

02/06/26

### HRC Market Update

HRC futures traded with a muted reaction to Nucor's latest \$10/st CSP increase to \$1,105/st, while the market simultaneously absorbed the first meaningful adjustment to the Section 232 framework. Although President Donald Trump's proclamation largely preserves the protective trade structure supporting domestic steel prices, the introduction of reduced tariffs on certain steel and aluminum derivatives and new qualifying tariff categories represents a small but notable crack in what had been viewed as an immovable trade wall. Even so, the market continues to focus on tightening domestic fundamentals, as Nucor's now-predictable weekly price increases reinforce the narrative of constrained supply, extended lead times, and limited spot availability. Following one of the strongest steel rallies in recent years, the market appears to be searching for a new equilibrium between policy-driven scarcity premiums and underlying supply-demand fundamentals.

### Futures Continue Their Advance

Over the past eight weeks:

- Q3 HRC futures have risen from \$1,006/st to \$1,177/st (+\$171)
- Q4 HRC futures have increased from \$969/st to \$1,112/st (+\$143)

### Current Benchmark Pricing

- Weekly Index: \$1,098/st
- Platts: \$1,100/st
- SMU: \$1,095/st
- Nucor CSP: \$1,105/st

The exceptionally narrow \$10/st spread across the major benchmarks reflects broad agreement on current spot market value. Beneath that pricing consensus, however, market fundamentals continue to tighten.

## **Fundamentals Remain Supportive**

The domestic sheet market continues to benefit from:

- Extremely limited spot availability
- Healthy underlying demand
- Extended mill lead times
- Historically lean service center inventories

SMU's latest steel market survey reinforces the increasingly dominant "stronger-for-longer" pricing narrative. While some market participants continue to discuss summer seasonality, improving supply conditions, or potential USMCA-related concessions, the prevailing view remains constructive.

When asked when sheet prices are likely to peak, July received the largest share of responses (28%), although a significant number of respondents now believe prices may not peak until September or later.

Several survey participants highlighted the unique nature of today's market:

"Without demand collapsing, the mills can continue to raise prices."

"Trade barriers and tariffs have created a perfect storm, allowing domestic mills to consistently raise prices while keeping imports on the sidelines."

"Demand is getting stronger heading into the summer. Imports remain limited, and mills continue to show pricing discipline."

## **U.S. Weekly Raw Steel Production**

In the week ending May 30, 2026, domestic raw steel production totaled 1,872,000 net tons with a capability utilization rate of 81.1%.

Production during the same week in 2025 was 1,720,000 net tons with a capability utilization rate of 76.6%.

The latest figure represents an 8.8% increase from the same period last year and a modest 0.1% increase from the prior week.

Adjusted year-to-date production through May 30, 2026 totaled 38.9 million net tons, operating at a capability utilization rate of 78.6%. That is up 6.8% from the 36.5 million net tons produced during the same period last year.

Regional production for the week ending May 30, 2026 (thousand net tons):

- Northeast: 137
- Great Lakes: 495

- Midwest: 321
- South: 848
- West: 71

Total: 1,872

### **Section 232 Adjustments Introduce New Variables**

President Donald Trump has signed a proclamation amending Section 232 national security tariffs on certain aluminum, steel, and copper imports.

The changes include:

- Tariffs on certain steel and aluminum derivative products reduced to 15% from 25%
- Mobile industrial equipment imported from qualifying trade-agreement countries now subject to a 15% tariff
- Foreign companies may qualify for a 10% tariff if their equipment contains at least 85% U.S. melted-and-poured or smelted-and-cast steel or aluminum by weight
- Steel racks and aluminum lithographic plates added to the list of products subject to 25% tariffs

The changes become effective June 8 and remain in place through December 31, 2027.

While the modifications are relatively limited, they represent the first meaningful flexibility introduced into a tariff structure that many market participants had viewed as fixed. The broader impact on steel pricing remains uncertain, but the move suggests the administration is willing to adjust trade policy where it aligns with domestic investment objectives.

### **USMCA Review Process Begins**

Mexico's first formal bilateral round of USMCA renegotiation talks concluded with both sides describing discussions as constructive.

Topics included:

- Automotive rules of origin
- Steel and aluminum trade
- Economic security
- North American supply-chain integration

According to reports, the United States is seeking:

- At least 50% U.S. parts content in North American-produced vehicles
- An increase in regional content requirements from 78% to 82%

Key steel-related issues under review include:

- The future of Section 232 tariffs
- Mexico's efforts to remove steel and aluminum tariffs
- Rules-of-origin enforcement
- Critical minerals strategy
- North American supply-chain security and competitiveness

While the final outcome remains uncertain, the review process reinforces a broader trend toward regionalization of North American supply chains.

For steel markets, that continues to favor domestic and USMCA-based sourcing while limiting the ability of imports to rapidly alleviate domestic supply tightness.

### **Lead Times Continue to Signal Tightness**

Mill lead times remain near multi-year highs:

- HRC lead times average just over seven weeks, the longest since October 2021
- Cold-rolled lead times remain above eight weeks
- Coated products continue to exceed eight weeks
- Plate lead times remain near four-year highs

Buyers continue to report difficulty securing spot tons while mills maintain strong pricing leverage as order books extend deeper into Q3.

### **Physical Market Conditions Remain Tight**

Market participants continue to describe an exceptionally constrained physical market.

Both sheet and plate prices continue moving higher, supported by:

- Lean inventories
- Extended lead times
- Limited spot availability
- Improving demand trends

Mills have also continued widening spreads between hot-rolled coil and downstream products, with cold-rolled and coated products appreciating faster than HRC itself.

## **Production Rising, But Inventories Remain Lean**

According to the latest AISI data, U.S. mills produced approximately 1.87 million short tons of raw steel during the most recent reporting week.

While production continues to increase, inventories remain historically lean and have yet to rebuild meaningfully. The additional output is largely being absorbed by current demand levels rather than creating surplus availability.

## **Scrap Market Quietly Constructive**

While the June ferrous scrap market remains broadly sideways, underlying fundamentals continue to improve.

Market participants report:

- Softer prime scrap flows
- Rising freight costs
- Higher energy costs
- Gradually improving demand

Although most participants continue to expect relatively flat June settlements, the underlying setup appears more supportive than current pricing reflects.

## **Bottom Line**

The domestic HRC market remains fundamentally constructive.

Key supports remain firmly in place:

- Tight benchmark alignment
- Historically lean inventories
- Improving demand trends
- Extended lead times
- Strong domestic production
- Limited spot availability
- Supportive trade policy
- USMCA review reinforcing North American sourcing priorities

The most important emerging theme is that market tightness is no longer being driven solely by supply-and-demand fundamentals. Trade policy, regional supply-chain security, critical minerals strategy, and USMCA negotiations are increasingly shaping steel flows across North America.

For now, momentum continues to favor the bulls. However, after an eight-week rally that has added more than \$170/st to Q3 futures, the market appears to be transitioning from a pure scarcity story toward a valuation story. The primary risk is not collapsing demand, but whether tariff-driven tightness and scarcity premiums have already been substantially priced into the market. Absent a meaningful shift in trade policy or a surge in imports, the path of least resistance for domestic sheet pricing remains higher.

### **HRC Stats as of close 01/06/26**

Volume 903 (Up 7)

Open Interest 37,691 (Up 542)

June26 HRC \$1,124 +\$1

Jly26 HRC \$1,162 unch

Aug26 HRC \$1,188 -\$2

Sep26 HRC \$1,182 -\$3

Q426 HRC \$1,112 -\$4

Q127 HRC \$1,035 -\$6

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