



MARKET INTELLIGENCE POWERED BY
RYERSON

June 2019

Market View

Is the U.S. economy growing? Upon "second" look by the Bureau of Economic Analysis (BEA), the answer is "yes", albeit slightly slower than the initial estimate. On May 20, BEA released its "second" estimate of real gross domestic product (GDP), pursuant to which the U.S. economy increased at annual rate of 3.1 percent in the first quarter of 2019. This is up from a 2.2 percent increase in the fourth quarter, but one-tenth of a point lower than the initial reading that BEA released last month.

Among the contributors to the revised estimate were net exports. Despite a growing trade war between the U.S. and China, exports rose 4.8 percent, while imports, which are a subtraction from GDP, declined 2.5 percent in the first quarter. The level of net exports contributed nearly one percentage point to the GDP gain.

Looking big picture, four of the five key macro-economic indicators tracked in the Monthly Market Report are down month-over-month, with three (GDP, ISM, and crude oil) down from their respective year-ago periods. U.S. auto sales, on the other hand, are higher in both the one-month and one-year periods. This is important as U.S. auto sales are a strong indicator of U.S. manufacturing activity.

Global trade news has been plentiful in the past month. In addition to the uncertainty related to U.S. and China, the U.S. announced an agreement with Canada and Mexico on May 17 to remove the Section 232 tariffs for steel and aluminum imports from both countries. This followed the announcement on May 16 from the U.S. of a reduction on Turkish steel tariffs from 50 percent to 25 percent.

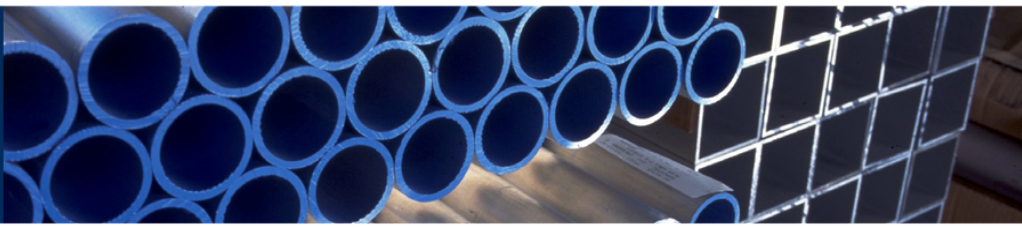
This month, we look at how the tariff news may impact various indicators for aluminum, carbon, and stainless steel.

Despite a growing trade war between the U.S. and China, exports rose 4.8 percent, while imports, which are a subtraction from GDP, declined 2.5 percent in the first quarter.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP	1.17	1.25	↓	4.67	↓
Durable Goods Orders	248,594	253,834	↓	248,509	↑
ISM Manufacturing Index	52.1	52.8	↓	58.7	↓
Crude Oil	53.5	63.9	↓	67.0	↓
U.S. Auto Sales	17.3	16.4	↑	16.8	↑

