

SMU Community Chat

May 13, 2020

Starting at 11 AM Eastern

John Packard, President & CEO of Steel Market Update

**Dr. Chris Kuehl, Managing Director of
Armada Corporate Intelligence**



SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars

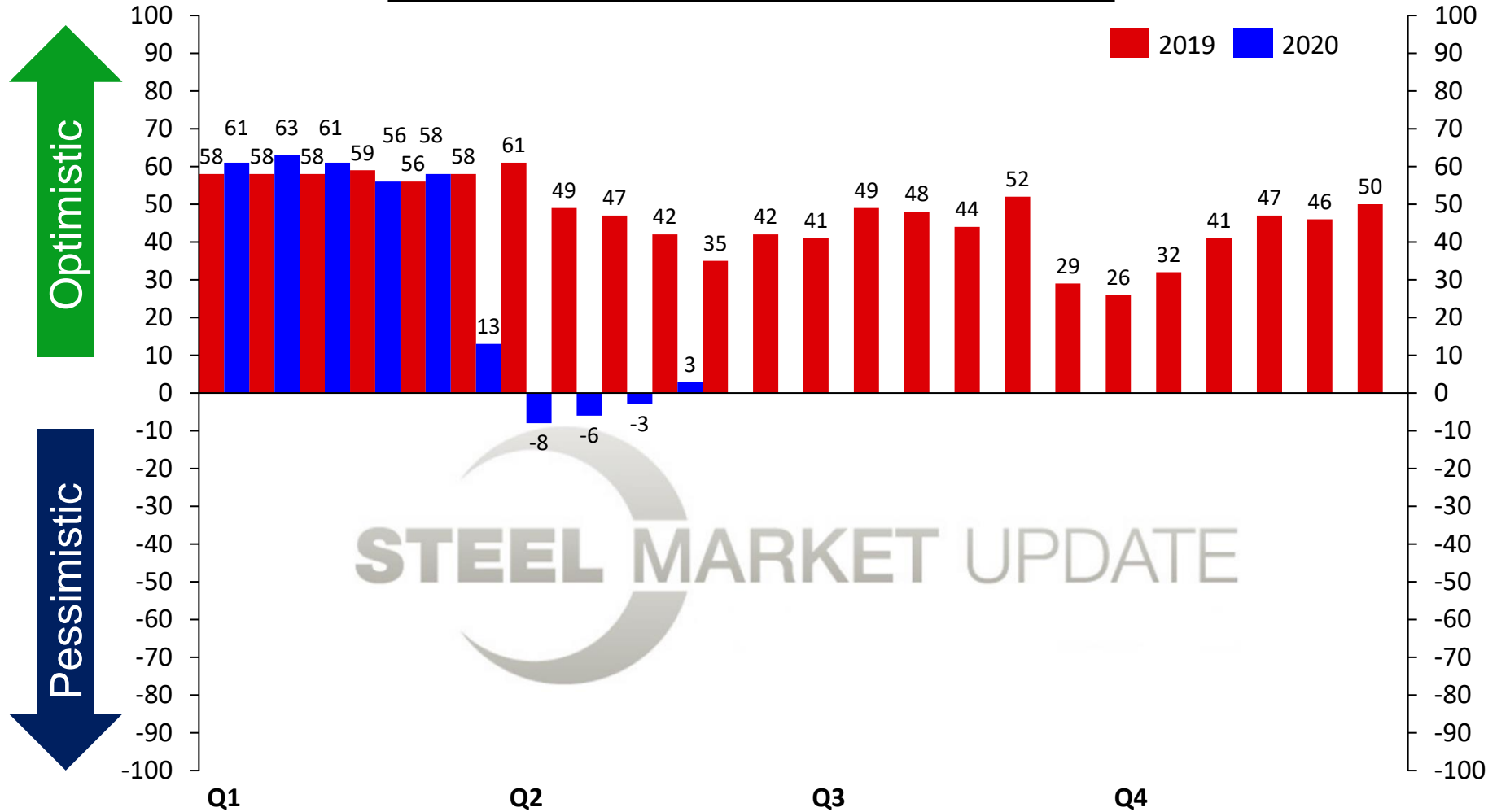
SMU Hot Rolled Price Index



SMU Buyers Sentiment Index

Up 6 points to +3

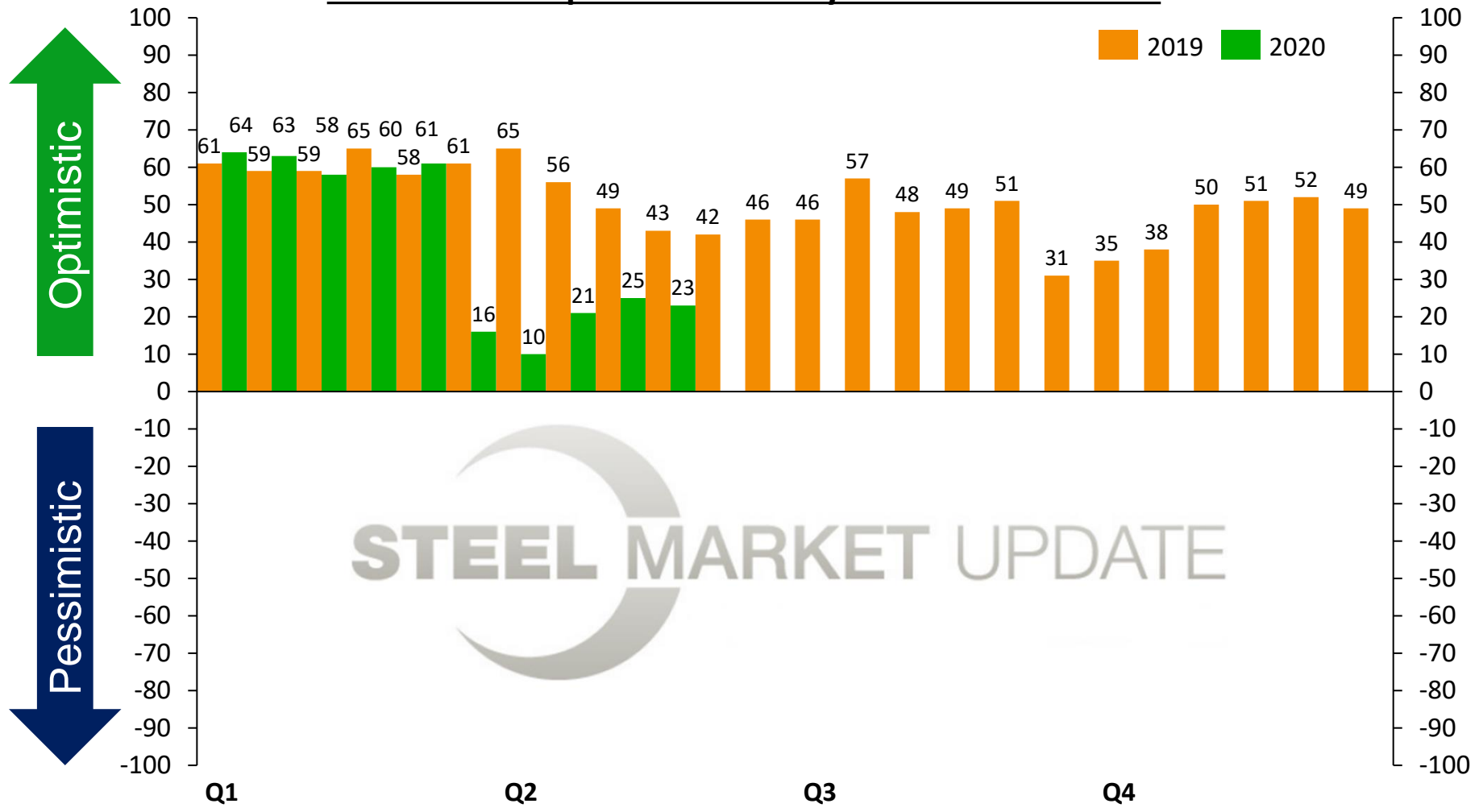
Steel Market Update Buyers Sentiment Index



