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Part 1:

METALLIC COMMODITIES

Source : Star Biz **Date : 04 April 2017 (Tuesday)**

Hiap Teck unit declines to extend cooperation agreement with An Steel

PETALING JAYA: Hiap Teck Venture Bhd's 55%-owned subsidiary, Eastern Steel Sdn Bhd, has decided not to extend the deadline of its cooperation agreement with Chinese steel products producer An Steel International Co Ltd, a unit of Angang Group Hong Kong Co Ltd.

The cooperation agreement was between four parties, namely, Eastern Steel, Ansteel Group, China-based Shougang Group's unit Orient Steel Investment Pte Ltd, and Chinaco Investment Pte Ltd.

Under the agreement, Ansteel will acquire Shougang's 40% shareholding in Eastern Steel.

In a filing with Bursa Malaysia yesterday, Hiap Teck said that the extended period ending March 31, 2017 for the parties to enter into the definitive agreements for the proposed transaction envisaged under the cooperation agreement had passed.

"The board of directors of Eastern Steel has decided not to extend the deadline," it said, adding that Eastern Steel would commence planning for the resumption of production.

The company had extended the agreement twice before deciding not to continue with it.

The agreement was announced in September last year, three months after Eastern Steel had inked a memorandum of understanding with Ansteel, to discuss and negotiate areas of cooperation between their units.

Shares in Hiap Teck increased 1.6% yesterday to close at 32 sen.

According to the cooperative agreement, Hiap Teck said that the participation of Ansteel would allow the revival of Eastern Steel, which was temporarily suspended in October 2015 to minimise losses.

The steel industry has been hit hard in the past three years by a huge influx of cheap imports from Russia and China, forcing some factories to close shop and suspend operations.

But since the beginning of the year, steel prices have gone up by more than 50% that could be the beginning of a turnaround in the local steel industry.

"The proposed transaction could expand Eastern Steel's product range to include the production of hot-rolled coils and could potentially increase its production capacity to 1.5 million tonnes per annum," it said.

Ansteel Group operates as one of the top-five largest steel mills in China, with an annual production capacity of about 40 million tonnes of crude steel.

Eastern Steel is a joint venture between Hiap Teck and the Shougang Group. It is involved in the operation of a blast furnace, and the production and sale of steel slabs with an annual production capacity of 700,000 tonnes.

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Source : Star Biz **Date : 10 April 2017 (Monday)**

Commerce Secretary's former firm investing in Chinese steel

WASHINGTON: Wilbur Ross' former investment company is making a big bet on China's steel industry, even as the billionaire works to finish severing ties to the firm and his Commerce Department challenges alleged dumping of Chinese steel.

WL Ross & Co, founded by Ross and later acquired by Invesco Ltd, said that it would help lead a joint venture to acquire steel assets in China. Along with China Baowu Steel Group and a few other firms, WL Ross is setting up an investment vehicle – Four Rivers Investment Management Co – to find under-performing assets with plans to invest between US$5.8bil and US$11.6bil from its Shanghai headquarters.

The announcement came the day after a summit between President Donald Trump and his Chinese counterpart Xi Jinping. After the talks, Ross said the countries agreed to a "100-day plan" to discuss trade. He said the most noteworthy development from the two-day talks was the Chinese delegation's "interest in reducing their net trade balance".

It's unclear to what extent Ross – just 40 days into his job running Trump's Commerce Department – was briefed on the negotiations for the Four Rivers arrangement before he left his firm, but he "had nothing to do with this" effort, said Jeaneen Terrio, a spokeswoman for WL Ross. She said the deal was initiated by Stephen Toy, senior managing director and co-head of the firm. Terrio said the timing of the announcement wasn't meant to coincide with Trump's diplomatic meetings.

"There is no linkage between this joint venture and any discussions between Secretary Ross and Chinese government officials this week," said James Rockas, a spokesman for the Commerce Department, who added that Ross had no inside knowledge of the deal. "He is not a participant in this joint venture."

New secretary: Ross speaking before US President Donald Trump signed an executive order in the oval Office of the White House in Washington DC recently. – Bloomberg

Four Rivers' chairman will be Ma Weihua, former chief executive of China Merchants Bank Co, whose parent company is involved in this new fund. The other partners include Hwabao Investment Corp and US-China Green Fund.

"China clearly represents the fulcrum of the steel-making industry," Toy said in a statement. He said having the joint effort "anchored" by steel giant Baowu will be an advantage.

