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CONFERENCE VIRTUAL SERIES

## Metal Markets: Understanding Demand for a Key Input to Manufactured Goods and the Impact on the Carload Sector

(The webinar will begin soon...)



**Sean Davidson**

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## INDUSTRY SPEAKERS & PANELS

		<b>Session #1</b> 11:00 AM EDT	<b>Session #2</b> 2:00 PM EDT
 <b>Monday Sept. 13th</b>	<b>Truck and Trailer Equipment</b>	Technology: Completing the Circuit on Electric Trucks	Used Trucks: Heating Up or Cooling Down?
 <b>Tuesday Sept. 14th</b>	<b>Truck Freight</b>	An Industry in Flux: How Employment and Labor Law are Changing Trucking	Capacity and Productivity: Pre-autonomous Countermeasures for a Tight Supply of Drivers
 <b>Wednesday Sept. 15th</b>	<b>Rail and Intermodal Freight</b>	Rail Regulatory Debates: Both Sides of the Regulatory Coin	Metal Markets: Understanding Demand for a Key Input to Manufactured Goods and the Impact on the Carload Sector
 <b>Thursday Sept. 16th</b>	<b>Rail Equipment</b>	How Regulations Will Shape Tank Car Demand in the Coming Years	Railcar Manufacturing Perspective: Exploring the Market Dynamics That Will Impact the Rail Equipment Industry
 <b>Friday Sept. 17th</b>	<b>Economic Overview</b>	Economic Recovery and Demand Creation: What the Data Say About Where We Are Headed	A Wall Street Perspective: Transportation Industry Dynamics

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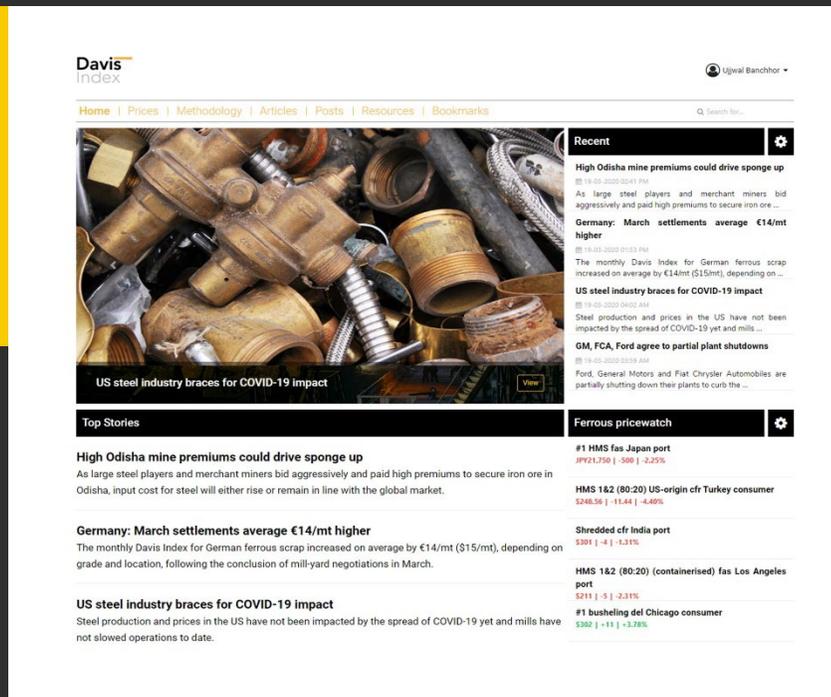
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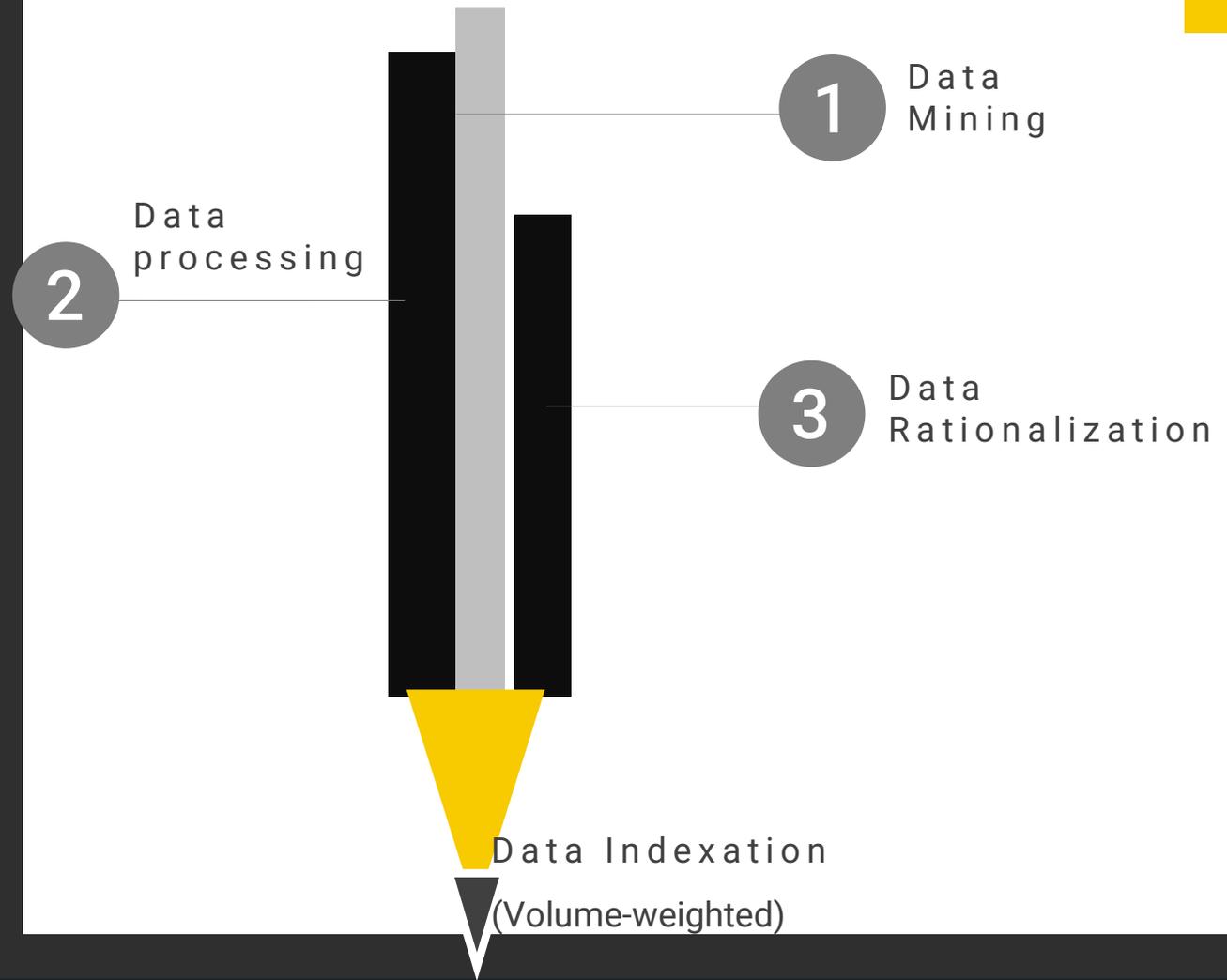
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## MARKET COVERAGE

