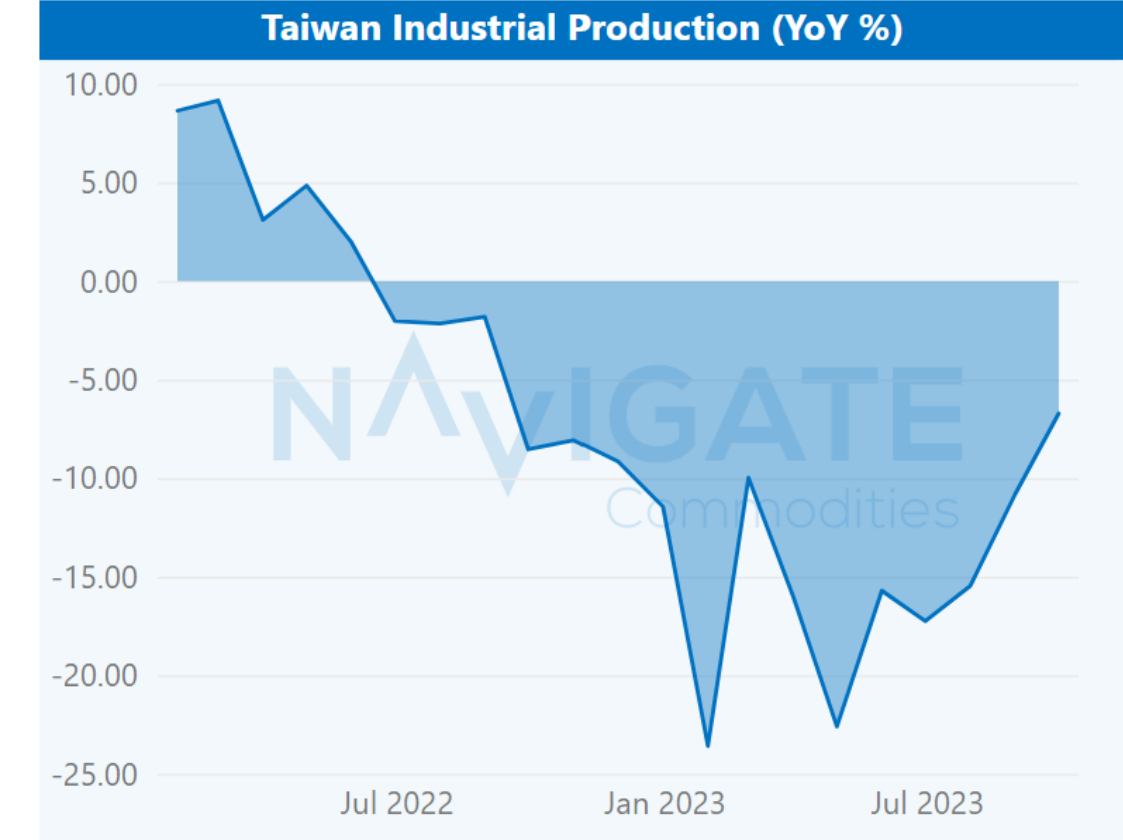
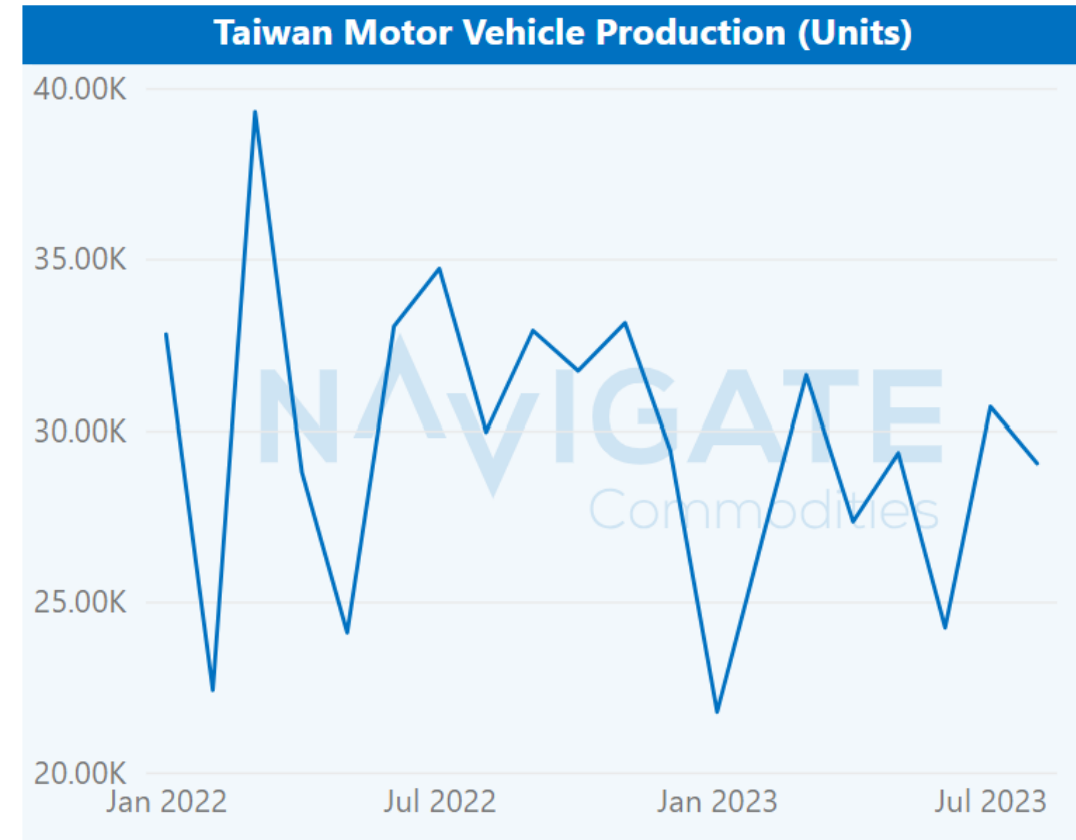
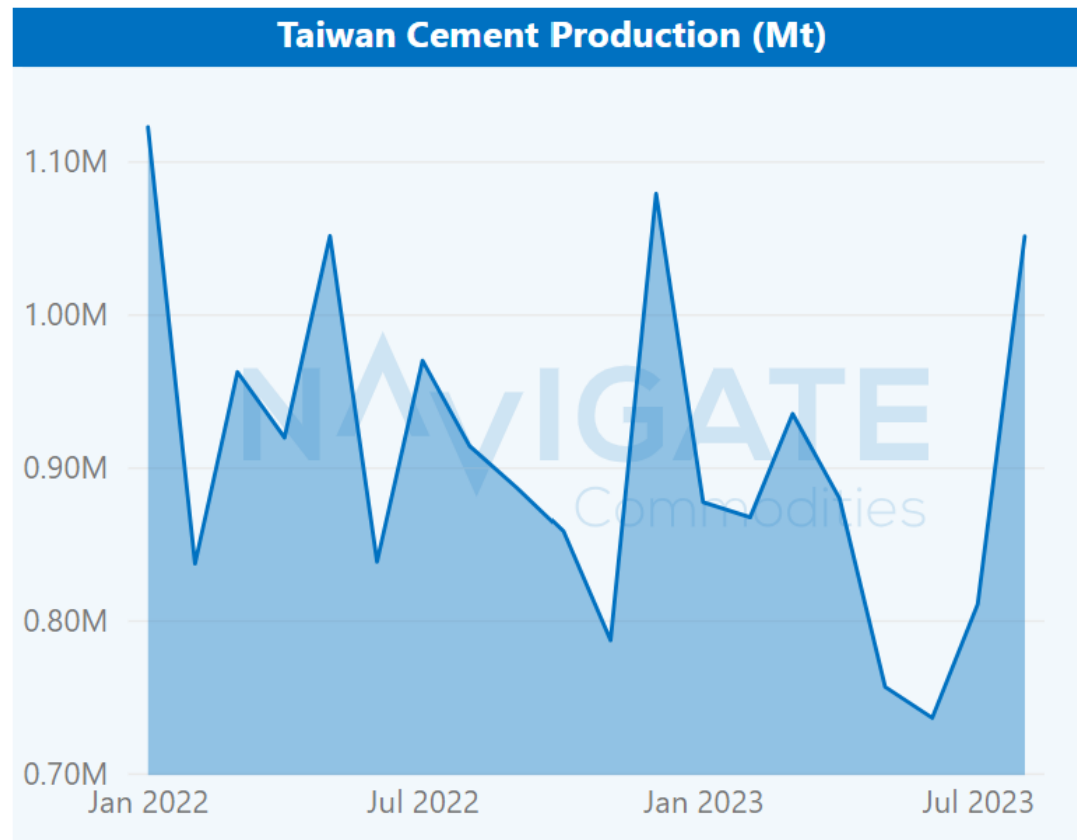
That said, domestic electric arc furnaces (EAFs) have failed to benefit as they struggle to compete with the availability of more “cost competitive” Steel Billets, Bars & Rods imported from China and Russia.

