



STEEL MARKET UPDATE

SMU Flat Rolled Market Trends Analysis

Responses from our May 14, 2018 Market Survey





- 31 years actively selling flat rolled steel – 40+ years in the steel business.
- Newsletter developed for active buyers & sellers of flat rolled steel.
- Prices – Momentum – Trends – Analysis – with a guarantee.
- For more information visit www.SteelMarketUpdate.com.



Steel 101 Workshop, Severstal Dearborn 2012

Our goal is to provide quality information to the flat rolled steel industry.

We invite over 650 companies to participate in our surveys.

Normal response rate is 100-150 individuals on any one survey.

All responses are kept confidential and are never attributed to the individual or company responding.

Steel 101: Introduction to Steelmaking & Market Fundamentals

Instructors: John Packard, Peter Wright, Charles McDaniels, Steve Painter & Mario Briccetti

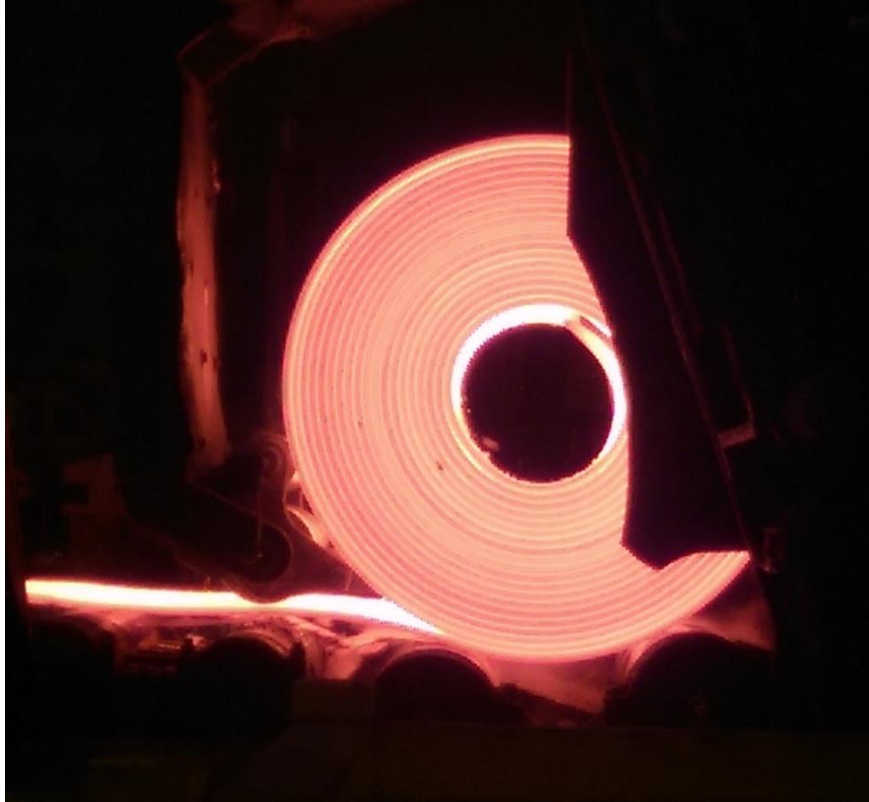
We have both classroom & on-site (mill) instruction during our 2 day workshop. For more information [visit our website here](#).



Steel 101 Workshop, Severstal Dearborn 2012

Next Steel 101 Workshop

June 5-6, 2018



Steel 101 Workshop, NLMK Indiana 2015

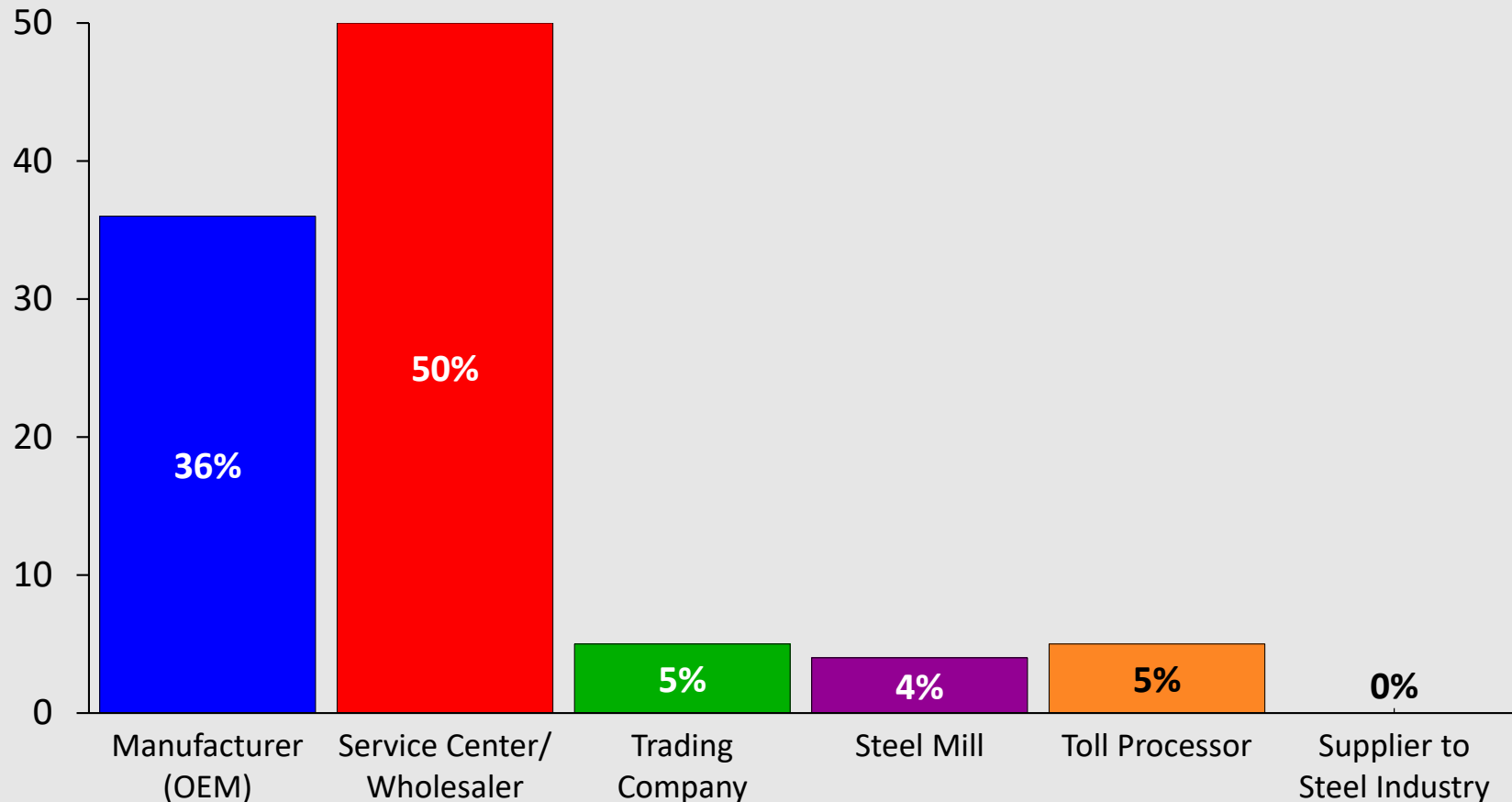
Our next Steel 101 workshop will be held in **Memphis, TN** on **June 5-6, 2018**. Our class will tour the Nucor Hickman and Nucor-Yamato steel mills.

If you would like more information about any of our workshops, you may visit SteelMarketUpdate.com/Events, call our office at 800-432-3475, or e-mail our team at info@SteelMarketUpdate.com.

SOLD OUT

Survey Participants

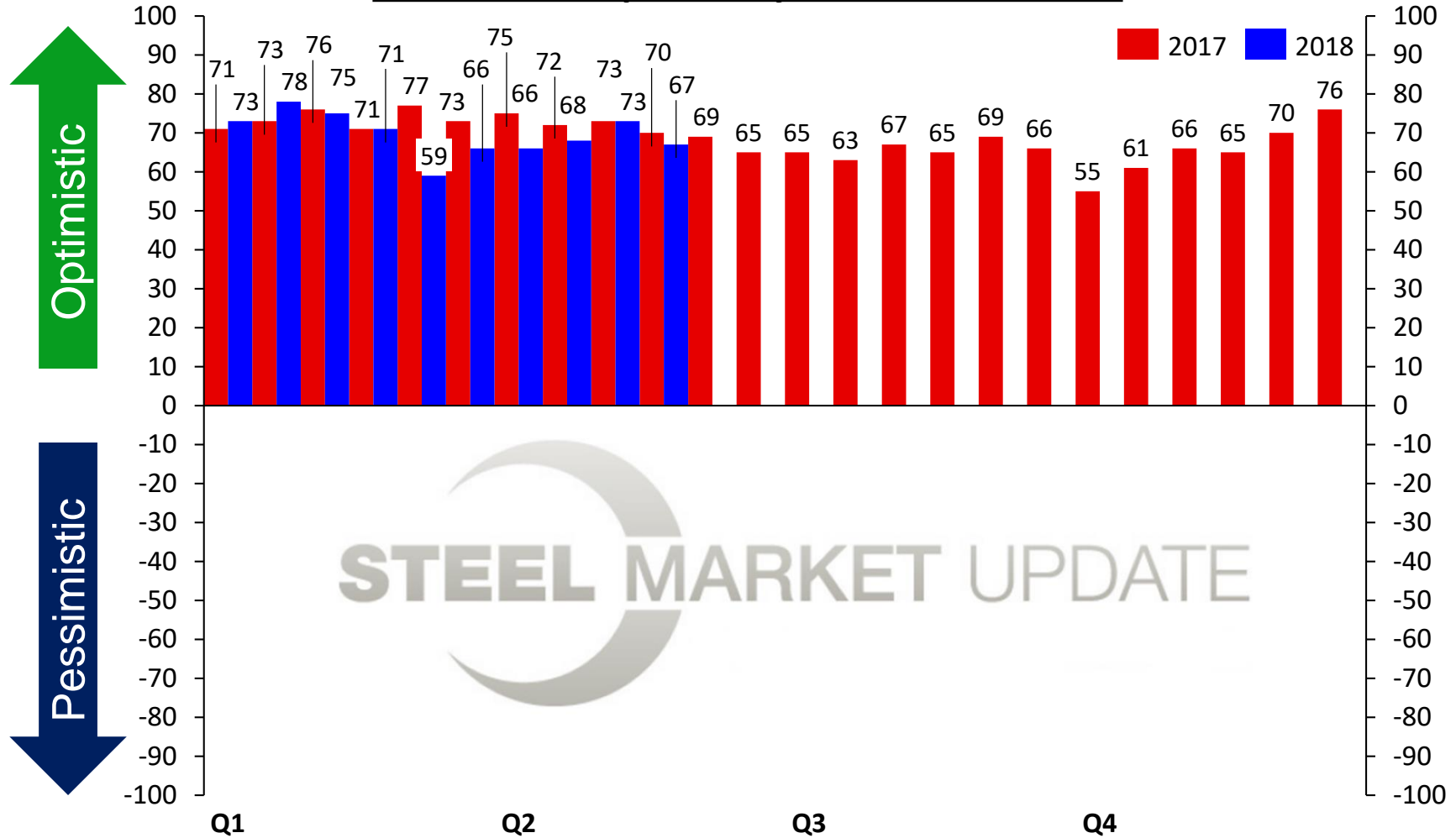
Our survey is by invitation only- Over 650 companies, mostly in the manufacturing or distribution industries, are asked to participate. Here are the percentages of participation in this week's survey by market sector.



SMU Buyers Sentiment Index

Down 6 points to +67

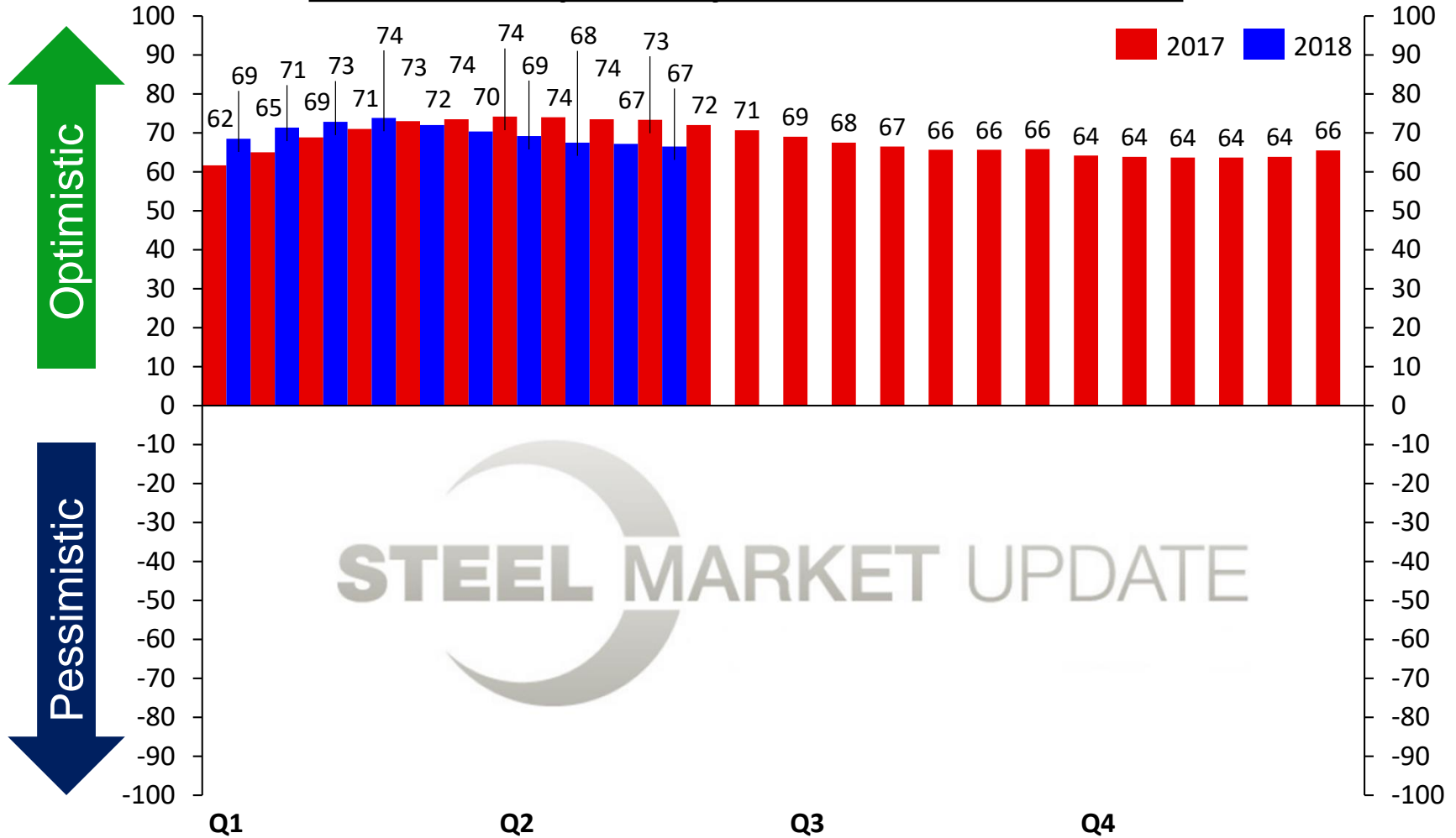
Steel Market Update Buyers Sentiment Index



