B | RILEY Advisory Services

FEBRUARY 2022

Monitor
Metals

STEEL PRICES STEP DOWN FROM PEAK

HRC STEEL PRICES DIP AFTER A RECORD YEAR
Hot rolled coil prices skyrocketed in 2021, surpassing $1,940 per net ton in the fall before declining into 2022

STEEL MILLS SCOOP UP SCRAP PROCESSORS
As mills expand with electric arc furnaces, some are acquiring scrap metal recyclers to secure scrap supplies

SOARING ENERGY COSTS BOOST METALS
High energy costs in Europe have led to smelter cuts for certain base metals, tightening supplies and boosting prices

In This Issue

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VOLUME
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Trend Tracker

	Ferrous Metal	Non-ferrous Metal
NOLVS	Decreasing ▼	Mixed ▲▼
Sales Trends	Increasing ▲	Increasing ▲
Gross Margin	Mixed ▲▼	Mixed ▲▼
Inventory	Increasing ▲	Mixed ▲▼
Pricing	Decreasing ▼	Increasing ▲

NOLVS

- **Ferrous:** NOLVs decreased since the prior year and over the last three months, reversing the rising trend of much of 2021 due to a decline in the price of bellwether hot rolled coil since the peak in the fall of 2021, although prices remain historically high. Companies are holding higher inventory costs relative to market prices than in the comparable periods, resulting in lower NOLVs.

- **Non-ferrous:** NOLVs are mixed, depending on the metal. Non-ferrous pricing has remained resilient heading into 2022 after domestic supply shortages allowed for significant price increases throughout 2021.

SALES TRENDS

- **Ferrous and non-ferrous:** Sales trends increased on a dollar basis since the prior year and in recent months. While ferrous pricing has recently declined, the overall pricing environment during 2021 reflected historically high levels for both ferrous and non-ferrous materials, and demand has continued to increase following the pandemic-related demand suppression of 2020.

GROSS MARGIN

- **Ferrous and Non-ferrous:** Gross margins are mixed, depending on the company's position in the supply chain. Mills and service centers have largely enjoyed increased margins due to elevated prices. Metal manufacturers unable to fully pass metal costs on to customers recently experienced declining margins.

INVENTORY

- **Ferrous:** Inventory levels increased versus the prior year and three months ago as increased import activity and continued high mill production alleviated supply-side constraints. By the end of 2021, service centers reported adequate supplies in relation to demand, and supply increases filtered downstream to metal manufacturers.

- **Non-ferrous:** Inventory levels are mixed. Most companies continue to run lean and replace inventory as needed to avoid the adverse effects of market fluctuations. However, aluminum companies remain short in supply domestically and have seen inventories decline since last year.

PRICING

- **Ferrous:** Market pricing decreased in recent months, reversing course in the fourth quarter of 2021 versus the first three quarters. Since peaking in the fall of 2021, the price of bellwether hot rolled coil fell over 35%, while ferrous scrap prices also felt downward pressure more recently. As a result, prices for other ferrous products may trend lower in the first quarter of 2021. Still, prices remain elevated versus historical levels.

- **Non-ferrous:** Market prices generally increased over the past three months, albeit at slower growth rates versus the sharp increases earlier in 2021. Aluminum pricing continued to increase due to energy shortages and production curtailments across much of Europe and China, while copper pricing has remained relatively flat.

Overview

After a hot streak of record-breaking price gains for much of 2021, U.S. hot rolled steel prices cooled in Q4 and in early 2022. Base metal prices have largely inched up or held steady at high levels in recent months.

From August 2020 to October 2021, SteelBenchmarker prices for hot rolled steel coil, a bellwether for steel prices in general nearly, quadrupled to an all-time high of $1,944 per net ton, even as steel mills ramped up capacity utilization to optimal levels at or above 80% since the summer of 2021. While prices have declined more recently, slipping below $1,500 by the end of January 2022, they remain elevated compared to historical levels, as the 10-year average price of hot rolled coil ranged from $600 to $700 per net ton.

The earlier supply bottleneck, fueled by the pandemic and related supply chain issues, appears to be easing in part due to increased supplies from mills producing at high capacities throughout 2021 and the availability of lower-cost imports. In addition, demand slowed in Q4 2021 as market participants took a wait-and-see approach, holding out for lower prices.

Steel prices are expected to continue weakening with new U.S. capacity returning online in 2022, which includes Steel Dynamic Inc.'s mini-mill in Sinton Texas, Nucor's expansion at its Gallatin mill in Kentucky, and North Star BlueScope's expansion of its mill in Ohio – collectively accounting for 5.3 million net tons per year of production capacity. Moreover, additional imports that were ordered in late Q3 and Q4 2021 are slated to hit the U.S. market this year.

However, it remains to be seen how much upward pricing pressure will be applied from rising steel demand. A continued recovery in the oil and gas industry could boost demand for steel tubular goods, and steel demand from automotive manufacturers may rebound as the semiconductor chip shortage is resolved. The implementation of the Infrastructure Investment and Jobs Act is slated to yield nearly $850 million in steel-intensive projects over the next two to five years.