- 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



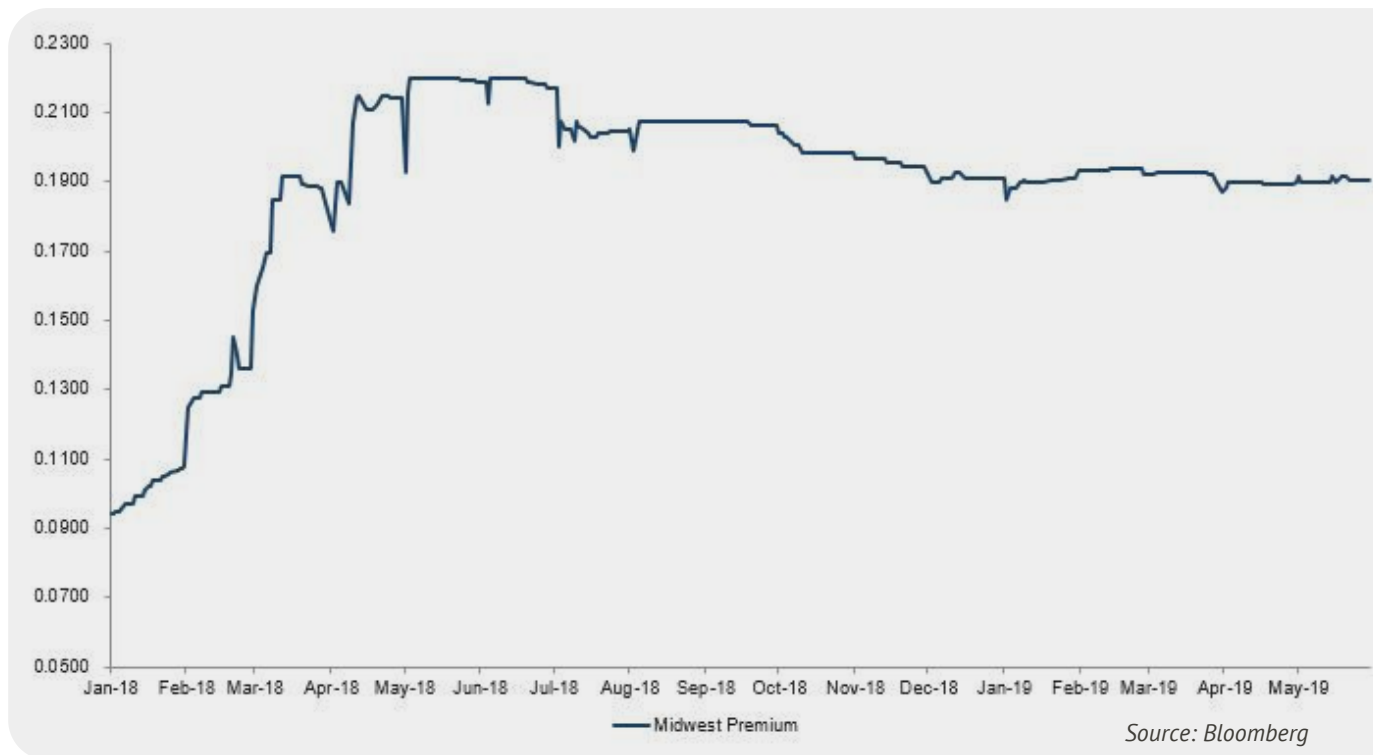
Premium Viewing

As covered in the March Monthly Market Report, the price of aluminum is comprised of three components: the raw material, the premium, and the conversion. Let's focus on the premium component.

The premium is the logistical surcharge applied in order to deliver metal from warehouses to the mills where they will be processed. The common premium assessed on U.S. metal is the S&P Global Platts Midwest Premium, which is a regional differential to the global price of aluminum. The differential reflects, in part, the regional cost of logistics, but it also reflects regionally specific supply and demand conditions in the U.S. As such, regional price differences are commonplace in commodities pricing. Accordingly, tariff news affecting specific regions may have an impact on the Midwest Premium.

For much of 2019, the Midwest Premium has hovered around \$0.19 per pound, due partially to implemented tariffs of 10 percent. Canada produces a significant amount of primary aluminum, ingot, and billet. Now that Section 232 tariffs have been lifted on Canada, the question becomes whether Midwest Premium will come down.

Thus far, that has not been the case, as the Midwest Premium has not changed since the announcement. Overall, however, it is still above first quarter 2018 prices, which hit a low of \$0.09 in January.



Lead Times

Domestic sheet: 10-18 weeks

Domestic plate: 13-18 weeks

Off-shore sheet/plate: 15-22 weeks

Extrusions: 3-16 weeks (varies by press)

Aluminum Indicators

	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	0.8140	0.8151	↓	1.0396	↓
Midwest Aluminum Premium	0.1906	0.1895	↑	0.2187	↓
Midwest Aluminum Ingot	1.0045	1.0046	↓	1.2583	↓

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



Three Pricing Mechanisms

The carbon market continues to experience volatility in 2019. As of May 31, three products (plate, hot-rolled coil, and cold-rolled coil) reached their 52-week lows per ton. Coated achieved its 52-week low in February.

