



SMU Community Chat with CRU Principal Analyst Erik Hedborg

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The SMU newsletter was developed for active buyers and sellers of flat-rolled steel.

Prices | Momentum | Sentiment | Trends | Analysis

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Upcoming events

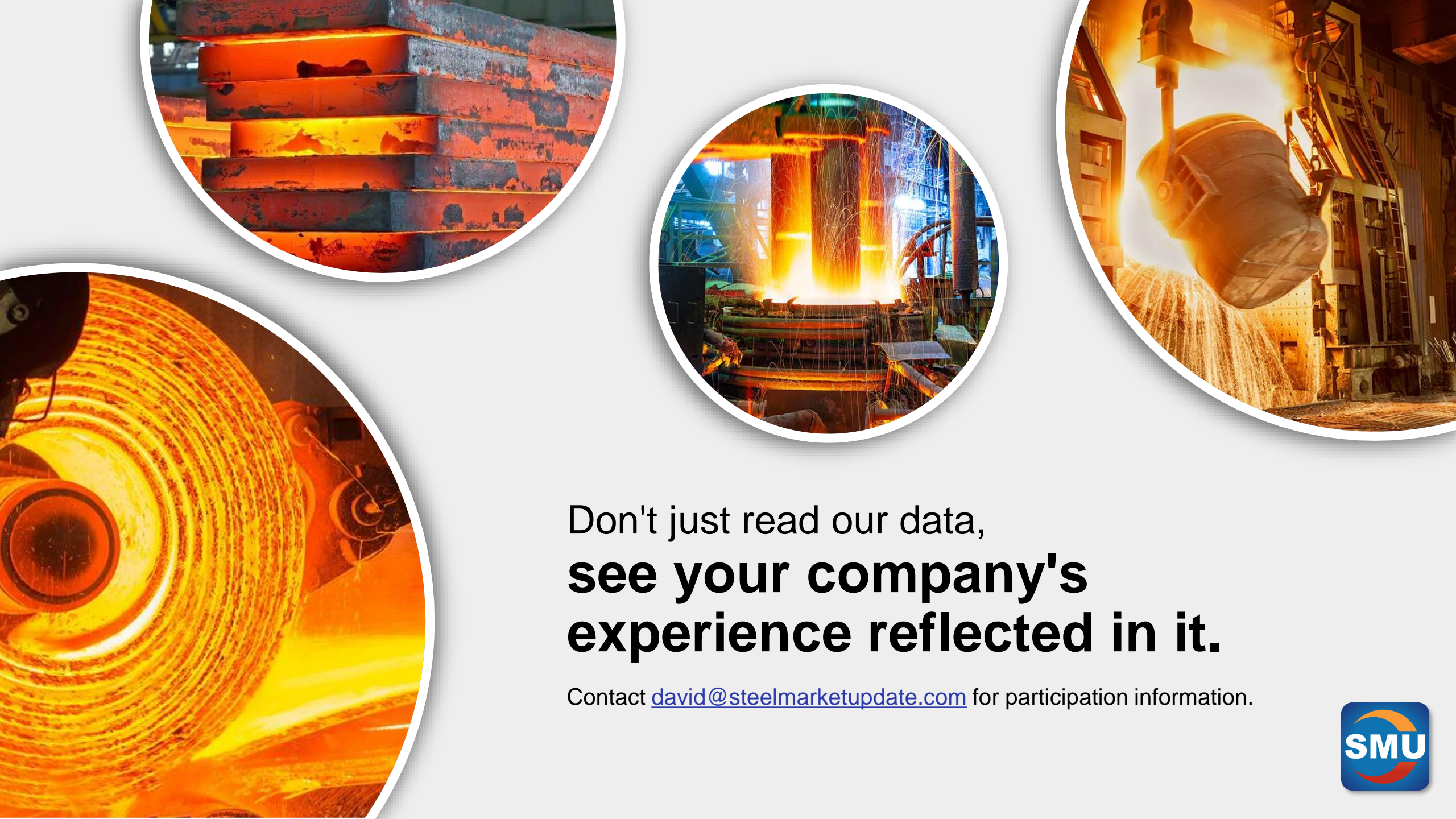


35th Tampa Steel Conference 2024
January 28-30, 2024 | Tampa, Fla.
JW Marriott Tampa Water Street



SMU Steel Summit 2024
August 26-28, 2024 | Atlanta, Ga.
Georgia International Convention Center

For more information about our workshops and conferences visit:
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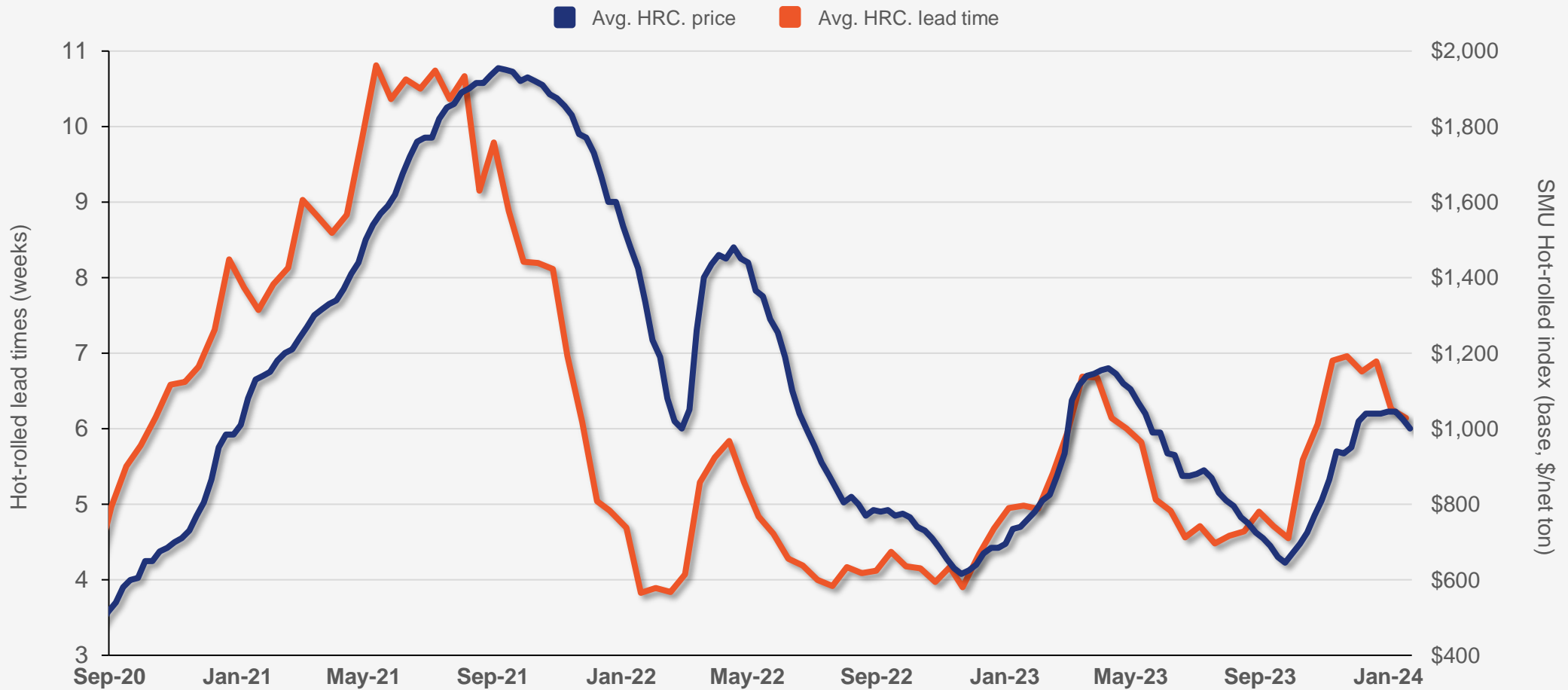
Don't just read our data,
**see your company's
experience reflected in it.**

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Hot-rolled steel prices vs. lead times

SMU's hot-rolled steel prices and lead times, with data through Jan. 23, 2024.



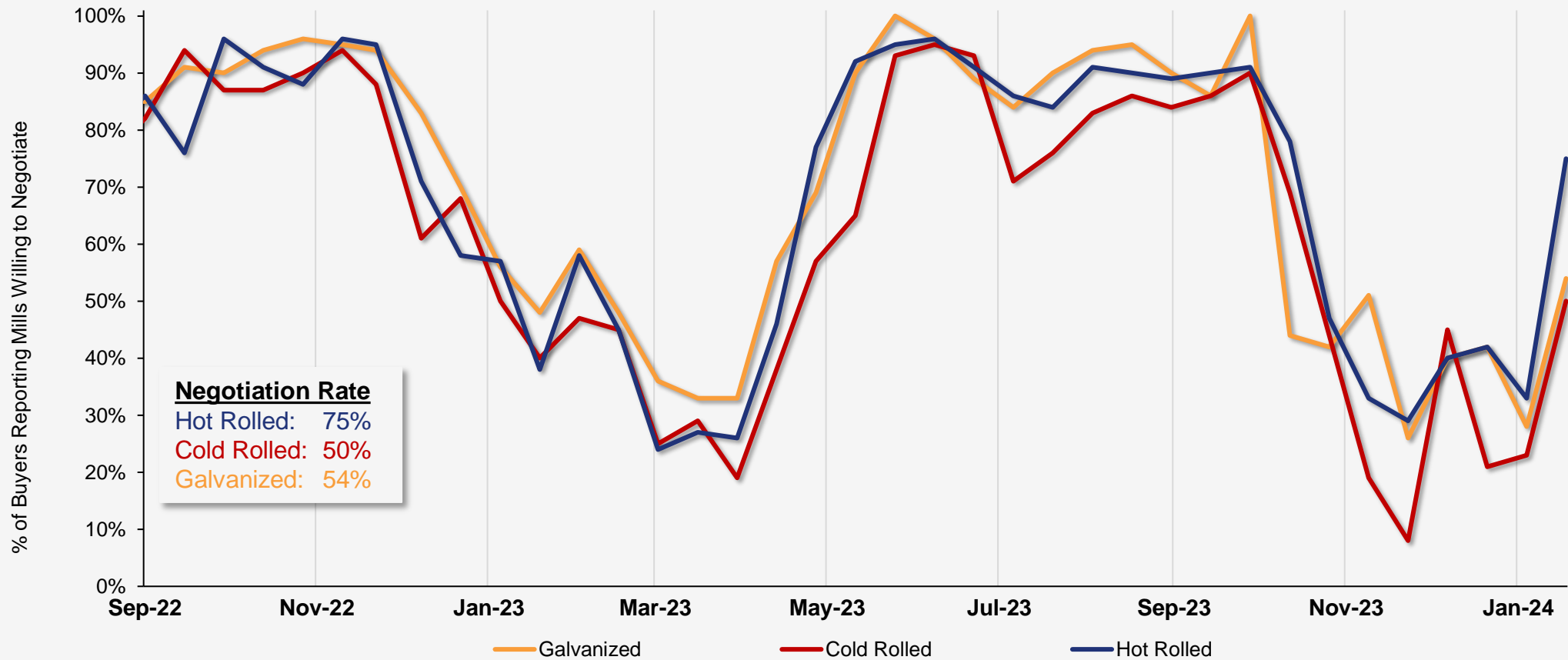
Steel mill lead times by product

SMU lead times on new steel orders by product through Jan. 17, 2024.



