

# S&P Global Platts China Steel Sentiment Index Slumps in January

Price Outlook Bearish Ahead of Chinese New Year, Steel Output Seen As Stable

PR Newswire  
BEIJING

BEIJING, Jan. 12, 2017 /PRNewswire/ -- Chinese steel market sentiment slumped in January ahead of the Lunar New Year holiday period at the end of the month, with expectations for long and flat steel product prices falling markedly, according to the latest S&P Global Platts China Steel Sentiment Index (CSSI), which showed a headline reading of 34.13 out of a possible 100 points.

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The January 2017 December CSSI dropped by 18.48 points from December's 52.62 on lower expectations for domestic and export steel orders ahead of the holiday, which officially starts on January 28. The outlook for new domestic orders fell 17.18 points from December to 35.82, while export orders dropped by a more significant 33.55 points to just 14.59 in January.

A reading above 50 indicates expectations of an increase/expansion and a reading below 50 indicates a decrease/contraction.

Expectations for long steel product prices - which tend to be more volatile given the influence of Shanghai, rebar futures - plunged by 68.75 points to just 6.25 in January. This was the weakest reading for longs since December 2015 when Chinese steel prices fell to record lows. The outlook for flat steel prices in January dropped 40.28 points to 38.89, the weakest reading since June last year.

By comparison, the outlook for steel production remained stable, falling just 4.35 points from December to 50 in January. This measure has stayed in the 46-55 point range since August. There was a big fall in the outlook for steel inventories held by traders, with the sub-index softening by 21.65 points to 42.13 in January, indicating less buying from mills over the holiday.

*S&P Global Platts China Steel Sentiment Index - January 2017*

*(a figure over 50 indicates expectations of an increase; under 50 indicates a decrease)*

January 2017      Change from December (points)

CSSI (Total New Orders)	34.13	-18.48
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New Domestic Orders	35.82	-17.18
-----	----	-----
New Export Orders	14.59	-33.55
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Steel Production	50	-4.35
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Flat steel prices	38.89	-40.28
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Long steel prices	6.25	-68.75
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Inventory held by traders	42.13	-21.65
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"The index before China's Lunar New Year is typically one of the weakest, purely because steel trading activity grinds to a halt for at least a fortnight with market participants away on holiday," said Paul Bartholomew, senior managing editor of steel & raw materials for S&P Global Platts. "The impact on prices of long steel products, such as reinforcement bar (rebar), is more pronounced due to the winter construction slowdown. Government efforts to take the heat out of the property sector could also have an effect."

In general, steel market participants have been trying to push up prices ahead of the holidays because they are unsure if the stronger prices can be sustained when trading resumes in early February, explained Bartholomew.

The CSSI is based on a survey of 75 to 90 China-based market participants including traders and steel mills. Data is compiled by Dai Yuelin, Sharon Liao, Zhang Jing, Lucy Tang and Joy Zhuo in Shanghai.

According to S&P Global Platts price assessments, separate to the CSSI, the Platts China export hot rolled coil price assessment in December averaged \$501.47 per metric ton (mt), free on board (FOB) China. This was up 11.5% on \$449.77/mt FOB in November. A graphic of the China Steel Sentiment Index history is available upon request.

The Platts China Steel Sentiment Index survey plays no role in Platts' formal price assessment processes. For more information, please visit:

<http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/steel.pdf>

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