



Steel Market Update

CRU



SMU Community Chat with Timna Tanners, Managing Director, Wolfe Research

Nov. 13, 2024 | Michael Cowden, Managing Editor

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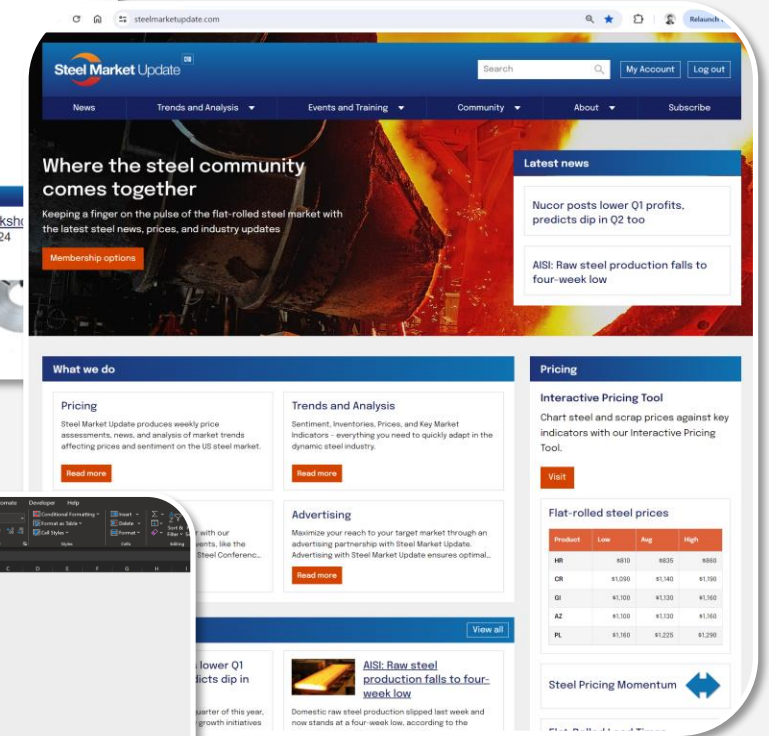
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- **Premium:** Executive PLUS Full website access, supplemental premium newsletters, full SMU survey results, service center inventory analysis, and more.
- *Membership tiers from up to 4, and unlimited*



Upcoming events



Tampa Steel Conference
Feb. 2-4, 2025 | Tampa, Fla.
JW Marriott Tampa Water Street



Live Steel 101 Workshop
March 11-12, 2025 | Charleston, S.C.
Tour of Nucor Berkeley



Steel Summit 2025
Aug. 25-27, 2025 | Atlanta
Georgia International Convention Center

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Michael Cowden
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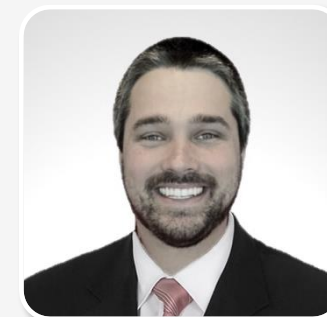
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Prices | Momentum | Sentiment | Trends | Analysis

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Recent headlines

CRU: Dollar and bond yields rise, metal prices fall as Trump wins election

Cliffs forecasts 2025 rebound after Q3's weakest demand since Covid

SMU Survey: Current Steel Buyers' Sentiment slips to multi-year low

Leibowitz talks trade, tariffs, and changing world order

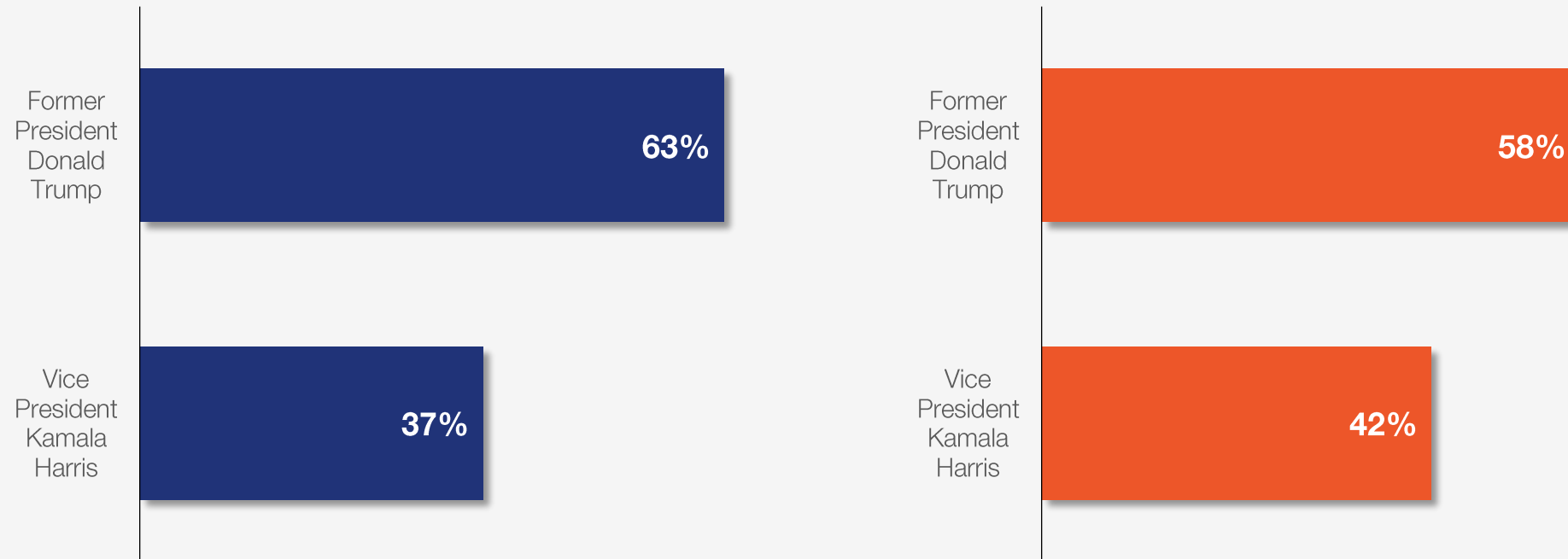
Commerce delays initial CVD decision in coated case

Nucor raises hot rolled spot price to \$750/ton

US presidential election 2024

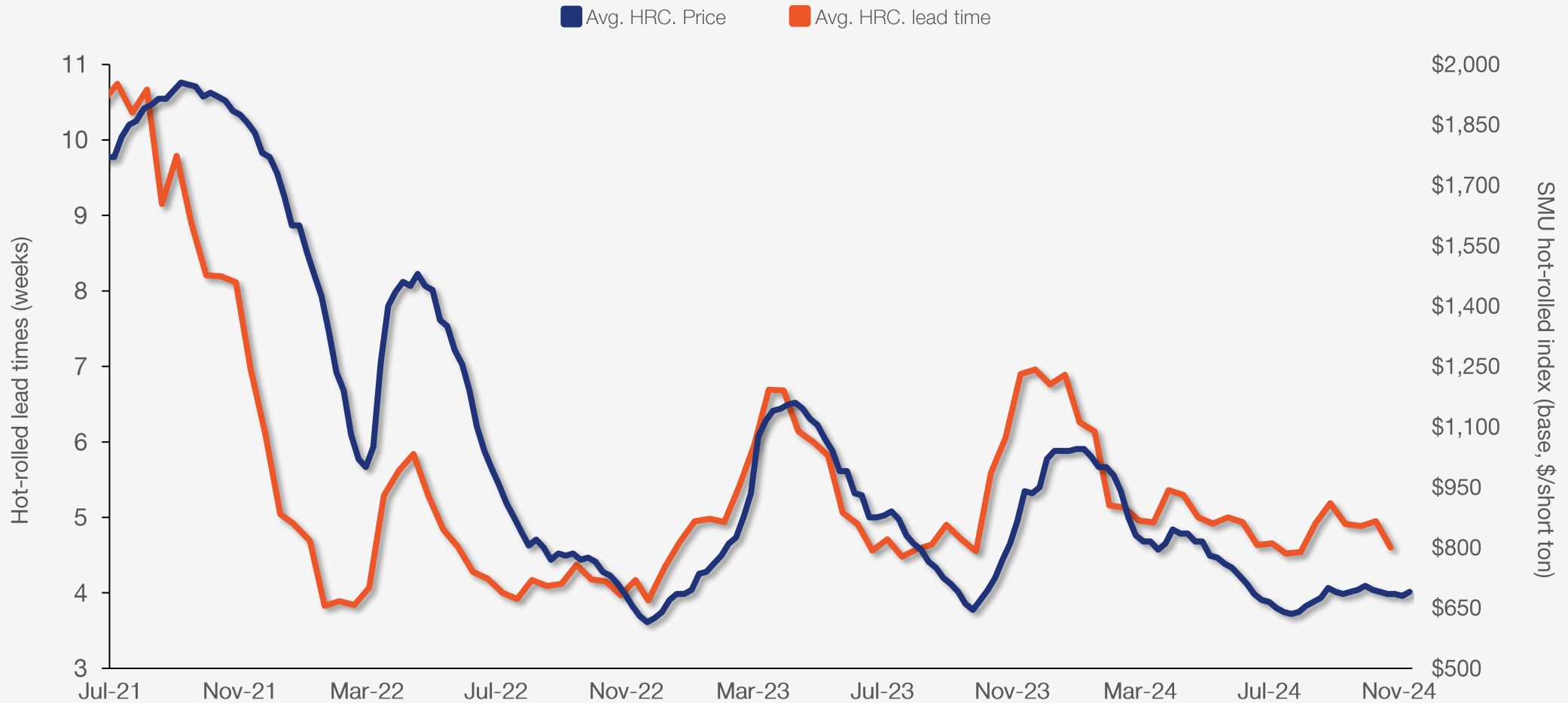
Who do you think will win the 2024 US presidential election?