Ross, 79, was chosen by Trump to run Commerce in November and was confirmed Feb 27. He made much of his fortune acquiring, restructuring and reselling ailing US steel mills before passing the management of his namesake private-equity firm to others in 2014, while remaining chairman and chief strategist until joining the government.

When he joined the Trump administration, Ross resigned from dozens of business roles, including at WL Ross, though he planned to retain interest in certain existing private-equity funds with the understanding that he wouldn't get involved in decisions that might affect them. In an ethics disclosure, he also outlined a plan in which he would shed Invesco shares within 210 days.

Rockas said Ross was still divesting, and Terrio said she couldn't confirm how far that process had progressed.

Federal ethics rules require administration officials such as Ross to disclose stock sales within 30 days. No such disclosures have appeared on Ross' Invesco stake.

Before he was confirmed, Ross told US lawmakers that China is the most protectionist of the largest major economies, and he said he would work to level the playing field with China on trade – particularly in reducing the overcapacity of its steel industry.

The *New York Times* reported on Thursday that Trump plans to soon sign an executive order targeting countries, notably China, that sell steel in the US market at below cost prices.

Trump signed a memorandum on Jan 24, days after taking office, directing the Commerce Department to develop a plan under which new oil pipelines in the US would be built using American-produced materials, in particular steel or iron, to the largest extent possible.

US steel companies have complained for decades about the alleged dumping of steel by China and other countries, with mixed results. Most recently, in February, the Commerce Department announced anti-dumping duties against certain types of Chinese steel. – Bloomberg

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Source : Star Biz Date : 13 April 2017 (Thursday)

Political risks push gold to five-month high on haven demand

LONDON: Concerns about rising global tensions surrounding Syria and North Korea are revitalising demand for gold as a haven, with the metal trading near the highest since Donald Trump was elected US president.

Bullion was little changed after touching a five-month high Wednesday. A standoff between the United States and Russia after an American missile strike on Syria and Trump's pledge to solve the North Korean "problem" with or without China have deepened concerns about political stability. There are also signs that Russia and the United States are increasingly at odds over Afghanistan.

The metal slumped after Trump's election on his promises of tax cuts and more infrastructure spending, but rebounded since mid-December amid worries about the unpredictability of his presidency. While gold may extend gains in the next few weeks, better US data and higher real interest rates will then push prices lower, Goldman Sachs Group Inc said.

Trump "did it again," David Govett, head of precious metals trading at Marex Spectron Group in London, said by email. "Just continue to hold gold as a hedge against all this uncertainty, but be very aware that if diplomats can reach agreements, the price will fall back again."

Gold for immediate delivery traded at US$1,273.05 an ounce, according to Bloomberg generic pricing. It jumped 1.6% on Tuesday, the most in four weeks, to close above its 200-day moving average for the first time since November.

The United States said evidence showed Syria was behind a chemical attack on civilians, and secretary of state Rex Tillerson urged Russia to abandon its support of Syrian president Bashar al-Assad's regime. America has moved a naval battle group closer to North Korea amid fears it may conduct a nuclear or missile test, and the Asian country warned of a nuclear strike if provoked.

The uncertainty is supporting physical demand for gold, with holdings in SPDR Gold Shares, the largest exchange-traded fund backed by gold, rising 4.2 tonnes to 842.4 tonnes as of Tuesday. That's the highest in more than a month.

Goldman remains cautions. While a further unwinding of Trump-related equity trades and geopolitical risks may push prices higher in the next few weeks, the metal will retreat to US$1,200 in three and six months, it said in a report dated yesterday.

Silver was little changed at US$18.3219 an ounce in London. Platinum slipped 0.6% to US$964.83 an ounce. Palladium fell 0.5% at US$801.68 an ounce. – Bloomberg

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Source : Star Biz **Date : 13 April 2017 (Thursday)**

Lion Industries sells steel plant to Yinson for RM47.7mil

By **INTAN FARHANA ZAINUL**
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PETALING JAYA: Lion Industries Corp Bhd is selling one of its steel factories to Yinson Corp Sdn Bhd for RM47.7mil through a sale and leaseback arrangement.

Through the sale and leaseback arrangement, Lion Industries said that it could use the proceeds to partly settle its debt to Yinson without disrupting its plant operations.

In a filing with Bursa Malaysia, Lion Industries said its unit Lion Metal Industries Sdn Bhd had entered into a sale and purchase agreement with Yinson for the disposal of a 3.23-ha parcel of land in Klang, Selangor, for RM45mil excluding tax.

