

The background of the entire page is a blurred industrial scene featuring various metal components. A central rectangular area contains a sharp image of a welding torch tip creating a shower of bright orange sparks. The title 'the Gauge' is overlaid on this central image.

the Gauge

MARKET
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MONTHLY MARKET REPORT

November 2018



MARKET VIEW: DIRECTIONAL DISCUSSION

The month of October saw industrial commodity prices move much in the same direction as the broader equity markets. Leading the way lower during the month was crude oil, which has been one of the stronger performing commodities in 2018. LME Nickel (-5%), LME Aluminum (-7%), and HRC (-4%) fared a little better on a month-over-month basis, but still experienced a bit of price softness. Interestingly, the US dollar and gold both showed strength in the month of October as many other assets sold off.

In the chart below, we take a look at those assets which have declined in the past two months (September and October) on a month-to-month basis (red) against those that have increased over the same time frame (green).

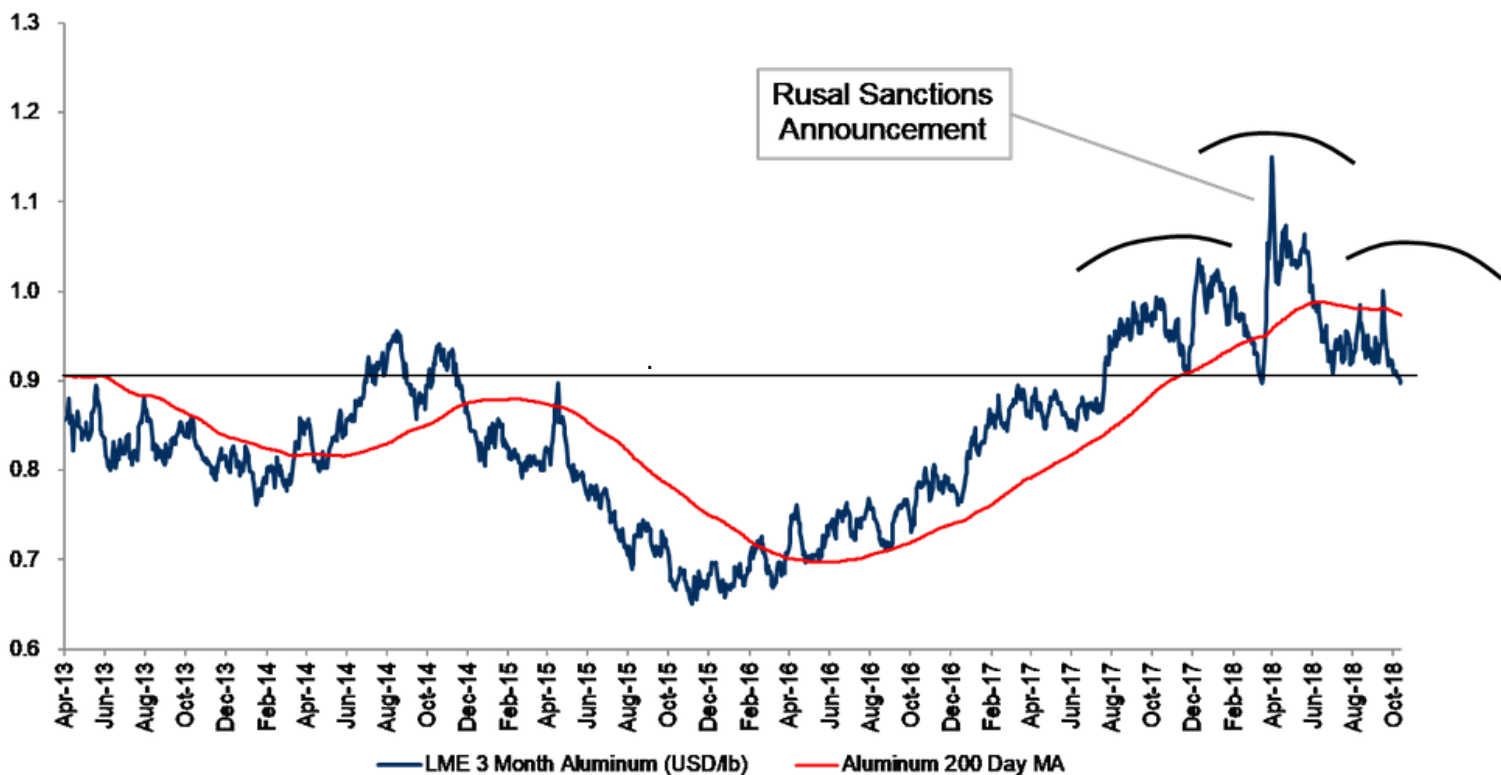
Asset	September Month-End	October Month-End	Month-over-Month Change
LME Aluminum	5.72	5.34	-7%
LME Nickel	0.94	0.89	-5%
HRC Steel	867	835	-4%
Crude Oil	73.25	66.35	-9%
S&P 500	2913.98	2682.63	-8%
DXY/US Dollar	95.13	97	2%
Gold	1191.50	1224.60	3%

