

CORE 06.11.21 **REPORT**

COST

01

- ▲ scrap
- ▲ iron ore
- energy
- ▲ zinc
- coking coal

SUPPLY

04

- lead times
- ▲ production
- imports
- inventories

DEMAND

05

- automotive
- construction
- ▼ appliance
- manufacturing
- ▼ agriculture
- durable goods

ECONOMIC

07

- ▲ employment
- ▲ inflation
- ▲ trucking costs
- retail sales

 **SCRAP¹**

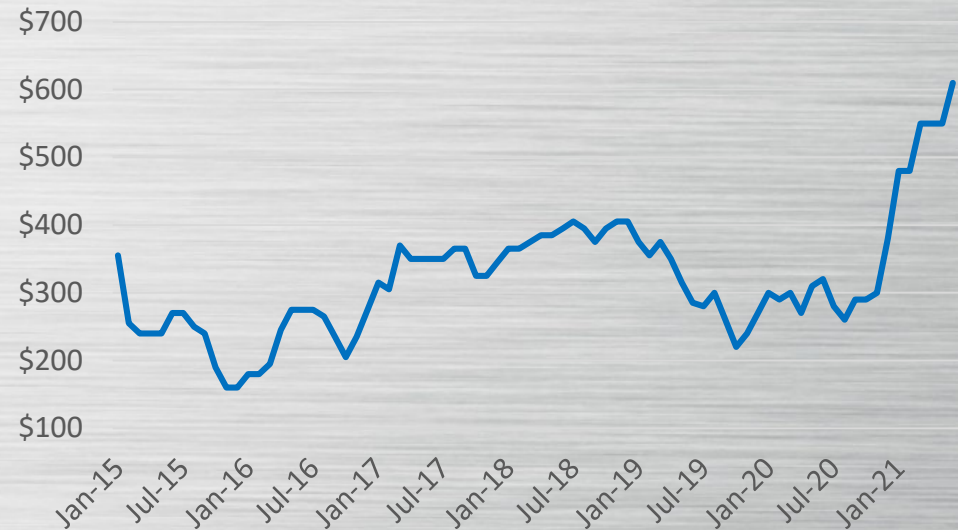
After leveling off in April and May, prime scrap price skyrocketed in June.

June scrap settled at \$610/gt, up from \$550/gt in May.

- This is the highest price for scrap since August 2008.

Increased demand (both domestic and offshore), tight supply, and now transportation issues are all helping to push scrap prices higher.

PRIME SCRAP



SPOT IRON ORE²

Spot iron ore pricing climbed for the second consecutive week this week.

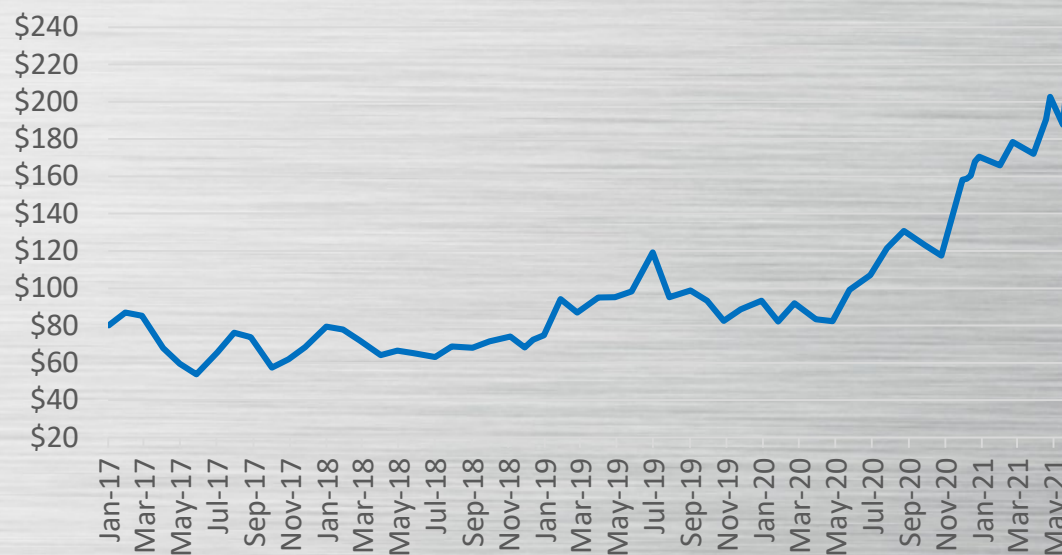
Spot iron ore pricing ended the week at \$217.00/mt, up from \$211.20/mt a week ago.