SMU Buyers Sentiment Index

Three Month Moving Average at +66.50

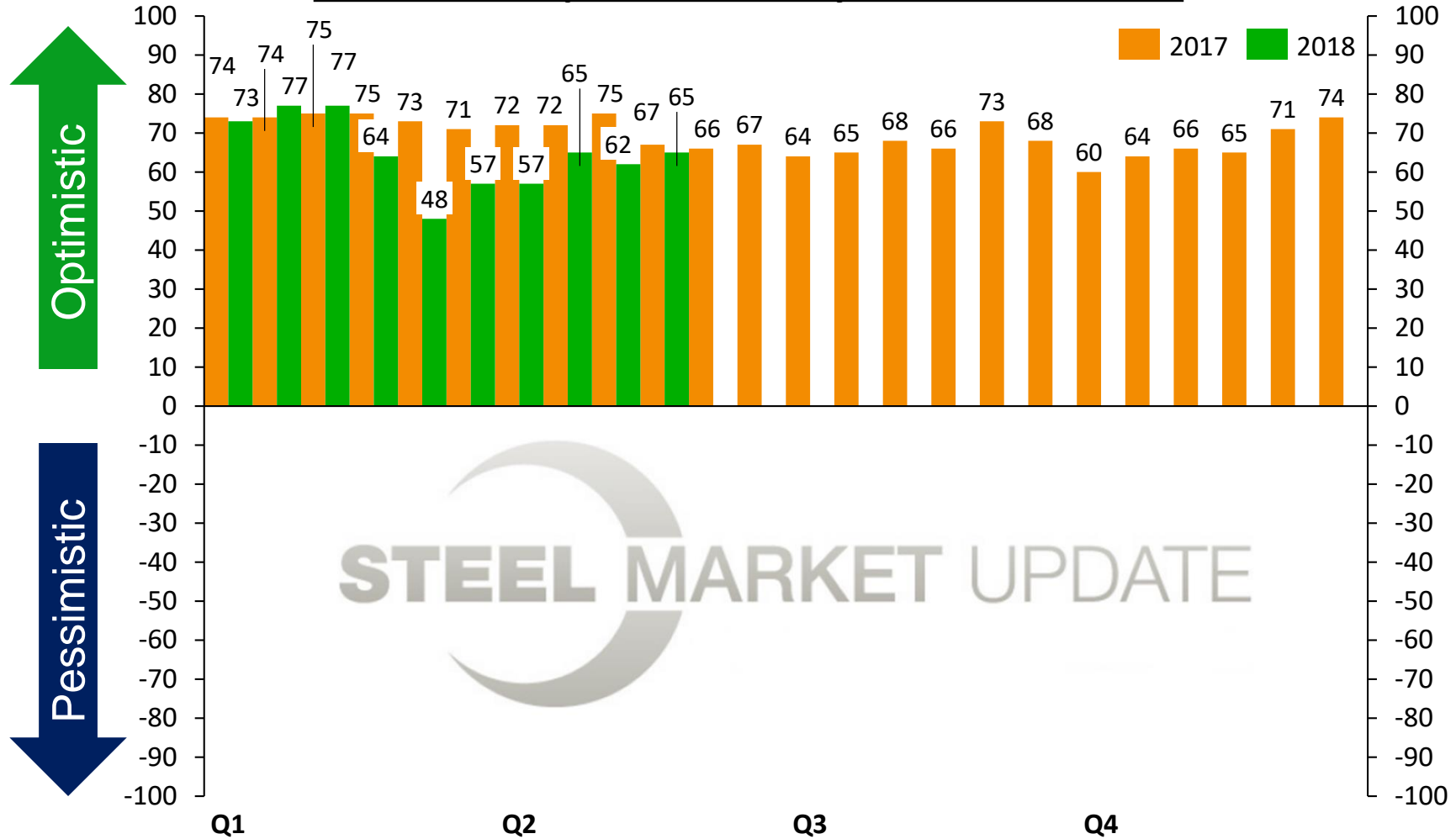
Steel Market Update Buyers Sentiment Index 3MMA



SMU Future Buyers Sentiment Index

Up 3 points to +65

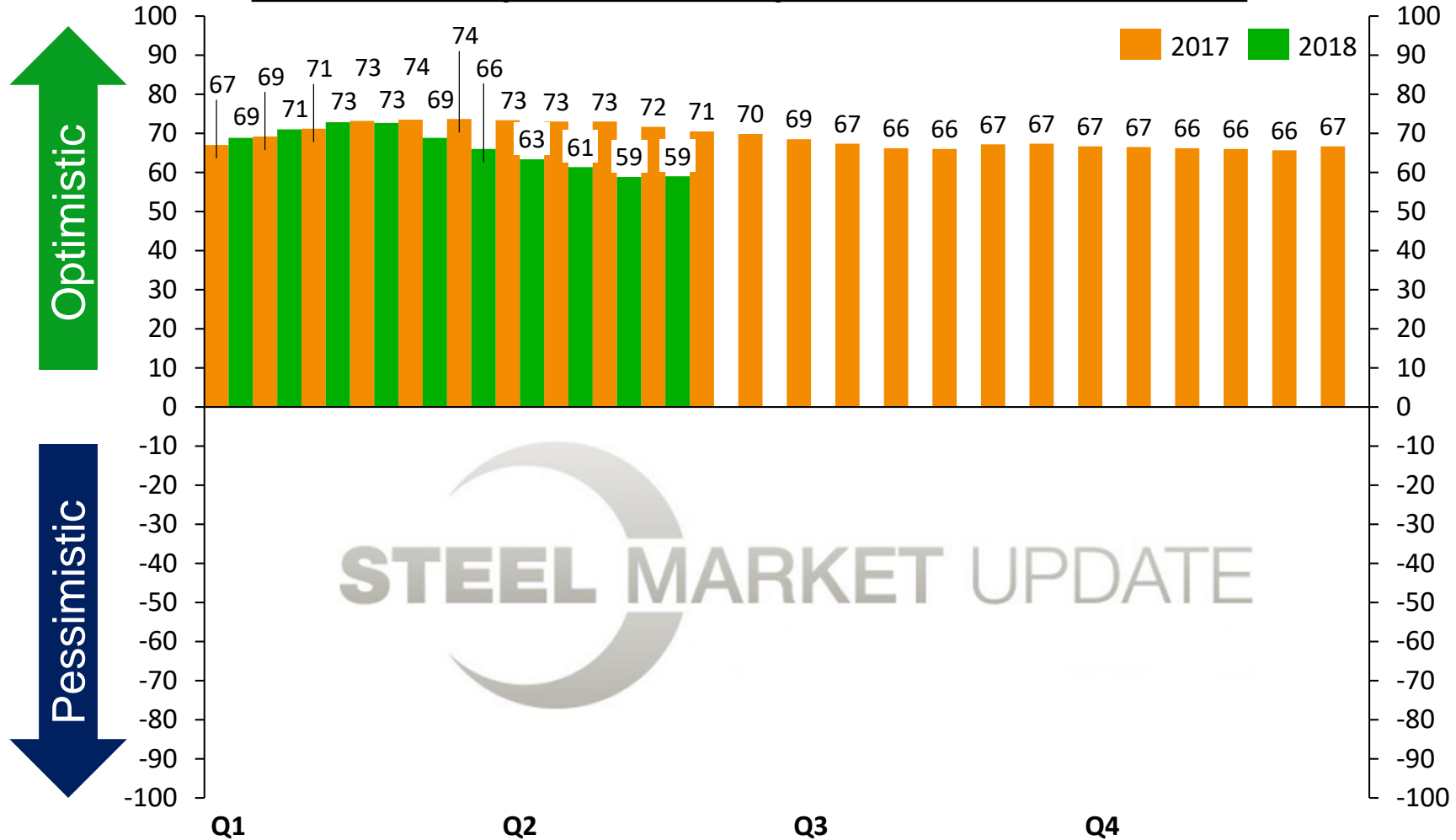
Steel Market Update Future Buyers Sentiment Index



SMU Future Buyers Sentiment Index

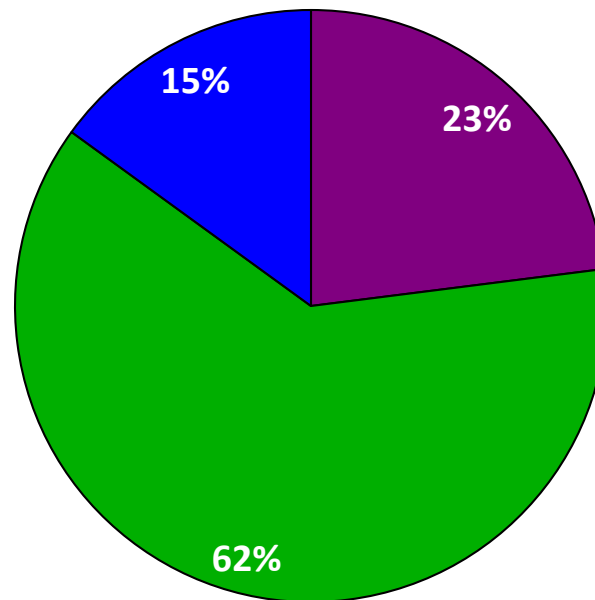
Three Month Moving Average at +59.00

Steel Market Update Future Buyers Sentiment Index 3MMA



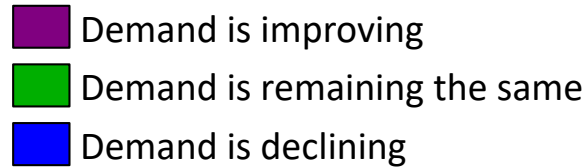
Are you seeing demand for your products improving, remaining the same or declining?

- Demand is improving
- Demand is remaining the same
- Demand is declining

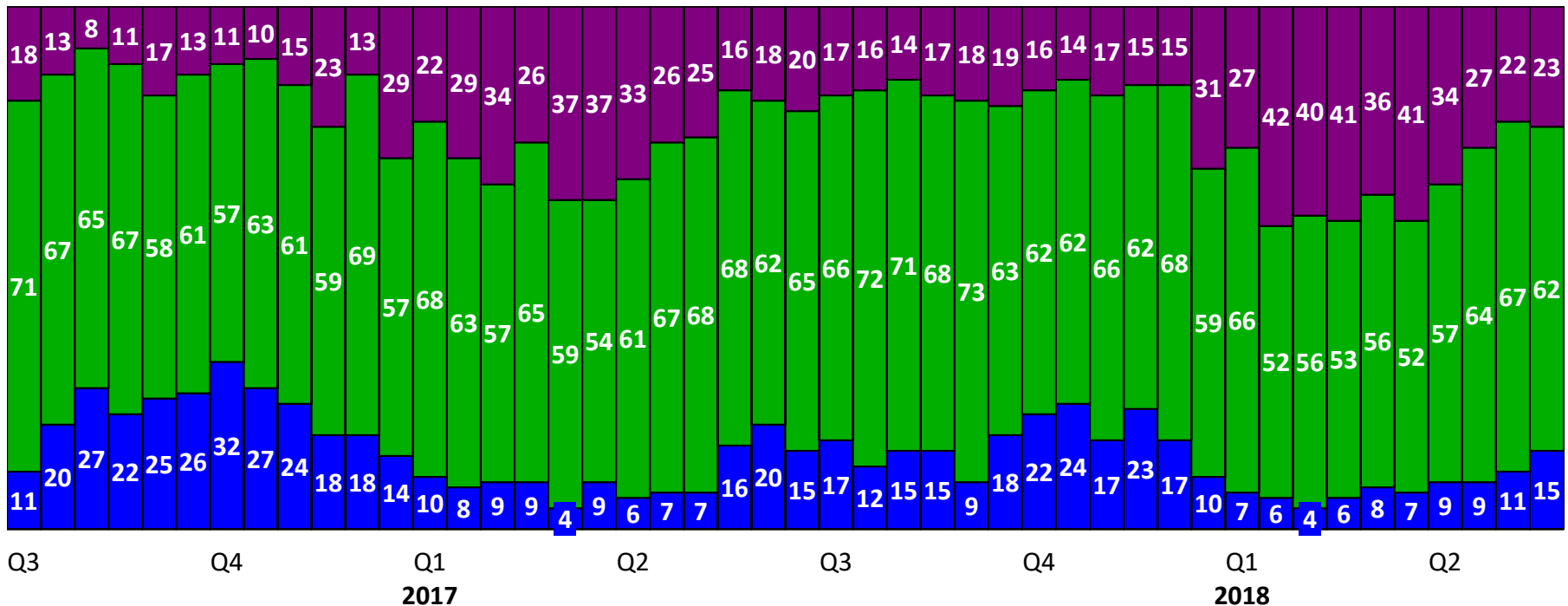


Overall Demand History

Are you seeing demand for your products improving, remaining the same or declining?

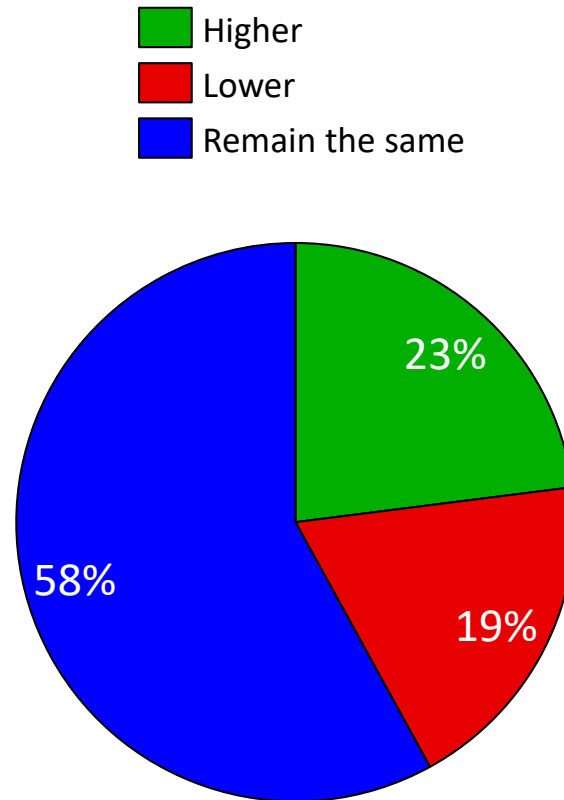


out of 100%



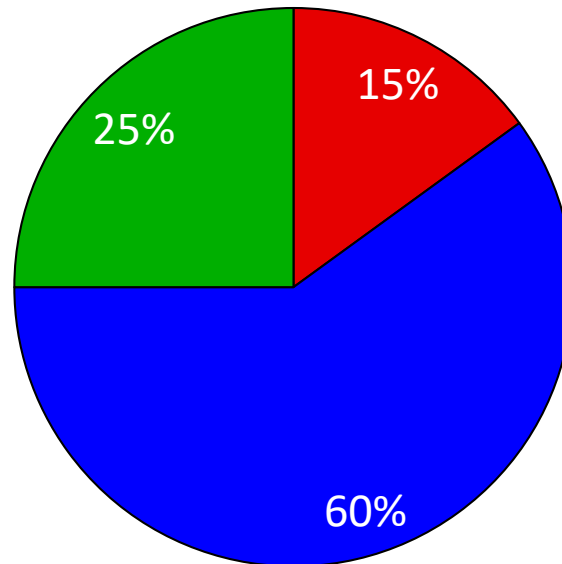
Price Expectations

What direction do you expect steel mill spot flat rolled steel prices to go from here?



Does your company believe there will be a shortage or further tightening of supply later this year as foreign steel supply dries up?

- Yes, there will be a shortage of flat rolled steel
- Yes, there will be a tightening of supply but not a shortage
- No, there will be plenty of supply

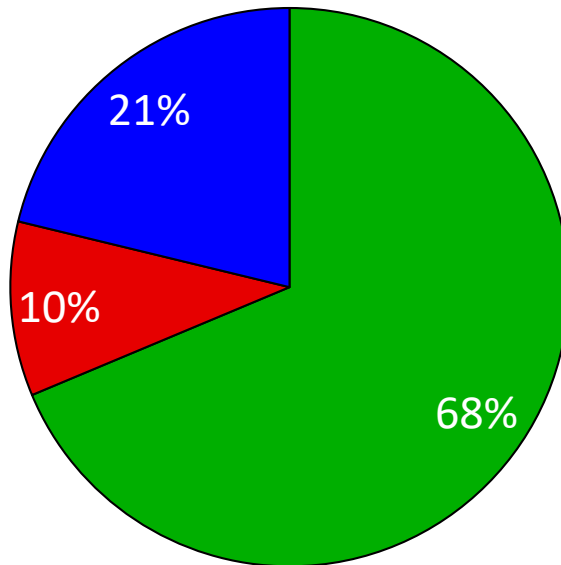


Foreign Steel Tariffs

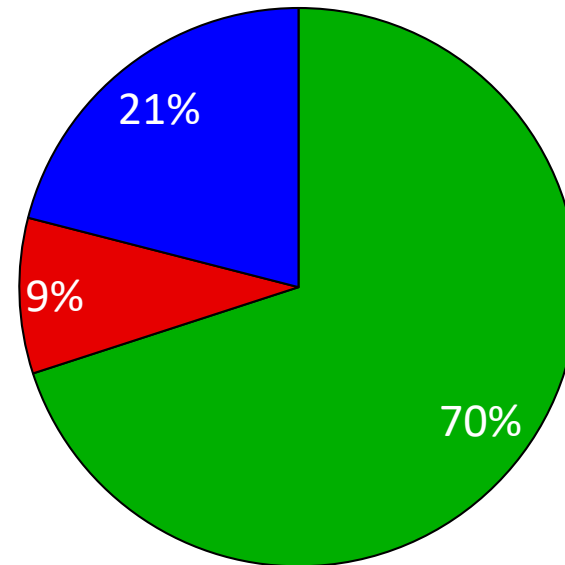
Will you or your company continue to buy foreign steel in spite of the tariffs?

