

CORE 07.16.21 **REPORT**

COST

01

- ⊖ scrap
- ⬆ iron ore
- ⊖ energy
- ⬆ zinc
- ⊖ coking coal

SUPPLY

03

- ⊖ lead times
- ⬆ production
- ⊖ imports
- ⊖ inventories

DEMAND

04

- ⊖ automotive
- ⊖ construction
- ⊖ appliance
- ⬆ manufacturing
- ⬇ agriculture
- ⊖ durable goods

ECONOMIC

07

- ⬆ employment
- ⬆ trucking
- ⬆ retail sales
- ⬆ inflation

SPOT IRON ORE¹

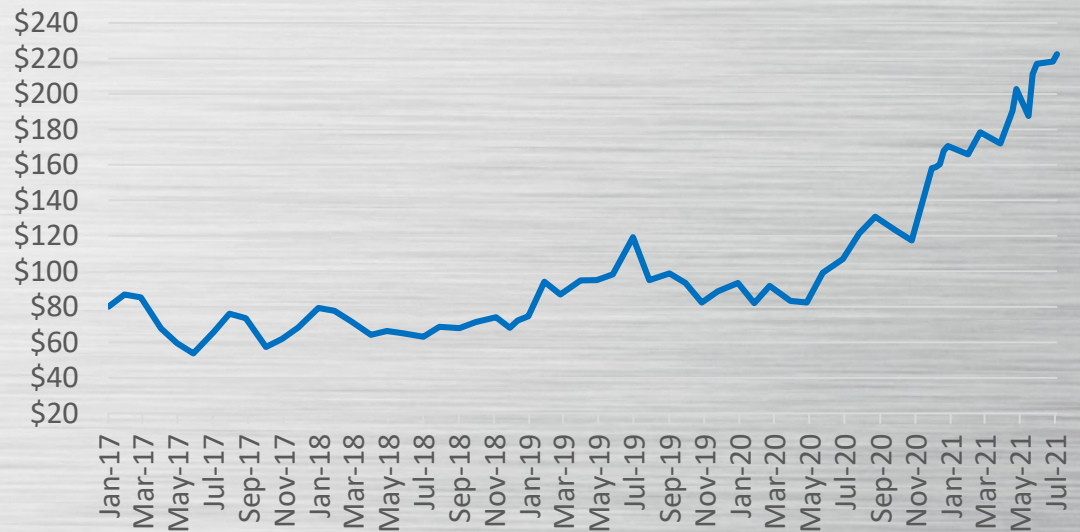
Spot iron ore pricing continued its upward momentum this week after a flat reading the prior week.

Spot iron ore pricing ended the week at \$222.30/mt, up from \$218.20/mt a week ago.

- This is the highest reading since the all-time high of \$233.10/mt seen in mid-May.

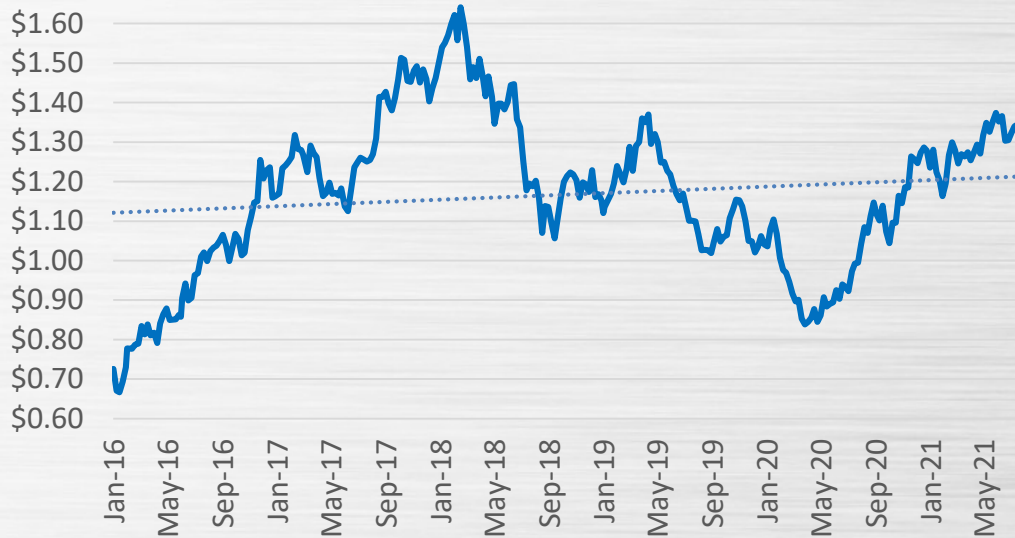
Global demand for steel continues to grow along with record steel mill margins, and major iron ore producers have made plans to increase their output capacity to keep up.

