

Contents



GLOBAL MACROECONOMICS	2
REGIONAL MACRO OUTLOOK.....	3
United States of America	3
European Union / Eurozone.....	4
Middle East & North Africa (MENA).....	5
Turkey.....	6
China.....	7
Other Asia.....	8
Commonwealth of Independent States (CIS).....	9
PRICE FORECAST	10
Billet, fob Black Sea	10
HRC, fob Black Sea.....	11
Contract Vale Carajas Fines, Fe 66%, fob Brazil	12
Contract High Quality Hard Coking Coal, fob Australia....	13
Pig Iron, fob Black Sea	14
Ferrous Scrap HMS 1&2 (80:20), cfr Turkey.....	15
SOURCES OF DATA.....	16

Steel & Raw Prices: Mid-Term in Focus

- Macro Forecast
- Leading Indicators
- Price Outlook

Global Macroeconomics

GDP Actual Data & Forecast (YoY)	2Q 2013e	3Q 2013e	4Q 2013f	1Q 2014f	2012e	2013f	mid-term outlook
World (nominal GDP weights)	2,5%	2,7%	2,9%	2,9%	2,7%	2,6%	Positive, steady growth
USA	1,6%	2,0%	2,2%	2,4%	2,2%	1,8%	Positive, expanding faster rate
EU	-0,5%	-0,2%	0,3%	0,4%	-0,6%	-0,4%	Mixed, slight contracting, expected reversal
China	7,5%	7,6%	7,4%	7,7%	7,7%	7,6%	Positive, steady growth & deceleration
Japan	0,9%	1,6%	1,8%	1,6%	1,9%	1,5%	Positive, steady growth
Turkey	3,0%	2,5%	2,9%	3,5%	2,2%	2,9%	Positive, slowing down & expanding
Russia	1,2%	1,8%	2,1%	3,4%	3,4%	1,7%	Positive, expanding faster rate
Ukraine	-1,3%	0,8%	0,6%	2,0%	0,2%	-0,2%	Mixed, recession, expected recovery

Executive Summary

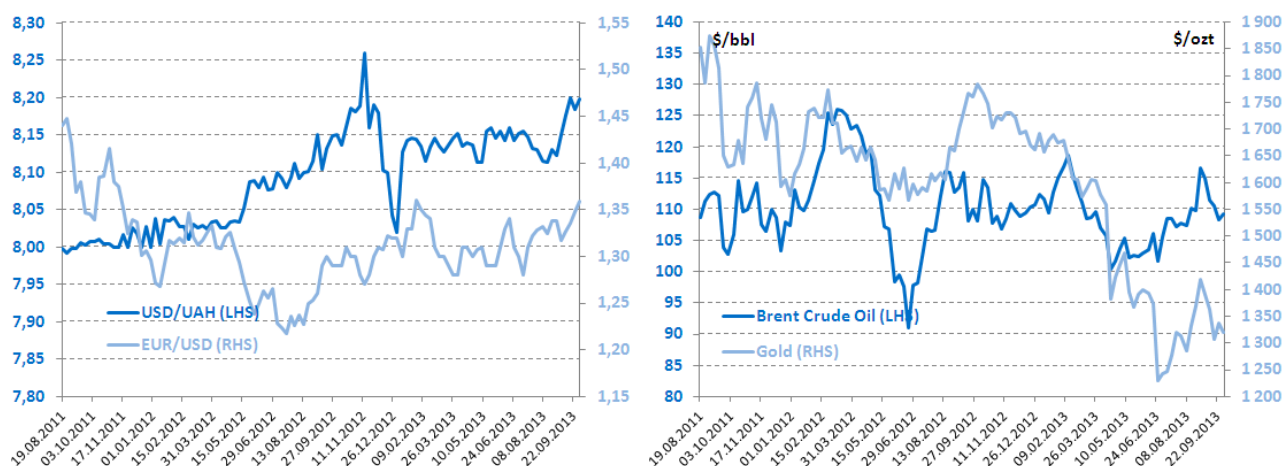
In General, Positive Mid-Term GDP and IP Growth Expectations

For the last month, there were just minimal downward mid-term macro forecast revisions for Russia and Ukraine. The general outlook for 4Q 2013 and early-2014 remains moderately positive. In spite of cut for the majority of expected industrial activity indicators across MENA, Turkey, Asia and the EU for 3-4Q 2013, a further revival of business activity is forecasted in 4Q2013-1Q2014

Mixed Current Performance in Different Regions

Leading economic indicators continue to show moderately positive dynamics across the majority of concerned regions/countries, though the pace of recovery has slightly eased in September. The EU remains a bright spot with the further Improvements in business and consumer sentiment amid financial stability in the region. Turmoil in the US economy connected with temporal budget "shutdown" has hurt earlier improved sentiment. Moreover the problem of debt ceiling is also still unsolved. Leading indicators of Chinese economy have mostly leveled off suggesting the pace of economic growth will remain muted in the coming months. Muslim countries of MENA (Egypt and Syria) and Asia are still struggling to overcome the period of business activity slackening. However Japan and Indonesia manage to achieve certain success.

Currency Exchange Rates & Commodities Prices



Regional Macro Outlook

United States of America

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)	(1)	1,6%	2,0%	2,2%	2,4%	2,2%	1,8%
IP Growth Forecast, % (YoY)	(2)	1,7%	1,6%	2,3%	2,5%	3,9%	2,3%
Housing Starts, mln Units	(3)	0,87	0,98	1,10	1,17	0,78	0,98
Real Capital Spending, % (YoY)	(3)	4,4	4,7	5,2	5,1	7,3	2,6

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index*	(3)	74,3	82,1	81,0	81,8	79,7	-2,6%
II. Global Business Cycle Indicator (LEI)**	(3)	95,2	95,3	96,0	96,6		0,6%
III. OECD CLI***	(4)	100,9	101,0	101,1			0,1%
IV. Manufacturing PMI****	(5)	49,0	50,9	55,4	55,7	56,2	0,9%

