

# SMU Community Chat

July 8, 2020

Starting at 11 AM Eastern

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

**Ryan McKinley, Senior Analyst at CRU**



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

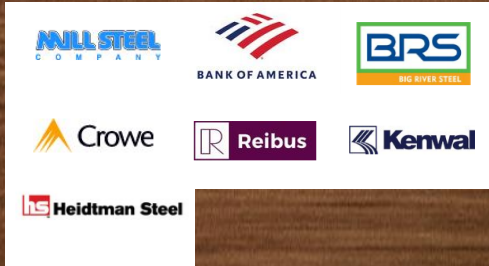
Andre Marshall is the President and founder of Crunch Risk, LLC. Andre has over 25 years of commodity trading and financial risk management experience. Prior to forming Crunch Risk in 2005, Andre helped start Koch Supply & Trading's metals trading business, primarily responsible for the development of the client franchise. Andre is the instructor for Steel Market Update's Managing Price Risk workshops. Crunch Risk is licensed with the NFA as an Introducing Broker and Andre also holds a Series 3 license



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**SMU Steel Summit 2020**  
VIRTUAL CONFERENCE  
August 24-26, 2020

**EXHIBIT HALL** ⬇️



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**THEATER** ⬇️

Upcoming Sessions (British Summer Time)

6:00 - 6:40 Jul 22

**Energy Cable Leadership Panel: Energy Cable in the Recovery**

[RSVP](#)



We are pleased to announce the 2nd annual [SMU NexGen Leadership Award](#), sponsored by the Steel Manufacturers Association. The Award is designed to recognize and celebrate the excellence of emerging leaders within the greater steel community.

SMU is dedicated to helping businesses recruit, train and retain the next generation of talent. Any young motivated employee under the age of 35 who is currently employed by an organization that utilizes carbon steel as part of its core business function is eligible for this award.

**This is a great opportunity to shine the light on the hard work of the people in your organization, and celebrate it with the greater steel industry.**

**The winner will get:** a mentorship day with **Chuck Schmitt, President of SSAB Americas**; a free pass to a SMU Steel 101 Workshops; and a free pass to the next SMU Steel Summit.

