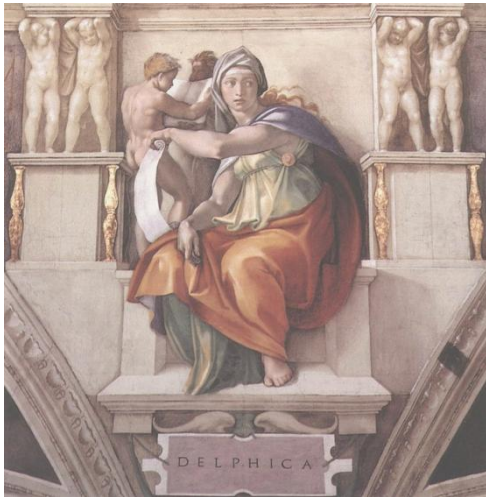


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Steel & Raw Prices: Mid-Term in Focus

- Macro Forecast
- Leading Indicators
- Price Outlook

Global Macroeconomics

GDP Actual Data & Forecast (YoY)	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f	mid-term outlook
World (nominal GDP weights)	2,9%	3,0%	3,1%	3,2%	2,9%	3,2%	Mixed, moderate growth
USA	1,6%	2,4%	2,3%	2,0%	2,0%	2,2%	Mixed, moderate growth
Eurozone	1,7%	1,5%	1,4%	1,5%	1,6%	1,5%	Mixed, moderate growth
China	6,7%	6,6%	6,4%	6,3%	6,6%	6,3%	Negative, slowing down
Japan	1,1%	0,4%	0,3%	0,3%	0,9%	0,6%	Negative, slowing down
Turkey	-1,8%	1,5%	1,4%	1,3%	2,2%	1,3%	Negative, slowing down
Russia	-0,4%	0,5%	0,9%	1,0%	-0,6%	0,8%	Positive, recovery ongoing
Ukraine	2,0%	1,0%	1,5%	1,7%	1,0%	2,5%	Positive, speed-up recovery

Executive Summary

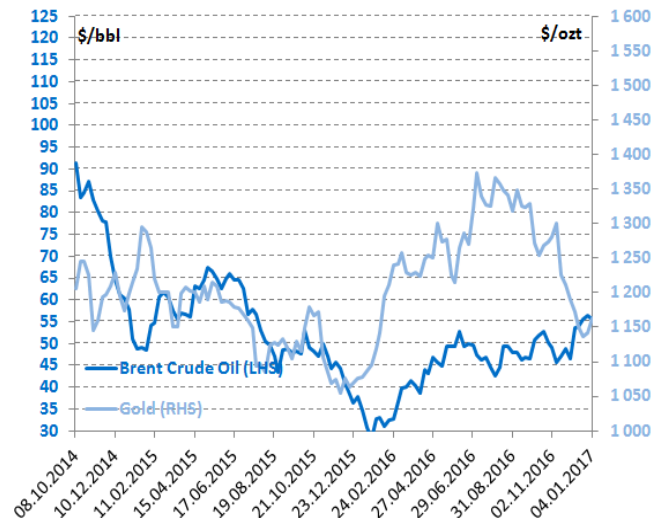
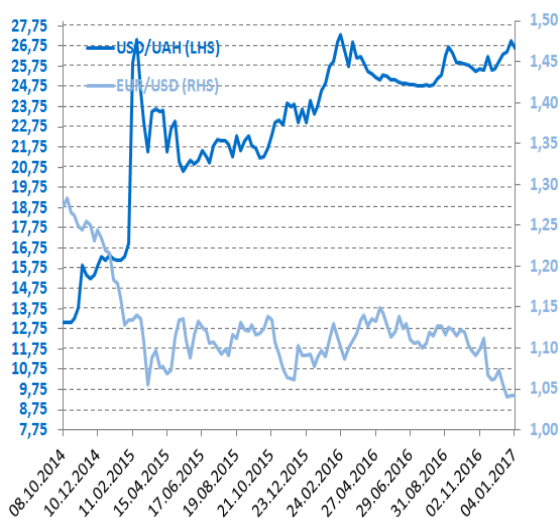
Worsened Mid-Term GDP Growth Expectations

For the last month, economic conditions are slightly improved across the majority of concerned countries/regions as a result of moderate upturn in global manufacturing activity. Despite increased political and geopolitical risks, the mid-term economic environment in Europe is relatively favorable compared to other mature economies as domestic demand and improving labor markets continue to drive the current moderate recovery, while Turkey's economy is likely to stay under pressure of significant national currency depreciating, trade balance deficit, as well as inflation pressures strengthen and slowing down the rate of country's manufacturing activity.

Predominantly Weaker Current Performance in Mostly Regions

The majority of leading and coincident indicators demonstrated mixed perspectives ahead suggesting the global economy may continue to stay under the pressure of downside risks in the coming months. Current manufacturing activity has improved in the USA (economic activity in the manufacturing sector continued to expand in December). In turn, the growth of Eurozone manufacturing production accelerated in December 2016, rising to highest since April 2011 as a result of growth in production volumes and stronger inflows of new work. At the same time, Chinese manufacturing sector improved at quickest pace in nearly four years in December amid strong expansion of production and total new work. Growth of Saudi Arabia's non-oil private sector ticked up in December last year as a result of new orders increased and output accelerating, as well as UAE's PMI expanded also last month to 16-month high, due to a robust expansion of new orders and growth of new export business.

Currency Exchange Rates & Commodities Prices



Regional Macro Outlook

United States of America

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)	(1)	1,6%	2,4%	2,3%	2,0%	2,0%	2,2%
IP Growth Forecast, % (YoY)	(2)	1,8%	1,9%	2,0%	2,1%	1,9%	2,0%
Housing Starts, mln Units	(3)	1,20	1,22	1,21	1,23	1,19	1,21
Real Capital Spending, % (YoY)	(3)	0,1	0,7	3,2	3,6	-0,7	2,3

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index*	(3)	101,8	103,5	100,8	109,4	113,7	3,9%
II. Global Business Cycle Indicator (LEI)**	(3)	124,1	124,5	124,6	124,6		0,0%
III. OECD CLI***	(4)	99,1	99,2	99,3			0,1%
IV. Manufacturing PMI****	(5)	49,4	51,5	51,9	53,2	54,7	2,8%

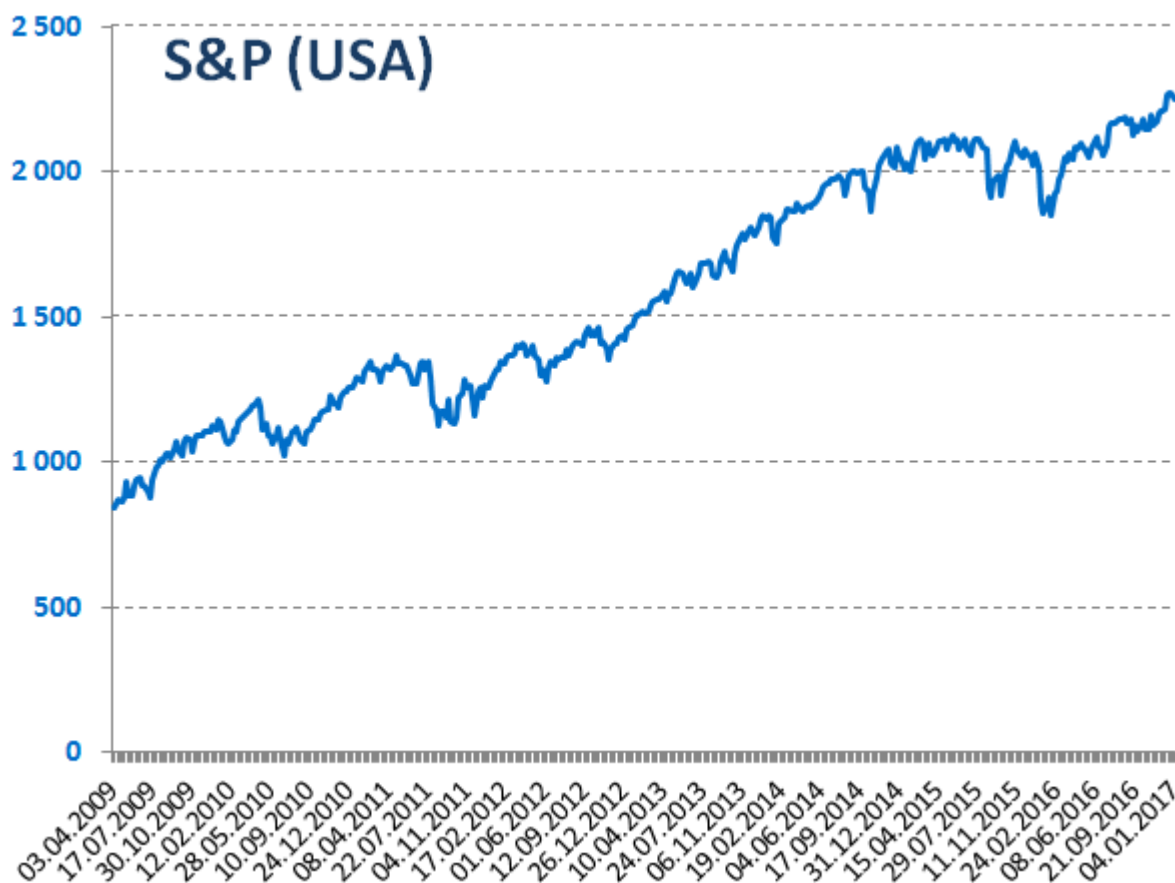
* 1985 = 100. While index changes of less than 5% are often dismissed as inconsequential, moves of 5% or more often indicate a change in the direction of the economy.