SMU Future Buyers Sentiment Index

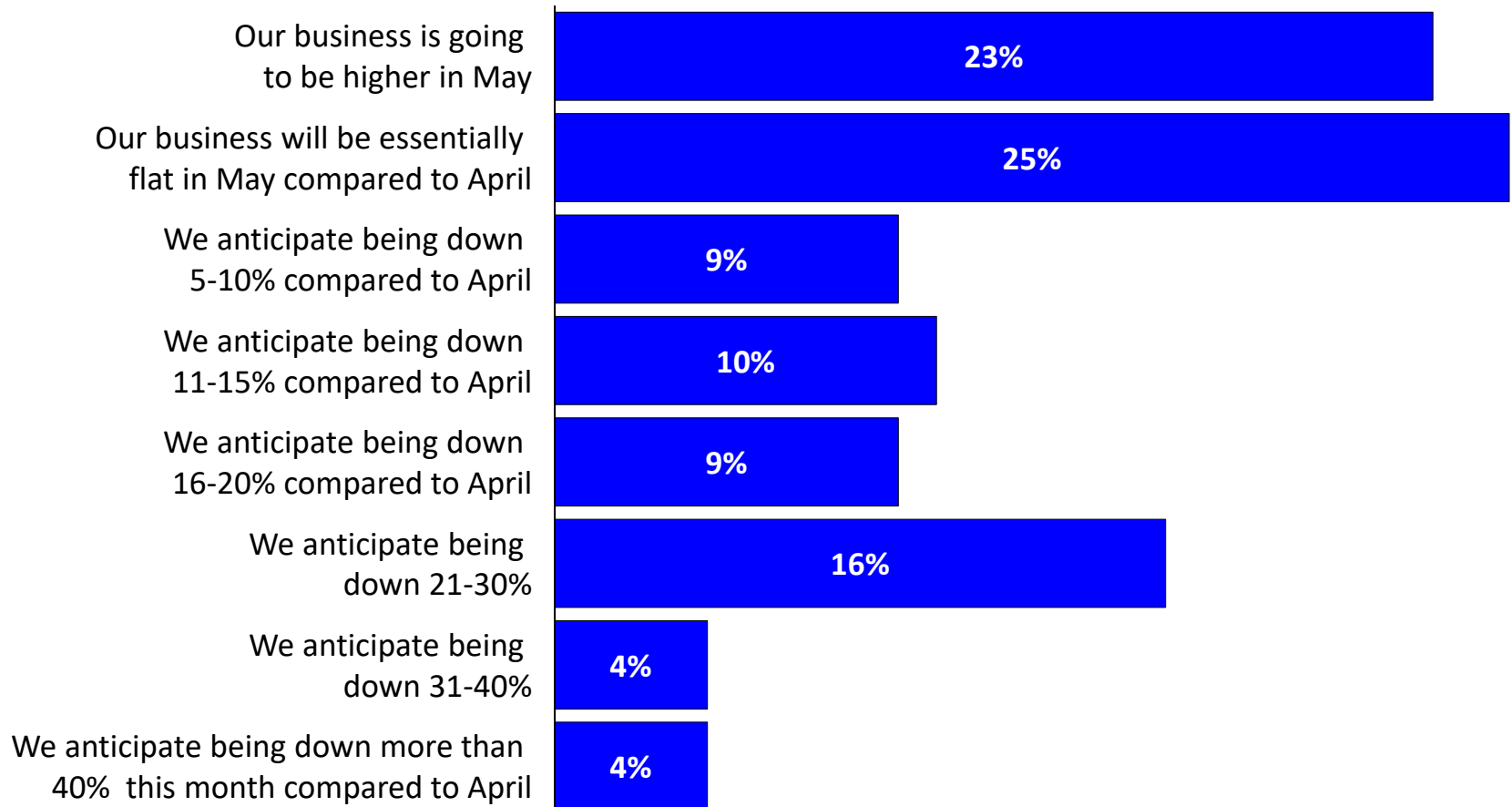
Down 2 points to +23

Steel Market Update Future Buyers Sentiment Index



May Business Conditions

As it stands now, what will the impact of the virus be on your order book and/or shipments for the month of May compared to what it was in April 2020?

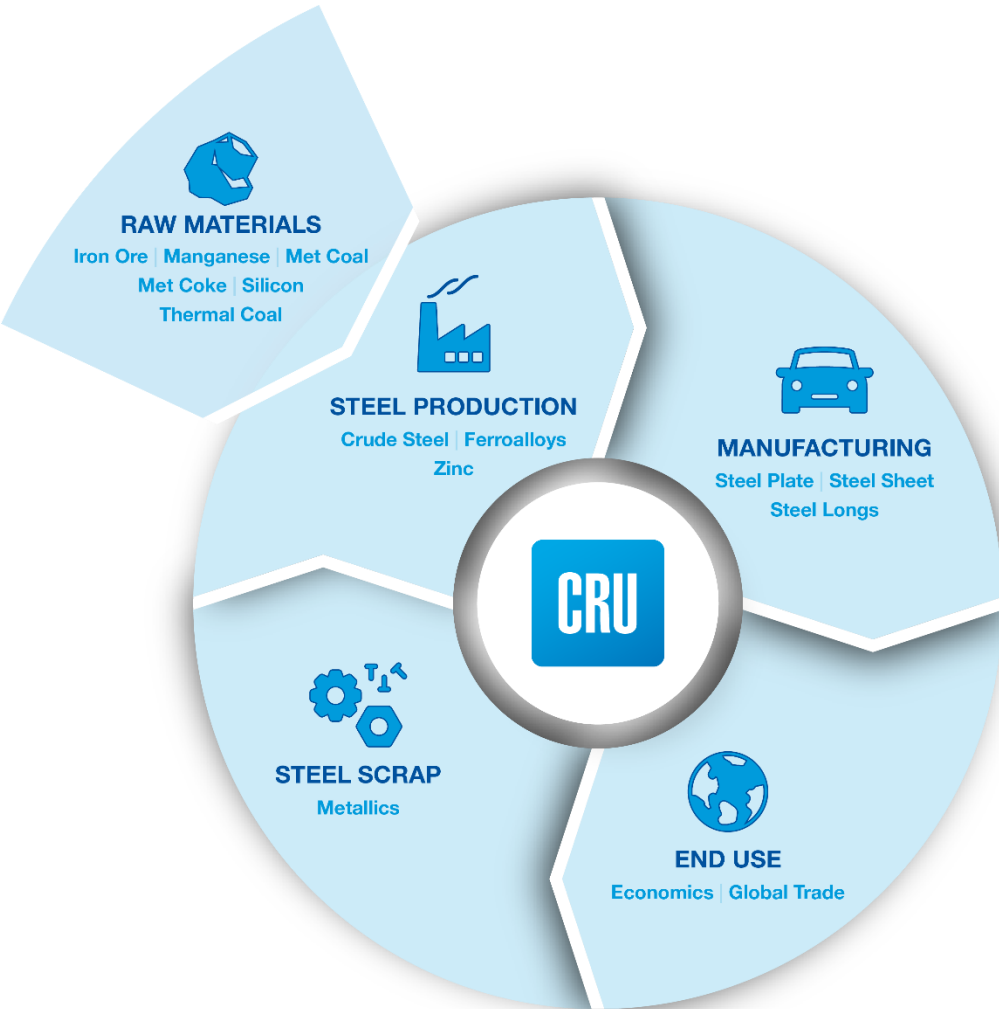


- SMU Will Conduct Our Conference on August 24-26th
- We will offer a “virtual” conference option for the first time
- A final decision on a “live” conference at the Georgia International Convention Center will be made on June 1st
- We have a strong program and our “virtual” online platform will have special networking opportunities



