

# the Gauge



June 2021

# Market Report

**RYERSON**

— CUSTOMIZED METAL SOLUTIONS —

## Guiding Lights

What a (slight) difference a month makes. Subtle decreases in the price of certain commodities over the past 30 days, many of which reached record highs in the past year, have some wondering if a light at the end of the tunnel is emerging.

### For instance, over the past 30 days:

- Lumber prices have dropped roughly 25% from peak prices of roughly \$1,700/1,000 board foot
- Data shows that flatbed fundamentals are loosening up, albeit slightly
- GM announced plans to re-open several production facilities, which could be good news on the semiconductor shortage front

However, as of early June, the price of hot-rolled carbon remained at a five-year high, hovering around \$1,600/short ton. So, when will steel prices join the party?

Conventional wisdom says this will occur once supply-demand fundamentals stabilize. Good news on that front came at the end of May when steel capacity utilization rates finally eclipsed 80%.

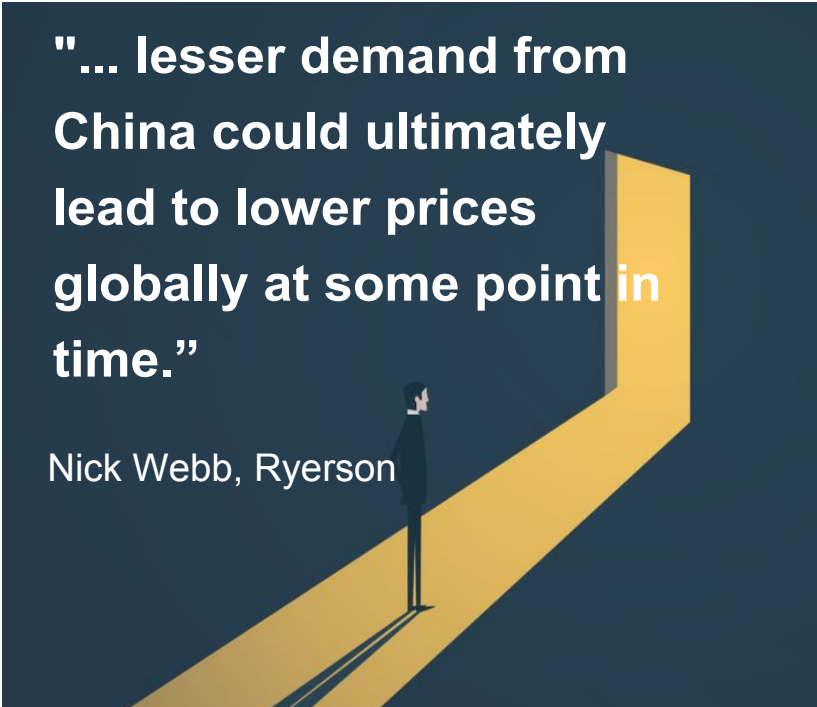
Rates were in this range early in 2020 before plummeting to historic lows in May of that year. It has been a slow climb back ever since, with rates for the week ending June 5 coming in at 82.3%, according to the American Iron and Steel Institute.

But another factor to watch with regards to the price of domestic steel comes from China. China's credit impulse, which measures how accommodative lending standards are within the country, tends to be important driver of commodity prices. It has taken a sharp downturn in recent months.

Nick Webb, Ryerson's director of risk management and commodities hedging, explains the significance this has on domestic prices:

"The fact that Chinese lending rates have been tightening over the past few months could be an indicator that the country is looking to reign in some risk. That matters because China makes up a large percentage of the world's demand for metals, and lesser demand from China could ultimately lead to lower prices globally at some point in time."

This isn't to say that lower metal prices are imminent. But it does give hope that a light at the end of the tunnel could be developing.



