

CORE 05.21.21 **REPORT**

COST

01

- ⊖ scrap
- ⊖ iron ore
- ⊖ energy
- ⊕ zinc
- ⊖ coking coal

SUPPLY

03

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

DEMAND

05

- ⊕ automotive
- ⊕ construction
- ⊖ appliance
- ⊕ manufacturing
- ⊖ agriculture
- ⊖ durable goods

ECONOMIC

11

- ⊕ employment
- ⊖ inflation
- ⊖ trucking
- ⊖ retail sales

SPOT IRON ORE¹

Spot iron ore pricing slid this week after climbing the previous seven weeks.

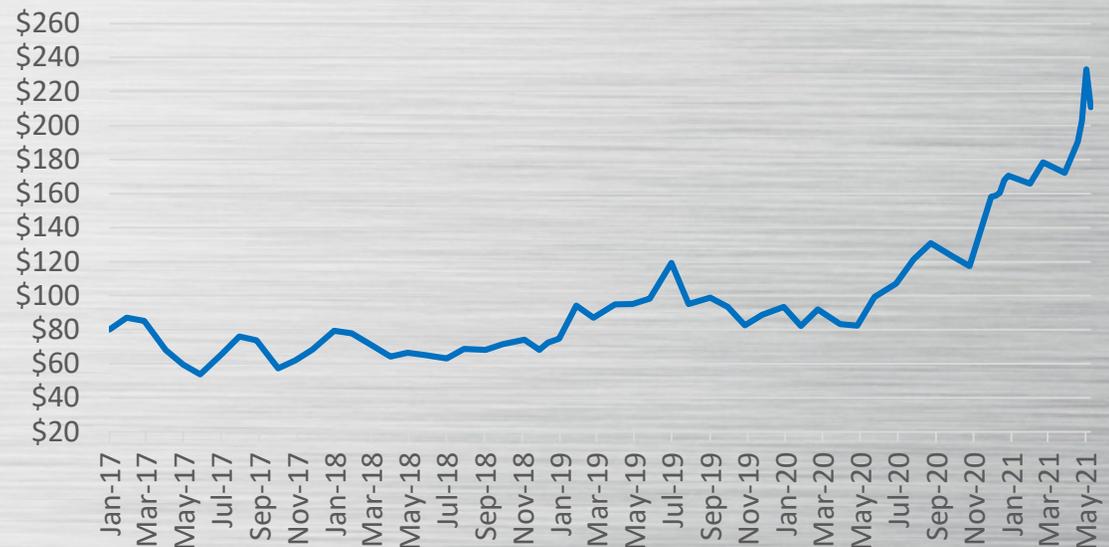
Spot iron ore pricing ended the week at \$210.85/mt, down from \$233.10/mt a week ago.

- This is down slightly from the all-time record high seen last week.

Iron ore prices continue to gain support from the record high finished steel prices seen globally.

- China's steel output recently hit a record high despite the government's push to curb annual production to reduce pollution.
 - Australian iron ore miners have also seen record profits as they supply China with roughly 60% of their iron ore.

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing increased this week, now up three out of the last four weeks.

Zinc pricing ended the week at \$2,981/mt (\$1.352/lb), up from \$2,924/mt (\$1.326/lb) previously.

- Zinc price briefly touched \$1.390/lb earlier in the week, the highest price since early June of 2018.
- California Steel Industries also announced an increase to their coating extras this week.

Global zinc inventory decreased again this week as demand continues to outpace supply, now down six out of the last seven weeks.

- LME warehouse inventory decreased slightly to 285,175 metric tons, from 287,150 metric tons previously.
- Shanghai warehouse inventory decreased as well, sliding from 91,614 metric tons to 83,052 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production increased last week, now up four out of the last five weeks.

U.S. mills produced an estimated 1,799k tons at a 79.2% utilization rate; this is up from 1,774k tons and a 78.1% rate previously.