- Yes
- No
- NA (we don't buy foreign steel)

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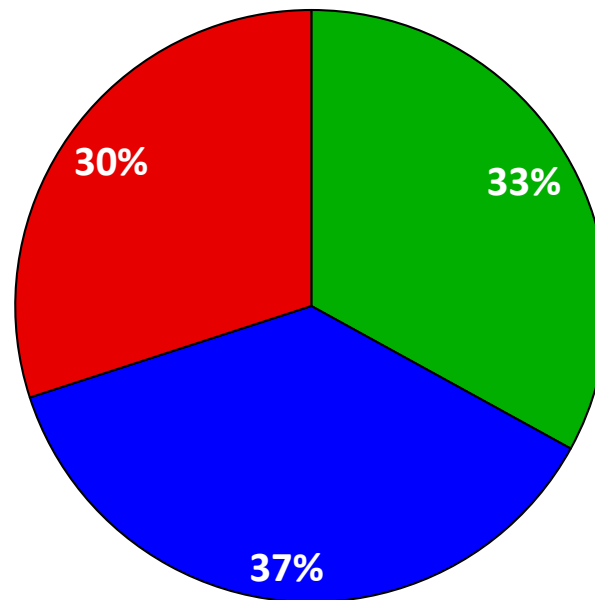


May 18, 2018



Manufacturers- Compared to this time last year – is your company buying more, less or the same amount of flat rolled steel as one year ago?

- Buying more steel
- Buying the same amount of steel
- Buying less steel

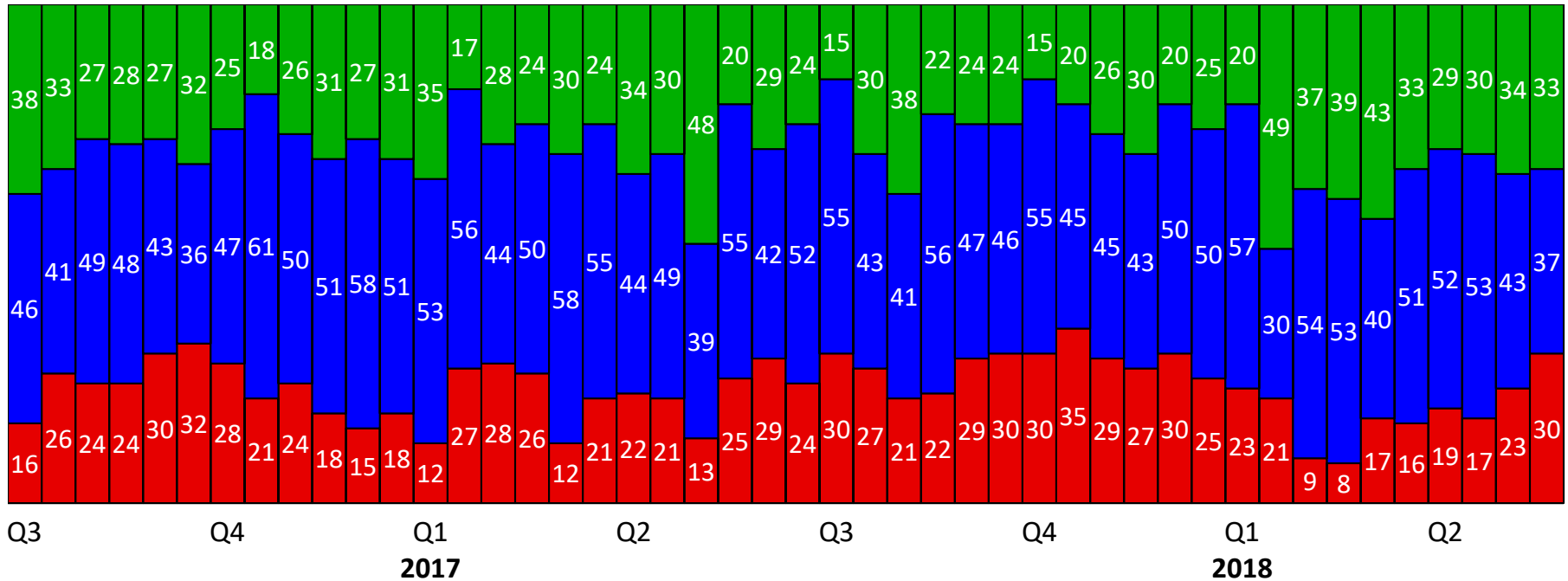


History of Manufacturer Purchases

Manufacturers- Compared to this time last year – is your company buying more, less or the same amount of flat rolled steel as one year ago?

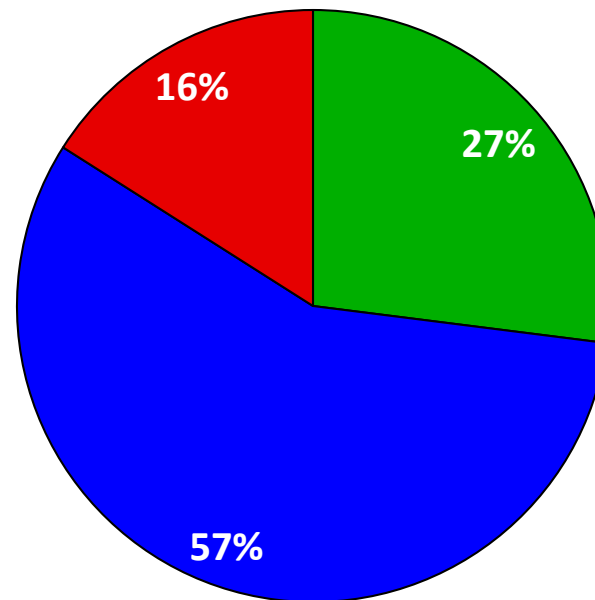
- Buying more steel
- Buying the same amount of steel
- Buying less steel

out of 100%



Service Centers- How do you see your customers releases (demand) for the products your company provides this year compared to this time last year?

- Releasing more steel
- Releasing the same amount of steel
- Releasing less steel

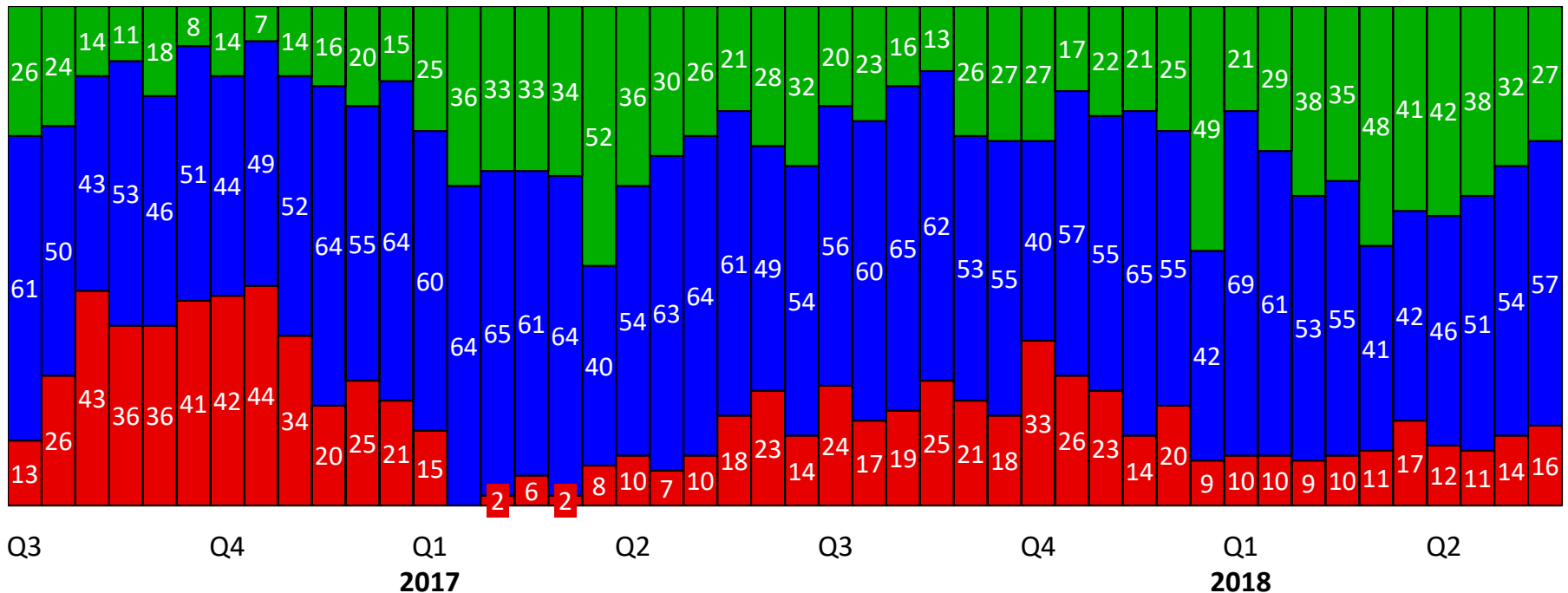


Service Center Release History

Service Centers- How do you see your customers releases (demand) for the products your company provides this year compared to this time last year?

- Releasing more steel
- Releasing the same amount of steel
- Releasing less steel

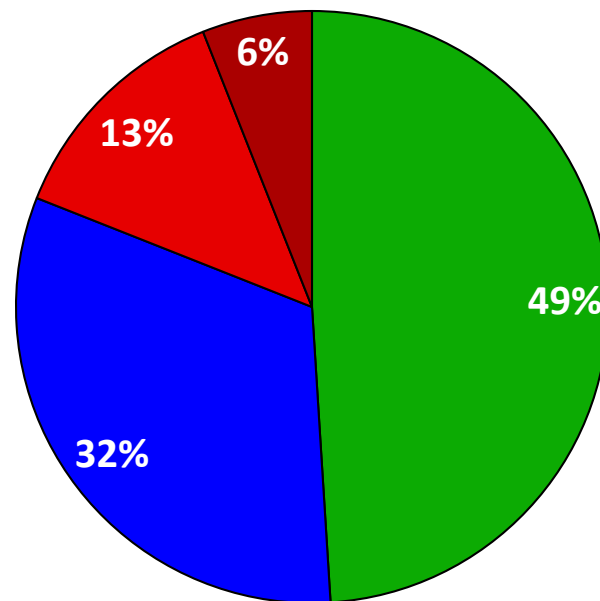
out of 100%



Manufacturer Demand

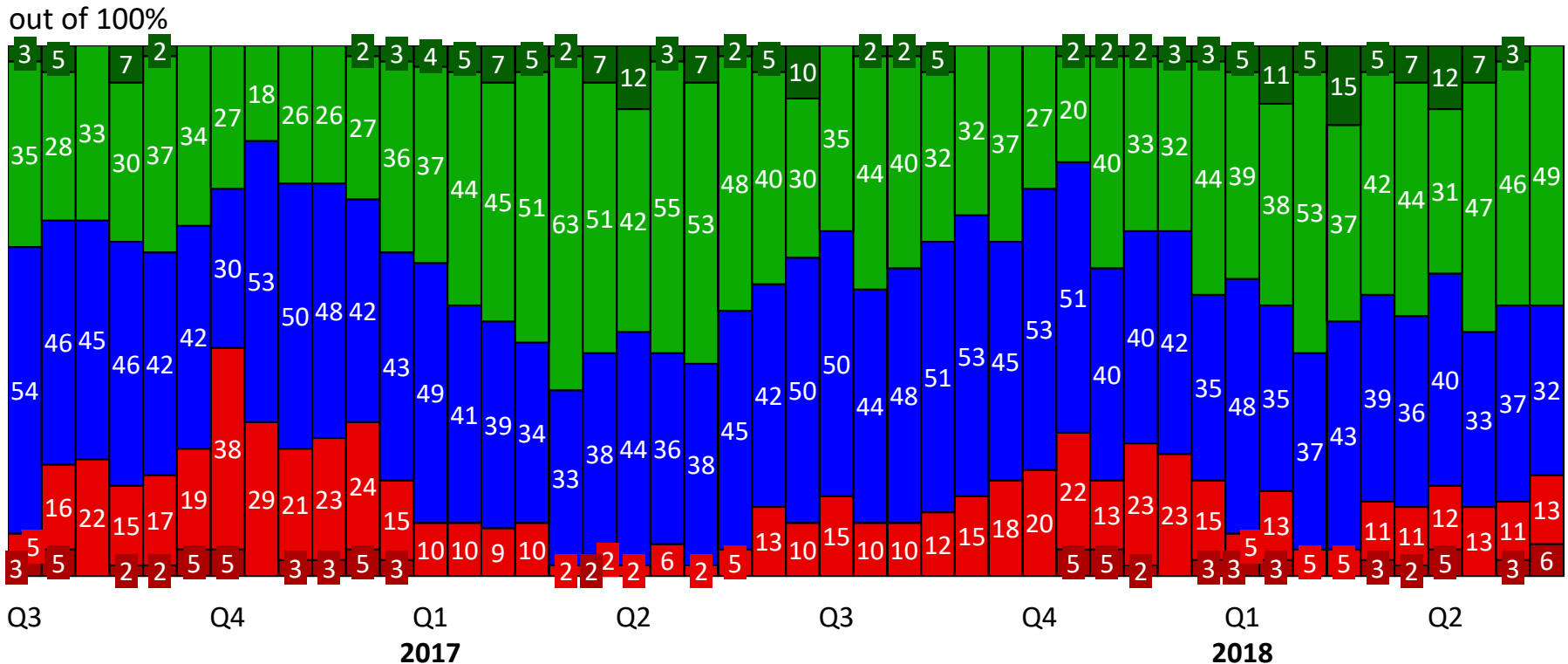
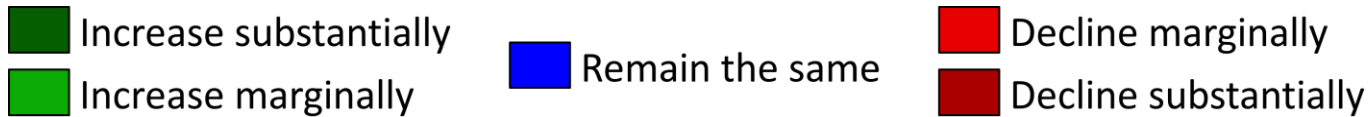
Manufacturers- Demand for your products will _____
over the next 3 months based on current order flows.

