

CORE 06.18.21 **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

09

- ⬆ employment
- ⊖ inflation
- ⊖ trucking costs
- ⬇ retail sales

SPOT IRON ORE¹

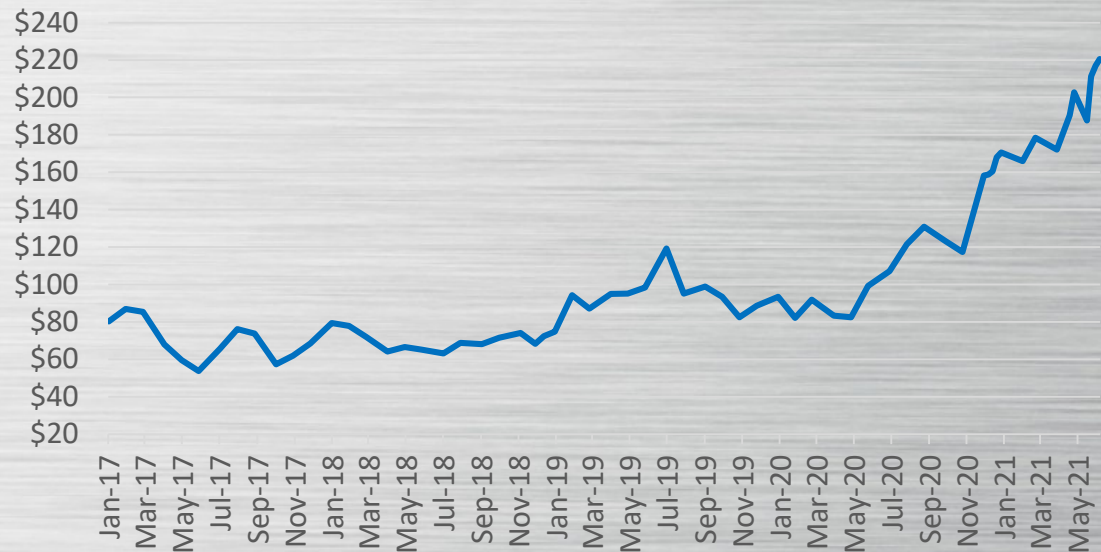
Spot iron ore pricing climbed for the third consecutive week this week.

Spot iron ore pricing ended the week at \$220.50/mt, up from \$217.00/mt a week ago.

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

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

IRON ORE COST



COST



WEEKLY ZINC PRICING²



ZINC

Zinc pricing decreased significantly this week, now at its lowest level since April 23, 2021.

Zinc pricing ended the week at \$2,873/mt (\$1.303/lb), down from \$3,011/mt (\$1.366/lb) previously.

- Despite the drop, zinc has now closed above \$1.30/lb for over a month.
- Zinc has dropped below the 20 day-moving-average, however still has support at 50 DMA (\$1.33/lb) and 100 DMA (\$1.29/lb).

Global zinc inventory decreased again this week, now down for six consecutive weeks.

- LME warehouse inventory decreased to 261,325 metric tons, from 267,750 metric tons previously.
- Shanghai warehouse inventory dropped as well, sliding from 56,582 metric tons to 50,417 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production dipped slightly last week after hitting a pandemic-era high the week prior.

U.S. mills produced an estimated 1,834k tons at an 82.6% utilization rate; this is down from 1,840k tons and an 82.3% rate previously.

