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Jim Olsztynski, Editor

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Each month, this report provides comprehensive insight about qualified market data for a half-dozen key materials, especially recent changes in pricing or price-influencing action(s). Also included are price changes announced by major producers, action in applicable commodity markets, factors affecting supply and demand, etc. [Learn more >](#)

Industrial/Warehouse Space Getting Tight

The booming U.S. economy is driving up demand for warehouse space and driving up rents, according to [a recent report](#) from the real-estate brokerage firm [CBRE Group](#). CBRE says the vacancy rate for industrial/logistics facilities measured just 7.2 percent in the second quarter, the lowest it's been since 2000. The number of vacant properties has fallen for 32 consecutive quarters, the longest stretch since CBRE began tracking such data in 1988.

With demand exceeding new supply, owners are asking for an average \$7.11 per sq. ft. in rents —the highest level since CBRE began tracking the metric in 1989. Rents increased 5.5 percent in the second quarter, year-over-year, exceeding the average annual growth rate of 4.1 percent since 2012.

Besides our growing economy, analysts attribute surging demand to the increasing trend of buying on the internet, even bulky items like furniture. Online sellers need space to store those goods and fulfill orders. This includes many big retailers, like Walmart, that are aggressively expanding internet sales.

Carbon Steel

Hot-rolled coil (HRC) prices are on a downswing, selling for an average of \$853.60 per ton the week of August 30, according to [American Metal Market's](#) (AMM) latest HRC index. That is more than \$63 per ton lower than HRC's July peak and the lowest it's been since mid-March. Market participants expect HRC prices to continue falling – by as much as \$200 per ton by year's end, according to some predictions. Lead times have shrunk to 3-6 weeks, according to AMM.

The decline reflects in part the U.S. market getting more aligned with global markets, where HRC is selling for much less. According to AMM, through the first eight months of 2018 HRC in the U.S. has been selling 43.9 percent higher on average than in eastern China, 36.3 percent higher than in northern Europe and at a 47.6 percent premium in relation to Turkey. The wide spread appears to be attributable to the tariffs enacted by President Donald Trump's administration.

Finished steel imports rose 17.5 percent in July over June, according to the [American Iron and Steel Institute](#), based on preliminary Census Bureau data. Year-to-date (YTD) through seven months of 2018, steel imports were down 10.0 percent vs. the same period in 2017. Finished steel import market share was an estimated 23 percent in July and is estimated at 25 percent YTD.

U.S. service center steel shipments in July 2018 increased by 13.3 percent from July 2017, according to the [Metals Service Center Institute](#). Canadian center steel shipments in July 2018 increased by 4.7 percent from July 2017.

Stainless Steel & Alloys

Stainless steel surcharges are mostly poised to decline for the second month in a row in September, with all four of the key domestic producers signaling discounts mostly ranging between 0.36 and 3.24 percent. The steepest discounts were levied on Type 304 materials. The smallest discounts are for Type 430 products, with one domestic producer, AK Steel, indicating a slight increase of 0.14 percent for that material, according to AMM. Base prices for domestic stainless remained largely the same in August, and little movement is expected for September.

Nickel prices on the LME continue to slide. Trading on August 31 found nickel slipping below \$13,000 a ton, losing more than \$1,000 since peaking early in August.

U.S. molybdenum prices were up around 47 percent in late August compared with the same period of 2017, according to AMM. The upward trend is starting to ease, however, with moly oxide prices starting to drop in Europe by about 3 percent in August after rising to three-and-a-half year highs.

U.S. silicon prices also are dropping, declining in August for the fifth month in a row, according to AMM. The downturn began with a ruling in April by the U.S. International Trade Commission that silicon imports from four nations did not materially harm the U.S. silicon industry.

Tubular Products

Standard pipe prices continued to inch up in August, boosted by Section 232 pressures. AMM's monthly assessment found U.S. domestic A53, grade B, standard pipe selling in a range of \$1,250-1,300 per ton FOB mill, up slightly on the bottom end from \$1,230-1,300 per ton in July. AMM's assessment of the same imported product was unchanged at \$1,070-1,100 per ton CIF Port of Houston. The spread between domestic and foreign product is widening to the point where many buyers may choose to opt for foreign material even with a 25 percent tariff attached.

