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**AIMING HIGH**

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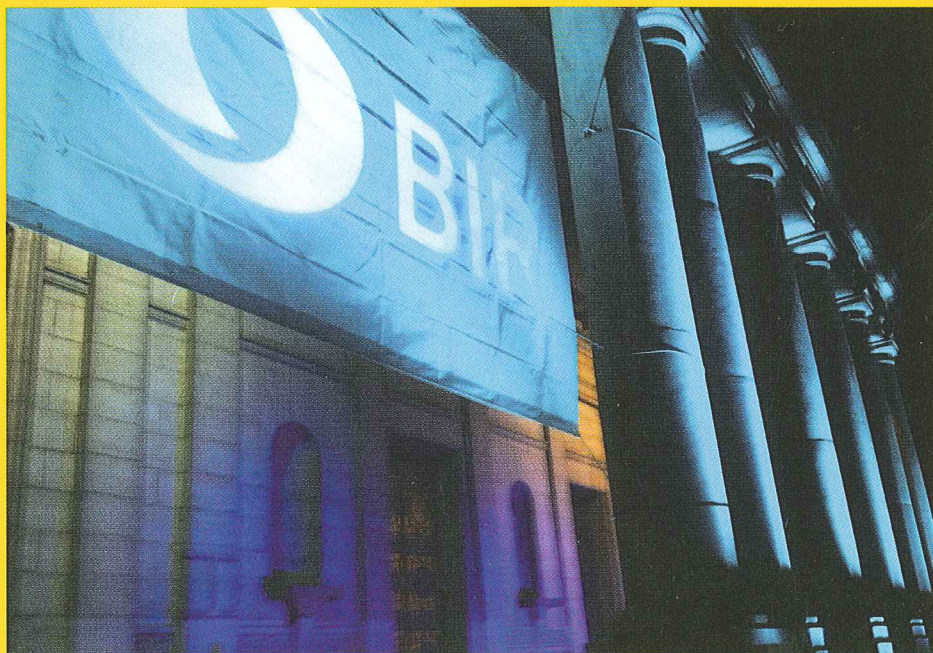
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# Metal Bulletin

**BIR IN BRUSSELS**



## Smaller volumes, bigger risks

Price volatility, the rising role of containers and the future for ferrous scrap: page 11

**UNDER ATTACK**

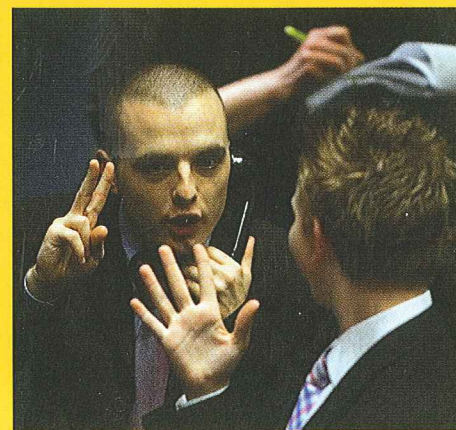
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**LONDON METAL EXCHANGE**

Members are doing it for themselves

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# Scrap and secondary

**Notes from Brussels** It's all about managing risk

## BIR delegates examine the future for Fe scrap



**BRUSSELS**  
**BY SILVIA ANTONIOLI**

The Bureau of International Recycling (BIR) meeting in Brussels last week was the association's second gathering of the year.

Most delegates were in and out, just taking a few hours to meet their customers and suppliers, sit down and chat about which way the wind is blowing in the market.

The weather is looking gusty. So the sector isn't looking far ahead. Right now, it's all about managing risk.

Most players in the recycling sector have worked hard to keep their inventories low, only booking material as its required.

Forming any kind of long-term forecast, then, is difficult.

"All we need is a bit of stability," one merchant told MB on the

sidelines of the event. Like many other attendees, he had become exasperated by the numerous peaks and troughs prices have navigated in the past year.

Most of them see increased market volatility as a threat.

For some, though, it has presented opportunities.