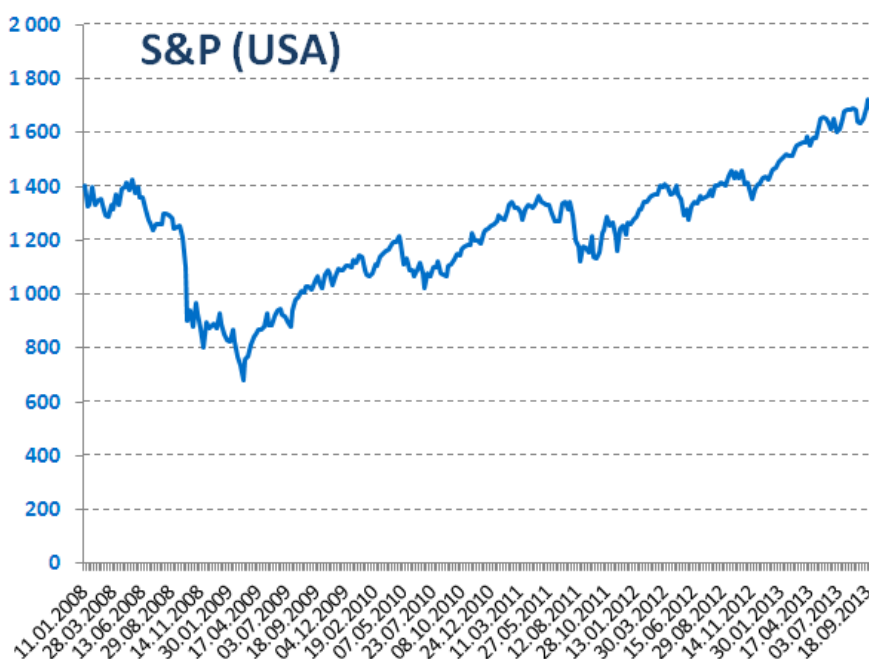
* 1985 = 100. While index changes of less than 5% are often dismissed as inconsequential, moves of 5% or more often indicate a change in the direction of the economy.

** 2004 = 100

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



European Union / Eurozone

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast (Eurozone), % (YoY)	(1)	-0,5%	-0,2%	0,3%	0,4%	-0,6%	-0,4%
Italy	(1)	-2,0%	-0,6%	-0,2%	0,3%	-2,4%	-1,4%
Poland	(1)	1,1%	0,8%	1,2%	1,6%	1,9%	1,1%
IP Growth Forecast (EU), % (YoY)	(22)	-1,1%	0,4%	0,4%	0,5%	-2,4%	-1,0%
Construction Volumes (EU), % (QoQ)	(6)	0,3%	0,0%	0,3%	0,5%	-5,8%	-3,3%
Automobiles Production (EU), mln units	(7)	3,61	3,58	3,60	3,64	14,80	14,37

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index (Euro Area)*	(8)	-21,9	-18,8	-17,4	-15,6	-14,9	4,5%
II. Global Business Cycle Indicator (LEI) (Euro Area)**	(3)	107,3	107,5	108,4	108,9		0,5%
III. OECD CLI (Euro Area)***	(4)	100,2	100,3	100,5			0,2%
IV. Manufacturing PMI (Euro Area)****	(9)	48,3	48,8	50,3	51,4	51,1	-0,6%

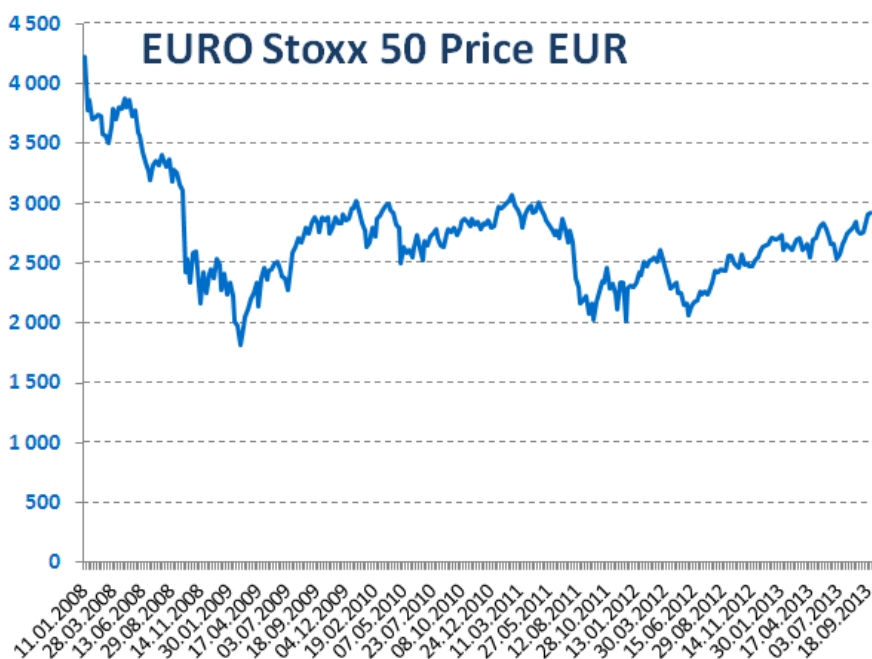
* a scale of -100 to 100, where -100 indicate extreme lack of confidence, 0 neutrality and 100 extreme confidence

** 2004 = 100

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Middle East & North Africa (MENA)

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)							
Lebanon	(1)	n/a	n/a	n/a	n/a	1,5%	2,0%
Saudi Arabia	(1)	n/a	n/a	n/a	n/a	6,8%	4,4%
Iraq	(1)	n/a	n/a	n/a	n/a	8,4%	9,0%
UAE	(1)	n/a	n/a	n/a	n/a	3,9%	3,1%
Egypt	(1)	n/a	n/a	n/a	n/a	2,2%	2,0%
Algeria	(1)	n/a	n/a	n/a	n/a	2,5%	3,3%
Index of ME Construction Projects Value (end of period), USD trln	(10)	2,91	2,83	2,87	2,85	2,87	2,88