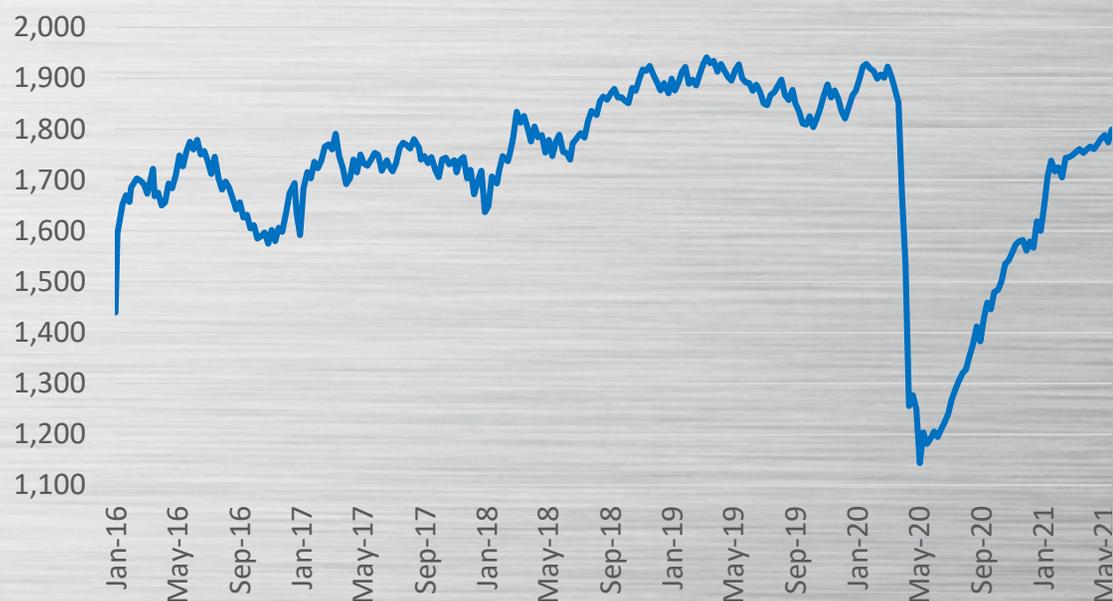
- Production has now set another pandemic-era high, the highest since March 24, 2020.

Production increased in all five regions, with the largest increase (in tons) coming from the Southern region.

- Production from the Southern region climbed from 753k tons to 767k tons.

Year-to-date production is now 4.7% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



SUPPLY

GLOBAL STEEL PRODUCTION⁴

Global steel production continued to recover in April after being hit hard during the global pandemic lockdowns in Q2 2020.

April global steel production came in at a rate of 5.649 million tons/day.

- This is up 2.9% from March and up 27.4% from April 2020.

Excluding China, global steel production actually slid slightly to a pace of 2.387 million tons/day.

- This is down 2.8% from 2.454 million tons/day in March.
 - The decline from March mainly had to do with the decline in Indian production as COVID continues to ravage that country.

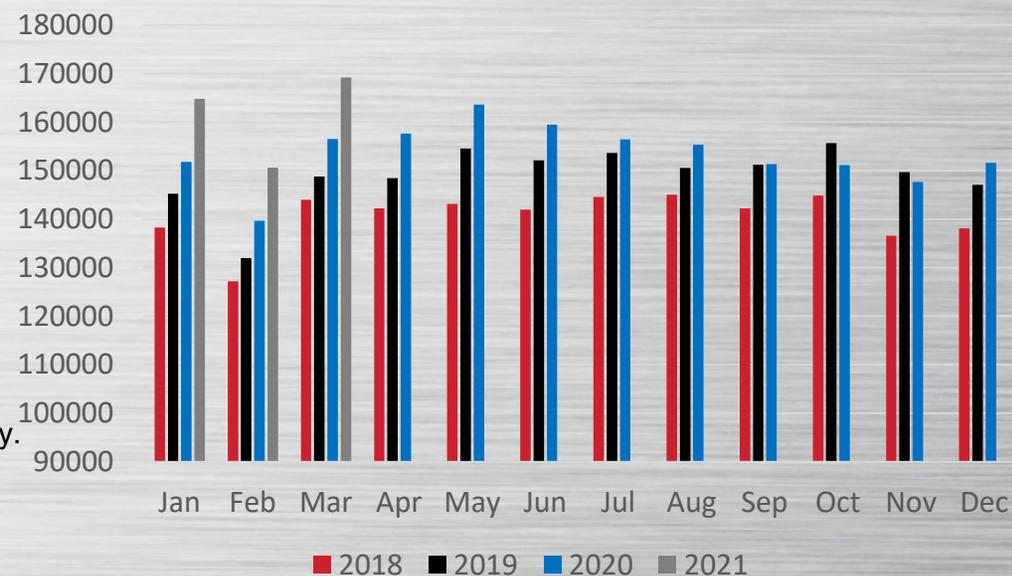
Chinese production hit a fresh all-time high in April, averaging 3.262 million tons/day.

