

COPYING AND DISTRIBUTING ARE PROHIBITED WITHOUT THE PERMISSION OF THE PUBLISHER

BIR BARCELONA: Ferrous scrap market sentiment weak as Turkish issues continue

A dismal economic situation in Turkey is piling pressure on prices in ferrous scrap markets around the world, delegates said at the Bureau of International Recycling (BIR) international conference in Barcelona.

Sentiment among delegates was mainly downbeat during the four-day event in Spain. Ferrous scrap exporters pointed to a strong US dollar compared to key importer currencies and traders complained that conditions were unfavorable to making margins on transactions.

"The ferrous scrap market should not forget the current economic situation in Turkey. The devaluation of the lira, issues on exports of finished steel and general state of the Turkish economy are a concern," Tom Bird, chief executive officer of the Hong Kong-based Chiho Environmental Group, said on Tuesday May 29.

"Turkey is really struggling – particularly on the lira. Turkey [steel] sales picked up in March but really struggled in April," Frank Heukeshoven, chief operations officer of Germany's TSR Metals, said.

Turkey's low currency and poor steel prices have meant that Turkish mills have been unwilling to match the offer prices of European and UK scrap merchants in recent weeks, leading to deals being closed at lower prices.

Metal Bulletin's index price for Northern European-origin imports of HMS 1&2 (80:20) was \$331.72 per tonne on Tuesday May 30, down by \$13.51 per tonne month-on-month and down by \$4.84 per tonne week-on-week. The Turkish lira devalued by 13% in the month from April 30 to May 30, according to exchange rate website Oanda.com.

Post-Ramadan climate

Most trading sources said they expect higher scrap buying activity in Turkey as the Islamic holy month of Ramadan, which ends on June 14, draws to a close and after the conclusion of the Turkish presidential election on June 25, with Turkish mills running dangerously low on scrap stocks.

Since Monday, Turkish mills have already started to have booked some 140,000 tonnes of ferrous scrap cargoes, which could be an attempt to have enough material available to ramp up steel production after the Ramadan and election period.

But Turkish steel output could even worsen further in the coming months if demand for the country's finished products remains low, according to Heukeshoven.

"By the end of Ramadan, we could see some production stops depending on the sales possibilities of Turkish mills for their finished products," he said.

A key reason for the poor performance of Turkish rebar markets has been the imposition of 25% import tariffs by the US in the conclusion of the Section 232 investigation, George Adams, CEO of US-based SA Recycling, said.

US imports of Turkish rebar have dropped to just 11,764 tonnes in the month to May 29, according to US commerce department statistics. That compares with imports of 59,569 tonnes in May of last year.

Knock-on effects

As Metal Bulletin's Turkish import scrap index fell during the conference period, so did prices for ferrous scrap in areas such as the Indian subcontinent.

Market participants on the sidelines also said they expected drops in the UK and in mainland Europe in June's monthly settlements.

European steel mill demand for higher grade scrap such as shredded and plate and structural (P&S) remains strong, with HMS-grade scrap less sought after, sources said.

This picture is similar in the US, where good steel mill demand for higher grade material led to prices for busheling staying unchanged in key regions like Chicago in May's monthly settlements.

But US domestic scrap prices could come under more pressure in June's monthly settlements due to the weakness in Turkey, according to George Adams.

"Even though our rates of capacity in the US are up above 75%, and even though there is healthy steel demand going on there right now, I think [there is] uncertainty with the bulk markets not moving – with Turkey not being able to buy the scrap as their exports of steel are down," Adams said.

"Going into June, they're already announcing it's going to be down at least \$20 per tonne- [and] certainly \$10 per tonne [for US scrap prices]. So I think we will see the market continuing to soften a little bit," Adams said.

Trading margins tight

Making a margin selling scrap is becoming increasingly difficult in the current trading environment amid poor demand from countries like India, Pakistan and Indonesia in recent weeks, delegates said on the sidelines.

"You can do one or two deals at cost price, but you can't keep doing that," one Middle Eastern trader said.

One Baltic scrap exporter said that his margins were being squeezed because of a high price for shredder feed compared with the selling price for shredded scrap.

Metal Bulletin's domestic price for grade-5C frag feed was £90-120 (\$119-159) per tonne delivered on Friday May 25 – stable for seven weeks straight despite

6/12/2018

BIR BARCELONA: Ferrous scrap market sentiment weak as Turkish issues continue | Metal Bulletin.com

decreases in the Turkish buying price for UK-origin shredded and HMS. I

Metal Bulletin's price assessment for export shredded scrap was \$319-321 per tonne fob on Friday, taking the premium of shredded over 5C to just \$180 per tonne, and the lowest since January 26 when it stood at \$176 per tonne.

But with yards placing high importance on keeping material coming in so they can keep their shredders going, frag feed prices may have to stay high, sources said.

"Selling scrap isn't the problem; keeping material flowing in is the challenge," according to another Baltic merchant.

ALL MATERIAL SUBJECT TO STRICTLY ENFORCED COPYRIGHT LAWS.© EUROMONEY GLOBAL LIMITED
