MAJESTIC STEEL USA

# MARKET 06.09.21 UPDATE

## INDUSTRY RECORDS CONTINUE TO BREAK WEEK OVER WEEK

With the current market's strong upward momentum, records continue to break across all indictors. Input costs setting new 52 week highs push steel prices to new heights. Domestic steel production is increasing; however, inventory levels are at lowest levels in over a decade. While economic indicators continue to show the highest levels on record, it is safe to assume that this upward momentum will continue.

## 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 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.

After remaining flat for two consecutive months, domestic prime scrap pricing jumped sharply in June.

- The Chicago #1 busheling pricing settled at $610/gt, up $60/gt from May.
    - This is the highest prime scrap pricing has been since August 2008.
- Increased demand, both domestically and offshore, tight supply, and now transportation issues are all helping to push prices higher.

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

- Pricing increased to $167/mt; up 8.1% w/w and up 53.2% m/m.
- 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 continued to climb higher, climbing to a fresh pandemic high last week.

- U.S. steelmakers produced 1.840 million tons at an 82.3% utilization rate.
  - While the utilization rate is near its recent peak, the actual tons produced still lags behind due to the mothballing of some key steel producing facilities last year.
- Year-to-date production is 12.1% above the total from the same period last year but is still 8.02% below the same timeframe in 2019.

Nucor announced continued downstream integration this week by acquiring the insulated metal panel business from Cornerstone Building Brands (CBB), the largest manufacturer of exterior building products in North America.

- The transaction included products sold under the Metl-Span and CENTRIA brands and is expected to close in the second half of 2021.
- In conjunction with the sales, Nucor and CBB will enter into a long-term supply agreement.

## DEMAND

After a slight slowdown in April, U.S. light vehicle sales rebounded in May.

- Light vehicle sales totaled 1.578 million, up 2.9% from April and up 41.0% from May 2020.
- YTD light vehicle sales are now up 31.7% from the same time last year and up 1.5% from the same time in 2019.

May light vehicle inventory declined sharply, sliding to 1.510 million units. The lowest since August 2009.

- This is down 23.5% from April and down 42.1% from May 2020.
- When combined with May sales, current inventory equates to 25 days of supply; the lowest level on record.

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

## ECONOMY

The U.S. added 559,000 jobs in May, up from a revised 278,000 jobs added in April.

- YTD the U.S. has added 2.391 million jobs.
- In May, the manufacturing sector added 23,000 jobs, 4,500 of those coming from metal fabrication.
    - While overall construction lost 20,000 jobs, building construction actually added 4,900 jobs.

The Logistics Managers Index came in at 71.3 in May, while down slightly from April, this still indicates a significant rate of growth.

- The 74.5 reading in April was the second highest level on record.
    - This is the seventh of the last nine readings to come in above 70, which is well above the all-time average of 63.3.
- This continued rate of growth is largely due to the ongoing tightness in capacity, growth in utilization of what capacity is available, and the subsequent increase in costs across the board.