

CORE 04.02.21 **REPORT**

COST

01

- ⊖ scrap
- ⬆ iron ore
- ⊖ energy
- ⬇ zinc
- ⊖ coking coal

SUPPLY

03

- ⊖ lead times
- ⬆ production
- ⊖ imports
- ⊖ inventories

DEMAND

04

- ⊖ automotive
- ⬇ construction
- ⊖ appliance
- ⬆ manufacturing
- ⊖ agriculture
- ⊖ durable goods

ECONOMIC

07

- ⬆ employment
- ⬆ GDP
- ⊖ confidence
- ⬆ inflation

SPOT IRON ORE¹

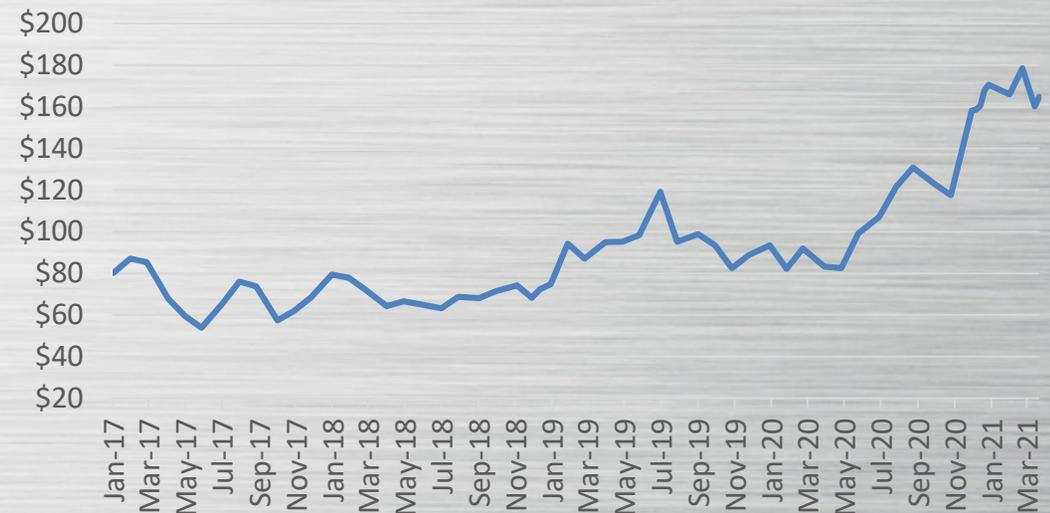
Spot iron ore pricing increased slightly this week after dropping the previous three weeks.

Spot iron ore pricing ended the week at \$164.75/mt, up from \$160.20/mt a week ago.

Iron ore prices remain at decade-highs on the back of rising prices for hot-rolled coil, which are now at record highs.

- China's Purchasing Manager's Index (PMI) climbed to 51.9 in March, up from 50.6 in February and the quickest pace of expansion in the last three months, indicating growing demand for both steel and iron ore.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

Zinc pricing decreased this week after climbing the previous three weeks.

Zinc pricing ended the week at \$2,765/mt (\$1.254/lb), down from \$2,808/mt (\$1.274/lb) previously.

- Continued disruptions in key mining regions, production cuts at Chinese zinc smelters and the positive demand outlook on the new infrastructure bill are all bullish indicators going forward.

LME warehouse inventory decreased slightly to 270,500 metric tons, from 271,100 metric tons previously.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production increased slightly last week, now up six out of the last seven weeks.

U.S. mills produced an estimated 1,760k tons at a 77.6% utilization rate; this is up from 1,753k tons and a 77.3% rate previously.