The ISM (institute for Supply Management) Manufacturing Index continued to print near 60 (which typically indicates an expanding market). Also of note, consumer confidence indices hit an 18-year high in October (please see page 10 for more information).

ALUMINUM

The aluminum market within the U.S. continued to be extremely tight from a supply-demand perspective, as evidenced by elevated Midwest premiums and conversion prices from the mills.

Pricing on the London Metal Exchange for ingot remained below its 200-day moving average during the past month.



Source: Bloomberg, LME

ALUMINUM

Midwest Premium: Midwest aluminum premiums remained elevated on the back of Section 232/301 and the U.S. Dept. of Commerce (DoC) common alloy investigation on Chinese aluminum. With that being said, there was a slight downward slope in the shape of the futures market for premiums.

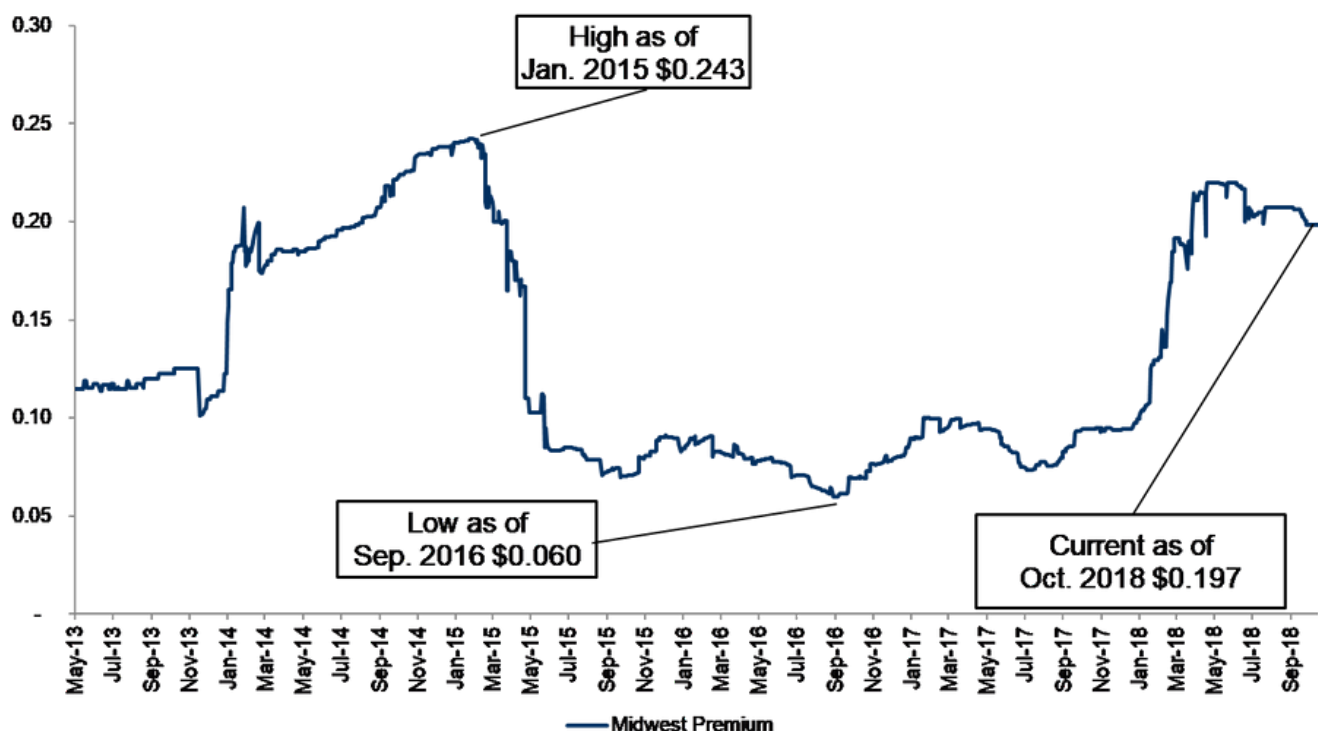
The markets saw tariff exclusions granted for several countries, impacting over one million tons per annum of common alloy aluminum. In particular, this affected the mill Ta Chen.