Aluminium	
Primary	India, USA
Scrap domestic	India, USA
Scrap import	China, India
Scrap export	USA
Secondary alloy	China, India, Japan, USA

Stainless steel	
Scrap import	India, Taiwan
Scrap domestic	USA

Copper/brass	
Primary	India, USA
Scrap domestic	India, USA
Scrap import	China, India, Pakistan
Scrap export	USA

Lead	
Primary	India, USA
Scrap domestic	India, USA
Ingot	India

Steel	
Billet domestic	Bangladesh, India, Pakistan
Rebar domestic	Bangladesh, India, Pakistan

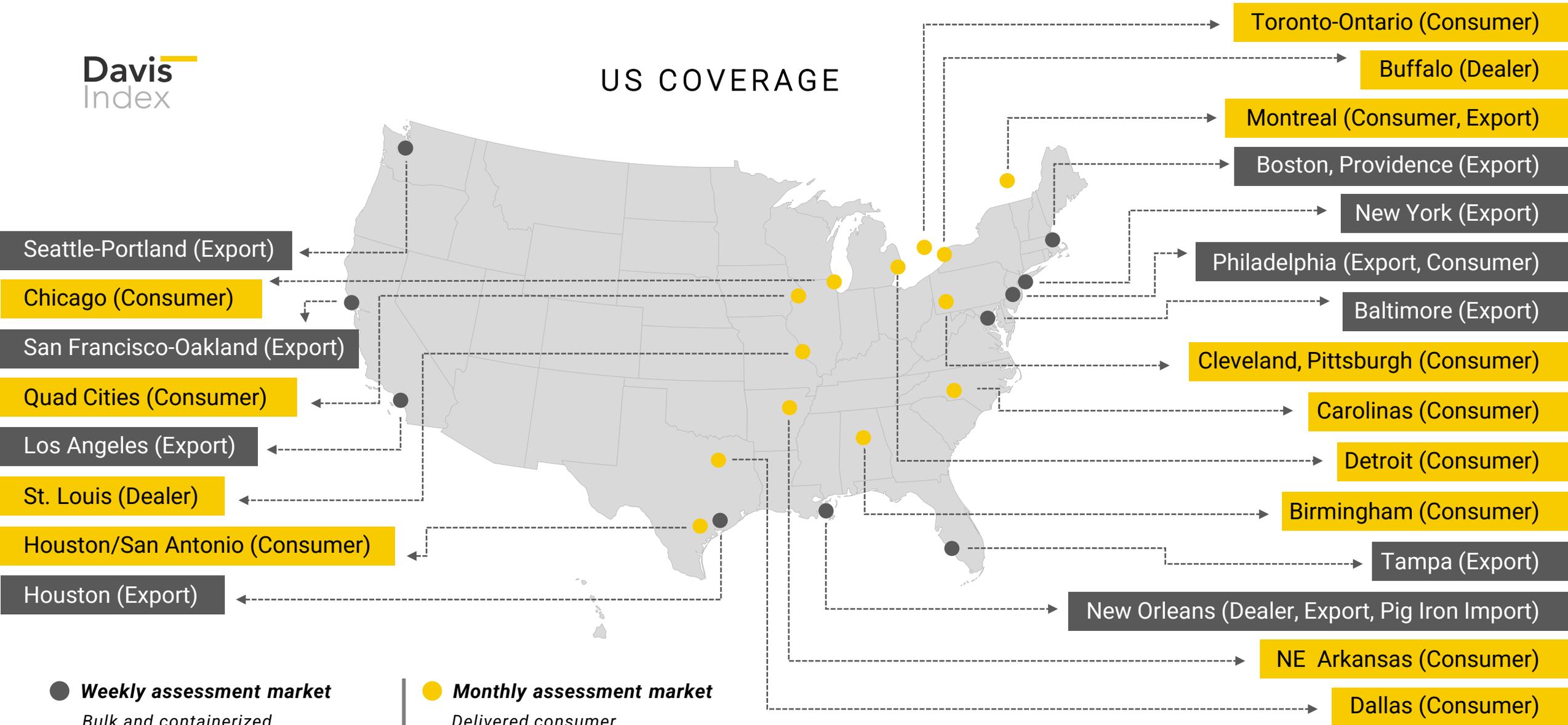
Ferrous scrap			
Domestic	Bulk imports	Bulk exports	Container import
Bangladesh	Bangladesh	Belgium	Bangladesh
Canada	Ecuador	Baltic Sea	India
China			
Germany	Egypt	Black Sea	Indonesia
India	Greece	Germany	Pakistan
Japan	India	Netherlands	South Korea
Malaysia	Indonesia	UK	Taiwan
Mexico	Kuwait	USA	Vietnam
Pakistan	Malaysia		
South Korea	Mexico	Dock prices	Container export
Spain	Pakistan	Belgium	Belgium
Taiwan	Peru	Netherlands	Japan
Thailand	Saudi Arabia	Russia	Netherlands
Turkey	South Korea	UK	UK
UK	Taiwan	USA	USA
USA	Turkey		
Vietnam			

