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Symbol (CFDs)	Exp	Last	High	Low	Chg.	Chg. %
Gold	Dec 17	1,314.30	1,318.71	1,310.53	-4.60	-0.35%
Copper	Dec 17	3.089	3.118	3.084	-0.015	-0.50%
US Coffee C	Dec 17	127.78	129.27	126.92	-1.07	-0.83%
Silver	Sep 17	17.408	17.469	17.310	-0.018	-0.10%
Crude Oil WTI	Oct 17	46.59	46.72	45.84	+0.15	+0.32%
US Sugar #11	Oct 17	13.86	13.88	13.64	-0.01	-0.07%
US Wheat	Dec 17	428.25	433.50	427.50	-2.15	-0.50%

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<http://www.hellenicshippingnews.com/how-chinas-steel-makers-export-the-five-year-plan-and-undermine-market-forces/>



Grim news from South Wales about the possible closure of the Tata steelworks has focussed press attention on China's steel industry once again. In China, however, the 4,000 job losses in prospect in Port Talbot are dwarfed by the potential for 400,000 in forthcoming years. For every Welsh steelworker currently facing redundancy there are 100 Chinese workers in the same position.

The problem, moreover, is the same everywhere. In Australia, the second largest steelmaker – Arrium – is on the ropes, with nearly 7,000 jobs at risk, and worldwide there are idle steel furnaces and redundancies across the board.

There is little doubt that China's overcapacity is a key contributing factor, but the sheer scale of the problem invites pessimism over anything changing very soon. The Economist recently reported the staggering detail that over three years, China made more steel than the UK had since the industrial revolution. For further comparison, the difference between steel produced and steel consumed in China in 2014 was 112 million tons, nearly 10 times total UK output.

It is tempting to see this as just another story of the inevitable rise of China, powered by cheap labour to a position of industrial dominance, but on inspection, things are not quite so simple.

China has been building capacity aggressively over the last twenty years, rising from 25.6% to 49.4% of global output between 2004 and 2014, while global production went up by nearly 57% in total. In 2014, China produced 68 tons of steel, for every 1 ton produced in the UK and every 9 tons in the US. Taken as a whole, China supplies a significantly greater proportion of global demand for steel than OPEC members supply of global demand of oil.

With the Chinese economy slowing, an overhang has developed that dwarfs world steel markets, being larger than the 2nd ranked steel producer's entire output. In a normal market this would prompt bankruptcies, consolidation and a Schumpeterian process of capacity destruction, slowly bringing supply back into contact with demand. But China is not a normal market, it remains, and will always likely remain, a planned economy.

Indeed, looking at the world's largest steel companies shows an interesting pattern that reveals something important about how China works. Most big steel producing countries have two or three significant companies; Japan has three, Korea has three, etc. China, exceptionally, has 26 of the world's 50 largest steel producing companies, and fully six of the top ten. What is more, these companies are regionally distributed, usually named after the city or province where they were originally established. And, of course, they are all State Owned Enterprises (SOEs) for which the normal rules of the market don't apply. Some of them have accumulated huge debts, are loss making, but nevertheless carry on producing anyway.

What this peculiar arrangement reveals is something that is not widely understood outside of China, which is that although these companies are all state owned, there is a very high degree of regional and institutional differentiation in their governance. Formally China appears to operate under strict central direction, but in practice the provinces exercise significant discretion over economic decision making. The implication of this state of affairs is simply that when it comes to consolidating China's steel industry, and reducing capacity by 100 to 150

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SIZE
PERIOD
HANDY (32k dwt)
SUPRA (56k dwt)
ULTRA (62k dwt)
PANA/KMAX (76k-82k dwt)
CAPE (170k dwt)

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ESTIMATES



SIZE
HANDY (40dwt)
MR IMO3
LR1
LR2 (115 dwt cwp & dpp)
AFRA (115dwt)
SUEZ
VLCC

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