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Scrap and steel's new era

SCRA Annual Meeting – Greenville, South Carolina

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November 5, 2021



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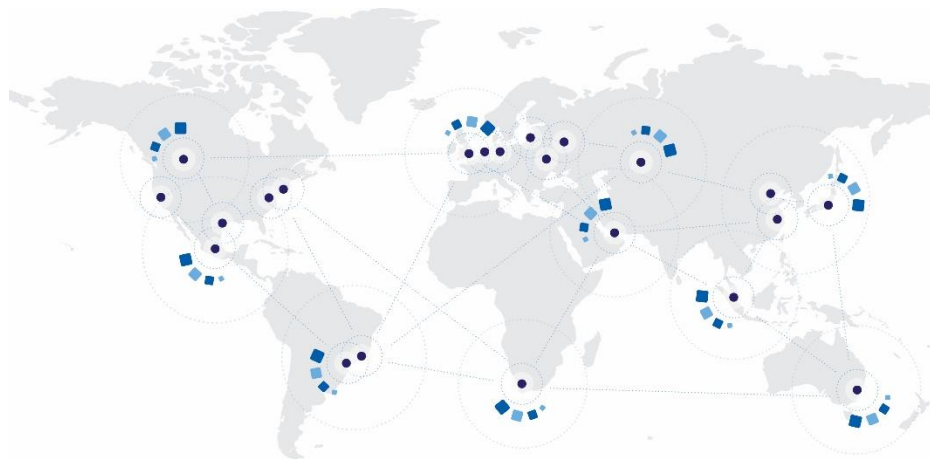
Agenda

- About Argus
- Transformative US steel rally
- Key spreads tell the story
- Demand factors
- Focus on consolidation
- Nonferrous bonus bits
- Q&A



A view of Argus

- One of the world's leading PRAs, Argus has more than 1000 staff members and offices in the world's principal commodity trading and production centres
- Publishing more than 11,000 daily spot and forward price assessments, plus market intelligence for world commodities markets
- Coverage includes:
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 - Petrochemicals
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Argus Metal Prices



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Argus Metal Prices

Global scrap market prices, news and analysis

Issue 21-214 Monday 1 November 2021

New and improved!

OVERVIEW

■ Turkey ferrous: The Turkish scrap import price was largely flat on a UK sale as Turkish gas prices increased sharply.

■ Taiwan ferrous: Taiwanese containerised prices were steady as buyers were still bearish because of falling Chinese steel futures.

■ Turkey rebar: Sharply higher natural gas prices raised concerns that steelmakers may have to cut production.

■ US aluminum: Buying prices for UBC scrap edged up as the EU-US trade deal had no immediate effect on the LME.

■ US zinc: Spot premiums for special high grade (SHG) zinc were flat as 2022 contract negotiations dominated activity.

■ US stainless: 304 and 316 scrap prices were flat despite a rise in LME nickel.

NEWS

- US/EU steel quota to be by product and country
- US replaces EU AI duties with quotas
- JSW begins second upgrade phase at Baytown
- Russian Metallinvest's 3Q pig iron output rises
- Codelco sees production, profits climb in Jan-Sep

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MARKETS

| Key prices | | Timing | Low | High | s |
|--|--------|--------|---------|---------|---------|
| Ferrous scrap | | | | | |
| HMS 1/2 80-20 cfr Turkey, \$/t | 1 Nov | | 501.00 | -0.50 | |
| HMS 1/2 80-20 cfr Taiwan, \$/t | 1 Nov | | 480.00 | nc | |
| #1 busheling del US south, \$/gt | 8 Oct | | 574.00 | -6.00 | |
| #1 busheling del US Midwest, \$/gt | 29 Oct | | 570.00 | nc | |
| Shredded del US south, \$/gt | 8 Oct | | 463.00 | nc | |
| #1 HMS del USSEC export yard, \$/gt | 26 Oct | | 375.00 | +4.00 | |
| HMS 1/2 del NW Europe export yard €/t | 26 Oct | | 370.00 | nc | |
| H2 job Japan, \$/t | 29 Oct | | 479.00 | +1.00 | |
| Steel feedstocks | | | | | |
| Iron ore fines 62% cfr Qingdao, \$/dmt | 1 Nov | | 102.70 | -3.2500 | |
| Pig iron cfr New Orleans, \$/t | 28 Oct | | 550.00 | 560.00 | nc |
| Steel | | | | | |
| Rebar feb Turkey \$/t | 1 Nov | | 737.50 | nc | |
| HRC ex-works US Midwest \$/t | 26 Oct | | 1925.00 | nc | |
| HRC ex-works US south \$/t | 26 Oct | | 1920.00 | +5.00 | |
| HRC ex-works NW Europe €/t | 1 Nov | | 958.25 | -24.00 | |
| US HRC busheling spread \$/t | 26 Oct | | 1413.84 | nc | |
| Stainless steel scrap | | | | | |
| 304 (18-8) solids del US processor \$/lb | 1 Nov | | 0.9200 | 0.9300 | nc |
| 304 (18-8) solids cfr Rotterdam €/t | 28 Oct | | 1750 | 1800 | +50.00 |
| 316 solids del US processor \$/lb | 1 Nov | | 1.2500 | 1.2700 | nc |
| 316 solids cfr India \$/lb | 28 Oct | | 1.44 | 1.46 | -0.01 |
| LME nickel 3-month official \$/t | 1 Nov | | 1960.00 | 1960.00 | nc |
| Aluminum prices | | | | | |
| Scrap cans (UBC) del US \$/lb | 1 Nov | | 0.92 | 0.93 | -0.01 |
| PI020 US Midwest transaction \$/lb | 1 Nov | | 1.3754 | 1.3781 | -0.0008 |
| 6063 bare extrusion scrap del US \$/lb | 26 Oct | | 1.4800 | 1.5000 | -0.1450 |
| A380.1 secondary alloy del US \$/lb | 28 Oct | | 1.3800 | 1.4100 | -0.0300 |
| Twich del US \$/lb | 28 Oct | | 0.86 | 0.89 | -0.02 |
| Zorba 99.3 fac US west coast \$/lb | 29 Oct | | 0.79 | 0.81 | -0.02 |
| Zorba 99.3 cfr China \$/lb | 29 Oct | | 0.8300 | 0.8600 | nc |
| ADC12 cfr Japan \$/t | 28 Oct | | 2850.00 | 2900.00 | -135.00 |
| Taipei Tabor del European smelter €/t | 28 Oct | | 1650.00 | 1700.00 | nc |
| 6063 extrusion in-warehouse Rotterdam \$/t | 27 Oct | | 1200 | 1300 | nc |
| LME aluminum cash official \$/t | 1 Nov | | 2712.50 | 2713.00 | nc |
| Copper, brass prices | | | | | |
| Bare bright del US \$/lb | 1 Nov | | 4.24 | 4.26 | -0.03 |
| Bare bright chips del US \$/lb | 1 Nov | | 4.26 | 4.29 | -0.03 |
| Bare bright of Asia \$/lb | 1 Nov | | 4.2630 | 4.2830 | -0.0200 |
| #1 wire and tube del US \$/lb | 1 Nov | | 4.15 | 4.19 | -0.03 |
| #2 scrap cfr Asia ports \$/t | 1 Nov | | 3.89 | 3.99 | -0.03 |
| #2 scrap del Europe cash spread % of LME | 1 Nov | | 3.99 | 4.08 | -0.03 |
| Cathode premium in-warehouse Rotterdam \$/lb | 26 Oct | | 25.00 | 40.00 | nc |
| Cathode grade A US transaction price \$/lb | 1 Nov | | 4.48 | 4.49 | -0.03 |
| Brass scrap US C260 transaction price \$/lb | 1 Nov | | 3.42 | 3.43 | -0.02 |
| Comec copper cash official \$/lb | 1 Nov | | 9.8700 | 9.8750 | nc |
| Minor metals \$/lb | 1 Nov | | 9704.74 | nc | |
| Silicon 5-5.3 18.5% Si job US warehouse | 28 Oct | | 4.50 | 4.80 | nc |
| Titanium 85% Ti non-sin turnings del US | 28 Oct | | 1.20 | 1.25 | nc |
| Titanium 6Al-4V aero turnings del US | 28 Oct | | 1.50 | 1.60 | nc |
| Tungsten carbide inserts job US processor | 29 Oct | | 10.50 | 11.25 | nc |

*Tables include hyperlinks to those values mentioned in the Argus database.



