

# SMU Community Chat

May 6, 2020

Starting at 11 AM Eastern

**John Packard, President & CEO of Steel Market Update**

**Timna Tanners, Metals and Mining Analyst at Bank of America**



[SteelMarketUpdate.com/Blog/SMU-Community-Chat-Webinars](https://www.steelmarketupdate.com/Blog/SMU-Community-Chat-Webinars)

## **Thursday, April 30<sup>th</sup>**

- ArcelorMittal announced \$500 HR and \$700 CR/coated

## **Friday, May 1<sup>st</sup>**

- USS announced a \$60/ton flat rolled increase
- Nucor announced a \$50/ton flat rolled increase
- UPI announced a \$60/ton flat rolled increase
- NLMK announced \$520 HR and \$720 CR/coated

## **Monday, May 4<sup>th</sup>**

- Algoma announced a \$50/ton flat rolled increase

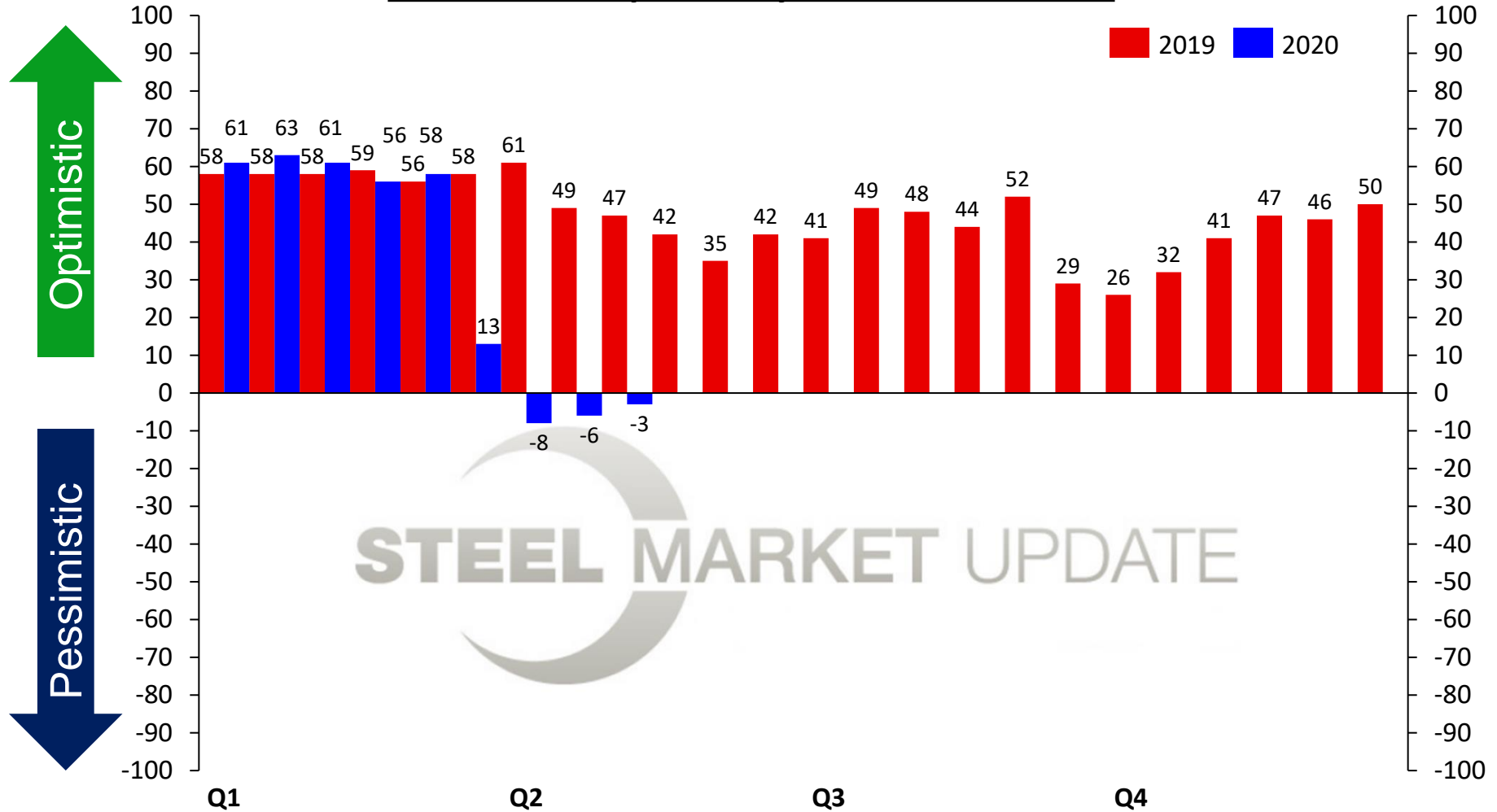
# SMU Hot Rolled Price Index



# SMU Buyers Sentiment Index

Up 3 points to -3

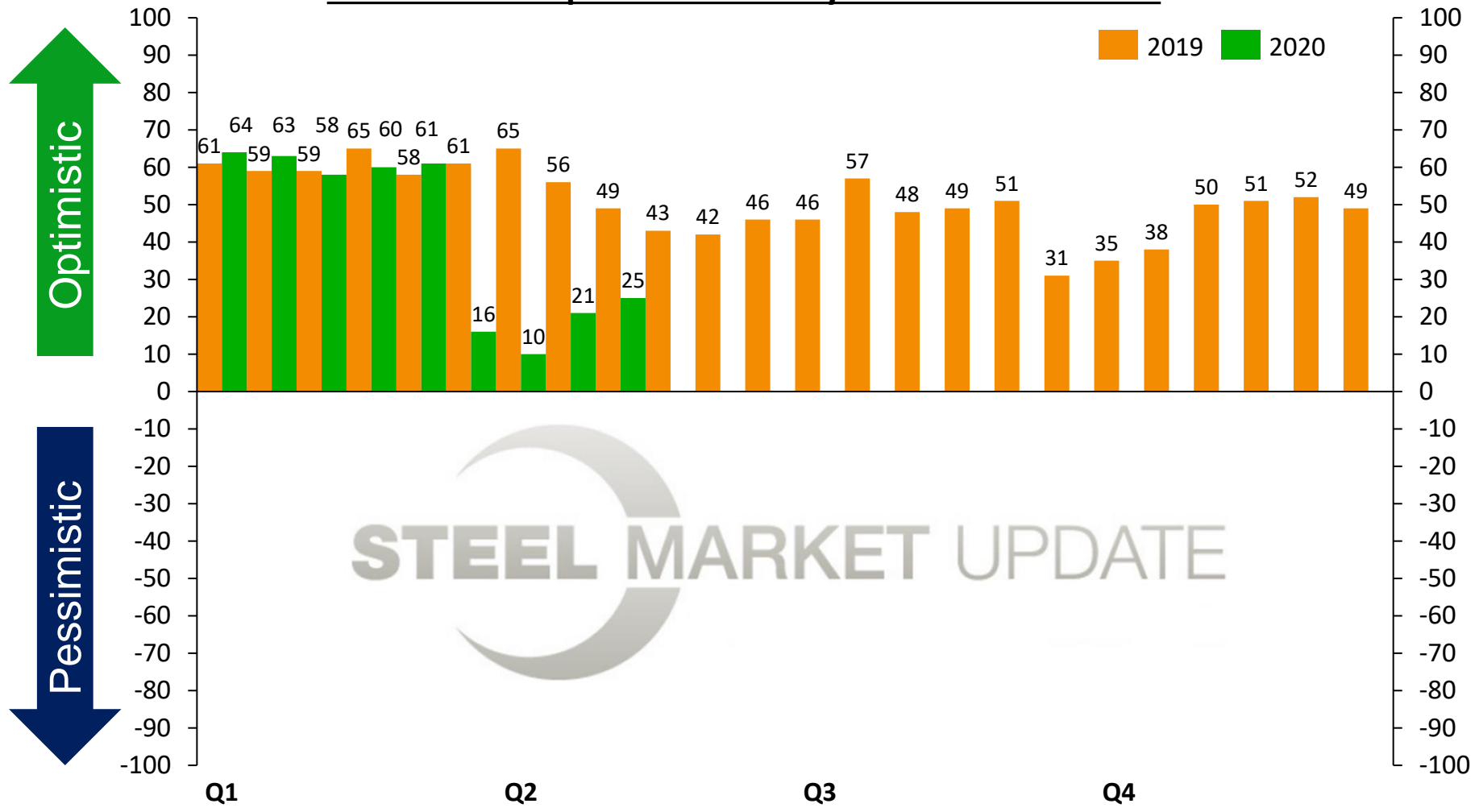
## Steel Market Update Buyers Sentiment Index