ALUMINUM LEAD TIMES

Domestic Sheet: 13-18 week (limited open capacity)

Domestic Plate: 13-18 weeks

Off-Shore Sheet/Plate: 15-22 weeks

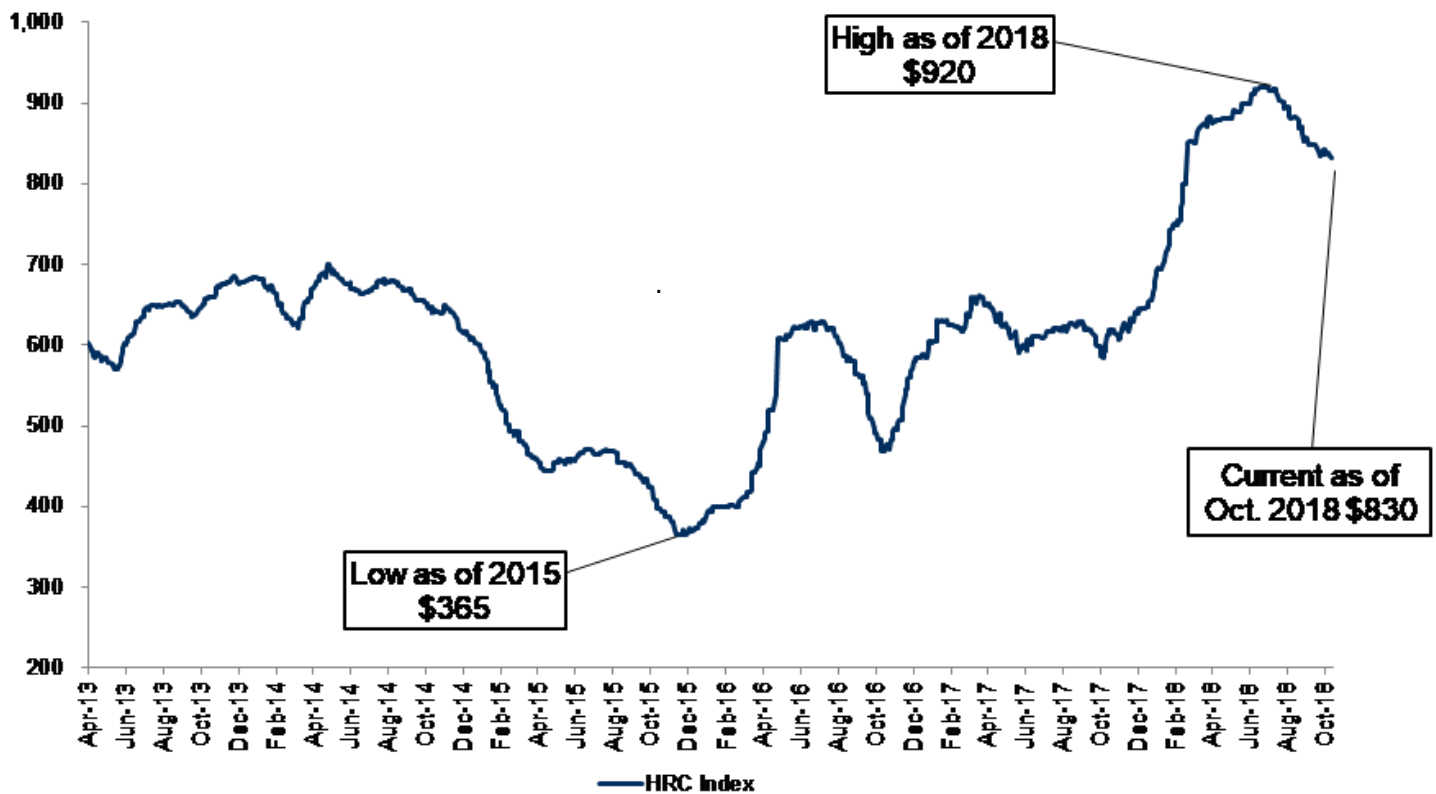


Source: Bloomberg, Platts

CARBON

Carbon sheet prices continued to move lower, down 4% on a month-over-month basis. The domestic mills announced price increases in October.