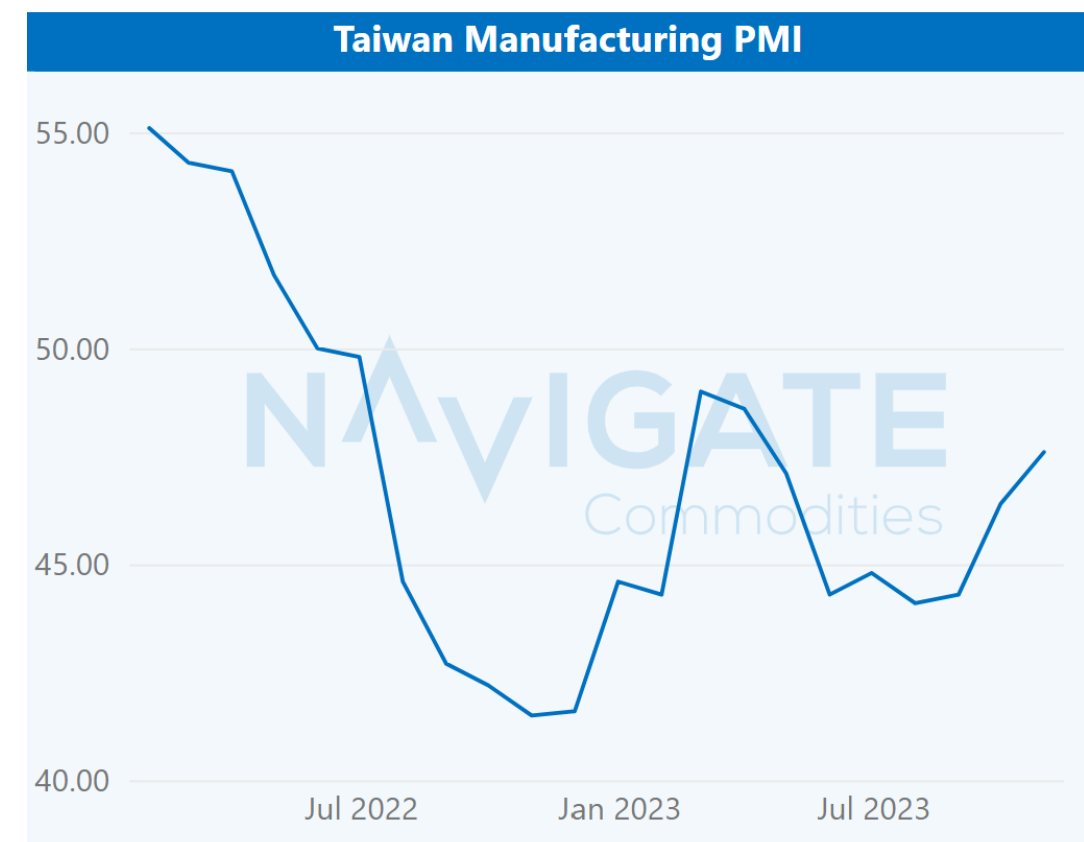
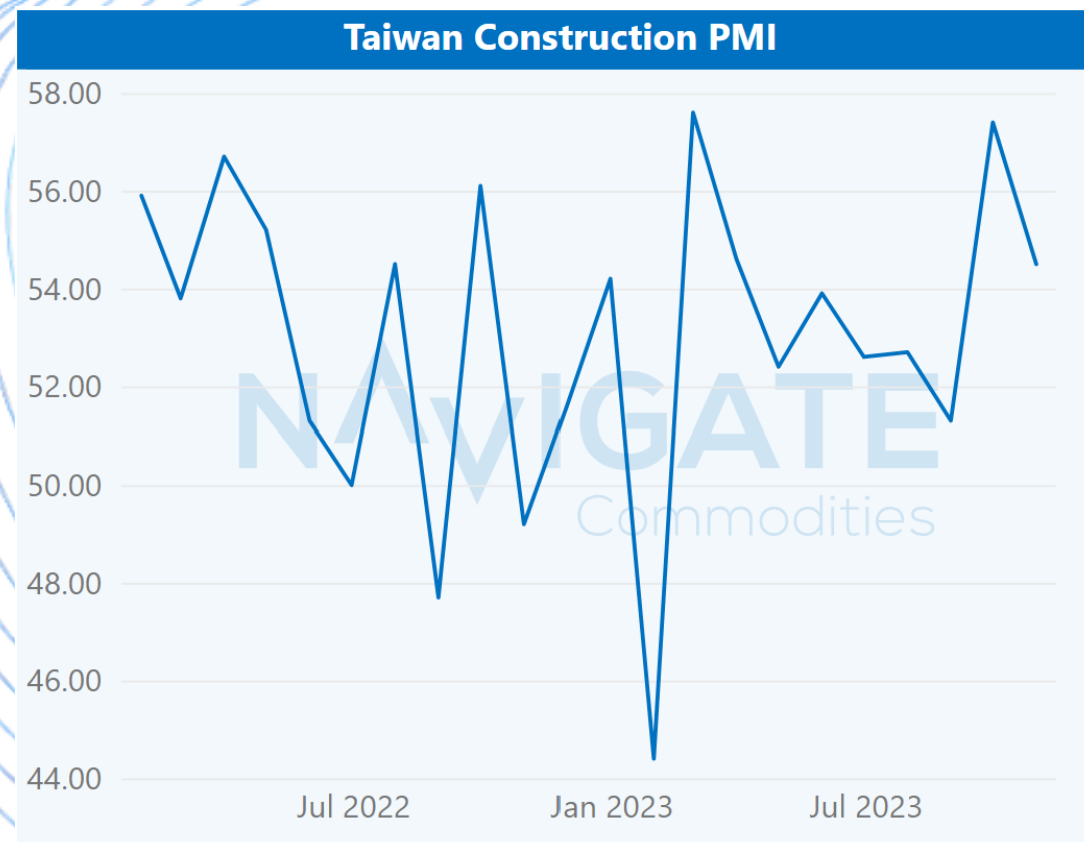
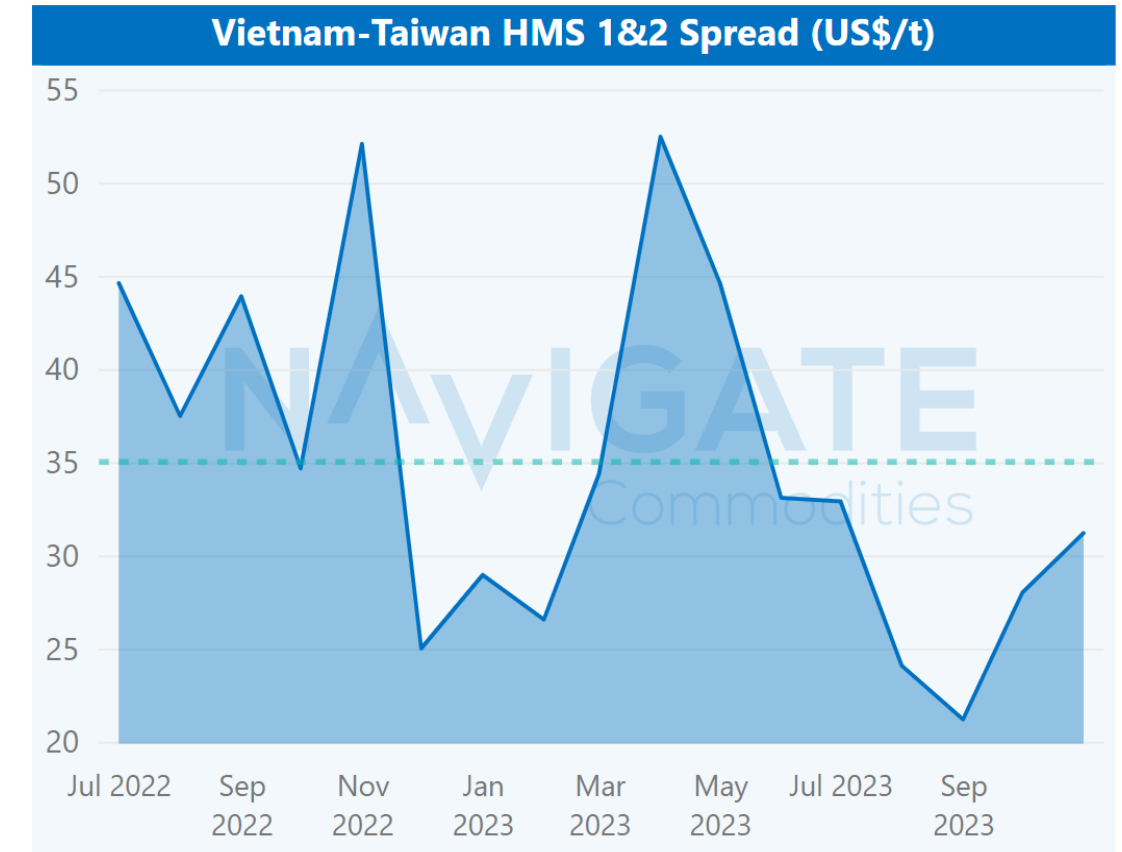
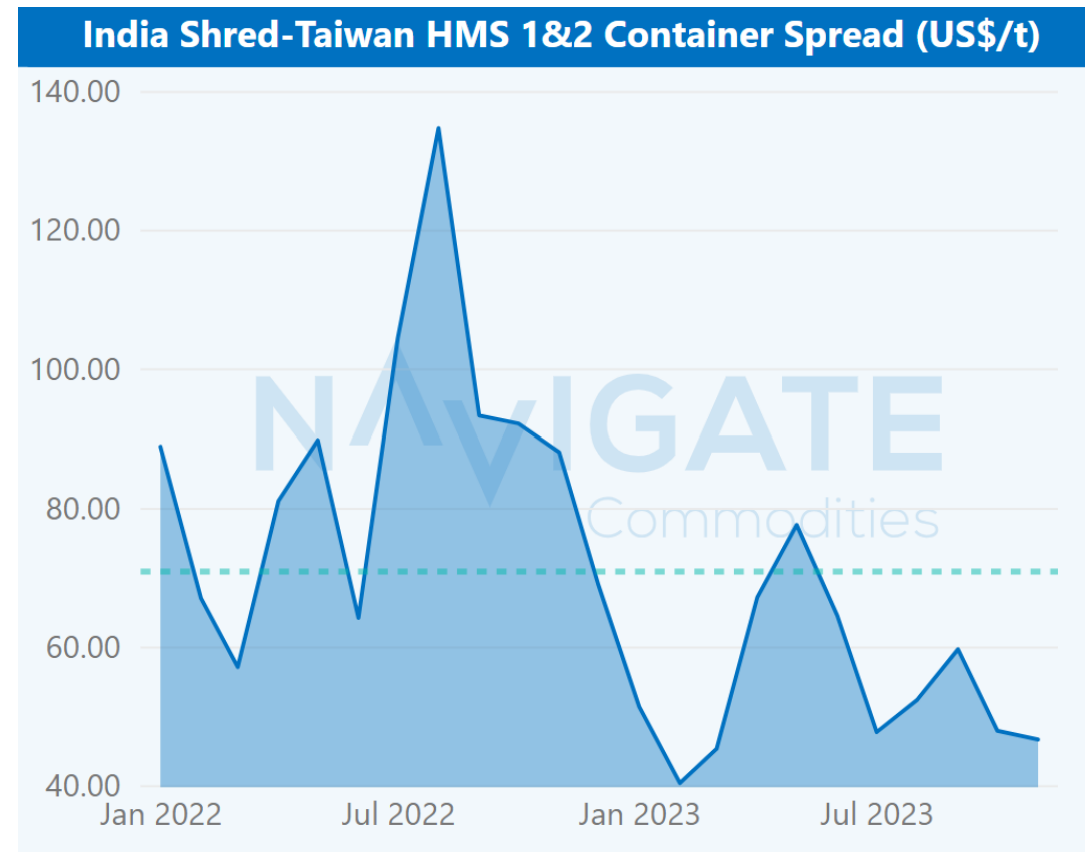
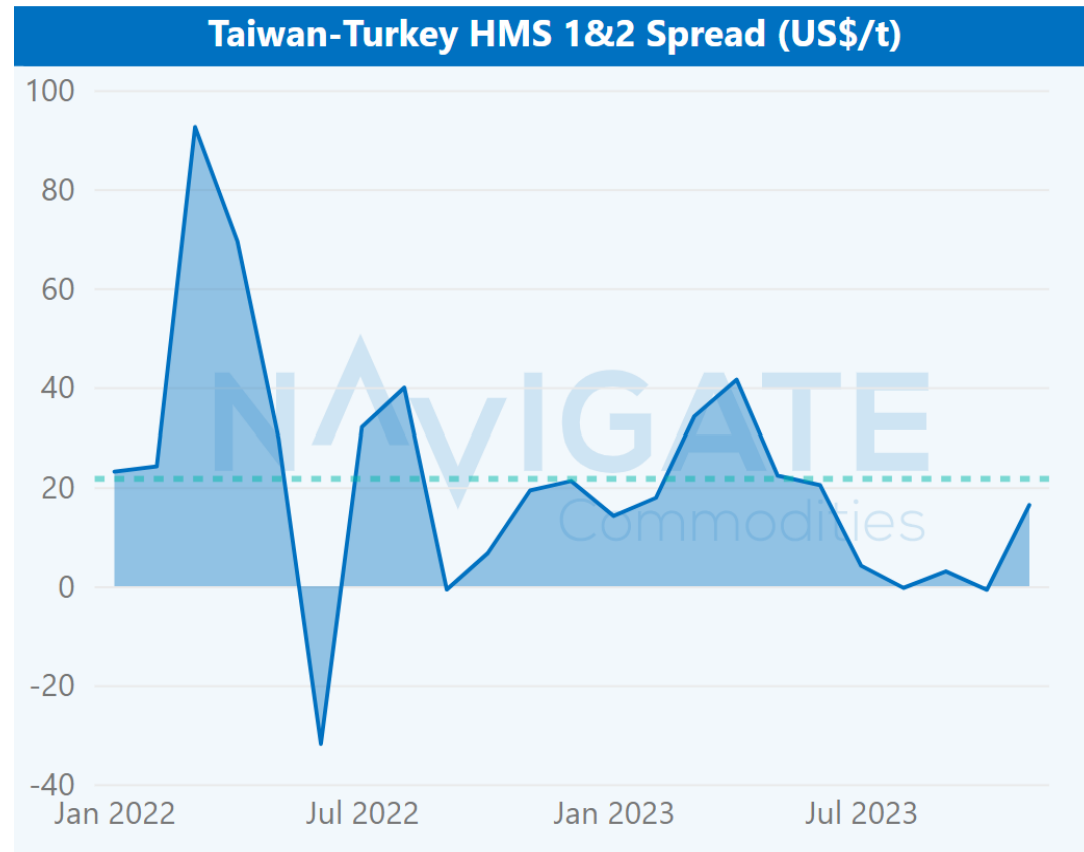
Even daily thermal heat signatures detected at the country's two largest integrated blast furnace-basic oxygens (BF/BOF) indicate that Steel smelting activity has pulled back from late October's highs.