IRON ORE COST



COST

WEEKLY ZINC PRICING²



ZINC

Zinc pricing climbed slightly this week, now up for the fourth consecutive week.

Zinc pricing ended the week at \$2,966/mt (\$1.345/lb), up from \$2,955/mt (\$1.340/lb) previously.

- While progress in U.S. infrastructure talks is providing overall support, the increase of global COVID outbreaks could be a headwind on downstream manufacturing demand.

Global zinc inventory decreased again this week, now down for the tenth consecutive week.

- LME warehouse inventory decreased to 248,745 metric tons, from 251,200 metric tons previously.
- Shanghai warehouse inventory dropped slightly from 33,116 metric tons to 30,053 metric tons.

SUPPLY



WEEKLY DOMESTIC STEEL PRODUCTION³

Domestic raw steel production increased again last week, climbing to its highest utilization rate in thirteen years.

U.S. mills produced an estimated 1,852k tons at an 83.6% utilization rate; this is up from 1,842k tons and an 83.0% rate previously.

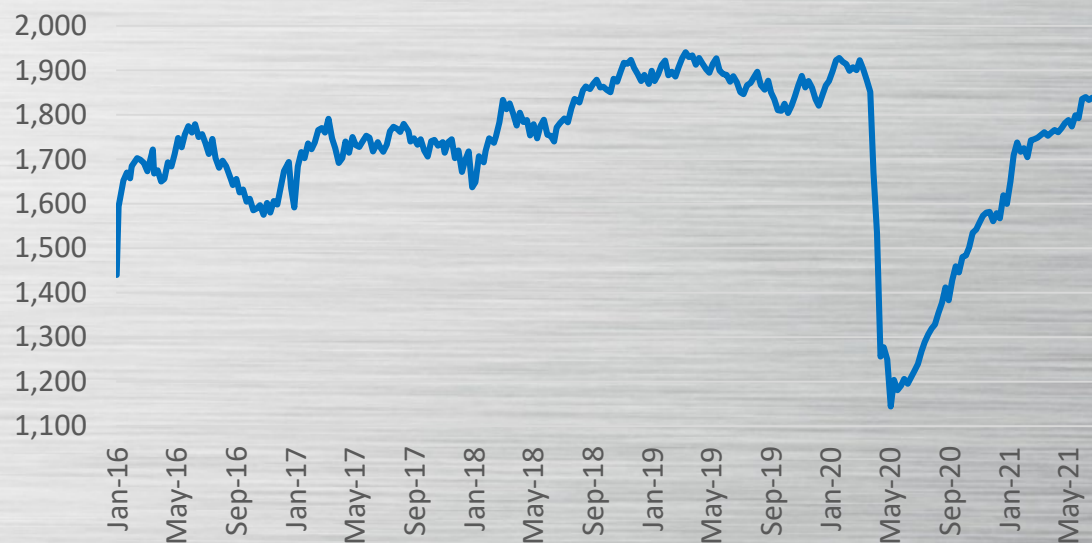
- This is the highest utilization rate since September of 2008 when it was 85.0%.

Production decreased in three of the five regions, but was offset by a substantial increase in the Southern region.

- Production from the Southern region climbed from 772k tons to 804k tons.

Year-to-date production is now 14.9% above the same timeframe from last year.

WEEKLY DOMESTIC PRODUCTION



DEMAND

EMPIRE MANUFACTURING INDEX⁴

Business activity, from the manufacturing sector, in New York continues to grow at record-setting pace.

The July Empire Manufacturing index came in at 43.0, up 26.0 points from June.

- The two-month average increased as well, climbing to 30.2.
- This is up from 20.9 in May and is at its highest level on record.

Both the new order and shipments components increased sharply in July, climbing to 33.2 and 43.8, respectively.

- Any reading over 50 indicates growth, while any reading below 50 denotes contraction.

While inventories increased slightly, delivery times continue to lengthen substantially.