Continued consolidation in the scrap industry, with mills scooping up scrap processors to gain control of inputs for their new electric arc furnaces ("EAFs"), may eventually reduce overall scrap supplies and keep prices elevated compared to historical averages going forward.

According to the American Iron and Steel Institute ("AISI"), November 2021 shipments from steel mills increased 16.9% versus the prior year but declined 3.9% from the prior month; year-to-date shipments were up 17.4% through November 2021 versus the first 11 months of 2020. Meanwhile, the Metals Service Center Institute reported December 2021 shipments from steel service centers decreased 6.4% year-over-year.

As mentioned, steel imports have become more competitive. Based on preliminary data, the U.S. Census Bureau reported that year-to-date through November 2021, total and finished steel imports increased 44.6% and 46.1%, respectively, versus the same period in 2020, with hot rolled sheet imports up 137%. In November 2021, preliminary total and finished steel imports increased 13.9% and 9.6%, respectively, versus final October 2021 import data, although hot rolled sheet imports were down 7.9%. Some buyers remain cautious about buying imports due to the uncertainty surrounding the cost, delays, and lead times related to ocean transport, as further declines in domestic steel prices could render import prices no longer competitive by the time the shipments arrive.

After the former U.S. administration extended Section 232 tariffs on steel and aluminum imports to include allies such as the European Union ("EU") in 2018, leading to nearly three years of trade conflict, the U.S and EU reached an agreement in October 2021.

Overview

The new deal establishes a tariff-rate quota system effective January 1, 2022, allowing historical-based volumes of EU-produced steel and aluminum into the U.S. duty-free. The deal also suspended Europe's retaliatory tariffs on a variety of U.S. products that were set to double in December 2021. The trade agreement with the EU could boost steel import levels from the EU. The U.S. is currently in talks with Japan about a potential deal.

Global steel output decreased 3.0% in December 2021 versus December 2020, according to the World Steel Association. China, which accounts for nearly half of global steel output, saw its year-over-year crude steel production decrease 6.8% in December 2021, marking the country's sixth consecutive monthly drop in output, due to China's efforts to reduce carbon emissions. China, the world's largest consumer of metals, has shown signs of softer domestic metals consumption as the nation suffered from a perfect storm of credit stress, real estate crisis, and zero-tolerance approach to virus outbreaks. In January, the central bank responded by lowering its policy interest rate for the first time in nearly two years, with hints of further stimulus, easing concerns to some extent. China remains the world's largest steel exporter; in mid-2021, China raised export tariffs for certain steel products and removed rebates on exports of cold rolled products.

Similar to steel, base metal prices also experienced a significant run-up in 2021 amid supply disruptions and demand increases, though some base metals prices dipped slightly or hovered at elevated levels later in the year before ticking up in early 2022. Unlike steel, base metal prices show no signs of a significant downturn in the near future, given continued supply disruptions, which have led to scarce domestic supply. As 2022 began, concerns arose regarding China's slowdown in demand. However, base metal prices remained relatively strong due to continued tight supplies, as well as signs of stimulus for China and high energy costs.

In particular, aluminum prices started the year on a high note due to surging energy costs, with China shifting from steel and coal to aluminum, copper, and other "energy transition" metals this year. Meanwhile, Europe is experiencing an energy crisis this winter season with low natural gas stocks and high gas prices, exacerbated by Europe's over-reliance on coal, which recently hit record high prices, and Russian natural gas, which has largely become unavailable due to geopolitical tensions. As a result of soaring energy costs, many European smelters curbed output, tightening metals supplies. Tensions between the U.S. and Russia over a potential Russian invasion of Ukraine could worsen the situation by disrupting exports from Russia, a leading global producer of aluminum.

Steel and base metal demand is driven by demand from various manufacturing sectors. In December 2021, the Institute for Supply Management® PMI®, an indicator for manufacturing demand, reached 58.7%, down 2.4 percentage points from the prior month but reflecting growth in both the manufacturing sector and the overall economy for the 19th consecutive month.

While U.S. auto sales continued to decline approximately 9% in January 2022 year-over-year, the rate has decelerated from the 25% drop the prior month due to a small increase in inventory, according to PR Newswire. However, the semiconductor shortage, though projected to ease, is expected to affect the industry further this year.

Since plummeting to a low averaging $17 per barrel in April 2020, West Texas Intermediate ("WTI") crude oil prices bounced back to $86 per barrel for the week ended January 21, 2022. The U.S. oil and gas rig count for the week of January 28, 2022 increased 59% from the prior year and 1% from the prior week, reflecting a continued gradual recovery in oil and gas exploration. In recent months, oil country tubular goods ("OCTG") and line pipe prices remained relatively firm.