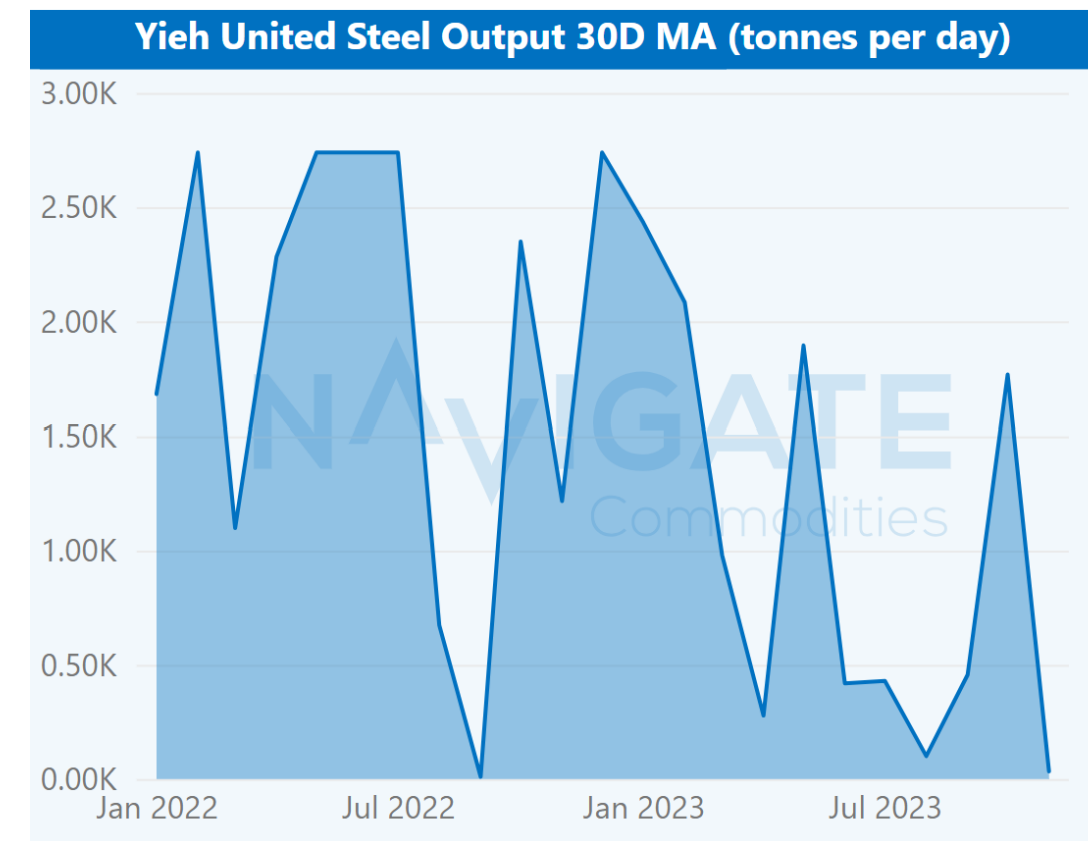
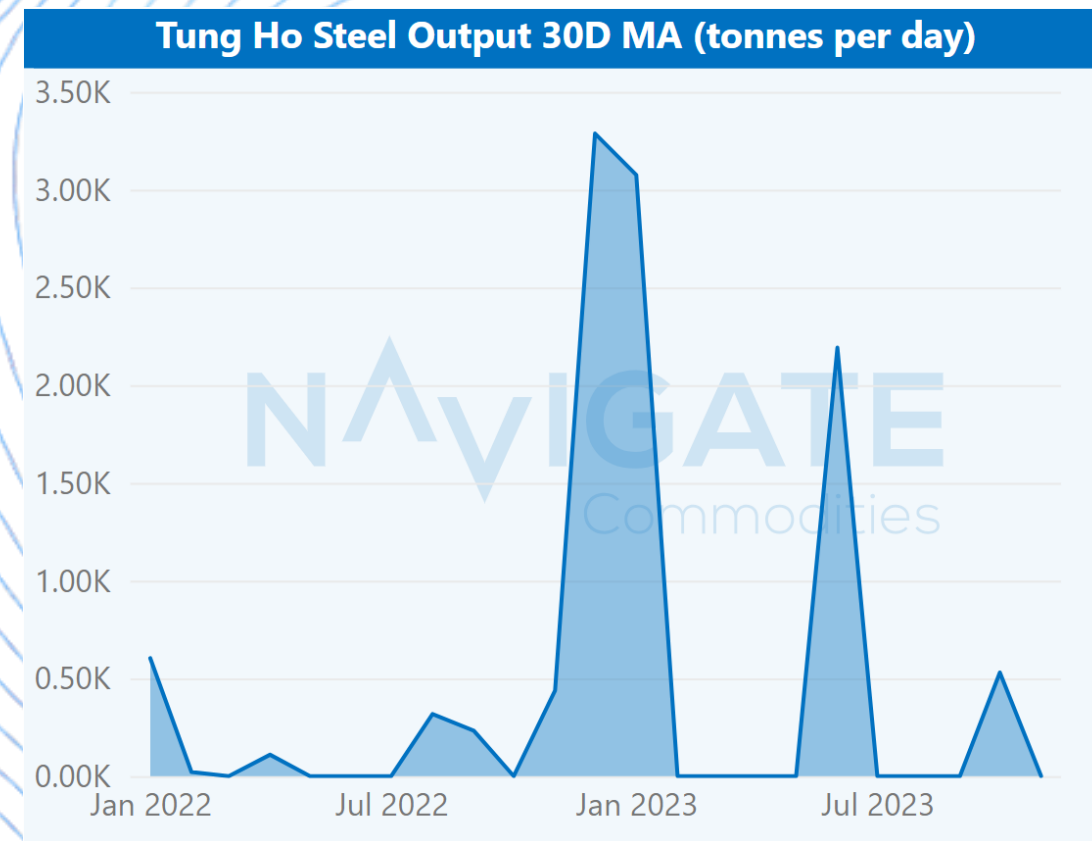
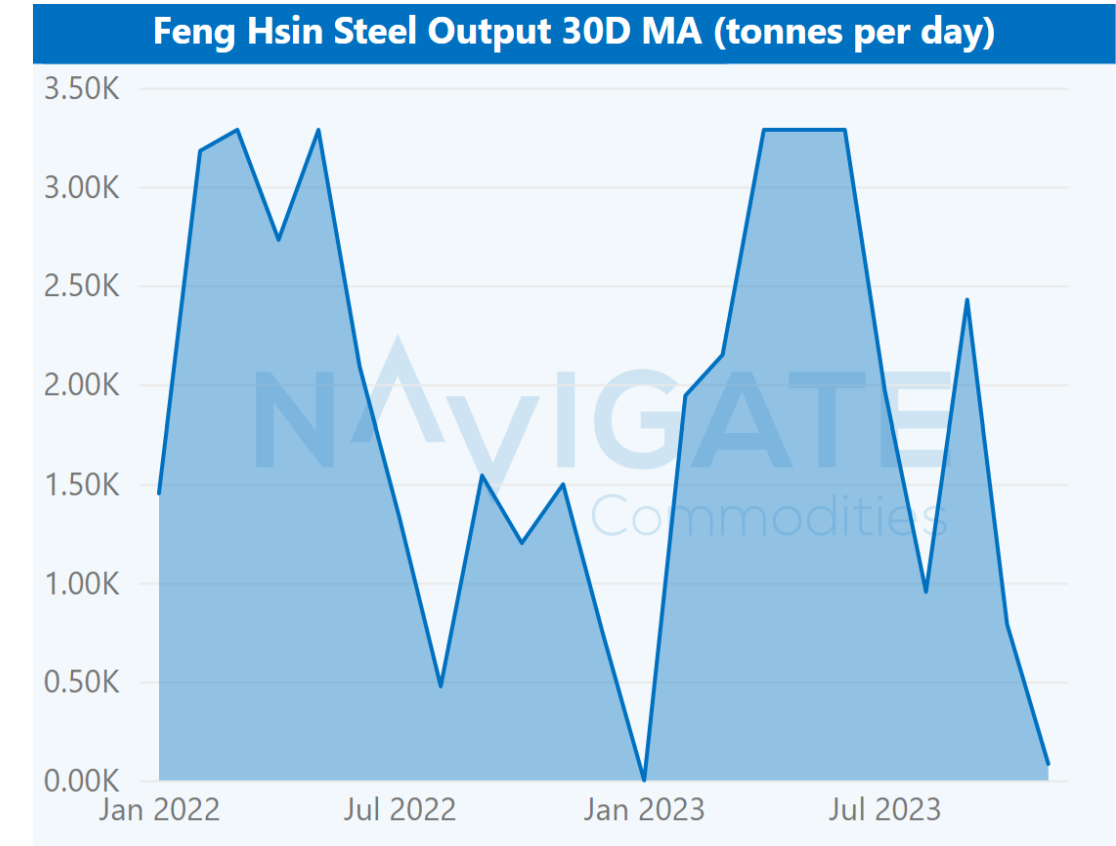
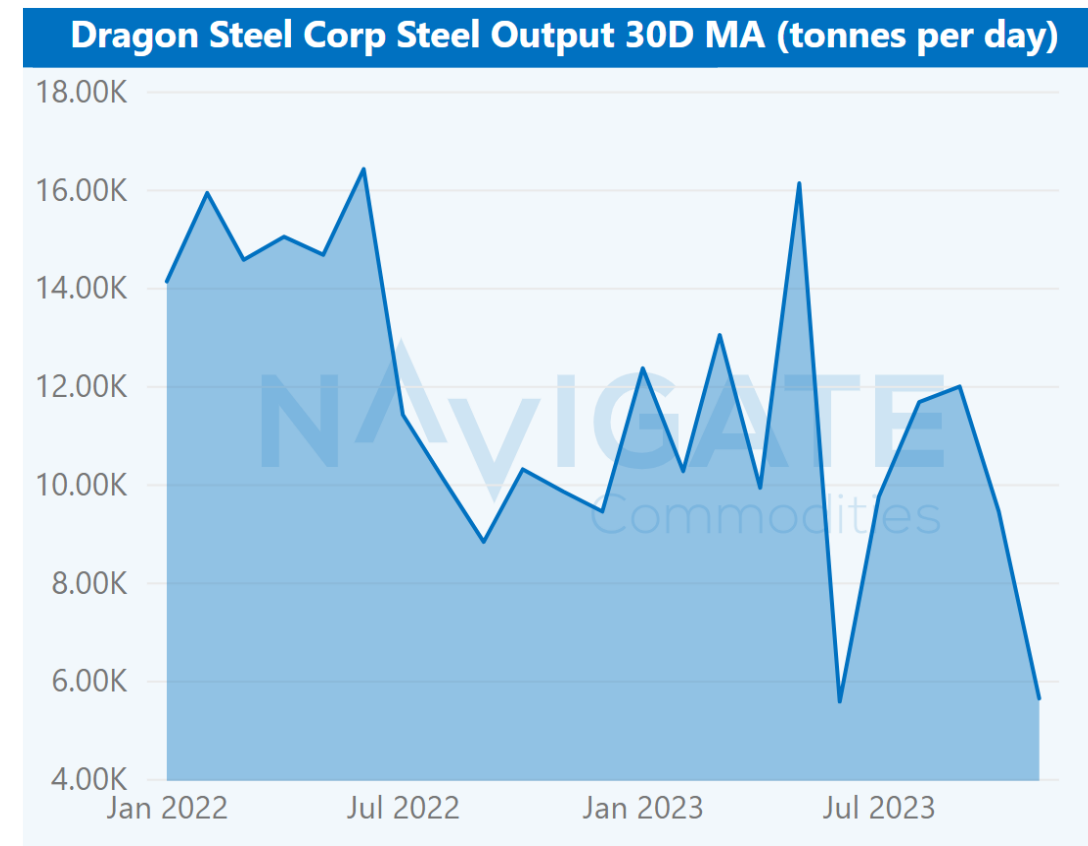
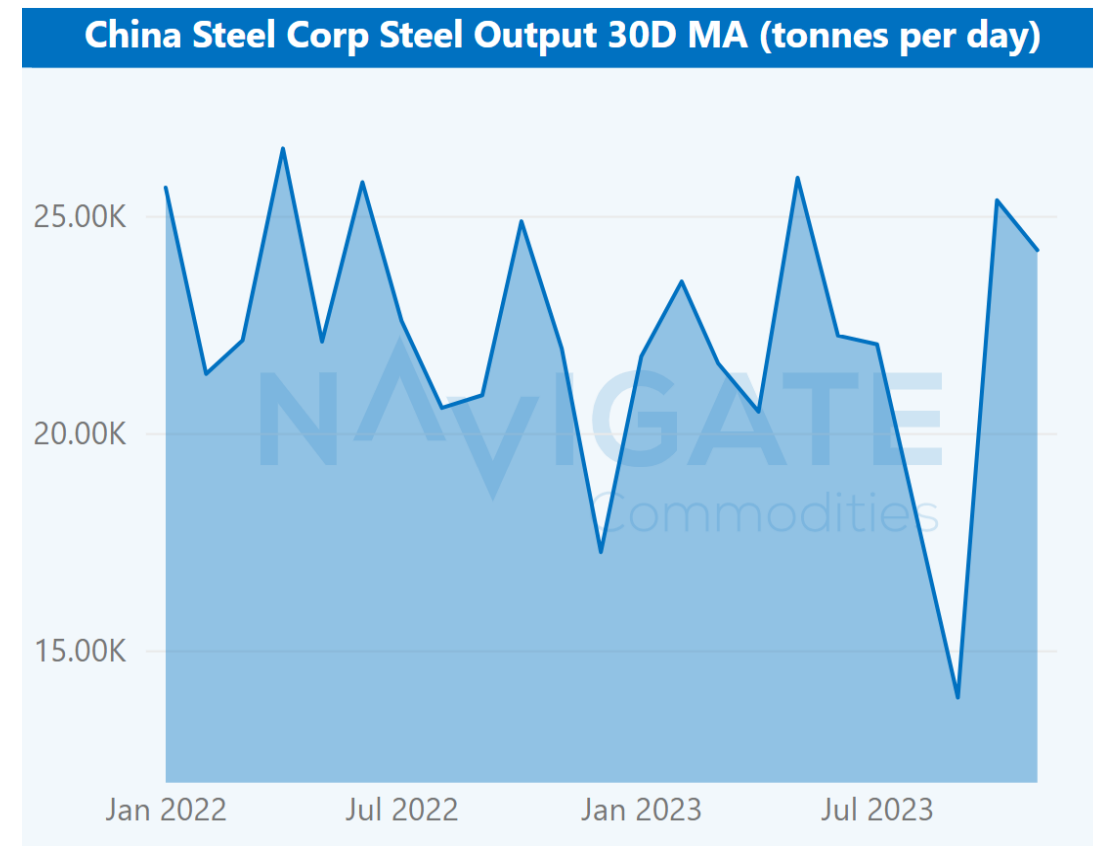
Methodology: The Daily Crude Steel Smelting Activity Index is calculated by detecting & monitoring heat signatures from unique plant-by-plant Areas of Interest (AOIs) using high-frequency Thermal Infrared Satellite Imagery (TIRS).