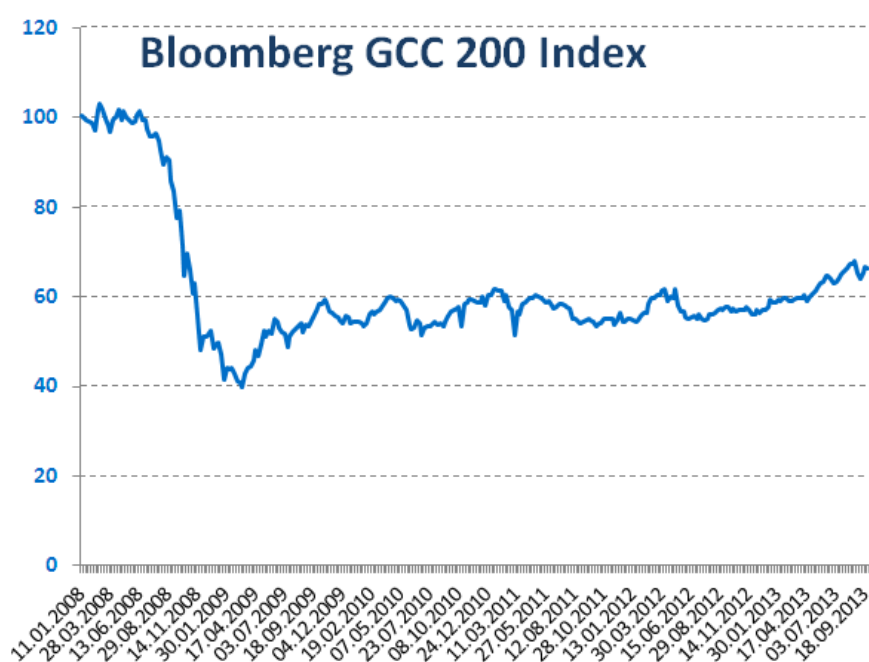
Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index (Israel)*	(8)	-32,0	-36,0	-32,4	-29,7		8,3%
II. OECD CLI (Israel)***	(4)	100,1	100,0	99,8			-0,2%
III. Manufacturing PMI****							
Saudi Arabia (HSBC)	(9)	57,3	56,6	56,6	57,5	58,7	2,1%
UAE (HSBC)	(9)	55,3	54,1	54,5	54,5	56,6	3,9%
Egypt (HSBC)	(9)	48,5	47,5	41,7	42,2	44,7	5,9%

* a scale of -100 to 100, where -100 indicate extreme lack of confidence, 0 neutrality and 100 extreme confidence

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Turkey

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)	(1)	3,0%	2,5%	2,9%	3,5%	2,2%	2,9%
Construction Volumes, bln TRY	(11)	15,2	15,0	15,3	15,0	59,20	60,40
Automobiles Production, mln units	(12)	303,1	255,5	295,8	292,7	1 115,2	1 139,6

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index*	(8)	77,5	76,2	78,5	77,2		-1,6%
II. OECD CLI***	(4)	99,5	99,3	99,0			-0,3%
III. Manufacturing PMI (HSBC)****	(9)	51,1	51,2	49,8	50,9	54,0	6,1%
IV. Construction Confidence Index*****	(11)	91,5	87,9	85,3	83,4	79,2	-5,0%

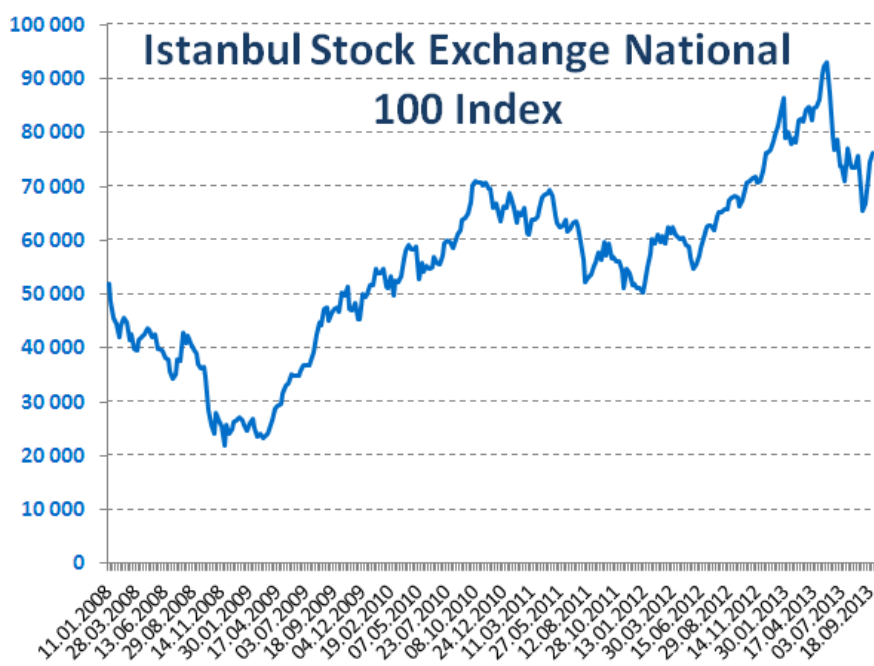
* The index is evaluated between 0 and 200. If it is above 100, it means consumer confidence is optimistic. If it is below 100, consumer confidence is pessimistic. 100 refer to neutral opinion in consumer confidence.

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

***** the value is between 0 and 200. It indicates an optimistic outlook when the index is above 100, but it indicates a pessimistic outlook when it is below 100.

Stock Index



China

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)	(1)	7,5%	7,6%	7,4%	7,7%	7,7%	7,6%
IP Growth Forecast, % (YoY)	(13)	9,3%	9,2%	10,5%	9,7%	10,0%	9,7%
New Construction Investments, bln CNY	(14)	62,9	54,5	56,5	30,5	176,3	202,0
Automobiles Production, thou units	(15)	5 354	5 120	5 220	5 325	19 270	21 100

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index*	(8)	99,0	97,0	97,2	97,8		0,6%
II. Global Business Cycle Indicator (LEI)**	(3)	261,6	263,8	267,3	269,3		0,7%
III. OECD CLI***	(4)	99,5	99,5	99,4			0,0%
IV. Manufacturing PMI****							
Official	(14)	50,8	50,1	50,3	51,0	51,1	0,2%
HSBC	(9)	49,2	48,2	47,7	50,1	50,2	0,2%

* The index is evaluated between 0 and 200. If it is above 100, it means consumer confidence is optimistic. If it is below 100, consumer confidence is pessimistic. 100 refer to neutral opinion in consumer confidence.

