

World Steel Dynamics



Steel Futures
Customers are ready;
how about the mills?

Patrick A. McCormick
Managing partner – WSD

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Steel Futures Panel Topics



- Risk management tools available to sellers, buyers and traders
- Exchange traded versus Over-The-Counter
- Will exchanges find traction from the industry?

Price Risk Management Tool Benefits

Mills, Middlemen, End Users



- Steel Mills
 - Guaranteed payment on fixed forward prices
 - No more risk of renegotiation
 - Benefits to middlemen should reduce the impact of inventory cycles on physical market prices

- Middlemen
 - Can make stronger forward price commitments to customers
 - Hedging will allow mitigation of forward price risk
 - Reduce inventory risk to spot market price changes

- Steel Users
 - Can make stronger forward price commitments to customers in that steel costs will be known.
 - More predictable profit margins and the forward price curve visibility will aid customer quotations

Example of OTC Financial Swap Trading Math (Euros/MT)



HRB Financial Trade (seller pays spread)

Mon	MKT	Sell	Sell Var	OTC Spread	Buy	Buy Var
Dec	458	451	7	7	458	0
Jan	466	451	(15)	7	458	8
Feb	470	451	(19)	7	458	12
Mar	473	451	(22)	7	458	15
Apr	448	451	3	7	458	(10)
May	422	451	29	7	458	(36)

HRB Physical Trade (neg. Var=bad)

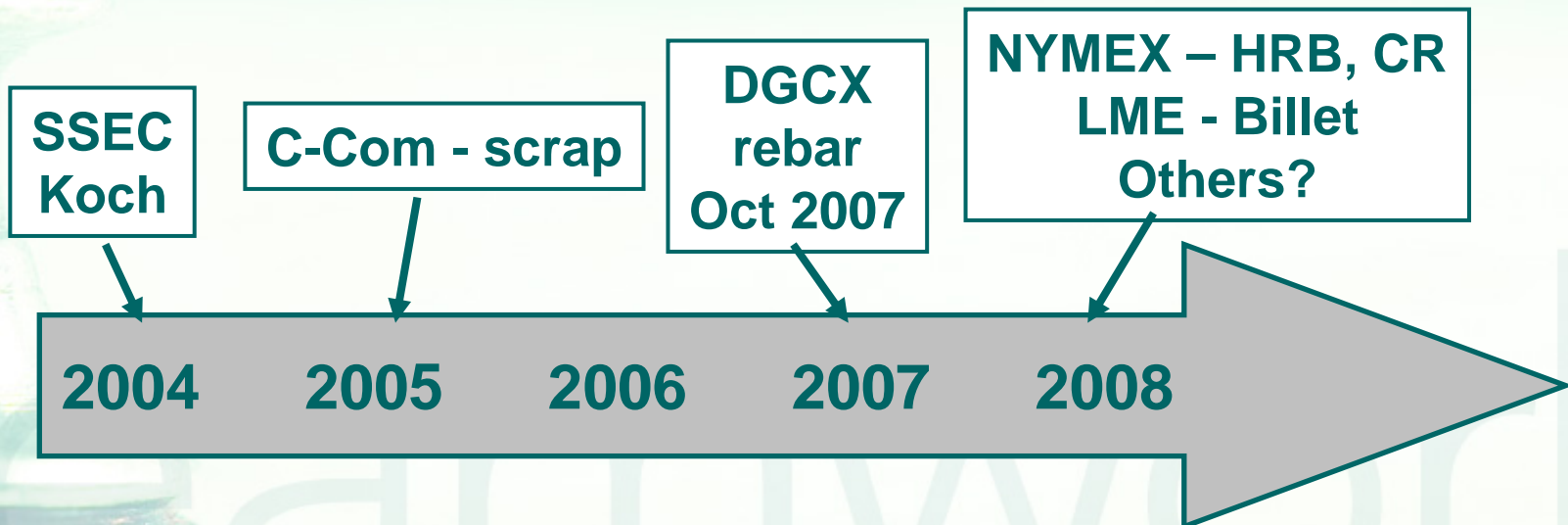
Mon	MKT	Sell Var	Buy Var
Dec	458	Base	Base
Jan	466	8	(8)
Feb	470	12	(12)
Mar	473	15	(15)
Apr	448	(10)	10
May	422	(36)	36

