

## MONTHLY MARKET REPORT

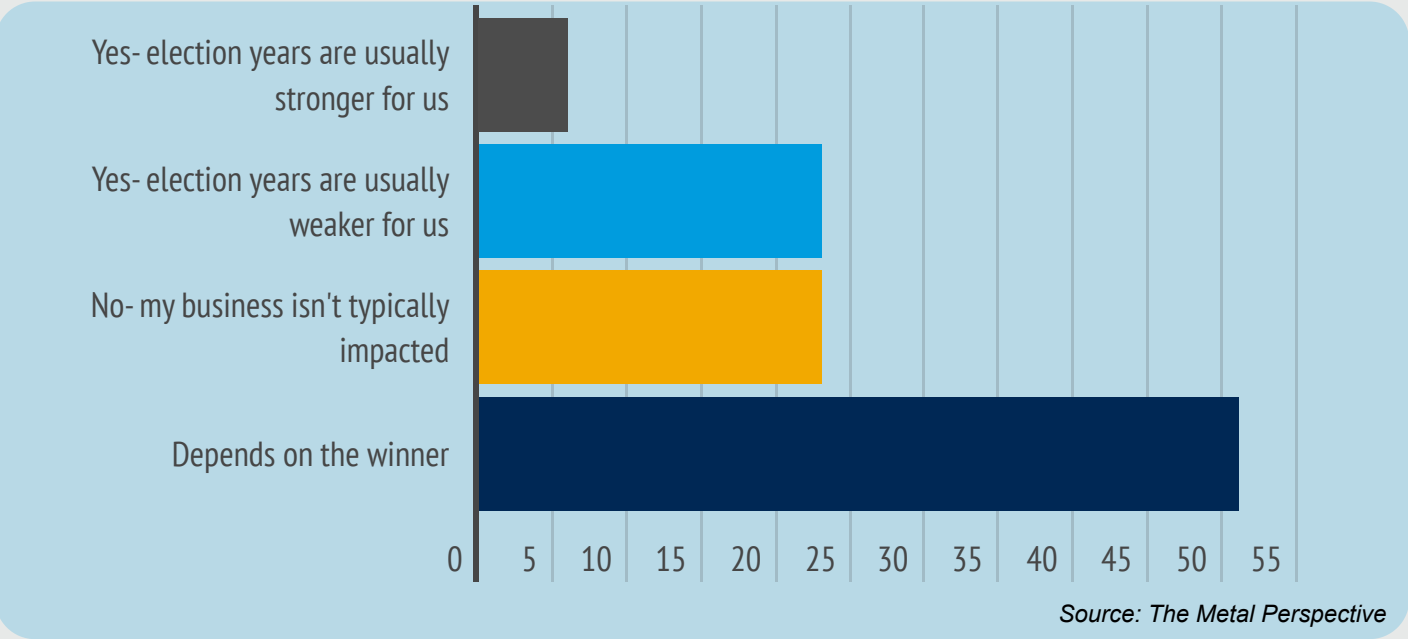
MARKET INTELLIGENCE POWERED BY  
RYERSON

January 2020

# Starting Strong

From impeachment hearings to escalating tensions in the Gulf Region, it's been quite a tumultuous start to 2020. Despite it all, the market started the new year strong with the S&P 500 up 0.7% during the first five trading days. Some say that in election years the start of the year can often be reflective of how the year will end—which, depending on how you view it, could be a good sign.

2020 is indeed an election year, and Ryerson recently asked customers how they anticipate the results impacting their business in the year ahead. While roughly 30% said it would indeed have an impact (6% anticipate a stronger year, 23% a weaker year), more than half believed it depends on the results.



Overall, respondents aren't quite sure what to expect in 2020, and the economy looks to be a big reason for this uncertainty. Roughly 42% of respondents believe conditions will be stronger compared to 2019. Coincidentally, another 42% believe conditions will either be weaker or unchanged. In both cases, the economy is cited as a factor.