■ Steel Summit 2024 ■ Nov. 5 SMU Survey



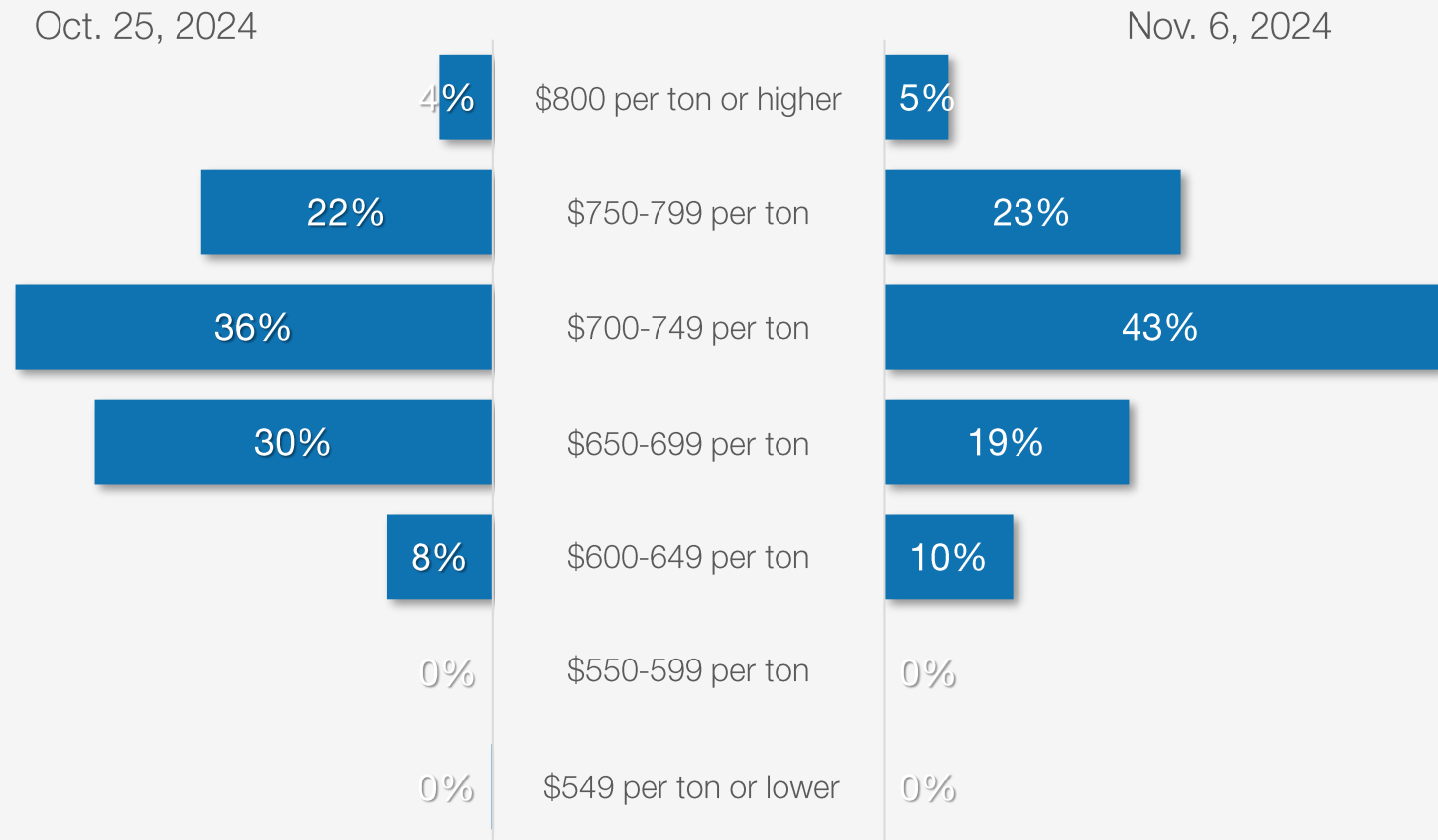
Hot-rolled steel prices vs. lead times

SMU's hot-rolled steel prices and lead times, data through Nov. 12, 2024.



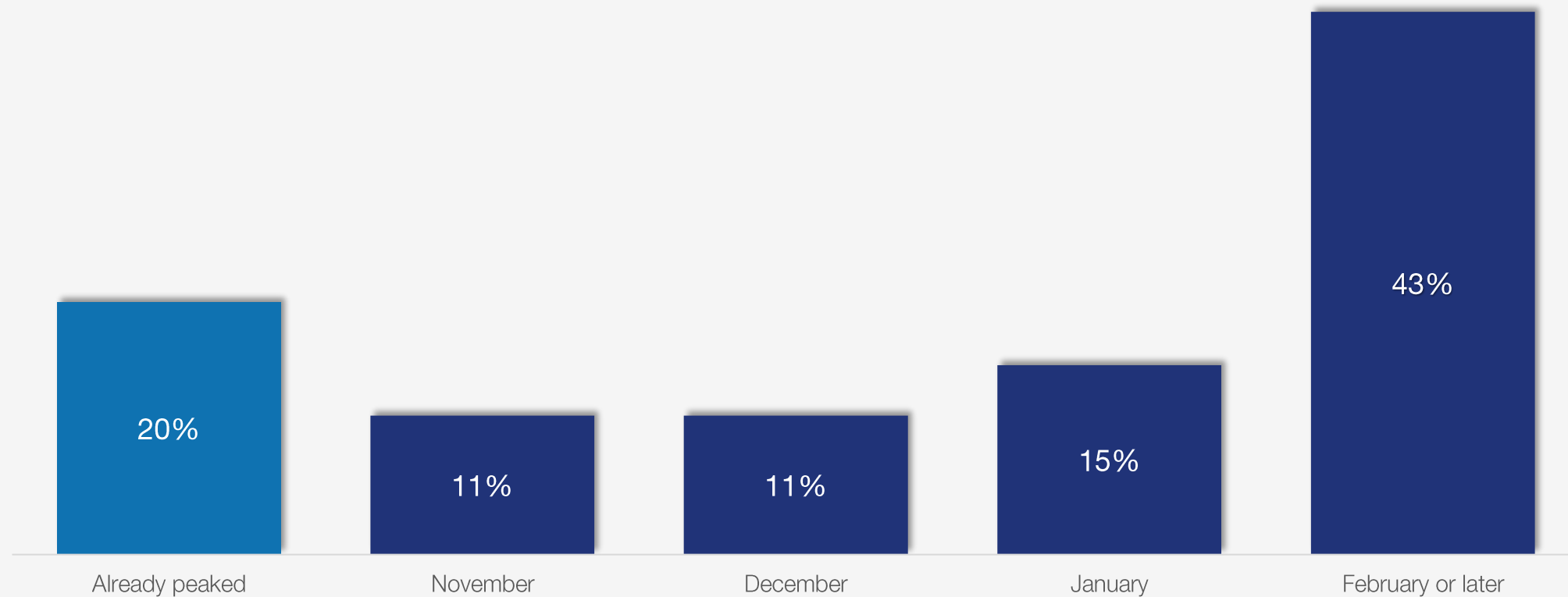
Future hot rolled prices

Where do you think HRC prices will be in two months?