**Nomination details will be announced by SMU in the coming days.**

# SMU Hot Rolled Price Index

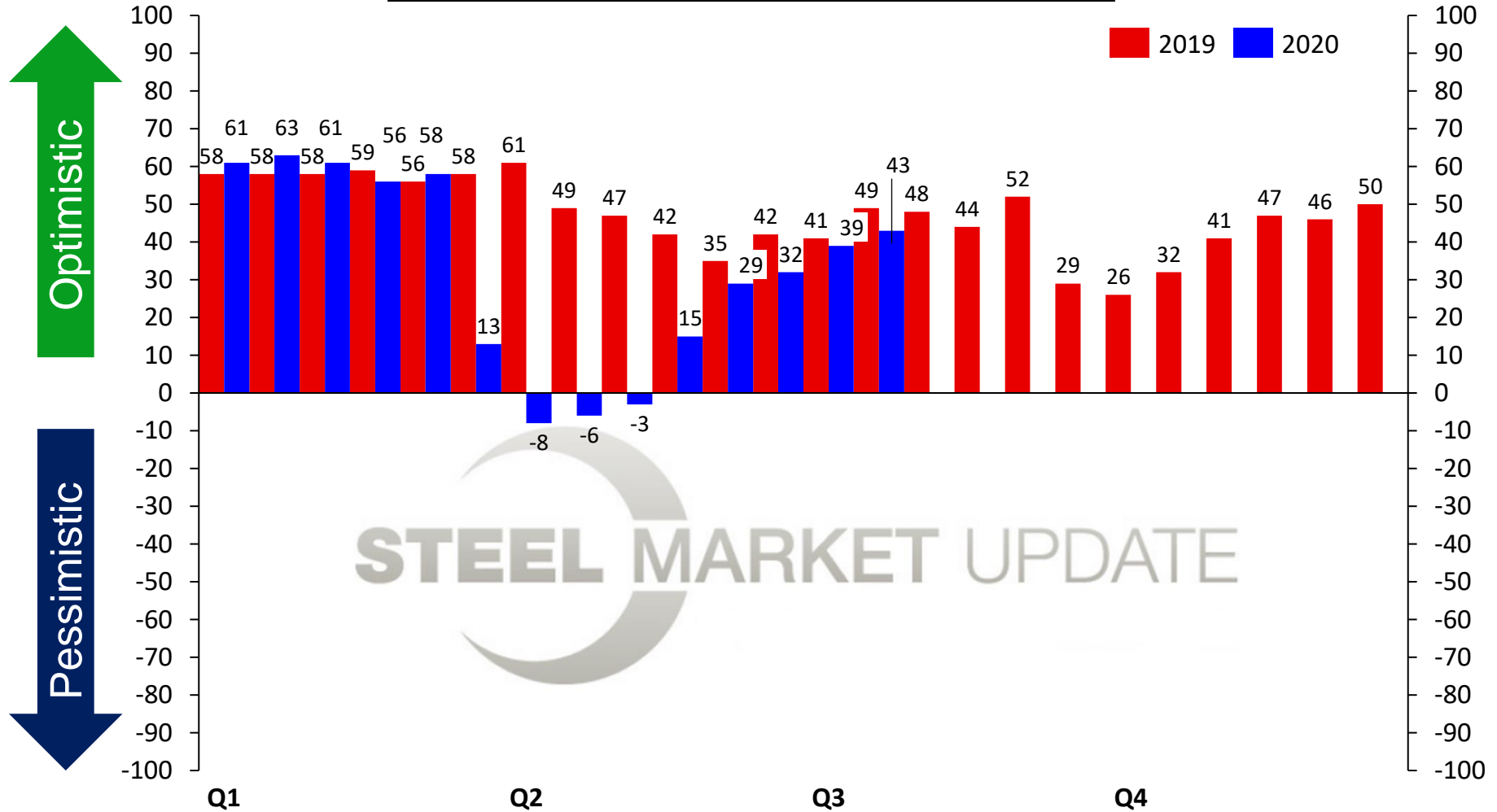




# SMU Buyers Sentiment Index

Up 4 points to +43

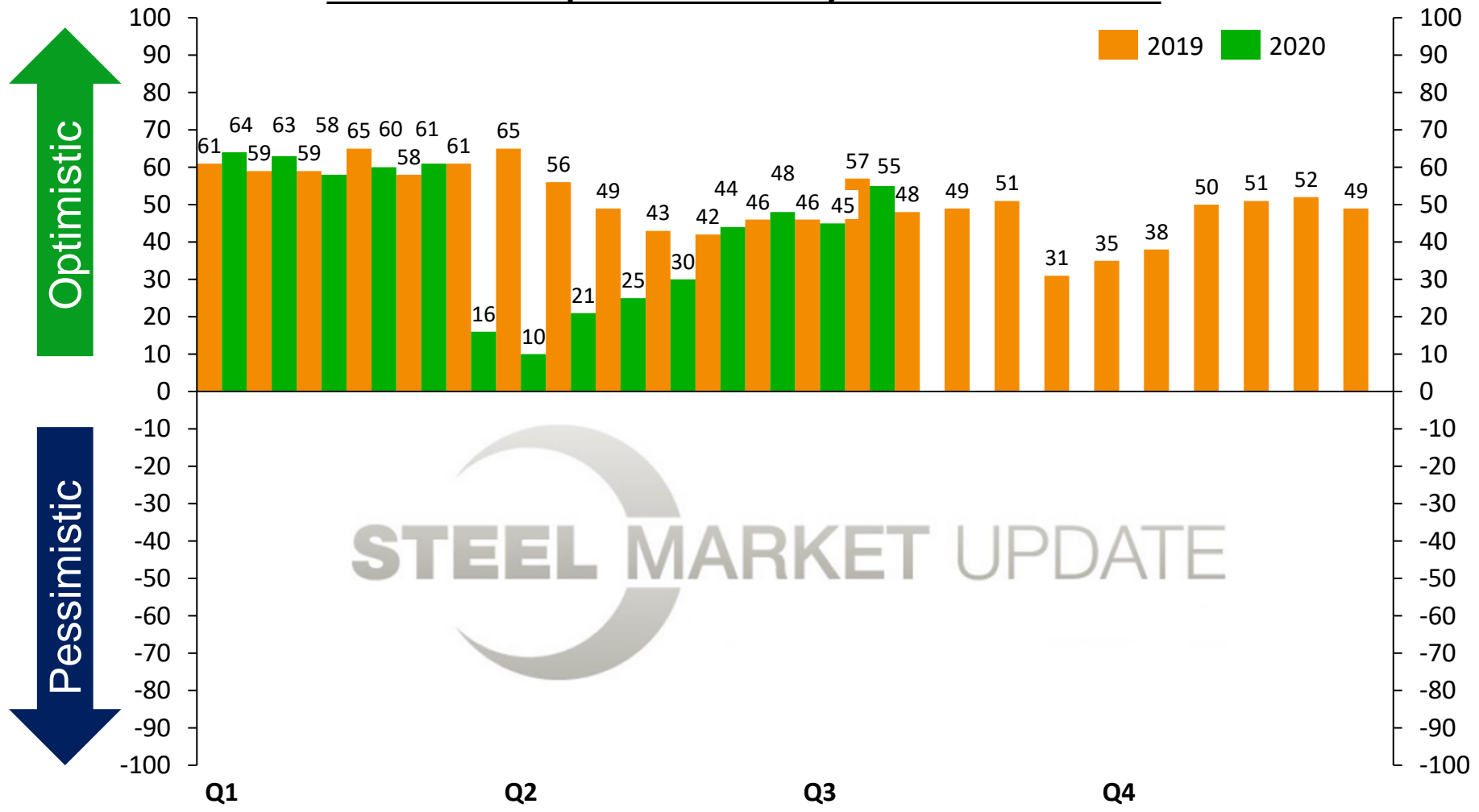
## Steel Market Update Buyers Sentiment Index



# SMU Future Buyers Sentiment Index

Up 10 points to +55

## Steel Market Update Future Buyers Sentiment Index



Ryan McKinley is a Senior Analyst at CRU.