- This is near the all-time record high of \$233.10/mt seen a few weeks ago.

Iron ore prices remain elevated on global supply concerns and record high steel mill margins.

- China's iron ore imports also grew by 3% in May compared to the same timeframe a year ago.

IRON ORE COST



COST



WEEKLY ZINC PRICING³



ZINC

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

Zinc pricing ended the week at \$3,011/mt (\$1.366/lb), up from \$2,980/mt (\$1.352/lb) previously.

- Zinc has now closed above \$1.30/lb for nearly thirty straight days and hit a fresh 52-week high recently.
- The 50 day-moving-average is also holding above \$1.30/lb, which may signal a new wave of coating extra increases from domestic coated suppliers.

Global zinc inventory decreased again this week as demand continues to outpace supply, now down five consecutive weeks.

- LME warehouse inventory decreased to 267,750 metric tons, from 274,550 metric tons previously.
- Shanghai warehouse inventory dropped significantly, sliding from 72,103 metric tons to 56,582 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION⁴

Domestic raw steel production climbed again last week, setting a new pandemic-era high.

U.S. mills produced an estimated 1,840k tons at an 82.3% utilization rate; this is up from 1,836k tons and an 81.5% rate previously.

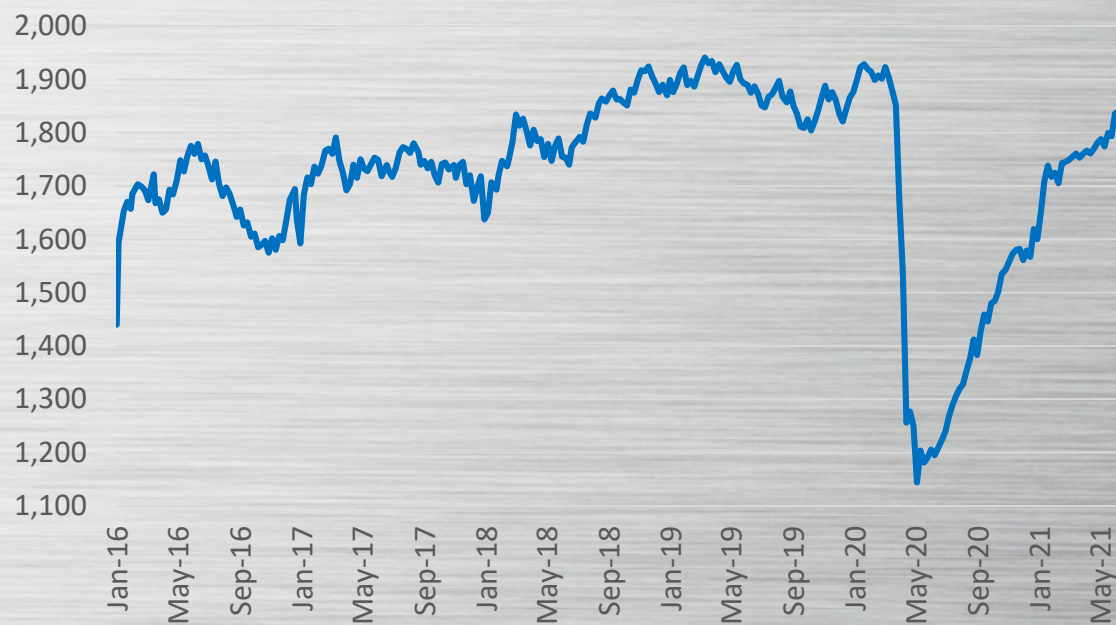
- This is the first time that the utilization rate ended above 82% since March 3, 2020.

