



FOB China Indices: HRC & Rebar
Methodology, specifications and use

October 2017

Metal Bulletin

Metal Bulletin HRC and rebar indices

Mission statement

Metal Bulletin is the premier global intelligence service for metals and steel professionals. It was founded in 1913 with the mission to provide must-have timely information, including price indications, for the global metals markets. Metal Bulletin covers all global metals and steel markets and provides a comprehensive package of the latest news, pricing information, expert market commentary and statistics.

Metal Bulletin is wholly owned by Euromoney Institutional Investor plc, a constituent of the FTSE 250 Index

The reporters are required to abide by a [Code of Conduct](#) and clear pricing procedures during their market reporting and pricing activities. Metal Bulletin is completely independent and has no vested commercial interest in any of the markets it prices.

The aim of this document is to introduce market participants to the fob China Hot Rolled Coil (HRC) and fob China Rebar indices provided by Metal Bulletin. If you have any questions, contact Metal Bulletin steel editor, Andrew Wells, at andrew.wells@metalbulletin.com.

Introduction

Methodology rationale

The primary role of the Metal Bulletin fob China HRC and fob China Rebar indices is to provide market participants with a fair and robust representation of the physical fob China basis spot market prices for those products. Metal Bulletin's rationale is to adopt and develop the price discovery process and the methodology described in the present guide to produce a consistent and representative indicator of market value to suit the steel market's requirement for a transparent pricing mechanism.

The indices aim to be reflective of the price levels seen during the data collection time period or window and to be reliable indicators of value of the fob China HRC and rebar markets. The data collection period taken into consideration to calculate the index, ie, 24 hours, is determined by Metal Bulletin after considering the number of data points that Metal Bulletin can reasonably expect to collect on a consistent basis over the selected period to support the index calculation process.

The steel market is constantly developing. Metal Bulletin reviews its methodology and specifications, and engages in discussions with market participants on a regular basis to ensure that it remains as representative of the market as possible. The Metal Bulletin fob China HRC and fob China Rebar Index methodology has been designed to meet the requirements of the financial market as well as the physical market.

Methodology

Data collection and quality

The basis of all our indices is the data provided by the market. In order to provide a representative price for the market, we aim to collect as many representative data points as possible. Any market participant involved in the physical HRC or rebar spot market on fob China basis may contribute data to the indices following a review by Metal Bulletin of their activities. The aim is to ensure that submitters have sufficient visibility and understanding of the market to be able to provide reliable price data.

Metal Bulletin aims to engage a broad and balanced range of physical market participants in the provision of data. Metal Bulletin's [Data Submitter Policy](#) provides guidelines to ensure the high level of data quality and integrity that Metal Bulletin expects from contributing organisations providing pricing data. The policy can be found on Metal Bulletin's website or is available upon request. Metal Bulletin encourages data sources to provide data on all their concluded transactions and welcomes provision of data from employees in back office functions.

Metal Bulletin uses a number of methods to collect data. These include phone calls, email, and digital messenger services across our offices in London, Shanghai, Singapore and Sao Paulo. The deadline for data submission is 4pm Shanghai time daily. Data received after this time will not be included in the calculation of the Indices. The data collection window runs for the 24 hours prior to the 4pm data submission deadline. Only price data submitted and communicated to Metal Bulletin within the 24-hour window will be included in the calculation of the indices. The indices are reflective of the price levels seen during this stated collection period. All the reference units, such as currencies and volumes units used in the Index, are in line with recognised HRC and rebar market conventions and the reference units used in these markets.

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The index specifications have a minimum volume size accepted. All data supplied to Metal Bulletin HRC and Rebar indices is kept strictly confidential. Metal Bulletin may sign Non-Disclosure Agreements (NDA) upon request with any data provider.

Index calculation

The Metal Bulletin fob China HRC and fob China Rebar indices are tonnage-weighted calculations, where actual transactions carry full weight as reflected by the reported volume, while offers, bids and market participants own assessment of the market are weighted at the specified minimum tonnage for the index. Metal Bulletin aims to collect full details of each transaction including grade, commercial terms and any other details relevant to value and pricing.

