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Strong China data, rising global steel prices bode well for domestic firms



With China looking strong, global demand and pricing too looks poised for further advances, given that the Asian country is the largest consumer of the commodity. (Photo: Mint)

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Ujjval Jauhari

In another positive, domestic demand has also been buoyant amid the peak construction season. The rise in demand from automobile, white goods and consumer durables also augur well for steel flat products

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MUMBAI: Investors remain confident about domestic steel manufacturers. This is evident from the fact that shares of Tata Steel Ltd, JSW Ltd, Jindal Steel and Power Limited (JSPL) and Steel Authority of India Ltd (SAIL) have risen 37-122% since the end of October, and are near their 52-week highs. A steady rise in demand since the easing of lockdown curbs and [firm prices](#) have driven a significant turnaround in performance of steel companies.

Although there has been some correction recently, following regular price hikes [OPEN APP](#) August, analysts have retained their positive outlook. Encouraging trade data out of China, firm global demand bode well for Indian steelmakers, going ahead.

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"January-February 2021 China trade data was better than the estimate," said analysts at Edelweiss Securities Ltd. "The steel/aluminium export volume jumped 25-30% YoY primarily as overseas demand rebounded strongly and supply constraints persisted ex-China. China's steel imports in January and February were up 17.4%. We expect imports to remain relatively elevated this year as authorities are determined to slash output as part of efforts to formulate a carbon peak action plan by the Calendar year 2030," added.

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Meanwhile, analysts feel that the 6-7% correction prices month-on-month in February was largely driven by 11-12% cut in iron ore prices by NMDC Ltd, which was the result of higher production of iron-ore and restart of Donimalai mine.

Steel prices have picked up substantially in the US and European markets since January. In the US, steel prices surged to a nearly 13-year high as supply struggled to keep up with the rebound in demand, as per an update from CARE Ratings. Average HRC prices in the US stood at \$1,271 per tonne in February, which was nearly double the price in India, they add.

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