

China major steel products price change				
	Product	2009-5-31 (RMB/t)	2009-4-30 (RMB/t)	M-o- m%
Rebar	HRB335 12mm	3794	3635	4%
	HRB335 20mm	3612	3471	4%
	HRB400 20mm	3758	3617	4%
Wire rod	carbon 6.5mm	3540	3392	4%
	high speed 6.5mm	3579	3420	5%
HRC	3.0mm	3683	3471	6%
	4.75mm	3525	3347	5%
Medium plate	carbon 8mm	3819	3719	3%
	carbon 20mm	3438	3294	4%
	low-alloy 20mm	3585	3475	3%
Gal. steel	0.5mm galvanized	4608	4383	5%
	1.0mm galvanized	4365	4125	6%
	0.476mm color-coated	5624	5362	5%

Notes: all prices above refer to the average among all cities Mysteel calculated; the m-o-m change in percentage has been rounded up.

Source: Mysteel

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Preface

Chinese Steel Market Blessed with Improved Demand

With adjustment of the world economy and due particularly to strong stimulus measures taken by its government, China has witnessed a strong momentum of demand recovery, which not only pushes up the domestic commodity market, but gives a tangible pull of the world's.

Chinese fixed asset investment (FAI) growth kept climbing this year, citing a 30.5% increase in FAI above town level during Jan-Apr, up 4.8 percentage points y-o-y and 4.4 percentage points from the average of last whole year. In the meanwhile, the credit staged a steep rise with newly added lending reaching RMB 5.17 trillion in Jan-Apr, a 3.3 trillion addition than last year's comparable figure.

Chinese demand for basic raw materials therefore substantially grew, paving way to visible price rebound of the bulk commodity prices in Apr and May, which is, for sure, also related to the fact that many countries have launched money issuing on a large scale that increases the anticipation of inflation. LME copper price has seen up 60% from the bottom, and the international oil price bounced by 70%.

In China, a sign of economic recovery has appeared, though the growth is not steady enough in view of any possible loosing policies in future. However, the government tends to stay firm in promoting the economy, and strengthened investment in basic construction could provide more opportunities for steel demand to expand.

But we have to remind better demand and higher inflation anticipation may not necessarily lead to stable steel price rise. In the case of supply, pressure is durative.

On the one hand, China has a large steel capacity, which can be materialized once the demand swells, market price rises and the manufacturers see better profits; on the other, the export pressure also lasts and intensifies as the international steel price remains lower than China's domestic despite a rebound. As a whole, we see that the world economy change has turned the steel market around, and China is leading the international steel market toward an upward path.

HRC

HRC Market May Move up Slightly in June

HRC moved up in May

In May, Chinese HRC market presented upward movements amid vibrations. Relatively strong stocking activity after the May Day holiday once stagnated, but after a short period of adjustment, and in anticipation of seasonally sound demand, the market again and notably jacked up, though transactions on a high price level

accordingly turned down.

It still faces pressure, esp. oversupply

But the market is still confronting adverse situations in a couple of aspects. For instance, with price rises, enlarged profits triggers the capacities to further release; weakening overseas demand is passing on to the Chinese economy; product mix problem will get worse and deteriorate the market fundamentals when the capacity further releases.

Iron ore benchmark to work in favor of steel market in short term

Nevertheless, the iron ore benchmark price cut, below the market expectations, might be a drive for the market to go up in the short term.

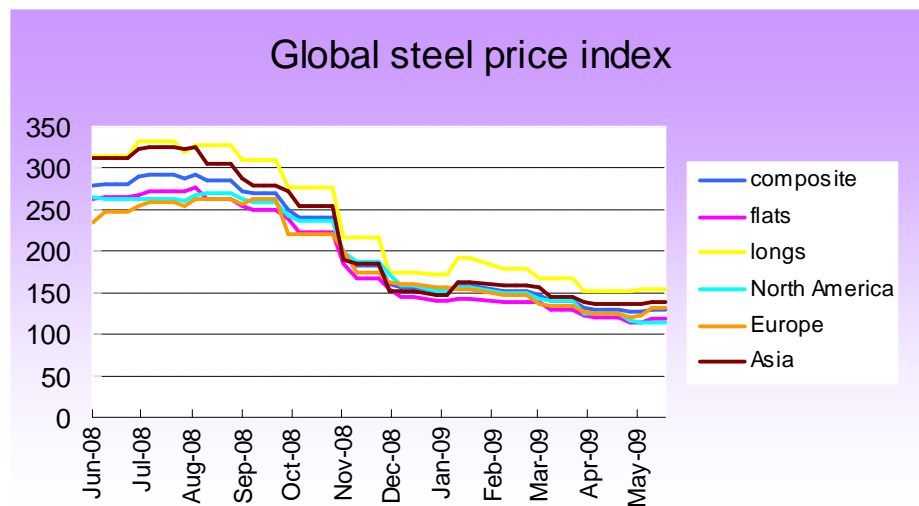
In short, Mysteel analyzes that steel output and demand will remain to weigh on the market, advising against blind optimism on the future market of HRC in China.

Global HRC market upswings in lower offers

May world flats price indices fell down slightly from Apr.

By end of May, CRU world composite steel price index was 129.9, losing 0.3% from the previous month or 51.5% y-o-y. Flats index stood at 117.9, down 1.3% m-o-m or 53% y-o-y. The regional price index for Asia, North America and Europe posted 138, 114.8 and 131.2, up 1.2%, down 7.4% and up 4.3% respectively in m-o-m comparison, and down 54.3%, 54.9% and 40.6% y-o-y .

Fig 1: World steel price index



Source: CRU

EU sheet market to further move up on improved demand.

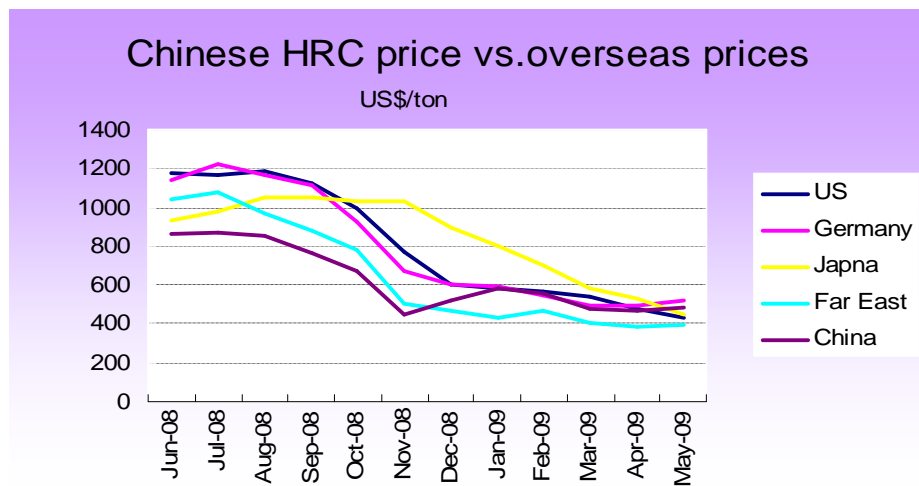
In EU, HRC ex-warehouse price has rallied to euro 340-350/ton from the bottom level of euro 310/ton in early May as the market demand gradually restored and sheet traders turned positive, but for CRC, the range of the hike was comparatively smaller with the offer posted at euro 430/ton. The auto industry is looking up on the policy of The Discard as Useless and Upgrade of Automobile, leading to an increase of demand for steel sheet. Besides, the mills' lead time for sheet has been prolonged recently,

indicating revival of the market demand. In light of this, most traders believe that there is still a room of euro 10-15/ton for steel sheet to go up in short term.

S.Korea's plate market faces pressure from imports, while the Asian sheet market is expected to grow.

In Asia, S. Korea's Donykuk Steel has cut 11% to \$656.6/ton for ship building thick plate following POSCO's similar move a week before. The root behind these moves lies in import pressure in later term, apart from decreasing demand in ship building industry. S.Korea's plate imported from China was ordered at \$450-460/ton, for shipment in Jun and Jul, quite competitive to the local market price. Steel producers in Taiwan have scaled up export offers. China Steel has lately announced a price increase for HR/CR coils for export of \$20-30/ton to \$440-450/ton fob, which is the first time for the local steel mills to push up export prices, signaling that Asian sheet market is walking out of the trough.

Fig 2: Chinese HRC price v.s. Overseas Prices



Source: CRU, Mysteel

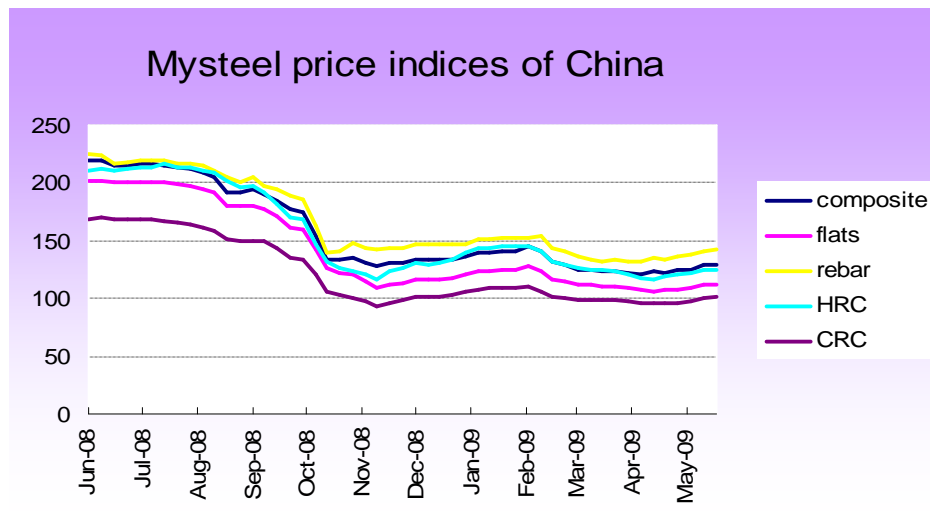
Notes: US price refers to the ex-works, Japan and Far East prices are for export, German price is for domestic transaction, and Chinese price for transaction in Shanghai

China HRC market in May

MyspiC for HRC rose a bit from Apr

In the home market, Myspic composite steel price index showed at 129.6 point at the end of May, rising 0.1% from the previous month or declining 41.1% y-o-y. Flat products and HRC were 112 point and 125.5 point respectively, up 0.1% and 0.6% m-o-m or down 44.4% and 40.6% y-o-y.