EMPIRE MANUFACTURING INDEX (2MMA)



DEMAND

INDUSTRIAL PRODUCTION/ CAPACITY UTILIZATION⁵

Industrial production continued to rebound in June, climbing 0.4% from May.

- The Industrial Production Index came in at 100.1, up from 99.7 in May and up sharply from 91.2 in June 2020.
 - This was the first time the index was above 100 since February 2020.

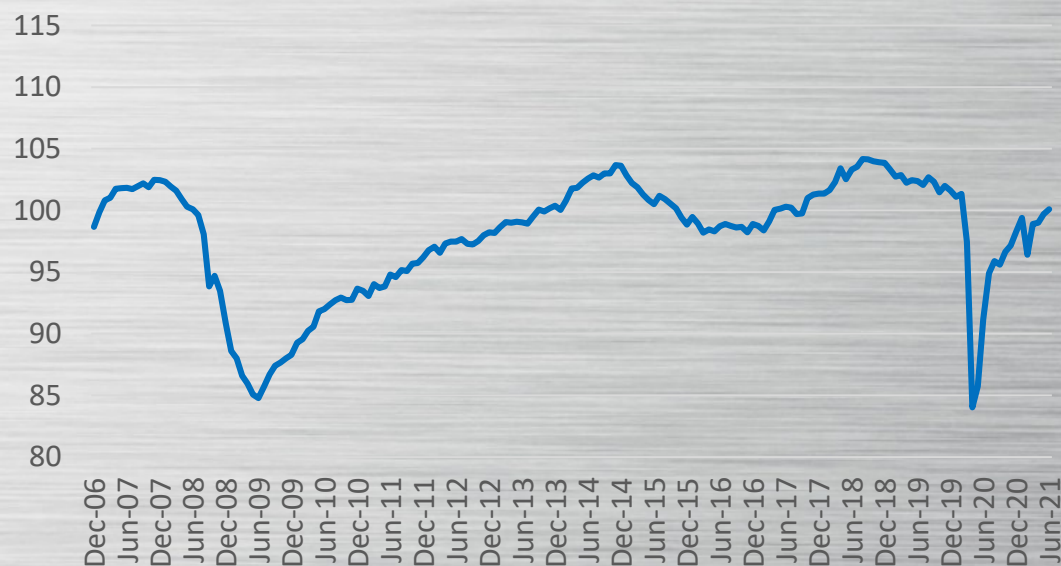
The manufacturing component slipped slightly, edging down 0.1% in June.

- This was solely due to the sharp 6.6% decline in production of motor vehicles as the auto industry continues to combat the semiconductor shortage.

Total capacity utilization increased as well in June, climbing to 75.4%; up from 75.1% in May.

- Despite the recent uptick in utilization rates, the current level remains below the long-run average indicating that there is more room to improve on the upside.

INDUSTRIAL PRODUCTION INDEX



TRACTOR & COMBINE SHIPMENTS⁶

TRACTOR & COMBINE SHIPMENTS

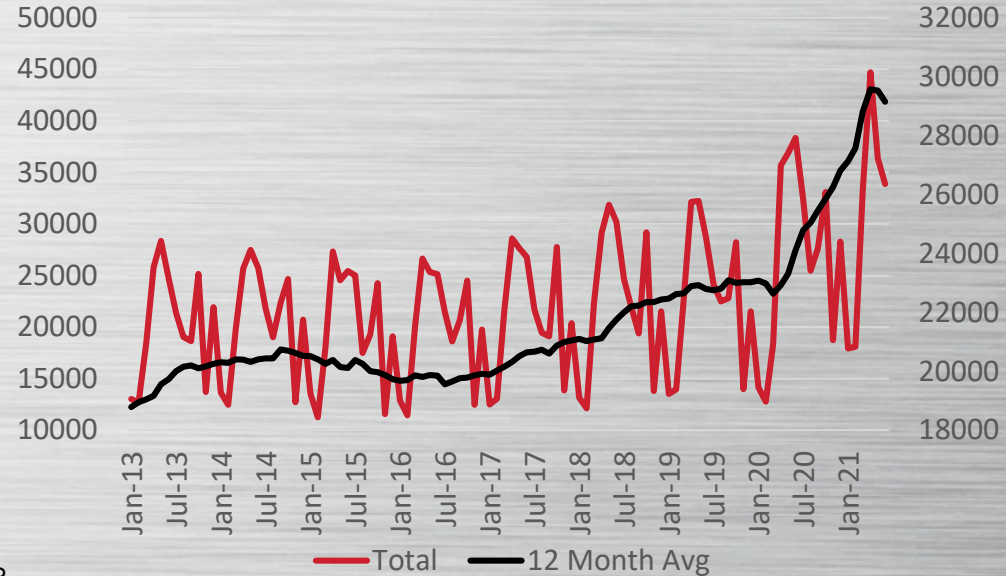
Total North American (Canada and U.S.) tractor and combine shipments slipped slightly in June.