Ryan joined CRU in 2018 and is based in Pittsburgh. He provides analysis for CRU's Steel Long Products Monitor, Steel Long Products Outlook, Steel Metalics Monitor, Stainless Steel Monitor, and Metalics Outlook.

Ryan holds a BA in Political Science from Colorado State University located in Fort Collins, Colorado, and an MA in Energy Politics in Eurasia from European University located in Saint Petersburg, Russian Federation.



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# US Scrap Outlook

Scrap market dynamics after the pandemic

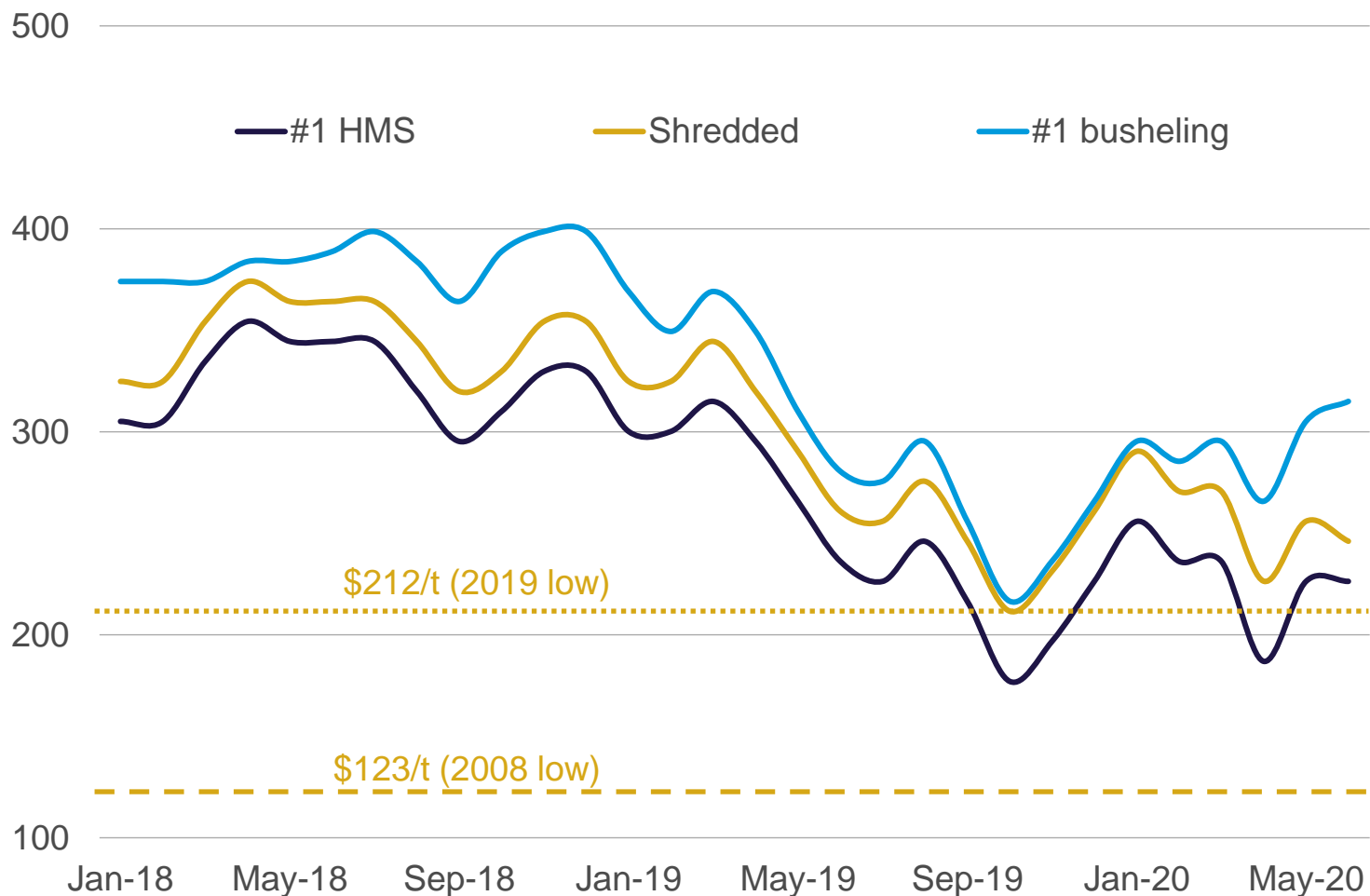
SMU Community Chat

July 2020



# Scrap prices have faced persistent downward pressure since 2018

## US scrap prices delivered Great Lakes, \$/t

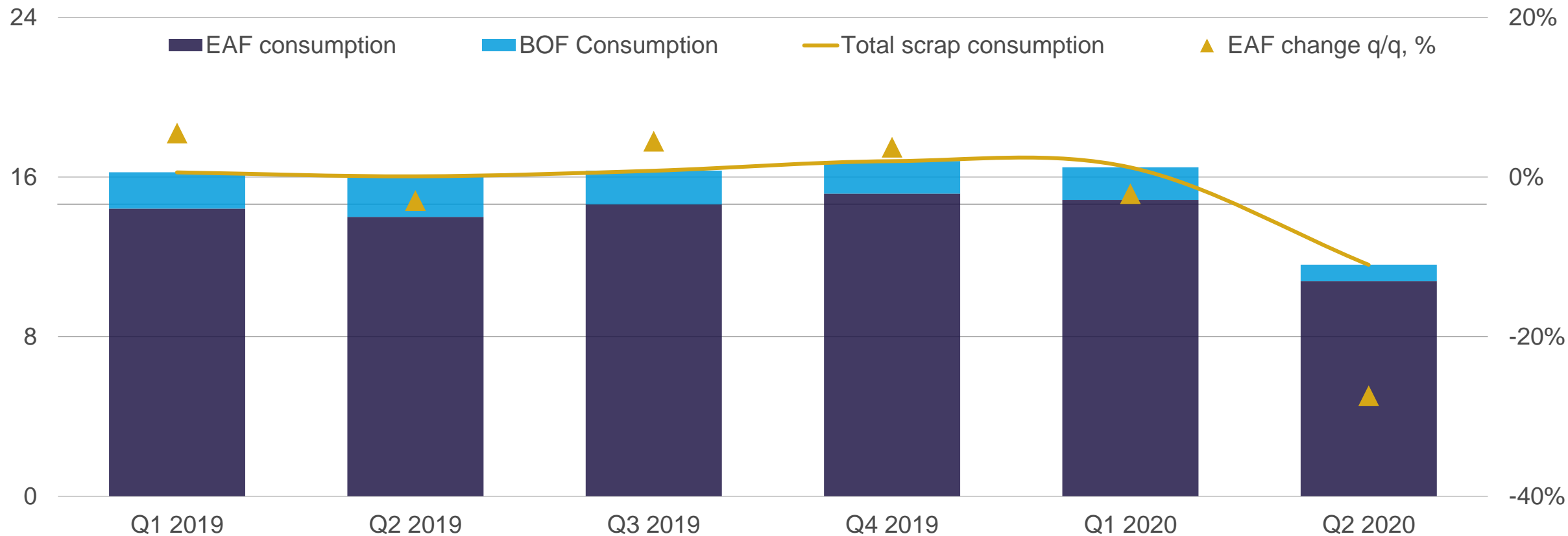


