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## Steel Market:

- **Analytics**
- **Forecasts**
- **Scenarios**

Weekly Bulletin

Our subscribers read Delphica's reports in the following countries (alphabetically):

|             |  |                          |  |          |  |
|-------------|--|--------------------------|--|----------|--|
| Belorussia  |  | Egypt                    |  | Georgia  |  |
| Germany     |  | Greece                   |  | India    |  |
| Iran        |  | Israel                   |  | Italy    |  |
| Libya       |  | Moldova                  |  | Poland   |  |
| Russia      |  | Saudi Arabia             |  | Slovakia |  |
| Switzerland |  | The United Arab Emirates |  | Turkey   |  |
|             |  | Ukraine                  |  |          |  |

Our key clients in the world of steel and raw materials are:



## What people say about us:



ArcelorMittal

### Marketing and Sales Administration of PJSC “ArcelorMittal Kryvyi Rih”:

*“Delphica’s weekly newsletter has become a great instrument to solve our everyday tasks. Each issue contains actual and valuable information needed in our work (forecasts, quotations), good analysis of core markets – rebar, flat, rod, billet – is also given – everything is in convenient and readable format (graphs, diagrams). In general, Delphica Project provides a thorough review of the market situation and keeps the readers currently well-informed.”*



PJSC “ArcelorMittal Kryvyi Rih”, one of the biggest rolled steel producers in Ukraine is a full-cycle iron & steel works, which consists of the coke and by-product plant, ore mining (open pits and underground ore mining) and steel production which parts are sinter and blast furnace, steel and rolled departments.

Our company specialises in long products – rebar and wire rod from ordinary and light alloyed steels, as well as sinter, concentrate, coke, pig iron, steel, section and shape rolled products. The activity of PJSC ArcelorMittal Kryvyi Rih covers production chain from iron ore mining up to finished metal products.

#### Advantages of PJSC ArcelorMittal Kryvyi Rih

- Captive iron ore mining reduces the dependence on raw material price fluctuations
- Geographical proximity to coal and gas resources
- Low costs for metallurgical production
- Presence in the markets with high growth potential (domestic market, Western and Northern Africa, Middle East, CIS and Balkan markets)
- Geographical proximity to Europe and CIS with railway transport
- Proximity to the Black Sea ports with free access to the world markets



### Aleksandr Sborshchik, Head of System Control and Analytics Department, Corporation ISD:

*“Delphica’s information products have become an important instrument in forming our pricing and sales policy. Information that is given in the research is always actual and operational that fundamentally marks it out among other professional editions.”*



### Viktor Bisovetsky, Head of Marketing, Interpipe:

*“During our cooperation with Delphica project, we have always had an opportunity not only dealing with qualitative analytics but getting on-the-fly additional information and comments in verbal consultations with the experts of the project. Besides, Delphica project is distinguished from the other analytical editions by the proactive position of its employees and flexible approach to the work that is an essential competitive advantage of this project.”*

# Macroeconomics and Steel Consumption

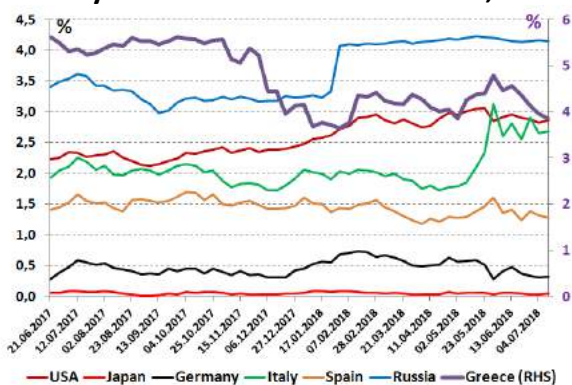
July 07, 2018 – July 13, 2018

| Steel Mills Mcap.* | Change, % |        |        |        | index J2007 =100 |
|--------------------|-----------|--------|--------|--------|------------------|
|                    | w-o-w     | 1m     | 3m     | YTD    |                  |
| Ukraine            | 0,1%      | 0,6%   | 0,0%   | 4,3%   | 2,65             |
| Russia             | 4,0%      | -5,8%  | 5,5%   | -1,1%  | 109,13           |
| China              | -5,9%     | -16,4% | -14,9% | -10,8% | 85,25            |
| Turkey             | 3,8%      | -6,1%  | -8,9%  | -13,7% | 224,95           |
| Asia               | -4,1%     | -15,8% | -5,5%  | -11,2% | 92,03            |
| US                 | 2,4%      | -4,5%  | 3,4%   | -3,5%  | 122,74           |
| EU                 | 1,1%      | -12,0% | -1,8%  | -14,4% | 88,26            |

\* Mcap. – Market Capitalization

| Stock Indexes  | change, % |       |        |       |
|----------------|-----------|-------|--------|-------|
|                | w-o-w     | 1m    | 3m     | YTD   |
| UX (Ukraine)   | -1,9%     | 0,0%  | -11,4% | 15,3% |
| RTS (Russia)   | 3,9%      | 4,6%  | 9,6%   | 3,8%  |
| S&P (USA)      | 2,4%      | -0,2% | 5,4%   | 4,1%  |
| DAX (Germany)  | 2,4%      | -2,9% | 2,5%   | -1,8% |
| Nikkei (Japan) | -0,5%     | -3,4% | 2,4%   | -2,5% |

## 10-year Government Bonds Yield, %



| Exchange rates | Rate  | change, % |       |       |       |
|----------------|-------|-----------|-------|-------|-------|
|                |       | w-o-w     | 1m    | 3m    | YTD   |
| USD/UAH        | 26,21 | -0,8%     | 0,2%  | 1,2%  | -6,0% |
| EUR/USD        | 1,17  | 0,3%      | -0,5% | -5,2% | -2,5% |
| USD/CNY        | 6,63  | 0,2%      | 3,6%  | 5,6%  | 2,2%  |
| USD/TRY        | 4,71  | 2,5%      | 1,4%  | 13,3% | 25,3% |
| USD/RUB        | 62,16 | -1,0%     | -0,8% | -0,8% | 8,6%  |

| Commodities   | Price | change, % |       |       |       |
|---------------|-------|-----------|-------|-------|-------|
|               |       | w-o-w     | 1m    | 3m    | YTD   |
| WTI, \$/bbl   | 73,9  | -0,3%     | 12,0% | 10,2% | 22,5% |
| Brent, \$/bbl | 78,8  | -0,6%     | 3,9%  | 9,1%  | 18,1% |
| Gold, \$/oz   | 1255  | 0,1%      | -3,5% | -7,3% | -3,8% |

## Changes in steel companies market capitalization and stock indexes

Last week, the market capitalization of the largest steel companies demonstrated multidirectional dynamics compared to the previous period - from growth (in case of Ukraine, Russia, Turkey, USA, EU) to fall (in case of China, Asia). In particular, capitalization of the USA steel companies increased after published positive statistics on national weekly crude steel production (up by 0.6% week-on-week basis), whereas capitalization of China's steel ones decreased as country's average daily crude steel output dipped in the late June 2018 (-2.0% from the previous decade). At the same time, most of the global stock markets ended last week's trading in green zone as the EU-28 unemployment rate was 8.4% in May 2018 in comparison with 9.2% in May 2017, as well as EU-28 retail sales increased by 2.3% YoY in May this year.

## Financial market indicators

Last week, 10-year government bonds yield of the USA increased from 2.83% to 2.87% as published positive country's macroeconomic data.

## News of the Week

According to the Association of European Businesses, Russian car sales increased by 10.8% from a year earlier to reach about 156.400 vehicles in June 2018. As a result, the country's car sales rose by 18.2% YoY to reach 849.200 units in January-June this year. According to the latest forecast of an industry association (June this year), Russian car sales are expected to grow by 17-18% YoY in 2018 due to gradual improving internal and external demand. *It is likely that consumption of rolled steel by Russian automotive industry will make up 0.47 million tones in the third quarter of 2018 (down by 3.1% QoQ).*