OCTG prices drop. Prices weakened in August for all 10 categories of OCTG tracked by AMM. U.S. domestic J55 casing dipped \$25 to \$1,250-1,350 per ton FOB mill on August 28, while U.S. import J55 casing fell to \$1,120-1,150 per ton CIF Port of Houston from \$1,130-1,225 per ton last month. Domestic P110 seamless casing fell to a range of \$1,575-1,675 per ton FOB mill from \$1,600-1,700 in July, while domestic welded P110 casing weakened to \$1,350-1,450 per ton FOB mill from \$1,500-1,650 per ton last month. Ample supply was cited as one of the reasons, along with declining costs for substrate hot-rolled coil.

Line pipe prices remained virtually unchanged. AMM's pricing assessment for imported X52 line pipe was unchanged at \$1,150-1,250 per ton CIF Port of Houston, while domestic X52 line pipe also held steady at \$1,375-1,430 per ton FOB mill. AMM's pricing assessment for imported seamless line

pipe continued to strengthen after Section 232 quotas disrupted supply from Brazil and Argentina, with the range extending to \$1,550-1,800 per ton CIF Port of Houston from \$1,550-1,635 per ton in July. A scarcity of offers from normally regular overseas suppliers Tenaris, Vallourec and Voestalpine pushed import prices higher.

OCTG, line pipe prices are poised to drop some more. In the waning days of August, President Trump issued an order allowing buyers to receive Section 232 exclusions from countries subject to quotas. The proclamation is expected to spur more supplies of OCTG and line pipe imports from South Korea, Brazil and Argentina if American users credibly claim they cannot obtain certain products domestically.

The U.S. Commerce Dept. issued preliminary dumping rates against six nations on line pipe imports. Rates ranged from 3.45 percent on imports from Turkey all the way up to 132.63 percent on Chinese product. Other countries targeted in the probe are Canada, South Korea, India and Greece. The case covers welded carbon and alloy steel pipe with an OD greater than 16 inches. AMM's latest assessment pegs U.S. domestic X65 line pipe as selling in a range of \$1,550-1,605 per ton FOB mill. Commerce is scheduled to announce final determinations by November 6.

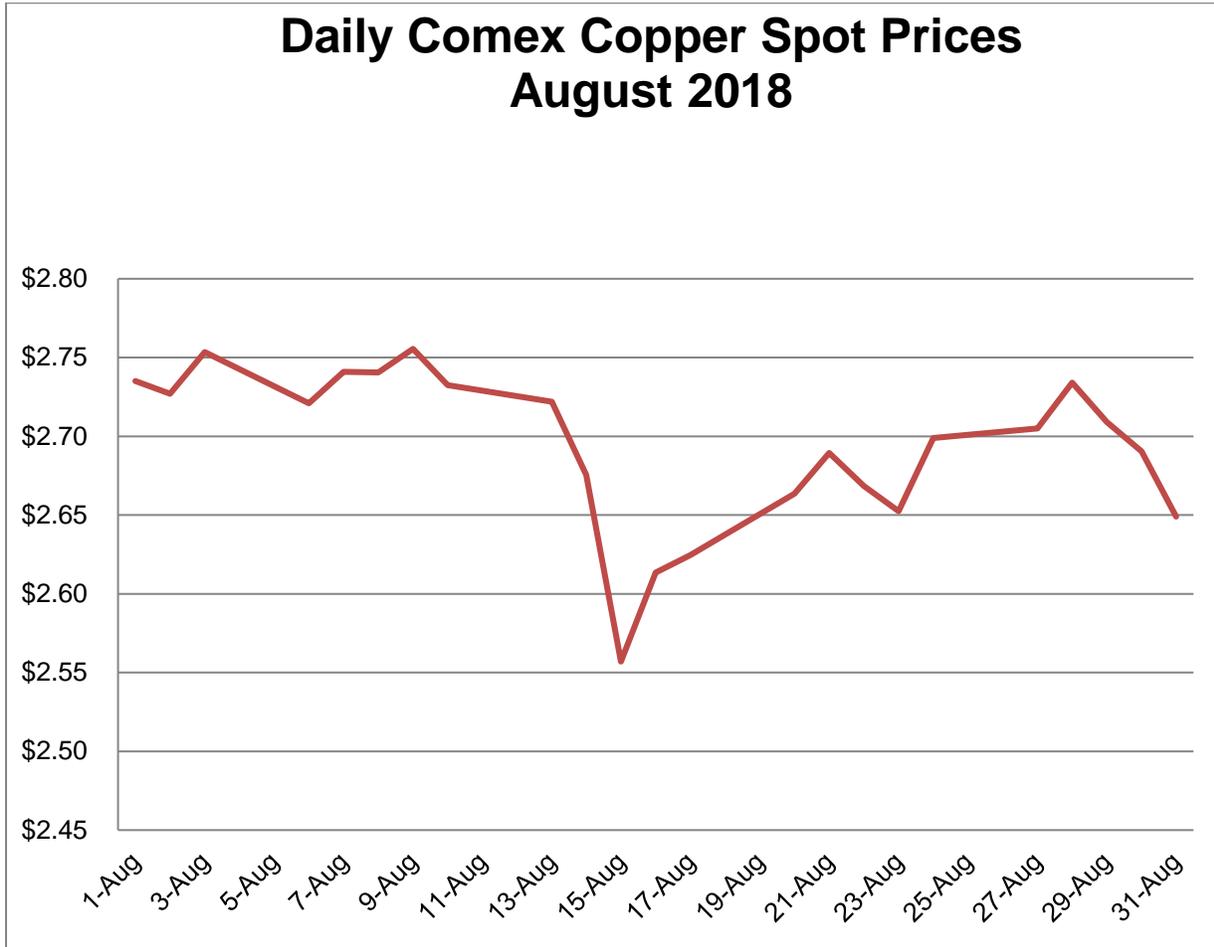
The U.S. Court of International Trade (CIT) exonerated the U.S. Commerce Department from an accusation that it was acting in "bad faith" when it assigned anti-dumping duties to OCTG imports from Vietnam.

