



PACESETTER
OUR PEOPLE, YOUR ADVANTAGE

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YOUR **KNOWLEDGE** ADVANTAGE

OUR PEOPLE, YOUR ADVANTAGE



PACESETTER 2016

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YOUR KNOWLEDGE ADVANTAGE | 5.17.2016 - 5.23.2016

The process of slitting steel has been around for many years. As far as the most basic principles of the process, it really hasn't changed much. What have changed are the quality and the speed in which slitting is accomplished.

Anyone who has witnessed any type of production line knows that the key to optimization is identifying the applicable key performance indicator, such as man hours per ton in the case of slitting steel, and finding a way to achieve and maintain better numbers.

The main factors to accomplishing this include a customer base that is suitable for the equipment you have, the line speeds of that equipment, and the most important element, the crew that runs it.

If the crew is not working together as a team, all will fail. It's important that every member on the team understands where to be, what to be doing, and when to be doing it. Just like any team that's assembled, it takes time and effort to develop.

Once this happens, there is no disputing that the man hours per ton will improve. It's an impressive thing to watch a crew that is flat out getting the job done.

Some ways that the management team helps drive this thought process are by setting short term goals, letting the crew know what you expect, and holding them responsible. If goals are not met, the operator needs to explain what happened and come up with a solution to discuss and implement with his crew. This gives the operator the authority to delegate on the fly and to make the necessary adjustments for a successful day.

To further help the crew out, the management team does their part to help enhance production by:

- 1) Setting the schedule to run similar orders together for fewer change overs.**
- 2) Setting up at least a 4 hour schedule to allow material handlers to stage material for the lines.**
- 3) Working last minute orders into the schedule without hindering the production.**
- 4) Letting the crew know verbally that they are going a good job.**
- 5) Ensuring the crew always has the tools in the correct location when needed.**



STEEL | 5.17.2016 - 5.23.2016

- #1 heavy melt scrap jumped to \$246 per ton while #1 busheling scrap remained steady at \$274 per ton. So far in the last 18 months, nearly 150 scrap yards have been closed due to reduced demand and cheap market prices. This might be partially what is behind the steady price increases for scrap this year. Domestic mill demand and export customer demand is also contributing to increasing prices for steel scrap.

+ Raw steel production fell to 73.9% of capacity.

- Domestic mill lead times for galvanized have slid back to 9 weeks from over 10 weeks recently.

- Iron ore FOB Chinese ports are up to \$56 per dry metric ton.

- Zinc prices are staying high.

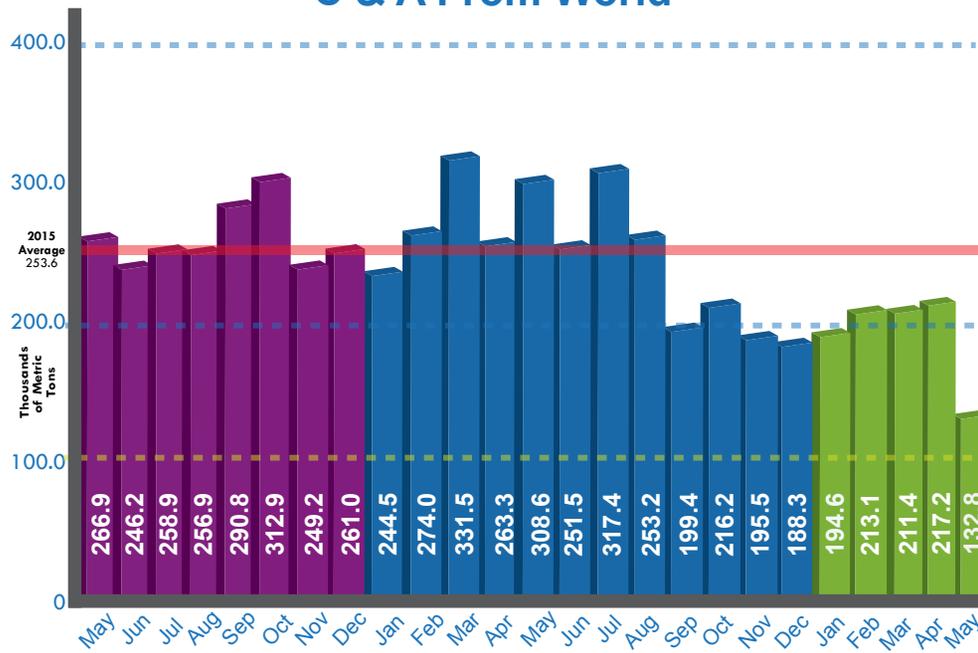
60 Day Zinc Spot

Source: www.kitco.com



+ Galvanized imports for May are looking like they will be on track to beat April.

