



“ALWAYS BE HEDGING”

- FLACK GLOBAL METALS RISK TEAM

**FERROUS FUTURES TRADING
COMPANY OF THE YEAR
FASTMARKETS 2021 GLOBAL AWARDS
FOR STEEL EXCELLENCE**



Our Risk Management Team has always served our customers uncommonly well, but their observations and insights have been invaluable during the last two years. FGM customers who actively hedged this rally are expected to save over \$600 a ton in 2021, equating to over \$50 million we will have saved our customers.

Our Risk Management Team Members are the best and the brightest in the biz and we at FGM could not be prouder to see their dedication recognized.

CREATE
CERTAINTY

THRIVE
IN VOLATILITY

SATISFY
YOUR CUSTOMERS

CONTROL
YOUR PROFITABILITY

flackglobalmetals.com



questions@flackglobalmetals.com | 216.456.0700

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Ferrous Futures Trading Company of the Year >> Flack Global Metals

Providing price risk management as a service



Flack Global Metals (FGM) has always been a vocal proponent of hedging, consistently promoting the benefits that the proper use of futures and options can have on producers, distributors and consumers of flat-rolled steel. FGM combines consumer-facing, swap-based steel pricing structures with asset-light, sustainable steel distribution.

FGM promotes the market value of the intersection of exchange-cleared ferrous derivatives and physical steel. Its successful handling of price risk and supply chains on behalf of its clients has organically grown its client base.

Company founder and CEO Jeremy Flack noted in late-November 2021 that the extraordinary market volatility in steel prices seen since the start of the Covid-19 pandemic is a shock that is encouraging even more clients to use FGM's services.

"This event has now driven the necessity for the community to come and say, 'Yes, we have to be hyper-engaged in managing price risk because we cannot budget, we cannot control our business, our business is somewhat out of control and we continue to rely on our vendors,'" he told *Metal Market Magazine*. "We need to separate the discussion in our industry from the supply and the price," he added. "It's certainly proven our business thesis for our whole company."

FGM is introducing more products and markets that Flack says will ease entry into financial services. "We have just introduced a new product to the market, where the OEM can maintain their control over their supply chain and still have us come in and deal with

the price risk, using off-balance-sheet hedging done on our books," he explained.

He said momentum is building among OEMs now because there will be more market shocks. "They need to prepare their businesses for it, and you cannot use the old paradigm anymore," he said. "The new atmosphere is extensive government intervention, extreme volatility and unsure supply. So how do you solve for that – that is the new question. The buyer criteria have changed."

FGM provides steel for a large range of mid-size steel consumers. "It's the companies that are lost in the middle between the large multinationals and the small mom & pop businesses. It's the thousands of companies that are in between those two extremes that buy 500-20,000 tons per month," said Flack.

"There is an enormous under-served community that isn't sophisticated enough to enter these markets on their own... this is where our new Metal Bank and structured products are designed to help that strata of the market," he explained. "The complex ex-automotive is what we are talking about," said Flack. FGM delivered to 38 US states in 2020, as well as 3 provinces in Canada.

CME membership

In mid-November 2021, FGM announced it had become a member firm of the CME Group. Flack explained the thinking: "One of the issues with our market has been a lack of liquidity. So rather than complain about a lack of liquidity, we have chosen to become a solution to that and to add liquidity to the marketplace."

"So, how can we best say that we believe in this? How can we best represent to our customers that we will get them the best price? How can we make sure that we are going to execute the fastest? By becoming a member of the exchange," he elaborated. "It brings us closer to the trade, more efficient, and we have more influence as to how things unfold for contracts down the road and what new features are going to come."

Priorities for 2022

"Our priorities are to launch our Metal Bank structured transactions," said Flack. "That is one of the more important initiatives."

"The second is to build our hot-rolled coil market-making desk, and market-making book, and to drive liquidity there," he added. Flack also noted that Flack Global Metals is reorganizing its commercial group and adding talent to enable to make its penetration of the physical marketplace even more effective.

He acknowledged growing interest in green steel: "We are working on having a carbon trading desk inside of our group. We are definitely going to start trading carbon credits and we're going to wrap them into a hedge." FGM wants to be able to tell customers that their steel is hedged on price and includes carbon offsets all wrapped into one. "So that when you take your product to market, you're taking a greener or offset product into the marketplace and you can one-stop-shop that here," he explained.

"We expect a tremendous amount of volatility during 2022," Flack said, predicting that steel imports into the US will rise dramatically soon: "We believe that is going to drive a tremendous amount of spot market liquidity and volatility at least through April."

"If you think that the story has been written already and that we're just going to sell back down to the numbers we saw before the pandemic, I think you should think twice because it's probably not that simple," he opined. Even if it were that simple, Flack believes there has been enough structural change in the market to have primed it for extreme volatility.

"Our business is built to bring certainty in uncertain times. And that's why we are one-third domestic distributor, one-third merchant trader, one-third hedge fund. And the combination of those things is set to build with and deal with what should be the new buying criteria in our market," he summarized. "You can't eradicate volatility, but we can bring it under control," he concluded.