Limited spot buying related to seasonal weakness drove prices lower in October. As the industry entered into the heart of 2019 contract season, there was ample trading activity seen in the futures market in the \$790-\$800/short-ton range.



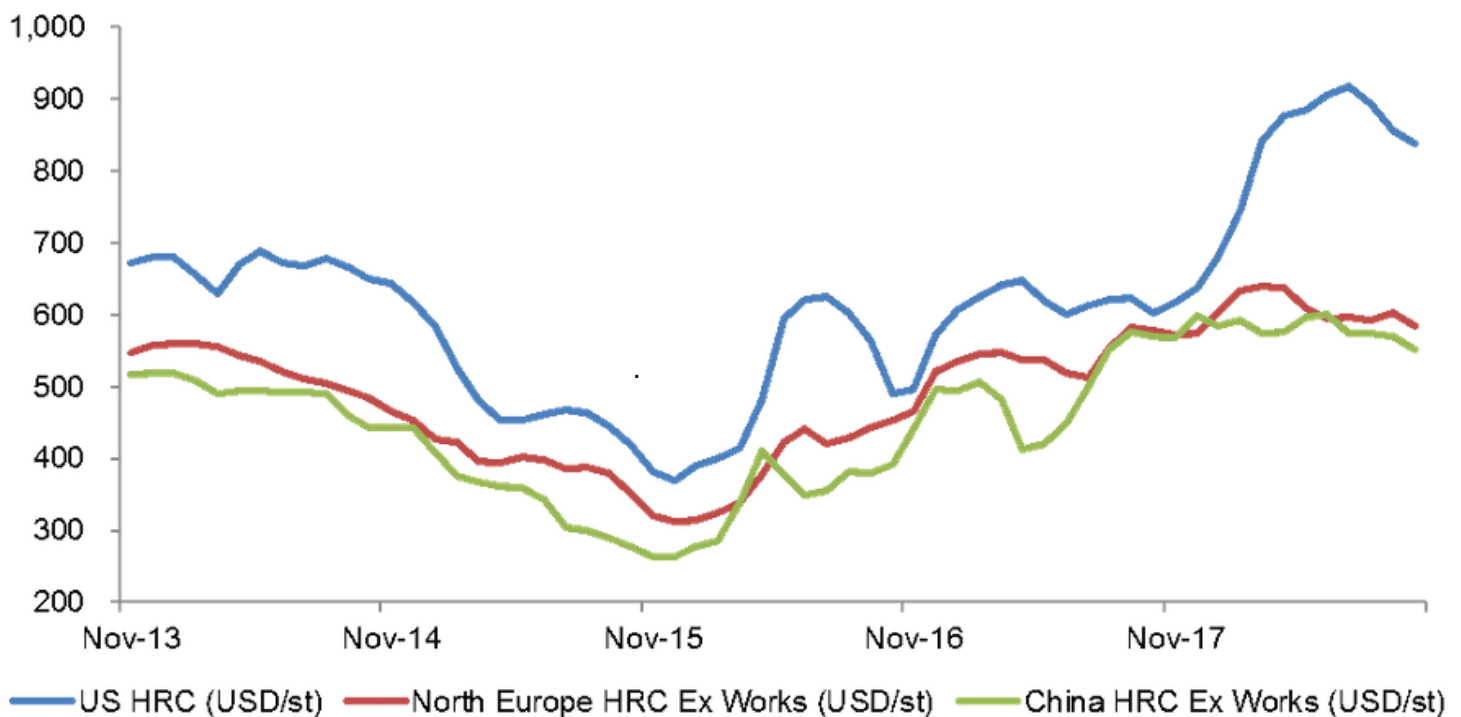
Source: Bloomberg, Platts

DID YOU KNOW?

AS THE INDUSTRY ENTERS INTO THE HEART OF 2019 CONTRACT SEASON, THERE HAS BEEN AMPLE TRADING ACTIVITY TAKING PLACE AT THE \$790-\$800/SHORT-TON RANGE.