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: May 17, 2016
 with Licensing Data collected through May 17, 2016. Commerce license data use for the last month appears in a different color
 Data extracted from the import licenses are not official Census data

+ On Tuesday, the US Commerce Department set anti-dumping duties of 265.79 percent and anti-subsidy duties of 256.44 percent on imports of cold-rolled flat steel from China. China’s Ministry of Commerce said “Since 2015, the US has taken frequent trade remedy measures to shift its domestic steel industry hardships abroad, violating the principles of the WTO and disrupting the order of the steel trade.” Also “The US adopted unfair methods in its anti-dumping and anti-subsidy probes into Chinese products.” It added “China is taking action under the World Trade Organization dispute settlement framework.”



STEEL | 5.17.2016 - 5.23.2016

- Japan got hit with 71.35% dumping duties which will take their cold rolled products out of our market. With China and Japan out of our market, the price of cold rolled will most likely overtake galvanized base pricing.

- The president of US Steel commented that their EAF project for the Fairfield Works (Alabama) is on hold until the market shows enough sustained demand to support putting new melt capacity on line.

+ Prices for imported steel continue to “blast upward” according to the American Metal Market, nearing parity with domestic mill prices. Import prices are high enough now that buyers need to think twice before they commit to steel they won’t see until October or November at current peak market pricing. I’m sure our domestic mills are paying attention to this scenario as well.

+ Counter to what China was putting in the newspapers, their April steel output was 69.42 million tons, up .5% from a year ago.

+ USS-Posco on the West Coast announced a \$150 per ton price increase. Sounds like business is good.

- Steel shipments from service centers in the US totaled 3.25 million tons in April, down 6.3% from last year. Inventory at the end of April was 7.65 million tons, down 19.3% from last year. At current shipping rates, this results in a 2.4 months’ supply.



AUTOMOTIVE | 5.17.2016 - 5.23.2016

- According to J.D. Power and LMC Automotive, U.S. auto sales may be reaching the end of the string of strong sales months that have been happening. They forecast sales in May to fall 6% from last year. Another sign of slowing sales is the rise of incentives (up 14% from last year to \$3,052 per vehicle).



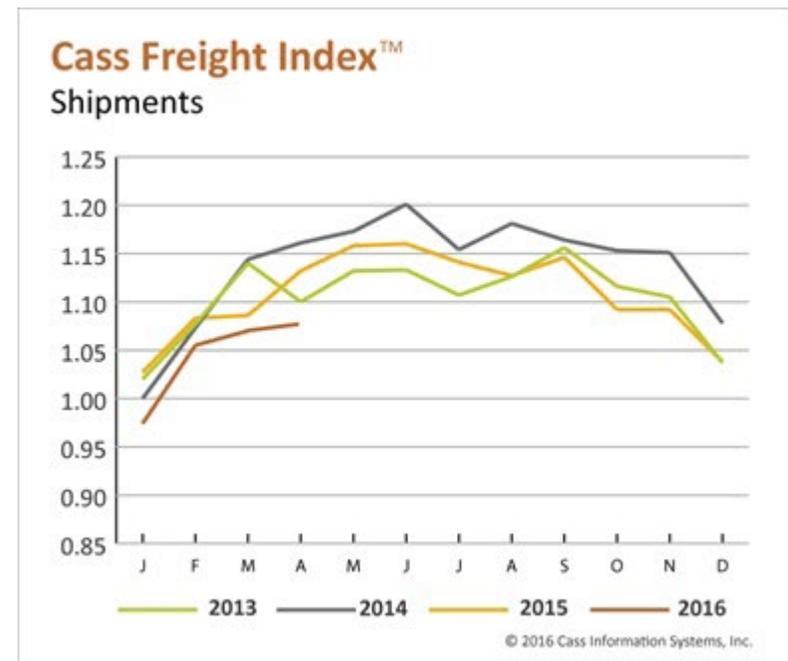
GENERAL | 5.17.2016 - 5.23.2016

+ Housing Starts rose 6.6% in April and permits rose 3.6% as well.