- While Section 232 tariffs on steel imports boosted scrap prices, finished steel prices increased more significantly.
- Since 2018, prices have come under persistent downward pressure, bottoming out in October 2019.
- The Covid-19 pandemic caused steel demand, and by extension scrap demand, to evaporate in April.
- Even so, scrap prices never reached even a six-month low, let alone levels that were reached during the Great Financial Crisis in 2008.

# Scrap demand fell rapidly during lockdown, but supply fell faster

## US scrap consumption

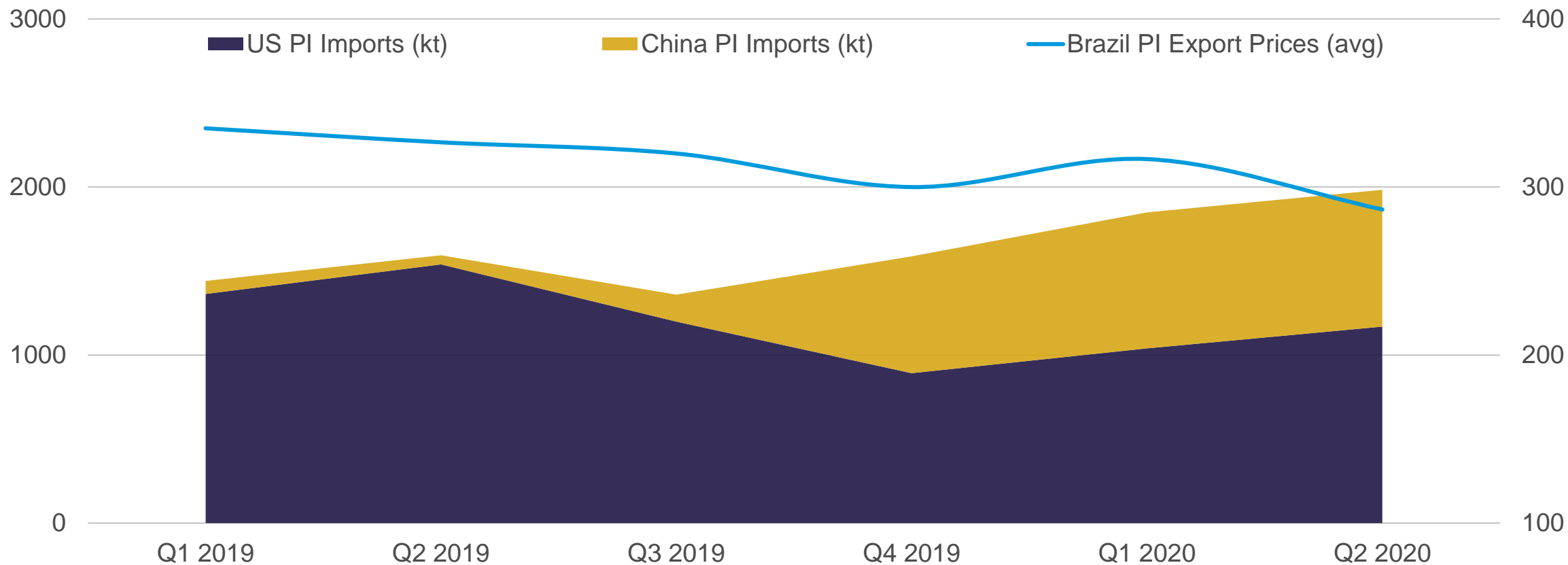
LHS: by steelmaking process, Mt (bars); RHS: EAF q/q change, % (line/markers)