Meanwhile, another unit of Lion Industries, Amsteel Mills Sdn Bhd, has entered into a lease agreement with Yinson for the lease of the property on the land for a period of five years, with an option to renew for another five years. "The proposed sale and leaseback enables the Lion Group to unlock the value of its fixed assets by transacting the property after taking into consideration the prevailing market value in order to partially settle the outstanding trade debts owing by Amsteel to Yinson," Lion Industries said.

As such, it said that the sale of the property would not have an impact on the group earnings.

"The proposed leaseback will ensure that the ongoing business operations of Amsteel are not disrupted and its operations will continue at the property as usual," Lion Industries said.In addition, the group said that under the agreement, there is a purchase option for the company to buy back the property from Yinson.Lion Industries is involved in the manufacturing of long-steel products at three mills. Amsteel produces billets for the group in Klang.

It said that the Amsteel plant in Klang was valued by PPC International Sdn Bhd at RM45mil, which is a premium of RM22.51mil over the audited net book value of the property as at June 30, 2016.

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Betting worst is over, steelmakers spending again after cuts

MOSCOW: After years of losses, plant closings and job cuts, some of the world's biggest steelmakers are ready to spend more on their businesses.

Combined capital expenditure planned this year by top producer ArcelorMittal, South Korea's Posco and Russia's Novolipetsk Steel PJSC will be up 29% to US$6.7bil in 2017, the first increase since 2014, according to estimates by the companies.

Increases also are planned by some American and European companies, including US Steel Corp and Thyssenkrupp AG.

Investments will mostly be targeted at expansions in key markets and new technologies.

Industry executives are getting more confident after they cut costs and shed debt, just as prices and demand began to recover. While there's still a surplus, companies are betting business may gradually improve.

China has pledged to close some of the unprofitable mills that compounded the glut in recent years, and lawmakers in the US and Europe are restricting cheap imports, which will improve prospects for domestic producers.

"There is a general feeling among the companies that the worst is behind, that higher prices and profitability are not just a blip," Sergey Donskoy, a London-based analyst at Societe Generale SA, said by email.

Luxembourg-based ArcelorMittal is coming off of its biggest annual earnings increase in seven years, giving it flexibility to boost spending from the lowest level since the company's formation in a 2006 merger.

It's part of a dramatic turnaround at the company, which scrapped its dividend in 2015 and has a junk credit rating.

Spending this year will jump to US$2.9bil from US$2.4bil in 2016, the company said.

Some of that is investments in developing super-strong steel and advanced coating technology.

ArcelorMittal, which supplied steel for New York's One World Trade Center, generates about half its revenue in Europe and a quarter in North America.

Last month, Posco reported its best quarterly operating profit in almost five years after cutting costs, restructuring money-losing non-core assets and improving its product mix.

The company says it will expand capital spending to 3.5 trillion won (US$3.1bil) this year from 2.5 trillion won in 2016, adding money to non-steel businesses such as clean-energy, which can offset steel when market conditions weaken.

Lipetsk, Russia-based Novolipetsk Steel, known as NLMK, said last month it will boost capital spending to US$700mil this year from US$559mil in 2016, the most in four years.

The outlook for steel has improved in recent months.

Excluding China, the world's top producer and user, global demand probably will rise 2.4% this year, compared with a 0.7% increase in 2016, according to the World Steel Association.

There will be gains in big markets like the US and Europe, with bigger rebounds expected in key growth markets such as Brazil and Russia, after multiyear contractions, the industry group predicted.

The US price of hot-rolled coil, a benchmark product, is near the highest in more than two years after rallying 62% in 2016.

In Europe, prices jumped 82% last year.

However, demand is expected to decline in China, and the world is still producing more steel than it needs.

There's an estimated capacity surplus of more than 700 million metric tonnes globally, with about half of that in China, according to the World Steel Association.

Even with increased demand in some areas, it's growing from a low level and Europe is using less steel than it did before the financial crisis. — Bloomberg

Part 2:

ENERGY MINERAL (COAL)

Source : Star Biz **Date : 27 April 2017 (Thursday)**

Cheap energy revolution is here and coal won't cut it

NEW YORK: Wind and solar are about to become unstoppable, natural gas and oil production are approaching their peak, and electric cars and batteries for the grid are waiting to take over.