- Increase substantially
- Increase marginally
- Remain the same
- Decline marginally
- Decline substantially



Manufacturer Demand History

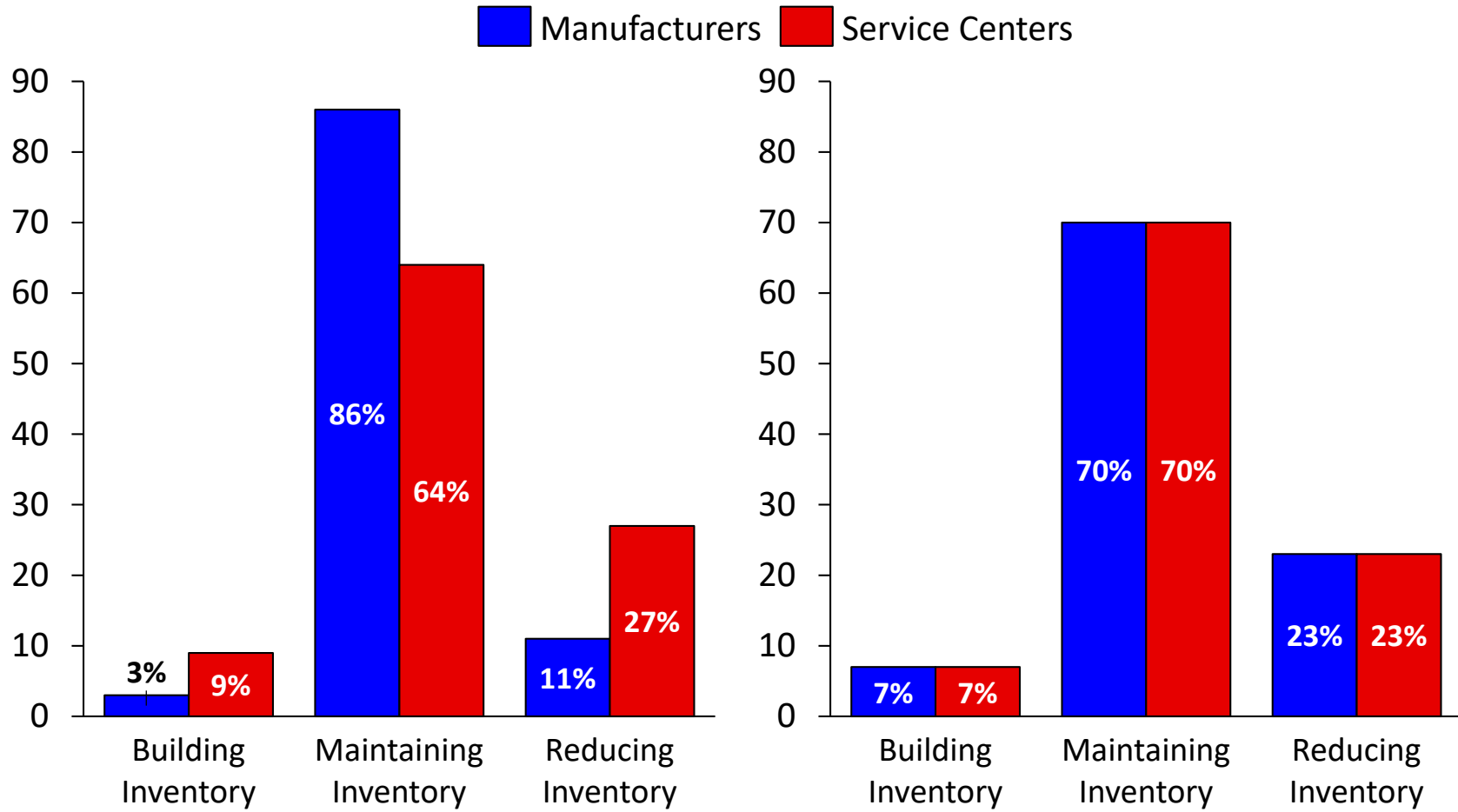
Manufacturers- Demand for your products will _____ over the next 3 months based on current order flows.



Manufacturer and Service Center Inventory Buying Patterns

April 20, 2018

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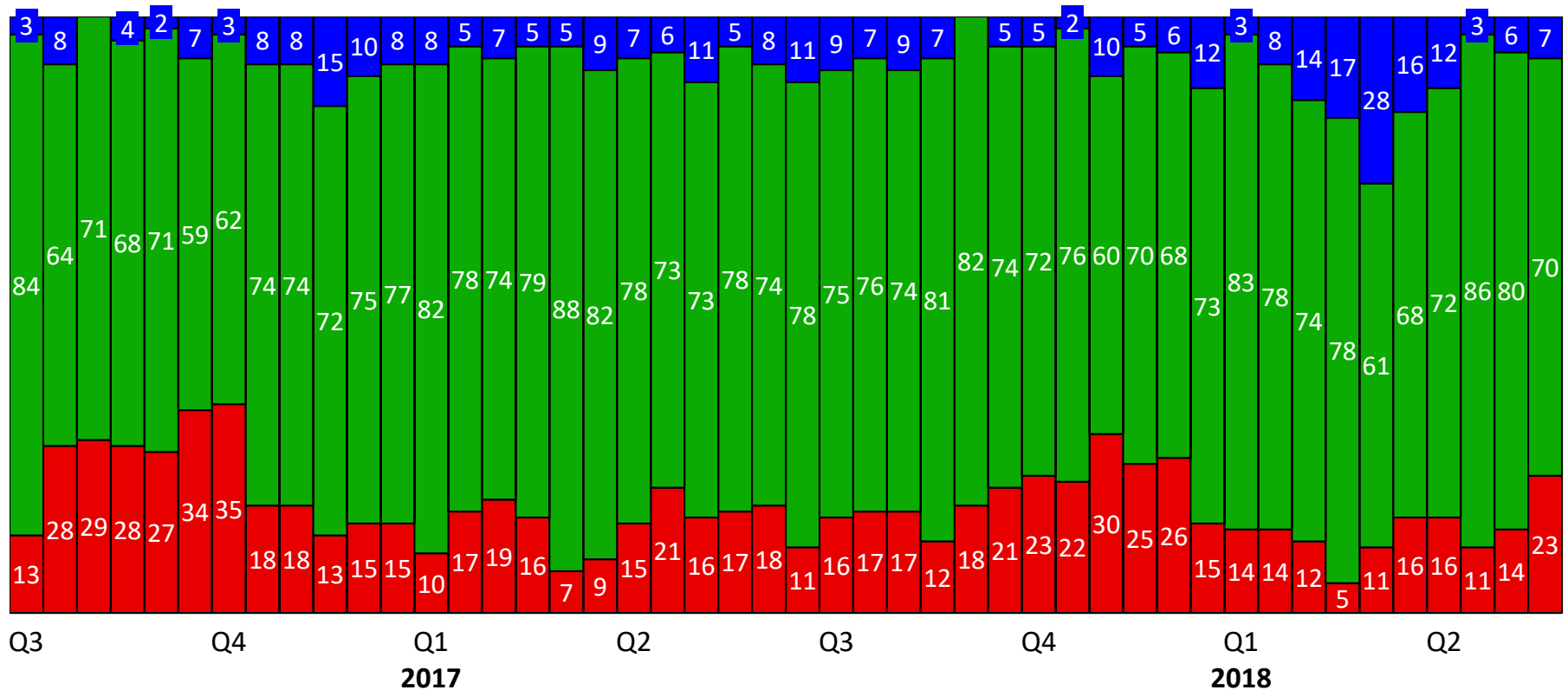


Manufacturer Inventory Buying History

Manufacturers- Is your company building, reducing or maintaining its flat rolled steel inventory?

■ Building Inventory
 ■ Maintaining Inventory
 ■ Reducing Inventory

out of 100%



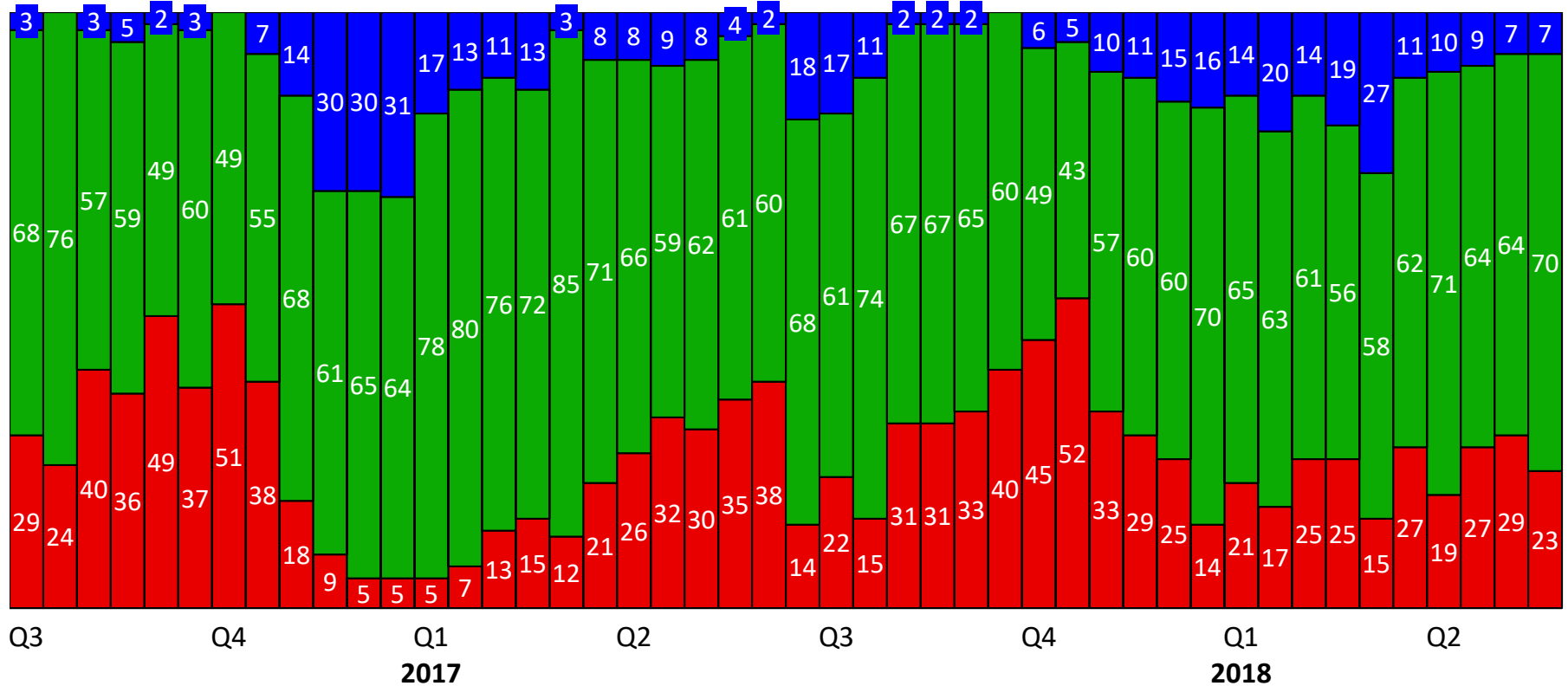
Service Center Inventory

Buying History

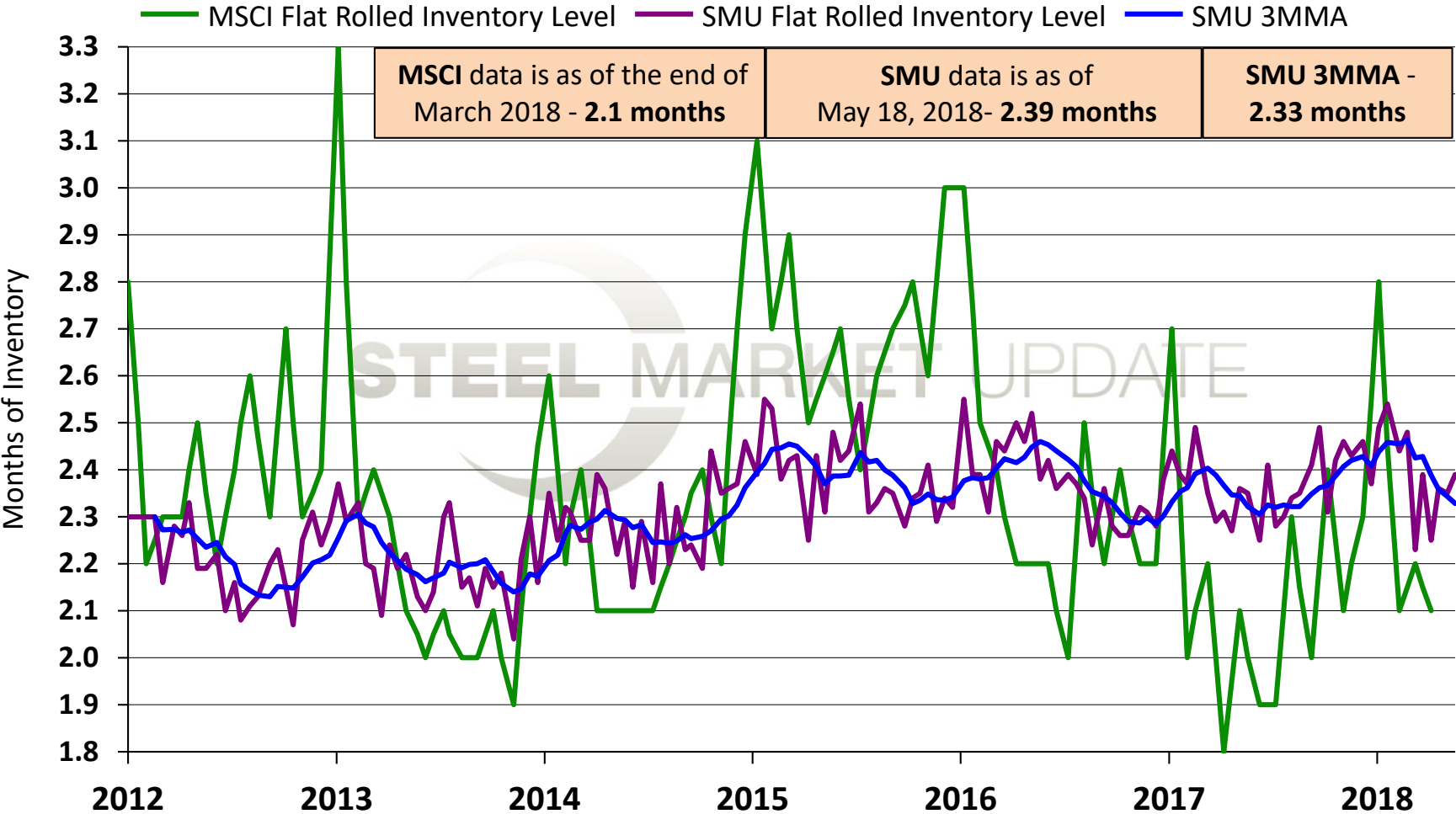
Service Centers- Is your company building, reducing or maintaining its flat rolled steel inventory?