Market balance

The Metal Bulletin fob China HRC and fob China Rebar Index methodology is designed to provide market participants with a fair and robust reflection of the physical fob China HRC and rebar spot price level. The methodology incorporates structures and mechanisms to ensure a balanced and consistent calculation, which is able to resist possible undue influences.

The Metal Bulletin fob China HRC and fob China Rebar indices are structured to balance the influence of both sides of the market. This reduces the potential risk of market distortions and bias in the data and ensures that all parts of the market have the same influence on the final index calculation. The published index figure is the straight average of two sub-indices, each of which contain data from either the buy side or sell side of the market. Each sub-index is a tonnage-weighted calculation of normalised price data. Only the final index is published. The use of two sub-indices means that each part of the market has a maximum 50% weighting, which removes the possibility of bias or any single data provider having an overbearing influence on the final Index.

Normalisation

Material that differs from the base specification, but falls within the target grade range, will be normalised back to the base specification. In addition, trades will be normalised for freight based on port of discharge. Trades will be adjusted for delivery in regional ports other than the base specification port before normalisation for grade (if required). The freight normalisation will be based on the relevant freight route, with

data supplied by a leading global freight broker.

Payment terms are based on typical commercial practice in the fob China HRC and rebar spot markets. Transactions that are conducted on different payment or credit terms can be normalised, taking into account discounts, interest rates and standard commercial terms.

Criteria to discard pricing data and removal of outlier data

Metal Bulletin uses its expert judgment to exclude, prior to inclusion in the model, unrepresentative numbers and discard prices that it believes may otherwise be questionable and unreliable.

Furthermore, the Metal Bulletin fob China HRC and fob China Rebar indices have been specifically constructed to automatically exclude outlier data. All data points that fall more than 4% away from an initial calculated index are automatically excluded, and the index recalculated. Outliers will be investigated, and suspected attempts to unfairly influence the index may result in the data provider being warned or excluded.

Metal Bulletin reserves the right to see contracts and signed paperwork before inclusion of the data in the calculation. If this is refused, the data supplied may be excluded from the calculation process. Metal Bulletin reserves the right to exclude data that is not fairly presented or is believed to be an effort to distort the index.

Index calculation during periods of low data liquidity

The Metal Bulletin fob China HRC and fob China Rebar indices are calculated based on price data collected from the market. The indices are set up so that actual transactions have the greatest effect on the final calculated price.

Metal Bulletin aims to calculate each index based on a robust data set and as such will, where necessary, look to utilise price data including assessments, offers and bids collected from the market. Data points that do not represent actual transactions will be entered into the index like transaction data, but will be weighted according to the lowest tonnage permissible for the index.

Metal Bulletin does not specify a minimum amount of transaction data, or a transaction data threshold, required for the publication of its index as liquidity varies across the steel markets. In the event that in a particular pricing session the dataset collected is not considered suitably robust (such as

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too few data points) for the calculation of an index, Metal Bulletin will implement the following fall back procedures (1-9) until a suitable number of data points is reached to calculate the index:

1. Carry over transaction data from the other sub-index during the calculation period.
2. Carry over assessment data from the other sub-index during the calculation period.
3. Carry over transaction data from the previous calculation period in the appropriate sub-index.
4. Carry over transaction data from the previous calculation period from any sub-index.
5. Carry over assessment data from the previous calculation period in the appropriate sub-index.
6. Carry over offer/bid data from the previous calculation period in the appropriate sub-index.
7. Carry over assessment data from the previous calculation period from any sub-index.
8. Carry over offer/bid data from the previous calculation period from any sub-index.
9. If no price data can be collected then the index price will be carried over.

In the unlikely situation that more than half of the pricing data collected on a day is provided by a single source, Metal Bulletin will use the fall back procedures 3-9 (see above) to ensure there is not dependency on a significant proportion of data being provided by a single entity.