CARBON

Domestic vs. Foreign Carbon Prices: According to data from Bloomberg, on a non-tariff adjusted basis, U.S. steel prices traded at their widest spreads in history relative to European and Chinese steel prices. That said, when adding in applicable tariffs, the spreads appear to have been more in line with historical norms. In the case of China, tariffs of several hundred percent made purchases of some grades of carbon sheet products virtually untouchable within the U.S. European and Chinese steel prices moved lower in the last 30-60 days.



Source: Bloomberg, Platts

WIDE-SPREAD TRADING

ON A NON-TARIFF ADJUSTED BASIS, U.S. STEEL PRICES ARE STILL TRADING AT WIDE SPREADS RELATIVE TO EUROPEAN AND CHINESE STEEL PRICES, ACCORDING TO BLOOMBERG.

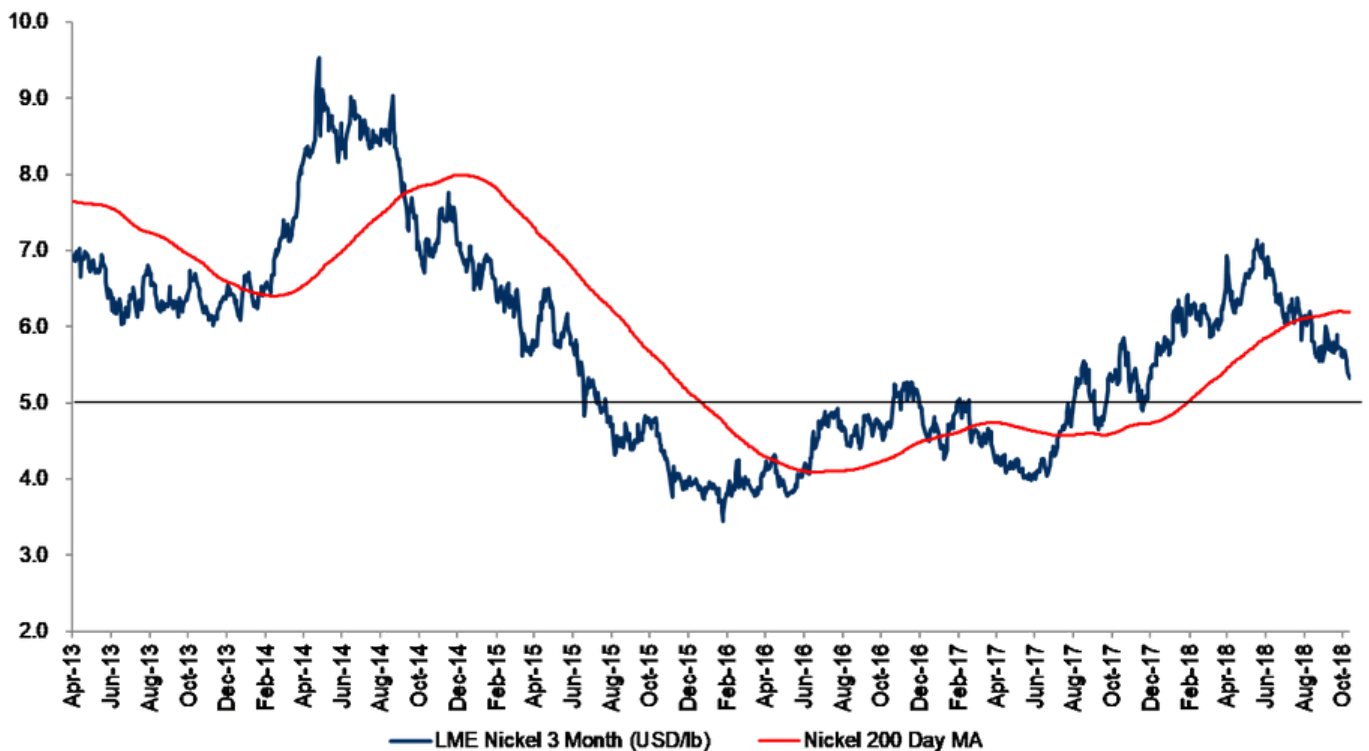
CARBON LEAD TIMES

Hot Roll: 2-5 weeks
Cold Roll and Coated: 5-6 weeks
Coated: 5-6 weeks
Plate: 10-12 weeks

STAINLESS STEEL

Nickel: Nickel was one of the strongest performing commodities early in 2018, but recently experienced a strong sell off.

Nickel was down 7% year-to-date, after increasing 25% over the first six months of the year. Though supply-demand fundamentals still look balanced, the stronger U.S. dollar may act as a potential headwind to price.



