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Hot Rolled Futures Update

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FINANCIAL MARKETS

Characterized as technically bullish and fundamentally depressed, the markets are in a word “Confused”, but steady. Add to this the European resolution in the works for Greece, downgrades for Italy Spain and Portugal, further likely downgrades from Moody’s for all financials, and Apple stock taking off like a Rocket and messing up the weightings on the Index. One thing is for sure, risk/reward up here in any of the markets is poor. Problem is there isn’t a return anywhere else unless you’re catching the falling knife in real estate. I would expect a retracement to the 1300 level for the S+P basis resistance here in the 1360/70. The market is up 14% since December and needs a flushing out before heading any higher.

IRON ORE

Well if HR has caught a cold then Iron Ore has caught the flu. We started off the week with TSI 62% Iron Ore trading for Q2 '12 at \$137/\$138 and today we finished up Q2 at \$126/\$128 range. An 8% drop for a nearby period in arguably what could be one of the most important global growth indicators out there - certainly a reflection of China’s apathy toward commodities right now.

HOT ROLLED NYMEX

In HR the market started out the week stuck at \$665 bid and \$675 offered 2H (second half 2012). We then jumped up to \$680 bid and traded, only to then ease off yesterday late to a \$670 settle, which is up only \$5/ST from the beginning of the week. Q4 has also traded \$675 and 1H '13 has traded either side of \$705. In the week, volume has been decent on the exchange with 793 lots (15,860 ST) having traded on screen and through ClearPort. There were additionally decent OTC (Over the Counter) trades for 2H '12 and 1H '13. This last Wednesday the CRU print came in at \$731 which is down \$9 from \$740 last Wednesday. This is the first drop since November. Spot transaction and lead times suggest we will continue downward toward the \$680-700/ST mark assuming the spot market does not erode further from its current levels.

SCRAP

The secondary market has bounced off its low in the week with the Turks having come in for some cargos in the \$435–437 range, which is up from the couple of cargos that traded previously \$428–430 area a couple weeks back. That said warm weather and flows still continue to pressure scrap prices as do other Ferrous feeds namely Pig Iron and DRI. Opinions still diverge on what March will do; some believe it will gain slightly others believe it will drop slightly. This author will call for sideways for secondary and slightly down for primes basis fact that lead times are headed in the wrong direction for an increase.

LME BILLET

Billet is still quiet and drifting. Cash is now \$480/MT and 3's settled at \$505.00/ST. Until we see a real sign of life out of Turkey, The Middle East and Europe, this market is likely to remain depressed. It certainly won't be able to garner interest in a market where Iron and Rebar are dropping precipitously.