North American production was up slightly from March, climbing 0.3% to a 322,000 tons/day pace in April.

- U.S. production inched higher to 229.9 thousand tons/day, while production in both Canada and Mexico was virtually flat.

Year-to-date production, excluding China, is now up 11.7% from the same timeframe last year.

GLOBAL STEEL PRODUCTION (MT)



LIGHT VEHICLE PRODUCTION⁵

As demand remains strong, U.S. light vehicle production is being slowed by supply chain disruptions.

April light vehicle production totaled 719,982 units, down 21.0% from 911,308 units in March.

- Production was up significantly on a year-over-year basis, mainly due to April 2020 being the heart of the lockdown.

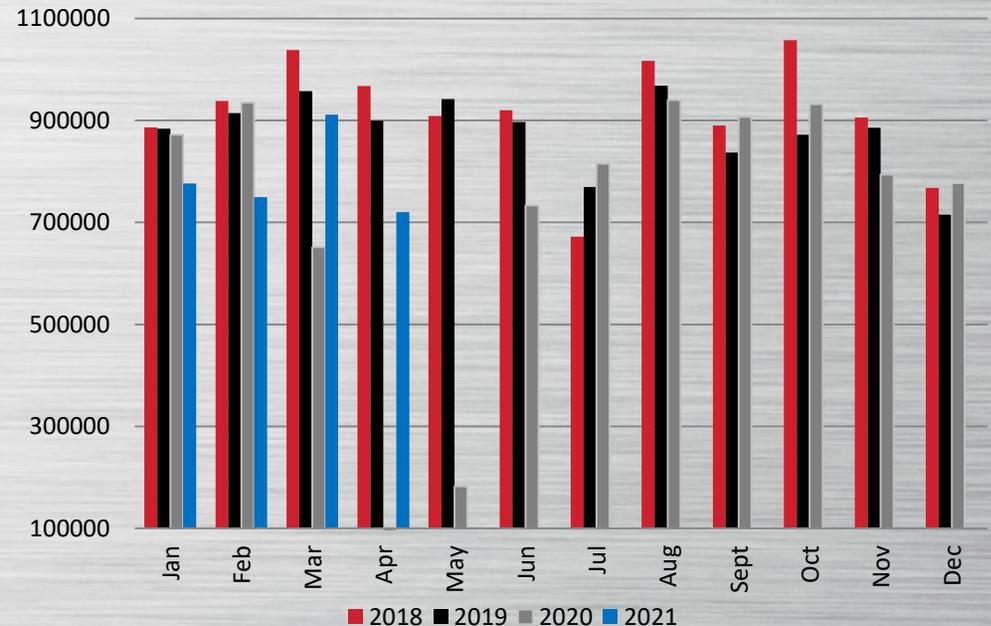
The sharp month-over-month decline was solely due to a slowdown in light truck production.

- Light truck production totaled 576,565 units, down 25.7% from March.
- Car production, for its part, increased in April, climbing 5.9% from March to 143,417 units.