Carbon Steel

SCRAP

	Ferrous Shredded Scrap Price Trend
12-month	Increasing ▲
Three-month	Mixed ▲▼

On January 24, 2022, the SteelBenchmarker price for U.S. shredded scrap (East of the Mississippi) reached $470 per gross ton, up from $459 the prior year. The price was relatively consistent with $468 three months earlier but reflects mixed trends, with pricing increasing in November and remaining relatively stable in December amid winter seasonality before falling in January.

The January price drop marked a steep decrease of $50 to $60 per gross ton. Some market participants foresee a rebound in scrap pricing due to healthy export demand. In addition, the prime scrap market is slated to remain tight until automotive production increases as the semiconductor chip shortage dissipates. Others indicated that mills with internal scrap processing networks have more leverage in securing lower prices, with an improved ability to convert obsolete scrap to a prime-like substitute. As of the end of January, the February scrap trade appeared to trend sideways.

In recent years, major mills have been buying up scrap metal recycling facilities to secure shredded and prime grades of ferrous scrap as they expand with EAFs, which use scrap as a feedstock. EAFs currently represent 70% of U.S. steel production. Nucor, Cleveland Cliffs, and North Star BlueScope already spent over $1 billion acquiring steel scrap processors in 2021, while Steel Dynamics purchased a Mexico-based scrap company in 2020. Between Steel Dynamics' new mill and major expansions for Nucor and North Star BlueScope, the new capacity this year is slated to generate scrap demand of more than 440,000 tons per month. In addition, larger scrap companies are consolidating to form mega-recyclers. More mergers and acquisitions are on the horizon this year. The current wave of consolidations will shift the scrap landscape in 2022, placing more pressure on the U.S. scrap market and independent scrap dealers in particular, although the wider implications remain to be seen.

UTILIZATION RATES

U.S. steel capacity utilization rates bottomed out in the 50% range in June 2020, when pandemic restrictions began to be lifted. U.S. steel mills then steadily increased production to meet rebounding steel demand, and since the summer of 2021, steel capacity utilization rates have reached or exceeded 80%, denoting optimal mill profitability. However, after peaking at 85.2% in late September 2021, it appears that capacity utilization has begun to soften or stabilize along with raw steel production.

The AISI reported that domestic raw steel production totaled 1,796,000 net tons for the week ended January 29, 2022, up 3.5% from the same week the prior year, but down 0.4% from the previous week. Capacity utilization reached 81.6%, up from 76.6% the prior year, but down slightly from 81.9% the prior week. Adjusted year-to-date production through January 29, 2022 totaled 7,500,000 net tons at a capacity utilization rate of 82.2%, up 4.3% from 7,192,000 net tons the same period last year, when the capacity utilization rate was 76.6%.

	Raw Steel Production (In Millions of Net Tons)	Steel Capacity Utilization
2020 Total	78.739	67.7%
2021 Total	93.506	81.6%
Week Ended January 29, 2022	1.796	81.6%
Week Change vs. Prior Year	3.5%	5.0
YTD Through January 29, 2022	7.500	82.2%
YTD Change vs. Prior Year	4.3%	5.6

Carbon Steel

CARBON STEEL SHEET COIL

	Flat Rolled Steel Coil Price Trend
12-month	Increasing ▲
Three-month	Decreasing ▼

SteelBenchmarker prices for U.S. hot rolled coil (East of the Mississippi) reached $1,500 per net ton on January 24, 2022, remaining above $1,037 the prior year, but declining from $1,927 three months earlier. SteelBenchmarker prices for U.S. cold rolled coil reached $1,852 per net ton on January 24, 2022, remaining above $1,222 the prior year, but down from $2,080 three months earlier.

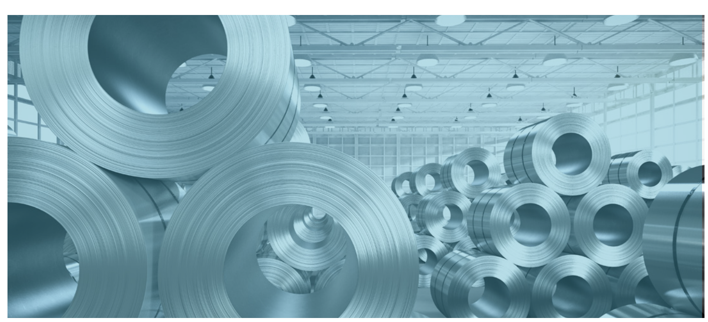
U.S. steel prices skyrocketed in 2021, setting an unprecedented hot streak of record highs before cooling by the end of the year and into 2022 amid increased supplies and slower demand. After spiking above $1,000 in January 2021, a level not seen in over 10 years, hot rolled coil prices set new records month after month, surpassing $1,940 per net ton by October 2021. Prices have since declined below $1,500 by the end of January 2022 and continue to decline, according to SteelBenchmarker, though they remain elevated compared to historical levels, as the 10-year average price of hot rolled coil ranged from $600 to $700 per net ton.

