HOT WIRE®
JANUARY 2018
NEWS AND ECONOMIC OUTLOOK FOR THE WIRE AND CABLE INDUSTRY

| SPOTLIGHT |

Commodity Prices & Global Mining: Risks & Opportunities

THE GLOBAL MINING INDUSTRY IS BENEFITING from accelerating growth in world industrial production, which is boosting demand for commodities. However, expected slowing growth in industrial production by mid-2018 will likely dilute the positive effects experienced by the mining industry during the second half of 2017. Economic trends, as well as policy and labor changes being introduced by countries with strong ties to the global mining industry, may affect demand and pricing this year. Consider these changes when planning for budgeting further into 2018 if you are closely tied to mining activity.

Copper Prices Expected to Rise in 2018

US copper futures prices during the three months through December averaged $3.14 per pound, 28.5% above the year-ago level. Quarterly copper prices are at the highest level in more than three years. This surge is likely related at least in part to newly proposed regulations in China. China recently announced a ban on imports of 24 types of recycled materials, including scrap metal, to be implemented in 2018. Chinese companies are stockpiling materials in advance of the ban that will likely take effect this year. Rising demand may raise refined metal prices, including copper, further into this year.

Restructuring in the Chilean mining industry may also increase copper prices. Chilean mines will renegotiate contracts with 32 unions under a new labor code in 2018. These unions represent roughly one-fifth of the world's copper output. Potential disruptions caused by labor negotiations could hinder Chilean copper production in the coming year, increasing the imbalance between supply and demand.

Expect the US Copper and Brass Producer Price Index to be 4.3% higher in the fourth quarter of 2018 than the previous year, though new regulations from China and Chilean labor negotiations could yield a sharper rise in prices.

Aluminum Commodity Price Growth Likely to Slow

Aluminum commodity prices during the fourth quarter of 2017 averaged $2,138 per metric ton, up 24.3% compared to last year. The trend in the ISM's US Purchasing Managers' Index (PMI®) monthly growth rate signals that price growth will likely slow by mid-2018. One major user of aluminum, the auto industry, suggests that further upside to prices may be limited; US motor vehicle parts production annual growth rate, a four-month leading indicator to aluminum prices, is generally declining. Decline is largely due to contraction in North America light vehicle production, which is expected to persist in the coming months.

US Mining Production Accelerating

US mining production growth is accelerating, up 5.3% year-over-year. However the trend in the US mining capacity utilization rate signals that production faces imminent slowing growth. Plan for production to grow 0.5% in 2018 relative to 2017 before declining 0.9% in 2019. The recent rise in US oil futures prices is a positive sign for the oil and gas component of mining production heading into 2018. US oil and gas extraction production is accelerating, with the most recent three months of production up 7.7% from the same period one year earlier.

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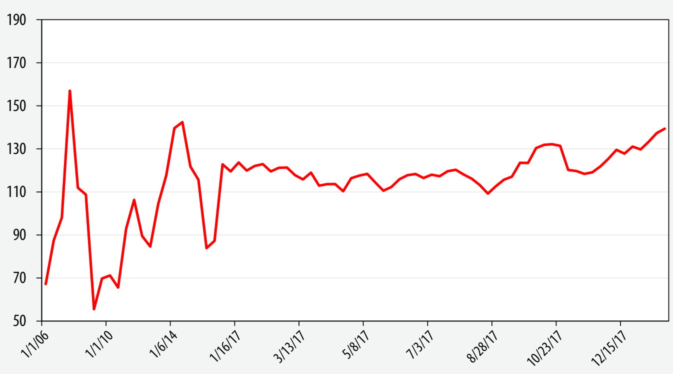
Prices could rise into the mid-$60s by the second quarter of 2018 before declining mildly into the upper $50s in the second half of the year. Increasing production is also increasing the demand for mining equipment; new orders of US mining equipment are accelerating, up 17.3%. While the upside to the oil and gas sector in 2018 is much lower than the 2013-2014 boom, expect positive ripple effects nonetheless in related industries, including electrical equipment sold into the oil patch. When excluding oil and gas, the remainder of US mining production is up also 3.8% year over year and is expected to generally rise through 2018, though the pace will diminish this year. Expect the US metals and minerals industry to decelerate through 2018 before entering a mild recession in 2019.

