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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:** The LBR Titanium Price Index, which we believe to be the best representation of underlying global market strength, improved once again for the month of July. The current reading of 109 marks another new high, calculated through proprietary analysis and ongoing contact communications. We have now highlighted six consecutive months of sequential strength. While industry experts and market participants were focused on pricing corrections across numerous metal categories (and commodities), the spot quote for benchmark 6'4 titanium ingot surged to its highest point since 2011.
- **Demand Update:** June punctuated a very healthy 2Q19 titanium consumption environment. Industry contacts reported +9-10% y/y volume growth (on average), improving upon the +8-9% comps we calculated during each of the previous two months. Distributors are now in the leadership position, as seen by the average growth rate hitting +11-12%. Many large-volume Ti buyers shifted orders away from the global mills, which are becoming less reliable. Allegheny Technologies is the only producer that has been consistently hitting delivery targets. Conversely, contacts still complain about Arconic-RTI while Carpenter Tech is starting to pop up as a problem.
- **Outlook:** A net-59% of contacts said business conditions were above plan, in-line with the responses collected over the previous 3-4 months. Accordingly, the full-year outlook moved up 130 basis points to +8.8%.
- **Channel Visibility:** Producer lead times pulled back slightly, with contacts reporting 14 weeks on titanium ingot production for July versus 15 in June. Bar and sheet lead times have pulled back month/month, but plate has not budged. On the cautious side, distributors are looking to cut warehouse inventories by 4-5% in July/August. This may be related to concerns about the 737Max situation and global trade uncertainties. The leading indicators from our survey suggest titanium pricing may trend sideways for the next few months.
- **Interesting Headlines:** (1) Aerospace suppliers were calmed after General Electric offered an upbeat demand outlook at the Paris Air Show. Management still expects to hit the previously announced LEAP delivery target of 1,800 units or +63% growth versus 2018. (2) Allegheny Tech announced a formal agreement to sell the Titanium Cast Products business to Consolidated Precision Products Corp. Despite their long-term restructuring efforts, this business was never able to generate break-even results (or better). (3) Expect the Arconic management team to provide an update on efforts to divest non-core businesses next month.
- All four titanium producers submitted bids to Airbus - hoping to secure part of the new long-term contract (ConBid). Assuming there are other factors behind the decision-making process beyond price, it is hard to believe Allegheny Tech will not participate this time given the current channel feedback about on-time deliveries. Even with the new VAR furnace investments, there may not be sufficient melting capacity for Allvac to become a primary supplier. RTI could be the surprise loser.

**IMPORTANT DISCLOSURES ARE LOCATED IN THE APPENDIX.**