Fig 3: Mysteel price indices of China

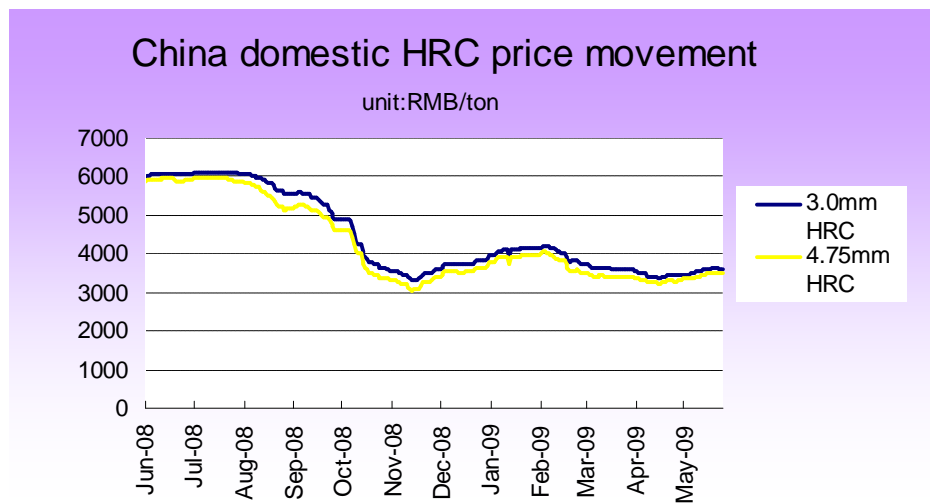


Source: Mysteel

In May, the main HR markets showed an upswing amid fluctuations.

By the end of May, 3.0mm HRC in 23 main cities were offered at RMB 3431/ton on average, and 4.75mm coil averaged RMB 3289/ton.

Fig 4: Chinese HRC price movement

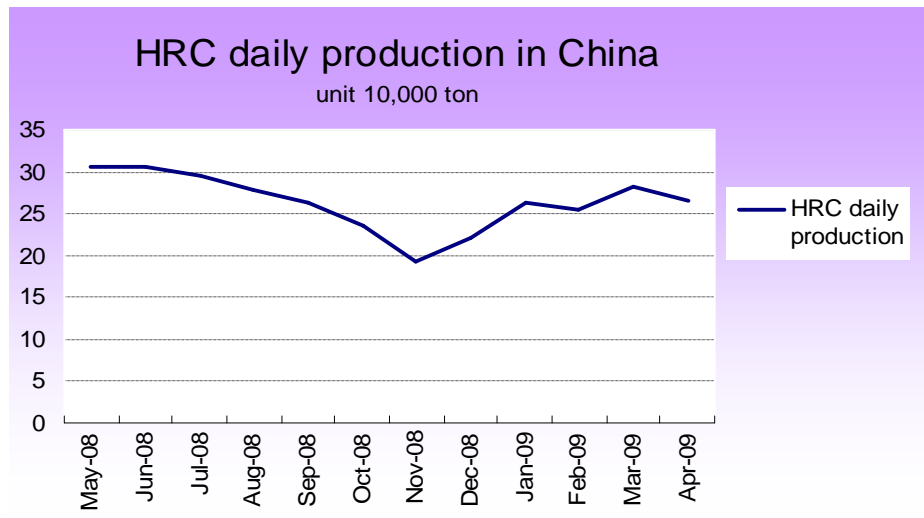


Source: Mysteel

Apr HRC output fell 10.4% m-o-m

China's production of HRC was 7.931mln tons in Apr, down 9.5% y-o-y or 10.4% m-o-m. By variety, HR sheet posted 636,400 tons, up 5.9% y-o-y but down 23.1% m-o-m; wide and medium-thick plate was 5.8347mln tons, decreasing 12.1% both y-o-y and m-o-m; wide and thin HR strip was 1.4599mln tons, down 4.5% y-o-y while hiking 5.3% m-o-m.

Fig 5: China daily HRC production

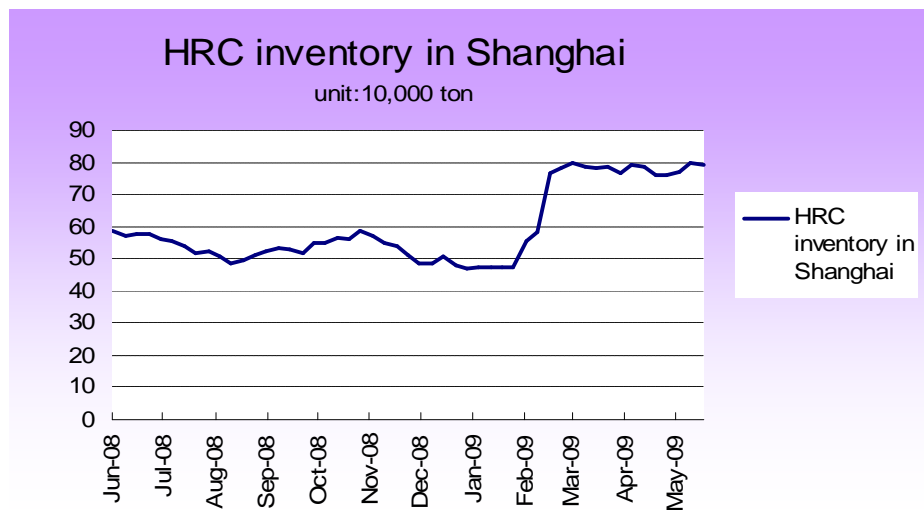


Source: Mysteel

Stocks kept running at a high level

Since the second quarter of this year, domestic HRC inventory has been waving on the high level. Although supply/demand relationship hasn't been changed essentially, part of the steel mill's restrained capacities earlier has been released with the short-lived revival of market demand. Meanwhile, wider profit margin of the earlier stage and speculations have not made many of the resources go to the end users, but kept them in circulation, leading to a high-level inventory throughout.

Fig 6: HRC inventory in Shanghai



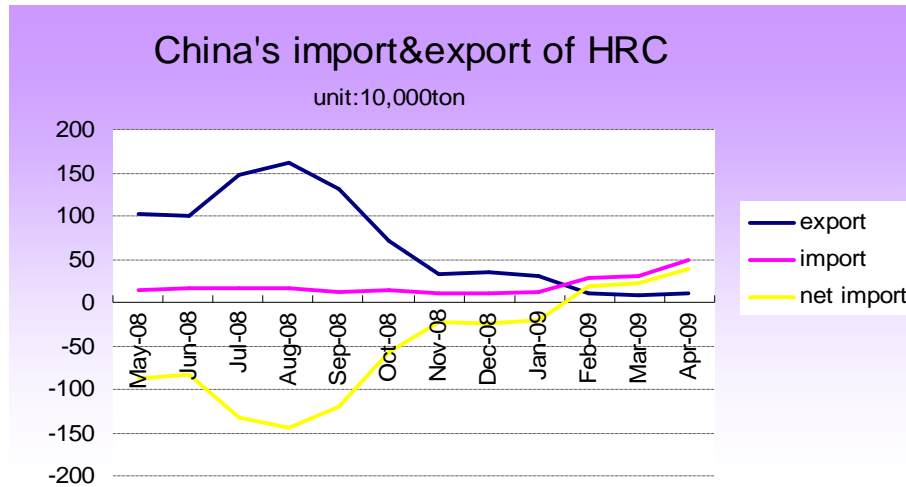
Source: Mysteel

Notes: the warehouses counted in the inventory survey increased 2 to 72 after Feb 20 2009.

In Apr, China imported 496,600 tons of HR sheet, increasing 57.3% from the same period of last year or 258% from a month ago. It exported 108,500 tons, up 20.3%

HRC imports in Apr gained 258% m-o-m while exports decreased 86.8%

Fig 7: China's import and export of HRC



Source: Mysteel

HRC price rally under strain for blocked export

Weakening overseas markets are mainly responsible for the difficulty of Chinese steel industry's recovery. On one hand, as production cost has declined due to falling raw materials' prices, domestic HRC price advantage in the international market has been substantially chopped. On the other hand, Chinese exports were beat badly by the large-scaled anti-dumping investigations from many countries across the world affected by the financial crisis.

