



Section 232 Timeline

Countdown to Supply Turmoil

Wilbur Ross, Secretary of Commerce

- Appointed 2/28/2017 by Trump
 - 55 years investment banking and private equity experience.
 - Secretary Ross has been chairman or lead director of more than 100 companies operating in more than 20 different countries
 - He has restructured over \$400 billion of assets in the airline, apparel, auto parts, banking, beverage, chemical, credit card, electric utility, food service, furniture, gypsum, homebuilding, insurance, marine transport, mortgage origination and servicing, oil and gas, railcar manufacturing and leasing, real estate, restaurant, shipyard, steel, textile and trucking industries.

Wilbur Ross, Secretary of Commerce

- **Political Insider**

- Named by Bloomberg Markets as one of the 50 most influential people in global finance, Secretary Ross is the only person elected to both the Private Equity Hall of Fame and the Turnaround Management Hall of Fame.
- He previously served as privatization adviser to New York City Mayor Rudy Giuliani
- Appointed by President Bill Clinton to the board of the U.S.-Russia Investment Fund.
- President Kim Dae-jung awarded Secretary Ross a medal for helping South Korea during its financial crisis
- Awarded the Order of the Rising Sun, Gold and Silver Star in November 2014 by the Emperor of Japan.

Section 232 Investigations Announced

- Initiated April 19, 2017
- Hearing on May 24, 2017
 - “Investigations conducted pursuant to Section 232 and any import adjustments resulting therefrom must be limited to considerations of “national security,” as opposed to broader commercial or “national interest” considerations.” from merged public comments posted on www.commerce.gov site.
 - The Bureau Should Then **Exclude** Products That Have Little or No Connection to National Security Uses, including: hot rolled bar for cold finishing and cold finished bar.

Section 232 Facts

- **Section 232 of the Trade Expansion Act of 1962** (19 U.S.C. §1862) authorizes the Secretary of Commerce to conduct comprehensive investigations to determine the effects of imports of any article on the national security of the United States. Section 232 investigations include consideration of:
 - domestic production needed for projected national defense requirements;
 - domestic industry's capacity to meet those requirements;
 - related human and material resources;
 - the importation of goods in terms of their quantities and use;
 - the close relation of national economic welfare to U.S. national security;
 - loss of skills or investment, substantial unemployment and decrease in government revenue; and
 - the impact of foreign competition on specific domestic industries and the impact of displacement of any domestic products by excessive imports.

Section 232 Facts

- Section 232 requires that the Secretary notify the Secretary of Defense that an investigation has been initiated. The Secretary also consults with the Secretary of Defense regarding methodological and policy questions raised in the investigation and can seek information and advice from other government agencies. domestic production needed for projected national defense requirements;
- The Secretary's report to the President, prepared within 270 days of initiation, focuses on whether the importation of the article in question is in such quantities or under such circumstances as to threaten to impair the national security. The President can concur or not with the Secretary's recommendations, and, if necessary, take action to "adjust the imports of an article and its derivatives." In addition, the Secretary can recommend, and the President can take, other lawful non-trade related actions necessary to address the threat.
- Since 1980, the Commerce Department has conducted 14 Section 232 investigations.

Trump's 232 Release, April 20, 2017

- A JUSTIFIABLE AND NECESSARY ACTION: As imports of steel to the United States continue to rise, an examination of foreign practices is urgently needed. Since 1980, the Commerce Department has conducted 14 Section 232 investigations.
- Despite America's existing domestic steel industry, imports of steel into the United States have risen 19.6 percent between February 2016 and February 2017.
- Recent reports by the United States International Trade Commission (USITC) have found that steel imports injure the United States steel industry.
- The USITC has found domestic steel makers are harmed where nations that export steel products to the United States unfairly subsidize their products or sell them at artificially low price.

The Run-Up

- **September, 2017 AMM News:**

- Destocking trend
- The US imported 3 million tons of steel last month, up 1.1% from 2.8 million tons in September and up 15% from 2.46 million tons in October 2016, according to preliminary data from the Commerce Department's Enforcement and Compliance division.