This is the world Donald Trump inherited as US president. And yet his energy plan is to cut regulations to resuscitate the one sector that's never coming back: coal.

Clean energy installations broke new records worldwide in 2016, and wind and solar are seeing twice as much funding as fossil fuels, according to new data released by Bloomberg New Energy Finance (BNEF).

That's largely because prices continue to fall. Solar power, for the first time, is becoming the cheapest form of new electricity in the world.

But with Trump's deregulations plans, what "we're going to see is the age of plenty-on steroids," BNEF founder Michael Liebreich said at a presentation. "That's good news economically, except there's one fly in the ointment, and that's climate."

Government subsidies have helped wind and solar get a foothold in global power markets, but economies of scale are the true driver of falling prices. Unsubsidised wind and solar are beginning to outcompete coal and natural gas in an ever-widening circle of countries.

The US may not be leading the world in renewables as a percentage of the grid, but a number of states are exceeding expectations.

Wind and solar have taken off-so much so that grid operators in California are facing some of the same challenges of regulating the peaks and valleys of high-density renewables that have plagued Germany's energy revolution. The US boom, while not the first, has been remarkable.

Electricity demand in the US has been declining, largely due to increased energy efficiency in everything from light bulbs and TVs to heavy manufacturing. In such an environment, the most expensive fuel loses, and increasingly that's coal.

With renewables entering the mix, even the fossil-fuel plants still in operation are being used less often. When the wind is blowing and the sun is shining, the marginal cost of that electricity is essentially free, and free energy wins every time. — Bloomberg

Part 3:
GENERAL

Source : Star Biz **Date : 14 April 2017 (Friday)**

China's economic picture brightens

Trade growth beats forecasts in March while Trump softens anti-China tone

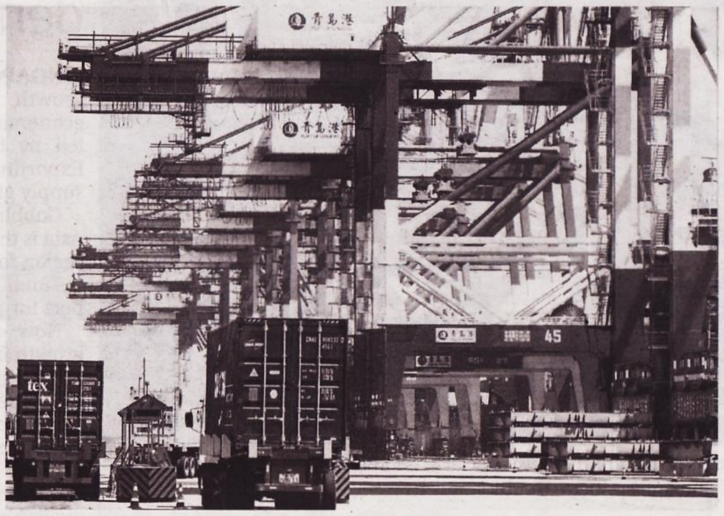
BEIJING: China's 2017 export outlook brightened considerably as it reported forecast-beating trade growth in March and as US President Donald Trump softened his anti-China rhetoric in an abrupt policy shift.

Washington's improving ties with Beijing were underscored when Trump told the *Wall Street Journal* in an interview on Wednesday that he would not declare China a currency manipulator as he had pledged to do on his first day in office.

The comments were an about-face from Trump's campaign promises, which had rattled China and other Asian exporters, and came days after his first meeting with President Xi Jinping where he pressed China to help rein in North Korea.

China's exports rose at the fastest pace in a little more than two years in March, climbing 16.4% from a year earlier in a further sign that global demand is improving, the customs office reported yesterday.

"There are increased signs of warming up in the global economy", which helped China's steady growth in the first quarter, Yan Pengcheng, a spokesman for the country's top economic planning agency, told a news conference.



Picking up steam: Trucks transport shipping containers at a port in Qingdao. Chinese exports surged 16.4% year-on-year to US$180.6bil in March, official data shows, in a sign of stabilisation for the world's second largest economy. – AFP

Import growth remained strong at 20.3%, driven by the country's voracious appetite for oil, copper, iron ore, coal and soybeans, whose volumes all surged from February despite worries about rising inventories.

China's crude oil imports hit a record high of nearly 9.2 million barrels per day, overtaking the US.

The stronger trade data reinforced the growing view that economic activity in China has remained resilient or is even picking up, adding oomph to a global manufacturing revival, though analysts say growth in imports could slow.