Greater volatility in prices also brings much higher levels of risk.

But, for those who are brave, this can also mean much higher rewards as well.

The growing use of containers to transport ferrous scrap has made it easier for smaller players to get involved, taking small slices of business away from larger companies.

These participants are happy to settle for thinner margins than their peers. In some cases, they'll make deals for no profit at all, just to win the business, market participants say.

More established players in the market are worried.

Now a few transactions of just a few thousand tonnes aren't going to leave them out in the cold. But these deals disrupt the market and make life harder for the larger merchants.

Fortunately the pie is getting bigger.

The World Steel Association's latest forecast puts steel demand rising through 2011, and merchants at the conference reckoned steel mill stocks are low.

If meltshops start ramping up production, demand for ferrous scrap seems almost certain to grow.

And steelmaking from an electric arc furnace makes sense. Blast furnaces need feeding with difficult materials like iron ore and coking coal. Quarterly contracts have made these components harder to handle.

Increased demand will come from development in difficult locations, like inland China, where infrastructure is poor. Supplying this from a locally-erected mini-mill makes more sense than hauling in steel from integrated steelworks near the coast.

The long-term picture looks bright. But short-term volatility seems certain to remain.

**LONDON**

### Turkish ferrous scrap import prices up as buyers return

The Turkish ferrous scrap market has picked up as mills restarted buying, according to market participants.

MB heard of four new cargoes booked at higher prices late last week.

One Turkish mill bought a 25,000 tonne cargo from the US. The cargo contained 11,500 tonnes of HMS1&2 (80:20) grade booked at \$380 per tonne cfr, 11,500 tonnes of shredded grade booked at \$385 per tonne, and also 2,000 tonnes of P&S grade booked at \$390 per tonne cfr.

The second cargo was booked by another Turkish mini-mill.

The cargo was of European origin and contained 30,000 tonnes of

HMS1&2 (70:30) grade at \$375 per tonne cfr.

A further Turkish mill bought two cargoes from the same European recycler. The first cargo was booked at \$381.5 per tonne cfr. It consisted of 18,000 tonnes of HMS1&2 (80:20) grade. The second cargo contained 25,000 tonnes of the same grade at \$378 per tonne cfr.

These prices represent an increase on cargoes booked late

last month. Cargoes two weeks ago were booked at \$377 per tonne cfr for HMS1&2 (80:20) grade, and \$382 per tonne cfr for shredded grade.

Prices are set to continue rising as winter sets in.

"Prices will keep rising as more suppliers were able to sell their cargoes," a trader told MB.

"Additionally, there will be less scrap coming into the yards because of winter," he added.



**Bleak business** 'We can't get anything higher than £1,600 into Europe'

## LM24 price declines in UK under pressure from European sales

**LONDON**  
BY BARBARA O'DONOVAN

Secondary aluminium prices dipped on October 27 under pressure in the UK from a weak European market.

LM24 pressure diecasting ingot fell to £1,600–1,660 (\$2,532–2,627) per tonne from £1,620–1,660 per tonne previously.

"We can't get anything higher than £1,600 into Europe and that's driving the UK price down," a producer said.

Producers, who remain busy with contracted business, conceded that spot business levels had diminished over the past three weeks.

"There's not much spot business

about," a second producer source said.

Sentiment has dipped in the market as a result of falling European prices.

"European prices seem to be showing signs of weakening on raw material and ingot," a third UK-based producer source said.

DIN226 prices in Europe fell to €1,930–1,990 (\$2,684–2,767) per tonne on October 22 with further reductions expected.

LM6/LM25 gravity diecasting ingot was unchanged at £1,875–1,910 per tonne with the majority of reported business concluded around £1,895 per tonne.

Scrap prices were unchanged on October 27 amid thin trading.

Group 1 pure 99% min (baled) and group 1 litho (baled) continued to trade at £1,270–1,350 per tonne, clean HE9 extrusions held at £1,200–1,230 per tonne and commercial pure cuttings were unchanged at £1,050–1,150 per tonne.