Chinese soil pipe due for duties. The U.S. International Trade Commission (USITC) made its determinations in its final phase antidumping and countervailing duty investigations. The USITC determined that a U.S. industry is not materially injured or threatened with material injury by reason of imports of drain bodies from China that the U.S. Department of Commerce has determined are subsidized and sold in the United States at less than fair value. The USITC further determined that a U.S. industry is materially injured by reason of imports of all other cast iron soil pipe fittings from China that the Commerce has determined are subsidized and sold in the United States at less than fair value. As a result of the USITC's affirmative determinations, Commerce will issue antidumping and countervailing duties on imports of cast iron soil pipe fittings other than drain bodies from China. The Commission's public report *Cast Iron Soil Pipe Fittings from China* (Inv. Nos. 701-TA-583 and 731-TA-1381 (Final), USITC Publication 4812, August 2018) will be available by September 10, 2018; when available, it may be accessed on the USITC website at: http://pubapps.usitc.gov/applications/publogs/qry_publication_loglist.asp.

| U.S. Pipe & Tube Imports | | | | | |
|--|-----------|-----------|-----------|--------------|------------------|
| <i>Landed duty-paid value (in \$1,000s)</i> | | | | | |
| Annual & Year-To-Date Data (Jan.-June 2018) | 2017 | YTD 2017 | YTD 2018 | % Change YTD | % Change 2013-17 |
| Total Carbon and Alloy Pipe & Tube | 8,597,203 | 3,941,438 | 4,937,047 | 25.3% | -15.6% |
| Carbon Seamless Tubular Products (Other than OCTG) | 1,323,150 | 599,972 | 819,167 | 36.5% | -36.9% |
| Carbon Seamless OCTG | 1,854,155 | 796,783 | 1,207,584 | 51.6% | -24.1% |
| Welded Tubular Products (Other than OCTG) | 2,854,312 | 1,359,574 | 1,465,434 | 7.8% | 10.5% |
| Welded OCTG | 1,312,102 | 579,709 | 668,841 | 15.4% | -18.7% |
| Flanges, Fittings & Tool Joints | 1,145,295 | 517,714 | 727,708 | 40.6% | -13.7% |

| | | | | | |
|---|---------|---------|---------|-------|--------|
| Stainless Seamless Tubular Products | 380,113 | 165,878 | 195,551 | 17.9% | -20.7% |
| Stainless Welded Tubular Products | 441,024 | 218,359 | 258,846 | 18.5% | 8.9% |
| Stainless Flanges, Fittings & Tool Joints | 590,819 | 280,821 | 330,665 | 17.7% | 5.6% |

Copper



Comex copper prices stabilized after a mid-month dip dropped prices to yearly low of \$2.56/lb. on August 15. Trade worries led to the momentary panic, but recovery got underway with news of an agreement between the U.S. and Mexico to revise the North American Free Trade Agreement (NAFTA). Not only copper, but most commodities gyrated in mid-August due to those trade concerns. Copper is still well below its yearly high of \$3.30/lb. reached in June. The last few days of the month brought more of a sinking feeling.

