

GLOBAL DEMAND SOARS DESPITE SUPPLY CHALLENGES

India's increased demand for steel and the easing of China and Australia's export ban contribute to the increase of finished steel pricing. In Europe, safeguards measures on imports will be extended. And in the U.S., demand only grows as industrial production increases and New York's manufacturing sector shows continued expansion.

INPUT COSTS

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

- The 50 DMA is holding above \$1.30/lb, which may signal a new wave of coating extra increases from domestic coated suppliers.
- Much like every material, the current supply/demand imbalance is poised to push prices even higher from here.

U.S. imported (into NOLA) pig iron pricing continued to push higher this week, reaching \$674/mt this week.

- Imported pig iron pricing is now up 5.6% from last month and up 106.2% from this time last year.
- The historical pig iron U.S. prime scrap spread is \$10-\$15; so with current pig iron pricing at this level there is room for prime scrap pricing to continue to climb in June.

U.S. crude oil pricing climbed to just under \$72/barrel early this week, hitting its highest level in more than 2 ½ years.

- Crude oil pricing has now nearly doubled since the end of October.
- Despite the recent announcement by OPEC and OPEC+ nations to ease production slowdowns, production is struggling to keep up with demand.

Pacific basin met coal pricing continued to push higher this week, climbing to its highest level since July 2019.

- Pricing increased to \$173/mt; up 2.9% w/w and up 58.7% y/y.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

SUPPLY

Domestic raw steel production slipped slightly this week after hitting a pandemic high previously.

- U.S. steelmakers produced 1.834 million tons at an 82.6% utilization rate.
 - While the utilization rate increased, the actual tons produced still lags behind due to the mothballing of some key steel producing facilities last year.
- Year-to-date production is 13.2% above the total from the same period last year but is still 8.0% below the same timeframe in 2019.

Carbon flat rolled inventory was virtually flat in May, as an uptick in hot rolled sheet inventory overcame a continued decline in coated sheet inventory.

- On the coated front, current inventory, when combined with May's sales pace, inventory equated to 28.6 days of supply.
 - This is down from 31.6 days in April and at the second lowest level since 2011.

Earlier this week the European Commission sent a note to the WTO notifying them that the EU will extend the safeguard measures on imports of steel products for an additional three years and allow a 3% increase in the tariff-rate quotas.

DEMAND

Industrial production increased in May, climbing 0.8% from April.

- The boost in the index came from a large gain in motor vehicle assemblies and an increase in mining and utility output.
- Capacity utilization continued to increase, now at its highest level since February 2020.
 - The utilization rate increased to 75.2%, up from 74.6% previously.

The Empire Manufacturing Index continued to show expansion in the manufacturing sector around the New York area.

- The June Empire Manufacturing Index came in at 17.4, a slight slowdown from 24.3 in May.
 - 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 continue to improve over the next six months.

Confidence among U.S. homebuilders remained strong in June as the Housing Market Index remained well above the key 50 mark.

- The June HMI came in at 81, a slight slowing from May but was well above the 58 reading in June 2020.
- While all three components remained in expansion, the present situation remained the strongest at 86.
 - The next six months and traffic components came in at 79 and 71, respectively.

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.

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 rebounded slightly this week to \$925/mt (\$41.96/cwt).
- Chinese HRC pricing is up 1.9% from last week and up 36.6% YTD.

ECONOMY

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

- 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.
- The largest declines in May came from building material & garden stores, health and beauty stores, and bars & restaurants.