

# CORE REPORT

POWERED BY MAJESTIC STEEL RESEARCH

WEEK ENDING  
12.05.2014



cost

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page



scrap



iron ore



coking coal



zinc



supply

04



lead times



production



imports



inventories



demand

05



automotive



construction



appliance



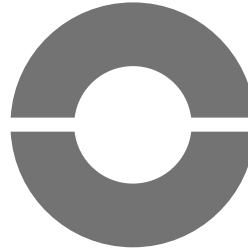
manufacturing



agriculture



durable goods



price

10



CRU®

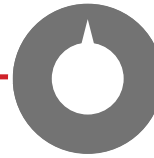


AMM®



mill price





# SCRAP<sup>1</sup>

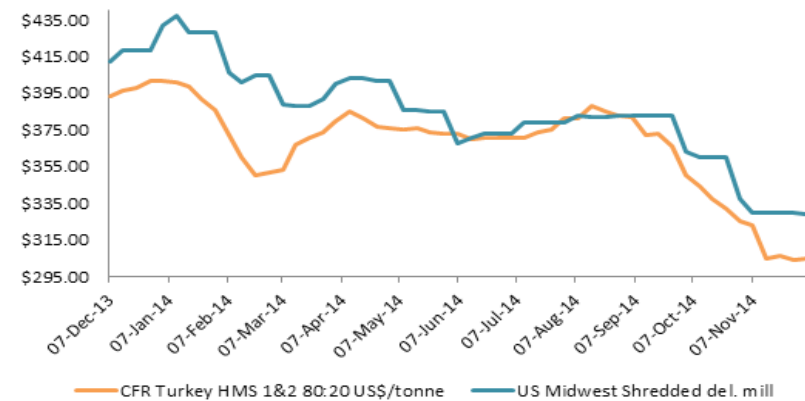
TSI's daily benchmark index for deep-sea Turkish imports of HMS #1&2 80:20 finished the week at US\$310/tonne CFR Iskenderun port.

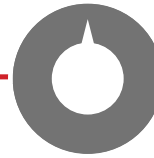
- After a relatively quiet start to the week, which saw a number of cargoes secured in the US\$304-305/t range, prices moved towards US\$310/t by the end of the week.
- The usual winter rebound appears to have begun, with flows starting to slow and yards struggling to put cargoes together.
- However, it remains to be seen how far scrap prices can rise with the presence of abundant Chinese semi-finished steel in the market.

TSI's US Midwest shredded index fell US\$1/long ton this week to US\$329/l.t. (delivered mill).

- A price rollover seems to be the zeitgeist sentiment in the Midwest, though the market is abuzz with talk of scrap companies offering flat or lower to move inventory.
- Early price indications in November are largely flat, with Ohio strong.
- Time will tell how the month progresses as additional volumes are reported.

TSI Scrap





# IRON ORE<sup>2</sup>

After a flat reading last week stopped a stretch of five consecutive weekly declines, spot pricing increased this week.

- This was the first week-over-week increase for spot iron ore pricing since mid-October.

According to The Steel Index, spot iron ore ended the week at \$70.90/mt, up from \$69.80/mt a week ago.

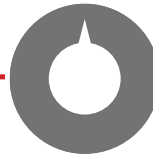
Despite the slight increase, negative sentiment continues to swirl around iron ore as possible pricing declines remain on the horizon.

After raising for four consecutive weeks, last week saw a slight decline in Chinese iron ore stockpiles.

- Chinese port stockpiles declined to 95.0 Mt, down 1.5 Mt from 96.5 Mt previously.
  - Despite the decline, stockpiles remain 16.3 Mt above year-ago levels.

TSI Iron Ore





# ZINC<sup>3</sup>

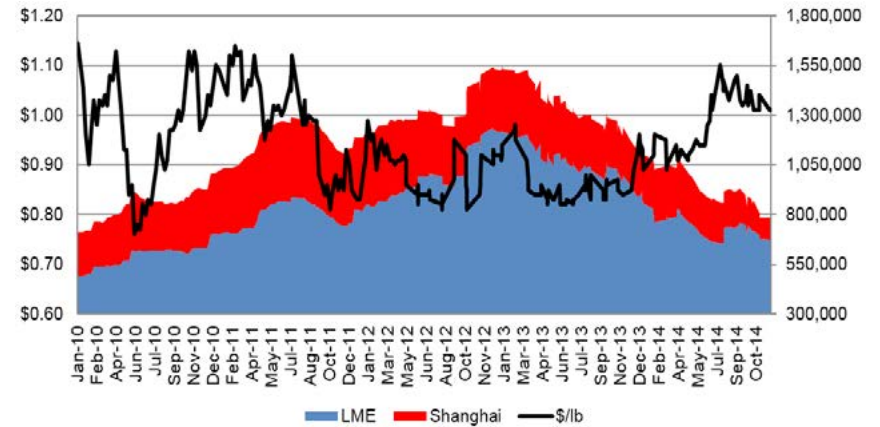
After a decline a week ago, zinc pricing remained virtually flat this week.