Fig 8: HRC export price from Shanghai, China



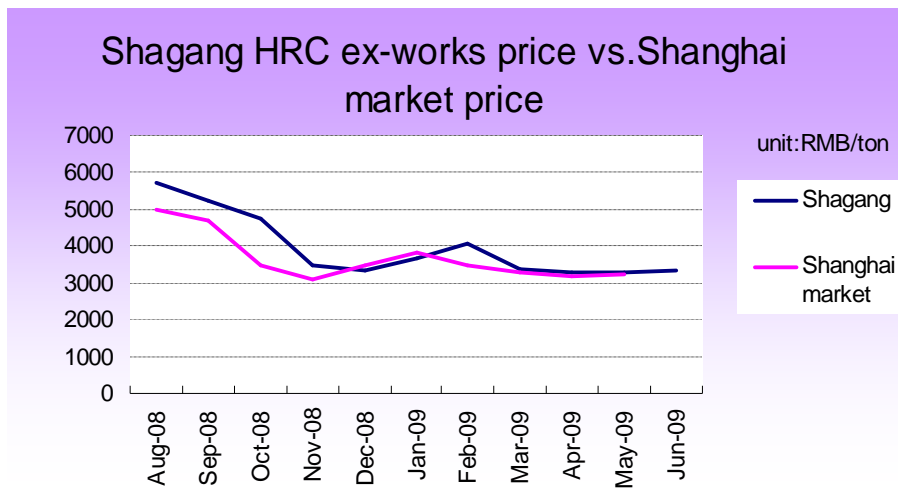
Source: Mysteel

Notes: the price is of a high level, on FOB basis, exporting from Shanghai port.

Steel mills will have bigger pricing power

As seen from the steelmakers pricing, it is a trend they will restore pricing power given recent rocketing orders resulted from enlarged profit, revival of market demand and spot price recovery. It is learned that mills' order price for Jun has been pushed to a level of 3300-3350 yuan/ton. Their pricing policies are quite flexible, and will turn stronger with further price rises.

Fig 9: Shagang ex-works offer v.s. Shanghai market price



Source: Mysteel

HRC market to move slightly up in Jun

Traders to raise selling price in Jun

HRC purchasing prices for the traders are expected to jack up in Jun, with a combination of reasons incl. rebounding demand since May, the subsequent picking-up of market confidence and stronger pricing taken by the steel makers in the recent period. There is a consensus that traders will lift market prices to earn more profit in future.

Scattered resources, relaxed lending will help increase deals

On inventory, we can observe that it has been hovering on the high track, especially in Shanghai, where it is remaining at more than 750,000 tons. But the resources are quite scattered. And with relaxing lending policy of the banks, traders will have sufficient capital to operate in the late term so as to promote transaction in the market.

Output stays limited at present

For production, HRC output in Apr posted 7,931,000 tons against Mar's 8,765,000 tons. According to Mysteel survey, the major HRC producers have kept capacity utilization around 75%, supporting the HRC price rise in short time. Looking into the soaring orders in May, most of which concentrate on HRC, CRC and galvanized coil, their capacities would get stimulus to release, and this will in turn hurt the later market

Iron ore benchmark to

As new benchmark prices of iron ore for 2009 has been agreed between Japanese mills and Rio Tinto, spot ore market will undoubtedly go up in no time, pushing up HRC

**bolster steel
production
cost**

production cost accordingly.

Based on above factors, Mysteel analysts predict that HRC price to advance from the start of the month to mid-Jun under the circumstances of gradually recovering demand and rising outlook among traders, but the room for gains is regarded to be limited. Yet in the late half of the month, the HRC market will experience adjustments with release of the capacity and ending of the hot season for HRC consumption.

Construction Steel

Construction Steel Market to Advance Slowly in June

**Ore price
settlement,
rising
ex-works
prices & profit
combined to
jack up Jun
market**

Though CISA has reiterated that it won't accept the 33-44% Rio-Nippon ore price accord, domestic raw materials prices have tended towards stabilizing, with prices for coal and coke even posting slight upswings. This coupled with the rising ex-works steel price have propped up market prices. Meanwhile, demand picked up with stockpiles reduced considerably along with the reviving construction activities. And the bettering sales and higher profit margins attracted most steelmakers to rebar production. All these together with the high steel futures prices, made Mysteel analyst to draw a conclusion that Jun construction steel market would advance slowly.

Global longs market trended up in May

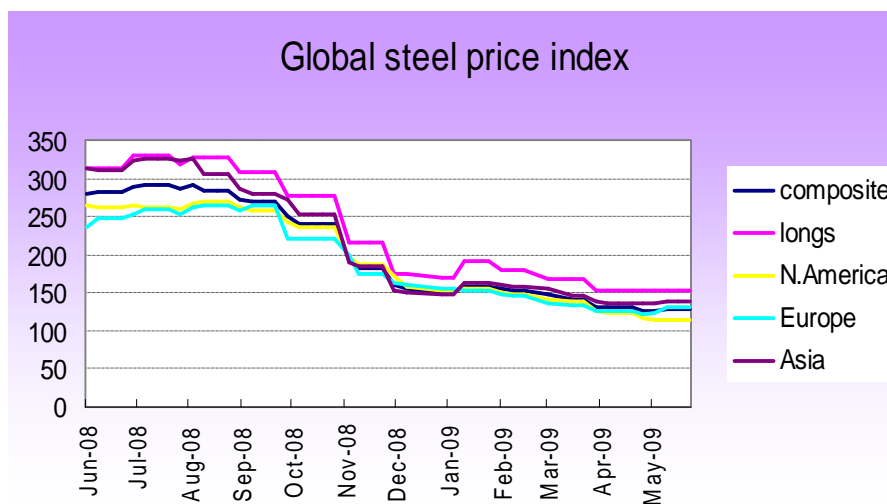
**Global market
uptrend to
ease in Jun**

The 33-44% iron ore price accord is generally in line with the 35-40% previous market forecasts, so it is expected not to affect steel market significantly, but likely to push up steel prices slightly in short term. The accord is regarded to help stabilize steel market trend. Further in view of the worldwide stimulus plans, global construction steel market would be propped up slowly in Jun.

**CRU longs
index up 1.2%
from a month
ago**

By late May, CRU composite steel price index posted at 129.9, off 0.3% from a month ago and down 51.5% from the previous year; of this, long products index stood at 154, up 1.2% m-o-m and down 49.2% y-o-y.

Fig 1: Global steel price index



Source: CRU

EU market to vibrate at current price levels in Jun

In Europe, rebar prices posted slight upswings in May due to rising scrap prices and some end-users starting to restocking, against thin demand. However, the uptrend can hardly sustain due to high stocks at traders and the upcoming summer holiday. Most mills in local keep firm of Jun delivery prices, and local market is likely to vibrate at current price levels in Jun.

US mills lifted up Jun prices for longs

In U.S., steel producers successively lifted up long products prices for Jun owing to rising scrap prices. However, they have not fully passed on the scrap price rises to longs prices in light of the sluggish demand, indicating their cautious attitude towards future market.

Asian market likely to fall back after May rally

In Asia, imported prices for billet in Southeast Asia surged to \$420-430 (CFR) in May, and local traders raised up prices on bright view about future market despite the low demand level. However, with the forthcoming rainy season and the slowing down scrap price rises, the wave of uptrend would cease and likely to turn around.

Chinese construction steel market in May also advanced

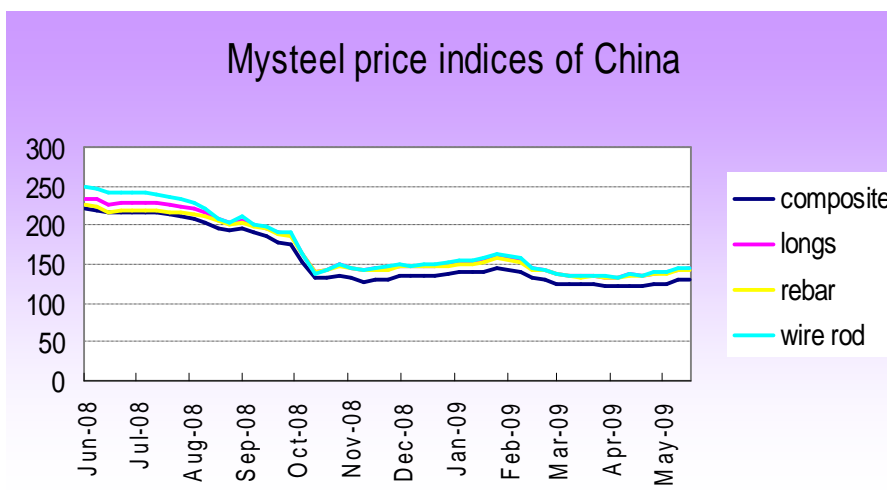
China construction steel market looked up in May

Long products market was tending towards stabilizing in May with prices rising up more or less effected by the traditional hot season, down-stream demand pickup and traders' optimism. Meanwhile, the 33-44% Rio-Nippon iron ore price cut deal will also strongly prop up market prices since it is 10-15% higher than current spot price.

Both rebar & wire rod price indices advanced in May

By late May, MyspiC (Mysteel price indices of China) composite steel price index stood at 129.5, up 5.6% from a month ago and fell 40.4% from the previous year. Long products price index posted at 144.0, up 6.5% m-o-m; of this, rebar price index went to 142.6, up 6.3%, and wire rod price index posted at 145.4, up 6.9%.