## Pig iron demand in China has helped stabilise prices

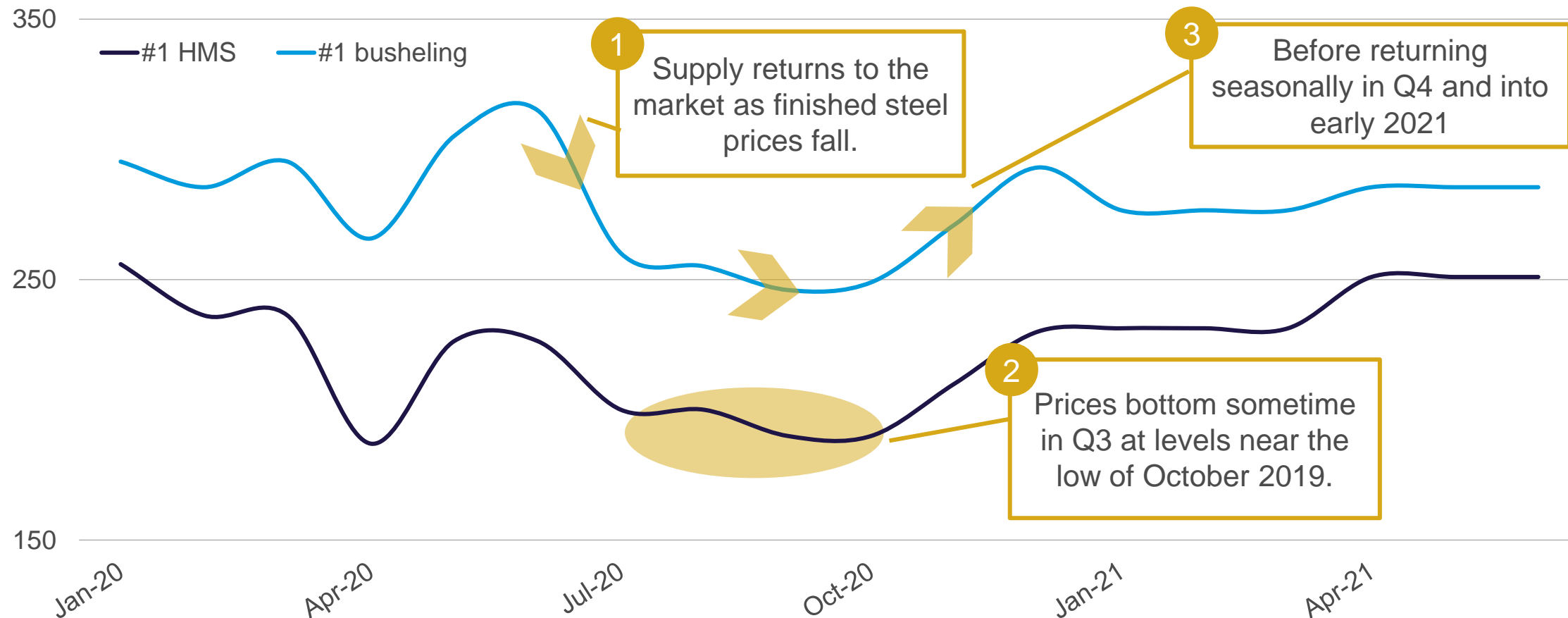
LHS: US and Chinese pig iron imports, kt

RHS: North Brazil pig iron export average quarterly prices FOB, \$/t



# Scrap prices will likely come under pressure Q3 before recovering

Scrap prices delivered Great Lakes, \$/t



## Key risks to near-term forecast

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### Upside Risks

- Unexpectedly strong return in demand for finished steel, especially for flat roll (automotive) and tubular products (oil and gas).
- Stronger demand from the international market pulling additional US scrap to the export market.
- A second wave of Covid-19 infections results in renewed lockdowns and limits scrap supply— although demand would be impacted as well.