- Zinc pricing is at \$2,231.00/mt (\$1.01/lb), up slightly from \$2,227.00/mt (\$1.01/lb) a week ago.

Global zinc inventories continued to decline this week, sliding for the twelfth consecutive week.

- London Metal Exchange warehouse inventories increased to 678,925 metric tons, while Shanghai inventories declined to 103,234 metric tons.
- Global warehouse inventories totaled 782,159 metric tons at the end of the week, down slightly from 783,349 metric tons previously.

Weekly Zinc Price and Inventory Report





# WEEKLY DOMESTIC STEEL PRODUCTION<sup>4</sup>

Weekly raw steel production decreased last week after three weeks of increasing.

U.S. mills produced 1,835k tons at a 76.3% capability utilization rate; this is down from the previous week 1,882k tons at a 78.2% capability utilization rate.

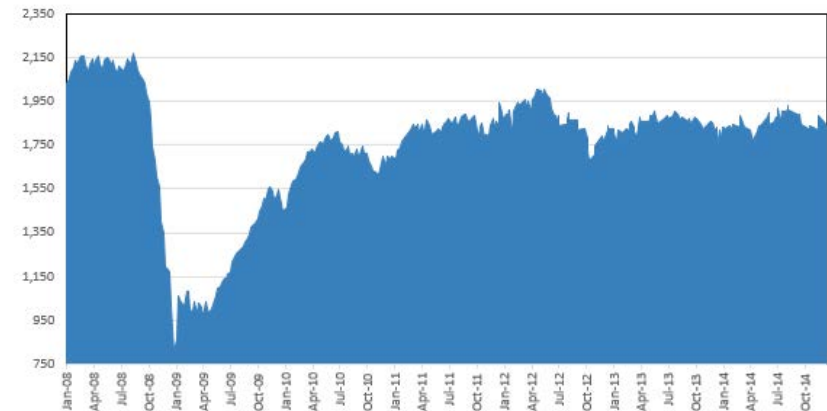
- The current week production represents a 0.5% increase from this period last year.

The Northeast, Great Lakes, Midwest and Southern regions decreased output last week while the Western region was the only region to increase output.

- The Western region increased production by 7k to 86k from 79k.
- The Great Lakes region decreased production last week by 12k to 655k from 667k previously.

Year-to-date production is up slightly by 0.5% from the same timeframe in 2013.

Weekly Domestic Steel Production





# U.S. LIGHT VEHICLE SALES (SAAR)<sup>5</sup>

For the second consecutive month and the fourth time in the last five months, light vehicle sales in the U.S. increased.

- Actual sales in November increased 1.6% from October and were up 4.5% from November 2013.
- This was the ninth consecutive month in which sales increased on a year-over-year basis.

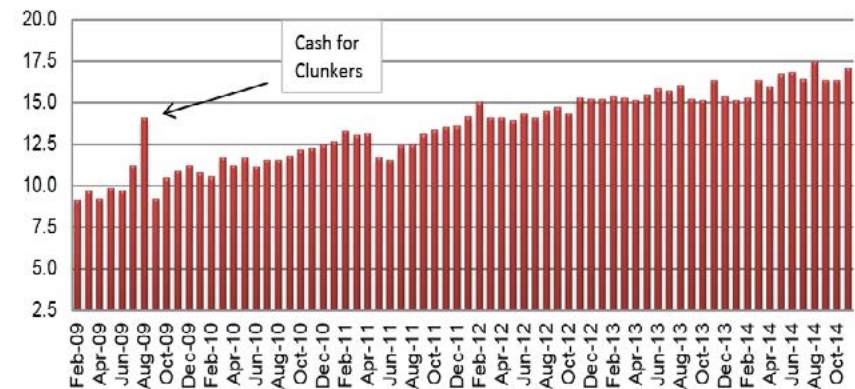
Total November sales came in at 1.30 million units, the highest November total in over nine years.

