



PACESETTER
OUR PEOPLE, YOUR ADVANTAGE

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YOUR **EDUCATION** ADVANTAGE

OUR PEOPLE, YOUR ADVANTAGE



PACESETTER 2015



PACESETTER Contributor

Betsy Nolan, Vice President of Strategic Alignment

YOUR EDUCATION ADVANTAGE | 9.22.2015 - 9.28.2015

"The function of education is to teach one to think intensively and to think critically. Intelligence plus character - that is the goal of true education."
- Martin Luther King, Jr.

EDUCATION - OUR GATEWAY TO EXCELLENCE

At Pacesetter we believe that education is invaluable and begins on day one as a new associate, when the "Pacesetterizing" process starts. Regardless of whether you join Pacesetter with 20 years of steel industry experience, or this is your first job, education is a key fixture in your Pacesetter career. A focus on personal development is a crucial characteristic that we identify in potential Pacesetter associates, as education is continuous and nonstop throughout your entire career.

Associates are allowed to put a focus on their own development and passions while Pacesetter facilitates that development with both internal and external training. The education that associates seek out is very diverse, including formal education (masters, bachelors, and associates degree pursuits) targeted certifications, leadership courses, conferences, and seminars.

Although each associate is concentrated on their own personal development, the real benefactors are Pacesetter's customers, suppliers, and business partners. Our tag line says it all – "Our People, Your Advantage". By having a better educated and more thoroughly trained individual answering the phone, replying to your email, or solving your business problem, you can take advantage of a true solutions provider in your time of need. Good is not good enough, in today's business world with the ever changing market and economy, companies and people that are just "good," don't survive. Pacesetter's goal is to push the boundary of what you consider "great," and that starts with each and every associate continuing to learn and grow each day.



TOOLS THAT CAN BENEFIT YOUR EDUCATION ADVANTAGE

- Books
- Articles
- Attending conferences
- Webinars
- Seminars
- Online resources
- Expert blogs
- Audio books
- Enrolling in classes
- Connecting with other organizations



STEEL | 9.22.2015 - 9.28.2015

- #1 heavy melt scrap was static at \$199 per ton and #1 busheling scrap was the same at \$237 per ton.

+ Raw steel production rose to 71.4% of capacity.

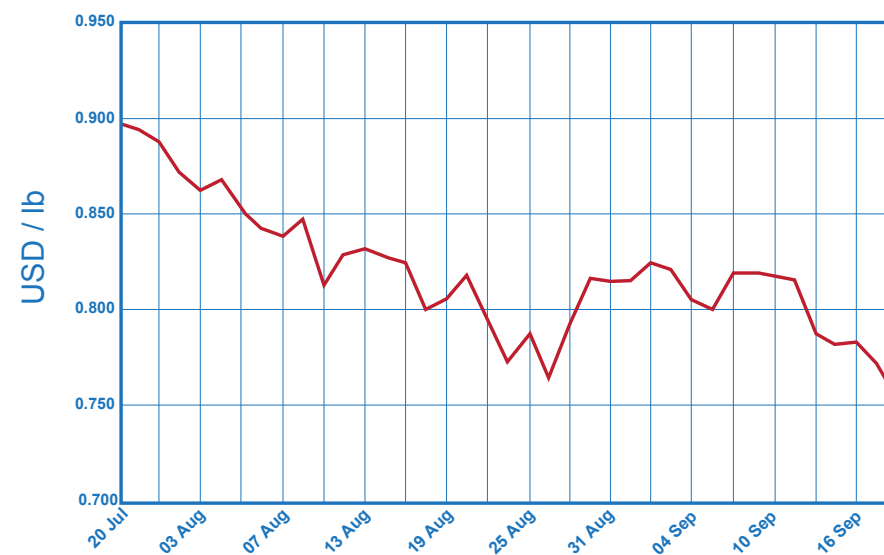
- Domestic mill lead time for galvanized has pulled back to almost 4-1/2 weeks. We still have October availability at some galvanizing lines.

- Iron Ore FOB Chinese ports is up to \$56 per dry metric ton.

+ Zinc prices are heading down again.