Steel Futures Already Here

Increasing Products and Regions



Products	2004			2005			2006			2007			2008		
	USA	Eur	Asia	USA	Eur	Asia	USA	Eur	Asia	USA	Eur	Asia	USA	Eur	Asia
Hot Rolled Sheet	OTC	OTC	SSEC	OTC	OTC	SSEC	OTC	OTC	SSEC	OTC	OTC	SSEC	NYM	OTC	SSEC
Cold Rolled Sheet	OTC	OTC		OTC	OTC		OTC	OTC		OTC	OTC		NYM	OTC	
Auto Bundles						CCom			CCom			CCom			CCom
Billet														LME	
Wire Rod			SSEC			SSEC			SSEC			SSEC			SSEC
Rebar			SSEC			SSEC			SSEC		DGCX			DGCX	



Exchange Benefits Over OTC



- Daily settled forward price curve

- Efficient communication
 - Trading transparency
 - Trading access

- Access to additional sources of trading liquidity
 - Financial investors interest fill the trading gaps between physical buyer and seller interest

- Highly regulated

Some FAQ's About Steel Futures



Q: What is the financial speculation impact on prices?

A: Steel/scrap futures contracts that use a final settlement price index such as the *SteelBenchmarker™* are insulated in that financial speculators can not provide price opinions. Financial speculators are needed to bridge trading liquidity gaps between buyers and sellers.

Q: What about margin calls?

A: While margin management requires bookkeeping and capital funds the % of margin money required is actually small. There are a number of financial players (banks) that provide margin management services that include accounting support, lines of credit, etc.

Q: Are my prices guaranteed?

A: Yes. A third party (the clearinghouse) guarantees payment. Unlike commercial agreements that can be renegotiated. Steel futures contracts are totally secure.

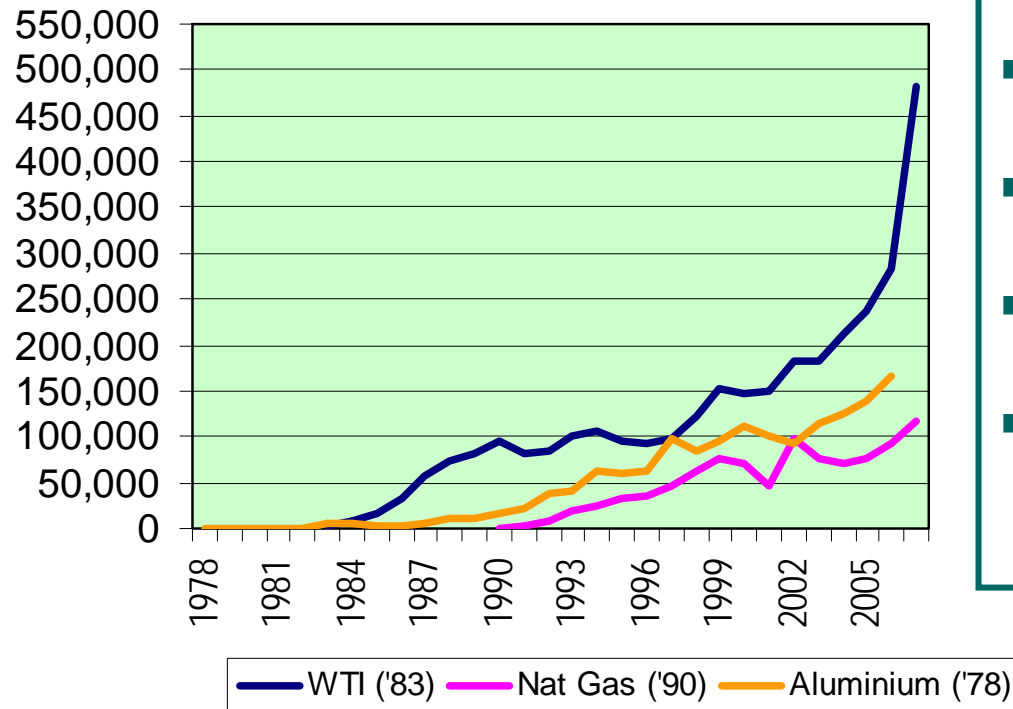
Q: Will people know what my prices are?