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

- Production from the Great Lakes region spiked from 635k tons to 646k tons.

Year-to-date production is now 9.3% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

HEATING & COOLING EQUIPMENT⁵

Shipments of HVAC equipment slipped slightly in April, now down for the second time in the last three months.

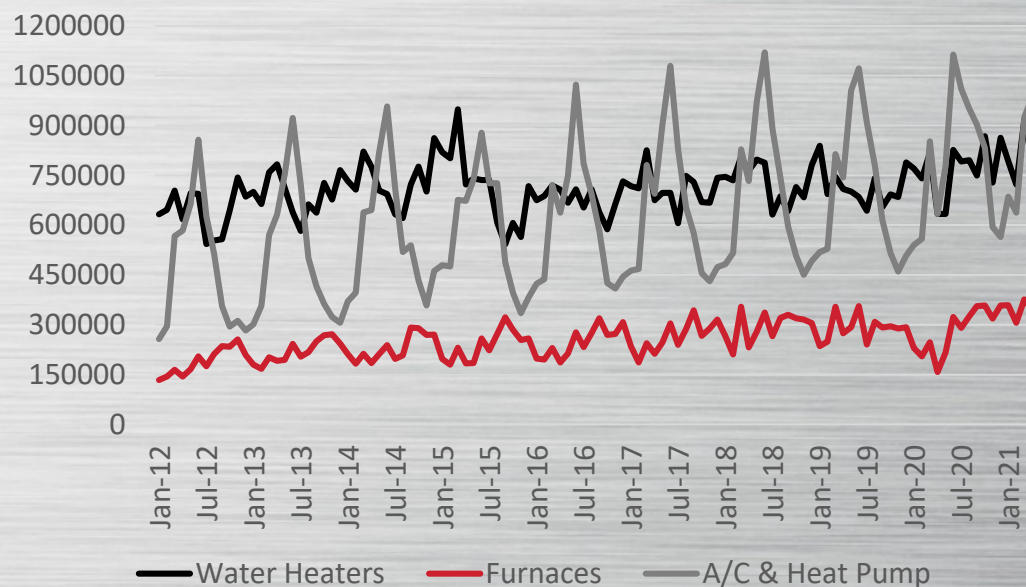
HVAC equipment shipments totaled 2.129 million units in April, down 4.0% from March but up a sharp 49.4% from April 2020.

Looking on a year-over-year basis, to smooth seasonality, shipments of furnaces increased the most, climbing 119.5%.

- Water heater and A/C & heat pump shipments increased as well, climbing 26.1% and 55.2%, respectively.

Year-to-date shipments are now up 22.9% from the same time last year and up 17.1% from the same timeframe in 2019.