■ Building Inventory
 ■ Maintaining Inventory
 ■ Reducing Inventory

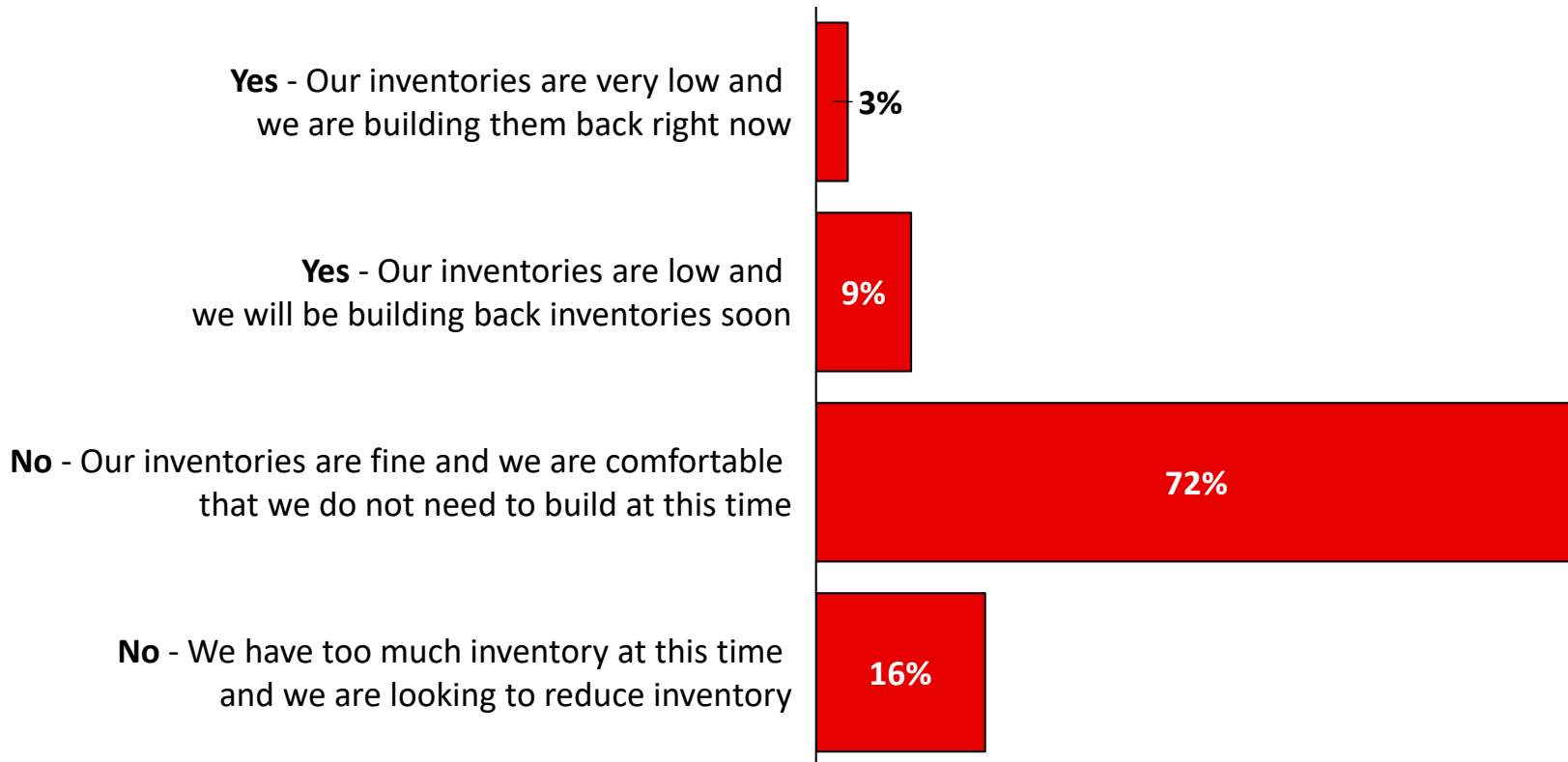
out of 100%



SMU vs MSCI Service Center Inventory Level Comparison

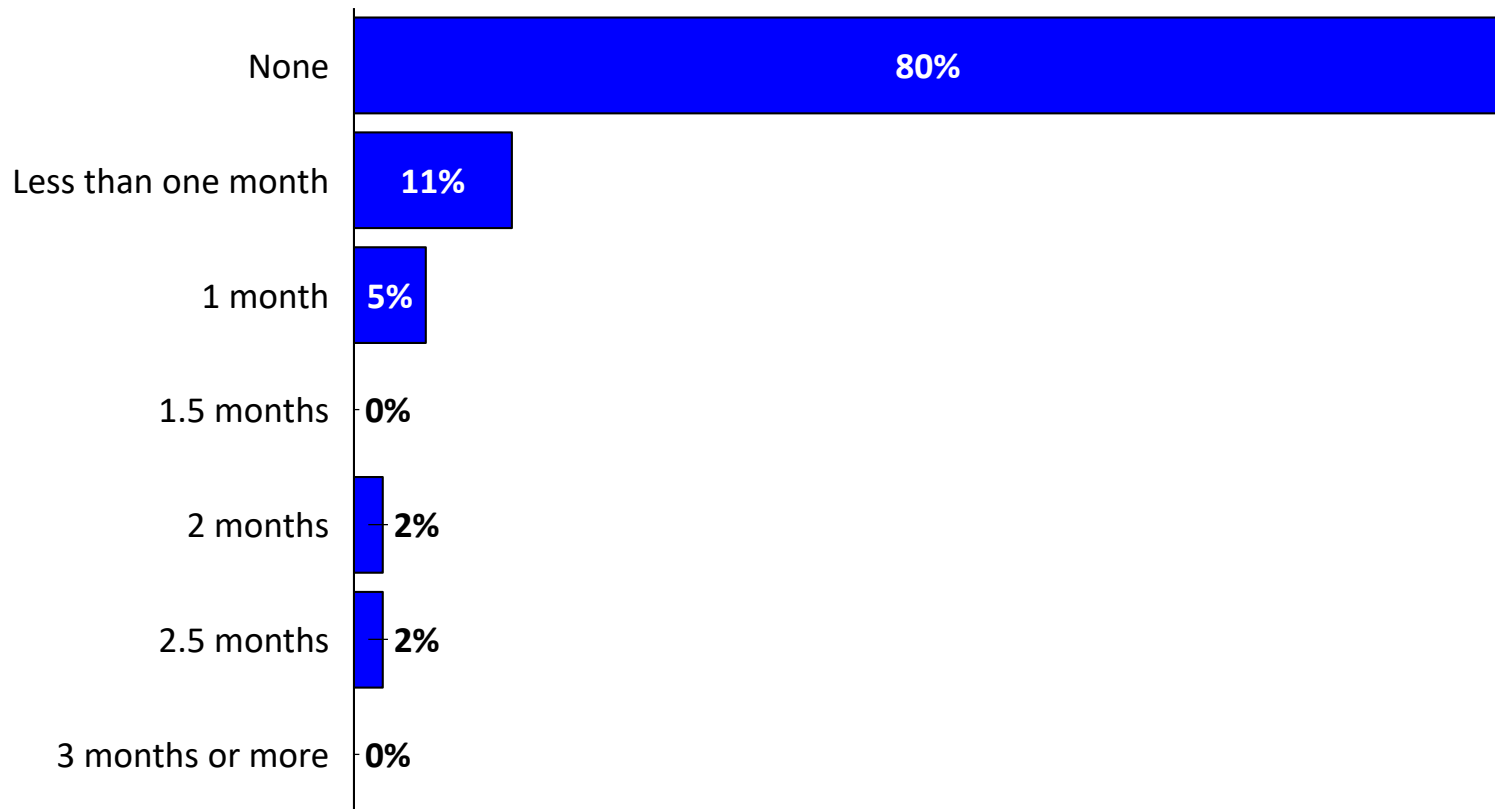


Service Centers- Does your company need to build back inventories or are you comfortable with the levels you are holding on your floor?



Service Center Inventories

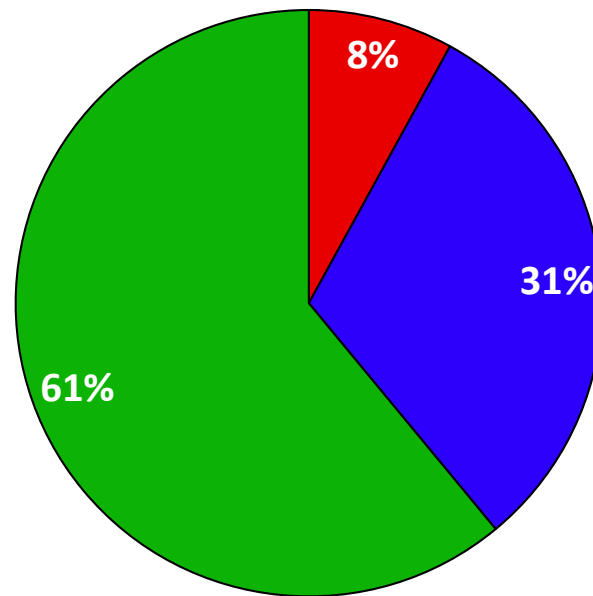
Service Centers- How many months of inventory do you have “off the books” in roll & hold and other arrangements where the steel is on the floor and available should you need it?



Manufacturer's View of Service Center Selling Prices

Manufacturers- Which comment do you feel is representative of service center pricing right now compared to two weeks ago?

- We are seeing prices decreasing from our service centers
- We are seeing prices stable from our service centers
- We are seeing prices rising from our service centers

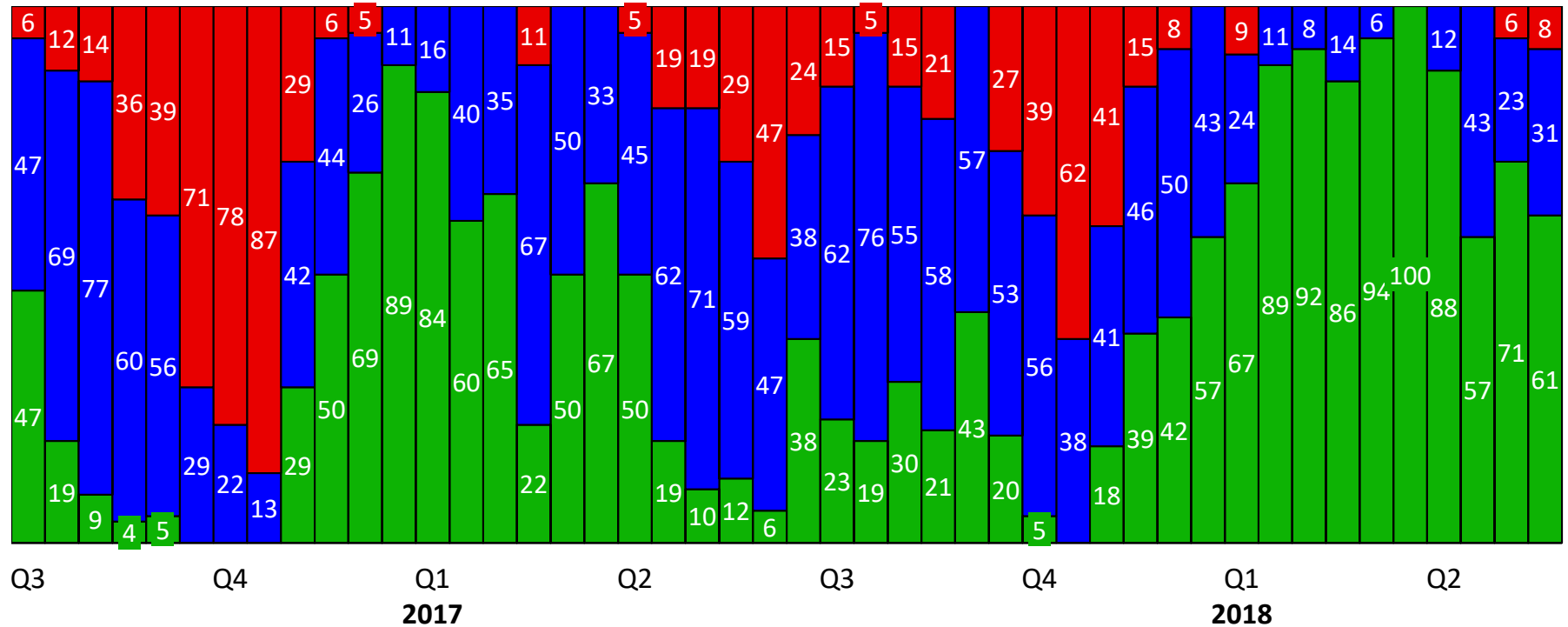


Manufacturer's View of Service Center Selling Prices History

Manufacturers- Which comment do you feel is representative of service center pricing right now compared to two weeks ago?

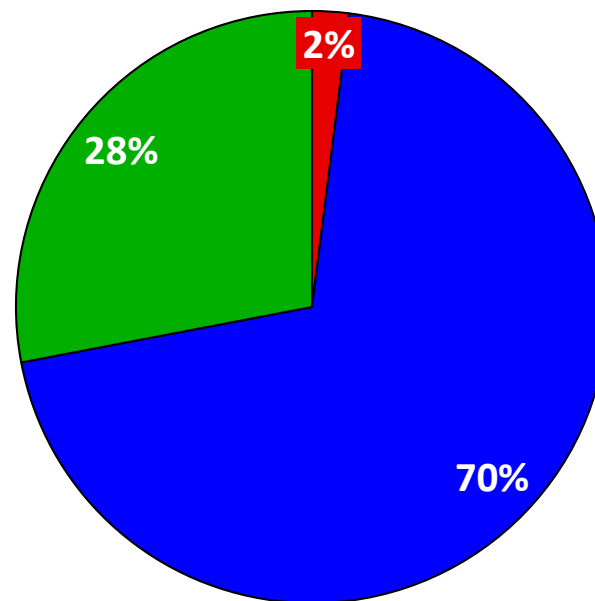
- We are seeing prices decreasing from our service centers
- We are seeing prices stable from our service centers
- We are seeing prices rising from our service centers

out of 100%



Service Centers- Compared to two weeks ago, how is your company handling spot pricing to your customers at this time?

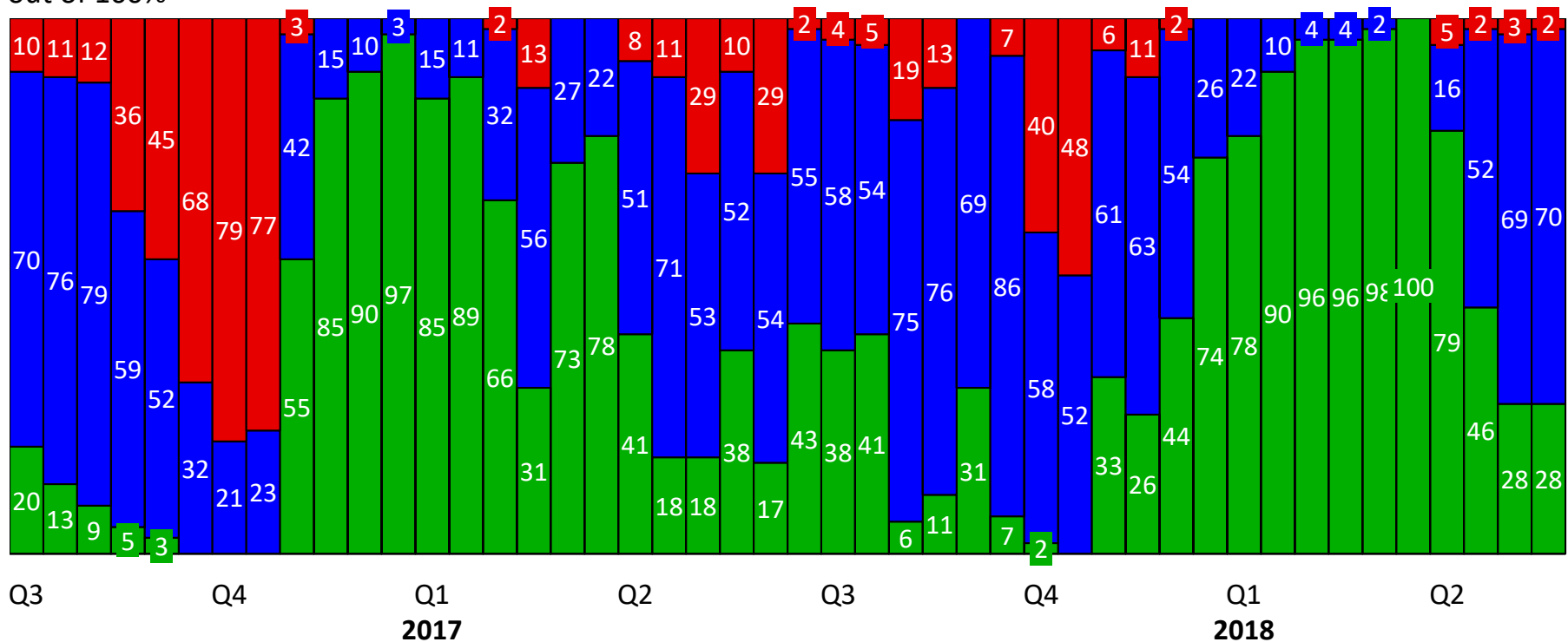
- We are lowering prices
- We are keeping prices the same
- We are raising prices



Service Centers- Compared to two weeks ago, how is your company handling spot pricing to your customers at this time?

- We are lowering prices
- We are keeping prices the same
- We are raising prices

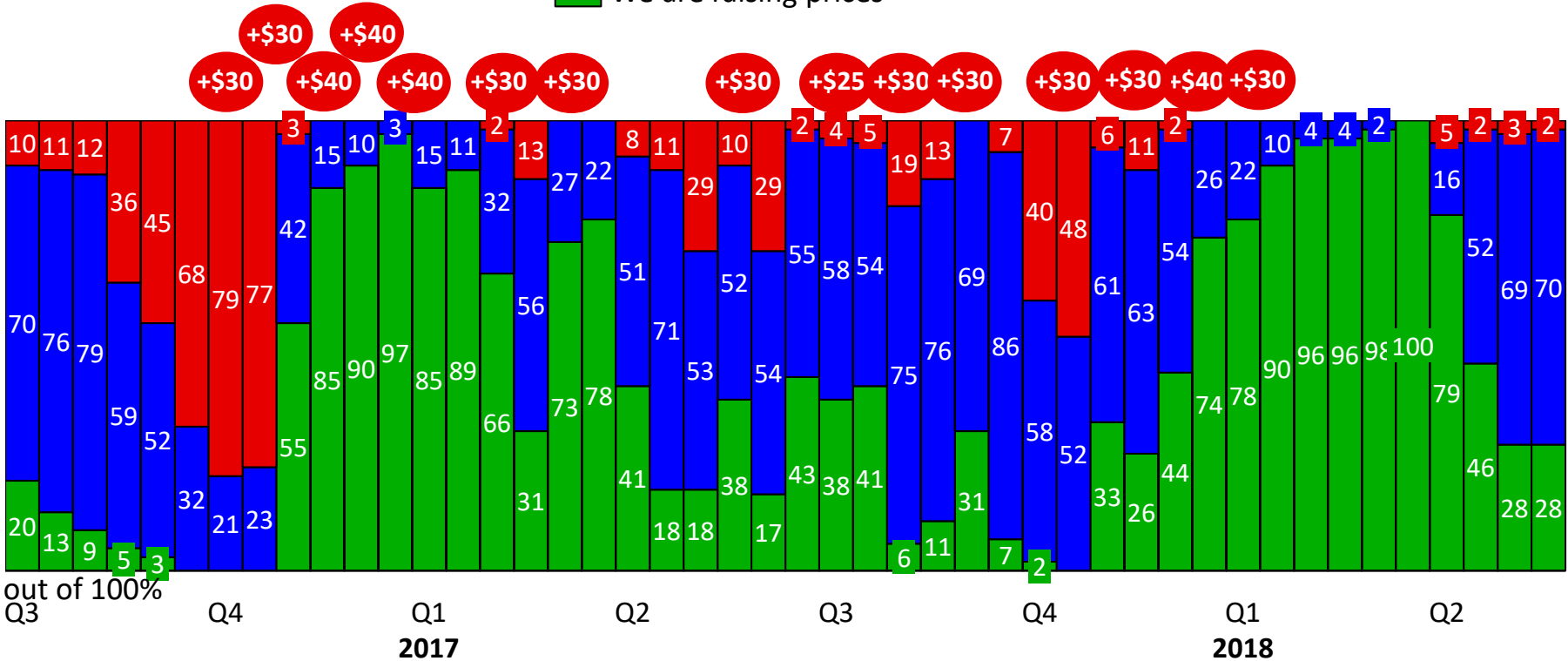
out of 100%



Service Centers- Compared to two weeks ago, how is your company handling spot pricing to your customers at this time?