Global copper surplus erodes. Another reason for copper's partial price recovery has been an easing of the global supply of refined copper. According to [the International Copper Study Group \(ICSG\)](#), the world refined copper balance for the first five months of 2018 indicates a surplus of about 20,000 tonnes (t). Last March, the ICSG had forecast a 105,000-t refined copper shortfall for the full-year 2018, but revised that estimate in April, predicting a 40,000-t surplus this year and a steep 330,000-t deficit for next year.

Demand for copper is getting a boost from its reported antimicrobial benefits. Read more about it [here](#).

Scrap

Ferrous scrap hits a wall. AMM's benchmark Midwest Ferrous Scrap Index dropped in August for the first time in six months, with all grades taking a downward hit. Prime grades suffered losses of about \$10 per ton, causing the price spread between shred and busheling to increase to \$45 per ton, compared with just \$5 per ton in April.

U.S. ferrous scrap exports rose by 27.9 percent in the first half of 2018, according to Census Bureau data. That increase will be hard to sustain as China pulls back on scrap imports.

U.S. stainless scrap prices continue to fall in sync with nickel's steady decline on the LME. Nickel's drop is compounded by erosion in U.S. chrome prices.

Copper and brass scrap discounts mostly dipped in August following copper's descent on both the Comex and LME. More price disruption appears in the offing due to Chinese retaliatory tariffs on copper scrap imports from the U.S. Copper and brass scrap supplies are piling up, say some buyers. Copper scrap is still being shipped to China, but at greatly reduced prices.

Plastics

The PVC pipe market continued to find producers lowballing prices off of July price sheets. According to [PetroChem Wire PVC & Pipe Report](#), pipe was recently selling for \$1.95/ft in the East and Central regions, less discounts of 25-30 percent (\$1.37-1.46/ft). As usual, the discounts were holding at 25 percent in more northern markets and increasing to 30 percent in the South. Demand remains steady, which is helping to sustain prices.

[PetroChem Wire PVC & Pipe Report](#) reported **PVC municipal pipe under pressure.** Most sales in the East and South Central regions were reported at Blocks 80-82. There were still reports of one or two very large converters selling at Blocks 78-79 in various markets. Prices were put at Blocks 84-85 in the Upper Midwest, and at Blocks 86-88 in the Northwest and in California. Demand has been less than robust, which in some cases has led to lower prices as converters look to get rid of inventory and bring in some cash. Demand is expected to pick up in Sept., Oct. and Nov. though possibly not enough to push pipe prices higher.

U.S. and Canadian HDPE resin sales gained 8.8 percent in the first half, [according to Plastics News](#). Exports played a big role in this growth, with HDPE exports leaping 18.9 percent. HDPE sales into the domestic market were up 6.5 percent in the first half. Sales to gas pipe producers were up 23 percent, while water pipe sales gained 16 percent.

News of Note

Average sales in July for ASA's industrial PVF distributors leaped an average 19.0 percent above the same month of 2017 (25.6 percent median increase), propelled as usual by a hefty gain for distributors in the upper quartile (29.8 percent), according to the association's *Monthly Pulse Report*. For the first six months of the year PVF sales were up an average 12.0 percent (9.0 percent median). On a trailing 12-

month basis, sales were up by an average 16.8 percent, with the median gain 15.3 percent. Inventory levels were on average 10.3 percent higher in July 2018 compared with July 2017.

New construction starts in July fell -9 percent from the elevated pace reported in June, according to [Dodge Data & Analytics](#). Nonresidential building dropped -22 percent after soaring 59 percent in June, which had been lifted by the start of two massive manufacturing plants and two massive office buildings. Residential building advanced 2 percent in July from the previous month.

[The Dodge Momentum Index](#) moved 1.4 percent higher in July. The Momentum Index is a monthly measure of the first (or initial) report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year. The Momentum Index has risen steadily since its slippage during the third quarter of 2017. Stronger economic growth and the support from still-healthy real estate market fundamentals (occupancies and rents) have contributed to these gains for construction projects at the planning stage, which have yet to be restrained by the uncertainty arising from higher material costs and higher interest rates.