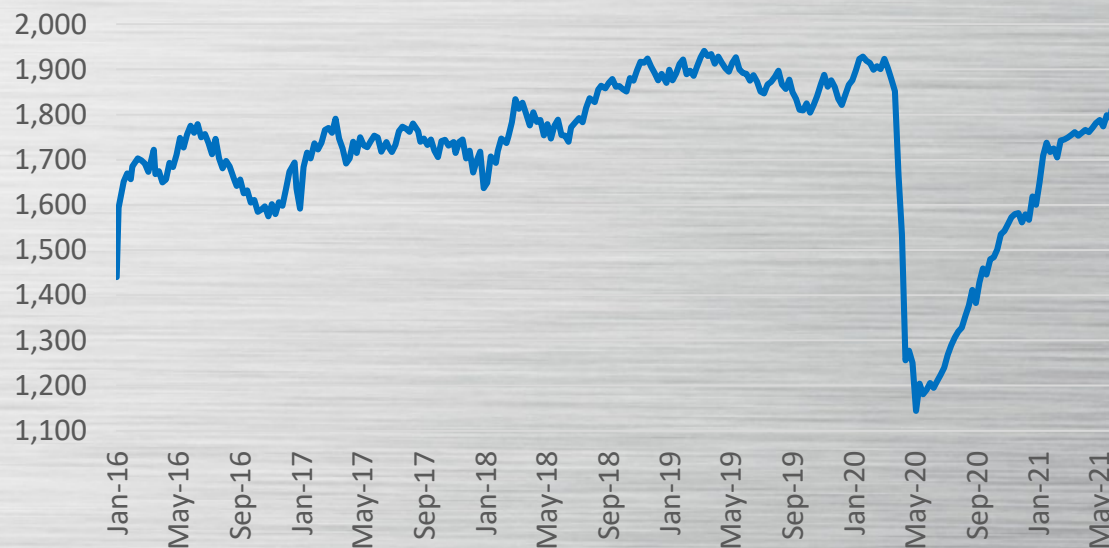
- Despite the dip, this production level represents a 44.2% increase from the same period in the previous year.

Production decreased in two of the five regions, with the largest drop (in tons) coming from the Great Lakes region.

- Production from the Great Lakes region slid from 646k tons to 627k tons.

Year-to-date production is now 10.7% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

LIGHT VEHICLE PRODUCTION⁴

Domestic light vehicle production rebounded in May after the chip shortage hit production the hardest in April.

May light vehicle production totaled 729,879 units, up 1.4% from April and up sharply from 178,493 units in May 2020.

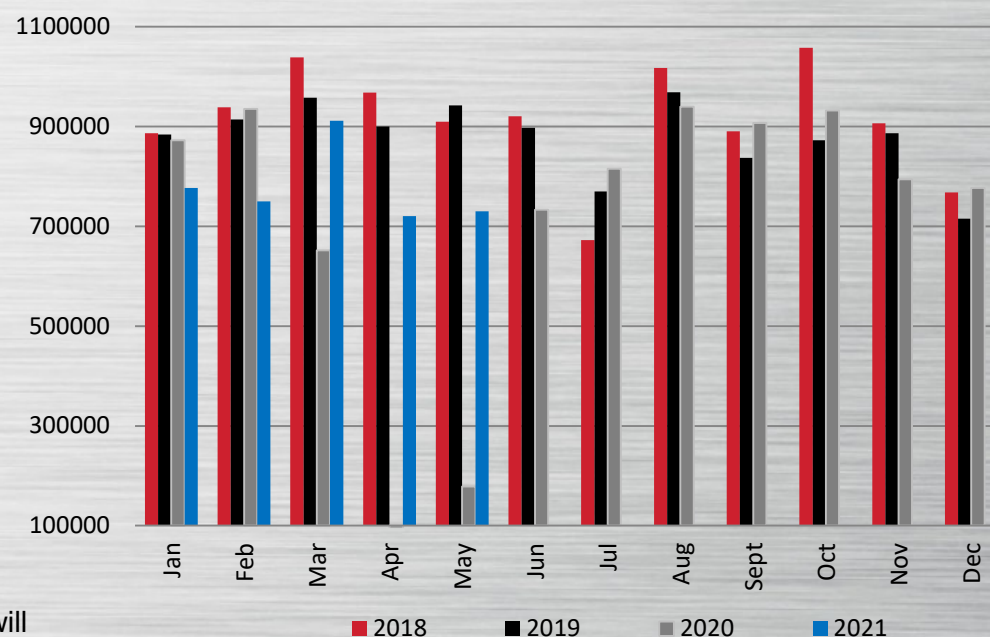
- May's total was down sharply from 941,856 units produced in May 2019 however.

A 2.5% month-over-month increase in light truck production helped to overcome the slight decline in car production.

Year-to-date light vehicle production is now up 47.0% from the same timeframe last year but down 15.4% from the total through May 2019.

- Continued strong demand and extremely lean deal inventories will put pressure on domestic producers to ramp up production throughout the remainder of the year.