Year-to-date light vehicle production is at 43.157 million units through April.

- This is up 28.1% from last year but down 13.6% from the total over the same timeframe in 2019.

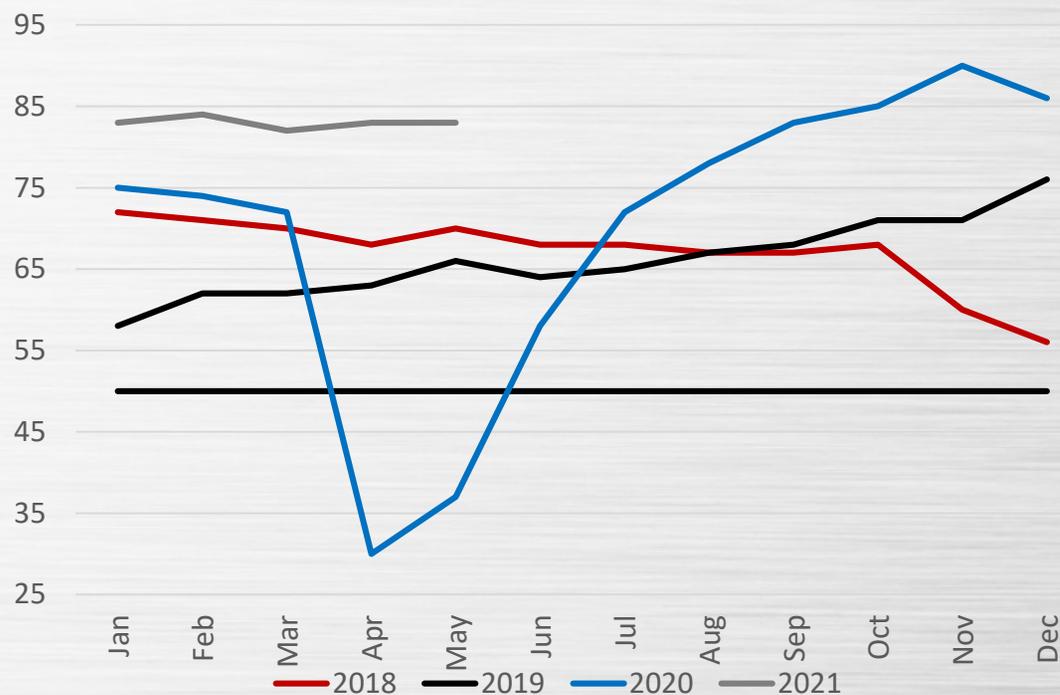
U.S. LIGHT VEHICLE PRODUCTION



DEMAND



HOUSING MARKET INDEX⁶



HOUSING MARKET INDEX

Confidence among U.S. homebuilders remained strong in May as the Housing Market Index held steady from April.

The May HMI came in at 83, flat from April but up sharply from 37 in May 2020.

- Any reading over 50 indicates an increase in optimism, while a reading below 50 indicates an increase in pessimism.

All three components remained strong as well, with the Present Situation component being the strongest at 88.

- The Next 6 Months and Traffic components were strong as well, coming in at 81 and 73, respectively.

Favorable business conditions like low interest rates and increasing demand, help to offset the headwinds from soaring material prices.

HOUSING STARTS & PERMITS⁷

New residential construction starts slowed slightly in April after a sharp increase in March.

April new housing starts came in at a 1.569 million unit rate, down 9.5% from March but up 67.3% from 938,000 unit rate in April 2020.

- Despite the slowdown in April, this was the highest April level since 2006.

The slowdown in starts came from single-family units, which slid 13.4% from March.