## Steel Prices in Regions

| Date                     | 22.06.2018 | 29.06.2018 | 06.07.2018 | 13.07.2018 | w-w*   | m-m**  |
|--------------------------|------------|------------|------------|------------|--------|--------|
| <b>BILLET</b>            |            |            |            |            |        |        |
| China exw incl VAT, \$/t | 568-588    | 555-574    | 550-569    | 562-580    | ▲ 11,5 | ▼ 23,5 |
| China fob, \$/t          | 520-540    | 520-545    | 520-530    | 510-530    | ▼ 5    | ▼ 20   |
| Asia c&f, \$/t           | 545-575    | 540-560    | 530-550    | 525-550    | ▼ 2,5  | ▼ 17,5 |
| Middle East c&f, \$/t    | 520-545    | 520-540    | 515-535    | 515-525    | ▼ 5    | ▼ 7,5  |
| Turkey exw w/o VAT, \$/t | 530-535    | 525-535    | 525-530    | 518-522    | ▼ 7,5  | ▼ 5    |
| Turkey c&f, \$/t         | 520-540    | 520-540    | 520-535    | 515-520    | ▼ 10   | ▼ 5    |
| Turkey fob, \$/t         | 535-540    | 530-540    | 525-535    | 520-525    | ▼ 7,5  | ▼ 2,5  |
| Black Sea fob, \$/t      | 510-520    | 505-520    | 505-520    | 500-510    | ▼ 7,5  | ▼ 2,5  |
| <b>REBAR</b>             |            |            |            |            |        |        |
| China exw incl VAT, \$/t | 648-651    | 626-636    | 611-623    | 623-625    | ▲ 7    | ▼ 33   |
| China fob, \$/t          | 560-585    | 560-565    | 557-562    | 545-567    | ▼ 3,5  | ▼ 11,5 |
| Asia c&f, \$/t           | 585-598    | 575-582    | 565-579    | 550-575    | ▼ 9,5  | ▼ 15   |
| Middle East c&f, \$/t    | 588-593    | 575-593    | 570-590    | 570-590    | ◀▶     | ▲ 8,5  |
| USA c&f, \$/t            | 775-785    | 781-791    | 781-791    | 781-791    | ◀▶     | ▲ 6    |
| EU del, €/t              | 500-560    | 500-560    | 510-550    | 520-560    | ▲ 10   | ▲ 22,5 |
| EU fob, €/t              | 470-500    | 475-500    | 475-500    | 475-510    | ▲ 5    | ▲ 12,5 |
| Turkey exw w/o VAT, \$/t | 554-565    | 562-572    | 555-565    | 542-551    | ▼ 13,5 | ▼ 5,5  |
| Turkey fob, \$/t         | 550-570    | 550-560    | 545-555    | 540-550    | ▼ 5    | ▼ 7,5  |
| Black Sea fob, \$/t      | 545-560    | 540-560    | 540-560    | 540-550    | ▼ 5    | ▼ 5    |
| <b>WIRE ROD</b>          |            |            |            |            |        |        |
| China exw incl VAT, \$/t | 691-693    | 669-678    | 647-659    | 666-667    | ▲ 13,5 | ▼ 33,5 |
| China fob, \$/t          | 580-590    | 575-595    | 560-580    | 565-585    | ▲ 5    | ▼ 10   |
| Asia c&f, \$/t           | 595-615    | 590-610    | 580-590    | 580-590    | ◀▶     | ▼ 15   |
| USA c&f, \$/t            | 722-744    | 722-744    | 722-744    | 722-744    | ◀▶     | ◀▶     |
| Turkey exw w/o VAT, \$/t | 610-640    | 600-640    | 590-640    | 585-610    | ▼ 17,5 | ▼ 17,5 |
| Turkey fob, \$/t         | 580-590    | 580-590    | 580-590    | 580-590    | ◀▶     | ◀▶     |
| Black Sea fob, \$/t      | 575-595    | 575-595    | 570-590    | 565-580    | ▼ 7,5  | ▼ 5    |

| Date                     | 22.06.2018 | 29.06.2018 | 06.07.2018 | 13.07.2018 | w-w*  | m-m** |
|--------------------------|------------|------------|------------|------------|-------|-------|
| <b>SLAB</b>              |            |            |            |            |       |       |
| Asia c&f, \$/t           | 530-540    | 530-550    | 530-550    | 530-550    | ◀▶    | ◀▶    |
| Brazil fob, \$/t         | 590-600    | 585-595    | 570-590    | 540-590    | ▼15   | ▼25   |
| USA c&f, \$/t            | 610-620    | 605-615    | 590-610    | 590-610    | ◀▶    | ▼10   |
| Black Sea fob, \$/t      | 510-520    | 515-520    | 520-530    | 525-535    | ▲5    | ▲17,5 |
| <b>PLATE</b>             |            |            |            |            |       |       |
| China exw incl VAT, \$/t | 703-705    | 679-681    | 671-673    | 666-671    | ▼3,5  | ▼46,5 |
| China fob, \$/t          | 615-640    | 620-635    | 615-630    | 610-620    | ▼7,5  | ▼10   |
| Asia c&f, \$/t           | 635-660    | 635-645    | 625-645    | 615-625    | ▼15   | ▼22,5 |
| Black Sea fob, \$/t      | 610-650    | 610-650    | 610-650    | 610-640    | ▼5    | ◀▶    |
| EU exw, €/t              | 578-613    | 588-619    | 588-619    | 590-640    | ▲11,5 | ▲19   |
| EU c&f, €/t              | 585-615    | 585-625    | 580-625    | 580-625    | ◀▶    | ▲10   |
| USA exw, \$/t            | 1066-1066  | 1063-1063  | 1063-1063  | 1063-1063  | ◀▶    | ▲4    |
| USA c&f, \$/t            | 661-694    | 661-694    | 661-694    | 661-694    | ◀▶    | ◀▶    |
| <b>HRC</b>               |            |            |            |            |       |       |
| China exw incl VAT, \$/t | 672        | 652        | 642        | 642        | ◀▶    | ▼41   |
| China fob, \$/t          | 595-610    | 590-605    | 585-595    | 580-590    | ▼5    | ▼15   |
| Asia c&f, \$/t           | 605-625    | 600-620    | 595-610    | 590-605    | ▼5    | ▼12,5 |
| Turkey exw, \$/t         | 590-610    | 610-620    | 615-630    | 615-625    | ▼2,5  | ▲30   |
| Black Sea fob, \$/t      | 550-565    | 560-570    | 560-575    | 565-580    | ▲5    | ▲20   |
| EU c&f, €/t              | 520-530    | 525-535    | 525-535    | 525-535    | ◀▶    | ▲5    |
| USA exw, \$/t            | 1004-1004  | 1012-1012  | 1014-1014  | 1014-1014  | ◀▶    | ▲22   |
| <b>CRC</b>               |            |            |            |            |       |       |
| China exw incl VAT, \$/t | 742        | 724        | 718        | 716        | ▼2    | ▼35   |
| China fob, \$/t          | 620-630    | 620-630    | 620-625    | 615-625    | ▼2,5  | ▼5    |
| Asia c&f, \$/t           | 630-645    | 630-645    | 630-640    | 625-640    | ▼2,5  | ▼5    |
| Turkey exw, \$/t         | 680-700    | 690-710    | 700-720    | 700-720    | ◀▶    | ▲25   |
| Black Sea fob, \$/t      | 610-620    | 615-625    | 620-630    | 625-635    | ▲5    | ▲20   |
| EU c&f, €/t              | 610-620    | 605-615    | 605-615    | 605-615    | ◀▶    | ▼5    |
| USA exw, \$/t            | 1116-1116  | 1108-1108  | 1106-1106  | 1112-1112  | ▲6    | ▼2    |

\* price change for the last week

\*\*price change for the previous four weeks

# Long Steel Products

## Key market indicators in Black Sea region

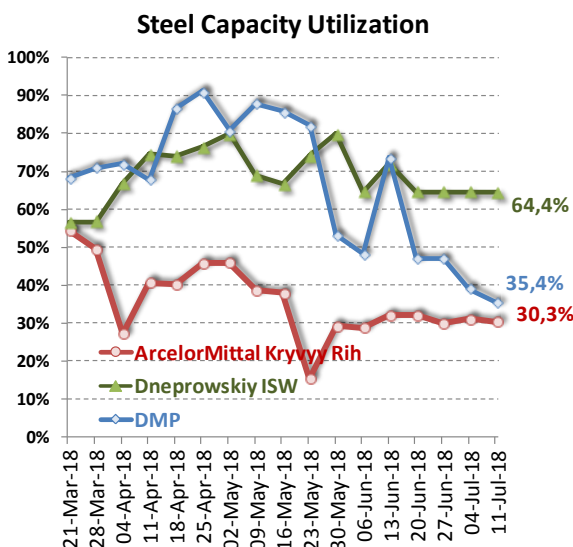
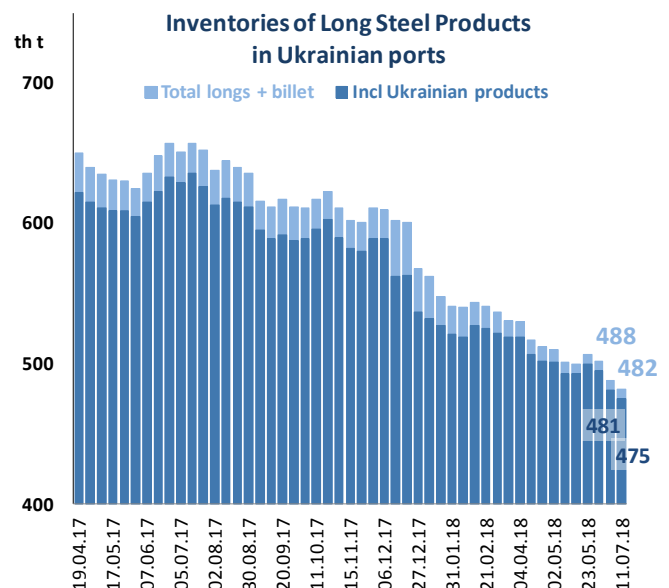
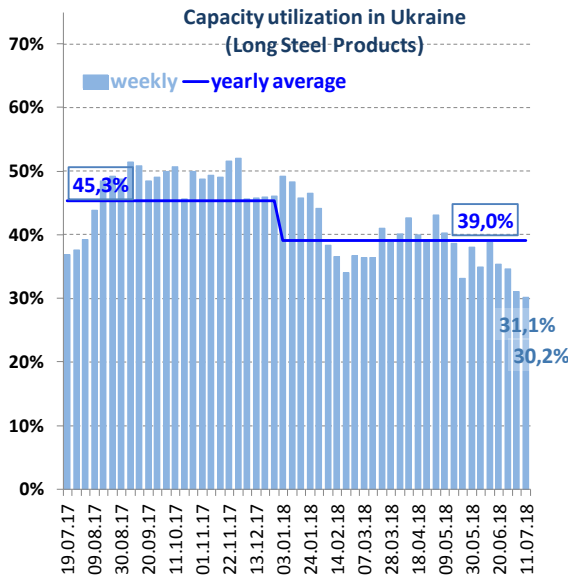
July 07, 2018 – July 13, 2018