** 2004 = 100

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Stock Index



Other Asia

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)							
Japan	(1)	0,9%	1,6%	1,8%	1,6%	1,9%	1,5%
Indonesia	(1)	5,8%	4,8%	5,2%	5,5%	6,2%	5,6%
S.Korea	(1)	2,3%	2,5%	2,7%	4,0%	2,0%	2,3%
India	(1)	4,4%	4,9%	5,0%	6,4%	4,0%	4,8%
IP Growth Forecast (Japan), % (YoY)	(2)	-3,1%	1,2%	4,1%	4,0%	-0,3%	-0,7%
New Housing Starts (Japan), thou units	(16)	241,4	245,4	241,6	242,9	882,4	938,1
Automobiles Production (Japan), thou units	(17)	2 289	2 250	2 300	2 347	9 943	9 224
New Construction Orders (S.Korea), % (QoQ)	(18)	2,0%	-1,5%	0,8%	1,0%	2,9%	1,5%
Automobiles Production (S.Korea), thou units	(19)	1 073	963	1 130	1 085	4 210	4 180
Construction Volumes (India), % (QoQ)	(20)	3,0%	-1,5%	-1,0%	1,5%	6,5%	3,5%

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index *							
Japan (a)	(8)	45,7	44,3	43,6	43,0		-1,4%
Indonesia (b)	(8)	111,7	117,1	108,4	107,8		-0,6%
S.Korea (b)	(8)	104,0	105,0	105,0	105,0	102,0	-2,9%
India (b)	(8)	-	118,0	-	-		-1,7%
II. Global Business Cycle Indicator (LEI) **							
Japan	(3)	98,6	98,1	98,0			-0,1%
S.Korea	(3)	120,2	118,9	119,0			0,1%
III. OECD CLI***							
Japan	(4)	101,0	101,1	101,1			0,0%
Indonesia	(4)	99,5	99,1	98,5			-0,5%
S.Korea	(4)	101,1	101,3	101,4			0,2%
India	(4)	97,4	97,3	97,1			-0,1%
IV. Manufacturing PMI****							
Japan (Markit/JMMA)	(9)	51,5	52,3	50,7	52,2	52,5	0,6%
Indonesia (HSBC)	(9)	51,6	51,0	50,7	48,5	50,2	3,5%
S.Korea (HSBC)	(9)	51,1	49,4	47,2	47,5	49,7	4,6%
India (HSBC)	(9)	50,1	50,3	50,1	48,5	49,6	2,3%

*(a) A score above 50 indicates optimism, below 50 shows lack of confidence and 50 indicates neutrality

*(b) Above 100 = consumer confidence is optimistic. Below 100 = consumer confidence is pessimistic. 100 = neutral opinion in consumer confidence.

** 2004 = 100

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

Commonwealth of Independent States (CIS)

Main Indicators	Source	2Q 2013e	3Q 2013f	4Q 2013f	1Q 2014f	2012e	2013f
GDP Growth Forecast, % (YoY)							
Russia	(1)	1,2%	1,8%	2,1%	3,4%	3,4%	1,7%
Ukraine	(1)	-1,3%	0,8%	0,6%	2,0%	0,2%	-0,2%
IP Growth Forecast, % (YoY)							
Russia	(13)	0,3%	0,5%	1,4%	3,5%	2,6%	0,7%
Ukraine	(24)	-8,6%	1,5%	2,5%	3,3%	-1,8%	-2,4%
Tubes Production (Russia), th. tonnes	(21)	2 557	2 470	2 420	2 445	9 700	9 780
Automobiles Production (Russia), th. units	(21)	533	507	530	509	2 220	2 065
Construction Volumes (Russia), bln RUB	(21)	1 351	1 670	1 978	950	5 712	5 901

Leading Indicators	Source	May 2013	Jun 2013	Jul 2013	Aug 2013	Sep 2013	Change
I. Consumer Confidence Index *							
Russia (a)	(8)	-	-6,0	-	-		14,3%
Ukraine (b)	(8)	83,1	82,7	89,1	87,7		-1,6%
III. OECD CLI (Russia)***	(4)	99,1	99,2	99,3			0,1%
IV. Manufacturing PMI****							
Russia (HSBC)	(9)	50,4	51,7	49,2	49,4	49,4	0,0%

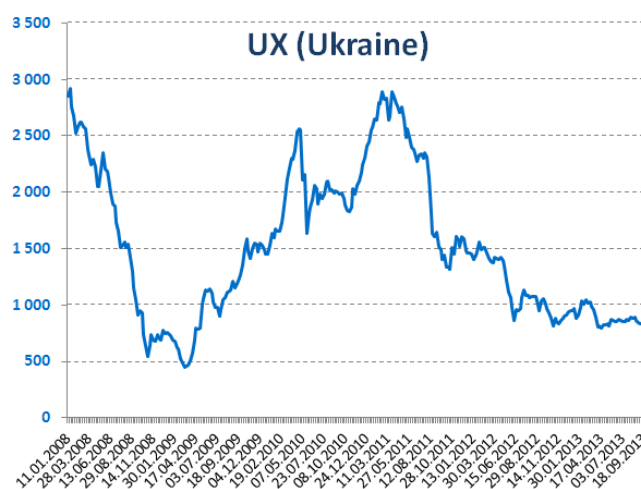
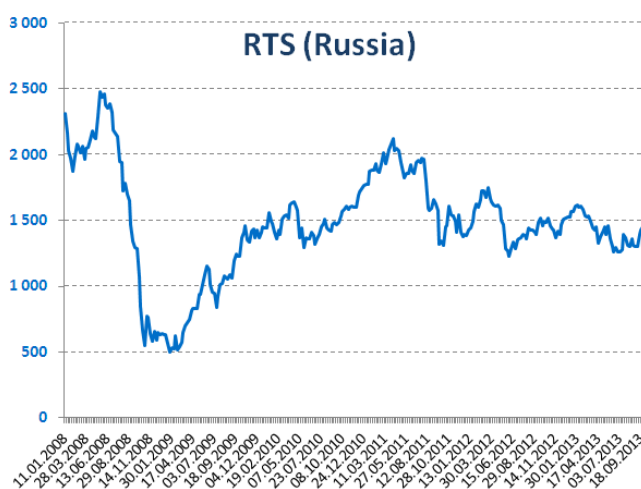
*(a) Indicator takes a value between -100 (all respondents assess their situation as poor and expect it to become worse) and 100 (all participants are satisfied with the current situation and expect it to improve); 0 indicates neutrality.

*(b) Above 100 = consumer confidence is optimistic. Below 100 = consumer confidence is pessimistic. 100 = neutral opinion in consumer confidence.

*** 100 is a long-term trend. A turning-point in the CLI will generally signal a turning-point in the business cycle in 6-9 months. Growth cycle phases of the CLI are defined as follows: expansion (increase above 100), downturn (decrease above 100), slowdown (decrease below 100), recovery (increase below 100).