Zinc	
Primary	India, USA
Alloy	India, USA
Scrap import	India
Scrap domestic	India, USA

Freight	
Container	Bulk
Bangladesh	Brazil-US
China	Europe-Turkey
India	Turkey-US
Indonesia	UK-Turkey
Malaysia	US-Bangladesh
Pakistan	US-Korea
South Korea	US-Turkey
Taiwan	
Thailand	
Vietnam	

Feedstocks
Basic Pig Iron
Black Sea
Italy
US
HBI
USA
NPI
USA
Sponge iron
India

# US COVERAGE



● **Weekly assessment market**  
Bulk and containerized assessments, including freight, as well as export yard buying prices, with 10 years of price history.

● **Monthly assessment market**  
Delivered consumer buying prices, with 10 years of price history in most markets.

## MAIN GRADES ASSESSED

- |                                 |                          |
|---------------------------------|--------------------------|
| 1. #1 busheling                 | 4. #1 HMS                |
| 2. Shredded                     | 5. 5' P&S                |
| 3. Shredder feed (export yards) | 6. Machine shop turnings |



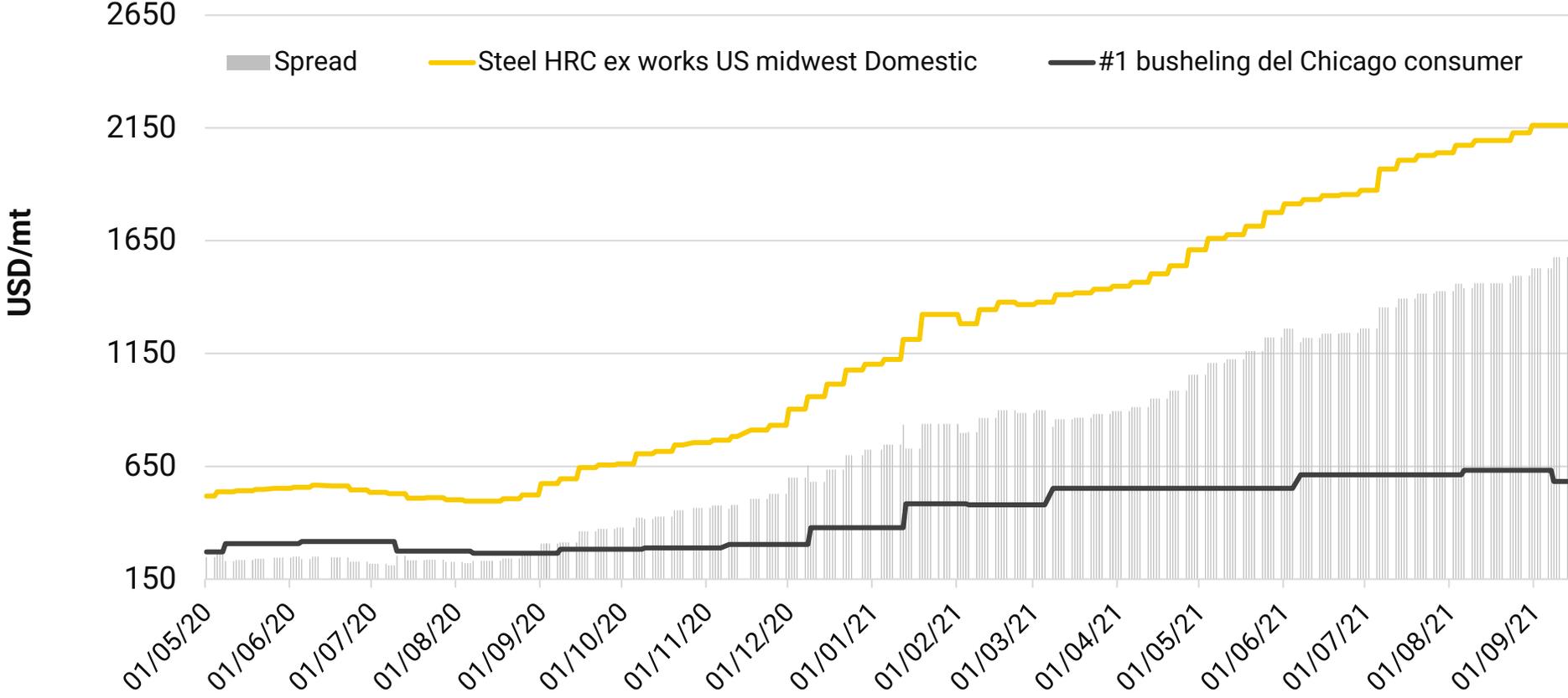
## MARKET OVERVIEW

Price developments in US markets.

- US weekly steel output rose to 1.88mn nt last week, with utilization rates of 85.3%, surpassing 85% for the first time in 13 years. (23 Sept 2008 – 85.0%, 2.02mn nt)
- A year ago, weekly output was 1.46mn nt with utilization rates at 65%.
- Daily steel shipments were up by 8% in August, from a year ago, as restocking continues. Carbon steel inventories finished August at 5.86mn mt (MSCI) which is up around 1% from a year ago and the first time since December 2018 that inventories have grown.
- Restocking will continue and imports are rising as the US remains the highest priced steel market globally, by some distance
- Monthly HRC lead times are 7.1 to 7.4 weeks, down from over 8 weeks a month ago.
- Europe at around \$1,200/nt and China at around \$850/nt for exports.
- HRC prices are at \$1,900-1,950/nt