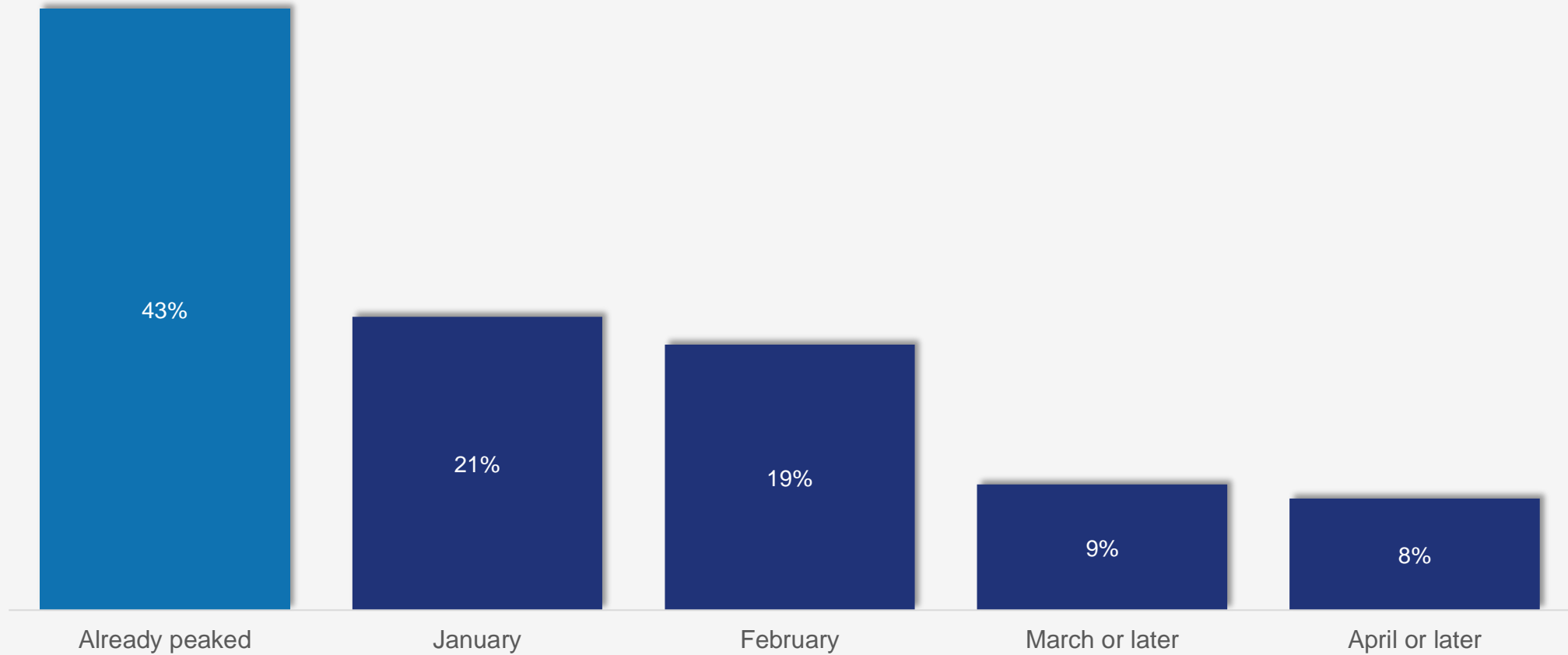
Steel mill negotiations

SMU's price negotiations on new steel orders by product through Jan. 17, 2024.



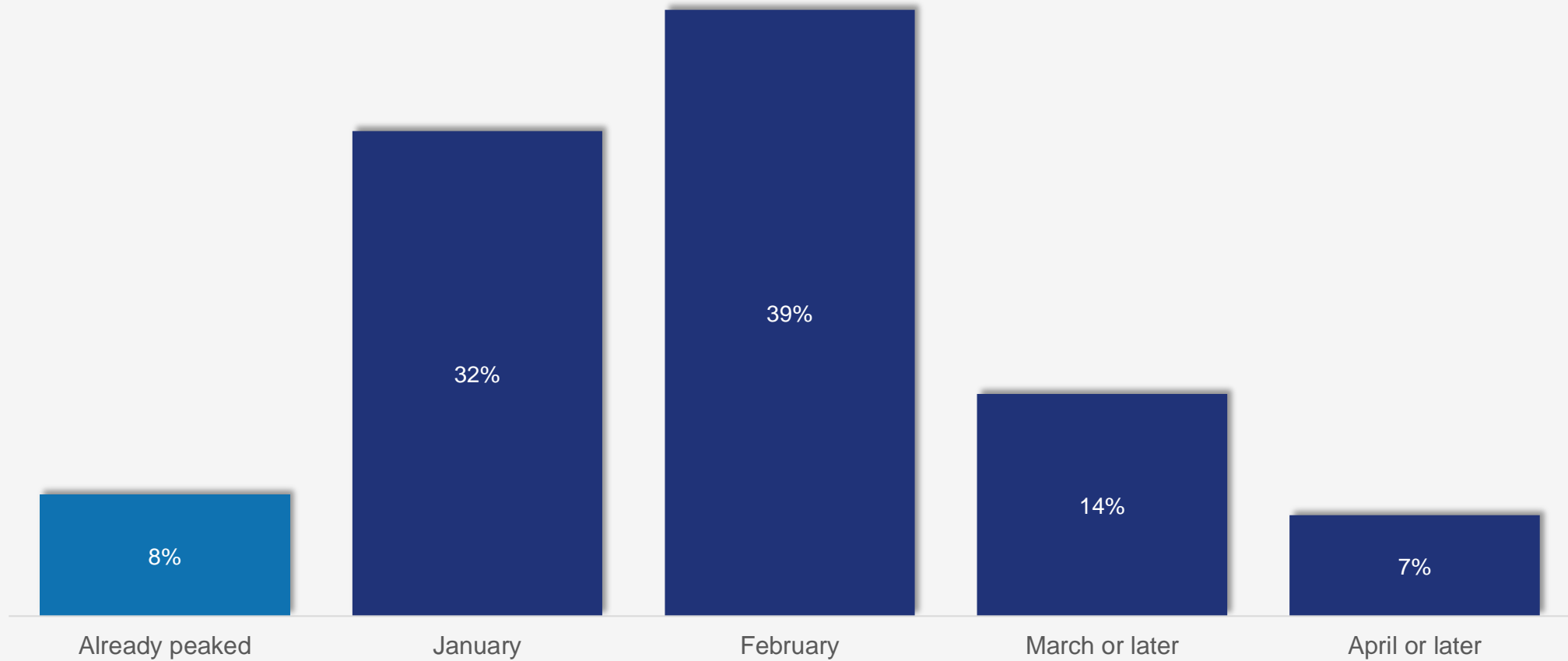
Hot rolled inflection point

When do you think steel prices will peak?



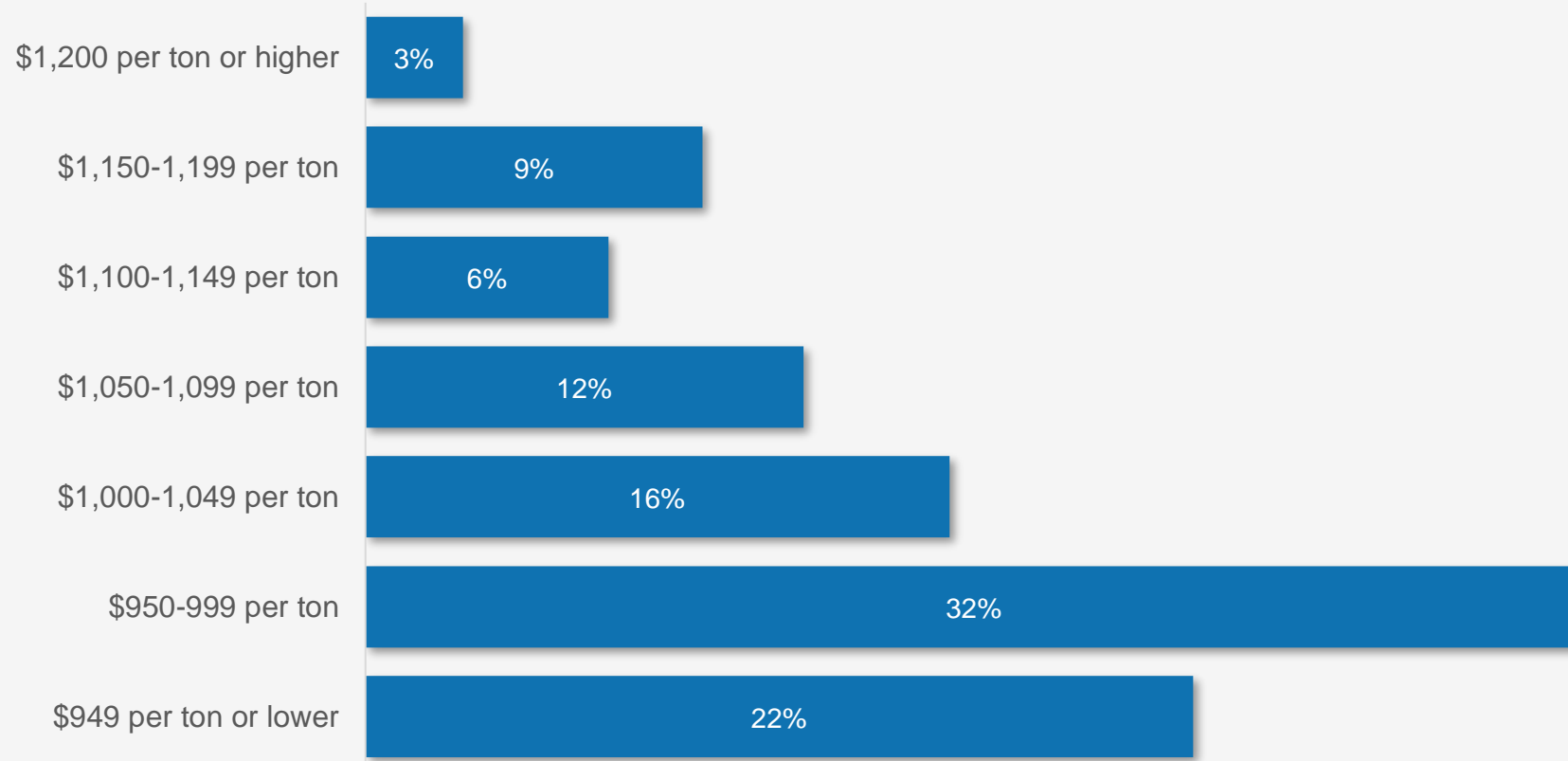
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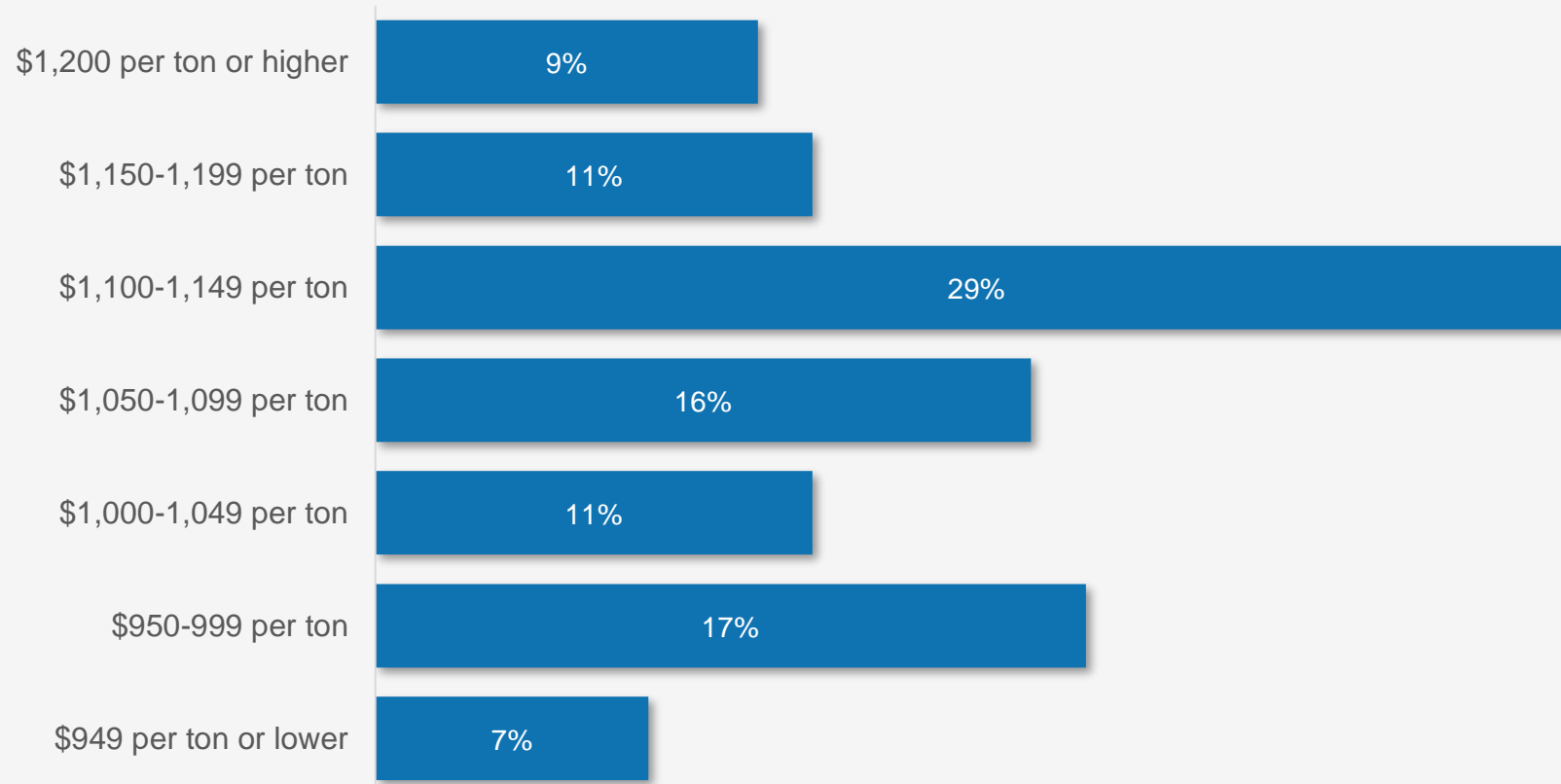
Future hot rolled prices