A: No. The amount of trades is tallied and reported every day. The trading parties and prices remain confidential. The exchange will provide daily settlement of the forward price curve which provides market participants insight on the prices required to complete trades.

Exchange Volume Growth Time to Maturity



(On Exchange Average Daily Volume)



- Trading volume takes years to establish
- Competition from other exchanges as well as OTC
- Crude oil now has multiple contracts on several exchanges
- LME aluminium took 8 years before reaching 10,000 daily contracts, today its over 100,000 per day

Steel Exchange Trading Growth has Just Begun in 2007

NYMEX 1st Steel Futures Contract Specifications



Type: Hot-Rolled Band for USA - East of the Mississippi delivery
(.2" thick and between 48-60" wide)

Size: 20 short tons

Trading Hours: 6 PM Sunday-5:15PM Friday

Price Quotes: Dollars and cents/ton

Minimum Tic Size: \$.50

Trading Terminates: First business day before fourth Wednesday
of preceding delivery month

Settlement: 20 x Index Value (*SteelBenchmarker*TM HRB Price)

“Safety In Numbers”



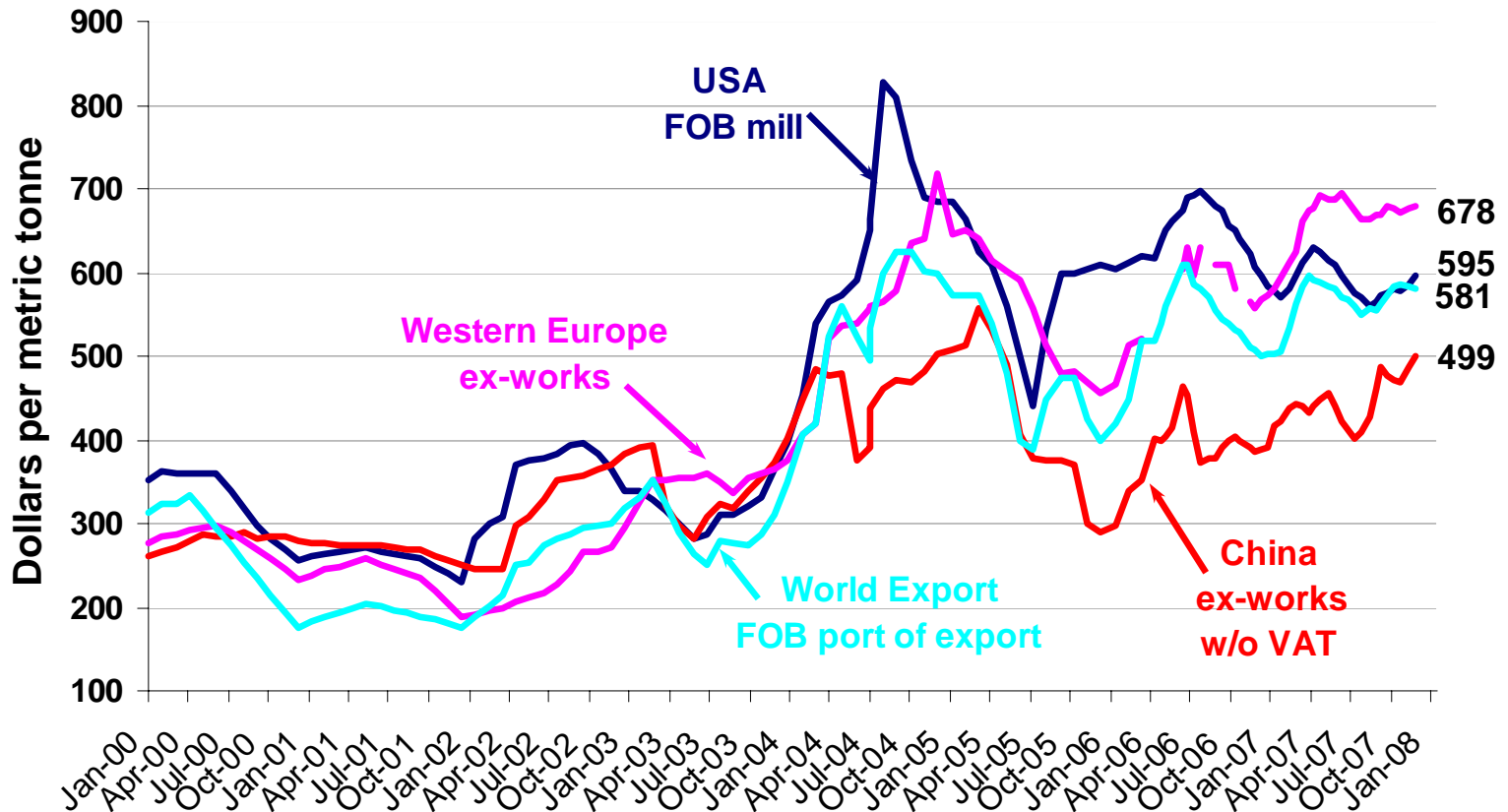
- Easy internet access.
- All qualified market participants can become a price opinion provider at www.steelbenchmarker.com
- Collecting price opinions twice a month from mills, end-users, traders, distributors, scrappies, etc.
- WSD has experience in collecting price opinions:
 - WSD PriceTracker series initiated in 1981
 - **SteelBenchmarkerTM** carried on in April 2006
- Multi regional prices for HRB, CRC, Plate, and Rebar.
 - USA scrap prices for #1 HM, shredded, and #1 busheling added in February 2007