Opportunities are likely to be greater in 2018 within the US mining sector than in Europe, where mining production is virtually flat on a year over year basis. Europe's oil & gas sector is struggling to compete with other regions that offer lower extraction costs. This is likely contributing to the decline in European oil & gas production, which is down 2.6% on a year-over-year basis. Europe mining of metal ores production is also in decline, with the most recent three months of production 2.0% below the same three months one year ago. This negative trend is a warning sign for the industry heading into 2018. Expect European mining production to contract during 2018. Elsewhere in the world, China mining production is contracting, but is expected to begin growing by mid-year. Plan for 4.5% growth in 2018 production relative to the 2017 level.

Slowing growth will characterize the overall global economy in the second half of 2018, a trend that will limit the upside to most commodity prices during 2018; prices will not likely rise as sharply this year as last year. This will limit opportunities within the global mining sector and justifies caution for those operating in mining sectors in regions such as Europe; however, opportunities will present themselves later in the year in China while oil prices will be high enough to entice North America oil production, which bodes well for markets that sell into the oil patch. Plan for mild rise in copper prices through 2018. Expect positive market conditions if you work in end markets tied to commodities; ensure you have adequate access to raw materials, especially in the first half of the year when the economy is accelerating.

*Source - IEWC contracts the services of a third party consultant to provide current insights on the economy.

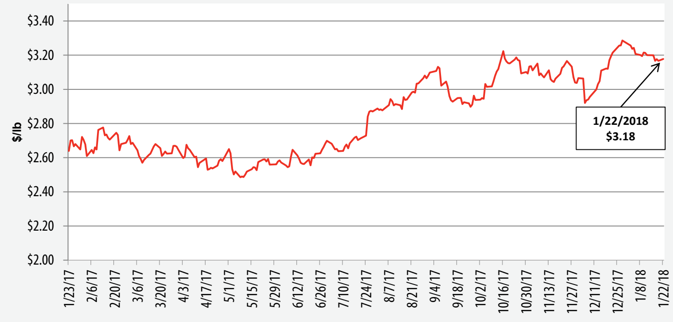
WIRE INDEX



The Wire Index increased by 11.1% since the beginning of December. It is now up 4.6% so far in 2018, and up 16.2% over the past 12 months. The main driver of the increase was the purchase of General Cable by Nexans. General Cable's stock price increased by 36.5% since December 1st. All other tracked companies had stock price increases as well. Encore, Anixter and Houston all registered double digit increases since the beginning of December.

The Index tracks the weighted stock price of five publicly-traded wire and cable manufacturers and distributors based in the US and is benchmarked such that the average value during the second half of 2006 equals 100. With the purchase of Coleman Cable by Southwire, the Wire Index now has five publicly traded wire and cable manufacturers and distributors.

COPPER FUTURES



Comex copper prices increased by 3.7% since the beginning of December and sit at $3.18/pound as of January 22, 2018. Prices are up 18.7% over the last 12 months, but down 2.4% in the New Year.

GLOBAL ECONOMIC OVERVIEW

NORTH AMERICA

The US industrial sector is poised to expand through 2018, although several leading indicators suggest that the second half of the year will experience slowing growth. Average US industrial production during the 12 months through November was up 1.6% from one year ago. Annual production activity is expected to rise through 2018. Plan to be busier in the first half of 2018 if your business moves in tandem with the macroeconomy. Expect a mild macroeconomic recession in 2019 as a low savings rate, a two-year leading indicator to the US economy, translates to reduced ability of consumers to drive the economy come 2019. Implement quality control measures to handle increasing activity in the first half of 2018, but avoid straight-line budgeting as growth will slow in the latter half of 2018. Furthermore, look into developing the lower-cost products that will be popular in a slowing growth and mild recessionary environment in the second half of 2018 and in 2019, respectively.

US electrical equipment, appliance, and component production was up 1.2% year over year as of November. Annual activity in the industrial apparatus component, which includes transformers, electric motors, generators, and industrial controls among other items, was in a nascent rising trend but remains 7.2% below the year-ago level. The electrical equipment, appliance, and component capacity utilization rate is 3.3 percentage points higher than the five-year average of 81.1%. Rise in the utilization rate suggests that the accelerating growth trend in US electrical equipment, appliance, and component production will extend through at least the first half of 2018.