** till Nov 2014 - base year 2004; since Dec 2014 - base year 2010

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



European Union / Eurozone

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast (Eurozone), % (YoY)	(1)	1,7%	1,5%	1,4%	1,5%	1,6%	1,5%
Italy	(1)	1,2%	1,1%	0,8%	0,9%	1,0%	1,2%
Poland	(1)	3,1%	3,4%	3,2%	3,4%	3,7%	3,6%
IP Growth Forecast (Eurozone), % (YoY)	(22)	1,4%	1,5%	1,3%	1,6%	1,5%	1,6%
Construction Volumes (EU), % (QoQ)	(6)	-0,5%	0,8%	1,0%	1,5%	1,4%	2,2%
Automobiles Production (EU), mln units	(7)	3,95	4,08	4,0	4,11	16,05	16,5

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index (Euro Area)*	(8)	-8,5	-8,2	-8,0	-6,1	-5,1	16,4%
II. Global Business Cycle Indicator (LEI) (Euro Area)**	(3)	107,7	107,6	107,9	108,2		0,3%
III. OECD CLI (OECD Europe)***	(4)	100,2	100,3	100,3			0,0%
IV. Manufacturing PMI (Euro Area)****	(9)	51,7	52,6	53,5	53,7	54,9	2,2%

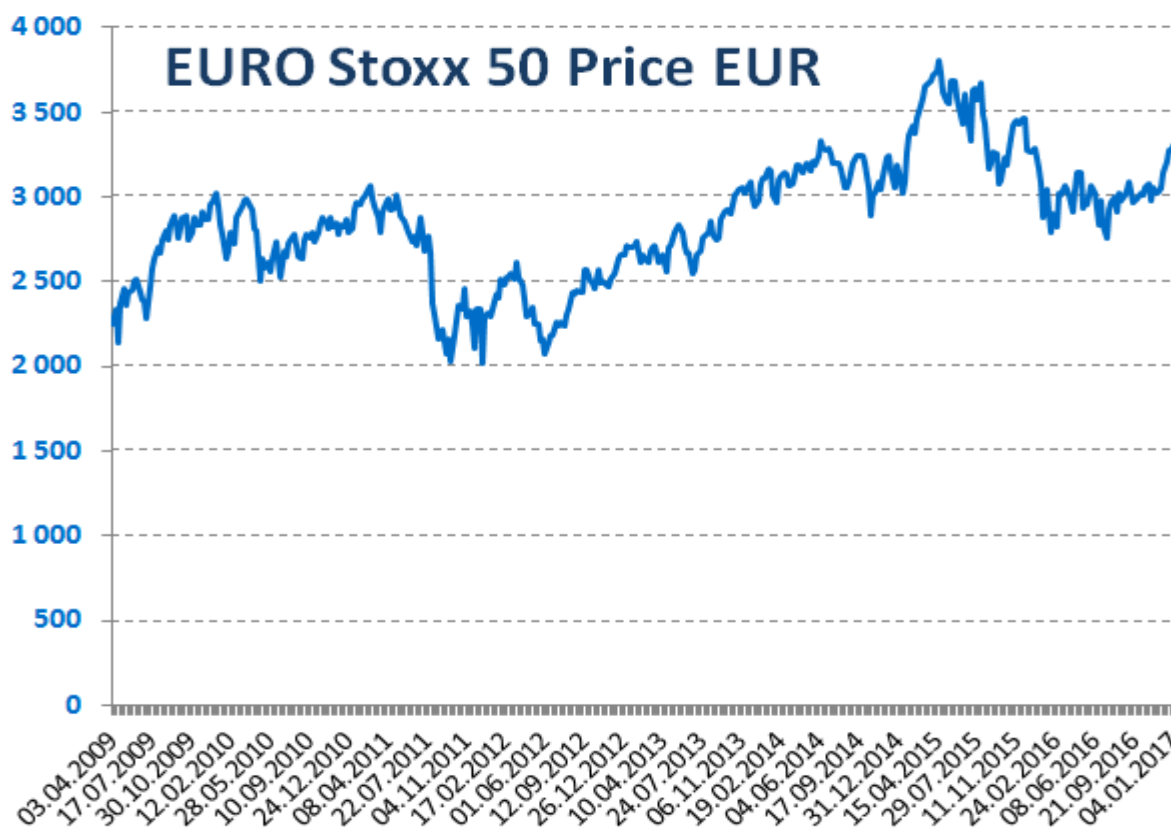
* a scale of -100 to 100, where -100 indicate extreme lack of confidence, 0 neutrality and 100 extreme confidence

** till Nov 2014 - base year 2004; since Dec 2014 - base year 2010

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**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Middle East & North Africa (MENA)

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)							
Lebanon	(1)	n/a	n/a	n/a	n/a	1,0%	2,0%
Saudi Arabia	(1)	n/a	n/a	n/a	n/a	1,2%	2,0%
Iraq	(1)	n/a	n/a	n/a	n/a	10,3%	0,5%
UAE	(1)	n/a	n/a	n/a	n/a	2,3%	2,5%
Egypt	(1)	n/a	n/a	n/a	n/a	3,8%	3,9%
Algeria	(1)	n/a	n/a	n/a	n/a	3,6%	2,9%
Index of ME Construction Projects Value (end of period), USD trln	(10)	2,90	2,94	2,92	2,94	2,93	2,94

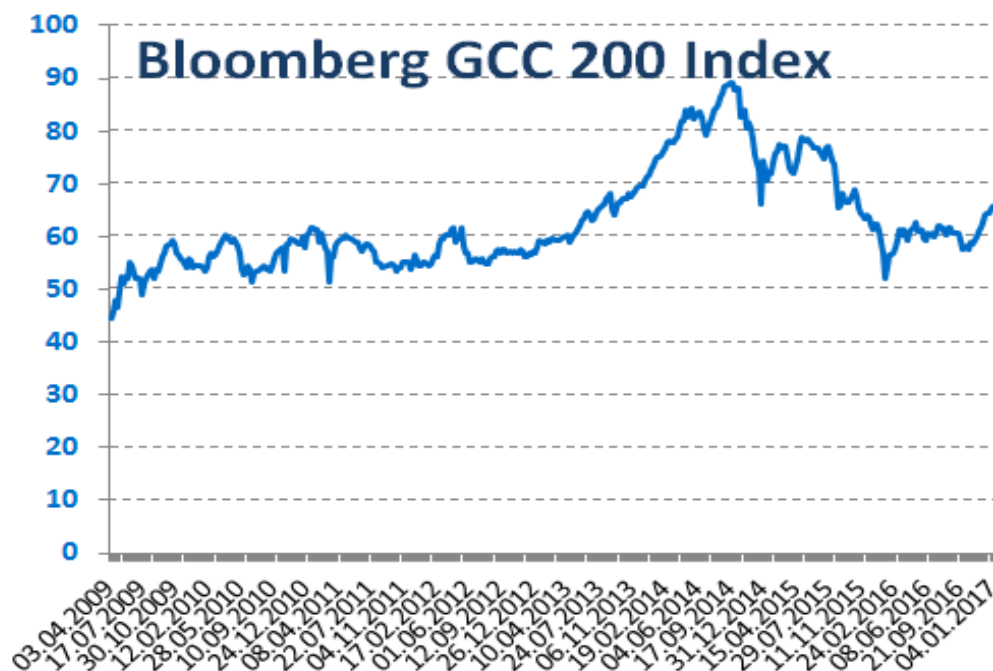
Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index (Israel)*	(8)	-15,0	-14,5	-12,2	-11,4		6,6%
II. OECD CLI (Israel)***	(4)	100,0	100,0	99,8			-0,2%
III. Manufacturing PMI****							
Saudi Arabia (HSBC)	(9)	56,6	55,3	53,2	55,0	55,5	0,9%
UAE (HSBC)	(9)	54,7	54,1	53,3	54,2	55,0	1,5%
Egypt (HSBC)	(9)	47,0	46,3	42,0	41,8	42,8	2,4%