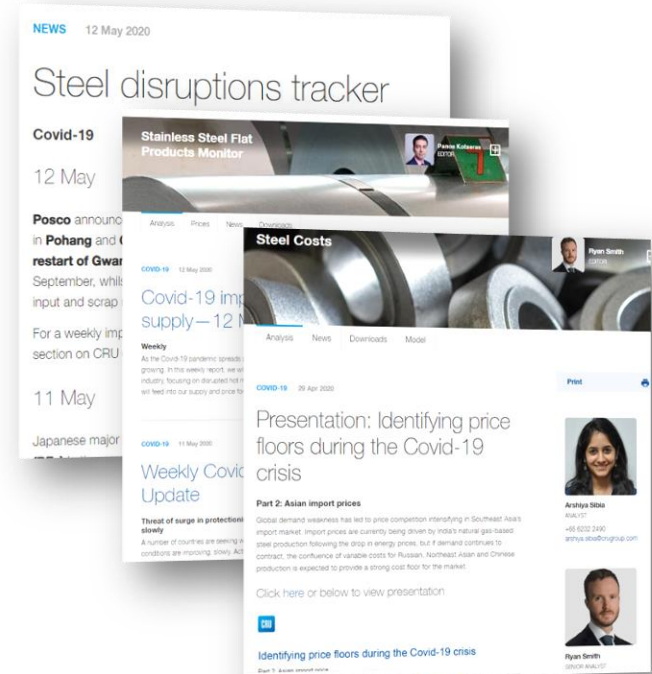
Additional details can be found at www.SteelMarketUpdate.com/Events/Steel-Summit

CRU SUPPORTS STEEL



Your market intelligence solution across the entire supply chain.

PRICES • ANALYSIS • FORECASTS • COSTS • CONSULTING



[Learn more](#)



Get in touch for more information or a demo

Dr. Chris Kuehl is Managing Director of **Armada Corporate Intelligence**. He provides forecasts and strategic guidance for a wide variety of corporate clients around the world. He is the chief economist for several national and international organizations – Fabricators and Manufacturers Association, National Association of Credit Management, American Supply Association, Chemical Coaters Association International and others. He is the economic analyst for several state accounting societies – Missouri, Kentucky, Tennessee, Kansas, North Carolina, Minnesota, Oklahoma and others. Prior to starting Armada in 1999 he was a professor of economics and finance for 15 years – teaching in the US, Hungary, Russia, Estonia, Singapore and Taiwan. He holds advanced degrees in economics, Soviet studies and East Asian studies. Chris is the author of Business Intelligence Briefs and contributes to the Black Owl Report - both publications from Armada. He is also responsible for the Credit Manager's Index from NACM and Fabrinomics from the FMA.