Fig 2: Mysteel price indices of China



Source: Mysteel

Prices moved up swiftly in May

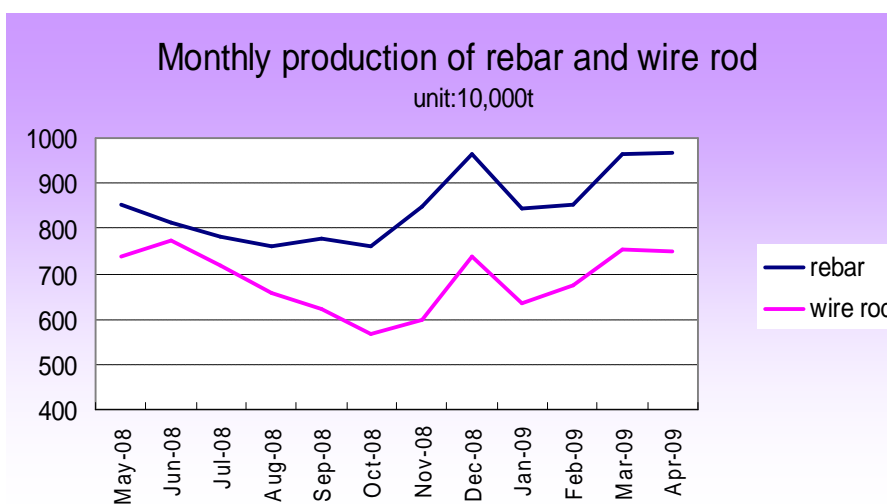
Price for 6.5mm high-speed wire rod in China's 24 major cities averaged RMB 3,573/ton by the end of May, up RMB 154/ton from Apr-end; while prices for 20mm HRB335 rebar averaged RMB 3,608/ton, up RMB 238/ton in the same comparison.

Output increased in Apr

Output for rebar and wire rod posted at 36.69mln tons and 28.19mln tons respectively by the end of Apr, up 19.9% and 8.6% from the same period of last year.

In Apr alone, output for rebar and wire rod went to 9.69mln tons and 7.48mln tons respectively, up 17.9% and 10.3% from a year ago. Daily production stood at 322,900 tons and 249,400 tons, up 3.84% and 2.69% from a month ago.

Fig 3: Monthly production of rebar and wire rod



Source: Mysteel, CISA

May production to rise, exacerbating supply glut

While in May, Chinese major steel producers aimed to yield 7.95mln tons of rebar and 5.25mln tons of wire rod, with daily production of the former leveling off with that in Apr and the latter up 3.42%.

The rising production due to advancing steel prices and profit would exacerbate the market oversupply and drag down prices again once the current price uptrend runs out of steam.

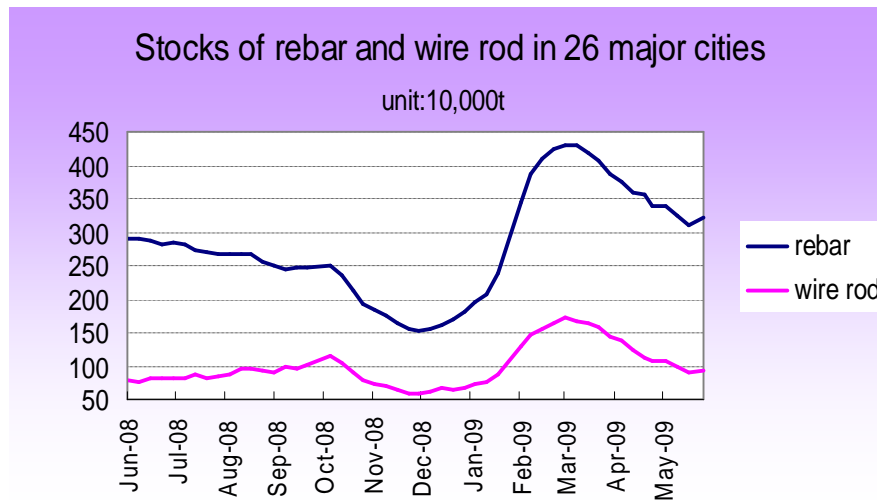
Stockpiles reduced notably in May

Stockpiles were generally reduced in May due to the rising demand resulted from the hot season and traders' optimism; meanwhile, the debut of steel futures also decreased the market arrivals. In detail, stockpiles in the east and north fell the most by 172,200 tons and 199,000 tons respectively; while stocks in Southwest increased by 17,500 tons.

Rebar stocks up, wire rod down in Shanghai

In Shanghai, inventories continued the downtrend due to rising demand and few new arrivals in light of the low prices in the month. By May 31, rebar stocks from surveyed 58 major warehouses posted at 314,620 tons, up 6,410 tons from the week before; while wire rod stocks stood at 54,880 tons, down 5,280 tons.

Fig 4: Stockpiles of rebar and wire rod in 26 major cities

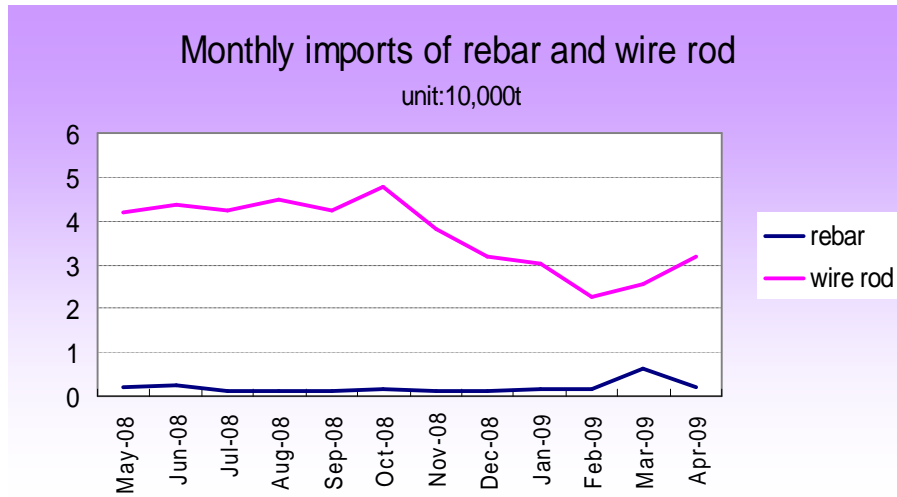


Source: Mysteel

Rebar import leveled off; wire rod down sharply

Imports of rebar in the first four months amounted to 11,700 tons, similar to the 12,200 tons imported in the same period of last year; however, imports of wire rod fell significantly to 110,600 tons from 188,200 tons recorded last year.

Fig 5: Monthly imports of rebar and wire rod



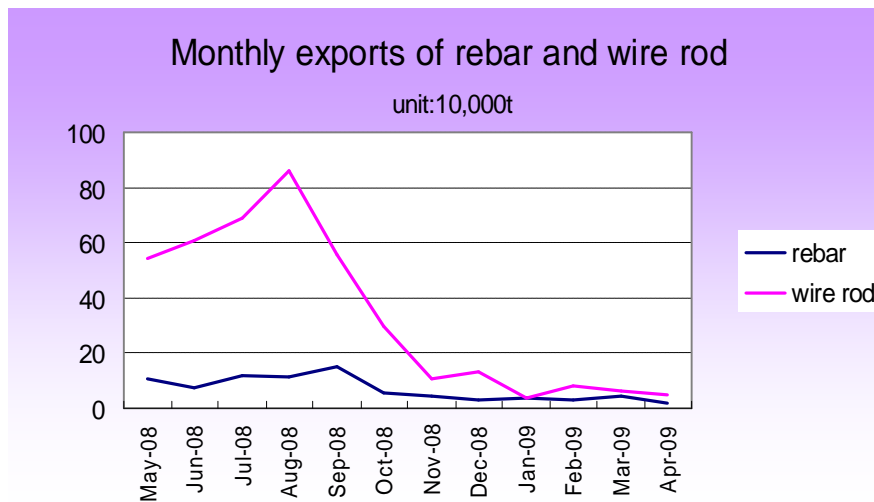
Source: Mysteel, CISA

Exports for rebar and wire rod fell sharply from Apr

Exports of rebar amounted to 129,400 tons by the end of Apr, down 72.21% from a year ago; while exports in Apr alone stood at 19,100 tons, down 55.27% from the previous month.

Exports for wire rod posted at 230,700 tons by late Apr, off 81.63% from last year; while shipment in Apr alone came to 51,100 tons, down 15.82% from a month before.

Fig 6: Monthly export of rebar and wire rod



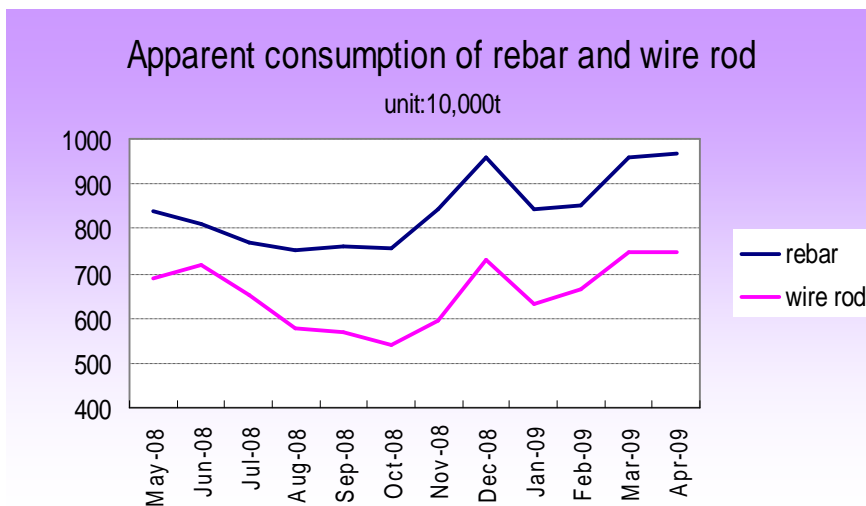
Source: Mysteel, CISA

Apparent usage up notably in A Macro environment turns better

Apparent consumption for rebar and wire rod rose significantly in Apr. Combined apparent usage of rebar posted at 36.19mln tons by the end of Apr or 9.67mln tons in Apr alone, up 20.91% and 19.20% respectively from a year ago.

