

# American Metal Market

## HRC INDEX

MARCH 5, 2018

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INDICES	Location	Measure	Today's Price	Previous Price	Change	Monthly Average	Previous Month	Quarter Average	Previous Quarter	Year Average
HRC Midwest Index	Midwest USA	\$/cwt (weekly)	40.03	38.65	+1.38	40.03	37.28	36.36	30.81	36.36

### MARKET COMMENTARY

Hot-rolled coil prices have risen beyond \$40 per hundredweight (\$800 per ton), with deals recorded at that level even before major Section 232 tariffs were announced, market participants said.

American Metal Market's hot-rolled coil index rose to \$40.03 per cwt (\$800.60 per ton) on Thursday, March 1, up 3.57% from \$38.65 per cwt (\$773 per ton) previously and the highest point since May 2011.

Prior to President Donald Trump's 25% tariff announcement, \$40 per cwt was commonly quoted from integrated mills, while \$39 per cwt could "possibly" be obtained from mini-mill producers, one mill source said early on March 1.

While the steel industry had anticipated an update on the 232 case, market chatter also indicated Trump might wait to make his decision. Market participants were optimistic that the price increase followed from market strength - not the strength of the impending duties.

Still, buyers were hesitant to buy at those prices, the mill source said, noting that lead times were out about eight weeks at one southern mill, with rollings now into May.

"Not many people are active right now," he said. "I don't think people are willing to buy at \$40 per cwt unless they have to... Most of the hot band importers have withdrawn from the market."

He reported hearing an import offer from Mexico at \$38 per cwt delivered into Houston, for A36 hot-rolled, but that required the buyer to pay any 232 duty that may land in the interim, he noted.

Even on February 26, mills were quoting hot-rolled at \$40 per cwt, especially at integrated mills, according to one distributor source.

"Spot availability is very limited, and most are quoting purchase orders very high due to lack of availability or controlled order entry," he said.

The price for hot-rolled is \$40 per cwt even without the 232, a second mill source agreed. "But with the 232, I don't know where prices will go."

Speaking ahead of Trump's announcement, he said supply could be tight if 232 trade actions were implemented. But exporters arguably could ship to the US even under 24% tariffs, if domestic prices increase alongside rising import costs, he said.

"Imports for sure will not just go away," this second mill source said.

Material is selling, although volume is "minuscule," at least from certain mills outside the Midwest and the South, he said. Buyers believe prices will go up in the short term, but some have hesitated to load up on inventory.

After the 232 announcement, two mills suspended price quotations until March 5, one midwestern distributor said, citing conversations with a major national distributor on March 1.

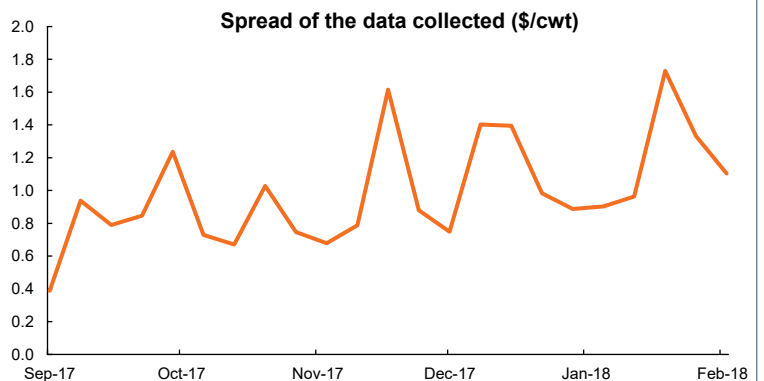
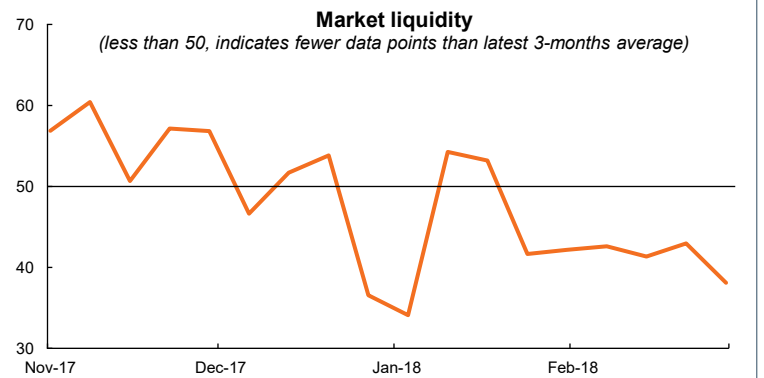
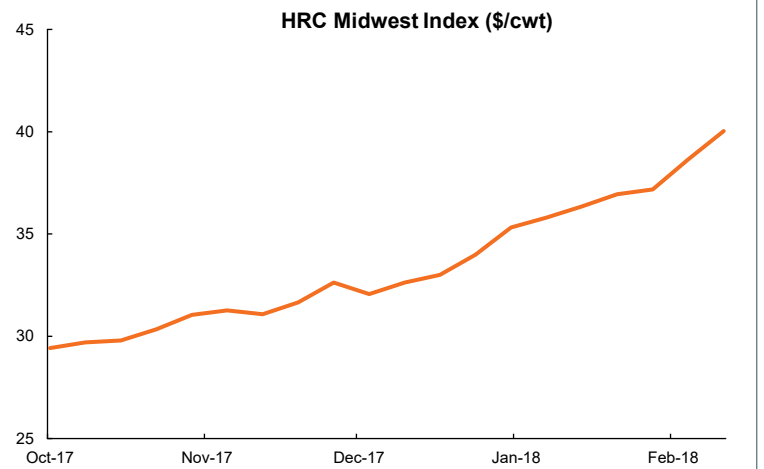
A third distributor, speaking on February 26, said there are "no true foreign offers on [hot-rolled coil]."

"Hooks are in the water, but [foreign] offers are made based on if they can get enough tons ordered to place an order," the third distributor said.

*Michael Cowden, Chicago, and Grace Lavigne and Millicent Dent, both in New York, contributed to this report.*

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