Of those that anticipated stronger results, 16% pointed to improving economic conditions. On the flip side, of those that anticipated weaker/unchanged results, 25% cited negative/uncertain economic conditions. Below is a look at indicators as of January 10:

	Latest Period	Prior Period	MoM Change	Prior Year	YoY Change
U.S. GDP (%)	2.43	1.66	⬆️	2.71	⬆️
Durable Goods Orders (US \$ million)	242,247	247,442	⬆️	251,931	⬆️
PMI (index value)	47.2	48.1	⬆️	54.3	⬆️
Crude Oil (US \$/barrel)	61.1	55.2	⬆️	45.4	⬆️
U.S. Auto Sales (millions of units)	16.7	17.1	⬆️	17.5	⬆️

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

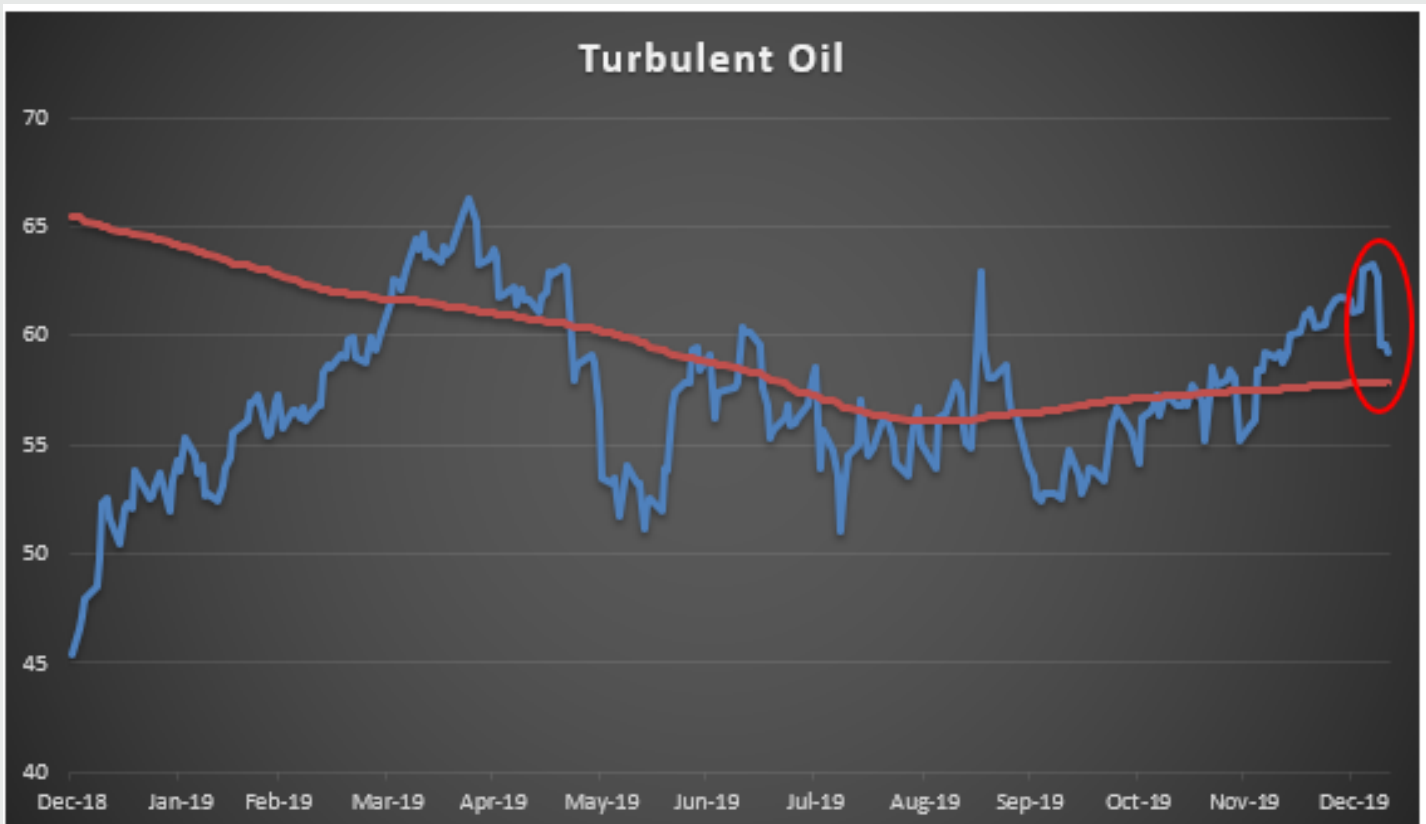
# Tensions Put Stress on Crude Oil

Since the beginning of Q4 2019, the price of crude oil has been on the rise, with the spot price moving higher by nearly 11% in the quarter. According to the Department of Energy, crude oil inventories ended the year at their lowest levels in five years, signaling relative tightness in supply.