Source: Earth-i, Navigate Commodities









Türkiye Steel Scrap Market Overview



Türkiye

Despite falling to an intramonth low of US\$350–351/t CFR Türkiye (TKY), Turkish HMS 1&2 (80:20) import prices clawed their way back to US\$375/t CFR TKY over the past month.

We believe sentiment-driven rallies in Iron Ore futures markets have directly translated into robust physical pricing and corresponding Hot Metal production costs, which have provided the bulk of support to Ferrous Scrap benchmarks.

Even after recent price hikes, we calculate Turkish Ferrous Scrap benchmarks are presently undervalued both on an Fe normalization basis and compared with Hot Metal production cost proxies.

With shortsea benchmarks climbing at a faster pace than their deepsea peers, this has resulted in arbs narrowing to less than US\$20/t; meaning deepsea looks far better value for money.

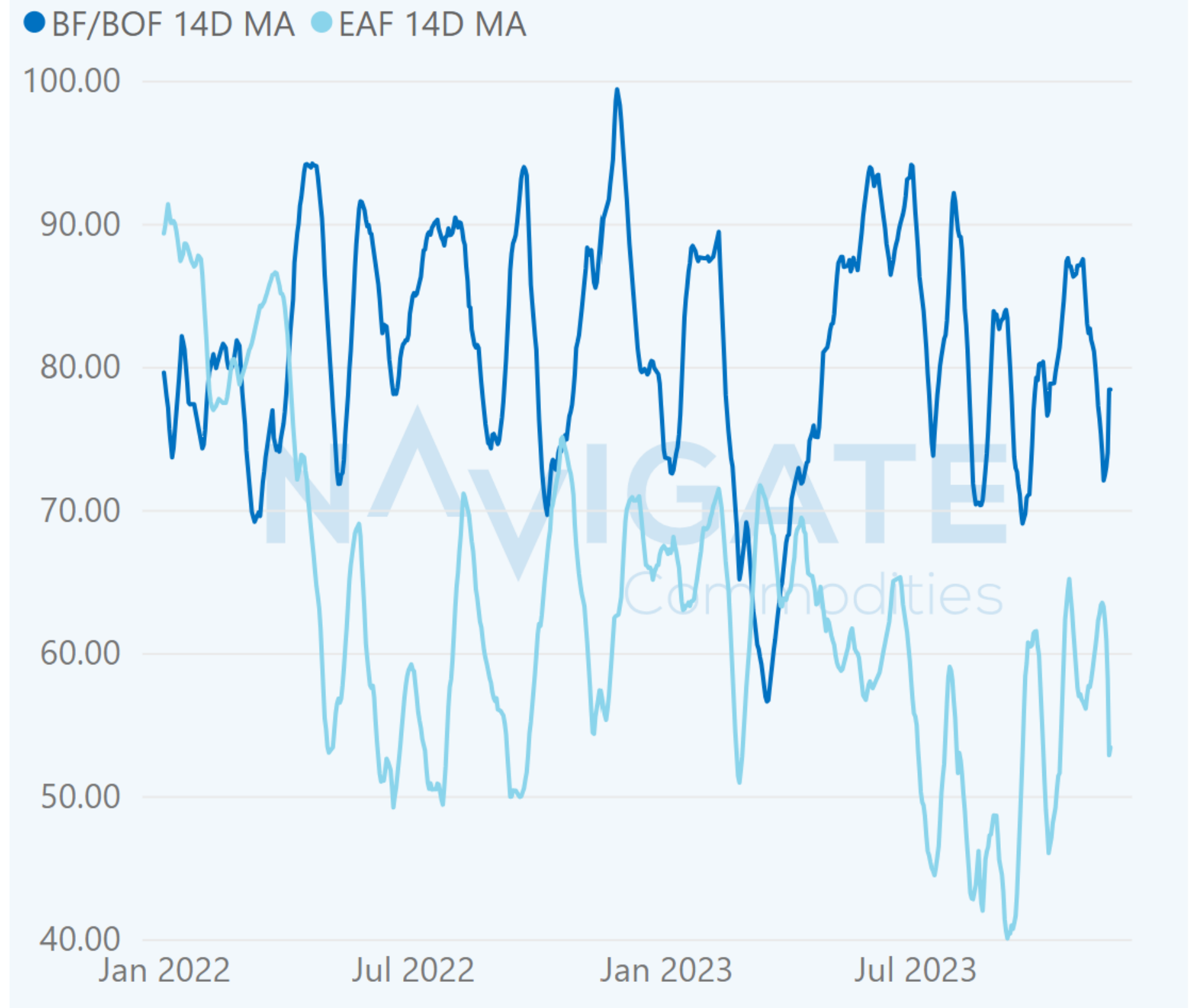
As a result, this closes off one major release valve – for the time being – for Ferrous Scrap-hungry Turkish electric arc furnaces (EAFs) when deepsea prices get too hot.

Daily Turkish EAF Steel smelting activity continues to display the high-frequency oscillating pattern we've become accustomed to over the past 3 months.