"Right now domestic demand is still quite stable and robust. But the ultimate driver actually is property investment (which) we expect to slow," Nomura economist Yang Zhao said.

Zhao expects import growth will moderate to the high-single digits in the second quarter.

Imports had surged 38% in February while exports unexpectedly dipped, but China's data in the first two months of the year can be heavily skewed by the timing of the Lunar New Year holidays, when many businesses shut for a week or more.

Analysts polled by *Reuters* had expected March exports to have increased by 3.2% from a year earlier, a rebound from a 1.3% drop in February.

Imports had been forecast to rise 18%, after surging 38.1% in February.

China reported a trade surplus of US$23.93bil for March.

Analysts had expected the trade balance to return to a surplus of US$10bil in March, after it reported its first trade gap in three years in February.

China's exports in the first quarter of the year rose 8.2% from the same period last year, while imports surged by 24%. The first-quarter surplus was US$65.61bil.

Despite the strong readings, China's customs office said the trade situation remains complicated and that challenges facing exporters are not short term.

A shadow has fallen over the trade relationship between China and the US, its largest export market, as Trump has railed against the massive trade imbalance between the two countries, which was US$347bil in favour of China last year. China's exports to the US rose 19.7% in March on-year, while imports from the US rose 15.1%.

But China's trade surplus with US remained high in the first quarter at US$49.6bil, down only slightly from US$50.57bil in the year-ago period.

Customs spokesman Huang Songping said yesterday that better communication between China and the United States will benefit trade and investment between the two countries.

Trump urged Xi to help reduce the gap at last week's meeting, with the countries agreeing to a 100-day plan for trade talks aimed at boosting US exports and reducing China's surplus with the United States.

"The risk of an explicit trade war has waned subsequent to the Trump-Xi summit," economists at ANZ said in a note. – Reuters

Source : Star Biz **Date : 14 April 2017 (Friday)**

Industrial output picks up

Growth is driven by strong expansion in manufacturing sector

By GANESHWARAN KANA
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PETALING JAYA: Industrial output accelerated in February, driven by strong expansion in the manufacturing sector as exports recover.

MIDF Research said this encouraging trend of industrial production index (IPI) growth is expected to continue in the upcoming months.

"The basis of improvement in IPI is modest recovery in Malaysia's external sector and firmer domestic spending to drive the economic growth," it said in a statement.

Improving external trade may also push for higher industrial production.

"We estimate export-oriented production will drive 2017 industrial production, given the global economic environment is on upward trend," said MIDF Research.

Malaysia's IPI rose 4.7% in February from a year ago, driven by expansion in manufacturing (6.5%), mining (0.4%) and electricity (1.5%), the Statistics Department said in a statement.

Powering the growth in the manufacturing sector were the major sub-sectors including electrical and electronics products (8.1%), food, beverages and tobacco (15.9%) and petroleum, chemical, rubber and plastic products (3.7%).

AllianceDBS Research noted that while the IPI in February grew faster than the 3.5% growth recorded in the preceding month, the performance came in below *Bloomberg's* consensus estimate of 6.1%.

"However, on a seasonally adjusted month-on-month basis, industrial production expanded 2%, which was the highest since October 2016.

"Given the strong performance of the manufacturing sector in the first two months of 2017, we reckon that gross domestic product (GDP) for the first quarter to come in between 4.3%-4.5%.

"Therefore, we maintain our 2017 GDP forecast at 4.4%, slightly higher than 4.2% in 2016," said the research house in a report.

Despite the positive growth witnessed by the manufacturing sector, AllianceDBS Research indicated that certain downside risks to the manufacturing sector may continue.

"According to Markit, manufacturers find it difficult to maintain profit margins, with rising import costs and waning demand," said AllianceDBS Research.

In March, the Nikkei Malaysia manufacturing Purchasing Managers' Index (PMI) improved marginally to 49.5 from 49.4 in February.

Meanwhile, the mining sector's performance will continue to be impacted by the country's commitment to cut its petroleum production. Due to the cut, crude petroleum production shrank by 2.4% and 4.7% in January and February, respectively.

Malaysia is one of the non-Organisation of Petroleum Exporting Countries (Opec) countries committed to the agreement which saw 20,000 barrels cut per day starting Jan 1, 2017.

If Opec does extend its production beyond June this year, it could mark the second year of consecutive decline in crude petroleum output from Malaysia.

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