- **October 2017 AMM News:**

- The US imported 200,687 tons of cold-rolled coil in October, up 9.7% month on month and up 5.9% from October of 2016.
- The US imported 2.83 million tons of steel October, up 1.1% from 2.8 million tons in September and up 15% from 2.46 million tons in October 2016, according to preliminary data from the Commerce Department's Enforcement and Compliance division.
- US steel product shipments totaled 3.4 million tons in October, up 10.7% from the same month last year and 11.8% higher than 3.04 million tons in September,

The Run-Up

• November 2017 AMM News:

- **Destocking trend continues with domestic mill price hikes.**
- US steel product shipments totaled 3.16 million tons in November, up 6.8% from the same month last year. Steel shipments for the first 11 months of the year rose by 3.9% to 36.12 million tons from 34.77 million tons in the same 2016 period.
- Meanwhile, US service centers' steel inventories totaled 7.59 million tons (2.4 months' supply at current shipping rates) in November, according to MSCI data. That's down 1.3% from 7.69 million tons (2.3 months' supply) in October, but up 7.9% from the 7.03 million tons (2.4 months' supply) registered in November 2016.
- hot-rolled coil price averaged \$31 per cwt in 2017, up 18.54% from a 2016 average of \$26.15 per cwt and marks the highest yearly average since \$32.89 per cwt in 2014, according to American Metal Market's pricing records.

The Run-Up

- Starting in November 2017 foreign mills made offers, but began to cancel these orders later.
- This is the beginning of short supplies unknown to distributors at this time.

The Run-Up

- **December 2017 AMM News:**

- US imported 128,026 tons of foreign hot band in December, down 15.89% from 152,218 tons in November and off 12.82% from 146,857 tons in December 2016.
- Imported 149,124 tons of cold-rolled coil in December, up 1.3% from 147,176 tons in November.
- Imported tons decline in December as a seasonal normal due to distributors normal trend of not bringing in new inventory in December due to property tax issues. These orders would have been placed several months earlier, but didn't because due to avoiding December deliveries.

The Run-Up

- In December foreign mills were still taking HR and regular steel orders, but later canceled these orders before they were produced due to 232 announcements yet to be made.
- Unknown supply issues in the future mounting.

The Run-Up

- **January 2018 AMM News:**

- US cold-rolled coil at \$44 per cwt on January 18. Spread of nearly \$9 over domestic hot band.
- The spread between foreign hot- and cold-rolled prices, averaged \$6.50 per cwt - some 27.8% less than the \$9 cwt premium US mills aim to recoup for cold-rolled.
- Hot-rolled coil index currently stands at \$33 per cwt, up 1.13% from \$32.63 per cwt at the end of 2017.
- January steel imports totaled 2.64 million tons, up 18.9% from 2.22 million tons in December, and 3.6% higher than the 2.55 million tons in January 2017.

The Run-Up

- Typical foreign January shipments arrive, some of the last to arrive due to the *cancelations that have already started*.

The Run-Up

- February 2018 AMM News:
 - Cut-to-length plate \$42 per cwt (\$840 per ton), up 5% from \$40 per cwt (\$800 per ton) previously, and up 21.7% from \$34.50 per cwt (\$690 per ton) a year ago.
- Ace and other distributors begin to really feel the pressure. Foreign mills are completely out of the market, no offers and orders being canceled due to 232 issues.
- Domestic mills begin to rapidly increase prices and limit availability that can be bought.

The Run-Up Summary

- **AMM News:**

- 2017 hot-rolled coil index currently stands at \$36.95 per cwt, up 19.19% from last year's average.
- Hot-rolled coil prices at Houston docks finished 2017 at \$35.50. Its highest point in nearly 6 years.
- US mills shipped significantly more steel in 2017 than in 2016; 90.89 million net tons in 2017, up 5.03% from 86.53 million tons in 2016.
- Cold-rolled averaged \$40.90 per cwt in 2017, up 14.44% from \$35.74 per cwt in 2016.

The Run-Up Summary

- Ace Steel Supply takes action:
 - We agreed to take the risk on several orders to maintain the orders of galvanized on the books.
 - Most hot rolled orders were canceled by foreign mills with no option to accept 232 risk
 - Stainless mill orders are intact so far, but subject to 232 risks.
 - Ace tried to contract as many customers who were agreeable to protect them from supply issues and sticker shock prices.

Adam Sounds the Alarm...

