



## World Steel Exchange Marketing

Re: Shredded steel scrap futures trading on the NASDAQ Futures Exchange (NFX)  
From: Peter F. Marcus, founder of World Steel Dynamics (WSD) and World Steel Exchange Marketing (WSEM)  
To: The steel scrap trading community  
Date: November 10, 2016

### **NASDAQ FUTURES EXCHANGE (NFX) SEEKS TOP SPOT IN U.S. SHREDDED STEEL SCRAP FUTURES TRADING**

The NASDAQ, which is the world's premier financial exchange technology provider, plans to launch *Midwest U.S. Shredded Steel Scrap TSI Index* futures on its new U.S.-based NFX futures exchange. Its futures trading platform "went live" in July 2015 for listed futures and options for oil, natural gas and US power benchmarks. All products are cleared through *The Options Clearing Corporation (OCC)*. The shredded scrap futures will be the cornerstone for a suite of NFX ferrous products.

The NFX is open for trading 22 hours a day from 7:00 PM Sunday (NY time) through Friday at 5:00 PM (NY time). Its 17 original and committed clearing members include the largest commodity brokers and energy traders in the United States. Six independent software vendors (ISVs) will provide access to the trading platform. At least three market makers will be making prices for the steel scrap contract on Day One. World Steel Dynamics, World Steel Exchange Marketing and NASDAQ will market the NFX steel products.

WSD and WSEM expect exponential growth for U.S. shredded steel scrap futures. A highly positive indicator for the NFX's ferrous futures trading activity is the magnitude of rebar futures trading on the Shanghai Futures Exchange and iron ore trading on northeast China's Dalian Commodity Exchange. Chinese rebar futures trading volume amounts to about 30X the country's 200 million tonnes of annual rebar production, while iron ore futures trading volume is at about a 20X multiple to China's 1.1 billion tonnes of iron ore consumption. NFX shredded futures will provide an effective price-risk management tool for: a) 50-60 million tonnes of annual US scrap consumption; b) 90+ million tonnes of annual global scrap trading; and c) 200+ million tonnes of non-Chinese steel product output each year whose price is impacted by changes in the steel scrap price.

Rising Chinese steel scrap exports in the years ahead will stimulate steel scrap futures trading. The country's obsolete scrap recovery, based on the analysis in WSD's *Global Metallics Balances* system, rises from about 80 million tonnes per annum at present to about 200 million tonnes in 2025; and, then, to about 400 million tonnes in 2035.

Shredded steel scrap futures should ramp up far faster than has been the case for U.S. hot-rolled coil futures, which have been listed since 2009, because: a) the USA hot-rolled coil is not a

global product (as is shredded scrap); and b) the USA steel mills, who are the only potential sizable sellers of HRC, have not supported it. In comparison, all steel scrap processors are both buyers and sellers, which means that the potential number of sellers is huge. The shredded contract's relatively small size – 20 gross tons – makes it accessible to thousands of scrap buyers and sellers the world over.

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Best regards,

A handwritten signature in black ink, appearing to read "Peter F. Marcus". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter F. Marcus

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