Mixed alloys and old rolled cuttings held at £900–930 per tonne per tonne, baled old rolled stayed at £940–970 per tonne, commercial cast remained at £1,000–1,100 per tonne, cast wheels continued to trade at £1,260–1,300 per tonne, commercial turnings held at £750–790 per tonne and group 7 turnings stayed at £650–670 per tonne.

**LONDON**

### Sims buys Commercial Metal Recycling Services

Sims Group Australia Holdings, a subsidiary of Sims Metal Management, has bought the assets of Australian metal recycler Commercial Metal Recycling Services (CMRS).

"CMRS is a good strategic fit for our Queensland metal recycling business due to its diverse geographic footprint and strong local capability," Darron McGree, md of Sims Group Australia Holdings, said in a statement last week.

CMRS, which operates a network of eight yards across Queensland, collects about 75,000 tpy of ferrous scrap and 7,000 tpy of non-ferrous scrap.

"The financial terms of the transaction were not disclosed, however, the purchase price consideration is not material to Sims Metal Management," the company said.

## BIR CONVENTION NEWS

### Cash flow a concern for UK scrap industry

Cash flow is becoming a concern again for traders, merchants and consumers of scrap metal in the UK because of high metal prices, delegates said at the Bureau of International Recycling's autumn convention in Brussels.

As copper prices hit a fresh 28-month high on October 26 in the London Metal Exchange officials at \$8,501/02 per tonne and Goldman Sachs's forecasts of highs of \$11,000 per tonne in 2011 galvanizes buyers and sellers, market participants expressed their fears.

"For traders, merchants and consumers, this fuels concerns about cash flow, exchange rates, continuing wild movements both up and down, and the threat of increased substitution," Brookside Metal Co md Michael Oppenheimer wrote in a BIR report released last week.

Scrap market participants in the UK are becoming cautious in light of a drop in manufacturing export orders in September, the

first fall in ten months, and ahead of increased value-added tax in January.

"You've got to watch cash flow right now, it takes a lot of money to run a business these days," a delegate told MB on the sidelines of the conference.

### Govt's economic measures support German scrap industry

Support from the government is behind the German scrap industry's sunny outlook at a time when market participants in other European countries are signalling a downturn.

"Germany has probably the most positive mood of all," the Bureau of International Recycling's non-ferrous division board member Alejandro Jaramillo told delegates at the convention.

The government's stimulation of commercial activity since September and concern with safeguarding the domestic supply of scrap has led scrap traders and consumers in

Germany to take a different view on the market than their counterparts elsewhere.

"Things are still good, I don't see why producers in other countries are dropping their prices," a secondary aluminium producer in Germany told MB.

DIN226 prices in Europe declined to €1,930–1,990 (\$2,684–2,767) per tonne on October 22, from €2,020–2,100 per tonne a month previously.

Several producers in Germany continue to report sales around €2,000 per tonne, the highest prices in Europe.

"I think it's obvious that this quarter is not as good, so I don't see why the German consumers are paying the producers there higher prices than they have to," a Spanish producer said.

### Italian secondary Al market concerned as car registrations fall

The Italian secondary aluminium market is concerned by a sharp drop in new car registrations in September, delegates at the

convention heard.

"Conditions for secondary aluminium are a concern as car registrations in Italy fell 18.9% in September," Alejandro Jaramillo of Recicladora Cachanilla told delegates.

Small and medium-sized foundries in Italy have been suffering from a lack of orders, which has pushed down ingot and scrap prices over the past month, according to Carmelo Paolucci, a board member of the BIR non-ferrous metals division who collects information on the Italian market.

After the recent increase in Italian industrial production, a slowdown is anticipated for the fourth quarter of 2010, Paolucci wrote in the BIR's *World Mirror*.

"Nobody knows how long the LME rally will last but the commodity market can change very quickly. When metals prices fall, everybody tries to get out of their positions and so incredible volatility to the downside is likely to emerge at some point," Paolucci said.