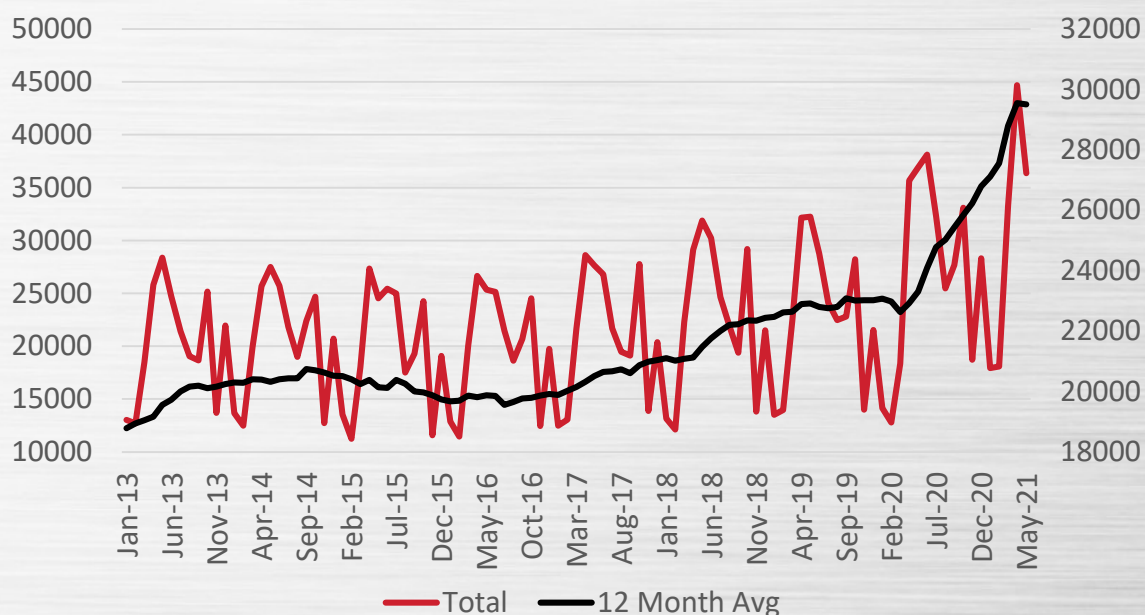
HVAC EQUIPMENT SHIPMENTS



DEMAND

TRACTOR & COMBINE SHIPMENTS⁶

TRACTOR & COMBINE SHIPMENTS



Despite slipping slightly on a month-over-month basis, the upward momentum for tractor and combine shipments remains.

North American (US and Canada) tractor and combine shipments totaled 36,371 units in May, down from April and down 1.4% from 36,899 units in May 2020.

- The stronger month-over-month decline was due to seasonality.

Looking on a year-over-year basis, to smooth out seasonality, combine shipments saw a sharp 50.6% increase to 470 units.

- Tractor shipments were down slightly from May 2020, sliding 1.9% to 35,901 units.

Year-to-date shipments are now 27.6% from the same timeframe last year.

WEEKLY INITIAL JOBLESS CLAIMS⁷

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

The Department of Labor's Weekly Initial Jobless Claims report came in at 376,000 claims, down from 385,000 claims previously.

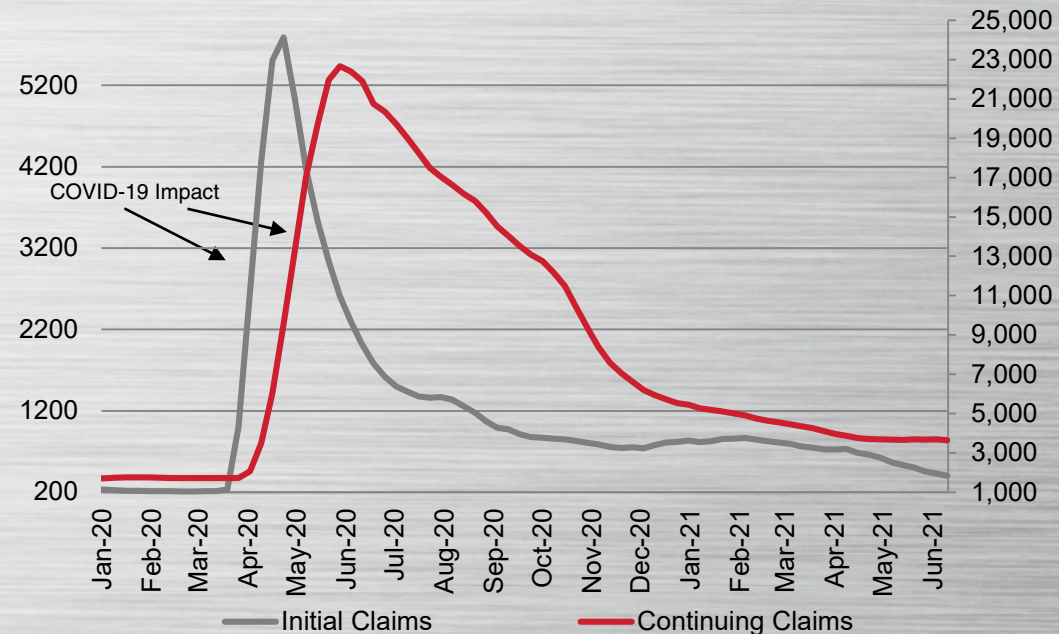
- The last time claims were lower was March 14, 2020, with 256,000.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 402,500, from 428,000 claims previously.

