

Argus White Paper: Shifting dynamics put Busan molybdenum oxide in focus

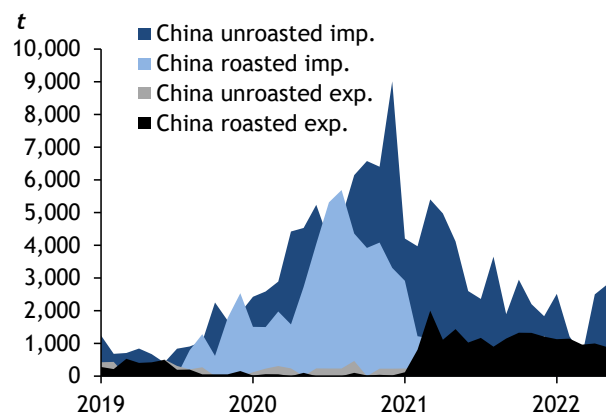


Molybdenum oxide trade rarely makes the front pages of the financial press. But its flows are keenly watched by a wide range of industries, from steelmakers, which use ferro-molybdenum in stainless production, to the aerospace and oil and gas sectors, for which molybdenum is an essential high temperature metal.

Those industries reliant on oxide have over the past two years seen trade flows disrupted as countries enforced and emerged from Covid-19 lockdowns at different paces. Soaring container freight rates combined with supply constraints temporarily reshaped inter-regional price spreads, increasing the challenge of monitoring pricing and appetite for a wider mix of data points.

As with so many metals, China drives global demand for moly oxide. How much it buys — or does not — matters far beyond its shores. China's imports of molybdenum oxide, which is categorised as roasted molybdenum concentrate in official trade data — soared in 2020 as China rapidly emerged from lockdowns while other countries shut down. They then collapsed again in 2021-22 (see chart).

China MO



Near-term pressures but long-term growth

That does not necessarily point to a collapse in demand. Global crude stainless steel production rose by 12.5pc to almost 58.3mn t in 2021, a total to which China contributed more than half. Its own output was up by 5.1pc, according to the International Stainless Steel Forum. The pullback from imports can partly be explained by China focusing on using lower-priced domestic oxide supply in the past six months. Macroeconomic challenges — including inflation, energy costs, and the economic trade-offs of the Zero Covid policy — are hanging heavily over 2022 outlooks, yet most market participants still expect strong demand growth in future years.

Demand for molybdenum products outside China may also have taken some short-term knocks, but has robust foundations, underpinned by rising molybdenum consumption for stainless steel production, infrastructure and applications related to the energy transition. At the time of writing, US prices for flat stainless steel products are dropping but still far higher than pre-pandemic levels, with 301 grade at \$2.34/lb ex-works — up from \$1.35/lb at the end of 2019.

Macro turmoil underscores need for a global view

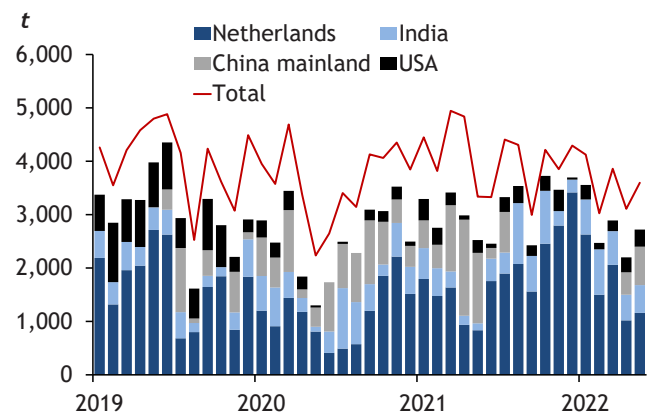
So while the long-term demand picture looks healthy, the macroeconomic and geopolitical turmoil of 2020-22 has put a spotlight on how globally intertwined metal supply chains are. Yet at the same time, it has shown how different regional prices have not always moved in the same way, despite this interconnectedness.

South Korea has repeatedly been caught in the crosshairs, whether because of Chilean mine disruptions and the shipping container shortage that [disrupted flows of South American feedstock](#) to Busan converters in 2021, or fluctuations in overseas demand for South Korean ferro-molybdenum (see chart).

The spread between Busan and Rotterdam oxide prices has been particularly notable in recent years, widening in 2020-21 as tight supply and soaring freight costs pushed up Europe's prompt spot market. At the time of writing, *Argus'* new Busan assessment launched on 5 July 2022 is roughly at parity to the duty unpaid Rotterdam price at \$15.40-15.50/lb — restoring a more traditional price correlation between the two regions.

The near and long-term direction of the global moly market is currently open to debate, not least because recent history has warned everyone to expect the unexpected. The shipping markets are still not back to normal, recession fears are growing globally and as this year's Shanghai lockdowns proved, Covid-19 remains a significant risk factor and can still hit industry hard. Robust price indexes, underpinned by methodologies tailored to today's markets, will play a critical role as dynamics evolve. To access *Argus'* metals methodologies in full, please [click here](#).

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