| Prices, fob Black Sea, \$/t |              |              |
|-----------------------------|--------------|--------------|
| Product                     | current week | w-o-w change |
| Billet                      | 500-510      | ▼ 8          |
| Rebar                       | 540-550      | ▼ 5          |
| Wire Rod                    | 570-580      | ▼ 5          |

|                          |       |       |
|--------------------------|-------|-------|
| UA capacity utilization* | 30,2% | ▼ 0,9 |
|--------------------------|-------|-------|

| Black Sea Ports Inventories*, thou t |     |     |
|--------------------------------------|-----|-----|
| Long steel products*                 | 482 | ▼ 6 |
| Incl. UA production                  | 475 | ▼ 6 |

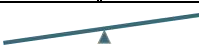


\*changes in the last two weeks



After a brief activation in the second half of June, the demand once again declined in the import markets of MENA and Turkey. Having ordered the volumes necessary for stock replenishment, importers again began to take a wait-and-see position, forcing suppliers to downward correction of prices. Cheapening of import scrap in Turkey puts additional pressure on the prices. Over the past two weeks, quotes in the Black Sea ports declined by \$ 10, stocks of semis and finished rolled products in ports declined by 6 thousand tons to 482 thousand tons.

Weak demand and stop for repairs lead to a decline in the average load of Ukrainian capacities which fell to 30.2% last week.

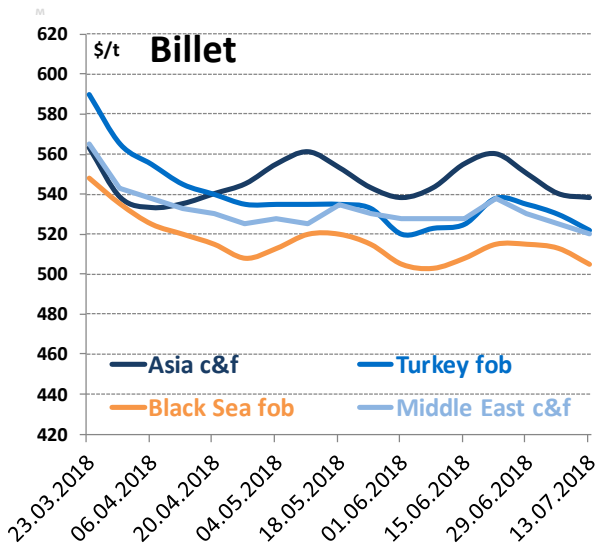
## Factors That Will Affect the Prices for the Next 3 Months

| ▲ upward  | ▼ downward   |                   |
|---|--|-------------------|
| <b>July</b>   |  |                   |
| <b>The revival of steel orders for August production with September delivery</b>  | <b>The expected decrease in contract prices for coking coal and iron ore in Q3</b>   |                   |
| <b>Limited supply volumes of rolled steel produced in August due to the traditional shut-down of enterprises for preventive maintenance</b> | The decline in demand for summer supplies in the EU import markets   |                   |
| <b>The rise in the price of scrap in Turkey</b>   | <b>The reduction in steel demand in Asia during the rainy season</b>   |                   |
| Cumulative effect   |   | Cumulative effect |
| <b>August</b>   |  |                   |
| <b>The revival of steel orders for August production with September delivery</b>  | The expected decrease in contract prices for coking coal and iron ore in Q3  |                   |
| <b>Limited supply volumes of rolled steel produced in August due to the traditional shut-down of enterprises for preventive maintenance</b> | <b>Low trading activity during the summer holidays in the EU</b>   |                   |
| <b>Expected growth in spot prices for coking coal and iron ore in China</b>   | The reduction in steel demand in Asia during the rainy season  |                   |
| Cumulative effect   |   | Cumulative effect |
| <b>September</b>  |  |                   |
| <b>Restoration of business activity and demand in the construction sector after the end of summer holidays in Europe and the US</b>         | <b>Increase production after the completion of summer repairs and shift the balance of the market in favour of customers</b> |                   |
| <b>A stable level of orders for replenishment of warehouses for traders and end users in accord with an increase in consumption</b>         | <b>The expected slowdown in domestic demand in China and increased pressure on export markets</b>                            |                   |
| <b>The forecasted growth of spot prices in commodity markets</b>  | <b>The resistance of buyers to further price increases</b>   |                   |
| Cumulative effect   |   | Cumulative effect |

## Factor Assessment and Price Forecast

### Billet

| Billet Price, \$/t |          |            |                |               |
|--------------------|----------|------------|----------------|---------------|
| Date               | Asia cfr | Turkey fob | Black Sea* fob | Mid. East cfr |
| 15.06.18           | 555      | 525        | 508            | 528           |
| 22.06.18           | 560      | 538        | 515            | 538           |
| 29.06.18           | 550      | 535        | 515            | 530           |
| 06.07.18           | 540      | 530        | 513            | 525           |
| 13.07.18           | 538      | 522        | 505            | 520           |
| W-O-W              | ▼ 2      | ▼ 8        | ▼ 8            | ▼ 5           |



*In conditions of weakening demand and increasing confrontation between market players, the price movement in the regional markets has been demonstrating a wavy character in the narrow price corridor since May of this year*

#### Current situation.

In the second half of June - early July, prices for billet in the Chinese market have again gone up after a decline of \$ 30-35, adding \$ 11 to \$ 562-580 / t exw with a VAT for the last week. The impulse for the increase was new production restrictions and requirements to limit emissions in July-August. On external routes, Chinese prices fell through inertia to \$ 510-530 / t fob due to weak demand. At the same time, the rate of decline noticeably decreased, and compared to the previous week, import prices in Southeast Asia sank by only \$ 2 to \$ 525-550 / t cfr.

In the Turkish market, the decline in prices for billet has intensified, including due to the weakening of demand under conditions of the deterioration in the domestic and export market of rebar, cheaper scrap, and the continued devaluation of the lira. To stimulate domestic demand, manufacturers have lowered the quotes of billet by \$ 10 to \$ 515-520 / t exw. Import prices have fallen by \$ 8 to \$ 518-522 / t cfr, which still do not find a response from buyers. Offers of Turkish exporters decreased by \$ 8 to \$ 520-525 / t fob in comparison with the previous week.

Import prices in the Gulf countries fell by \$ 5 to \$ 515-525 / t cfr last week. Despite the threat of sanctions, Iranian companies continue to supply their products, offering billet at \$ 500-505 / t.

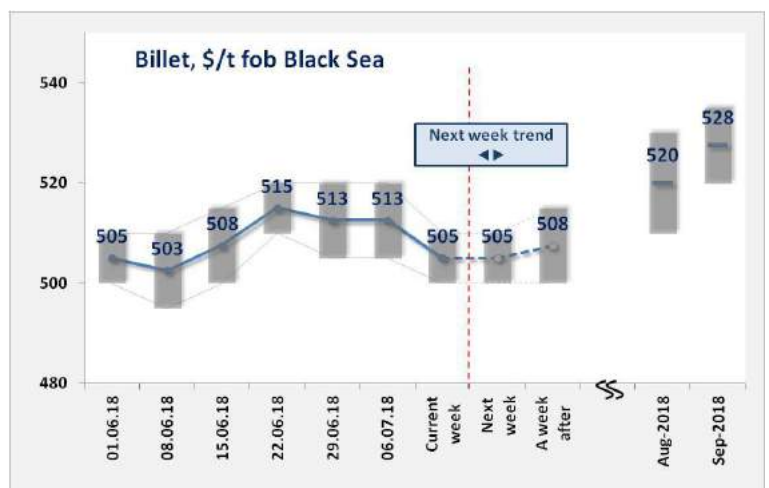
#### Market forecast.

