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Industry: **MARKET INTELLIGENCE**
Sub-Sector: **MI -- TI MONTHLY**

The Monthly Titanium Review

A Premium LBR Market Intelligence Report

- **Longbow's Call:** We highlight another month of mixed titanium survey results. While reported volume growth, channel sentiment, and new pricing data points still indicate near-term strength in global industry fundamentals, the forward-looking indicators are still unfavorable. Two negatives we are paying the most attention to include falling titanium mill lead times and negative inventory planning for distributors. High-level contacts report solid visibility out to January, but increasing levels of uncertainty beyond mid-1Q.
- **Demand Update:** (1) Titanium demand data points collected from our monthly surveys continue to surprise to the upside. Despite lingering Boeing-related noise and increasing macro uncertainties, our contacts reported double-digit volume growth (on average) and better-than-expected downstream order activity; (2) Contacts positioned upstream under-performed the titanium peer group in both August and September. The updated comp of +7% y/y is the best read we have on companies like Allegheny Tech and Arconic.
- **Mill Prices:** (1) The proprietary LBR Titanium Price Index is holding steady at 106 for September, but the reading is still down from the May peak of 109. Slightly better mill pricing trends were offset by lower import prices (Russian ingot) and vanadium. (2) The spot quote on benchmark 6'4 Ti ingot has stabilized following a 60-day period of relative weakness. We calculated an average mill quote of \$10.30/pound, up modestly from August.
- **Other Trends:** (1) Reported lead times on ingot dropped to 13-14 weeks, well below the April-19 peak of 18 weeks. (2) The service center inventory outlook is still negative. On average, distribution managers see current holdings 4% too high. (3) Ti ingots shipped from Russia totaled 1M pounds between April-July, down 47% versus the same period in 2018. VSMPO-Avisma is a major Boeing supplier, representing about 30-35% of annual procurement.
- **Aerospace Update:** (1) Aerospace-related titanium demand growth looks up 5-6% y/y, down 150 basis point sequentially. (2) Upstream suppliers said current shipment levels are aligned with a 49-50 unit/month 737Max build rate. (3) Approximately 25% of industry contacts expect BA to report on-time FAA approvals and the MAX to fly before December. This contact outlook fell from the 40-50% conviction level in July.
- **MacroModel:** We proactively lowered CY20 forecasts on the Western World and Asian regions. Our global titanium consumption forecast was reset to 435-440M pounds, representing +4% growth versus 2019 (down from +6%). We also expect 2019 growth to fall short of the +8-9% consensus forecast offered by contacts. No changes were made to individual company models pending a review of other key surveys.
- **ITA:** The conference is scheduled for later this month, in Mobile, AL (September 22-25). This is normally a well-attended three-day event that includes meetings and presentations from key industry executives from all of the major industry peers.

IMPORTANT DISCLOSURES ARE LOCATED IN THE APPENDIX.