- Tractor and combine shipments totaled 33,867 units, down 6.9% from May and down 11.7% from 38,338 units in June 2020.
 - This was the second consecutive month in which shipments declined on a year-over-year basis.

On a year-over-year basis, to smooth seasonality, both tractor and combine shipments saw declines.

- While tractors declined 11.8%, combines saw a less severe 1.6% decline.

Despite the recent decline, year-to-date shipments are still up 17.9% from the first half of last year.



WEEKLY INITIAL JOBLESS CLAIMS⁷

Weekly initial jobless claims dropped last week, sliding to a new pandemic-era low.

The Department of Labor's Weekly Initial Jobless Claims report came in at 360,000 claims, down from 386,000 claims previously.

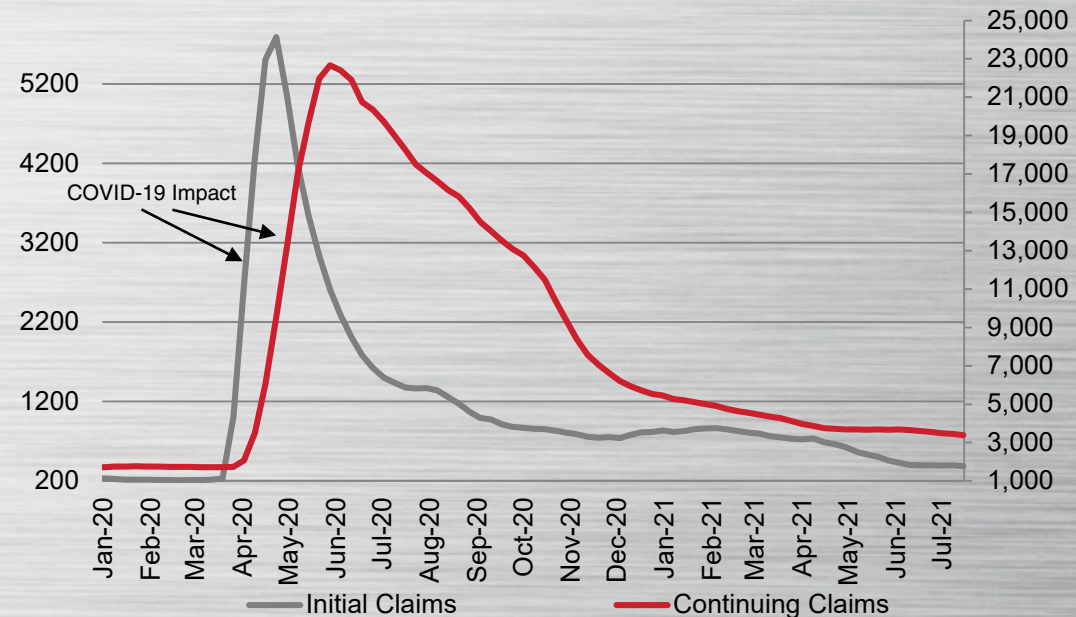
- The four-week moving average, considered a better measure of the labor market as it irons out week-to-week volatility, decreased slightly to 383,000, from 397,500 claims previously.

Continuing claims, or claims lasting longer than one week, decreased, now down three out of the last four weeks.

- Continuing claims dropped to 3.241 million, down from 3.367 million previously.

At the state level, Oklahoma saw the largest drop in claims with 17,664, followed by Massachusetts (7,878) and Washington (7,643).

WEEKLY INITIAL JOBLESS CLAIMS



FREIGHT SHIPMENTS & RATES⁸

Despite a slight slowdown in shipments in June, the acceleration seen in freight rates hardly skipped a beat.