**** 50 = no change m-o-m, above 50 = expansion m-o-m, below 50 = contraction m-o-m

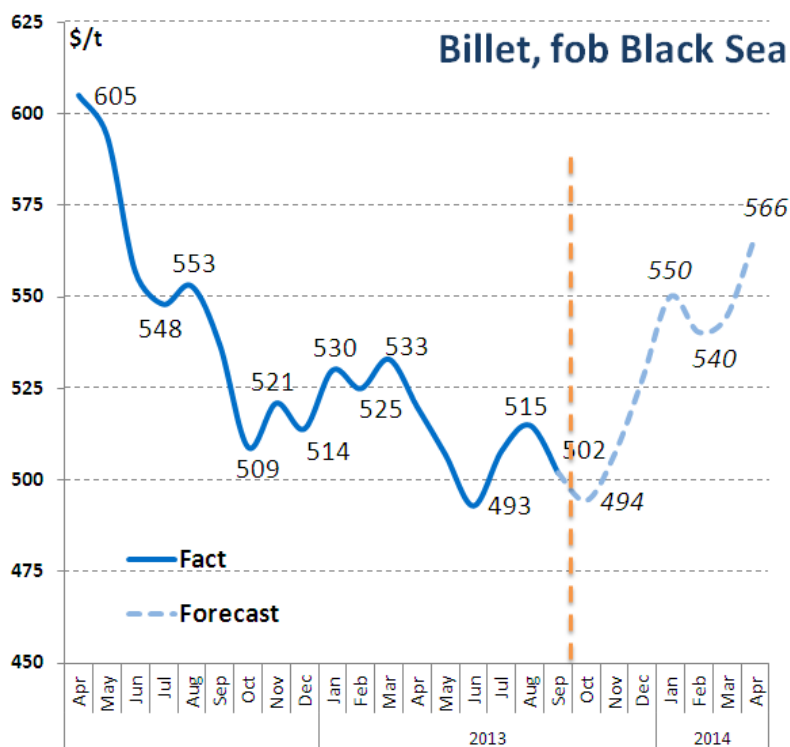
Stock Indexes



Price Forecast

Billet, fob Black Sea

	Billet		
	\$/t	m-o-m	y-o-y
Oct 2012	509	-5%	-17%
Nov 2012	521	2%	-11%
Dec 2012	514	-1%	-12%
Jan 2013	530	3%	-11%
Feb 2013	525	-1%	-10%
Mar 2013	533	1%	-12%
Apr 2013	520	-2%	-14%
May 2013	507	-3%	-15%
Jun 2013	493	-3%	-11%
Jul 2013	508	3%	-7%
Aug 2013	515	1%	-7%
Sep 2013	502	-3%	-7%
Oct 2013	494	-2%	-3%
Nov 2013	507	3%	-3%
Dec 2013	527	4%	3%
Jan 2014	550	4%	4%
Feb 2014	540	-2%	3%
Mar 2014	545	1%	2%
Apr 2014	566	4%	9%



Executive Summary

Minimal Downward Price Forecast Revision

Political turbulence in MENA region (Egypt, Syria) and depreciation of Turkish lira to the US dollar continue to put pressure on the world billet prices. Therefore we downgrade our price forecast for October by \$6 more. Moreover, the market disbalance due to high volumes of steel production is also still weighing on the prospects of substantial price recovery till the end of the year.

A Slightly Positive Mid-Term Price Trend

In accordance with moderate optimistic forecasts concerning macroeconomic development of MENA and Turkey in mid-term, as well as accelerating of other economies we maintain our slightly positive mid-term price trend for billet, fob Black Sea.

Stocks optimization in Sep-Oct

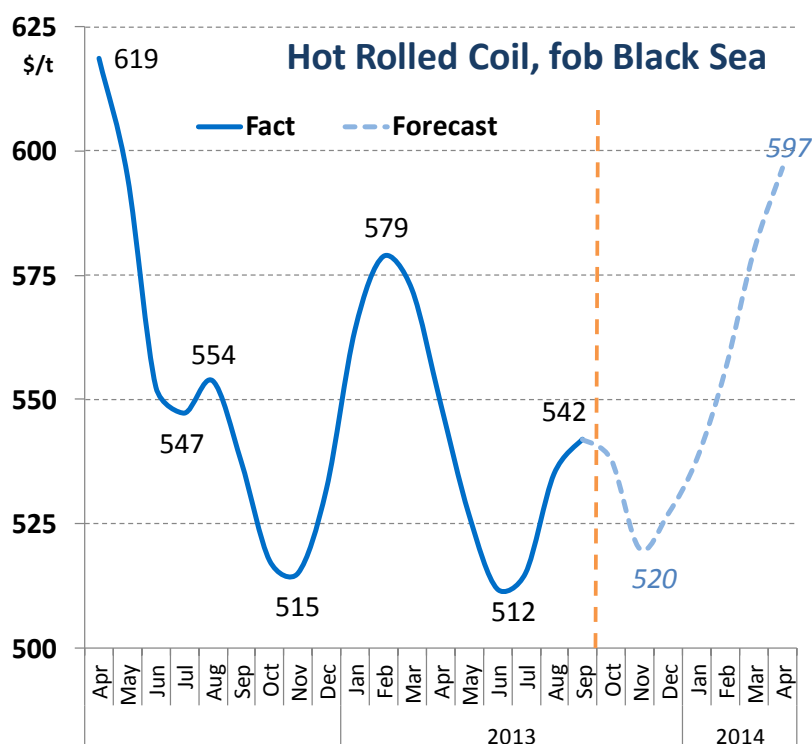
Both the expected weakening of maintaining factor of production costs in 4Q as well as traditional process of destocking by the year end will cause price sliding in October. Nevertheless, the scale of drop will be limited because of lack of safety margin for the major billet suppliers.

Market Revival in Late 2013 – Early 2014

Based on our quantitative model of seasonal price fluctuation and taking into account predicted improvement of trade activity by the year end a strong upward trend is expected in Dec-Apr with a short-run tumble in February-March 2014.