Source: Bloomberg, LME



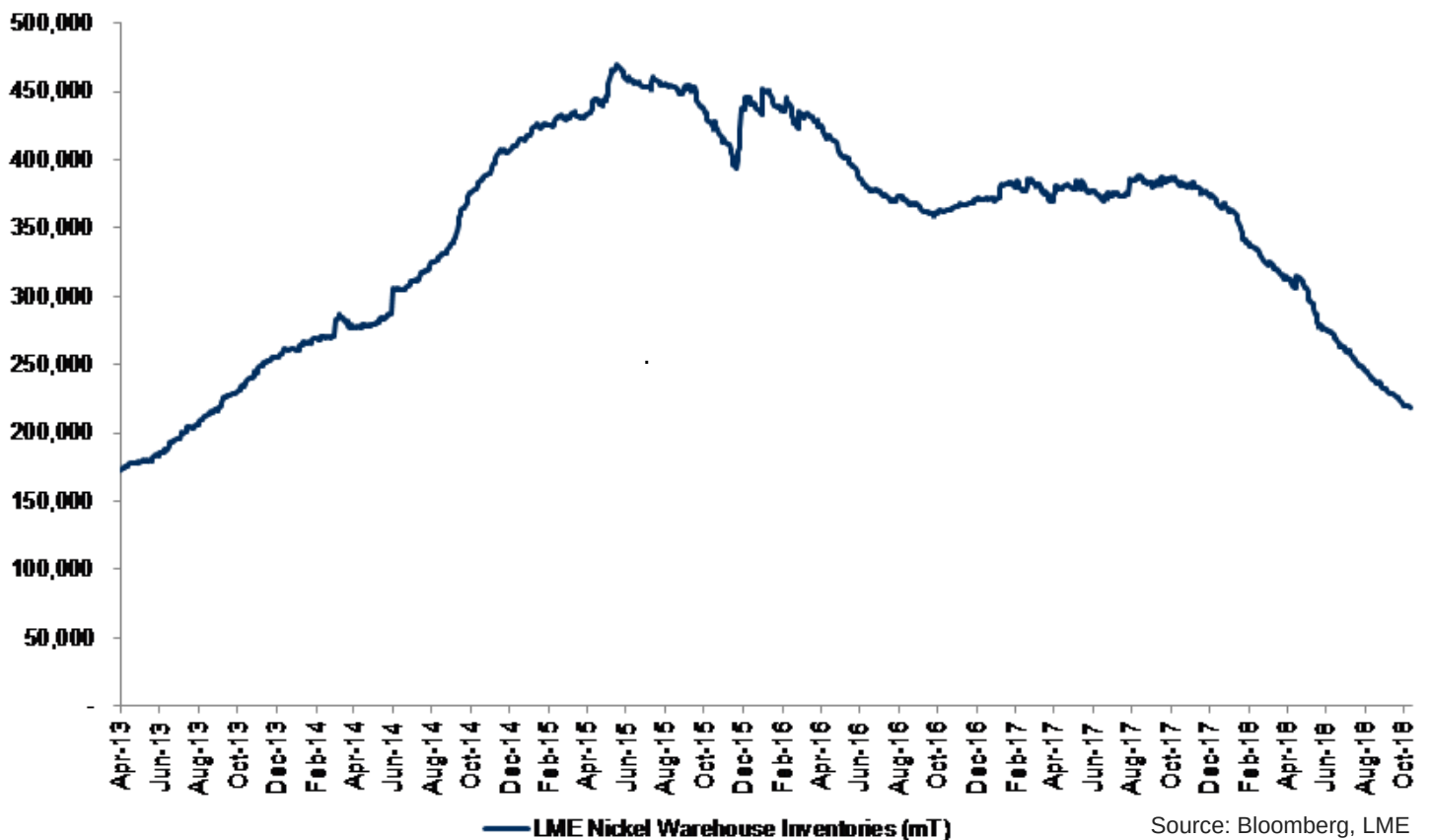
TUG-OF-WAR

THOUGH SUPPLY-DEMAND FUNDAMENTALS STILL LOOK SOUND, THE STRONGER U.S. DOLLAR APPEARS TO BE WINNING THE TUG-OF-WAR BATTLE IN THE SHORT TERM.

