LME and Platts to develop reference prices for steel

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The London Metal Exchange (LME) has selected Platts, a division of The McGraw-Hill Companies, as its partner for the development of steel market price assessments.

Both companies will bring their extensive commodity market expertise to create, manage and promote prices and products in the area of price risk management in the steel market.

This innovative venture brings together two of the global leaders in commodity markets. It will provide accurate and transparent steel price assessments, which will be the cornerstone for the development of financial trading contracts. To ensure convergence between the physical and financial markets, the Platts process of discovering prices will be developed in close consultation with the steel industry and the LME. This will align the cash market prices with the rigorous needs of the financial market.

The accuracy and reliability of Platts' tried and tested methodology for price discovery in the oil and petrochemicals markets is now to be extended to the steel industry. Platts' physical price benchmarks are already widely used by the world's largest industrial and financial corporations in the metals industry as well as in oil, power, natural gas, coal, petrochemicals and shipping. The LME brings to the collaboration the benefits of its vast experience of developing price risk management tools in the area of industrial metals, and latterly plastics, built up over almost 130 years of trading.

Industry acceptance and use of the steel prices remains vital to the success of the venture and a prerequisite for the launch of cash-settled steel futures contracts. Accordingly, the LME and Platts will work across all steel industry sectors to ensure close industry involvement.

'Given the rigorous selection process in which all of the contenders put forward strong offerings, we feel that Platts is the best partner for this task and I am delighted to announce this partnership,' says Simon Heale, LME Chief Executive. 'Platts has an excellent and established set of proven processes for price discovery, which is especially relevant to markets like steel with many product variations, regional influences, and relatively high transportation costs. We are confident that Platts' robust price assessment methodologies can be leveraged and adapted to the needs of the steel industry. '

Platts President Victoria Chu Pao adds: 'In response to rising, volatile prices, the steel industry is demanding greater pricing transparency while financial market participants continue to seek new opportunities for exposure to the commodity asset class. Partnered with LME's essential skills and unrivalled reputation within the global metals industry, Platts looks forward to working closely with the Exchange to address the needs of both the financial and physical markets.'

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