* a scale of -100 to 100, where -100 indicate extreme lack of confidence, 0 neutrality and 100 extreme confidence

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Turkey

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)	(1)	-1,8%	1,5%	1,4%	1,3%	2,2%	1,3%
Construction Volumes, bln TRY	(11)	19,2	19,3	18,9	19,6	75,31	78,4
Automobiles Production, mln units	(12)	305,0	352,0	335,0	370,0	1 311,0	1 376,0

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index*	(8)	74,4	74,3	74,0	68,9	63,4	-8,0%
II. OECD CLI***	(4)	99,8	99,9	99,9			0,0%
III. Manufacturing PMI (HSBC)****	(9)	47,0	48,3	49,8	48,8	47,7	-2,3%
IV. Construction Confidence Index*****	(11)	79,4	82,0	81,3	75,7	76,1	0,5%

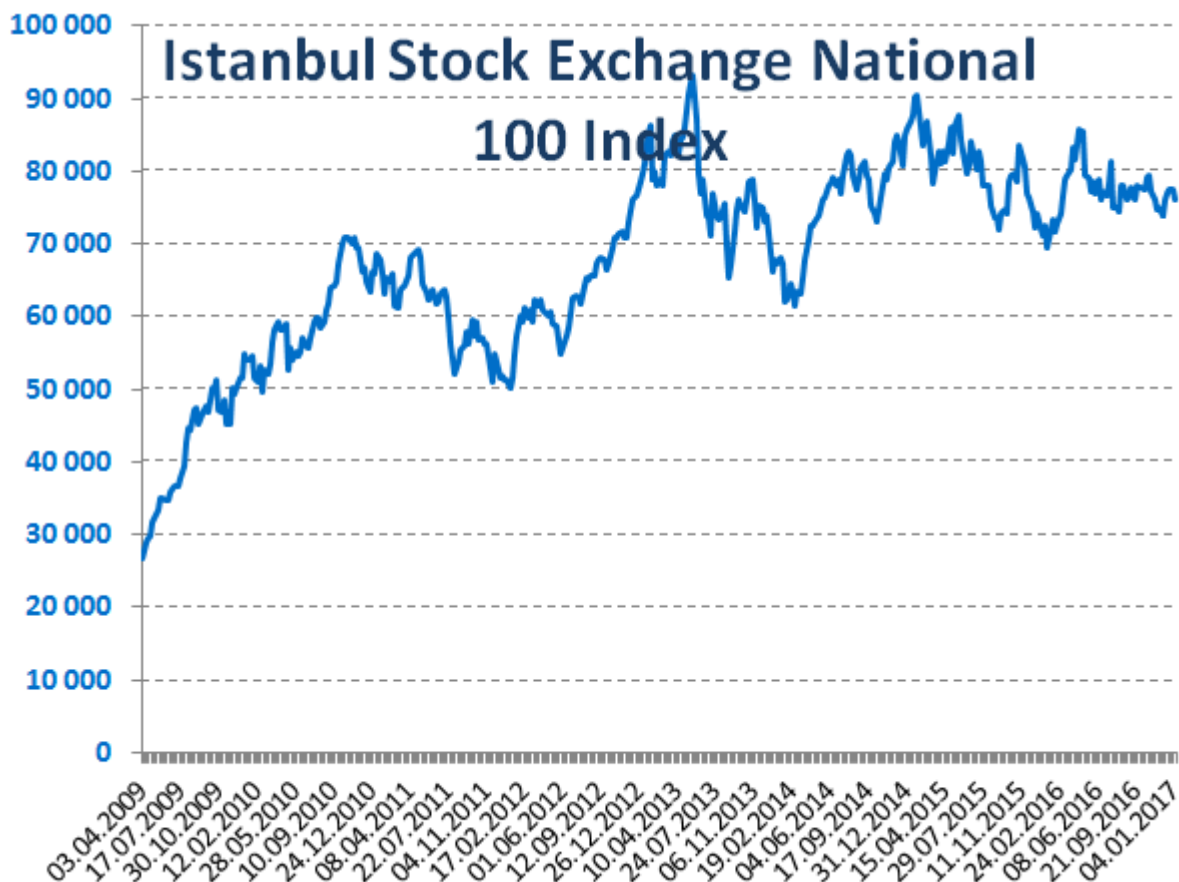
* The index is evaluated between 0 and 200. If it is above 100, it means consumer confidence is optimistic. If it is below 100, consumer confidence is pessimistic. 100 refer to neutral opinion in consumer confidence.

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

***** the value is between 0 and 200. It indicates an optimistic outlook when the index is above 100, but it indicates a pessimistic outlook when it is below 100.

Stock Index



China

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)	(1)	6,7%	6,6%	6,4%	6,3%	6,6%	6,3%
IP Growth Forecast, % (YoY)	(13)	5,7%	5,8%	5,6%	5,7%	5,9%	5,7%
New Construction Investments, bln CNY	(14)	67,9	65,2	68,2	69,4	237,6	245,7
Automobiles Production, thou units	(15)	5430	6540	5920	6640	24 020	25 100

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index*	(8)	105,6	104,6	107,2	108,6		1,3%
II. Global Business Cycle Indicator (LEI)**	(3)	153,8	155,3	156,5	158,0		1,0%
III. OECD CLI***	(4)	98,8	99,0	99,2			0,2%
IV. Manufacturing PMI****							
Official	(14)	50,4	50,4	51,2	51,7	51,4	-0,6%
Caixin	(9)	50,0	50,1	51,2	50,9	51,9	2,0%

* The index is evaluated between 0 and 200. If it is above 100, it means consumer confidence is optimistic. If it is below 100, consumer confidence is pessimistic. 100 refer to neutral opinion in consumer confidence.

** till Nov 2014 - base year 2004;

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Other Asia

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)							
Japan	(1)	1,1%	0,4%	0,3%	0,3%	0,9%	0,6%
Indonesia	(1)	5,0%	5,1%	5,2%	5,1%	5,1%	5,5%
S.Korea	(1)	2,6%	2,7%	2,8%	3,1%	2,7%	2,9%
India	(1)	7,3%	7,1%	7,2%	7,0%	7,4%	7,3%
IP Growth Forecast (Japan), % (YoY)	(2)	0,5%	0,6%	0,4%	0,5%	0,6%	0,5%
New Housing Starts (Japan), thou units	(16)	230,1	234,2	227,5	232,3	907,6	901,3
Automobiles Production (Japan), thou units	(17)	2 465	2 510	2480	2515	10 215	10 350
New Construction Orders (S.Korea), % (QoQ)	(18)	-0,8%	2,2%	1,5%	2,8%	2,5%	2,7%
Automobiles Production (S.Korea), thou units	(19)	990	1 265	1 140	1 290	4 580	4 760
Construction Volumes (India), % (QoQ)	(20)	-0,5%	4,4%	2,5%	4,2%	4,5%	4,0%

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index *							
Japan (a)	(8)	42,0	43,0	42,3	40,9		-3,3%
Indonesia (b)	(8)	113,3	110,0	116,8	115,9	115,4	-0,4%
S.Korea (b)	(8)	101,8	101,7	101,9	95,8	94,2	-1,7%
India (b)	(8)		133,0				3,9%
II. Global Business Cycle Indicator (LEI) **							
Japan	(3)	100,7	100,8	102,0			1,2%
S.Korea	(3)	111,5	111,4	111,5			0,1%
III. OECD CLI***							
Japan	(4)	99,6	99,7	99,7			0,0%
Indonesia	(4)	100,0	100,1	100,0			-0,1%
S.Korea	(4)	100,8	100,8	100,8			0,0%
India	(4)	100,7	100,9	101,1			0,2%
IV. Manufacturing PMI****							
Japan (Markit/JMMA)	(9)	49,5	50,4	51,4	51,3	52,4	2,1%
Indonesia (HSBC)	(9)	50,4	50,9	48,7	49,7	49,0	-1,4%
S.Korea (HSBC)	(9)	48,6	47,6	48,0	48,0	49,4	2,9%
India (HSBC)	(9)	52,6	52,1	54,4	52,3	49,6	-5,2%

*(a) A score above 50 indicates optimism, below 50 shows lack of confidence and 50 indicates neutrality

*(b) Above 100 = consumer confidence is optimistic. Below 100 = consumer confidence is pessimistic. 100 = neutral opinion in consumer confidence.