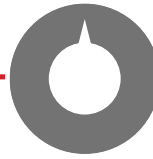
Year-to-date sales came in at 14.94 million units, up 5.4% from the same timeframe in 2013.

The seasonally adjusted annual rate (SAAR) increased again in November, climbing to a 17.10 million unit rate.

- This is up from a 16.35 million unit SAAR in October.

U.S. Light Vehicle Sales (SAAR)





# U.S. LIGHT VEHICLE INVENTORY<sup>6</sup>

For the third consecutive month, U.S. light vehicle inventory increased.

November inventory of light vehicles increased 2.0% from October to 3.62 million units, up from 3.55 million units previously.

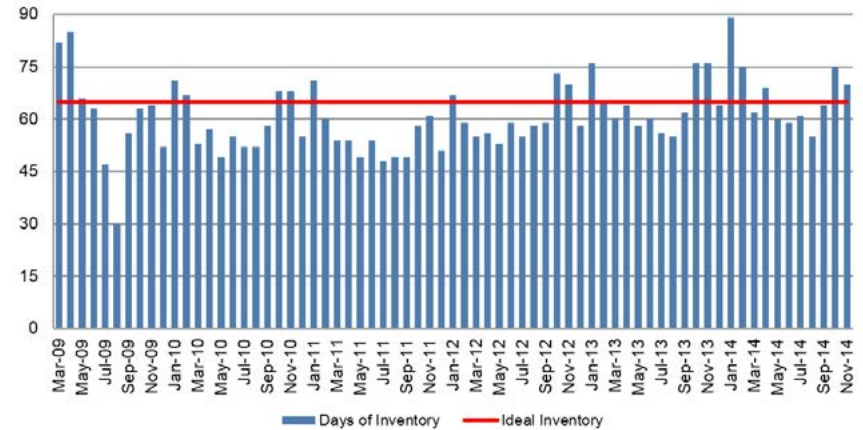
- Year-over-year inventories declined however, sliding for the first time since November 2011.
  - Year-over-year inventories declined 0.5% from 3.64 million units in November 2013.

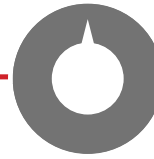
November's inventory represents 70 days of supply when combined with November's sales pace, which is down from 75 days of supply in October.

- The 70 days of supply remains above the ideal level of 65 days of supply however.

The auto sector continues to be one of the strongest steel-intensive sectors of the economy.

U.S. Light Vehicle Inventory





# CONSTRUCTION SPENDING<sup>7</sup>

After a slight decline in September, October construction spending increased to the highest monthly total since May.

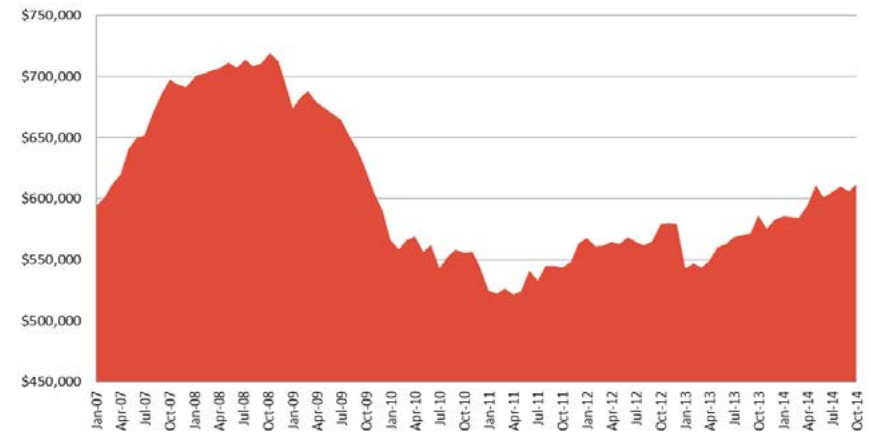
Total construction spending in October increased 1.1% to a \$971.0 billion SAAR, up from a revised \$960.3 billion SAAR in September.

- Construction spending continued to increase on a year-over-year basis as well, climbing 3.3% from October 2013.
  - This is the 36th consecutive month with a year-over-year increase in total spending.

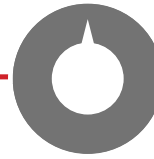
Both residential and non-residential spending increased in October after relatively flat readings in September.

