



MEPS STAINLESS STEEL REVIEW

EDITORIAL

JANUARY 2007

STAINLESS STEEL TRANSACTION PRICES NEARING THEIR PEAK

The price boom in the global stainless steel sector is now under serious threat. Several factors are coming together to indicate price weakness in the future.

Asian transaction prices are extremely low compared to those in Western Europe and North America. The MEPS Asian Average 304

Cold Rolled Price in January is \$US4054 per tonne. This compares with the MEPS North American figure of \$US4666 and an EU value of \$US5206.

Chinese customers are not able to pay the current inflated prices being charged elsewhere in the world as speculators in the nickel market

COMPARISON OF NEGOTIATED TRANSACTION PRICES

PRODUCT:- (\$US/tonne)	Hot Rolled Coil		Hot Rolled Plate		Cold Rolled Coil				Drawn Bar		Peeled Bar	
	304	316	304	316	304	316	409	430	304	316	304	316
USA	4366	7006	5376	7636	4666	7196	1583	1781	4771	7060	5181	7060
Japan	3891	5439	4268	5649	4310	5858	—	1841	3891	5314	—	—
South Korea	3709	6085	4583	6714	4007	6757	1599	1673	3986	5936	4476	6064
Taiwan	3885	6179	4069	6363	4099	6393	—	1459	4772	6118	4925	6118
Hong Kong*	3680	6550	3750	6650	3800	6100	—	1450	3900	5700	—	—
EU (average)	4987	7529	5382	7956	5206	7777	1858	2108	5673	8912	5142	8057
Germany	5038	7613	5362	8003	5297	7860	1812	2065	5623	8831	5091	8000
France	4970	7561	5347	7951	5191	7795	1748	2071	5523	8808	4977	7919
Italy	4957	7435	5256	7708	5152	7682	1929	2070	5675	8870	5117	8000
UK	4994	7616	5577	8295	5237	7868	1990	2344	5973	9408	5474	8509
Spain	4986	7434	5375	7836	5168	7694	1816	1992	5577	8658	5062	7871
Sweden	4922	7531	5135	7744	5192	7801	1776	2085	5878	9171	5666	8763
Netherlands	4957	7561	5243	7795	5152	7717	—	2032	5338	8662	4831	7818
Denmark	4943	7464	5248	7796	5108	7691	—	—	5837	9148	5192	8209

Note: *- Import Prices except Cold Rolled Coil. Figures in this table are calculated from the low values of the negotiated transaction prices plus applicable alloy surcharges in the current month - converted into \$US at this month's rate.

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drive prices ever higher. In other countries of Asia, the mills do not have established alloy surcharge mechanisms and have difficulties in recovering the escalating input costs of nickel and chromium. Consequently we can now see a large disparity between prices in different parts of the world.

Asian stainless steels (particularly Chinese) are being exported at competitive prices to all the major consuming countries. In the EU and US, distributors have built up their inventories of competitively priced

material and are now off loading material into the market. As a result, orders on local mills are starting to dry up as customers can obtain cheaper products on short delivery times.

The substantial price discrepancy between Asian and EU supplies cannot be ignored. We detect a high degree of uncertainty in Western stainless markets. Both distributors and end users are reluctant to build up stocks of locally produced material - particularly in standard grades and sizes.

FLAT PRODUCTS

HOT ROLLED COIL AND PLATE

US strip mill product transaction prices for January are down on the previous month. Basis values held steady for the austenitic grades but surcharges were lower. Plate prices followed a similar pattern. Market demand, particularly from the energy sector, continues to be robust. February surcharges will be higher.

Japanese producers lifted January transaction figures - reflecting higher nickel costs in recent months. Export and domestic consumption remains firm. Ferritic demand is increasing. The plate market is particularly strong. Posco, the main supplier in South Korea has also imposed substantial price rises on austenitic steels in the domestic market. Most customers are reporting a KRW200000 per tonne increase. Market supply is quite tight and the conditions are ideal for the recovery of soaring nickel prices. The rises apply to both coil and plate products.

After several months of stainless steel stagnation, the main mill in Taiwan initiated significant price hikes on

local consumers and distributors despite relatively weak market demand. The increases were inevitable - given the rise in the nickel price over the past few months. Chinese mills were also able to lift transaction values for austenitic grades in recent weeks. The oversupply situation has eased a little and recovery of input costs is essential. However, buyers find current prices too high and orders are drying up.

German basis prices were agreed at unchanged values in January. The distributors have an excess of stocks - much of it imported from China. Alloy surcharges are up this month for austenitic grades. Transaction values rose by just under 2 percent. Alloy surcharges will decrease marginally in February across the whole of the EU - reflecting lower nickel prices in December. French basis figures were also stable as market demand slowed.