Continuing claims, or claims lasting longer than one week, decreased, now alternating up and down movements for the last six weeks.

- Continuing claims decreased to 3.499 million, down from 3.757 million previously.

At the state level, Texas (-3,114) and Oregon (-1,822) accounted for the largest decline in claims.

WEEKLY INITIAL JOBLESS CLAIMS



CONSUMER PRICE INDEX⁸

Prices paid by consumers continued to push higher in May, accelerating at their fastest pace in nearly 13 years.

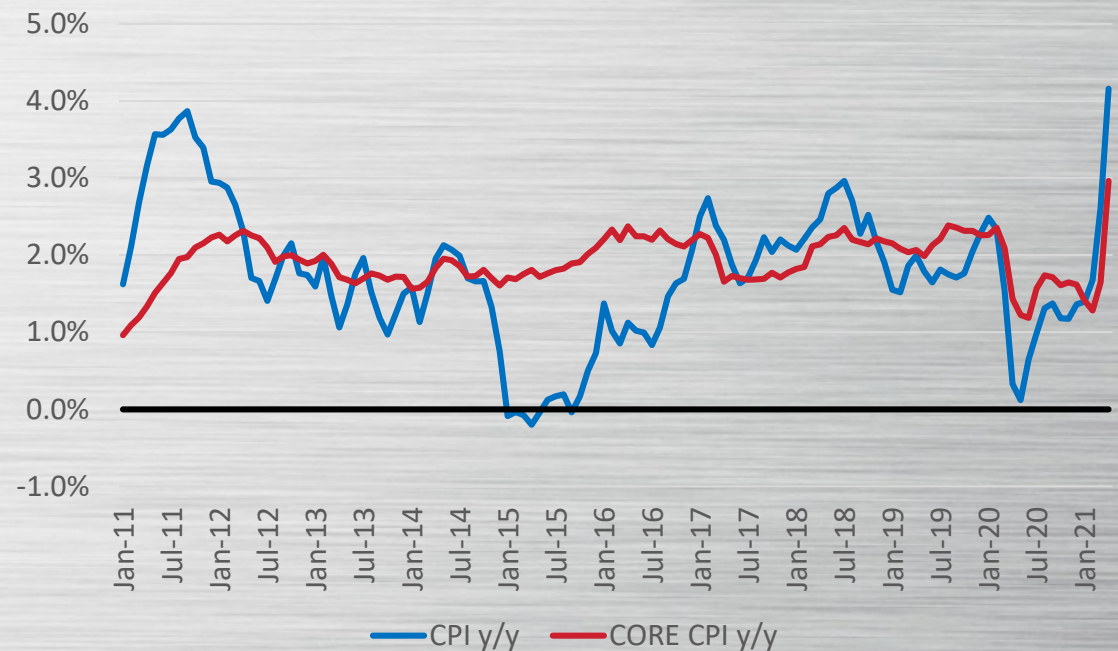
The Consumer Price Index increased 4.99% on a year-over-year basis, the fastest growth since August 2008.

- The 0.8%, month-over-month growth, was the fastest growth since March 2011.

Excluding the volatile food and energy sectors, prices increased 3.8% on a year-over-year basis.

