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# HRC Futures Lower Again; Other Metal Futures Soar

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## ARE COPPER FUTURES POINTING TO A CYCLICAL BOTTOM TO THE STEEL FUTURES MARKET?

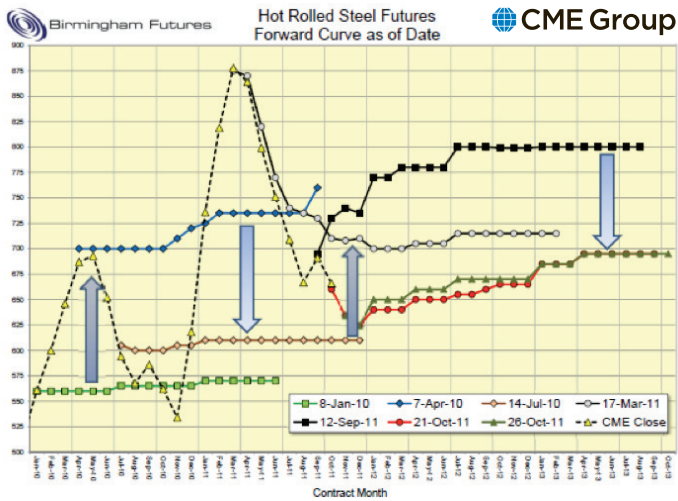
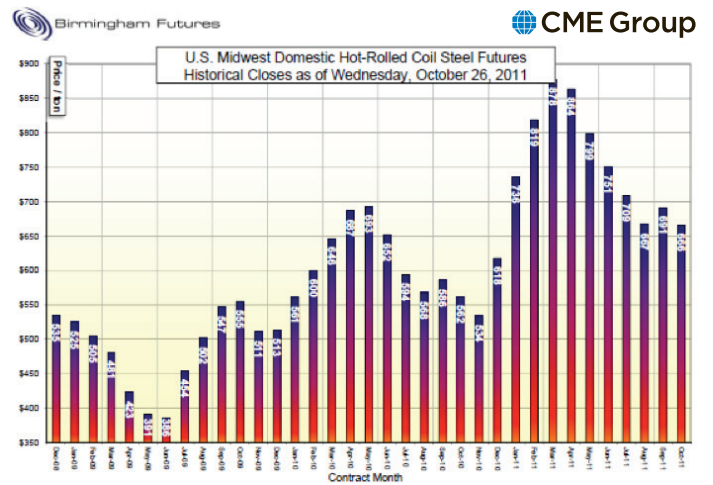
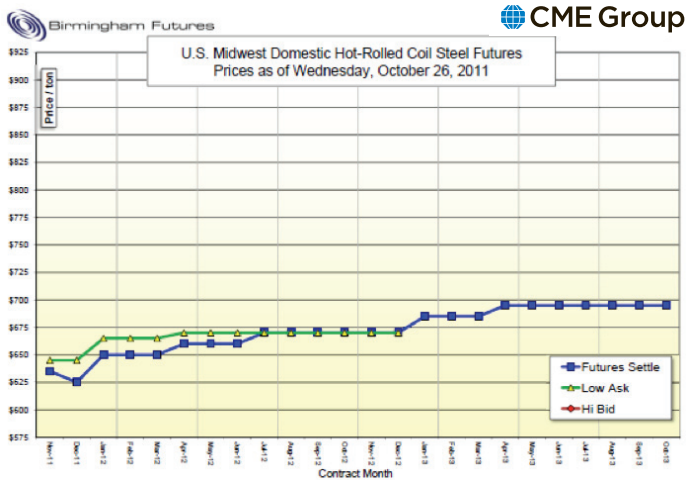
Hot Rolled Coil (HRC) futures prices continued to head lower again this week dropping approximately \$20 per ton. However in other base metals, futures prices soared this week. Most notably, copper which has increased over 20% during the past four trading days. For those of you that remember 2008/2009, you might recall that copper futures are often a leading indicator relative to steel — because copper futures are a deeper and more liquid market than steel futures. Following the Lehman crisis in late 2008, copper recorded its recession low in December 2008. However, steel didn't post its recession low until March 2009 — a full three months after copper. Could the meteoric rise in copper this week be a signal that steel may be nearing a cyclical bottom in the next month or two?

Volume on the CME U.S. Midwest Hot Rolled futures contract was down about 33% this week versus last with 13,800 tons (690 lots) changing hands. The average price for the 2012 HRC transactions this week was \$665 — but we saw some small trades today as low as \$615 for March and \$620 for April 2012.

The majority of the HRC trades that were recorded this week on CME included: Q1-2012 at \$650, Q2-2012 at \$660; Q3-2012 at \$670 and Q4-2012 at \$680. Trade reports indicate that one large buyer locked in 1,000 tons per month at these price levels for next year.

Below is a table with yesterday's HRC futures settlement prices on the CME contract for each month through June 2012:

CME Contract Month	HRC Closing Price	Change from Last Week	CME Contract Month	HRC Closing Price	Change from Last Week
			<b>January 2012</b>	\$650	(\$10)
			<b>February 2012</b>	\$650	(\$12)
<b>October 2011</b>	\$666	\$1	<b>March 2012</b>	\$650	\$0
<b>November 2011</b>	\$635	(\$5)	<b>April 2012</b>	\$660	(\$25)
<b>December 2011</b>	\$625	(\$15)	<b>May 2012</b>	\$660	(\$35)
			<b>June 2012</b>	\$660	(\$35)
<b>Average</b>	\$642	(\$19)	<b>Average</b>	\$655	(\$20)



Note: Steel Market Update (SMU) will conduct our next **Hedging Price Risk workshop** at the NYMEX in New York City on November 2, 2011. Information is available on our website: [www.steelmarketupdate.com](http://www.steelmarketupdate.com) or you can contact our office for specific details and last minute reservations.

The next Hedging workshop will be held in Houston on January 25, 2012. The program will be similar to the New York workshop as we work with Andre Marshall, CEO of Crunch Risk, LLC and the CME Group. Look for details on our website within the next few days and registration is open by contacting our office at 800-432-3475 (706-216-5440).