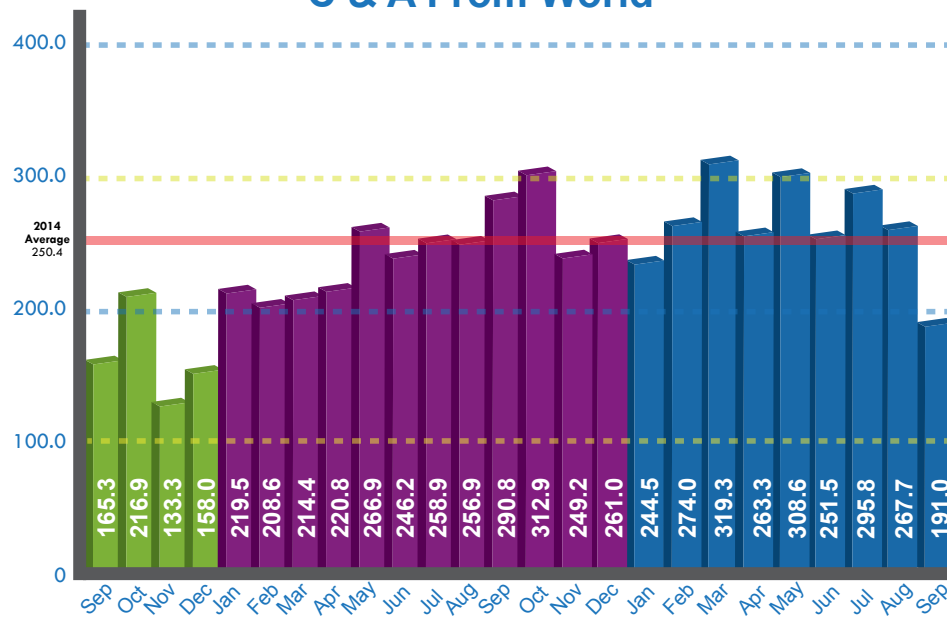
60 Day Zinc Spot

Source: www.kitco.com



- Galvanized imports are slowing down.

U.S. Imports of Sheets & Strip Galv Hot Dipped C & A From World



Source: US Department of Commerce, Enforcement and Compliance | Graph last modified on: September 25, 2015
with Licensing Data collected through September 25, 2015. Commerce license data use for the last month appears in a different color
Data extracted from the import licenses are not official Census data

- Caterpillar Inc. is cutting back, and it has steel mills worried. Cat is planning to cut spending by \$1.5 billion. 10% of their manufacturing footprint is earmarked for closure and 4,000 to 5,000 people will be permanently eliminated by the end of this year. They aim to reduce their work force by 10,000 by 2018. Cat lowered their 2015 sales forecast by \$1 billion. Their main customers (mining, oil, gas, and construction) are all going through tough times. Why do the steel mills worry? Because Caterpillar buys a lot of steel plate.





STEEL | 9.22.2015 - 9.28.2015

- There are many labor contract negotiations under way in the US and around the world, and nobody is happy. Pay scales are falling, pensions for new hires are evaporating, and healthcare costs are being pushed towards the work force. At some companies, there is an agreement to disagree and workers are reporting for work as usual. At others, like ATI Allegheny Ludlum, the situation is ugly. They are in their 6th week of a lockout. The company literally locked out thousands of unionized workers. Due to a union oversight, some salaried office and technical workers have also lost their medical benefits. The union blames the company and the company says the union wasn't paying attention in their last negotiation. How long can a steel company stay in business with a stalemate like this going on? The company recently finished major upgrades to their mill to expand product capabilities. Millions of dollars of new equipment is sitting cold.

+ Steel Dynamics purchased decking plants in Memphis, TN (and a paint line there), Phoenix, AZ, and Terrell, TX. from Consolidated Systems. The three plants represent 8% of the domestic steel decking market and will be added to SDI's New Millennium Building Systems subsidiary.

- US Steel is idling their taconite plant in the Minnesota Mesabi Iron Range due to slow market conditions as early as Oct. 11. The last 210 workers will be sent home to join the other 412 that have already been laid off. The plant will be down for at least 6 months.

AUTOMOTIVE | 9.22.2015 - 9.28.2015

+ Ford continues to push aluminum bodies as they unveiled their new generation 2017 Super Duty truck line. Underneath the new aluminum skin is a steel frame made mostly of high strength steel that is said to be 24 times stiffer than the old generation frame it replaces.



- Volkswagen scandal: 11 million vehicles affected worldwide. €6.5bn set aside by VW. \$18bn Potential fines. The world's biggest car maker admitted last week that they deceived the public and various government agencies by installing a device in their diesel powered cars that gave false emissions readings, allowing them to pass clean air regulations. Volkswagen's CEO resigned.

