

MONTHLY MARKET REPORT

April 2019

MARKET INTELLIGENCE POWERED BY
RYERSON

MARKET VIEW

Are tariffs impacting your business? Without a doubt, steel tariffs put in place by the U.S. administration had significant impact on business conditions throughout 2018 (88% of respondents to a recent Ryerson survey agree). That impact has carried forward into 2019, as 48% cite the ongoing uncertainty related to tariffs as one of the biggest challenges facing their business this year.

Respondents said that steel tariffs contributed to such business challenges as material availability (69%), material price increases (30%), and longer lead times for their customers (29%) in the past year. Add to this such intangible impacts like ongoing project delays or operating in an unstable pricing environment, and it's easy to see why the uncertainty surrounding tariffs remains a primary challenge to doing business. See below for some of the most commonly cited challenges from survey respondents.

Amid market uncertainty, it's important to stay attuned to global trends related to supply and demand. A few are highlighted in this month's report, along with information on ways to help mitigate the risk to your business.

For a broader perspective on market conditions, download the customer survey report (The Metal Perspective) available exclusively to registered Ryerson.com users at:

www.ryerson.com/resource/the-gauge/premium



Macro Economic Indicators

Our monthly dashboard of indicators driving the market.

| | Latest Period | Prior Period | MoM Change | Prior Year | YoY Change |
|--------------------------------|---------------|--------------|------------|------------|------------|
| U.S. GDP | 2.07 | 1.71 | ↑ | 4.07 | ↓ |
| Durable Goods Orders | 250,577 | 254,741 | ↓ | 246,039 | ↑ |
| ISM Manufacturing Index | 55.3 | 54.2 | ↑ | 59.3 | ↓ |
| Crude Oil | 62.58 | 60.14 | ↑ | 68.57 | ↓ |
| U.S. Auto Sales | 17.5 | 16.6 | ↑ | 17.4 | ↑ |

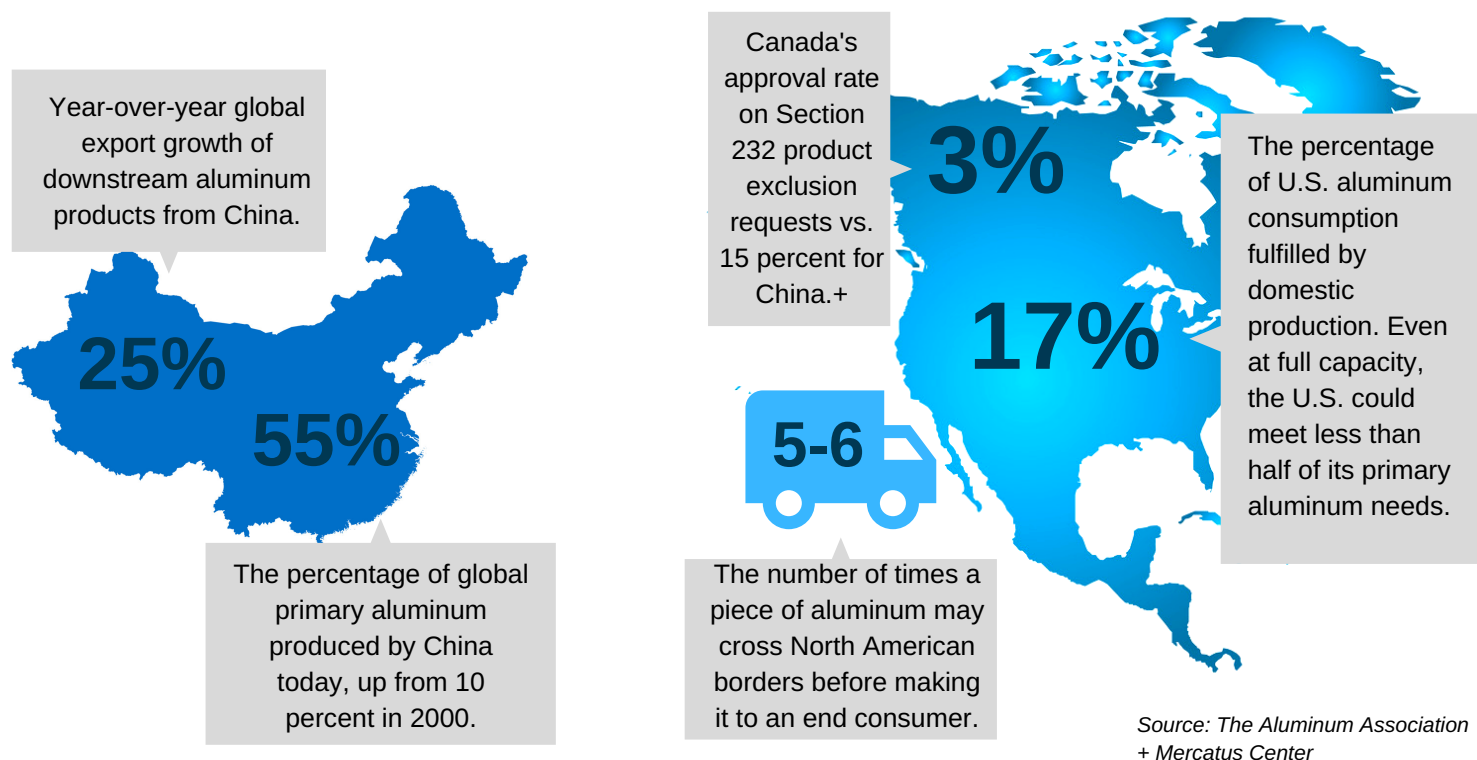
- **Atlanta Fed gross domestic product Now** is a running estimate of real GDP growth based on available data for the current measured quarter. This model provides a "nowcast" of the official estimate prior to its release by estimating GDP growth using a methodology similar to the one used by the U.S. Bureau of Economic Analysis. (Source: Atlanta Fed)
- **Durable goods orders**, measured in billions of USD, reflects new orders placed with domestic manufacturers for delivery of factory hard goods in the near term or future. (Source: U.S. Census Bureau)
- **The ISM Manufacturing Index** is based on surveys of more than 300 manufacturing firms, monitoring employment, production, inventories, new orders, and supplier deliveries. A data point above 50 typically reflects growth. (Source: The Institute for Supply Management)
- **Crude oil**, measured in USD per barrel of oil, is a raw input into metals production. (Source: Bloomberg)
- **U.S. auto sales**, measured in millions of vehicles sold, represents a major consumer of metal and is an important indicator of the strength of the U.S. economy. (Source: Bloomberg)