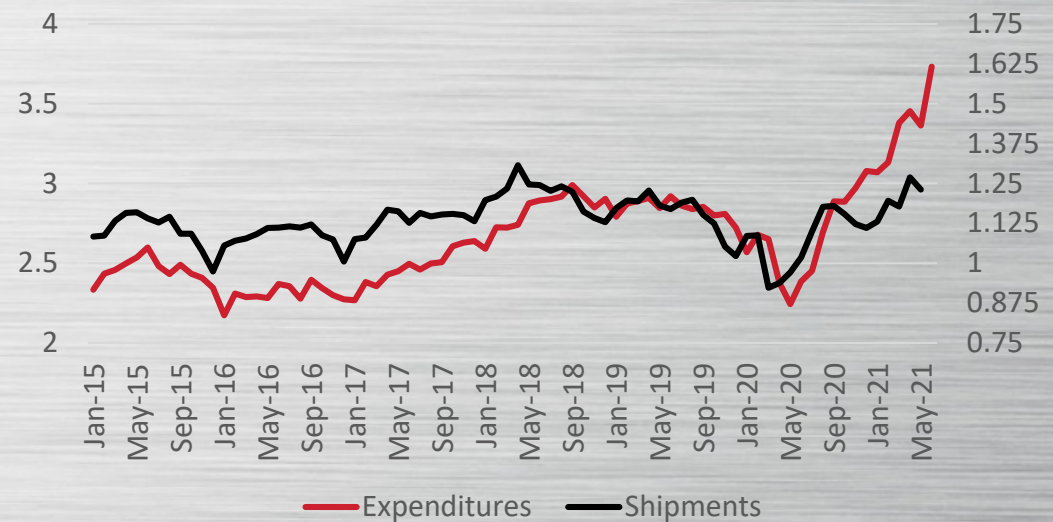
While the Cass Freight Shipment Index slipped to 1.231, down 3.0% from May, the Cass Freight Expenditures Index increased to 3.732.

- The Expenditures Index, which measures the cost of moving freight, increased a sharp 11.0% from May and was up 56.4% from June 2020.
- This was the largest, year-over-year, increase ever for the Expenditures Index.

A simple calculation of expenditures divided by shipments produces an implied freight rate.

- The implied freight rate in June was 3.03, up from 2.65 in May and was at its highest level in recent history.

FREIGHT SHIPMENTS & EXPENDITURES



ECONOMIC

▲ RETAIL SALES⁹

After slipping in May, total retail sales regained its upward momentum in June.

Total June spending came in at a \$621.3 billion rate, up 0.6% from May and up 18.0% from a \$526.7 billion rate in June 2020.

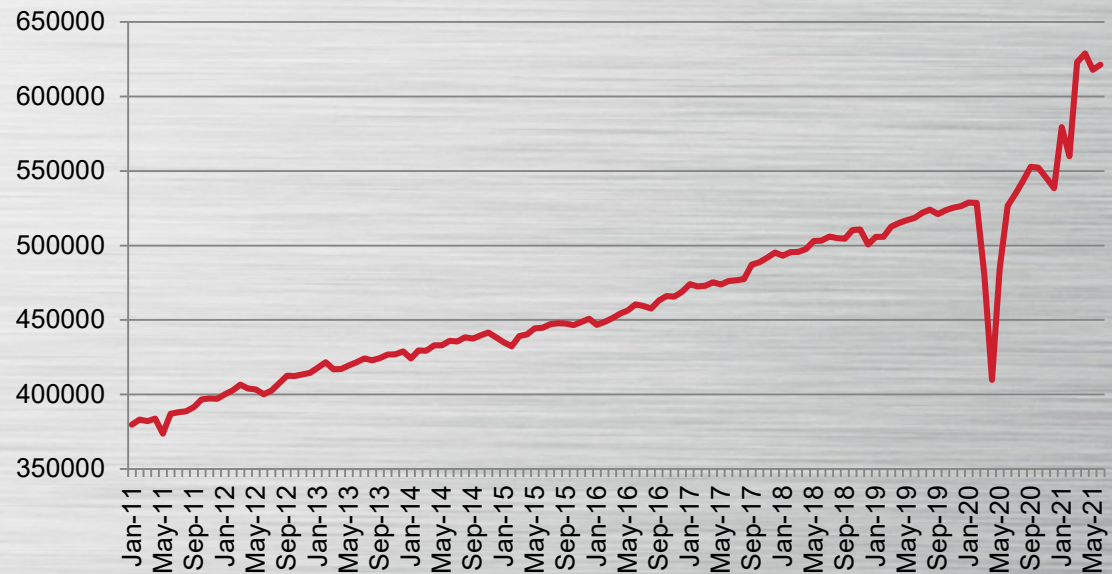
- This was the fourth consecutive month to see a year-over-year increase of at least 18%.