+ CarMax profit rose 12% to \$172 million in their fiscal Q2, with 9.2% more car volume sales (156,516 vehicles). The average selling price was \$19,983. The average price of a new car in the USA is over \$33,000.

AUTOMOTIVE | 9.22.2015 - 9.28.2015

- Workers at the FCA Jefferson North plant in the Detroit area, where Jeep Grand Cherokees and the Dodge Durango are assembled, voted against the recent labor agreement between FCA and the UAW. Most of the larger UAW units followed suit and rejected the deal, sending a message to UAW leadership that they are not satisfied with their performance. Stay tuned for further developments. GM and Ford are watching the Fiat Chrysler negotiations in hopes that an agreement would have been ratified by now. As it stands, there could be work stoppages or strikes if the union and FCA cannot come to terms. This would negatively affect steel mill output if automotive output slows due to work stoppages at FCA.



GENERAL | 9.22.2015 - 9.28.2015

+ The US GDP for Q2 was revised up to 3.9%, driven upwards by consumer personal spending.

+ New Home Sales jumped 5.4% in August, the highest monthly gain since February 2008. The inventory of unsold new homes fell to 4.7 months' worth. The average price of a new home was \$292,700.

- Existing Home Sales fell 4.8% in August as the average price of a used home rose to \$228,700. The inventory of unsold used homes rose to 5.2 months' worth.

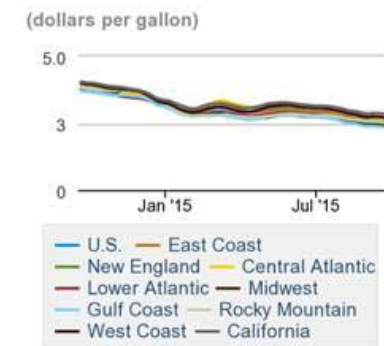
- According to Zillow, 1 in 4 homes in the USA lost value since last year. Homes in Washington D.C., Philadelphia, and Baltimore have lost an average 40% in one year. Pittsburgh, Cleveland, Cincinnati, and Chicago homes lost 30%.

- Durable Goods Orders fell 2% in August, driven lower by civilian aircraft orders falling 12% and light truck and car orders falling 1.5%.

- The Petroleum Status report shows refineries operating at 90.9% of capacity, drawing crude oil inventory down 1.9 million barrels. Gasoline inventory rose 1.4 million barrels and distillates fell 2.1 million barrels. Oil futures rose to \$46.75 per barrel. Retail gasoline prices are at their lowest seasonal average since 2004.

+ U.S. Energy Information Administration (EIA) reported on 9/21/2015 that the US On-Highway Diesel Fuel Price was at \$2.493. That's a \$.024 decrease from a week ago and a \$1.285 decrease from a year ago.

On-Highway Diesel Fuel Prices



eia Source: Energy Information Administration



GENERAL | 9.22.2015 - 9.28.2015

+ In the USA and Germany, there are two consortium's of companies working towards "connected" supply and production chains. The Germans call their project "Industrie 4.0" and the Americans call theirs "The Industrial Internet Consortium." They aim to make machines inside factories communicate with each other to reduce down time and anticipate when the factory will have unused capacity or need more parts. Sensors built into machines will collect data to better allocate resources. Energy consumption could be reduced by 20% and labor costs could be cut by 25%.



SHORT AND SWEET WITH BILL | 9.22.2015 - 9.28.2015

"The US GDP is showing strength, driven by consumer spending. New home sales spiked in August as existing home sales took a fall. Durable goods orders are slowing. Retail gasoline is getting cheaper. There is a movement pushing in the US and Germany to connect machines within factories in order to make manufacturing more efficient. Steel scrap prices are flat and raw steel production rose slightly. Steel mill lead times are short. The price of zinc is falling. Galvanized imports are slowing down. Caterpillar is downsizing and cutting back. Labor contracts are interrupting output. SDI bought three roll forming lines. The first aluminum Ford Super Duty trucks are being built. The diesel Volkswagen scandal triggered resignations and a corporate shake up. CarMax profits are up on higher volume."

PARTING SHOT:

"You can observe a lot by just watching."

— Yogi Berra (1925 to 2015)



Bill Feier, World Sourcing Manager



'TIL NEXT TIME | 10.6.2015



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