

Stainless steel scrap market briefing

Demand and scrap prices have mirrored the nickel market. Following a near-full recovery to \$9,600/tonne in May as the nickel deficit widened to 11,200 tonnes, but this demand has not been sustained. Once more at the end of September, nickel prices have stagnated at around the \$10,430/tonne mark.

Following the increase in commodity prices (chrome and nickel), stainless steel scrap availability improved and consumption of this raw material remained at good levels throughout the third quarter. Although stainless steel producers were able to increase their profitability, the stainless scrap processing industry still lacks sufficient margin for their product and services. This situation could further deteriorate as nickel prices have start to fall. The fourth quarter is therefore expected to be more challenging for those active in the recycling of stainless steel.

Notwithstanding the volatile nickel market, stainless steel scrap prices have actually remained relatively stable over the last quarter. 304 and 316 stainless steel scrap is trading at \$1,090-1,140 (2Q16: \$1,030-1,080/tonne) and \$1,450-1,500/tonne (2Q16: \$1,450-1,500/tonne).

Chrome scrap prices are trading at \$230-270.tonne for the 409 material, unchanged from the periovus quarter and \$310-350/tonne for 430 materials (2Q16: \$320-360/tonne).

That being said, the restocking phase at traders' yards has now come to an end and these volumes are now in need of consumers in order for prices to be sustainable.

According to the Ministry of Finance in Japan, Japan imported 9,933 tonnes of stainless steel scrap in June, representing an increase of 11.3% m.o.m. The import average price was

¥120,939/tonne, up 0.1% m.o.m. Shipments from Korea, Taiwan and Thailand increased the strongest at the expense of shipments from the US and China which registered a m.o.m decline.



Source: Core Consultants' Third Quarter Ferrochrome Report

Chinese stainless steel scrap has remained unchanged from the second quarter at RMB3,550/tonne (\$546/tonne) for 201 material; RMB7,000/tonne (\$1,076/tonne) for 304 grade, RMB10,200/tonne (\$1,569/tonne) for 316 grade and RMB2,750/tonne (\$423/tonne) for 430 series.

India remains the most positive scrap market in Asia. For the four months ending July 31 this year, the country imported 205,000 tonnes of 304 and 316 scrap. The Indian market is also paying the highest price for scrap in Asia, bettering the offers of other leading markets including South Korea and Taiwan. Part of the driving force behind India's buying activity is that scrap is available on credit terms and many of the second and third tier mills prefer this to imports. However, Indian stainless steel scrap purchases may slow as the stainless steel mills are struggling to sell finished good and there appears to be significant overcapacity in the stainless steel market. As such Indian mills were reducing their purchased scrap volumes throughout the third quarter well before nickel prices fell below \$10,000/tonne.

In Russia, export duties were lowered in September in accordance with the WTO agreement and as such stainless steel scrap export duties were expected to be dropped from 7.5% to 5%, which would benefit scrap exporters. As such shipments during August were reduced in anticipation of these changes and exporters are now expected to resume supply during the fourth quarter.