2020 Metal Outlook

September 19, 2019
Let’s do a quick case study
GM produced 8.4m cars in 2018

According to the “God of Google” the avg GM car/truck has 2138 lbs of steel

2138 lbs of steel converted to short tons is 1.069 st or 8.98m short tons of steel used by GM annually

Assuming full shifts and 365 days/yr (-14 days for annual shutdown) we get 351 operating days/yr

25,582.9 tons consumed daily by GM

Based on a 110m ton annual domestic demand, it would take 39 days for US steel demand to decline by 1% or 1m tons
Today’s agenda

- Case study! (let’s get to work)
- Overview of our forecasting philosophy
- The macroeconomic outlook
- The long term and short term outlook
- Q&A
Our Forecasting Philosophy
The challenge is not:

• Predicting what a specific price will be at a specific time
  (If we knew that, surely none of us would be here!)

The challenge is:

• Knowing how to source/buy/procure with greater confidence by understanding where the market is and where it could go
• And knowing when to change purchasing behavior

By re-framing the challenge, we developed an approach that has been “right” since product inception
The approach

From a short-term or monthly perspective we look at:

- Trends of commodities
- Industrial metals
- The individual metal
- Price and volume

From a long-term perspective we look at:

- Trends of commodities
- Industrial metals
- Fundamentals (e.g. supply and demand)
Price and volume
2020 Long-Term Forecast
Broad commodity trends
Industrial metals trends
Broad commodity trends
The USD

USD Dollar Index since 2010

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The USD vs CRB
China Stock Market

China FXI shares since 2010
Oil prices
Nickel
HRC

MetalMiner IndX SM HRC, September 25, 2019

- Resistance
- Support
CRC prices and China exchange rate

China HRC Prices ($/st) Compared to the CNY / $ Exchange Rate
HDG
Buying strategies in falling markets

Strategies for Falling Price Markets
1. Know what short-term trend your underlying metal is in (e.g. rising, falling, sideways)
2. Buy on strength not on weakness
3. Don’t try and time the market for the lowest of the lows – lock some percentage of “known demand” when your margins put you “in the money” or
4. Time short-term buys when prices fall close to support
5. Lock in forward buys at the early side of trend reversal
6. Look for cost reductions in product adders e.g. coatings, fuel surcharges
## Prices, historical data and forecasts...

### MetalMiner Insights

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<th>Data and Forecasts</th>
<th>Latest Closing Prices</th>
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| Aluminum           | LME AL 3M: $1792.0 /MT | + Earnings Suffer as U.S. Steel Companies Face Falling Steel Prices  
                    |                        | Monday, September 23, 2019 |
| Copper             | LME CU 3M: $5805.0 /MT | + U.K. Embarks on its Own Free Trade Experiment | Friday, September 20, 2019 |
| Lead               | LME PB 3M: $2115.0 /MT | + U.S. Steel Sector's Capacity Utilization Falls to 80.7% | Thursday, September 19, 2019 |
| Nickel             | LME NI 3M: $17750.0 /MT| + Slowing Growth in India, China to Weigh on Iron Ore Market | Thursday, September 19, 2019 |
| Scrap              | US STEEL HRC: $570.0 /ST| + The September MMI Report: Stainless MMI Jumps on Rising Nickel Prices | Wednesday, September 18, 2019 |
| Steel              | LME SN 3M: $16405.0 /MT| | |
| Tin                | LME ZN 3M: $2310.0 /MT | | |
| Zinc               | | | |

### Tools of the Trade

- Don’t See a Forecast For Your Metal?
- MetalMiner Monthly Outlooks
- Annual Outlook
- Bid and RFQ Toolbox
- Cost Savings Diagnostic
- Want a Market Index to Embed in your Data?
Contact

MetalMiner
Metalminer.com
lreisman@metalminer.com
773.865.0387