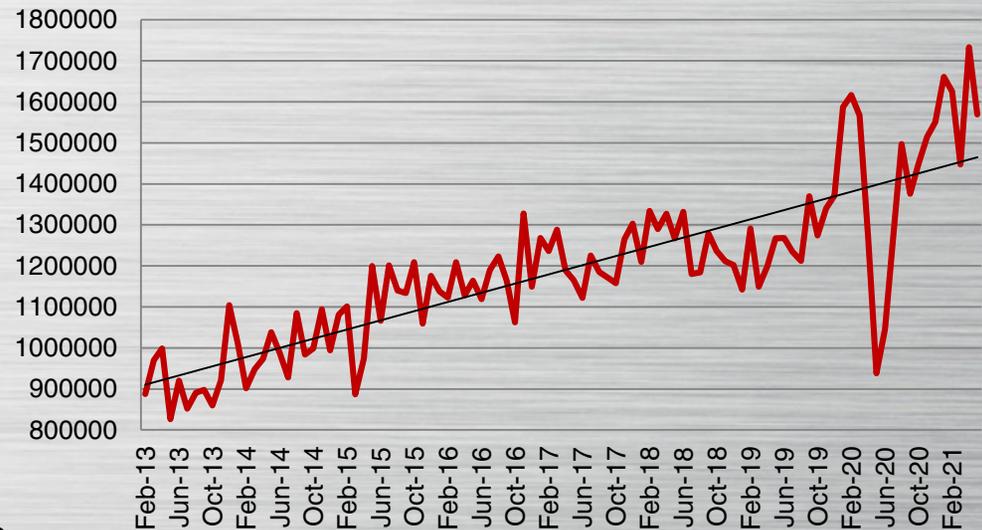
- Multi-family units increased to a fifteen-month high in April.

Year-to-date actual new housing starts totaled 499,600 units through April, up 20.6% from the same time frame last year and up 31.1% from the first four months of 2019.

Permits, an indicator for future new home construction, increased in April, climbing for the second consecutive month and for the seventh time in the last eight months.

- Permits increased to a 1.760 million unit rate, up 60.9% from a 1.094 million unit rate in April 2020.

NEW HOUSING STARTS (SAAR)



EXISTING HOME SALES⁸

Sales of existing homes slipped in April, sliding for the third consecutive month.

April existing home sales came in at a 5.850 million unit seasonally adjusted rate.

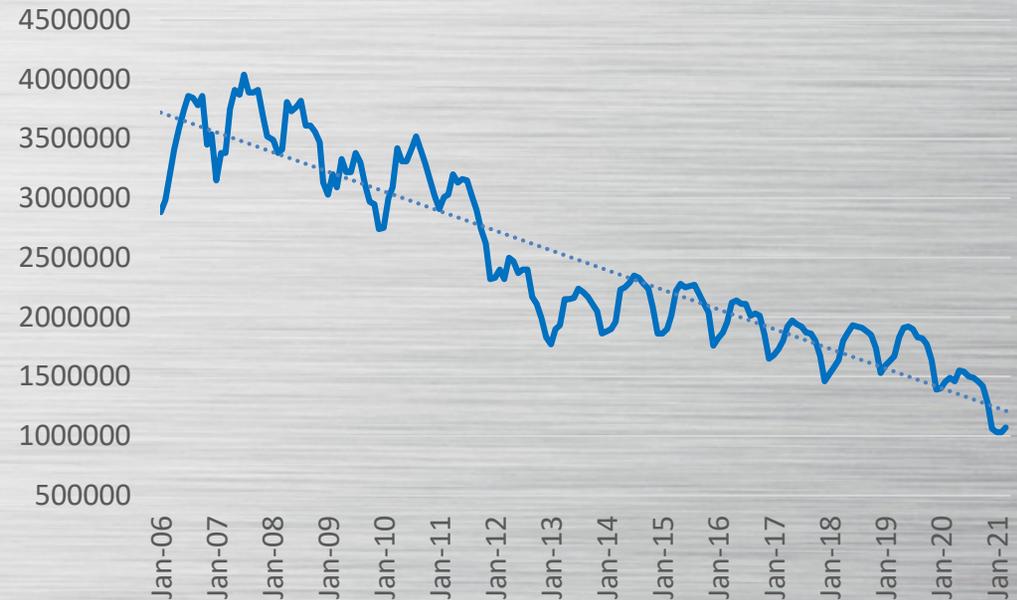
- This is down 3.1% from March but up a sharp 33.9% from a 4.370 million unit rate in April 2020.