Toward the end of 2021 and into early 2022, buyers largely drew from their own inventories, delaying restocking in hopes of lower prices. Declining lead times, which herald more tonnage availability from mills, point to further price declines. The market is also feeling downward pricing pressure from new U.S. capacity coming online this year and lower-cost import options, which may push supplies from the deficit seen in 2021 to a surplus. In January 2022, U.S. Steel and Nucor both announced the construction of new multi-billion-dollar steel mills that operate EAFs, which will add a combined 6.0 million tons of new steel capacity in the coming years.

Although all of the additional capacity may facilitate volume growth, the spate of new lower-cost EAFs may eventually drive older higher-cost blast furnace capacity to exit the market, lowering the cost curve for finished steel down the line. Similarly, however, a shift toward lower-cost EAFs could weaken competition from imports in the long term.

In the near future, some market participants see an upside for pricing with rising demand for tubular goods, an expected rebound in automotive production as the semiconductor chip shortage eases, and nearly $850 million in steel-intensive projects stemming from the federal Infrastructure Investment and Jobs Act over the next two to five years. However, while these factors may keep steel prices elevated or prevent steeper drops, prices are unlikely to experience the same surge as in 2021. Market participants seem to agree that hot rolled coil prices will bottom out near historical average levels, rather than the floors of $400 to $500 experienced in past down cycles. Still, the COVID-19 pandemic continues to be a wildcard, and the full impact of the latest Omicron variant remains to be seen.

Cold rolled coil and hot dipped galvanized coil prices generally follow the same trend as hot rolled coil, though at a premium. However, in recent months, cold rolled and hot dipped galvanized coil prices are more than double the traditional mark-up from hot rolled coil prices, failing to weaken at the same rate as hot rolled coil pricing since September 2021. As a result, the spread has increased significantly since the pandemic-related lockdowns and recession in 2020, but is expected to normalize over the next month.



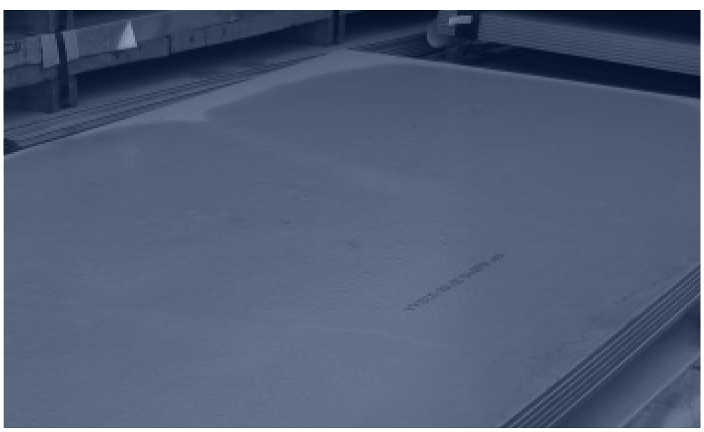
Carbon Steel

STEEL PLATE

	Steel Plate Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲ / Consistent ▬

SteelBenchmarker prices for U.S. standard steel plate (East of the Mississippi) reached $1,828 per net ton on January 24, 2022, remaining above $967 the prior year and increasing from $1,765 three months earlier. Cut-to-length plate prices have remained fairly stable in recent months.

Like flat rolled steel coil, steel plate prices soared last year. However, while flat rolled steel prices have been declining since the fall of 2021, plate prices have been more stable. With rising oil prices in the Q4 2021 and into 2022, steel plate has enjoyed demand from the energy sector, although spot sales are down in general. In January 2022, major plate producers SSAB and Nucor kept their offer prices unchanged.



Still, supply issues are largely a problem of the past, with lead times from mills decreasing and scrap prices dropping in January. Market participants therefore expect major price cuts for plate in the near future, falling in line with other flat rolled coil prices. Currently the premium for cut-to-length plate is above hot rolled coil prices, reversing the trend for much of the pandemic.

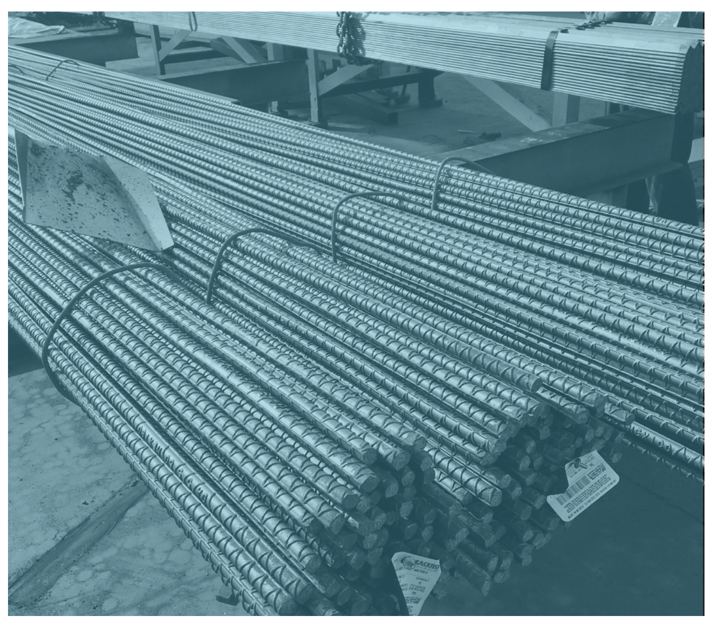
REBAR

	Rebar Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲ / Consistent ▬

In January 2022, U.S. Southeast rebar prices were above both year-ago and prior-quarter levels, but have remained relatively stable since December. Rebar price trends tend to lag flat rolled price trends by a couple of months.