+ Existing Home Sales advanced 1.7% in April as the average price rose to \$232,500. The supply of unsold used homes rose to 4.7 months' worth.

- The Consumer Price Index (inflation) rose .4% mostly due to a 10% jump in the cost of gasoline. The cost of health care is going up while housing costs are flat and clothing prices are falling.

- Freight shipments and freight rates are tracking below last year's levels. Railroad shipments are down 21%. Truck freight fell 4.5%. Is this the start of a trend?

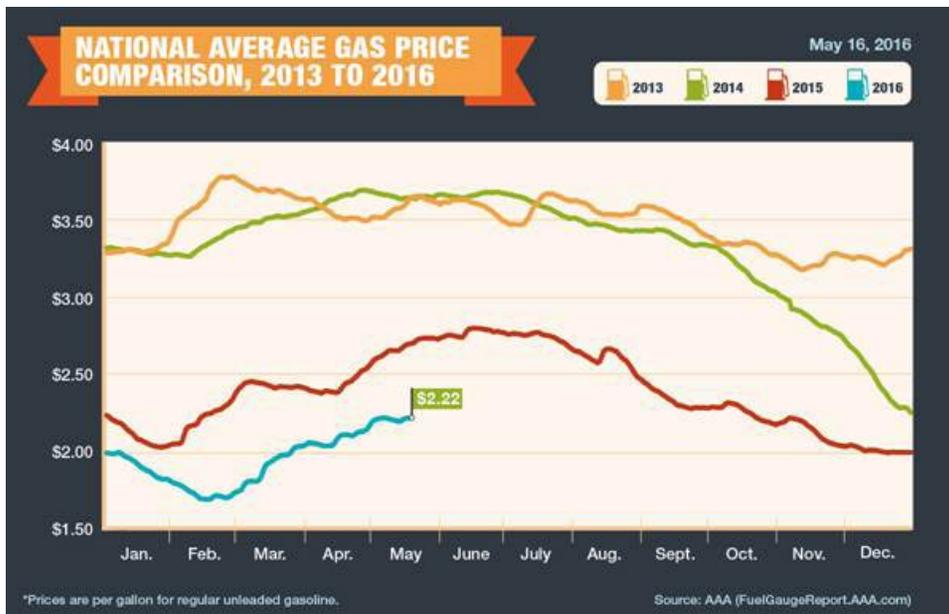


GENERAL | 5.17.2016 - 5.23.2016

+ Industrial Production rose .7% in April. Vehicle production is keeping this index propped up.

- Gasoline prices continue to creep up even though crude oil inventory remains high at over 540 million barrels. Refineries operated at 90.5% of capacity as the demand for gasoline has increased with warm weather and school vacations motivating people to get in their car and drive.

- Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Cisco System (CSCO) and Oracle (ORCL) are sitting on \$504 billion, or 30%, of the \$1.7 trillion in cash and cash equivalents held by U.S. non-financial companies in 2015, according to an analysis released Friday by ratings agency Moody's Investors Service. That's even more cash concentration in previous years, as these five companies held 27% of cash in 2014 and 25% in 2013. Apple alone is holding more cash and investments than eight of the 10 entire industry sectors. Corporate America's rising pile of cash is becoming increasingly important to investors as profit growth and the stock market stalls. The amount of cash held by U.S. companies rose 1.8% in 2015. Unfortunately, for U.S. investors 72% of total cash held by all non-financial U.S. companies is stockpiled outside of the U.S., up from 64% in 2014 and 58% in 2013, as companies try to avoid paying U.S. tax rates.





BILL'S ROUND-UP | 5.17.2016 - 5.23.2016

“Housing starts, building permits and existing home sales all performed well. Inflation is under control. Truck and railroad freight shipments seem to be slowing. Industrial production is making slow gains. The price of gasoline continues to rise. The top 5 companies in the US are sitting on 30% of available cash in the USA. Steel scrap prices continue to rise as well as the price of finished steel products. Imported steel volume seems to be increasing slowly. China and Japan got hit with dumping duties strong enough to keep them out of our market for a while. Steel shipments from service centers in April were slow. Automobile sales in the U.S. might be slowing as well.”

PARTING SHOT:

“Never tell people how to do things. Tell them what to do and they will surprise you with their ingenuity.”

- George S. Patton (1885 to 1945)



Bill Feier, World Sourcing Manager



'TIL NEXT TIME | 5.31.2016



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