

Market Report

March 2020



Supply Chain: Eye on Design

The peak of the COVID-19 impact on global supply chains will occur in mid-March.

- Harvard Business Review

As concerns over the spread of COVID-19 (coronavirus) evolve, some recent reports address how you can best prepare your supply chain.

Authors of an article in Harvard Business Review predicted that the peak of the impact on global supply chains will occur in mid-March, with companies that rely heavily or solely on factories in China for parts and materials being the most vulnerable.

But, according to a second article from Harvard Business Review, steps can be taken to assess your supply chain in order to help mitigate the risk.

From running outage scenarios that help assess the possibility of unforeseen impacts to creating a comprehensive, emergency operations center, the report touches on a multitude of steps in developing a strong supply chain response to the coronavirus outbreak.

Also noted is the idea of revisiting the design of your supply chain in order to remain agile and responsive to changing global trade policies, supply dynamics, and disruptions.

Redesigning with second sources that can provide backup capacity for supply, production and distribution outages. According to the article, another option is to source locally by receiving production facility supplies from within each major market.

This means it's more essential than ever to work with partners that have an interconnected network that features both a local presence and national scale to help create the ideal supply chain solution for your business.



50.1%

The February U.S. PMI of 50.1% technically remained in expansion territory, but at a weaker level than the previous month (50.9) and below analyst expectations (roughly 50.8)

- The New Orders Index came in at 49.8%, down 2.2 percentage points.
- Customers' Inventories Index was 41.8%, down 2.0 percentage points.
- The Backlog of Orders Index registered 50.3%, up 4.6 percentage points.

On the global front, the latest report on worldwide PMI surveys from IHS Markit showed the pace of expansion slowed to the weakest level since May 2009. The slowdown was linked primarily to businesses across both manufacturing and services being affected by the coronavirus outbreak, in particular China, where a record fall in output occurred. What this could mean for U.S. PMI is yet to be determined.

\$44.76

This lower price for crude oil per barrel could limit the ability for energy companies to generate cash, and in turn, invest in new cap-ex projects. Such a result could potentially place a strain on metals, most notably SBQ (standard bar quality) and carbon plate.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP (%)	2.59	2.74	↓	1.85	↑
Durable Goods Orders (US \$ million)	246,199	246,634	↓	256,134	↓
PMI (index value)	50.1	50.9	↓	54.1	↓
Crude Oil (US \$/barrel)	44.76	51.56	↓	57.22	↓
U.S. Auto Sales (millions of units)	16.83	16.84	↓	16.56	↑

Sources: Atlanta Fed, U.S. Census Bureau, The Institute for Supply Management, Bloomberg

Material Movers

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	288	275	↑	373	↓
Iron Ore	80.1	89.3	↓	81.6	↓
Capacity Utilization	81.5	82.3	↓	82.4	↓

Sources: Bloomberg, CME, American Iron & Steel Institute

Aluminum	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	0.7686	0.7811	↓	0.8668	↓
Midwest Aluminum Premium	0.1232	0.1340	↓	0.1735	↓
Midwest Aluminum Ingot	0.8918	0.9151	↓	1.0403	↓

Sources: LME, CME, Calculated

Stainless	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	5.5588	5.8287	↓	5.9194	↓
304 Surcharge	0.5625	0.6120	↓	0.5792	↓
316 Surcharge	0.8184	0.8531	↓	0.8434	↓

Sources: LME, NAS



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



Lead Times:

Aluminum:

Domestic sheet: 5-12 weeks

Domestic plate: 13-18 weeks

Off-shore sheet/plate: 15-22 wks

Extrusions: 3-20 weeks



Carbon:

Hot rolled: 3-5 weeks

Cold rolled: 6-8 weeks

Coated: 8-10 weeks

Plate: 4-6 weeks



Stainless Steel:

CR: 6-8 weeks

CMP: 4-6 weeks

PMP: 4-12 weeks

Long: 5-9 weeks

Influence by Increase

Carbon sheet mills have announced two price increases for 2020, totaling \$80/t. Since Q4 2019, sheet mills have announced six increases totaling \$230/t, approximately \$120/t of which has hit the market.

One of the drivers for this increase is the price of scrap. Starting in Q4 of last year, scrap prices increased for three consecutive months before dropping in February.

Some experts are expecting the price of scrap to remain sideways or even increase during March. Keep an eye on how this will ultimately impact the price of carbon.

In stainless steel, 304 and 316 surcharges moved lower in early March. The 304 surcharge decreased 5.7% compared to January and 2.9% compared to the year-ago period. The 316 surcharge decreased 1.2% and 2.9% in these respective periods.

Nickel has been a primary driver for movement on the surcharge front. We've seen LME inventories rise to their highest levels of the last 12 months, increasing more than 250% since November 2019.

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