U.S. LIGHT VEHICLE PRODUCTION



DEMAND

HOUSING MARKET INDEX⁵

Confidence among U.S. homebuilders remains robust in June as the Housing Market Index remains well into positive territory.

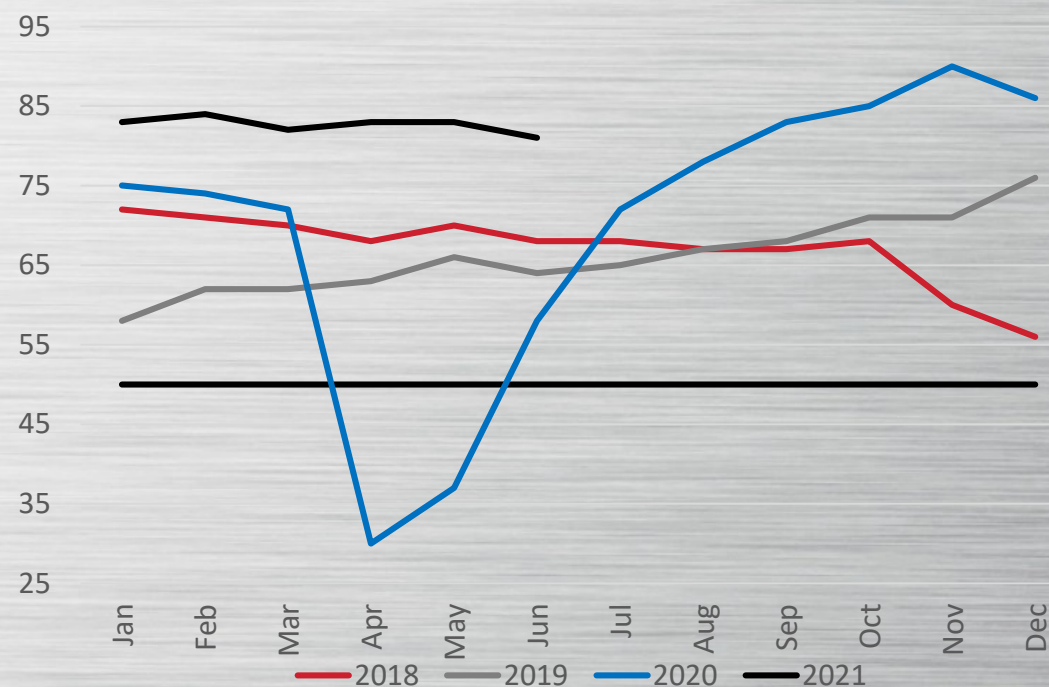
The June HMI came in at 81, a slight slowing from 83 in May but was well above the 58 level from June 2020.

- Any reading over 50 indicates an increased expectations, while any reading below 50 denotes a contraction.

All three components remained well into expansion in June with the present situation remaining the strongest at 86.

- The next six months and traffic components came in at 79 and 71, respectively.

HOUSING MARKET INDEX



HOUSING STARTS & PERMITS⁶

After a pull back in April, new housing starts rebounded in May and are now up for the second time in the last three months.

Housing starts came in at a 1.572 million unit rate in May, up 3.6% from April and up 50.5% from a 1.046 million unit rate in May 2020.

- This was the highest monthly start rate since January.

The increase in starts was seen equally in single-family and multi-family units.

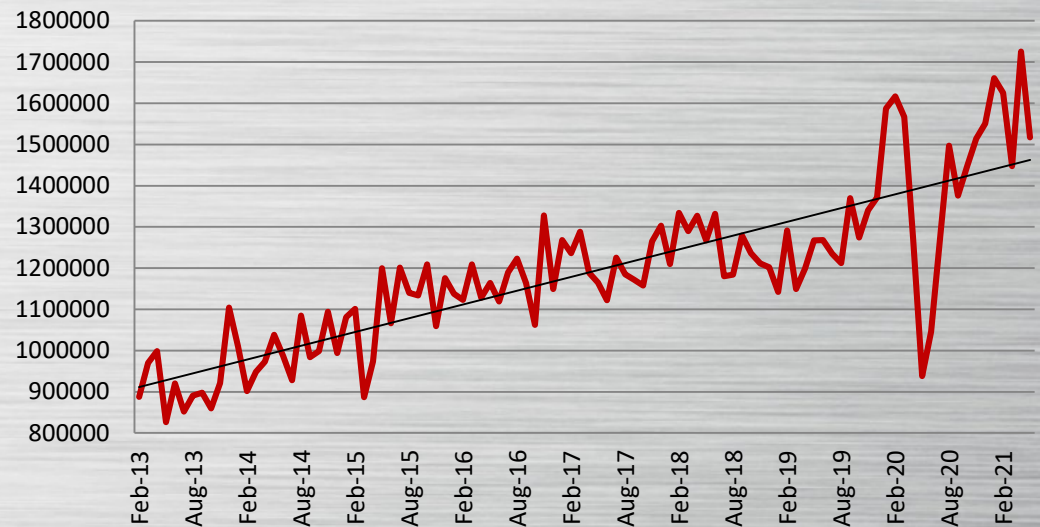
- Multi-family starts made up 30.2% of all starts in May, slightly above the five-year average of 29.6%.