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Argus US Ferrous Scrap

Issue 21-1 | February 2021

MARKET HIGHLIGHTS

■ Nearly all US regions saw prime grades trade flat with January, as strong mill demand and limited supply supported prices for #1 busheling and bundles.

■ Obsolete scrap grades declined by \$50-60/gt generally in February on lower export prices and following two months of steep price gains the brought out excess supply.

■ Southern prices for shredded scrap declined by \$50/gt across the southeast, river market and Texas. Midwest shredded prices decreased by \$60/gt.

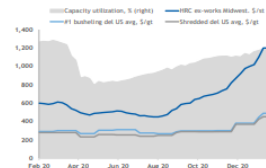
■ Premiums for shredded scrap in Toronto/Hamilton market disappeared on less aggressive buying from US mills, causing Canadian prices to fall by C\$75/t in February.

■ Early expectations for the March scrap trade trended toward flat-to-higher prices amid uncertainty over flows because of harsher winter conditions and a slowdown in auto production.

NEWS OF NOTE

- Semiconductor shortage hits Ford's truck production
- Update Shredding aims to grow export presence
- US Steel to keep Granite City blast furnace idled
- Nucor could post record profit in 1Q
- Lead times, forward curve keep US steel imports at bay

US steel capacity utilization vs steel/scrap prices



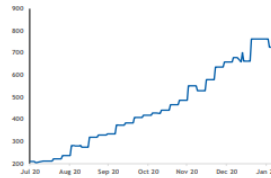
US national average scrap trends

\$/gt



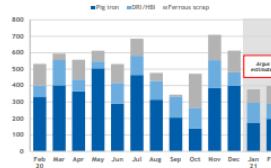
US HRC/busheling spread

\$/st



US vessel imports of EAF feedstocks

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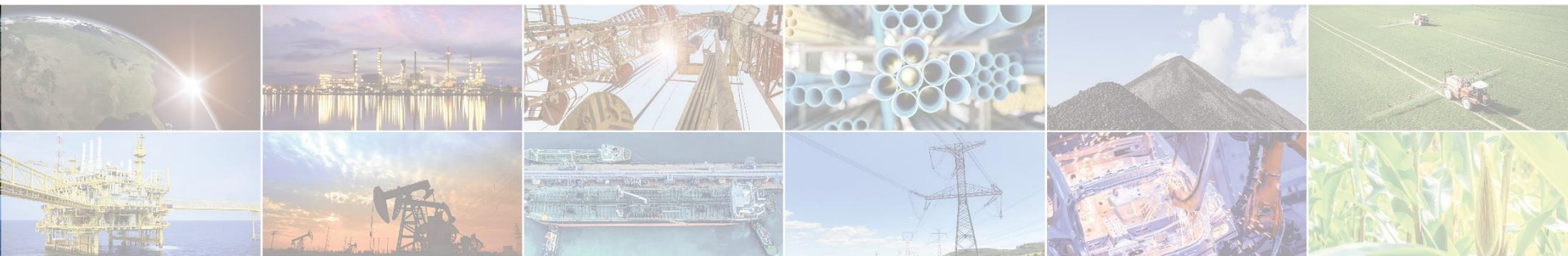


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US steel: The rally has ended?



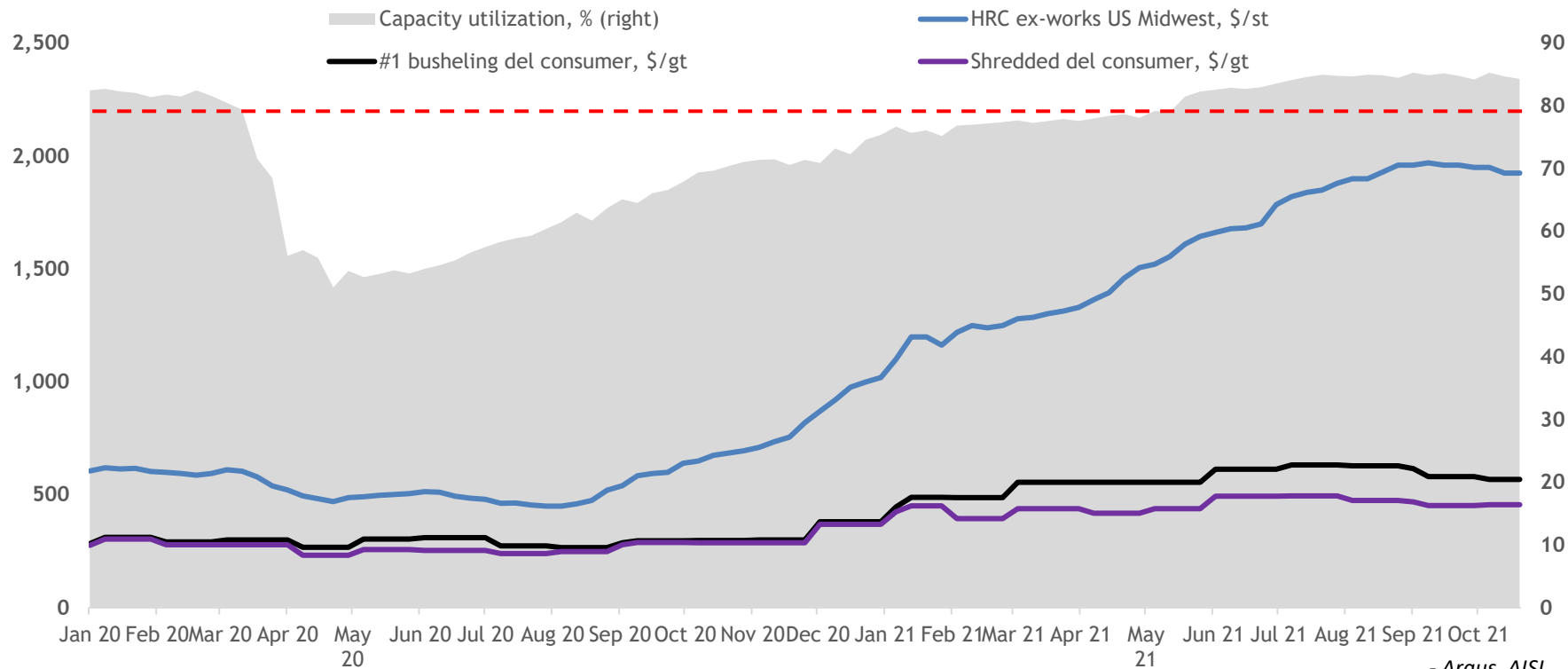
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Steel finally plateaus...