The Italian market has picked up well since the start of the New Year. Competition is intensifying from suppliers in the Far East, particularly China. Many EU mills are late with deliveries. Basis price agreements

STAINLESS STEEL ALLOY SURCHARGES - FLAT PRODUCTS

	2006					2007			
	AUG	SEP	OCT	NOV	DEC	JAN	FEB(e)	MAR(e)	APR(e)
CR 304									
USA \$/ton	1689	2195	2518	2462	2679	2633	2851	3039	2904
USA \$/tonne	1858	2414	2770	2708	2947	2896	3136	3343	3194
EU-Avg €/tonne	1364	1586	1944	2050	2151	2204	2199	2362	2379
CR 316									
USA \$/ton	3091	3703	4132	4166	4366	4305	4536	4796	4639
USA \$/tonne	3400	4073	4645	4583	4803	4736	4990	5276	5103
EU-Avg €/tonne	2683	2953	3437	3623	3712	3788	3791	4000	4026

Note:- * - (e) - ESTIMATE.

NEGOTIATED DOMESTIC PRICES - HOT ROLLED PRODUCTS

Note:- * Import Prices

		Hot Rolled Coil				Hot Rolled Plate			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A. (US\$) per ton	Market	1336	1418	2064	2182	2255	2364	2636	2727
	Surcharge	2633	2633	4305	4305	2633	2633	4305	4305
	Transaction	3969	4051	6369	6487	4888	4997	6941	7032
U.S.A. (US\$) per tonne	Market	1470	1560	2270	2400	2480	2600	2900	3000
	Surcharge	2896	2896	4736	4736	2896	2896	4736	4736
	Transaction	4366	4456	7006	7136	5376	5496	7636	7736
Japan ('000 YEN) per tonne	Market	465	480	650	680	510	535	675	685
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	465	480	650	680	510	535	675	685
South Korea ('000 KRW) per tonne	Market	3480	3610	5710	5920	4300	4500	6300	6500
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3480	3610	5710	5920	4300	4500	6300	6500
Taiwan ('000\$NT) per tonne	Market	127.0	130.0	202.0	205.0	133.0	136.0	208.0	211.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	127.0	130.0	202.0	205.0	133.0	136.0	208.0	211.0
Hong Kong* (US\$) per tonne	Market	3680	3780	6550	6650	3750	3850	6650	6750
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3680	3780	6550	6650	3750	3850	6650	6750
Germany (€) per tonne	Market	1650	1750	2050	2100	1900	1950	2350	2400
	Surcharge	2229	2229	3812	3812	2229	2229	3812	3812
	Transaction	3879	3979	5862	5912	4129	4179	6162	6212
France (€) per tonne	Market	1660	1740	2050	2080	1950	1980	2350	2380
	Surcharge	2167	2167	3772	3772	2167	2167	3772	3772
	Transaction	3827	3907	5822	5852	4117	4147	6122	6152
Italy (€) per tonne	Market	1580	1680	1910	2000	1810	1900	2120	2240
	Surcharge	2237	2237	3815	3815	2237	2237	3815	3815
	Transaction	3817	3917	5725	5815	4047	4137	5935	6055
UK (£) per tonne	Market	1100	1150	1370	1425	1400	1450	1720	1800
	AA Factor	1472	1472	2552	2552	1472	1472	2552	2552
	Transaction	2572	2622	3922	3977	2872	2922	4272	4352
Spain (€) per tonne	Market	1650	1700	1990	2050	1950	2000	2300	2350
	Surcharge(E)	2189	2189	3734	3734	2189	2189	3734	3734
	Transaction	3839	3889	5724	5784	4139	4189	6034	6084
Sweden (SKR) per tonne	Market	14500	14900	18100	18500	16000	16500	19600	19900
	AA Factor	20064	20064	34789	34789	20064	20064	34789	34789
	Transaction	34564	34964	52889	53289	36064	36564	54389	54689
Netherlands (€) per tonne	Market	1650	1700	2050	2150	1870	1910	2230	2270
	Surcharge	2167	2167	3772	3772	2167	2167	3772	3772
	Transaction	3817	3867	5822	5922	4037	4077	6002	6042
Denmark (DKR) per tonne	Market	12050	12450	14550	14800	13800	14150	16450	16950
	Surcharge	16301	16301	28265	28265	16301	16301	28265	28265
	Transaction	28351	28751	42815	43065	30101	30451	44715	45215

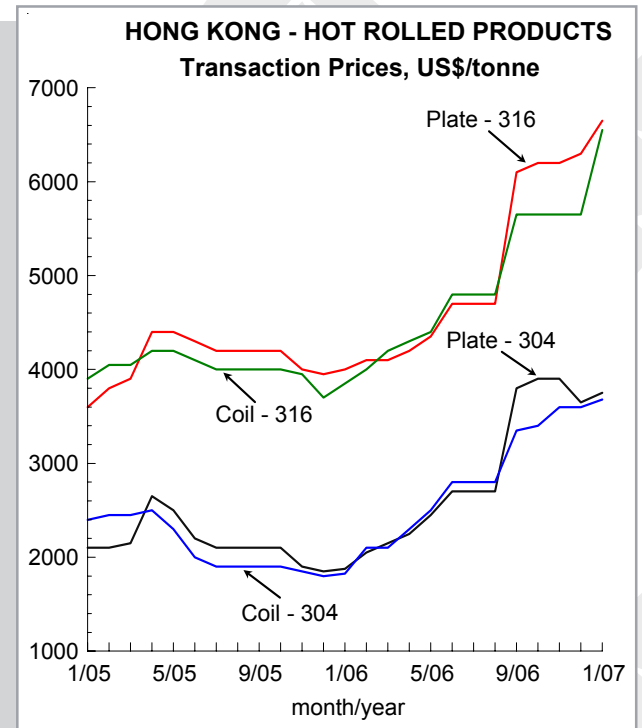
are, so far, unchanged but buyers are now pushing for reductions from local mills and are likely to succeed as more cheap material enters the country.