Permits, an indicator of future construction, slipped slightly in May, sliding to a 1.681 million unit rate.

- This is down 3.0% from April but up 34.9% from a 1.2496 million unit rate in May 2020.

Year-to-date actual housing starts are now up 25.1% from the same timeframe last year and up 27.4% from the total through May 2019.

HOUSING STARTS (SAAR)



EMPIRE MANUFACTURING INDEX⁷

EMPIRE MANUFACTURING INDEX (2MMA)

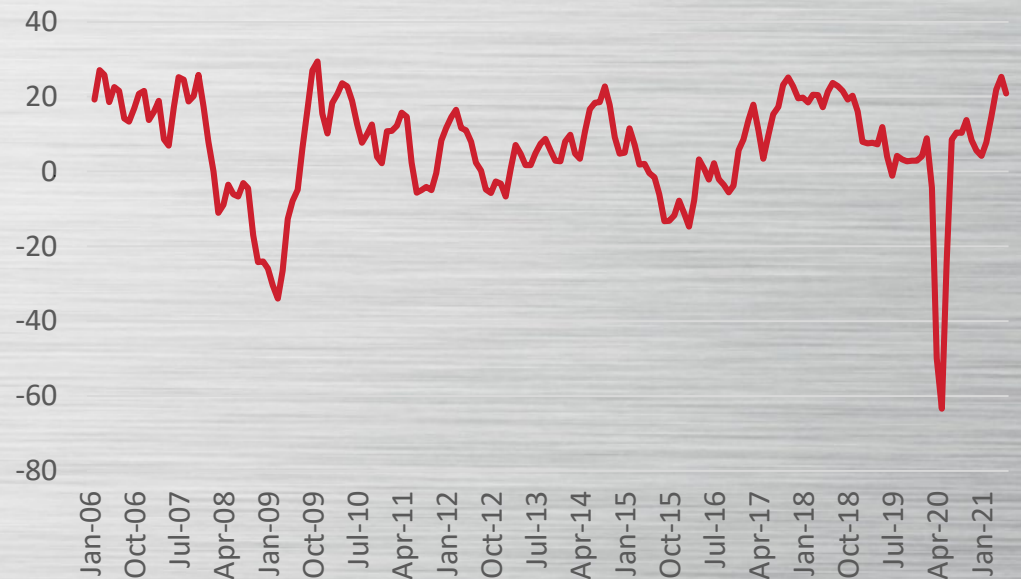
Business activity from the manufacturing sector continued to expand in June.

- The June Empire Manufacturing Index came in at 17.4, down slightly from 24.3 in May.
- The two-month average of 20.9 continues to show strong expansion.

The slight slowing of growth in June was due to more modest growth in new orders, unfilled orders, and shipments.

- Looking forward, companies remained optimistic that conditions would improve over the next six months.

The future index for employment reached a record high in June.