** till Nov 2014 - base year 2004; since Dec 2014 - base year 2010

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Commonwealth of Independent States (CIS)

Main Indicators	Source	3Q 2016e	4Q 2016f	1Q 2017f	2Q 2017f	2016e	2017f
GDP Growth Forecast, % (YoY)							
Russia	(1)	-0,4%	0,5%	0,9%	1,0%	-0,6%	0,8%
Ukraine	(1)	2,0%	1,0%	1,5%	1,7%	1,0%	2,5%
IP Growth Forecast, % (YoY)							
Russia	(13)	0,5%	0,6%	0,9%	1,1%	0,5%	1,1%
Ukraine	(24)	0,6%	1,8%	2,0%	2,8%	1,9%	3,0%
Tubes Production (Russia), th. Tones	(21)	2 510	2 550	2 460	2 570	9 950	10 010
Automobiles Production (Russia), th. units	(21)	461	477	456	475	1 890	1 920
Construction Volumes (Russia), bln RUB	(21)	1 365	1 910	1 250	1 920	5 425	5 540

Leading Indicators	Source	Aug 2016	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Change
I. Consumer Confidence Index *							
Russia (a)	(8)		-19,0				26,9%
Ukraine (b)	(8)	53,7	50,1	51,6	47,4		-8,1%
III. OECD CLI (Russia)***							
	(4)	100,1	100,3	100,6			0,3%
IV. Manufacturing PMI****							
Russia (HSBC)	(9)	50,8	51,1	52,4	53,6	53,7	0,2%

*(a) Indicator takes a value between -100 (all respondents assess their situation as poor and expect it to become worse) and 100 (all participants are satisfied with the current situation and expect it to improve); 0 indicates neutrality.

*(b) Above 100 = consumer confidence is optimistic. Below 100 = consumer confidence is pessimistic. 100 = neutral opinion in consumer confidence.

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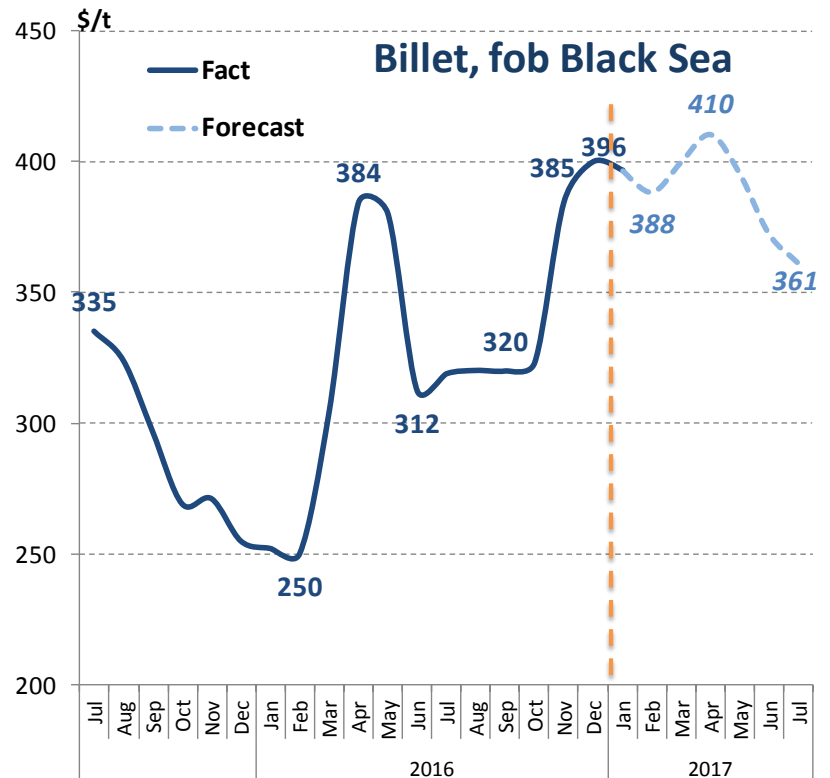
Stock Indexes



Price Forecast

Billet, fob Black Sea

	Billet		
	\$/t	m-o-m	y-o-y
Jan 2016	252	-1%	-37%
Feb 2016	250	-1%	-32%
Mar 2016	304	22%	-15%
Apr 2016	384	26%	5%
May 2016	380	-1%	1%
Jun 2016	312	-18%	-14%
Jul 2016	319	2%	-5%
Aug 2016	320	0%	-1%
Sep 2016	320	0%	8%
Oct 2016	323	1%	20%
Nov 2016	385	19%	42%
Dec 2016	400	4%	57%
Jan 2017	396	-1%	57%
Feb 2017	388	-2%	55%
Mar 2017	400	3%	32%
Apr 2017	410	3%	7%
May 2017	395	-4%	4%
Jun 2017	372	-6%	19%
Jul 2017	361	-3%	13%



Executive Summary

Price Stabilization in January

Trading activity declines as buyers have already placed necessary orders for billet with January-February shipments. The prices for billet will be stabilized because of a cutback in orders and resistance of buyers.

Downward Price Correction in February

Buyers' activity will be low when steel products ordered in the previous months are delivered and the inventories are filled to an optimal level. To stimulate buyers' interest producers will be forced to cut prices. The expected decline in prices for scrap, coking coal and iron ore on the spot market will put additional pressure on the steel market.

Seasonal Uptick Price in March – April

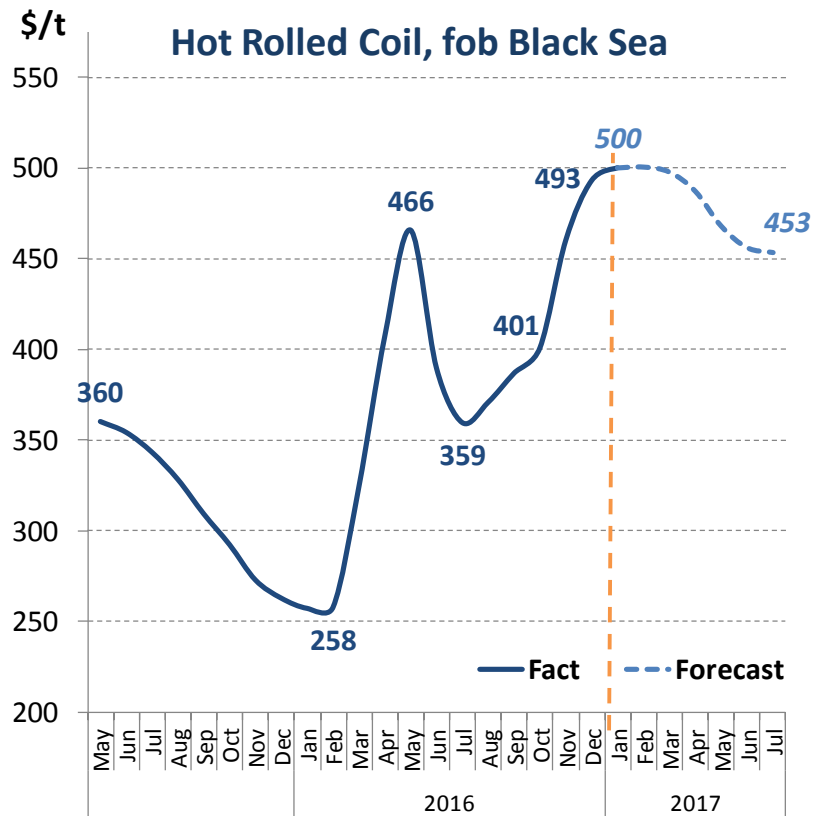
Growth of steel consumption with the start of construction season in early spring will lead to demand revive. The need for restocking and trade activation will promote traditional increase in prices for billet and long finished products in March – April.