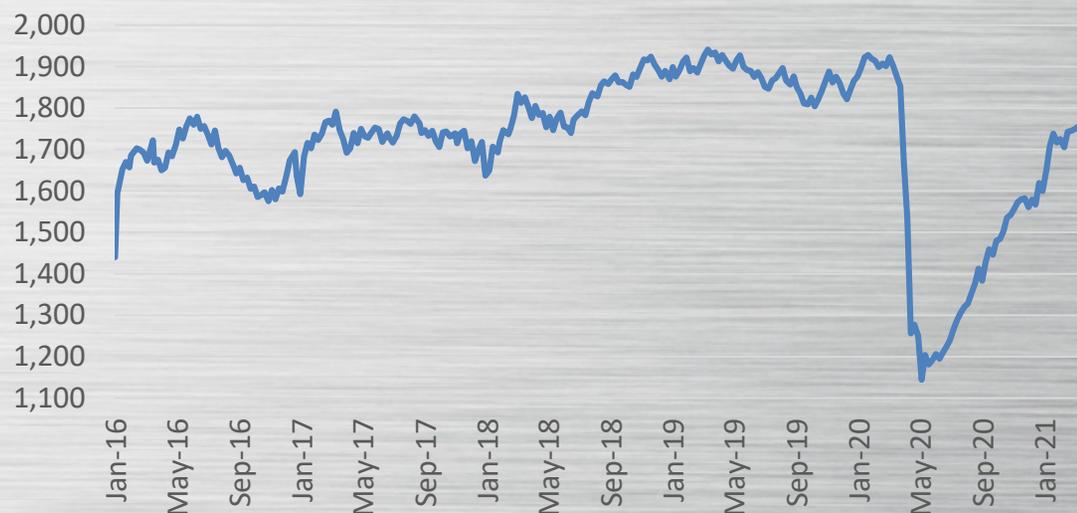
- This is up 1.1% compared to the same week a year earlier.

Production increased in three of the five regions, with the largest increase (in tons) coming from the Western region.

- Production from the Western region spiked from 61k tons to 76k tons.

Year-to-date production is now 8.2% below the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

CONSTRUCTION SPENDING⁴

After climbing the previous four months, total construction spending slipped in February.

February construction spending came in at a \$1.517 trillion rate, down 0.8% from January but up 5.3% from a \$1.441 trillion rate in February 2020.

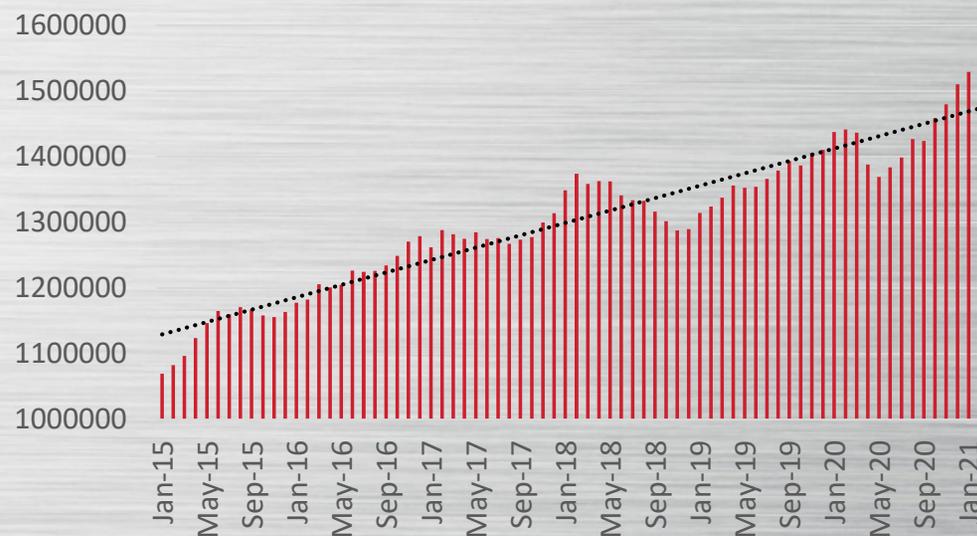
- Total construction spending has now increased on a year-over-year basis for twenty-one consecutive months.

While both residential and non-residential spending slipped, on a month-over-month basis, in February, non-residential spending dropped sharply.

- While residential spending was down 0.2% from January, non-residential spending was down a sharp 1.3%.

Some of the decline in total construction spending in February can be attributed to the week-long deep freeze that gripped much of the South mid-month.

TOTAL CONSTRUCTION SPENDING (SAAR)



DEMAND



CHICAGO PMI⁵

The Chicago Business Barometer continued to expand in March, now expanding for the ninth consecutive month.

The Chicago PMI came in at 66.3, up from 59.5 in February and up from 47.8 in March 2020.

