

Mexican Ferrous Scrap



Methodology and price
specifications – June 2019

Mission statement

Fastmarkets is a leading commodity price reporting agency (PRA) covering the metals, mining, minerals and forest products industries. Our products include Fastmarkets MB, Fastmarkets AMM, Fastmarkets IM, Fastmarkets RISI, Fastmarkets FOEX and Random Lengths. For more than 100 years we have been providing commodities price reporting services for use by market participants in their day-to-day commercial activities. These services include assessments and indices of commodity prices as well as news, research and commentary on the underlying markets.

Our mission is to meet the market's data requirements honestly and independently, acting with integrity and care to ensure that the trust and confidence placed in the reliability of our pricing methodologies is maintained. We do not have a vested interest in the markets on which we report.

Introduction

Fastmarkets AMM is the leading independent supplier of market intelligence, pricing, assessments, analysis and commentary to the North American metals industries. Fastmarkets AMM publishes widely used reference prices for non-ferrous metals, steel and scrap markets.

Fastmarkets AMM is completely independent and has no vested commercial interest in any of the markets it prices.

Fastmarkets AMM's reporters are required to follow a Code of Conduct.

Fastmarkets AMM reporters are required to follow robust pricing procedures during their market reporting and pricing activities.

All work by Fastmarkets AMM reporters is peer reviewed and approved prior publication by senior reporters.

All prices and assessments are based on regular contact with a wide variety of market participants, a group which is reviewed periodically by senior editors to ensure a balance of participants, buyers, sellers and others legitimately and actively involved in the marketplace.

Fastmarkets AMM treats all communications of price, assessments, contract details and all other information as confidential and details are never shared with third parties.

If you have any questions, please contact the pricing administrator, pricing@fastmarkets.com.

The price discovery process methodology

The aim of this section is to provide a clear overview of the pricing methodology and price specifications of all the ferrous scrap markets that Fastmarkets AMM assesses.

Fastmarkets AMM produces independent, fair and representative price assessments for the US ferrous scrap market on a periodic basis, most often daily, weekly and monthly. It reserves the right, based on market variations or other factors, to change the frequency of any price, assessment or index published after notifying the market of its intent.

Fastmarkets AMM's reporters are charged with speaking to a broad sample of market participants closely or specifically involved in the buying and selling of the metal of interest. Representatives of this market, may include both sides of known contract(s), may include producers, consumers, traders and brokers.

The reporters' goal is to discover as many details as possible of all market activity including concluded business, made offers, and received bids or prices quotes over a certain defined period – generally the period since the conclusion of the previous quotation.

Pricing data is usually collected via phone conversations and email exchanges with market participants; all the relevant pricing details are entered into the Fastmarkets AMM pricing database and available for peer review.

Fastmarkets AMM follows industry convention for all price points, assessments and indexes. Reporters ensure that the information they receive matches these conventions.

Occasionally Fastmarkets AMM might receive price data for material where a transaction, contract, reported bid, offer or quote may differ in some element from convention – for instance, non-standard material quality, delivery terms or delivery location, cargo size or payment terms. In such cases Fastmarkets AMM normalizes the data.

Fastmarkets AMM does not use volume/quantity/tonnage weighted averages and will not use information that is suspect or from an anonymous sources who refuse to detail and verify their involvement in the industry.

At the end of a pricing session, Fastmarkets AMM reporters will collate information received and review it before setting a price or assessment. In some cases, it will set a price range, to reflect the spread of prices at which business has been transacted, offered or bid. In other cases it will specify as single number, midpoint, or index which is compiled from single numbers and/or ranges.

While Fastmarkets AMM does not use volume/quantity/tonnage weighted averages, it does use weighting in that greater importance is given to actual and/or concluded transaction data. Depending on market liquidity, it is not always possible to obtain actual transaction data; in such cases, Fastmarkets AMM reserves the right to base its prices on also on bids, offers and assessments and the context of related benchmarks and/or analogous transactions, bids, offers and assessments to inform any or no directional change in pricing.

When required, particularly in instances where a market moves dramatically, Fastmarkets AMM seeks to confirm all information on deals either by requesting a signed copy of the contract; we also accept other materials as evidence of claimed deals and reserve the right to check deal information with the counterparty, middleman, trader or other knowledgeable participant.

Fastmarkets AMM uses its expert judgment and applies consistent procedures to exclude outlying numbers and discard prices that it believes may be questionable, unrepeatable or otherwise unrepresentative of current market conditions.

All price assessments inputs are gathered by one or more reporters who cover that/those specific market(s). Prices are peer reviewed by a second reporter then and approved by a senior reporter or editor (all of whom have access to the first reporter's or reporters' documentation) prior publication. In this way Fastmarkets AMM ensures consistency in the application of the methodology and the exercising of judgement.

In the event that no relevant data has been reported in the assessed period, for example as a result of holidays, Fastmarkets AMM reserves the right to roll the price over.

Contract benchmarks

Many participants in the US ferrous scrap market operate on the basis of negotiated monthly contracts. In such cases, Fastmarkets AMM assesses information gathered during this negotiation period and publishes the prevailing benchmark as and when it is established. Typically, these contracts are settled during the first 10 days of each month and are then effective for the entire calendar month.

As with all prices/assessments and indexes, Fastmarkets AMM's quotations are based on actual transactions reported by buyers and sellers. Fastmarkets AMM also accepts aggregated data submitted by market participants where it represents the total volume and average price of a number of transactions.

For some grades, locations and other circumstances, prices are established by making industry-standard discounts from quotations for other grades. This particularly applies in relatively illiquid markets.

In the event that there is insufficient transactional data to make a quotation, Fastmarkets AMM reserves the right to publish an appraisal price. These are determined using a combination of bid and offer information and transaction data for related commodities or grades. Appraisal prices are denoted with an (a) in the daily news.