- Residential spending increased 1.3%, while non-residential spending was up 1.0% from September.
  - Non-residential spending of a \$611.8 billion SAAR is the highest monthly total since October 2009.

Non-Res Construction Spending (SAAR)







# APPLIANCE SHIPMENTS<sup>8</sup>

For the second consecutive month and the fourth time in the last five months, appliance shipments increased.

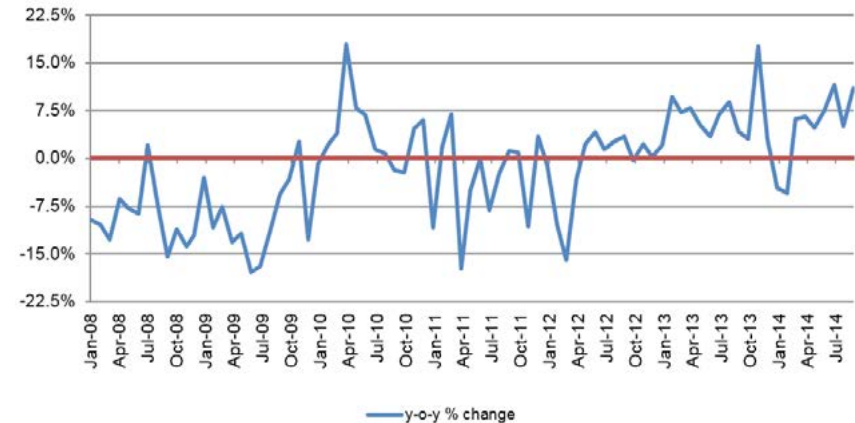
- Total appliance shipments in September came in at 5.66 million units, up 33.0% from 4.25 million units in August.
- This was the highest monthly total since September 2007.
  - Shipments continued to climb on a year-over-year basis as well, climbing 11.0% from September 2013.

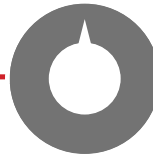
When looking on a year-over-year basis, to help smooth out volatility, all four sectors increased.

- Shipments of dishwashers showed the largest increase, climbing 19.2% from September 2013.
- Range/over, refrigeration, and laundry shipments increased as well, climbing 11.9%, 6.4%, and 10.1%, respectively.

The continued month-over-month increase in shipments continues to show improvements in demand and consumer confidence as we head into 2015.

Appliance Shipments: Year-over-Year Percentage Change





# ISM MANUFACTURING INDEX<sup>9</sup>

For the eighteenth consecutive month, activity from the manufacturing sector expanded, just at a slightly slower rate in November.

- The November index declined to 58.7, down from 59.0 in October but up from 57.3 in November 2013.
- Any reading over 50 represents growth, while any reading under 50 denotes contraction.

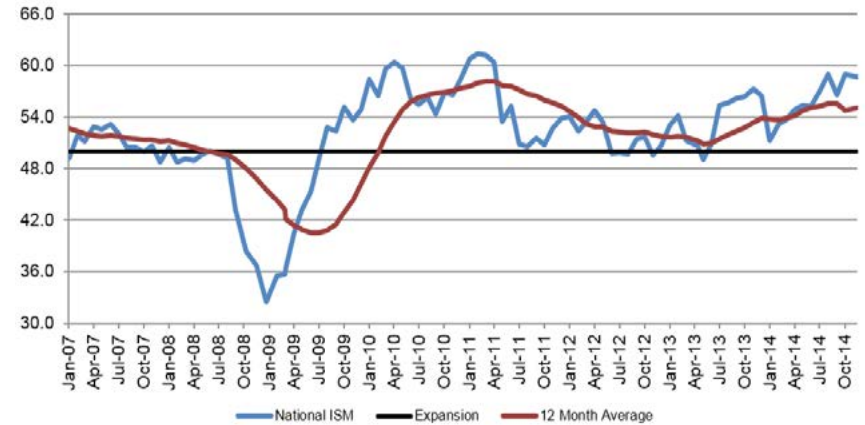
The New Orders subindex was one of the few bright spots as the subindex increased climbing to 66.0 from 65.8 a month ago.

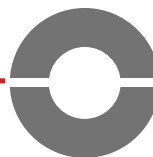
The Production subindex came in at 64.4, down slightly from 64.8 in October.

The Employment subindex declined slightly as well, sliding 0.6 points to 54.9.

Most comments from the survey participants were upbeat about strong demand and new orders, with some expressing concerns about West Coast port slowdowns and the threat of a potential dock strike.