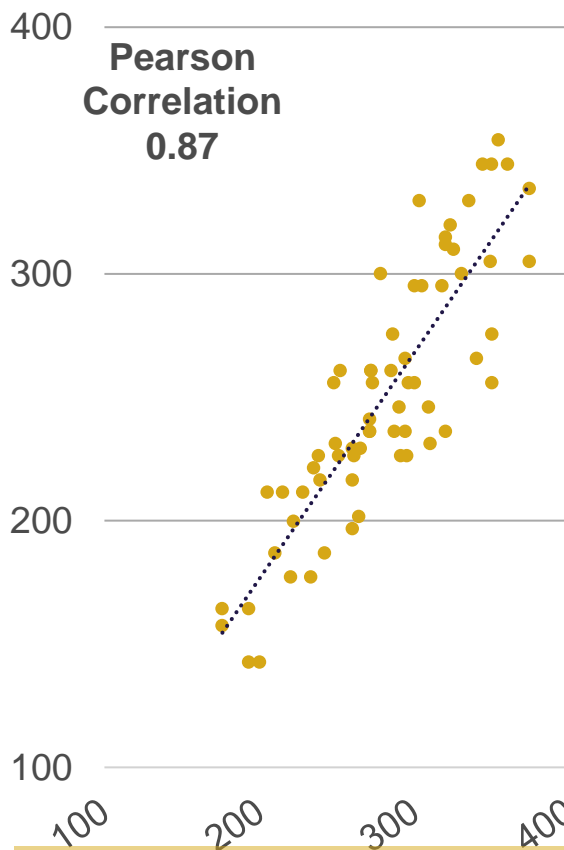
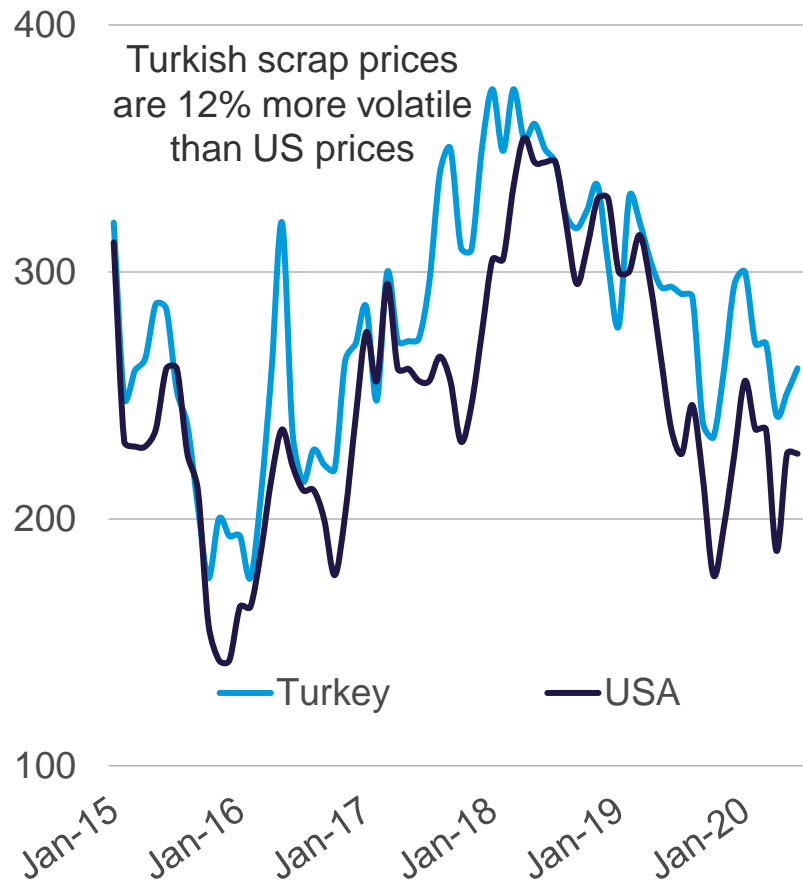
### Downside Risks

- A dramatic decrease demand from the construction sector as local/state governments come up short on budgets, sinking long product prices and EAF output.
- Weakening international demand allows supply to build up domestically, especially on the east coast.
- Pent-up supply rushes to the market as demolition activity resumes and peddlers increase collection activity. Automotive manufacturing adds more supply.