U.S. rebar prices remained near a 13-year high since early December due to slow activity related to winter weather and the spread of Omicron. Similar to plate, market participants generally expect rebar prices to decline in the near future, following flat rolled pricing trends, particularly given the drop in ferrous scrap pricing, which further widened the spread between steel and scrap pricing.

Import prices for rebar have also remained relatively stable over the past month. U.S. rebar imports fell more than 50% in December versus November, marking the lowest monthly import tonnage in 2021.



Carbon Steel

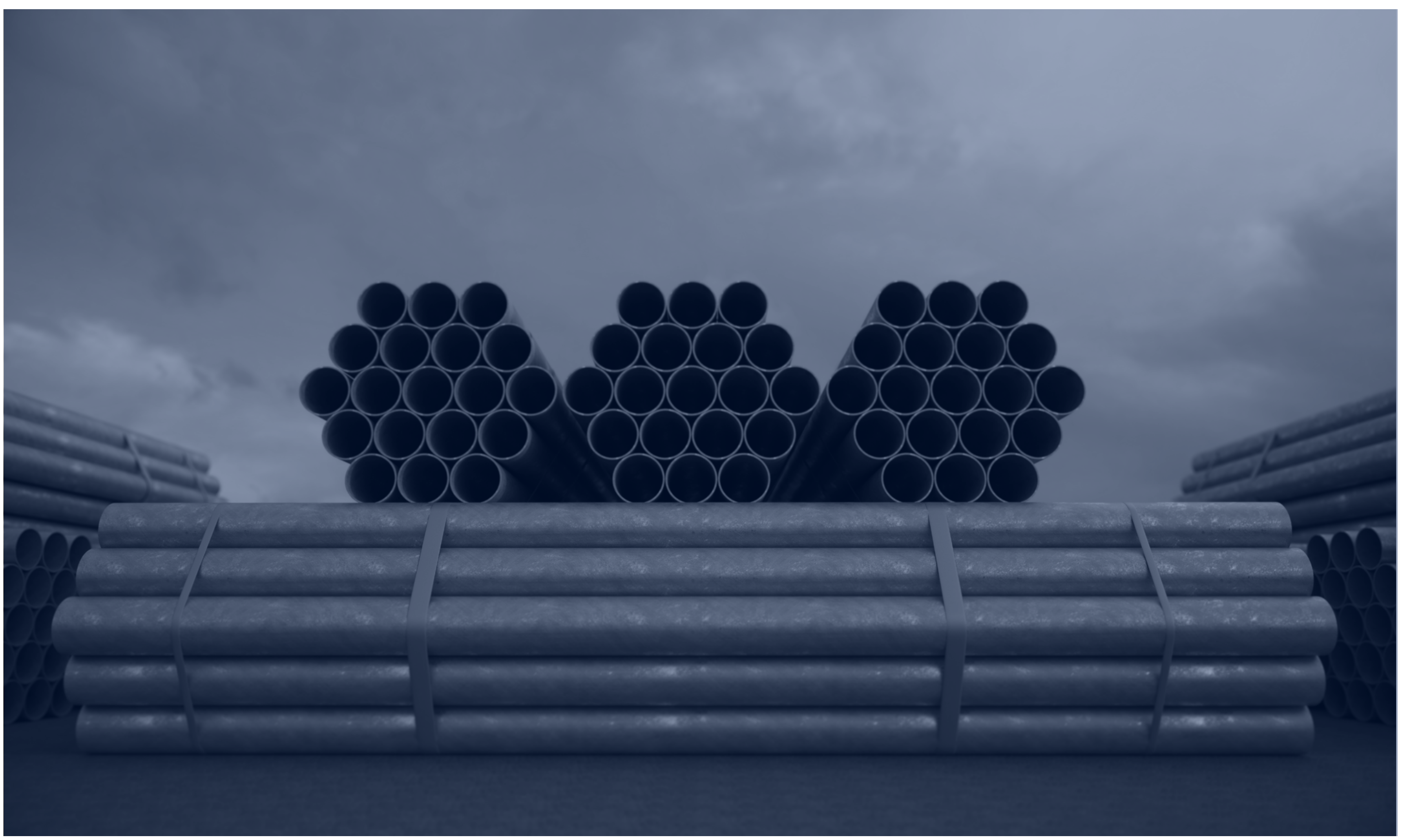
OCTG

	J55 ERW Price Trend
12-month	Increasing ▲
Three-month	Consistent ▬

OCTG prices are above year-ago levels and have remained relatively firm at high levels over the past three months, despite lower hot rolled coil costs, due to healthy demand. In addition, the lack of available seamless line pipe boosted demand for welded pipe as a replacement. OCTG prices are expected to remain supported by the continued gradual improvement in North American oilfield activity, with many seamless and ERW OCTG mills experiencing full order books or even backlogs. Seamless producers have been overbooked since fall 2021.