ALUMINUM



A Global Trade Story

In March, the Aluminum Association released a joint letter with the Aluminium Association of Canada and IMEDAL calling for the administration to reinstate quota-free exemptions from the aluminum tariffs for Canada and Mexico before the United States-Mexico-Canada Agreement (USMCA) is implemented. According to the association, fully resolving the Section 232 aluminum tariffs for Canada and Mexico, without quotas that would restrict supply chains, will allow for continued investment in the North American aluminum industry. A few figures shaping the story:



Aluminum Indicators

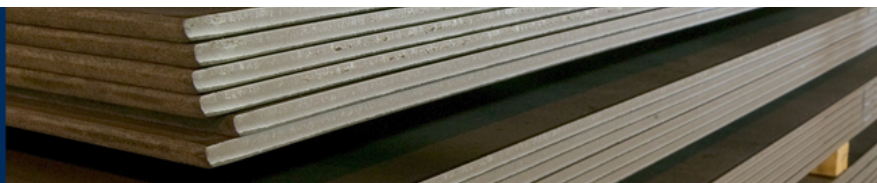
Our monthly dashboard of market indicators driving the price of aluminum.

Aluminum Lead Times

Domestic sheet: 13-18 weeks (limited availability)
 Domestic plate: 13-18 weeks (limited availability)
 Off-shore sheet/plate: 15-22 weeks
 Extrusions: 3-20 weeks (varies by press)

| | Latest Period | Prior Period | MoM Change | Prior Year | YoY Change |
|---------------------------------|---------------|--------------|------------|------------|------------|
| LME Aluminum | 0.8568 | 0.8673 | ↓ | 1.0229 | ↓ |
| Midwest Aluminum Premium | 0.1870 | 0.1920 | ↓ | 0.2144 | ↓ |
| Midwest Aluminum Ingot | 1.0438 | 1.0593 | ↓ | 1.2372 | ↓ |

All data measured in dollars per pound.
 Sources: LME, CME.



Managing Volatility

When it comes to metals commodities, price volatility can make supply chain management a challenge. Macroeconomic factors from year-to-year have the potential to cause various degrees of volatility, with some years experiencing greater volatility than others.

For example, 2018 was considered a volatile year for commodities. Putting U.S. HRC (hot rolled coil) under the microscope, we see that it traded at a high of 920 and a low of 652. This is range of 268 points that, when compared to the range of 77 points it experienced in 2017, can be considered highly volatile.

When you compare the past four years for U.S. HRC, the average range is roughly 209. With that in mind, 2017 looks to be more the exception than the rule, meaning one should be prepared for greater swings from high to low.

| US HRC (USD/st) | 2015 | 2016 | 2017 | 2018 |
|-----------------|------|------|------|------|
| Annual High | 603 | 630 | 661 | 920 |
| Annual Low | 364 | 379 | 584 | 652 |
| Range | 239 | 251 | 77 | 268 |

Source: Bloomberg

What's a good approach to managing volatility? One option to consider is hedging. This approach takes a variable price and makes it fixed over a specified amount of time, based on the needs of your business.

In some cases, that fixed price will be over several months, while in others it could be several years. Hedging could help balance your portfolio and diversify your spend, thus mitigating volatility.