Where do you think HRC prices will be in two months?



Future hot rolled prices

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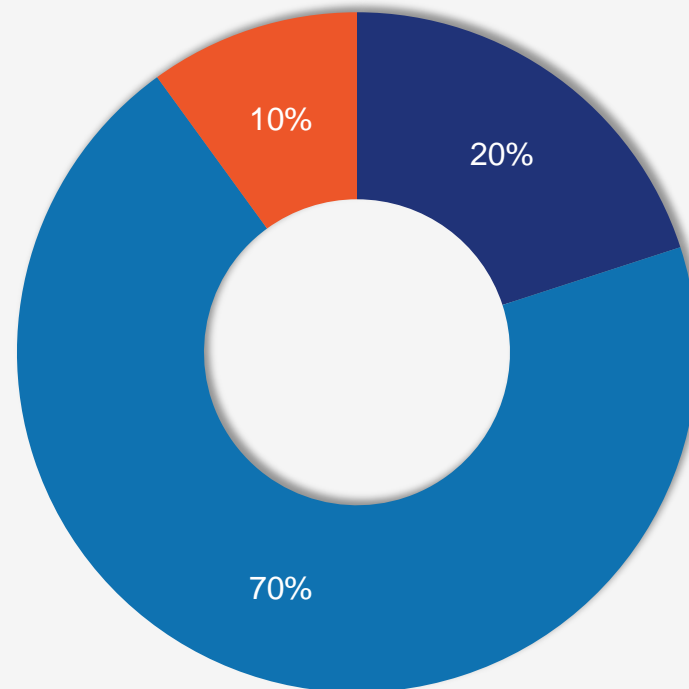
Service center view of selling prices

Service centers

Compared to two weeks ago, how is your company handling spot pricing to your customers?

■ We are raising prices ■ We are keeping prices the same ■ We are lowering prices

Jan. 17, 2024



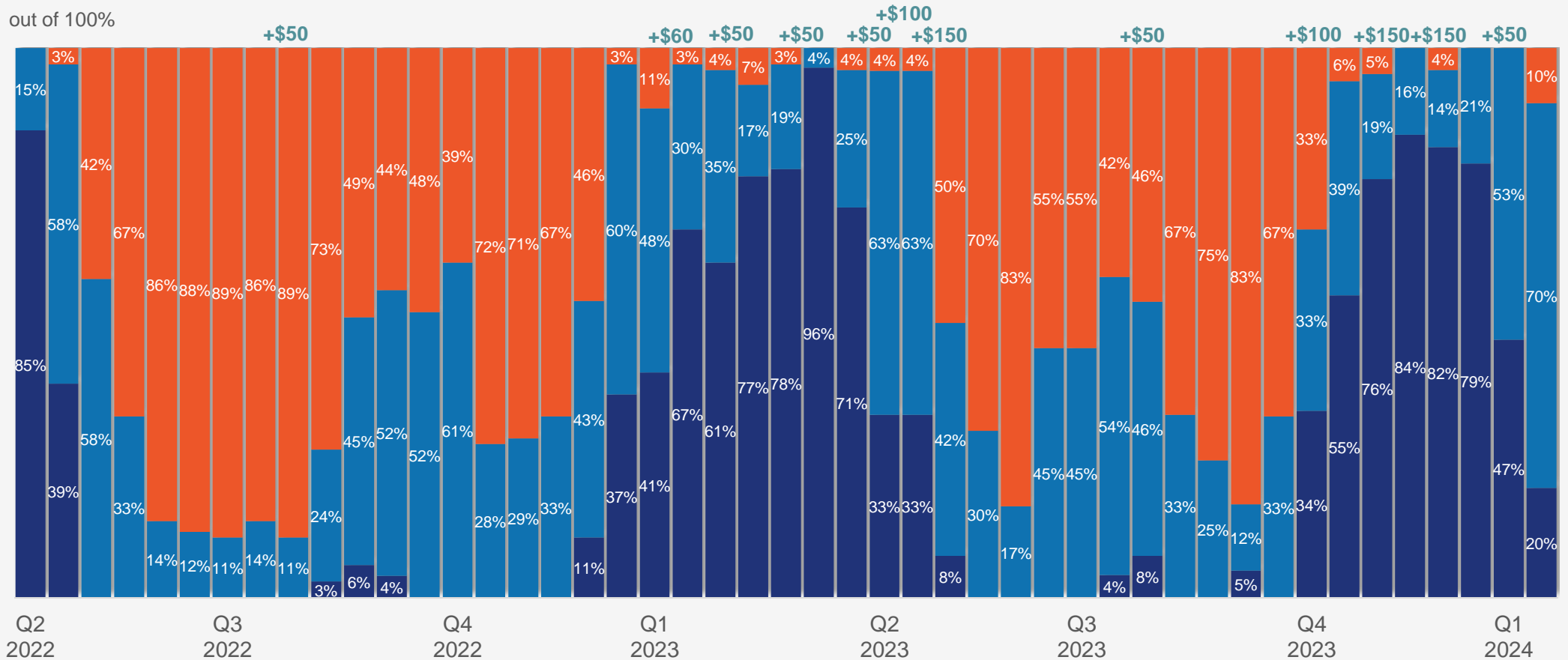
Service center view of selling prices

Service centers

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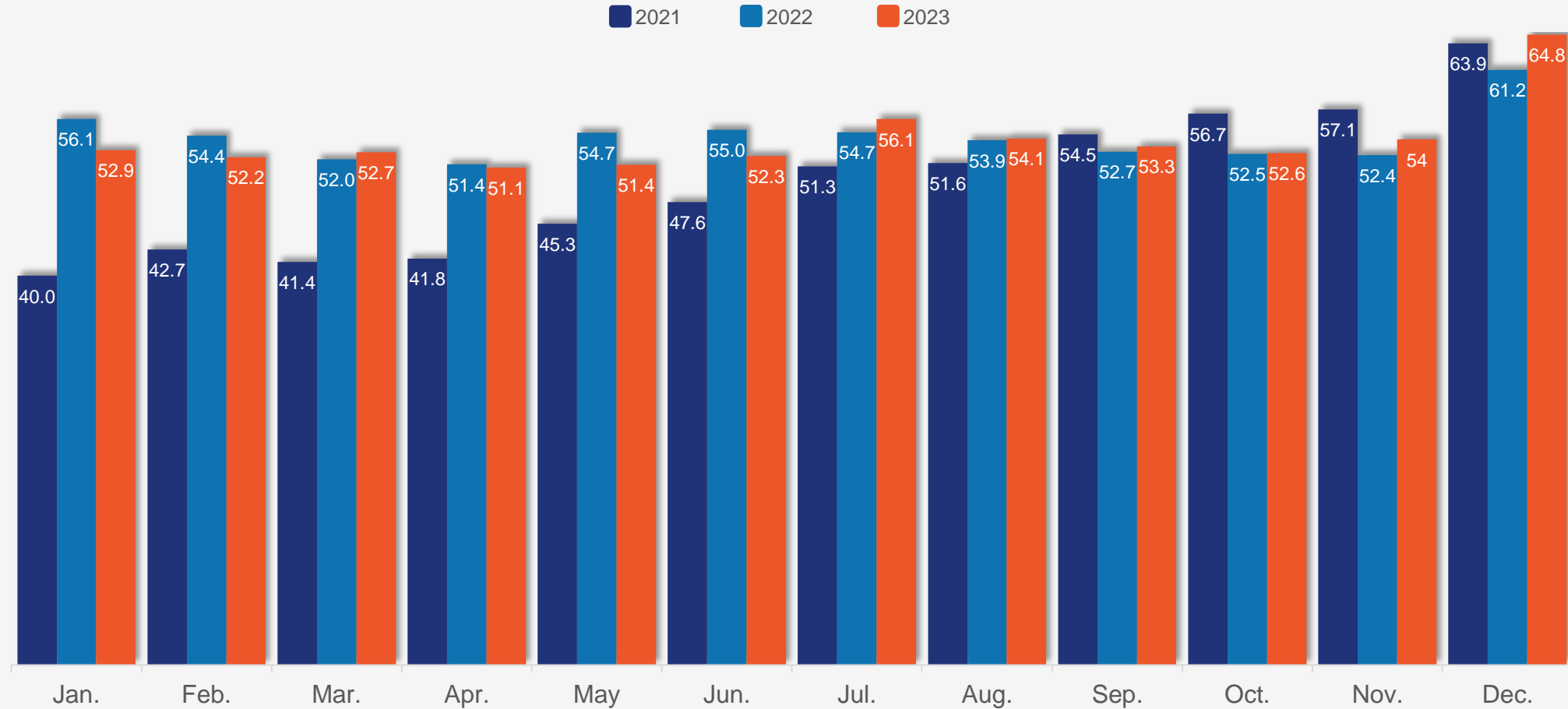
Historical leading flat rolled price increase announcements

■ We are raising prices
 ■ We are keeping prices the same
 ■ We are lowering prices



Service center inventories

SMU's flat rolled product shipping days of supply, with data through December 2023*.

