Global Awards for
Steel Excellence
2021 WINNER FERROUS FUTURES TRADING COMPANY OF THE YEAR

Shuttlesworth to expand Flack's steel hedging

January 25, 2022 **by Dom Yanchunas** **www.amm.com/news**

Flack Global Metals is embarking upon a quest to expand the use of price hedging in the United States' steel market and has hired former Big River Steel executive Keith Shuttlesworth to lead the effort.

Shuttlesworth was appointed executive vice president of Flack Metal Bank effective Monday January 10. Founded in 2021, Flack Metal Bank offers pricing risk-management services for customers when they secure their physical inventory.

Flack Metal Bank allows flat-rolled buyers to take advantage of pricing on the forward curve while maintaining existing supply relationships. A key tool is the directed buy structured transaction (DBST), in which the metals bank provides intervening hedging support.

Jeremy Flack, founder and chief executive officer of Flack Global Metals, said the metals bank will particularly help small- and medium-sized original equipment manufacturers (OEMs) and other steel buyers to protect themselves in a cost-effective way. Whereas a very large OEM can afford to invest in setting up its own internal hedging infrastructure, smaller market participants might find it more efficient to partner with the metals bank.

"They are underserved by the solutions that are out there today," Flack told Fastmarkets AMM in an interview.

Flack Metal Bank backs the customer in the DBST with support from Flack Global Metals' balance sheet, trading group and research.

"Banks do not touch the metal. Mills do not touch the paper," Flack said. "It solves a physical problem."

Flack said the lessons of 2020-22 should prove to the US steel sector once and for all that every market participant needs to engage in price-risk management in some form.

Fastmarkets daily steel hot-rolled coil index, fob mill US, descended into the low $20s per hundredweight in 2020, then soared to record levels of almost $100 per cwt last year before weakening in January 2022 to current levels in the low $70s per cwt.

For market participants who failed to hedge, business conditions might have been perilous at various stages of those up-and-down cycles, especially if it became challenging to pass price increases along to downstream customers. Simply tying your programmatic buying price to an index is not enough protection, Flack said. Nor is running your inventory down while waiting for cheaper prices that do not arrive in time.

"If they're not hedging, they're getting tugged around by the market," Flack said. "We had a lot of customers who refused to buy, and then it's mission-critical and they pay the highest possible number at that moment to get something into their plant... We saw customers last year who could not get the price up to their customer, and they got clipped if they were buying on the index price or the spot market."

Flack Metal Bank's approach to hedging will also be useful for service centers and the consuming OEMs, and eventually the platform is likely to expand upstream into input costs, including scrap, and become a vital tool in carbon-neutrality cost management, Shuttlesworth said.

"The North American market is the most volatile steel market in the world in terms of steel pricing," Shuttlesworth told Fastmarkets AMM.

Integrated steel producers, electric-arc furnace mills and other market participants all need to use a different approach to hedging.

Shuttlesworth, who worked at US Steel Corp for 18 years, said he intends to apply his broad steel-industry expertise to show clients the risk-management, accounting and other benefits available through the metals bank.