Under the pressure of weak demand and worsening of the market situation for finished rolled products, the prices for billet will fall in the coming weeks. However, in August-September, we expect a trend reversal and price strengthening as demand growth for supplies in September

### Price Forecast for the Next 3 Months

| Square Billet,<br>80-150 mm, 3-5sp/ps,<br>\$/t fob Black Sea* |         |
|---|---------|
| Current week  | 500-510 |
| Next week   | 500-510 |
| A week after  | 500-515 |
| August 2018   | 510-530 |
| September 2018  | 520-535 |

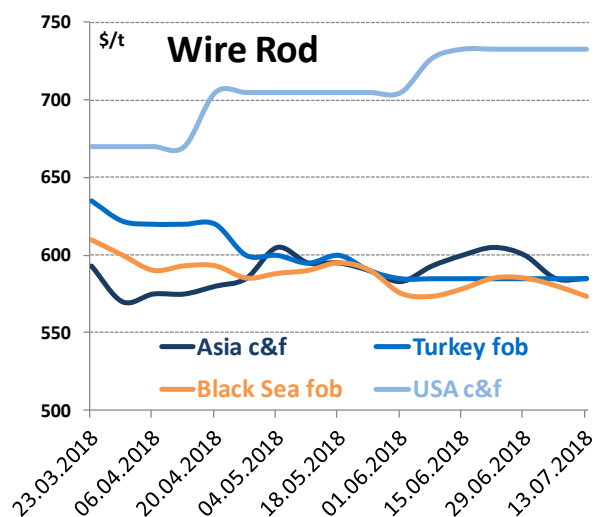
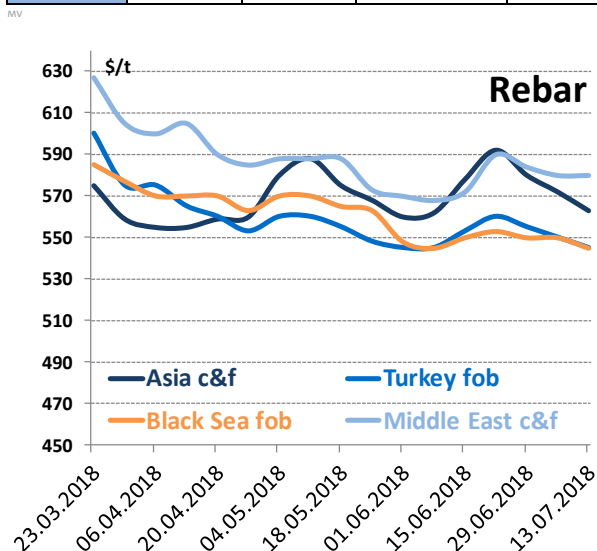
\* - The price of traders, affiliated to the producer, for secondary market; or the price of producers for non-affiliated traders with lots of 2-8 th t to be shipped in 5-7 weeks depending on the market situation. Payment terms – L/C



## Rebar & Wire Rod

| Rebar Price, \$/t |          |            |                |               |
|-------------------|----------|------------|----------------|---------------|
| Date              | Asia cfr | Turkey fob | Black Sea* fob | Mid. East cfr |
| 15.06.18          | 578      | 553        | 550            | 572           |
| 22.06.18          | 592      | 560        | 553            | 590           |
| 29.06.18          | 580      | 555        | 550            | 584           |
| 06.07.18          | 572      | 550        | 550            | 580           |
| 13.07.18          | 563      | 545        | 545            | 580           |
| W-O-W             | ▼ 9      | ▼ 5        | ▼ 5            | ◄►            |

| Wire Rod Price, \$/t |          |            |                |         |
|----------------------|----------|------------|----------------|---------|
| Date                 | Asia cfr | Turkey fob | Black Sea* fob | USA cfr |
| 15.06.18             | 600      | 585        | 578            | 733     |
| 22.06.18             | 605      | 585        | 585            | 733     |
| 29.06.18             | 600      | 585        | 585            | 733     |
| 06.07.18             | 585      | 585        | 580            | 733     |
| 13.07.18             | 585      | 585        | 575            | 733     |
| W-O-W                | ◄►       | ◄►         | ▼ 5            | ◄►      |



### Current situation.

Depending on the region, opposite tendencies are observed in the markets of rebar and wire rod.

Domestic prices for rebar and wire rod in China increased to \$ 623-625 / t exw (+ \$ 7) and \$ 666-667 / t exw (+ \$ 14) with a 16% VAT, respectively, against the background of expectations for steel cuts due to environmental requirements. In the last ten days of June, the average daily steel output decreased by 1.8% compared to the previous indicator.

The average level of export prices for Chinese rebar decreased by \$ 4 to \$ 545-567 / t fob compared to the previous week. The quotes of rebar in the import markets of Southeast Asia moved down by \$ 9 to \$ 550-575 / t cfr. As expected, Chinese exporters, relying on a robust domestic market and supply constraints, will test the Southeast Asian market for an increase in the near future.

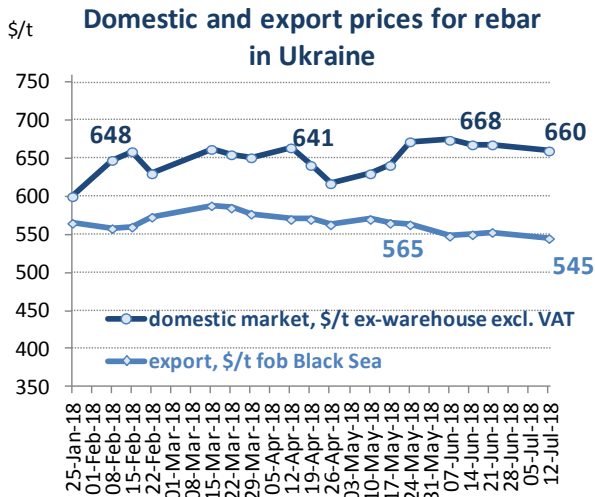
The decline in the rebar and wire rod markets in Turkey intensified which was primarily due to the weakening of the lira exchange rate. Reducing factor was also the cheapening of imported scrap. As a result, domestic prices for rebar in the dollar nomination were \$ 542-551 / t exw at the end of the week, \$ 13 lower than a week before. Weak demand causes a downward trend in the export offers of Turkish companies. Most of the deals for the supply of rebar were in the range of \$ 540-545 / t fob.

After a long period of low activity and depletion of traders' and end-users' stocks, demand improved ahead of summer holidays on the EU market. Using such a temporal improvement in demand, European companies have managed to raise prices by € 10-20 to € 520-560 / t with delivery since the beginning of July. A high degree of filling the portfolio of orders and stopping enterprises for routine repairs will help to maintain a high level of prices.

### Market forecast.

In the coming weeks, due to the seasonal decline in activity and summer holidays, prices for rebar and wire rod will remain at a minimum level. The need to replenish warehouses for the autumn period and the gradual revival of trade will determine the formation of an upward trend in August-September

***After a brief period of activation of demand and strengthening of regional rebar prices in the second half of June, the situation deteriorated again in July. The markets of wire rod remain more stable, where suppliers manage to keep the level of offers***



**The restoration of domestic supplies and the worsening of foreign markets have caused a gradual decline in the price of rebar in the secondary market since the second decade of June**

### Ukrainian domestic market

|           | Current week |           |          | w-o-w |
|-----------|--------------|-----------|----------|-------|
|           | Min (UAH)    | Max (UAH) | Avg (\$) |       |
| Rebar*    | 16 292       | 18 275    | 660      | ▼ 8   |
| Wire rod* | 17 292       | 18 696    | 680      | ▲ 6   |

\* warehouse prices of Ukrainian traders, ex VAT

The increase in domestic supplies of rebar from ArceorMittal Krivoy Rog at the end of June helped to improve the balance and partially remove the deficit in the secondary market. As a result, over the past three weeks, the range of prices for rebar has decreased by 330 UAH for the lower and by 980 UAH for the upper level. Restoring the balance on the internal market under conditions of the current worsening of foreign markets can cause further price depression in the coming weeks.

A more stable situation is maintained in the wire rod market. Since mid-June, domestic prices in the hryvnia remain unchanged. Due to exchange rate fluctuations, the quotes of wire rod at the secondary market in dollar nomination added \$ 6 compared to the last decade of June.

### Price Forecast for the Next 3 Months

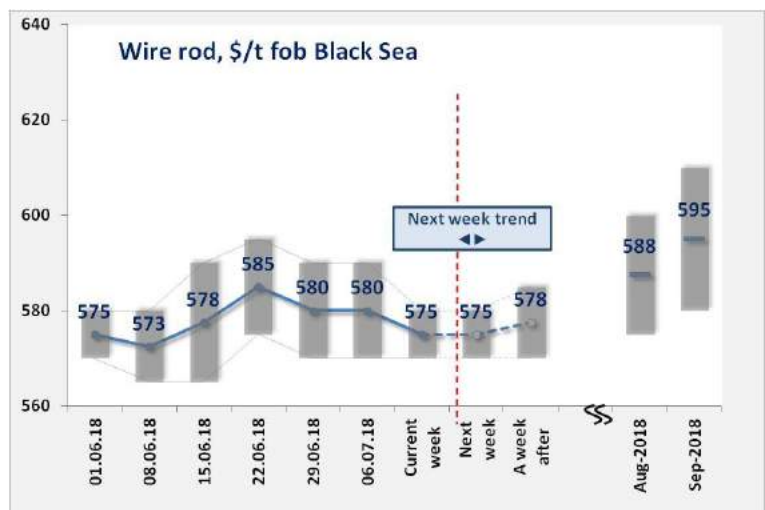
| Rebar Price, 12-40 mm, ASTM A510M-00/A615, \$/t fob Black Sea* |         |
|--|---------|
| Current week   | 540-550 |
| Next week  | 540-550 |
| A week after   | 540-560 |
| August 2018  | 550-580 |
| September 2018   | 565-585 |