HRC, fob Black Sea

	HRC		
	\$/t	m-o-m	y-o-y
Oct 2012	518	-4%	-18%
Nov 2012	515	0%	-13%
Dec 2012	532	3%	-5%
Jan 2013	550	3%	-5%
Feb 2013	579	5%	-4%
Mar 2013	572	-1%	-7%
Apr 2013	550	-4%	-11%
May 2013	527	-4%	-11%
Jun 2013	512	-3%	-7%
Jul 2013	515	1%	-6%
Aug 2013	535	4%	-3%
Sep 2013	542	1%	1%
Oct 2013	538	-1%	4%
Nov 2013	520	-3%	1%
Dec 2013	527	1%	-1%
Jan 2014	538	2%	-5%
Feb 2014	556	3%	-4%
Mar 2014	580	4%	1%
Apr 2014	597	3%	9%



Executive Summary

The Downward Correction in Prices for HRC in October - November

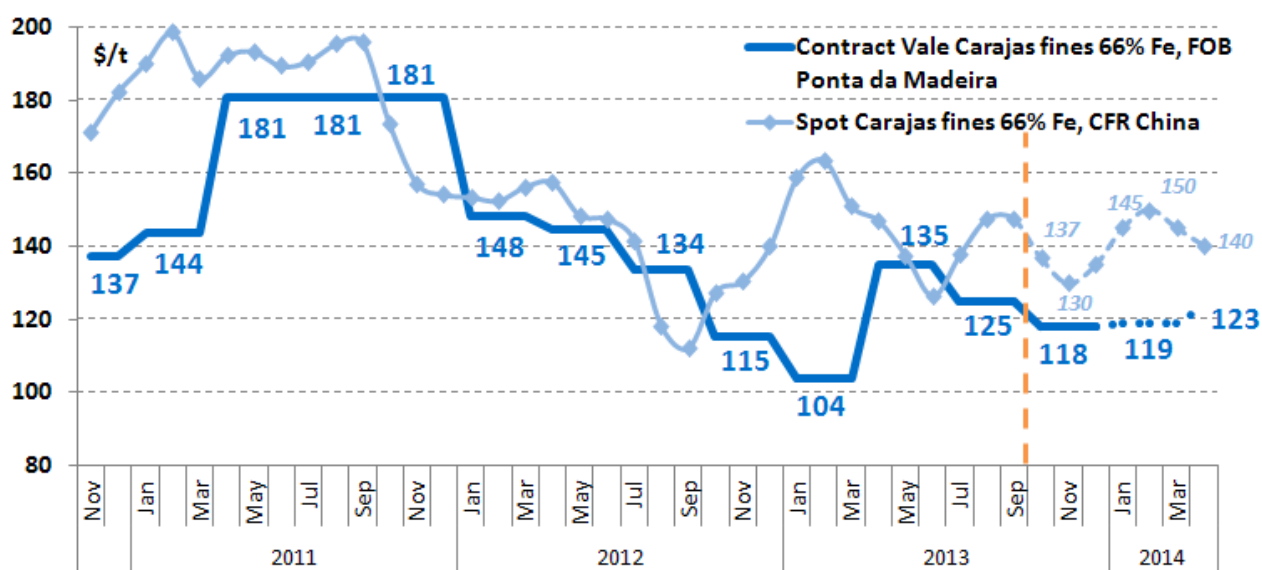
After a short activation of buyers in late August - early September, the situation on the markets began to deteriorate again by the end of September. Inventories reached the normal level for current consumption. Orders decreased and the rise in prices has stopped. In October - November, the slump in prices by \$ 15-20 is forecast due to the low level of orders for delivery in November and December.

Upward Trends Formation in the End 2013 -Early 2014

The predicted strengthening of the global economy in 2014 will determine the traditional formation of growing trends since December. Growing demand in most regions, especially in the EU, will support higher prices. By April 2014 the price for HRC will come to a peak 590-600 \$/t.

Contract Vale Carajas Fines, Fe 66%, fob Brazil

	2012			2013										2014
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
	4Q	4Q	4Q	1Q	1Q	1Q	2Q	2Q	2Q	3Q	3Q	3Q	4Q	1Q
Contract Vale Carajas fines 66% Fe, fob Brazil	115	115	115	104	104	104	135	135	135	125	125	125	118	119
Spot Carajas fines 66% Fe, CFR China	128	130	140	159	164	151	147	137	126	138	148	148		



Executive Summary

Downward Contract Price Movement in 4Q 2013 and 1H 2014

Expected increase of Chinese iron ore output and higher iron ore production of the world's major suppliers will put pressure on spot prices for iron ore in China. Start of exploration at few major iron ore projects were delayed that supported spot iron ore prices in 1H 2013. But the factor of iron ore supply increase is still sustainable and will lead to the reduction in contract iron ore prices in the 4Q 2013 and 1H 2014.

Upward Contract Price Forecast Revision in 1Q 2014

International iron ore freight rates have sharply increased in September:

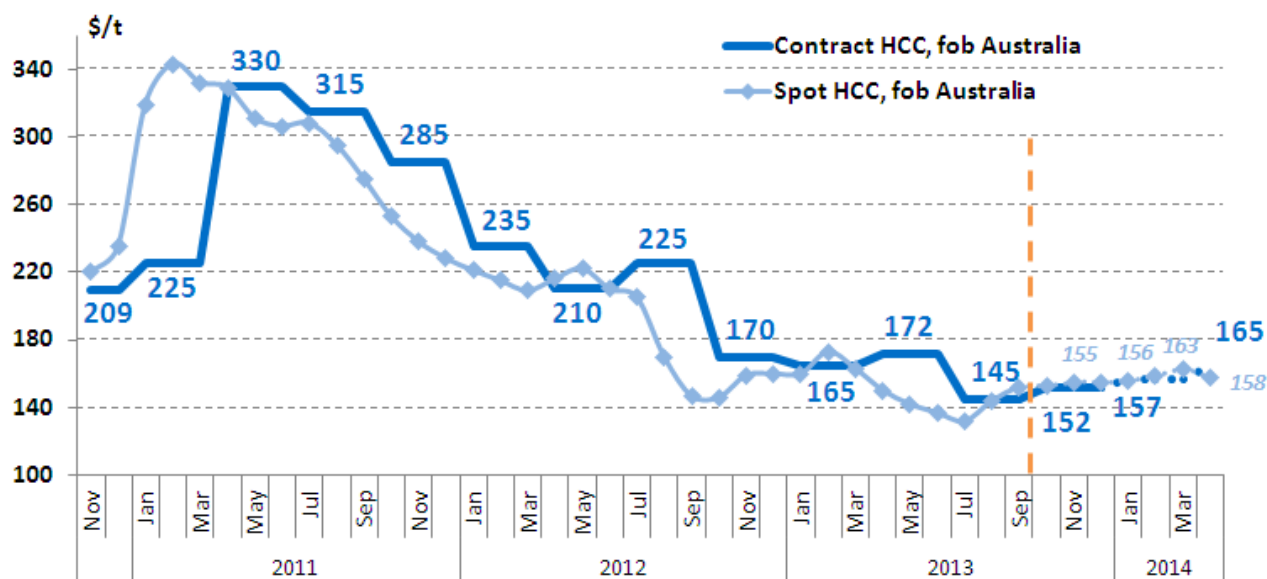
- iron ore freight rates from Australia to China increased by \$5 (from 9 \$/t to 14 \$/t);
- iron ore freight rates from Brazil to China increased by \$8 (from 23 \$/t to 31 \$/t).