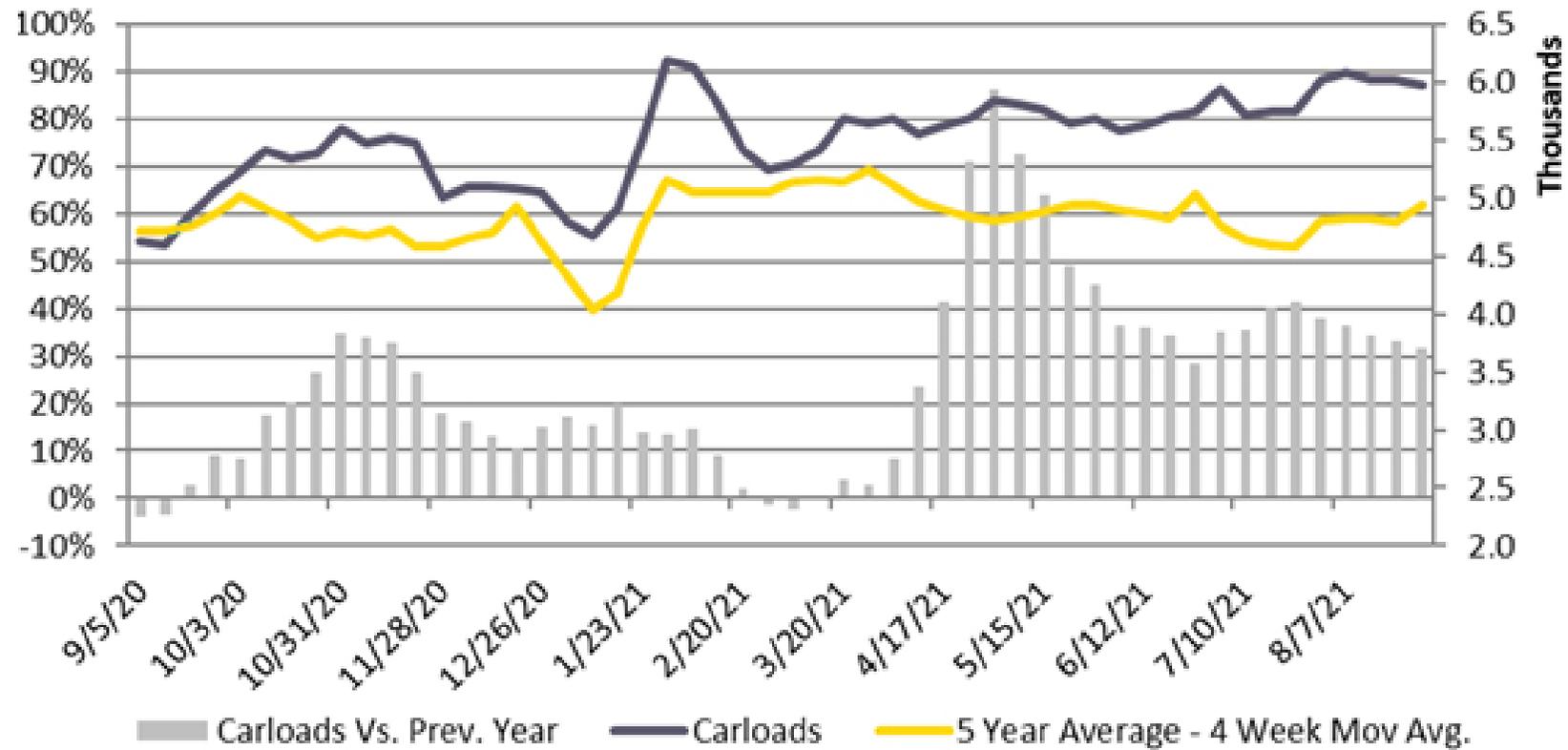


# USA: FLAT STEEL





### N.A. Metal Scrap Carloads 4 Week Avg. Ending 08/28/21

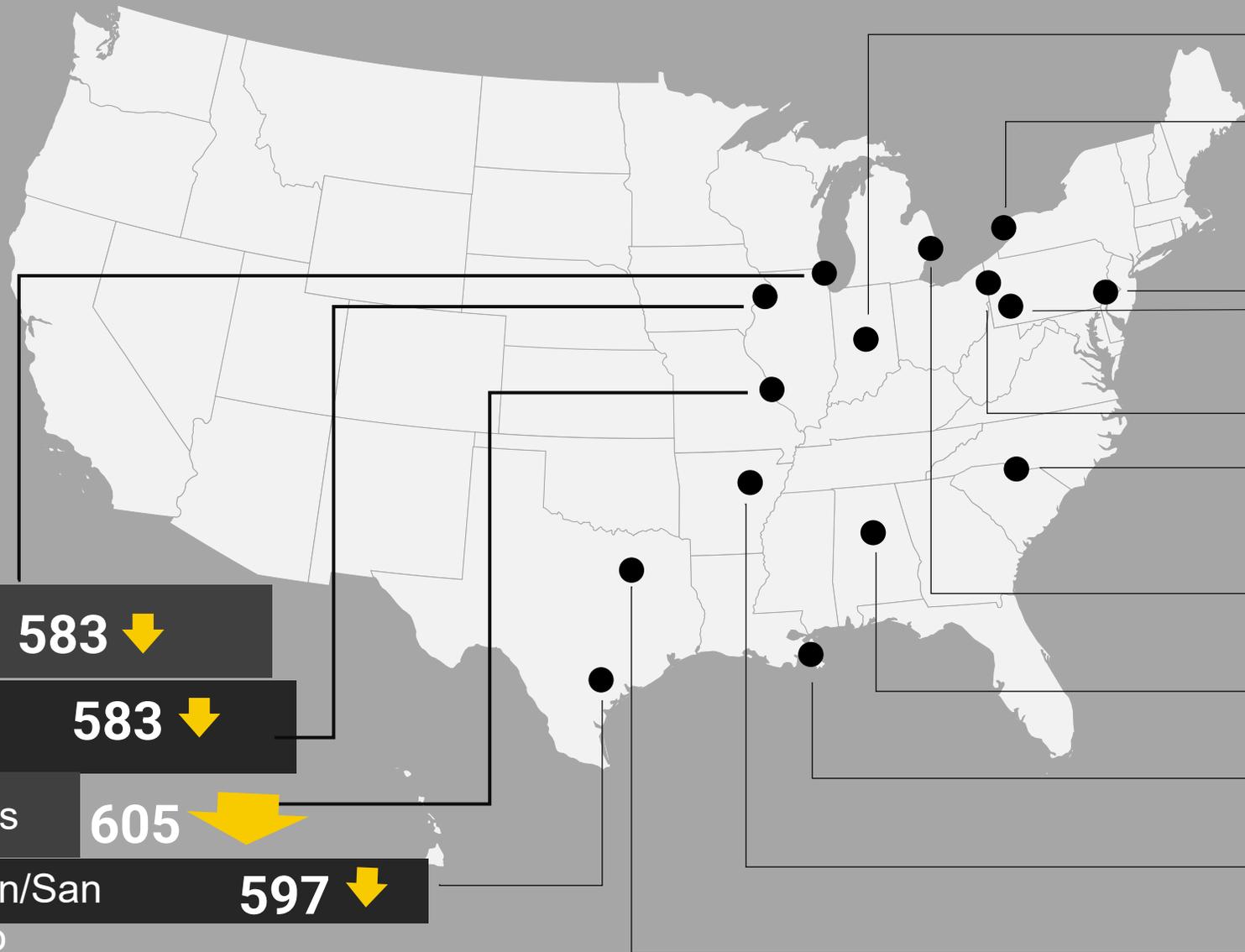


Source: AAR

## USA: SCRAP OVERVIEW

- September trade concluded with price drops of \$40-50/gt on prime grades and \$20-30/gt on shredded and cut grades from a month earlier.
- Midwest recorded declines of \$10-23/gt on shredded and obsolete grades, and a decline of \$50/gt on primes.
- The South was stronger, with primes down by \$40/gt and cuts and shredded down \$10-20/gt. In the Southeast, cuts and shredded fell by \$20/gt, with primes down by \$35-40/gt.
- Mill demand remains robust but healthy supply at prevailing price levels of \$550-650/gt for prime scrap, and \$430-490/gt for obsolete grades, along with increases in metallics imports and domestic production of DRI/HBI (Cliffs, Voestalpine) has prevented scrap prices from rising at the same pace as steel prices.