\* - The price of traders, affiliated to the producer, for secondary market; or the price of producers for non-affiliated traders with lots of 60-600 t to be shipped in 4-6 weeks depending on the market situation. Payment terms – L/C



| Wire Rod Price, 5.5-8 mm, ASTM A510M-00, \$/t fob Black Sea* |         |
|--|---------|
| Current week   | 570-580 |
| Next week  | 570-580 |
| A week after   | 570-585 |
| August 2018  | 575-600 |
| September 2018   | 580-610 |

\* - The price of traders, affiliated to the producer, for secondary market; or the price of producers for non-affiliated traders with lots of 60-300 t to be shipped in 4-6 weeks depending on the market situation. Payment terms – L/C



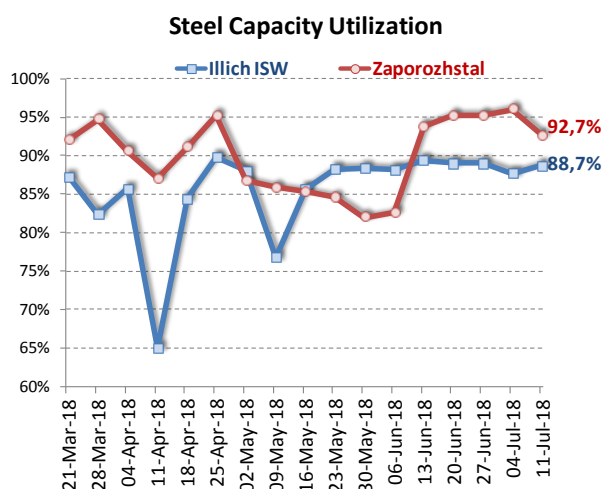
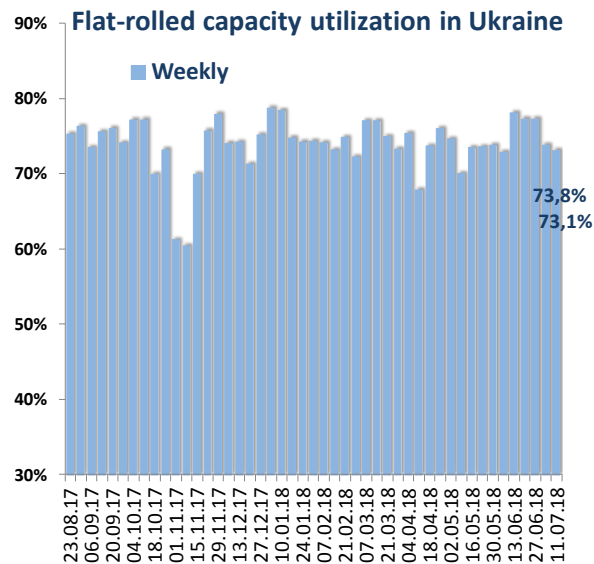
# Flat Steel Products

## Key market indicators in Black Sea region

July 07, 2018 – July 13, 2018

| Prices, fob Black Sea, \$/t          |              |              |
|--------------------------------------|--------------|--------------|
| Product                              | current week | w-o-w change |
| Slab                                 | 525-535      | ▲5           |
| HRC                                  | 565-580      | ▲5           |
| CRC                                  | 625-635      | ▲5           |
| Heavy Plate                          | 610-640      | ▼5           |
| UA capacity utilization              | 73,1%        | ▼0,7         |
| Black Sea Ports Inventories*, thou t |              |              |
| Flat steel products                  | 702          | ▼9           |
| Incl. UA production                  | 601          | ▼8           |

\*changes in the last two weeks



*The situation in flat-rolled markets is mixed. Despite some weakening of demand in the Turkish market, suppliers from Russia and Ukraine were still able to achieve some price increases in transactions with coils and slab. At the same time, the prices for plates seem to decrease.*

*The utilization of capacities for the production of flat products in Ukraine has slightly decreased and is about 73%.*

*The reserves of flat steel in the Ukrainian ports of the Black Sea decreased by 9 thousand tons to 702 thousand tons for two weeks.*

## Factors That Will Affect the Prices for the Next 3 Months

| ▲ upward  | ▼ downward  |
|---|---|
| <b>July</b>   |   |
| <p>The intensification of demand in the primary world markets for products with delivery in September - after the end of the holiday season (including a higher activity of Turkish counterparts after the completion of Ramadan)</p> | <p>In the first half of July, low seasonal demand in the primary markets for the sale of products from the CIS with delivery in August</p>  |
| <p>Expected intensification and growth of prices for steel scrap in Turkey</p>  | <p>The anticipated reduction in contract prices for coking coal and iron ore in China</p>   |
| <p>The desire of producers to seize the seasonal increase in demand for the reversal of the price trend after a long decline in prices</p>  | <p>Lower domestic demand in China due to the rainy season</p>   |
| Cumulative effect   | Cumulative effect   |
| <b>August</b>   |   |
| <p>Active seasonal demand for products with delivery in September-October in world markets</p>  | <p>Low contract prices for iron ore and coking coal in China, as well as the expected decline in spot prices for these types of raw materials</p>   |
| <p>The desire of producers to seize the seasonal growth in demand to increase margins after a significant drop in prices over the past few months.</p>  | <p>Low seasonal demand in EU and US countries during the holiday period and weaker domestic demand in China due to the rainy season</p>   |
| <p>The expected continuation of the increase in the cost of sales of rolled products by Turkish producers in July</p>   | <p>The opportunity to make additional concessions in the sale of finished steel products due to the presence of a positive margin</p>   |
| Cumulative effect   | Cumulative effect   |
| <b>September</b>  |   |
| <p>Active seasonal demand for steel in North Africa, as well as increased trade in the United States and EU countries</p>   | <p>The reluctance of consumers to accept higher prices in the Black Sea ports due to the presence of a sufficient positive margin of suppliers from the CIS</p>                                   |
| <p>The desire of producers to take advantage of the seasonal increase in demand for maximum margin increase</p>   | <p><b>Lower domestic demand in China and cost reduction are likely to lead to a reduction in the cost of exports during July-August, which will put downward pressure on the world market</b></p> |
|   | <p>The opportunity to make additional concessions in the sale of finished rolled steel due to the presence of a positive margin</p>   |
| Cumulative effect   | Cumulative effect   |

## Factor Assessment and Price Forecast

### Slab

#### Current situation.

Brazilian slab producers continue to concentrate on the US market, holding the level of sales prices. Last week, the re-rolling mills from the US bought Brazilian slabs at \$ 590-610 / t cfr (\$ 570-590 / t fob). At the moment, South American exporters actually ignore other regional markets. Nevertheless, information on some slab deliveries to the Turkish market at \$ 540 / t fob began to flow. As a result, the average price level of transactions of Brazilian suppliers has subsided.

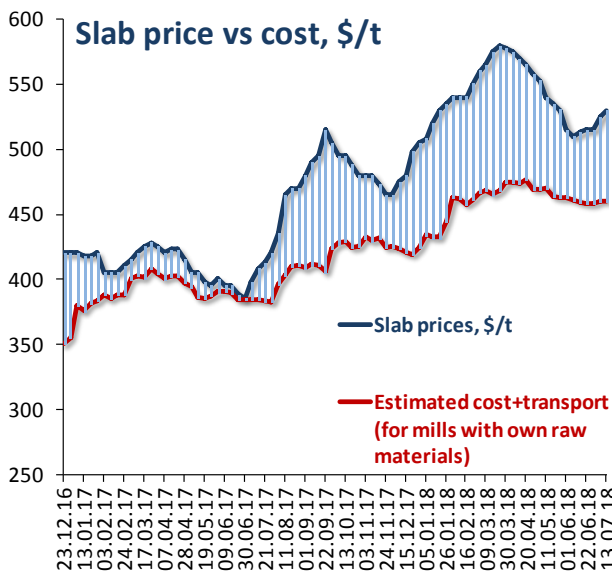
The price range of transactions for semi-finished products did not change in the countries of South-East Asia last week. Some manufacturers from Russia sold slabs at \$ 545-550 / t cfr in this market. Iranian slabs are not in demand due to the resumption of US sanctions against the country, although they are offered at \$ 530 / t cfr (\$ 505 / ton fob).

The suppliers of slabs in the Black Sea ports are oriented, first of all, to the Turkish market, where the prices in the finished rolled products segment have grown substantially over the past month. In such conditions, companies from the CIS stopped selling material below \$ 525 / ton fob.