SteelMarketUpdate.com/blog/SMU-Community-Chat-Webinars



ARMADA

Advancing or Retreating? The Restart Begins

Steel Market Update May 13, 2020

Chris Kuehl – Managing Director
Armada Corporate Intelligence



ARMADA

Analysis of the Forces Affecting Business

Chris.Kuehl@armadaci.com

May 13, 2020

Seems to be a Flock of Them These Days



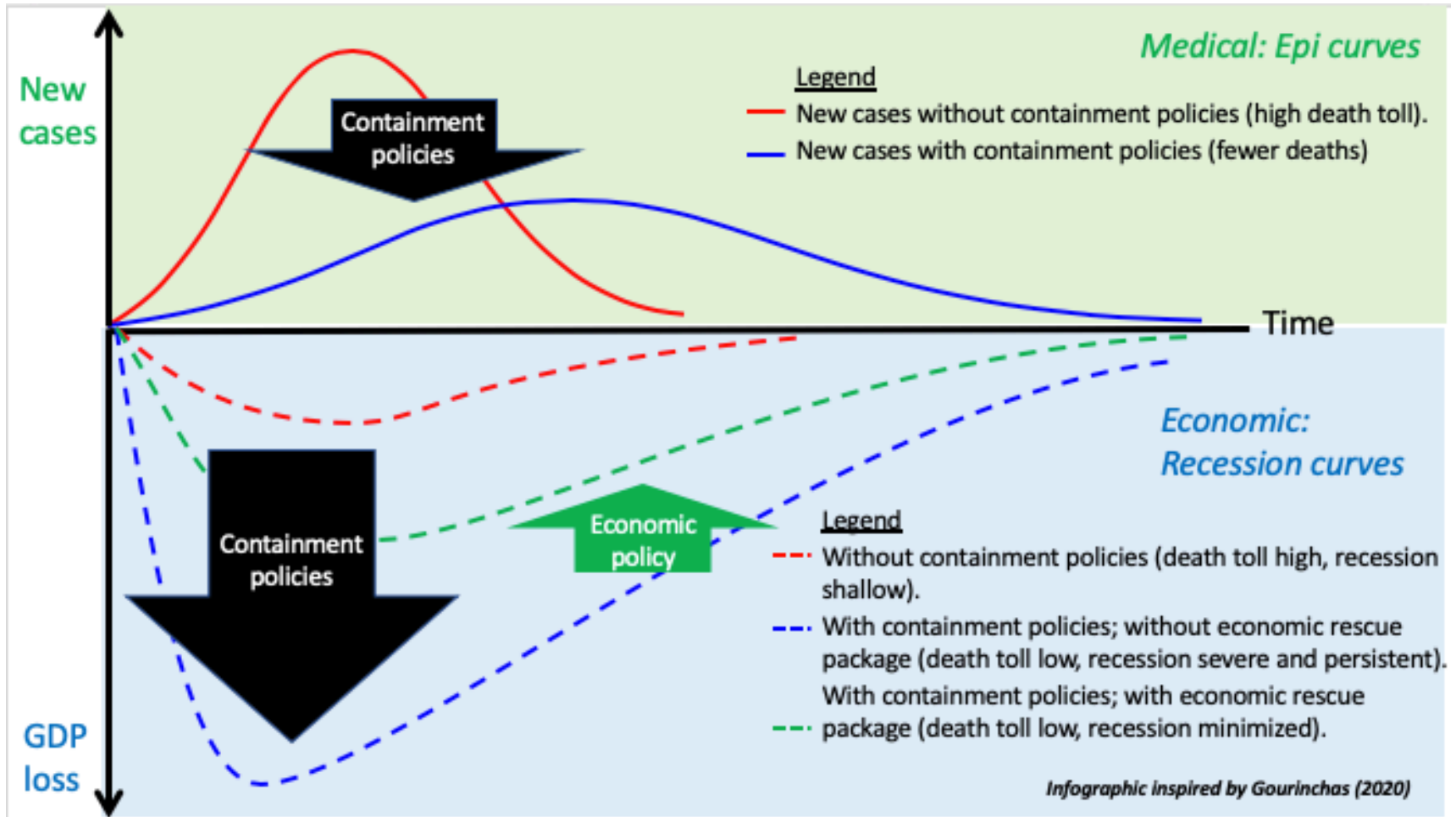
ARMADA



The Trade Off



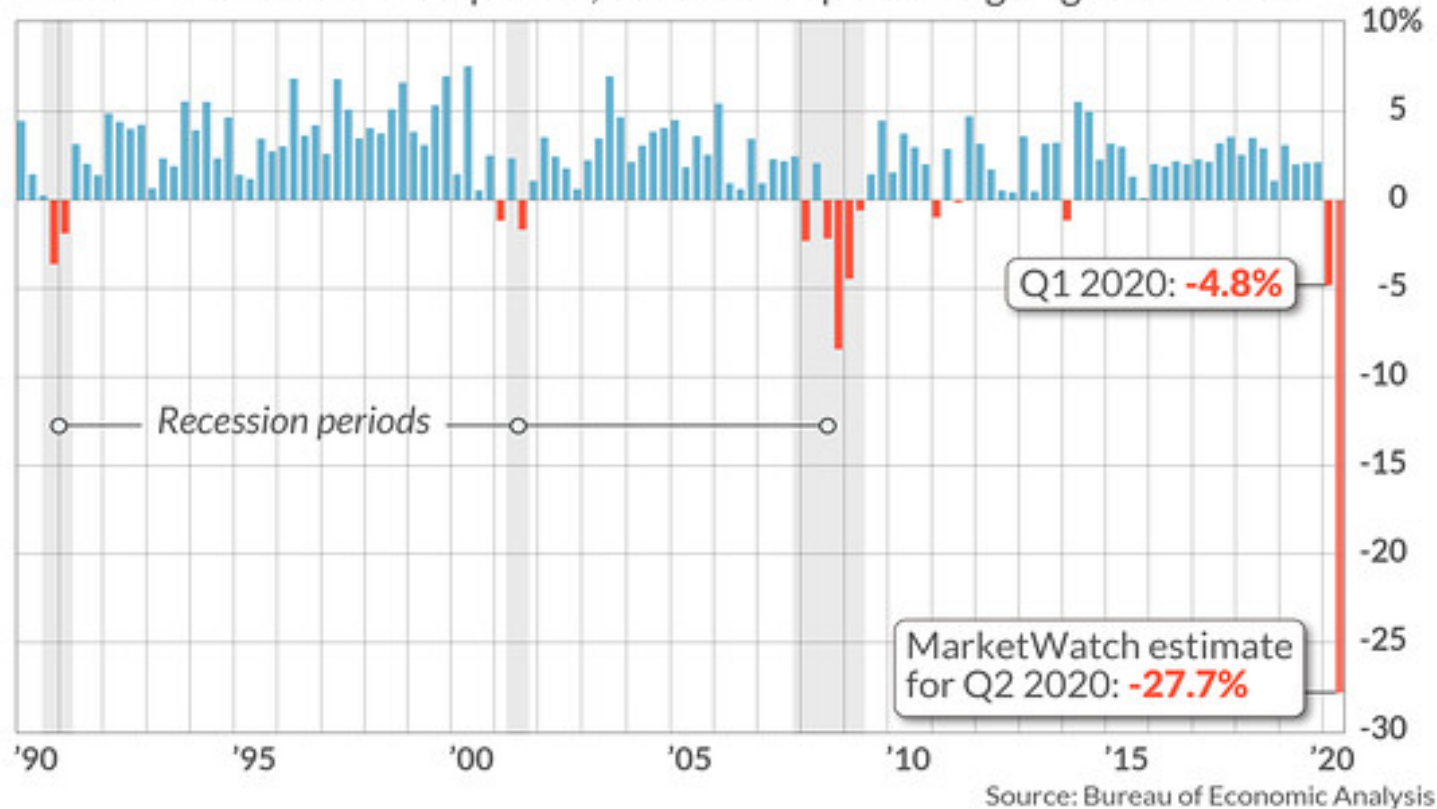
ARMADA



2008 Was Worse – Really!

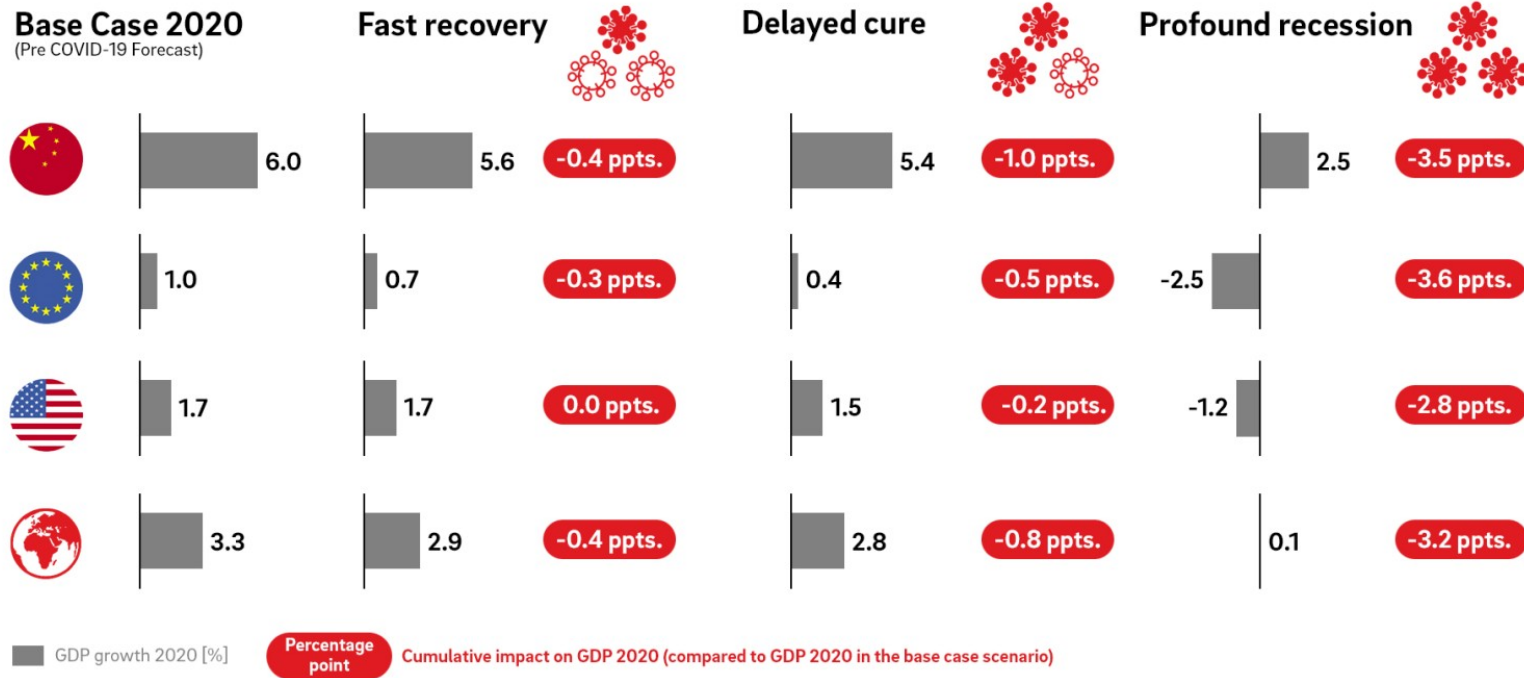
Economy posts biggest contraction in 12 years

GDP shrinks 4.8% in first quarter, but second quarter is going to be worse



Global Cost has been Extreme

COVID-19 is becoming a challenge to the global economy – We analyze three scenarios ranging from a fast recovery to a profound recession

