



MONTHLY MARKET REPORT

August 2019

MARKET INTELLIGENCE POWERED BY
RYERSON

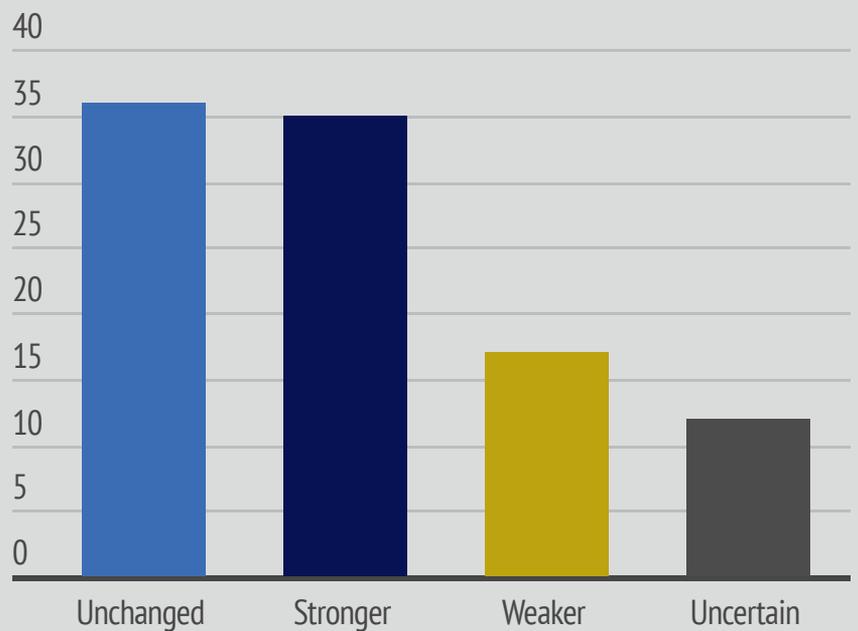
Optimistic Outlook

As noted in last month's market report, while key economic indicators like the Purchasing Managers' Index from the Institute for Supply Management continue to show growth, it is at a slower rate month-over-month. But will that continue as we move into the second half of the year?

A look at the five economic indicators below show a mixed bag as we enter the second half of the year. While only one is up compared to the year-ago-period, three of the five are trending upward compared to the prior period. Also interesting is the fact that some base metals are experiencing strong growth (see page 5 for one example).

But how are customers in the metals industry feeling about the market going forward? Roughly 71 percent of respondents to a recent Ryerson customer survey expected business conditions to either be stronger (35 percent) or unchanged (36 percent) for the remainder of the year. This could indicate customers believe the slowing growth has indeed bottomed.

How do you anticipate business conditions for the remainder of the year?



Source: The Metal Perspective, Ryerson customer survey

Among the 35 percent who anticipated stronger business conditions for the remainder of 2019, an improving economic outlook was cited as one of the contributing factors. This, coupled with those who cited they expect improved customer demand or new customer opportunities, shows that there is indeed some optimism as we move ahead.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP	1.96	1.50	Up	4.69	Down
Durable Goods Orders	245,388	240,293	Up	247,899	Down
ISM Manufacturing Index	51.2	51.7	Down	58.4	Down
Crude Oil	58.6	58.5	Up	66.8	Down
U.S. Auto Sales	16.8	17.3	Down	16.7	Up

· Atlanta Fed GDP Now is a running estimate of real GDP growth based on available data for current measured quarter. (Source: Atlanta Fed)

· Durable goods orders is measured in billions of USD. (Source: U.S. Census Bureau)

· A data point above 50 for the ISM Manufacturing Index typically reflects growth. (Source: The Institute for Supply Management)

· Crude oil is measured in USD per barrel of oil. (Source: Bloomberg)

· U.S. auto sales is measured in millions of vehicles sold. (Source: Bloomberg)

The Import Impact

Amid all the talk of tariffs and trade wars over the past 12-18 months, it's good to get a look at how these actions have impacted the actual import level of steel to the United States. In late July, the American Iron and Steel Institute gave us a glimpse into that reality with the publication of its 2018 Annual Statistical Report. This report provides a look at key statistics shaping the North American steel industry.

According to the report, total steel imports into the United States decreased 12 percent in 2018 compared to the previous year, with finished steel imports down 13 percent in the same period.