#### Market forecast.

Despite the decline in contract and spot prices for iron ore and coking coal, we expect a price increase in July. The primary factor of the rise in prices should be the increased demand for thin-rolled steel in Turkey after the end of Ramadan. Perhaps, a significant increase in the cost of slabs will be achieved in August rather than in July when rolled steel of September production is on sale.

| Slab Price, \$/t |          |            |                    |             |
|------------------|----------|------------|--------------------|-------------|
| Date             | Asia cfr | Brazil fob | The Black Sea, fob | The USA cfr |
| 15.06.2018       | 540      | 590        | 513                | 610         |
| 22.06.2018       | 535      | 595        | 515                | 615         |
| 29.06.2018       | 540      | 590        | 515                | 610         |
| 06.07.2018       | 540      | 580        | 525                | 600         |
| 13.07.2018       | 540      | 565        | 530                | 600         |
| W-O-W            | ◀▶       | ▼ 15       | ▲ 5                | ◀▶          |

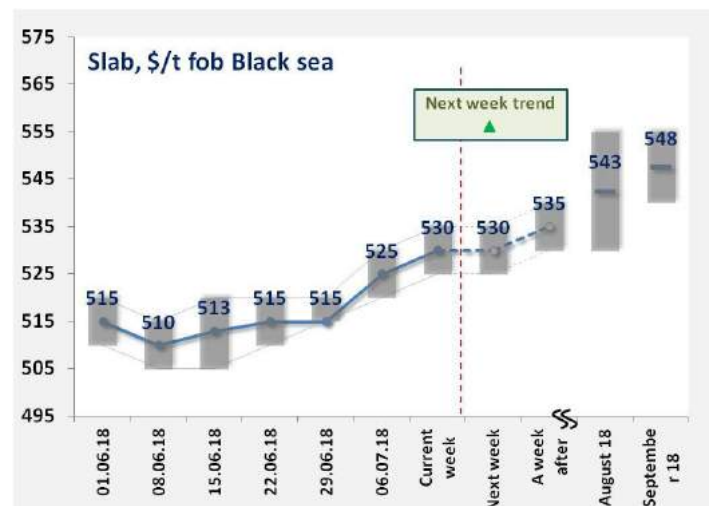


**Since the beginning of June, the dynamics of prices of semi-finished products have demonstrated an upward movement. In mid-July, Ukrainian slab producers with PCI technology reached EBITDA of \$ 70 / t**

### Price Forecast for the Next 3 Months

| Continuously Casted Slab, ASTM A36/A572, \$/t fob Black Sea* |         |
|--|---------|
| Current week   | 525-535 |
| Next week  | 525-535 |
| A week after   | 530-540 |
| August 2018  | 530-555 |
| September 2018   | 540-555 |

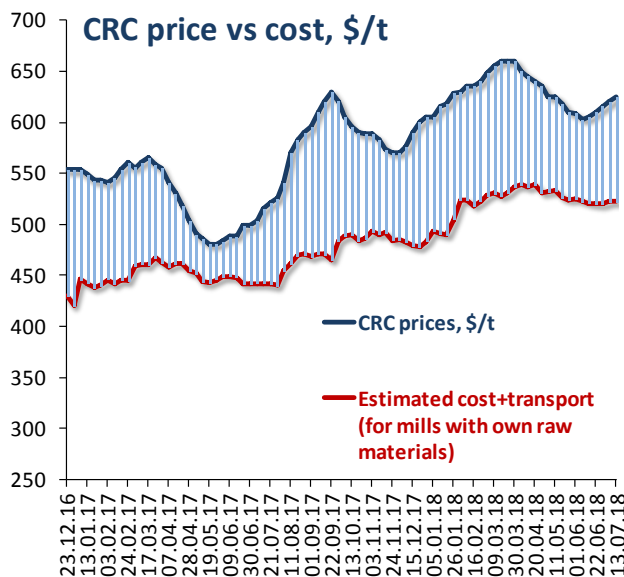
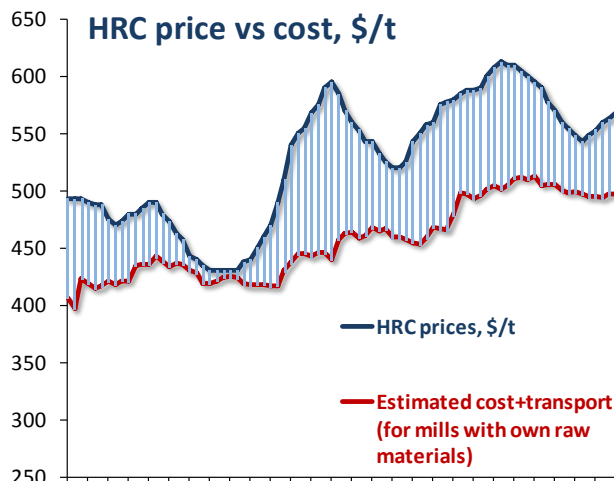
\* - The price of producers for major and regular clients for shipment in 4-5 weeks for lots of 2-7 th t. L/C.



**HRC & CRC**

| HRC Price, \$/t |          |            |                    |        |
|-----------------|----------|------------|--------------------|--------|
| Date            | Asia c&f | Turkey cfr | The Black Sea Fob* | EU c&f |
| 15.06.2018      | 610      | 590        | 553                | 617    |
| 22.06.2018      | 615      | 600        | 558                | 607    |
| 29.06.2018      | 610      | 615        | 565                | 614    |
| 06.07.2018      | 603      | 623        | 568                | 617    |
| 13.07.2018      | 598      | 620        | 573                | 622    |
| W-O-W           | ▼ 5      | ▼ 3        | ▲ 5                | ▲ 5    |

| CRC Price, \$/t |          |            |                     |         |
|-----------------|----------|------------|---------------------|---------|
| Date            | Asia c&f | Turkey cfr | The Black Sea Fob** | USA c&f |
| 15.06.2018      | 638      | 685        | 610                 | 1114    |
| 22.06.2018      | 638      | 690        | 615                 | 1116    |
| 29.06.2018      | 638      | 700        | 620                 | 1108    |
| 06.07.2018      | 635      | 710        | 625                 | 1106    |
| 13.07.2018      | 633      | 710        | 630                 | 1112    |
| W-O-W           | ▼ 2      | ◀▶         | ▲ 5                 | ▲ 6     |


**Current situation.**

In the Chinese market, despite the low level of stock in the ports, last week, the spot prices for HRC and CRC remained almost unchanged at 4230-4240 and 4,620-4680 yuan / ton, which is 20-70 yuan / ton below peak quotations in mid-June.

Due to the devaluation of the yuan, Chinese suppliers had to cede about \$ 5-15 to the South-East Asia market during the last two weeks. In mid-July, export prices for HRC and CRC of Chinese production in the region are 590-605 and 625-640 \$ / ton cfr, respectively, (or 580-590 and 615-625 \$ / ton fob).

In view of the significant increase in demand for Turkish rolled products in the American market, the rise in the price of steel scrap in the country and the increase in activity after Ramadan, local suppliers increased the selling price level by \$ 30-40 in June. Nevertheless, prices for steel scrap sagged, not allowing steel suppliers to raise prices again. HRC and CRC of September production in the country are sold accordingly at 615-625 and 700-720 \$ / ton exw.

Suppliers from the CIS, focusing on the dynamics of the Turkish market raised the selling price for the month to a lesser extent (by \$ 15-20). Thus, Ukrainian and Russian manufacturers still have the opportunity to increase prices for this market because they offer HRC with a duty of 3.5% at a lower price than domestic producers. The average cost increased by \$ 5 for the last week. HRC and CRC of August production are sold at 565-580 and 625-635 \$ / ton fob, respectively.

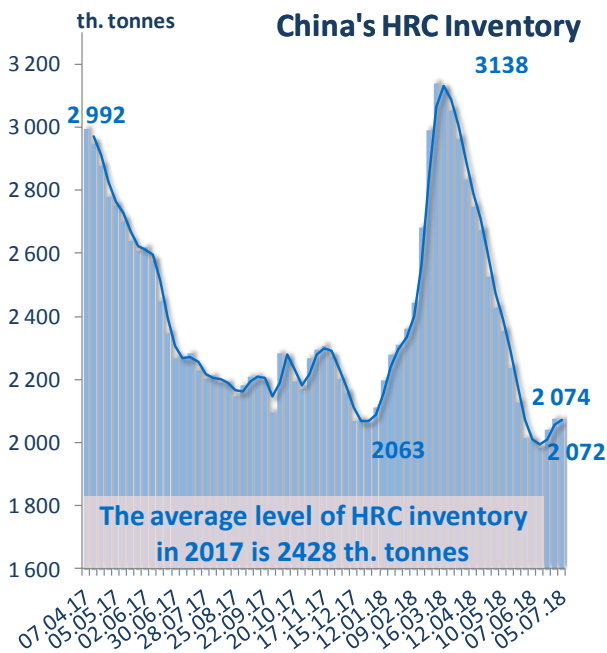
Against the backdrop of low buying activity in the first half of June, the base quotations for HRC and CRC in Southern Europe fell to 500-510 and 580-610 € / ton exw. Nevertheless, ArcelorMittal raised the cost of its own flat products by € 20, and, by mid-July, quotes returned to 520-540 and 610-630 € / ton exw.

**Market forecast.**

Against the background of a favourable market situation for thin-rolled products in the US, Turkey and Europe (before the holidays), we expect further price increases in the Black Sea ports. Perhaps, a significant increase in the cost of slabs will be achieved in August rather than in July when rolled steel of September production is on sale.