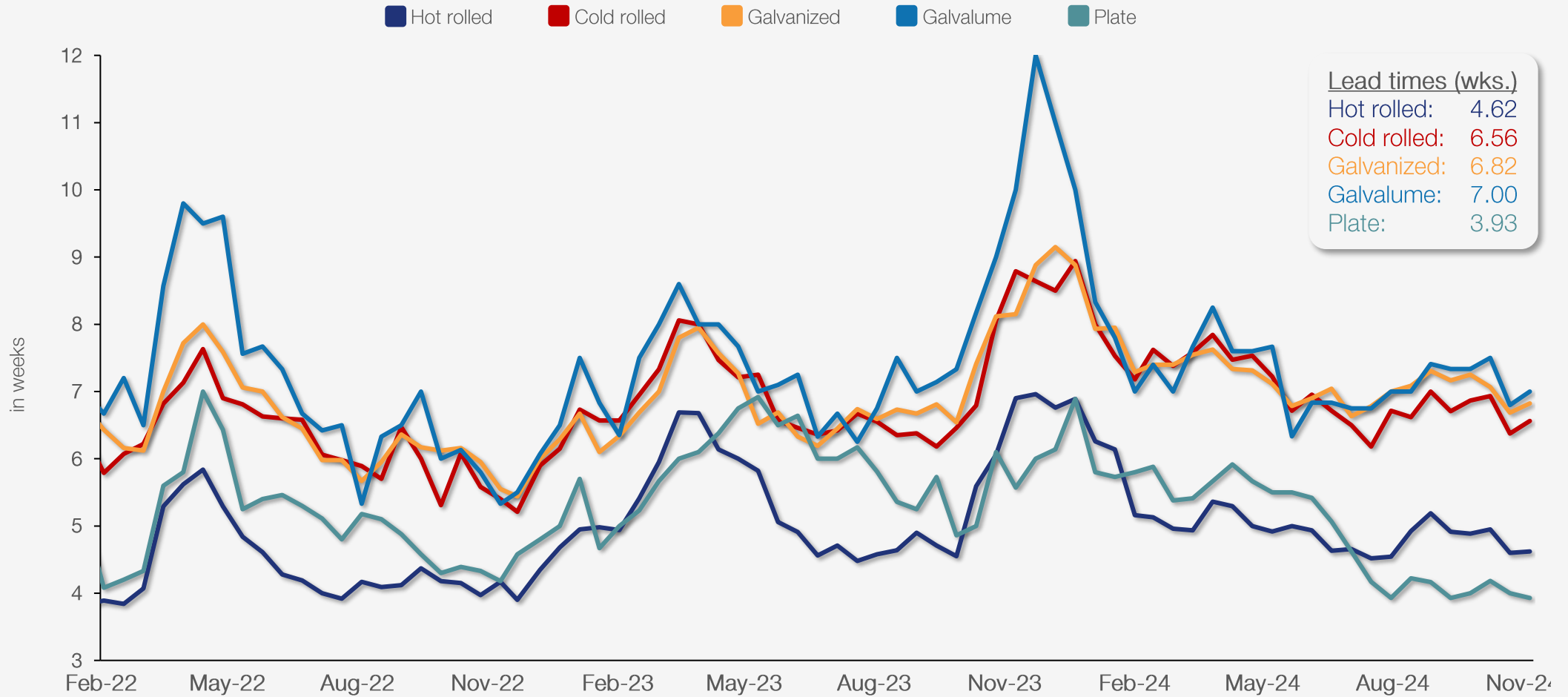
Hot rolled inflection point

When do you think steel prices will peak?



Steel mill lead times by product

SMU lead times on new steel orders by product through Nov. 6, 2024.



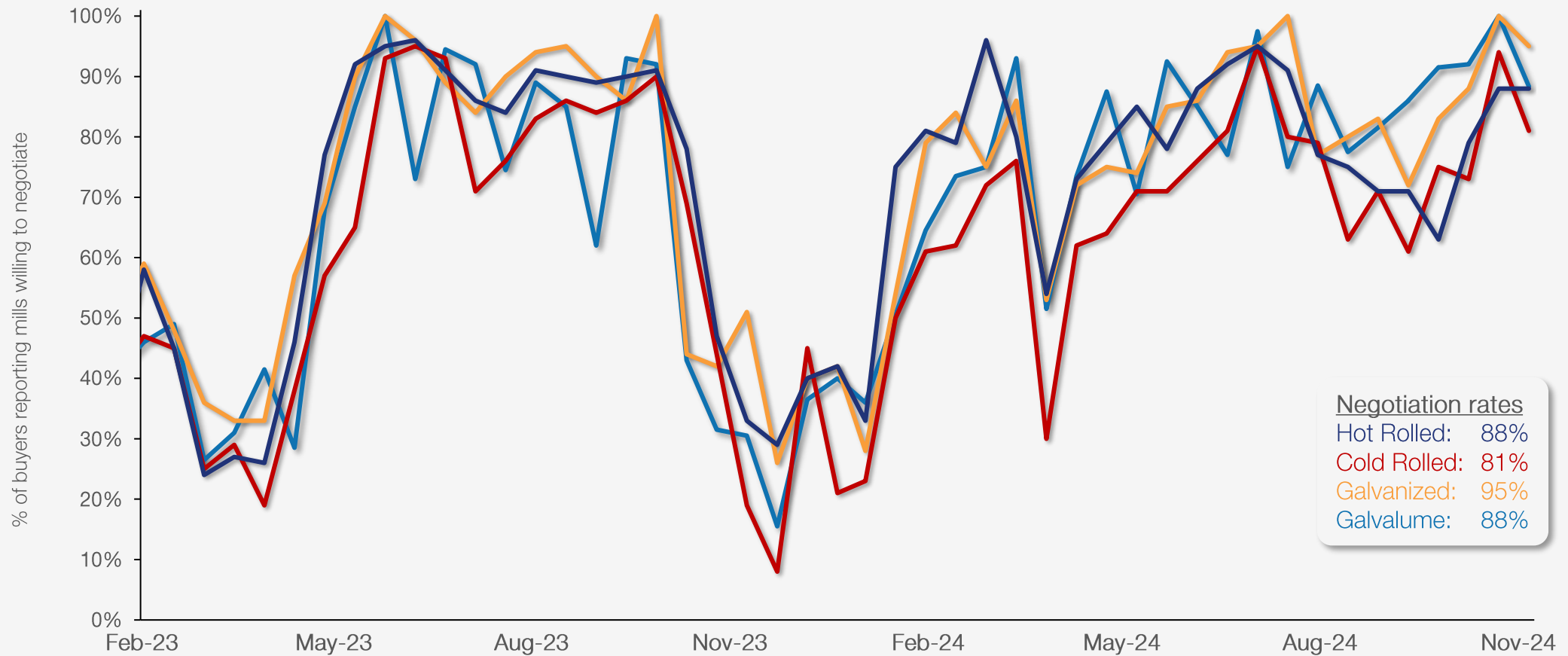
AISI raw steel production

American Iron and Steel Institute US raw steel production by week, weekly figures through Nov. 2, 2024



Steel mill negotiations

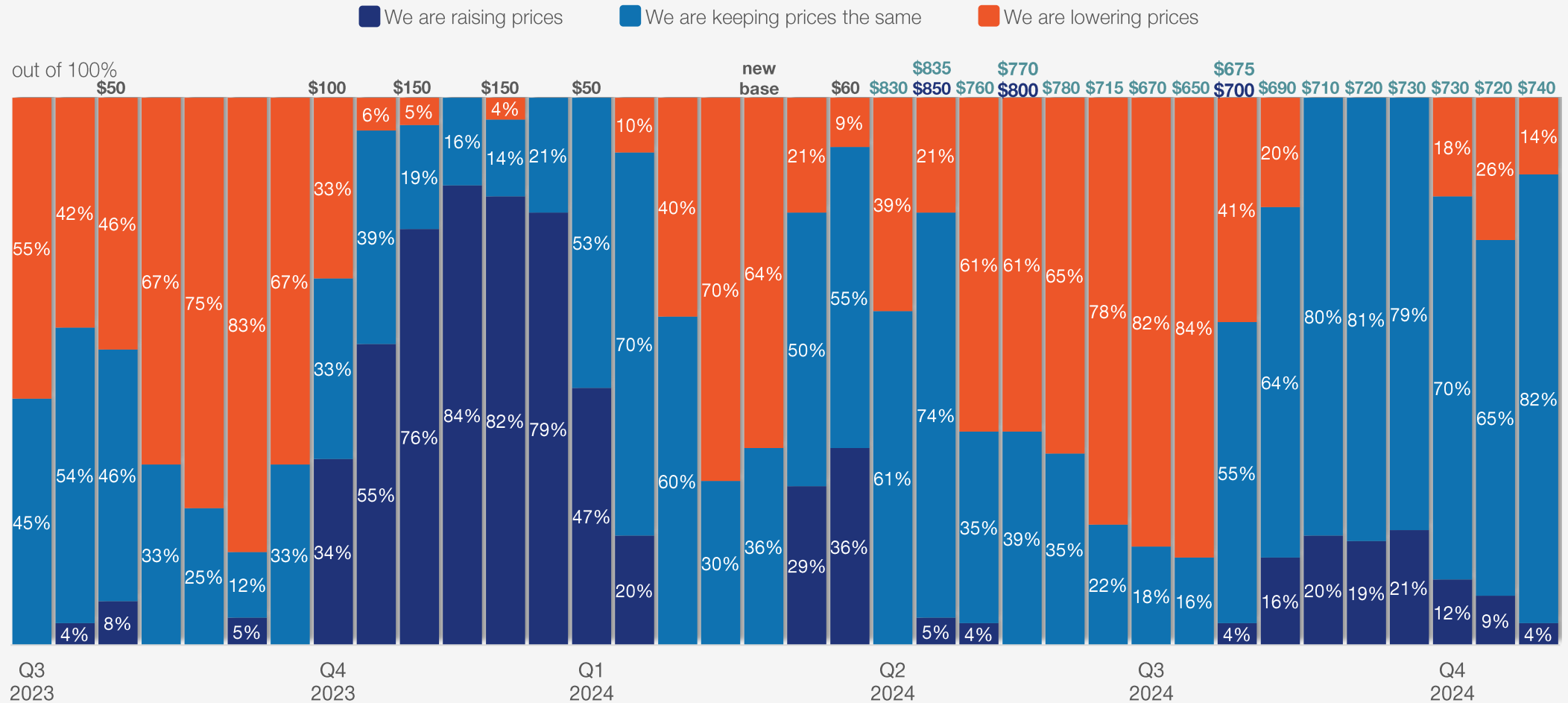
SMU's price negotiations on new steel orders by product through Nov. 6, 2024.