DEMAND

INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁸

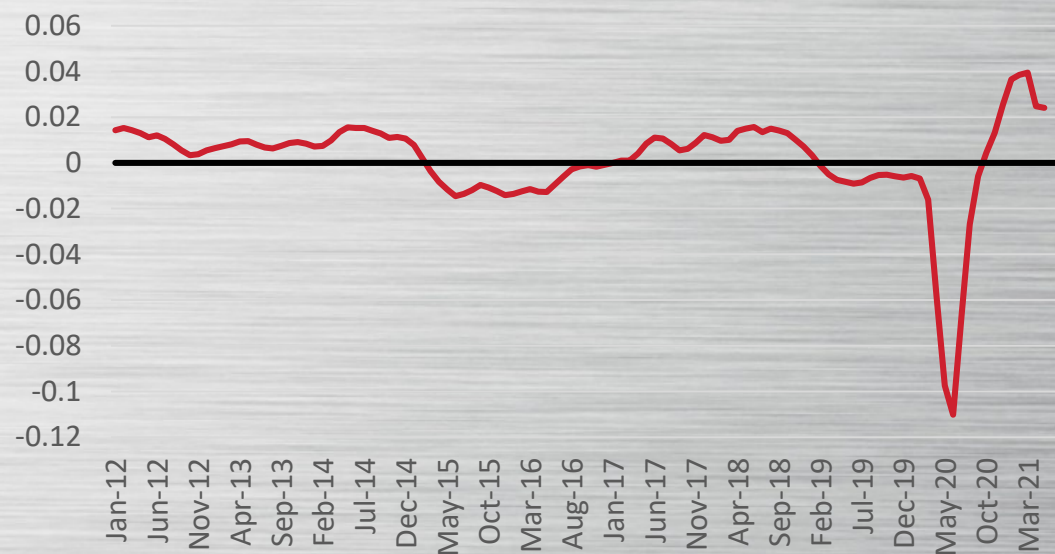
Total industrial production increased in May, climbing 0.8% from April.

- The Industrial Production Index came in at 99.9, up from a revised 99.0 in April.
 - The index was up a sharp 16.5% from 85.7 in May 2020.
- The boost in the index came from a large gain in motor vehicle assemblies and mining and utility output.

The capacity utilization rate increased to 75.2%, up from 74.6% in April and is now at its highest level since February 2020.

- The utilization rate has now increased for three consecutive months following the slowdown in February due to the deep freeze in the South.

INDUSTRIAL PRODUCTION MOMENTUM



WEEKLY INITIAL JOBLESS CLAIMS⁹

Weekly initial jobless claims unexpectedly increased last week after dropping the previous nine weeks.

The Department of Labor's Weekly Initial Jobless Claims report came in at 412,000 claims, up from 375,000 claims previously.

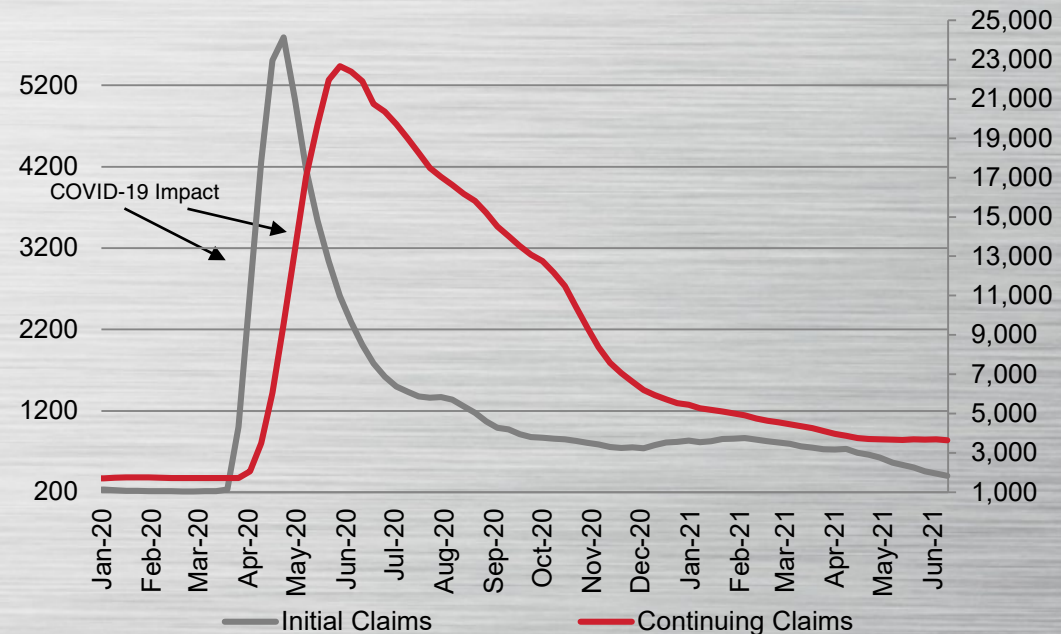
- This was the highest number of claims since May 15, 2021.
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased to 394,250, from 402,250 claims previously.