Historical AK Steel Price Announcements

- We are lowering prices
- We are keeping prices the same
- We are raising prices

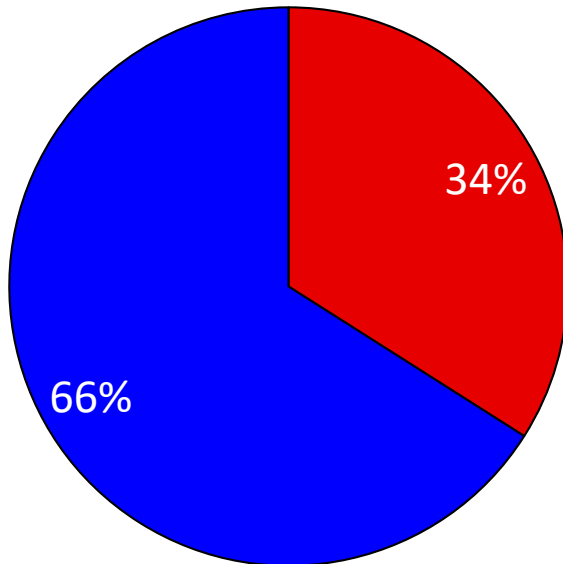


Passing Along Higher Prices

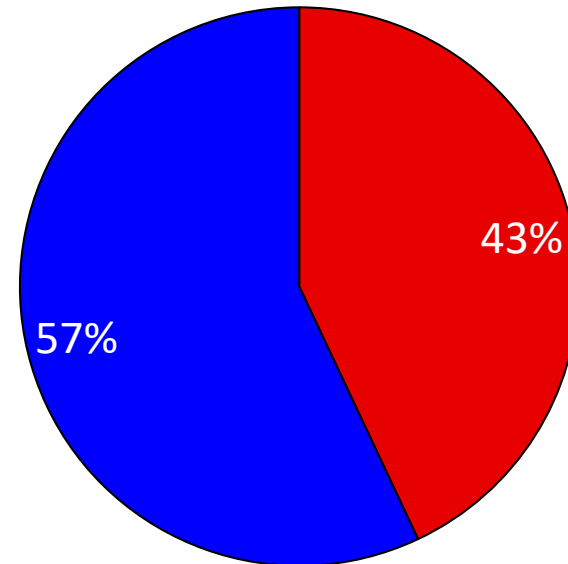
Service Centers- Are you having any difficulties in passing along the new higher prices to your customers?

Yes No




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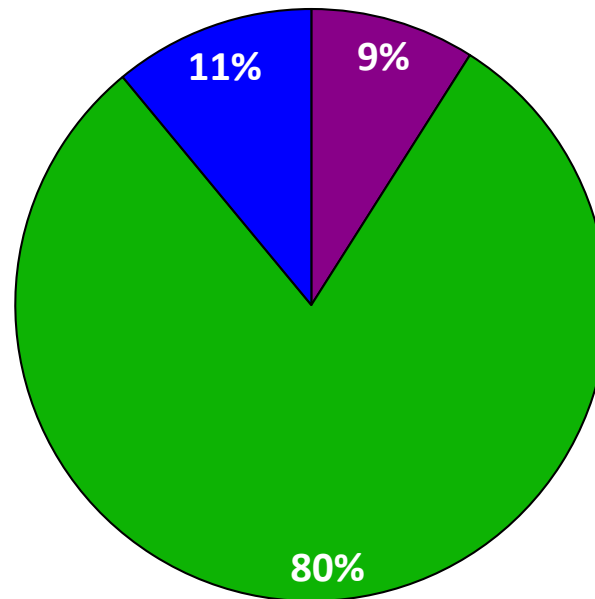


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Service Centers- Are your manufacturing customers increasing orders, keeping them the same or reducing orders at this time?

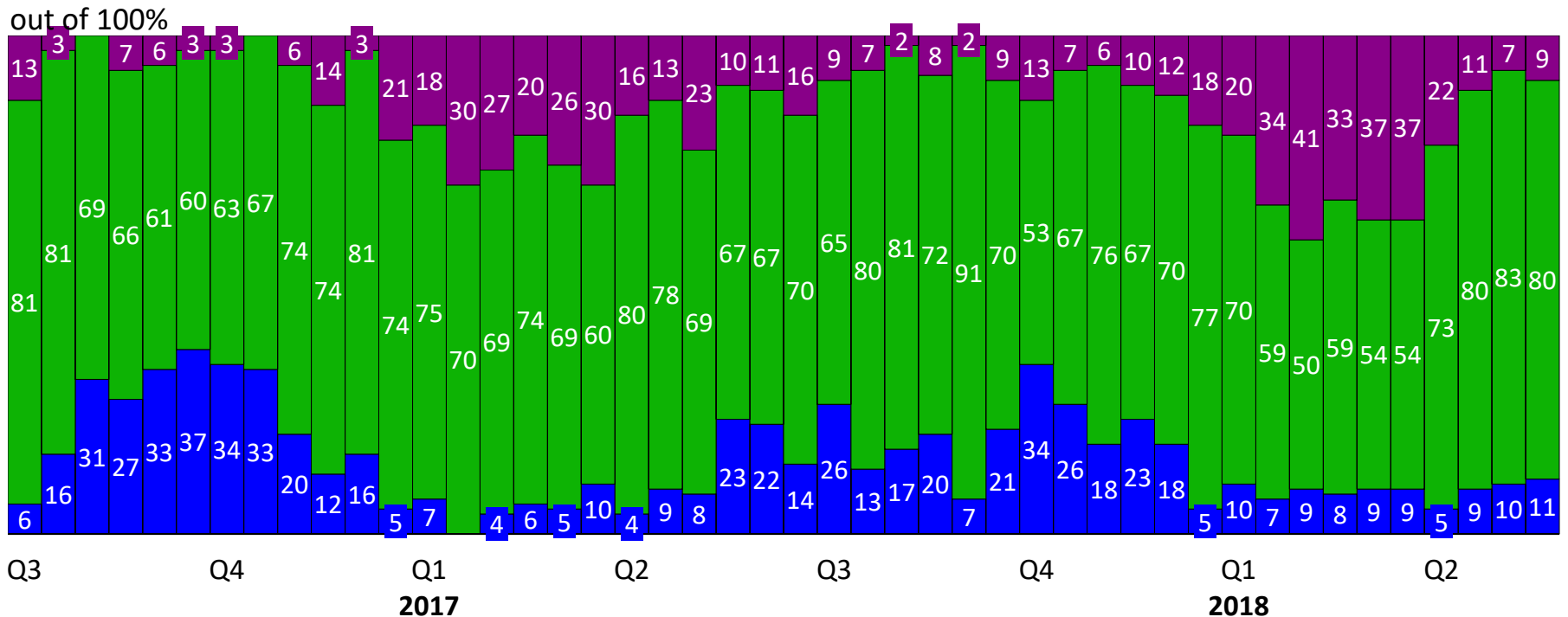
-  Our manufacturing customers are increasing orders
-  Our manufacturing customers are maintaining their orders
-  Our manufacturing customers are reducing their orders



Service Centers on Manufacturer Orders History

Service Centers- Are your manufacturing customers increasing orders, keeping them the same or reducing orders at this time?

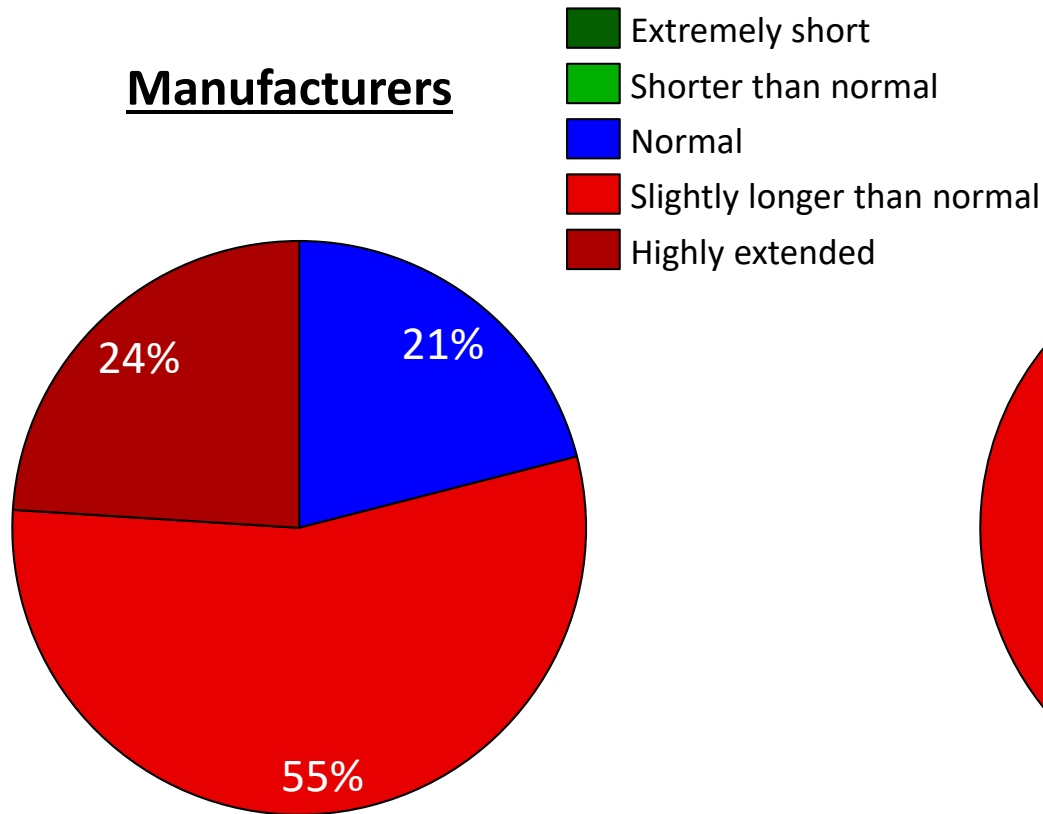
- Our manufacturing customers are increasing orders
- Our manufacturing customers are maintaining their orders
- Our manufacturing customers are reducing their orders



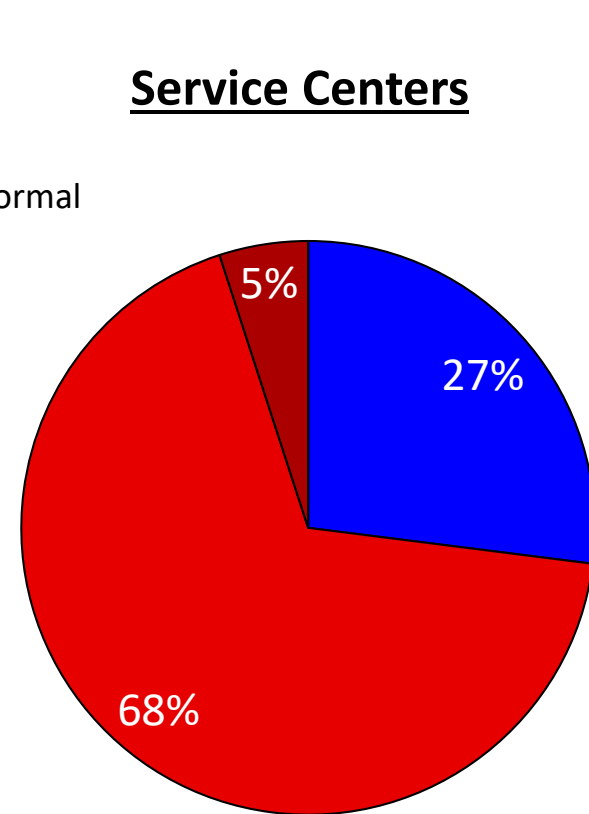
Mill Lead Times

How would you describe domestic mill lead times for new orders placed right now?