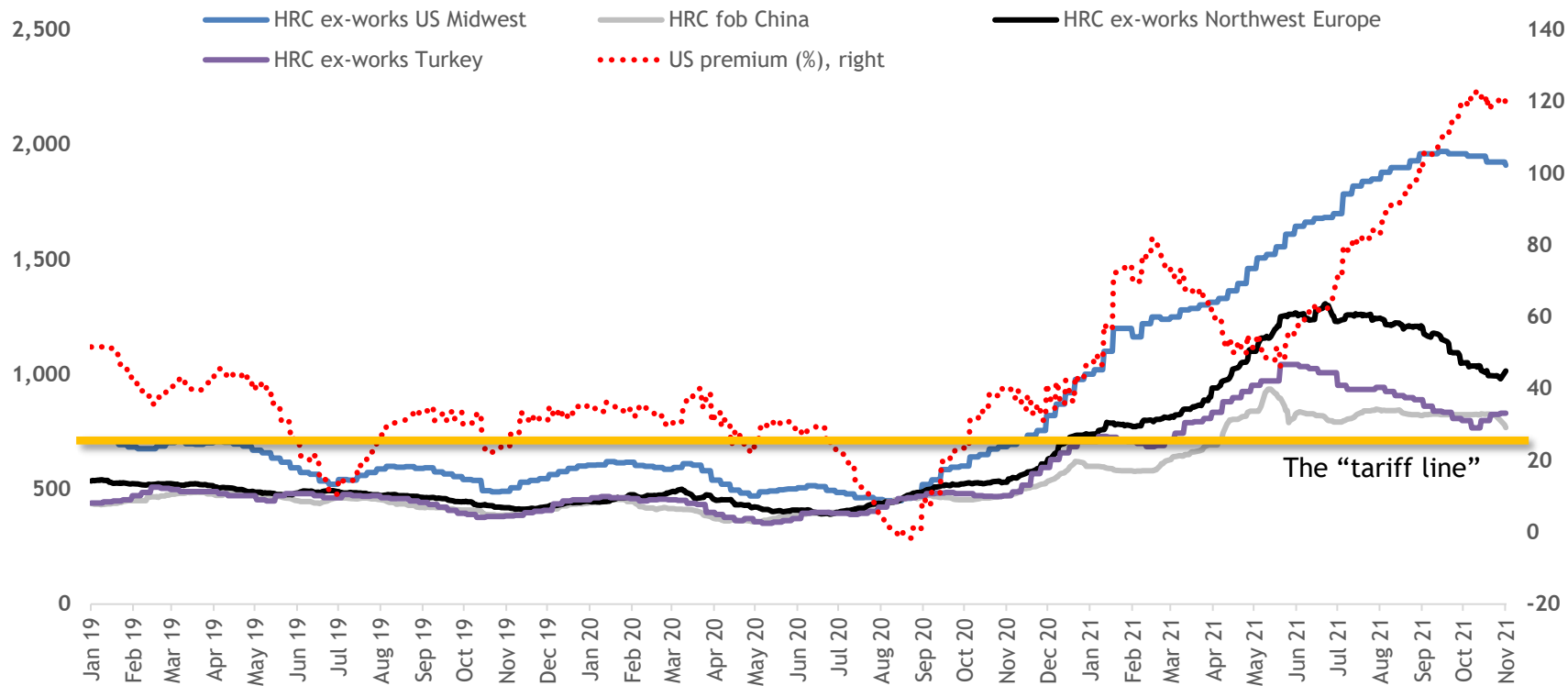
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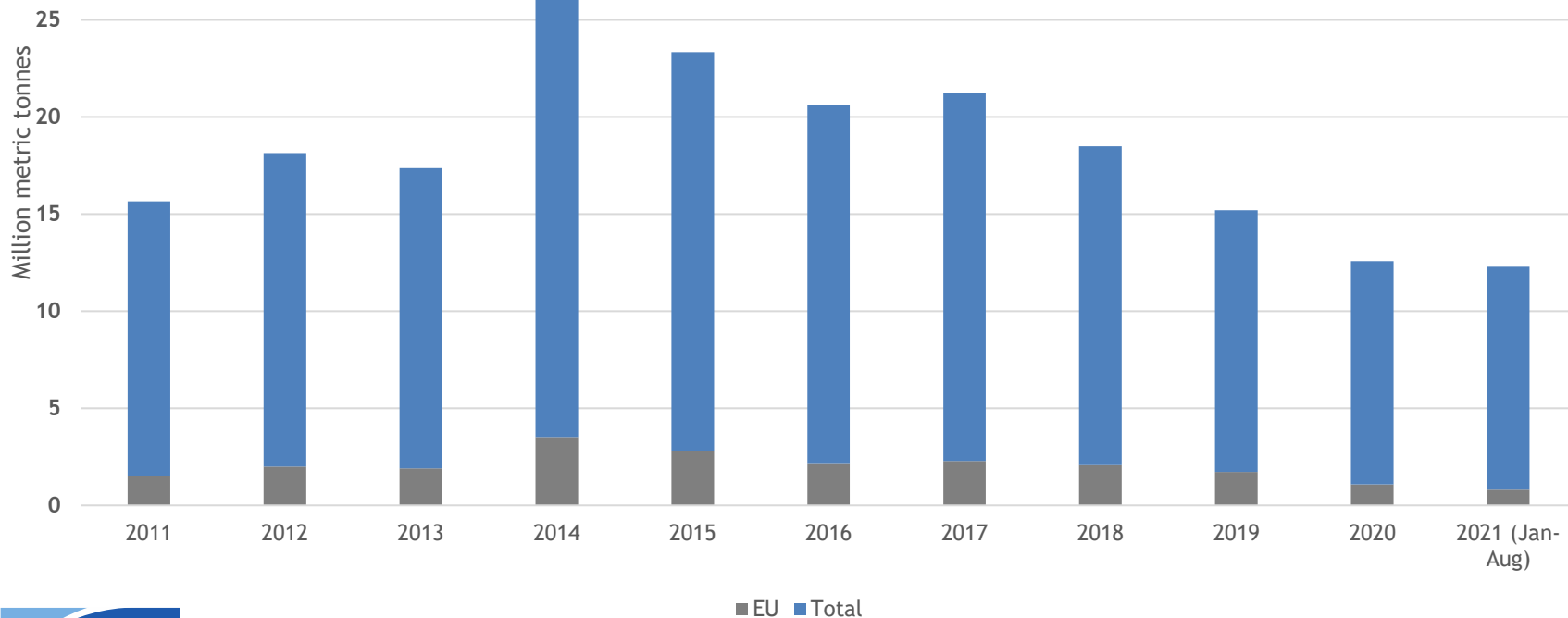
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...but still on a lonely, highly-profitable island

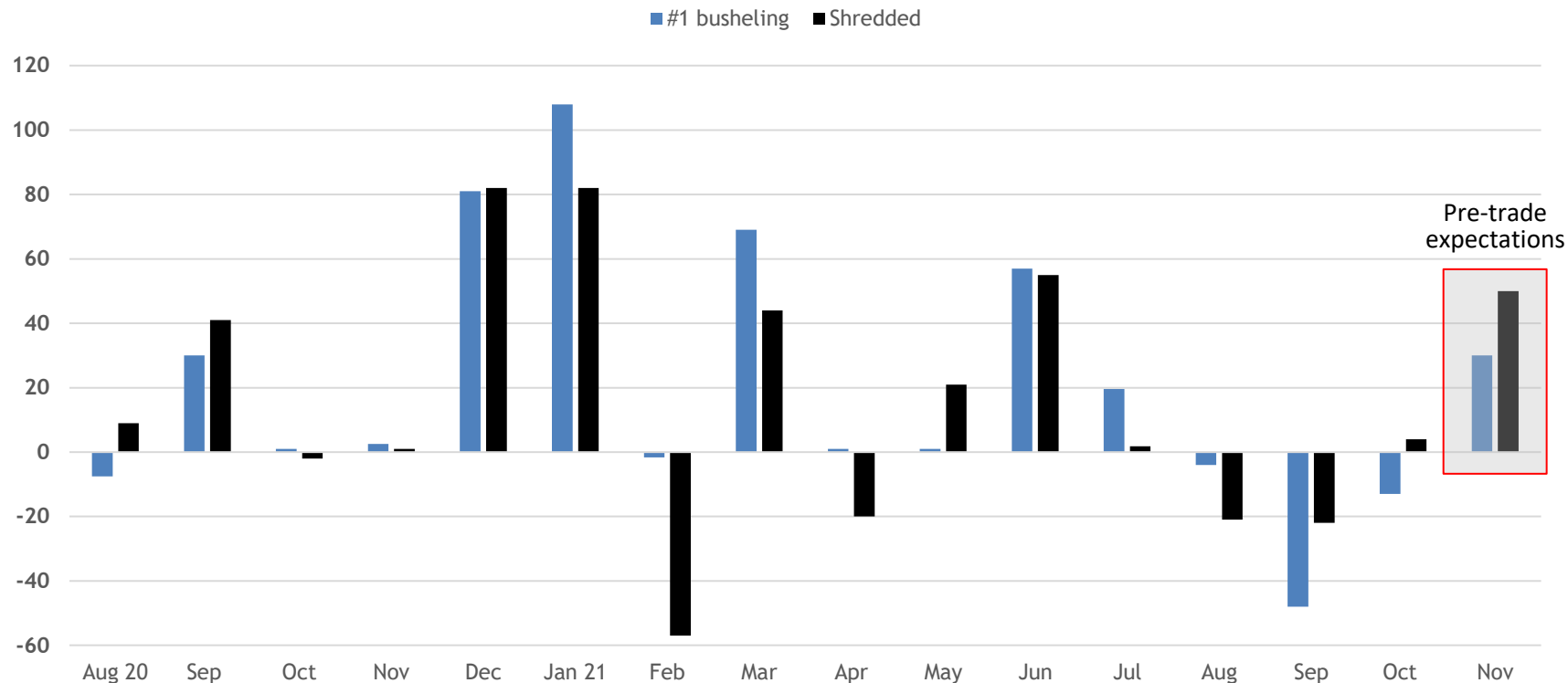


US/EU 232 deal to bring import relief?