Activity in the United Kingdom has slowed. Customers appear to have sufficient stock for current requirements. Basis values are up slightly. Producers have been unable to impose the threatened 9 percent basis price hike. Demand in Spain has not yet fully returned to the level in the second half of last year. Distributors' prices are similar to December because they are releasing stock purchased from third countries several months earlier. This month's agreements from EU mills are indicating a no change situation on basis. Some negative pressure is developing.

Swedish demand is satisfactory but below the level of the previous quarter. Customers now appear to have more stock. Basis figures for wide coil are unchanged. Plate values are, however, higher due to less competition from foreign sources. Underlying demand in the Netherlands is fair but customers are reluctant to place forward orders with EU mills at current transaction values. The gap between Asian and EU selling figures is too much for buyers to ignore. The quality fears are also being dispelled. Basis figures are unchanged and we detect little prospect for an increase next month. In Denmark, competition from Far East material is hotting up - particularly in the hot rolled coil segment and many distributors are lowering resale values. Consequently, there has been no upward basis price movement this month.

COLD ROLLED SHEET

The US mills maintained basis prices for January as



alloy surcharges fell. Inventory levels remain high at the distributors. Demand for consumer goods is weaker. Basis prices will come under negative pressure in February as alloy surcharges move up once again due to nickel expenditure.

In Japan, transaction price hikes were imposed as the mills were determined to recover the higher nickel costs. Market supply is tight as demand from all the main user segments is buoyant. The current situation is likely to extend for all the first trimester. South Korean material is not too difficult to obtain. Prices are stable this month after the December increases.

FLAT ROLLED PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS* - USA (\$US/tonne)

* LOW PRICES
INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

PRODUCT	2005	2006				2007
	Q4	Q1	Q2	Q3	Q4	Q1(e)
Hot Rolled Coil Grade 304	2311	2342	2705	3511	4278	4550
Hot Rolled Coil Grade 316	4515	4310	4555	5738	6947	7200
Hot Rolled Plate Grade 304	2851	2839	3258	4247	5288	5550
Hot Rolled Plate Grade 316	4945	4673	4998	6275	7577	7850
Cold Rolled Coil Grade 304	2581	2585	2958	3804	4578	4850
Cold Rolled Coil Grade 316	4745	4507	4815	6002	7137	7430
Cold Rolled Coil Grade 409	1471	1504	1476	1617	1591	1590
Cold Rolled Coil Grade 430	1584	1618	1619	1790	1784	1790

NEGOTIATED DOMESTIC PRICES - COLD ROLLED PRODUCTS

Note:- * Import Prices

		Cold Rolled Coil							
		Grade 304		Grade 316		Grade 409		Grade 430	
		Low	High	Low	High	Low	High	Low	High
U.S.A. (US\$) per ton	Market	1609	1673	2236	2273	1227	1318	1409	1527
	Surcharge	2633	2633	4305	4305	212	212	210	210
	Transaction	4242	4306	6541	6578	1439	1530	1619	1737
U.S.A. (US\$) per tonne	Market	1770	1840	2460	2500	1350	1450	1550	1680
	Surcharge	2896	2896	4736	4736	233	233	231	231
	Transaction	4666	4736	7196	7236	1583	1683	1781	1911
Japan (‘000 YEN) per tonne	Market	325	335	500	520	-	-	220	230
	Surcharge	190	190	200	200	-	-	0	0
	Transaction	515	525	700	720	-	-	220	230
South Korea (‘000 KRW) per tonne	Market	3760	3870	6340	6540	1500	1880	1570	1600
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3760	3870	6340	6540	1500	1880	1570	1600
Taiwan (‘000\$NT) per tonne	Market	134.0	137.0	209.0	212.0	-	-	47.7	49.7
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	134.0	137.0	209.0	212.0	-	-	47.7	49.7
Hong Kong (US\$) per tonne	Market	3800	3900	6100	6200	-	-	1450	1500
	Surcharge	0	0	0	0	-	-	0	0
	Transaction	3800	3900	6100	6200	-	-	1450	1500
Germany (€) per tonne	Market	1850	1900	2240	2290	1170	1220	1350	1400
	Surcharge	2229	2229	3812	3812	225	225	240	240
	Transaction	4079	4129	6052	6102	1395	1445	1590	1640
France (€) per tonne	Market	1830	1880	2230	2280	1150	1200	1380	1410
	Surcharge	2167	2167	3772	3772	196	196	215	215
	Transaction	3997	4047	6002	6052	1346	1396	1595	1625
Italy (€) per tonne	Market	1730	1780	2100	2150	1250	1300	1350	1400
	Surcharge	2237	2237	3815	3815	235	235	244	244
	Transaction	3967	4017	5915	5965	1485	1535	1594	1644
UK (£) per tonne	Market	1225	1300	1500	1590	860	900	1050	1100
	AA Factor	1472	1472	2552	2552	165	165	157	157
	Transaction	2697	2772	4052	4142	1025	1065	1207	1257
Spain (€) per tonne	Market	1790	1850	2190	2250	1200	1230	1340	1370
	Surcharge(E)	2189	2189	3734	3734	198	198	194	194
	Transaction	3979	4039	5924	5984	1398	1428	1534	1564
Sweden (SKR) per tonne	Market	16400	16850	20000	20450	10230	10500	12500	12900
	AA Factor	20064	20064	34789	34789	2245	2245	2143	2143
	Transaction	36464	36914	54789	55239	12475	12745	14643	15043
Netherlands (€) per tonne	Market	1800	1870	2170	2250	-	-	1350	1380
	Surcharge	2167	2167	3772	3772	-	-	215	215
	Transaction	3967	4037	5942	6022	-	-	1565	1595
Denmark (DKR) per tonne	Market	13000	13400	15850	16300	-	-	-	-
	Surcharge	16301	16301	28265	28265	-	-	-	-
	Transaction	29301	29701	44115	44565	-	-	-	-

