

the
Gauge



MONTHLY MARKET REPORT



MARKET INTELLIGENCE POWERED BY
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Pieces of the Economic Puzzle

Piece-by-piece, each economic indicator provides its own glimpse into current market conditions. But together, they may show a more comprehensive picture as to where the market is headed. Let's look at three key indicators and how they are shaping what we see today.



Considered by many as an actual snapshot of conditions, GDP can be a strong measure of the size and growth rate of the economy. Following a strong start to the year (3.2% in Q1), GDP slowed to 2.0% in Q2 and beat consensus expectation in Q3 to remain relatively flat at 1.9%. The GDP numbers in chart below are from Atlanta Fed GDP Now, a running estimate of real GDP growth based on available data for the current measured quarter.



Durable goods orders can provide confirmation on what others are speculating, as it reports on new orders placed with domestic manufacturers for delivery of factory hard goods. Released twice monthly, it can be a good measure of both near term and long-term shipments, inventories, and orders. Following three straight months of increase, **September's release of \$248.2 billion was down 1.1% from the revised August number.**



Released at the start of each month, the Purchasing Managers' Index (PMI) can be an accurate leading indicator of the economy but is subjective due to the fact it relies on survey data from purchasing managers. The benchmark number to watch is 50, as a reading above generally indicates expansion. **October represented the third consecutive month of a below-50 reading (48.3).** This followed 35 consecutive months above 50.

Together, these three pieces appear to suggest a softening U.S. economy overall compared to prior periods. It will be interesting to see how the pieces in the fourth quarter ultimately shape the picture for the market in 2020 and beyond.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP	1.46	2.11	↓	2.65	↓
Durable Goods Orders	247,660	250,733	↓	262,205	↓
PMI	48.3	47.8	↑	57.5	↓
Crude Oil	54.2	54.1	↑	65.3	↓
U.S. Auto Sales	16.6	17.2	↓	17.5	↓

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

3 Material Takes

Trade wars, tariffs, and market trepidation; a variety of factors drove conditions throughout 2019. We asked our product managers to reflect on some of the biggest drivers over the past year, as well as provide a glimpse at what they are watching closely for next year.

ALUMINUM



"Entering 2019, the availability of common alloy aluminum sheet was extremely tight, resulting in escalated pricing, following the U.S. government's anti-dumping actions against China in the second half of 2018. By the end of the first quarter, imports from around the world had inundated the U.S. with the product, replacing volumes previously imported from China. With abundant available supply, the escalated pricing began easing.

"Looking ahead, we continue to monitor government actions that could impact supply chains and the cost of aluminum. These include passing of the USMCA trade agreement, ongoing Section 232 tariffs and the exclusion process, and the APEX Act, which would add government oversight to the Midwest Premium."

Ronnie Gunter, Aluminum Product Manager, Supply Chain

CARBON



"The biggest trend impacting carbon was a year-long decline to carbon sheet and plate prices. Current prices have declined to a three-year low point caused by an overall decline in manufacturing, an escalating trade war with China, and declining raw material costs.

"As we head into 2020, we are watching the trend around additional capacity. Numerous mills should complete expansions in 2020, thus increasing the North American supply to levels not seen in years."

Mark Gross, Product Manager, Carbon Flat Roll

STAINLESS STEEL



"The trend in 2019 was managing the inventory levels at the vast majority of service centers. Surcharge swings did have some effects on business, but the impact was smaller compared to previous years.

"There are many questions that could affect the market for 2020. For example, 'will market conditions from 2019 continue?', 'how many large buys will remain on hold?', or 'what impact will Chinese trade talks and the upcoming election have?' Only time will tell what the future will hold."

Jim Reed, Senior Product Manager, Supply Chain

Material Movers

The monthly snapshot into some of the factors driving the price of aluminum, carbon, and stainless steel.

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	0.7961	0.7809	↑	0.8861	↓
Midwest Aluminum Premium	0.1769	0.1783	↓	0.1983	↓
Midwest Aluminum Ingot	0.9729	0.9591	↑	1.0844	↓

Sources: LME, CME, Calculated

Lead times:

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

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	219	225	↓	405	↓
Iron Ore	84.7	93.0	↓	74.6	↑
Capacity Utilization	80.7	78.4	↓	80.1	↓

Sources: Bloomberg, CME, American Iron & Steel Institute

Lead Times:

- Hot rolled: 3-5 weeks
- Coated: 7-9 weeks
- Cold rolled: 5-6 weeks
- Plate: 2-4 weeks

Stainless Steel	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	7.5500	7.7337	↓	5.2163	↑
304 Surcharge	0.7434	0.6608	↑	0.6328	↓
316 Surcharge	1.0792	0.9715	↑	0.9187	↑

Lead Times:

Sources: LME, NAS

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

Ryerson risk managers weigh in on a trend they are keeping an eye on this month.

Nickel: Where Do We Go From Here?

Have concerns over the past few months about the availability of nickel finally abated? Not necessarily. Despite nickel prices easing off their year-to-date highs during October, the London Metal Exchange (LME) experienced several days in a row of record nickel unit outflows during the month. This contributed to a 56% decline in warehouse inventories during October.



Source: Bloomberg

So what’s driving the record outflows of material during a time when manufacturing purchasing managers’ indexes (PMIs) across the globe are slowing? There are two schools of thought, as reported by Bloomberg and based on LME data. The first is that stainless mills, which had been relying on Indonesian nickel ore imports, are trying to stockpile units in advance of the January 2020 export ban (see right). The second is that these inventory drawdowns are linked to a handful of physical commodity traders who are pulling inventories off the exchange in order to give the impression of tightness in the market and benefit long positions in nickel futures.

In response, the LME has announced two action plans to bring greater transparency to potential situations just like this. First, it launched an investigation into the nickel inventory activity, asking members of the exchange to “ensure that the client’s activity is not conducive to an abusive squeeze or other patterns of market abuse/disorderly market conduct.” Second, it announced a new set of rules, which aims to generate inventory data of member firms storing material in off-exchange warehouses. This would provide a more complete and accurate depiction of the global availability of metal.

It may take several months, or even years, to complete these tasks accurately, but these efforts may add transparency and increase the fairness of the nickel market overall.