Among other key data points in the report:



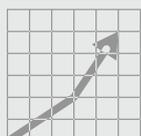
6%

The increase of U.S. raw steel production from 2017 to 2018.



95.3 million

The amount of shipments (net tons) from domestic steel mills in 2018.



+4%

The increase in shipments as a percentage in 2018 compared to the average from 2013-2017 (91.5 million net tons).

Did You Know?

The Aluminum Association helped advocate for more than 40 changes to the Harmonized Tariff Schedule (HTS) codes for aluminum imports, in a process led by the U.S. International Trade Commission.

- HTS codes are used to classify all goods, and for tracking global trade flows.
- The new aluminum HTS codes went into effect on July 1, 2019.
- The new codes specify aluminum and aluminum products with greater precision.
- This will make it easier for government and industry to identify and address aluminum misclassification, transshipment, and evasion of duties.

Lead Times

Aluminum:

Domestic sheet: 5-12 weeks
 Domestic plate: 13-18 weeks
 Off-shore sheet/plate: 15-22 weeks
 Extrusions: 3-20 weeks

Carbon:

Hot rolled: 3-5 weeks
 Cold rolled: 5-6 weeks

Coated: 6-8 week
 Plate: 2-4 weeks

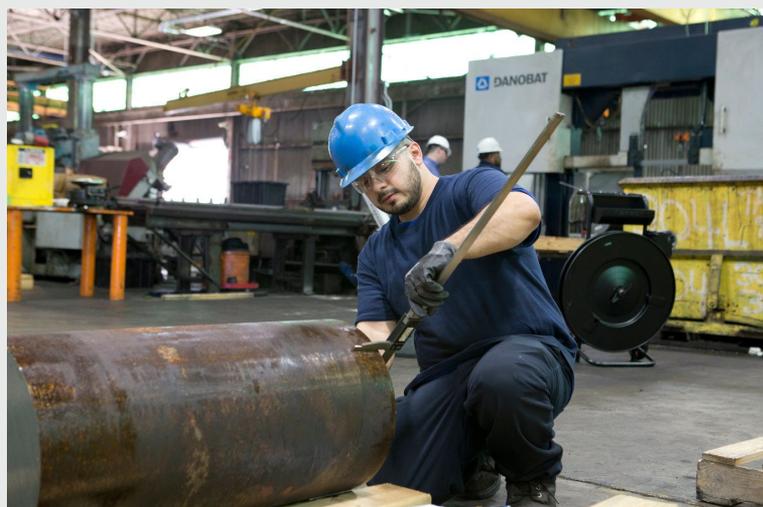
Stainless Steel:

CR: 4-6 weeks
 CMP: 3-5 weeks
 PMP: 4-12 weeks
 Long: 5-9 weeks

Material Movers

The monthly snapshot into some of the factors impacting the price of aluminum, carbon, and stainless steel, as well as our dashboard of key indicators for each.

Check out [the 'What's Trending' page on The Gauge](#) for daily updates on some of the key material movers noted here.



Aluminum	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	0.8160	0.8165	Down	0.9439	Down
Midwest Aluminum Premium	0.1788	0.1873	Down	0.2046	Down
Midwest Aluminum Ingot	0.9948	1.0037	Down	1.1485	Down

Sources: LME, CME, Calculated

- **Ingot (MW spot)** was at \$0.9670/lb. as of 8/9/19 vs. \$0.9963/lb. on 7/12/19
- **Midwest 30-day average** hit \$0.9920/lb. in July, up \$0.009/lb. from June (\$0.9830/lb.)

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	293	267	Up	393	Down
Iron Ore	117.1	112.6	Up	60.9	Up
Capacity Utilization	80.9	80.5	Up	78.4	Up

Sources: Bloomberg, CME, American Iron & Steel Institute

- **Carbon plate** hit \$710/ton during the week of 8/7/19, down \$268/ton from 2019 high.
- **Hot rolled** hit \$592/ton during the week of 8/7/19, up \$64/ton from the official 2019 low, but down \$148/ton from official 2019 peak.
- **Cold rolled** hit \$762/ton during the week of 8/7/19, up \$58/ton from 2019 official low, but down \$88/ton from 2019 official peak.

Stainless Steel	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	6.5726	5.7561	Up	6.3639	Up
304 Surcharge	0.5229	0.5759	Down	0.7698	Down
316 Surcharge	0.8064	0.8583	Down	1.0581	Down

Sources: LME, NAS

- See next page for the latest on what's moving nickel.