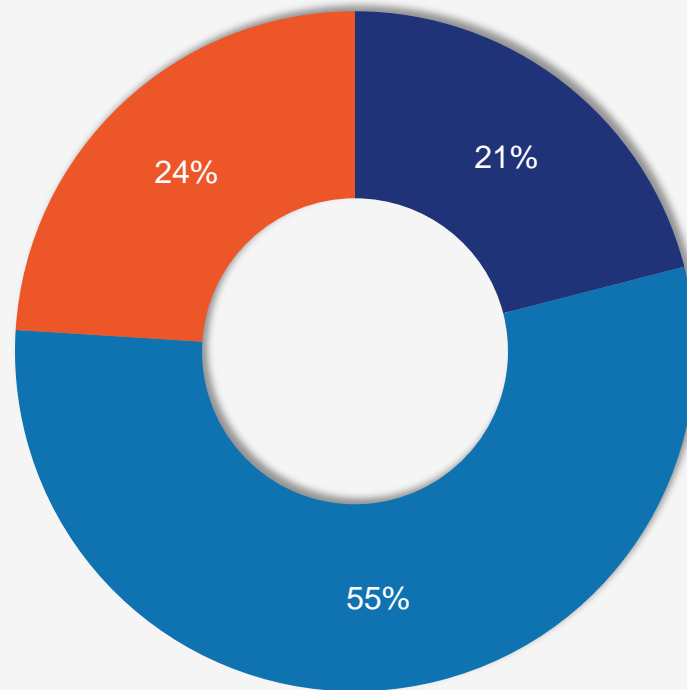


February scrap

Prime scrap prices in February will be:

■ Up ■ Sideways ■ Down

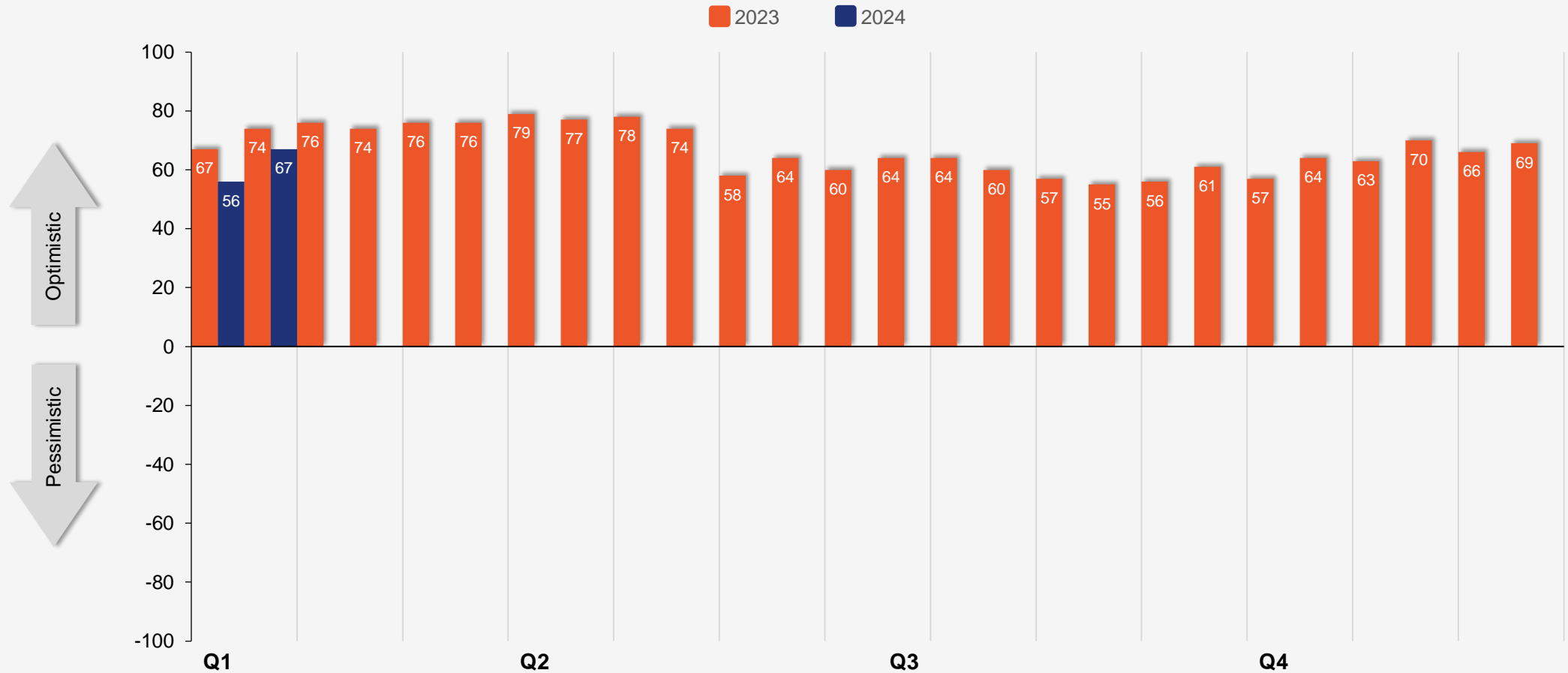
Jan. 17, 2024



Steel buyers sentiment

Up 11 points to +67

SMU's current steel buyers sentiment index, with data through Jan. 17, 2024.

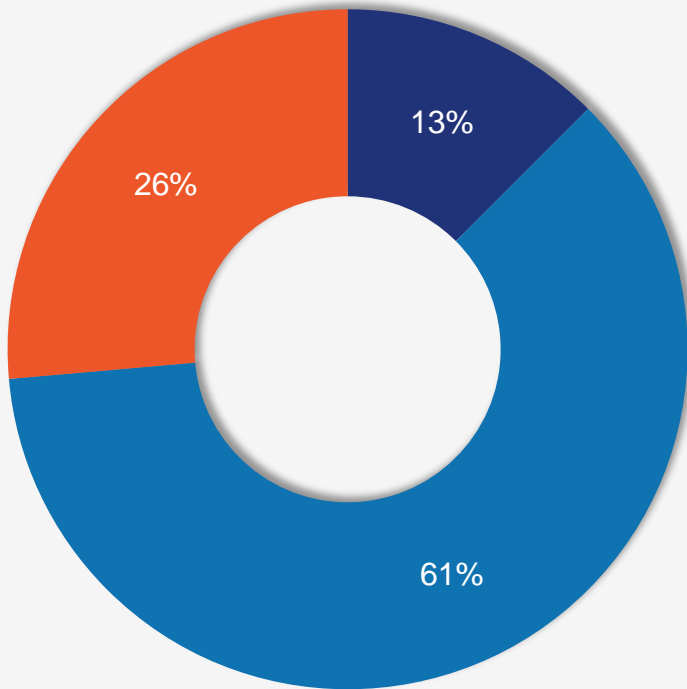


Business forecasts

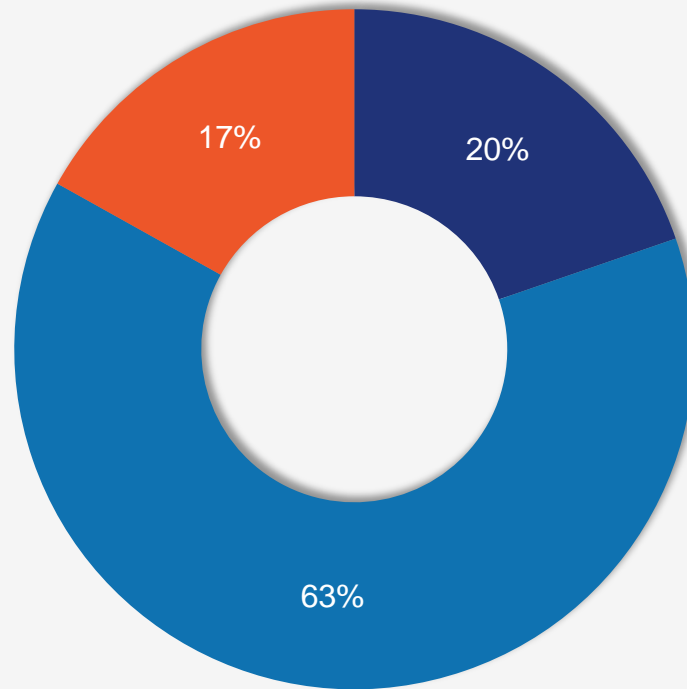
How will your company perform this month compared to your forecast?

■ We will exceed forecast
 ■ We will meet forecast
 ■ We will not meet forecast

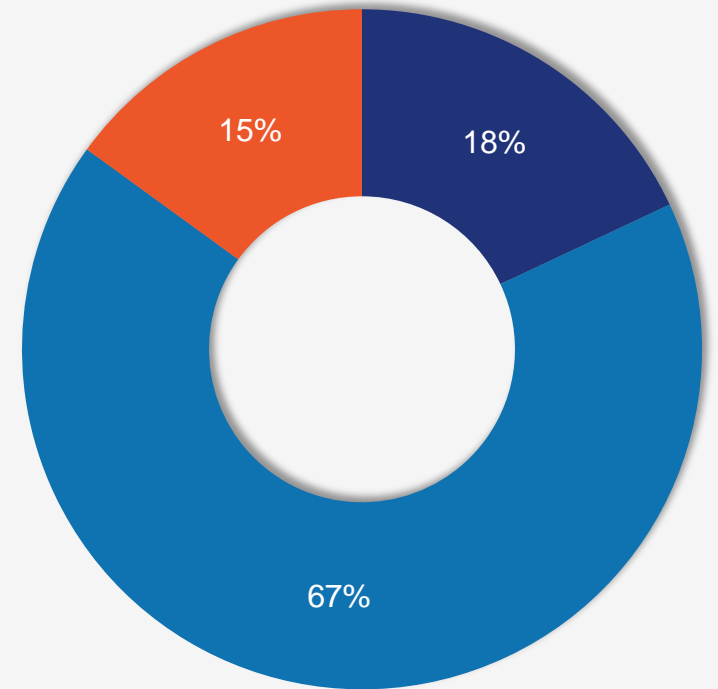
Nov. 22, 2023



Dec. 20, 2023



Jan. 17, 2024

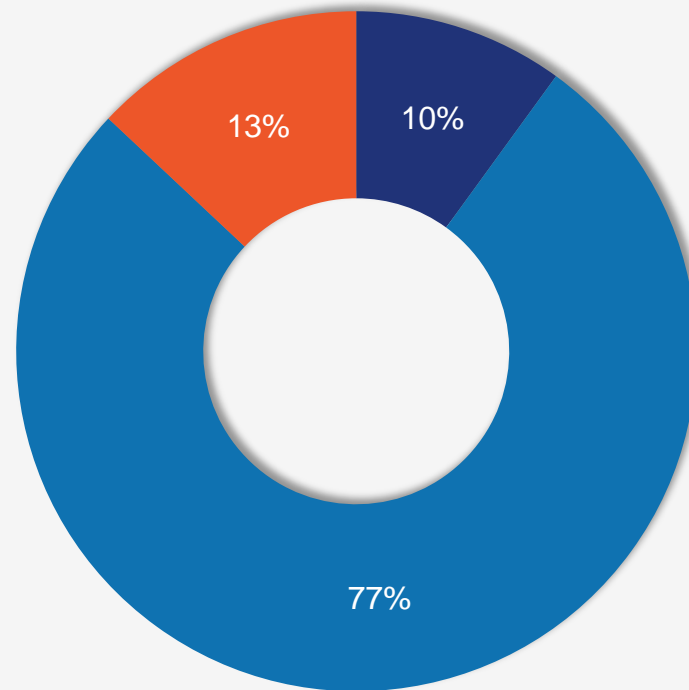


Overall demand

How is demand for your products?

