

the  
Gauge



# Market Report

May 2020

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## Signs of Life Emerge

Dairies are dumping milk into fields, oil prices are falling into negative territory as producers search for excess storage, and U.S. steel mill capacity utilization dropped below 60%. Similar scenarios are playing out across multiple markets worldwide, and in extreme cases, producers are forced to close, declare bankruptcy, or simply produce at a loss.

It's all part of the consequence of lowered demand in the wake of the COVID-19 pandemic. It's difficult to predict whether industrial metal prices have found a bottom, but small signs of life appear to be emerging in the market as of late on the back of supply rationalization.

- Nickel prices have rebounded about 10% from their March 23 lows of \$4.94/lb.
- Steel mills announced price hikes that are taking the HRC market to \$500/st
- LME aluminum has seemingly found some stability in the 65-70 cent/lb. range since early April

Stay up-to-date on all the latest COVID-19-related news impacting the metals market at <https://www.ryerson.com/resource/the-gauge/ryerson-covid-update>

Of course, none of this could be possible without the commitment and dedication of both front line workers and the men and women going to work each day to help produce essential products. We are proud to serve as an essential supplier, remaining open and ready to do all within our capacity to support our customers during this public health emergency.



2014

The first quarter of 2014 is the last time Gross Domestic Product (GDP) experienced a decline prior to this current quarter. Q1 2020 GDP contracted 4.8%, according to the Bureau of Economic Analysis (BEA). This is the worst quarterly contraction since 2008. Prior to this period, GDP had been trending at or above 2%, increasing as much as 2.1% in Q4 2019. Please note, this number differs from the one in the chart below, which uses the Atlanta Fed GDP Now, a running estimate of real GDP growth based on available data for the current measured quarter.

1946/41.5

In early April, the Federal Reserve announced that industrial production fell 5.4% in March, which is the steepest decline since 1946. Manufacturing output fell 6.3% as most major industries posted decreases, the largest being motor vehicles and parts.

The April PMI (Purchasing Managers' Index), released by the Institute for Supply Management, registered 41.5%. While this reading was down 7.6 percentage points from the March reading of 49.1%, it was above analyst expectations of 36.9%.

Zero

On April 20, U.S. crude oil futures fell below \$0 for the first time in history, ending the trading day at minus \$37.63/barrel. Since that time, the price of U.S. crude oil has rebounded, sitting at nearly \$20/barrel at the time of this report. Some believe this is due in part to slow upticks in demand driven by parts of the United States making plans to reopen, as well as parts of Europe and China returning to work.

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP (%)	-12.05	2.68	↓	1.25	↓
Durable Goods Orders (US \$ million)	212,597	249,203	↓	253,834	↓
PMI (index value)	41.5	49.1	↓	53.4	↓
Crude Oil (US \$/barrel)	18.8	20.5	↓	63.9	↓
U.S. Auto Sales (millions of units)	11.4	16.8	↓	17.5	↓

# Material Movers

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	302	254	↑	324	↓
Iron Ore	81.8	80.7	↑	88.0	↓
Capacity Utilization	55.8	71.6	↓	81.4	↓

Sources: Bloomberg, CME, American Iron & Steel Institute

Aluminum	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Aluminum	0.6779	0.6922	↓	0.8151	↓
Midwest Aluminum Premium	0.0979	0.1316	↓	0.1895	↓
Midwest Aluminum Ingot	0.7758	0.8238	↓	1.0046	↓

Sources: LME, CME, Calculated

Stainless	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	5.5302	5.2091	↑	5.5343	↓
304 Surcharge	0.5166	0.563	↓	0.7698	↓
316 Surcharge	0.6972	0.7767	↓	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

## *COVID-19 and Capacity*

What has COVID-19 done to capacity? Steel mill capacity utilization levels are currently below 60%, while capacity utilization among domestic steelmakers was at 82%.

Integrated steelmakers, U.S. Steel, ArcelorMittal, and Cleveland Cliffs/AK, are among those that have announced numerous idlings and layoffs due to struggles in the automotive and energy markets stemming from the pandemic.

## *Swings in Scrap*

Scrap prices in April went, as the saying goes, guardrail to guardrail—swinging from one extreme to another. The month opened amidst wild rumors and speculation of scrap falling between \$50-\$80 before settling down \$30-\$50 on prime and cut grades.

By month's end, the limited supply saw spot purchases up as much as \$30 on prime and \$15 on the same grades. While underlying demand and concern over COVID-19 contributed to the decline, a lack of supply has caused the most recent spike.

At the time of publication of this report, May prices had not been announced, but many are cautiously optimistic that it will be flat to up.

## *Chrome Settles*

When the Q2 price of chrome settled at \$1.14 at the end of April, it marked the end of a 30-day period of speculation on which direction it would ultimately settle. Typically it would not take 30 days for the price to settle, but two factors played into this scenario:

- South Africa chrome mines slowed/shut down due to COVID-19
- Disagreements amongst the chrome mines on the settlement amount