Ryerson risk managers weigh in on some of the trends they are keeping an eye on this month.

A Jump in Nickel

A 20 percent jump in the span of one month is significant. That is precisely what happened with the price of nickel, rising from \$5.60/lb. on July 1 to \$6.72/lb. on August 7. This is notable because the price of nickel currently accounts for 55-65 percent of the 300 series stainless surcharge variations. While surcharges vary by producing mill, the impact of nickel is significant to the total price of the metal.

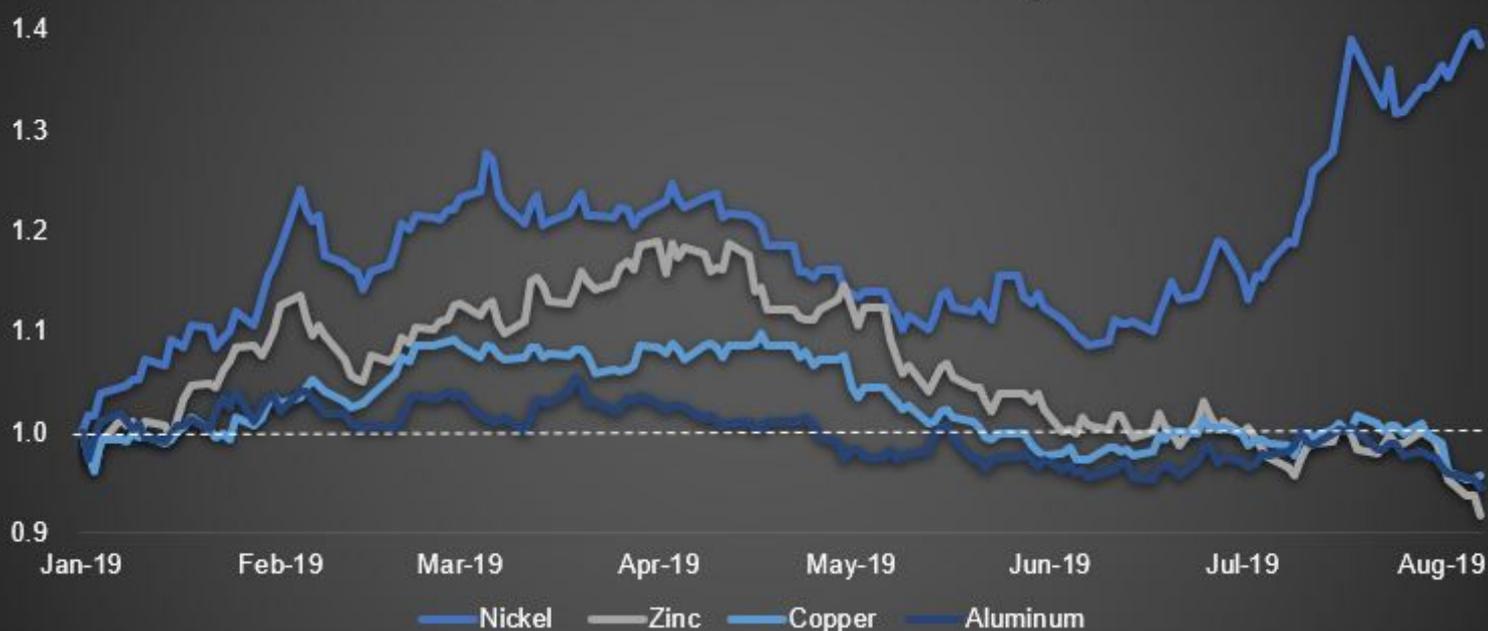
Perhaps even more notable is the fact that the nickel market has experienced this sharp rally while many of its base metal peers have sold off. In fact, as of August 7, aluminum, copper, and zinc are all trading at year-to-date lows while nickel trades within pennies of its year-to-date high. This can be seen very clearly in the chart below.

Impact Factors

A look at some of reasons for the jump in the price of nickel.

- Inventories are depleting at the London Metal Exchange
- Market concerns of multi-year deficits are growing
- Demand for electric vehicles, which consume a large amount of nickel to produce batteries, continues to grow globally
- Indonesia reaffirmed a 2022 ban on nickel ore exports
- Traders have covered nearly all their previously held short positions, a process that can sometimes cause a “short squeeze” and exacerbate price moves higher

Base Metals Indexed to January 2019



Source: Bloomberg