

Nickel & Stainless

Closed: June 4 2014

Tempestuous times

Despite losing some of the ground gained during May, the 304 grade of stainless steel scrap still finished the month at US\$ 1800-1850 per tonne – well above its late-April level of US\$ 1710-1760. Helped by molybdenum firmness, the 316 quality jumped from US\$ 2290-2340 per tonne to US\$ 2400-2450 over the same period, whereas 409 and 430 chrome scrap prices remained unchanged at, respectively, US\$ 410-450 and US\$ 510-550.



In line with nickel's performance during May, prices for the 304 quality of stainless steel scrap climbed close to US\$ 2000 per tonne before slipping back at the time of writing to US\$ 1800-1850. The price range of US\$ 2400-2450 per tonne for the 316 grade owes much to a firm molybdenum quotation while chrome scrap prices remained unchanged at US\$ 410-450 for the 409 quality and US\$ 510-550 for 430 material.

Since our previous report, the nickel price rallied from around US\$ 18 000 per tonne to hit a peak of close to US\$ 22 000 thanks to heavy speculative/investment buying on the back of forecast supply shortages. Suspension of production at the Goro mine in New Caledonia shook a market already buffeted by Indonesia's ore ban and possible trade restrictions on Russian exports. The market spent the latter part of May undergoing a necessary and healthy correction, with negative sentiment fuelled by news that eight Chinese companies plan a combined investment in Indonesia to set up nickel refineries and fears of substitution of 300 series stainless steel by lower-nickel 200 and 400 series. The result was that the nickel quotation dropped into a more realistic range of US\$ 19 000-19 500 per tonne (US\$ 19 115 at the time of writing).

Excellent overview

At the China Nickel Conference held in Shanghai on May 21-22, some 70 experts from the Asian nickel and stainless steel industry provided an excellent overview of the current situation. A former executive of Inco (now Vale) explained the background to the implementation of Indonesia's export ban on unprocessed nickel ore, with the trigger being the regional disparity between western and eastern Indonesia.

In addition to the three nickel units in operation, Indonesia has received proposals for 29 nickel smelters. For the moment, the following minimum thresholds are applied for acceptance

of creating 'value-added' products for which no export ban exists: nickel matte with minimum 70% nickel; ferro-nickel with minimum 10% nickel; nickel pig iron with minimum 4% nickel; and nickel metal with minimum 90% nickel.

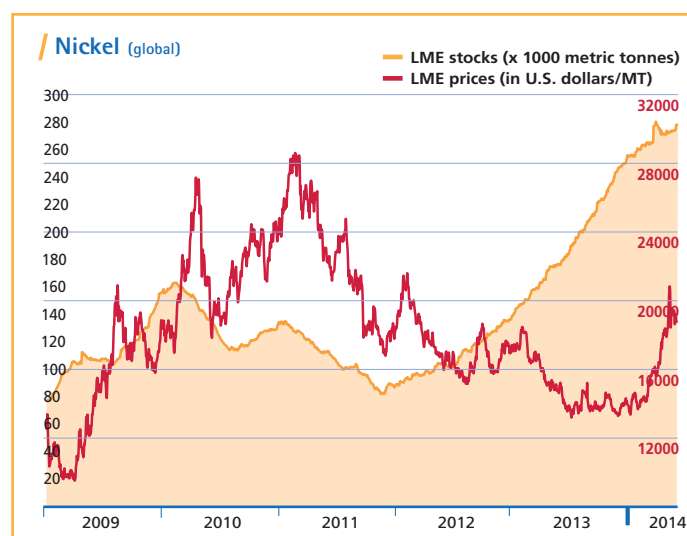
Although some 33 400 miners have become unemployed as a result, the ban on unprocessed nickel ore will remain in place.

Higher EU production

The latest summary of nickel production and usage published by the International Nickel Study Group (INSG) shows a surplus of 13 400 tonnes for

the first quarter of this year and stocks in LME warehouses of more than 284 000 tonnes. In both instances, the production and consumption figures exceeded those for the same period last year.