Since plummeting to a low averaging $17 per barrel in April 2020 (including a brief unprecedented period when the price turned negative), WTI crude oil prices bounced back to average nearly $82 per barrel in October 2021. With the emergence of the Omicron coronavirus variant, prices dipped in November and December before rebounding to $86 per barrel for the week ended January 21, 2022. The U.S. oil and gas rig count totaled 610 units for the week of January 28, 2022, an increase of 59% from 384 units the same week the prior year, and up 1% from 604 units the prior week.

While lower-cost imports have the potential to drag down pricing for OCTG and line pipe, particularly as the U.S. continues to negotiate tariff-rate quotas with certain countries subject to Section 232 tariffs, import material is not anticipated to arrive until at least the second quarter of 2022.



Aluminum

	Aluminum Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In January 2022, average London Metal Exchange ("LME") prices for aluminum and Midwest transaction prices for grade P1020 aluminum were nearly 50% and 59% above year-ago levels. LME aluminum prices were above levels three months earlier, while Midwest transaction prices were relatively consistent with prices three months earlier.

Following the rally that lifted most base metals in the first half of 2021, global aluminum prices continued to benefit from ongoing supply concerns and demand buoyed by a power crisis in China, jumping 62% between January 2021 and October 2021, according to World Bank Data. Aluminum prices then dipped briefly based on news surrounding China's interventions against rising coal prices and the Omicron variant of the coronavirus, but rebounded by the end of 2021 and into January 2022. The LME three-month closing price for aluminum reached $3,033 per metric ton ($1.38 per pound) on January 31, 2021.

Aluminum exchange inventories remain critically low, with smelter cuts, supply chain/logistical delays, and strong demand creating further tightness. North American primary aluminum production fell 2.4% in 2021 versus 2020. China, the world's top aluminum producer, remains short of primary metal as the country reduced production to cut carbon emissions; meanwhile, China is expected to increase infrastructure investments in the first half of 2022, boosting aluminum demand. High power prices in Europe, leading to several smelter cuts, have reinforced expectations of large aluminum deficits, and the geopolitical situation with Russia added further pressure.

SMM News expects these factors will lift aluminum prices for part of the year until recovering aluminum capacity leads pricing to dip. Other market participants believe the ongoing shift toward decarbonization will sustain a tight market.

The U.S. recently came to an agreement with the EU to replace Section 232 tariffs on European aluminum and steel with a tariff-rate quota effective January 2022, which could make aluminum imports more affordable once energy prices normalize and geopolitical tensions subside. The U.S. is currently in talks with Japan to potentially ease tariffs on Japan as well.

	Midwest Transaction Premium Trend
12-month	Increasing ▲
Three-month	Decreasing ▼

Aluminum premiums are also at high levels, with the Midwest transaction premium up 115% in January 2022 versus the prior year, though slightly down versus three months earlier. The Midwest transaction premium on the LME reached $0.33 to $0.34 per pound.

After peaking in October 2021, the Midwest aluminum premium dipped through December before rebounding in January 2022 near the all-time high, as it became apparent that the domestic supply of P1020 aluminum remains insufficient to fulfill the requirements of many consumers, and given high transportation costs and winter weather.

The 6063 aluminum extrusion billet premium has also climbed recently, reaching a new all-time high in mid-January due to very tight domestic supplies, strong demand, and record or near-record high costs for billet adders such as silicon, magnesium, and primary foundry alloy A356.2 (PFA).

Copper

	Copper Price Trend
12-month	Increasing ▲
Three-month	Consistent ▬

In January 2022, average copper prices on the LME were 23% above year-ago levels. Copper prices have remained relatively stable over the past three months, with minor fluctuations.