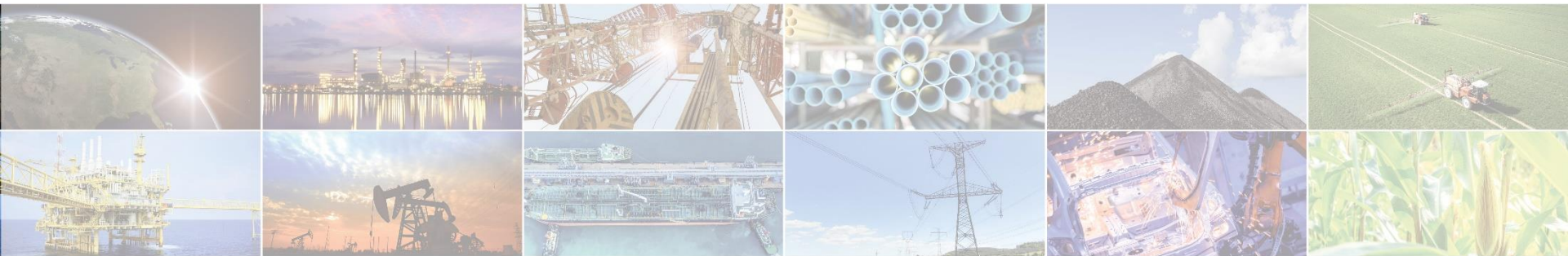
US carbon steel imports



Scrap price monthly trends, \$/gt



Spread games



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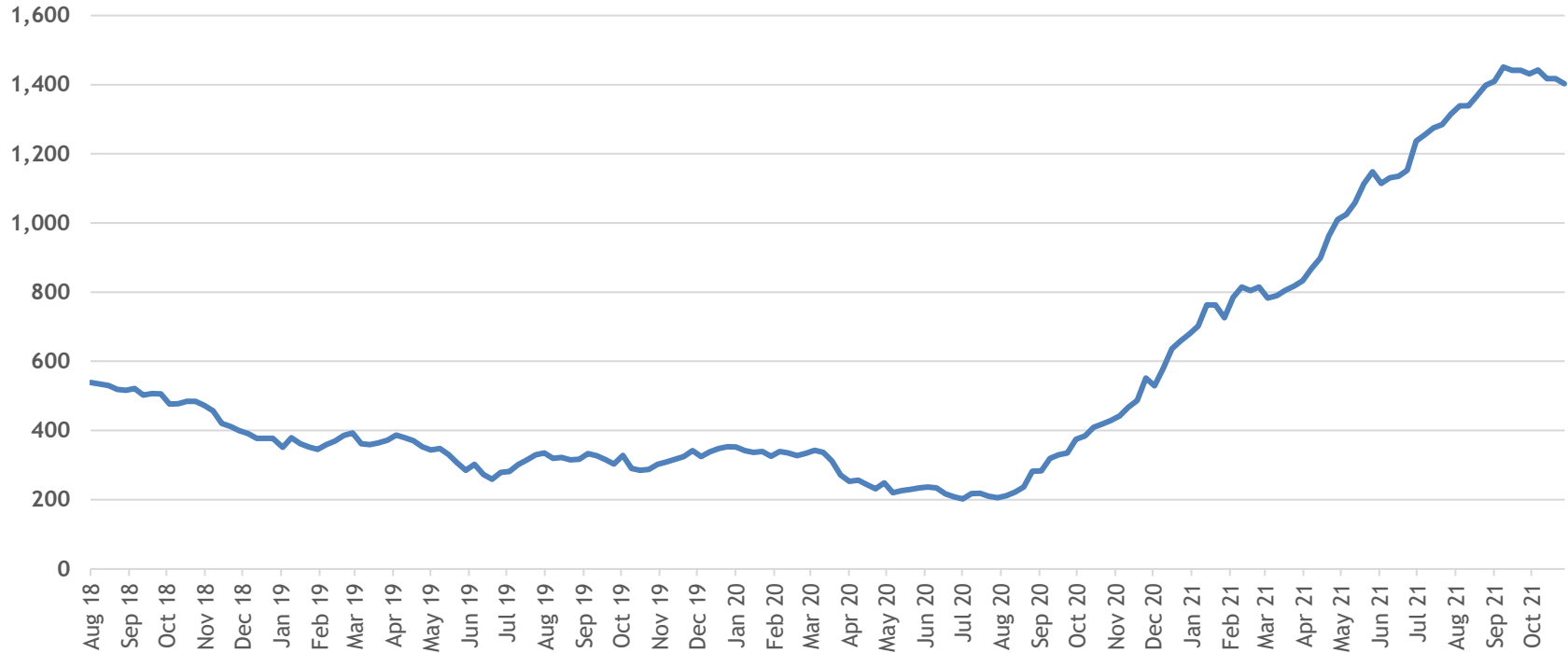
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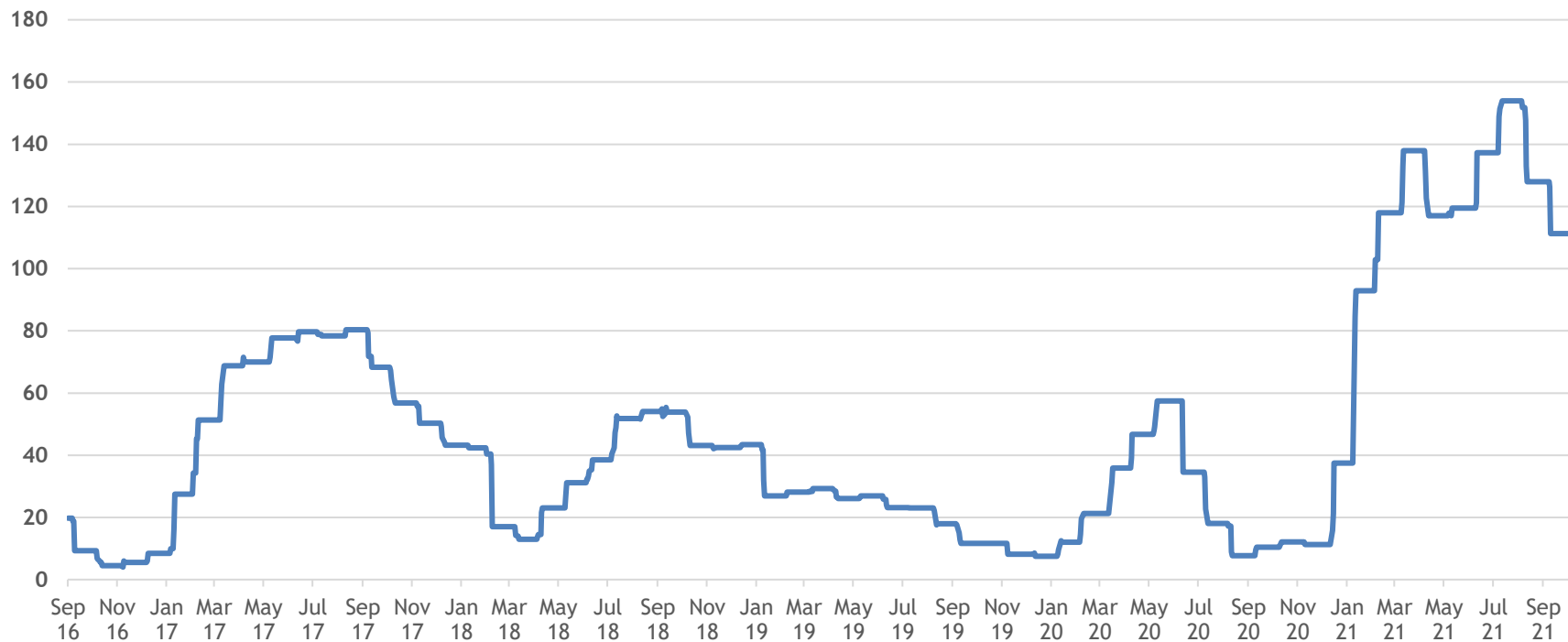
HRC/prime spreads rendered irrelevant for now

