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WINTER 2026 NEWSLETTER

By Jim Stavis



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WHICH DIRECTION ARE STEEL PRICES HEADING?

There are many variables that contribute to the cost of steel. The first factor and perhaps the most important is the relationship between supply and demand. When the demand for steel exceeds the available supply, steel prices tend to rise. Conversely, an oversupply of steel relative to demand will lead to lower prices. Forecasting steel prices relies not only at viewing current prices, but also getting an accurate estimate of anticipated supply and demand. It is important to also factor

in the inventory levels across the steel supply chain because this can play a pivotal role in having an effect on supply and demand imbalances.

STEEL PRICING TRENDS

The demand for steel is closely intertwined with industries whose fortunes depend upon it. For example, a thriving auto industry can drive up the demand for steel, as can a booming construction sector. Therefore, it is important to factor in the trends

in specific industries which can affect the demand for steel. We will identify four other factors that can affect the pricing of steel.

COST OF MATERIALS

The cost of the materials used to make the steel such as iron ore or scrap metal significantly influences steel prices. When these resources become scarce, demand surges, leading to higher material costs. This can impact the overall prices of steel.

COST OF ENERGY

As energy needs grow, it is becoming a real factor in steel production costs. Recently Nucor Steel has invested in a nuclear power plant to neutralize the uncertainty of future energy costs. There is a large need for steel producers in their energy consumption. There is also a greater desire for them not to pollute the environment, so steel mills try and produce steel more efficiently and more environmentally friendly.

COST OF TRANSPORTATION

Transporting raw materials for steel production has a large effect on steel pricing. Shipping costs are influenced by factors such as technology, politics,

labor costs, fuel prices and shipping mode. In a volatile steel market selecting a shipping method and a longer transit time can mitigate risks.

SEASONALITY

Seasonal variations exert their influence on industries reliant on steel. Holidays, weather conditions and seasonal fluctuations can influence steel production. These seasonal factors can affect shipping patterns and transit modes contributing to pricing fluctuations.

THE BOTTOM LINE

At this point you are probably wondering not so much about the how, but more about the what. What will happen in 2026 with steel prices. Well, according to US steel professionals, 54% believe the steel prices will increase in 2026. That's 46% that believe prices will go down. We must ask why. The Section 232 tariffs will create a US market pricing floor that insulates market pricing from imports. This should keep prices from lowering and will serve to help the domestic steel industry as a whole. Two thirds of those professionals are bullish on the industry for 2026. One third of the respondents were in the negative camp for 2026. We will see what happens.



Illustration by John Dijulio, University Communications from news.virginia.edu/

The T word used to stand for Trouble with a capital T. Last year as Trump (the other capital T) was being sworn into office, no one knew what the word meant. Then in the spring as Trump rolled them out, there was much conjecture as to what affect it would have on steel as well as the economy as a whole. We wrote a whole article in this newsletter speculating on what the net effect would be. Would it be recessionary? Would it raise the cost of steel? Would it prevent competition by eliminating certain countries like Canada and Mexico? And the list goes

on. All the economists, the so-called experts, gave their best guess but in reality nobody knew what the effect might have been.

Now, we have the element of time to know the answer. According to two new studies it was determined that tariff increases did not lead to higher inflation. On the contrary, they slowed down price growth. That is the good news. The bad news was that both studies concluded that tariffs tend to hurt the economy and that a blow to consumer and business demand likely explains why the impact on inflation was so limited. When Trump announced the sweeping tariffs last spring, economists widely predicted surging inflation, a surging dollar and a slowdown of economic growth. That largely didn't come to pass. Inflation has been held in check, unemployment inched up, but the economy is still chugging along. At the same time, the Trump prediction of a manufacturing renaissance also never materialized.

It just goes to show that we just don't know what we don't know—but we certainly can learn from it, hopefully.