While apparent use for wire rod stood at 27.94mln tons by late Apr and 7.46mln tons in Apr, up 12.63% and 17.81% respectively from the same period of last year.

Fig 7: Apparent consumption of rebar and wire rod



Source: Mysteel, CISA

Construction steel market to advance slowly in Jun

2009 ore price accord would affect market

Fixed assets investment growth in the first four months surged 30.5% from a year ago, and the growth is likely to sustain in the second and third quarters, implying the reviving economy would continue. New construction projects also soared up in the period, with investment and sales prices turning up slightly in housing market. Both depict a favorable picture of the macro situation.

Reviving production sets to worsen supply glut

On the material, China has decided not to follow the Rio-Nippon iron ore price cut deal, however, this settlement would still work on the steel market.

Yet, most steel mills are certain to ramp up construction steel production due to higher profit, leading to mounting up market stocks and exacerbating the supply glut.

Export outlook gloomy

And the global steel prices are still far below domestic ones though it has bottomed out since the latter has risen recently, which blocked China's exports and weighed on domestic market.

Market arrivals decreased and destocking circle sped up

However, the destocking circle has sped up compared with earlier period though the level is still high. And steel mills also increased the ratio of direct supply, which decreased materials flowing to market. That means market stocks would not increase notably.

Traders wish for a price rise

Traders' confidence also improved, and they strongly wish for a price rise. In the mean time, some steel mills are participating in the trading of steel futures, which is set to reduce new market arrivals, uplifting ex-works prices and further pushing up market price.

Further, we have seasonal factors come into play as well. And based on above factors, Mysteel analysts speculate Jun market would advance slowly.

Medium Plate

Medium Plate to Climb with Fluctuations in June

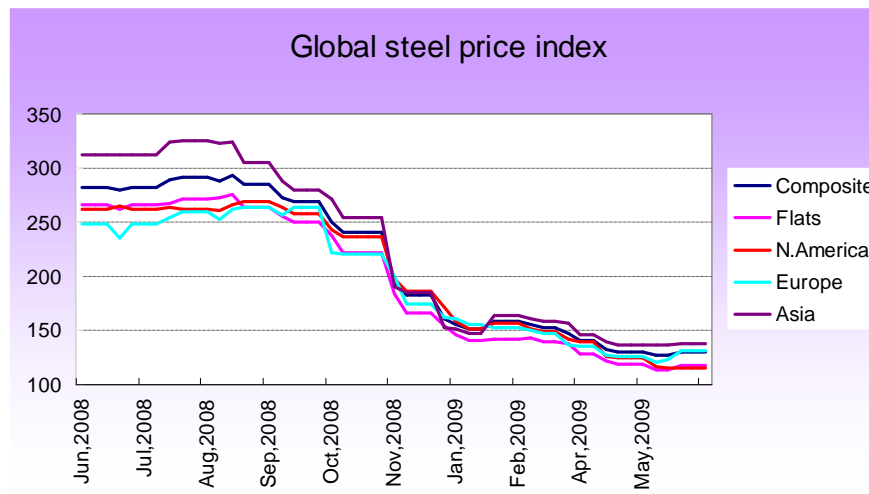
Jun market would move up with fluctuations

Market price of medium plate went up in May due to stable sales and lagged supplies; though the upward trend has shown signs of weakening in late May, it's expected the upturn will continue in light of lower-than-costs market prices. However, due to the chaotic market sentiment and a slew of other negative factors, the market will move up with fluctuations in Jun.

Global prices went close to the bottom in May

As stocks gradually decreased, main international medium plate markets showed signs of touching the floor.

Fig 1: Global steel price index



Source: CRU

EU market shows sign of stabilizing

In EU, flats market has shown signs of stabilizing. Traders in local continued underselling their products to cash out profit before the dull season and summer holiday. And most market sources thought it's hard for medium plate market to recover this year. By late May, ex-factory price of medium plate went at EURO 401/ton (USD 542/ton) in South EU.

US prices close to the floor

In US, prices kept falling and close to the bottom in May. ex-factory price for A36 plate posted at USD 590/short ton from Midwest in end-May, USD 70/short ton lower from end-Apr, with the lowest level at USD 560/short ton. Insiders thought there's thin space

for further price downswings due to the support of the cost. In addition, Nucor had lifted its Jun price by USD 20/short ton to USD 630-660/short ton on scrap price rises.

Asian prices post steady uptrend

In Asia, flats prices tended up steadily. Prices would bottom out in Southeast Asia on rising billet prices and low plates' stocks. Taking export from Indonesia and Malaysia to Singapore for instance, the products were traded at USD 470-490/ton (CFR) in early May, and then, the quotations rose to USD 500/ton (CFR) by late May.

China medium plates price climbed up in May

China's medium plate price went up in May

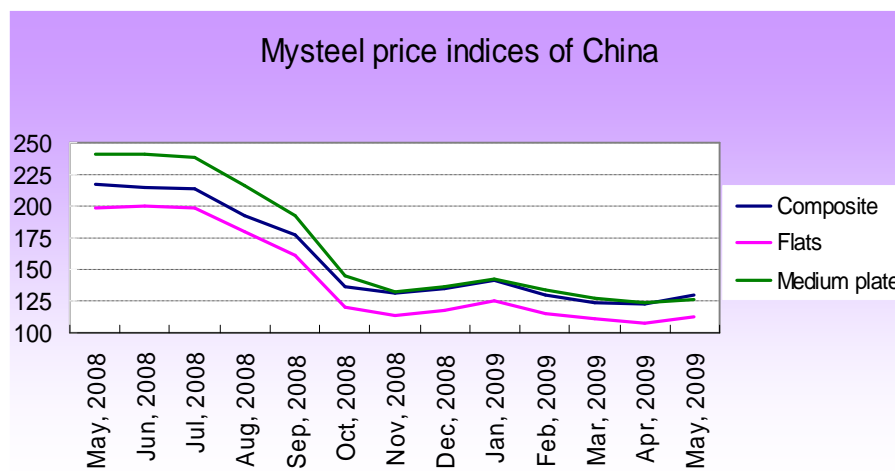
Medium plate prices moved up on construction steel price advances. Meanwhile, reduced outputs in Apr and increased demands in May also backed up the tendency.

Medium plate price index up 2.8% by May 22

By May-22, MySpic (Mysteel Steel Price Indices of China) medium plate price index posted at 127.0 points, up 2.8% from the previous month ago or fell 47.5% from a year ago.

Prices for 20mm plate averaged 3,400 yuan/ton by May 22, 152 yuan/ton higher than that in end-Apr. However, prices have shown signs of weakening recently due to thin trade at high price level, according to Mysteel survey on 23 main cities.

Fig 2: Mysteel price indices of China



Source: Mysteel

Apr outputs fell from Mar

As per statistics, China produced medium plates of 4.33m tons in Apr with daily outputs standing at 144,500 tons, 2100 tons/day lower than Mar.

Tab 1: Outputs for steel products and plates in Apr

Products	Apr	Apr-08	Change	%	Jan-Apr	Jan-Apr 2008	Change	%
Crude steel	4341	4519	-178	-3.9	17067	17057	10.26	0.1
Steel	5291	5157	134.7	2.6	19698	19176	522.5	2.7

products

Ultra-heavy plate	36.29	37.1	-0.81	-2.2	155.8	149.2	6.57	4.4
Heavy plate	134.2	169.8	-35.7	-21	576.7	640.3	-63.6	-9.9
Medium plate	263.1	328.7	-65.6	-20	1012	1241	-228	-18.4

source: Mysteel,

Notes: 10,000 tons

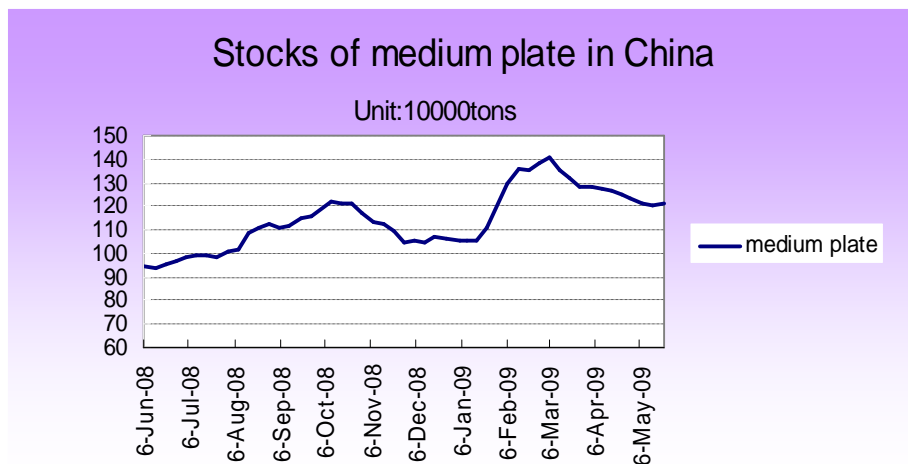
May may see increase in production

However, daily output of crude steel in of the mid of May were 1.48m tons, 4400 tons more than that in 1st ten days, implying that the steel output would grow in May. And the feedback of steelmakers showed that medium plate production would also present a certain growth in May.