Average China spot iron ore prices (CIF terms) were almost unchanged, but actual iron ore suppliers' prices (FOB terms) have decreased by 5-8 \$/t last month.

We expect the same (as in our previously forecast) decline of Brazil and Australia FOB prices, but higher China CIF prices in October-November due to the higher freight rates. As a result, we revise upward our forecast of contract prices for 1Q14 by \$5.

Contract High Quality Hard Coking Coal, fob Australia

	2012			2013										2014
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep		
	4Q	4Q	4Q	1Q	1Q	1Q	2Q	2Q	2Q	3Q	3Q	3Q	4Q	1Q
Contract HCC, fob Australia	170	170	170	165	165	165	172	172	172	145	145	145	152	157
Spot HCC, fob Australia	146	159	160	160	173	163	150	142	137	132	144	150		



Executive Summary

Contract Coal Prices for 4th Quarter Have Been Fixed at \$152

Australian mining companies (BMA and Anglo American) and Japanese steelmakers (Nippon Steel & Sumitomo Metal Corp.) set their October-December contract prices for prime hard low-volatile coking coals at \$152/t FOB (up \$7 from Q3) that is rather close to the forecasted value \$150. The obtained result can be considered as a sign of moderate optimism for the market development during the next three months.

Spot Market is Quiet in September and Most Likely in October

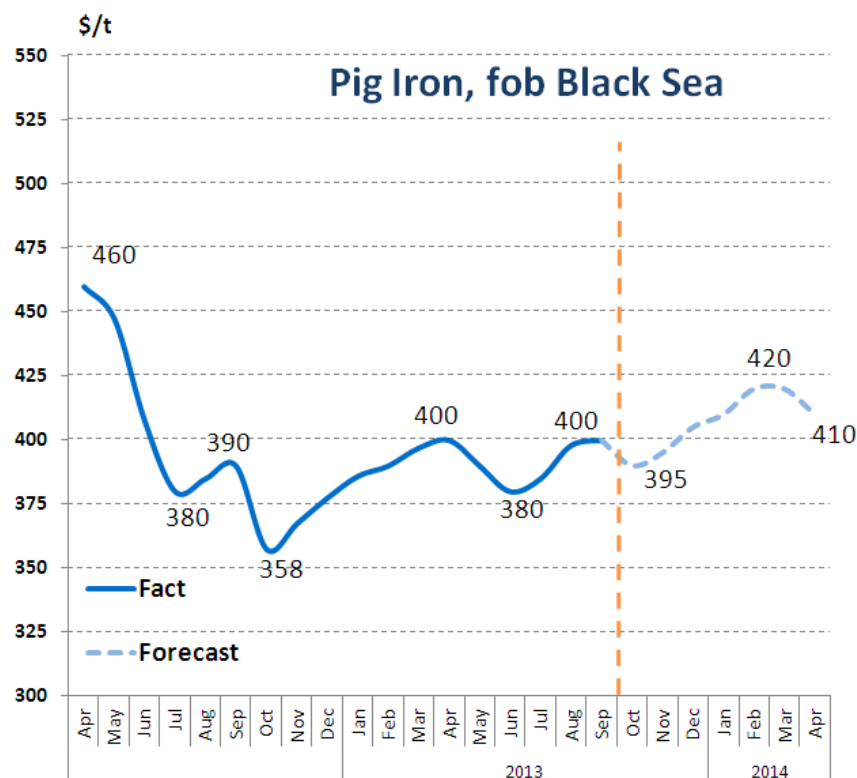
The gap between spot and contract prices has significantly narrowed in Q4 that is a sharp contrast from the end of June on the eve of Q3 contract price settlement (the gap at that moment was \$15/t). Balancing the prices between both segments of coal market promotes temporal stabilization of spot prices. The trade activity will be rather low during September-October but will gradually intensify by the end of year.

Spot Prices Will Exhibit Gradual Strengthening During Late Autumn - Winter Months

A very slow recovery of spot prices will be inherent to the period of November-February. The recovery rate will not exceed \$1-2 a month because of as yet weak fundamentals. A forecasted growth of spot prices will be mainly supported by a more dynamic demand in Asia (in particular in China) while spot prices in Atlantic market will be still less mobile. This is a good basis for further moderate strengthening of contract prices in Q1 2014.

Pig Iron, fob Black Sea

	Pig Iron		
	\$/t	m-o-m	y-o-y
Oct 2012	358	-8%	-17%
Nov 2012	368	3%	-15%
Dec 2012	378	3%	-13%
Jan 2013	386	2%	-15%
Feb 2013	390	1%	-12%
Mar 2013	397	2%	-11%
Apr 2013	400	1%	-13%
May 2013	390	-3%	-13%
Jun 2013	380	-3%	-7%
Jul 2013	385	1%	1%
Aug 2013	398	3%	3%
Sep 2013	400	1%	3%
Oct 2013	390	-3%	9%
Nov 2013	395	1%	7%
Dec 2013	405	3%	7%
Jan 2014	410	1%	6%
Feb 2014	420	2%	8%
Mar 2014	420	0%	6%
Apr 2014	410	-2%	2%



Executive Summary

Upward Price Forecast Revision

October-December prices are expected to be 5-10 \$ higher compared to our previous forecast. This revision is based on the high likelihood of earlier start of stocks replenishment than it was expected a month before.