Additionally, a portion of this move can be attributed to the weakness in the US dollar throughout the quarter, which tends to be inversely correlated to the price of oil and commodities in general. With oil prices moving above their 50-day, 100-day, and 200-day moving averages, momentum appeared to be on the bullish side going into the end of 2019.

Thus far in 2020, we have witnessed a new theme that many will be monitoring closely for both the price of crude oil and commodities in general. Tensions in the Middle East have led to volatility in the price of crude oil. In the chart below, we see that prices, which ended the year around \$61.1/barrel, spiked to \$63.3 in the first few days of 2020 before dropping to \$59.2.

Further, the U.S. has issued sanctions on Iran, which includes industrial metals, which could potentially impact a number of commodity markets in the months ahead.



Source: Bloomberg

Recent volatility in the Middle East has caused a turbulent start to the new year for the price of crude oil.



# Material Movers

The monthly snapshot of some 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	0.8210	0.8029	↑	0.8373	↓
Midwest Aluminum Premium	0.1448	0.1557	↓	0.1912	↓
Midwest Aluminum Ingot	0.9658	0.9586	↑	1.0285	↓

Sources: LME, CME, Calculated

Lead times:

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

Carbon	Latest Period	Prior Period	Change	Prior Year	YoY change
Busheling Scrap	288	267	↑	379	↓
Iron Ore	86.0	83.8	↑	70.6	↑
Capacity Utilization	81.1	80.4	↑	79.4	↑

Sources: Bloomberg, CME, American Iron & Steel Institute

Lead Times:

- Hot rolled: 4-6 weeks
  - Cold rolled: 6-8 weeks
- Coated: 8-10 weeks
  - Plate: 4-6 weeks

Stainless Steel	Latest Period	Prior Period	Change	Prior Year	YoY change
LME Nickel	6.3616	6.2006	↑	4.8489	↑
304 Surcharge	0.6828	0.7374	↓	0.5953	↑
316 Surcharge	0.9419	1.0635	↓	0.8668	↑

Lead Times:

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

Sources: LME, NAS

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

# Contraction Indicators












The ISM (Institute for Supply Management) Manufacturing Report on Business, including the ISM Manufacturing Index along with all sub-indices, revealed a very weak landscape for the manufacturing economy at year-end. Worth noting is this data is seasonally adjusted, which means it does not appear to be simply attributable to holiday shutdowns.

A quick glance at the table below shows that most of the sub-indices are not only in contraction territory, but they also deteriorated at a faster clip than in prior months. In fact, if we use the U.S. ISM Manufacturing Index as a summary data point, we have not seen a figure this weak since June 2009.

Nearly all other regions of the world, except for a couple of emerging market economies, suggested slowing or declining growth in the manufacturing economy. Despite headlines of the Eurozone improving, data out of Germany (PMI: 42.9) and France (PMI: 46.4) is continued to contract at an even faster pace.

Most sub-indices are deteriorating at a faster clip than in prior months.

All data in chart is US

	Index	Dec.	Nov.	% Pt. Change	Direction	Rate of Change	Trend (months)
	PMI	47.2	48.1	-0.9	Contracting	Faster	5
	New Orders	46.8	47.2	-0.4	Contracting	Faster	5
	Production	43.2	49.1	-5.9	Contracting	Faster	5
	Employment	45.1	46.6	-1.5	Contracting	Faster	5
	Supplier Deliveries	54.6	52	2.6	Slowing	Faster	2
	Inventories	46.5	45.5	1	Contracting	Slower	7
	Customers' Inventories	41.1	45	1	Contracting	Slower	7
	Prices	51.7	46.7	5	Increasing	From Decreasing	1
	Backlog of Orders	43.3	43	0.3	Contracting	Slower	8
	New Export Orders	47.3	47.9	-0.6	Contracting	Faster	2
	Imports	48.8	48.3	0.5	Contracting	Slower	6