Beginning in October 2017

- Newsletters in print and on web
- E-mail broadcasts
- Blog posts
- Videos
- Conference call seminars



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TRUMP SAYS US WILL INSTITUTE TARIFFS ON STEEL AND ALUMINUM IMPORTS NEXT WEEK
Trump plans to institute 25% steel and 10% aluminum tariffs Trump announces the U.S. will institute ...

SECTION 232 RED ALERT
Ace Steel Supply are issuing following alert to our customers: stability due to Section ...

Steel Supply Apocalypse!
STEEL SUPPLY APOCALYPSE
This is an urgent video update from Adam Osborn, Ace Steel Supply's President. Adam Osborn ...

Section 232 Balancing Act
METALS NEWS - SECTION 232 BALANCING ACT
Metals News - Section 232 Balancing Act A Range of Considerations According to American Metal ...

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METAL MANIA

Volume 1 Edition 3



Trump opens Section 232 Steel Probe..... What is this?

The US Department of Commerce self-initiated a Section 232 investigation on the Impacts of steel imports on national security, Secretary Wilbur Ross said during a White House briefing. A Section 232 under the Trade Expansion Act of 1962 tasks the Secretary of Commerce with preparing a report on "whether the importation of an article in question is in such quantities or under such circumstances as to threaten or impair the national security" per the website of the Bureau of Industry and Security, which is an agency within the Commerce Department. Commerce will investigate the amount of US steel production needed for the country's projected national security requirements, the industry's capacity, human and material resources, imports, the impact of foreign competition on certain industries so on and so on. The department initiated the case based on President Trump's decision to increase military spending according to Commerce Secretary Ross. President Trump said "Steel is critical to both our economy and our military. This is not an area where we can be dependent on foreign countries." President Trump signed a memorandum to initiate a Section 232 investigation to research if steel imports pose a threat to national security. "We are going to fight for American workers and American-made steel by conducting a thorough investigation into steel imports," the president said on April 20th. "Thanks especially to Secretary Wilbur Ross for helping lead this critical effort." The study will be prepared by Commerce within 270 days according to United Steelworkers, then the president will have 90 days to consider the recommendation, the labor group said. Ross said the investigation will help determine whether steel import issues are making us less safe in a world that is increasingly fraught with geopolitical tensions. You know what.... I agree with the thinking on this point. As a country, we must be self-sufficient and we can't rely on foreign countries to provide us with the steel we need to protect ourselves. I've thought this for a long time as I watched some of our own mills many years ago going bankrupt because prices were so low and some of those mills were being bought up by foreign companies. Nobody's going to look out for us except us. Although, we must import steel because we can't

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METAL MANIA

Volume 1 Edition 5

A DECISION IS EXPECTED VERY SOON ON SECTION 232

Rumors are flying with tons of speculation about what to expect from the Section 232 decision. Nobody really knows what President Trump will do until he does it. I think he's been busy with the Senate and working on the healthcare bill revision, his latest trip to Poland and the G20 meeting and who knows what other distractions. This is a big deal and in my opinion, he doesn't want to jump to the wrong decision. From what I've read his advisors are recommending a quota system that will limit the number of tons that come in from that country before a tariff or tax is implemented. The US mills are saying this strategy will hurt them because steel orders will be booked heavily with foreign mills until the quota is reached and leave them in the same situation they're in now. I think Trump really wants to tariff or tax the whole foreign import steel market mostly across the board. One thing to consider is that he has lots of things he needs to pay for like "The Wall" and balancing the budget. This could be a new revenue source for the budget that will help offset the tax cuts he wants to make. I think he really wants this healthcare bill to pass so he knows where he stands on that cost wise and this steel portion comes after that, but he may not have that luxury if the Senate doesn't get the healthcare bill passed soon.

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METAL MANIA

Volume 1 Edition 6

SECTION 232 DECISION IS DELAYED - IT COULD BE SEVERAL MONTHS



I'm writing this on July 26th and now we're all in limbo waiting for a decision that may not come for several months. President Trump said in a Wall Street Journal interview today that "we don't want to do it at this moment." He said the issue was still on the table and that we're going to be addressing the steel dumping," which he called "a very unfair situation." Mr. Trump backed off promising imminent action and said it would come "very soon"; but then changed his wording to "fairly soon." He indicated that it's gotten slowed down by extensive studies and evaluating regulations that don't go that quickly and said, "You can't just walk in and say I'm going to do this". He suggested that a final decision on a steel trade policy may have to wait until other big issues on his agenda get addressed. The president said, "we're waiting till we get everything finished up between health care and taxes and maybe even infrastructure."

