U.S. Calls for Higher Tariffs on Steel Imports

Six U.S. steel producers including U.S. Steel Corporation and Steel Dynamics Inc. filed cases in June alleging that some products from Italy, India, China, and South Korea had been harming domestic companies. In November, the government found that many foreign countries receive state subsidies to produce their steel to the tune of 236% in some places.

A U.S Department of Commerce investigation found that corrosion resistance steel products from China were produced at unfair low prices. So earlier the U.S. has called for a 256% tax on imported steel from China. Reports say that U.S. steel mills have slowed by as much as 38% of their capacity due to a 38% rise in imports in 2014. Furthermore the industry benchmark hot rolled steel coil which is used in everything from fridges to freight containers plunged 40% in 2015. Imports from India, South Korea and Italy will still be taxed at lower rates for the time being. The call for higher tariffs comes just a week after Mexico launched its own anti-dumping investigation on imports of Chinese steel products. Chinese iron and steel industry association did respond saying that, "Mexico's decision disregards the fact that this is a competitive period and that a solution requires the concerted efforts of all producers in the global steel industry."

Although it is not an outright ban of Chinese steel products, the new tariff effectively makes it highly prohibitive for steel companies in China to sell to the U.S. So far the reaction to this tax by China has been quite muted. The price of steel has hit a decade low. U.S. steel producers point towards surging imports as their number one headwind. It's interesting to see policy changes brought on by changing economic conditions. Senators who represent steel producing States such as Iowa and Pennsylvania will no doubt be watching the effects of this tariff.

The new 256% tariff is a major win for U.S. producers but it will also make manufacturing more expensive inside the country. Since imported steel has been so cheap it may not be such a bad idea to continue buying the cheaper steel products and use them to repair bridges and other steel infrastructure in the country. Although more U.S. jobs might be created in steel mills with the new tariff, there may be other sectors of

the economy, such as construction and manufacturing, that may be hit with hardships.

Commodity investors should probably put some steel related stocks on their watch lists. It will be interesting to see how companies such as U.S. Steel Corp. and Cliffs Natural Resources perform with this news. U.S. Steel is engaged in producing flat-rolled and tubular products with production operations in North America and Europe. Cliffs Natural Resources is a mining and natural resources company. It's a supplier of iron ore pellets to the North American steel industry from its mines and pellet plants located in Michigan and Minnesota.

Tariffs are a form of protectionism that is meant to support a country's domestic industry. But there's a chance that it could backfire. If China decides to retaliate by devaluing its currency, the RMB, or by imposing its own tariffs against U.S. products then we could be looking at the beginning of a trade war. If that is the case then consumers should brace for the possibility of a recession in 2016. We'll have to wait until the New Year to find out.

US Flat-rolled Steel Market Stays Stable

Flat-rolled prices stayed stable as the market entered the Christmas holiday with buy-side sources expecting more price clarity once January arrives.

Its daily hot-rolled and cold-rolled coil assessments at $375-$400/st and $520-$530/st, respectively. Both prices are normalized to a Midwest ex-works basis.

A Midwest service center source said a mini-mill had agreed that January HRC at $380/st was doable at sufficient tonnage (maybe 1,000 st), but said they were still sitting back a bit to see how the spot market develops.

He added that another mill had agreed to sell HRC at $360/st for December delivery, but had indicated they will be at $380/st for January. The mill struggled to fill December's order book, which gave the service center source some concerns about HRC going into January.

One buy-side source agreed producers continued to muddy the waters, as they have still been selling December HRC at a discounted number and has seen as low as $350/st for December. But the buyer said a producer was advertising $400/st for January.

He said the market probably will not know much until after the New Year as most mills he had spoken to believe they can get the price to a minimum of $380/st for HRC and will try to push the whole increase. Both the service center and buy-side source indicated hot-dipped galvanized pricing was faring better than HRC, as one producer's domestic lead times are stretched into March. The buy-side source added the mill was fetching $520-$530/st with ease.

Another buyer also questioned the strength of mill order books. "I don't think the mills have orders, but they're so hopeful for better pricing in January that they're not being as aggressive as their book would warrant," he said.

This section is a compilation from various company press releases, business dailies & trade publications.