Downward Price Trend in May - July

Since May orders for summer deliveries will fall, billet prices will then go down. The forecasted significant decline in spot and contract prices for iron ore and coking coal will put high pressure on the steel market. As a result, billet prices will have decreased to \$350-360/t fob Black Sea till July.

HRC, fob Black Sea

	HRC		
	\$/t	m-o-m	y-o-y
Jan 2016	257	-2%	-41%
Feb 2016	258	0%	-36%
Mar 2016	324	26%	-15%
Apr 2016	407	26%	10%
May 2016	466	14%	29%
Jun 2016	390	-16%	10%
Jul 2016	359	-8%	5%
Aug 2016	371	3%	13%
Sep 2016	387	4%	25%
Oct 2016	401	4%	37%
Nov 2016	460	15%	69%
Dec 2016	493	7%	88%
Jan 2017	500	1%	95%
Feb 2017	501	0%	94%
Mar 2017	498	-1%	54%
Apr 2017	487	-2%	20%
May 2017	468	-4%	0%
Jun 2017	456	-3%	17%
Jul 2017	453	-1%	26%



Executive Summary

Maintaining High Level Prices for HRC in January - March

Ongoing demand for March – April production provides a support to HRC markets in January-February. Producers are trying to keep offer prices at a maximal level, avoiding discounts. High contract prices for iron ore and coking coal in the first quarter 2017 provide an additional support to the steel market.

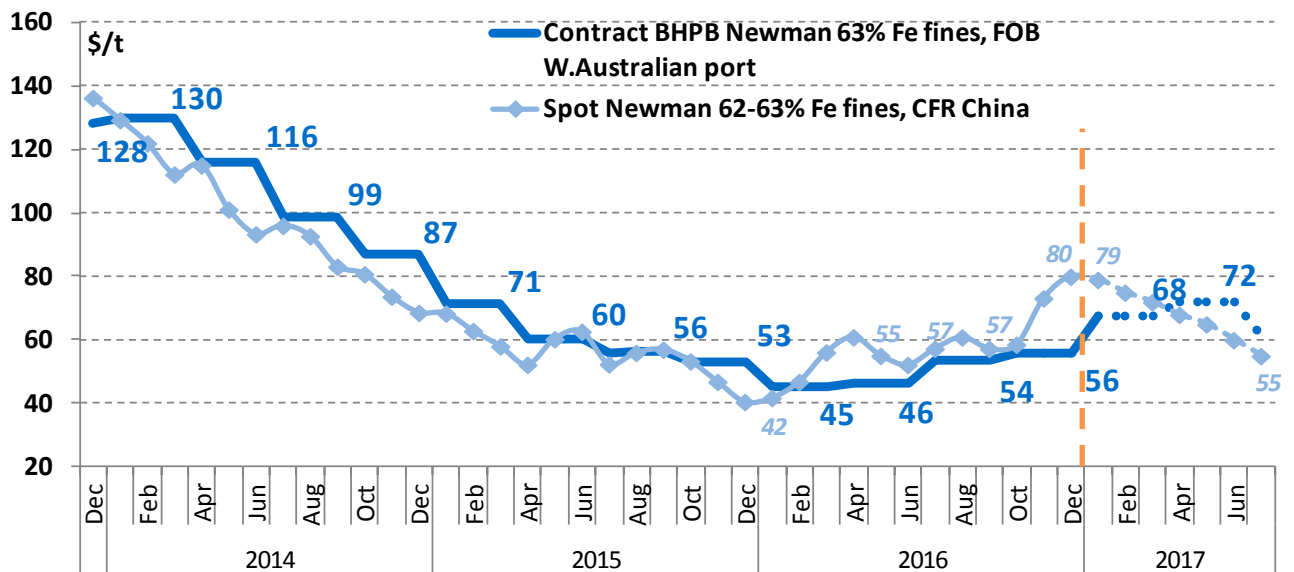
Downward Price Trend in April - July

The significant decline in spot and contract prices for coking coal in the second quarter of 2017 will enhance buyers' resistance to high prices. Strengthening resistance of buyers amidst descending demand on summer shipments will result in a downward price trend in May-July. Having a sufficient trading margin and profitability, producers will follow flexible price policy and make discount to stimulate buyers' activity. As we expect, export prices for HRC will drop to \$450/t fob in July that is \$50 below the peak level in March.

Contract BHPB Newman Fines, Fe 63%, fob Australia

	2016												2017	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	1Q	1Q	1Q	2Q	2Q	2Q	3Q	3Q	3Q	4Q	4Q	4Q	1Q	2Q
Contract BHPB Newman 63% Fe Fines, fob Australia*	45	45	45	46	46	46	54	54	54	56	56	56	68	72
Spot Newman 62% Fe Fines, cfr China	42	47	56	61	55	52	57	61	57	59	73	80		

* since 2Q 2014 – calculated figures based on historical model of contract price settlement



Executive Summary

Spot Iron Ore Price Dynamics in October - Early January

Spot iron ore prices for Australian Fe=62% fines increased from 55 to 82 \$/dmt cfr China during the period October 7 – January 13. In our view, such a dynamics is mainly caused by the following chain of factors:

- A significant increase in spot prices for coking coal caused by reduction of coal supply to China from Australia due to a force majeure and enhanced by trade speculations;
- A significant increase in the base contract prices for coking coal (from 92.5 \$/t fob in the Q3 to 200 \$/t in the Q4 quarter and to 285 \$/t in the Q1 of 2017) due to price changes in the spot market;
- A significant rise in domestic steel prices in China which was initiated by the upward dynamics of coal prices;
- A stronger iron ore demand for high- and medium-grade cargoes with low impurities (increasing the iron content at 1% can reduce coke consumption by about 2%).

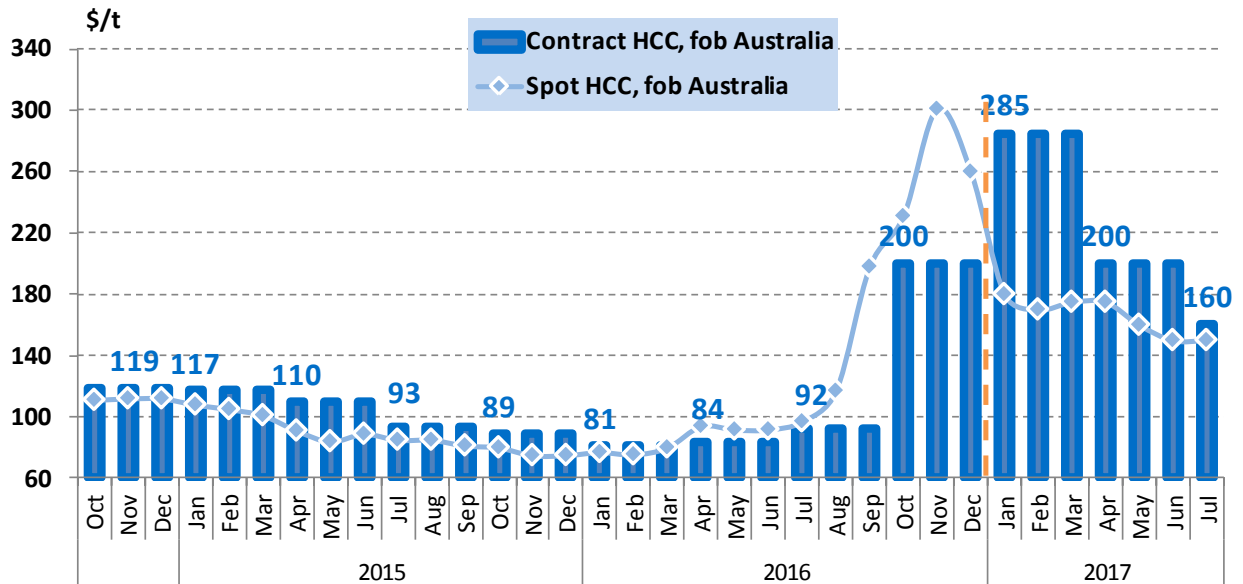
Understanding of Spot Iron Ore Price Trend in H1 2017

It seems, that high coking coal and steel prices in China allow miners to maintain spot iron price at “under 60 \$/dmt” level till June 2017. Lower steel prices as well as fundamental imbalance between supply and demand in the global iron ore market will shift spot iron ore prices from 70-90 (November 2016 - March 2017) to 60 \$/dmt (June-July 2017).