HRC premium to busheling, \$/st



Prime/shred premium feels downward pressure

Busheling premium to shredded, \$/gt

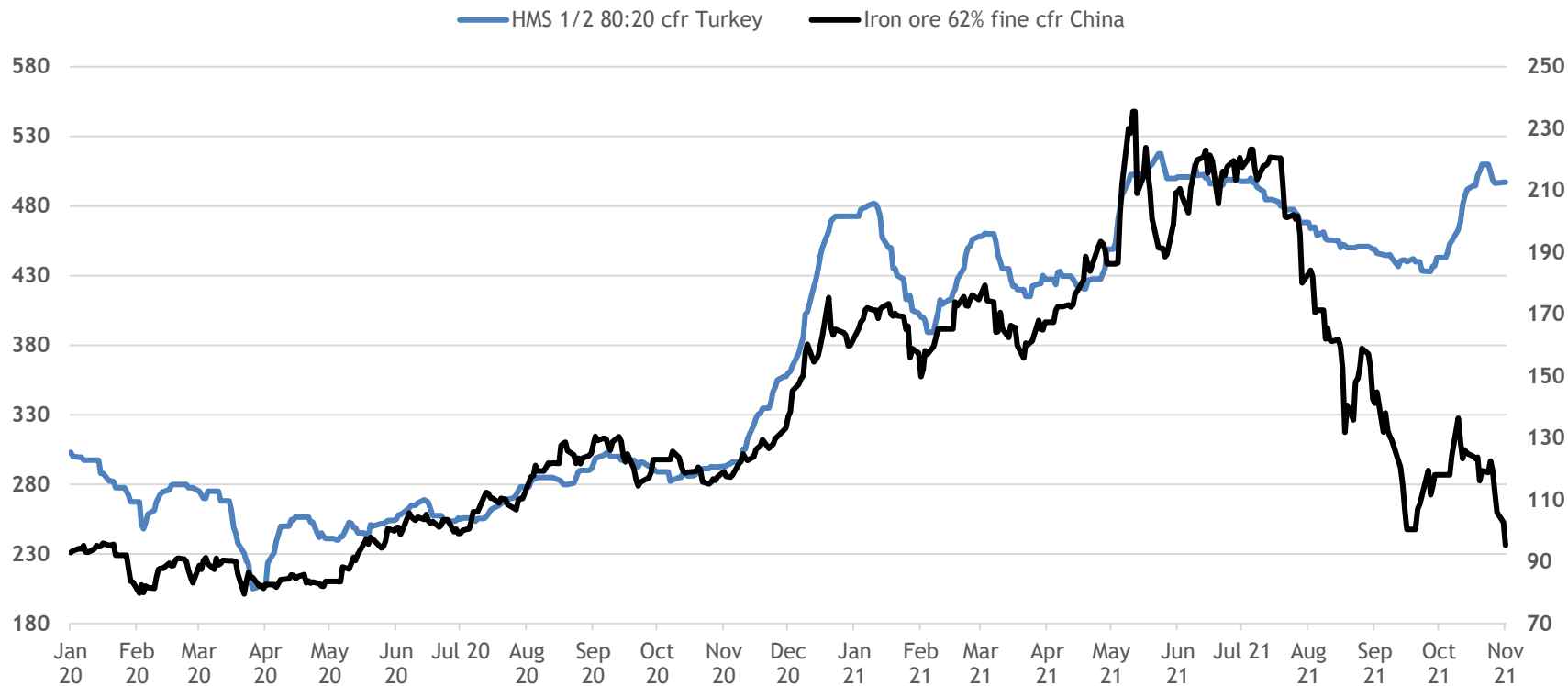


Primes cave to cheaper pig iron

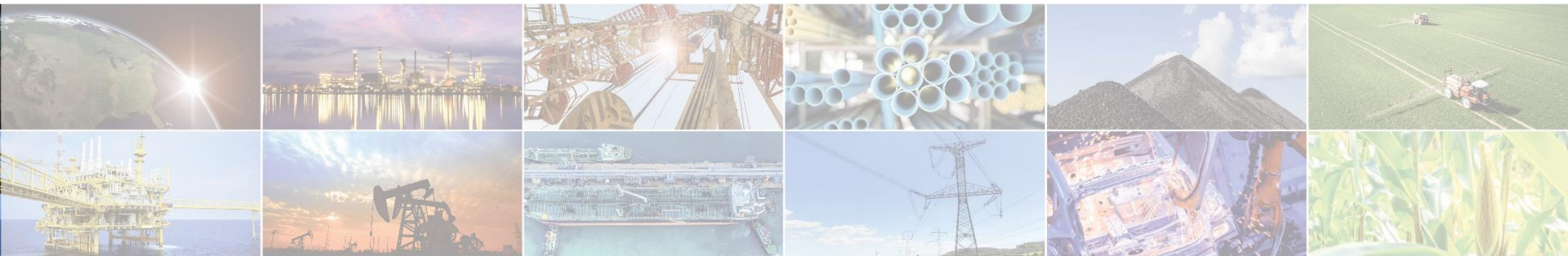
NOLA pig iron premium to US busheling avg, \$/mt



Scrap and iron ore diverge



Demand factors



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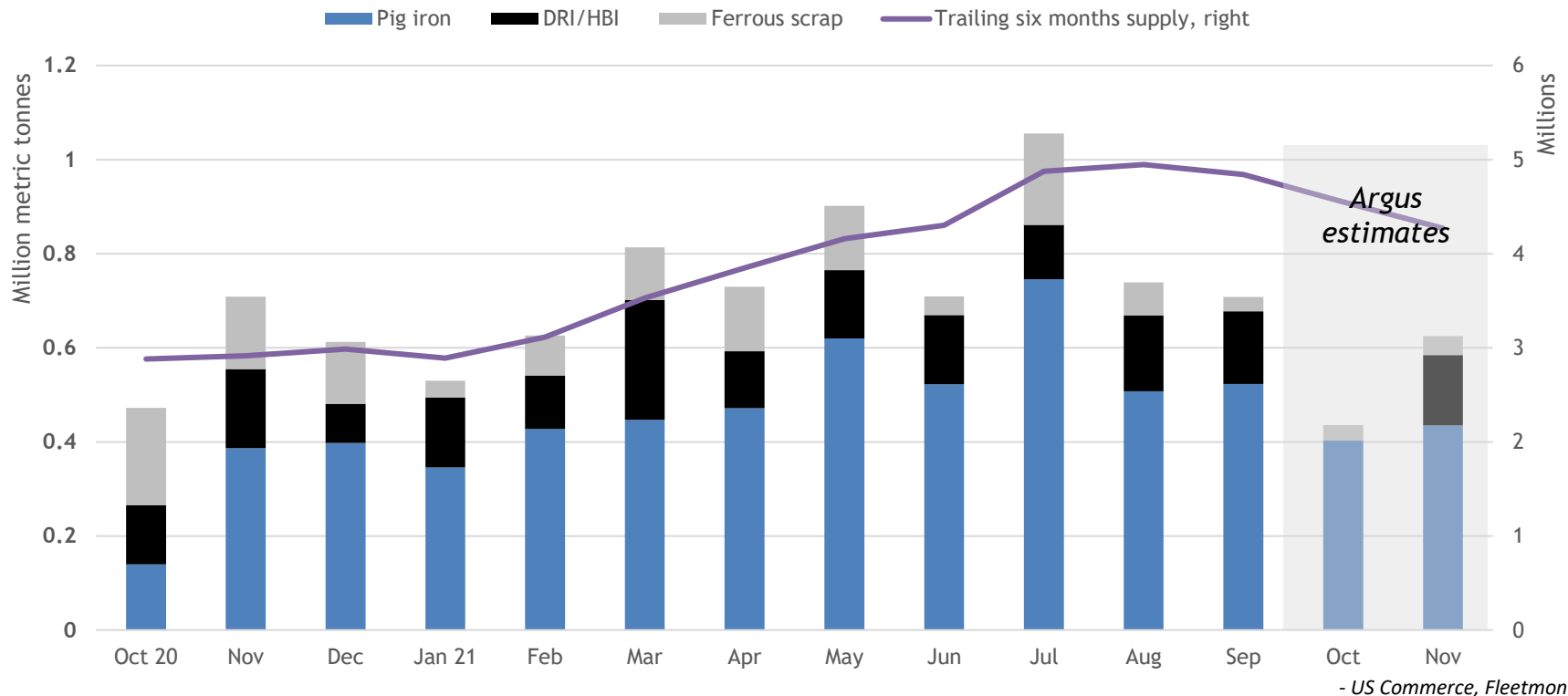
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Domestic scrap demand keeps growing