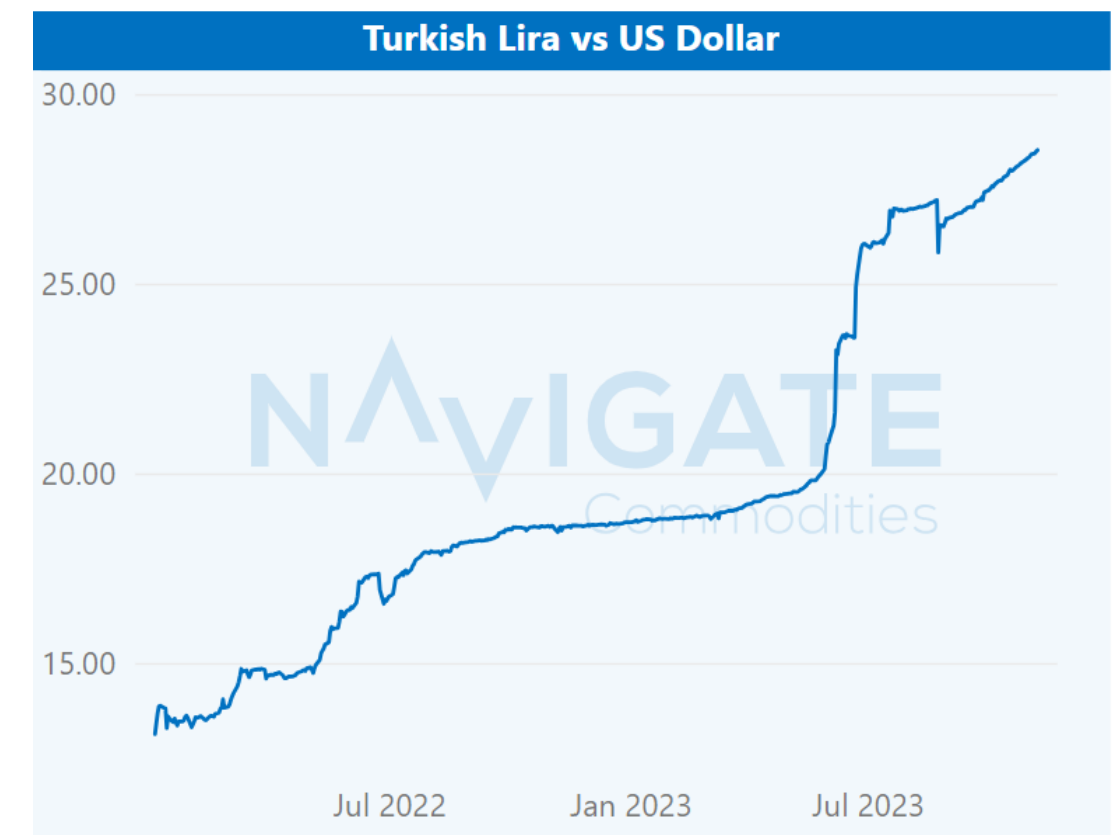
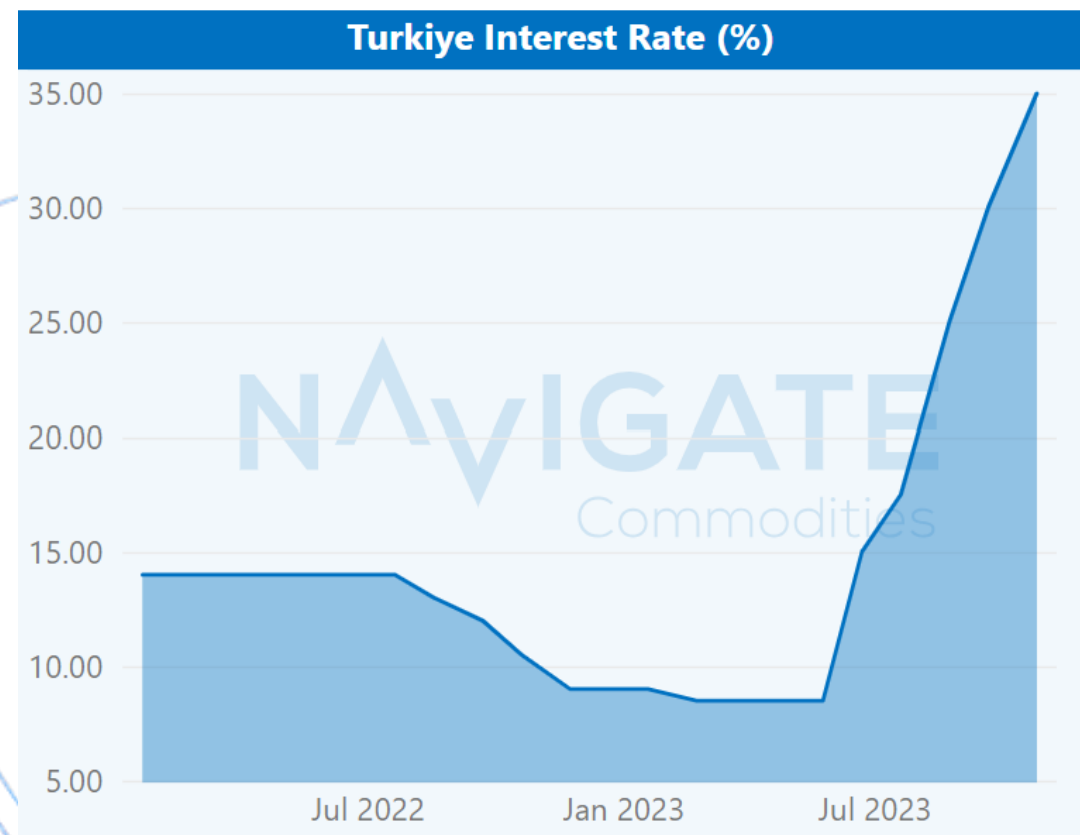
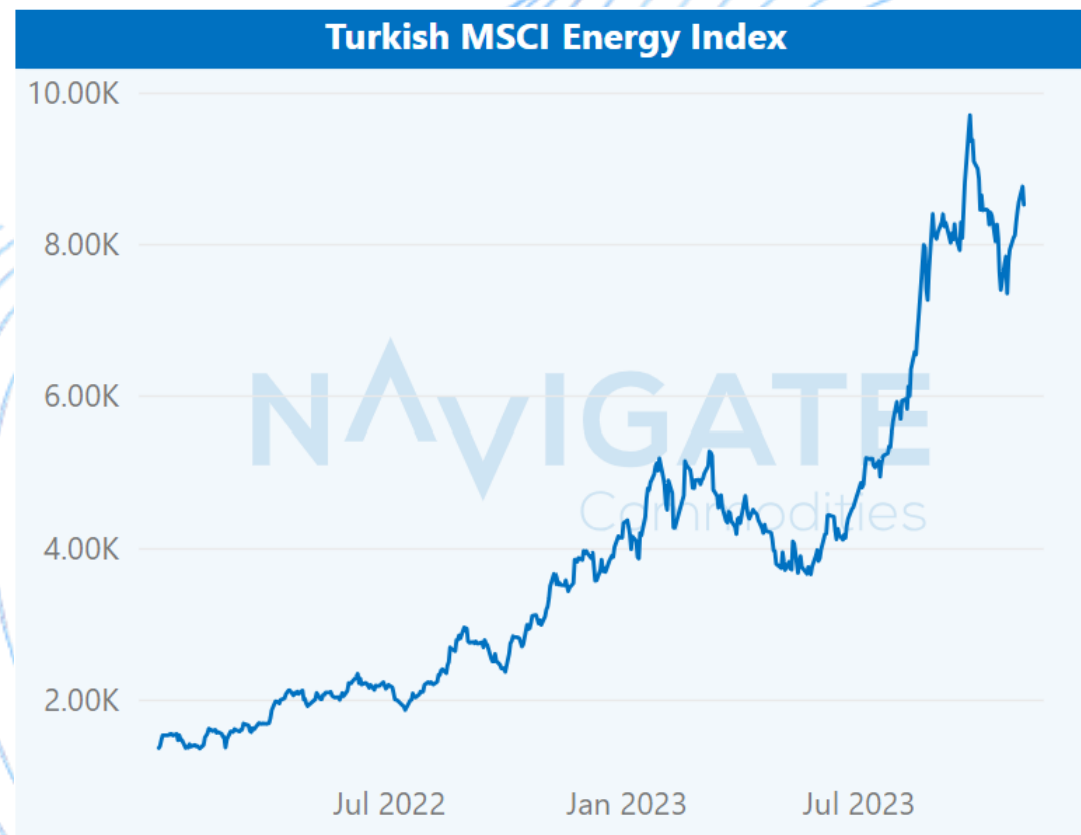
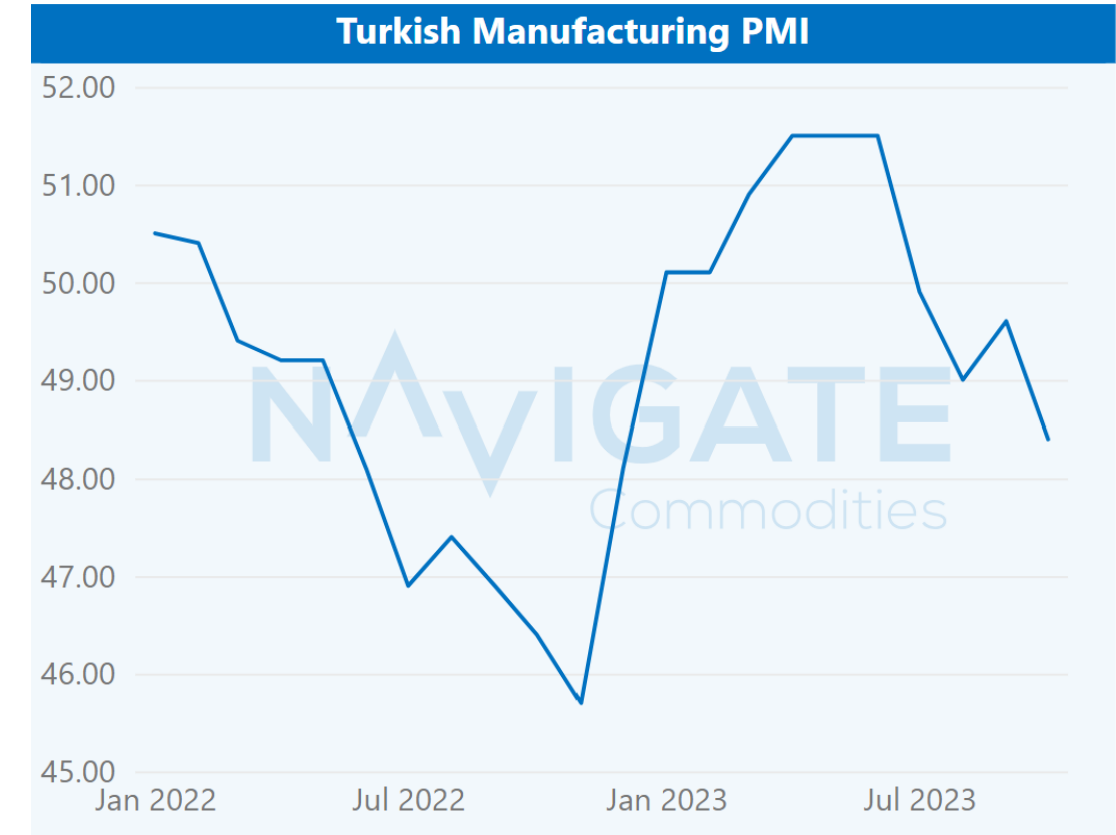
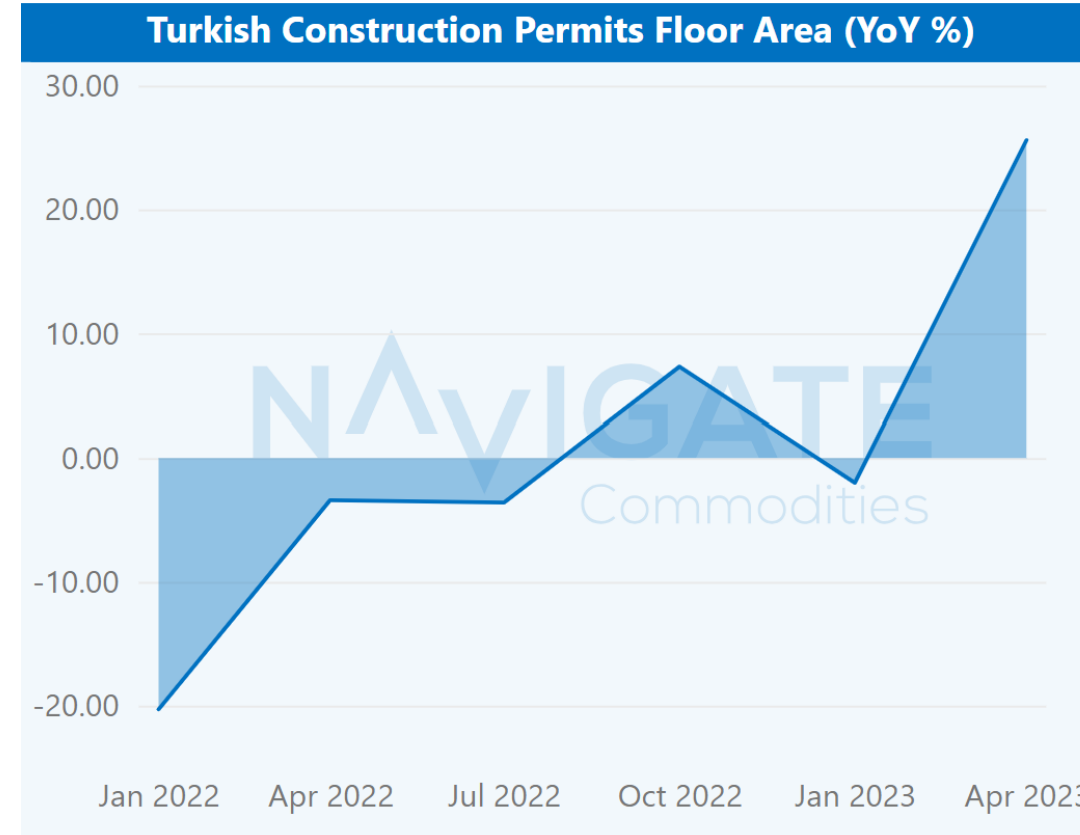
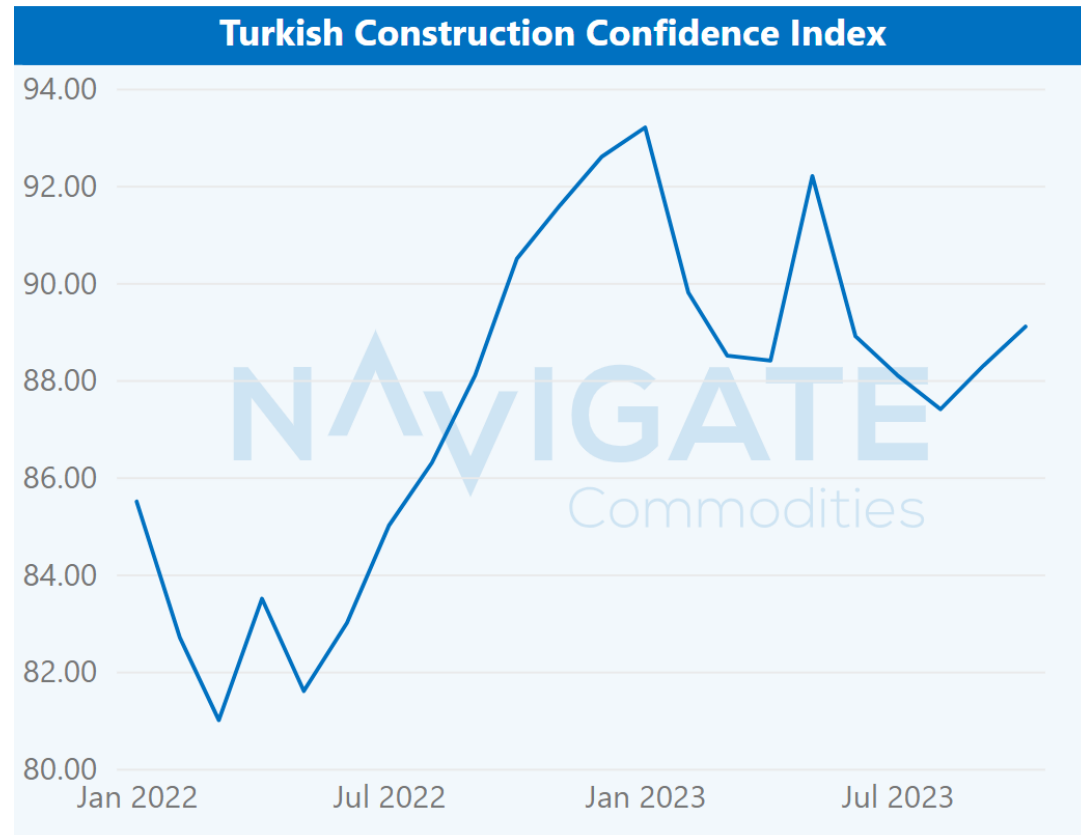
We believe the longevity of this medium-term cyclical pattern suggests that many Turkish EAFs continue to mirror intermittent downstream Steel demand.