MONTHLY COLD ROLLED - NEGOTIATED TRANSACTION PRICES (GRADE 304)

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

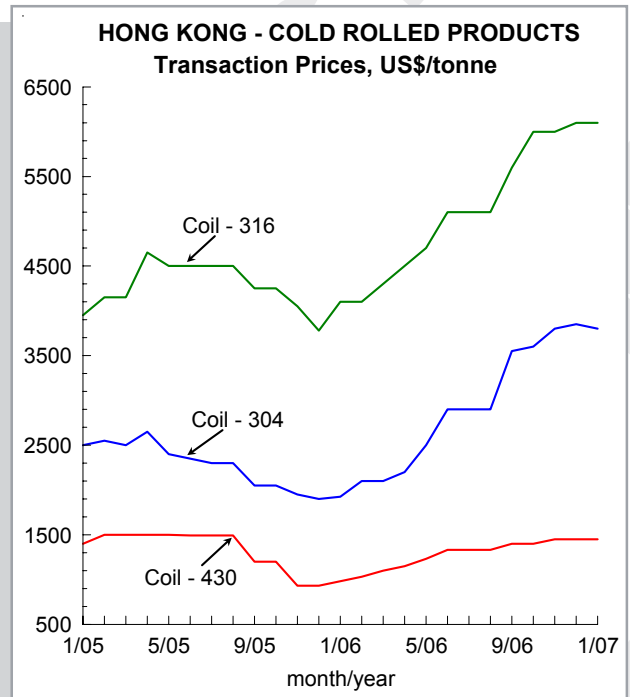
		2006						2007
		JUL	AUG	SEP	OCT	NOV	DEC	JAN
United States (\$US) per tonne	High:	3724	3724	4254	4610	4548	4787	4736
	Low:	3614	3614	4184	4540	4478	4717	4666
Japan ('000 Yen) per tonne	High:	365	365	435	470	485	495	525
	Low:	345	345	415	450	465	475	515
E.U. Average (€) per tonne	High:	2782	2798	3202	3655	3846	3990	4074
	Low:	2724	2739	3145	3595	3785	3930	4009

Cold rolled strip prices also went up in Taiwan. Local consumption is quite poor but selling values have been rising across the region. The greatest threat will come from Chinese imports in the near term. A slight decrease has been recorded this month in China. More availability is anticipated in the near term despite isolated shortages in some parts. Cuts in output are essential to stabilise the market. There are signs now that the mills will take action soon.

Basis values in Germany are unchanged for January. The market is oversupplied. This could lead to negative pressure in the coming months. A reduction in alloy surcharges for austenitics in February will be followed by a substantial hike in March. This could be the peak transaction value in this cycle unless a possible strike at a nickel mine in Canada takes place. French suppliers were unable to push up basis figures this month. The market has, however, started to recover and some believe there is room for an increase. MEPS does not share this optimism.

Italian basis prices are stable. Alloy surcharges for the austenitic grades are higher. Many traders/distributors are offering ex stock material at reduced prices to decrease their inventories. This is having a negative effect on the mills' ability to counter pressures from buyers to cut selling values. We expect to be reporting lower basis figures next month. Alloy surcharges should stabilise in February at near the January levels.

Underlying demand in the UK is satisfactory but stocks at the distributors are quite high. Only a proportion of the proposed 9 percent basis price rise was achieved this month. Customers can obtain standard grades and sizes from Asia and are not prepared to pay such an increase. Selling values for the more sophisticated specifications are still holding up quite well. Demand in Spain is sluggish but expected to pick up soon. Third country imports are increasing but are insufficient to seriously disturb the market at present. We are



informed that mill distributors are becoming more competitive on price but this has so far not been confirmed.