Stocks decreased

According to Mysteel’s undercount, medium plate stocks continued decreasing by late May.

Fig 3: Stocks of medium plate in China

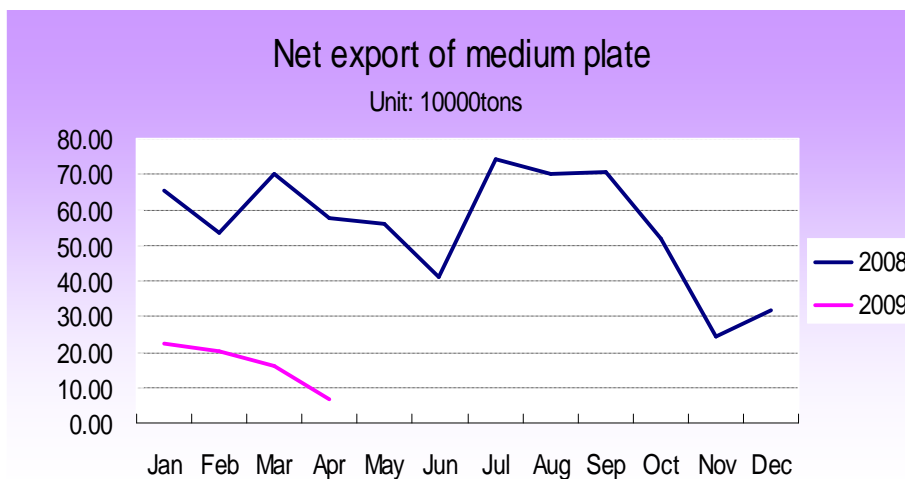


Source: Mysteel

Both import, export fell in Apr

Import and export of medium plate both fell y-o-y and m-o-m in Apr. In details, China brought in medium plate of 102,570 tons, 9500 tons fewer than Mar or down 8.17% y-o-y; shipped out 168,400 tons, 102,300 fewer than Mar or down 75.6% y-o-y. And the net export was estimated at 65,800 tons in Apr, 92,800 tons fewer than Mar or down 88.62% from last year.

Fig 4: Net export of medium plate

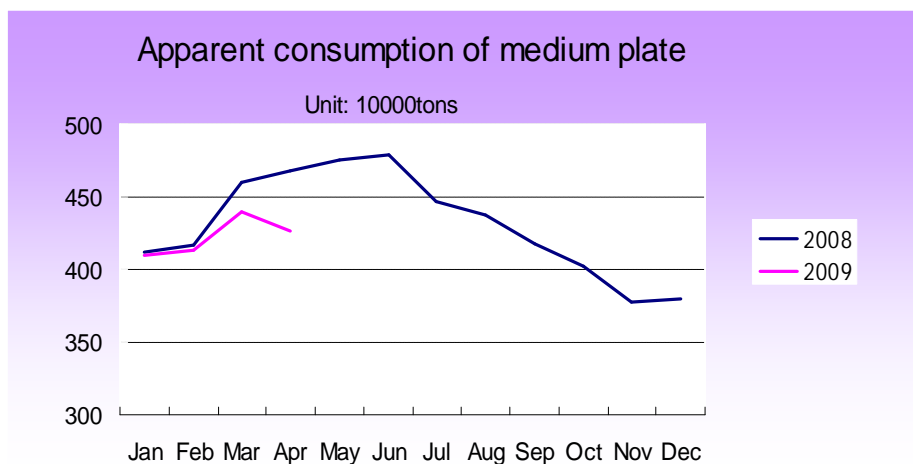


Source: Mysteel

Apparent use down in Apr

Apparent consumption of medium plate recorded at 4.27m tons in Apr, down 8.78% y-o-y or 126,000 tons less than Mar.

Fig 5: Apparent consumption of medium plate



Source: Mysteel

Medium plate market to climb with vibrations in Jun

Considering warming economy boosted by Gov’s cogent stimulus packages, demand will gradually revive. However, medium plate market will still go with fluctuations, due to the diverged market sentiments and many negative factors.

Market stocks to increase further after Apr drop

At the end of May, market stocks of medium plate fell back to 1.2m tons in China, mainly thanks to the falling output in 1st 4 months, which also boosted traders’ confidence and pushed up prices. Whereas, the 1.2m tons was still a record high in 2008, and the stocks also have shown signs of increasing by late May amid the reviving production.

The price rise in May stimulated mills enthusiasm in production, giving hints that

medium plate output will grow in May and swell further in Jun, weighing on the market.

Mills rush to production on price rise

Lately, Korea and Japan agreed a 33-44% iron ore price cut with Rio Tinto, less than China's expectation and resulted in a bit higher long-term price than the spot prices. And the rising shipping freight is another concern of market insiders.

Ore talks to push up spot ore prices

However, macro environment expects to be improved as oversea medium plate prices have touched the bottom, with steel mills in North America raising up prices for Jun delivery. And China's resources again become attractive to most export markets due to the changes in international exchange rates. Further, CISA revealed MIIT is working over proposals to increase steel export.

Export prospect improved

It's noticeable that MIIT lately slashed the proportion of minimum registered capital in fixed asset investment projects for housing industry and transport industry, with the new proportions falling to 20% and 25% respectively, indirectly extending downstream demand for steel.

To sum up, China's medium plate market will move up with fluctuations in Jun on demand pickup. However, negative factors like increasing outputs, frail market sentiments, etc will still exist to arrest the upward momentum.

Galvanized Steel

Galvanized Steel to Post Mixed Movements in June

Galvanized steel market trended up in May

China's galvanized steel market had shown signs of upswings in May on account of the slow-down supplies and stable down-stream demands.

No big change in Jun production plans

Most of the steel mills pull up Jun ex-factory prices, but wish to keep production plan little changed in Jun, e.g. Baosteel plans to produce 120,000 tons; Wuhan Steel and Anshan Steel both target at 80,000 tons; and Benxi Steel aims to roll 50,000 tons. Yet, along with the ignition of Shougang Caofeidian 5500m³ blast furnace on May 21, its output of crude steel is likely to add 37,000-39,000 tons per month within this year, which will be followed by launch of a big amount CR, galvanizing outputs later on.

Traders expect better profits in Jun

On the marketplace, the traders were selling mainly Apr contracts in May; with cheap May shipments to arrive, they expect to reap better profits this month.

Mysteel predicts to see widened range of fluctuations on the galvanized steel market in Jun, which is considered blessed with an upward momentum in the early stage of the

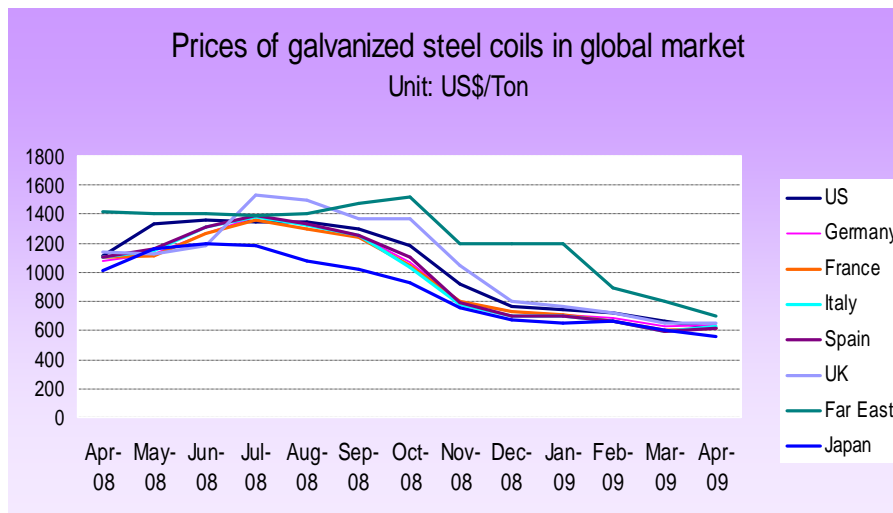
month.

International Steel Prices Kept Steady in May

Global market kept steady in May

The prices of galvanized steel in North American, European and Asian markets presented narrower vibration in May, while that of the flats market kept stable. With limited profits, plus the yet-to-revive overseas demands, China's exports of galvanized steel coils to the above regions had plunged in Apr.

Fig 1: Prices of galvanized steel coils in global market



Source: Mysteel

EU market firm, may continue moving up

In Europe, the flats market stayed firm. The ex-warehouses price of HRC has rebounded to euro 340-350/ton in most European areas recently thanks to improving sentiment. In addition, the lead time of steel sheets in North EU plants seems to be prolonged, which illuminates a recovery in demand on the market. The sellers mostly believed the sheet price still has euro 10-15/ton to increase in short run.

US market came to the bottom with inventory touching a historical low

In America, the flats price market leveled off. The Middle-west steel mills set the ex-works price of HDG steel at US\$ 600/short ton, keeping steady with that in last month. At the end of Apr, the inventory volume in US service centers came to the lowest level in recent 25 years, with less possibility for further destocking. As a whole, the US sheet market has come to the bottom, and is hopefully going to wave in the future.

