

STEMCOR



STEEL FUTURES

A trader's perspective

Ralph Oppenheimer - Executive Chairman, Stemcor
Steel Success Strategies Europe 2007

*Your **global partner** in steel*



About Stemcor

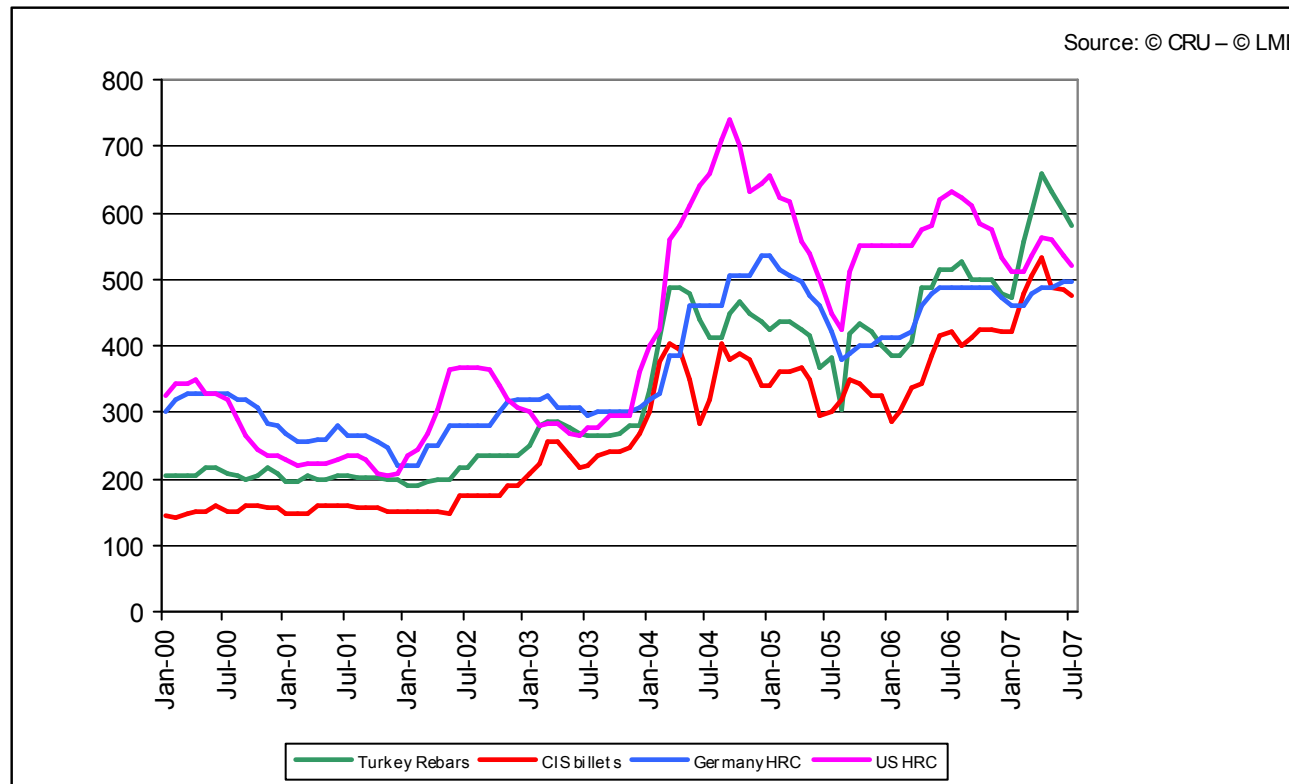
- World's largest independent steel trader
- 20m tonnes of steel and raw materials
- \$8 billion turnover
- 1000 employees, 60 offices, 40 countries
- Established for over 50 years

Exposure to risk

- Low margins
- Volatile prices
- Contractual defaulting
- Counterparty risk
- Quality problems
- Logistical risk



Volatile prices



	Turkey Rebars	CIS Billets	Germany HRC	US HRC	Cu	Al	€/€
Annual volatility % Jan 00 - Jul 07	24%	24%	16%	23%	22%	14%	8%

Your global partner in steel

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Who does price volatility affect?



- Steel maker
- Trader
- Stockholder
- Fabricator

- Supplier of components
 - Automotive
 - Ship building
 - Construction
- Manufacturer / assembler
- New investment project

A step closer to predictability

There's always an element of risk.

Nobody has a crystal ball. OK, I have one.

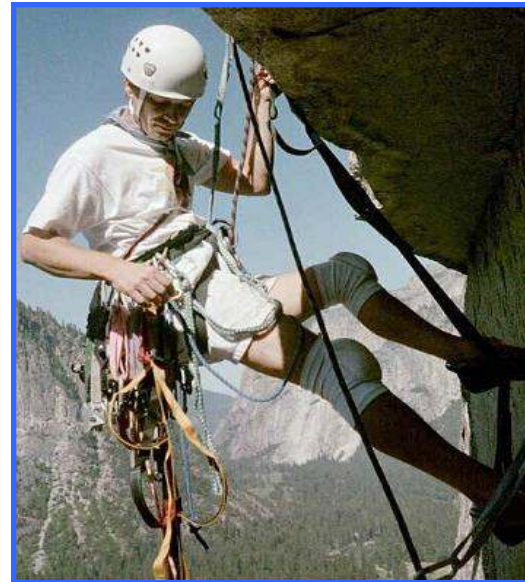
But nobody knows how it works.



Now we all have a choice



SPECULATION



HEDGING

**The tools are available.
Exposure + no protection = speculation.**



Who benefits?

- The entire steel supply chain should benefit
- Steel producers' capital investment decisions can be based on more predictable cash flows
- Suppliers and transformers of steel can protect their margins against movements in price
- Users of steel should have the ability to hedge their exposure to rising prices during protracted projects



The trader and futures

- Much scepticism, but steel futures will happen
- Allow traders to operate more efficiently by hedging their positions
- Requirement for brokers – the natural role for traders in this ‘new world’
- Long term contracts linked to a hedgeable index for sales and purchases
- Traders’ function in the market will be to help their partners on both the supply and purchase sides

Risk and reward



Maximising profits is not about removing *all* risks but achieving the best possible **Risk / Reward ratio.**

Traders are well placed to assist steel suppliers and users in hedging their risk.



A dedicated service



**With steel futures contracts
now in sight we are launching
Stemcor Risk Management**

www.stemcor.com

For a solid grounding in steel price risk management, contact Jean-Luc Florenzoni.
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