# SMU Future Buyers Sentiment Index

Up 4 points to +25

## Steel Market Update Future Buyers Sentiment Index



# Furnace & Other Outages

## Steel Market Update: North American Steel Outages 2020

<u>Supplier</u>	<u>Facility</u>	<u>Type</u>	<u>Month</u>	<u>Days</u>	<u>Tons/Day</u>
Arcelor Mittal	Indiana Harbor	#4 furnace to be idled	April	indefinitely	4900
		#3 furnace idled	April	Indefinitely	4300
	Burns Harbor	C furnace hot idle	Mid-April		7400
	Dofasco	#3 furnace idled	March	temporary	2500
	Cleveland	#6 furnace idled	April	temporary	4150
NLMK	Indiana	Furnace maintenance	June	21-27	2219
Stelco	Hamilton	Furnace reline	2H	60-75	6575
US Steel	Gary	#4 BF maintenance	April	48	4200
		#8 BF idled	April	indefinitely	3300
		#6 BF idled	May		3800
	Great Lakes	Idle steelmaking	April	indefinitely	8100
	Granite City	A furnace idled	April	indefinitely	7400
	Mon Valley	#1 BF idled	May		3450
AK Steel	Dearborn	C furnace to be Idled	31-Mar	TBD	6000
	Dearborn	HSM etc idled	5-Jul	permanent	
	Butler	Extended outage	April	14	
	Mansfield	Extended outage	April	14	
	Precision Partners	Idle all operations	April	temporary	
JSW Steel	Mingo Junction	Idle EAF, hot rolling mill	Mid-April	28	

# Furnace & Other Outages

## Steel Market Update: North American Steel Outages 2020

<u>Supplier</u>	<u>Facility</u>	<u>Type</u>	<u>Month</u>	<u>Days</u>	<u>Tons/Day</u>
<b>Tubular</b>					
US Steel Tubular	Lorain	Idle operations	May	Indefinitely	1040
	Lonestar	Idle operations	May	indefinitely	2160
Tenaris	Koppel, PA.	Idle operations	April	temporary	
	Ambridge, PA	Idle operations	April	temporary	
	Brookfield, OH	Idle operations	April	temporary	
	Baytown, TX	Idle operations	April	temporary	
	Hickman, AR	Adjust production	April	temporary	
AK Steel	Tubular facility	Reduce 65% production	April	temporary	
JSW Steel	Baytown Pipe	Idle operations	Mid-May	temporary	
<b>SBQ</b>					<b>Tons/Yr</b>
Gerdau	Jackson, MI	EAF idle	March	temporary	1.6 mill
	Monroe, MI	EAF idle	March	temporary	
	Fort Smith, AR	EAF idle	March	Restarted	
	St. Paul MN	Melt shop idled	June	indefinite	
	Cartersville, GA	EAF idle	March	End March	1.0 mill
Liberty Steel	Georgetown	Idle operations	April	3 months	