National ISM Manufacturing Index



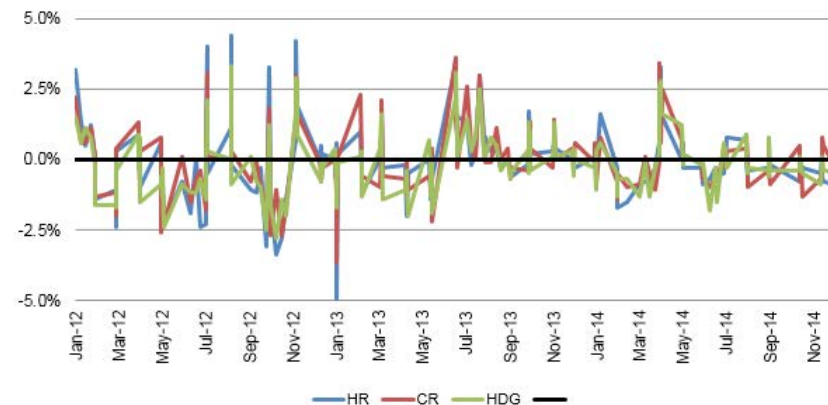


# CRU PRICING<sup>10</sup>

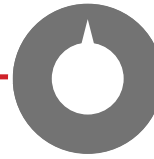
Hot rolled product pricing came in at \$31.15/cwt, down 1.0% from \$31.45/cwt a week ago.

- Hot rolled pricing has now declined for three consecutive weeks and in eleven of the last twelve weeks.
- Cold rolled product pricing declined this week after two consecutive weekly increases.
  - Cold rolled pricing came in at \$37.95/cwt, down 0.8% from \$38.25/cwt.
- Hot-dipped galvanized pricing declined slightly for the second consecutive week, slipping to \$37.45/cwt this week.
  - This is down 0.5% from \$37.65/cwt a week ago.

CRU Weekly Pricing



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# WEEKLY INITIAL JOBLESS CLAIMS<sup>11</sup>

Weekly initial claims decreased after a spike in the previous week.

- Initial claims reported were 297,000 last week, a 17k decrease from the previous week of 314,000 claims.
- Initial claims reported have been below 300,000 for 11 of the past 12 weeks.
- The four-week average for initial claims increased 4,750 to 299,000.

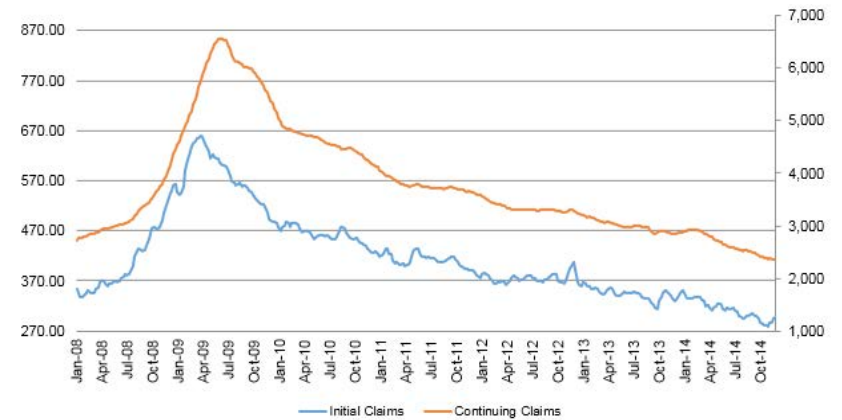
Continuing claims, or claims lasting longer than one week, increased after two weeks of decreasing.

- Continuing claims rose to 2.362 million last week from 2.323 million previously.

16 states reported an increase of more than 1,000 initial claims. The largest increases were in California, Pennsylvania and Ohio. Montana was the only state to report a decrease of more than 1,000 initial claims.

- California reported 19,173 initial claims last week.
- Montana reported a decrease of 1,182 initial claims.

Weekly Initial Jobless Claims





# EMPLOYMENT SITUATION<sup>12</sup>

The Bureau of Labor Statistics reported that the U.S. added 321,000 jobs in November, up from a revised 243,000 jobs added in October.

- The U.S. has now added at least 200,000 jobs (needed to keep up with population growth) for ten consecutive months.