Price volatility presents risk to budgets and gross margins. Hedging could help by:

- Taking a variable price and making it a fixed price
- Removing volatility to help you focus on core business
- Better matching your costs to your sales prices
- Simplifying your accounting and administrative processes relating to variable pricing

Hedge contracts exist for thousands of products, across aluminum, carbon, and stainless steel. Contact your Ryerson sales representative to learn more about what options may be best for you.

Carbon Indicators

Our monthly dashboard of market indicators driving the price of carbon.

Carbon Lead Times

Hot rolled: 3-5 weeks
Cold rolled: 5-6 weeks
Coated: 6-8 weeks
Plate: 8-10 weeks

| | Latest Period | Prior Period | MoM Change | Prior Year | YoY Change |
|-----------------------------|---------------|--------------|------------|------------|------------|
| Busheling Scrap | 362 | 367 | ↓ | 380 | ↓ |
| Iron Ore | 82.1 | 81.6 | ↑ | 63.3 | ↑ |
| Capacity Utilization | 82.2 | 83.1 | ↓ | 74.8 | ↑ |

Busheling Scrap and Iron Ore measured in dollars per metric ton.
Sources: Bloomberg, CME, American Iron and Steel Institute.

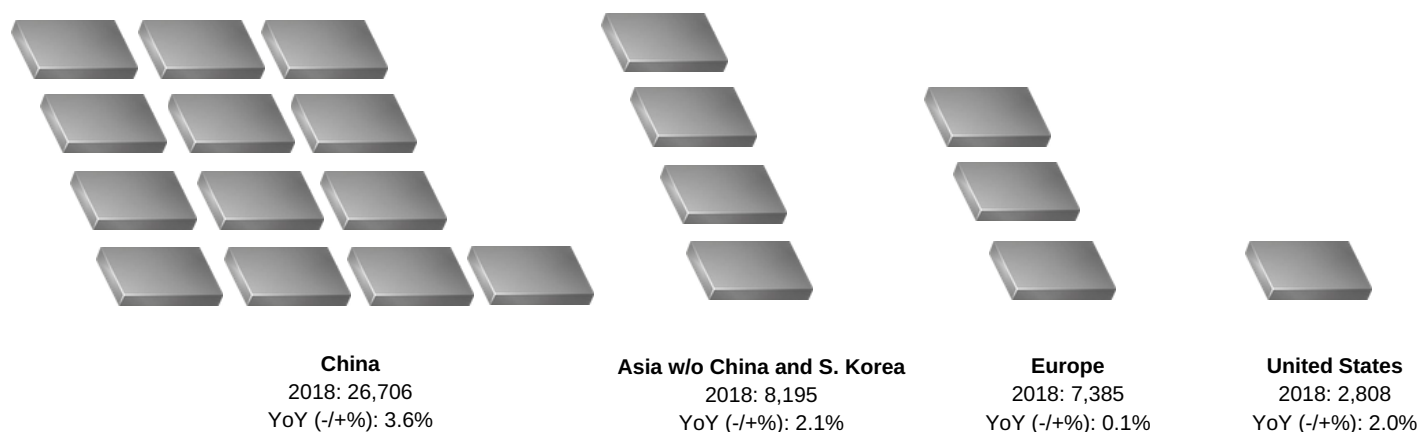


The Producers

In the March Monthly Market Report we looked at the change in global production of stainless steel levels by region from 2005 to 2017. Since publication, the International Stainless Steel Forum released numbers from 2018, showing that worldwide production grew 5.5% year-over-year to hit 50.7 million metric tons. A look at the top producers worldwide based on 2018 production levels shows China at the top by a wide margin, roughly 69% ahead of the next closest producer.

What does this mean for your business? It's important to **work with partners that have global supply chain connections**. This means having the ability to source metal from almost any producer on a global basis, process it, and turnaround a finished product in short order, ensuring you can get the product you need, when you need it.

Below is a look at the top-four producers of stainless steel worldwide in 2018, as well as their year-over-year change, as published by the International Stainless Steel Forum. All numbers are represented in million metric tons.



Stainless Steel Indicators

Our monthly dashboard of market indicators driving the price of stainless steel.

Stainless Steel Lead Times

CR: 4-8 weeks
CMP: 3-5 weeks
PMP: 4-12 weeks
Long: 5-9 weeks

| | Current Period | Prior Period | MoM Change | Prior Year | YoY Change |
|---------------|----------------|--------------|------------|------------|------------|
| LME Nickel | 5.9607 | 5.8894 | ↑ | 6.1915 | ↓ |
| 304 Surcharge | 0.6371 | 0.5792 | ↑ | 0.7090 | ↓ |
| 316 Surcharge | 0.9336 | 0.8434 | ↑ | 1.0158 | ↓ |

*All data measured in dollars per pound.
Sources: LME, NAS.*