- This was the sharpest increase since January 1976.
- The sharpest increase in prices came from used vehicles, lodging, household furnishings, airline fares, and rental cars.
 - The index for new vehicles increased 3.3% over the past 12 months, the largest 12-month increase since November 2011.

CONSUMER PRICE INDEX



LINEHAUL INDEX⁹

The Cass Truckload Linehaul Index increased again in May, climbing to 149.0.

- The index is now at a fresh all-time high for the third consecutive month.
- This is up from 146.5 in April and up from 130.6 in May 2020.

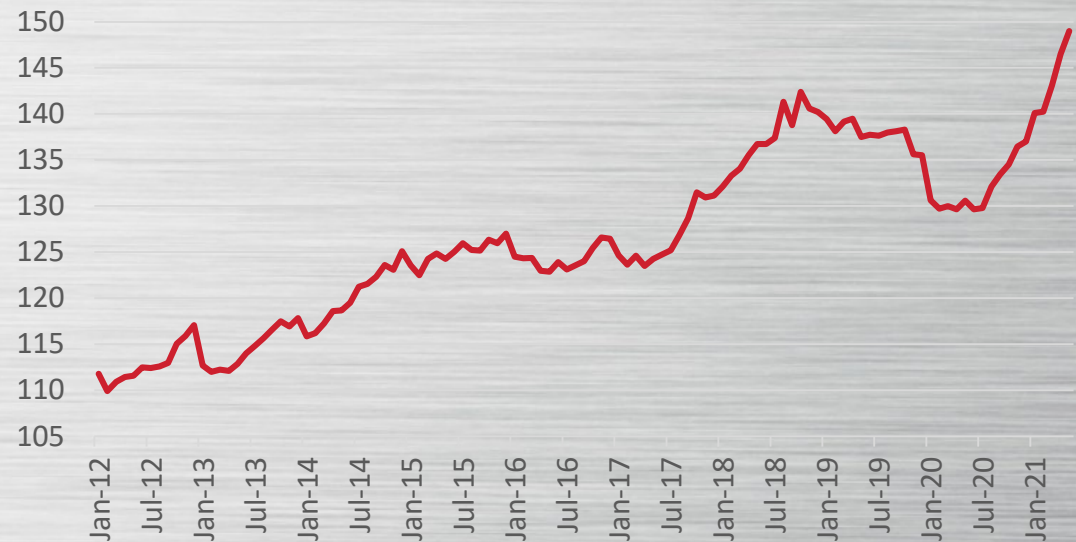
Continued strong freight demand, combined with ongoing supply constraints helped to push the index higher.

- The tightness on the supply continues to come from both sides as the market struggles to find both trucks and drivers.

The Linehaul Index is a timely indicator of market fluctuations in per-mile truckload pricing.

- The index isolates the linehaul component from other high variable components, like fuel.

LINEHAUL INDEX



SOURCES

- 1 Prime Scrap Pricing. Market Conversations: Week ending June 11, 2021.
- 2 Platts, Spot Iron Ore: June 10, 2021.
London Metal Exchange, Weekly Zinc Price and Inventory Report: June 11, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: June 11, 2021.
- 4 American Iron & Steel Institute, Weekly Domestic Steel Production: June 8, 2021.
- 5 A/C Heating and Refrigeration Institute, Heating and Cooling Equipment Shipments: April 2021.
- 6 Association of Equipment Manufacturers, Tractor and Combine Shipments: May 2021.
- 7 Department of Labor, Weekly Initial Jobless Claims: June 10, 2021.
- 8 Bureau of Labor Statistics, Consumer Price Index: May 2021.
- 9 Cass Information Systems, Linehaul Index: May 2021.

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The logo for MSUSA, featuring a stylized red 'M' followed by the text 'MSUSA' in white. The background of the entire image is a dark, textured American flag with stars and stripes, where the stars are represented by faint, embossed circular patterns.

M MSUSA

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