- Prime grades faced steeper declines than cut grades because of higher industrial production. Prime scrap is inelastic – will be generated by manufacturers regardless of mill demand.
- Scrap prices expected to cool from current levels

# #1 BUSHELING DEL CONSUMER



Cincinnati/Indianapolis **573** ↓

Buffalo **575** ↓

Philadelphia **530** ↓

Pittsburgh **594** ↓

Cleveland/Youngstown **617** ↓

Carolinas **559** ↓

Detroit **596** ↓

Birmingham **597** ↓

New Orleans **563** ↓

NE Arkansas **610** ↓

Dallas **595** ↓

Chicago **583** ↓

Quad  
Cities **583** ↓

St. Louis **605** ↓

Houston/San  
Antonio **597** ↓

Prices are in USD/gt, 7 September 2021

## EASTERN US SNAPSHOT



Pittsburgh	Sep-21	Sep-20
Busheling	\$594	\$280
Shredded	\$458	\$278
#1 HMS	\$418	\$245
5' P&S	\$453	\$263

## Market Highlights

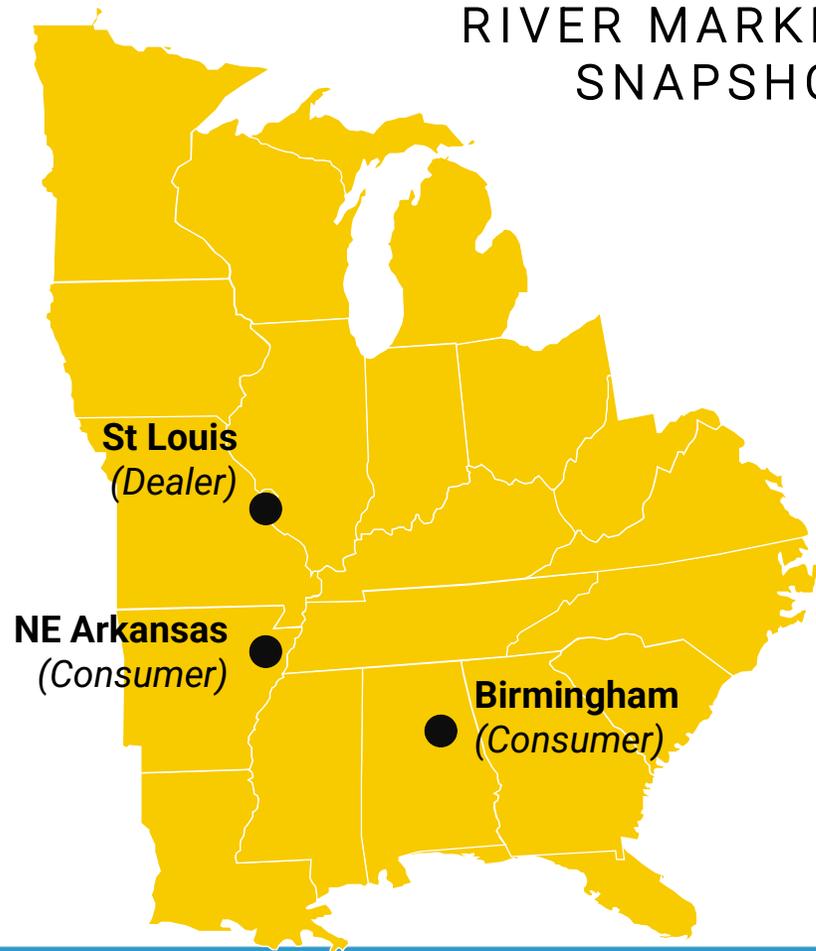
Northeast and Great Lakes now producing around 800,000nt weekly, up from 650,000nt a year ago

The 150,000nt net gain along with surge in domestic demand from the southeast has helped negate the impact of weaker export markets to Turkey