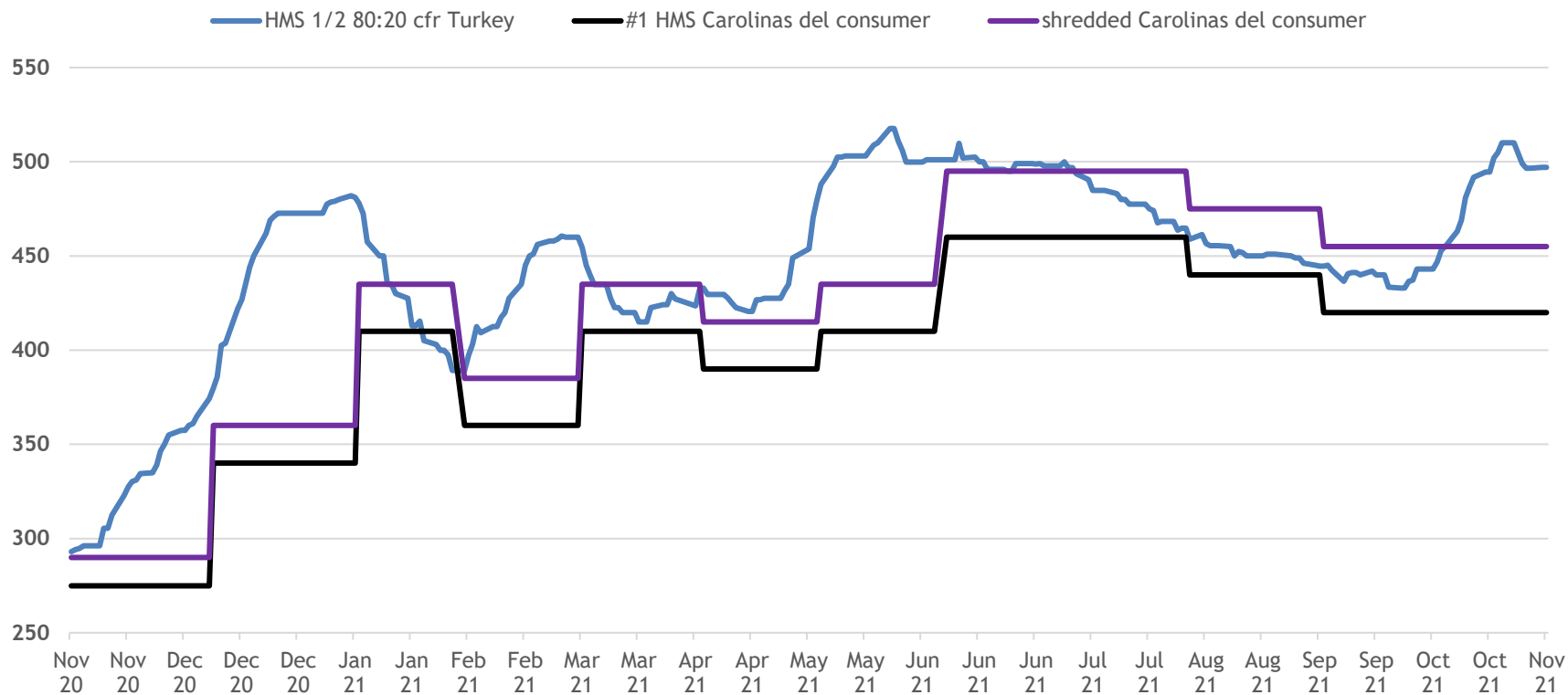
| Company | Location | Product | Capacity (st/yr) | Start-up |
|----------------------------|--------------------------|---------|------------------|----------|
| US Steel | Fairfield, Alabama | Tubular | 1.6 million | 1Q 2022 |
| Big River Steel (US Steel) | Osceola, Arkansas | Sheet | 1.6 million | 2022 |
| SDI | Sinton, Texas | Sheet | 3 million | 2022 |
| Nucor | Gallatin, Kentucky | Sheet | 1.4 million | 2022 |
| Nucor | Brandenburg, Kentucky | Plate | 1.2 million | 2022 |
| North Star BlueScope | Delta, Ohio | Sheet | 850,000 | 2022 |
| ArcelorMittal | Calvert, Alabama | Sheet | 1.6 million | 2022 |
| CMC | Mesa, Arizona | MBQ | 500,000 | 2022 |
| US Steel | TBD | Sheet | 3 million | 2022 |
| Nucor | Ohio, Pennsylvania or WV | Sheet | 3 million | 2022 |
| Nucor | Arizona, Utah or Wash. | Bar | 600,000 | 2024 |

14.5mn st/yr
of new EAF
sheet capacity

US EAF feedstocks imports, mt



Turkey leading indicator for obsoletes

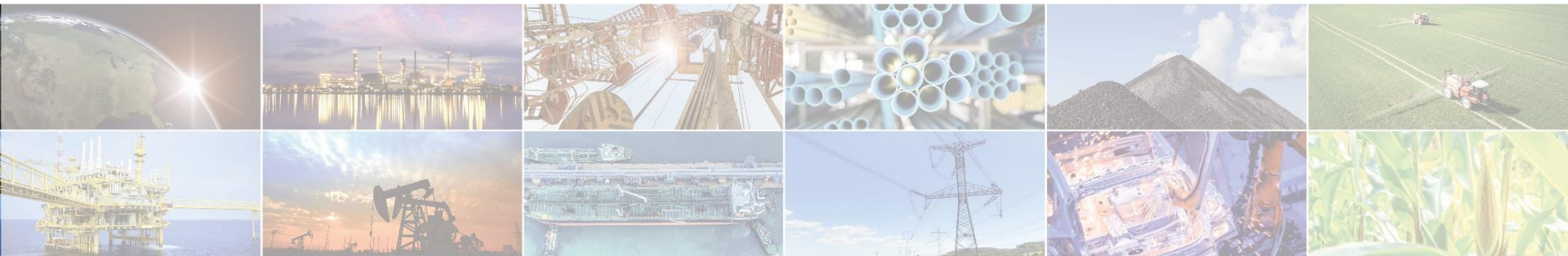


Container squeeze, Covid shape US ferrous exports

| Country | 2021 Jan-Aug (mt) | vs. 2020 |
|------------------------|-------------------|----------|
| TOTAL | 11,900,000 | +9% |
| Turkey | 2,250,000 | -25% |
| Taiwan | 935,000 | -14% |
| Notable gainers | | |
| Mexico | 2,000,000 | +93% |
| Vietnam | 1,100,000 | +107% |
| Bangladesh | 990,000 | +15% |
| Egypt | 400,000 | +85% |
| Italy | 230,000 | +625% |
| Notable losers | | |
| Pakistan | 435,000 | -7% |
| Canada | 433,000 | -25% |
| India | 310,000 | -23% |
| Thailand | 204,000 | -41% |
| Saudi Arabia | 147,000 | -17% |

Consolidation in steel and scrap

Big money drives big moves



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Steel market consolidation since Covid-19

- Cleveland Cliffs
 - Bought AK Steel in March 2020
 - Bought ArcelorMittal USA mills in December 2020
- US Steel
 - Fully acquired Big River Steel in January 2021