Hot Rolled Band Prices



USA, China, Western Europe and World Export
(WSD's PriceTrack data, Jan. 2000 - March 2006; SteelBenchmarker data begins April 2006)

November 26, 2007



If It Looks Like a Duck and Quacks Like a Duck It Must Be a Duck



- WSD obtains price opinions from the industry
 - Eliminates sampling errors commonly found in other steel indices
 - Provides accurate assessment of the 'average price' when dealing with complex pricing
 - Opinion based surveys are proven and used successfully in financial markets based on Baltic Freight Indices
- WSD uses safety-in-numbers to assure robust results
- No single data provider can manipulate the index

Comparison of *SteelBenchmarker*TM and other HRB Indices



Item	SteelBenchmarker	SBB	Platt's	CRU
Price Frequency	2 times per month	Weekly	Daily	Once per month
Robustness	Electronic submission of data from over 60 providers	Electronic submission of data	Tel sample survey	Tel sample survey
Methodology	Straight average of industry price opinions	Weighted average of sample deals	Analysts estimate of data	Analysts estimate of data
Publication History	26 years (1981)	1 1/2 Years (2Q06)	1 Year (4Q06)	27 Years (1980)
Data Provider Agreement	Yes	Yes	No	No
Exchange trade	NYMEX	None	None	OTC
Availability	Free	Subscription fee	Subscription fee	Subscription fee
Partners in the endeavor	Shanghai SteelHome AMM/Metal Bulletin	None	None	None

Key Takeaways



- Increased use of price indexing will occur in physical steel contracts between buyers and sellers
- Price risk management tools will continue to evolve in steel product and regional coverage at both the OTC and the exchange level
- A successfully price risk management tool will have the following attributes:
 - Settled with prices that have the confidence of the physical market
 - Easy to execute “effective” trades
 - “Effective” trades according to FAS 133 and IAS 39
 - Sufficient trading liquidity is available to make trades
 - Success stories will breed additional success
- The *SteelBenchmarker*TM in combination with the NYMEX futures process is designed to provide trading enhancement to current steel OTC trading

Additional Takeaways



- Price assessments offer the best alternatives to manage complex pricing issues
- Steel should look to the power and gas market for solutions to its trading needs
- Steel is not a new industry, but in a new age
 - Innovations together with sound financial engineering provide the solutions that are needed to manage price volatility
- Exchanges provide transparency, connectivity and credit support
- OTC markets provide flexibility and services
- Clearable OTC derivatives combine both these markets for a superior product