**"... lesser demand from China could ultimately lead to lower prices globally at some point in time."**

Nick Webb, Ryerson

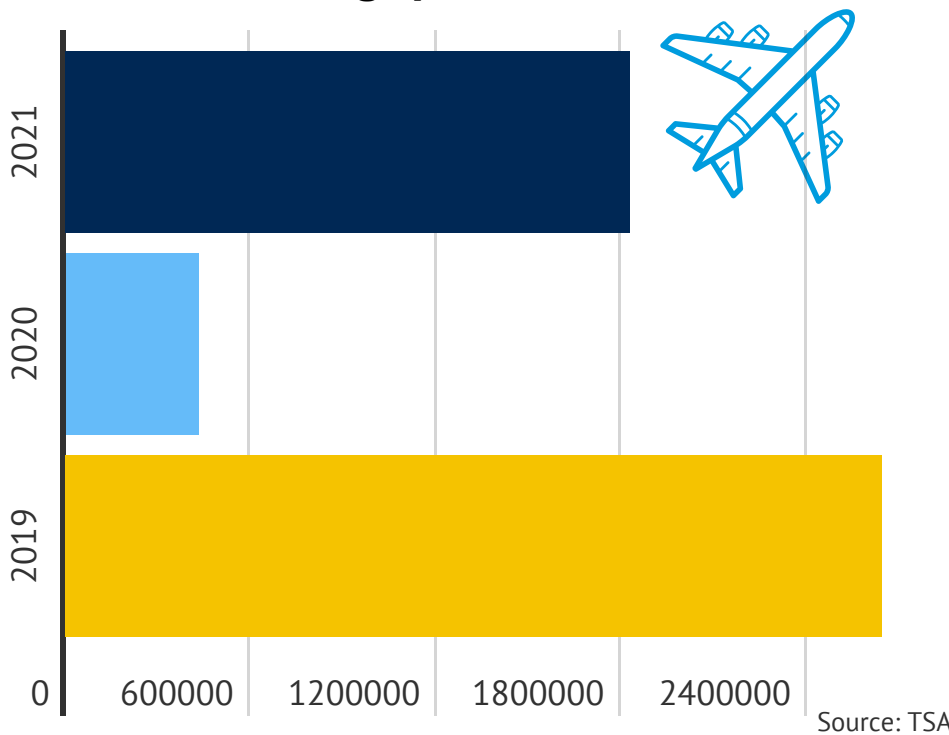
# Up in the Air

As COVID-19-related travel restrictions begin to rescind across the country, more passengers are boarding flights.

Checkpoint data from TSA for the week ending June 7 shows an average daily passenger rate of 1.8 million. Compare that to the same week last year which registered a mere 430,414 passengers. While it still has not reached 2019 levels of 2.6 million passengers, it's yet another sign of encouragement in the market.

But could this eventually have an adverse effect on the price of crude oil? More planes in the air obviously means greater demand for fuel. Could that send the price of crude oil, which is currently hovering in the range of \$60-\$70/barrel, higher?

## Traveler Throughput Week of June 7



One fear is that supply could struggle to keep up with that demand given the announcement by OPEC+ to stick with a plan to restore supply to the market at a gradual pace.

Could we find ourselves in a situation where demand for crude oil begins to rapidly outpace supply? That answer, at least for now, is up in the air.

	US GDP (%)	Durable Goods (millions)	PMI (%)	Crude Oil	US Auto Sales (millions units)
Current	9.31	\$246,303	61.2	66.3/brl.	17.0
Prior	10.39	\$249,467	60.7	63.6/brl.	18.5



As we reach the midway point of the year, Ryerson product managers and directors provide insight into **certain trends they are watching** for the remainder of 2021.

**Jeff Penz, Director, International Procurement & Recyclables, is watching ocean freight and mill lead times.**



Ocean rates continue to rise at a dramatic pace. Overall container availability as estimated shows a deficit of 4 million containers worldwide, and the unprecedented restocking of consumer goods since the COVID-19 outbreak in 2020. Many offshore mills are no longer quoting availability for the balance for 2021. And those that are quoting, have lead times well into the fourth quarter.”



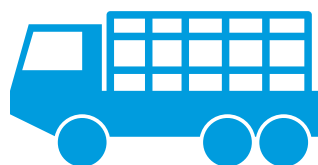
**Jim Reed, Senior Product Manager, is watching tariffs.**

I think the big question on the minds of many is whether the Biden Administration will change or remove Section 232 tariffs. On the flipside, will China impose an export tariff, and if so, what might that mean for already stressed supply/demand fundamentals? And I think it all plays into a bigger scenario regarding what role imports will play into the market in 2022.



**Kyle Ubinger, Common Carrier Logistics Manager, is watching capacity**

With capacity, the market rates will begin to ease and speed should improve. Current trends show that while still incredibly tight, we are easing month-over-month, and relief may come soon.



## Lead Times

(in weeks)

STEEL
Hot rolled: Inquire
Cold rolled: Inquire
Coated: Inquire
Plate: Inquire

ALUMINUM
Domestic sheet: 10-18
Domestic plate: 8-13
Off-shore sheet/plate: 15-26
Extrusions: 6-12

STAINLESS STEEL
Cold rolled: 10-12
CMP: 8-10
PMP: 8-12
Lona: 12-14

<b>Carbon</b>	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	622	603	↑	330	↑
Iron Ore	200.9	184.2	↑	94.6	↑
Capacity Utilization	81.5	78.4	↑	54.6	↑

Sources: Bloomberg, CME, American Iron & Steel Institute

<b>Aluminum</b>	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	1.1263	1.0873	↑	0.7022	↑
Midwest Aluminum Premium	0.2655	0.2346	↑	0.0811	↑
Midwest Aluminum Ingot	1.3918	1.3219	↑	0.7832	↑

Sources: LME, CME, Calculated

<b>Stainless</b>	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	8.2159	8.0168	↑	5.5901	↑
304 Surcharge	0.9612	0.9139	↑	0.5596	↑
316 Surcharge	1.2793	1.2048	↑	0.7628	↑

Sources: LME, NAS



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