

PRICES INCREASE & SET NEW RECORD HIGHS AGAIN

Mill lead times are extending as the upward momentum for pricing affects every part of the market. The impact of high pricing is showing up further down the supply chain as new home sales slipped in April.

INPUT COSTS

Zinc pricing continues the steady push higher, now closing above \$1.30/lb for nearly twenty-two straight days and hitting a fresh 52-week high last week.

- The 50 DMA is now above \$1.30/lb, which may signal a new wave of coating extra increases from domestic coated suppliers.
 - After CSI increased coating extras two weeks ago, UPI followed suit with an increase of their own last week.
- Much like every material, the current supply/demand imbalance is poised to push prices even higher from here.

This week, Pacific basin met coal prices increased to the highest level since February, climbing to +\$140/mt.

- Pacific basin met coal is up 20.5% over the past week and up 28.8% over the last month.
- Atlantic basin met coal slipped this week, as the U.S. benchmark hard coking coal price came in at \$184/mt.

SUPPLY

Domestic raw steel production declined slightly last week after hitting a post-pandemic high two weeks ago.

- U.S. steelmakers produced 1.793 million tons at a 79.0% utilization rate.
- Year-to-date production is 8.7% above the total from the same period last year but is still 7.0% below the same timeframe in 2019.

Domestic coated lead times, on average, extended once again this week.

- Lead times for coated products from all domestic suppliers increased to 14.46 weeks, up from 13.70 weeks previously and is at its highest level since early February.

DEMAND

After climbing in March new home sales slipped to an 863,000-unit rate in April, on a seasonally adjusted basis.

- This was down 5.9% from March but up nearly 50% from April 2020.
 - Despite the slowdown, this was the highest sales rate for an April since 2007.
- Higher costs, higher interest rates, and limited supply all played a factor in the slowdown in sales in April.

PRICE

Steel pricing continued to set new all-time highs, as the upward momentum continued to grow this week.

- This current upward super-cycle for flat product pricing has now entered its eighth month, with no signs of turning in the near future.
- HDG pricing increased (\$217/t) (\$10.85/cwt) during May; the largest monthly increase of this super cycle.

Foreign pricing continued to slide this week as the CCP continues to tighten the screws on the recent price run-up after Asian HRC prices recently hit a 13-year high (July 2008).

- The Platts index FOB China slipped to \$968/mt (\$43.90/cwt).
- Chinese HRC pricing is down 4.3% from last week but still up 43.0% YTD.

ECONOMY

The Consumer Sentiment Index came in at 117.2 in May, down slightly from 117.5 in April.

- While the Present Situation Index increased to 144.3, the Expectations Index slipped to 99.1 from 107.9 previously.
- Uncertain labor growth projections and increasing inflation helped to soften the short-term outlook in May.

The May Chemical Activity Barometer continued to push higher in May, signaling continued strength for the economy through the balance of 2021.

- The CAB came in at 130.07, up from 128.76 in April and setting a fresh all-time high.
- The diffusion index reached 100% in May for the first time since February 1987.
 - The diffusion index tracks the number of positive contributors relative to the total number of indicators monitored.