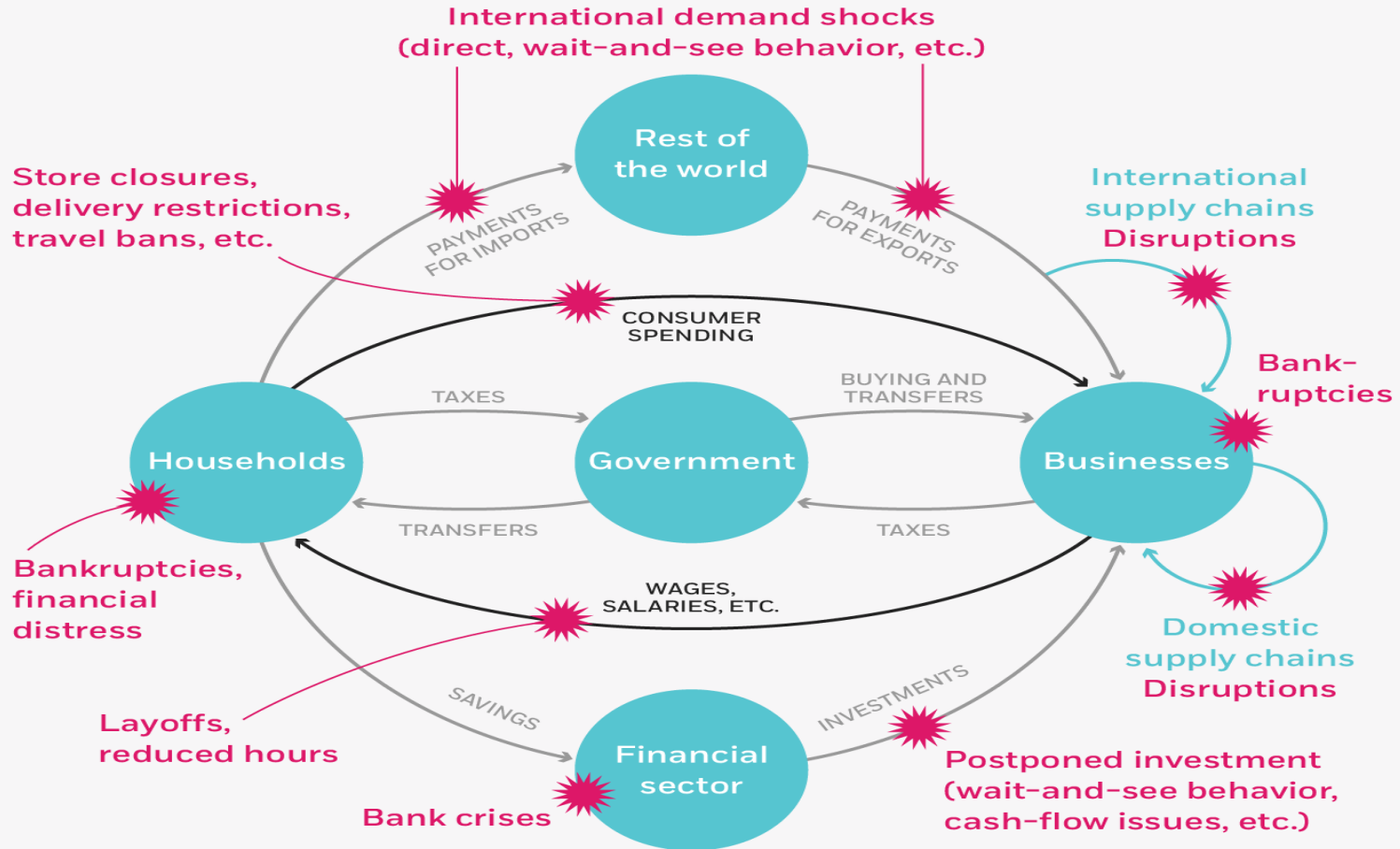


Source IMF, Oxford Economics, Roland Berger



How the Economy is Getting Hit

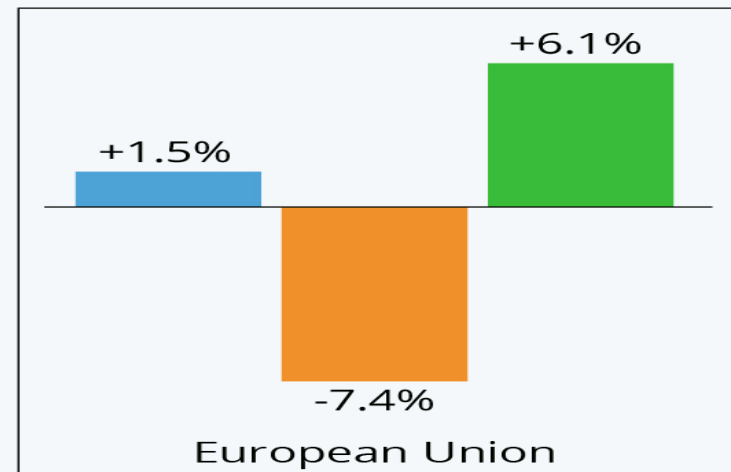
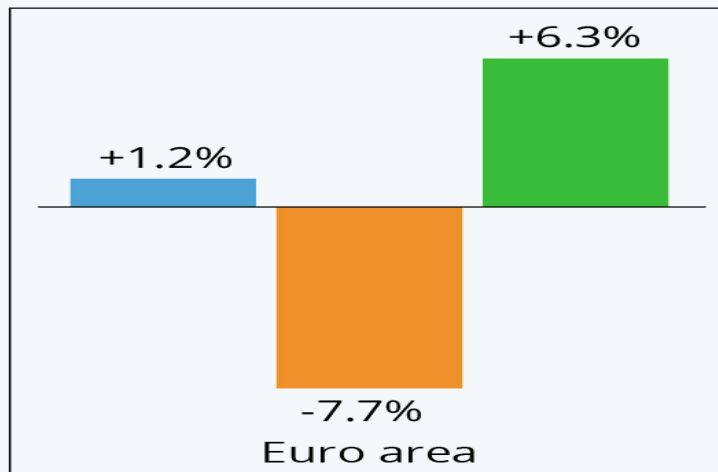
Where the COVID-19 crisis is striking the system



Europe Faces Historic Recession Due to COVID-19 Pandemic

GDP growth forecast for the euro area and the EU (Spring 2020 Economic Forecast)

■ 2019 ■ 2020 ■ 2021



Source: European Commission

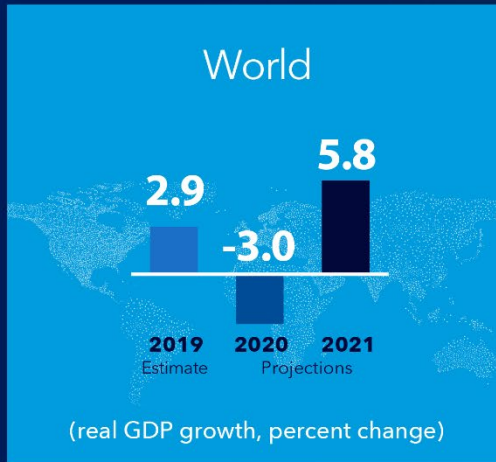


statista 

Nice Rebound Expected

Latest World Economic Outlook growth projections

(percent change)



UNITED STATES



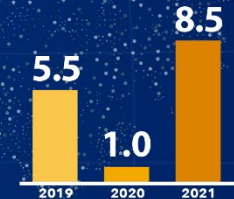
EURO AREA



MIDDLE EAST AND CENTRAL ASIA



EMERGING AND DEVELOPING ASIA



LATIN AMERICA AND THE CARIBBEAN



SUB-SAHARAN AFRICA



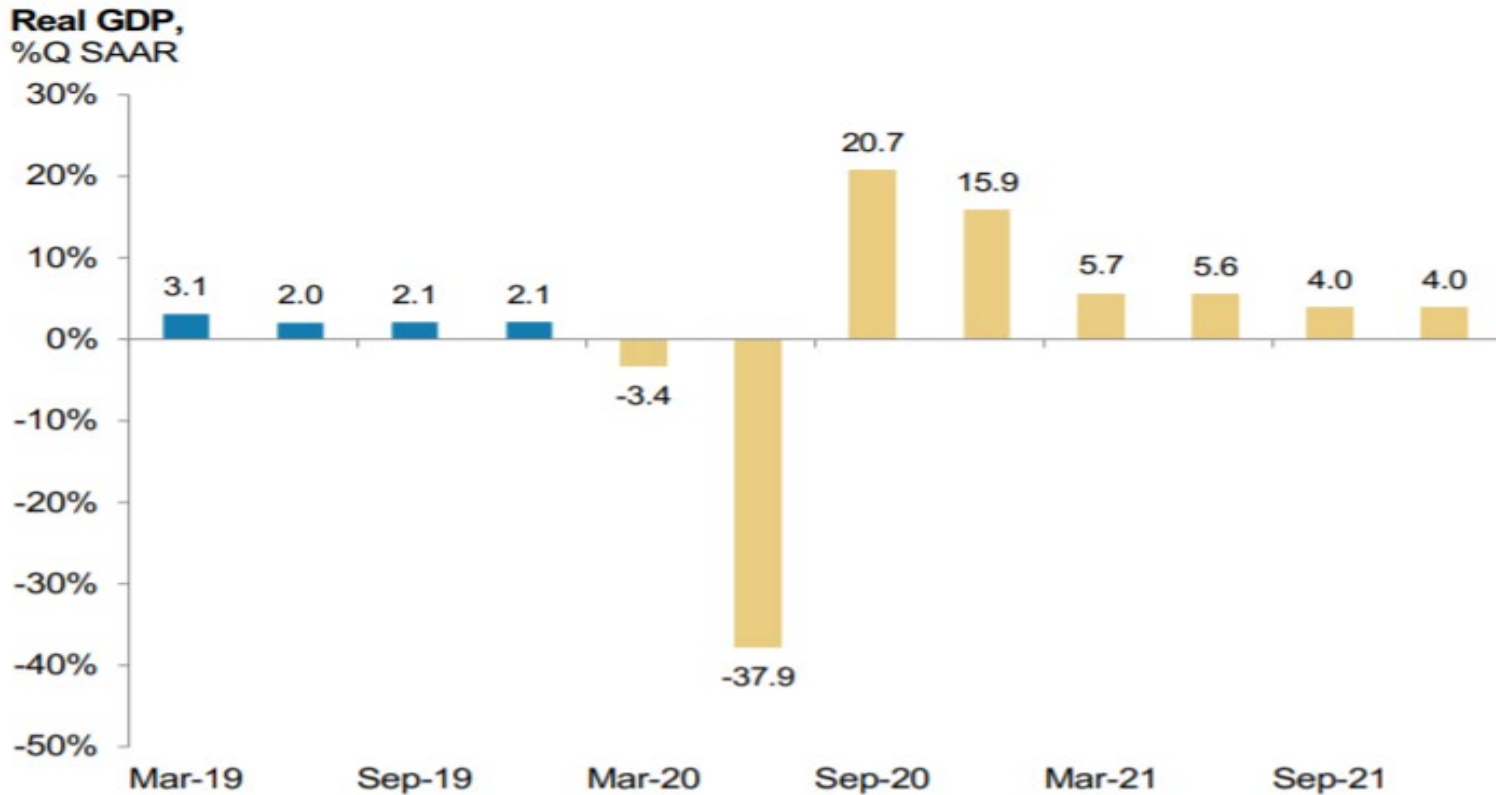
Source: IMF, *World Economic Outlook*, April 2020.