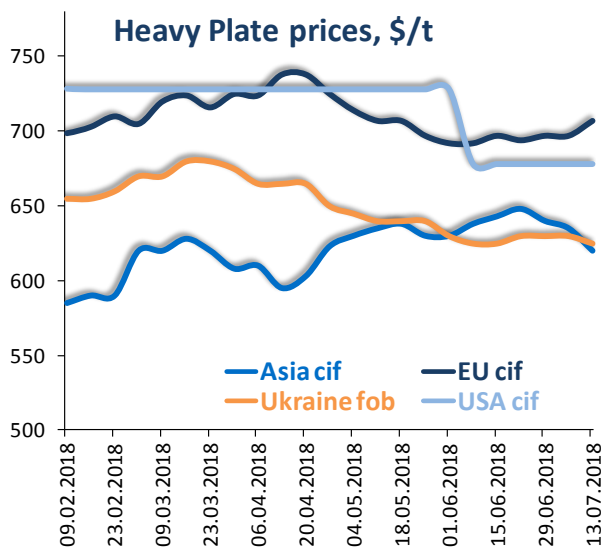
**In mid-July, Ukrainian producers of HRC and CRC with PCI technology are in the zone of positive EBITDA of ~ \$ 70 / ton and ~ \$ 100 / ton, respectively**

**HRC and CRC stocks of Chinese traders respectively decreased by 0.1 % (2 thousand tons) and increased by 1.4% (17 thousand tons) in the period of June 28 – July 5**



### Heavy Plate

| Heavy Plate Price, \$/t |          |                |         |            |
|-------------------------|----------|----------------|---------|------------|
| Date                    | Asia c&f | Black Sea fob* | USA c&f | Europe c&f |
| 15.06.18                | 643      | 625            | 678     | 697        |
| 22.06.18                | 648      | 630            | 678     | 694        |
| 29.06.18                | 640      | 630            | 678     | 697        |
| 06.07.18                | 635      | 630            | 678     | 697        |
| 13.07.18                | 620      | 625            | 678     | 707        |
| W-O-W                   | ▼ 15     | ▼ 5            | ◀▶      | ▲ 10       |



**Since the beginning of July, the market for plates has shown opposite trends depending on the region: demand reduction causes a decline in prices in the markets of China, Asia and the Middle East, while quotes due to protective sanctions remain stable or grow in the US and EU**

**Current situation.** The situation in China continues to deteriorate. In addition to the seasonal decrease in demand. Buyers' activity is adversely affected by the weakening of the yuan and the complications in the financial market because of the deterioration of trade relations and bilateral sanctions of China and the United States. The pressure on prices is exerted by the growth of traders' warehouse stock (+40 thousand tons over the last 4 weeks). As a result, domestic prices in China for 4 weeks fell by \$ 47 to \$ 666 / t exw with a VAT. Since the beginning of July, export quotes have turned down, dropping by \$ 10-15 to \$ 610-620 / t fob. The importers of Southeast Asia consider this level to be too high, and they reinforce resistance, seeking further discounts. Current transactions are concluded at \$ 615-625 / t cfr.

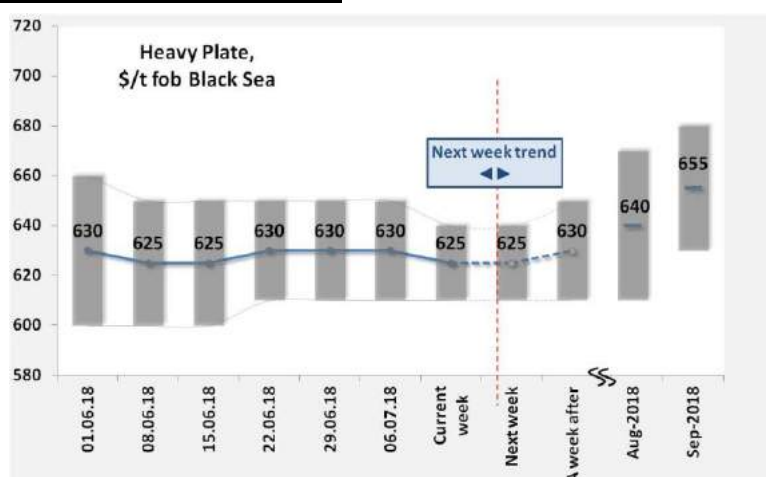
Another picture is emerging in the market of Turkey and the EU, where the activation of demand is spurred by the need to replenish depleted warehouses and the rapid rise in the price of slabs. Compared to June, domestic prices in Turkey increased by \$ 20 to \$ 635-655 / t exw without a VAT. EU producers raised the quotations of plate for delivery in late August - early September by € 10-20 to € 590-598 / t exw in the south and € 620-640 / t exw in the north. The growth in prices is facilitated by limited supply volumes due to forthcoming stops for regular repairs. In the EU import market, uncertainty is caused by the expectation of protective quotas to be introduced in the coming week. The range of import prices remains unchanged € 580-625 / t cfr, and changes in the dollar nomination are due to exchange rate fluctuations.

**Market forecast.** In the coming weeks, the confrontation between CIS suppliers and EU and Middle Eastern importers will continue, and prices will not change significantly. In August-September, we expect an uptrend to strengthen as demand for supplies increases after summer holidays.

### Price Forecast for the Next 3 Months

| Prices for Heavy Plate *, 10-30 mm, ASTM A36/A36M/A572, \$/t fob Black Sea |         |
|--|---------|
| Current week   | 610-640 |
| Next week  | 610-640 |
| A week after   | 610-650 |
| August 2018  | 610-670 |
| September 2018   | 630-680 |

\* - The average price for Ukrainian ordinary heavy plate for lots of 60-130 t with shipment in 4-6 weeks. Prices for shipbuilding steel exceed the average by 30-50\$/t. Payment terms – L/C



# Steelmaking Raw Materials

July 07, 2018 – July 13, 2018

## Pig Iron

| Pig Iron Price, \$/t |          |            |               |         |
|----------------------|----------|------------|---------------|---------|
| Date                 | Asia cfr | Brasil fob | Black Sea fob | USA c&f |
| 15.06.18             | 415      | 400        | 397           | 415     |
| 22.06.18             | 415      | 402        | 400           | 415     |
| 29.06.18             | 415      | 402        | 400           | 415     |
| 06.07.18             | 415      | 402        | 400           | 415     |
| 13.07.18             | 415      | 402        | 400           | 415     |
| W-O-W                | ◀▶       | ◀▶         | ◀▶            | ◀▶      |

### Current situation.

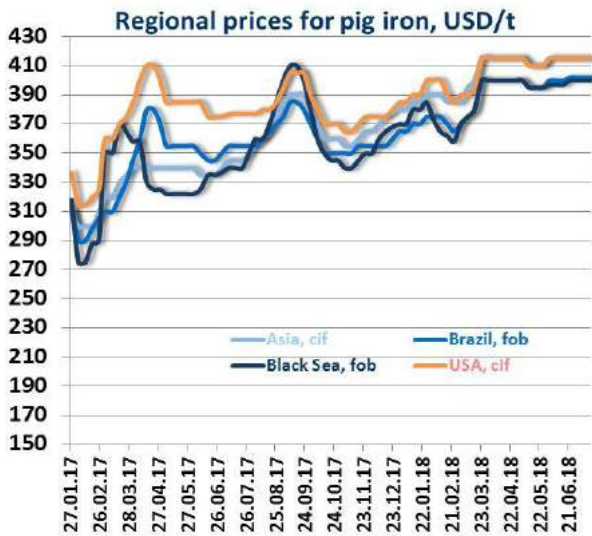
Last week, the quotes of pig iron did not change again. Traders could not raise prices because of problems of buyers with the sale of rolled steel.

In the US market, transactions were only episodic. Local buyers are trying to cover the demand for raw materials by purchasing of quality scrap metal in the domestic market. In addition, local steel producers have sufficient volumes of raw materials which allows them to dictate terms of cooperation with principal traders. At present, the cost of pig iron differs in the range of 410-420 \$ / ton cif.

In Italy, interest in procurement of cast iron increased. Metallurgists note a reduction in inventory, which forces them to begin active negotiations with suppliers from the CIS., the cast iron deficit is also playing in favour of iron suppliers. In such conditions, supply prices rose to \$ 415 / t fob Black Sea.

### Market forecast.

In the coming weeks, prices for pig iron will gradually grow due to the improvement in the market conditions for flat products and a significant shortage of raw materials. In August, it is likely that the price growth will continue due to increased trading activity in the flat-rolled segment and the expected rebound of the rolled steel markets.