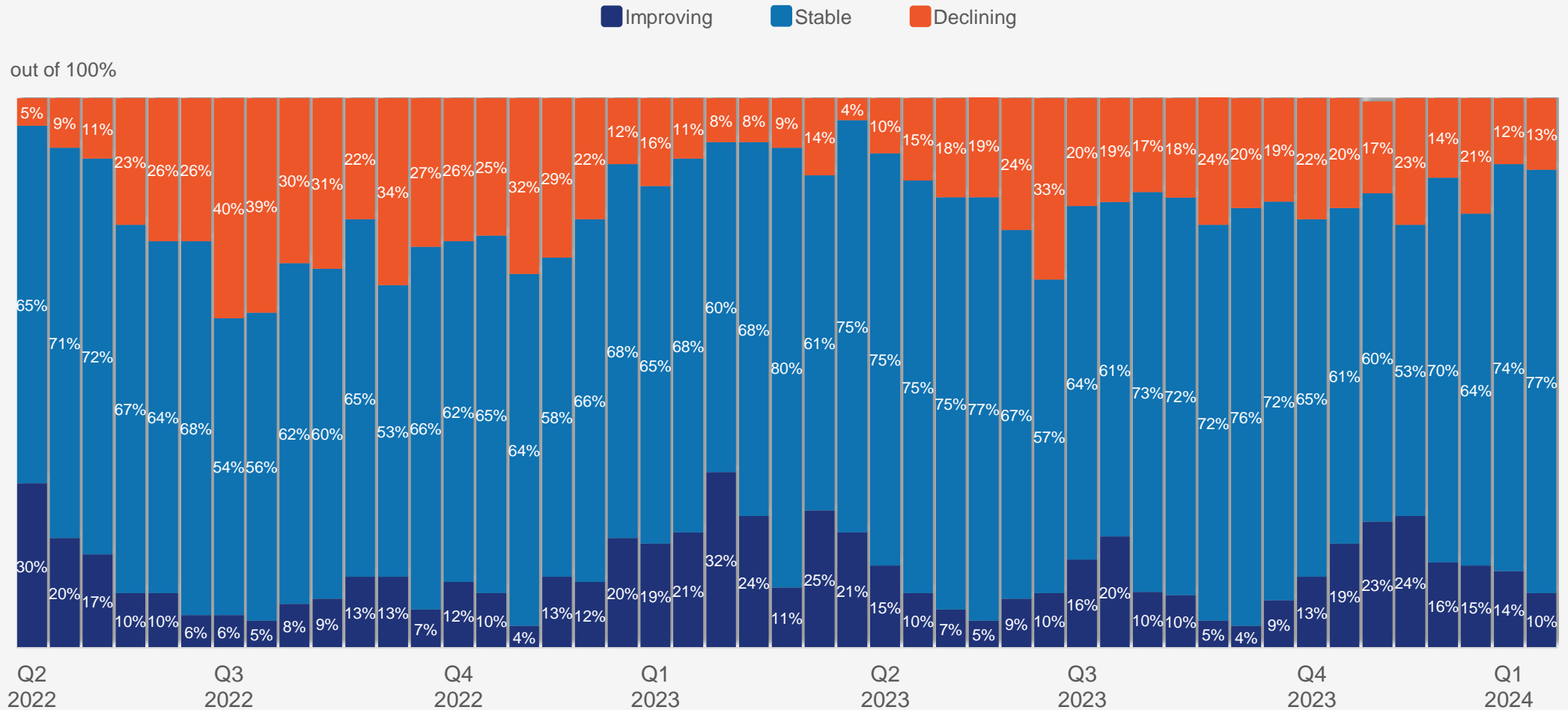
■ Improving ■ Stable ■ Declining

Jan. 17, 2024

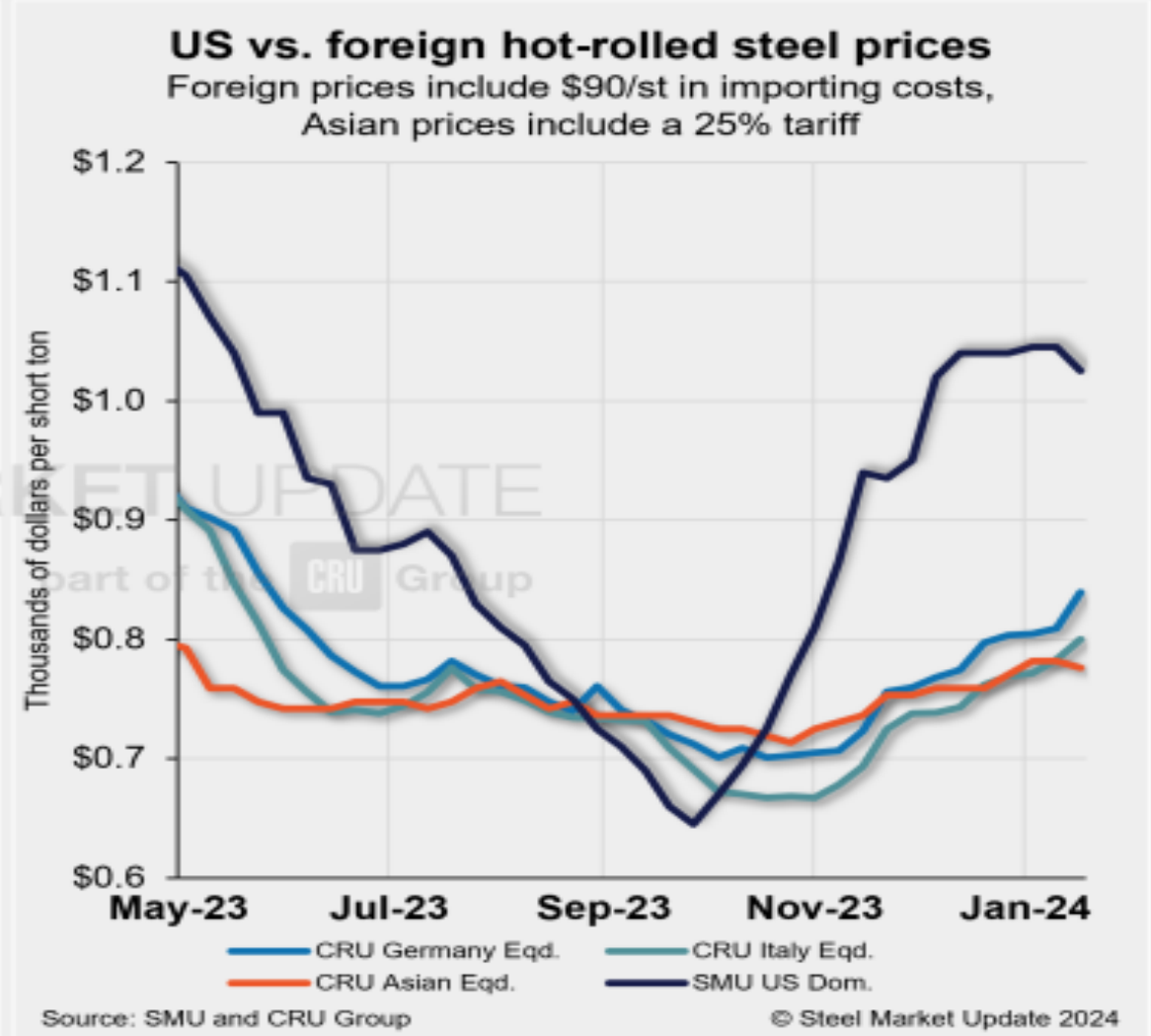
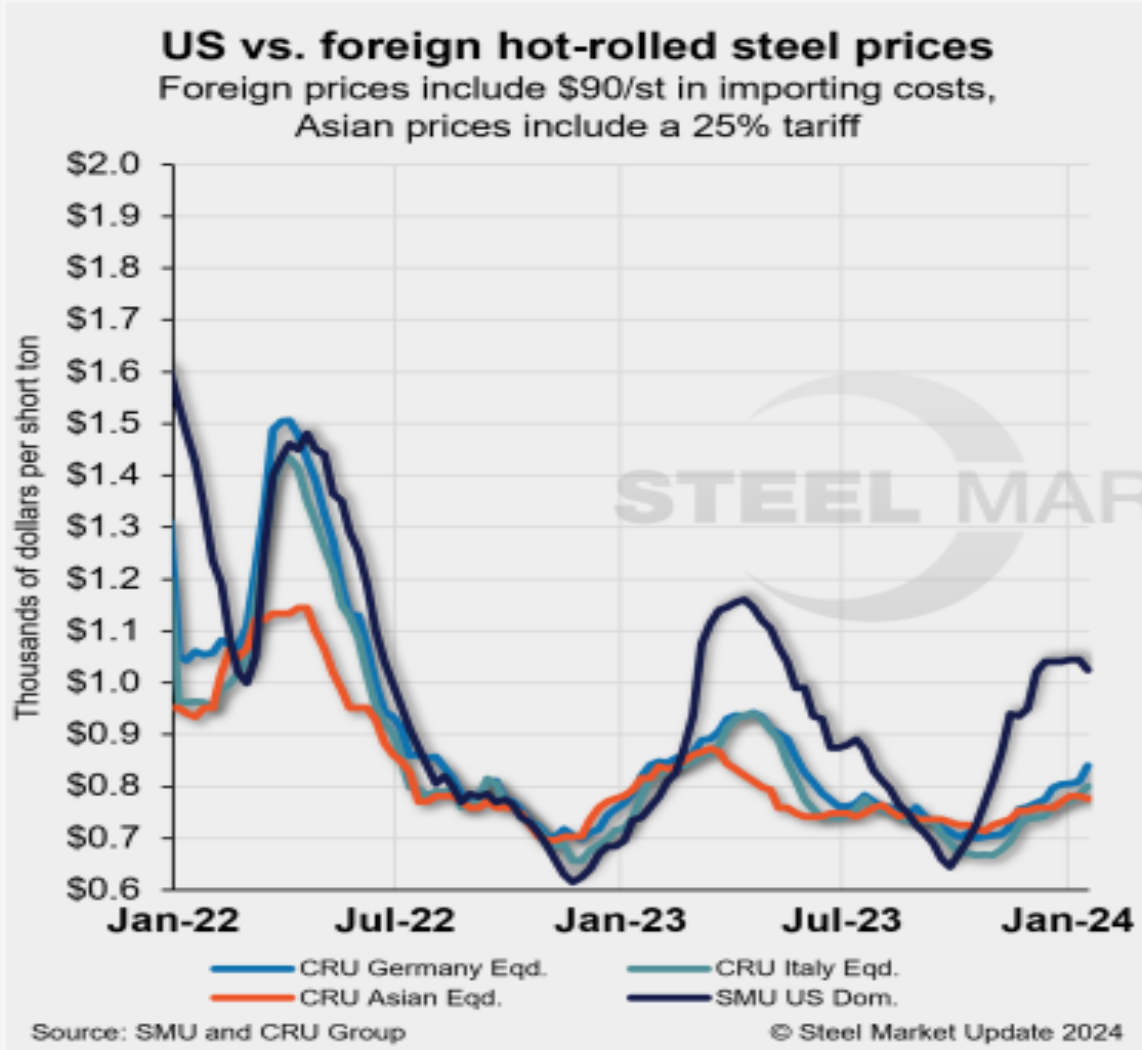


Overall demand history

How is demand for your products?