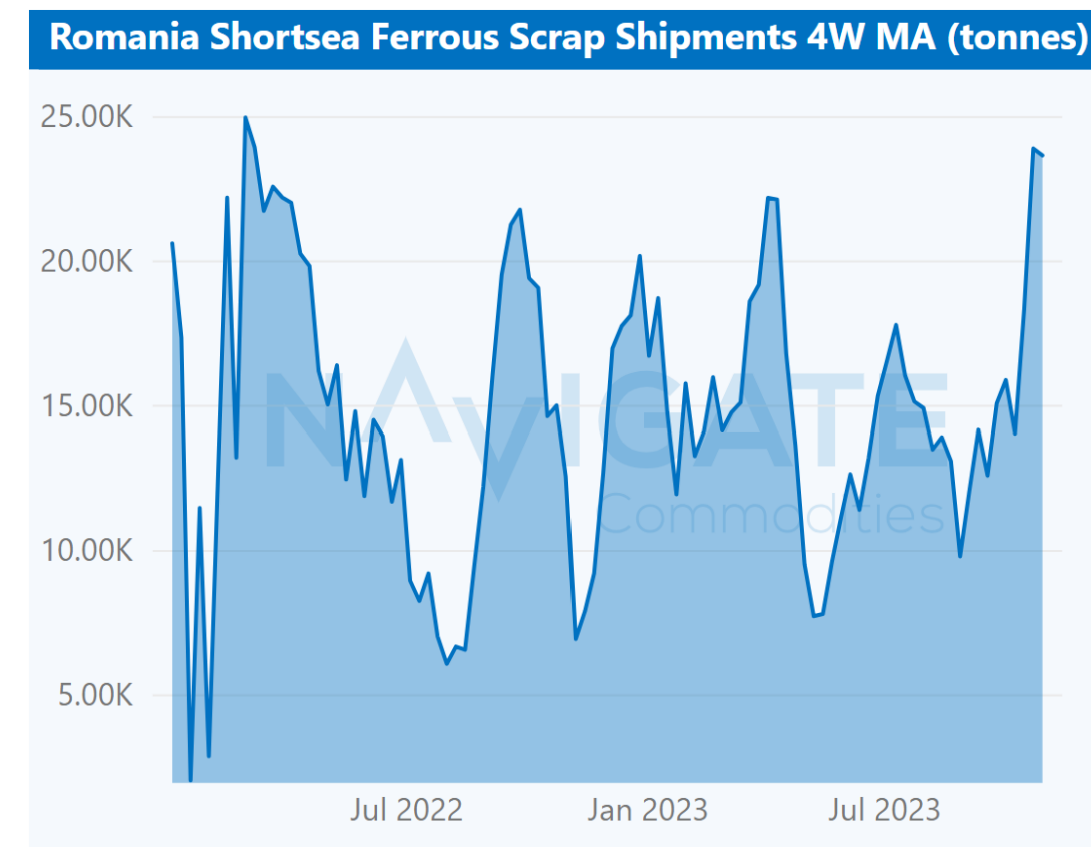
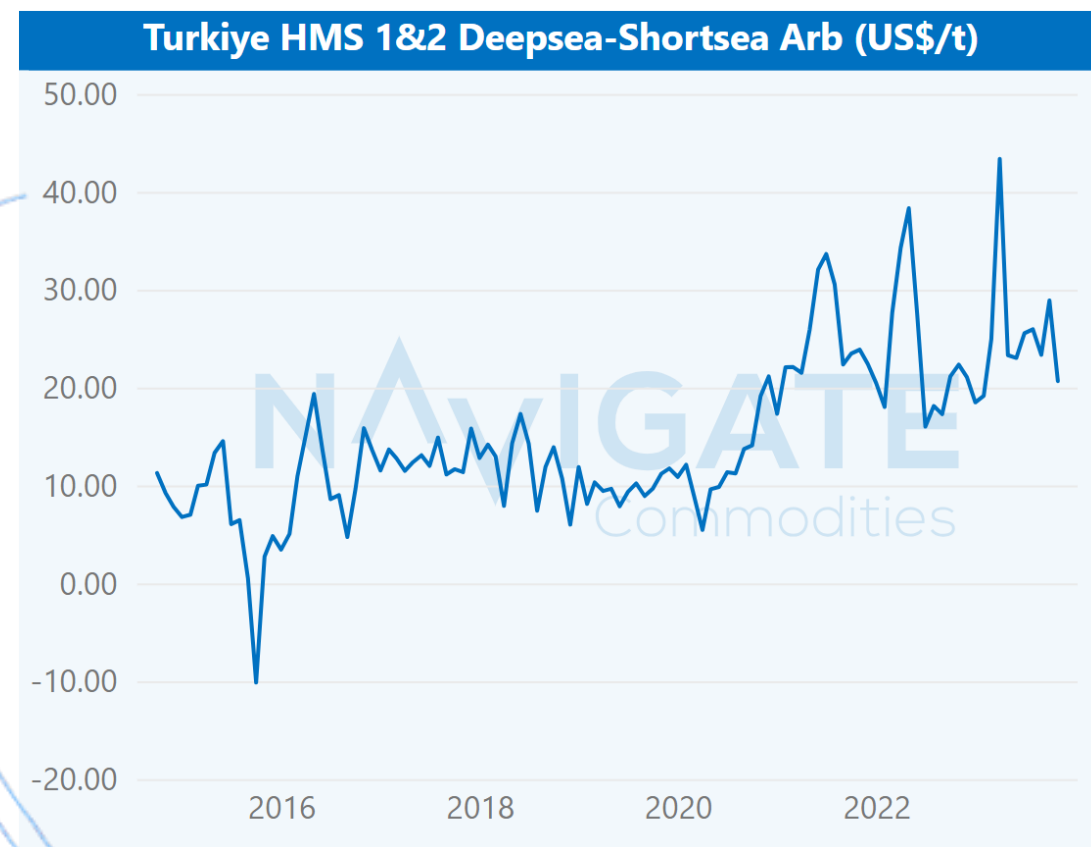
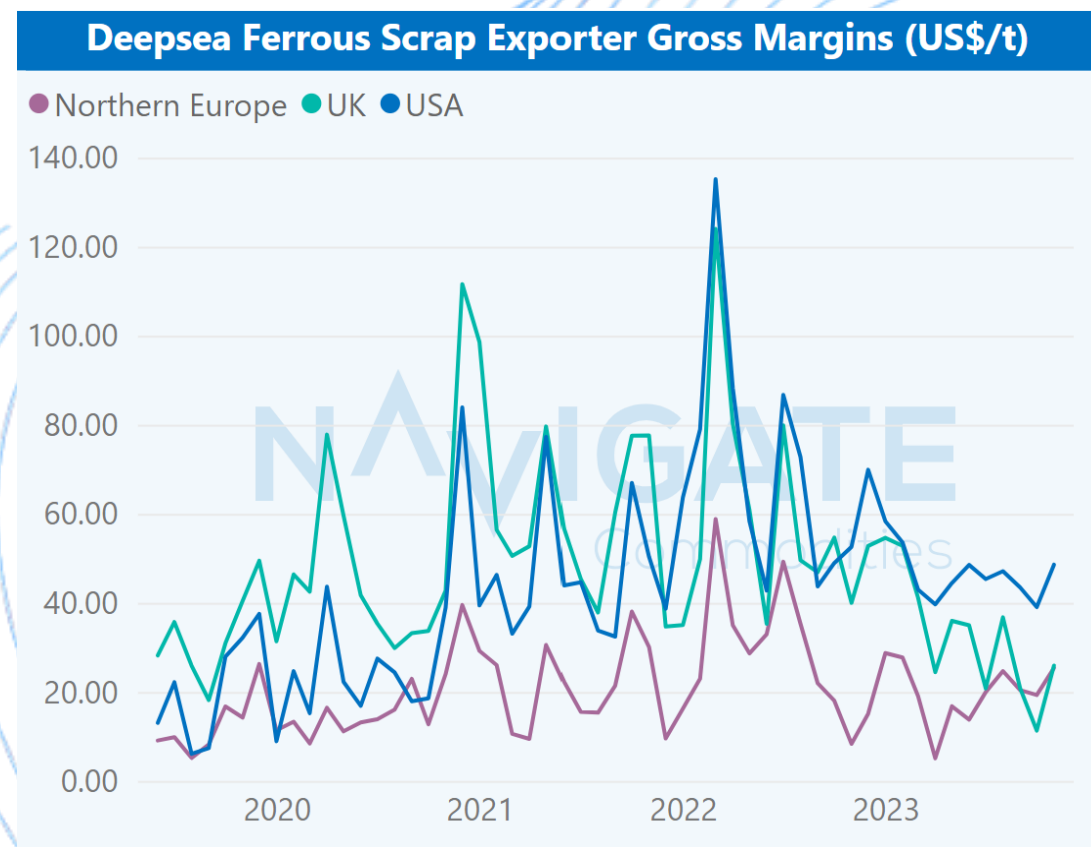
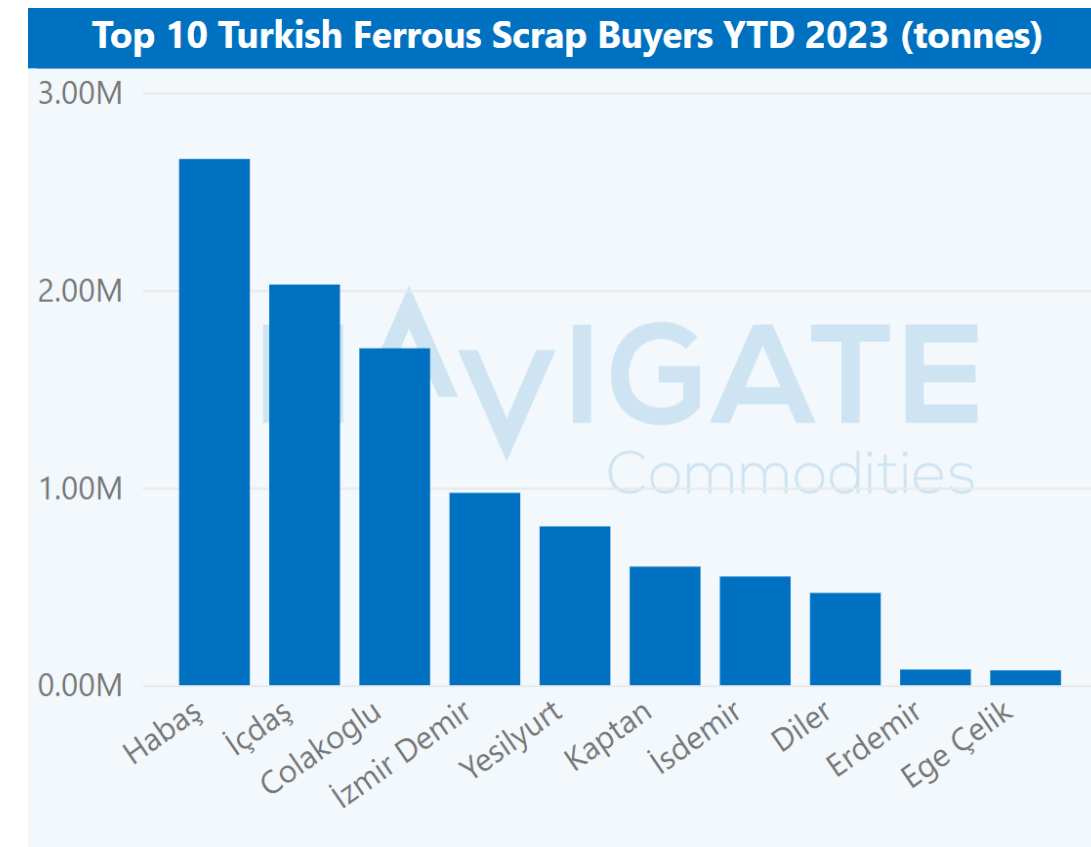
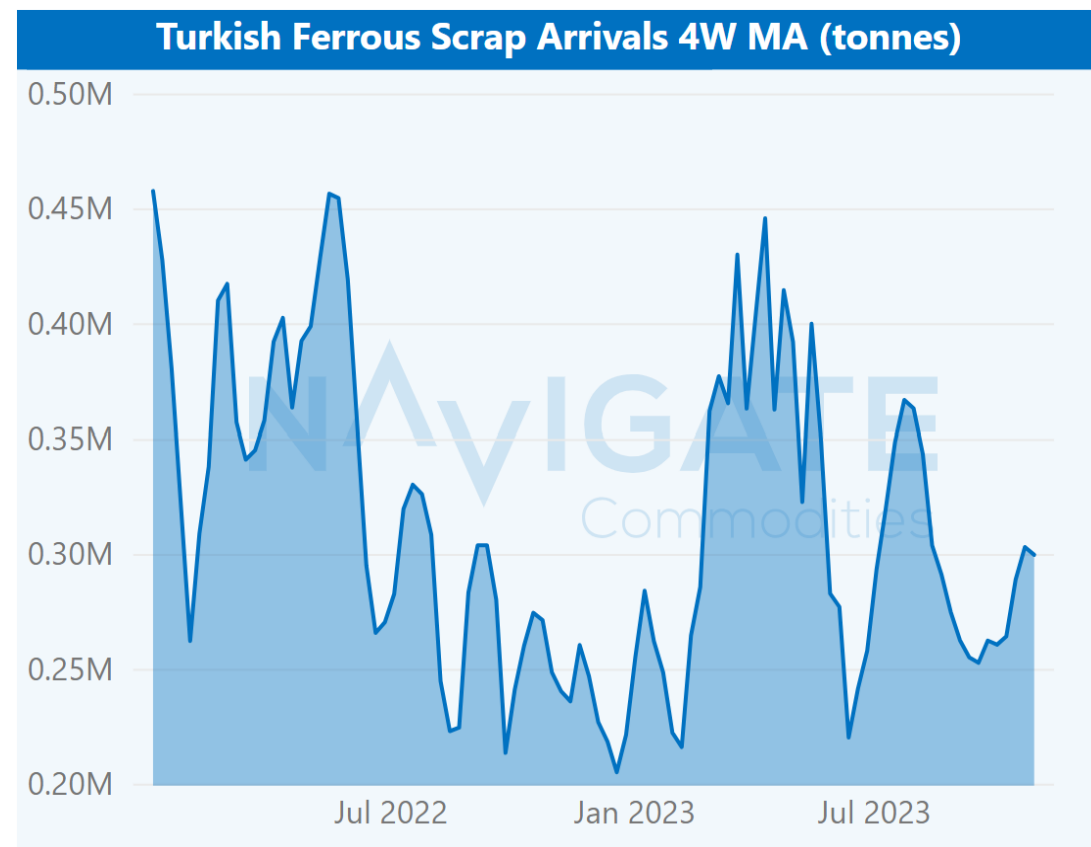