- This was the strongest monthly expansion since November 2018.
- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

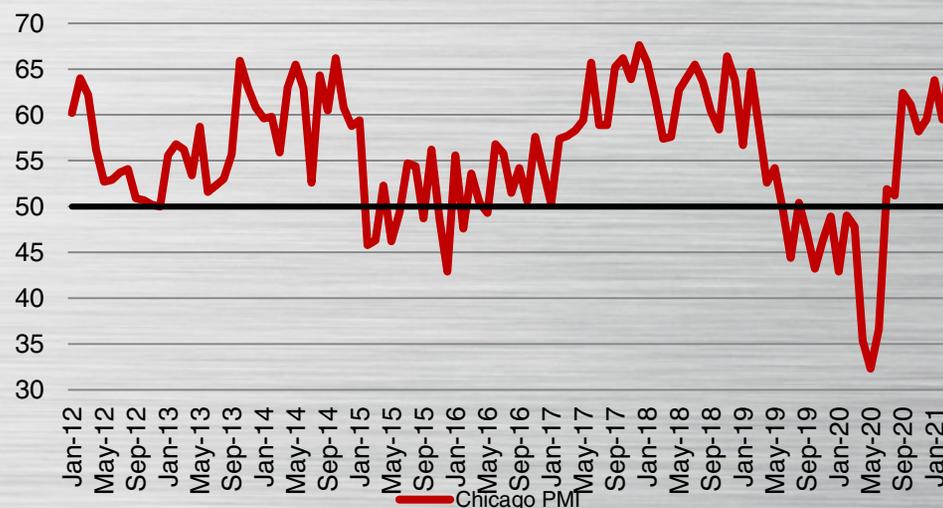
Among the main components, the production component saw the largest gain.

- The production component jumped 10.1 points in March and now stands at its highest level in three years.
 - The production index increased to 68.4 in Q1, the highest level since Q4 2017.

Order backlogs was the only component to fall in March, sliding 6.0 points.

Despite the slide, the index increased to 60.0 in Q1, the highest level since Q3 2018.

CHICAGO PMI



ISM MANUFACTURING INDEX⁶

Economic activity from the manufacturing sector continued to show strong expansion in March.

The March ISM Manufacturing Index came in at 64.7, up from 60.8 in February and sharply from 49.1 in March 2020.

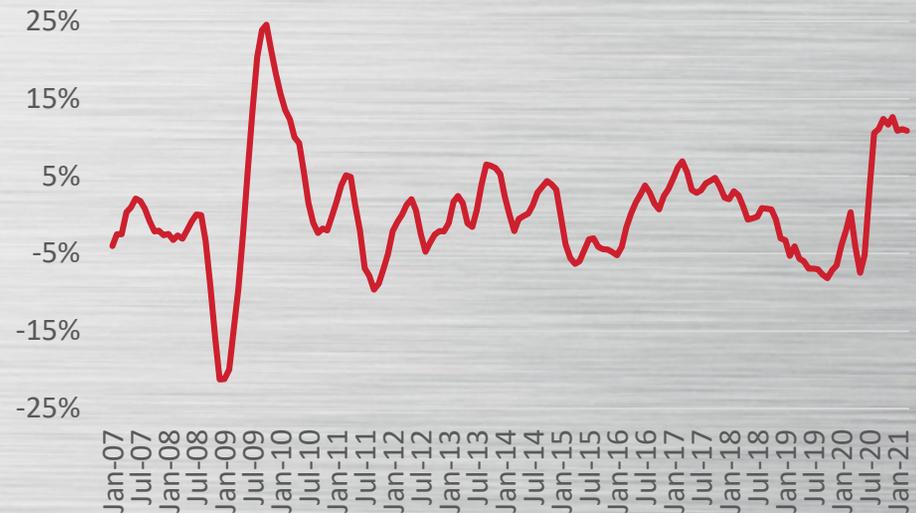
- This is the strongest monthly growth for the index in over 20 years.
- Any reading over 50 indicates expansion, while any reading below 50 denotes contraction.

All of the main components of the index continued to show expansion in March with the strongest growth coming from the Production and New Order components.

- The New Order and Production components continued to expand at a faster rate in March, climbing to 68.0 and 68.1, respectively.

