

The UPM Market Informer

Monthly Market Intelligence for Customers of United Performance Metals

September 2016

U.S. Manufacturers Signaled Increased Output for the Third Month Running in August.

The rate of expansion remained solid overall, having edged up slightly from July to a nine-month high. Anecdotal evidence suggested that new product launches, stronger underlying demand and new marketing strategies had supported production growth in August.

Although solid growth of output was sustained, total new orders expanded at a slower rate in August. Data indicated that relatively subdued domestic demand was a reason behind softer growth in overall new work, as export sales increased at the fastest pace in 23 months.

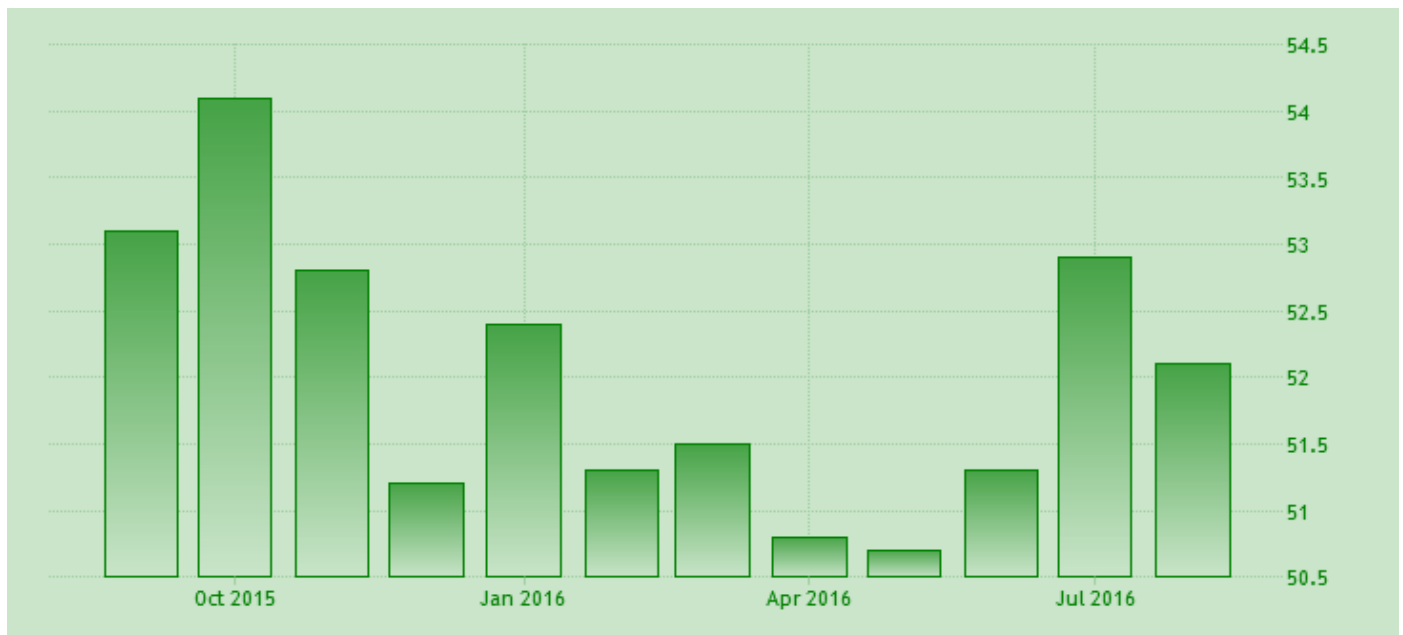
Source: *Trading Economics*

In This Issue

- Manufacturing PMI
- Manufacturing Output
- Surcharge Update
- Mill Lead Times
- Baker Hughes Rig Count
- Durable Goods

United States Manufacturing PMI

The Markit Flash US Manufacturing PMI came in at 52.1 in August of 2016, down from 52.9 in the previous month and lower than market expectations of 52.7. Production continued to expand although new orders growth slowed despite a faster increase in export sales. Job creation also eased. Source: *Markit Economics*



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Steel Prices Move Higher on Chinese Capacity Cuts, Price Fixing Accusations Expand

Steel prices in China were higher Monday, boosted by the expectations that the Chinese government would really turn up the heat on domestic steel producers in the second half of the year to cut steel output and trim the country's overcapacity problem.