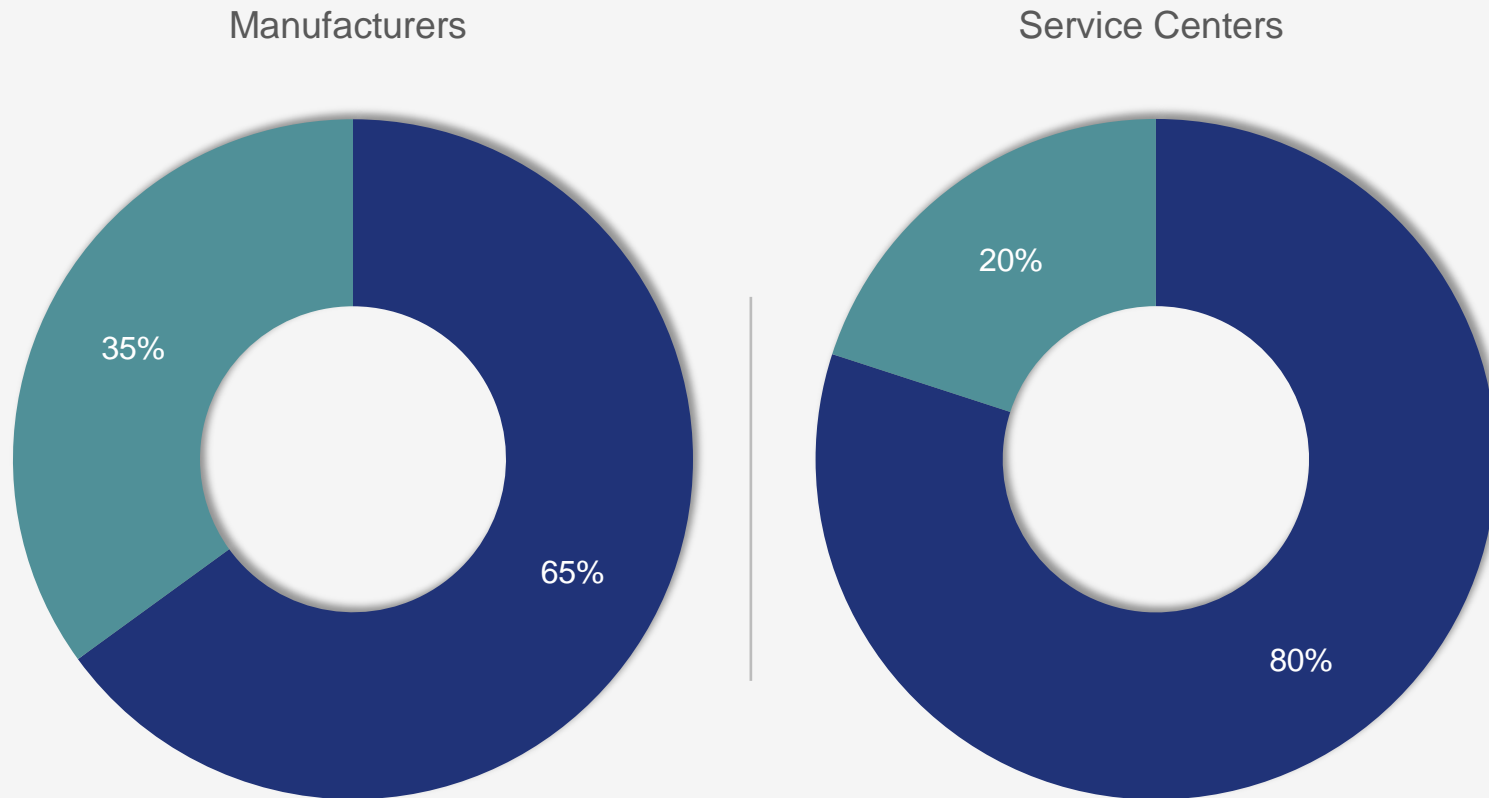
Foreign vs domestic HR prices



Foreign steel competitiveness

Are your foreign steel suppliers quoting you competitive prices for new orders for future delivery?

■ Yes ■ No

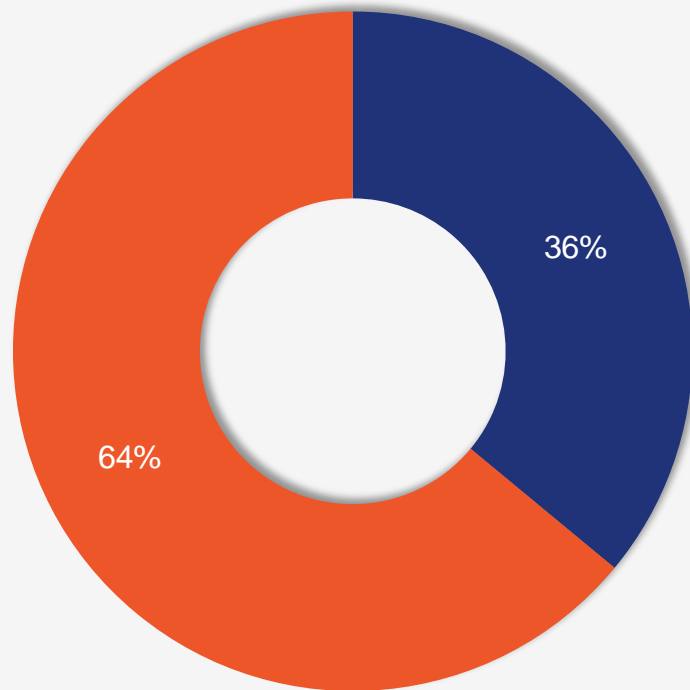


New foreign steel orders

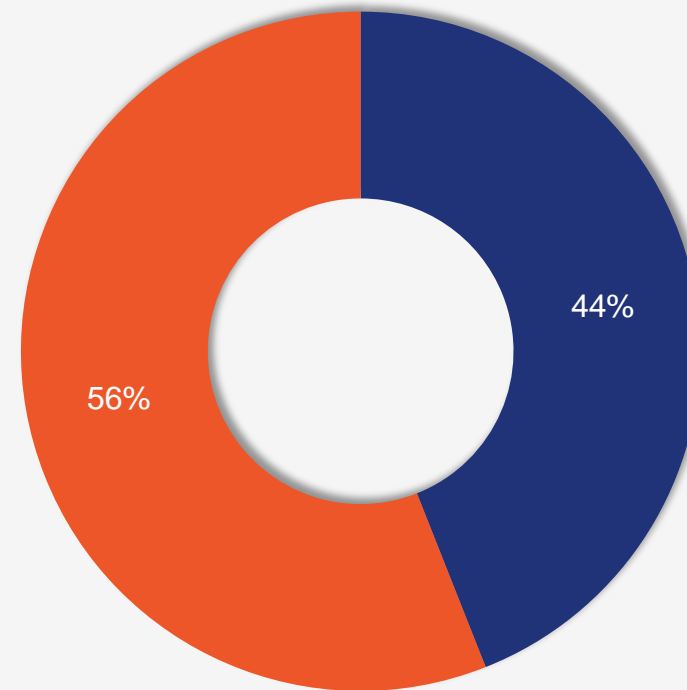
Are you buying new orders of foreign steel for future delivery?

■ Yes ■ No

Manufacturers



Service Centers





Erik Hedborg is a principal analyst at CRU with a focus on iron ore.

Hedborg previously worked as an analyst in the iron ore industry with special focus on the pellet market and China. He speaks fluent Chinese and holds a MSc from the Lulea University of Technology in Sweden and an MA from the Berlin School of Economics and Law.

Iron ore market update

SMU Community Chat

January 2024



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Iron ore market update

The spot price is high, driven by supply losses and persistent Chinese demand

Iron ore has averaged \$120 /dmt in the past two years

Iron ore fines, 62% Fe CFR China, \$/t

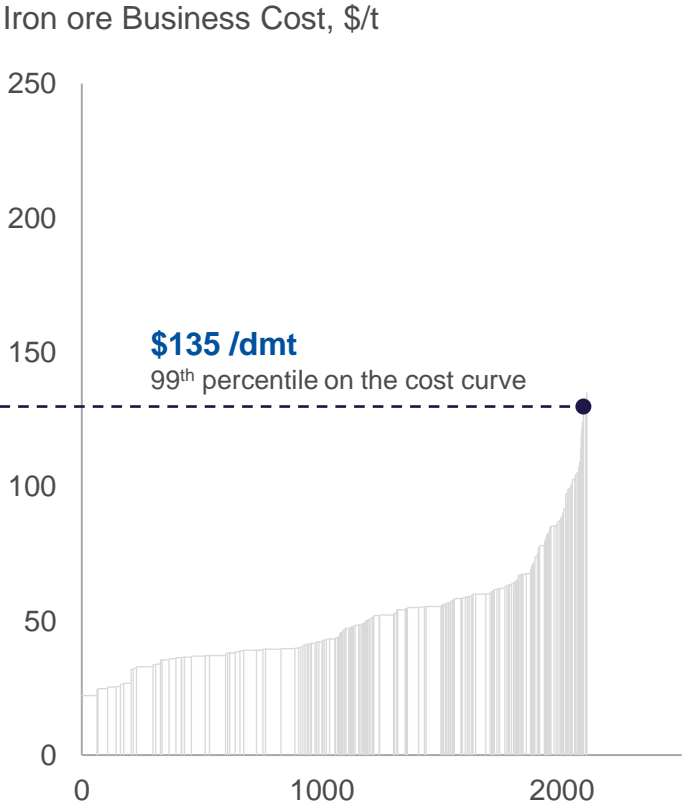
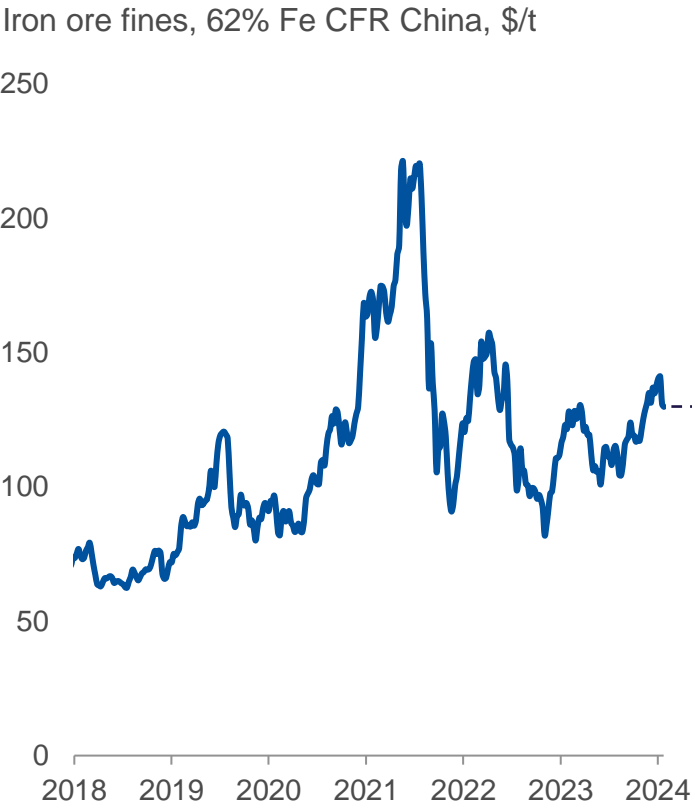


- Brazilian supply has not recovered yet
- Chinese demand remains strong
- Low inventories in the supply chain