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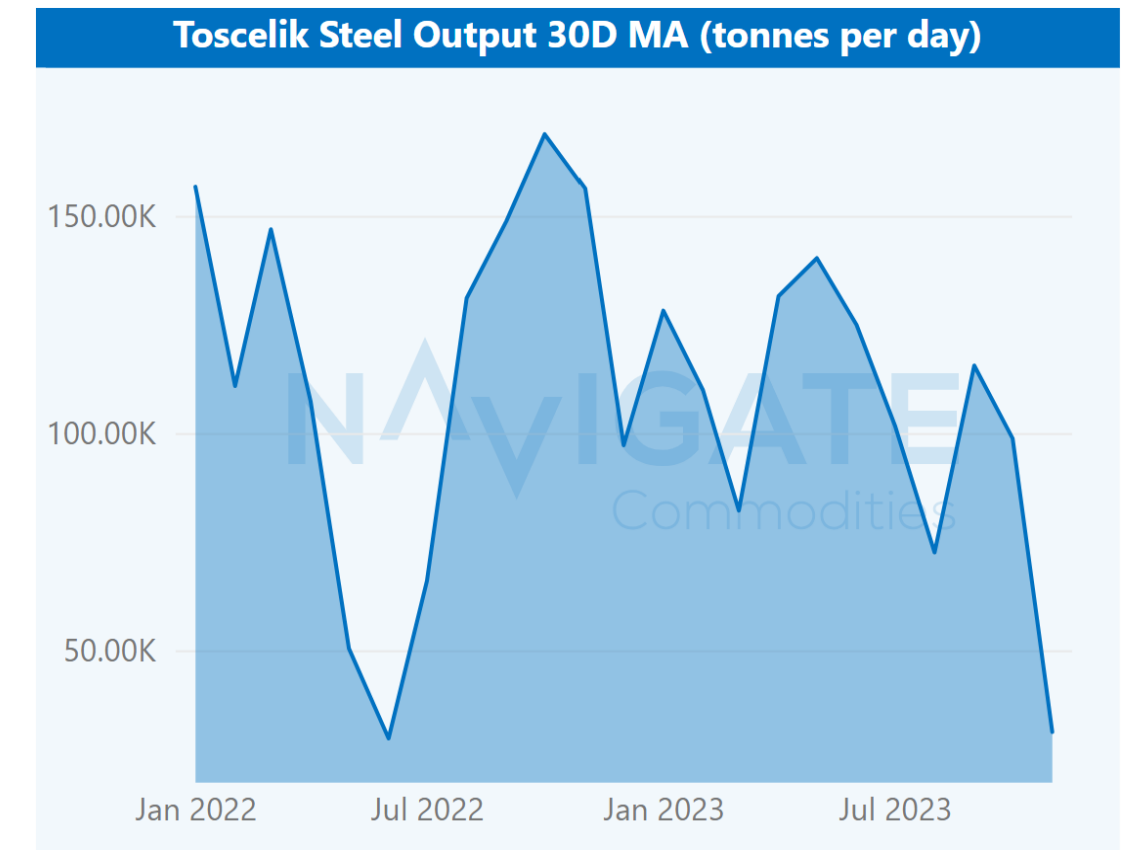
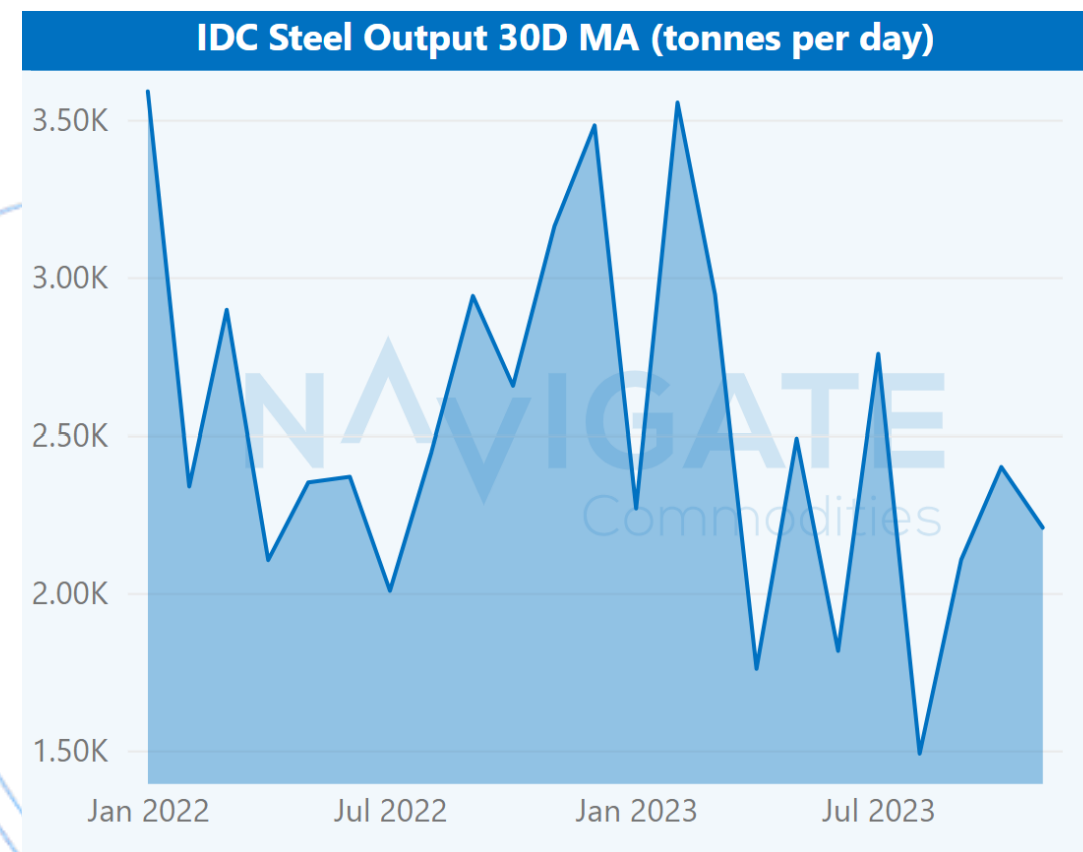
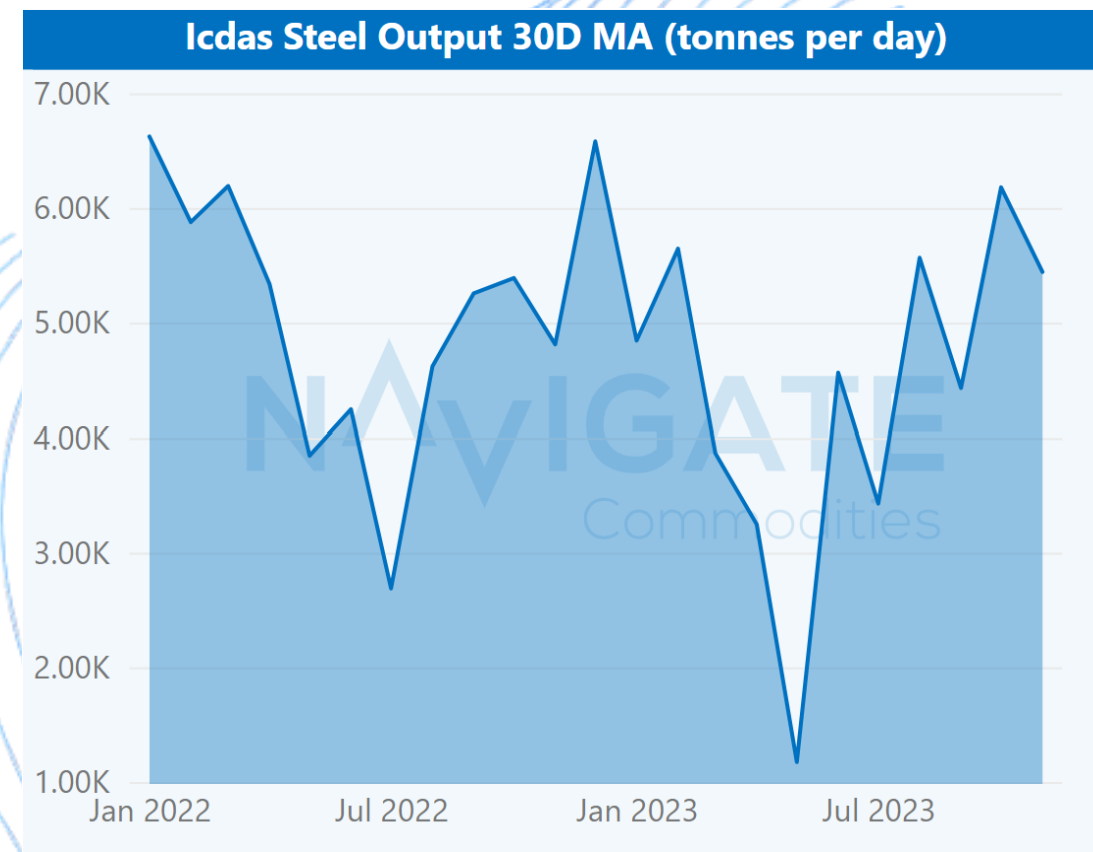
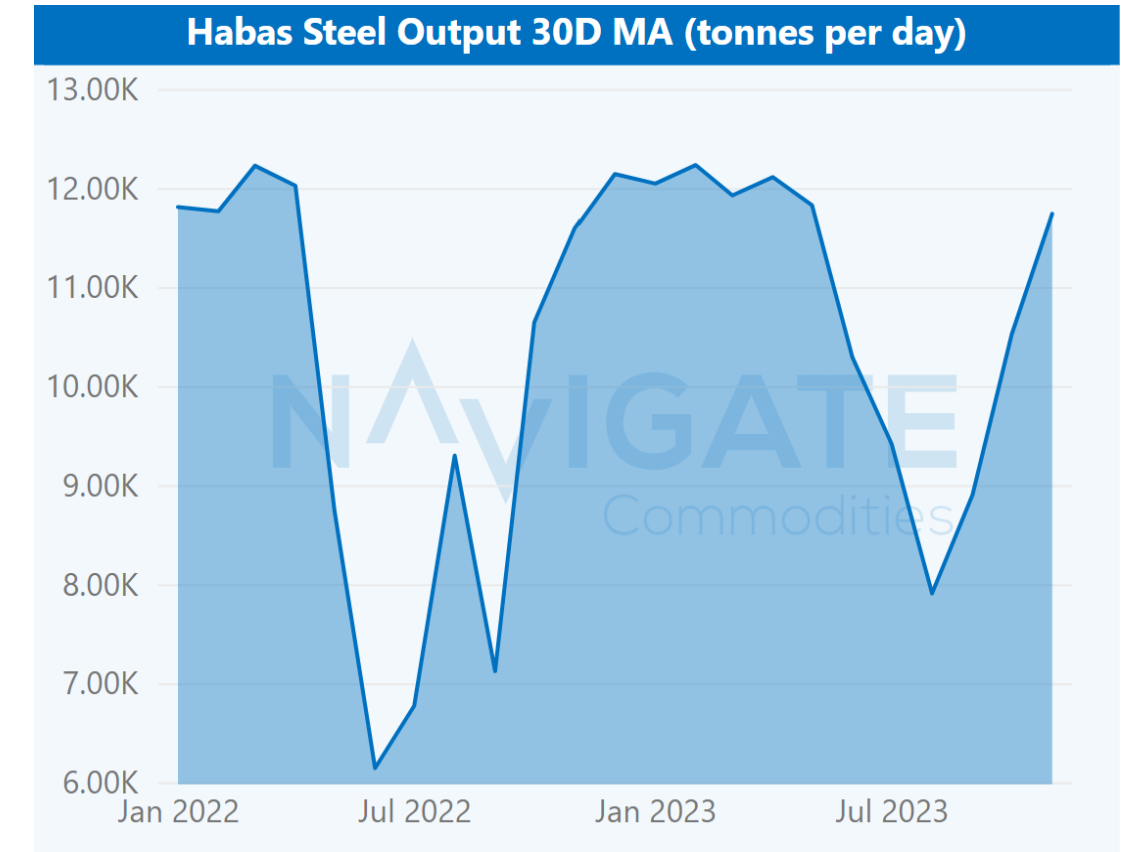
