

but “this trend may change in the short term as mills will be trying to reduce cost when the demand for steel weakens,” another trader said.

Purchasing activity on trading platforms improved compared to Tuesday with two deals for Australian Mac fines done; however, the volumes were not high.

#### CHINA: DEAL PRICES FOR IRON ORE, \$/T

Products	Fe, %	Sale method	Volume, t	Laycan	Price, CFR Qingdao	Price, FOB
Mac fines, Australia	62	globalOre	80,000	June 11-20	101.8	95.1
Mac fines, Australia	62	globalOre	80,000	June 11-20	unfixed	-

[Back to top](#)

#### Japan's HRC export price drop fixed in deals

##### Far East / Flat Products

Japanese export prices for HRC decreased further on continuous pressure from buyers. Some bookings to India and the Gulf area were reported.

HRC suppliers from Japan who at the beginning of the last week were offering their coils to India at \$560/t CFR agreed to go lower. In particular, one of Japan's mills sold some 50,000 t of HRC to India at around \$545/t CFR (around \$520/t FOB) for July shipment, Metal Expert learnt. “There are rumors about new deals concluded at \$530/t CFR and even \$522/t CFR in India, but it is too much, at least for now,” an international trader told Metal Expert.

Another big batch for July shipment HRC (SAE 1006) was sold to a customer in the Middle East at \$525-530/t CFR at the end of last week, Metal Expert learnt.

Japanese suppliers agree that prices are likely to stay at a low level in coming weeks; most of them, however, are concerned about the trend sustainability in a longer term.

[Back to top](#)

#### BIR: China's EAF steel production surges by 67 million t, boosting scrap consumption

##### China / Scrap

Steel scrap consumption in China went up sharply in 2018 as mills were increasing scrap usage in BOFs and EAF steel production more than doubled in the country while the government was implementing stricter environmental standards, according to fresh data from the Bureau of International Recycling (BIR) released during the spring convention and exhibition held in Singapore on May 20-22.

Steel scrap demand added 27%, reaching 187.8 million t last year, according to Rolf Willeke, Statistics Advisor of the BIR Ferrous Division. “To meet new environmental quality standards and in order to avoid production restrictions, most basic oxygen furnace mills have actively increased their steel scrap input,” the release said.

Those Chinese mills which work on BOFs have increased the scrap share to about 25-30%.

The other important reason for scrap usage surge was growth of new EAF capacities. Production of steel in EAFs in China added 123% or 66.7 million t, reaching 120.7 million t, based on worldsteel information. Moreover, the trend is likely to continue this year as more capacities are planned to be put in operation, taking into account that China will have its environmental policy as the major focus in coming years.

Nevertheless, it is unlikely that China will have big influence on the global scrap market in the short term, as imports and exports are not going to increase significantly. The country will actively invest in scrap processing facilities to cover its own needs, especially in shredder capacity. Imports of steel scrap fell by 42% to 1.3 million t in 2018, as China was implementing tighter restrictions.

[Back to top](#)

## Zinc drop makes “small contribution” to Chinese HDG price decrease

### China / Flat Products

Prices for zinc, the key ingredient for making galvanized steel, dropped to four-month low on May 21 amid excessive output in China, adding to the downtrend in HDG segment. However, soft demand on all destinations is still the main reason for galvanized products price decrease, insiders say.

Benchmark zinc declined by 1% to \$2,575/t on the London Metal Exchange on Tuesday, soon after touching \$2,553/t, the lowest since January 22, Australian local press informs. A Reuters survey published earlier this month showed that zinc market would face a surplus of about 20,000 t this year.

It coincided with deterioration of the demand for Chinese HDG both abroad and inside the country, where the auto sector kept showing adverse performance amid US-China trade war. However, the influence of weaker zinc made “small contribution to HDG price decrease,” a major Chinese trader told Metal Expert. “Very few people are considering it [zinc] now. If there are many orders [for HDG], prices would stay high despite lower zinc. Besides, production cost is not so low as iron ore surge impacts HRC,” the source commented.

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