Note: Order of bars for each group indicates (left to right): 2019, 2020 projections, and 2021 projections.

Recovery but Big Drop will Drag for a While



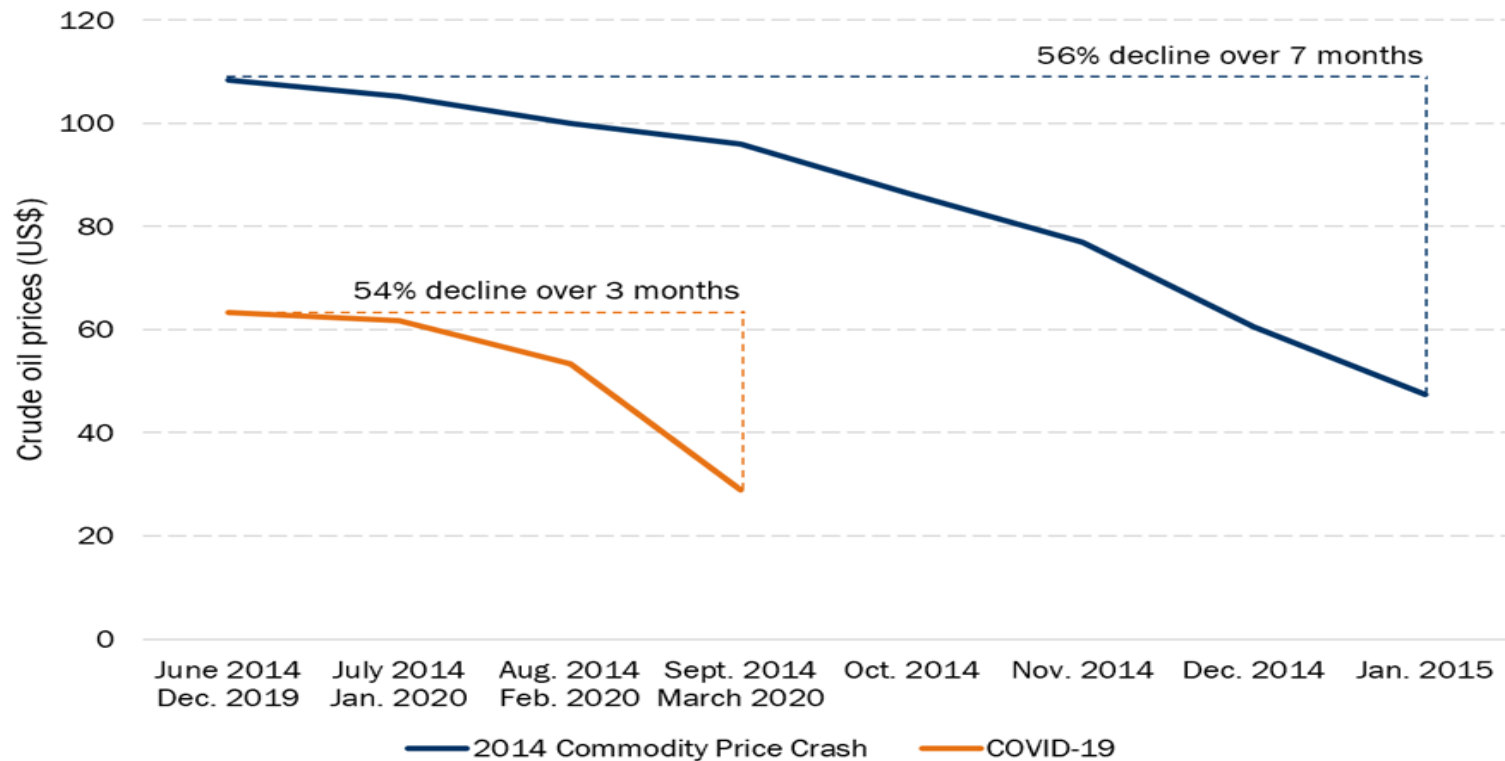
Exhibit 2: US Economic Outlook: Quarterly Growth Profile



Source: Bureau of Economic Analysis, Morgan Stanley Research forecasts

Oil Market Impact

Figure 1. Drop in crude oil prices in 2014 vs. COVID-19



Source: IMF Primary Commodity Price System.

BROOKINGS

Always Volatile



ARMADA

U.S. WTI futures price, constant dollars, 1983–2020

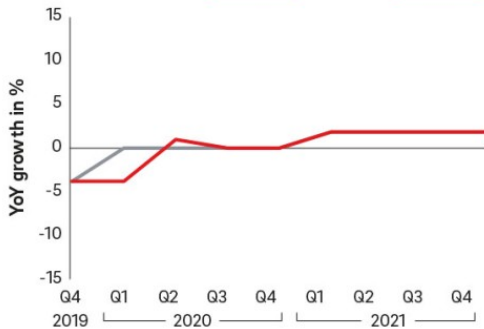


Challenged by already weak growth rates in 2019, the automotive sector is estimated to be heavily impacted by COVID-19



Fast recovery

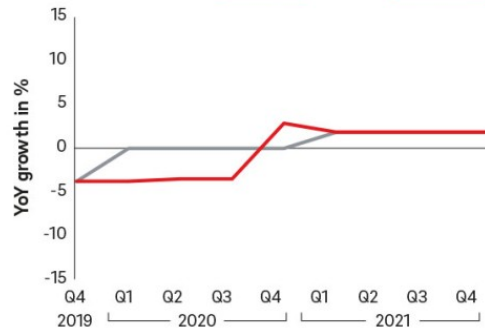
GVA¹ impact 2020 **-0.9 ppts.** 2021 **0.0 ppts.**



- > In H1/2020 sales volume is below initial forecast due to reduced customer confidence
- > Ramp-up in H2/2020 to compensate for deficit

Delayed cure

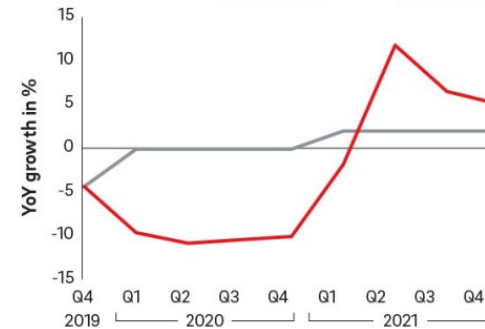
GVA¹ impact 2020 **-2.4 ppts.** 2021 **0.0 ppts.**