The largest increases in spending came from department stores, electronic stores, and clothing stores.

- These increases helped to overcome declines seen from motor vehicle dealers, furniture stores, and sporting good stores.
 - Building material and garden stores also saw a slight decline in June.

Year-to-date actual sales are now up 22.8% from the first half of 2020 and are up 18.3% from the first half of 2019.

RETAIL SALES (SAAR)



CONSUMER PRICE INDEX¹⁰

Prices paid by consumers continued to increase sharply in June.

The Consumer Price Index came in at 271.7, up 0.93% from May and up a sharp 5.39% from June 2020.

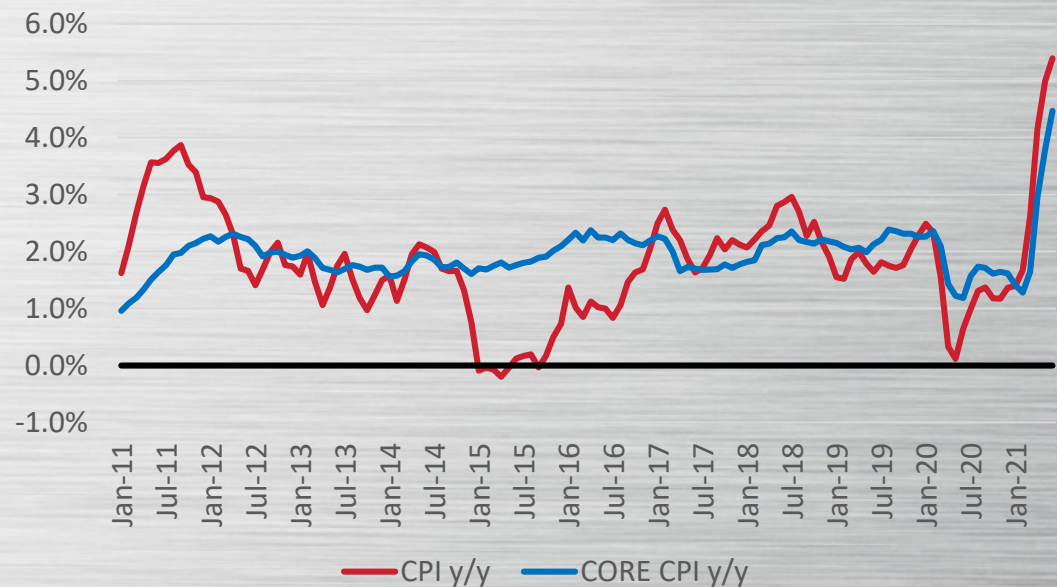
- This was the largest year-over-year increase in prices paid by consumers since July 2008.

Prices paid for items excluding the volatile food and energy groups saw nearly an equally high increase.

- Core-CPI prices increased 0.84% from May and 4.47% from June last year.
 - The index for used cars and trucks increased 10.5% on a m/m basis in June; the largest monthly increase since 1953.
 - Other sectors seeing increases in prices include: new cars, rent, lodging away from home, apparel, and recreation.

The index for medical care increased 0.4% over the last year, the smallest 12-month increase since March 1941.

CONSUMER PRICE INDEX



SOURCES

- 1 Platts, Spot Iron Ore: July 15, 2021
- 2 London Metal Exchange, Weekly Zinc Price and Inventory Report: July 16, 2021.
- 3 Shanghai Futures Exchange, Weekly Zinc Inventory Report: July 16, 2021.
- American Iron & Steel Institute, Weekly Domestic Steel Production: July 13, 2021
- 4 New York Federal Reserve, Empire Manufacturing Index: July 2021.
- 5 The Federal Reserve, Industrial Production/Capacity Utilization: June 2021.
- 6 Association of Equipment Manufacturers, Tractor and Combine Shipments: June 2021
- 7 Department of Labor, Weekly Initial Jobless Claims: July 15, 2021.
- 8 Cass Information Systems, Cass Freight Shipment and Expenditure Index: June 2021.
- 9 US Census Bureau, Retail Sales: June 2021
- 10 Bureau of Labor Statistics, Consumer Price Index: June 2021.

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