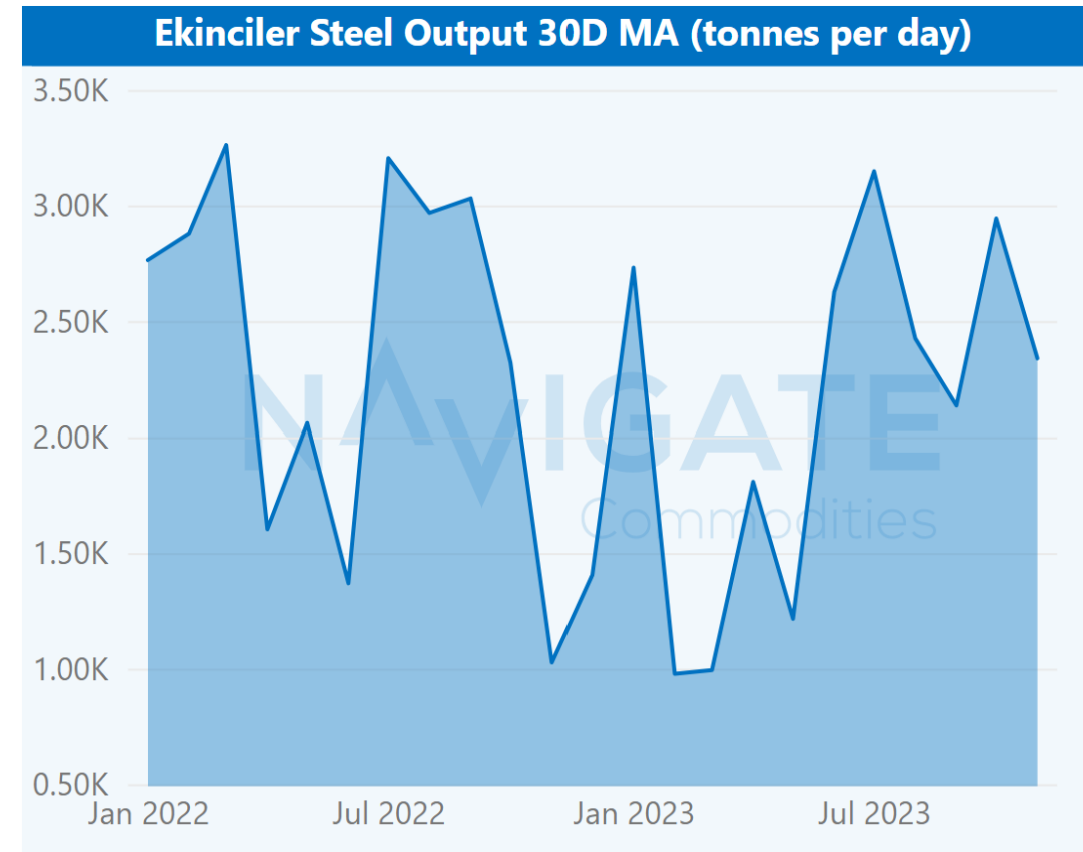
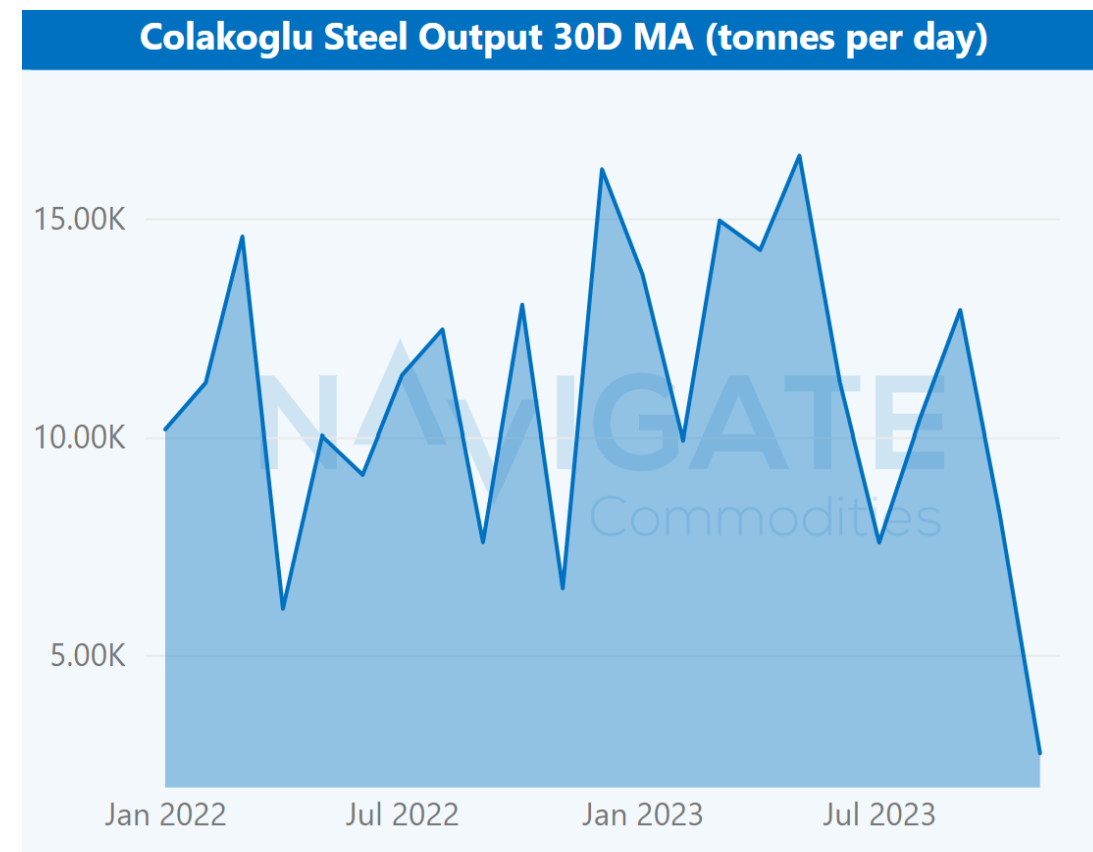
Daily Türkiye Crude Steel Activity Index



Source: Earth-i, Navigate Commodities









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