



Sucden  
Financial

# Steel

Sucden Financial is a leading Commodities, Financial Futures and Options Broker, with a strong and established market reputation spanning over 35 years. As a member of the world's major exchanges, we are able to deal in virtually every commodity and financial futures and options contract. Our global market presence coupled with the expertise and experience of our trading teams, has established Sucden Financial as the derivative broker of first choice.

## Products and Trading

In April 2008 the London Metal Exchange (LME) launched two regional and physically-deliverable steel billet futures contracts. The two regional steel contracts are the first part of a long-term plan by the LME to bring the benefits of price risk management and transparency to the steel industry.

## Volatility in the Market

In markets, volatility has led consumers to look for other ways to mitigate their price risk, including the establishment of variable cost contracts, surcharge mechanisms and over the counter derivative (OTC) products. But many of these options also bring with them a new set of issues and risks. There are many in the steel industry that now see the need to manage their price risk and cash flows more effectively and hedging allows them to do just that.

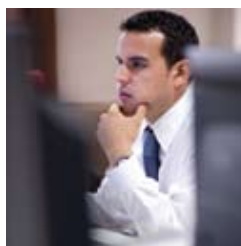
## The Benefits of Hedging

The Steel Industry can benefit from managing price risk to achieve a variety of outcomes:

- Protection against adverse price movements
- Offer long-term fixed price sales and the ability to lock in a margin
- Improve budget forecasts of costs and profits
- Turn stock into cash or security for finance purposes

## The Correlation with Scrap and Rebar Prices

The LME has researched price correlations on CIS, Turkey billet (Mediterranean contract), rebar and scrap, which has indicated a 95% (or more) price correlation over a ten year period. This level of correlation suggests that it is possible for producers to hedge scrap purchases against the LME billet contract.



### How are the Contracts Traded?

As with all other LME contracts, only members of the Exchange are able to trade and only Ring Dealing Members (which include Sucden Financial) have the exclusive right to trade in the Ring. The contracts are also available to trade inter-office 24 hours a day and clients have the opportunity to trade the contracts electronically, via Sucden Financial's STAR trading platform.

### Two Regional Contracts

The Exchange currently has contracts for the **Far East** and the **Mediterranean** Regions. Each contract has different chemical and physical specifications that have been developed to meet the price management needs of the Steel industry in that region.

Most of the trade in billets is intra-country and the two contracts reflect the different regional trade flows and pricing approaches. The LME has stated that this is just the start and after a successful launch, further regional contracts will be launched.

### Physical Specifications

Each regional contract has individually defined physical specifications that include quality, shape and length, lot size and delivery location.

You may check the specifications for each region at [www.lme.com/steel](http://www.lme.com/steel)



### Trading Specifications

Each regional contract is traded in an identical manner on the exchange.

<b>Delivery Dates</b>	Daily from cash to 3 months (first prompt date two working days from cash). Then every Wednesday from 3 months to 6 months. Then every third Wednesday from 7 months out to 15 months.
<b>Contact Size</b>	65 tonnes
<b>Quotation</b>	US dollars per tonne
<b>Clearable Currencies</b>	US dollar; Japanese yen; sterling; euro
<b>Minimum Price Movement</b>	<b>Ring</b> – Outright \$0.50, Carries \$0.01 <b>LME Select</b> – Outright \$0.10, Carries \$0.01 <b>Inter-office</b> – Outright/Carries \$0.01

### About the LME

The world's premier non-ferrous metals market, which is used as a reference price by over 98% of the world's physical metals trading.

A highly liquid market, with volumes of 93 million lots in 2007, equivalent to 9,500 billion US dollars annually and between 35–45 billion US dollars on an average business day.

Established long-term relationships within the metals and financial communities and provides transparent prices, and a forum for price risk management to the global metals industry.

There is a statutory requirement to ensure that business on the LME is conducted in an orderly manner and is a Recognised Investment Exchange (RIE), providing robust protection to participants.



### Why Sucden Financial?

Sucden Financial is one of only 12 floor or Ring Dealing members of the LME (its highest category of membership). It executes a significant proportion of the market's activity and has one of the largest floor teams.

- Direct access to Ring trading
- Direct access to Ring commentaries
- Real-time access to spreads and spread quotes

### Expertise

Sucden Financial's Industrial Commodities Desk services trade customers globally. Our staff have the experience and specialist skills to provide a quality service for a wide variety of clients. The team's skill base includes:

- Technical analysis
- Physical commodity trading
- Average based products
- Option pricing, modelling and risk management
- Exotic derivatives and structures
- Development and suggestions of hedge strategies and selection of appropriate products
- Foreign language servicing

At Sucden Financial we offer a high quality brokerage service tailored to each customer's individual requirements.

Sucden Financial has built a reputation as a firm committed to delivering exceptional levels of service, with a team focused on clients' requirements and desire for success. Sucden Financial can assist you to tailor a hedging strategy to both identify and manage the particular price and market risks that your company is facing.

### Products

- Spot/Cash Markets
- Futures/Forwards
- Spreads
- Option Services
- Execution
- Market Making
- Trading Strategies
- Technical Analysis
- Market Commentary
- Cross Currencies
- Derivative Analysis
- Risk Management

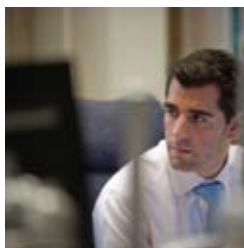
### Electronic Trading

We offer clients electronic futures and options trading on a variety of different Markets, including the LME, through STAR, Sucden Financial's trading platform, developed by our in-house specialists, exclusively for professional traders.

### STAR's Key Features

- A user-friendly customisable interface
- Market depth
- Calendar spread matrix
- Implied pricing
- Strategy creator
- Trade entry by; GTC, IC, MIT, Stop Limit and Iceberg
- Scrolling and tabular tickers displaying the last five hundred trades
- Fully integrated shared order book and risk management features
- Real-time profit & loss
- Integrated option calculator

\*STAR currently has direct access to the following exchanges: The London Metal Exchange, NYSE Liffe, ICE Futures U.S. and ICE Futures Europe. In addition we offer clients Direct Electronic Trading on the following exchanges; CME Group, COMEX, Eurex, Kansas City, Matif and NYMEX.



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These products are targeted at corporate and experienced investors.  
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