The calculated figures for the quarterly contract iron ore prices in H1 2017 make about 68-72 \$/t FOB Australia.

Contract High Quality Hard Coking Coal, fob Australia

	2016												2017	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
	1Q	1Q	1Q	2Q	2Q	2Q	3Q	3Q	3Q	4Q	4Q	4Q	1Q	2Q
Contract HCC, fob Australia	81	81	81	84	84	84	92	92	92	200	200	200	285	200
Spot HCC, fob Australia	77	76	80	94	92	92	97	117	198	231	301	260		



Executive Summary

Downward Trend in Spot Prices Dominated in December and Still Holds in January

In December, the coal spot prices decreased and lost approximately \$75 for a month. In January the slump is being operative but its pace is gradually slacking: The benchmark price for HCC coal was \$235 FOB Australia at the end of December and it reduced to \$180 by mid-January, \$55 less than it was 2 weeks before. A sweeping fall in spot prices results from the obvious overheating of price conjuncture in autumn months caused by a combination of unfavourable accidental factors and promotes a better balancing of the coal market.

Contract Prices in Q1 2017 and Projection for Q2 2017

The contract price for Q1 2017 was fixed at \$285 FOB Australia for benchmark HCC coal that was provoked by spot prices at \$300+ level in November and reflected pronounced and unexpected deficit of HCC coal supply in Asian region at that period enhanced by feverish demand. A current fall in the spot prices, which is not stopped yet, creates the preconditions for conclusion Q2 2017 contract in the vicinity of \$180-200 FOB Australia, almost \$100 less than in Q1 2017.

Volatility of Spot Market Will Decrease in Winter Months

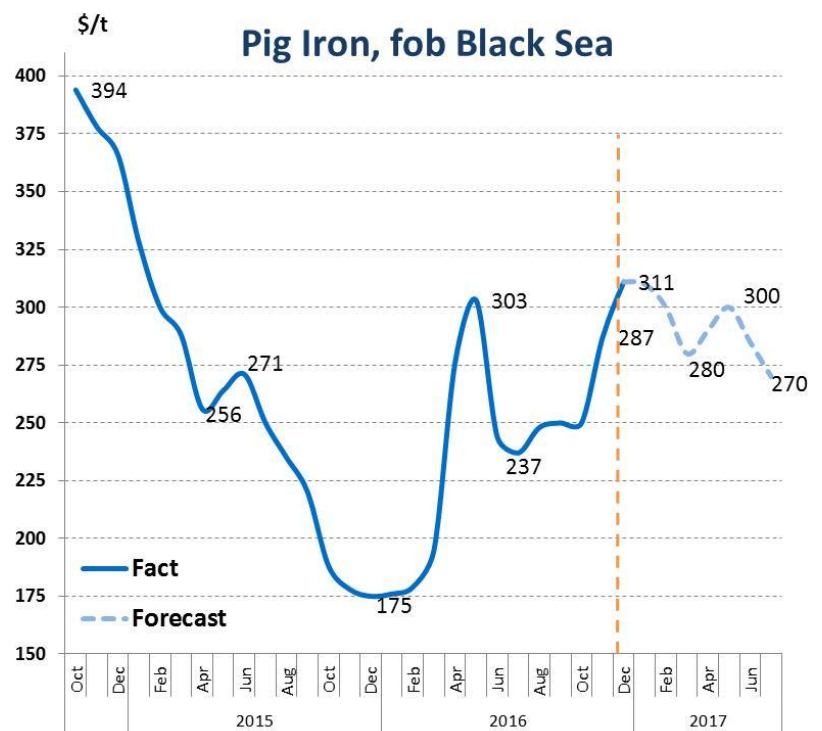
The rollback of overheated spot prices to better balanced values will continue in January and even in February but with much lower pace. January's and February's average benchmark HCC coal prices are expected to amount to \$180 and \$170 respectively.

Projection for Q3 2017 Contracts

However, the potential of price reduction will not be completely exhausted in nearest months and balancing of the spot coal market will continue. After some stabilization in March-April, the spot prices will go down in late spring and early summer month. As a result, the forecasted Q3 contract prices will not exceed \$150-170.

Pig Iron, fob Black Sea

	Pig Iron		
	\$/t	m-o-m	y-o-y
Jan 2016	176	1%	-46%
Feb 2016	179	2%	-40%
Mar 2016	195	9%	-32%
Apr 2016	276	42%	8%
May 2016	303	10%	15%
Jun 2016	244	-19%	-10%
Jul 2016	237	-3%	-5%
Aug 2016	248	5%	6%
Sep 2016	250	1%	14%
Oct 2016	250	0%	33%
Nov 2016	287	15%	61%
Dec 2016	311	8%	78%
Jan 2017	310	0%	76%
Feb 2017	300	-3%	68%
Mar 2017	280	-7%	44%
Apr 2017	290	4%	5%
May 2017	300	3%	-1%
Jun 2017	285	-5%	17%
Jul 2017	270	-5%	14%



Executive Summary

Price Forecast Revision

We maintain our previous forecast for the price trend.

Price Fluctuation in January

In January pig iron price will move sideways as demand will ease off. The attempts of the importers to decrease quotations will stumble upon traders' resistance amid low supply as well as complicated shipment.

Price Decrease in February-March

In February, prices will move down because of tightening of the margins for steel producers. Moreover, long lasting price rise in the previous months will spur productivity of the scrap collection. In March, pig iron suppliers will continue to lower prices amid decrease in prices for high quality scrap as well as unstable situation on the flat steel markets.

Price Revival in April-May

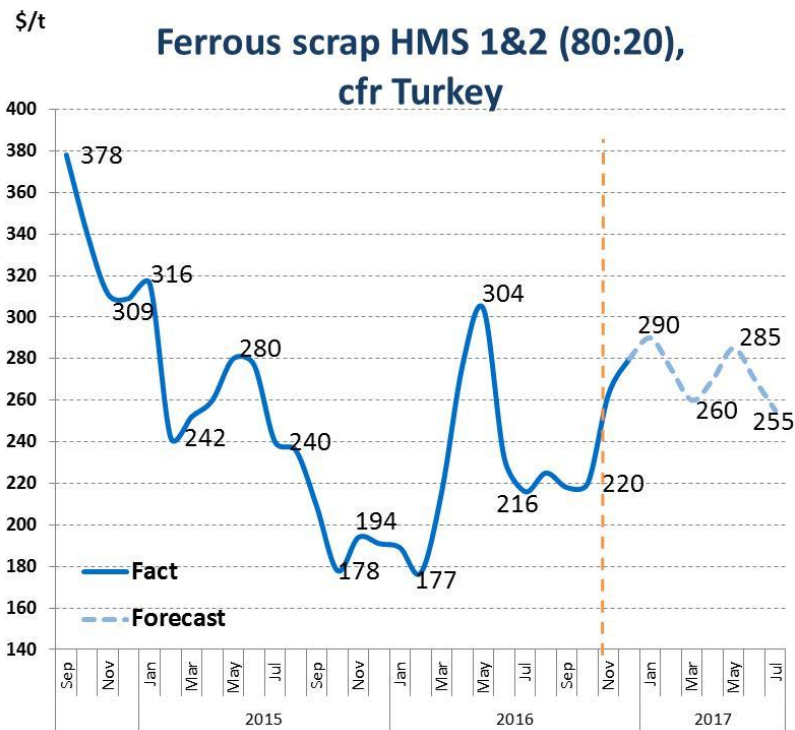
In April-May, pig iron prices will revive as scrap prices will move up. A rather low level of iron production will enhance the competition between buyers that allows exporters to increase prices.

Price Decrease in June-July

In June-July, pig iron prices will reverse down amid downward correction of the scrap quotations as well as increase of the pig iron supply from CIS and Brazilian traders. Traders will rush into the market in order to sell-off stocks amid demand decrease that accelerates price decline.

