

RECORD HIGH PRICES & LIMITED SUPPLY HASN'T CURBED DEMAND

Demand continues to outpace supply for raw materials, finished goods, and other natural resources. In the housing market, home prices are rising and supply is becoming more restricted, straining both existing and new home sales. Crude oil prices are increasing to record highs as demand quickly recovers with help from global manufacturing and construction.

INPUT COSTS

Last week the policy makers at the Federal Reserve advised that interest rates would rise from record lows sometime in 2023.

- The more bullish position pushed the value of the dollar higher; when the dollar strengthens, commodity prices typically decline.
 - The dollar is now at its strongest level since mid-April.

The stronger dollar helped to push zinc pricing lower this week. Sliding below \$1.30/lb for the first time in over a month.

- Zinc pricing slipped to \$1.289/lb this week but longer term forecasts expect pricing to return to the recent \$1.35/lb average from the last 30 days.
 - Much like every material, the current supply/demand imbalance is poised to keep pricing from falling too far.

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

- Pricing increased to \$179/mt; up 3.3% w/w and up 59.1% y/y.
- Increasing demand from India, easing of China/Australia export ban, and higher finished steel pricing have all helped push pricing higher.

The increased vaccine rollout has lifted sentiment while a global manufacturing and construction boom is encouraging heavy consumption of crude oil, which has pushed pricing to near three-year highs.

- Demand continues to quickly recover despite restrictions still in place on international travel, which has limited jet fuel demand.
 - The increased demand has outpaced supply, despite the lifting of some production restrictions by OPEC, which remain limited.
- Crude oil pricing is now +\$73/barrel, its highest level since October 2018.

SUPPLY

Domestic raw steel production increased slightly last week after slipping slightly two weeks ago.

- U.S. steelmakers produced 1.839 million tons at an 82.9% utilization rate.
 - U.S. raw steel capacity utilization increased for the fourth consecutive week.
- Year-to-date production is 14.2% above the total from the same period last year but is still 8.0% below the same timeframe in 2019.

Global steel production slipped slightly in May, the first month-over-month decline since November.

- Global steel production came in at a rate of 5.625 million mt/day; this was down 0.5% from a 5.653 million mt/day pace in April.
 - Chinese production slipped 1.6% in May to a 3.208 million mt/day rate; the first m/m decline since November.
 - U.S. production slipped as well, sliding 1.6% to 234,000 mt/day.
 - The largest m/m increases in production came from India and Japan, which saw increases of 7.3% and 4.3%, respectively.

Carbon flat rolled imports increased again in May, climbing to their highest level since January 2019.

- Carbon flat rolled imports totaled 597,738 tons in May, up 13.1% from April and up a sharp 48.8% from May 2020.
 - While hot rolled imports slipped slightly from April, both cold rolled and coated imports saw a sharp increase.

DEMAND

The number of drill rigs operating in the United States and Canada rose again this past week, with oil prices incentivizing producers to slowly bring capacity back online.

- According to Baker Hughes, U.S. rig counts totaled 470 last week, up from 461 previously, marking the second consecutive weekly increase.
 - While still well below previous peak levels, the current active drill rigs are up sharply from last year's lows.

Record high home prices and limited supply negatively affected existing home sales in May.

- May existing home sales came in at a 5.800 million-unit rate, down 0.9% from a 5.850 million-unit rate in April; this was the fourth consecutive month-over-month decline.
 - YTD actual sales are now 24.5% above the total from the same timeframe last year and 13.2% above the total through May 2019.

The same issues that plagued existing home sales in May, limited new home sales as well.

- Low inventory and all-time high median home pricing helped push new home sales lower for the second straight month and for the third time in the last four months.

PRICE

Steel pricing 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 tenth 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 declined slightly this week to \$905/mt (\$41.05/cwt).
- Chinese HRC pricing are down 1.1% from last week but still up 33.7% YTD.

ECONOMY

The May Chicago Fed National Activity Index showed a rebound from April.

- The May CFNAI came in at 0.29, up from -0.09 in April.
 - The three-month average is up to 0.81, the highest level since October.
- The CFNAI tracks overall economic activity and any reading above 0.0 corresponds to growth above trend and a negative index corresponds to growth below trend.