STAINLESS STEEL

Inventories: Nickel inventories on the London Metal Exchange were depleting at a rapid pace and the narrative surrounding the shift to electric vehicles (EV) helped to support this tightness.

That said, China-owned Tsingshan announced earlier this month plans to build a nickel-cobalt salt plant in Indonesia. If successful, this could add new supply to the EV market.

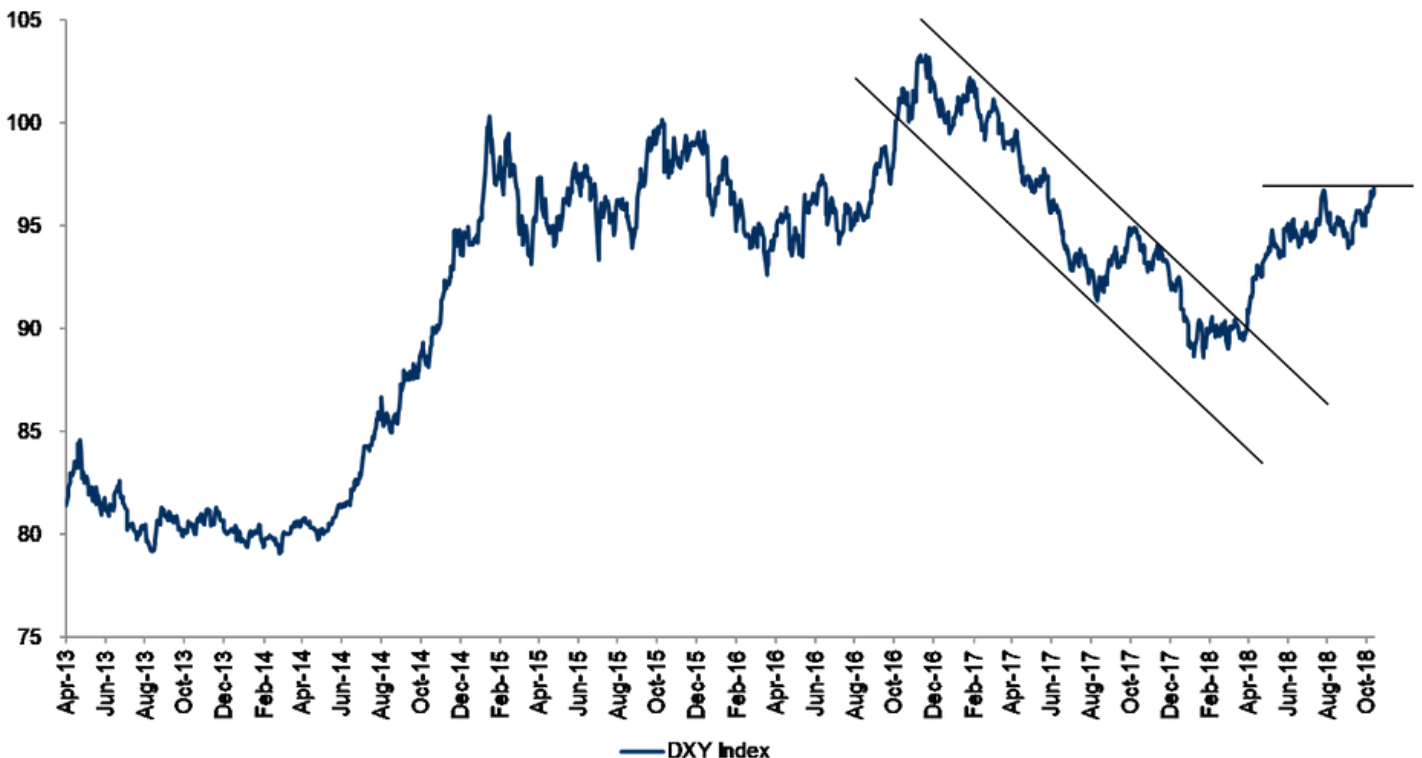


STAINLESS STEEL LEAD TIMES

Tube: 6-7 weeks	2B & Polished Coil: 6-7 weeks
Plate: 6-8 weeks	Bar: 7 weeks
Plate Coil: 5 weeks	Angle: 7 weeks

ECONOMIC INDICATORS

The US Dollar Index (DXY/USD): After months of sideways price action, the DXY/USD gained momentum in October and has started to test its 52-week high. The U.S. dollar tends to move inversely to the price of commodities.