Service center view of selling prices history

Service centers

Compared to two weeks ago, how is your company handling spot pricing to your customers?



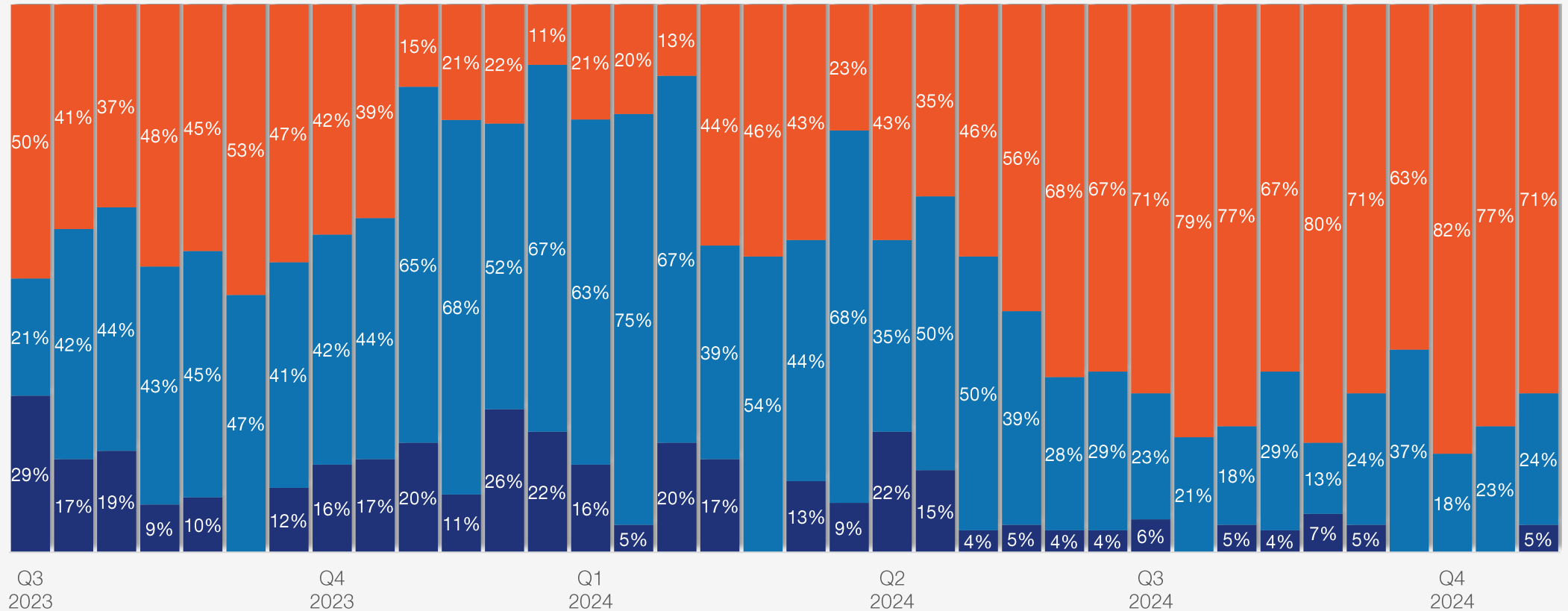
Service center releases history

Service centers

How do you see your customer releases (demand) for your products compared to one year ago?