Publication

The Metal Bulletin FOB China HRC and Rebar Indices are published daily at 4.30pm Shanghai time. The Indices are not published on Chinese public holidays. Chinese public holidays 2017* are as follows:
1st to 2nd January – New Year Holiday
27th January to 2nd February – Spring Festival
2nd to 4th April – Ching Ming Festival
29th April to 1st May – Labour Day Holiday
28th to 30th May – Dragon Boat Festival
1st to 8th October – National Day Holiday
4th October – Mid-Autumn Festival

*source: www.publicholidays.cn

Corrections and delays

If the index is published incorrectly, it will be rectified and republished as soon as possible. A correction notice will be sent to all subscribers. Metal Bulletin employs a number of procedures and measures to avoid delays in the publication of its Index. However, in the event of a delay occurring, Metal Bulletin will inform subscribers as soon as possible. In the event of late publication only data that has been received within the correct standard timeframe will be included in the calculations. The index will not be amended due to the emergence of new data or market activity after the initial publication. Retrospective changes to the published values will only be made in cases of administrative or calculation error.

Methodology and price specifications review process

Metal Bulletin aims to continually develop and periodically revise its methodology in consultation with industry participants, with the objective to adopt product specifications, trading terms and conditions that reflect and are representative of typical working practices in the steel industry.

Any change to the methodology and/or price specifications are implemented following a consultation process which starts with Metal Bulletin posting on its website an advance pricing notice providing clear details and a timeframe for the change proposed. The objective of the consultation process is to give market participants sufficient time and opportunity to provide feedback and views about the change proposed.

For more details on the formal periodic review of the methodology and details of the consultation process to propose changes to the methodology, refer to Metal Bulletin's Internal and External Review Process and Metal Bulletin's [Change to the Methodology Consultation Process](#) documents available on Metal Bulletin's website.

Procedure to ensure consistency in the price discovery process

Metal Bulletin aims to maintain the highest standards in the provision of prices to those involved in the global metals industry. All Metal Bulletin pricing employees are required to adhere to Metal Bulletin's [Code of Conduct](#) and Pricing Guidelines. Prior to publication all indices are subject to peer review and are signed off by a senior member of the editorial

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or index team. This peer review process is in place to make sure that pricing procedures and methodologies are correctly and consistently applied and to ensure integrity and quality of the published prices. Full details of data inputs and calculations are stored in Metal Bulletin's electronic database and may be accessed at any time for internal review and auditing purposes.

Index-related queries and complaints

Metal Bulletin encourages engagement with the market on its pricing principles and methodology. The company promotes understanding of its calculation procedures and is committed to responding to requests for further information and clarification on a timely basis. There are multiple channels for interaction with the index department including email, telephone and instant messenger services.

If a subscriber has an issue with the published prices, then they may contact the index team. In the event that the response is not satisfactory the issue may be escalated to the internal compliance department. For more details refer to Metal Bulletin's [Complaint Handling Policy](#) available on Metal Bulletin's website.

Metal Bulletin takes all queries and complaints seriously and will seek to provide an explanation of the prices wherever possible. It is important to note, however, that calculation models and input data remain confidential and cannot be provided to third parties.

Contacts

For more information about the Metal Bulletin fob China HRC and Rebar Indices please do not hesitate to contact the Metal Bulletin team:

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MetalBulletin HRC and rebar indices

Specifications

FOB CHINA HRC INDEX

Basis

US\$ per tonne, fob China

Origin

China

Grade

base: SS400, other grades normalised

Dimensions

Width 1,250-1,800mm, thickness 3-14mm

Minimum tonnage

1,000 tonnes

Discharge port

Tianjin. Other discharge ports normalised to Tianjin

Delivery method

Seaborne

Timing

Within 8 weeks

Payment terms

LC at sight

Publication

Daily, 4.30pm Shanghai time

Data history

As index from October 2017,
as assessment from February 2006

FOB CHINA REBAR INDEX

Basis

US\$ per tonne (actual weight), fob China

Origin

China

Grade

Base: BS500B, 12-32mm chromium-added, other grades normalised

Dimensions

diameter 12-32mm

Minimum tonnage

1,000 tonnes

Discharge port

Tianjin, other discharge ports normalised

Delivery method

Seaborne

Timing

Within 8 weeks

Payment terms

LC at sight

Publication time

Daily, 4.30pm Shanghai time

Data history

As index from October 2017,
as assessment from July 2007

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PLEASE READ CAREFULLY**

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