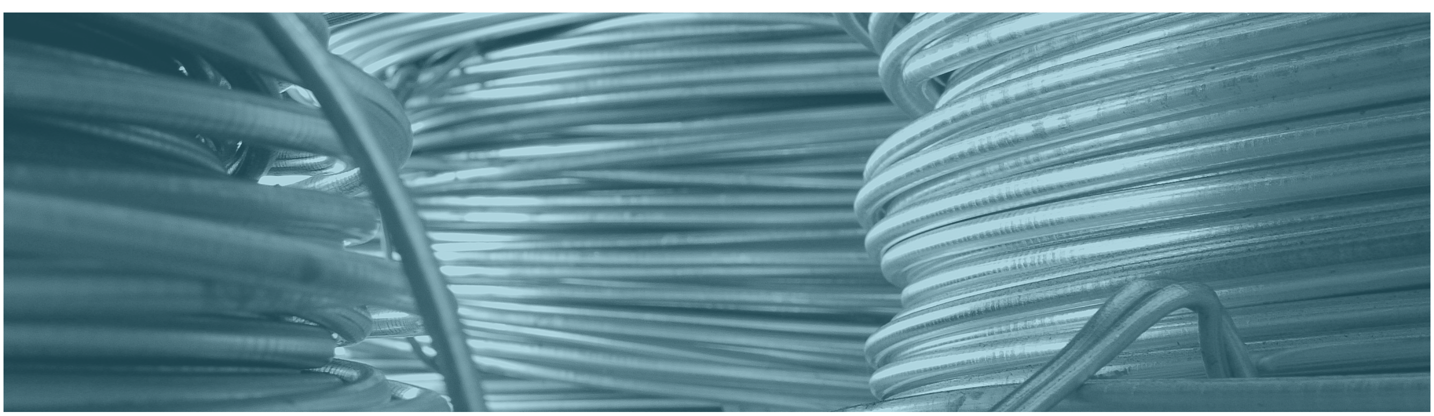
Although copper prices have drifted down from the all-time high near $10,500 per metric ton ($4.76 per pound) reached in May 2021, copper prices generally remained above $9,000 per metric ton ($4.08 per pound) through the remainder of 2021. The record high was driven by an economic rebound in China, the world's top copper consumer, coupled with a 47-year low in exchange inventories.

Pricing then felt downward pressure from a property slowdown and power crunch in China, along with slower copper usage toward the end of the year as some fabricators shifted to lower-cost copper scrap. Still, disruptions at top copper-producing countries Chile and Peru, in addition to positive sentiment surrounding the Infrastructure Investment and Jobs Act, kept prices relatively high.

Concerns surrounding China eased by mid-January 2022 amid signs of government stimulus and economic support, helping buoy copper prices above the $10,000 mark once more. The LME three-month closing price for copper was $9,697 per metric ton ($4.40 per pound) on January 31, 2021. Copper prices are expected to cool this year as fundamentals grow more balanced. Bank of America predicts copper demand will remain relatively stable this year, while the International Copper Study Group projects a surplus of 328,000 metric tons in the refined copper market.

In the long term, though, a potential copper crisis looms. While copper demand is projected to increase 16% by 2030, supplies are slated to fall 12%, according to Rystad Energy. Current copper operations are near peak capacity, making investment in copper mining risky due to higher production costs and emissions. It remains to be seen whether current high copper prices will spur sufficient investments that bear a greater risk level.

"Lackluster investments in copper mining are stumping supply, as the pandemic-driven market instability encourages investors to hold on to their capital," said James Ley, global energy metals expert and Senior Vice President with Rystad Energy. "As the energy transition continues at pace and EV [electric vehicle] adoption grows in populous nations like China and India, the copper mining industry requires significant investment to keep up with demand."



Zinc

	Zinc Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In January 2022, average zinc prices on the LME were 33% above year-ago levels and were above levels three months ago.

While zinc prices experienced more volatility in the second half of 2021 versus the hot streak in the first half, the three-month LME price reached a decade-high of $3,944 per metric ton ($1.79 per pound) in October 2021, when Europe first announced power cuts.

Continued high energy costs for zinc smelters in Europe, exacerbated by lower energy exports from Russia into Europe due to the current geopolitical situation with Russia, have led major zinc producers to cut production, lifting up zinc prices and boosting European premiums near record highs.

Zinc prices face a downside risk given the slowdown of China's property market; however, recent signs of stimulus in China have eased concerns somewhat. Zinc stocks at LME warehouses are also low, with more set to leave the stocks.

According to preliminary data from the International Lead and Zinc Study Group, when accounting for zinc released by China's National Food and Strategic Reserves Administration, the global market for refined zinc metal logged a surplus of 87,000 tons for the first ten months of 2021, while total reported inventories decreased by 178,000 tons.

Nickel

	Nickel Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In January 2022, average nickel prices on the LME were 25% above year-ago levels, and have also increased over the past three months.

After rallying in the first half of 2021 and softening slightly later in the year, nickel prices jumped again in January, reaching the highest level since 2011, before the LME three-month closing price for nickel settled slightly lower at $22,764 per metric ton ($10.33 per pound) on January 31, 2022. Despite nickel production recovering to pre-pandemic levels, which will temper prices in the long term, nickel prices are currently strong due to critically low inventories and destocking.

LME stockpiles have fallen for more than 50 days in a row, and Chinese nickel stocks have approached record lows. The International Nickel Study Group estimated a global nickel deficit of 134,000 tons in 2021.