Methodology and price specification review process

Fastmarkets AMM continually develops and revises its methodologies in consultation with industry participants. If there are changes in the industry, Fastmarkets AMM will revise or adopt product specifications, trading terms, conditions or other factors that reflect and are representative of typical working practices in the industry. All methodologies, changes, revisions, adaptations or other are approved by Fastmarkets AMM's Editor and senior management.

Please note that changes to the methodology and/or details affecting the price are implemented following a formal consultation process which starts with Fastmarkets AMM posting on its website and/or in its daily issue an advance pricing notice providing clear

details and timeframe for the change proposed.

Fastmarkets AMM concurrently reaches out to known participants in the specific market for feedback, comment and suggestions. The objective of the consultation process is to give market participants sufficient time and opportunity to provide feedback. Fastmarkets AMM will consider all views about the change proposed, but reserves the right to make changes it deems necessary.

Calculation of monthly average prices

Fastmarkets produces independent, fair and representative price assessments and indices of ferrous, non-ferrous and scrap metal prices on a daily, biweekly, weekly, bi-monthly or monthly basis.

Fastmarkets calculates and publishes monthly averages based on these independent, proprietary assessments and indices in two distinct ways: simple averages and rolling averages.

Simple average

Fastmarkets' simple monthly averages, traditionally published by Fastmarkets MB, are calculated by dividing the sum of the price quotations by the number of quotations published during the calendar month. For assessments, Fastmarkets derives both the monthly average high price and the Fastmarkets monthly average low price using this method. For indices, a single monthly average price point is calculated.

For example, there were five weekly price quotations for Chrome Ore South Africa UG2 concentrates index basis 42% cif China, \$ per tonne during the month of June 2018. Prices were published each Friday from June 1, 2018, with the assessments reading \$206 per tonne, \$208 per tonne, \$210 per tonne, \$211 per tonne and \$208 per tonne during the period. The simple monthly average is calculated by taking the sum of the five assessments and dividing that by the number of total assessments over the period - in this case, five. The simple monthly average for June 2018 was \$208.60 per tonne.

Most prices produced outside of the Americas are typically calculated on a simple-average basis.

Rolling average

Fastmarkets' rolling monthly averages, traditionally published by Fastmarkets AMM, are calculated by dividing the sum of the daily price quotations by the number of the quotations published during the calendar month. In a rolling average scenario, prices are published on a daily basis, regardless of how frequently they are updated. Daily price quotations are rolled for working days until the following price change, excluding holidays and weekends. No pricing input is published on holidays or weekends.

For example, there were five weekly price quotations for Chrome Ore South Africa UG2 concentrates index basis 42% cif China, \$ per tonne during the month of June 2018, with the first price update made on Friday, June 1. According to Fastmarkets' calculation, the price assessment from Friday is rolled over and republished on the Monday, Tuesday, Wednesday and Thursday of the following week, with the newly updated price published each Friday. The rolling monthly average is then calculated by taking the sum of all daily published prices and dividing it by the 21 total inputs over the period. The rolling monthly average price for June 2018 is therefore \$208.71 per tonne.

Most prices produced from the Americas are typically calculated on a rolling-average basis.

Consumer Buying Prices

Assessment:	No. 1 heavy melt steel
Gauge:	Maximum dimension of 5 feet (152.4 centimeters)
Quality:	Bulk carbon steel material (solid iron, maximum 20% of tubes and no sheets). Scrap of industrial and automaking origin. Free of cans, sheets, chips, filters, fines, dust, nonferrous metals and other impurities.
Location:	Mexico, specified region, delivered mill price
Unit:	Peso per tonne, USD per tonne (converted from assessed peso number using Banco de Mexico exchange rate)
Publication:	Weekly, Tuesday

Assessment:	Cut structural/plate 3-foot maximum
Gauge:	Maximum dimension of 36 inches (91.4 centimeters)
Location:	Mexico, specified region, delivered mill price
Unit:	Peso per tonne, USD per tonne (converted from assessed peso number using Banco de Mexico exchange rate)
Frequency:	Weekly, Tuesday

Assessment:	Shredded auto scrap
Quality:	Steel and iron shredded in hammer mill with magnetic separation of nonferrous material. Free of cans, chips, fines, dust, nonferrous materials and impurities.
Location:	Mexico, specified region, delivered mill price
Unit:	Peso per tonne, USD per tonne (converted from assessed peso number using Banco de Mexico exchange rate)
Frequency:	Weekly, Tuesday

Assessment:	No. 1 busheling
Gauge:	Maximum dimension of 60 inches (152.4 centimeters)
Quality:	New carbon steel material from stamping and clippings of black and/or galvanized sheet. Free of rust, copper, chromium, nickel, tin, oil and other impurities.
Location:	Mexico, specified region, delivered mill price
Unit:	Peso per tonne, USD per tonne (converted from assessed peso number using Banco de Mexico exchange rate)
Frequency:	Weekly, Tuesday

Assessment:	Machine shop turnings
Quality:	Carbon steel turnings and/or wrought iron dried or spin dried, with very low oxidation rates. Free of tangles, dust, fines and oil or fluids.
Location:	Mexico, specified region, delivered mill price
Unit:	Peso per tonne, USD per tonne (converted from assessed peso number using Banco de Mexico exchange rate)
Frequency:	Weekly, Tuesday

Exchange rate peso/dollar

Purpose:	Converting peso per tonne to USD per tonne, and vice versa
Source:	Banco de Mexico
Type:	Exchange rate published in the Official Gazette of the Federation on the next banking day of its determination
Calculation:	The average of the daily exchange rates from the previous Monday-Friday period, excluding bank holidays, is used in currency conversions for price assessments on the following Tuesday.

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