- > Significant decline in sales in H1/2020 due to component shortages and supply chain implications
- > Ramp-up in Q4/2020 to minimize FY effect

Profound recession

GVA¹ impact 2020 **-10.6 ppts.** 2021 **3.4 ppts.**



- > Vehicle sales >10% down on forecast
- > No ramp-up possible due to continuous impact of COVID-19 on supply chain

Assessment of regional impact



¹ Gross value added (GVA) — Forecast — Impact of COVID-19 — Low impact — High impact

Source IHS Markit, Roland Berger



Sectors to Watch

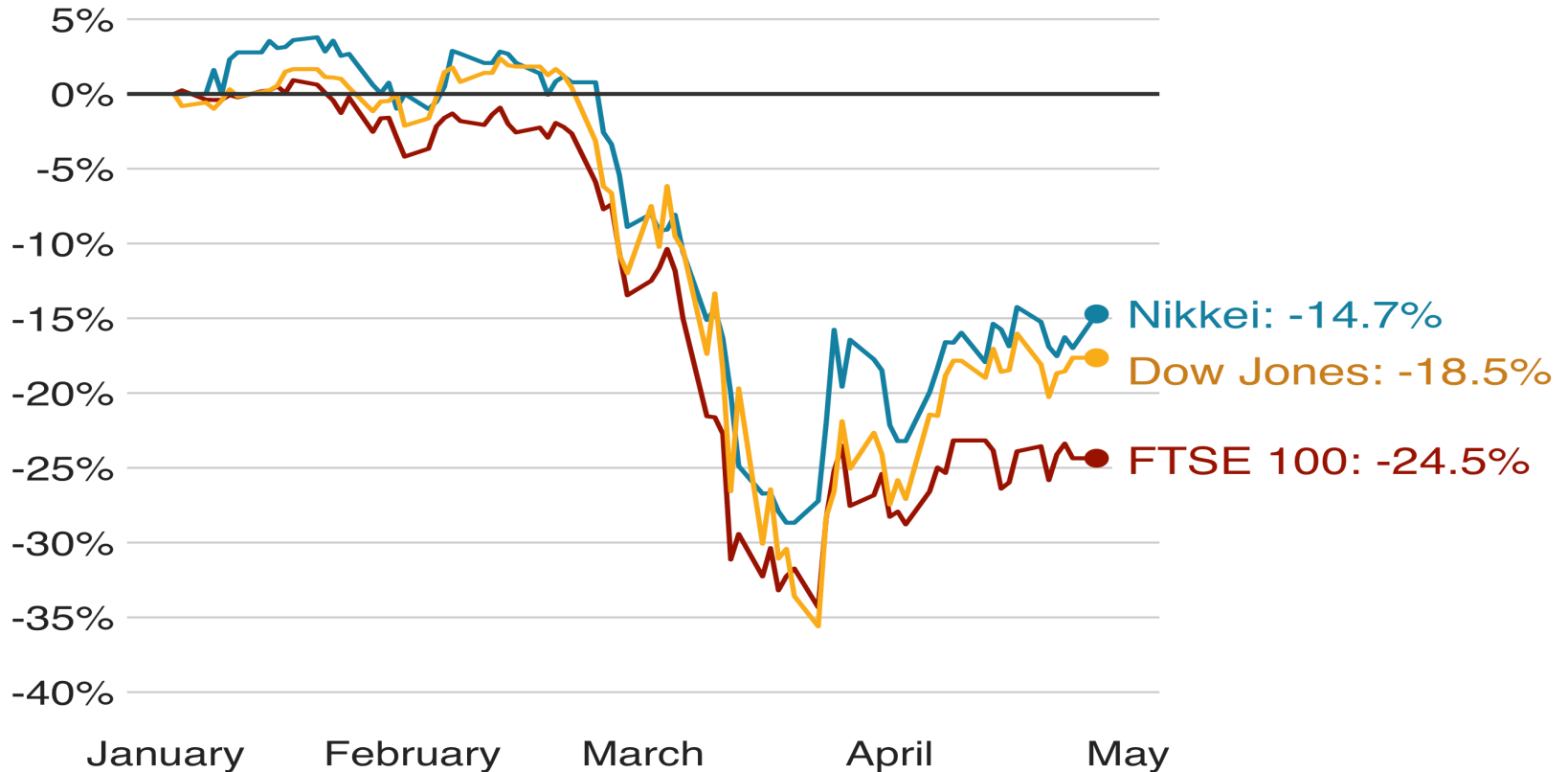
High exposure	Moderate exposure	Low exposure
<ul style="list-style-type: none">» Apparel» Automotive & Auto Suppliers» Consumer Durables» Gaming» Lodging/Leisure & Restaurants<ul style="list-style-type: none">» Includes Cruise Lines» Non-food Retail*» Passenger Airlines» Transportation & Services<ul style="list-style-type: none">» Includes Shipping	<ul style="list-style-type: none">» Aerospace & Defense» Business Services» Chemicals» Construction & Homebuilding*» Consumer Non-Durables» Consumer Services» Healthcare & Pharma» Manufacturing» Media & Ad Agencies*» Mining & Mining Services» Oil & Gas» Real Estate*» Steel Processors*» Tech Hardware» Wholesale Distribution	<ul style="list-style-type: none">» Food & Beverage<ul style="list-style-type: none">» Includes Food Retailers» IT Software & Services» Natural Products Processors» Packaging» Telecom» Waste Management

[1] This heat map is based on a bottom-up analysis of individual issuers' COVID-19 exposure, overlaid with qualitative considerations for the sectors believed to be the most exposed to the outbreaks in the highly affected regions. Our heat map does not include industry-specific government intervention, though it would be considered in our credit analysis.

[2] An (*) denotes a change in exposure since mid-March heat map report.



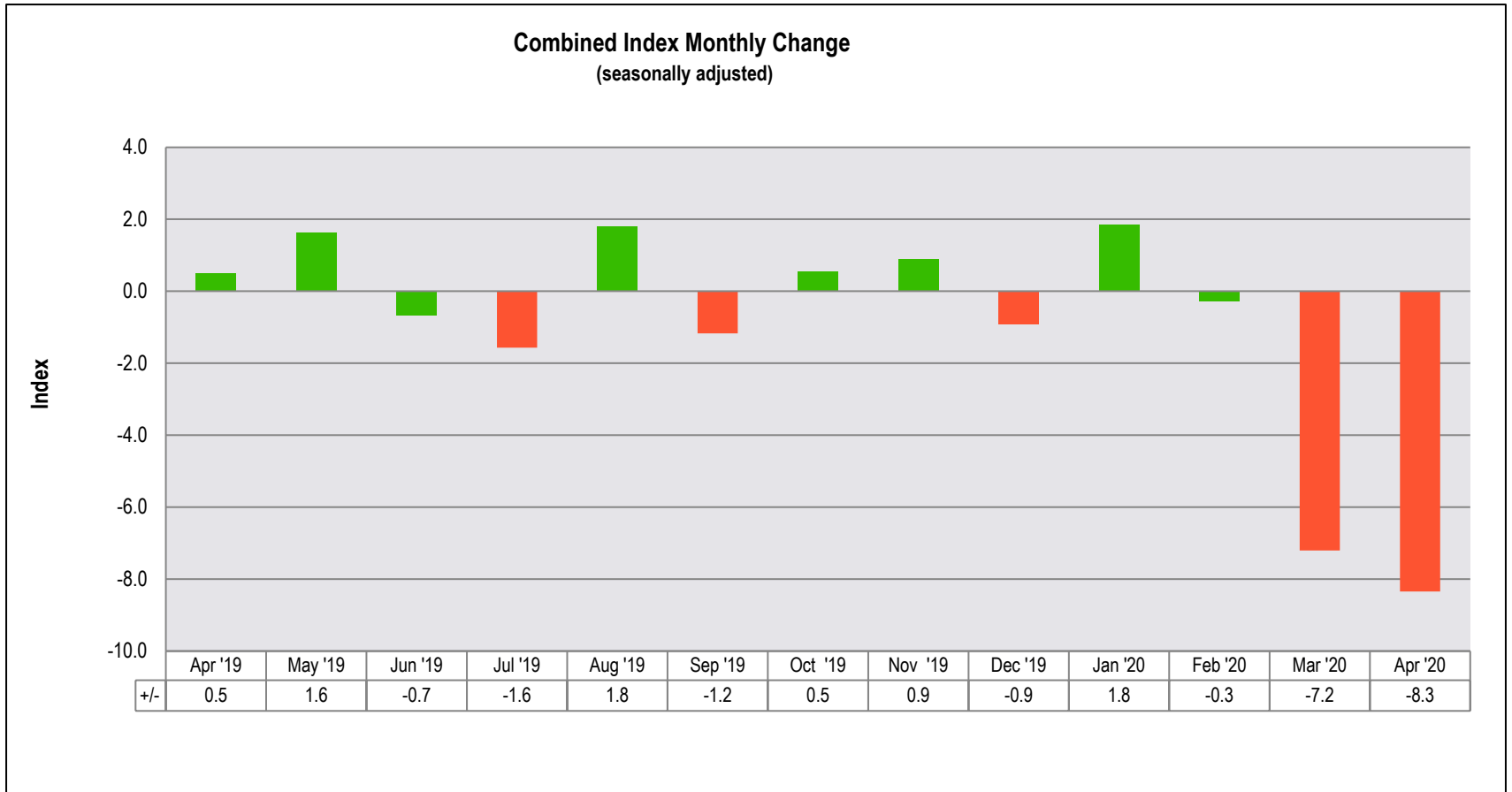
The impact of coronavirus on stock markets since the start of the outbreak