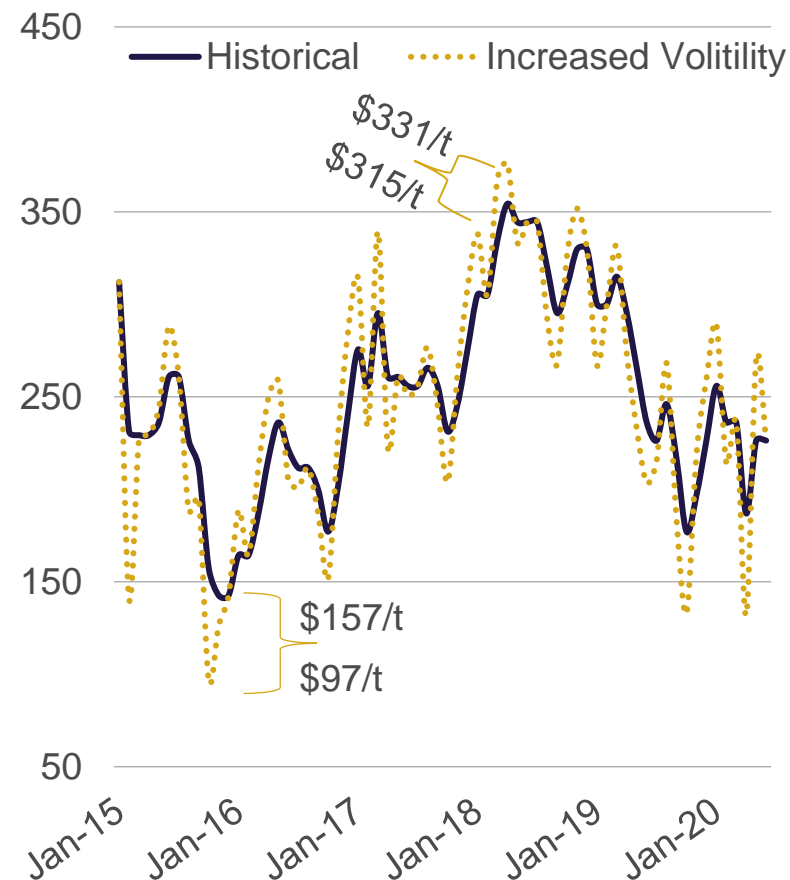


# As more EAFs come online in the US, scrap volatility may increase

US #1 HMS delivered Great Lakes and Turkish HMS 1/2 (80:20) import CFR prices, \$/t