Asian market is getting rid of valley low operation.

Asian flats market kept stable. The increasing market prices of international steel billet and HR steel coils supported the Taiwan steel mills to lift their export prices. And Taiwan China Steel has for the first time this year announced to raise the export prices of HR/CR steel coils up, to US\$ 440-450/ton (FOB) by US\$ 20-30/ton in Jun, indicating that the Asia sheet market is gradually walking out of the valley.

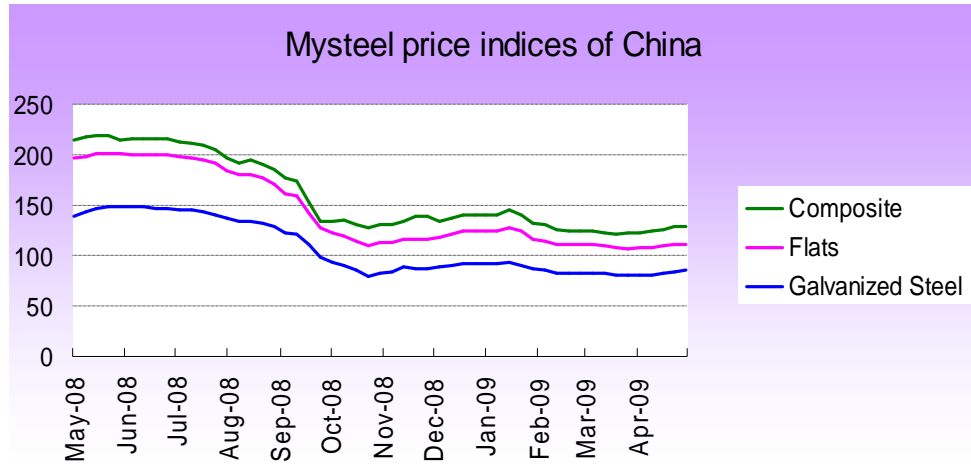
Galvanized steel market in China

In Chinese market, the composite steel price index stood at 129.5 by the end of May,

Myspic of galvanized steel in May up by 6.3% m-o-m, but down 40.2% y-o-y

2009, up 5.6% m-o-m or falling 40.4% y-o-y; the index for flat products was at 111.9, up 4.2% m-o-m or down 43.5% compared with the same period of last year, and that of galvanized steel coils recorded at 85.8, up 6.3% m-o-m or down 40.2% y-o-y, shown by Myspic (Mysteel price indices of China).

Fig 2: Myspic price indices of China



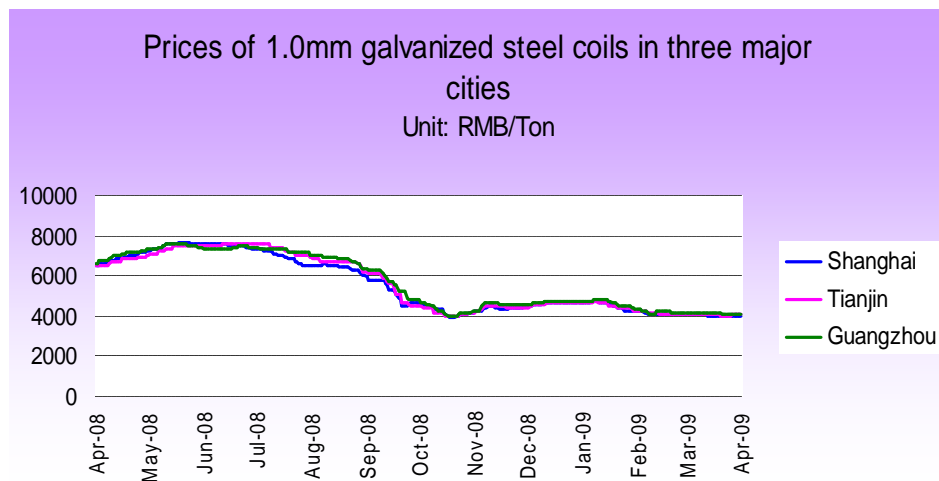
Source: Mysteel

Galvanized steel price kept firm in May

Prices for galvanized & color-coated steel held firm in May with the market also saw low inventory, stable transactions, firm offers, good sentiments and sound expectations. And it's expected the price would hold on an uptrend, given that the major specs were still in tight supply.

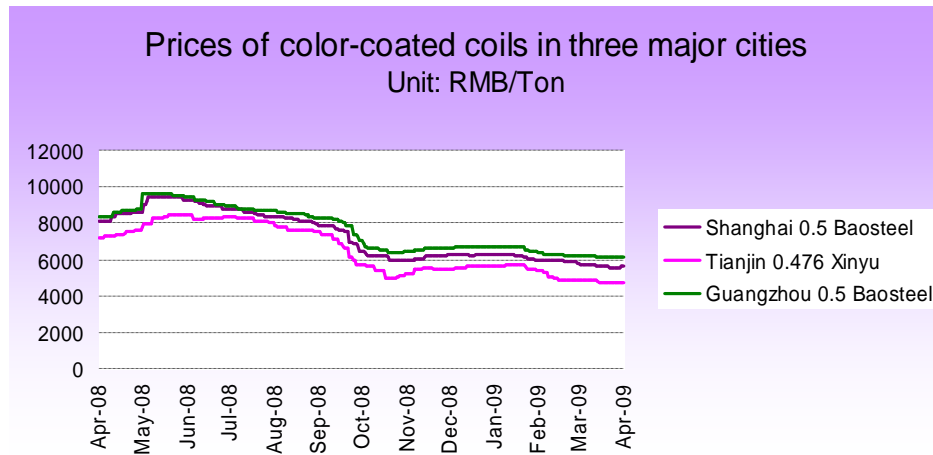
Meanwhile, the month-long price rise made the steel resources scattered among smaller traders; and limited holding of the products enabled them to hold an optimistic outlook of the future market, On the other hand, the traders can expect bigger profit margin since they had booked relatively cheap May futures, but this would in turn become an adverse factor.

Fig 3: Prices of 1.0mm galvanized steel coils in three major cities



Source: Mysteel

Fig 4: Prices of color-coated coils in three major cities



Source: Mysteel

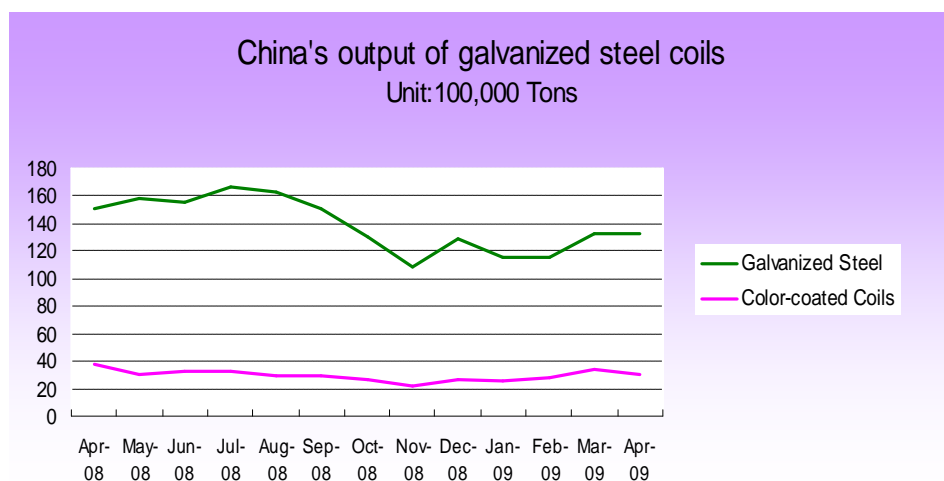
Good output control aids May market

According to the above statistics, the outputs of galvanized and color-coated steel slipped in Apr, given less orders in the month. The large galvanized steel plants didn't wish to enlarge the production also due to the thin profits. It is believed that the nice market performance in May was a result of the output control in Apr by the steel mills.

Apr galvanized steel output basically in line, color-coated down, m-o-m

Output of galvanized steel was posted at 1.3286mt in Apr 2009, in line with the month before or down 12% y-o-y; the color-coated coils was at 300,300 t, down 12% m-o-m or 19% y-o-y. On usage, the apparent consumption of the galvanized steel stood at 1.458mt, down 7% y-o-y, and that of the color-coated steel stood at 256,500 t, a y-o-y growth of 20%.

Fig 5: China's output of galvanized steel coils



Source: Mysteel

Export of galvanized steel products greatly declined in Apr from Mar, hitting the lowest point since 2009. During the same term, the price of home-made 1.0mm galvanized

Export sharply decreased in Apr

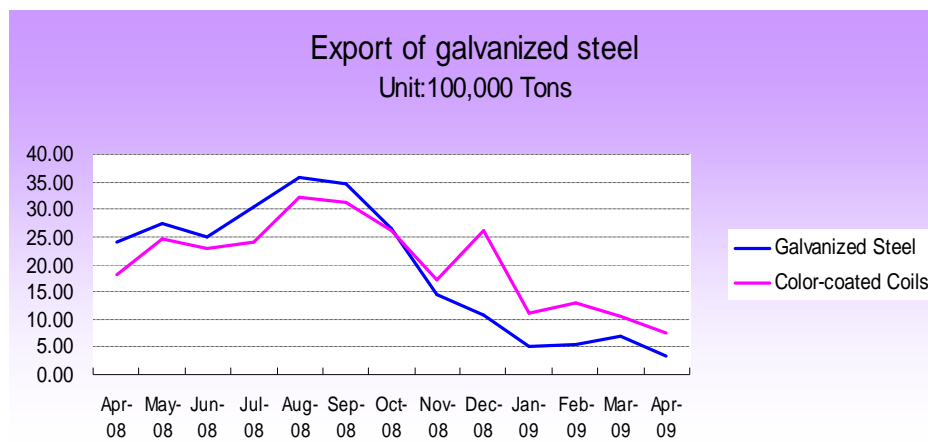
steel eyed a m-o-m drop of RMB 62/ton on average, and 0.476mm color-coated coils was down RMB 202/ton.