Mills, large independents grapple for market share

Notable recent scrap M&A

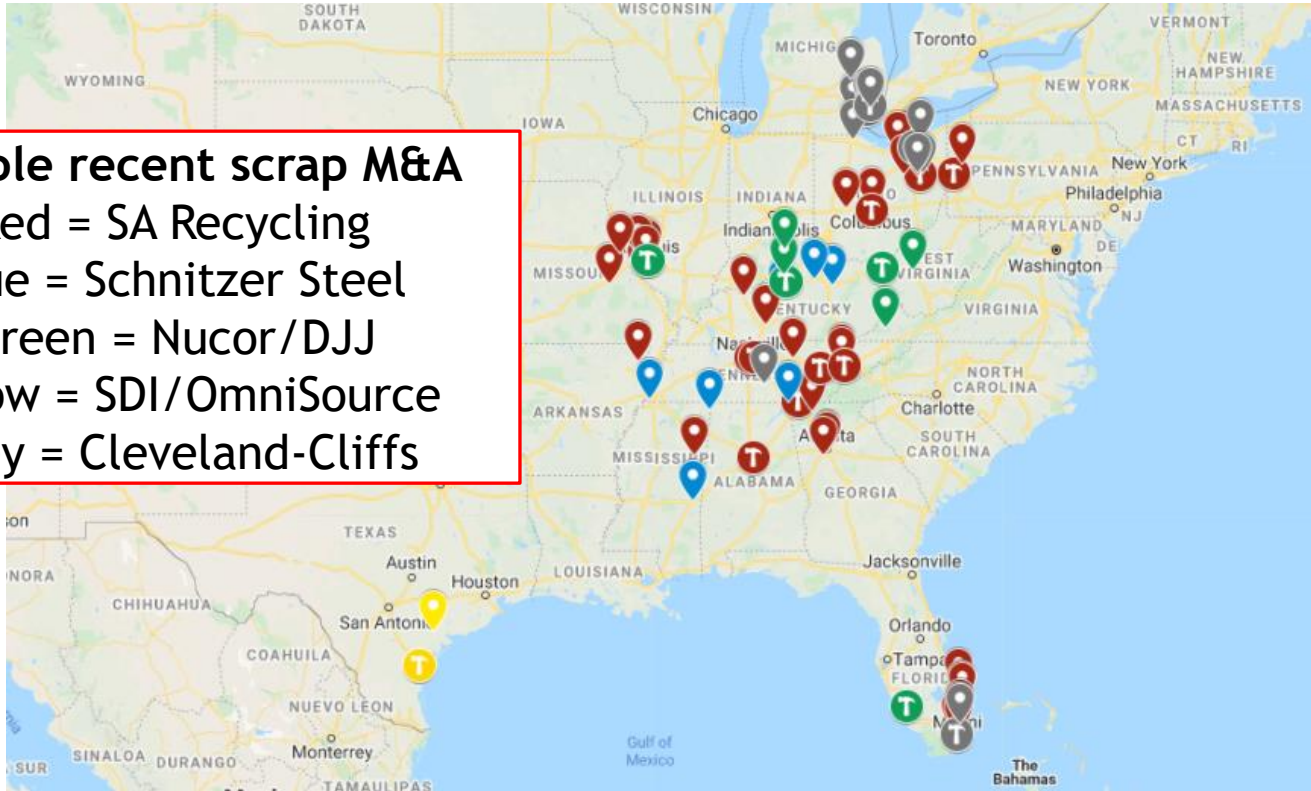
Red = SA Recycling

Blue = Schnitzer Steel

Green = Nucor/DJJ

Yellow = SDI/OmniSource

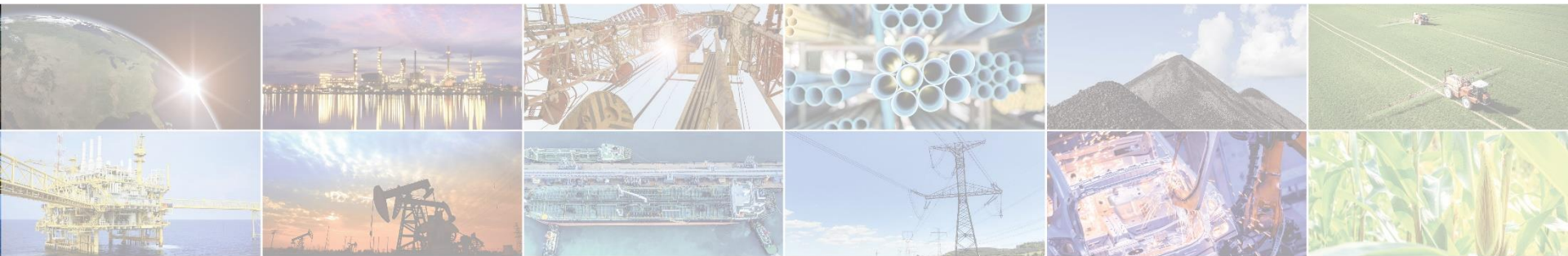
Grey = Cleveland-Cliffs



Next wave of consolidation

- Cleveland-Cliffs pays \$775mn for FPT, 15pc of prime scrap market share
- Icahn agrees to sell PSC Metals to SA Recycling for \$290mn
 - Eight shredders / 30 total locations / 800,000gt of scrap
- Impact of new Nucor, US Steel EAFs
- Less obvious moves?
 - Recent examples: Canada's AIM buying Phoenix shredder, Peru steelmaker buying Tampa-area shredder

Nonferrous scrap trends



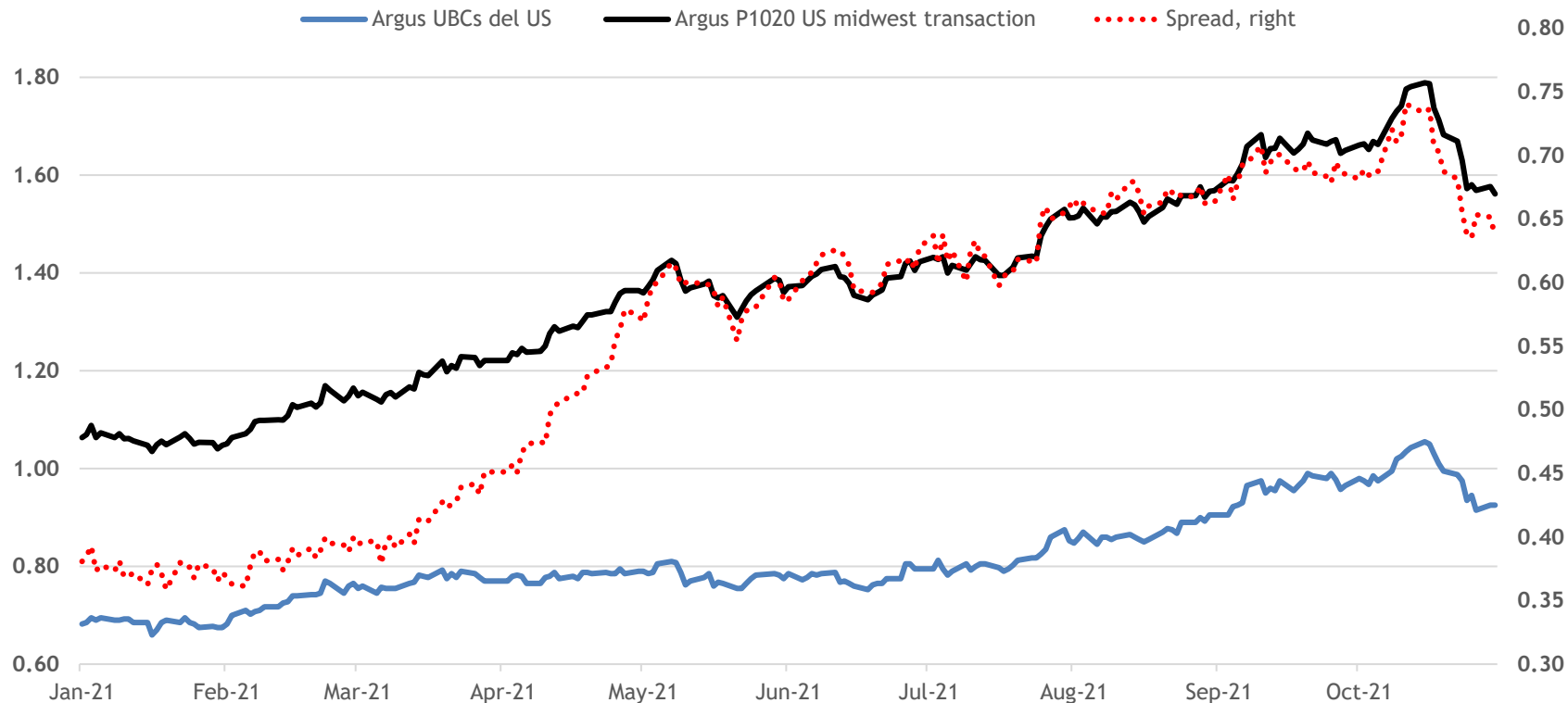
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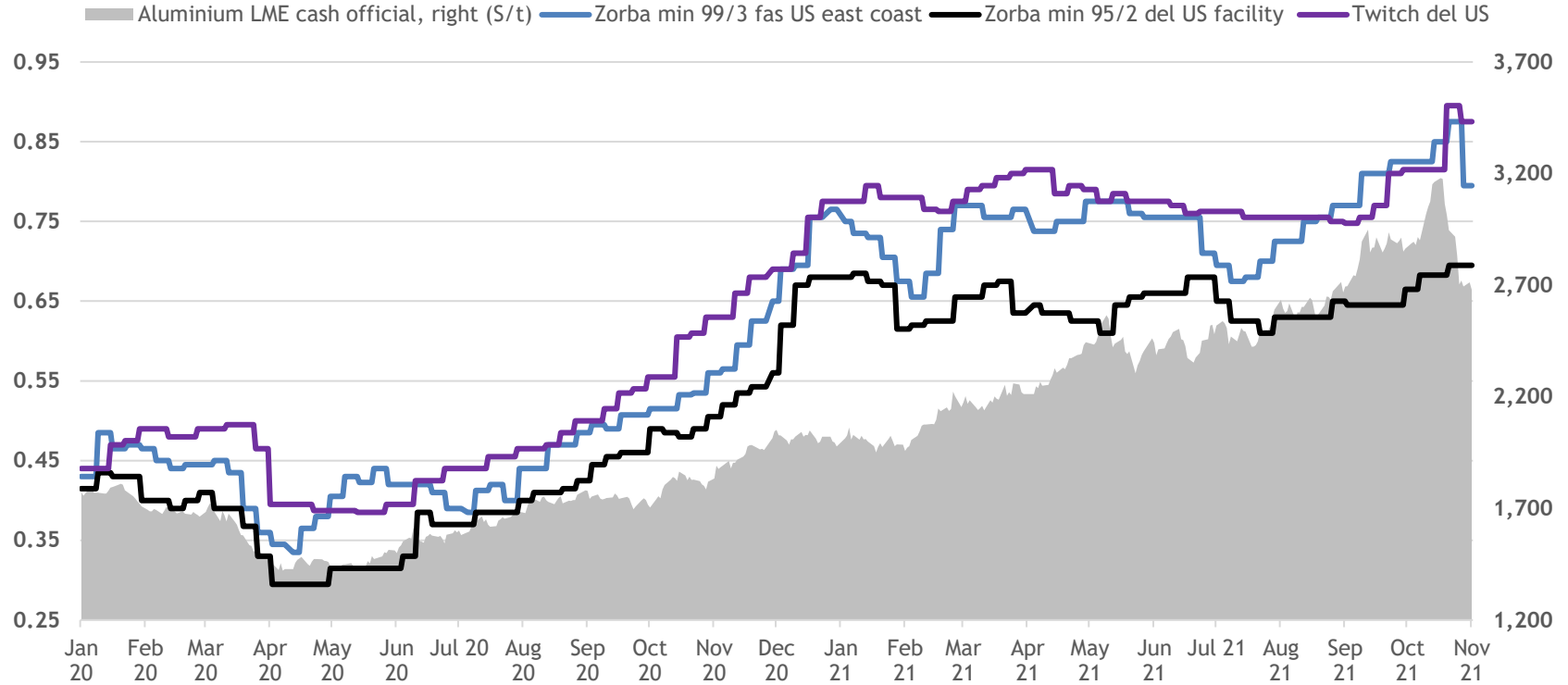
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Aluminum scrap/primary spreads blow out