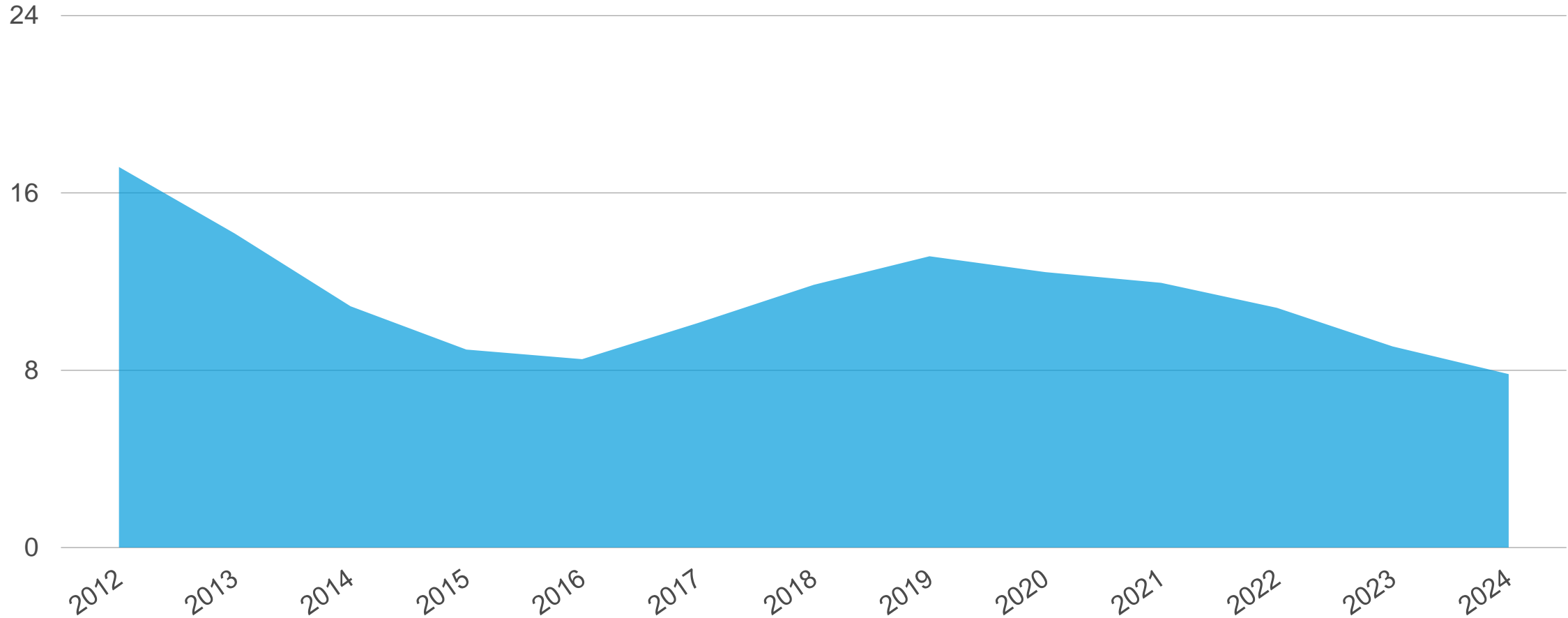


**US and Turkish scrap prices share a strong correlation**

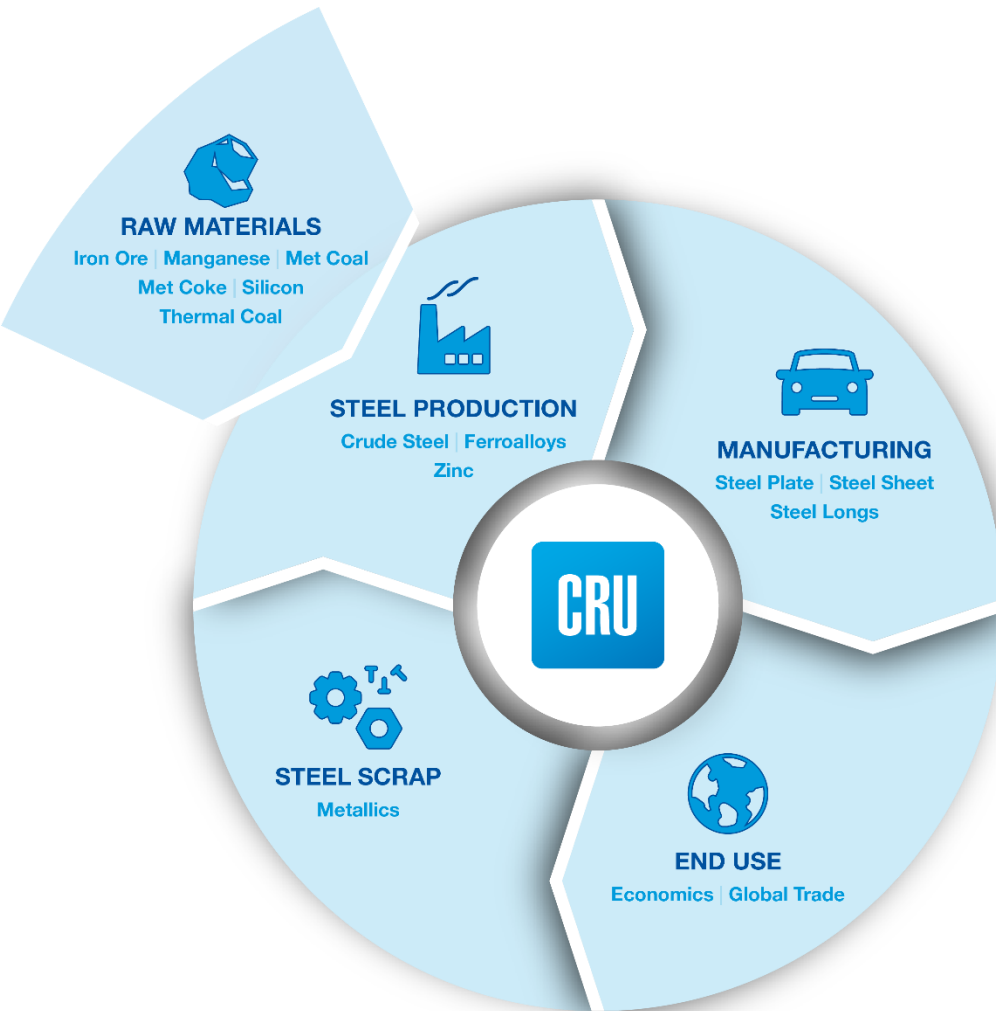


# US scrap exports will fall, but the domestic market will tighten

US net exports of scrap, Mt

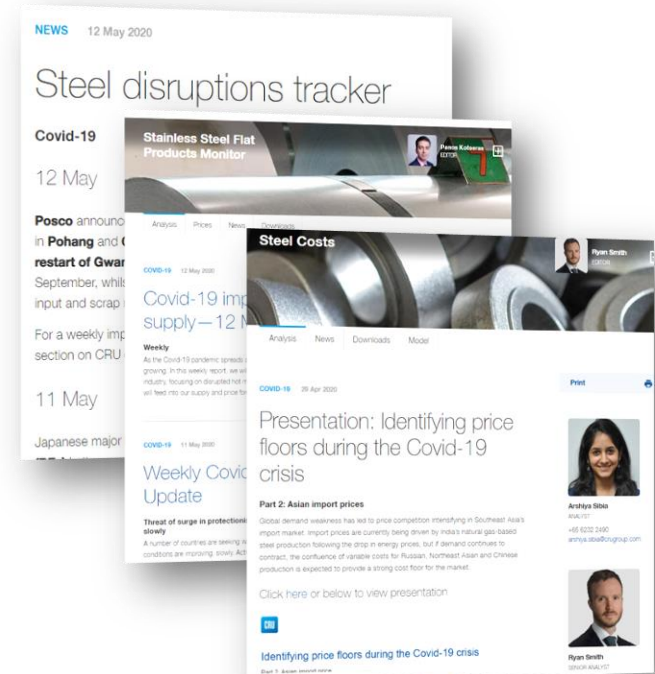


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Get in touch for more information or a demo

# Thank You

Thank you for attending our SMU Community Chat Webinar.

A special thank you to Mr. McKinley for his participation in today's community chat. He can be reached at [Ryan.McKinley@crugroup.com](mailto:Ryan.McKinley@crugroup.com)

Our next webinar will be **Wednesday, July 15<sup>th</sup> at 11 AM ET** featuring guest speaker **Andre Marshall of Crunch Risk LLC.**

To contact John Packard – [John@SteelMarketUpdate.com](mailto:John@SteelMarketUpdate.com)

To contact Tim Triplett – [Tim@SteelMarketUpdate.com](mailto:Tim@SteelMarketUpdate.com)

For information about subscribing to SMU contact Paige Mayhair at [Paige@SteelMarketUpdate.com](mailto:Paige@SteelMarketUpdate.com)

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