



## News

### Iran Steel Market Trend in Week 06th, 2022



#### Billet

Billet price was downward early last week due to the downturn in long products market, but upward global prices and the subsequent rise in prices at IME (Iran Mercantile Exchange) stopped further price declines. Some offers with LC payment increased sales volume. Finally, it was down from USD 580/mt to USD 576/mt ex-work including VAT.

Also last week, according to Metal Bulletin, Iranian average export billet was up by USD 30/mt to USD 590/mt FOB.

#### Long Products

Weak demand reduced rebar price in the first two days of last week from USD 642/mt to USD 635/mt. With the announcement of higher billet price at IME and global markets, part of the decrease was compensated and average price of rebar finished the week at USD 636/mt.

I-beam price remained almost unchanged. Much of the price stability was due to Esfahan Steel Co payment method of LC for sales at IME. I-beam finished the week at average of USD 616/mt ex-work including VAT.

#### Flat Products

Mobarakeh Steel co HRC 2 mm thickness was down by USD 8/mt to USD 868/mt by last Wednesday. Higher supply level and weak demand, reduced HRC price.

Lack of demand made HRP market also downward as Oxin co HRP was down from USD 1028/mt to USD 1022/mt and Kavian co product was down by USD 8/mt to USD 958/mt. By end of the week higher global slab price, reduced negative sentiment of the market.

In CRC market, also higher supply level and lack of demand made average price down from USD 1138/mt to USD 1128/mt ex-work including VAT.

HDG price was almost stable during the week at USD 1163/mt due to power cut at a mill, but as HRC price has decreased, HDG market may follow this trend in near future too.

#### Weekly Analysis:

Last week, market demand was weak. The most important reason was positive sentiment of the market about Nuclear Talks and lower exchange rate after possible signing of the agreement.

Regarding currency rate, it was announced that desired rate of the government is not less than USD 1/ Rials 250,000. On the other hand, with the opening of Chinese market, global prices began to rise. Along with these issues, the Ukraine crisis pushed up oil prices. As a result, base price of billet at IME increased. Offering with LC payment term allowed IME to see the highest volume of billet sales in the past week. therefore, it signaled the market that rebar price will not decrease, and for this reason, long products market improved encouragingly and hopefully by mid-week. The sudden increase in the price of rebar at IME transferred demand from IME to spot market, so that out of 219,000 tons of rebar offered at IME, only 13,000 tons was ended in deals. Cheap purchased inventories with delayed payment terms competed with IME offers. Therefore, stable rebar price, made billet unchanged too.

For the coming weeks, there are two key issues to keep in mind:

First, due to the closure of bank credits, there is lack of liquidity in the market and transactions are made with a payment of up to 10 days' delay. As a result, re-rollers are facing with liquidity problems, and this has caused rebar supply slow. In the coming weeks we may see the same situation in billet market.

Second, upward trend in global markets seem to continue for at least the next week or two.

The Ukraine crisis, oil prices and Chinese demand reinforce this view. Gas and power cuts for some mills also influence this condition. Now we are in the last week of the month and have a mid-week Holiday, therefore, no serious change in market trends is expected. Cheap inventories stored in warehouses with a mid-week holiday will affect market trends.

In terms of price, Mobarakeh Steel co and Oxin co flat products are not far from their floor level, but demand is very weak too.

Experienced market participants see next Iranian year (began at 21<sup>st</sup>, March) in a different way with the existing budget, and even assuming a good end for Nuclear Talks, in the shortest possible time, predict heavy inflation for next year. This inflation would be due to higher costs from rising energy price and wages.

It should not be forgotten that the sharp decline in banks' lending rate has drastically reduced production volume. Usually, recession in all parts of the world leads to lower supply, Therefore, the argument of price jumps next year is not unreasonable in view of higher prices and lower supply.

Therefore, the next two weeks may see events that are far from expected.

CBI weekly average ex-rate for Steel Products (SANA): Rials 245,337/ 1USD

14 Feb 2022

**Iran Steel News Bulletin**

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Feb 14, 2022 12:01

Number of visit : 596

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