Ferrous Scrap HMS 1&2 (80:20), cfr Turkey

	Ferrous Scrap HMS 1&2 (80:20)		
	\$/t	m-o-m	y-o-y
Jan 2016	189	-1%	-40%
Feb 2016	177	-6%	-27%
Mar 2016	216	22%	-14%
Apr 2016	277	28%	7%
May 2016	304	10%	9%
Jun 2016	232	-24%	-16%
Jul 2016	216	-7%	-10%
Aug 2016	225	4%	-5%
Sep 2016	218	-3%	4%
Oct 2016	220	1%	24%
Nov 2016	263	20%	36%
Dec 2016	280	6%	47%
Jan 2017	290	4%	53%
Feb 2017	275	-5%	55%
Mar 2017	260	-5%	20%
Apr 2017	270	4%	-3%
May 2017	285	6%	-6%
Jun 2017	270	-5%	16%
Jul 2017	255	-6%	18%



Executive Summary

Price Forecast Revision

In general, we maintain our previous forecast for the price trend. However, prices will be 10-15 \$ higher than we expected earlier due to a sharper increase in December and lower scrap collection efficiency in the USA and EU.

Price Fluctuation in January

In January, increase of the scrap prices will stop due to the low breakeven of the steel producers as well as appearing signs of the revival of scrap collection amid long-lasting price rise.

Price Decrease in February-March

In February, scrap prices will go down due to an increased supply and slack demand on the long steel market. In March, winter warming will facilitate scrap collection that affects negatively the prices.

Price Rise in April-May

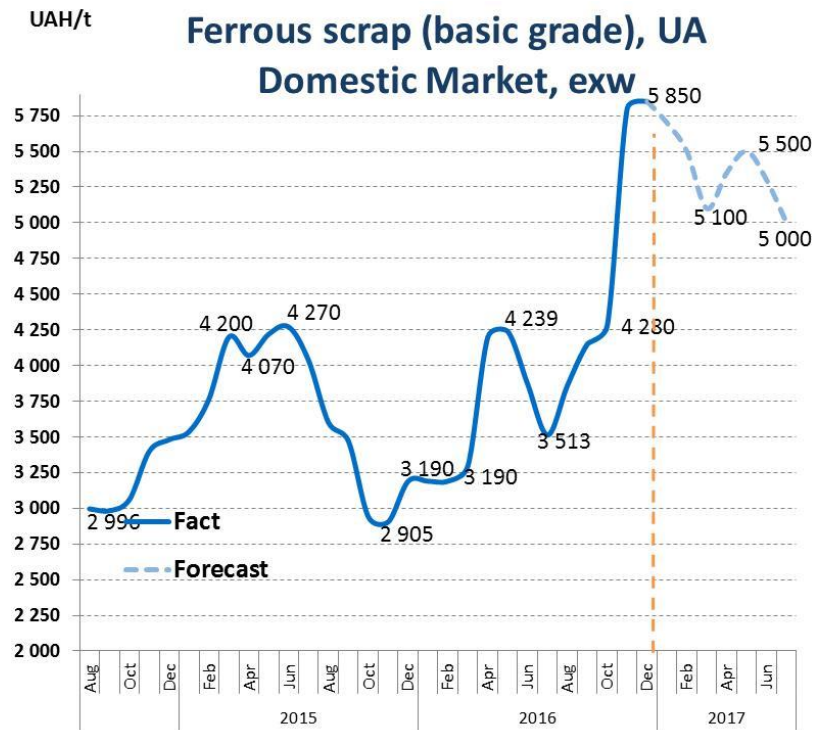
In April-May, prices will move up amid decreasing scrap collection that will be caused by the above-mentioned long-lasting price decline in February-March.

Price Decrease in June-July

In June-July, prices will move down amid seasonal increase of supply as well as rise of the scrap stocks of major importers. Scrap exporters will harshly compete amid worsening demand that contributes to a decrease of the scrap prices.

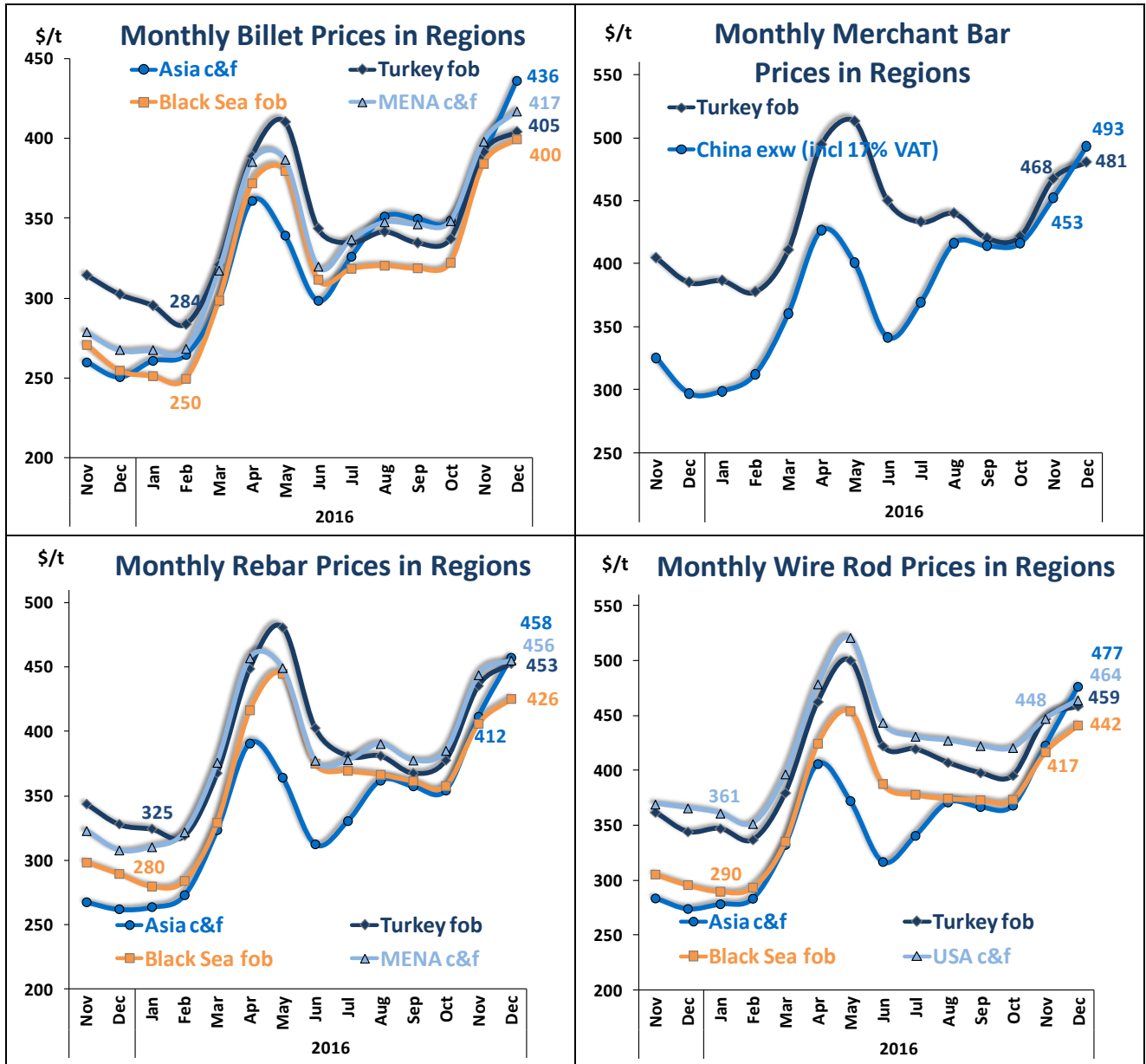
Ferrous Scrap (Basic Grade), UA Domestic, ex-yard

	Ferrous Scrap (basic grade)		
	\$/t	m-o-m	y-o-y
Jan 2016	3 190	0%	-10%
Feb 2016	3 190	0%	-15%
Mar 2016	3 296	3%	-22%
Apr 2016	4 200	27%	3%
May 2016	4 239	1%	0%
Jun 2016	3 870	-9%	-9%
Jul 2016	3 513	-9%	-13%
Aug 2016	3 860	10%	7%
Sep 2016	4 150	8%	20%
Oct 2016	4 280	3%	46%
Nov 2016	5 800	36%	100%
Dec 2016	5 850	1%	83%
Jan 2017	5 700	-3%	79%
Feb 2017	5 500	-4%	72%
Mar 2017	5 100	-7%	55%
Apr 2017	5 350	5%	27%
May 2017	5 500	3%	30%
Jun 2017	5 300	-4%	37%
Jul 2017	5 000	-6%	42%

