

## GLOBAL POLICIES BOOST MATERIAL PRICING & ECONOMIC GROWTH

Economic optimism is on the rise with new domestic and global policies. OPEC/OPEC+ will boost July outputs. The Biden administration could potentially add additional tariffs on Canadian lumber opening the door for alternative building materials. China is taking action to contain steel output based carbon emissions, while the EU has extended environmental safeguards for another year.

### INPUT COSTS

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

- The 50 DMA is now 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.

As we approach the June scrap buy week, early indications are for prime scrap pricing to see a boost of roughly \$50/gt.

- This would push prime scrap pricing over \$600/gt for the first time since 2008.
- Increased demand, both domestically and offshore, tight supply, and now transportation issues are all helping to push prices higher.

Spot iron ore pricing continued to rebound after sliding recently.

- Spot iron ore pricing climbed to \$209.10/mt on Tuesday; up 9.1% w/w and up 12.1% m/m.

Crude oil pricing climbed to its highest level in two years this week on optimism from the OPEC/OPEC+ announcement that they will follow through with April's agreement to boost output in July.

- The gradual easing of production curtailments is seen as a sign that demand continues to recover as the global economy rebounds from year-plus long lockdowns.

## SUPPLY

Domestic raw steel production rebounded last week, climbing to a fresh pandemic high.

- U.S. steelmakers produced 1.836 million tons at a 81.5% utilization rate.
- Year-to-date production is 9.5% above the total from the same period last year but is still 8.2% below the same timeframe in 2019.

Last week, China's Ministry of Industry and Information Technology said it will seek to establish a mechanism to contain steel output based on carbon emissions, pollutant discharges, and energy consumption.

- Steel accounts for roughly 15% of China's carbon emissions, making it a prime target for action and increases the possibility of having an impact this time.

The EU has reportedly decided to extend safeguards for another year and increased the duty-free quotas by 5%.

- The European Steel Association states that the safeguards need to be extended as the critical conditions that led to them, like import surges from the Far East, remain.

## DEMAND

The Biden administration could double Canadian lumber tariffs, raising the tariff from 9% to 18%.

- These additional tariffs will likely continue to push lumber prices higher and limit supply.
  - This could open the door for metal studs and other building products to gain market share domestically.

Total construction spending increased again in April, climbing for the second consecutive month.

- A continued boost in residential spending helped to make up for another decline in non-residential spending.
- Residential spending now accounts for 48.4% of total spending, its highest percentage since December 2006.

Economic activity continued to grow in the manufacturing sector, now climbing for the twelfth consecutive month.

- The ISM manufacturing activity came in at 61.2, up from 60.7 in April and up from 43.1 in May 2020.
  - The New Order and Backlog of Order components showed the strongest growth.

## 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 (\$246/t) (\$12.30/cwt) over the last five weeks, the largest five-week 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 \$913/mt (\$41.41/cwt).
- Chinese HRC pricing is down 2.9% from last week but is still up 34.9% YTD.

## ECONOMY

The OECD raised its global economic growth forecast this year to 5.8% from 4.8%, citing successful government stimulus measures to fuel the recovery.

- That would be the fastest growth since 1973.

According to Bureau of Economic Analysis data, the Southwest (Arizona, New Mexico, Texas, Oklahoma, and Nevada) has added more than 100,000 manufacturing jobs from 2017-2020.

- This increase represents 30% of the total manufacturing job growth.
- Open land, local tax breaks, and growing supply of tech-savvy workers have all attributed to the boom in the region.