

Shanghai steel future edges higher

Shanghai steel futures edged higher the data showed increases in Chinese home prices appear to be spreading to smaller cities, but concerns over seasonally weak demand capped gains.

Average new home prices in 70 major Chinese cities climbed 6.9 percent last month from a year ago, accelerating from April's 6.2 percent rise, based on data from the National Statistics Bureau.

The coastal city of Xiamen surpassed the top-tier cities and recorded the second highest price rise of 28 percent. Prices in second-tier cities Nanjing and Hefei also rose over 20 percent, more than the 19.5 percent seen in Beijing.

High inventories in lower tier cities will likely remain a problem for China's property sector, not only weighing on commodity demand at some point, but boosting concerns



China's Steel Future seems bright as govt. plans to expand railway network



China's steel futures jumped to the highest level in seven weeks after the government said it plans to expand the country's railway network, helping to boost sentiment at a time of low stockpiles.

China approved the rail-network plan, which includes encouraging private investment, according to a government statement following a State Council meeting chaired by Premier Li Keqiang. The expansion will be made via a minimum investment of 2.8 trillion yuan (\$421 billion) in the five years to 2020.

Reinforcement-bar futures for October delivery on the Shanghai Futures Exchange gained as much as 4.6 percent to 2,345 yuan a metric ton, the highest for the most-active contract since May 4, before closing at 2,337 yuan.

"China's plan to expand the railway network, and its recent reiteration of reducing steel-making capacity, is bullish in the long-term," Wei Junyi, an analyst at Huatai Futures, said. The market is also reacting to low inventory levels, he said.

The country will cut 45 million tons of steel-making capacity this year, Xu Shaoshi, chairman of the top economic planning agency, the National Development and Reform Commission, said at a forum in Tianjin. Earlier this year, the nation committed to reducing capacity by as much as 150 million tons through 2020. Rebar steel inventory fell 2.4 percent to 3.79 million tons, the lowest level since January 22, according to data tracked by the Shanghai Steelhome Information Technology Co. Huatai's Wei said the low stockpiles are helping offset weak seasonal demand.

that the recent price uptick is more speculative than fundamental," Commonwealth Bank of Australia said in a note.

But the bank said if the growth in home prices in lower tier cities continues later in the year, construction demand could strengthen.

The most-traded rebar, a construction steel product, on the Shanghai Futures Exchange was up 0.4 percent at 2,062 yuan a tonne by 0254 GMT.

Rebar has come off a five-week high of 2,189 yuan reached on June 13, pressured by expectations of slower construction activity in China as summer approaches.

That has limited appetite for spot cargoes of raw material iron ore. Iron ore for immediate delivery to China's Tianjin port.

"Recent economic data in China has quelled the positive sentiment in the sector, with mills refraining from restocking," ANZ Bank said.

Growth in China's fixed-asset investment slipped below 10 percent for the first time since 2000 in January-May, putting this year's economic expansion target of 6.5-7 percent at risk unless the government pumps even more money into the economy.

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