Energy market improvement bodes well for OCTG focused Ohio Valley producers

Region bracing for big developments with Cliffs' expected acquisition of a large scrap company

## RIVER MARKET SNAPSHOT



NE Arkansas	Sep-21	Sep-20
Busheling	\$610	\$318
Shredded	\$474	\$313
#1 HMS	\$441	\$295
5' P&S	\$467	\$308

### Market Highlights

BRS reaching into the midwest, Ohio Valley and western US to secure scrap

Demand from primes from Mexico heating up as Texas adds new capacity and shuts of tons from going further north into NE Arkansas

Lots of consolidation in this region with SA Recycling and Alter Trading acquiring companies and expanding footprints

Recycling margins for several companies lie in owning rail equipment and managing freight cost



Chicago	Sep-21	Sep-20
Busheling	\$583	\$283
Shredded	\$470	\$276
#1 HMS	\$423	\$238
5' P&S	\$470	\$268

### Market Highlights

Continued expansion of NSBS capacity is a boost for the Detroit region

MetalX's Delta, Ohio shredder install adjacent to NSBS is disrupting the stranglehold of previous companies shipping into Delta

River market disruptions increase demand for midwestern scrap

Cliffs' Toledo, Ohio HBI plant supplying 1.6mn t/yr to Great Lakes EAFs, which has prevented scrap spreads from tightening

## 2021: SCRAP, PIG IRON IMPORTS

Pig iron	Jul-21 YTD	Jul-20 YTD	% Change
Russia	12,44,351	12,40,807	0
Ukraine	11,08,264	11,28,692	-2
Brazil	9,55,478	5,95,226	61
India	2,11,276	0	na
South Africa	63,357	41,513	53
Canada	56,514	29,304	93
Others	2,172	730	198
<b>Total</b>	<b>36,41,412</b>	<b>30,36,272</b>	<b>20</b>
Pig Iron	Jul-21	Jul-20	% Change
<b>Total</b>	<b>7,60,992</b>	<b>4,60,048</b>	<b>62</b>

Scrap	Jul-21 YTD	Jul-20 YTD	% Change
Canada	17,66,833	14,03,457	26
United Kingdom	2,38,690	74,926	219
Netherlands	2,15,190	1,46,326	47
Mexico	1,48,381	1,69,709	-13
Sweden	74,344	1,35,205	-45
Germany	57,932	10,376	458
Others	1,89,093	45,906	312
<b>Total</b>	<b>26,90,463</b>	<b>19,85,905</b>	<b>35</b>
Scrap	Jul-21	Jul-20	% Change
<b>Total</b>	<b>4,77,019</b>	<b>2,94,155</b>	<b>65</b>

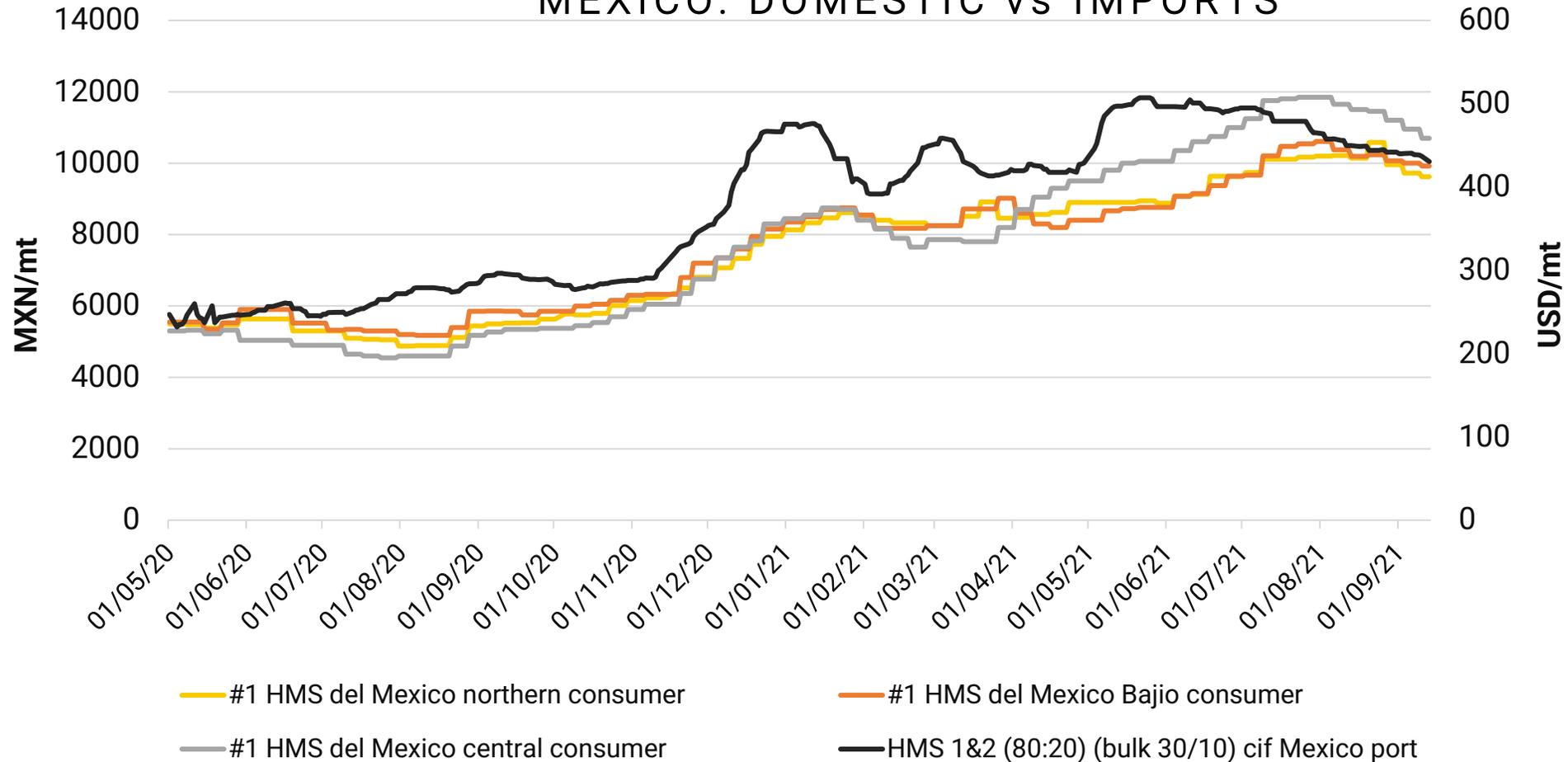
- US steel demand will grow by 7.5-8% this year. Analysts had previously forecast gains of 9-10% this year but weaker auto demand has brought some correction.
- Still, forecasts for 2022 project demand increases of 6-8% based on expectations that auto demand will catch up even as steel supply from new capacity adds more supply.
- Government's infrastructure program could boost levels but most analysts expect any resulting demand from these programs to only kick in late 2022 and most likely starting in 2023.
- Steel prices expected to fall back to below \$1,000/nt in 2022 – likely averaging between \$700-800/nt.
- Demand for scrap, however, will rise with new capacity coming online which means scrap spreads will shrink next year.