The Swedish market is fair. Demand for ferritics is rising to substitute austenitic grades. European mill delivery lead times are starting to shorten. Price competition from Asian material is intensifying and more of it is becoming available. Basis figures are at or close to their peak for this cycle. Resale prices are declining in the Netherlands. Consequently, the mills have been unable to implement basis price hikes. Buyers are reluctant to place orders for fear of being left with high priced stock if nickel price speculation comes to an end and alloy surcharges fall. Danish consumption is fair but customers are only buying to meet current requirements. Too much uncertainty regarding rocketing nickel prices and the threat from Chinese imports is making most buyers very cautious.

LONG PRODUCTS

LONG PRODUCTS - NEGOTIATED TRANSACTION PRICE TRENDS* - USA (\$US/tonne)

* LOW PRICES INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.	2005	2006				2007
	Q4	Q1	Q2	Q3	Q4	Q1(e)
Drawn Bar Grade 304	2874	2778	3163	3990	4737	4800
Drawn Bar Grade 316	4876	4605	4842	5996	7062	7100
Peeled Bar Grade 304	2724	2621	2993	3984	5087	5200
Peeled Bar Grade 316	4736	4448	4652	5802	6929	7150

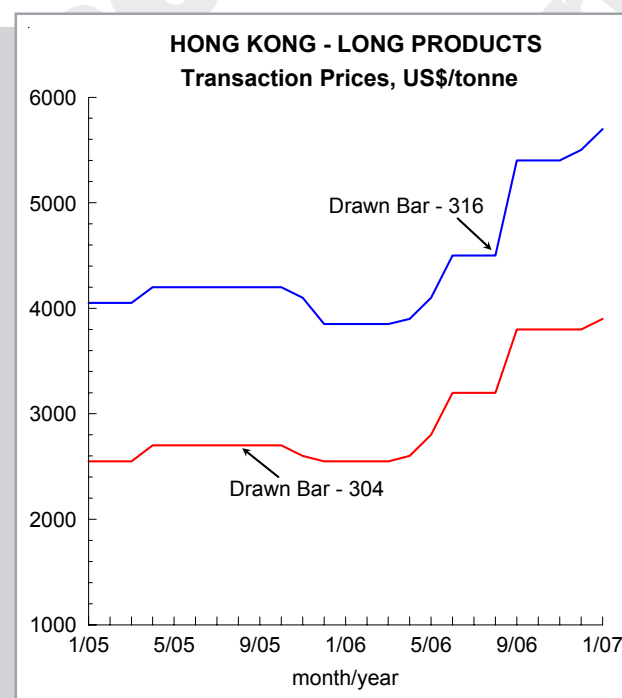
Business in the US has been very brisk in recent weeks. The mills have been able to replace reduced alloy surcharges by gains on basis. Next month, alloy surcharges will move up once again.

Substantial price rises have been imposed on bar products in Japan over the past four weeks. Demand from the industrial sectors remains firm and the main stainless producers have forced through price hikes to recover higher nickel costs. South Korean transaction values were lifted by KRW200,000 per tonne by the main producer to reclaim rising outlay on alloys. Producers pushed Taiwanese prices higher. Chinese values were also lifted as the mills made efforts to claw back, at least, some of the higher raw material costs.

German demand is fair. Import pressure has developed in the bright drawn category - mainly from India. Basis values, however, are stable but may fall away over the next few months. A similar picture has been noted in France. Italian prices are also steady. Activity in the UK bar market remains solid but basis figures are unchanged.

A small basis price rise was put in place in Spain for peeled bars from January. Bar basis values are unchanged in Sweden. End users have good order

books for the first half of this year. Activity is now picking up again in the Netherlands but basis figures are unmoved. Producers are still trying to lift basis numbers in Denmark. Stiff competition from India is making this impossible.



MONTHLY DRAWN BAR - NEGOTIATED TRANSACTION PRICES (GRADE 304)

INCLUDING ALLOY SURCHARGE WHERE APPLICABLE.

		2006						2007
		JUL	AUG	SEP	OCT	NOV	DEC	JAN
United States (\$US) per tonne	High:	3897	3897	4477	4848	4793	4870	4871
	Low:	3797	3797	4377	4748	4693	4770	4771
Japan ('000 Yen) per tonne	High:	365	365	410	410	425	435	475
	Low:	355	355	400	400	415	425	465
E.U. Average (€) per tonne	High:	3056	3073	3529	3933	4231	4329	4425
	Low:	2992	3009	3466	3870	4168	4265	4368