The U.S. announcement to lift tariffs on steel and aluminum on Mexico and Canada has the potential to move prices lower in the short term. In addition, the announcement in May that the U.S. is reducing tariffs on Turkey from 50 percent to 25 percent could impact overall prices as they are a major buyer of scrap and exporter of steel products.

In general, these trends speak to the importance of pricing flexibility. This means flexibility in both pricing structure and variety in terms of the mechanism being used. These mechanisms are:



1 **Index:** A variety of such indexes as CRU, AMM, Platts HR, or CR, among others.



2 **Fixed/firm:** Lock-in the price for a set duration of time via hedging.



3 **Open market:** Cost based on open market prices.

The right choice is not a one-size-fits-all approach and could involve a combination of methods. Choosing the method(s) best aligned to the needs of your business can help lower your exposure to fluctuating market conditions.

Ryerson Carbon Sheet Solutions, a division of Ryerson, can work with you on determining which pricing mechanisms may be right for you. [Click here for more information on Ryerson Carbon Sheet Solutions.](#)

Carbon Indicators

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

Lead Times

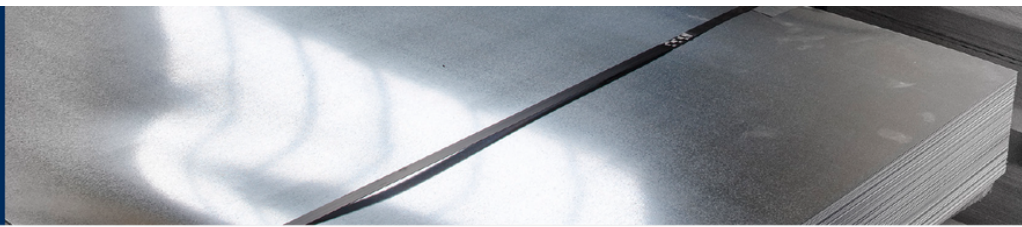
Hot rolled: 3-5 weeks Coated: 6-8 weeks
Cold rolled: 4-5 weeks Plate: 4-6 weeks

	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	310	324	↓	400	↓
Iron Ore	98.7	88.0	↑	61.6	↑
Capacity Utilization	81.3	81.4	↓	77.1	↑

Busheling Scrap and Iron Ore measured in dollars per metric ton.

Sources; Bloomberg, CME, American Iron and Steel Institute.

STAINLESS STEEL



Focused on the Finish

Mexico is the fourth-largest exporter of the material to the United States. The easing of tariffs in general could open the door for larger quantities of some stainless steel products entering the country.

One such example is Rolled-On® finish products produced by Mexinox, a stainless steel flat mill located in San Luis Potosí, Mexico and part of global stainless steel provider Outokumpu. Rolled-On® finish has similar properties and appearance to a polished surface, but with higher levels of corrosion resistance. According to Ryerson product managers, Rolled-On® finish products from Mexinox remained in high demand over the past year despite 25 percent tariffs on Mexican products.

In many instances the finish is a significant factor when choosing stainless products. While standard finishes, such as 2B or 2D, may be all that are required for some products, other instances may require added finishes, such as #4, in order to enhance surface appearances, improve environmental performance, or reduce safety concerns.

Furthermore, intense polishing methods can also be used to eliminate any unseen pits, scratches or imperfections. This is key in markets like food, dairy, or pharmaceutical where microscopic scratches or pits that exist beneath the surface can potentially trap bacteria or other contaminants that may lead to health hazards down the line.

To help determine if such a method is a right fit for your project, Guy Metals, part of the Ryerson Family of Companies, developed the info graphic on this page (click image to download). In the end, determining your finish could be the final step to ensuring your stainless steel is truly complete.

[Click image to download info graphic](#)

Stainless Steel Indicators

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

	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	5.4508	5.5343	↓	6.9037	↓
304 Surcharge	0.5159	0.6280	↓	0.7324	↓
316 Surcharge	0.8583	0.9187	↓	1.0245	↓

All data measured in dollars per pound.

Sources: LME, NAS.