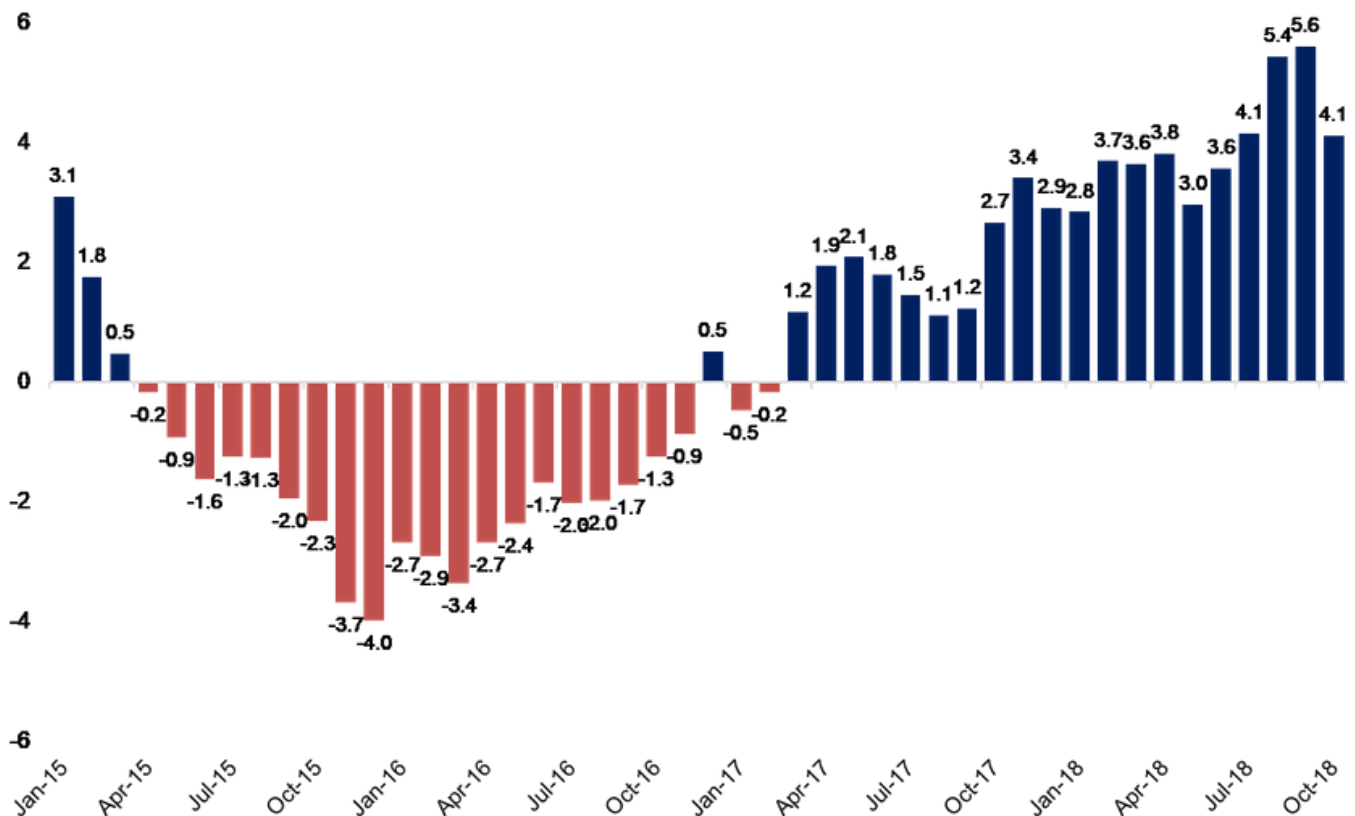
Source: Bloomberg, ICE Futures U.S.



FOLLOWING MONTHS OF SIDEWAYS PRICING ACTION, THE DXY/USD TESTED ITS 52-WEEK HIGH IN OCTOBER.

ECONOMIC INDICATORS

U.S. Industrial Production: U.S. industrial production continued to show strength through October, up 4.1% on a year-over-year basis. Additionally, the Conference Board's Consumer Confidence Index* recently reported its highest level in 18 years.



Source: Bloomberg, U.S. Fed

**The Consumer Confidence Index relates to the monthly Consumer Confidence Survey®, which is based on a probability-design random sample and conducted for The Conference Board by Nielsen, a leading global provider of information and analytics around what consumers buy and watch.*