DATA: CRU Iron Ore Market Outlook

Iron ore market update

At current prices, almost all producers in the market are profitable

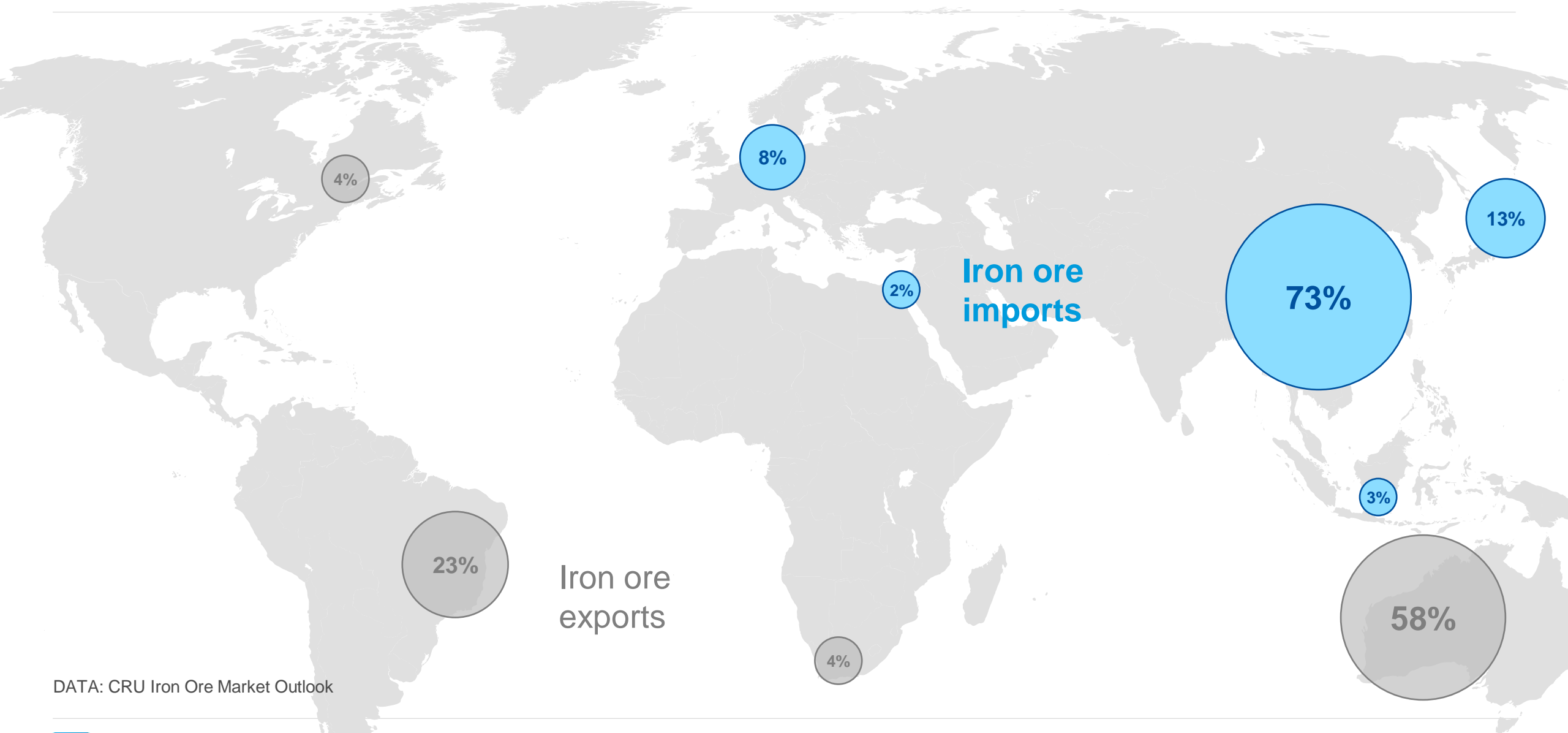


Prices are sitting at a high level on the cost curve

- 99th percentile in 2023 and early 2024
- Almost all iron ore producers enjoying high margins
- New supply has been incentivized
- Significant supply losses after Vale's 2019 dam accident

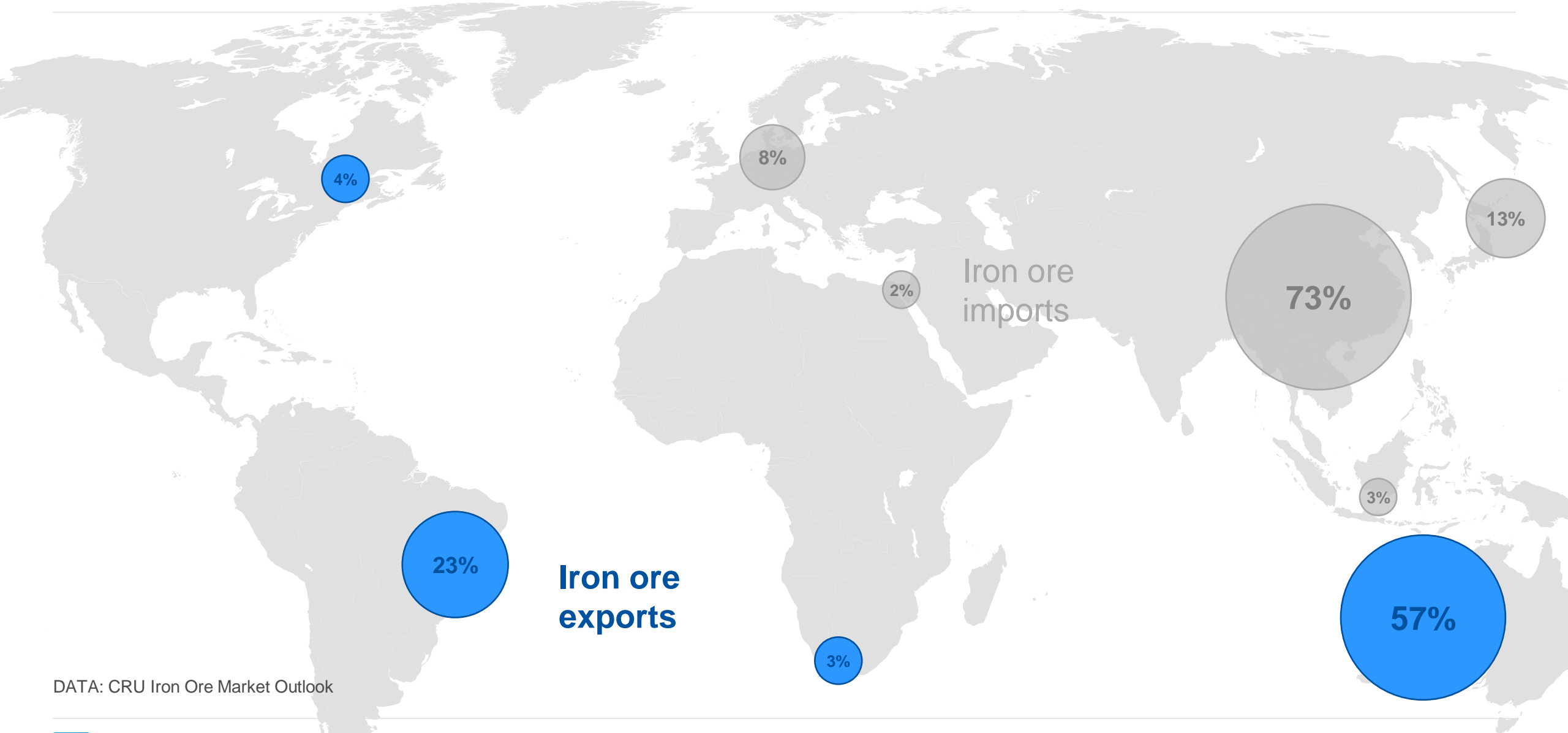
DATA: CRU Iron Ore Market Outlook

Iron ore market update



DATA: CRU Iron Ore Market Outlook

Iron ore market update

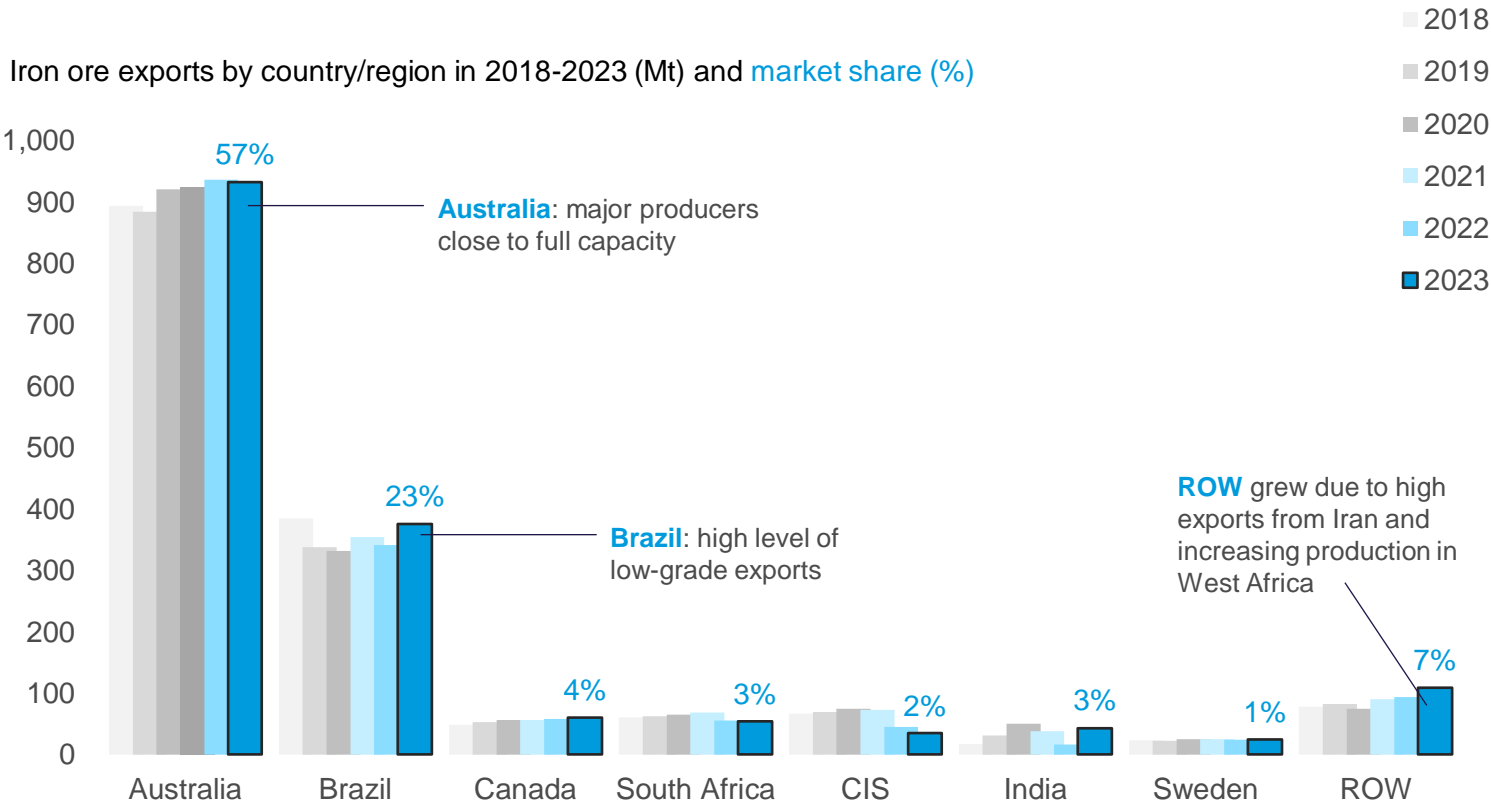


DATA: CRU Iron Ore Market Outlook

Iron ore market update

Supply disruptions have continued after the Covid-19 pandemic

Iron ore exports by country/region in 2018-2023 (Mt) and market share (%)



Supply disruptions have continued to hurt the supply side

- Large producers are struggling to lift production
- Maintenance is a key issue that will continue to affect supply
- New supply is higher costs

DATA: CRU Iron Ore Market Outlook

Iron ore market update



USA:
Less than...
0.5%
...of global
iron ore trade

USA – very little participation in the global iron ore market

3 Mt of iron ore exports in 2023

- US Steel
- Cleveland Cliffs
- Utah Iron
- Exports through St. Lawrence Seaway and Louisiana

