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CRU comment on recent U.S. Mill announcements to move away from discounted indexed-based deals

At CRU we continually strive to produce the most robust and accurate steel price assessments (indices) in the U.S. Midwest market – something we have done since 1980.

One measure of our success in achieving this is the widespread adoption of CRU in index-based deals in physical contracts throughout North America over the last 8-10 years. More recently an era of ‘CRU-minus’ – a practice of offering a percentage discount on the CRU index in the contract market – emerged. Arguably, this type of arrangement has distorted the very premise of indexed-based pricing: that it should be equitable to both parties.

The announcements this week that several mills will move away from ‘discounted CRU deals’ was unsurprising to many well-informed market observers. That said, we feel it is prudent to distinguish to the wider market - both physical and financial - that the announcements were merely a defiant step by domestic producers against the practice of discounted indexed-based deals and not an attack on the CRU index itself.

If anything, our indices – which accurately track the spot market – will become even more important in providing much needed transparency and visibility of spot market prices for players across the entire supply chain.

Our ‘Level 2.0’ methodology – the most robust and advanced in the carbon steel market – which we employ for our weekly U.S. Midwest price assessments is available on our website: <http://www.cruindices.com/Methodology/OperationsManuals>

Feel free to contact us if you have any questions.

Sincerely,

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