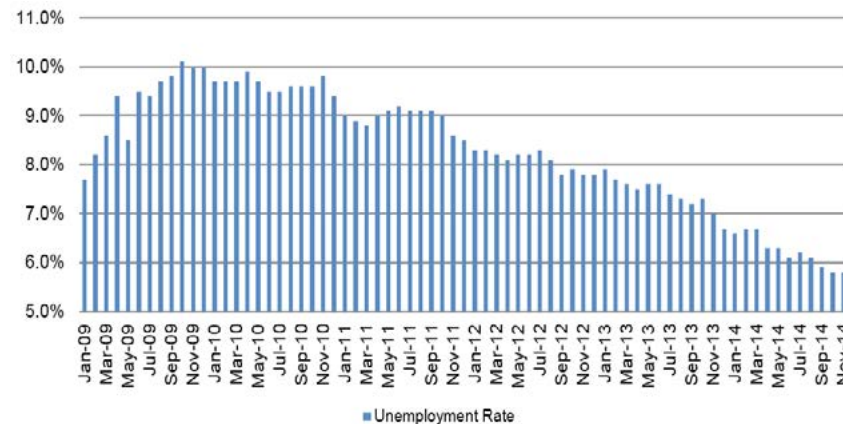
The private sector, which accounts for roughly 70% of the workforce, added 314,000 jobs on a seasonally adjusted basis.

- Government employment increased slightly, climbing by 7,000 jobs in November.

The unemployment rate remained flat, holding at 5.8% in November.

Construction sector jobs increased on a seasonally adjusted basis in November, climbing by 20,000 jobs from October.

The average hours worked increased slightly to 34.6, while the average \$/hr earned increased to \$24.66 from \$24.57 in October.

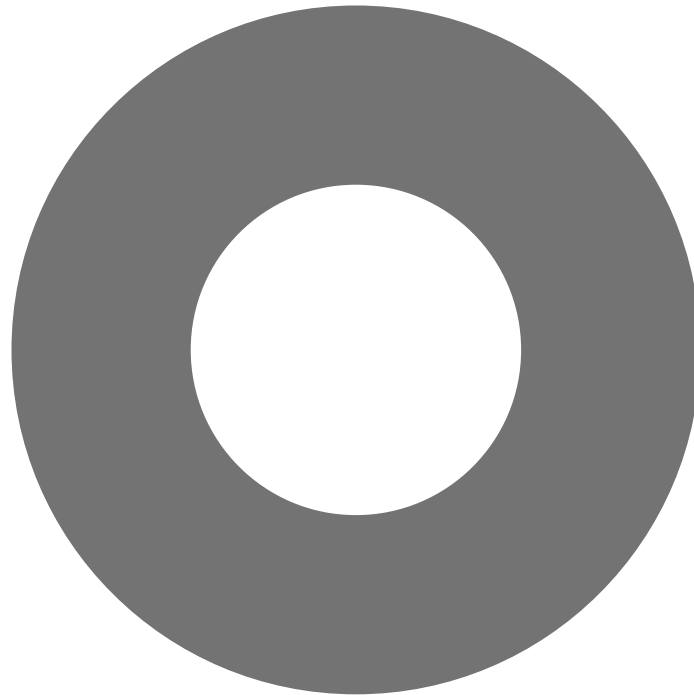




- <sup>1</sup> The Steel Index, Weekly Scrap Report: December 5, 2014.
- <sup>2</sup> The Steel Index, Spot Iron Ore: December 5, 2014.
- <sup>3</sup> London Metal Exchange, Weekly Zinc Price and Inventory Report: December 5, 2014.  
Shanghai Futures Exchange, Weekly Zinc Inventory Report: December 5, 2014.
- <sup>4</sup> American Iron and Steel Institute, Weekly Domestic Steel Production: December 2, 2014.
- <sup>5</sup> WardsAuto, U.S. Light Vehicle Sales: November 2014.
- <sup>6</sup> WardsAuto, U.S. Light Vehicle Inventory: November 2014.
- <sup>7</sup> U.S. Census Bureau, Construction Spending: October 2014.
- <sup>8</sup> Appliance Design Magazine, Appliance Shipments: September 2014.
- <sup>9</sup> Institute for Supply Managers, National Manufacturing Index: November 2014.
- <sup>10</sup> CRU, Weekly Pricing Supplement: December 3, 2014.
- <sup>11</sup> U.S. Department of Labor, Weekly Initial Jobless Claims: December 4, 2014.
- <sup>12</sup> U.S. Census Bureau, Employment Situation: November 2014.

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