In 2013, stainless steel scrap availability amounted to 8.757 million tonnes, corresponding to a nickel content of 700 560 tonnes. The INSG determined a global primary nickel production of 1.94 million tonnes. The availability forecast for stainless steel scrap in 2014 is 9.383 million tonnes with a nickel content of 750 640 tonnes, while primary nickel production should remain unchanged.



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Shortage or no shortage?

Nickel supply this year will be sufficient as the Chinese NPI Producers have sufficient ore-stocks to take them through most of the year and new Ni Projects are ramping up in various countries. But, the supply deficit in 2015 could be substantial as the new NPI plants in Indonesia will not be sufficient fill the 200,000-250,000 tonnes gap that will open up in China next year.



Minor metals

After a period of volatility during the course of May, molybdenum prices seem to have found a bottom for the moment and the LME quotation has stabilised at US\$ 30 000-31 000 per tonne.

Cobalt has suffered as a result of limited spot inquiries. Sources note that buyers have not been adding spot material as prices were likely to continue to slide. Despite such expectations, the metal maintained its level and is around US\$ 30 300-31 300 per tonne at the time of writing.

The Western ferro-vanadium market has remained steady amid noticeably thin transaction activity. The European market has experienced a firm number of inquiries but not so many deals; the price range is currently US\$ 26.90-27.70 per kg V. Ferro-tungsten plummeted to US\$ 41.90-42.90 per kg W owing to the lack of buying interest. Ferro-titanium (maximum 4.5% aluminium) has continued to crawl around US\$ 6-6.15 per kg Ti.

According to Heinz H. Pariser Alloy Metals & Steel Market Research, EU-28 crude stainless steel production edged 0.3% higher to 2.06 million tonnes in the first quarter of 2014 from 2.053 million tonnes in the opening three

months of 2013. The nickel austenitic share of this production varies between 73% and 75%.

A strike by mine workers in South Africa's platinum industry - affecting Amplats, Impala and Lonmin - is

impacting output of chromite. Although an increasing number of miners want to return to work, the unions are continuing to demand significant salary increases. The lack of UG 2 concentrate is already being felt in the market and export prices to China have been rising. The EU-28's imports of charge/high-carbon ferro-chrome fell a substantial 37.9% from 190 025 tonnes in January 2013 to 118 045 tonnes in this year's opening month.

Europe

The nickel uptrend continued in May but many market observers believe current prices are 'exaggerated'. Although the metal had been undervalued for months, prices well above US\$ 20 000 per tonne are fundamentally difficult to justify, according to some insiders. Indeed, certain analysts suggest current prices stem from a significant degree of speculative activity and are warning against excessive euphoria. In Germany, nickel cathodes have been

trading recently at around US\$ 18 333 per tonne while V2A scrap has been fetching US\$ 1847 and V4A scrap US\$ 2360. In the Netherlands, INOX 18/8 has been attracting US\$ 1664 per tonne and INOX 316 nearer US\$ 2182. Merchants are reporting an upturn in demand within Europe as well as a revival in the alloyed scrap market over recent weeks.

China and elsewhere in Asia

According to China's Customs Office, imports of refined nickel and its alloys fell 14% year on year in January-April 2014 to 54 510 tonnes while exports soared more than 98% to 19 973 tonnes. In April, China's refined nickel output was 0.7% higher than in the previous month at 28 830 tonnes. On the Shanghai market, the nickel price made strong progress from Yuan 126 500 per tonne (US\$ 20 304) in early May to a high point of Yuan 138 600 (US\$ 22 247) during the third week of the month thanks to higher production of 304 stainless steel and increased usage of stainless scrap. Earlier in the month, tensions in Ukraine had made most traders adopt a wait-and-see approach to the market.

North America

Many US stainless steel scrap suppliers have been holding back on sales despite strong demand on the domestic front, driven not least by the on-going ramp-up of production at Outokumpu's Calvert mill in Alabama. Expectations of further price progress have been fuelled by forecasts from Citi analysts that nickel prices will scale peaks above US\$ 30 000 per tonne during 2015 owing to market tightness and, more specifically, Indonesia's ban on ore exports.

As a further indication of a reinvigorated market, latest figures from the Metal Service Center Institute indicate that, when making the comparison with the same month in 2013, shipments of stainless steel from US service centres jumped almost 8% in April this year to 167 000 tons. □