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

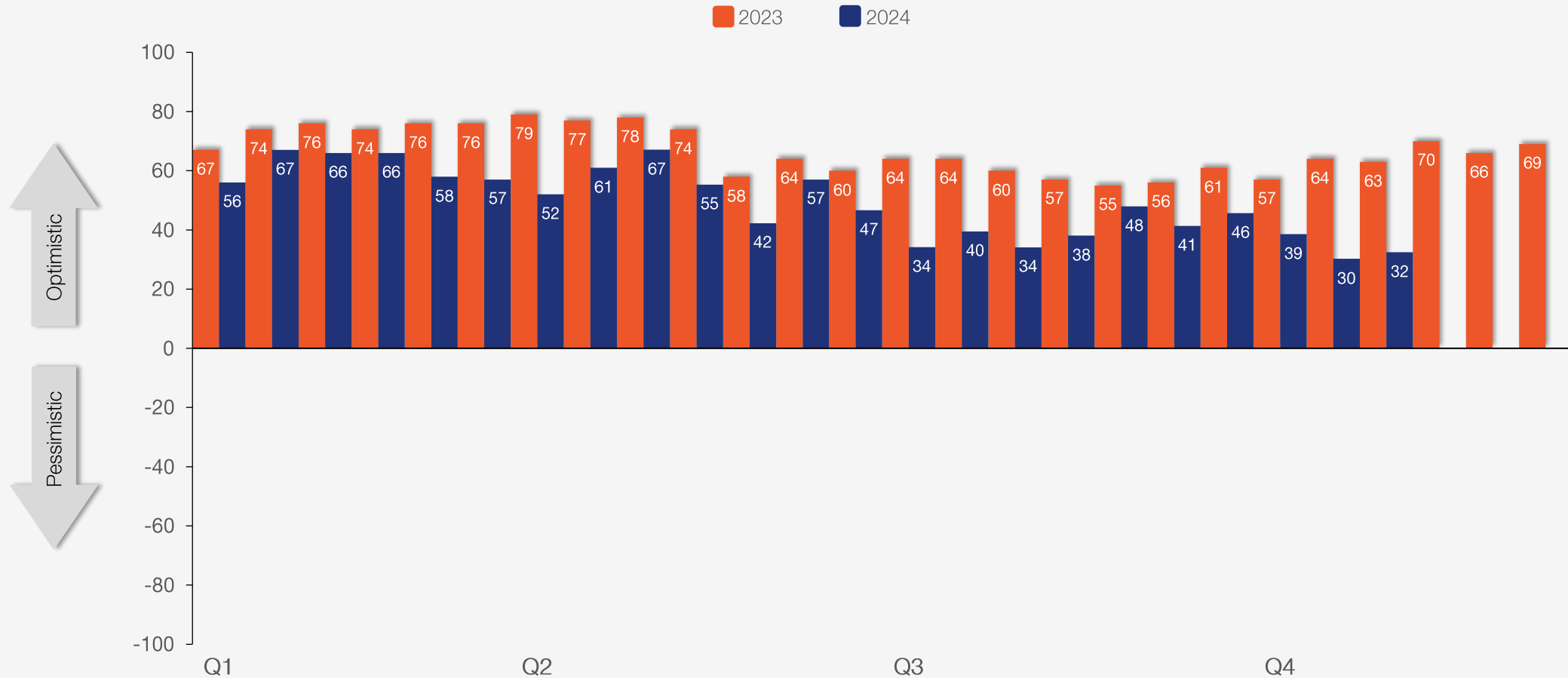
out of 100%



Steel buyers' sentiment

Up two points to +32

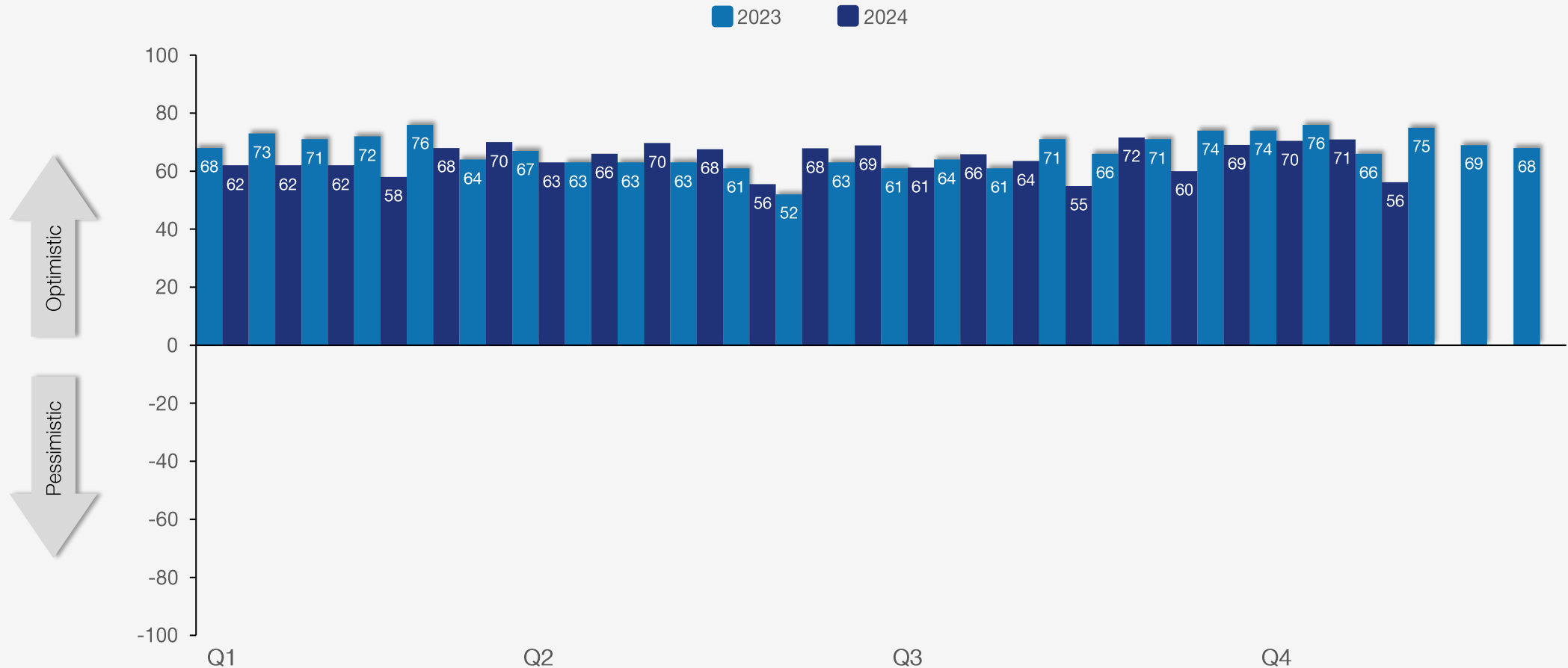
SMU's current steel buyers' sentiment index, with data through Nov. 6, 2024.



Steel buyers' future sentiment

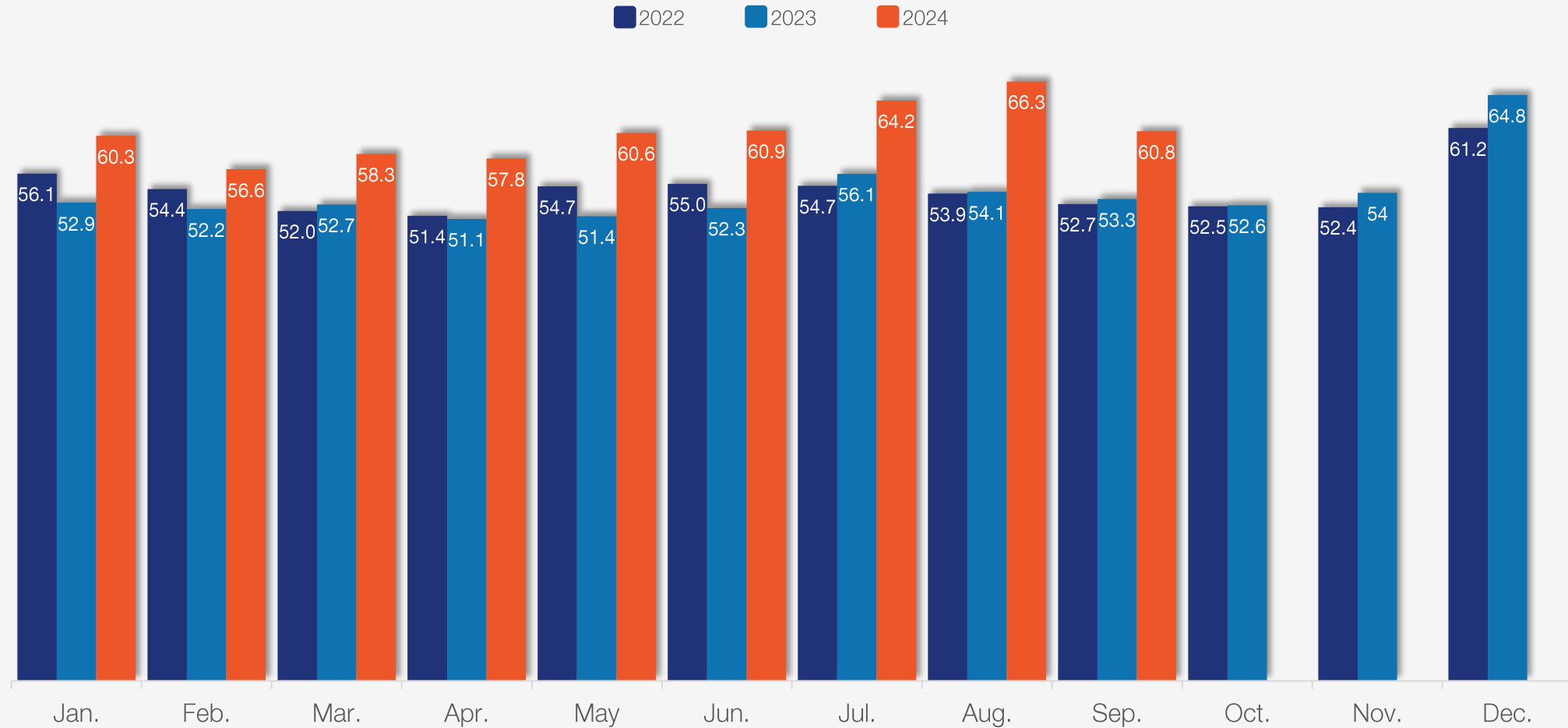
Down 15 points to +56

SMU's future steel buyers' sentiment index, with data through Nov. 3, 2024.



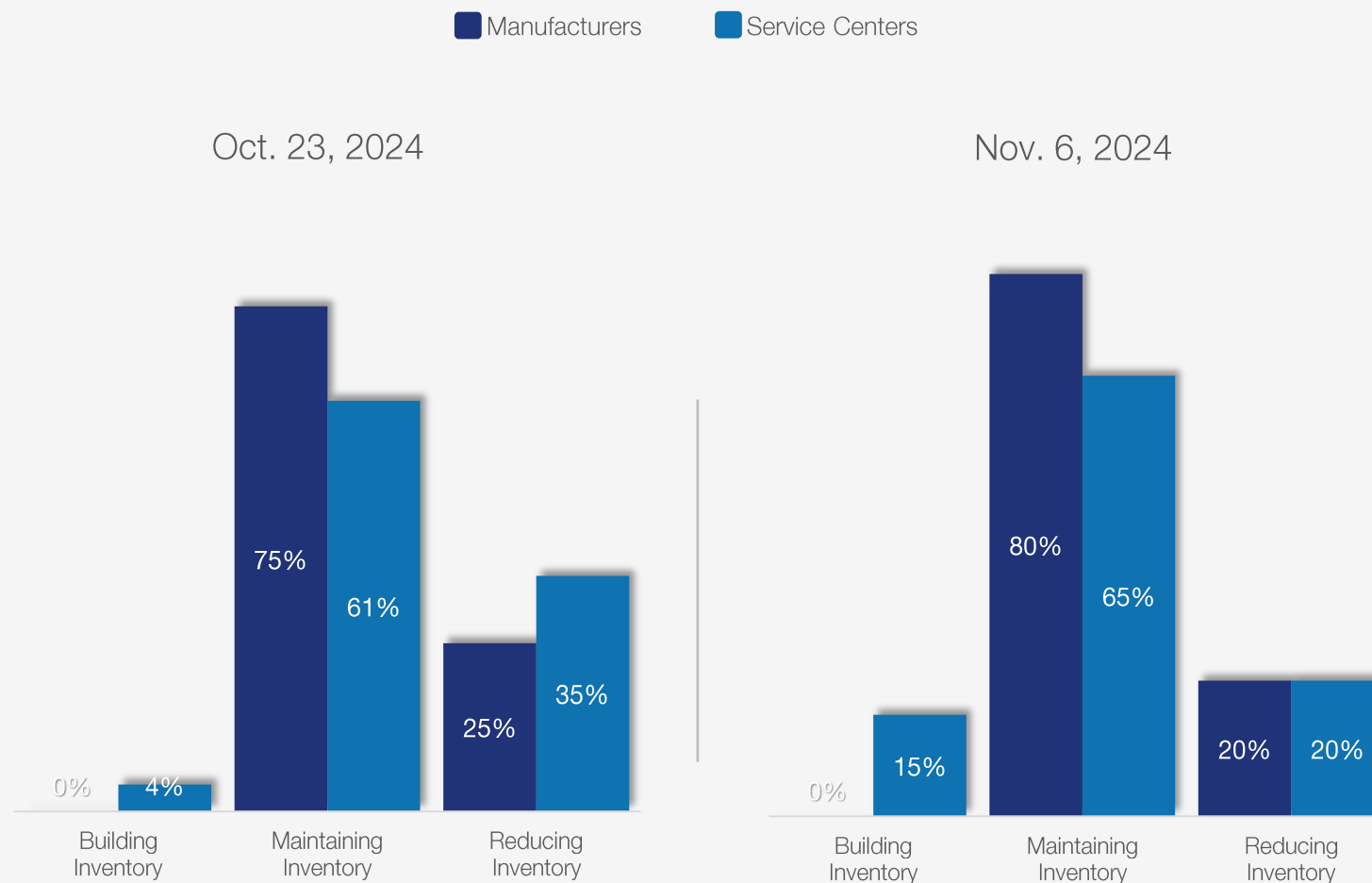
Service center inventories history

SMU's flat rolled product shipping days of supply, with data through September 2024.