Of the 38 commodities tracked in March, all 38 showed increases in prices, with many of them being short supply.

ISM MANUFACTURING MOMENTUM



WEEKLY INITIAL JOBLESS CLAIMS⁷

Weekly initial jobless claims increased last week, now alternating up and down movements for the last six weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 719,000 claims, up from 658,000 claims previously.

- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 720,750, from 729,500 claims previously.

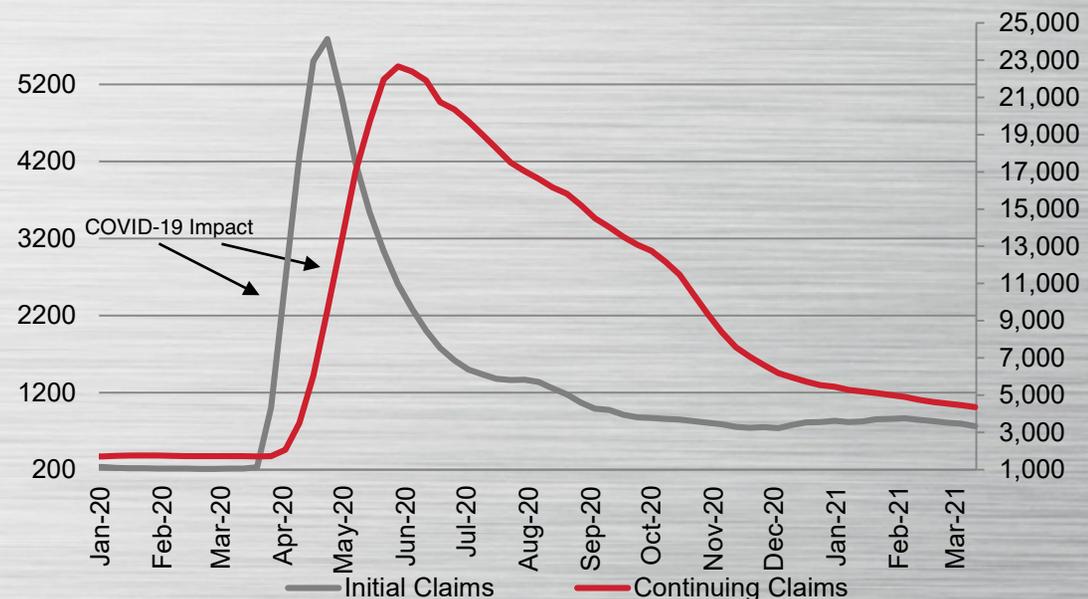
Continuing claims, or claims lasting longer than one week, dropped for the eleventh consecutive week.

- Continuing claims decreased to 3.794 million, down from 3.840 million previously.

At the state level, Virginia (+30,696), Kentucky (15,869), Georgia (11,862) and California (9,628) reported the largest increase in claims.

- Ohio (-15,718) and Massachusetts (-12,755) reported the largest declines.

WEEKLY INITIAL JOBLESS CLAIMS





CONSUMER CONFIDENCE⁸

The Conference Board's Consumer Confidence Index surged in March, climbing sharply after a slight increase in February.

The March Index increased to 109.7, up from 90.4 in February.

- This is the highest the reading has been in a year.

The Present Situation Index increased significantly as well, climbing to 110.0.

- This is up over 20.0 from the 89.6 reading in February.

The Expectations Index, based on consumers' short-term outlook, also increased, climbing from 90.9 in February to 109.6 in March.

The sharp increase in the overall index as well as the other components, are a strong indication that economic growth is likely to continue to strengthen further in the short-to-medium term.

- The strong optimism help boost consumers desire for big-ticket, typically steel intensive items, like homes, cars, and appliances.

SOURCES

- 1 Platts, Spot Iron Ore: April 1, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: April 1, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: April 1, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: March 30, 2021.
- 4 US Census Bureau, Total Construction Spending: February 2021.
- 5 Institute for Supply Managers, Chicago PMI: March 2021.
- 6 Institute for Supply Managers, National Manufacturing Index: March 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: April 1, 2021.
- 8 Conference Board, Consumer Confidence: March 2021.

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