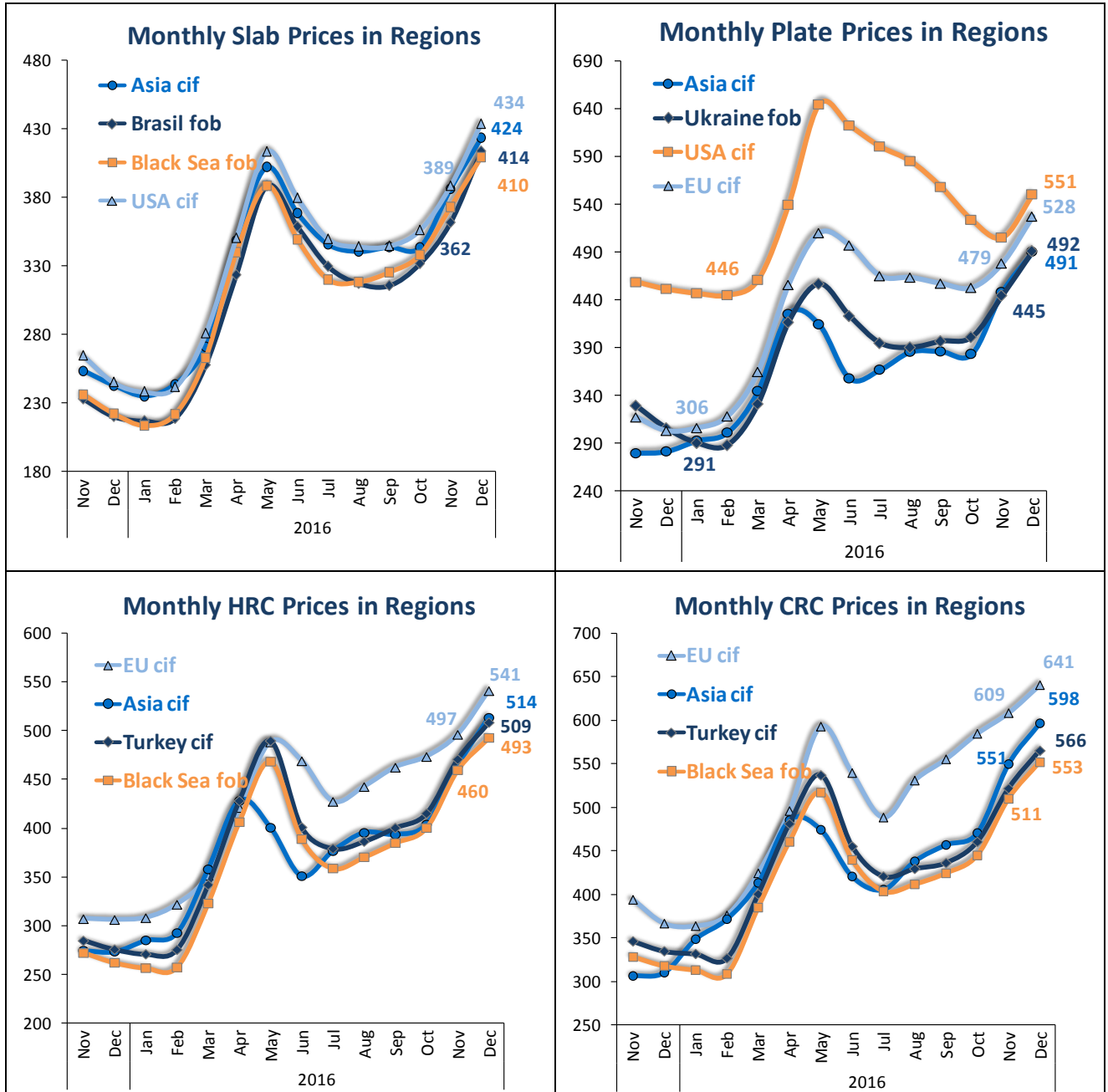


Historical Price Charts

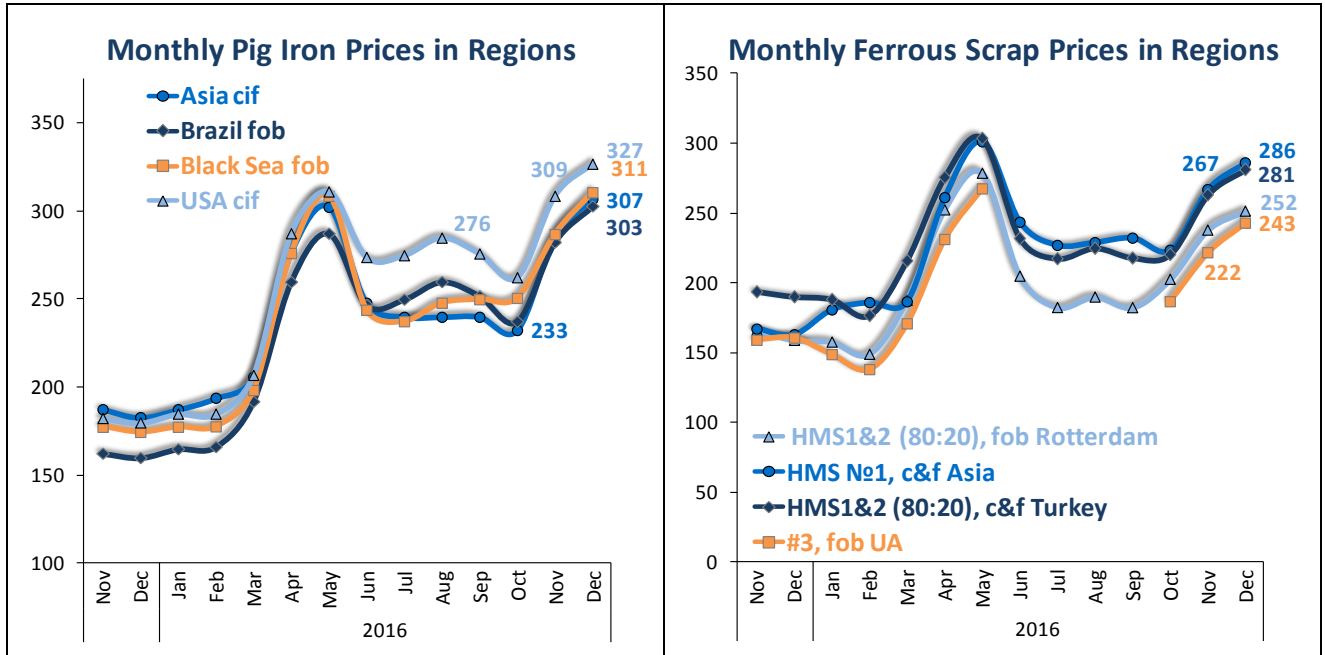
Long Steel



Flat Steel



Pig Iron & Ferrous Scrap



Sources of Data

(1)	Reuters, HSBC, IMF, EIU, IHS Global Insight
(2)	HSBC
(3)	The Conference Board
(4)	OECD
(5)	ISM
(6)	Eurostat, Euroconstruct, Eurofer
(7)	European Automobile Manufacturers' Association, JP Morgan Chase, Eurofer
(8)	Trading Economics
(9)	Markit Economics
(10)	MEED Projects
(11)	Turkstat
(12)	Turkey Automotive Manufacturers Association
(13)	Reuters Consensus
(14)	National Bureau of Statistics of China, IHS Global Insight
(15)	China Association of Automobile Manufacturers
(16)	Ministry of Land, Infrastructure, Transport and Tourism of Japan
(17)	Japan Automobile Manufacturers Association
(18)	Korea National Statistical Office, IHS Global Insight
(19)	Korea Automobile Manufacturers Association
(20)	Reserve Bank of India, IHS Global Insight
(21)	Russian Federal State Statistic Service, Ministry of Economic Development of the Russian Federation
(22)	Allianz Group, European Forecasting Network
(23)	MAPI
(24)	Consensus Forecast (Dragon Capital, International Centre for Policy Studies, Erste Bank, Raiffeisen Bank Aval, Ukrsibbank, Kredit Rating)

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, etc), logistics, marketing, strategy consulting and appraisal



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