While steel prices have already staged a recovery in 2016, there are concerns over the sustainability of this recovery, as global overcapacity at the steel market remains a big problem, with China the largest concern. As long as overcapacity concerns remain, they will remain a dark cloud hanging over the market. On Monday, January rebar on the Shanghai Futures Exchange climbed 1.4% to 2,575 yuan.

The steel market has been impacted by unfair trading and selling practices around the world. While the focus has been on China, it is not the only region of the world dealing with unfair market practices. On Monday, South Africa's competition watchdog slapped a \$110-million fine on ArcelorMittal for price fixing. The country's competition commission launched a probe into steel producers in the country in 2008 following concerns around high steel prices. The investigation found that the company colluded with its competitors in "fixing" prices and allocating customers. The company admits its involvement in the long steel and scrap metal cartels, and agrees to pay the penalty. ArcelorMittal South Africa is Africa's largest steel producer. *Source: metaljunction*



New-Home Sales Near 10-Year High

New-home sales in July jumped to the highest level in nearly a decade, with sales of new single-family homes climbing 12.4 percent month-over-month and reaching a seasonally adjusted annual rate of 654,000, the Commerce Department reported Tuesday, August 23. *Source: Realtor.org*

Expected Mill Lead Times for September 2016

Stainless Cold Rolled—10-12 weeks **Nickel Plate—10-12 weeks**
Stainless Plate—6-8 weeks **Nickel Cold Rolled 625—10-12 weeks**
Aluminum— 8 weeks **Nickel Cold Rolled 718—12-14 weeks**
Nickel Cold Rolled HX/800—12-14 weeks

United States Durable Goods Orders

New orders for US manufactured durable goods jumped 4.4 percent in July from June of 2016, recovering from an upwardly revised 4.2 percent drop in the previous period. It is the first increase in three months and the biggest gain since October last year, beating market expectations of a 3.3 percent rise. Non defense capital goods orders excluding aircrafts, a proxy for business spending increased 1.6 percent, the second consecutive gain. *Source: Trading Economics*



Stainless Steel & Cobalt Alloy Surcharge Totals
June 2016—September 2016
High Temp Surcharge Totals
June 2016—October 2016

Grades	June	July	Aug	Sept	Oct	Nov
15-5	0.3009	0.2927	0.3150	0.3261	*	*
15-7	0.3944	0.4174	0.4297	0.4546	*	*
17-4	0.2985	0.2904	0.3102	0.3194	*	*
17-7	0.3391	0.3272	0.3699	0.3954	*	*
18SR	0.1669	0.1669	0.1653	0.1613	*	*
201	0.2708	0.2639	0.2896	0.3033	*	*
301 7.0%	0.3395	0.3274	0.3693	0.3941	*	*
302/304/304L	0.3668	0.3536	0.4010	0.4298	*	*
304-8.5%	0.3789	0.3649	0.4153	0.4462	*	*
305	0.4667	0.4469	0.5188	0.5641	*	*
309	0.4891	0.4693	0.5410	0.5863	*	*
310	0.6712	0.6398	0.7541	0.8283	*	*
316/316L	0.4918	0.5090	0.5427	0.5819	*	*
317L	0.5737	0.6060	0.6324	0.6769	*	*
321	0.3844	0.3695	0.4232	0.4561	*	*
347	0.6521	0.6372	0.6909	0.7238	*	*
409/409 Mod	0.1268	0.1268	0.1258	0.1216	*	*
410/410S	0.1317	0.1317	0.1307	0.1265	*	*
430	0.1606	0.1606	0.1592	0.1551	*	*
434	0.1942	0.2068	0.1956	0.1923	*	*
439	0.1668	0.1668	0.1653	0.1612	*	*
440A	0.1606	0.1606	0.1592	0.1551	*	*
2205	0.4615	0.5033	0.4944	0.5152	*	*
2507	0.4914	0.5320	0.5276	0.5514	*	*
20	0.9287	1.0010	1.0407	1.0590	1.1075	1.3205
263	2.0917	2.1889	2.2589	2.3413	2.4288	2.7917
276	2.3485	2.4842	2.5749	2.8598	3.0021	3.1985
A286	0.5703	0.6196	0.6547	0.6633	0.6972	0.8561
330	0.7105	0.7787	0.8161	0.7911	0.8330	1.0823
400	1.2208	1.4099	1.4467	1.3692	1.4349	1.9275
600	1.4144	1.5626	1.6225	1.5595	1.6478	2.1701
601	1.2861	1.4031	1.4541	1.4036	1.4756	1.9025
617	1.4879	1.6101	1.6866	1.8141	1.9232	2.2710
625	3.1550	3.2796	3.3502	3.4778	3.5873	3.8913
718	3.4190	3.5219	3.5753	3.6004	3.6760	3.9944
X-750	1.9924	2.1361	2.1944	2.1333	2.2191	2.7267
800H/HT	0.6901	0.7474	0.7821	0.7616	0.7980	1.0143
825	1.0127	1.0931	1.1385	1.1748	1.2349	1.4678
HX	1.4089	1.5086	1.5731	1.7134	1.8080	2.0268
188	3.7700	3.7500	4.1500	*	*	*
L-605	4.4100	4.3400	4.7300	*	*	*