NEGOTIATED DOMESTIC PRICES - LONG PRODUCTS

Note:- * Import Prices

		———— Drawn Bar ————				———— Peeled Bar ————			
		Grade 304		Grade 316		Grade 304		Grade 316	
		Low	High	Low	High	Low	High	Low	High
U.S.A. (US\$) per ton	Market	1809	1900	2355	2445	2182	2273	2355	2445
	Surcharge	2528	2528	4064	4064	2528	2528	4064	4064
	Transaction	4337	4428	6419	6509	4710	4801	6419	6509
U.S.A. (US\$) per tonne	Market	1990	2090	2590	2690	2400	2500	2590	2690
	Surcharge	2781	2781	4470	4470	2781	2781	4470	4470
	Transaction	4771	4871	7060	7160	5181	5281	7060	7160
Japan (‘000 YEN) per tonne	Market	465	475	635	655	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	465	475	635	655	-	-	-	-
South Korea (‘000 KRW) per tonne	Market	3740	3840	5570	5770	4200	4450	5690	6090
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	3740	3840	5570	5770	4200	4450	5690	6090
Taiwan (‘000\$NT) per tonne	Market	156.0	159.0	200.0	204.0	161.0	165.0	200.0	207.0
	Surcharge	0	0	0	0	0	0	0	0
	Transaction	156.0	159.0	200.0	204.0	161.0	165.0	200.0	207.0
Hong Kong* (US\$) per tonne	Market	3900	4050	5700	5850	-	-	-	-
	Surcharge	0	0	0	0	-	-	-	-
	Transaction	3900	4050	5700	5850	-	-	-	-
Germany (€) per tonne	Market	1300	1350	1600	1700	1220	1270	1540	1620
	Surcharge	3030	3030	5200	5200	2700	2700	4620	4620
	Transaction	4330	4380	6800	6900	3920	3970	6160	6240
France (€) per tonne	Market	1270	1300	1620	1650	1180	1210	1510	1560
	Surcharge	2983	2983	5162	5162	2652	2652	4588	4588
	Transaction	4253	4283	6782	6812	3832	3862	6098	6148
Italy (€) per tonne	Market	1350	1400	1700	1750	1250	1300	1600	1670
	Surcharge	3020	3020	5130	5130	2690	2690	4560	4560
	Transaction	4370	4420	6830	6880	3940	3990	6160	6230
UK (£) per tonne	Market	850	900	950	1000	840	870	920	940
	Surcharge	2226	2226	3895	3895	1979	1979	3462	3462
	Transaction	3076	3126	4845	4895	2819	2849	4382	4402
Spain (€) per tonne	Market	1280	1360	1630	1660	1230	1310	1510	1610
	Surcharge(E)	3014	3014	5037	5037	2668	2668	4551	4551
	Transaction	4294	4374	6667	6697	3898	3978	6061	6161
Sweden (SKR) per tonne	Market	13550	13700	17300	17500	13600	13800	17050	17300
	Surcharge	27730	27730	47110	47110	26190	26190	44490	44490
	Transaction	41280	41430	64410	64610	39790	39990	61540	61790
Netherlands (€) per tonne	Market	1140	1190	1530	1590	1080	1130	1450	1500
	Surcharge	2970	2970	5140	5140	2640	2640	4570	4570
	Transaction	4110	4160	6670	6730	3720	3770	6020	6070
Denmark (DKR) per tonne	Market	10950	11150	13750	13950	9750	10150	12650	12950
	Surcharge	22530	22530	38725	38725	20030	20030	34435	34435
	Transaction	33480	33680	52475	52675	29780	30180	47085	47385

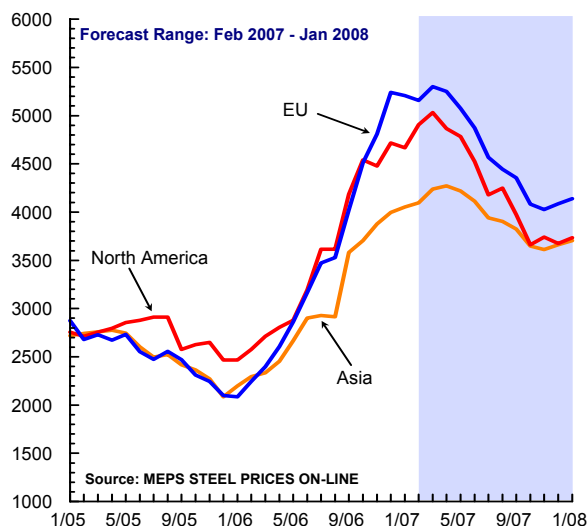
MEDIUM TERM PRICE FORECASTS

COLD ROLLED STAINLESS STEEL COIL

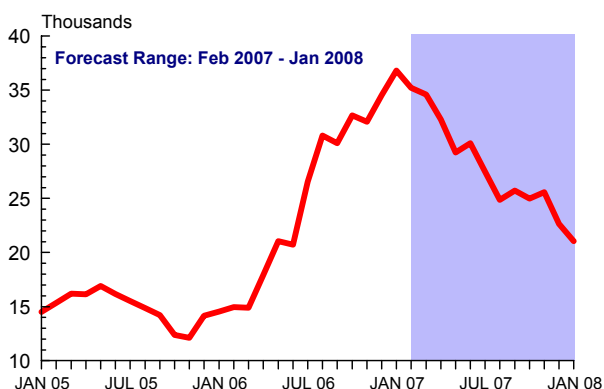
Stainless basis prices appear to have finally run out of steam in Europe and North America as the market begins to weaken. They are expected to fall in the near future. Alloy surcharges on the other hand are set to rise in the short term and predicted to result in record stainless transaction figures over the next two months - although being offset slightly by the reducing basis figures. In Asia, the market is slowing as buyers struggle with the current high prices. However, transaction values are expected to increase for several months ahead as the mills attempt to recover some of the continually rising nickel costs.