Manufacturers

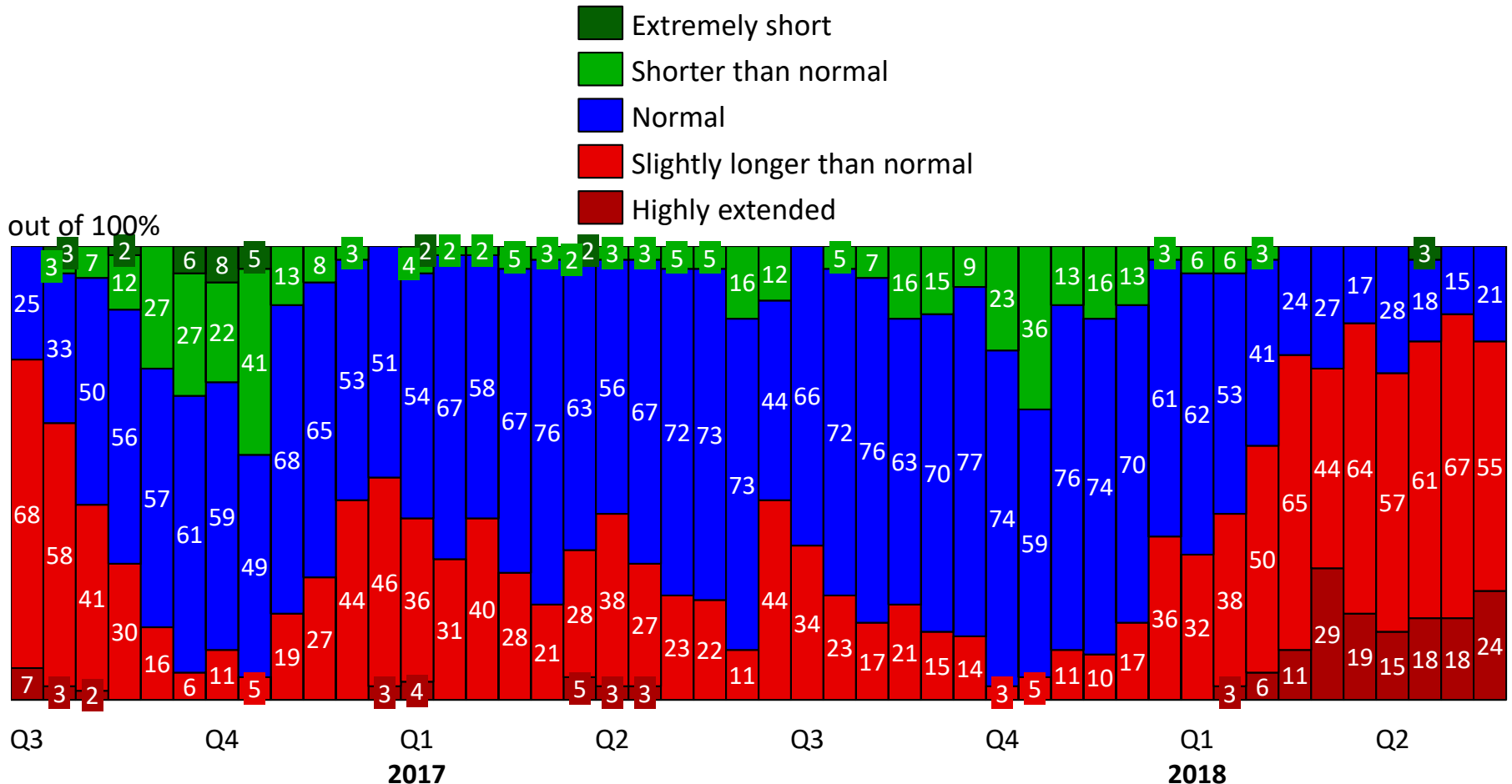


Service Centers



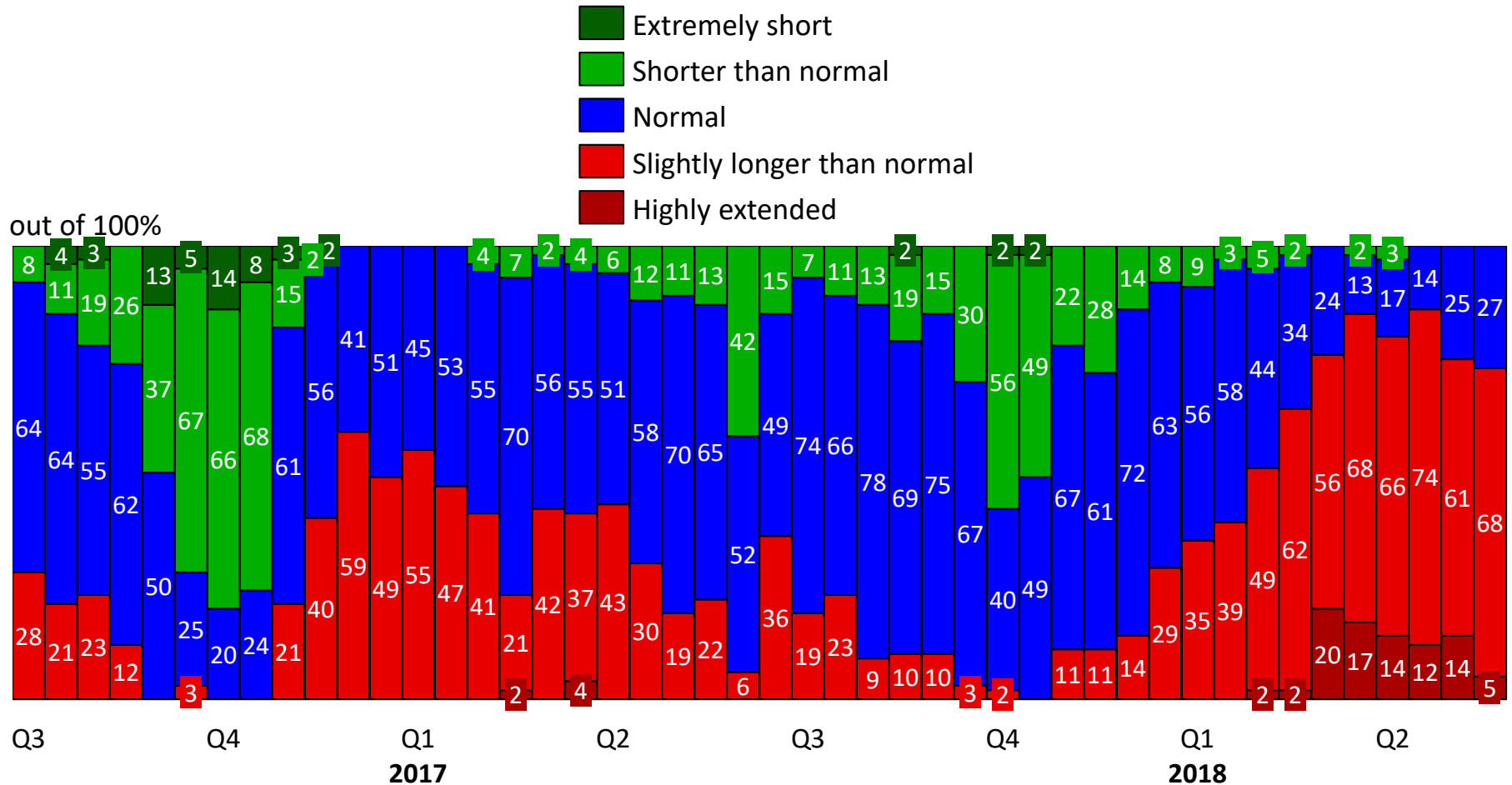
Mill Lead Times History

Manufacturers- How would you describe domestic mill lead times for new orders placed right now?



Mill Lead Times History

Service Centers- How would you describe domestic mill lead times for new orders placed right now?

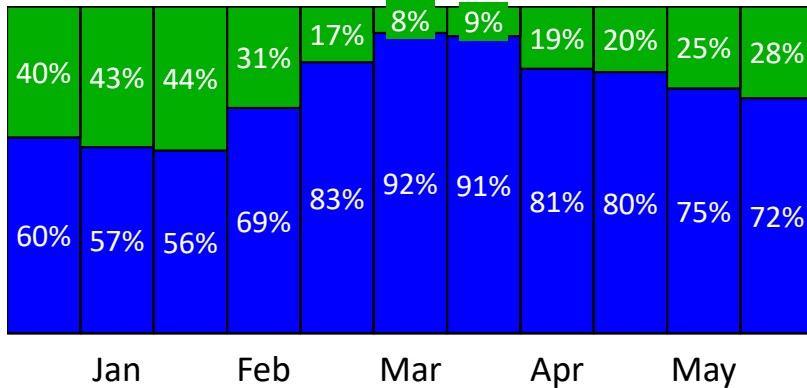


Mill Negotiations

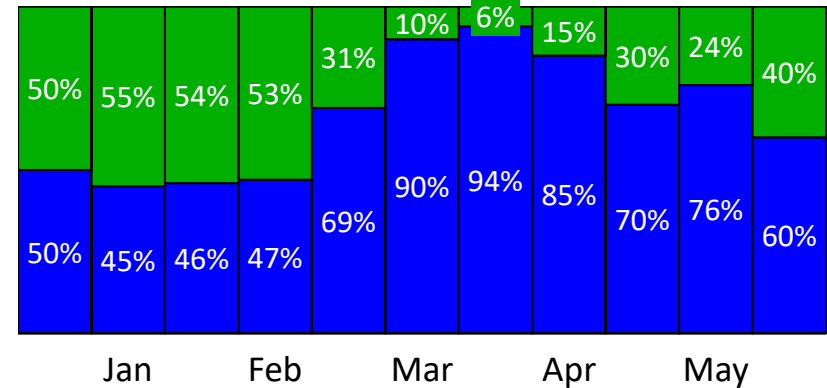
Are you finding the domestic mills are willing to negotiate pricing on brand new orders placed this week?

Yes No

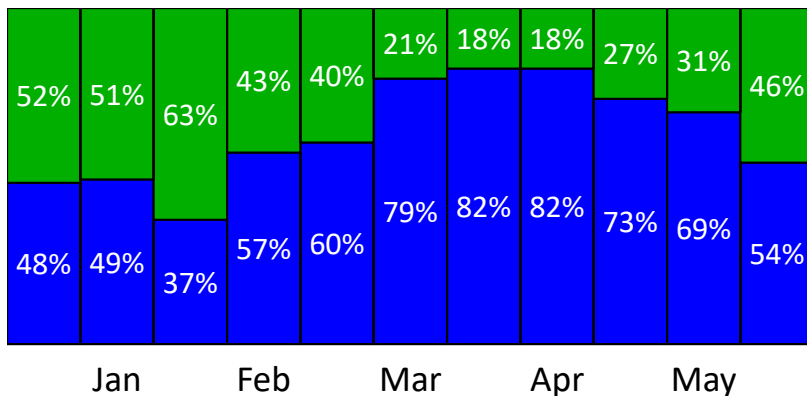
Hot Rolled Orders



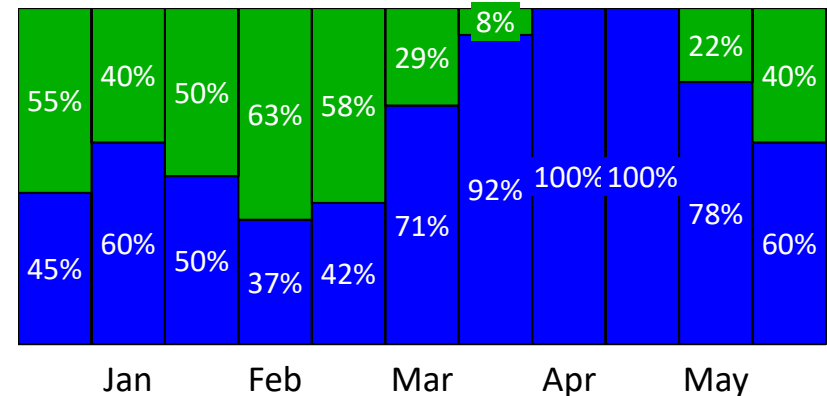
Cold Rolled Orders



Galvanized Orders

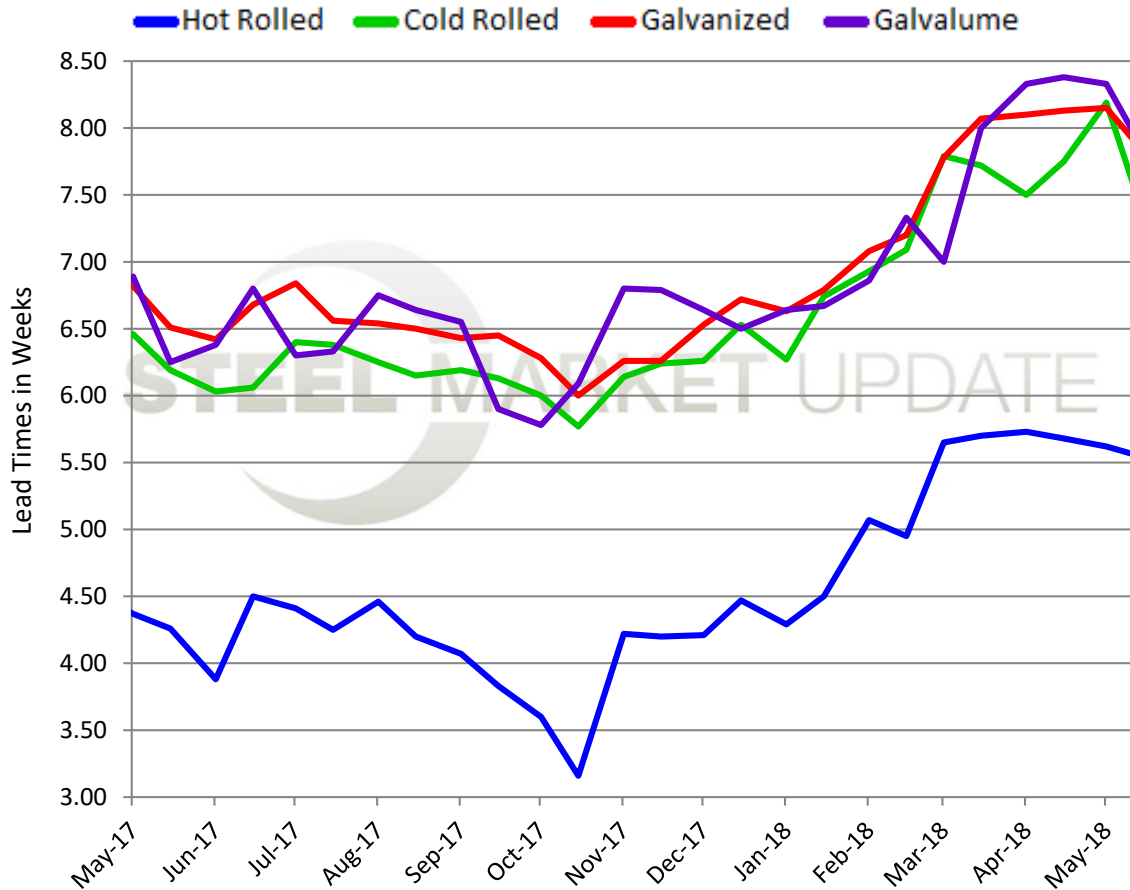


Galvalume Orders



Lead Times (Weeks)

Steel Market Update Lead Times Comparison

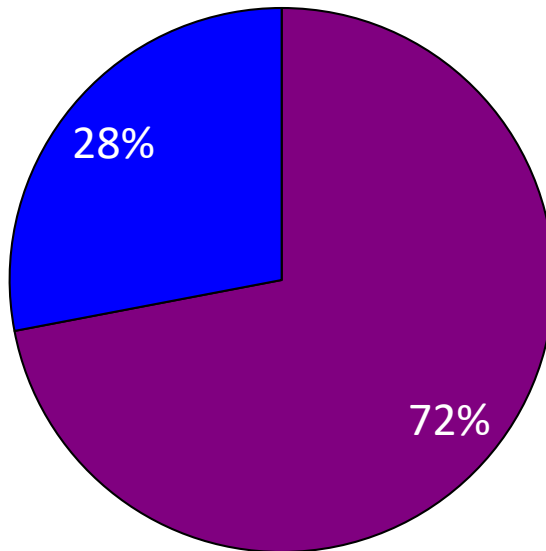


Hot Rolled: 5.54
Cold Rolled: 7.34
Galvanized: 7.82
Galvalume: 7.83

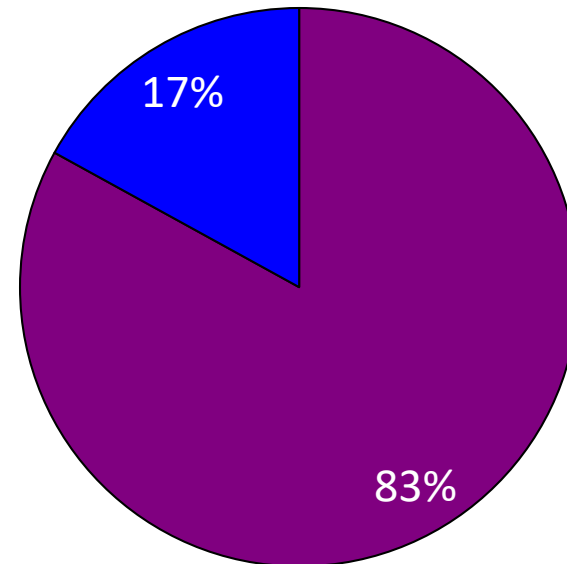
Does your company buy foreign steel?

Yes No

Manufacturers



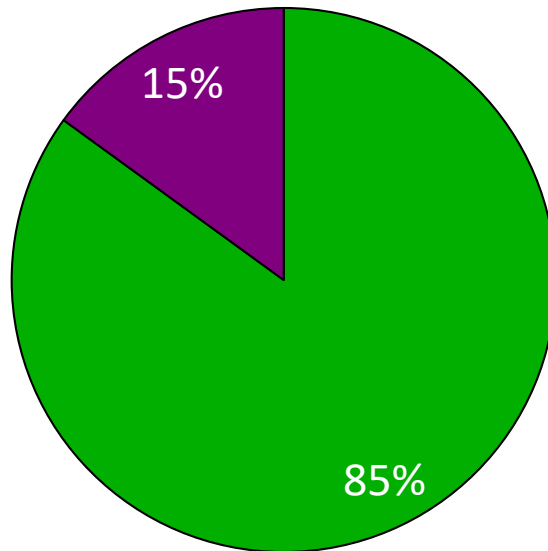
Service Centers



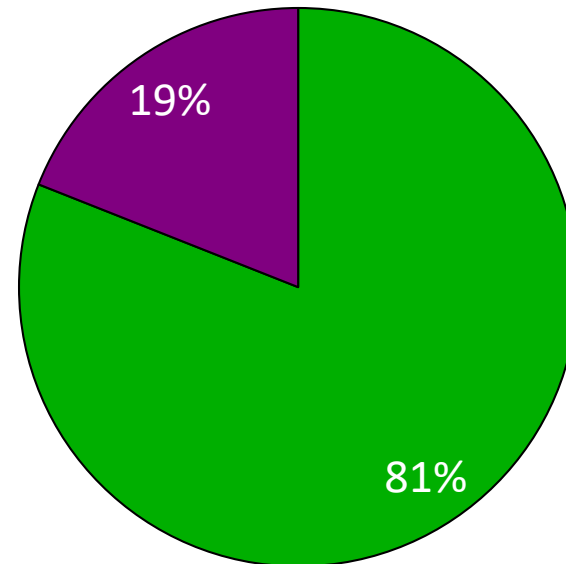
Are your foreign steel suppliers quoting you prices for new orders for future delivery?