*Surcharge currently not available



Titanium Surcharge Update

Titanium Alloy	Standard Surcharge Q3, 2016		
	Bar	Billet	Flat
ATI 6-2-4-2 Alloy	\$5.13	\$4.67	\$5.13
ATI 6-4 Alloy	\$4.06	\$3.69	\$4.06
ATI 6-4 ELI Alloy	\$4.06	\$3.69	\$4.06
ATI CP Grade 1	\$4.09	\$3.72	\$4.09
ATI CP Grade 2	\$2.89	\$2.63	\$2.89
ATI CP Grade 4	\$2.89	\$2.63	\$2.89

Source: ATI Specialty Metals

Baker Hughes U.S. Rig Count Up for Eighth Straight Week

Active oil and gas rigs in the U.S. jumped 10 this week to 491, the eighth consecutive week of increases, according to a report out by Baker Hughes. Canadian rigs, meanwhile, were down by 5 to 121. U.S. gas rigs were unchanged at 83 and miscellaneous rigs were also unchanged at 2. The U.S. offshore rig count, meanwhile, is up 1 from last week but down 14 rigs year-over-year.

The number of active U.S. rigs is still down by 394 over the same week last year, with Canadian rigs down 87. As of last week the U.S. had 481 active rigs and Canada had 126. International rigs amounted to 938 in July, down 180 over the same time last year. The news comes as U.S. producers, enthused about oil prices approaching the \$50 per barrel mark as well as improving natural gas prices, are beginning to add rigs with an eye toward production growth next year.

Seaport Global Securities is forecasting rig count to slowly build from 365 in the second quarter to 400 in the third quarter, 450 in the fourth quarter and 650 by the end of the year. Jefferies & Co. said in a report Monday that half of the companies it covers has plans to add 20 rigs in the second half of this year. They include seven in Appalachia, with five in the Marcellus -- by Southwestern Energy and Consol Energy, who were both previously running no rigs at all -- and two rigs in the Utica (by Continental Resources and Gulfport Energy).

The firm said companies also plan to add rigs in the Permian, with nine in the Midland Basin -- by Encana, Apache, EP Energy, RSP Permian and Pioneer Natural Resources -- and two rigs in the Delaware Basin (by Cimarex Energy). One rig will go to work in the Fayetteville (by Southwestern), a play that has had zero active rigs since Jan. 1, the firm said. Jefferies said production estimates for this year were boosted by 18 companies within its 25-member coverage group. And while the firm still expects flat production overall for the year, it expects 2017 production to be up 3%. Source: *thestreet.com*, *The Delaware County Daily News*

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