Inventory of unsold existing homes increased slightly in April, climbing to 1.160 million.

- Despite being at a five month high, current inventory is well below the 1.460 million unit level from April 2020.
- Current inventory, when combined with April's sales pace, equates to 2.4 months of supply.
 - This is up slightly from 2.1 months in March but remains well below the five-year average of 3.7 months.

Actual sales through April are up 20.0% from the same timeframe in 2020 and up 19.1% from the same timeframe in 2019.

EXISTING HOMES FOR SALE



DEMAND

ARCHITECTURE BILLINGS INDEX⁹

The April Architecture Billings Index continued its sharp rebound, showing growth for the third consecutive month.

The April ABI came in at 57.9, up from 55.6 in March and up sharply from 29.5 in April 2020.

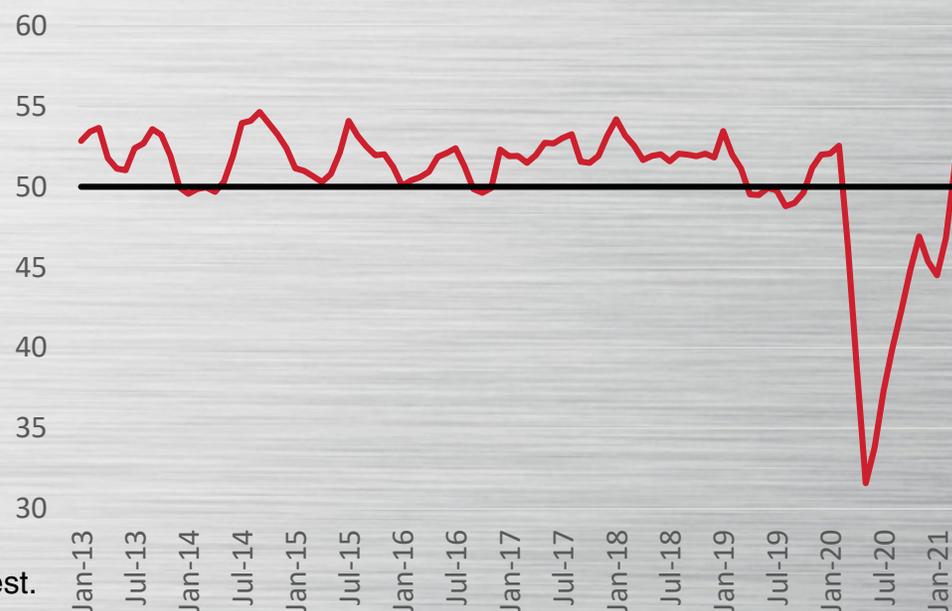
- The three-month average of 55.6, is at its highest level since August 2007.
- Any reading over 50 indicates growth in activity, while any reading below 50 denotes a contraction in activity.

All four regions continued to show expansion in April, with the Midwest being the strongest at 60.6.

The sector breakdown showed growth across the board as well, with the commercial/industrial sector (59.1) being the strongest.

- The commercial/industrial sector includes facilities like hotels, office buildings, multi-family residential, schools, and hospitals.

ARCHITECTURE BILLINGS INDEX (3MMA)



DEMAND

EMPIRE MANUFACTURING INDEX¹⁰

Manufacturing business activity continued its recent solid growth in May.

The May Empire Manufacturing Index came in at 24.3, a slight slowdown from 26.3 in April.

- Any reading above 0.0 shows expansion, while any reading below 0.0 shows contraction.

The two-month average continued to climb however, increasing to 25.3.

- This is up from 21.9 in April and now up for the fourth consecutive month.
 - This is the strongest two-month growth for the index since October/November of 2009.