Continuing claims, or claims lasting longer than one week, came in relatively flat, climbing by 100,000.

- Continuing claims increased to 3.518 million, up from 3.517 million previously.

At the state level, all of the increases essentially came from Pennsylvania (21,590) and California (15,712).

WEEKLY INITIAL JOBLESS CLAIMS



RETAIL SALES¹⁰

RETAIL SALES (SAAR)

After climbing the previous two months, retail sales slipped slightly in May.

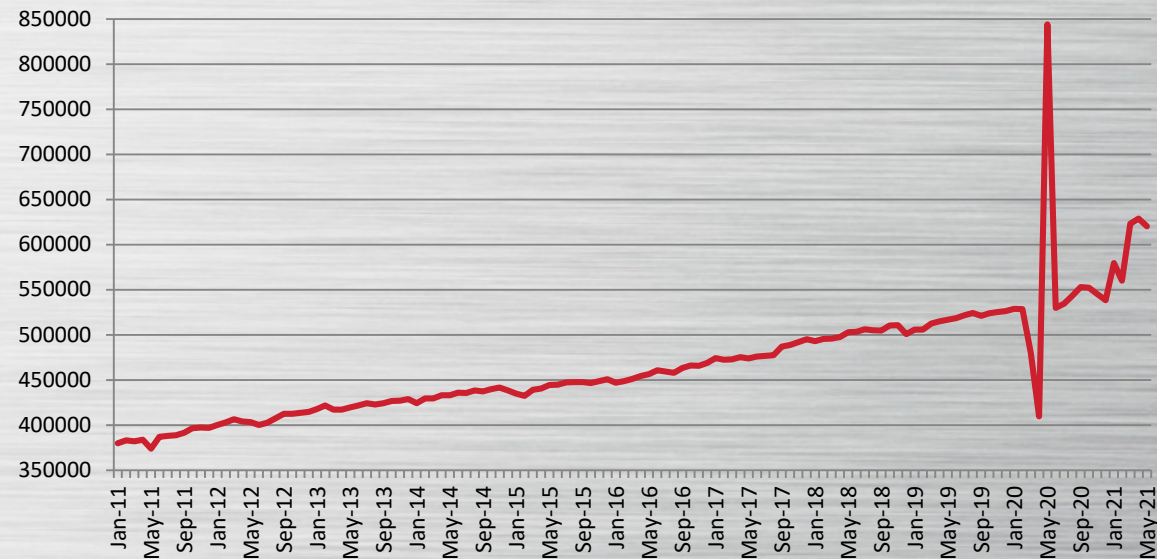
May retail sales came in at a \$620.2 billion rate, down 1.3% from April.

- Despite the decline in May, the Q2 total sales were up 36.2% from Q2 2020.

The largest declines in May came from building material & garden stores, electronic stores, and motor vehicle dealers.

- These declines more than offset increases in sales from clothing stores, health and beauty stores, and bars & restaurants.

The slowdown in May can be attributed to the left over bump in spending in April after most Americans received another stimulus check in March.



SOURCES

- 1 Platts, Spot Iron Ore: June 17, 2021.
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: June 18, 2021.
Shanghai Futures Exchange, Weekly Zinc Inventory Report: June 18, 2021.
- 3 American Iron & Steel Institute, Weekly Domestic Steel Production: June 15, 2021.
- 4 WardsAuto, US Light Vehicle Production: May 2021.
- 5 National Association of Homebuilders, Housing Market Index: June 2021.
- 6 US Census Bureau, New Residential Construction: May 2021.
- 7 New York Federal Reserve, Empire Manufacturing Index: June 2021.
- 8 Federal Reserve, Industrial Production/Capacity Utilization: May 2021.
- 9 Department of Labor, Weekly Initial Jobless Claims: June 17, 2021.
- 10 Census Bureau, Retail Sales: 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 coin-like patterns.

M MSUSA

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