

the
Gauge



Market Report

April 2020

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A Unique Buying Opportunity?

Amid recent market uncertainty, it may be difficult to find many positive takeaways. However, a silver lining potentially exists for those purchasing aluminum and stainless steel.

Because metal prices across the board are getting hit by the demand impact from COVID-19, there is potential for buyers to purchase at prices not seen in years.

On the aluminum front, HARBOR Aluminum Intelligence Unit LLC recently suggested that, after adjusting for inflation, LME aluminum prices are at all-time lows. Additionally, it estimates nearly 50% of global smelting capacity is unprofitable at current prices. However, this phenomenon could increase the risk of curtailments, and perhaps even tariffs.

Macquarie Group Ltd., an independent investment bank and financial services company, made a similar suggestion on the nickel front, saying that 60% of the global nickel supply is unprofitable at current prices.

This doesn't necessarily mean that prices cannot go lower, but if they were to weaken from here, it could make the supply side of the equation more challenging going forward.

If you have questions about risk management strategies in your metal costs, we encourage you to have a discussion with your Ryerson representative.



49.1

The Institute for Supply Management's manufacturing sector Purchasing Managers' Index registered a reading of 49.1 in March, down from February's reading of 50.1. Of particular note is the Supplier Deliveries Index, which registered 65.0, up 7.7 percentage points from the February reading of 57.3.

A rise in this index, which is one of five equally weighted sub-indexes that directly factor into the PMI, is typically a response to strong demand, with firms unable to meet orders. But this month's reading seems to be more of a reflection of supply chain disruptions due to COVID-19, per ISM.

\$20.50

On March 30 the price of U.S. crude oil briefly touched its lowest level (\$19.27/barrel) since February 2002 before closing the day slightly higher (\$20.09/barrel) and beginning April at \$20.50.

Prices continue to flirt with lows amid fears of reduced consumption due to social-distancing throughout the world. Another contributing factor is Saudi Arabia and Russia flooding the world with excess oil. Analysts at IHS Markit characterize this as "a double crisis that would have been dismissed as unthinkable at the start of this year."

This has had a considerable impact on Texas where business activity is closely tied to the strength of oil. In early April, The Federal Reserve Bank of Dallas' general business activity index for manufacturing in Texas dropped to its lowest reading since June 2004, hitting -70 in March from 1.2 in the previous month.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP (%)	2.68	2.59	↑	1.71	↑
Durable Goods Orders (US \$ million)	249,508	246,558	↑	249,569	↓
PMI (index value)	49.1	50.1	↓	54.6	↓
Crude Oil (US \$/barrel)	20.5	44.8	↓	60.1	↓
U.S. Auto Sales (millions of units)	16.8	16.8	—	16.6	↓

Material Movers

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	254	288	↓	367	↓
Iron Ore	80.7	80.1	↑	82.1	↓
Capacity Utilization	71.6	81.5	↓	83.1	↓

Sources: Bloomberg, CME, American Iron & Steel Institute

Aluminum	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	0.6922	0.7686	↓	0.8673	↓
Midwest Aluminum Premium	0.1316	0.1362	↓	0.1920	↓
Midwest Aluminum Ingot	0.8238	0.9048	↓	1.0593	↓

Sources: LME, CME, Calculated

Stainless	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	5.2091	5.8287	↓	5.5588	↓
304 Surcharge	0.5229	0.5759	↓	0.7698	↓
316 Surcharge	0.8064	0.8583	↓	1.0581	↓

Sources: LME, NAS



For daily updates check out [the 'What's Trending' page on The Gauge.](#)



Lead Times:

Aluminum:

Domestic sheet: 3-5 weeks

Domestic plate: 5-7 weeks

Off-shore sheet/plate: 7-10 weeks

Extrusions: 3-5 weeks



Carbon

Hot rolled: 2-4 weeks

Cold rolled: 4-6 weeks

Coated: 5-7 weeks

Plate: 2-4 weeks



Stainless Steel:

CR: 6-8 weeks

CMP: 4-6 weeks

PMP: 4-12 weeks

Long: 5-9 weeks

Aluminum Investigation

The U.S. Dept. of Commerce elected to move forward with an investigation for the dumping of common alloy sheet from China into the U.S. for over 100 aluminum mills around the globe.

The next step requires the U.S. International Trading Commission to review and decide if sufficient evidence exists to move forward with preliminary duties and a full investigation. That decision is expected to come by the end of April.

If the ITC does indeed move forward, it could mean that all imported common alloy aluminum sheet/coil will have a mix of anti-dumping and countervailing duties applied. With no import competition, there is concern that domestic mills could substantially increase conversion price offerings.

Idle Actions and More

A number of U.S. steel producers have announced they will idle blast furnaces, including U.S. Steel, ArcelorMittal, and AK Steel.

For example, U.S. Steel will immediately idle two of its blast furnaces, with plans to idle most or all of its tubular operations in late May. It stated that it would significantly reduce 2020 capital spending to preserve cash and liquidity.

Price declines that have occurred as of late for carbon sheet and plate could continue as uncertainty grows on the potential impact of the COVID-19 virus. Significant declines in scrap prices are expected throughout the month of April.