The new orders and shipment components continued expand sharply, climbing to 28.9 and 29.7, respectively.

- The unfilled orders component was virtually flat in May, coming in at 21.4.

EMPIRE MANUFACTURING INDEX (2MMA)



ECONOMIC

WEEKLY INITIAL JOBLESS CLAIMS¹¹

Weekly initial jobless claims decreased for the sixth consecutive week last week, hitting another pandemic-era low.

The Department of Labor's Weekly Initial Jobless Claims report came in at 444,000 claims, down from 478,000 claims previously.

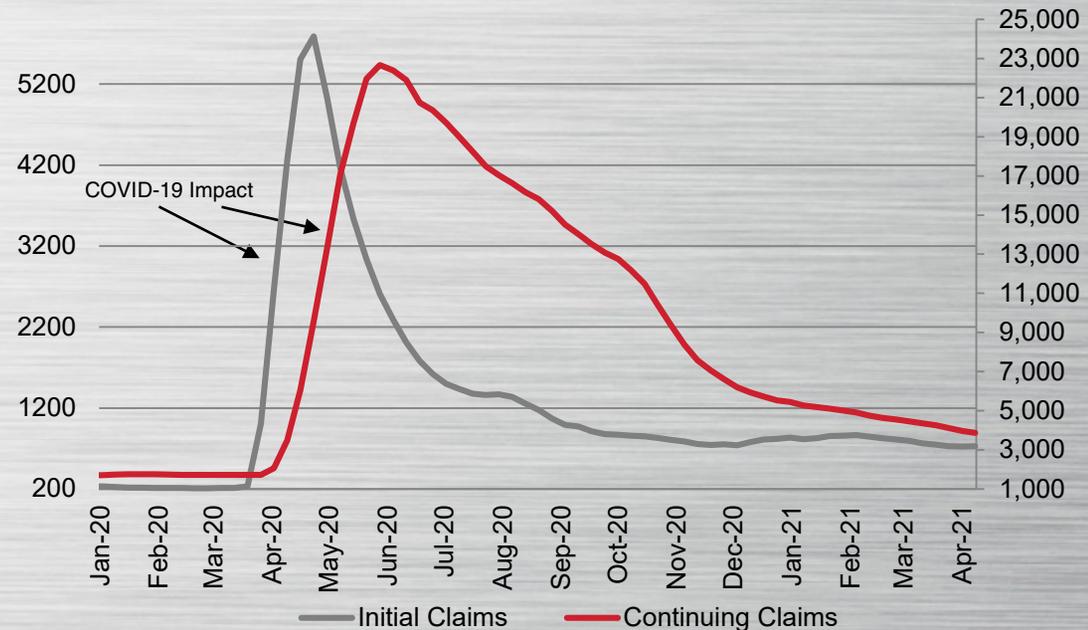
- Most of the decline came from a decrease in those getting benefits through pandemic-related emergency programs.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 504,750, from 535,250 claims previously.

Continuing claims, or claims lasting longer than one week, increased, now up three out of the last four weeks.

- Continuing claims increased to 3.751 million, up from 3.640 million previously.

At the state level, Georgia (-8,216), Kentucky (-7,175) and Texas (-4,828) accounted for the largest decline in claims.

WEEKLY INITIAL JOBLESS CLAIMS



SOURCES

- 1 Platts, Spot Iron Ore: May 20, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: May 21, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: May 21, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: May 18, 2021.
- 4 WorldSteel, Global Steel Production: April 2021.
- 5 WardsAuto, US Light Vehicle Production: April 2021.
- 6 American Association of Homebuilders, Housing Market Index: May 2021.
- 7 Census Bureau, New Residential Construction: April 2021.
- 8 National Association of Realtors, Existing Home Sales: April 2021.
- 9 American Institute of Architects, Architecture Billings Index: April 2021.
- 10 NY Federal Reserve, Empire Manufacturing Index: May 2021.
- 11 Department of Labor, Weekly Initial Jobless Claims: May 20, 2021.

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