In the longer term we forecast stainless selling values declining in all regions as nickel prices reduce and demand slows as we enter a de-stocking phase in the stainless steel sector.

STAINLESS TYPE 304 CR COIL FORECAST Average Transaction Prices, \$US/tonne



MEPS Forecast - Average Monthly Nickel Prices LME Cash Buyer \$US/tonne



NICKEL

Nickel has broken new record highs during January. This was attributed to fears that the Xstrata contract talks may lead to a strike at the Sudbury mill in Ontario. There is the possibility of even higher prices if the industrial action does go ahead. Our forecasts are based on the assumption that this will not happen.

Nickel inventories still remain at low levels, although the supply demand balance is likely to ease as the year progresses. Nickel prices are expected to reduce during 2007 and into 2008. We forecast the average December 2007 nickel price at \$US22,600 per tonne.

STAINLESS STEEL PRODUCTION - CRUDE STEEL EQUIVALENT ('000 TONNES)

	2004	2005	2006(f)	2005		2006			
				Q3	Q4	Q1	Q2	Q3	Q4(f)
European Union	8800	8270	9250	1750	2010	2300	2460	2200	2290
Japan	4000	3795	3900	870	870	930	940	1015	1015
United States	2400	2205	2550	470	505	635	670	630	615
South Korea	2275	2245	2240	525	575	535	500	600	605
Taiwan	1600	1615	1650	355	380	395	440	415	400
Others* (e)	2775	2775	2960	700	705	710	725	745	780
Total W. World+	21850	20905	22550	4670	5045	5505	5735	5605	5705
China/Russia (e)	2750	3500	5250	900	900	1145	1260	1365	1480
Global Total	24600	24405	27800	5570	5945	6650	6995	6970	7185

Note: * - Others include India, Brazil, Canada, South Africa and other Western Europe. (e) - ESTIMATE. (f) - FORECAST. (r) - REVISED. + - excludes CIS and PR China.

INDUSTRY MATTERS

CAPACITY/INVESTMENT

Germany's Voss Edelstahlhandel, is opening a UK distribution facility in February 2007. It will be located in the West Midlands and will stock light sections – products it has been exporting to the UK for some time.

China's Jiangsu Hongtai Steel, is building a 100,000 tonne per year stainless melting facility. It will produce 200 and 300 series slab. Commercial output is expected to start in mid-2007.

Taiyuan Iron & Steel, in China, has completed its 1.15 million tonne per year cold rolling line. Commercial production will begin soon. Feed material will come from the company's new hot rolling mill. Another cold line is due to come on stream in March 2007.

United Stainless Steel Company is commissioning its new 90,000 tonne per year cold rolling mill in Bahrain. Commercial output is expected to start in May.

Metalfin (UK) Ltd., has moved its operations to a new larger facility in the West Midlands. The centre will

serve domestic customers with flat products, tubes, bars, angles and fittings.

Arcelor Mittal's new Carinox meltshop in Belgium will close for maintenance work early in February. The unit, which went into operation towards the end of 2005, will be out of action for up to seven days. The loss of output will put some pressure on ferritic supplies in Europe.

RAW MATERIAL CONVERSION MARGIN GRADE 304 COLD ROLLED COIL

COUNTRY		Last Month	This Month
United States	\$US/tonne	1732.4	1484.3
Japan	'000 YEN/tonne	124.7	141.1
Germany	€/tonne	1638.5	1652.0

Definition - The conversion margin is the difference between current transaction price and the intrinsic value of the raw materials.

WORLD/REGIONAL AVERAGE TRANSACTION PRICES (\$US/tonne)

		WORLD		E.U.		N. AMERICA		ASIA	
		Last Month	This Month	Last Month	This Month	Last Month	This Month	Last Month	This Month
HR Coil Type 304	:High	4457	4484	5116	5092	4507	4456	3749	3905
	:Low	4367	4381	5016	4987	4417	4366	3669	3791
HR Coil Type 316	:High	6917	6992	7689	7610	7203	7136	5860	6230
	:Low	6811	6866	7613	7529	7073	7006	5747	6063
HR Plate Type 304	:High	5069	5092	5492	5458	5547	5496	4169	4321
	:Low	4953	4975	5412	5382	5427	5376	4020	4168
HR Plate Type 316	:High	7399	7418	8161	8052	7803	7736	6232	6466
	:Low	7300	7312	8055	7956	7703	7636	6143	6344
CR Coil Type 304	:High	4737	4726	5320	5291	4787	4736	4103	4152
	:Low	4651	4642	5240	5206	4717	4666	3997	4054
CR Coil Type 316	:High	7195	7174	7924	7866	7303	7236	6358	6420
	:Low	7109	7083	7844	7777	7263	7196	6220	6277
Drawn Bar 304	:High	4909	4955	5772	5747	4870	4871	4085	4246
	:Low	4813	4860	5687	5673	4770	4771	3983	4137
Drawn Bar 316	:High	7338	7359	9125	8986	7157	7160	5733	5930
	:Low	7237	7246	9048	8912	7057	7060	5605	5767