Architecture firms reported that firm billings continued to grow in July, but the pace of growth slowed for the second month in a row. While any Architecture Billings Index (ABI) score over 50 indicates that firm billings are increasing, the July score of 50.7 indicates that growth is nearly flat. However, this is not yet cause for concern because indicators of new work in the pipeline—measured by inquiries into new work and the value of new signed design contracts at firms—both remained strong in July. The slowdown was attributable to uncertainty over tariffs.

Producer Price Index -- Key Industry Products

| | Product Code | June 2018 | July 2018 | % Change | % Change July 2017 |
|---|----------------|--------------|--------------|------------|--------------------|
| Pipe, Valves & Fittings | | | | | |
| Metal valves, except fluid power | 1149-02 | 327.7 | 327.6 | 0.0 | 4.1 |
| Gates, globes, angles & check valves | 1149-0201 | 348.5 | 348.5 | 0.0 | 2.4 |
| Ball valves | 1149-0202 | 433.3 | 433.3 | 0.0 | 7.1 |
| Butterfly valves | 1149-0203 | 221.9 | 221.9 | 0.0 | 3.7 |
| Industrial plug valves | 1149-0204 | 227.2 | 227.2 | 0.0 | 1.1 |
| Plumbing & heating valves (low pressure) | 1149-0205 | 329.4 | 329.4 | 0.0 | 5.8 |
| Solenoid Valves | 1149-0208 | N/A | 348.0 | N/A | 4.4 |
| Other industrial valves, including nuclear | 1149-0209 | 304.5 | 304.5 | 0.0 | 3.4 |
| Automatic valves | 1149-0211 | 181.7 | 181.7 | 0.0 | 2.7 |
| Metal pipe fittings, flanges & unions | 1149-0301 | 315.1 | 317.8 | 0.9 | 10.5 |
| Steel pipe & tube | 1017-06 | 283.0 | 288.9 | 2.1 | 16.6 |
| Steel pipe & tube, carbon | 1017-0652 | 117.1 | 119.5 | 2.0 | N/A |
| Steel pipe & tube, alloy | 1017-0673 | 105.0 | 107.7 | 2.6 | 14.3 |
| Steel pipe & tube, stainless steel | 1017-0674 | 103.7 | 105.1 | 1.4 | 9.0 |
| Copper & copper-base alloy pipe and tube | 1025-0239 | 224.9 | 210.2 | -6.5 | 9.5 |
| Plastic pipe | 0721-0603 | 110.9 | 110.9 | 0.0 | 6.8 |
| Plastic pipe fittings & unions | 0721-0604 | 164.0 | 163.8 | -0.1 | 6.9 |
| Plumbing Fixtures, Fittings & Trim | 1054-02 | 311.9 | 311.9 | 0.0 | 2.9 |
| Bath & shower fittings | 1054-0211 | 260.6 | 260.6 | 0.0 | 4.3 |
| Lavatory & sink fittings | 1054-0218 | 154.6 | 154.6 | 0.0 | 2.7 |
| Enameled iron & metal sanitary ware | 1056 | 231.3 | 231.3 | 0.0 | 1.7 |
| Steam & Hot Water Equipment | 1061 | 290.4 | 293.4 | 1.0 | 5.1 |
| Cast iron heating boilers, radiators and convectors | 1061-0106 | 184.7 | 187.2 | 1.4 | 6.3 |
| Domestic water heaters | 1066-01 | 409.6 | 409.6 | 0.0 | 11.5 |
| Electric water heaters | 1066-0101 | N/A | N/A | N/A | N/A |
| Non-electric water heaters | 1066-0114 | 251.1 | 251.1 | 0.0 | 9.7 |
| Warehousing, Storage & Related Services | 32-1 | 106.6 | 107.5 | 0.8 | 3.1 |

Source: U.S. Department of Commerce Bureau of Labor & Statistics

About Jim Olsztynski

Since 1977, Jim Olsztynski has covered the plumbing-heating-cooling-piping and industrial and mechanical pipe-valves-fittings (PHCP-PVF) industry as an award-winning journalist and editor for a variety of industry publications. He is an accomplished author having published several *Essentials* courses for ASA University and is soon to publish his own book, titled: [Bumps on the Road to Riches: How to Avoid Big Mistakes that Kill Small Businesses](#). Jim has also made numerous appearances and presentations about the industry and its rich history before live audiences as well as on television.