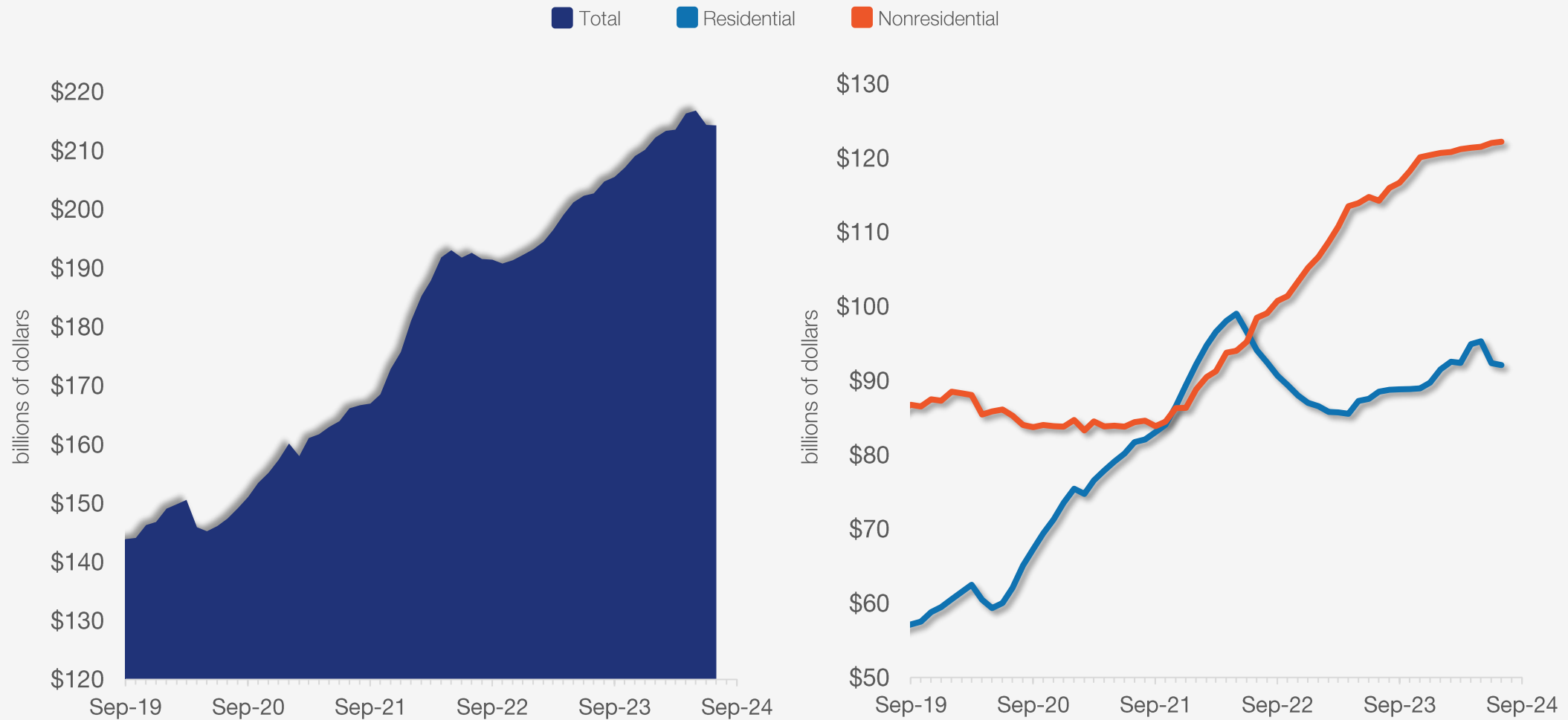
Manufacturer and service center inventory buying patterns

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



Non-res construction a bright spot

US Census Bureau construction spending Seasonally Adjusted Annual Rate (SAAR), data through September 2024.



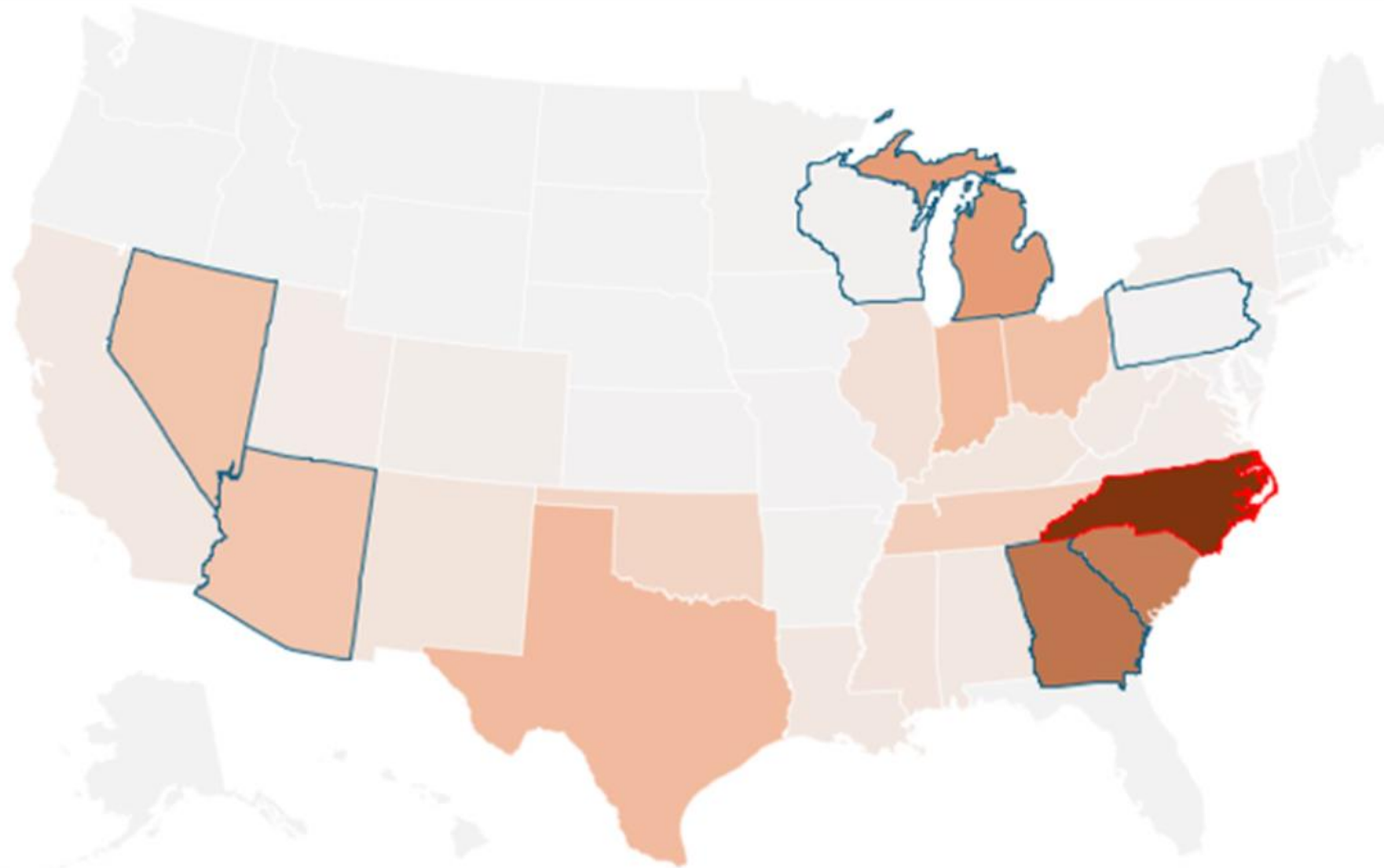
Trump's victory: Tariffs coming soon to a theater near you

- Control of Congress gives Trump sweeping power to enact agenda
- Economic nationalism is the new black
- The president has expansive powers not only to make but also to break trade deals
- Universal tariff of at least 10% on imports from all nations, 60% on Chinese goods
- Cutting taxes and decreased regulations could drive short-term growth
- Investment more toward traditional energy (oil and gas) than renewables
- More teeth in a renegotiation of USMCA in 2026
- Would Trump really repeal the Inflation Reduction Act (IRA)?

