

CUMIC

STEEL MONTHLY

March 2023

C U M I C S T E E L L I M I T E D



Introduction

CUMIC Steel Monthly is the most effective way to stay up to date on the latest steel market activity as well as CUMIC's key projects. The report integrates the most recent news on the global steel market, monthly price movements, and aggregates data on global steel production and trade activity. In addition, it provides exclusive insights from the CUMIC Market Research Team regarding key market growth factors for the coming month to help you improve your bottom line and ensure that your business makes strategic sourcing decisions.

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Global Steel News Snapshot

Signs of Recovery in the Chinese Property Market

China's new home prices rose in January for the first time in a year, according to data released by the National Bureau of Statistics (NBS) on Feb. 16. Despite a 0.1% month-on-month and 1.5% year-on-year increase, the weekly data suggested that the property market recovery will continue in February, with new home sales increasing 30% and 11% year on year in the first two weeks of February, respectively.

Furthermore, China may decide to adopt further support measures to shore up the beleaguered property sector at the National People's Congress, which begins on 5 March and is expected to confirm this year's growth target of 5%. Authorities have already taken several measures since the end of last year, such as promoting property financing and lowering mortgage rates for first-time home buyers.

Molybdenum Prices at Record High

Molybdenum prices continue to rise, reaching a record high in February 2023, with pure molybdenum now topping \$100,000 per tonne in Asia, up nearly 150% since February 2021, causing stainless steel producers to wait for molybdenum supplies.

The surge in prices comes as mines have reduced molybdenum output for several years. At the same time, the quality of mined ores has declined dramatically. Analysts predict that the available quantity of molybdenum will not be sufficient to meet demand until at least 2025. In the next three years, a shortfall of at least 84,000 metric tonnes is expected. At the same time, the producing countries, particularly China, are unable to keep up with demand.



Turkish Mills Declare Force Majeure After Earthquake Disrupts Market

Four mills located in the Iskenderun area, a significant hub for steel production in Turkey, have declared force majeure due to the impact of the massive earthquake that occurred on February 6. In consequence, the steel market in Turkey is currently at a standstill, with no mills or suppliers engaging in business activities. The mills have issued a letter to their business partners, indicating that a state of emergency has been declared by presidential decree and enacted by parliament, resulting in the legal enforcement of force majeure. The letter indicates that force majeure remains applicable for natural disasters specified in the law even if they are not specified in the contract.



Goldman Sachs Raises Q2 Iron Ore Price Forecast

Due to the anticipated iron ore supply shortage, the US-based investment banking firm Goldman Sachs has revised its iron ore price forecast for 2023 Q2 by 20%. In the given quarter, iron ore prices are expected to rise to \$150/mt.

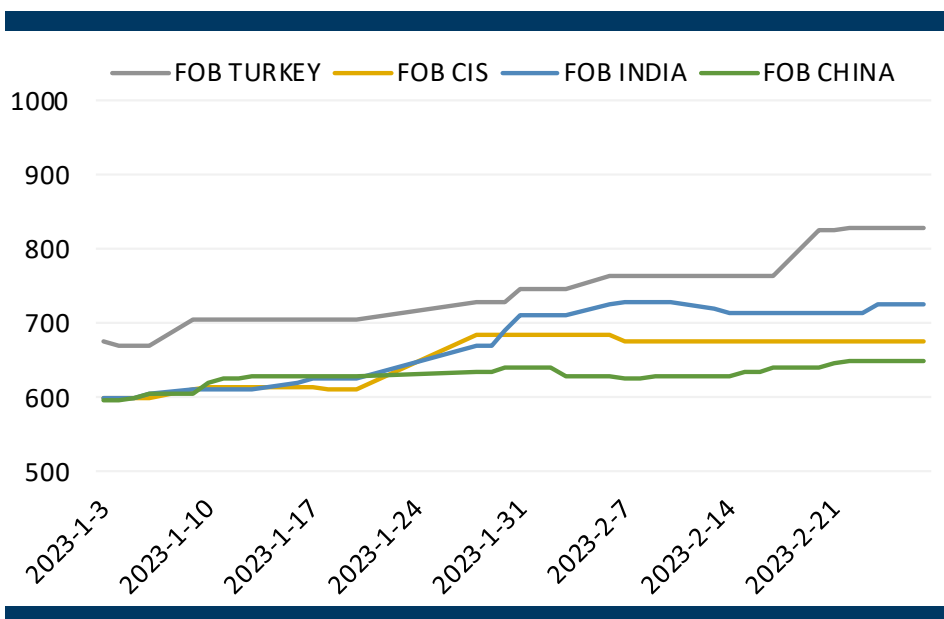
According to a report by Goldman Sachs, a seasonal increase in Chinese steel production in March and April is anticipated to cause a short-term iron ore supply shortage. Meanwhile, Goldman Sachs predicts that the price increase in iron ore will not last long, with prices falling to \$135/mt in 2023 Q3, \$105/mt 2023Q4, and \$90/mt in 2024.