Source: Bloomberg, 27 April 2020, 07:00 GMT



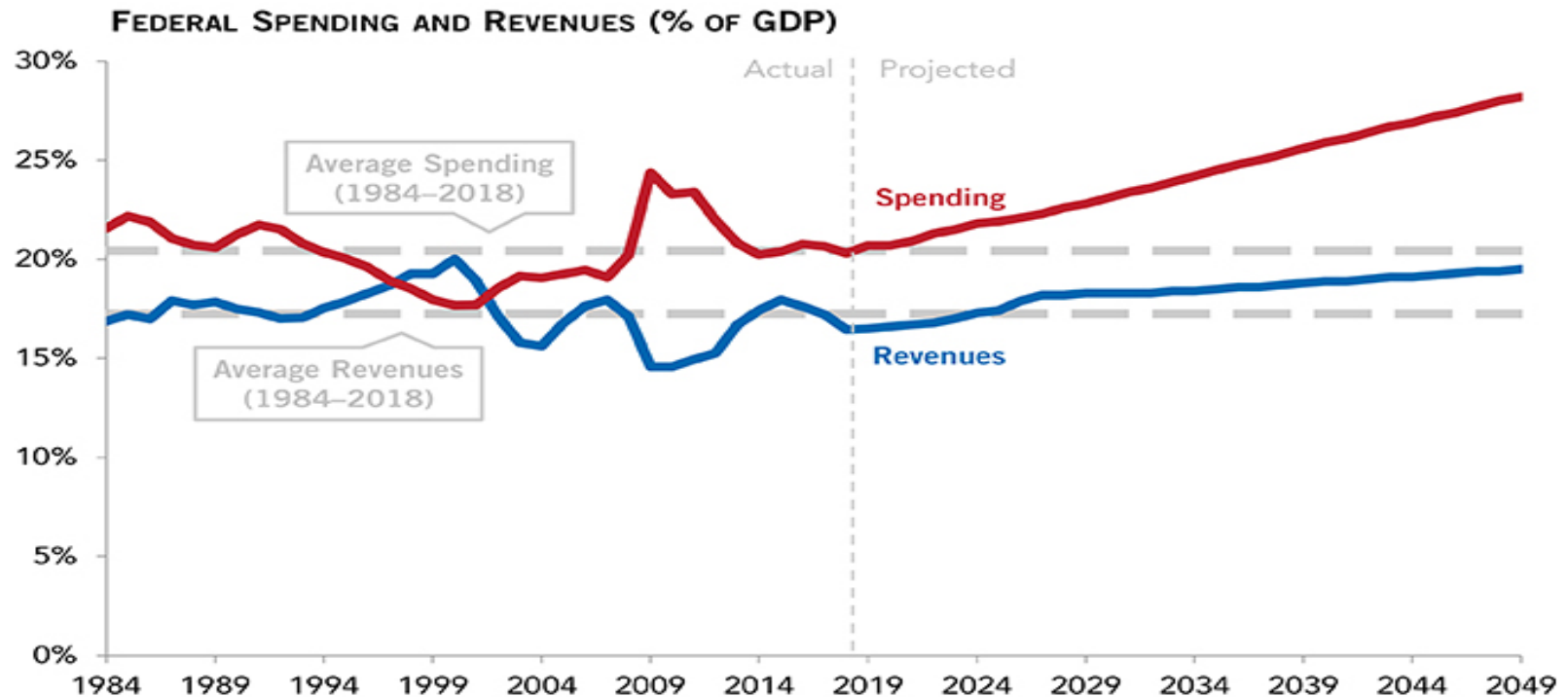
CMI Overall



Want Something Else to Obsess Over?



The growing debt is caused by a structural mismatch between spending and revenues



SOURCE: Congressional Budget Office, *The 2019 Long-Term Budget Outlook*, June 2019.

© 2019 Peter G. Peterson Foundation

PGPF.ORG

Three Scenarios



ARMADA

- **Most Likely – A series of serious outbreaks in specific areas with a vulnerable population. This would include where the elderly population is large or where there are large crowded urban areas.**
- **Next Most Likely – Waves of infection in areas where there has been a loosening of restrictions as people who were not exposed become infected.**
- **Least Likely – Massive second wave that looks like the first one and spreads at the same rate.**
- **The role of “Herd Immunity” – the more that people are exposed and get the infection the larger the population with temporary immunity. It is estimated that roughly 70% to 90% are either without symptoms or have a mild version.**

Winners and Losers



ARMADA



DECODING THE ECONOMICS OF COVID-19 POTENTIAL WINNERS & LOSERS IN THE SHORT TERM



Source: Dcode EFC Analysis

CORONAVIRUS LOCKDOWN

How introverts think it will be



How extroverts think it will be



How the media thinks it will be



How it actually is



You KNOW You Want More



- chris.kuehl@armadaci.com
- **(816) 304-3017**

- **Business Intelligence Brief**
– published every Monday, Wednesday and Friday. It's **FREE!**

- **Black Owl Report** –
published every Tuesday, Wednesday and Friday. **One month free trial at no cost and no obligation**

Thank You

Thank you for attending our SMU Community Chat Webinar.

A special thank you to Dr. Chris Kuehl for his participation in today's community chat.

Our next webinar will be **Wednesday, May 20th at 11 AM ET** and will feature John Anton of IHS Markit.

To contact John Packard – John@SteelMarketUpdate.com

To contact Chris Kuehl – chris.kuehl@armadaci.com

For information about subscribing to SMU contact Paige Mayhair at Paige@SteelMarketUpdate.com

Stay safe and stay tuned to Steel Market Update.

John Anton – May 20

Mr. John Anton is the lead steel expert, as an associate director in the Pricing and Purchasing Service at **IHS Markit**. Recognized for his expertise in the ferrous metals industry, he is responsible for evaluating the outlook for steel. Mr. Anton also specializes in forecasting commodities and works closely with the Automotive, Construction, Energy and Economics teams at IHS Markit. Steel demand is linked to outlooks from these key sectors. In turn, the profitability of these sectors can rise or fall depending on the price and availability of steel. Prior to joining IHS Markit, now IHS Markit, in 1995, he was in the private practice of law as well as an economist and statistician for the United States Department of Labor in the Bureau of Labor Statistics (BLS). Mr. John Anton received a Bachelor of Science in Economics from Florida State University, US, and a Juris Doctor from the Marshall-Wythe School of Law at the College of William and Mary, US.



SteelMarketUpdate.com/blog/SMU-Community-Chat-Webinars



STEEL MARKET UPDATE

part of the  Group

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