# Project Updates

## Steel Market Update: North American Steel Outages 2020

<u>Supplier</u>	<u>Facility</u>	<u>Type</u>	<u>Month</u>	<u>Days</u>	<u>Tons/Day</u>
<b>Project Updates</b>					
US Steel	Mon Valley	Construction paused			
	Gary Works	HSM paused			
	USSE	Elec line paused			
	Tubular	EAF—no delay			
Cleve-Cliffs	HBI - Toledo	Construction paused			
Algoma	Canada	#2 LMF paused			
<b>Iron Ore</b>					
Cleveland Cliffs	North Shore	Temporary idle	Mid April	August	
	Tilden Mine	Temporary idle	End April	July	
Nucor	Louisiana DRI	Temporary idle	14-Apr	TBD	
	Trinidad	Temporary idle	7-Apr	TBD	
US Steel	Keetac	Temporary outage	May	indefinite	
ArcelorMittal	Hibbing	Idle production	3-May	July	





**Timna Tanners** is a Managing Director in Americas Equity Research covering North and South American metals and mining companies and U.S. building materials for **Bank of America**. She has covered the Metals and Mining sector since 2002. Regular research publications include: a quarterly U.S. metal buyer survey and a weekly Metals Musings note. Tanners sponsors field trips to facilities and hosts steel buyer lunches/dinners. She and the team were ranked #1 in Metals and Mining in the Institutional Investor All-America Research Poll from 2013 to 2018. Tanners has been at BofA since 2011 and 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.

6 May 2020

# Steel Market Update Webinar – Post COVID-19 U.S. steel outlook

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Refer to important disclosures on page 12-14.

# No smooth sailing for U.S. steel post COVID-19

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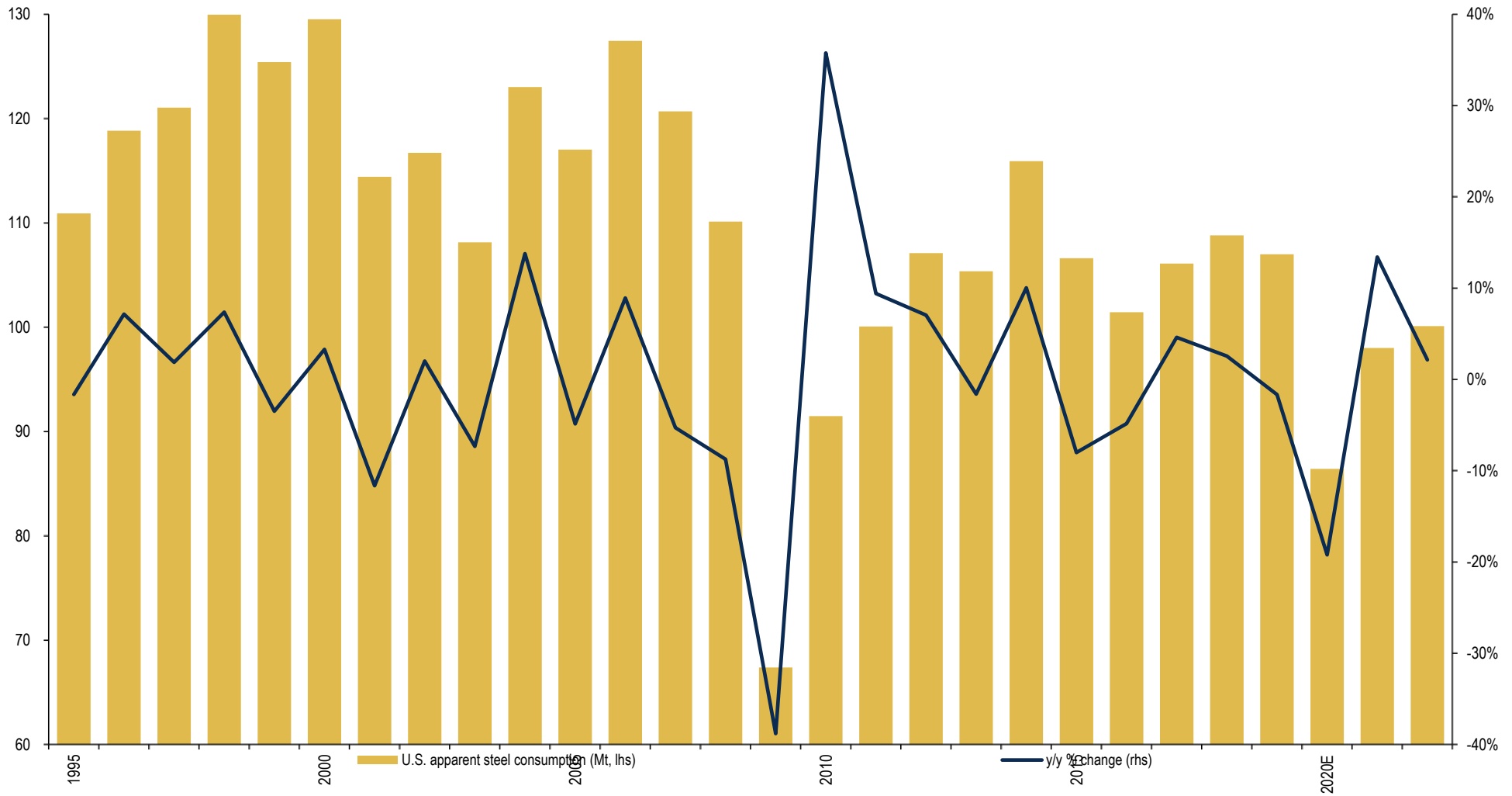