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METAL MANIA

Volume 2 Edition 1

Uncertainty Still Lingers

As The Section 232 Report Is Delivered to President Trump.



The report was delivered to President Trump, but no decision has been made and no details have been made public.

Uncertainty and fear continues to plague the marketplace and no deals are out there to be had. Even the speculators are quiet. I waited for this report before writing this article, but there's no specifics to report on.

Section 232 is still an issue. Report due NLT Jan. 14th.

Section 232 is still hanging in the balance and the report is due January 14th on the President's desk and then a decision is required within 90 days after that. Steel has been creeping higher while we wait. As the date looms closer, many foreign mills are becoming more cautious about offering steel. I would encourage everyone to get some locked in prices because the market is expected to spike higher if a decision is made to impose a tax or restrictions on imports.

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Volume II, Issue 2 ★ Feb

Steel is on Fire... Hits 6 Year High!



All steel products are on fire and hitting new highs every week. In anticipation of the 232-decision steel has been on a tear at the mills. Every new offer to buy coil is coming out with higher prices, sometimes multiple times per week. Just in the past 3 weeks prices have picked up a lot of steam. The market is pricing in that something will be done with this 232. It's been none months and it's time. Trump is required by law to take make a decision on the report by Mid-April.

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Section 232 Balancing Act



Tariff or Trade War?

According to American Metal Market, President Trump is weighing a whole range of options submitted to him by Commerce Secretary Wilbur Ross, while the Section 232 investigations into steel and aluminum imports continue.

Steel Supply Apocalypse!

Adam Osborn immediately understood the potential ramifications of the Section 232 investigations announced in April 2017 regarding metals dumping by various countries. All of the remedies being tabled will create massive shortages of steel and aluminum.

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SECTION 232

**RED
ALERT!**



We at Ace Steel Supply are issuing the following alert to our customers: Volatility due to Section 232 is already hitting the steel and aluminum supply markets hard.

Domestic US steel mills produced 82 million metric tons, and the US imported 32.3 million metric tons in 2017. The loss of 2/7 of the total steel supply will cause severe problems. It will likely take years for domestic mining and mills to restore former production capacity to make up the shortfall.

Section 232 News

South Korea cries foul on skewed facts. On February 20th, South Korea requested World Trade Organization (WTO) consultations with the US to challenge the methods used by the US Commerce Department in six anti-dumping investigations into various rolled and corrosion-resistant steel products. This request for consultations is the first step in WTO disputes, and the two nations have 60 days to resolve differences before it goes to an adjudication panel.

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No Formal Section 232 Announcement Yet...

March 1, 2018 / 0 Comments / in Blogs / by Ace Steel Supply

Trump opts against announcing steel and aluminum tariffs Thursday after fierce White House blowback

Chief executives from steel and aluminum companies had been invited to the White House announcement, but officials now say that meeting will be a listening session. Tariff opponents, which include the U.S. Chamber of Commerce and the Business Roundtable, hope to make the delay permanent.



Trump says US will institute tariffs on steel and aluminum imports next week

March 1, 2018 / 0 Comments / in Blogs / by Ace Steel Supply

Trump plans to institute 25% steel and 10% aluminum tariffs

- Trump announces the U.S. will institute steel and aluminum tariffs next week.
- Trump's top advisors disagreed over whether to crack down on imports.
- A move would be part of Trump's broader push for protectionist policies.

Adam takes the message to video!



The Run-Up Continues

- All steel and aluminum products continue to climb on a weekly basis at the mills and distributors.
- I expect selling prices to be close to \$60 cwt on HR coils within 2 months. This is based on domestic coil prices at the mill + freight from the mill + unloading + cut to length charges + freight to the customers + a profit.
- Locking in prices and inventory is critical at this time.
- Price is important, but inventory availability to you will become critical due to all the canceled mills orders.
- Those not on agreements will be subject to increased spot market prices based on supply and demand.
- Until the rules of the 232 are established the market will remain in turmoil.