

PRESS RELEASE

Recent BIR World Recycling Convention & Exhibition in Berlin (30 May – 1 June 2016)

LME Workshop.

BIR stages workshop spotlighting LME steel futures contracts

Brussels, 16 June 2016

Interest in the London Metal Exchange's scrap and rebar futures is growing faster than expected, LME Business Development Manager Marko Kusigerski told a workshop at the recent BIR World Recycling Convention in Berlin.

Launched last year, the new steel futures contracts completed the value chain for long steel products but also represented a departure for the LME, he explained, because they were not physically delivered and were monthly going out to 15 months. For the first time, he said, there were 12-month tradable forward curves for scrap and for rebar. Turkey had been chosen for the setting of a reference price for global scrap because the country was the world's largest ferrous scrap importer by some distance, he added.

The workshop in Berlin also provided the LME's Head of Physical Market Sales Robert Fig with an opportunity to explain some of the basic principles of hedging and to offer a guide to how to start hedging. Unlike the more "speculative" Shanghai exchange, he suggested, the LME offered a "transparent" market that was there to protect industry and in which 60% of the business was industrial.

Mr Fig described hedging as establishing a position in a commodity futures market which was "equal and opposite" to a risk on a physical market. Through use of hedging, users could plan their business with greater financial certainty, he told delegates. "If you are a scrap merchant, you want to be able to take advantage of good prices and to lock those prices in."

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