The IRA: Repeal could hurt swing states and “red” states

Project investment per state from IRA funds, \$ bn

Note: Highlighted states represent key swing states in upcoming election and which party won their votes in the 2020 election, **blue** for Biden/Harris and **red** for Trump/Pence



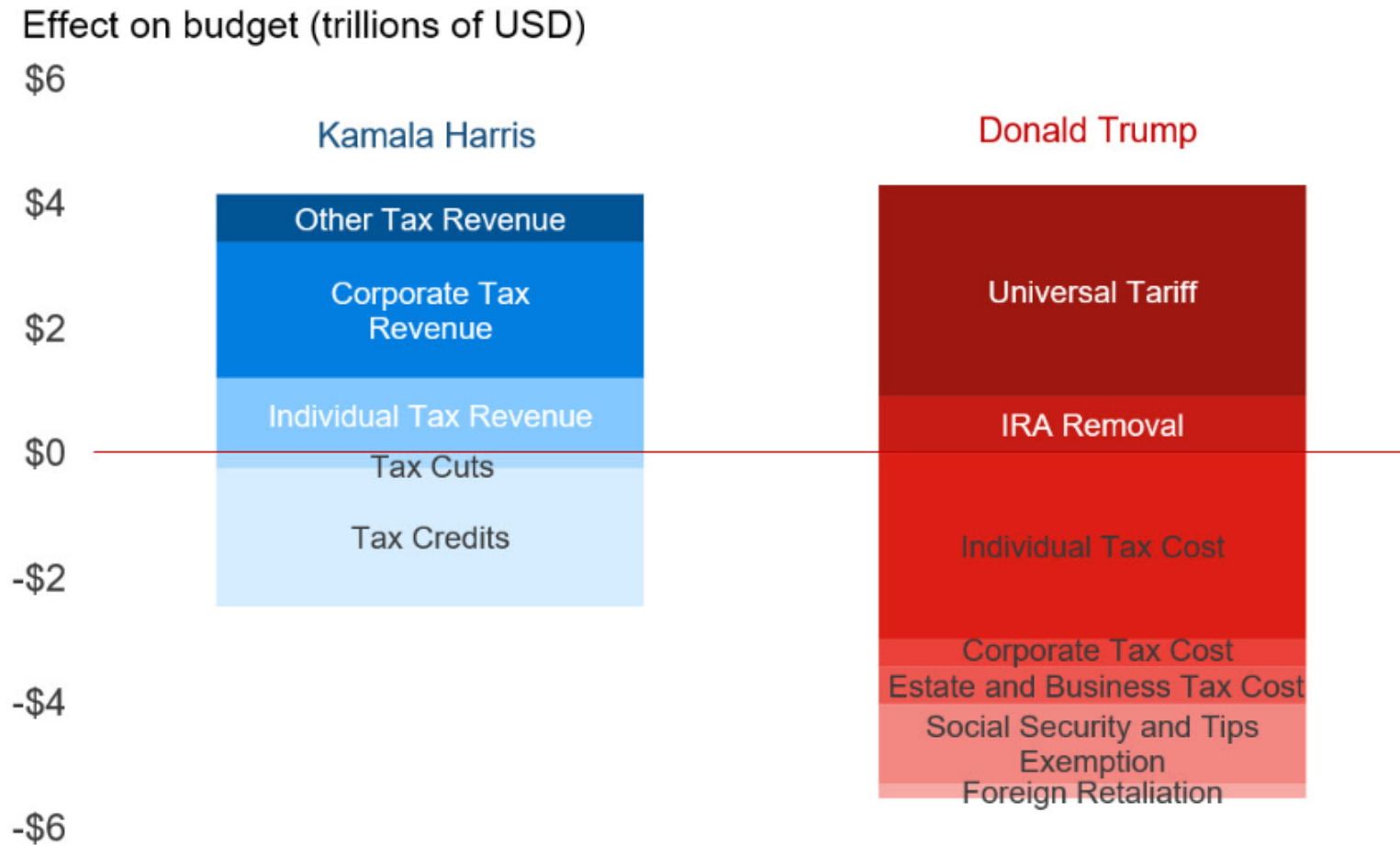
SOURCE: e2.org

Trump and trade: What are the long-term risks?

- Will blanket tariffs reshore manufacturing to the US or snarl supply chains?
- How do interlinked North American supply chains react to changes to USMCA?
- What if the 'M' is taken out of USMCA, or is that just a starting point for negotiations?
- Is it possible to replace lower tax revenue with tariffs and cuts to government spending?
- Complete border wall. Reduce illegal immigration. Deportations. Impact on the workforce?
- Certainty around election results. Uncertainty around US policy writ large
- Remember the chaos of the early days of Section 232, 301, and USMCA?
- There will be no shortage of market-moving news in 2025 – and beyond!

Tariffs + Tax Cuts = Deficit risk?

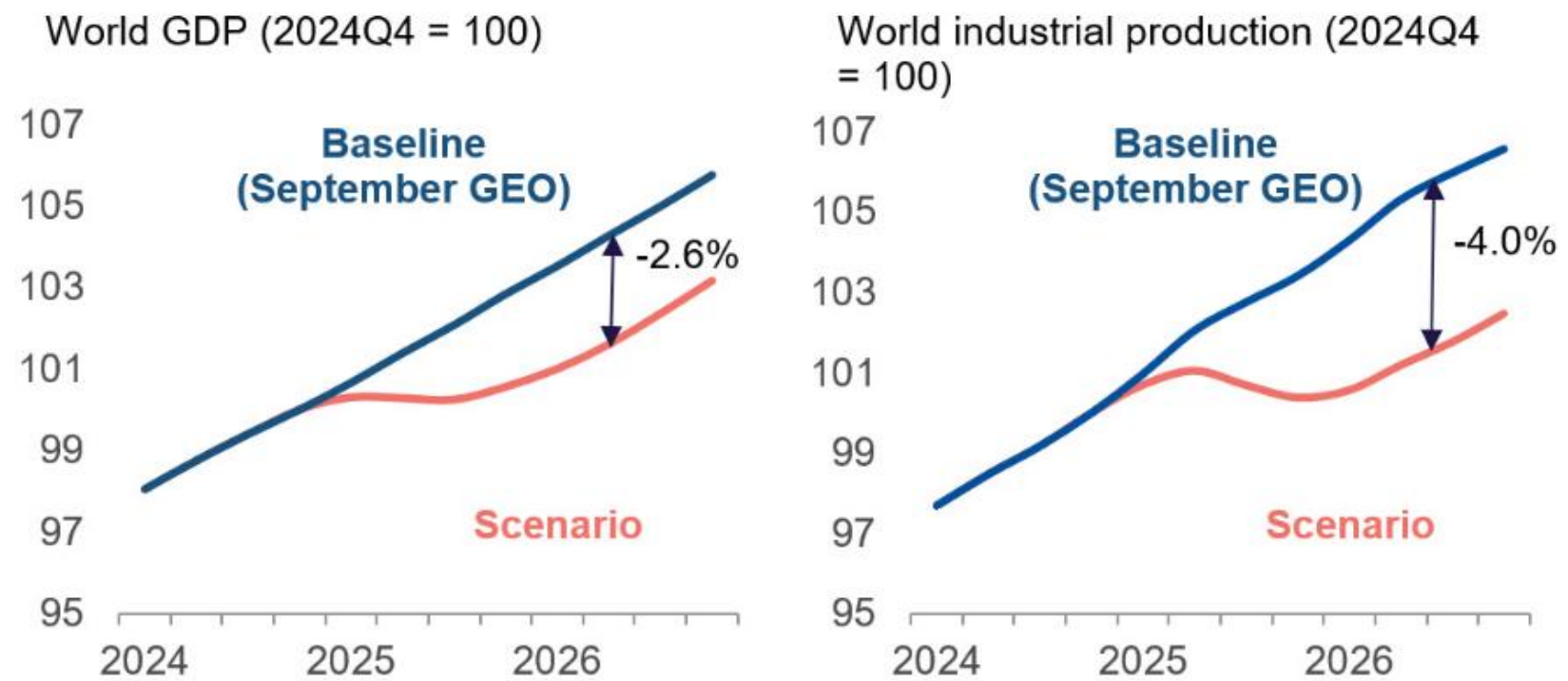
Figure 2: Trump's negative impact on federal budget would be larger than Harris's



DATA: Tax Foundation's General Equilibrium Model. NOTE: The figure illustrates the forecasted impact of each presidential candidate's tax policies on government revenue and spending over the next decade.

Trade wars can be risky business

Figure 1: Both GDP and IP are negatively impacted by a trade wars scenario



DATA: CRU, Oxford Economics. NOTE: Scenario 1 refers to the US raising tariffs by 30 ppt on imports from China and by 20 ppt on all other trading partners on Q1 of 2025.

Timna Tanners



Timna Tanners is a Managing Director at Wolfe Research. She has covered the Metals and Mining sector since 2002. She was ranked #1 in Metals and Mining in the Institutional Investor All-America Research Poll from 2013 to 2018.

Before joining Wolfe Research, Tanners worked as a Managing Director at Bank of America, where she covered metals and mining not only in North America but in Latin America as well.

She began her career in 2002 at UBS. Tanners has a BA in politics from Pomona College, an MS in journalism from Northwestern University, and an MBA from UCLA. She is based in New York.