In addition, primary nickel consumption is forecast to increase globally due to expansions of stainless steel capacity in China and Indonesia, as well as demand from a burgeoning EV market. In the U.K. last year, one in four new cars represented an EV, while China's output for NCM/NCA batteries have jumped significantly year-over-year, highlighting the potential of accelerating EV demand.

Recent Chinese efforts to boost the nation's sluggish economy via stimulus and interest rate cuts have also buoyed investor sentiment surrounding the base metal complex, including nickel.

Stainless Steel

	Stainless Steel Price Trend
12-month	Increasing ▲
Three-month	Increasing ▲

In January 2022, stainless steel prices climbed to a 14-year high, rising above year-ago levels and reflecting increases over the past three months, marking a contrast from the trend for hot rolled coil.

For most of 2021, stainless cold rolled steel prices increased at a much slower rate than hot rolled coil prices.

However, while hot rolled coil pricing fell since the fall of 2021 as supply began outpacing demand, stainless cold rolled steel pricing continued to rise. The recent stainless steel price hikes, which reflect a reduction of functional discounts, were driven by base price increases and alloy surcharges, particularly nickel surcharges, as three-month nickel prices on the LME reached an 11-year high in January.

In addition, supply-and-demand fundamentals are healthy. Stainless steel demand remains strong, particularly with expansions of stainless steel capacity in China and Indonesia. U.S. stainless steel supplies are currently tight, with extended lead times from mills and service centers on allocation. However, Chinese stainless steel production is expected to grow in 2022.

Monitor Information

The *Metals Monitor* provides market value trends in both ferrous and non-ferrous metals. The commodity nature of steel scrap, aluminum ingot, copper cathode, zinc, and nickel often results in volatile market values. Our *Metals Monitor* reflects pricing and market trends in order to reflect significant developments in the metals markets. The information contained herein is based on a composite of B. Riley Advisory Services' industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of well-respected sources.

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Experience

B. Riley Advisory Services' extensive record of metals inventory valuations features companies throughout the entire metal supply chain, including foreign and domestic metal- and steel-producing mills; metal converters that produce tubing and pipe, as well as expanded, grating, and perforated metal types; metal service centers/processors and distributors; structural and custom fabricators and stampers; manufacturers that utilize metals as raw materials; and scrap yards, recyclers, dealers, and brokers. B. Riley Advisory Services has also appraised precious and specialty metals. B. Riley Advisory Services has appraised metal products with applications in a wide variety of industries.

A sampling of B. Riley Advisory Services' extensive appraisal experience includes:

- Steel mini-mills and producers of flat rolled steel products.
- Globally recognized vertically integrated manufacturers and distributors of steel tube, including OCTG.
- A vertically integrated producer of aluminum with over $1 billion in sales annually and over $130 million in inventory.
- A number of the largest scrap recycling processors in the U.S.
- Well-known service centers across the nation, including a multi-division full-line steel service center.

Moreover, B. Riley Wholesale & Industrial Solutions has liquidated a number of companies with metal products, including Charleston Aluminum, Advanced Composites, Aluminum Skylight & Specialty Corporation, Anello Corporation, Apex Pattern, Balox Fabricators, BJS Industries, Buckner Foundry, Crown City Plating, GE Roto Flow, Laird Technology, Maddox Metal Works, Miller Pacific Steel, R.D. Black Sheet Metal, Valley Brass Foundry, and Southline Steel. B. Riley Wholesale & Industrial Solutions has also been involved in liquidations of metalworking equipment for companies such as Adams Campbell Company, CAMtech Precision Manufacturing, Inc., Gregg Industries, Inc., International Piping Systems, Heat Transfer Products, PMC Machining and Manufacturing, Sherrill Manufacturing, Trans-Matic Manufacturing, Veristeel, Inc., and Weiland Steel, Inc. In addition, B. Riley Advisory Services maintains a staff of experienced metals experts with personal contacts within the metals industry that we utilize for insight and perspective on recovery values.

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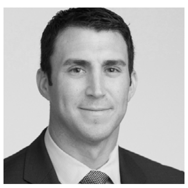

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About B. Riley Advisory Services

B. Riley Advisory Services works with lenders, law firms, private equity sponsors and companies of all types. Our Advisory Services are a unique mix of Valuation and Appraisal Services including asset-based lending (ABL) Valuations; Restructuring and Turnaround Management; Forensic Accounting and Litigation Support; Operations Management; Compliance, Risk & Resilience Services; and Transaction Support Services including Due Diligence and Quality of Earnings Reviews. B. Riley Advisory Services is the trade name for GlassRatner Advisory & Capital Group, LLC, B. Riley Advisory & Valuation Services, LLC, Great American Group Machinery & Equipment, LLC, and Great American Group Intellectual Property, LLC.

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351

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B. Riley Financial ranked No. 2 on FORTUNE 100 Fastest Growing Companies 2021 list based on revenue growth rate, EPS growth rate, and three-year annualized total return for the period ended June 30, 2021. Fortune. © 2021 Fortune Media IP Limited All rights reserved.

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