- Bank of America economists anticipate a Q2E/Q3E global recession
- Energy and auto impaired, even when activity resumes
- Construction leading indicators rolling over (per Ken and others)
- Recoveries tend to take several years
- Couple lower demand with 5 new/expanding sheet/plate mills
- Steelmageddon™ is worse than we thought if demand lower, UNLESS many blast furnaces stay shut

# What do past cycles tell us? No V-shaped recovery



## U.S. apparent steel consumption (Mt) vs % y/y



Source: worldsteel, AISI, MSCI, BofA Global Research estimates

# Closures steep, but some need to stay off line permanently



Table 1: Estimated new sheet capacity vs closures (Mt/yr)

Permanent closures		Capacity	New capacity		Capacity
X's Great Lakes		2.9	Bluescope Northstar expansion		1.2
AK's Ashland		2.2	Nucor Gallatin expansion		1.4
<b>SUM</b>		<b>5.1</b>	Big River plus expansion		3.2
Temporary closures			Nucor new KY plate mill		1.2
AK's Dearborn		2.2	STLD new TX sheet mill		3.0
ArcelorMittal Cleveland		1.5			<b>10.0</b>
ArcelorMittal Dofasco		0.9	Displaced exports to Mexico		3.5
ArcelorMittal Burns Harbor C		2.7	<b>All N America new/displaced supply</b>		<b>13.5</b>
ArcelorMittal Indiana Harbor #3		1.6			
ArcelorMittal Indiana Harbor #4		1.8			
JSW's Mingo Junction		NA			
X's Gary Works #4		1.5			
X's Gary Works #6		1.8			
X's Gary Works #8		1.2			
X's Granite City A		1.4			
X's Mon Valley #1		1.5			
<b>SUM</b>		<b>18.1</b>			
<b>All closures of late</b>		<b>23.2</b>			

Source: Company reports, BofA Global Research

***A convenient solution, but blast furnaces unlikely to stay off line***

Questions?



# Thank You

Thank you for attending our SMU Community Chat Webinar.

A special thank you to Timna Tanners for her participation in today's community chat.

Tomorrow we will provide a link to the video recording of today's webinar.

Our next webinar will be **Wednesday, May 13th at 11 AM ET** and will feature **Dr. Chris Kuehl**, Managing Director of **Armada Corporate Intelligence**.

Stay safe and stay tuned to Steel Market Update.



**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.



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