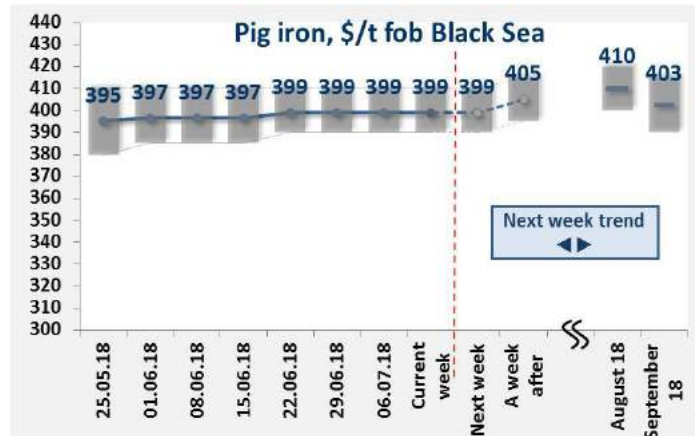


**Pig iron prices continue moving sideways. Traders are still unable to increase prices due to the unfavorable conditions of the rolled steel markets**

### Price Forecast for the Next 3 Months

| Pig Iron, \$/t fob Black Sea |         |
|------------------------------|---------|
| Current week                 | 390-410 |
| Next week                    | 390-410 |
| A week after                 | 395-415 |
| August 2018                  | 400-420 |
| September 2018               | 390-415 |

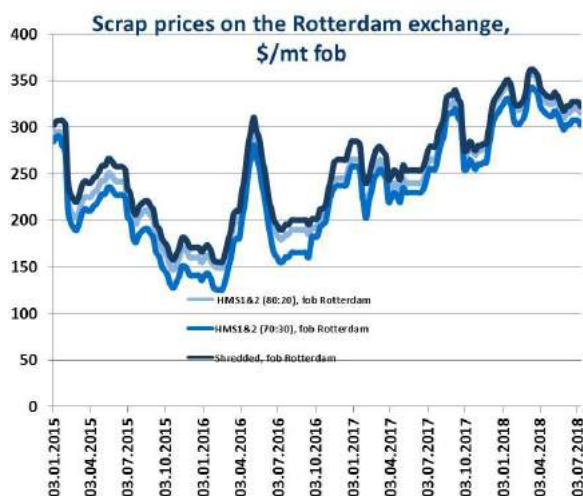
\* - the price of a mill or a trader for large and loyal customers for lots above 10 th t with shipment in 4-5 weeks



## Ferrous Scrap

| Ferrous Scrap Price, \$/t |                          |                 |                            |                   |
|---------------------------|--------------------------|-----------------|----------------------------|-------------------|
| Date                      | EU, HMS 1&2 (80:20) fob* | Asia, HMS1, c&f | Turkey c&f HMS 1&2 (80:20) | Ukrainian 3A, fob |
| 15.06.18                  | 320                      | 370             | 345                        | 295               |
| 22.06.18                  | 325                      | 375             | 350                        | 300               |
| 29.06.18                  | 325                      | 375             | 350                        | 300               |
| 06.07.18                  | 325                      | 375             | 350                        | 300               |
| 13.07.18                  | 320                      | 375             | 345                        | 295               |
| W-O-W                     | ▼5                       | ◀▶              | ▼5                         | ▼5                |

\*fob Rotterdam



**Price revival on the Rotterdam exchange was short living. Quotations have decreased amid demand fall in Turkey**

**Current situation.** Last week, scrap prices fell almost in all regional markets amid declining demand in key importing countries.

In Turkey, business activity declined. Local metallurgists, who purchased significant volumes of raw materials in the previous weeks, reduced purchases and refused to conclude deals without giving discounts. Also, the devaluation of the Turkish lira and the fall in domestic prices for rebar exert additional pressure on quotes. In such conditions, deals are concluded only with those suppliers who are ready to supply small quantities of material in a short time with a discount of 5-10 \$.

Currently, the working price range for scrap HMS 1 & 2 (80:20) ranges between 340-350 \$ / ton cif. In this case, most transactions are closer to the lower limit of the price range.

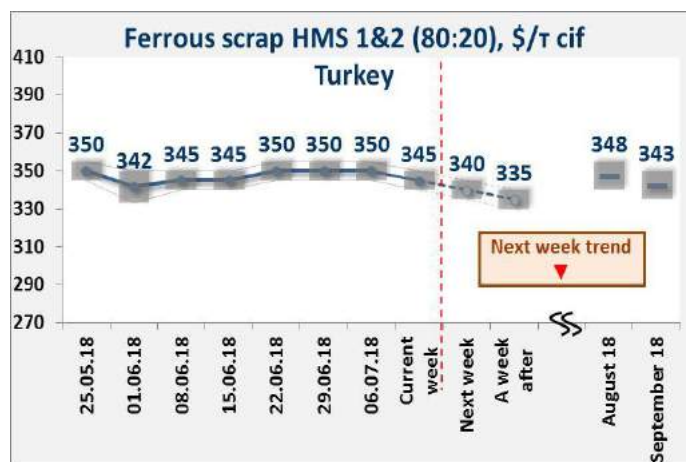
In Asia, demand is stable. The most significant activity is demonstrated by South Korean importers, some of them were in dire need of an efficient supply of raw materials. However, problems with the sale of scrap in alternative markets and its surplus in the Asian region did not allow traders to raise prices.

**Market forecast.** In the coming weeks, the demand for scrap metal will drop slightly due to the high stock of metals. In August, a rebound in the raw material prices is expected in connection with the restoration of demand for rolled steel and the need for the next replenishment of stock at metallurgical plants.

### Price Forecast for the Next 3 Months

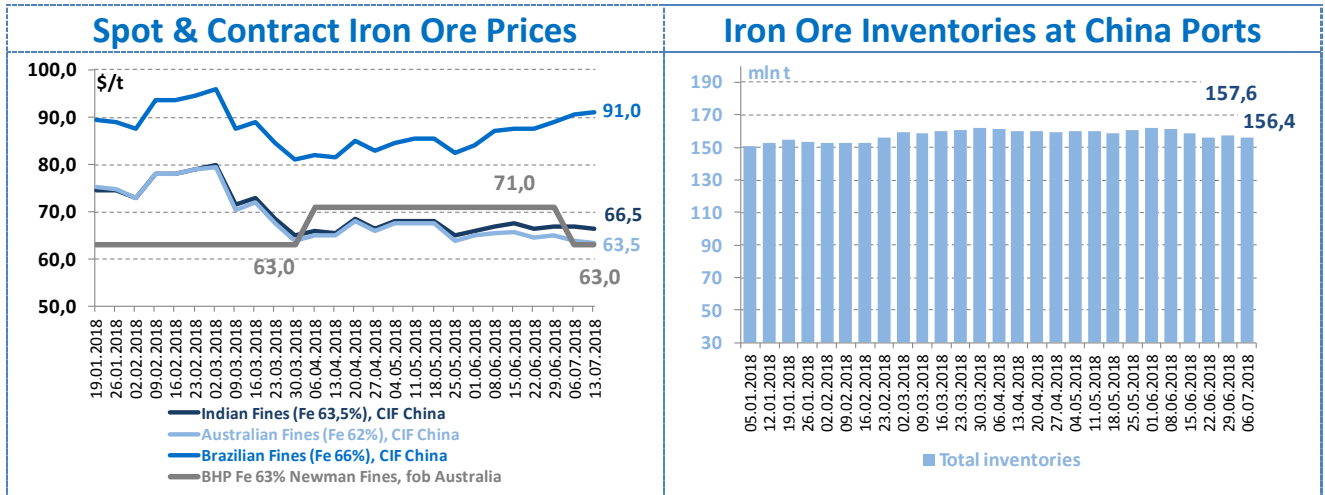
| Ferrous scrap** HMS 1&2 (80:20), \$/t cif Turkey |         |
|--|---------|
| Current week                                     | 340-350 |
| Next week  | 335-345 |
| A week after                                     | 330-340 |
| August 2018                                      | 340-355 |
| September 2018                                   | 335-350 |

\*\* price of a trader from the EU or the USA for lots above 5 th t with shipment in 2-4 weeks

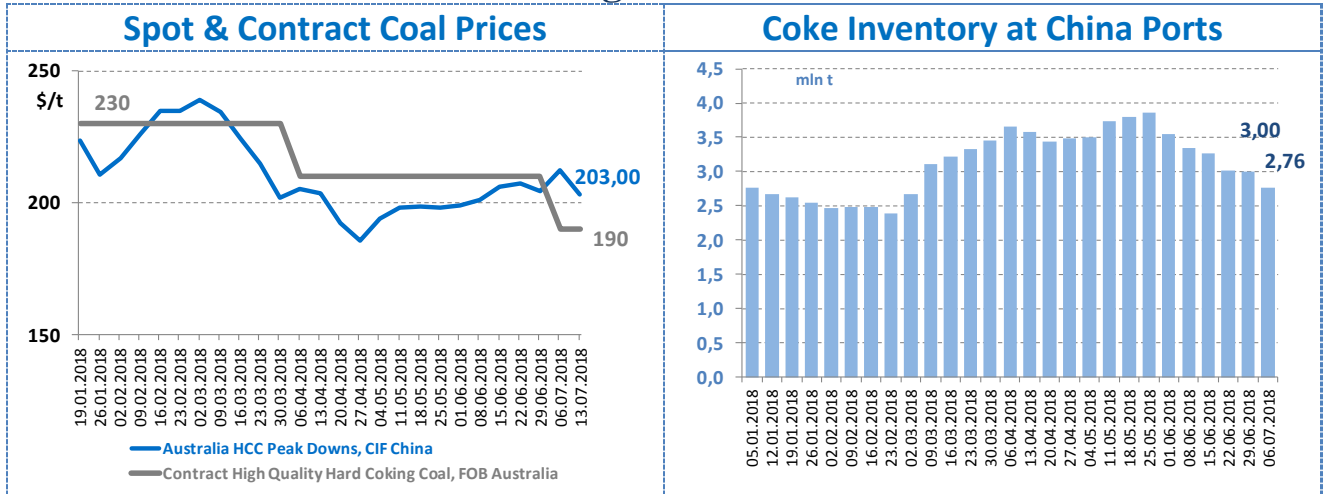


# Iron Ore & Coking Coal Snapshot

## Iron Ore



## Coking Coal and Coke



## Ukrainian Industry Expertise (UEX)

**Professional competence:** research and consulting in the steel and raw materials sector (long, flat, semis, scrap, coke, coking coal, iron ore), logistics, marketing, strategy consulting and appraisal



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