Average Canadian industrial production during the 12 months through October was 5.1% above one year ago. Canadian industrial production will peak soon and subsequently decelerate into early 2019. Expect mild decline to set in by mid-2019. Mexican industrial production is down 0.3% from the year-ago level on a year-over-year basis. Expect Mexican industrial production to transition to a rising trend that extends into late 2018. Exports, up 9.5% from last year, are providing support to the manufacturing sector of the Mexican economy, which is up 3.2% year over year. Economic expansion in 2018 will be a positive sign for those operating in Mexico, although uncertainty concerning negotiations regarding NAFTA remains a risk factor to business operations within Mexico.

SOUTH AMERICA

South American industrial production began accelerated growth in October and was up 0.7% from last year. Brazilian industrial production and Argentinian industrial production are accelerating, with both indicators up 1.5% year over year. Growth in the Brazilian economy will provide upward momentum for the region in at least the first half of 2018. Brazilian exports and Brazilian vehicle production, up 15.9% and 25.6%, respectively, compared to last year (quarterly data), are contributing to the accelerating growth in Brazilian industrial production. Conversely, Colombian industrial production is down 0.2% year-over-year. Contraction in the residential construction and machinery production sectors will likely hinder industrial production in the near term.

EUROPE

The European economy, as measured by Gross Domestic Product (GDP), is expected to rise through 2018, though the pace of rise will be slower relative to 2017. Europe Gross Domestic Product (GDP) is up 2.0% from last year. The industrial and consumer sectors of the economy, up 2.9% and 4.0% year over year, respectively, are expanding, providing upward momentum for Europe GDP. Trends in both the Europe Leading Indicator and Europe Economic Sentiment Index suggest rise for the European economy into at least the second half of 2018. However, the trends in these leading indicators also suggest that slowing growth is likely to characterize the European economy during the second half of 2018.

GLOBAL ECONOMIC OVERVIEW

ASIA Average China Industrial Production during the 12 months through November was up 6.6% from the year-ago level. Slowing growth in several Chinese indicators, including Chinese power generation, Chinese automobile production, and Chinese railway freight carried, suggests that Chinese industrial production will grow at a slowing pace in at least the near term. Decline in the Chinese Purchasing Managers' Index monthly growth rate suggests that the slowing growth trend in Chinese industrial production will extend into at least the second half of 2018. Plan for production to grow at a slowing pace throughout 2018 into late 2019. Japanese industrial production is accelerating, up 4.6% compared to last year. Decline in the quarterly rate of growth signals that industrial production will transition to a slowing growth trend in the coming months. Indian industrial production is up 2.8% compared to last year and is expected to transition to an accelerating growth trend in the near term. Expect the ensuing accelerating growth trend to extend into mid-2019.

MIDDLE EAST / AFRICA Average Middle Eastern and North African industrial production during the 12 months through October was up 2.3% compared to last year. The pace of growth is slowing. The recent rise in crude oil futures prices, which ended December at the highest month-end price in three years, bodes well for further growth in the region in at least the near term.

*Source - IEWC contracts the services of a third party consultant to provide current insights on the economy.

CURRENCY TRENDS

	Current Value of $1USD	Change Since 1/1/2018	Change Since 1/1/2017
Brazilian Real	3.24	-0.07	-0.01
Canadian Dollar	1.24	-0.02	-0.10
Chinese RMB	6.41	-0.10	-0.53
Euro	0.81	-0.02	-0.14
Mexican Peso	18.76	-0.90	-1.97
Pound Sterling	0.72	-0.02	-0.09

Current values as of 1/23/2018

BY THE NUMBERS (US)

Conference Board Consumer Confidence Index
122.1%

December (2017) Unemployment
4.1%

Retail Sales (November to December)
+0.1%

Mfg.'s New Orders for Durable Goods (October to November)
+1.3%

Mfg.'s Shipments of Durable Goods (October to November)
+1.0%

Durable Goods Mfg.'s Inventories (October to November)
+0.2%

CPI Inflation (over prev. 12 months)
+0.1%

US Industrial Production Index (over prev. 12 months)
+2.6%

Purchasing Managers Index (December)
59.7%