Yes No

Manufacturers



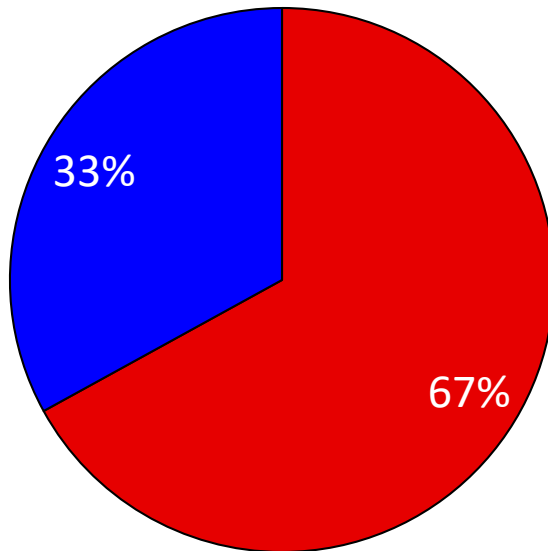
Service Centers



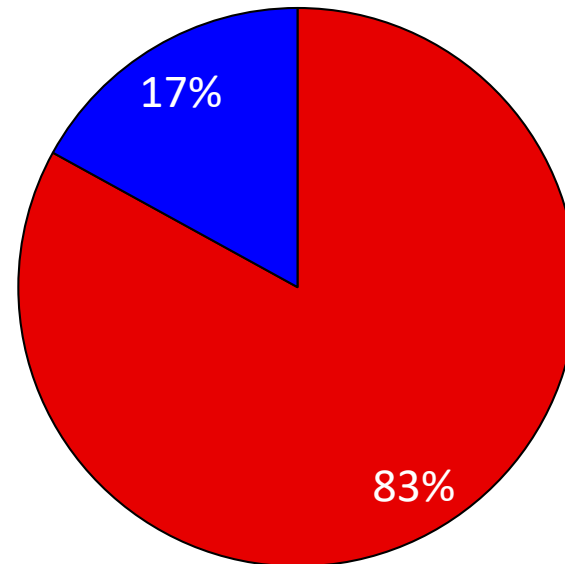
Are your foreign suppliers requiring your company to be responsible for any tariffs or duties associated with Section 232?

Yes No

Manufacturers



Service Centers

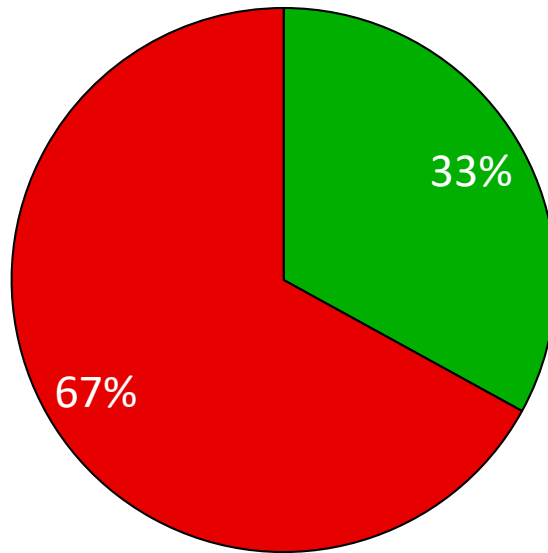


Foreign Steel

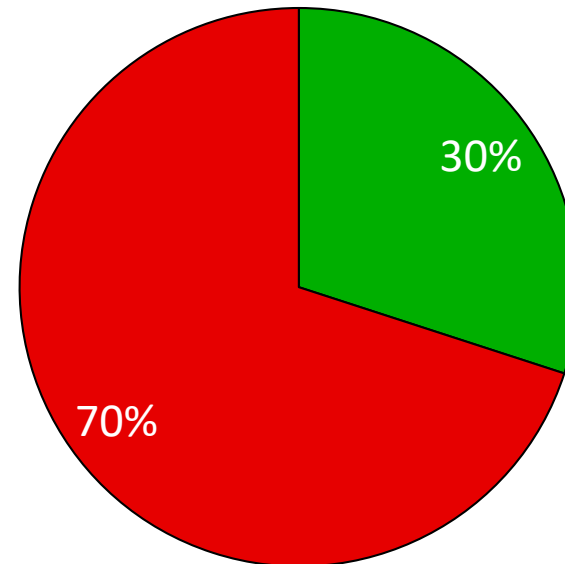
Are you moving foreign orders to the domestic steel mills?

Yes No

Manufacturers



Service Centers

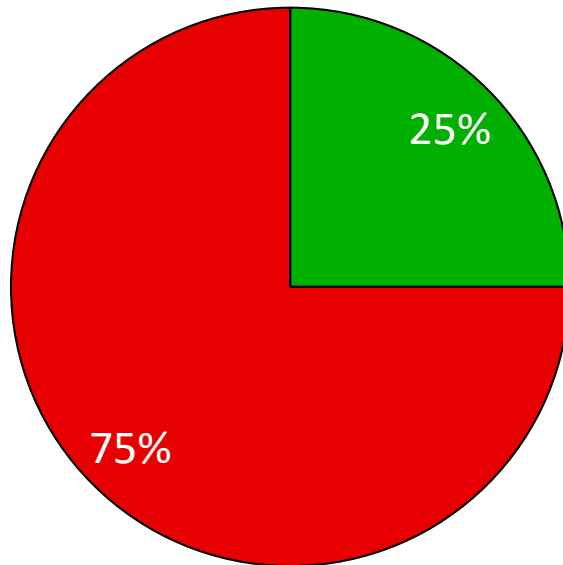


Trading Companies

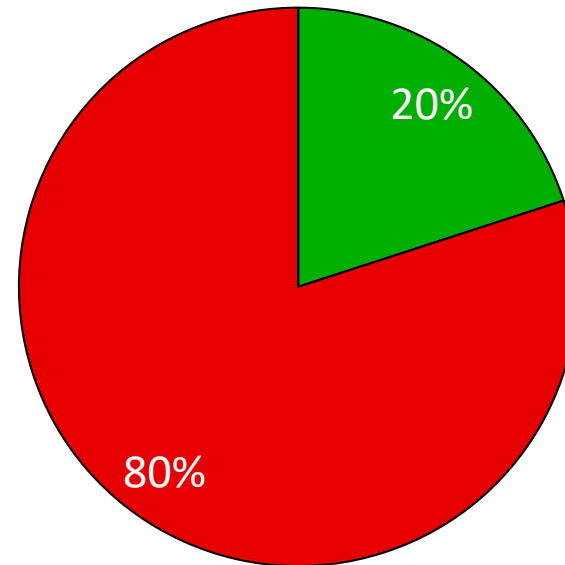
At this time, are you seeing an increase in requests for quotes from North American buyers for foreign steel?

Yes No

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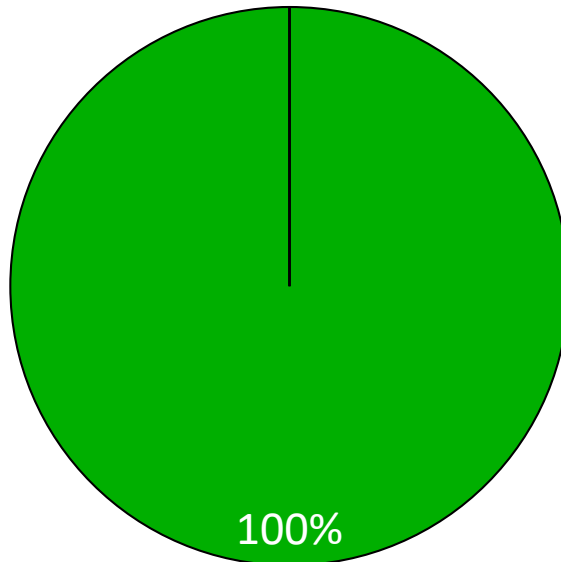


Trading Companies

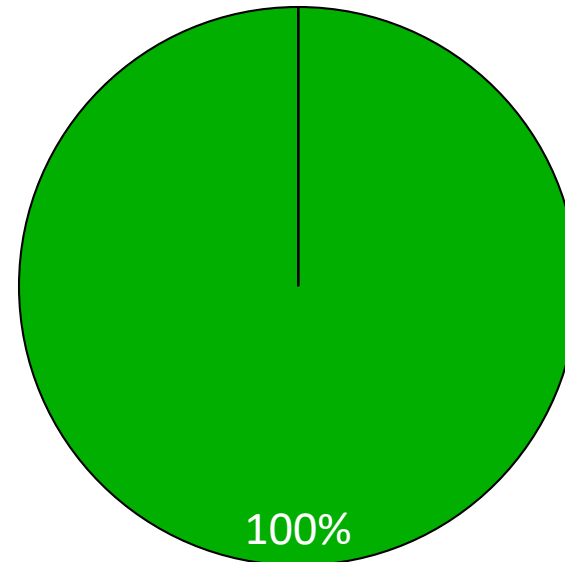
How will your company handle the 25% tariffs announced by Trump?

- We will add the duty to the customer price quoted
- We are no longer offering into the U.S. market
- We are sharing cost of duty with customers
- We do not yet know how we will handle new quotes

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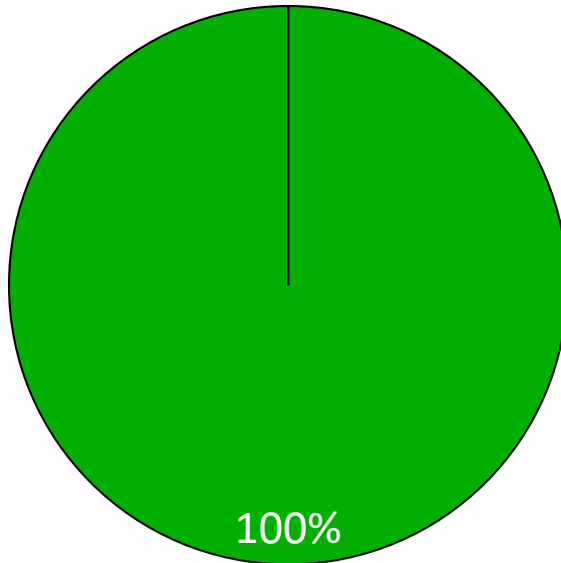


Trading Companies

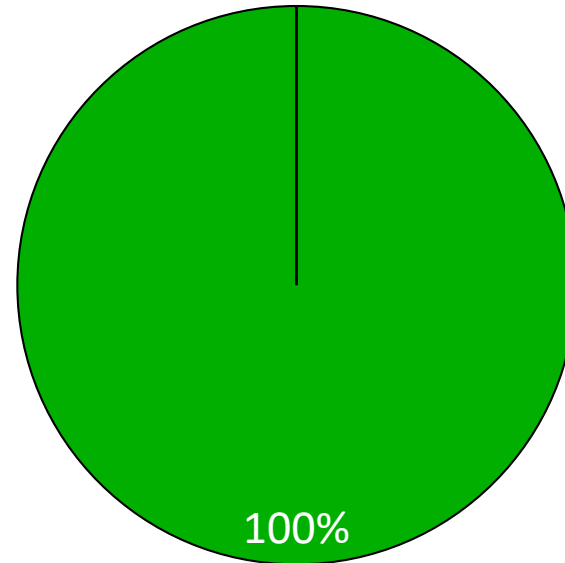
Have your customers agreed to pay the 25% tariff on foreign steel?

- Yes
- No
- We don't know yet

April 20, 2018



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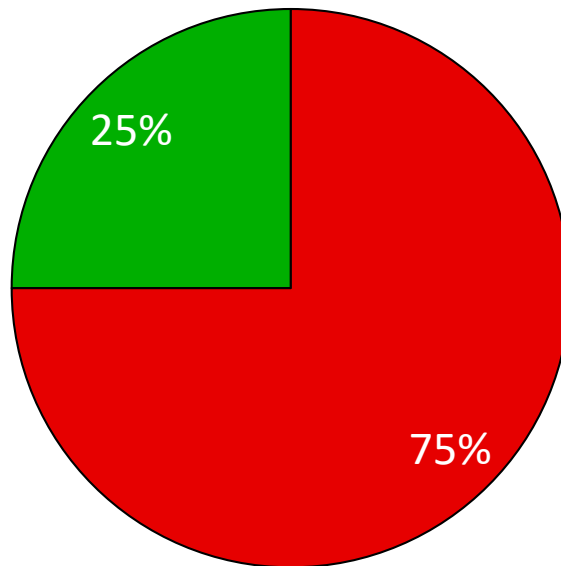


Trading Companies

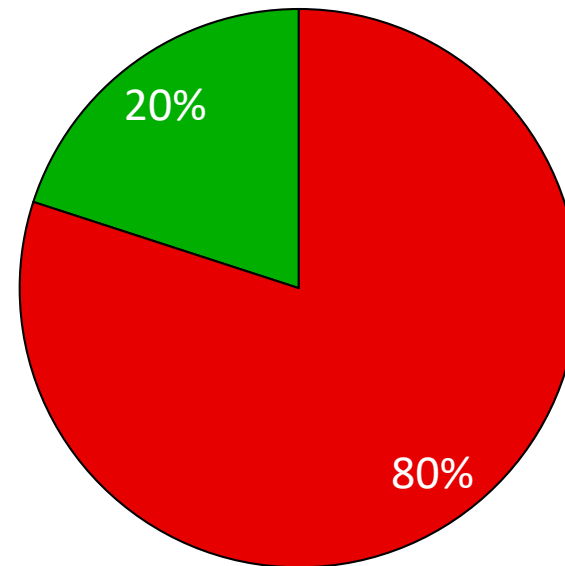
Do you think you will be able to get exclusions on products hard to get produced by the domestic steel mills?

Yes No

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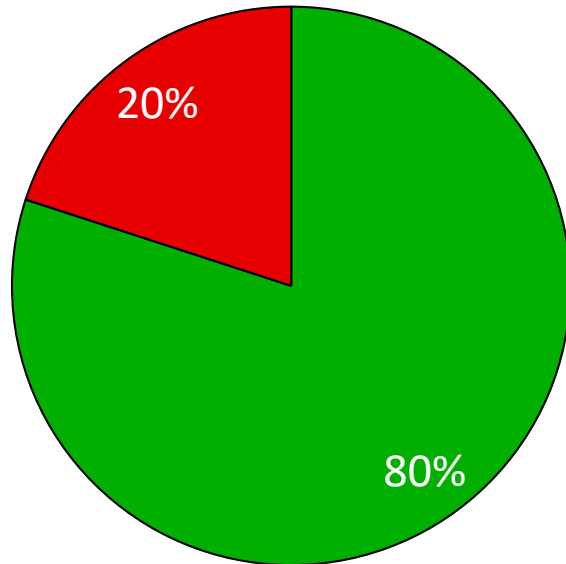
May 18, 2018



Trading Companies

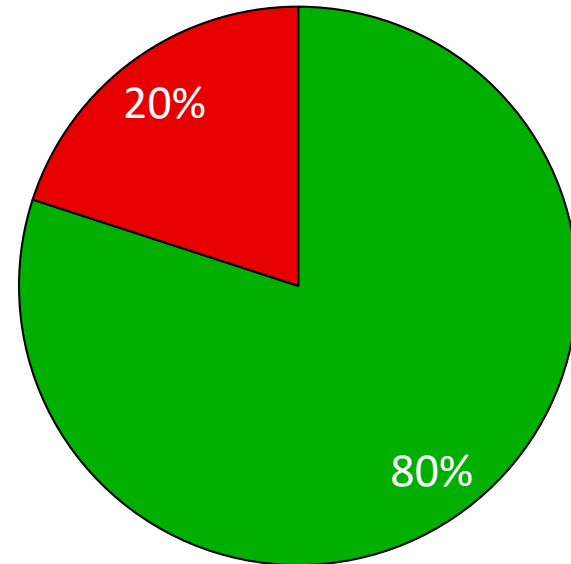
Will your galvanized prices be competitive enough to get new orders (once duties are added)?

- Yes
- No
- Too early to tell



Will your Galvalume prices be competitive enough to get new orders (once duties are added)?

- Yes
- No
- Too early to tell



Questions?

If you have any questions regarding the information presented here, please contact us at info@SteelMarketUpdate.com.

If you would like a copy of this presentation, please send an email to the above email address with your request.

We always appreciate referrals- tell your friends, suppliers, and customers to sign up for a free trial at SteelMarketUpdate.com.

Look for Our Next Survey



Our next survey
will be conducted
the week of
June 4, 2018

The logo features a stylized circular element on the left, composed of two curved segments. The top segment is orange and the bottom segment is red, meeting at a central point. The text "STEEL MARKET UPDATE" is positioned to the right of this graphic, with "STEEL" in a bold, white, sans-serif font and "MARKET UPDATE" in a regular weight of the same font.

STEEL MARKET UPDATE

When you need answers... www.SteelMarketUpdate.com