Iron ore imports to Texas, Louisiana

- Nucor
- ArcelorMittal
- All DR pellets

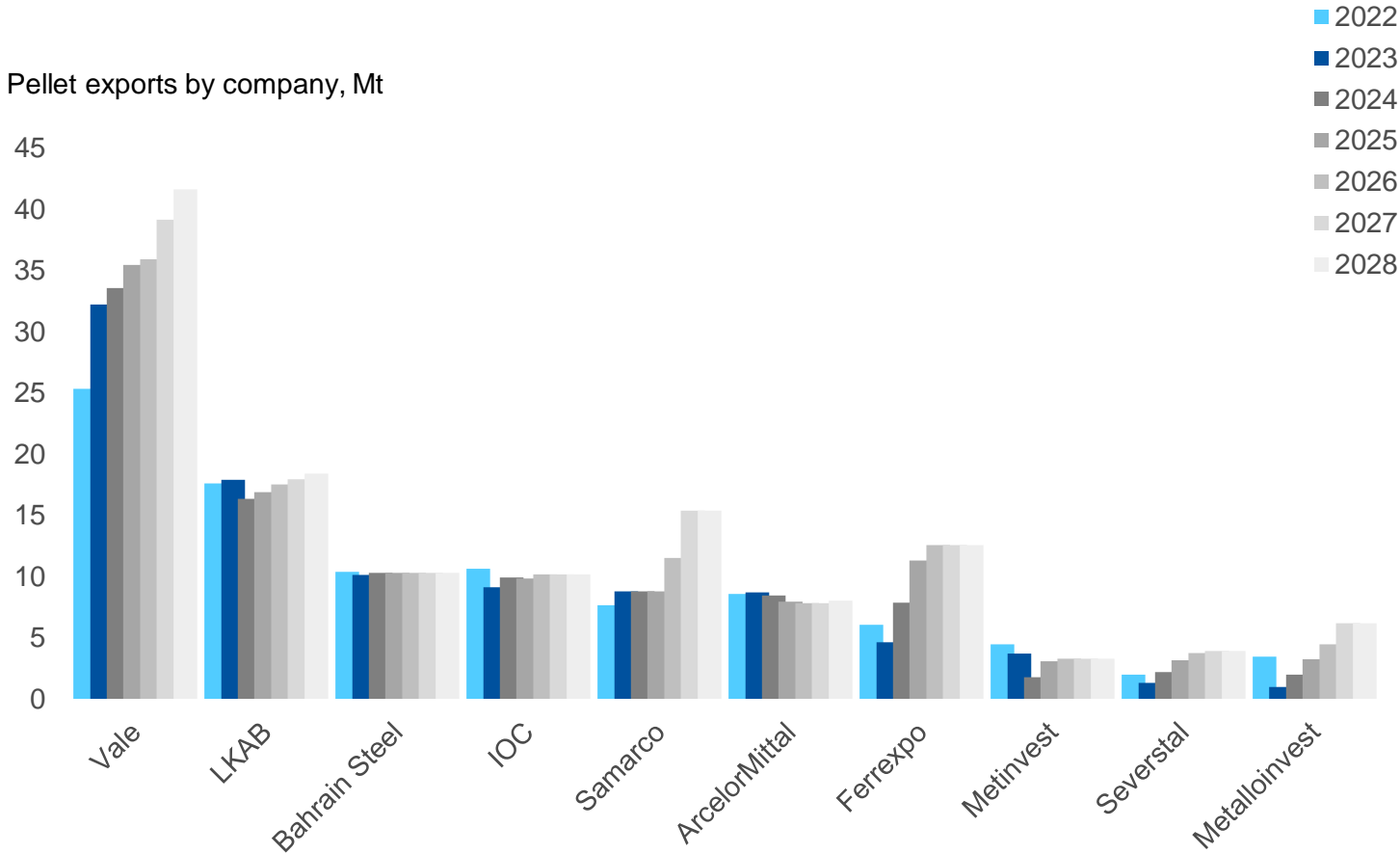
Iron ore market update

The seaborne pellet market (110 Mt) only accounts for 7% of global trade

Pellet supply to rise in coming years

Supply side issues in recent years

- Ukraine losses
- Russian sanctions
- LKAB derailment
- Vale and Samarco at lower production
- The world is counting on more pellet supply from Brazil
- New pellet plants will struggle to find enough pellet feed



DATA: CRU Iron Ore Market Outlook

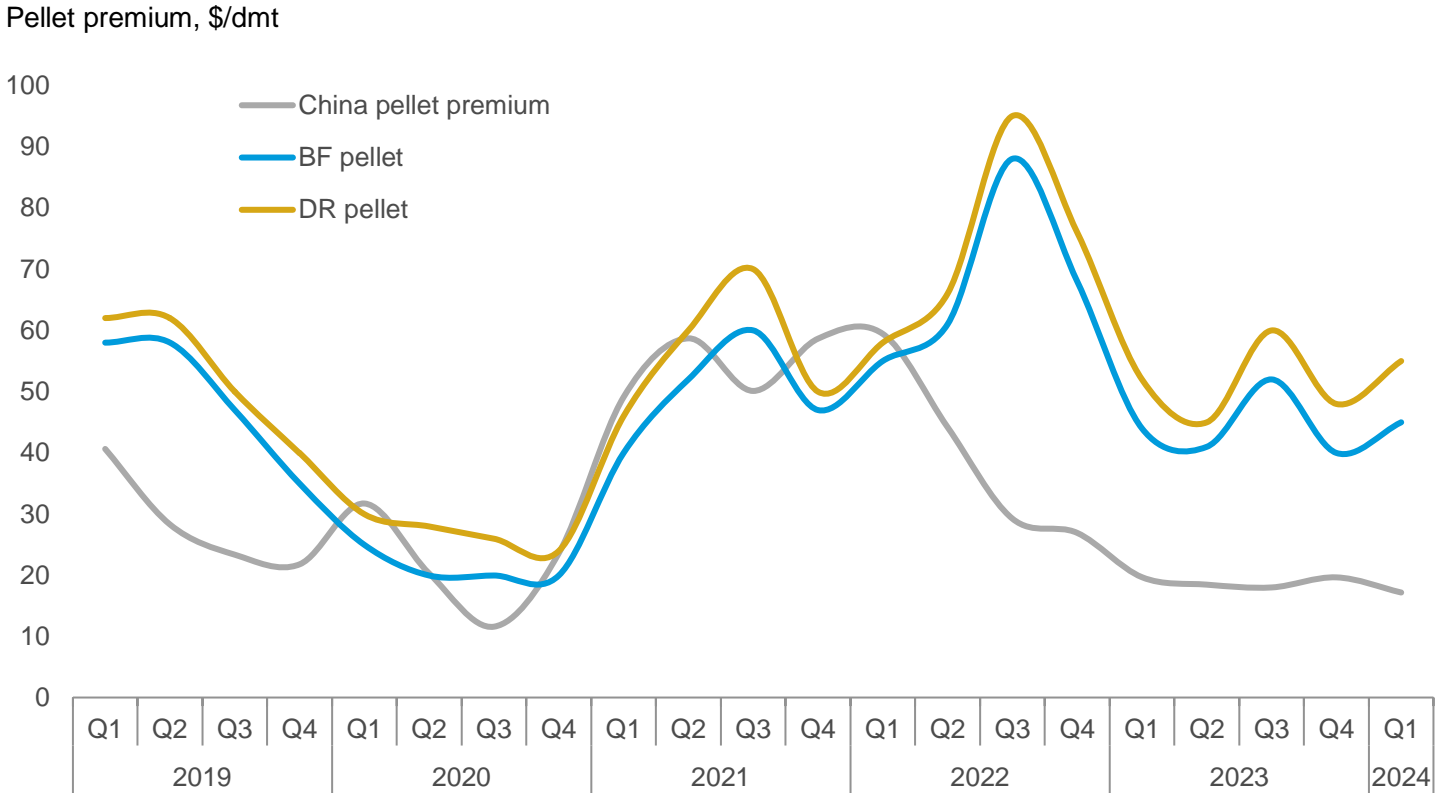
Iron ore market update

The pellet premium has lifted as European demand is on the rise

Higher pellet premia settled in Q1

The marginal cost of pelletising is ~\$30 /t, so why are pellet premia so high?

- Supply losses in recent years
- Strong demand in MENA
- Few new pellet plants being built
- Decarbonisation pressure

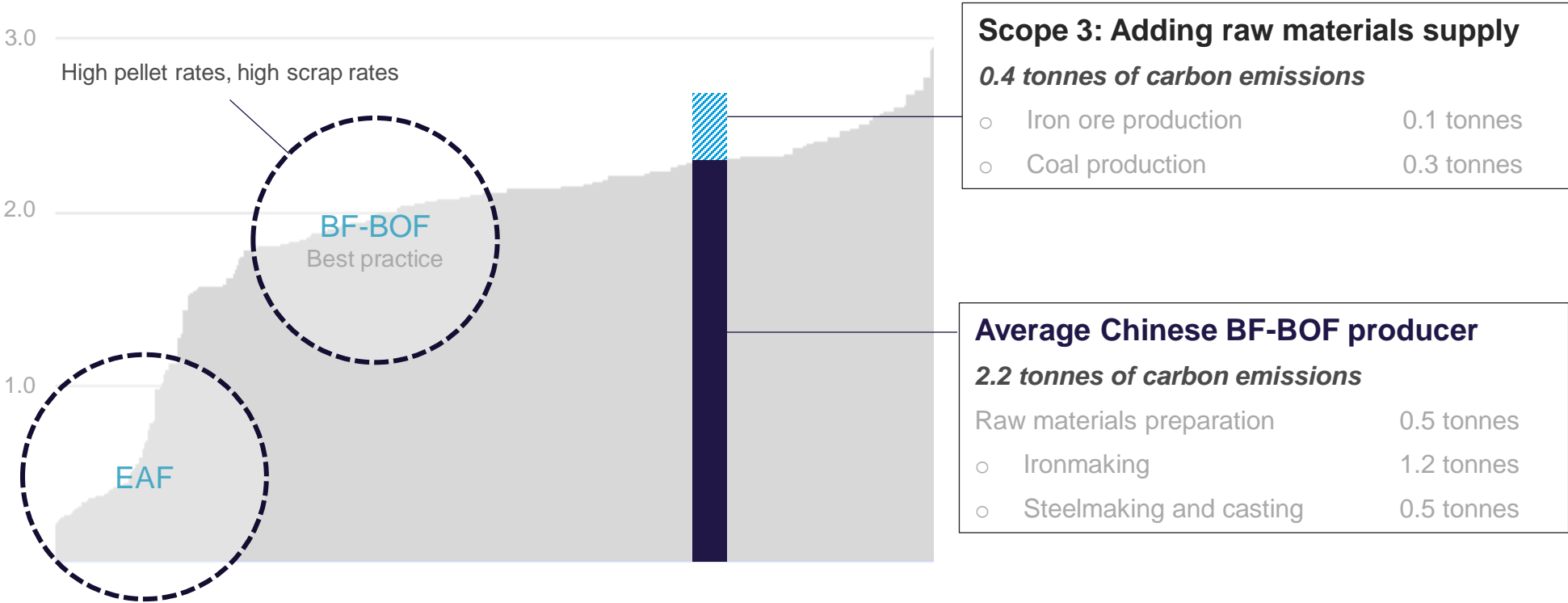


DATA: CRU Iron Ore Market Outlook

Iron ore market update

Higher pellet rates = lower carbon emissions

Emissions intensity, t CO2/t crude steel



DATA: CRU Emissions Analysis Tool



Thank You

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