As the data shows, China in total exported 39,000 tons of galvanized steel in Apr, down 49% from the previous month or down 84% y-o-y, including HDG of 33,800t, a m-o-m decline of 52%. The total exported amount of color-coated coils came to 74,800 t, down 30% m-o-m or a y-o-y drop of 59%.

Galvanized steel import up slightly, color-coated, down, in m-o-m comparison

Import posted at 168,700 tons of galvanized steel in Apr, up 1% m-o-m or a y-o-y decline of 47%, incl. 87,900 tons of electro-galvanized steel, up 1% y-o-y. The imported volume of color-coated coils came to 31,000 t, an m-o-m decrease of 24% or up 45% y-o-y.

Fig 6: Export of galvanized steel

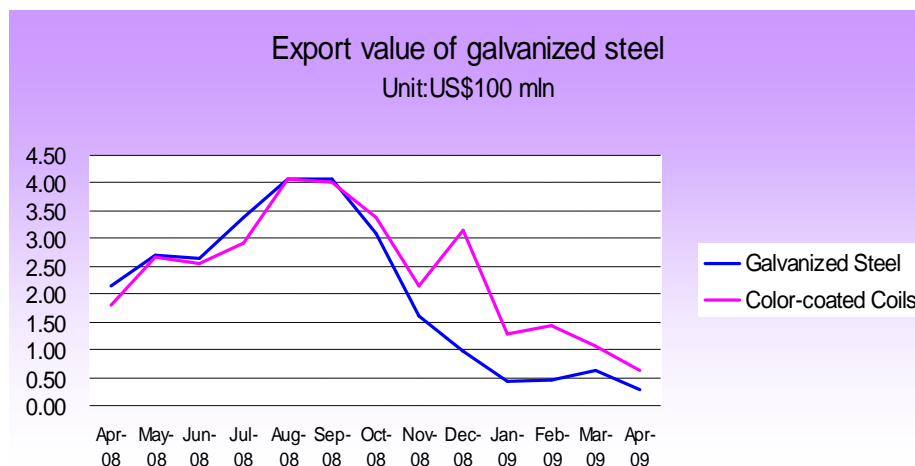


Source: Mysteel

Export value down both m-o-m and y-o-y

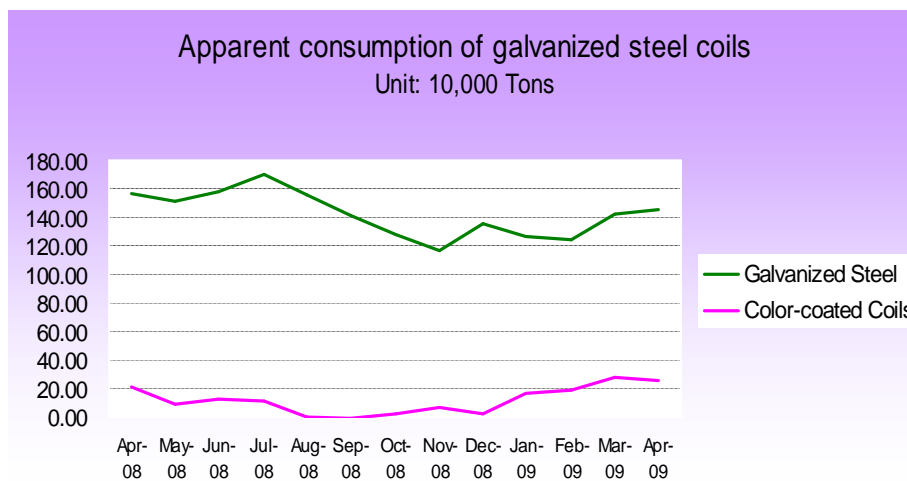
Taking a specific look at the export value, China has exported a worth of US\$ 30 mln of galvanized steel in Apr, down 107% m-o-m or down 86% y-o-y, and the value of color-coated coils was at US\$ 63 mln, down 68% m-o-m or a y-o-y drop of 66%.

Fig 7: Export value of Chinese galvanized steel



Source: Mysteel

Fig 8: Apparent consumption of domestic galvanized steel coils



Source: Mysteel

Mixed Movements in Jun Galvanized Steel Market

Ore price settlement favors steel price rise

Although there were some uncertainties appeared in late-May, the whole market still fared well, so the steel mills and traders believe the future market will present a bullish trend.

Rio Tinto has signed with Japan's Nippon Steel to accept the 33% ore price cut, which is far below the expectation of China Iron & Steel Association (CISA). But this is good for the spot ore stockpiles to be consumed, while telling the steel production costs will be elevated in future.

Output prospect not good

But on the production, the nation's monthly output of galvanized steel averaged .243 mt during Jan-Apr, only down 13.42% y-o-y, and that of color-coated steel was at 0.295 mt, up 19.21% y-o-y. Plus the ignition of Shougang Caofeidian project, the steel supply is believed to further increase this year.

Home demand to be sound, despite poor export

The export of galvanized steel in Apr was even worse than the same period of 2005. Yet, home consumption for this product and color-coated steel expanded owing to the 4-trillion demand-driven policy. It's estimated that the steel demands will remain sound in Jun, a traditional high season for construction projects, though it may narrow down in the later stage of the month when the weather gets hot.

Inventory low

Inventory pressure is scarce around the nation, while some major markets are seeing tight supply of the popular specifications.

The traders' comparatively cheap orders for May, to be arrived soon, can be seen as a disturber of the market in some sense.

To sum up, the home galvanized steel market is faced with both favorable and unfavorable in Jun. As a whole, Mysteel predicts the market vibration breadth will be enlarged compared with May, and the price may fall back later of the month after a rise in the early period.

Appendix

Major Chinese Steelmakers Pricing in June

Steelmakers	Products	Ex-factory prices (RMB/ton, incl. 17% VAT)	Changes from May (RMB/ton)
Hebei Steel	High speed wire rod (6.5mm)	3480	+80
	Rebar (HRB335 16-25mm)	3580	+80
	HRC (5.5mm)	3430	+30
	HR pickled plate (SPHC3.0mm)	3850	-
	CR sheet/coil (1.0mm sheet)	4150	+50
	CR galvanized (SGCC1.0mm)	4200	+50
	Color coated (CGCC0.5mm)	5000	+50
	Medium plate (Q23514-20mm)	3350	-
Anshan Steel	HRC (3.5*1500mm)	2830*	+360
	CRC (1.0*1000mm*C)	3720*	+350
	Galvanized (1.0mm)	3930*	+300
	Ship plate (20mm) from medium plate mill	2860*	+150
	Ship plate (20mm) from heavy plate mill	2870*	+100
Shougang	High speed wire rod	3450	+200
	2nd grade rebar	3550	+150
	CRC (SPCC 1.0mm)	4300	+300
	HR coil (Q235 5.5mm)	3510	+260
	Galvanized (SGCC 1.0mm)	4500	+300
	CR full hard (SPCC 1.0mm)	4000	+300
	Medium plate (Q235 14-20mm)	3450	+150
Wuhan Steel	CR (Q195 1.0mm sheet)	4010	+50
	CRC (Q195 1.0mm)	3960	+50
	HRC (Q235 2.75*1250mm)	3300	-
	HRC (Q235 5.5*1500mm)	3250	-
	Medium plate (Q235 14-20mm)	3570	-

	Galvanized (DX51D+Z 1.0*1250 mm)	4193	-
	Galvanized (0.5mm)	4613	-
	Color coated (WLC 0.5*1000mm)	5435	-
Shagang	Rebar (HRB335 16-25mm)	3550	+30
	Wire rod (Q235 6.5mm)	3630	+80
	Wire rod (HRB335 8mm)	3750	+50
	HRC (Q235 4.0-12.99*1500mm)	3500	+220
	HRC (SPHC 4.0-12.99*1500mm)	3510	+220
Baosteel	HRC (SPHC 3.0*1250 mm *C)	3142*	-200
	HR (SPHC 5.5mm)	3092*	-200
	CRC (SPCC, 1.0*1250 mm *C)	3726*	-
	CRC (DC01, 1.0*1250 mm *C)	3826*	-
	Galvanized (DC51D+Z 0.50*1250 mm)	4770	-
	CCGI (TSt01 0.50-0.51*1250 mm)	6080	-200
Benxi Steel	HRC (Q235 5.5mm)	3090*	+350
	Galvanized (ST01Z 1.0mm)	3900*	+150
	Color coated (0.5mm)	4750*	-

Source: Mysteel

Notes: Hebei Steel incl. Tangshan Steel, Handan Steel, Chengde Steel, Xuanhua Steel and Wuyang Steel;

*, stands for prices excluding 17% VAT.