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SteelCo USA

March 13, 2018

Steel Market News

PROVIDED BY STEELCO USA



DOMESTIC STEEL

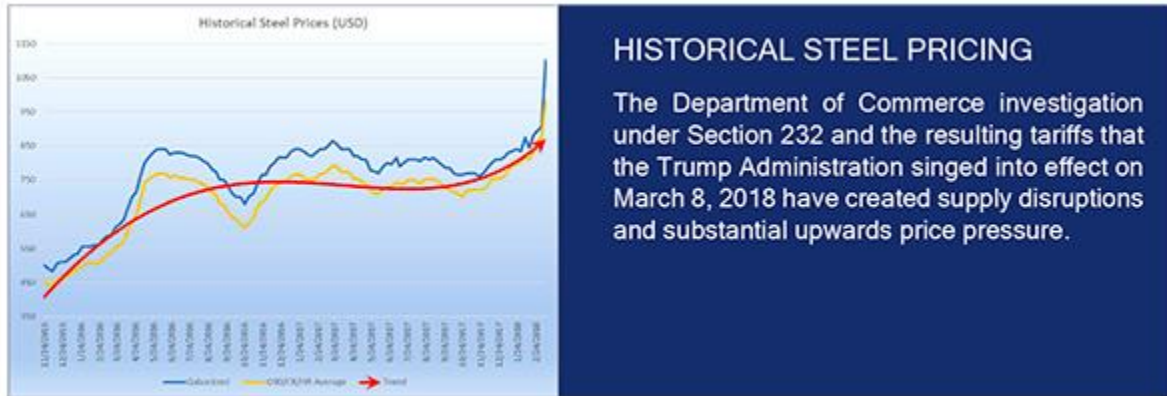
U.S. based steel producers will face an uphill climb to produce enough steel to meet domestic demand. While the tariffs will support pricing for domestic suppliers, mills that source their substrate from offshore will also be impacted by the new levies. It is uncertain when or if domestic mills will be able to increase production levels to a level sufficient to offset the required imported material.

IMPORT TARIFFS

On March 8, 2018, President Trump signed orders imposing 25% tariffs on imported steel and 10% tariffs on imported aluminum. The new levies are to take effect at 12:01am EST on March 23, 2018. Mexico and Canada have been given exemptions from the levy and President Trump indicated that other nations may as well, though it is unknown at this time what the process will be or which nations will be exempt.

IMPORTED STEEL

Availability of imported steel has been limited due to the uncertainty surrounding the Section 232 investigation. We expect to see some increase in availability in the coming weeks as overseas mills come off the sidelines and start offering product for delivery to the U.S. It is expected that the tariffs will create a significant disruption to supply, resulting in a very tight market through the third quarter of this year.



CURRENT MARKET OUTLOOK

Over the next 3-6 months, it is expected that there will be a very tight domestic market. It is unknown at this time how much material will be made available from overseas mills, or at what price. In addition, there is still uncertainty as to how the exemption process will work and which nations will receive them.

In the meantime, many domestic mills will have issues obtaining enough slab/substrate due to both the spike in demand and the fact that the tariffs as written will also be applied to imported substrate. This has already led to allocation and will likely lead to more, sending prices considerably higher through the end of Q3 of this year.

NOTES REGARDING CANADA & MEXICO

Canada has not historically been active in exporting flat rolled steel products to the Southwestern Region of the United States as their supply typically remains concentrated in the Pacific Northwest and Midwest. As such, it is not expected that Canadian supply will have much impact in the Southwest. Mexico has not historically been price competitive with other sources of flat rolled steel products.

It is expected that U.S. produced steel that in the past would have been exported to Mexico will remain in the U.S. to meet domestic demand. As a result, demand in

Mexico will largely have to rely on their own domestic capacity and as such, it is unlikely that Mexican mills will have much material to offer U.S. customers.

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