Monthly Steel Price Snapshot



In February, FOB prices for HRC in China remained stable within the range of 640-660 USD/MT. Despite gradual domestic demand recovery and an improvement in steel market transactions after the Lunar New Year holiday, the ongoing robustness of the US dollar and the depreciation of the RMB have impeded the strength of export prices in USD terms, which have now largely consolidated around 650 USD/MT.

In early February, a massive 7.8 magnitude earthquake struck southeast Turkey, causing significant disruptions to gas, electricity, and transportation infrastructure. Although local steel mill facilities remained largely unscathed, production shutdowns were necessitated due to the aforementioned supply chain disruptions. Furthermore, with the Turkish government's announcement of a post-disaster reconstruction plan, domestic projects will consume more steel, resulting in a sharp rise in Turkish steel export prices from 745 USD/MT at the beginning of February to 830 USD/MT at present.



Statistics: Production & Steel Trading

	Unit: 10000 tons	Jan-23	% change Jan 23/22	Jan-Jan 2023	% change Jan-Jan 23/22
Crude steel production	World	14530	-3.3	14530	-3.3
	China	7945	2.3	7945	2.3
	India	1090	-0.2	1090	-0.2
	EU	1030	-15.2	1030	-15.2
	Japan	720	-6.9	720	-6.9
	US	650	-6.8	650	-6.8

	Unit: 10000 tons	Dec-23	%change Dec 22/21	Jan-Dec 2022	%change Jan-Dec 22/21	
Import	US (net tons)	2,185,546	8.6	30,831,649	-2	
	South Korea	158.2	-5.9	2143.4	-1.5	
	Turkey	120	0.2	1480	-3.6	
	EU	107.86	-14.18	2892.24	-4.63	
	Thailand	105	-23.3			
	Vietnam	94.6	-1.69	1167.79	-5.62	
	China	70	6.91	1056.6	-25.9	
	Japan	62.05	-2.25	745.56	-1.4	
	Italy	24.65	-15.52	729.01	5.51	
	Germany	2.33	45.31	81.98	-10.48	
	Mexico			1035	-11.7	
	Export	China	540.1	-3.4	6732.3	0.9
		Japan	267.49	-3.74	3230	-6.1
South Korea		220.4	-1.3	2732.3	-5.1	
EU		115.46	-32.63	1655.75	-14.83	
Turkey		86.4	-5.6	1510	-23.5	
Vietnam		82.3	-8.93	839.7	-35.85	
Germany		23.41	-15.12	325.3	-12.17	
Thailand		16.4	-2.5			
Italy		11.18	-6.76	144.27	-23.08	
Mexico			498	21.2		