SMU Community Chat: Trumplings

November 13, 2024

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Volatility lovers rejoice! Trump is back

Good news	Bad news
<ul style="list-style-type: none">• More tariffs likely...• More business-friendly measures, i.e. lower taxes, less regulation.• Imports should fall, boosting domestic production.• Post-Trump sentiment positive.• Border wall demand is back.	<ul style="list-style-type: none">• Tariffs can hurt demand, drive inflation, retaliation.• Clean energy projects at risk.• More inflation already driving up the 10-yr, hurting construction demand.• Galv case timing delayed...

Can Trump effect mitigate the Sheet Storm of new supply?

It's a mixed bag BUT we see more domestic volumes, limited price benefit and happy futures market participants.

Sheet Storm: Adding 3-5Mst of supply, and even more scrap demand...

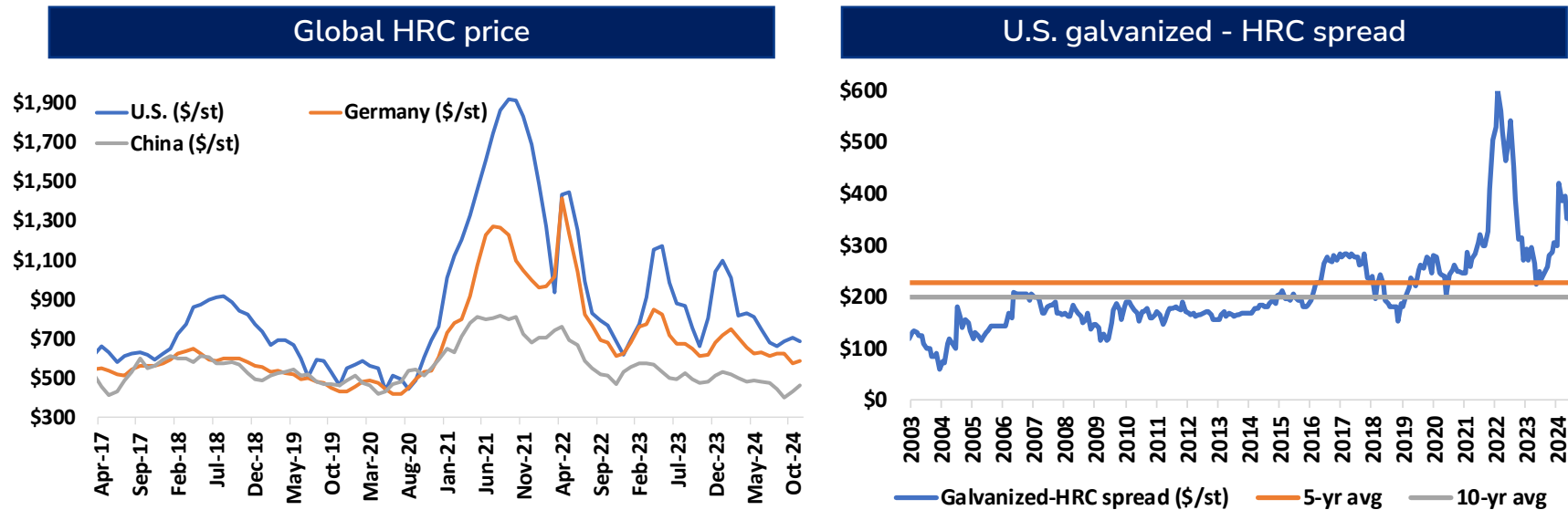
	2020	2021	2022	2023	Q124	Q224	Q324	Q424E	2024E	Q125E	Q225E	Q325E	Q425E	2025E
Carbon steel														
HRC (\$/st)	\$587	\$1,605	\$1,007	\$907	\$929	\$782	\$678	\$690	\$770	\$740	\$800	\$720	\$740	\$750
CRC (\$/st)	\$755	\$1,839	\$1,414	\$1,119	\$1,249	\$1,112	\$952	\$935	\$1,062	\$965	\$1,025	\$940	\$940	\$968
HDG (\$/st)	\$830	\$1,923	\$1,456	\$1,176	\$1,303	\$1,153	\$958	\$960	\$1,094	\$985	\$1,040	\$960	\$955	\$985
Plate (\$/st)	\$638	\$1,478	\$1,803	\$1,554	\$1,356	\$1,160	\$993	\$900	\$1,102	\$900	\$920	\$880	\$880	\$895
Rebar (\$/st)	\$615	\$911	\$1,046	\$904	\$851	\$787	\$742	\$715	\$774	\$740	\$760	\$730	\$730	\$740
Scrap														
Scrap (HMS 1/2) (\$/lt)	\$250	\$426	\$368	\$358	\$366	\$330	\$310	\$335	\$335	\$350	\$360	\$340	\$350	\$350
Scrap (Shredded) (\$/lt)	\$276	\$473	\$468	\$435	\$442	\$392	\$373	\$380	\$397	\$405	\$435	\$410	\$415	\$416
Scrap (Busheling) (\$/lt)	\$312	\$582	\$529	\$472	\$463	\$403	\$383	\$395	\$411	\$425	\$460	\$430	\$440	\$439

Wild cards

- Pace of new Big River capacity addition – 3Mst/yr
- Sinton wants to run remaining 1Mst/yr
- Pace of Algoma starting up – net extra 900Kst/yr
- Scrap price implications of the above and Calvert EAF ramping up (+ve steel prices)
- Mexico retaliation could keep exports domestic ~ 1Mt/yr
- Mill consolidation – Cliffs buying Stelco, who is next? Does this induce discipline?
- U.S. Steel acquired or not? Nippon out of the picture means ~1.4Mst at MV likely cut.
- Pace of Fed rate cuts key for auto/construction demand.

Mills need the U.S. isolated from rest of world woes

- China remains a concern. We don't think stimulus is steel-intensive.
- Europe also challenged. Not typically considered bad actors...
- Galvanized spread invited imports, but lower values and trade case should see this narrow.

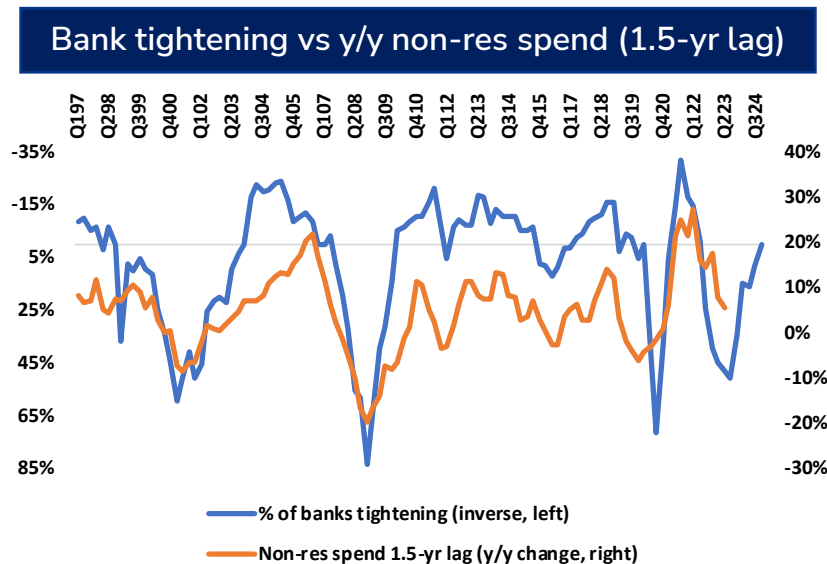


Source: Wolfe Research, CRU, Platts; Note: Historical averages through December 2019

Sheet storm meets “meh” demand

Interest rate hikes have delayed dampening effect

- Non-res construction and auto are vulnerable.
- We’re not convinced of a “coiled spring”
- Warehouses about-face after dominating U.S. non-res starts in recent yrs.
- Fed rate cuts critical to determining an H2 recovery but we consider 2025 a “transition year.”



Source: Wolfe Research, FactSet, U.S. Census Bureau

Profits also back down to earth

- Q2/Q3 EBITDA per ton was below the prior three-year average.
- U.S. Steel’s blast furnace operations have outperformed its minimill in periods of low prices.
 - Minimills aren’t always more profitable than blast furnaces.
- Despite 40-45% of shipments on fixed annual contracts, CLF has seen significant volatility.

Steel mills EBITDA/t

	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324	3-yr avg
HRC (\$/st)	\$1,200	\$1,306	\$837	\$684	\$875	\$1,070	\$791	\$893	\$929	\$782	\$678	\$913
STLD (Steel ops)	\$512	\$439	\$273	\$98	\$151	\$291	\$211	\$168	\$272	\$192	\$142	\$250
X (Minimill)	\$627	\$502	\$76	-\$44	\$79	\$295	\$150	\$120	\$255	\$133	\$37	\$203
X (Flat-rolled)	\$327	\$381	\$290	\$151	\$61	\$169	\$175	\$63	\$76	\$152	\$129	\$179
CLF (Steelmaking)	\$391	\$304	\$120	\$28	\$59	\$182	\$147	\$66	\$100	\$77	\$29	\$137

Source: Wolfe Research, company documents

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