PRODUCT AND PRICE DEFINITIONS

PRODUCTS

Hot Rolled Wide Coil - Grades 304 and 316 in standard widths and finish. Thickness:- 3-12mm (except USA at 0.125 to 0.5 inches).

Hot Rolled Quarto Plate - Grades 304 and 316 in standard widths, length and finish. Thickness:- 13mm and above (except USA at 0.5 inches and above).

Cold Rolled Wide Coils - Grades 304, 316, 409 and 430 in standard widths. Thickness:- 2mm (except USA at 0.10 inches). Finish:- 430 - BA finish except USA and Hong Kong which is 2B. 304-316 - 2B all countries.

Bright Drawn Bar - Grades 304 and 316 : Diameter:- 25mm (except USA at 1 inch).

Peeled/Rough Turned Bar - Grades 304 and 316 : Diameter:- 50-100mm (except USA at 2-4 inches). South Korean figures are for precision bar.

PRICES

All prices in this publication relate to those to be paid by consumers and stockholders for prime material, ex mill. Prices are for regular business between customers and their local steel mills negotiated during the month for delivery in the short/medium term. Delivery charges and local taxes are excluded. Contract deals arranged in the domestic market or special negotiations for quantities of imported material are also excluded.

Market Price can be defined as our analysis of the value negotiated for the products specified above - including extras for grade and form of supply.

Transaction Price is the total amount to be paid for the specified product - including alloy surcharges or alloy adjustment factor (if applicable).

All price and market information is researched by MEPS staff and our local correspondents. High and low values are provided to reflect the range of prices between major and minor customers. **Price tables relate to deliveries in different time periods. It is important these are read in conjunction with the text in the newsletter.**

Please Note: the reference for steel prices differs, slightly, in the various regions of the world:

Japan - In this publication, market price relates to spot deals negotiated between the mills and consumers or first tier service centres.

South Korea - The low price relates to deals between the mills and large steel consumers. The high price refers to ex-stock mill sales through selected outlets.

The data contained in this newsletter has been obtained from respondents who we consider provide accurate intelligence on the steel market. We make our best endeavours to be assured that the information is correct and that our analysis is reliable. MEPS (International) LTD cannot be made liable for any loss resulting from use of our published data, however it may arise.

CURRENCY EXCHANGE RATES January 9 - 2006

		Units/ US\$
USA	(\$US)	1.00
Japan	(Yen)	119.5
South Korea	(KRW)	938.3
Taiwan	(\$NT)	32.69
Hong Kong	(\$US)	1.00
Eurozone	(€)	0.770
UK	(£)	0.515
Sweden	(SKr)	7.023
Denmark	(DKr)	5.736

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NEXT MONTH'S ISSUE

The February issue of the Stainless Steel Review will be despatched by post & PDF on 28 February, 2007.

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EUROPEAN STEEL REVIEW (monthly)

This is our flagship publication. The first report was produced in 1984. Each monthly issue incorporates high and low market prices for eleven different steel product forms in the EU - Germany, France, Italy, Spain, UK and Belgium. Data for both flat and long products is supplied in each edition. All prices are displayed in Euros for easy comparison. Details of EU Average Steel Transaction Prices are incorporated together with regular forecasts.



EUROPEAN STEEL REVIEW SUPPLEMENT (monthly)

A sister publication to the European Steel Review: the range of data is extended in this report. Price and market information is supplied for a further six nations, including - Denmark, Sweden, Finland, Holland, Austria and Norway. Euro comparisons are also included. Details of Nordic Average Steel Transaction Prices are incorporated together with regular forecasts.



INTERNATIONAL STEEL REVIEW (monthly)

Each edition carries domestic steel pricing data in eleven countries across the globe, including - United States, Canada, China, Japan, South Korea, Taiwan, Poland, Czech/Slovak Republics and the main five EU member states - covering 70% of world consumption. Details of World and Regional Average Steel Prices are incorporated together with regular forecasts.



STAINLESS STEEL PRICE FORECASTS

Online World and Regional monthly stainless steel price forecasts are now available for Hot Rolled Coil, Hot Rolled Plate and Cold Rolled Coil - grades 304 and 316. Forecasts are updated monthly and extend for a period of one year. Historical data back to 1997 can also be accessed. A chart showing both past and future trends is displayed, together with a brief commentary on the likely tendencies.



For more information, please visit www.meps.co.uk/world-price.htm

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