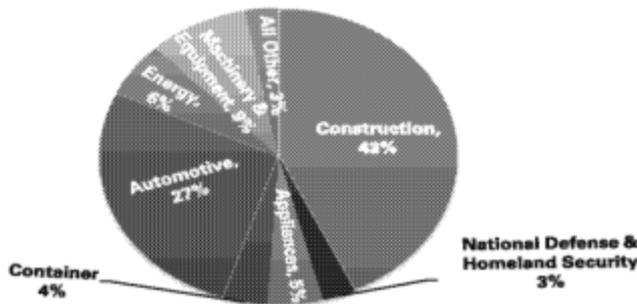




U.S. Economic Trends

The mean and median forecast for U.S. GDP growth is 2.6% in 2018. Domestic steel demand is impacted by several factors tied to industrial activity including U.S. economic growth, end-market demand and the direction of steel prices and underlying input costs. U.S. real GDP recorded its highest reading in two years during the June quarter, a signal that the economy is on solid footing. More, increasing GDP estimates are a positive directional indicator for the cyclical steel industry. While there is no perfect corollary for aggregate demand considering the variety of markets steel serves, we believe analyzing trends in real GDP, industrial production, capacity utilization, oil production, construction, automotive production, the Institute for Supply Management's Purchasing Manager's Index (PMI) and Bureau of Labor Statistics' Producer Price Index (PPI) are helpful directionally in gauging end market expectations. In Figure 8 we show the American Iron and Steel Institute's (AISI) analysis of 2016 steel shipments by market classification.

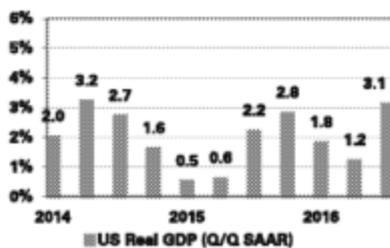
Figure 8: 2016 Steel Shipments by Market Classification



Source: Deutsche Bank, American Iron and Steel Institute (AISI)
 Note: Percentages are estimated

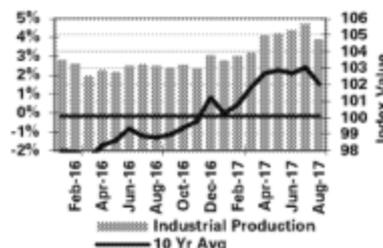
Shown in Figure 9, U.S. GDP registered its highest reading in two years during the June quarter signaling the economy is on solid footing. We are encouraged by the average of 79 Bloomberg analysts' view that GDP will grow YoY in 2018. Figure 10 and Figure 11 display trends in industrial production (IP) and capacity utilization (CU), indicators of general industrial activity. IP and CU experienced a solid rebound in 2017 following a steady trend of negative YoY comparisons. IP's December 2016 print was the first positive YoY reading (+0.8%) following 20 sequential months of declines and has since experienced 11 consecutive months of YoY gains. CU underwent a similar trend, registering YoY decreases for 24 out of 25 months beginning in February 2015 before moving into positive territory in March 2017 (+0.7% YoY). Since March CU readings have remained positive for eight consecutive months through October (+1.7% YoY).

Figure 9: U.S. Real GDP (Q/Q SAAR)



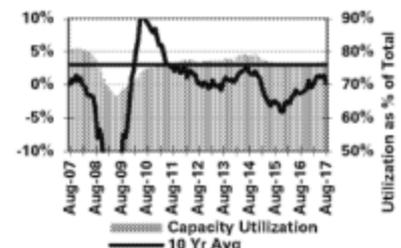
Source: Deutsche Bank, Bloomberg Finance LP

Figure 10: Industrial Production (IP)



Source: Deutsche Bank, Bloomberg Finance LP

Figure 11: Capacity Utilization (CU)



Source: Deutsche Bank, Bloomberg Finance LP