Aluminum scrap trends



US aluminum scrap seaborne exports

| Country | 2021 Jan-Aug (mt) | vs. 2020 |
|------------------------|-------------------|----------|
| TOTAL | 1,200,000 | +13% |
| Notable gainers | | |
| Malaysia | 338,000 | +34% |
| India | 250,000 | +44% |
| Hong Kong | 168,000 | +168% |
| Russia | 39,000 | +191% |
| Japan | 15,000 | +80% |
| Notable losers | | |
| South Korea | 168,000 | -11% |
| China | 11,000 | -92% |
| Indonesia | 47,000 | -29% |
| Thailand | 46,000 | -5% |
| Taiwan | 20,000 | -28% |

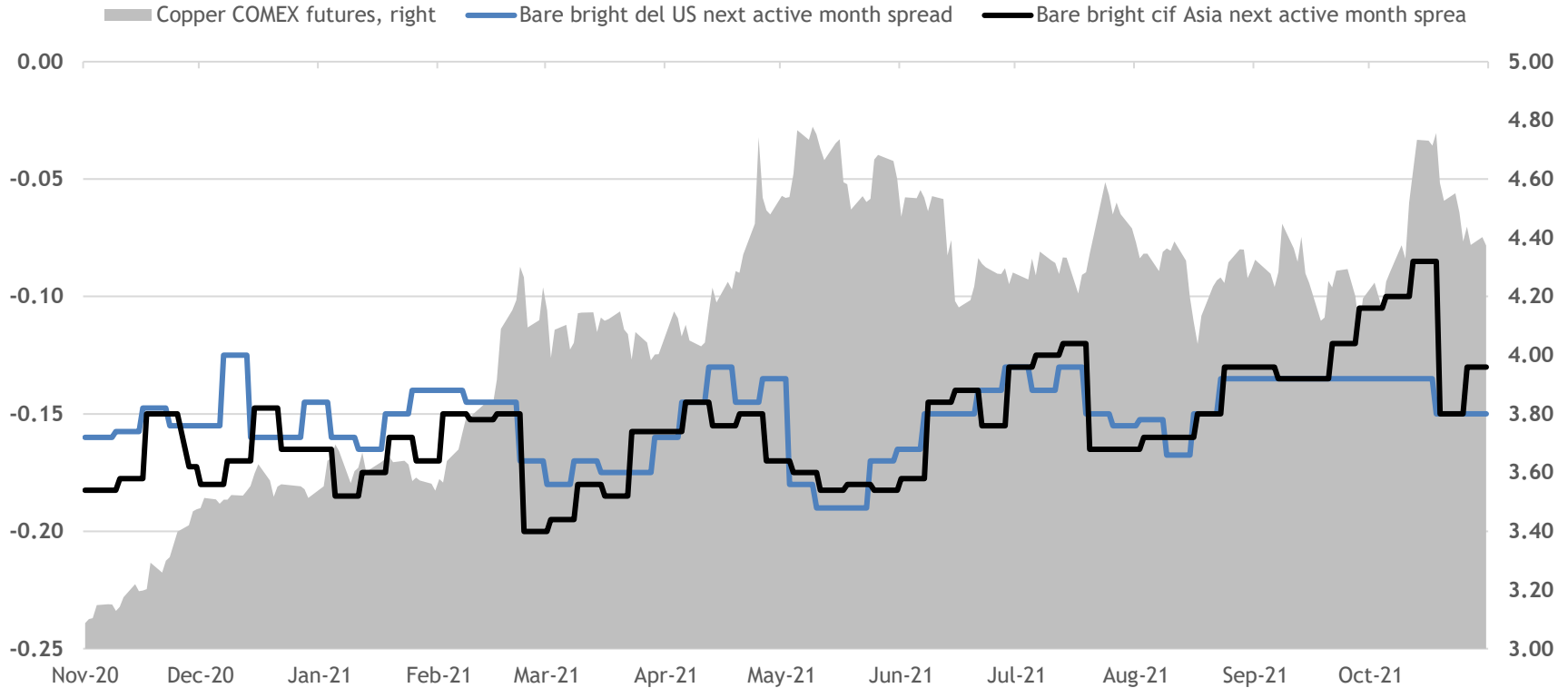
Charleston aluminum scrap seaborne exports

| Country | 2021 Jan-Aug (mt) | vs. 2020 |
|------------------------|-------------------|----------|
| TOTAL | 80,000 | +30% |
| Notable gainers | | |
| Malaysia | 26,000 | +67% |
| India | 25,000 | +61% |
| Hong Kong | 12,000 | +389% |
| South Korea | 3,800 | +158% |
| Russia | 2,500 | +107% |
| Notable losers | | |
| Indonesia | 3,500 | -60% |
| China | 130 | -98% |
| Thailand | 2,000 | -38% |

US copper scrap seaborne exports

| Country | 2021 Jan-Aug (mt) | vs. 2020 |
|------------------------|-------------------|----------|
| TOTAL | 512,000 | +15% |
| Notable gainers | | |
| Malaysia | 113,000 | +4% |
| China | 145,000 | +90% |
| South Korea | 45,000 | +3% |
| India | 31,000 | +8% |
| Thailand | 28,000 | +77% |
| Notable losers | | |
| Taiwan | 168,000 | -49% |
| Germany | 19,000 | -13% |
| Belgium | 16,000 | -22% |
| Japan | 18,000 | -7% |
| Vietnam | 1,200 | -87% |

Exchange volatility impacts copper scrap spreads



Charleston copper scrap seaborne exports

| Country | 2021 Jan-Aug (mt) | vs. 2020 |
|------------------------|-------------------|----------|
| TOTAL | 25,000 | +14% |
| Notable gainers | | |
| Malaysia | 8,800 | +45% |
| China | 5,000 | +61% |
| India | 2,900 | +3% |
| Thailand | 2,300 | +359% |
| South Korea | 1,200 | +95% |
| Notable losers | | |
| Germany | 844 | -59% |
| Belgium | 714 | -57% |
| Taiwan | 402 | -60% |

Thank you!

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