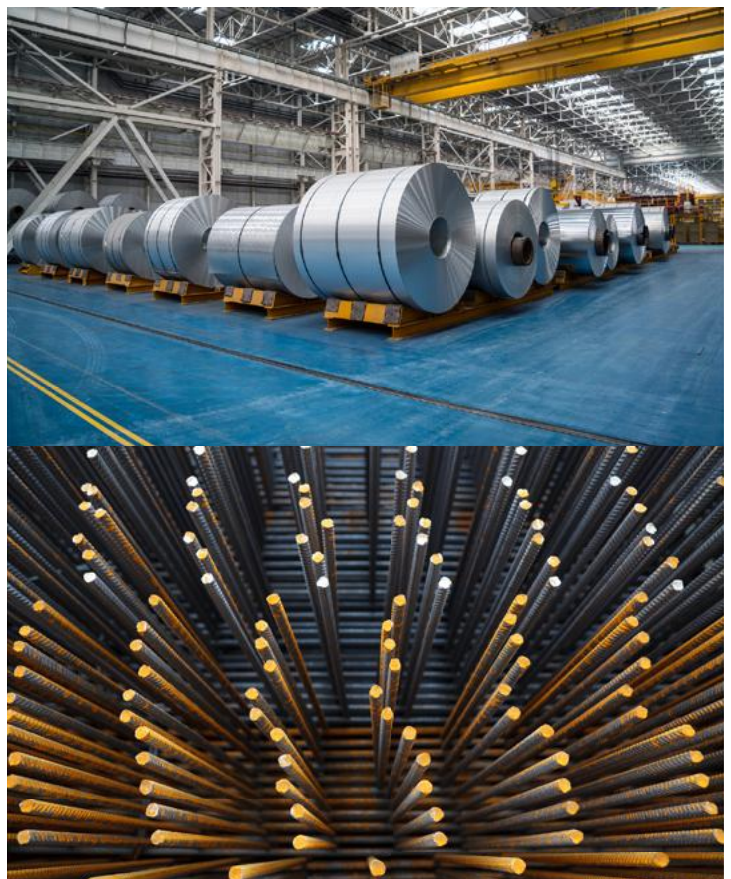
March 2023 Steel Market Prediction-Key Growth Drivers

The Recovery of the Chinese Economy and Demand

The sustainability of China's economic recovery momentum during the first half of the year, particularly with respect to the steel market, as well as the continuity of demand recovery trends throughout the upcoming peak season for steel consumption during March and April - are pivotal considerations. As per Bloomberg, China's economy experienced a rebound in February after the extended holiday period, with industrial activity trailing behind and the recovery exhibiting unevenness. Nevertheless, preliminary indicators suggest that consumption is exhibiting a robust recovery after the discontinuation of the dynamic-zero policy.

The DXY Trends

The US Dollar Index has rebounded 3.8% from its early February lows, supported by strong macroeconomic data and a willingness by the Federal Reserve to tighten policy. The recent decline appears to be a correction within a long-term uptrend, with the dollar poised to return to multi-year highs near 115 by the end of the year. In the near term, a consolidation above 104 could lead to a rally towards 106, with a potential battle for the USD not expected until these levels.





Price Performance of Iron Ore

Iron ore prices are anticipated to remain strong in the first quarter of the year due to supply shortages, which have been further exacerbated by the winter freeze that has limited China's domestic iron ore production. However, weak margins and high steel inventories have prevented domestic steel production from ramping up, thereby limiting China's short-term iron ore demand recovery. Despite these challenges, the reopening of China's economy is expected to bring broader benefits, leading SPG to moderately upgrade their average iron ore price forecast to \$123.11/t for the March quarter and \$117.53/t for 2023.



CUMIC's Latest Project

CR116 - Cross Island Line Construction Project



Product

H BEAM



Quantity

300 MT



Location

Singapore

Project Story

July 20, 2021, the Singapore Land Transport Authority (LTA) awarded contract CR116 for the construction of Ang Mo Kio interchange station and associated tunnels.

According to LTA, the existing Ang Mo Kio NSL station will be reconfigured to facilitate connections with the CRL station. From drawings seen by the team, there will be both a paid and unpaid connection from the NSL station next to the Ang Mo Kio Town Garden (East).

In January 2023, CUMIC supplied 300 tonnes of high quality H beam made in China for this project to help make its construction run smoothly, which will ultimately bring more convenience to the local residents.

According to the LTA, this project is expected to provide passenger service in 2030.



ABOUT CUMIC

As an integrated steel trading solution provider, we, CUMIC Steel Limited, have long-term cooperation with 9 out of the top 10 steel-producing companies in the world. For the past 16 years, we have been consistently delivering high-quality integrated steel trading solutions to 2,000 regular clients in more than 70 countries.

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