03

## EXPORTS

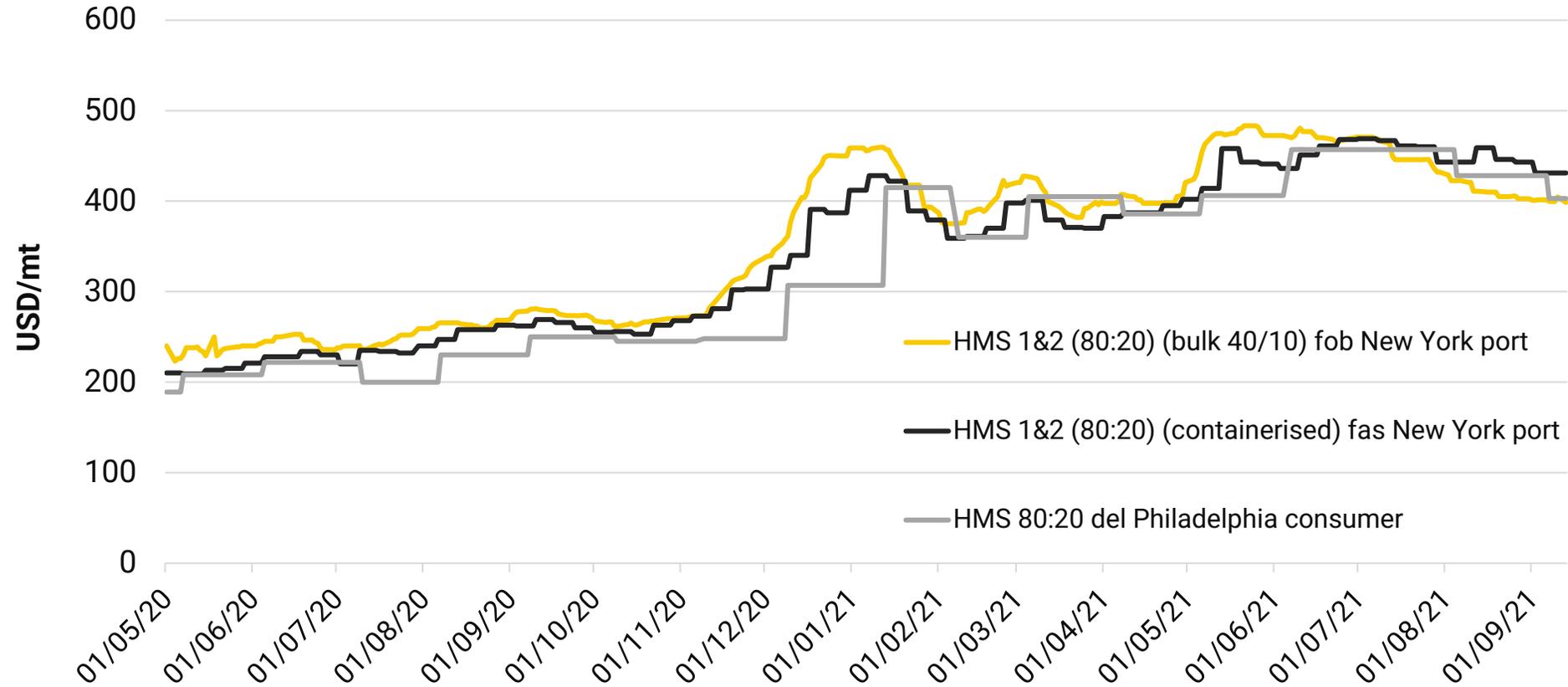
An update on ferrous export markets

## MEXICO: DOMESTIC vs IMPORTS

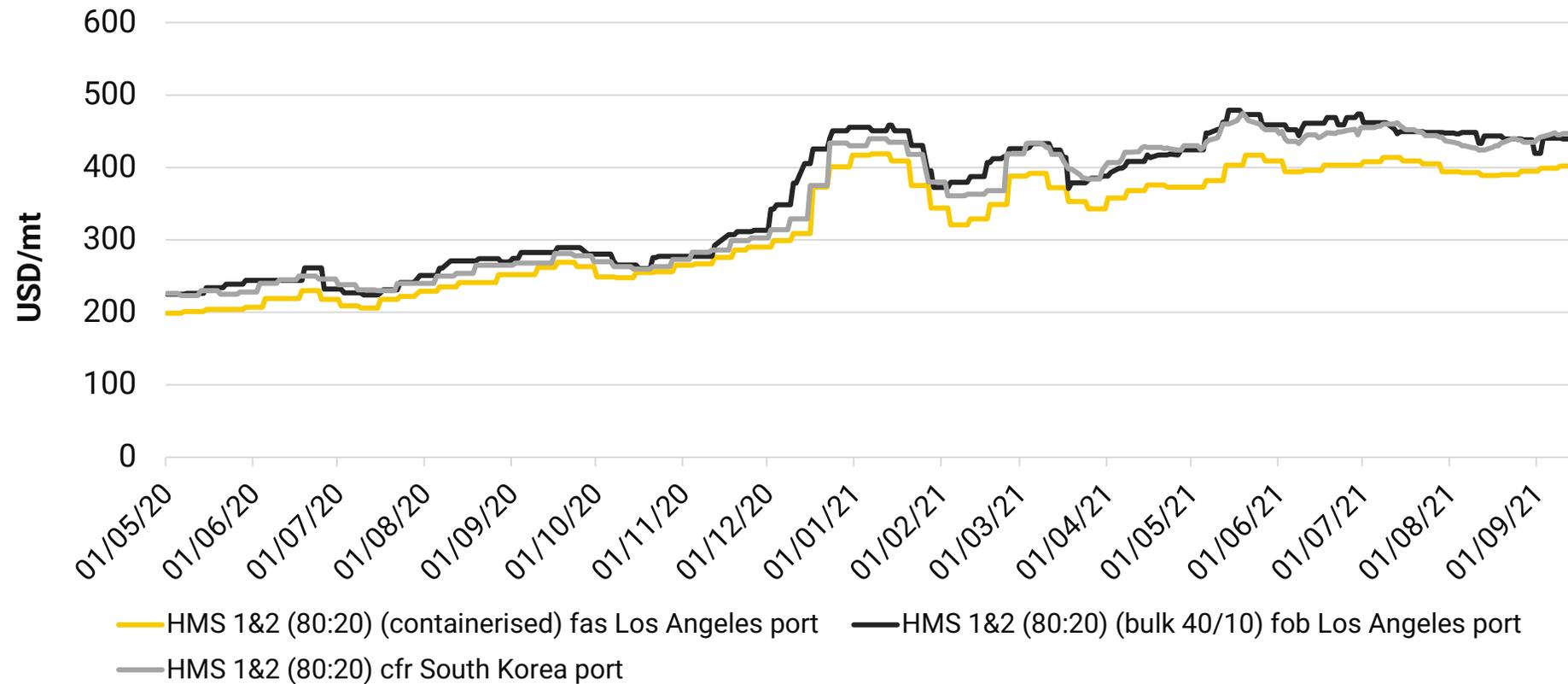




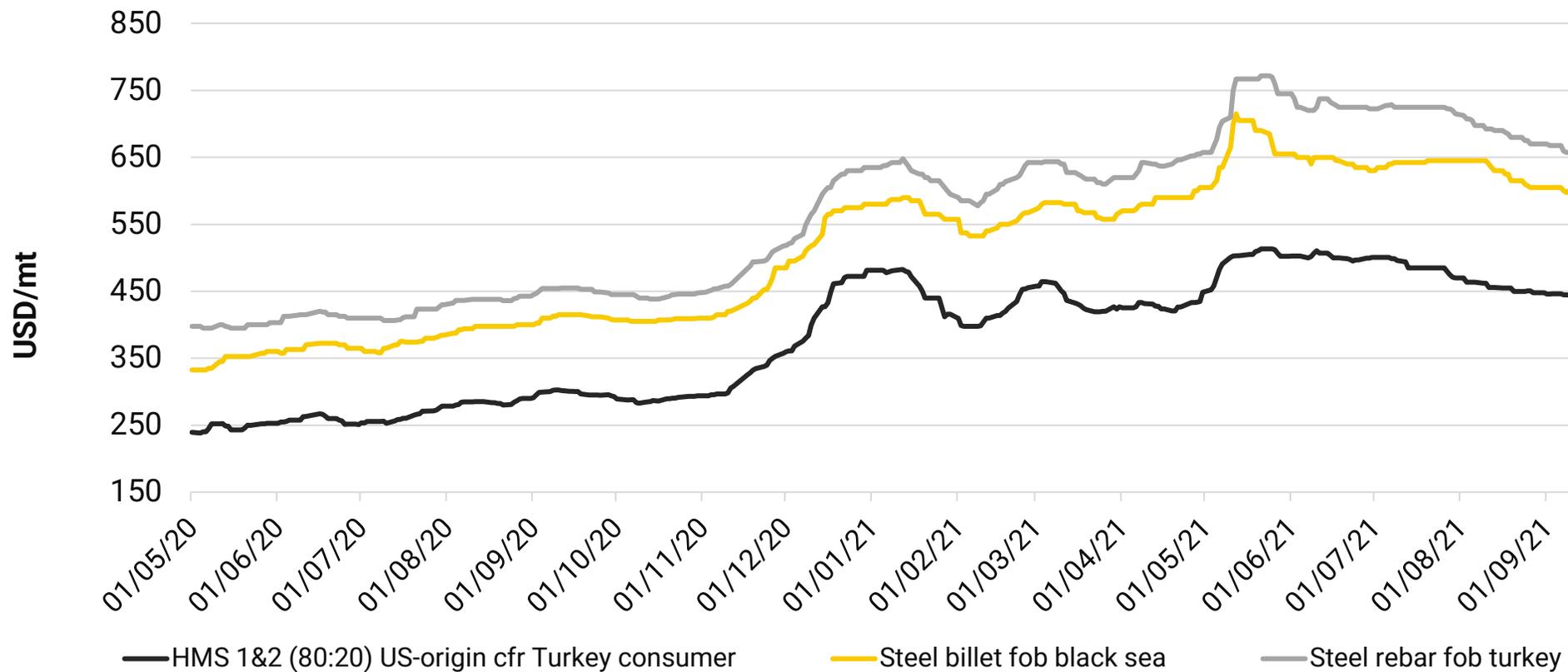
## USA: SEABORNE TRADE USEC



## USA: SEABORNE TRADE USWC



## TURKEY: LONG STEEL MARKET





## INDIAN SUB-CONTINENT: SEABORNE TRADE



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# Q&A



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A special thank you to  
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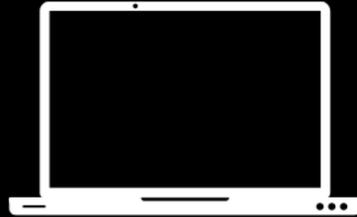


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