Price Recovery in November-February

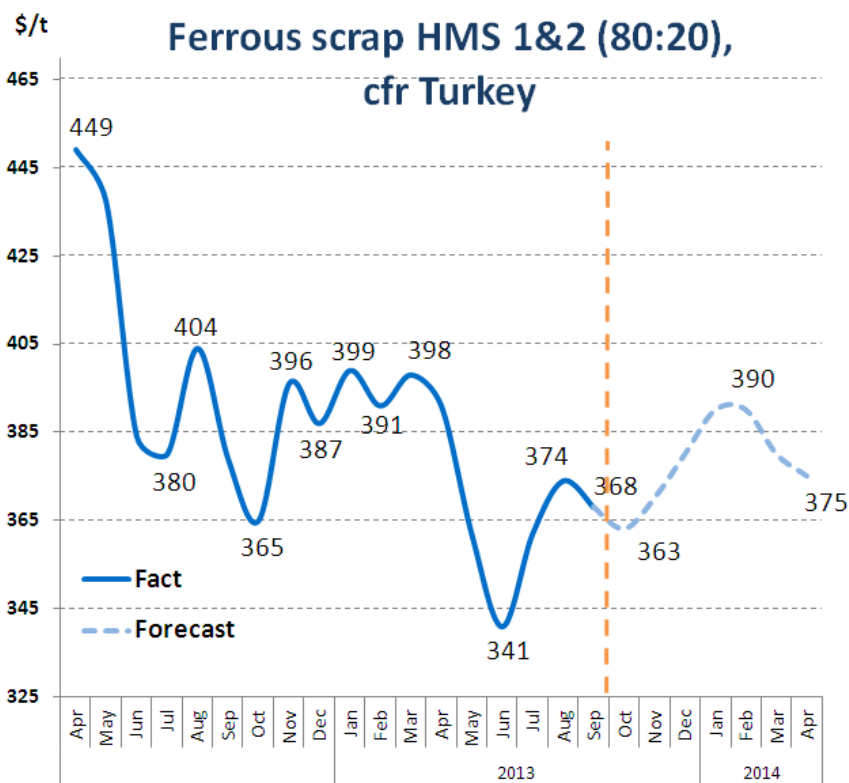
Price recovery will be based on the scrap price increase and improving demand for flat steel. Depletion of pig iron stocks will sustain prices additionally.

Price Stabilization in March and Decline in April

High level of stocks of importers and start of scrap quotation decrease will cause pig iron price stabilization in March. The influence of these factors will strengthen in April and cause a moderate price decrease.

Ferrous Scrap HMS 1&2 (80:20), cfr Turkey

	Ferrous Scrap HMS 1&2 (80:20)		
	\$/t	m-o-m	y-o-y
Oct 2012	365	-4%	-16%
Nov 2012	396	8%	-5%
Dec 2012	387	-2%	-12%
Jan 2013	399	3%	-13%
Feb 2013	391	-2%	-10%
Mar 2013	398	2%	-9%
Apr 2013	391	-2%	-13%
May 2013	362	-7%	-17%
Jun 2013	341	-6%	-11%
Jul 2013	362	6%	-5%
Aug 2013	374	3%	-7%
Sep 2013	368	-2%	-3%
Oct 2013	363	-1%	-1%
Nov 2013	370	2%	-7%
Dec 2013	380	3%	-2%
Jan 2014	390	3%	-2%
Feb 2014	390	0%	0%
Mar 2014	380	-3%	-5%
Apr 2014	375	-1%	-4%



Executive Summary

Upward Price Forecast Revision

October price is expected to be by 3 \$ higher compared to the previous forecast due to the rise of buying activity in line with the winter stocking and steel prices recovery. As a result, prices will be higher in November-March than it was forecasted previously.

Price Recovery in November-February

Snowy weather conditions will hamper scrap collection. Therefore moderate price increase will be needed to keep supply on the normal level. Improving steel market conditions will be an additional factor for the price recovery.

Downward Price Reversal in March-April

Seasonal increase of supply and high stocks of importers will cause moderate price decrease in March-April

Sources of Data

(1)	Reuters, HSBC, IMF, EIU, IHS Global Insight
(2)	HSBC
(3)	The Conference Board
(4)	OECD
(5)	ISM
(6)	Eurostat, Euroconstruct, Eurofer
(7)	European Automobile Manufacturers' Association, JP Morgan Chase, Eurofer
(8)	Trading Economics
(9)	Markit Economics
(10)	MEED Projects
(11)	Turkstat
(12)	Turkey Automotive Manufacturers Association
(13)	Reuters Consensus
(14)	National Bureau of Statistics of China, IHS Global Insight
(15)	China Association of Automobile Manufacturers
(16)	Ministry of Land, Infrastructure, Transport and Tourism of Japan
(17)	Japan Automobile Manufacturers Association
(18)	Korea National Statistical Office, IHS Global Insight
(19)	Korea Automobile Manufacturers Association
(20)	Reserve Bank of India, IHS Global Insight
(21)	Russian Federal State Statistic Service, Ministry of Economic Development of the Russian Federation
(22)	Allianz Group, European Forecasting Network
(23)	MAPI
(24)	Consensus Forecast (Dragon Capital, International Centre for Policy Studies, Erste Bank, Raiffeisen Bank Aval, Ukrsibbank, Kredit Rating)

Ukrainian Industry Expertise (UEX)

Professional competence: research and consulting in the steel and raw materials sector (long, flat, semis, scrap, coke, coking coal, iron ore, etc), logistics, marketing, strategy consulting and appraisal



«DELPHICA» Project

<http://www.Delphicasteel.com>

Head of “Delphica” Project:

Alexander Kraynikov +380 /44/ 484 43 68

Director of Development for “Delphica” Project:

Pavlo Perkonos +380 /44/ 484 43 68 content@delphicasteel.com

Elaboration of the research:

Pavlo Perkonos +380 /44/ 484 43 68 content@delphicasteel.com

Sales Manager

Kseniya Kalugina +380 /44/ 486 33 05 sales@delphicasteel.com

Terms & Conditions*

The subscription for the given bulletin presupposes use of it strictly on per individual user basis, unless other terms are directly specified in the contract between UEX and the client.

Any redistribution of the information contained herein (including transfer of the printed, scanned or electronic version of the document or parts of it, or saving the file to a server), unauthorized by the developer (UEX), all constitute a violation of copyright law and Terms & Conditions. This entails the right of the developer (UEX) to sever contractual relationship and/or stop mailing unilaterally without subscription charge reimbursement.

* Obtaining the subscription, the client automatically accepts the given Terms & Conditions

Disclaimer

This document is being prepared and issued monthly by Ukrainian Industry Expertise (hereinafter referred to as UEX). The document is prepared only with an informational purpose and should not be considered as an exceptional guide for decision making.

The information provided in the document is a property of the developers and expresses current view of company's analysts concerning prospects of regional steel and raw materials markets development, which can be changed without preliminary notice (regional price forecasts, estimations of consumption, production and world trade, macroeconomic forecasts).

Offer, bid and deal prices, indexes, estimations and other price information, contained herein, is based on the data obtained from sources believed to be reliable. Though we don't guarantee and no representation is made that it is absolutely accurate or complete. UEX doesn't assume the responsibility for consequences of contained herein information use by company's clients or third parties including financial losses.

Further information on regional steel prices, consumption, production, world trade and macroeconomic forecasts referred to herein may be obtained from UEX upon request. This report may not be reproduced, copied nor extracts taken from it, without the express written consent of UEX. While citing, please denote Delphica as a source of information. UEX doesn't assume responsibility for unauthorized activity of third parties, connected with circulation of this document or part of it.